Annual report 2021

Møre Boligkreditt

Content

Key figures	3
Report from the Board of Directors	4
Statement of income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flow	13
Notes to the financial statements	
Key information	
1 Accounting principles	15
2 Risk management	18
3 Equity and related capital	22
4 Operating segments	24
Credit risk	
5 Loans to and receivables from customers	25
6 Commitments by geographical areas	26
7 Credit risk exposure	27
8 Collateral	29
9 Impairment, losses and non-performance	31
Market risk	
10 Market risk	37
11 Interest rate risk	38
12 Foreign exchange risk	39
Liquidity risk	
13 Liquidity risk	40
Statement of income	
14 Net interest income	43
15 Net gains and losses from financial instruments	44
16 Wages, compensations and fees	45
17 Tax	46
Statement of financial position	
18 Classification of financial instruments	48
19 Financial instruments at amortised cost	50
20 Financial instruments at fair value	51
21 Financial derivatives and hedge accounting	53
22 Issued covered bonds	55
23 Intragroup transactions	57
Other information	
24 Share capital	59
25 Events after the reporting date	60
Statement pursuant to section 5-5 of the Securities Trading Act	61
Independent Auditor’s report	62
Alternative Performance Measures	66

Key figures

Income statement

(Amounts in percentage of average assets)

	2021		2020	
	NOK million	%	NOK million	%
Net interest income	360	1.16	345	1.20
Other operating income	-3	-0.01	-1	0.00
Total operating costs	51	0.16	49	0.17
Profit before impairment on loans	306	0.99	295	1.03
Impairment on loans	0	0.00	1	0.00
Pre-tax profit	306	0.99	294	1.03
Tax	67	0.22	64	0.22
Profit after tax	239	0.77	230	0.81

Statement of financial position

(NOK million)	31.12.2021	31.12.2020
Total assets	31 223	31 783
Average assets 1)	30 922	28 813
Loans to and receivables from customers	28 971	29 041

1) Defined as Alternative Performance Measure (APM), see attachment to the Annual Report.

Report from the Board of Directors

OPERATIONS IN 2021
Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre, a regional Norwegian savings bank operating in the county of Møre og Romsdal. Møre Boligkreditt AS is licensed to operate as a mortgage company and to issue covered bonds. Møre Boligkreditt AS is Sparebanken Møre's most important source of long-term market funding and an important part of the parent bank's funding strategy. Møre Boligkreditt AS is located at Sparebanken Møre's headquarter in Keiser Wilhelmsgate 29/33, in the city of Ålesund.

Net mortgage lending to customers decreased by NOK 70 million in 2021 and amounted to NOK 28,971 million at year-end 2021, compared to NOK 29,041 million at year-end 2020. Mortgages in the company's cover pool are secured by residential properties, all at the time of acquisition within 75 per cent of the property's estimated value.

In 2021, two new covered bond loans were issued, including a successful EUR 250 million inaugural green covered bond transaction with solid investor demand. One covered bond loan matured in 2021. Møre Boligkreditt AS had thirteen bond loans outstanding as at 31 December 2021 with a total bond loan debt of NOK 25,603 million, compared to twelve bond loans with NOK 23,991 million outstanding of 31 December 2020.

RATING
The rating agency Moody's has rated all covered bonds issued by Møre Boligkreditt AS an Aaa-rating.

THE MORTGAGE COMPANY'S ANNUAL FINANCIAL STATEMENTS
The financial statements of Møre Boligkreditt AS show a profit before tax of NOK 306 million, compared to NOK 294 million in 2020. Net interest income amounted to NOK 360 million in 2021, compared to NOK 345 million in 2020. Total operating costs amounted to NOK 51 million, compared to NOK 49 million in 2020.

The ECL calculation as at 31 December 2021 shows expected credit loss of NOK 4 million, which is unchanged from 31 December 2020.

Profit after tax amounted to NOK 239 million in 2021, compared to NOK 230 million in 2020. Tax amounted to NOK 67 million, compared to NOK 64 million in 2020. Total assets at the end of 2021 amounted to NOK 31,223 million compared to NOK 31,783 million at the end of 2020.

Net cash flow from operating activities amounted to NOK 593 million compared to NOK -2,793 million in 2020. The timing of the main outflow and inflow is related to payments for acquiring loans from the parent bank and payments related to instalment loans and credit lines to customers.

As at 31 December 2021, the company's substitute assets included in the cover pool amounted to NOK 1,455 million, compared to NOK 903 million as at 31 December 2020. Net value of financial derivatives included in the cover pool amounted to NOK 461 million at year-end 2021, compared to NOK 1,100 million at year-end 2020. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 19.9 per cent as at 31 December 2021, compared to 27.9 per cent as at 31 December 2020.

Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 104 million as at 31 December 2021, reporting total LCR of 525 per cent.

It is the opinion of the Board of Directors that the presented financial statements provide correct and adequate information about the company's operations and status as at 31 December 2021.

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 amounted to NOK 1,791 million by year-end 2021, compared to NOK 2,282 million by year-end 2020. Risk weighted assets amounted to NOK 7,686 million by year-end 2021. Net equity and subordinated loan capital amounted to NOK 1,489 million by year-end 2021, compared to NOK 1,996 million by year-end 2020. This corresponds to a Common Equity Tier 1 capital ratio of 19.4 per cent as at 31 December 2021 compared to 25.5 per cent as at 31 December 2020. Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

Norges Bank has decided to increase the countercyclical capital buffer requirement to 1.5 per cent effective from 30 June 2022, and to 2.0 per cent effective from 31 December 2022. A further increase to 2.5 per cent is expected effective from first half of 2023. The Ministry of Finance has announced an increase in the systemic risk buffer requirement from 3.0 to 4.5 per cent effective from 31 December 2022.

RISKS
Møre Boligkreditt AS is subject to a number of acts, regulations, recommendations and regulatory provisions. These regulations largely stipulate restrictions concerning the scope of the company's various risk exposures. The Board and the Managing Director of Møre Boligkreditt AS are responsible for ensuring that proper risk management is established, and that such risk management is adequate and complies with current laws and regulations. Operational risk management in Møre Boligkreditt AS is maintained by Sparebanken Møre according to a service agreement concluded between Møre Boligkreditt AS and Sparebanken Møre.

Risk management emphasizes identifying, measuring and managing the company's risk elements in a manner that ensures that Møre Boligkreditt AS complies with the professional credit regulations and keeps the various risks at a low level.

CREDIT RISK
Credit risk is defined as the risk of losses associated with customers or other counterparties being unable to fulfil their obligations at the agreed time and pursuant to written agreements, and that the received collateral is not covering outstanding claims.

The credit risk strategy adopted by the company defines which loans can be acquired by the company. The strategy stipulates criteria for both borrowers and the collateral for the loans that can be acquired. At year-end 2021, the mortgages in the cover pool had an average loan-to-value ratio of 56.6 per cent, calculated as mortgage amount relative to the value of the property used as collateral. The Board regards the quality of the loan portfolio as very good and the credit risk as low.

MARKET RISK
Market risk is the risk that will arise due to the mortgage company holding or assuming positions in lending and financial instruments in which the values over time will be affected by changes in market prices. Møre Boligkreditt AS must, pursuant to laws and regulations, have very low market risk and Board approved restrictions concerning its maximum exposure to market risk. The company utilizes financial derivatives to keep this type of risk at a low level. A specific market strategy has been adopted for Møre Boligkreditt AS which establishes the limits for this type of risk. The company's positions in fixed interest and foreign currencies are hedged with financial derivatives. The Board considers the overall market risk as low.

LIQUIDITY RISK
Liquidity risk is the risk that Møre Boligkreditt AS will be unable to fulfil its obligations without substantial extra costs being incurred in the form of decline in asset values, forced sales or more expensive funding. The company has adopted a liquidity risk strategy and established limits for long-term funding and short-term liquidity risk limits. Bonds issued by Møre Boligkreditt AS have a soft bullet structure in which the company has the opportunity to extend the term of its borrowing by up to 12 months. Møre Boligkreditt AS reports LCR of 525 per cent by year-end 2021. The Board regards the company's liquidity risk as low.

OPERATIONAL RISK
Operational risk is the risk of losses due to inadequate or failing internal processes, human error, system failures or external events. Møre Boligkreditt AS has entered into a management agreement with Sparebanken Møre. The services covered by this agreement include administration, production, IT operations, and financial and risk management. Although the operational risk of Møre Boligkreditt AS is dependent of Sparebanken Møre's ability to manage this type of risk, Møre Boligkreditt AS independently bears risk associated with errors in the deliveries and services provided by Sparebanken Møre. The evaluation of the management and control of operational risk is also afforded considerable space in the Group's ICAAP. The operational and established annual internal control report, both within Sparebanken Møre and by the Managing Director of Møre Boligkreditt AS, is an important tool for reducing operational risk. The internal control reports will help identifying any operational risk and enable action to be taken. The Board regards the company's operational risk as low.

CLIMATE RISK
Climate risk is the impact resulting from climate change, and climate risk will impact the company's credit risk. When assessing climate risk, two types of risks in particular must be assessed: physical risk and transitional risk.

- Physical climate risk arises as a result of more frequent and severe episodes of drought, flooding, precipitation, storms, landslides and avalanches, as well as rising sea levels.
- Transitional risk is the risk associated with changes to, and the escalation of, climate policies/regulations, the development of new technologies and changed customer preferences (consumers) and investor requirements that may result in sudden changes in the market value of financial assets.

LEGISLATION
On 17 December 2021, the Ministry of Finance published a legislative proposal on the implementation of the new EU legislation on covered bonds, being the Directive (EU) 2019/2162 (the Covered Bond Directive) and Regulation (EU) 2019/2160 implementing certain amendments to Art. 129 of Regulation (EU) 575/2013 (collectively, the EU Covered Bond Rules). The legislative proposal is based on a consultative paper published by the NFSA on 13 January 2020 and is intended to take effect no later than 8 July 2022. Implementation of the EU Covered Bond Rules will impose new requirements on the Issuer such as, inter alia, a new liquidity buffer requirement of 180 days and objective requirements for exercise of extendable maturity rights by the Issuer. It is uncertain whether the EU Covered Bond Rules will be implemented in the Norwegian legislation by 8 July 2022. Firstly, certain regulations which are needed to complete the Norwegian implementation of the EU Covered Bond Rules are still outstanding. Secondly, the EU Covered Bond Rules is not yet implemented in the EEA-Agreement.

CORPORATE GOVERNANCE STATEMENT
Møre Boligkreditt AS complies with the latest Norwegian Code of Practice for Corporate Governance. Møre Boligkreditt AS was established as part of Sparebanken Møre's long-term funding strategy with the purpose of funding the bank through issuing covered bonds. Møre Boligkreditt AS helps ensure that the Sparebanken Møre Group properly manages its assets, as well as providing additional assurance that goals and strategies are achieved and realized.

The Board ensures that risk management and internal control are adequate and systematic, and that they have been established in compliance with the law and regulations, articles of association, ethical guidelines, instructions, and external and internal guidelines. The Board sets principles and guidelines for risk management and internal control for the various levels of activity pursuant to the company's risk bearing capacity, in order to assure that the strategies and guidelines are being followed. The Board systematically and regularly assesses the strategies and guidelines for risk management.

In order to ensure that Møre Boligkreditt AS' risk management and internal control are carried out satisfactorily, the Board continuously receives various types of reports throughout the year from Sparebanken Møre's control bodies, as well as from internal and external auditors. The Board actively participates in the annual implementation of the long-term strategic plan. The Board revises and approves all the company's general risk management documents at least once a year. Every year in the 4th quarter, the Managing Director of Møre Boligkreditt AS reports on the structure and efficiency of the company's internal control.

The overall responsibility for ensuring that principles of accounting and financial control are identified, monitored and evaluated is outsourced to the Finance department and the Risk Management department in Sparebanken Møre. The responsibility for the preparation of financial statements, and the reporting of these to the Managing Director in Møre Boligkreditt AS, is assigned to the Finance department in the parent bank.

The Board of Directors and the Chairman of the Board are elected by the General Meeting and shall consist of four to six members elected for a period of two years. After one year, at least half of the elected members shall step down, based on the drawing of lots, while the remainder shall step down after one more year. Board members can be re-elected.

The Chairman of the Board in Møre Boligkreditt AS shall, by the end of October and in consultation with the Managing Director, set out a proposed annual plan for the Board's work for the coming year and the main items on the agendas of board meetings for the next calendar. Each year, the Board evaluates its own methods and professional competence to see if improvements can be made.

The Chairman of the Board shall ensure that the Board of Directors convenes at least once every quarter and otherwise as often as is called for by the nature of the company's activities, or when requested by a board member. A valid Board resolution is passed by at least three board members voting in favour of the resolution. The annual General Meeting shall be held each year before the end of June.

The company's paid-in equity of NOK 1,550 million consist of 1,100,000 shares of NOK 1,250 fully paid in, together with a share premium of NOK 175 million. With the consent of the Financial Supervisory Authority of Norway, the General Meeting may raise additional share capital, subordinated loan capital and guarantee capital.

Møre Boligkreditt AS is part of the Sparebanken Møre Group. The Group's corporate governance is based on the Norwegian Code of Practise for Corporate Governance. The corporate governance report is included in Sparebanken Møre's consolidated annual report, please see www.sbm.no.

Statement on ethics and corporate social responsibility in the consolidated annual report for Sparebanken Møre also includes Møre Boligkreditt AS, see www.sbm.no

INTERNAL CONTROL

The Managing Director of Møre Boligkreditt AS is responsible for establishing proper risk management and internal control based on the guidelines decided by the Board, making sure that these are adhered to, and providing the Board with information about developments within the various areas. The Managing Director reports on structure and efficiency of the company's internal control in the fourth quarter every year.

Møre Boligkreditt AS bases its internal control on an overall risk management process. The Board has decided upon guidelines for establishing proper risk management and internal control and ensures that risk management and internal control in Møre Boligkreditt AS are adequate and systematic, and that the processes have been established in compliance with the law and regulations, articles of association, instructions, and external and internal guidelines. The Board systematically and regularly assesses the strategies and guidelines for risk management.

In the financial reports, written procedures relating to critical areas within the company, as well as the level of achievement of both the company's financial goals, and the qualitative goals relating to risk managing are presented. This ensures a close and accurate monitoring of the financial reporting and increases the possibility of early risk detection. The Managing Director of Møre Boligkreditt AS has the primary responsibility for managing risk associated with the company's operational and financial reporting, which is the foundation for satisfactory quality in the financial reporting.

The internal control and risk assessment of the financial reporting is one of the areas of focus in the Managing Director's annual confirmation on the quality of, and the compliance with internal controls. The

Internal Auditor has an important role in the monitoring of internal controls related to financial reporting. The financial statements provide additional information about the risk management and internal control of Møre Boligkreditt AS.

PROFIT DISTRIBUTION POLICY

Møre Boligkreditt AS' profit distribution policy states the following: "The company shall make a maximum payment from the profit generated in the fiscal year, either in the form of a dividend or as a group contribution. Such payments, however, shall not conflict with the requirement for liquidity and financial strength of the company, and shall in any case abide by what is considered good and prudent business and accounting practice."

GENERAL MEETING AND COMPANY BOARD

The General Meeting is the supreme body of Møre Boligkreditt AS. The General Meeting of Møre Boligkreditt AS consists of the Board of Directors of Sparebanken Møre, Sparebanken Møre being the sole owner of the company.

The Board shall consist of four to six members elected for a period of two years.

In electing the members of the Board, the goal is to meet the need for continuity and independence, as well as ensuring a balanced composition of the Board.

The Board's responsibilities and tasks are set forth in a separate document which is discussed and revised by the Board regularly. The document contains the dividing of responsibilities and tasks between the Board and the Managing Director of the company. Each year, the Board evaluates its own methods and professional competence.

BOARD LIABILITY INSURANCE

Møre Boligkreditt AS is covered by Sparebanken Møre Group's board liability insurance with AIG. The insurance covers previous, current and future board members, the General Manager and members of the corresponding bodies within the Group, including subsidiaries. Continuity date January 1, 2008. Maximum coverage per insurance claim is NOK 100,000,000.

The insurance does not cover losses as a result of the insured's intentional actions or omissions, or cases where the insured individual has obtained unjustified personal gain. In addition, the terms of the insurance also stipulate other cases where the insurance will not apply. The insurance excludes liability in connection with breaches of money laundering rules. The insurance does not cover claims for payment of fines, fees and taxes, or other non-insurable matters in accordance with current legislation.

GOING CONCERN ASSUMPTION

The Board is of the opinion that the prerequisites for the going concern assumption exist, and the Board confirms that the 2021 annual financial statements are prepared based on the going concern assumption.

EMPLOYEES

Møre Boligkreditt AS had no employees at year-end 2021. One man-year from Sparebanken Møre is dedicated full time to the mortgage company. Furthermore, a number of services are outsourced to Sparebanken Møre, regulated by a specific agreement between the mortgage company and the bank.

No special work environment measures have been implemented in Møre Boligkreditt AS.

EQUAL OPPORTUNITIES

The Sparebanken Møre Group strives for gender-neutral employment – and wage policy. The Board and management in Sparebanken Møre systematically and actively work to promote equality. The Board of Møre Boligkreditt AS consists of two men and two women.

POLLUTION OF THE EXTERNAL ENVIRONMENT

The activities of Møre Boligkreditt AS do not pollute the external environment.

OTHER FACTORS

As far as the Board is aware, no events have occurred after the end of the financial year 2021 of material importance to the position and result of Møre Boligkreditt AS.

RESEARCH AND DEVELOPMENT

Møre Boligkreditt AS has no research and development activities.

CORPORATE SOCIAL RESPONSIBILITY

For information on corporate social responsibility, Møre Boligkreditt AS being a wholly owned subsidiary of Sparebanken Møre, we refer to Sparebanken Møre Group's Annual Report.

FUTURE PROSPECTS

There are uncertainties associated with the economic outlook and growth expectations in the world economy. Risk of new and extensive pandemic outbreaks, rising inflation and interest rates, as well as concerns related to the real estate sector in China are valid also in 2022. These factors in addition to geopolitical tensions will have an impact on the stock-, fixed income-, foreign exchange- and oil markets. In Norway, the possibility of a fall in house prices, significantly higher interest rates and more bankruptcies as the government support measures are phased out are important risk factors to consider.

Mainland Norway GDP rose 0.7 per cent month-over-month in November. CPI rose 5.3 per cent from December 2020 to December 2021 according to Statistic Norway. CPI growth adjusted for tax changes and excluding energy products was 1.8 per cent in the same period, and above Norges Bank expectations of 1.3 per cent. In December, the national level of unemployment was reported at 2.2 per cent, compared with 2.0 per cent in the county of Møre og Romsdal.

Despite the uncertainty in response to the Omicron variant of the Covid-virus, Norges Bank delivered the second rate-hike in 2021 at its December-meeting. The published policy rate path indicates three hikes of 0.25 percentage points in 2022, the first hike in 2022 is expected in March.

Twelve-month growth in household loan debt was 5.0 per cent by December 2021, and housing prices increased by 5.2 per cent as a national average in 2021. Housing prices are expected to stay at present levels or increase at a slower pace in 2022, and growth in household debt is expected to dampen going forward due to the increase in mortgage interest rates.

We expect unemployment levels, both on national level and in the county of Møre og Romsdal, to further decline, and we expect to see lower unemployment levels than before Covid-19.

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

DISTRIBUTIONS

Profit after tax amounted to NOK 239 million in 2021. Total comprehensive income after tax amounted to NOK 241 million in 2021. The recommendation from the Board of Directors to the annual General Meeting is a dividend payment of NOK 241 million.

Ålesund, 31 December 2021
15 February 2022

THE BOARD OF DIRECTORS OF MØRE BOLIGKREDITT AS

KJETIL HAUGE, Chair of the Board
ELISABETH BLOMVIK
GEIR TORE HJELLE
SANDRA MYHRE HELSETH

OLE ANDRE KJERSTAD, Managing Director

Statement of income

STATEMENT OF INCOME

(NOK million)	Note	2021	2020
Interest income	6 14 23	609	691
Interest expenses	14 23	249	346
Net interest income		360	345
Commission income		0	0
Net gains/losses from financial instruments	15	-3	-1
Total income		357	344
Wages, salaries and general administration costs	16	2	3
Other operating costs	23	49	46
Total operating costs		51	49
Profit before impairment on loans		306	295
Impairment on loans	9	0	1
Pre-tax profit		306	294
Taxes	17	67	64
Profit after tax		239	230
Earnings/diluted earnings per share (NOK)		216.56	152.97

STATEMENT OF COMPREHENSIVE INCOME

(NOK million)		2021	2020
Profit after tax		239	230
Items that may subsequently be reclassified to the income statement:			
Basis swap spreads - changes in value		3	3
Tax effect of basis swap spreads	17	-1	-1
Total comprehensive income after tax		241	232

PROPOSED DISTRIBUTION

(NOK million)	2021	2020
Proposed dividends	241	232
Retained earnings	0	0
Total	241	232

Statement of financial position

Assets

(NOK million)	Note	31.12.2021	31.12.2020
Loans to and receivables from credit institutions 1)	7 13 19 23	1 044	1 450
Loans to and receivables from customers	5 6 7 8 9 11 13 18 19 20	28 971	29 041
Certificates and bonds	7 13 18 20	668	116
Financial derivatives	10 11 12 18 20 21	540	1 176
Total assets		31 223	31 783

1) NOK 146 million out of total NOK 1,044 million in Loans to and receivables from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA. (NOK 546 million out of total NOK 1,450 million in 2020)

Liabilities and equity

(NOK million)	Note	31.12.2021	31.12.2020
Loans from credit institutions 2)	13 19 23	3 548	5 306
Debt securities issued	12 13 18 19 22 23	25 603	23 991
Financial derivatives	10 11 12 18 20 21	79	76
Tax payable	17	132	0
Deferred tax	17	70	128
Total liabilities		29 432	29 501
Share capital	24	1 375	1 875
Share premium		175	175
Paid-in equity		1 550	2 050
Retained earnings		241	232
Total equity	3	1 791	2 282
Total liabilities and equity		31 223	31 783

2) NOK 146 million out of total NOK 3,548 million in Loans from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA. (NOK 546 million out of total NOK 5,306 million in 2020)

Ålesund, 31 December 2021
15 February 2022

THE BOARD OF DIRECTORS OF MØRE BOLIGKREDITT AS
KJETIL HAUGE, Chair of the board
ELISABETH BLOMVIK
GEIR TORE HJELLE
SANDRA MYHRE HELSETH

OLE ANDRE KJERSTAD, Managing Director

Statement of changes in equity

31.12.2021

(NOK million)	Note	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		241			241
Equity as at 31 December 2021	3 24	1 791	1 375	175	241

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 2021 amounts to NOK 241 million.

31.12.2020

(NOK million)	Note	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	3 24	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.

Dividend as of 31 December 2020 amounts to NOK 232 million.

Dividend as of 31 December 2019 amounted to NOK 224 million.

Statement of cash flow

(NOK million)	Note	2021	2020
Cash flow from operating activities			
Interest, commission and fees received	14	606	687
Interest, commission and fees paid	14	-38	-34
Operating expenses paid	16	-51	-49
Income taxes paid/received		6	-9
Payment for acquiring loans from the parent bank		-8 194	-10 933
Payment related to installment loans and credit lines to customers		8 264	7 545
Net cash flow from operating activities		593	-2 793
Cash flow from investing activities			
Received interest, commission and fees related to certificates, bonds and other securities	14	4	4
Proceeds from the sale and settlement of certificates, bonds and other securities		802	1 043
Purchases of certificates, bonds and other securities		-1 357	-483
Changes in other assets		3	4
Net cash flow from investing activities		-548	568
Cash flow from financing activities			
Paid interest, commission and fees related to issued bonds	14	-212	-313
Net change in loans from credit institutions		-1 358	2 464
Proceeds from issued covered bonds	22	5 346	3 821
Redemption of issued covered bonds	22	-3 004	-3 474
Dividend paid	24	-232	-224
Changes in other debt		-91	28
Share capital reduction	24	-500	0
Net cash flow from financing activities		-51	2 302
Net change in cash and cash equivalents		-6	77
Cash balance at 01.01		904	827
Cash balance at 31.12 1)	13	898	904

1) NOK 146 million out of total NOK 1,044 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 31.12.2021.

The cash flow analysis is prepared on basis of the direct method with cash flows attributable to operational, investment and financing activities. Cash flows from operational activities are net receipts and payments from lending activities and other payments generated from operational activities. Cash flows from investing activities are purchases or sales of bonds and other securities. Cash flows from other securities transactions, issuance and repayments of issued securities and equity are defined as financing activities.

Balance sheet items are currency translated.

Note 1

Accounting principles

1.1 GENERAL INFORMATION
Møre Boligkreditt AS (the company) is part of the Sparebanken Møre Group. The company's Head Office is located at Keiser Wilhelmsgt. 29/33, P.O.Box 121 Sentrum, 6001 Ålesund, Norway.

Preliminary Annual statement (4th quarter 2021 interim report) was approved for publishing by the Board of Directors 26 January 2022. Final Annual report was approved by the Board of Directors 15 February 2022.

1.2 ACCOUNTING POLICIES
The company`s financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board, and approved by the EU as at 31 December 2021.

How the company's accounting policies are to be read:
Møre Boligkreditt AS describes accounting policies in connection with relevant notes. See the table below for an overview of accounting principles and the notes in which they are described, as well as reference to relevant and important IFRS-standards.

Accounting policies	Note	IFRS standard	Basis for measurement
Operating segments	Note 4 Operating segments	IFRS 8	Amortised cost
Impairments	Note 9 Impairment, losses and non-performance	IFRS 9, IFRS 7	Amortised cost
Financial derivatives	Note 21 Financial derivatives and hedge accounting	IFRS 9, IFRS 7, IFRS 13	Fair value
Classification of financial instruments	Note 18 Classification of financial instruments	IFRS 9, IFRS 7	Amortised cost/fair value
Amortised cost	Note 19 Financial instruments at amortised cost	IFRS 9, IFRS 7	Amortised cost
Fair value	Note 20 Financial instruments at fair value	IFRS 9, IFRS 13, IFRS 7	Fair value
Tax	Note 17 Tax	IAS 12	Historical cost
Equity	Note 24 Share capital	IAS 1	Historical cost
Events after the reporting date	Note 25 Events after the reporting date	IAS 10	N/A

Changes in significant accounting policies and presentation
There were no material changes to the accounting policies in 2021.

New or revised standards applicable for 2021
A number of new or revised standards were effective from 2021, but they did not have any material effect on the financial statements of the company.

Approved IFRSs and IFRICs with future effective dates
The company's intention is to adopt relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued. There is no approved IFRS with future effective date relevant for the company as at 31.12.2021.

1.3 CURRENCY
All amounts in the financial statements and notes are stated in NOK million, unless otherwise specified. The company's functional currency and presentation currency is Norwegian kroner (NOK). Cash items in foreign currencies are converted into NOK using the exchange rates at the reporting date. Changes in value for such items due to exchange rate differences between the transaction date and the reporting date are recognised in the income statement. Income statement items are converted using the exchange rate at the time of the transaction.

1.4 PRESENTATION IN THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT
Lending
Lending is presented in the statement of financial position, depending on the counterparty, either as "Loans to and receivables from credit institutions" or "Loans to and receivables from customers". Interest income is recognised in the line "Interest income" using the effective interest rate method. Impairments are recognised in "Impairment on loans".

Certificates and bonds
The holding of bonds measured at fair value is presented in the balance sheet as "Certificates and bonds". The interest income is included in "Interest income". Gains, losses and fair value changes are included in "Net gains/losses from financial instruments".

Liabilities to financial institutions
Liabilities to financial institutions are recognised in the statement of financial position as "Loans from credit institutions". Interest expenses on liabilities are included in "Interest expenses" based on the effective interest rate method.

Debt securities issued
Debt securities issued include issued covered bonds. Interest expenses on the financial instruments are included in "Interest expenses" based on the effective interest rate method.

1.5 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES
A provision is only recognised when an obligation exists (legal or constructive) as a result of a previous event, and it is likely that an outflow of resources embodying economic benefits will be required to fulfil the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are recognised at the amount that expresses the best estimate of the expenditure required to fulfil the existing obligation. If material, the time value of money is taken into account when calculating the size of the provision. Contingent assets or contingent liabilities are not recognised.

1.6 USE OF ESTIMATES IN THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS
In the preparation of the financial statements, management makes estimates and assumptions that affect the financial statements and the reported amounts of assets and liabilities, income and costs. The assessments are based on historical experience and assumptions deemed to be reasonable and sensible by the management. There is a risk that actual outcome will deviate from estimated outcome.

Financial assets and liabilities of the company are allocated to different categories according to IFRS 9 by the management. Normally this process requires limited judgement.

In the opinion of the management, the most important areas which involve critical estimates and assumptions are as follows:

Impairment on loans
The measurement of expected credit losses (ECL) under IFRS 9 requires judgement when assessing whether there has been a significant increase in credit risk and in determining the level of expected credit losses, in particular with regard to the estimation of the amount and timing of future cash flows and collateral values. These estimates are driven by a number of factors, in which changes can result in different levels of allowances.

The Sparebanken Møre Group has developed an ECL-model based on the Group's IRB parameters. The ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The internal credit grading model, which assigns probability of default (PD)
- The criteria for assessing if there has been a significant increase in credit risk resulting in allowances for financial assets being measured on a lifetime ECL basis
- Development of the ECL model, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PD), exposure and loss given default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings

Note 2

Risk management

Strategy
The Sparebanken Møre Group's, and thereby Møre Boligkreditt AS', long-term strategic development and goal achievement are supported by high quality risk- and capital management. The overall purpose of risk management and -control is to ensure that goals are achieved, to ensure internal and external reporting of high quality, and to make sure that the Group operates in accordance with relevant laws, rules, regulations and internal guidelines.

Risk-taking is a fundamental aspect of banking operations, which is why risk management is a central area in the day-to-day operations as well as in the Board of Directors' ongoing focus. Sparebanken Møre's Board of Directors has agreed overall guidelines for management and control throughout the Group. The Board of Directors of Møre Boligkreditt AS has agreed a separate risk policy for the company.

Møre Boligkreditt AS shall have a low risk profile and revenue generation shall be a product of customer related activities related to the company's operations and purpose, not a product of financial risk-taking. In addition, the company has introduced separate policies for each significant risk area: credit risk, market risk, liquidity risk and counterparty risk. The risk strategies are adopted by the Board of Directors and revised at least once a year or when special circumstances should warrant it. The approved risk policies operationalize the business strategy set forth in the company's overall strategic plan. The company has established a follow-up and control structure which shall ensure that the overall framework of the strategic plan is adhered to at all times.

Risk exposure and strategic risk management
Møre Boligkreditt AS takes into account the interaction between the various risk areas by setting desired levels of exposure. Overall, it is the internal conditions, general conditions, customer base etc. in the Group that form the basis for setting the desired overall risk exposure.

Based on an evaluation of the risk profile, management and control, Møre Boligkreditt AS has set the following overall levels of risk exposure for the various risk areas:

- Credit risk: A low level of risk is accepted
- Market risk: A low level of risk is accepted
- Liquidity risk: A low level of risk is accepted
- Operational risk: A low level of risk is accepted

Møre Boligkreditt AS is exposed to several different types of risk. The most important risk groups are:

<u>Credit risk</u>
Credit risk is defined as the risk of loss due to customers or other counterparts being unable to meet their obligations at the agreed time in accordance with the written agreements and that collateral held is not covering the outstanding claims. This is the company's most significant risk area. Møre Boligkreditt AS' main credit risk is related to mortgages to customers with collateral in residential property and housing associations. Møre Boligkreditt AS acquires the mortgages from Sparebanken Møre, originally granted to customers by Sparebanken Møre, based on group policies and limits. At the time of the transfer of mortgage portfolios, only mortgages that qualify as collateral for the issue of covered bonds, are accepted by Møre Boligkreditt AS. For all these mortgages, the value of the mortgage balance should not exceed 75 per cent of the total value of the property. The collateral value is monitored on an ongoing basis.

According to credit risk policy set by the Board of Directors, Møre Boligkreditt AS manages and controls credit risk by setting limits on the amount of risk and by monitoring exposures in relation to such limits. Collateral is taken to manage credit risk in the mortgage portfolios. According to the agreement relating to the transfer of mortgages between Sparebanken Møre and Møre Boligkreditt AS, the day-to-day monitoring of the mortgages are managed by Sparebanken Møre on behalf of Møre Boligkreditt AS.

The risk classification systems are used as decision support, monitoring and reporting. The risk parameters used in the classification systems are an integrated part of the credit process and ongoing risk monitoring, including the follow-up of credit strategies. Probability of default, PD, is used to measure quality.

The risk classification system is divided into ten risk classes where 1 represents the lowest and 10 the highest risk. The classification system is based on the probability of default which is an estimate of the likelihood of a counterparty defaulting on its contractual obligations within the next 12 months.

See also the Group's Pillar 3 document published on www.sbm.no/investor-relations/.

Market risk

The risk of loss due to changes in fair value of financial instruments as a result of fluctuations in market prices such as share prices, foreign exchange rates and interest rates. Møre Boligkreditt AS minimizes currency risk through swap agreements with eligible counterparties. The Board of Directors sets risk limits, positions are monitored on a daily basis, and quarterly exposure reports are prepared for the management and for The Board of Directors. Fixed interest on the company's funding and fixed-rate mortgages to customers are managed through interest rate swaps with eligible counterparties.

Liquidity risk

The risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Board of Directors sets annual limits for the company's liquidity risk, which means preparing liquidity risk limits, contingency plans, forecasts, stress tests, routines for monitoring limit utilisation and compliance with guidelines, management reporting and monitoring of management and control systems.

In a stress scenario where the mortgage company faces difficulties in refinancing its covered bonds through normal funding sources, Møre Boligkreditt AS can rely on a revolving credit facility in Sparebanken Møre covering the mortgage company's payment obligations for the next 12 months, and a 12-months soft-call (12-months extendable maturity) on covered bonds issued.

LCR measures institutions' ability to survive a 30-day stress period. LCR has increased the importance of high-quality liquid assets. The minimum regulatory requirement for LCR is 100 per cent.

Operational risk

The risk of losses due to inadequate or failing internal processes, human error, system failures or external events. Møre Boligkreditt AS has a management agreement with Sparebanken Møre. The services covered by this include administration, production, IT operations and financial and risk management. Although the operational risk of Møre Boligkreditt AS is dependent of Sparebanken Møre's ability to manage this type of risk, Møre Boligkreditt AS independently bear risk associated with errors in the deliveries and services provided by Sparebanken Møre.

The evaluation of the management and control of operational risk is of high focus in the Group's annual ICAAP. The operational and established internal control system in the mortgage company is also an important tool for reducing operational risk in terms of both identifying risk as well as follow-up.

The internal control system is designed to ensure reasonable certainty with respect to attaining goals within the areas of strategic development, efficient operations, reliable reporting and compliance with acts and regulations, including compliance with intragroup and company-specific guidelines and policies. A well-functioning internal control system also ensures the mortgage company's risk exposure being within the adopted risk profile. Reports are submitted to the company's Board concerning operations and the risk situation throughout the year. The Managing Director submits an annual report to the Board containing an overall assessment of the risk situation and an assessment of whether the internal controls are functioning satisfactorily.

Capital management
Møre Boligkreditt AS acquires mortgages from Sparebanken Møre of which minimum 80 per cent are funded through the issuance of covered bonds. The funding of the mortgage company in excess of issuance of covered bonds is done by equity and established credit facility in the parent bank.

Capital adequacy rules and regulations
The EU's capital adequacy directive's purpose is to strengthen the stability in the financial system through more risk-sensitive capital requirements, better risk management and control, more stringent supervision and more information provided for the market. The capital adequacy directive is based on three pillars:

- Pilar 1 – Minimum requirement for equity and related capital
- Pilar 2 – Assessment of aggregate capital requirements and regulatory follow-up (ICAAP)
- Pilar 3 – Publication of information

Møre Boligkreditt AS applies the IRB Approach when calculating capital adequacy for credit risk, the Standard Approach for market risk and the Base method for operational risk. Møre Boligkreditt AS' Board of Directors ensures that plans for the capitalization of the Company are in place, both during economic downturns and periods of strong economic expansion. Capital assessments (ICAAP) are done every year, and the company's capital strategy is based on the risk in the company's operations, having taken into consideration different stress scenarios.

Reporting
Møre Boligkreditt AS focuses on correct, complete and timely reporting of the risk and capital situation. Based on this, a number of different types of periodic reporting have been established that are intended for the Board of the company. The most important reports during the year are as follows:

ICAAP (Internal Capital Adequacy Assessment Process) is carried out and reported at least once a year. Møre Boligkreditt AS is included in the assessments of overall ICAAP for the Sparebanken Møre Group, and the Managing Director of Møre Boligkreditt AS is involved in the process. The process is led by the department for Risk Management in Sparebanken Møre. Specific guidelines have been prepared for ICAAP in Sparebanken Møre. ICAAP is reviewed by the bank's management team and the Board of Directors.

Møre Boligkreditt AS' internal liquidity adequacy assessment process (ILAAP) is included in the company's Internal Capital Adequacy Assessment Process (ICAAP).

A performance management report is prepared every month. The report presents the status and performance of the most important aspects of goal achievement at Møre Boligkreditt AS. The report is an integral part of the reporting to the Board of Directors.

A risk report is prepared every quarter. This is a key element of Møre Boligkreditt AS' continuous monitoring of its risk position. The risk report is reviewed by the Board of Directors in quarterly board meetings.

Internal control reports are produced every year. In the report an assessment is made of whether or not the internal control is adequate in relation to the risk tolerance. This includes an assessment and comments on internal control work performed, a review of important risk areas, an assessment of compliance with external and internal regulations, and suggestions for and planned improvement measures. The internal control report is discussed by the Board of Directors. Møre Boligkreditt AS' internal control report is consolidated in the Group's total internal control reporting.

Reports from external and internal auditors are reviewed by the Board of Directors, as well as the Risk and Audit Committee of Sparebanken Møre.

A reporting portal has been established in the Sparebanken Møre Group, and each member of staff with customer responsibility have access to reports showing the position and development in the credit risk in his or her portfolio. The portal has a hierarchical structure, allowing managers in Sparebanken Møre and

Møre Boligkreditt AS to monitor performance within their area of responsibility. The reports are also used to analyse customers, portfolios and different industrial, commercial and other sectors.

Finance and accounting reports are prepared monthly (and include calculations of expected credit loss, as well as quarterly loss reviews of portfolios with a focus on the need for individual impairment). The reports are reviewed by the Board of Directors.

Note 3

Equity and related capital

The equity consists of paid-in share capital, share premium and retained earnings. Møre Boligkreditt AS recognises proposed dividends and group contributions as retained earnings until approved by the company's General Meeting. Transaction costs associated with an equity transaction are recognised directly against equity.

Møre Boligkreditt AS follows the EU's capital adequacy regulations, CRR and CRD IV. The Sparebanken Møre Group has been granted permission to use the Internal Ratings Based ("IRB") approach for credit risk to calculate the total risk-weighted assets. The average riskweight on exposures secured in residential property in Norway can not be lower than 20 percent.

The legislation as of 31.12.2021 requires a minimum Common Equity Tier 1 of 11.0 per cent, including a conservation buffer of 2.5 per cent, a systemic risk buffer of 3.0 per cent and a counter cyclical buffer of 1.0 per cent. Minimum capital adequacy ratio is 14.5 per cent. The current defined long-term target for Møre Boligkreditt AS is to meet minimum capital requirements. Møre Boligkreditt AS has as of 31.12.2021 capital adequacy/Tier 1 capital ratio of 19.4 per cent.

Tier 1 capital and supplementary capital	**31.12.2021**	**31.12.2020**
Share capital and share premium	1 550	2 050
Retained earnings	241	232
Total equity	1 791	2 282
Value adjustments of financial instruments at fair value	-4	-4
Expected IRB-losses exceeding ECL	-57	-50
Dividends	-241	-232
Common Equity Tier 1 capital	1 489	1 996
Supplementary capital	0	0
Net equity and subordinated loan capital	1 489	1 996

Risk-Weighted Assets (RWA) by exposure classes

Credit risk - standardised approach	**31.12.2021**	**31.12.2020**
Regional governments or local authorities	6	0
Institutions (banks etc)	427	527
Covered bonds	59	7
Other items	40	51
Total credit risk - standardised approach	532	585

Credit risk - IRB Foundation	31.12.2021	31.12.2020
Retail - Secured by real estate	5 993	6 021
Retail - Other	0	1
Corporate lending	319	270
Total credit risk - IRB-F	6 312	6 292

Credit valuation adjustment risk (CVA) - market risk	213	370
Operational risk (Basic indicator Approach)	629	577
Risk weighted assets (RWA)	7 686	7 824

Minimum requirement Common Equity Tier 1 capital (4,5%)	346	352

Buffer Requirement	31.12.2021	31.12.2020
Countercyclical buffer (1.0 %)	77	78
Capital conservation buffer (2.5%)	192	196
Systemic risk buffer (3.0%)	231	235
Total buffer requirements	500	509
Available Common Equity Tier 1 capital after buffer requirements	644	1 135

Capital adequacy as a percentage of the weighted asset calculation basis	31.12.2021	31.12.2020
Capital adequacy ratio	19.4 %	25.5 %
Tier 1 capital ratio	19.4 %	25.5 %
Common Equity Tier 1 capital ratio	19.4 %	25.5 %

Leverage ratio	31.12.2021	31.12.2020
Leverage ratio	4.6 %	6.2 %

Liquidity Coverage Ratio	31.12.2021	31.12.2020
Liquidity Coverage Ratio - Total	525.0 %	566.0 %
Liquidity Coverage Ratio - NOK	525.0 %	566.0 %
Liquidity Coverage Ratio - EUR	N/A	N/A

Møre Boligkreditt AS' capital requirements at 31 December 2021 are based on IRB-Foundation for commercial commitments and IRB-Retail for retail commitments.

Note 4

Operating segments

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

Country by country reporting

Møre Boligkreditt AS comprises operations solely in Norway and mainly within the retail market. Total income for 2021 amounted to NOK 357 million (NOK 344 million). Møre Boligkreditt AS has no employees at the end of 2021 (no employees in 2020). Møre Boligkreditt AS remunerated Sparebanken Møre for two man-years in 2021 and 2020. Reference is made to note 16. Pre-tax profit amounted to NOK 306 million (NOK 294 million) and taxes amounted to NOK 67 million (NOK 64 million). Møre Boligkreditt has not received any government grants/subsidies in 2021 or 2020.

Note 5

Loans to and receivables from customers

In the financial statements, the loan portfolio with agreed floating interest rate is measured at amortised cost, while the loan portfolio with fixed-interest rate is measured at fair value. For more information about classification and measurement, see note 18.

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	26 378	-1	-3	0	2 597	28 971

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

Note 6

Commitments by geographical areas

Geographical specification of loans to customers	County of Møre og Romsdal		Other Norway		Total	
	2021	2020	2021	2020	2021	2020
Gross loans	22 270	22 242	6 705	6 803	28 975	29 045
In percentage	76.9 %	76.6 %	23.1 %	23.4 %	100.0 %	100.0 %

Note 7

Credit risk exposure

Net loans to and receivables from customers by risk classification (PD):

2021	0-0,5%	0,5-2,5%	2,5-5%	5-99,9%	Credit-impaired commitments	ECL	Total
Loans to and receivables from credit institutions 1)	1 044	-	-	-	-	-	1 044
Loans to and receivables from customers	26 832	1 827	163	153	-	-4	28 971
Total loans to and receivables	27 876	1 827	163	153	-	-4	30 015

1) NOK 146 million out of total NOK 1,044 million in Loans to and receivables from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA

2020	0-0,5%	0,5-2,5%	2,5-5%	5-99,9%	Credit-impaired commitments	ECL	Total
Loans to and receivables from credit institutions 1)	1 450	-	-	-	-	-	1 450
Loans to and receivables from customers	27 653	1 209	109	74	-	-4	29 041
Total loans to and receivables	29 103	1 209	109	74	-	-4	30 491

1) NOK 546 million out of total NOK 1,450 million in Loans to and receivables from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA

Credit quality of certificates and bonds

2021	AAA	AA+	AA-	A-	Not rated	Total
General governments	30	-	-	-	-	30
Credit institutions	638	-	-	-	-	638
Certificates and bonds	668	-	-	-	-	668

2020	AAA	AA+	AA-	A-	Not rated	Total
General governments	46	-	-	-	-	46
Credit institutions	70	-	-	-	-	70
Certificates and bonds	116	-	-	-	-	116

Total credit risk exposure is presented gross before any collateral and other possible set-offs.

Total credit risk exposure	**31.12.2021**	**31.12.2020**
Loans to and receivables from credit institutions 1)	1 044	1 450
Loans to and receivables from customers	28 971	29 041
Certificates and bonds	668	116
Financial derivatives	540	1 176
Total credit risk exposure balance sheet items	31 223	31 783
Guarantees	0	0
Undrawn credit facilities customers	1 450	1 484
Total credit risk exposure off-balance sheet items	1 450	1 484
Total credit risk exposure	32 673	33 267

1) NOK 146 million out of total NOK 1,044 million in Loans to and receivables from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA

Note 8

Collateral

Collateral
The company requires residential property as collateral to reduce the risk associated with customers' willingness and ability to serve their obligations. By the granting of mortgages there is an objective valuation of residential properties. Factors are also taken into account that may affect the security's value, such as licensing conditions or easements.

Møre Boligkreditt AS is the legal and beneficial owner of each mortgage in the portfolio and is secured rights to the collateral that is associated with each mortgage. Proper transfers of mortgages are handled through a separate agreement between the company and the parent bank. In cases where the collateral secures loans for both the company and the parent bank, it is agreed that Møre Boligkreditt AS is ranked first under the current security.

Møre Boligkreditt has no repossessed assets or properties as at 31.12.2021.

All mortgages in the cover pool had LTV within 75 per cent at the time of acquisition. Part of the mortgages exceeding LTV of 75 per cent, based on quarterly valuation from AVM company, totaled NOK 193 million as at 31 December 2021 (NOK 357 million), see note 22.

The table below shows the percentage distribution of commitments with different levels of security. For example, the line 0 % - 60 % implies that the commitments are less than 60 % of the security object. Above 100 % implies that the loan amount exceeds the value of the security object. The table shows all mortgages, including the part of a mortgage exceeding LTV of 75 per cent.

Loan to value - 2021	Total in NOK million	Total in percentage
0 % - 60 %	16 351	56.4 %
60 % - 70 %	7 725	26.7 %
70 % - 80 %	4 274	14.8 %
80 % - 90 %	360	1.2 %
90 % - 100%	145	0.5 %
Above 100 %	120	0.4 %
Total	28 975	100.0 %

Loan to value - 2020	Total in NOK million	Total in percentage
0 % - 60 %	14 545	50.1 %
60 % - 70 %	7 625	26.3 %
70 % - 80 %	5 426	18.7 %
80 % - 90 %	795	2.7 %
90 % - 100%	305	1.0 %
Above 100 %	349	1.2 %
Total	29 045	100.0 %

In addition to collateralized residential properties, certificates and bonds are included in substitute assets in the cover pool presented in note 22. Reference is made to note 7 for credit quality of these certificates and bonds.

Note 9

Impairment, losses and non-performance

Expected credit losses (ECL) according to IFRS 9
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, and expected loss for the next 12 months is calculated.

Stage 2: If a significant increase in credit risk since initial recognition is identified, but without objective evidence of loss, the commitment is transferred to stage 2 and lifetime expected loss is calculated.

Stage 3: If the credit risk increases further and there's objective evidence of loss or if individual impairments have been made, the commitment is transferred to stage 3 and lifetime expected loss is calculated. As opposed to stage 1 and 2, the effective interest rate is calculated on amortised cost (gross carrying amount less loss allowance) instead of gross carrying amount.

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

An increase in credit risk reflects both customer-specific circumstances and developments in relevant macro risk drivers for the segment where the customer belongs. The assessment of what is considered to be a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops.

The calculation of ECL is based on the following principles:

- The loss provision for commitments which are not credit-impaired is calculated as the present value of exposure multiplied by the probability of default (PD) multiplied by loss given default (LGD). PD, LGD and exposure use the IRB framework as a starting point, but are converted into being point-in-time and forward-looking as opposed to through the cycle and conservative.
- Past, present and forward-looking information is used to estimate ECL. All customers within the retail-banking segment are exposed to the same risk drivers.
- For credit-impaired commitments in stage 3, individual assessments are performed.

The model used for calculating ECL follows four steps: Segmentation, determination of macro adjustments, staging and calculation of ECL.

Segmentation and macro adjustments
The assessment of significant increase in credit risk and the calculation of ECL incorporates past, present and forward-looking information. Møre Boligkreditt has only one operating segment (comprises mainly operation within the retail banking market). The entire segment is subject to equal macro adjustments.

Regression analyses of changes in the default rate on changes in relevant macro time series have been performed. The established subpopulations of the ECL model are based on the macro time series used at present.

The regression analyses are based on the company's customer data base and historical PD and LGD observations.

Calculation of expected credit loss
The determination of a significant increase in credit risk and the measurement of ECL are based on

parameters already used in credit risk management and for capital adequacy calculations: PD, LGD and exposure. The parameters have been adjusted in order to give an unbiased estimate of ECL.

Probability of default (PD)
Møre Boligkreditt AS applies several different models to determine a customer's PD. The choice of model depends on whether it is a retail or corporate customer. PD models are key components both in calculating the ECL and in assessing whether a significant increase in credit risk has occurred since initial recognition. These models fulfil the IFRS 9 requirement to provide an unbiased probability-weighted estimate of ECL. Møre Boligkreditt AS has as part of the Sparebanken Møre Group been granted permission to use internal rating-based approach (IRB) models for determining PD in capital adequacy calculations. In order to apply these PDs for IFRS 9, modifications have been made to allow that the PDs used for IFRS 9 reflect management's current view of expected cyclical changes and that all PD estimates are unbiased.

Loss given default (LGD) LGD represents the percentage of exposure which the company expects to lose if the customer fails to meet his obligations, taking the collateral provided by the customer, future cash flows and other relevant factors into consideration.

Similar to PDs, Møre Boligkreditt AS uses IRB LGDs for capital adequacy calculations. In order to convert the IRB LGDs to IFRS LGDs, modifications have been made to remove the margin of conservatism to produce unbiased projections rather than downturn projections, and to exclude regulatory floors.

These modifications imply that the LGDs used for IFRS 9 should reflect management's current view and that all LGD estimates are unbiased.

Exposure
Exposure is the share of the approved credit that is expected to be drawn at the time of any future default. Exposure is adjusted to reflect contractual payments of principal and interest. The proportion of undrawn commitments expected to have been drawn at the time of default is reflected in the credit conversion factor.

Significant increase in credit risk
The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops. A significant increase in credit risk has occurred when one or more of the criteria below are met.

Quantitative criteria
A significant increase in credit risk is determined by comparing the PD at the reporting date with the PD at initial recognition. If the actual PD is higher than initial PD, an assessment is made of whether the increase is significant.

Significant increase in credit risk since initial recognition is considered to have occurred when either

- PD has increased by 100 % or more and the increase in PD is more than 0.5 percentage points, or
- PD has increased by more than 2.0 percentage points

12 months PD-calculations are used to determine if increase in risk has been substantial.

Qualitative criteria
In addition to the quantitative assessment of changes in the PD, a qualitative assessment is made to determine whether there has been a significant increase in credit risk, for example if the commitment is subject to special monitoring.

Backstop
Backstops are used and a significant increase in credit risk has occurred if:

- the customer's contractual payments are 30 days past due
- the customer has been granted forbearance measures due to financial distress, though it is not severe enough for the financial instrument to be classified as credit-impaired

Significant reduction in credit risk – recovery
An account migrates from stage 2 to stage 1 if the criteria for migration from stage 1 to stage 2 are no longer present, **and** this is satisfied for at least one subsequent month. (Total 2 months)

An account migrates from stage 3 to stage 1 or stage 2 if the account no longer meets the conditions for migration to stage 3:

- The account migrates to stage 2 if more than 30 days in default
- Otherwise, the account migrates to stage 1

Scenarios
Three scenarios are developed: Best, Basis and Worst. For each of the scenarios, expected values of different parameters are given, for each of the next five years. The possibility for each of the scenarios to occur is also estimated. After five years, the scenarios are expected to converge to a long-term stable level.

Changes to PD as a result of scenarios, may also affect the staging.

Definition of default and credit-impaired exposures in stage 3
The definition of default has been amended from 1 January 2021 and has been extended to include breaches of special covenants and agreed payment reliefs (forbearance). The new default definition has not changed the assessment of credit risk associated with individual exposures, and there is therefore no significant effect on losses.

A commitment is defined to be in default and credit-impaired (non-performing) if a claim is more than 90 days overdue and the overdue amount exceeds the highest of 1 per cent of the exposure (loans and undrawn credits) and NOK 1,000 for the retail market and NOK 2,000 for the corporate market. Breaches of covenants can also trigger default.

The definition of credit-impaired is fully aligned with the regulatory definition of default.

A commitment is also defined to be in default if Møre Boligkreditt AS:

- has made an individual impairment on a commitment as a result of a weakening of the debtor's creditworthiness
- agrees to changes in the terms and conditions because the debtor is having problems meeting payment obligations, and this is assumed to significantly reduce the value of the cash flow (forbearance)
- has reasons to assume that the debtor will be subject to debt settlement or bankruptcy/involuntary liquidation proceedings, or be placed in receivership
- has other reasons to assume that the payment obligation will not be met (anticipated default).

Sensitivity analysis
Macro factors and weighting of scenarios are subject to expert judgment and are important input factors in the company's loss model that can contribute to significant changes in the calculation of losses. Each macroeconomic scenario includes a five-year period projection. Three scenarios for macroeconomic variables in 5 years have been prepared. (normal-, positive-, and negative projections). Changes to PD as a result of scenarios, may also affect the staging.

A framework has been developed for determining macro factors and scenarios in the ECL model to comply with the requirement for forward-looking and expectation-based estimates.

The company's base case scenario is based on reports from Norges Bank and Statistics Norway. Upside and downside scenarios are designed with emphasis on development in economic conditions. The sensitivity analysis results in a low expected loss due to a low level of recorded losses historically.

Management override
Quarterly review meetings evaluate the basis for the accounting of ECL losses. If there are significant events that will affect an estimated loss which the model has not taken into account, relevant factors in the ECL model will be overridden.

Validation
The ECL model is subject to annual validation and review.

As a consequence of low levels of PDs and low LTVs almost the entire portfolio in Møre Boligkreditt AS is assigned to stage 1 in the ECL-model, thus loss is calculated according to 12 months ECL for the major part of the company's portfolio.

Expected credit loss on loans is presented as a reduction of "Loans to and receivables from customers" in the Statement of financial position.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the impairment. This assessment is carried out at the individual asset level.

Recoveries of amounts previously impaired are included in "impairment losses on financial instruments" in the statement of profit or loss and OCI.

Impaired financial assets could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Forbearance
Mortgages granted relief in the form of temporary postponement of payments due to borrower's inability to make mortgage payments are not eligible for the cover pool or transfer to the mortgage company. The number of customers granted limited interest only period of up to 6 months in relation to the Covid-19 pandemic was limited, and none were classified as forborne exposures.

Specification of credit loss expense (NOK thousand)	2021	2020
Changes in Expected Credit Loss (ECL) - stage 1	287	326
Changes in Expected Credit Loss (ECL) - stage 2	-332	604
Changes in Expected Credit Loss (ECL) - stage 3	0	0
Total impairment on loans in the period	-45	930

Changes in ECL in the period (NOK thousand)

31.12.2021	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2020	866	3 453	0	4 319
New loans	265	422	0	687
Disposal of loans	-158	-713	0	-871
Changes in ECL in the period for loans which have not migrated	239	-630	0	-391
Migration to stage 1	27	-808	0	-781
Migration to stage 2	-87	1 396	0	1 309
Migration to stage 3	0	0	0	0
Other changes	2	1	0	3
ECL 31.12.2021	1 154	3 121	0	4 275

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

Changes in exposure in the period (NOK million)

31.12.2021	Stage 1	Stage 2	Stage 3	Total
Exposure 31.12.2020	27 076	737	0	27 813
New loans	6 845	110	0	6 955
Disposal of loans	-6 027	-184	0	-6 211
Migration to stage 1	275	-282	0	-7
Migration to stage 2	-512	500	0	-12
Migration to stage 3	0	0	0	0
Other changes	-722	-5	0	-727
Exposure as at 31.12.2021 *	26 935	876	0	27 811

31.12.2020	Stage 1	Stage 2	Stage 3	Total
Exposure 31.12.2019	26 428	587	0	27 015
New loans	7 006	92	0	7 098
Disposal of loans	-5 477	-141	0	-5 618
Migration to stage 1	295	-300	0	-5
Migration to stage 2	-519	505	0	-14
Migration to stage 3	0	0	0	0
Other changes	-657	-6	0	-663
Exposure as at 31.12.2020 *	27 076	737	0	27 813

* 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.

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

31.12.2021	Stage 1	Stage 2	Stage 3	Total
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 and receivables from customers 31.12.2021 *	26 934	873	0	27 807

31.12.2020	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	26 531	50	0	26 581
Medium risk (0.5 % - < 3 %)	496	601	0	1 097
High risk (3 % - <100 %)	49	86	0	135
Total commitments before ECL	27 076	737	0	27 813
- ECL	-1	-3	0	-4
Loans and receivables from customers 31.12.2020 *	27 075	734	0	27 809

*) 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 10

Market risk

The Board of Directors stipulates the long-term targets with regard to the company’s risk profile. Market risk in the company is measured and monitored based on conservative limits, renewed and approved by the Board at least annually.

Through its regular operations, the company is exposed to interest rate risk. Interest risk occurs in the company's portfolio in connection with its activities relating to loans and bond debt in which different interest terms apply to the company's receivables and liabilities. Depending on the relationship between the interest terms for receivables and liabilities, changes to interest rates could result in increased income or expenses. Møre Boligkreditt AS uses interest rate swaps as part of its risk management to manage interest rate risk. The company's borrowings with fixed interest rates and fixed-rate loans to customers are swapped to floating interest rates. Potential effect of a 1 year period change in interest rate of 1 percentage point, is an increase/decrease in interest income of NOK 15.5 million. Relative to the company's total equity of NOK 1,791 million, the company's interest rate risk is considered to be insignificant.

Møre Boligkreditt AS has funding in foreign currency. Currency risk associated with this funding is hedged and minimized by use of currency swaps. No foreign currencies had a material net position on the company's balance sheet at the end of the year. The financial derivatives are recognised at fair value, with value changes recognised in the profit and loss account and carried in the balance sheet on a gross basis per contract as assets or liabilities respectively. The estimated fair value of financial OTC derivatives is adjusted for counterparty credit risk (CVA) or for the company's own credit risk (DVA).

Note 11

Interest rate risk

The tables below show the potential effect of the change in market value of financial assets and liabilities of the company due to a one percentage point increase in interest rates, specified both by duration and by type of financial instruments. The calculation is based on current positions and market rates as of 31 December:

Interest rate risk

	31.12.2021	31.12.2020
Up to 1 month	11	11
1 - 3 months	0	-9
3 - 12 months	1	2
1 - 5 years	-13	-11
Above 5 years	-2	-1
Total	-3	-8
Certificates and bonds	-1	0
Loans to and receivables from customers with fixed rate	-21	-14
Loans to and receivables from customers with floating rate	-31	-32
Debt securities issued	46	32
Other liabilities	4	6
Total	-3	-8

Note 12

Foreign exchange risk

Møre Boligkreditt AS has funding in foreign currency. Currency risk associated with this funding is hedged and minimized by using currency swaps.

The table below shows the company's balance sheet items specified by currency:

2021	Total	NOK	EUR
Loans to and receivables from credit institutions	1 044	1 044	
Loans to and receivables from customers	28 971	28 971	
Certificates and bonds	668	668	
Other assets	540	540	
Total assets	31 223	31 223	0
Loans from credit institutions	3 548	3 548	
Debt securities issued	25 603	14 957	10 646
Other liabilities	281	281	
Equity	1 791	1 791	
Total liabilities and equity	31 223	20 577	10 646
Forward exchange contracts			10 646
Net exposure foreign exchange			0

2020	Total	NOK	EUR
Loans to and receivables from credit institutions	1 450	1 450	
Loans to and receivables from customers	29 041	29 041	
Certificates and bonds	116	116	
Other assets	1 176	1 176	
Total assets	31 783	31 783	0
Loans from credit institutions	5 306	5 306	
Debt securities issued	23 991	15 332	8 659
Other liabilities	204	204	
Equity	2 282	2 282	
Total liabilities and equity	31 783	23 124	8 659
Forward exchange contracts			8 659
Net exposure foreign exchange			0

Note 13

Liquidity risk

Liquidity risk is the risk that Møre Boligkreditt AS will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The Board of Møre Boligkreditt AS annually sets limits for management of liquidity risk in the company.

Pursuant to the Financial Institutions Act, a mortgage company which issues covered bonds must ensure that the cash flow from the cover pool enables the company to meet its payment obligations to holders of covered bonds and counterparties to derivative agreements at all times.

The loans acquired by Møre Boligkreditt AS are primarily financed through the issuing of covered bonds. The company's plan is to ensure that this type of funding shall over time account for a minimum of 80 per cent of the entity's financing of acquired loans.

Loans that are acquired and not included in a portfolio financed by covered bonds, and loans that serve as over-collateralisation, are financed through a facility the company holds in the parent bank, Sparebanken Møre, or equity. The long-term overdraft facility in Sparebanken Møre has a total limit of NOK 5 billion. Undrawn facility amounts to NOK 1,6 billion as of 31.12.21.

Receivables from credit institutions and investments in covered bonds, not used for LCR purposes, are used as part of the cover pool.

As of 31.12.2021, the requirement for Liquidity Coverage Ratio for Norwegian covered bond companies is 100 % on total currency, 100 % in significant currencies and 50 % in NOK if significant currencies equal EUR or USD. As of 31.12.2021, Møre Boligkreditt AS reports 525 % on total currency level and on NOK. There are no LCR-outflows in EUR as of 31.12.2021.

Remaining maturity as per 31.12.21	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Loans to and receivables from credit institutions	1 044	0	0	0	0	1 044
Loans to and receivables from customers*	53	107	558	2 876	32 974	36 568
Certificates and bonds*	1	2	419	251	0	673
Total financial assets	1 098	109	977	3 127	32 974	38 285
Liabilities						
Loans from credit institutions	0	0	0	3 548	0	3 548
Debt securities issued*	0	1 053	2 715	20 953	1 621	26 342
Total financial liabilities	0	1 053	2 715	24 501	1 621	29 890
Financial derivatives						
Cash flow in	0	20	112	334	77	543
Cash flow out	7	46	135	393	50	631
Total financial derivatives	-7	-26	-23	-59	27	-88

* Includes cash flows from nominal interest payments

Remaining maturity as per 31.12.20	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Loans to and receivables from credit institutions	1 451	0	0	0	0	1 451
Loans to and receivables from customers*	52	103	468	2 873	32 887	36 383
Certificates and bonds*	0	0	71	45	0	116
Total financial assets	1 503	103	539	2 918	32 887	37 950
Liabilities						
Loans from credit institutions	4	9	40	5 412	0	5 465
Debt securities issued*	0	41	3 175	19 401	1 674	24 291
Total financial liabilities	4	50	3 215	24 813	1 674	29 756
Financial derivatives						
Cash flow in	0	18	106	398	110	632
Cash flow out	4	29	102	277	56	468
Total financial derivatives	-4	-11	4	121	54	164

* Includes cash flows from nominal interest payments

Note 14

Net interest income

2021	Assessed at amortised cost	Assessed at fair value	Total
Interest income from:			
Loans to and receivables from credit institutions	11	-	11
Loans to and receivables from customers	551	43	594
Certificates, bonds and other interest-bearing securities	0	4	4
Interest income	562	47	609
Interest expenses in respect of:			
Loans from credit institutions	31	-	31
Debt securities	211	-	211
Other interest expenses	7	-	7
Interest expenses	249	-	249
Net interest income	313	47	360

2020	Assessed at amortised cost	Assessed at fair value	Total
Interest income from:			
Loans to and receivables from credit institutions	11	-	11
Loans to and receivables from customers	650	26	676
Certificates, bonds and other interest-bearing securities	0	4	4
Interest income	661	30	691
Interest expenses in respect of:			
Loans from credit institutions	25	-	25
Debt securities	313	-	313
Other interest expenses	8	-	8
Interest expenses	346	-	346
Net interest income	315	30	345

Note 15

Net gains and losses from financial instruments

Net gains/losses from financial instruments	2021	2020
Change in value on fixed interest loans	-66	-25
Derivatives related to fixed interest loans	71	27
Change in value of issued covered bonds	721	-585
Derivatives related to issued covered bonds	-728	583
Gains/losses on bonds	-3	-2
Other gains/losses	3	2
Net gains/losses from financial instruments	-3	-1

The company's funding must have a maximum of 3-months fixed interest rate and be in NOK. If funding is done by issuances of fixed rate- or foreign exchange bonds, it is swapped into 3-months Nibor. The company shall not take any currency risk.

Hedge accounting for financial liabilities with fixed interest rate	2021	2020
Changes in fair value of derivatives established to hedge changes in market interest rates	-135	123
Changes in fair value due to changes in market interest rates on hedged financial liabilities with fixed interest rate	132	-120

Hedge accounting for financial liabilities in foreign currency	2021	2020
Changes in fair value of derivatives established to hedge currency exsposure and market interest rates on financial liabilities	-572	528
Changes in fair value due to changes in the exchange rate and market interest rates in hedged financial liabilities	573	-524

For information regarding financial derivatives and hedge accounting in the balance sheet, see note 21.

Note 16

Wages, compensations and fees

(NOK thousand)		2021	2020
Total wages and other cash payments		2 449	2 439
- hereof salary to the Managing Director		1 061	1 054
- hereof other remuneration to the Managing Director		23	34
- hereof refunded premium regarding the pension plan for the Managing Director		76	72
- hereof remuneration to the Board of Directors		70	70
The Board of Directors	Kjetil Hauge, Chairman	0	0
	Sandra Myhre Helseth	0	0
	Elisabeth Blomvik	0	0
	Geir Tore Hjelle	70	70
Total fees paid to external auditor (all fees are stated including VAT of 25 %)		518	575
- hereof statutory audit services		202	225
- hereof tax-related services		25	58
- hereof other attestation services		286	287
- hereof other non-audit services		5	5

There are no loans or guarantees issued to members of the Board of Directors nor the Managing Director in MBK.

The total benefit in kind relating to loans provided in Sparebanken Møre at a rate of interest lower than the interest rate wich triggers a basis for taxing such benefits in kind to the Managing Director is included in other remuneration to the Managing Director, as well as other relevant benefits, and amounts to TNOK 23 in 2021.

Møre Boligkreditt AS has no employees at the end of 2021. Møre Boligkreditt AS remunerated Sparebanken Møre for the use of two man-years, but only the Managing Director of Møre Boligkreditt AS is dedicated full time to the company. Several services are also outsourced to Sparebanken Møre, and these are regulated by a specific agreement between the mortgage company and the bank. The above-mentioned payments and other cash benefits, as well as employer's national insurance contributions, are cost refunds to Sparebanken Møre. The employees are members of Sparebanken Møre's pension scheme. The scheme satisfies the current requirements for mandatory occupational pensions. The company had as per 31 December 2021 no obligation to pay the Managing Director, Chairman of the Board of Directors or other employees special remuneration upon them leaving the company or in the event of a change in their employment relationship or duties. Nor do any obligations concerning bonuses, options or similar exist for any of the aforementioned positions.

Note 17

Tax

Tax cost consists of payable tax for the income year, any tax payable for previous years and any changes in deferred tax. Deferred tax is calculated on the temporary differences in accordance with IAS 12 Income Taxes. A temporary difference is the difference between the carrying amount of an asset or liability and the taxable value of that asset or liability. Tax increasing and tax reducing temporary differences that are reversed or could be reversed in the same period are offset and included in the accounts on a net basis.

Deferred tax is calculated based on the differences existing between the accounting-related and tax-related values at the end of the accounting year. Deferred tax assets are recognised in the statement of financial position to the extent that it is likely they will be utilised against future taxable income. Deferred tax (tax assets) is recognised at nominal value and reported on a separate line in the statement of financial position.

A tax rate of 22 per cent is used as the prevailing tax rate in 2021. Realisation of deferred tax benefit is based on future results liable to tax, based on empirical experience and prognoses, exceeding the tax benefit in question in the case of reversal of any existing temporary differences. No temporary differences exist in relation to items recognised against comprehensive income.

The entire tax-cost is related to Norway.

Specification of taxes in Statement of income	**2021**	**2020**
Pre-tax profit	306	294
Permanent differences	0	-1
Change in temporary differences**	292	-343
Income subject to tax	598	-50
Tax payable at 22 per cent	131	0
Change in deferred tax	-64	64
Correction previous year	0	0
Total tax cost	67	64

Specification of taxes in Statement of comprehensive income	**2021**	**2020**
Basis swap spreads - change in value	3	3
Comprehensive income subject to tax	3	3
Total tax cost (tax payable at 22 per cent)	1	1

Specification of tax payable	2021	2020
Tax payable in the Statement of income	131	0
Tax payable in the Comprehensive income	1	0
Total tax payable	132	0

Specification of temporary differences and computation of deferred tax	2021	2020
Financial liabilities	-244	-477
Financial instruments	562	1 104
Deficit to carry forward (income subject to tax included OCI)	0	-47
Net negative (-)/positive differences	318	580
Deferred tax asset (-) or liability as at 31 December (22 per cent)	70	128

Reconciliation of tax cost and pre-tax profit	2021	2020
22 per cent of pre-tax profit	67	64
Other permanent differences 22 per cent	0	0
Correction previous year	0	0
Total tax cost	67	64

** Explanation of change in temporary differences due to use of deficit in 2021	2021
Deficit to carry forward 31.12.2020	-47
Use of deficit in 2021	
Previously refunded due to covid-19 regulations	30
Use of deficit in 2021 tax papers	17
Total use of deficit in 2021	47

Note 18

Classification of 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.

Classification of financial instruments	Financial instruments at fair value through profit or loss		Derivatives used as hedging instruments		Financial instruments at amortised cost	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Loans to and receivables from credit institutions					1 044	1 450
Loans to and receivables from customers	2 597	2 718			26 374	26 323
Certificates and bonds	668	116				
Financial derivatives	9	1	531	1 175		
Total financial assets	3 274	2 835	531	1 175	27 418	27 773
Loans from credit institutions					3 548	5 306
Debt securities issued					25 603	23 991
Financial derivatives	27	76	52	-		
Total financial liabilities	27	76	52	-	29 151	29 297

Note 19

Financial instruments at amortised cost

Fair value of financial instruments at amortised cost	31.12.2021		31.12.2020	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	1 044	1 044	1 450	1 450
Loans to and receivables from customers	26 374	26 374	26 323	26 323
Total financial assets	27 418	27 418	27 773	27 773
Loans from credit institutions	3 548	3 548	5 306	5 306
Debt securities issued	25 704	25 603	24 110	23 991
Total financial liabilities	29 252	29 151	29 416	29 297

Maturity of debt securities issued, nominal value		2021	2020
	2021		3 000
	2022	3 363	3 363
	2023	2 375	2 375
	2024	5 498	5 498
	2025	7 050	7 050
	2026	5 250	-
	2027	321	321
	2028	1 201	1 201
Total		25 058	22 808

Note 20

Financial instruments at fair value

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.

There have been no significant changes in the approach to the valuation of fixed-rate loans in 2021. Fair value is calculated based on contractual cash flows discounted at a market interest rate matching the rates applicable to the corresponding fixed-rate loans at the balance sheet date. In the income statement, the change in value is presented under Net gains/losses from financial instruments. A change in the discount rate of 10 basis points would result in a change of approximately NOK 7 million on fixed rate loans.

Financial instruments at fair value - 31.12.2021	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			2 597	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

Financial instruments at fair value - 31.12.2020	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information 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	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 21

Financial derivatives and hedge accounting

Offsetting
Møre Boligkreditt AS uses bilateral ISDA agreements with external counterparties when entering into derivative contracts. The agreements allow for netting in each currency, ie. NOK and EUR. Credit Support Annex (CSA) to the Schedule to the ISDA Master Agreement regulates posting of collateral for each currency. The agreements are one-way, meaning that only the counterparty must provide collateral when the market value fluctuates. Collateral from the counterparty shall be posted when the market value breaches thresholds stated in the Credit Support Annex (CSA). Thresholds are zero in contracts entered into by Møre Boligkreditt AS after 2017. The CSA agreements also contain rating clauses whereby the counterparty must post additional collateral if the rating drops below defined rating triggers. If the rating falls below a predetermined level, the counterparty must novate the contracts to another counterparty at own expense. Netting agreements are not offset on the balance sheet, because the transactions are not settled on a net basis.

The table below shows nominal values on financial derivatives according to type of derivative as well as positive and negative market values. Positive market values are recognised as assets in the balance sheet, whereas negative market values are recognised as liabilities:

	2021			2020		
Financial derivatives	**Nominal value**	**Asset**	**Liability**	**Nominal value**	**Asset**	**Liability**
Swaps						
Interest rate swaps	2 474	8	0	2 646	0	76
Cross currency interest rate swaps	310	0	15	318	0	0
Hedge accounting						
Interest rate swaps	3 050	177	0	3 050	280	0
Cross currency interest rate swaps	10 107	355	64	7 782	896	0
Total financial derivatives	15 941	540	79	13 796	1 176	76
Collateral received		146			546	

The table below provides details on the contractual maturity of financial derivatives based on nominal values:

	2021		2020	
Maturity	**Interest rate swaps**	**Cross currency swaps**	**Interest rate swaps**	**Cross currency swaps**
2022	1 000	2 429	1 000	2 493
2023		2 435		2 498
2024		2 496		2 560
2025	1 050		1 050	
2026		2 522		
2027		310		318
2028	1 000	225	1 000	231
2029				
2030	2 474		2 646	
	5 524	10 417	5 696	8 100

For information regarding gains/losses on financial derivatives and hedge accounting, see note 15.

Note 22

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 31.12.2021	Interest	Issued	Maturity	31.12.2021	31.12.2020
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 153	1 221
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	297	330
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 014	1 022
NO0010777584	NOK	-	3M Nibor + 0.58 %	2016	2021	-	3 006
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 503	2 647
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 002	3 002
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 526	2 684
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 028	1 086
NO0010853096	NOK	3 000	3M Nibor + 0.37 %	2019	2025	3 001	2 998
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 505	2 670
NO0010884950	NOK	3 000	3M Nibor + 0.42 %	2020	2025	2 999	2 998
XS2233150890	EUR	30	3M Euribor +0.75 %	2020	2027	309	327
NO0010951544	NOK	2 700	3M Nibor + 0.75 %	2021	2026	2 766	-
XS2389402905	EUR	250	fixed EUR 0.01 %	2021	2026	2 500	-
Total borrowings raised through the issue of securities (incl. accrued interest)						25 603	23 991

COVER POOL (NOK million)	31.12.2021	31.12.2020
Pool of eligible loans 1)	28 778	28 684
Substitute assets	1 455	903
Financial derivatives to hedge issued securities (assets)	540	1 176
Financial derivatives to hedge issued securities (liabilities)	-79	-76
Total collateralised assets	30 694	30 687

1) NOK 193 million of total gross loans are not eligible for the cover pool as at 31.12.2021 (NOK 357 million as at 31.12.2020).

Covered bonds issued (NOK million)	31.12.2021	31.12.2020
Covered bonds (nominal) 2)	25 058	22 808
Accrued interest	47	48
Premium/discount	498	1 135
Total covered bonds	25 603	23 991
Own holding (covered bonds)	0	0
Debt securities issued	25 603	23 991

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

Collateralisation (in %)	31.12.2021	31.12.2020
Total collateralised assets/debt securities issued	119.9	127.9

Changes in debt securities	31.12.2020	Issued	Redemption	Other changes	31.12.2021
Covered bonds, nominal value	22 808	5 250	-3 000		25 058
Accrued interest	48			-1	47
Value adjustments	1 135			-637	498
Total debt securities	23 991	5 250	-3 000	-638	25 603

Note 23

Intragroup transactions

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 with Sparebanken Møre are as follows:

(NOK million)	31.12.2021	31.12.2020
Statement of income:		
Interest and credit commission income from Sparebanken Møre related to deposits	11	11
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	31	25
Interest paid to Sparebanken Møre related to bonded debt	10	8
Management fee paid to Sparebanken Møre	44	41
Statement of financial position:		
Deposits in Sparebanken Møre 1)	1 044	1 450
Covered bonds held by Sparebanken Møre as assets	514	503
Loan/credit facility in Sparebanken Møre	3 402	4 760
Intragroup hedging	8	60
Accumulated transferred loan portfolio from Sparebanken Møre	28 975	29 045

1) NOK 146 million out of total NOK 1,044 million of deposits in Sparebanken Møre is the margin call balance on financial derivatives paid in by counterparties according to CSA

Note 24

Share capital

The share capital consists of 1 100 000 shares each with a nominal value of NOK 1 250. All shares are owned by Sparebanken Møre. Møre Boligkreditt AS is included in the consolidated financial statements of Sparebanken Møre and information about the consolidated financial statements can be obtained by contacting one of the bank's offices or via the bank's website: www.sbm.no.

	2021	2020
Total number of shares 1 January	1 500 000	1 500 000
Share capital reduction	-400 000	0
Total number of shares 31 December	1 100 000	1 500 000
Dividend per share	218.87	154.60

The Board of Directors has proposed a dividend of NOK 241 million per 31.12.2021. (NOK 232 million in 2020)

Note 25

Events after the reporting date

New information about conditions that existed at the end of the reporting period shall be taken into account in the annual financial statements. Events after the reporting date that do not affect the mortgage company's position at that date, but will affect the mortgage company's financial position in the future, shall be disclosed if they are material.

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

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

We hereby confirm that the company's annual financial statements for the period 1 January 2021 to 31 December 2021, have, to the best of our knowledge, been prepared in accordance with applicable accounting standards and that the information in the financial statements provides a true and fair view of the company's assets, liabilities, financial position and results as a whole. We also hereby declare that the annual report provides a true and fair view of the financial performance and position of the company, as well as a description of the principal risks and uncertainties facing the company.

Ålesund, 31 December 2021
15 February 2022

THE BOARD OF DIRECTORS OF MØRE BOLIGKREDITT AS
KJETIL HAUGE, Chair of the board
ELISABETH BLOMVIK
GEIR TORE HJELLE
SANDRA MYHRE HELSETH

OLE ANDRE KJERSTAD, Managing Director

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To the General Meeting of Møre Boligkreditt AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Møre Boligkreditt AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 21.03.2018 for the accounting year 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Issued covered bonds – compliance with regulation

The Key Audit Matter	*How the matter was addressed in our audit*
The covered bonds are measured at amortized cost and the total liability is NOK 25 603 million. The Company issues covered bonds as their prime source of funding. To issue these bonds the Company must be compliant with the	We assessed management's process for acquiring loans that qualify as collateral for covered bonds. We tested operating effectiveness of selected internal controls that are set up to secure that only loans that fulfil legal requirements to serve as collateral, are

Norwegian Financial Institutions Act, which set out detailed requirements to the assets included in and the value of the cover pool. Since such compliance is of significant importance for the funding and going concern of the Company, we considered this a key audit matter.	transferred from Sparebanken Møre to the Company. For a number of loans included in the cover pool, our procedures, among others, include: • testing that the assets in the cover pool comply with the requirements in the Financial Institutions Act §11-8 • agreeing collateral values with external valuations from Eiendomsverdi • testing the mathematical accuracy and corroborating the input of the calculation that management uses to establish the collateralization in percent. We have also assessed management's process for keeping the register up to date and identifying movements in the underlying assets in the cover portfolio.

Refer to note 2 *Risk Management*, note *8 Collateral*, Note *22 Issued Covered Bonds* and Report from the Board of Directors.

2. IT-systems and application controls

The Key Audit Matter	*How the matter was addressed in our audit*
The company is dependent on the IT infrastructure in the financial reporting. The Company uses a standard core system delivered and operated by an external service provider. Sound governance and control over the IT systems is critical to ensure accurate, complete and reliable financial reporting. Furthermore, the IT systems support regulatory compliance for financial reporting to authorities, which is central to licensed businesses. The system calculates interest rates on borrowing and lending and the Company's internal control systems are based on system-generated reports. Due to the importance of the IT systems for the Company's operations, the IT environment supporting the financial reporting process is considered a key audit matter.	In connection with our audit of the IT-system in the Company, we have gained an understanding of the control environment and tested that selected general IT controls are functioning as intended and support important application controls. In our control testing, we have focused on access management controls. The independent auditor of the external service provider has assessed and tested the effectiveness of internal controls related to the IT systems outsourced to external service provider. We have obtained the attestation report (ISAE 3402) from the independent auditor to evaluate whether the external service provider has satisfactory internal control in areas of significant importance to the Company. We have assessed the independent auditor's competence and objectivity, as well as evaluated the report in order to assess possible deviations and consequences for our audit. We have requested the independent auditor of the service provider to test a selection of standard reports and application controls in the core-system to assess whether: • standard system reports contain all relevant data, and

	• the application controls, including controls related to interest rate-, annuity- and fee calculations, work as intended. We have used our IT audit specialist in the work to understand the control environment, test controls and examine the reports.

Other Information

The Board of Directors (management) is responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other accompanying information otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 15 February 2022
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant

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.
Over-collateralisation	**Definition**	Over-collateralisation, calculated as the difference between value of the eligible cover pool and the value of the outstanding covered bond loan debt, 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 eligible collateralised assets.
	Calculation	$\frac{\textit{Eligible collateralised assets -Debt securities issued}}{\textit{Debt securities issued}} * 100$
	Figures	31.12.2021: (30,694-25,603)/25,603*100 = 19.9 %
		31.12.2020: (30,687-23,991)/23,991*100 = 27.9 %

*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

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Møre
Boligkreditt