

Møre Boligkreditt AS

A company in the Sparebanken Møre Group

1 quarter 2021

Unaudited interim report



Møre
Boligkreditt

Interim report from the Board of Directors

About the Company

Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The company is licensed to operate as a mortgage company, issuing covered bonds. Møre Boligkreditt AS is Sparebanken Møre's most important source of market funding and an important part of the parent bank's long-term funding strategy.

The accounts have been prepared in accordance with IFRS.

First quarter results

The financial statements of Møre Boligkreditt AS show a pre-tax profit of NOK 76 million in first quarter 2021, compared to NOK 61 million in first quarter 2020. Net interest income amounted to NOK 88 million, compared to NOK 81 million in the same quarter last year. Costs amounted to NOK 13 million in first quarter 2021, compared to NOK 12 million in the corresponding quarter in 2020.

The calculation of expected credit loss (ECL) for Møre Boligkreditt AS resulted in unchanged level of impairments in the first quarter 2021 compared to an increase of NOK 3 million in the corresponding quarter in 2020. Profit after tax amounted to NOK 59 million in first quarter 2021, compared to NOK 48 million in the corresponding quarter 2020.

Basis swap spreads are charged to OCI with NOK 7 million after tax in first quarter 2021, compared to NOK 5 million added in first quarter 2020.

Møre Boligkreditt AS acquired mortgages from Sparebanken Møre in first quarter 2021, and net mortgage volume increased by NOK 157 million in the quarter. Net mortgage lending to customers amounted to NOK 29,198 million at first quarter end 2021, compared to NOK 25,880 million at first quarter end 2020.

One new bond loan of NOK 2,700 million was issued in the first quarter 2021. Møre Boligkreditt AS had thirteen bond loans outstanding at 31 March 2021 with a total bond loan debt of NOK 26,278 million, compared to twelve bond loans with NOK 24,880 million outstanding at 31 March 2020. Møre Boligkreditt AS reported Net Stable Funding Ratio (NSFR) of 98 per cent as at 31 March 2021.

Total assets at first quarter end 2021 amounted to NOK 32,179 million compared to NOK 31,159 million at first quarter end 2020. The ECL calculation as at 31 March 2021 shows expected credit loss of NOK 4 million for Møre Boligkreditt AS, compared to NOK 7 million in ECL as at 31 March 2020. At first quarter end 2021, the mortgages in the cover pool had an average loan-to-value ratio of 53.9 per cent, calculated as mortgage amount relative to the value of the property used as collateral, compared to 58.6 per cent loan-to-value ratio by first quarter end 2020.

At first quarter end 2021, the company's substitute assets included in the cover pool amounted to NOK 1,960 million, compared to NOK 1,841 million at first quarter end 2020. Net value of financial derivatives included in the cover pool amounted to NOK 633 million at first quarter end 2021, compared to NOK 2,098 million at end of first quarter 2020. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 20.0 per cent as at 31 March 2021, compared to 17.9 per cent as at 31 March 2020.

In addition to liquid assets included in the cover pool, Møre Boligkreditt AS' Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 116 million at 31 March 2021, reporting total LCR of 543 per cent by first quarter end 2021.

Rating

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

Capital strength

Paid in equity and retained earnings amounted to NOK 2,102 million by end of first quarter 2021, compared to NOK 2,102 million by end of first quarter 2020. Risk weighted assets amounted to NOK 7,867 million by end of first quarter 2021. Net equity and subordinated loan capital amounted to NOK 1,988 million by end of first quarter 2021. This corresponds to a Common Equity Tier 1 capital ratio of 25.3 per cent. Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

Outlook

The economic outlook has improved in the recent months. The handling of Covid-19 and the vaccine rollout will be crucial going forward, but there is also some uncertainty related to the vaccines effect on mutated virus together with possible side effects. The most important financial risk factors are increased unemployment, increase in bankruptcies, fall in housing prices and correction in the stock market.

Mainland Norway GDP was down 0.5 per cent in February, and it is also expected that the coming months will be relatively weak.

In March, the national level of unemployment was reported at 4.2 per cent, and 2.8 per cent in the county of Møre og Romsdal. Central eastern parts of Norway report somewhat higher levels of unemployment, with 6.4 per cent in Oslo, due to both higher concentration of service sector employment combined with stricter local Covid-19 restrictions.

Norges Bank kept the key policy rate unchanged at zero in their March 17th meeting but indicated that the policy rate will most likely be raised in the latter half of 2021. Core inflation rose by 3.1 per cent year-over-year in March 2021.

Housing prices increased by 12.5 per cent as a national average the last twelve months. In the county of Møre og Romsdal, the 12 months growth in housing prices was 10.3 per cent by end of March 2021. Housing prices are expected to increase further due to low mortgage interest rates and improving labour market, but at a slower pace.

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

The long-term financial implications of the virus are difficult to predict, but the Board believes that the low level of unemployment in the county together with the low interest rate level will contribute to further mortgage loan growth in Sparebanken Møre. This mortgage growth will position Møre Boligkreditt AS to acquire mortgage loan portfolios from Sparebanken Møre and increase the volume of outstanding bond loans from Møre Boligkreditt AS.

Ålesund, 31 March 2021

28 April 2021

THE BOARD OF DIRECTORS OF MØRE BOLIGKREDITT AS

KJETIL HAUGE, Chairman

ELISABETH BLOMVIK

GEIR TORE HJELLE

SANDRA MYHRE HELSETH

OLE ANDRE KJERSTAD, Managing Director

Statement of income

STATEMENT OF INCOME

(NOK million)	Note	Q1 2021	Q1 2020	2020
Interest income from assets assessed at amortised cost	<u>3</u>	137	213	661
Interest income from assets assessed at fair value	<u>3</u>	11	2	30
Interest expenses	<u>3</u>	60	134	346
Net interest income	<u>37</u>	88	81	345
Net gains/losses from financial instruments		1	-5	-1
Total income		89	76	344
Wages, salaries and general administration costs		1	1	3
Other operating costs	<u>7</u>	12	11	46
Total operating costs		13	12	49
Profit before impairment on loans		76	64	295
Impairment on loans	<u>4</u>	0	3	1
Pre-tax profit		76	61	294
Taxes		17	13	64
Profit after tax		59	48	230

STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	Q1 2021	Q1 2020	2020
Profit after tax	59	48	230
Items that may subsequently be reclassified to the income statement:			
Basis swap spreads - changes in value	-9	6	3
Tax effect of basis swap spreads	2	-1	-1
Total comprehensive income for the period	52	52	232

Statement of financial position

ASSETS

(NOK million)	Note	31.03.2021	31.03.2020	31.12.2020
Loans to and receivables from credit institutions 1)	<u>5.7</u>	2 168	3 071	1 450
Loans to and receivables from customers	<u>3.4.5</u>	29 198	25 880	29 041
Certificates and bonds	<u>5.6</u>	116	97	116
Financial derivatives	<u>5.6</u>	697	2 111	1 176
Total assets		32 179	31 159	31 783

1) NOK 207 million out of total NOK 2,168 million in Loans to and receivables from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA

LIABILITIES AND EQUITY

(NOK million)	Note	31.03.2021	31.03.2020	31.12.2020
Loans from credit institutions 2)	<u>5.7</u>	3 590	4 086	5 306
Debt securities issued	<u>5.6.7</u>	26 278	24 880	23 991
Financial derivatives	<u>5.6</u>	64	13	76
Tax payable		15	14	0
Incurring costs and prepaid income		2	1	0
Deferred tax		128	63	128
Total liabilities		30 077	29 057	29 501
Share capital		1 875	1 875	1 875
Share premium		175	175	175
Paid-in equity		2 050	2 050	2 050
Other equity		0	0	232
Total comprehensive income for the period		52	52	0
Retained earnings		52	52	232
Total equity	<u>2</u>	2 102	2 102	2 282
Total liabilities and equity		32 179	31 159	31 783

2) NOK 207 million out of total NOK 3,590 million in Loans from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA

Statement of changes in equity

31.03.2021

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2020	2 282	1 875	175	232
Dividend paid	-232			-232
Total comprehensive income for the period	52			52
Equity as at 31 March 2021	2 102	1 875	175	52

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

31.03.2020

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2019	2 274	1 875	175	224
Dividend paid	-224			-224
Total comprehensive income for the period	52			52
Equity as at 31 March 2020	2 102	1 875	175	52

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

31.12.2020

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

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

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

Statement of cash flow

(NOK million)	31.03.2021	31.03.2020	31.12.2020
Cash flow from operating activities			
Interest, commission and fees received	148	214	687
Interest, commission and fees paid	-10	-10	-34
Operating expenses paid	-14	-12	-49
Income taxes paid	0	-11	-9
Payment for acquiring loans from the Parent Bank	-1 876	-1 802	-10 933
Payment related to installment loans and credit lines to customers	1 719	1 574	7 545
Net cash flow from operating activities	-33	-47	-2 793
Cash flow from investing activities			
Received interest, commission and fees related to certificates, bonds and other securities	0	2	4
Proceeds from the sale and settlement of certificates, bonds and other securities	0	580	1 043
Purchases of certificates, bonds and other securities	0	0	-483
Changes in other assets	-7	2	4
Net cash flow from investing activities	-7	584	568
Cash flow from financing activities			
Paid interest, commission and fees related to issued bonds	-50	-127	-313
Net change in loans from credit institutions	-1 377	560	2 464
Proceeds from issued covered bonds	2 774	499	3 821
Redemption of issued covered bonds	0	-230	-3 474
Dividend paid	-232	-224	-224
Changes in other debt	-18	-1	28
Issued share capital and premium	0	0	0
Net cash flow from financing activities	1 097	477	2 302
Net change in cash and cash equivalents	1 057	1 014	77
Cash balance at 01.01	904	827	827
Cash balance at 31.03 / 31.12 1)	1 961	1 841	904

1) NOK 207 million out of total NOK 2,168 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 31.03.2021 (NOK 1,230 million as at 31.03.2020 and NOK 546 million as at 31.12.20).

Note 1

Accounting principles

Møre Boligkreditt AS' interim accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU as of 31 March 2021. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounts are prepared using the same principles and with the same methodology as the annual accounts for 2020.

All amounts are stated in NOK million unless stated otherwise.

The interim financial statements are not audited.

Note 2

Equity and related capital

Tier 1 capital and supplementary capital	31.03.2021	31.03.2020	31.12.2020
Share capital and share premium	2 050	2 050	2 050
Retained earnings	52	52	232
Total equity	2 102	2 102	2 282
Value adjustments of financial instruments at fair value	-3	-2	-4
Expected IRB-losses exceeding ECL	-59	-41	-50
Dividends	0	0	-232
Deductions for total comprehensive income for the period	-52	-52	-
Common Equity Tier 1 capital	1 988	2 007	1 996
Supplementary capital	0	0	0
Net equity and subordinated loan capital	1 988	2 007	1 996

Risk-Weighted Assets (RWA) by exposure classes

Credit risk - standardised approach	31.03.2021	31.03.2020	31.12.2020
Institutions (banks etc)	622	955	527
Covered bonds	7	5	7
Other items	43	28	51
Total credit risk - standardised approach	672	988	585

Credit risk - IRB Foundation

Retail - Secured by real estate	6 066	4 511	6 021
Retail - Other	1	0	1
Corporate lending	248	189	270
Total credit risk - IRB-F	6 315	4 700	6 292

Credit valuation adjustment risk (CVA) - market risk	303	720	370
Operational risk (Basic indicator Approach)	577	516	577
Risk weighted assets (RWA)	7 867	6 924	7 824

Minimum requirement Common Equity Tier 1 capital (4.5%)	354	312	352
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Buffer Requirement	31.03.2021	31.03.2020	31.12.2020
Countercyclical buffer (1.0 %)	79	69	78
Capital conservation buffer (2.5%)	197	173	196
Systemic risk buffer (3.0%)	236	208	235
Total buffer requirements	511	450	509
Available Common Equity Tier 1 capital after buffer requirements	1 123	1 245	1 135

Capital adequacy as a percentage of the weighted asset calculation basis	31.03.2021	31.03.2020	31.12.2020
Capital adequacy ratio	25.3 %	29.0 %	25.5 %
Tier 1 capital ratio	25.3 %	29.0 %	25.5 %
Common Equity Tier 1 capital ratio	25.3 %	29.0 %	25.5 %

Leverage ratio	31.03.2021	31.03.2020	31.12.2020
Leverage ratio	6.0 %	6.5 %	6.2 %

Liquidity Coverage Ratio	31.03.2021	31.03.2020	31.12.2020
Liquidity Coverage Ratio - Total	543%	335%	566%
Liquidity Coverage Ratio - NOK	543%	336%	566%
Liquidity Coverage Ratio - EUR	-	108%	-

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

Note 3

Operating segments

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

Loans to and receivables from customers

31.03.2021	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	26 619	-1	-3	0	2 583	29 198

31.03.2020	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	25 887	-1	-6	0	-	25 880

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

Net interest income

(NOK million)	31.03.2021	31.03.2020	31.12.2020
Interest income from:			
Loans to and receivables from credit institutions	2	2	11
Loans to and receivables from customers	146	211	676
Certificates, bonds and other interest-bearing securities	0	2	4
Interest income	148	215	691
Interest expenses in respect of:			
Loans from credit institutions	9	6	25
Debt securities issued	50	127	313
Other interest expenses	1	1	8
Interest expenses	60	134	346
Net interest income	88	81	345

Note 4

Impairment, losses and non-performance

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

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

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

Specification of credit loss expense (NOK thousand)	Q1 2021	Q1 2020	2020
Changes in Expected Credit Loss (ECL) in stage 1	-133	237	326
Changes in Expected Credit Loss (ECL) in stage 2	59	3 082	604
Changes in Expected Credit Loss (ECL) in stage 3	0	0	0
Total impairment on loans in the period	-74	3 319	930

Changes in ECL in the period (NOK thousand) - 31.03.2021	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2020	866	3 453	0	4 319
New loans	32	10	0	42
Disposal of loans	-48	-73	0	-121
Changes in ECL in the period for loans which have not migrated	-70	-343	0	-413
Migration to stage 1	15	-548	0	-533
Migration to stage 2	-63	1 019	0	956
Migration to stage 3	0	0	0	0
Other changes	0	-5	0	-5
ECL 31.03.2021	732	3 513	0	4 245

Changes in ECL in the period (NOK thousand) - 31.03.2020	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2019	540	2 849	0	3 389
New loans	38	0	0	38
Disposal of loans	-64	-91	0	-155
Changes in ECL in the period for loans which have not migrated	284	1 490	0	1 774
Migration to stage 1	45	-576	0	-531
Migration to stage 2	-64	2 281	0	2 217
Migration to stage 3	0	0	0	0
Other changes	-1	-22	0	-23
ECL 31.03.2020	778	5 931	0	6 709

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

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

31.03.2021	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	26 862	1	0	26 863
Medium risk (0.5 % - < 3 %)	472	644	0	1 116
High risk (3 % - <100 %)	27	115	0	142
Total commitments before ECL	27 361	760	0	28 121
- ECL	-1	-3	0	-4
Loans to and receivables from customers 31.03.2021 *)	27 360	757	0	28 117

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

31.03.2020	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	25 749	0	0	25 749
Medium risk (0.5 % - < 3 %)	835	478	0	1 313
High risk (3 % - <100 %)	88	172	0	260
Total commitments before ECL	26 672	650	0	27 322
- ECL	-1	-6	0	-7
Loans to and receivables from customers 31.03.2020 *)	26 671	644	0	27 315

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

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

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

Note 5

Financial instruments

CLASSIFICATION AND MEASUREMENT

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

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

The classification of the financial assets depends on two factors:

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

Financial assets assessed at amortised cost

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

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

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

Financial liabilities assessed at amortised cost

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

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

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

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

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

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

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

LEVELS IN THE VALUATION HIERARCHY

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

Level 1 – Valuation based on prices in an active market

Level 1 comprises financial instruments valued by using quoted prices in active markets for identical assets or liabilities. This category includes bonds and certificates in LCR-level 1, traded in active markets.

Level 2 – Valuation based on observable market data

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

Level 3 – Valuation based on other than observable market data

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

A change of 10 basis points in the discount rate will have an effect of approximately NOK 7 million on the valuation of the fixed rate loans as at 31.03.2021.

Classification of financial instruments	Financial instruments at fair value through profit or loss			Financial instruments carried at amortised cost		
	31.03.2021	31.03.2020	31.12.2020	31.03.2021	31.03.2020	31.12.2020
Loans to and receivables from credit institutions				2 168	3 071	1 450
Loans to and receivables from customers	2 583	-	2 718	26 615	25 880	26 323
Certificates and bonds	116	97	116			
Financial derivatives	697	2 111	1 176			
Total financial assets	3 396	2 208	4 010	28 783	28 951	27 773
Loans from credit institutions				3 590	4 086	5 306
Debt securities issued				26 278	24 880	23 991
Financial derivatives	64	13	76			
Total financial liabilities	64	13	76	29 868	28 966	29 297

Fair value of financial instruments at amortised cost	31.03.2021		31.03.2020		31.12.2020	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	2 168	2 168	3 071	3 071	1 450	1 450
Loans to and receivables from customers	26 615	26 615	25 880	25 880	26 323	26 323
Total financial assets	28 783	28 783	28 951	28 951	27 773	27 773
Loans from credit institutions	3 590	3 590	4 086	4 086	5 306	5 306
Debt securities issued	26 418	26 278	24 859	24 880	24 110	23 991
Total financial liabilities	30 008	29 868	28 945	28 966	29 416	29 297

Financial instruments at fair value - 31.03.2021	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Loans to and receivables from customers			2 583	2 583
Certificates and bonds	116			116
Financial derivatives		697		697
Total financial assets	116	697	2 583	3 396
Financial derivatives		64		64
Total financial liabilities	-	64	-	64

Financial instruments at fair value - 31.03.2020	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Loans to and receivables from customers			-	-
Certificates and bonds	77	20		97
Financial derivatives		2 111		2 111
Total financial assets	77	2 131	-	2 208
Financial derivatives		13		13
Total financial liabilities	-	13	-	13

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

Reconciliation of movements in Level 3 during the period	Loans to and receivables from customers
Book value as at 31.12.2020	2 718
Purchase/increase	37
Sales/reduction	-107
Transferred to Level 3	0
Transferred out of Level 3	0
Gains/losses during the period	-65
Book value as at 31.03.2021	2 583

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

Note 6

Issued covered bonds

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

Covered bonds (NOK million)

ISIN code	Currency	Nominal value 31.03.2021	Interest	Issued	Maturity	31.03.2021	31.03.2020	31.12.2020
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 203	1 262	1 221
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	310	364	330
XS0984191873	EUR	-	6M Euribor + 0.20 %	2013	2020	-	345	-
NO0010720204	NOK	-	3M Nibor + 0.24 %	2014	2020	-	3 001	-
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 008	1 011	1 022
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 005	3 013	3 006
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 521	2 905	2 647
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 002	3 003	3 002
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 554	2 947	2 684
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 053	1 115	1 086
NO0010853096	NOK	3 000	3M Nibor + 0.37 %	2019	2025	2 999	3 002	2 998
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 538	2 912	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	311	-	327
NO0010951544	NOK	2 700	3M Nibor + 0.75 %	2021	2026	2 775	-	-
Total borrowings raised through the issue of securities (incl. accrued interest)						26 278	24 880	23 991

Cover pool (NOK million)	31.03.2021	31.03.2020	31.12.2020
Pool of eligible loans 1)	28 937	25 400	28 684
Substitute assets	1 960	1 841	903
Financial derivatives to hedge issued securities (assets)	697	2 111	1 176
Financial derivatives to hedge issued securities (liabilities)	-64	-13	-76
Total collateralised assets	31 530	29 339	30 687

1) NOK 261 million of total gross loans are not eligible for the cover pool as at 31.03.2021 (NOK 480 million as at 31.03.2020)

Covered bonds issued (NOK million)	31.03.2021	31.03.2020	31.12.2020
Covered bonds (nominal) 2)	25 508	22 731	22 808
Accrued interest	62	74	48
Premium/discount	708	2 075	1 135
Total covered bonds	26 278	24 880	23 991
Own holding (covered bonds)	0	0	0
Debt securities issued	26 278	24 880	23 991

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

Collateralisation (in %)	31.03.2021	31.03.2020	31.12.2020
Total collateralised assets / debt securitised issued	120.0	117.9	127.9

Liquidity Coverage Ration (LCR)	31.03.2021	31.03.2020	31.12.2020
Liquidity buffer	111	75	111
Net liquidity outflow next 30 days	20	22	20
LCR ratio	543%	335%	566%

Net Stable Funding Ratio (NSFR)	31.03.2021	31.03.2020	31.12.2020
Available amount of stable funding	29 593	26 509	29 208
Required amount of stable funding	30 240	27 238	28 971
NSFR ratio	98%	97%	101%

Note 7

Transactions with related parties

Møre Boligkreditt AS purchases services from Sparebanken Møre. There are also transactions between the parties related to the acquisition of loan portfolio and the fact that Sparebanken Møre provides loans and credits to the mortgage company.

Loans from Sparebanken Møre are transferred at market value. If the purchased mortgage loans have fixed interest rates, the purchase price is adjusted according to the value above/below par. Sparebanken Møre is responsible for ensuring that the loans to be transferred to Møre Boligkreditt AS are properly established and in accordance with the requirements specified in the agreement between the mortgage company and the Parent Bank. In case of a violation of these requirements, the Parent Bank will be liable for any losses that the mortgage company would experience as a result of the error. Sparebanken Møre and Møre Boligkreditt AS have formalised the settlement of interest for transaction days from date of transfer of loan portfolio to date of settlement of the consideration.

If Møre Boligkreditt AS should have difficulties obtaining financing, a revolving guarantee from Sparebanken Møre is established with the purpose of ensuring timely payments to owners of bonds and derivative counterparties.

The pricing of the services provided by Sparebanken Møre to Møre Boligkreditt AS distinguishes between fixed and variable costs for the mortgage company. Fixed costs are defined as costs the mortgage company must bear regardless of the activity related to the issuance of covered bonds, the acquisition of portfolio, etc. Variable costs are defined as costs related to the size of the portfolio acquired from Sparebanken Møre and the work that must be exercised by the Bank's employees to deliver satisfactory services given the number of customers in the portfolio.

Møre Boligkreditt AS is billed for costs related to the lease of premises at Sparebanken Møre. It is assumed that regardless of operations, a certain area of the bank attributable to the mortgage company is utilised during the year. Regardless of the extent of the activity and the loan portfolio acquired by Møre Boligkreditt AS, charges related to accounting, financial reporting, risk management, cash management, financing, governance and general legal services will incur.

Sparebanken Møre bills the mortgage company based on actual salary costs, including social security contribution, pension costs and other social costs. Parts of the mortgage company's expenses related to services provided by Sparebanken Møre relates to the size of the portfolio acquired from Sparebanken Møre. Management fee is calculated and billed monthly, in which the month's average portfolio size forms the basis of billing.

The interest rate of the mortgage company's deposit and credit limit in Sparebanken Møre is based on 3 months NIBOR + a premium.

The most important transactions are as follows:

(NOK million)	31.03.2021	31.03.2020	31.12.2020
Statement of income:			
Interest and credit commission income from Sparebanken Møre related to deposits	2	2	11
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	9	6	25
Interest paid to Sparebanken Møre related to bonded debt	1	0	8
Management fee paid to Sparebanken Møre	11	9	41
Statement of financial position:			
Deposits in Sparebanken Møre 1)	2 168	3 071	1 450
Covered bonds held by Sparebanken Møre as assets	1 641	823	503
Loan/credit facility in Sparebanken Møre	3 383	2 856	4 760
Intragroup hedging	25	-	60
Accumulated transferred loan portfolio from Sparebanken Møre	29 202	25 887	29 045

1) NOK 207 million out of total NOK 2,168 million of deposits in Sparebanken Møre is the margin call balance on financial derivatives paid in by counterparties according to CSA

Note 8

Events after the reporting date

No events of material significance for the financial statements for Q1-2021 have occurred after the reporting date. The company is not involved in any legal proceedings.

Profit performance

QUARTERLY PROFIT (NOK million)	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net interest income	88	95	101	69	81
Other operating income	1	0	0	4	-5
Total operating costs	13	12	12	14	12
Profit before impairment on loans	76	83	89	59	64
Impairment on loans	0	-1	-1	0	3
Pre tax profit	76	84	90	59	61
Tax	17	18	20	13	13
Profit after tax	59	66	70	46	48

As a percentage of average assets:

Net interest income	1.16	1.31	1.32	0.93	1.24
Other operating income	0.02	0.00	0.00	0.05	-0.07
Total operating costs	0.18	0.17	0.16	0.18	0.18
Profit before impairment on loans	1.00	1.14	1.16	0.80	0.99
Impairment on loans	0.00	-0.02	-0.01	0.00	0.05
Pre tax profit	1.00	1.16	1.17	0.80	0.94
Tax	0.22	0.26	0.26	0.17	0.20
Profit after tax	0.78	0.90	0.91	0.63	0.74

Average total assets (NOK million)	30 249	29 043	30 443	29 473	26 293
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	31.03.2021	31.03.2020	31.12.2020
Net interest income	88	81	345
Other operating income	1	-5	-1
Total operating costs	13	12	49
Profit before impairment on loans	76	64	295
Impairment on loans	0	3	1
Pre tax profit	76	61	294
Tax	17	13	64
Profit after tax	59	48	230

As a percentage of average assets:

Net interest income	1.16	1.24	1.20
Other operating income	0.02	-0.07	0.00
Total operating costs	0.18	0.18	0.17
Profit before impairment on loans	1.00	0.99	1.03
Impairment on loans	0.00	0.05	0.00
Pre tax profit	1.00	0.94	1.03
Tax	0.22	0.20	0.22
Profit after tax	0.78	0.74	0.81
Average total assets (NOK million)	30 249	26 293	28 813

Alternative performance measures

Average assets	Definition	The average sum of total assets for the year, calculated as a daily average.
	Justification	This key figure is used in the calculation of percentage ratios for the performance items.
	Calculation	Average sum of total assets*
LTV (Loan to value)	Definition	A customer's loan amount as a percentage of market value** of the collateral.
	Justification	This key figure provides information about the asset ratio in the lending portfolio and is relevant for evaluating the risk of loss.
	Calculation	Weighted average LTV is calculated by weighting each LTV by the respective loan amount, and then dividing the sum of the weighted LTVs by the total loan amount.
Over-collateralisation	Definition	Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt.
	Justification	This key figure provides information about the ratio between outstanding bond loans and the underlying collateralised assets.
	Calculation	$\frac{\text{Total collateralised assets}}{\text{Debt securitites issued}}$
	Figures	31.03.2021: $31,530/26,278 = 120.0 \%$ 31.03.2020: $29,339/24,880 = 117.9 \%$ 31.12.2020: $30,687/23,991 = 127.9 \%$

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

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

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