

Møre Boligkreditt AS

A company in the Sparebanken Møre Group

3 quarter 2020

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 90 million in the third quarter of 2020, compared to NOK 82 million in the third quarter of 2019. Net interest income amounts to NOK 100 million, compared to NOK 80 million in the same quarter last year. Costs amounts to NOK 11 million in the third quarter of 2020, compared to NOK 10 million in the corresponding quarter in 2019.

Expected credit loss (ECL) for Møre Boligkreditt AS is reduced with NOK 1 million in the third quarter of 2020 compared to a reduction in ECL with NOK 10 million in the corresponding quarter in 2019.

Net change in value of debt securities in the third quarter of 2020 is negative with NOK 1 million, compared to positive with NOK 1 million in the corresponding quarter of 2019.

Net loans to and receivables from customers was reduced with NOK 2,012 million in the third quarter of 2020. One bond loan matured in the third quarter of 2020, and one new private placement bond loan of EUR 30 million was placed.

Profit after tax amounts to NOK 70 million in the third quarter of 2020, compared to NOK 64 million in the corresponding quarter in 2019. Taxes amounts to NOK 20 million in the third quarter of 2020, compared to NOK 18 million in the corresponding quarter in 2019.

Third quarter end results

By third quarter end 2020 the financial statements show a pre-tax profit of NOK 210 million, compared to NOK 206 million by third quarter end 2019. Net interest income amounts to NOK 250 million by third quarter end 2020, compared to NOK 226 million by end of same period last year. Costs in the period ending 30 September 2020 amounts to NOK 37 million, compared with NOK 33 million for the corresponding period in 2019.

Net losses in value of debt securities issued and related derivatives is NOK 2 million at third quarter end 2020, compared to no losses by end of third quarter 2019.

Profit after tax amounts to NOK 164 million in the first nine months of 2020, compared to NOK 161 million in the corresponding period of 2019. Taxes amounts to NOK 46 million in the first nine months of 2020 compared to NOK 45 million in the first nine months of 2019.

Changes in value of basis swap spreads are charged to other comprehensive income (OCI) with NOK 6 million after tax by third quarter end in 2020, compared to being added with NOK 1 million by third quarter end in 2019.

Financial position

Møre Boligkreditt AS has thirteen bond loans outstanding at 30 September 2020 with total debt securities issued of NOK 24,871 million, compared to NOK 22,988 million outstanding at 30 September 2019.

Total assets at third quarter end 2020 amounts to NOK 30,871 million compared to NOK 25,511 million at

third quarter end 2019. Net lending amounts to NOK 26,724 million at third quarter end 2020, compared to NOK 23,261 million at third quarter end 2019. ECL model calculations as at 30 September 2020 show expected credit loss of NOK 5 million for Møre Boligkreditt AS, compared with NOK 3 million as at 30 September 2019.

At third quarter end 2020, the mortgages in the cover pool have an average loan-to-value ratio of 57 per cent, calculated as mortgage amount relative to the value of the property used as collateral.

At third quarter end 2020, substitute assets and derivatives included in the cover pool amount to NOK 2,620 million, compared to NOK 1,898 million at third quarter end 2019. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt is 16.2 per cent as at 30 September 2020, compared to 7.3 per cent as at 30 September 2019.

Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounts to NOK 529 million at 30 September 2020, reporting total LCR of 158 per cent by the end of third quarter 2020.

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 2,208 million by end of third quarter 2020, compared to NOK 2,212 million by end of third quarter 2019. Risk weighted assets amounts to NOK 6,709 million by end of third quarter 2020. Net equity and subordinated loan capital amounts to NOK 2,001 million by end of third quarter 2020, compared to NOK 2,006 million by end of third quarter 2019. This corresponds to a Common Equity Tier 1 capital ratio of 29.8 per cent as at 30 September 2020. Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

Outlook

Mainland Norway GDP growth of 0.6 percent in August is in line with The Department of Finance forecast of a 3.1 percent decline in 2020, followed by a 4.4 percent growth in 2021. Although we still see reports of new Covid-19 cases in Norway, the extensive measures to combat the virus outbreak have slowly been lifted, and development so far suggest that the virus have been contained.

The steep increase in unemployment in March and April, a direct consequence of the measures taken to fight the virus, is reversing. In September, national level of unemployment was reported down to 3.7 per cent, and 3.1 per cent in the county of Møre og Romsdal. Central eastern parts of Norway report somewhat higher levels of unemployment, with 4.8 per cent in Oslo, due to both higher concentration of service sector employment combined with a higher number of Covid-19 cases.

Norges Bank kept the key policy rate at zero in their last meeting, September the 24th. Core inflation fell by 0.4 percentage points in September to 3.3 percent year-over-year, and is expected to fall further and also below inflation target of 2 percent during 2021. The published rate path indicates the first hike in policy rate of 0.25 percentage points in the second half of 2022.

Housing prices increased by 1.3 per cent seasonally adjusted in September 2020 and was up 5.8 per cent as a national average the last 12 months. House prices are expected to increase further due to gradual lifting of Covid-19 restrictions, low mortgage interest rates and improving labour market. Reversal of the March Covid-19 easing in the mortgage loan regulations from 1st of October 2020 is likely to lead to a lower growth in house prices the coming quarters.

We expect unemployment levels both on national levels and in the county of Møre og Romsdal to further decline but at a more moderate pace. Most of the temporarily laid off are likely to come back to work, but we still expect to see higher unemployment levels going forward than before Covid-19.

The long-term financial implications of the virus are difficult to predict, but the Board believes that the efforts to minimise the potential negative consequences of the outbreak have been successful, and that the financial implications for Møre Boligkreditt AS have not been significant.

Ålesund, 30 September 2020
21 October 2020

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 - compressed

(NOK million)	Notes	Q3 2020	Q3 2019	30.09.2020	30.09.2019	2019
Interest income from assets assessed at amortised cost	<u>2</u>	148	196	522	536	757
Interest income from assets assessed at fair value	<u>2</u>	10	0	20	6	7
Interest expenses	<u>2</u>	58	116	292	316	456
Net interest income	<u>2 6</u>	100	80	250	226	308
Commission income		1	1	1	1	1
Net change in value of securities and related derivatives		-1	1	-2	0	-4
Total income		100	82	249	227	305
Wages, salaries and general administration costs		0	1	2	2	3
Other operating costs	<u>6</u>	11	9	35	31	42
Total operating costs		11	10	37	33	45
Profit before impairment on loans and taxes		89	72	212	194	260
Impairment on loans	<u>3</u>	-1	-10	2	-12	-11
Pre-tax profit		90	82	210	206	271
Taxes		20	18	46	45	49
Profit after tax		70	64	164	161	222

STATEMENT OF COMPREHENSIVE INCOME - compressed

(NOK million)	Q3 2020	Q3 2019	30.09.2020	30.09.2019	2019
Profit after tax	70	64	164	161	222
Items that may subsequently be reclassified to the income statement:					
Basis swap spreads - changes in value	-7	-1	-7	1	2
Tax effect of basis swap spreads	1	1	1	0	0
Total comprehensive income for the period	64	64	158	162	224

Statement of financial position

ASSETS - compressed

(NOK million)	Notes	30.09.2020	30.09.2019	31.12.2019
Loans to and receivables from credit institutions 1)	<u>4 6</u>	1 800	1 431	827
Loans to and receivables from customers	<u>2 3 4</u>	26 724	23 261	25 655
Certificates and bonds	<u>4 5</u>	529	80	678
Financial derivatives	<u>4 5</u>	1 816	730	589
Deferred tax asset		0	9	0
Other assets		2	0	0
Total assets		30 871	25 511	27 749

1) NOK 892 million out of total NOK 1,800 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)	Notes	30.09.2020	30.09.2019	31.12.2019
Loans from credit institutions 2)	<u>4 6</u>	3 526	235	2 296
Debt securities issued	<u>4 5 6</u>	24 871	22 988	23 062
Financial derivatives	<u>4 5</u>	103	28	45
Tax payable		84	48	10
Incurring costs and prepaid income		16	0	0
Deferred tax		63	0	62
Total liabilities		28 663	23 299	25 475
Share capital		1 875	1 875	1 875
Share premium		175	175	175
Paid-in equity		2 050	2 050	2 050
Other equity		0	0	224
Total comprehensive income for the period		158	162	0
Retained earnings		158	162	224
Total equity	<u>7</u>	2 208	2 212	2 274
Total liabilities and equity		30 871	25 511	27 749

2) NOK 892 million out of total NOK 3,526 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

30.09.2020

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2019	2 274	1 875	175	224
Dividends	-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.

30.09.2019

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2018	1 767	1 425	175	167
Issue of share capital	450	450		
Dividends	-167			-167
Total comprehensive income for the period	162			162
Equity as at 30 September 2019	2 212	1 875	175	162

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

31.12.2019

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2018	1 767	1 425	175	167
Issue of share capital	450	450		
Dividends	-167			-167
Total comprehensive income for the period	224			224
Equity as at 31 December 2019	2 274	1 875	175	224

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 2019 amounted to NOK 224 million.

Statement of cash flow

(NOK million)	30.09.2020	30.09.2019	31.12.2019
Cash flow from operating activities			
Interest, commission and fees received	539	542	758
Interest, commission and fees paid	-28	-4	-9
Operating expenses paid	-37	-33	-45
Income taxes paid	30	-51	-22
Payment for acquiring loans from the Parent Bank	-6 742	-4 785	-9 088
Payment related to instalment loans and credit lines to customers	5 671	4 945	6 854
Net cash flow from operating activities	-567	614	-1 552
Cash flow from investing activities			
Received interest, commission and fees related to certificates, bonds and other securities	4	6	7
Proceeds from the sale of certificates, bonds and other securities	630	1 716	1 746
Purchases of certificates, bonds and other securities	-483	-1 284	-1 911
Changes in other assets	-7	1	-3
Net cash flow from investing activities	144	439	-161
Cash flow from financing activities			
Paid interest, commission and fees related to issued bonds	-269	-304	-435
Net change in loans from credit institutions	1 231	-1 096	965
Proceeds from bonds issued	3 829	3 002	5 536
Redemption of issued covered bonds	-3 233	-2 504	-4 784
Dividend paid	-224	-167	-167
Changes in other debt	62	-5	-27
Issue of share capital and premium	0	450	450
Net cash flow from financing activities	1 396	-624	1 538
Net change in cash and cash equivalents	973	429	-175
Cash balance at 01.01	827	1 002	1 002
Cash balance at 30.09 / 31.12	1 800	1 431	827

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 2020. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting (compressed). The accounts are prepared using the same principles and with the same methodology as the annual accounts for 2019.

All amounts are stated in NOK million unless stated otherwise.

The interim financial statements are not audited.

Note 2

Operating segments

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

Loans

(NOK million)	30.09.2020	30.09.2019	31.12.2019
Loans, nominal amount	26 729	23 264	25 658
Expected credit loss (ECL) - stage 1	-1	-1	0
Expected credit loss (ECL) - stage 2	-4	-2	-3
Expected credit loss (ECL) - stage 3	0	0	0
Loans to and receivables from customers	26 724	23 261	25 655

Net interest income

(NOK million)	30.09.2020	30.09.2019	31.12.2019
Interest income from:			
Loans to and receivables from credit institutions	9	11	18
Loans to and receivables from customers	529	525	739
Certificates, bonds and other interest-bearing securities	4	6	7
Interest income	542	542	764
Interest expenses in respect of:			
Loans from credit institutions	18	11	17
Debt securities issued	269	305	435
Other interest expenses	5	0	4
Interest expenses	292	316	456
Net interest income	250	226	308

Note 3

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 2020	Q3 2019	30.09.2020	30.09.2019	2019
Changes in Expected Credit Loss (ECL) in stage 1	-84	-2 323	252	-2 218	-2 284
Changes in Expected Credit Loss (ECL) in stage 2	-934	-7 507	1 810	-9 513	-8 938
Changes in Expected Credit Loss (ECL) in stage 3	-	0	0	-237	-237
Total impairment on loans in the period	-1 018	-9 830	2 062	-11 968	-11 459

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) - 30.09.2019	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2018	2 825	11 787	237	14 849
New loans	69	193	0	262
Disposal of loans	-2 305	-8 861	-115	-11 281
Changes in ECL in the period for loans which have not migrated	-61	-231	0	-292
Migration to stage 1	142	-1 924	0	-1 782
Migration to stage 2	-62	1 309	-122	1 125
Migration to stage 3	0	0	0	0
Other changes	-	-	0	0
ECL 30.09.2019	608	2 273	0	2 881

Changes in ECL in the period (NOK thousand) - 31.12.2019	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2018	2 825	11 787	237	14 849
New loans	109	234	0	343
Disposal of loans	-573	-2 859	0	-3 432
Changes in ECL in the period for loans which have not migrated	-1 418	-1 951	0	-3 369
Migration to stage 1	28	-5 204	0	-5 176
Migration to stage 2	-147	1 167	-122	898
Migration to stage 3	0	0	0	0
Other changes	-284	-325	-115	-724
ECL 31.12.2019	540	2 849	0	3 389

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

30.09.2019	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	23 105	141	0	23 246
Medium risk (0.5 % - < 3 %)	712	393	0	1 105
High risk (3 % - <100 %)	63	96	0	159
Total commitments before ECL	23 880	630	0	24 510
- ECL	-1	-2	0	-3
Loans and receivables from customers 30.09.2019 *)	23 879	628	0	24 507

31.12.2019	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	25 410	1	0	25 411
Medium risk (0.5 % - < 3 %)	930	444	0	1 374
High risk (3 % - <100 %)	115	137	0	252
Total commitments before ECL	26 455	582	0	27 037
- ECL	0	-3	0	-3
Loans to and receivables from customers 31.12.2019 *)	26 455	579	0	27 034

*) 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 4

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.

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 5 million on the valuation of the fixed rate loans as at 30.09.2020.

Classification of financial instruments	Financial instruments at fair value through profit or loss			Financial instruments carried at amortised cost		
	30.09.2020	30.09.2019	31.12.2019	30.09.2020	30.09.2019	31.12.2019
Loans to and receivables from credit institutions				1 800	1 431	827
Loans to and receivables from customers	2 271			24 453	23 261	25 655
Certificates and bonds	529	80	678			
Financial derivatives	1 816	730	589			
Total financial assets	4 616	810	1 267	26 253	24 692	26 482
Loans from credit institutions				3 526	235	2 296
Debt securities issued				24 871	22 988	23 062
Financial derivatives	103	28	45			
Total financial liabilities	103	28	45	28 397	23 223	25 358

Fair value of financial instruments at amortised cost	30.09.2020		30.09.2019		31.12.2019	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	1 800	1 800	1 431	1 431	827	827
Loans to and receivables from customers	24 453	24 453	23 261	23 261	25 655	25 655
Total financial assets	26 253	26 253	24 692	24 692	26 482	26 482
Loans from credit institutions	3 526	3 526	235	235	2 296	2 296
Debt securities issued	24 980	24 871	23 072	22 988	23 138	23 062
Total financial liabilities	28 506	28 397	23 307	23 223	25 434	25 358

Financial instruments at fair value - 30.09.2020	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			2 271	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 - 30.09.2019	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Certificates and bonds	80			80
Financial derivatives		730		730
Total financial assets	80	730	-	810
Financial derivatives		28		28
Total financial liabilities	-	28	-	28

Financial instruments at fair value - 31.12.2019	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Certificates and bonds	678			678
Financial derivatives		589		589
Total financial assets	678	589	-	1 267
Financial derivatives		45		45
Total financial liabilities	-	45	-	45

Reconciliation of movements in Level 3 during the period	Loans to and receivables from customers
Booked 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
Booked value as at 30.09.2020	2 271

Note 5

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 recognised in profit and loss.

Covered bonds (NOK million)								
ISIN code	Currency	Nominal value 30.09.2020	Interest	Issued	Maturity	30.09.2020	30.09.2019	31.12.2019
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 234	1 198	1 187
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	348	318	308
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	332	297	296
NO0010696990	NOK	-	3M Nibor + 0.45 %	2013	2020	-	2 510	231
NO0010720204	NOK	-	3M Nibor + 0.24 %	2014	2020	-	3 001	3 001
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 021	996	999
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 005	3 012	3 013
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 795	2 518	2 490
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 002	3 004	3 004
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 834	2 559	2 522
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 140	1 073	1 024
NO0010853096	NOK	3 000	3M Nibor + 0.37 %	2019	2025	2 998	2 502	2 503
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 819	-	2 484
NO0010884950	NOK	3 000	3M Nibor + 0.42 %	2020	2025	2 998	-	-
XS2233150890	EUR	30	3M Euribor +0.75 %	2020	2027	345	-	-
Total borrowings raised through the issue of securities (incl. accrued interest)						24 871	22 988	23 062

Cover pool (NOK million)	30.09.2020	30.09.2019	31.12.2019
Pool of eligible loans 1)	26 282	22 770	25 182
Substitute assets	907	1 196	988
Financial derivatives to hedge issued securities (assets)	1 816	730	589
Financial derivatives to hedge issued securities (liabilities)	-103	-28	-45
Total collateralised assets	28 902	24 668	26 714

1) NOK 447 million of total gross loans are not eligible for the cover pool as at 30.09.2020 (NOK 491 million as at 30.09.2019)

Covered bonds issued (NOK million)	30.09.2020	30.09.2019	31.12.2019
Covered bonds (nominal) 2)	23 079	22 542	22 720
Premium/discount	1 792	446	342
Total covered bonds	24 871	22 988	23 062
Own holding (covered bonds)	-	-	-
Debt securities issued	24 871	22 988	23 062

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

Collateralisation (in %)	30.09.2020	30.09.2019	31.12.2019
Total collateralised assets / debt securitised issued	116.2	107.3	115.8

Note 6

Transaction 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)	30.09.2020	30.09.2019	31.12.2019
Statement of income:			
Interest and credit commission income from Sparebanken Møre related to deposits	9	11	18
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	18	11	17
Interest paid to Sparebanken Møre related to bonded debt	7	6	9
Management fee paid to Sparebanken Møre	30	27	36
Statement of financial position:			
Deposits in Sparebanken Møre 1)	1 800	1 431	827
Covered bonds held by Sparebanken Møre as assets	498	589	0
Loan/credit facility in Sparebanken Møre	2 634	0	2 171
Intragroup hedging	76	-	-
Accumulated transferred loan portfolio from Sparebanken Møre	26 730	23 264	25 658

1) NOK 892 million out of total NOK 1,800 million of deposits in Sparebanken Møre is the margin call balance on financial derivatives paid in by counterparties according to CSA

Note 7

Equity and related capital

Tier 1 capital and supplementary capital	30.09.2020	30.09.2019	31.12.2019
Share capital and share premium	2 050	2 050	2 050
Retained earnings	158	162	224
Total equity	2 208	2 212	2 274
Value adjustments of financial instruments at fair value	-4	-1	-1
Expected IRB-losses exceeding ECL	-45	-43	-44
Dividends	0	0	-224
Deductions for total comprehensive income for the period	-158	-162	-
Common Equity Tier 1 capital	2 001	2 006	2 005
Supplementary capital	0	0	0
Net equity and subordinated loan capital	2 001	2 006	2 005

Risk-Weighted Assets (RWA) - calculation basis for capital adequacy ratio	30.09.2020	30.09.2019	31.12.2019
Credit risk loans and receivables (Standardised Approach)	587	624	429
Credit risk loans and receivables (Internal Ratings Based Approach)	5 107	4 417	4 671
Operational Risk (Basic indicator Approach)	516	477	516
Total risk exposure amount for credit valuation adjustment (CVA) (SA)	499	517	452
Risk-weighted assets	6 709	6 035	6 068
Additional RWA from transitional rules 1)	-	3 955	0
Total risk-weighted assets	6 709	9 990	6 068
Minimum requirement Common Equity Tier 1 capital (4.5%)	302	450	273

1) Transitional rules require that RWA can not be less than 80 per cent of the corresponding Basel I requirement. This rule is no longer applicable as of 31.12.2019.

Buffer Requirement	30.09.2020	30.09.2019	31.12.2019
Countercyclical buffer (1.0 % at 30.09.20, 2.0 % at 30.09.19 and 2.5 % at 31.12.19)	67	200	152
Capital conservation buffer (2.5%)	168	250	152
Systemic risk buffer (3.0%)	201	299	182
Total buffer requirements	436	749	485
Available Common Equity Tier 1 capital after buffer requirements	1 263	807	1 247

Capital adequacy as a percentage of the weighted asset calculation basis	30.09.2020	30.09.2019	31.12.2019
Capital adequacy ratio	29.8 %	20.1 %	33.0 %
Tier 1 capital ratio	29.8 %	20.1 %	33.0 %
Common Equity Tier 1 capital ratio	29.8 %	20.1 %	33.0 %

Leverage ratio	30.09.2020	30.09.2019	31.12.2019
Leverage ratio	6.7 %	7.6 %	7.0 %

Liquidity Coverage Ratio	30.09.2020	30.09.2019	31.12.2019
Liquidity Coverage Ratio - Total	157.7 %	391.7 %	117.0 %
Liquidity Coverage Ratio - NOK	157.7 %	391.7 %	117.0 %
Liquidity Coverage Ratio - EUR	-	105.5 %	-

Møre Boligkreditt AS' capital requirements at 30 September 2020 are based on IRB-Foundation for commercial commitments and IRB-Retail for retail commitments.

Note 8

Events after the reporting date

No events of material significance for the financial statements for Q3-2020 have occurred after the reporting date. The company is not involved in any legal proceedings.

Profit performance

QUARTERLY PROFIT (NOK million)	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net interest income	101	69	81	82	80
Other operating income	0	4	-5	-4	2
Total operating costs	12	14	12	12	10
Profit before impairment on loans	89	59	64	66	72
Impairment on loans	-1	0	3	1	-10
Pre tax profit	90	59	61	65	82
Tax	20	13	13	4	18
Profit after tax	70	46	48	61	64

As a percentage of average assets:

Net interest income	1.32	0.93	1.24	1.21	1.28
Other operating income	0.00	0.05	-0.07	-0.07	0.03
Total operating costs	0.16	0.18	0.18	0.17	0.16
Profit before impairment on loans	1.16	0.80	0.99	0.97	1.15
Impairment on loans	-0.01	0.00	0.05	0.01	-0.16
Pre tax profit	1.17	0.80	0.94	0.96	1.31
Tax	0.26	0.17	0.20	0.06	0.29
Profit after tax	0.91	0.63	0.74	0.90	1.02

Average total assets (NOK million)	30 443	29 473	26 293	26 891	25 223
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	30.09.2020	30.09.2019	31.12.2019
Net interest income	250	226	308
Other operating income	-1	1	-3
Total operating costs	37	33	45
Profit before impairment on loans	212	194	260
Impairment on loans	2	-12	-11
Pre tax profit	210	206	271
Tax	46	45	49
Profit after tax	164	161	222

As a percentage of average assets:

Net interest income	1.16	1.21	1.21
Other operating income	-0.01	0.01	-0.01
Total operating costs	0.17	0.18	0.18
Profit before impairment on loans	0.98	1.04	1.02
Impairment on loans	0.01	-0.06	-0.04
Pre tax profit	0.97	1.10	1.06
Tax	0.21	0.24	0.19
Profit after tax	0.76	0.86	0.87

Average total assets (NOK million)	28 736	24 982	25 460
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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	30.09.2020: $28,902 / 24,871 = 116.2 \%$ 30.09.2019: $24,668 / 22,998 = 107.3 \%$ 31.12.2019: $26,714 / 23,062 = 115.8 \%$

*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).

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