

# Møre Boligkreditt AS

A company in the Sparebanken Møre Group

## 4 quarter 2020

Unaudited  
interim report



Møre  
Boligkreditt

# Interim report from the Board of Directors

## About the Company

Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The company is licensed 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.

## Fourth quarter results

The financial statements of Møre Boligkreditt AS show a pre-tax profit of NOK 84 million in fourth quarter 2020, compared to NOK 65 million in fourth quarter 2019. Net interest income amounted to NOK 95 million, compared to NOK 82 million in the same quarter last year. Costs amounted to NOK 12 million in fourth quarter 2020, the same amount as in the corresponding quarter 2019.

The calculation of expected credit loss (ECL) for Møre Boligkreditt AS resulted in a decrease of impairments of NOK 1 million in the fourth quarter 2020 compared to an increase of NOK 1 million in the corresponding quarter in 2019.

Profit after tax amounted to NOK 66 million in fourth quarter 2020, compared to NOK 61 million in the corresponding quarter 2019. Basis swap spreads are added to OCI with NOK 8 million after tax in fourth quarter 2020, compared to NOK 1 million added in fourth quarter 2019.

Møre Boligkreditt AS acquired mortgages from Sparebanken Møre in fourth quarter of 2020, and net mortgage volume increased by NOK 2,317 million in the quarter. One bond loan of EUR 30 million matured, and no new covered bond volume was issued in fourth quarter 2020.

## Fourth quarter end results

By fourth quarter end 2020 the financial statements show a profit before tax of NOK 294 million, compared to NOK 271 million by fourth quarter end 2019. Net interest income amounted to NOK 345 million by fourth quarter end 2020, compared to NOK 308 million by end of same period last year. Costs in the period ending 31 December 2020 amounted to NOK 49 million, compared to NOK 45 million for the corresponding period 2019.

Net losses from financial instruments in 2020 was NOK 1 million, compared to net loss of NOK 4 million in 2019. Basis swap spreads are added to OCI with NOK 2 million after tax as at 31 December 2020, compared to NOK 2 million by fourth quarter end 2019.

Profit after tax amounted to NOK 230 million by fourth quarter end 2020 compared to NOK 222 million by fourth quarter end 2019. Tax amounted to NOK 64 million in 2020 compared to NOK 49 million in 2019.

Møre Boligkreditt AS had twelve bond loans outstanding at 31 December 2020 with a total bond loan debt of NOK 23,991 million, compared to thirteen bond loans with NOK 23,062 million outstanding at 31 December 2019. Total assets at fourth quarter end 2020 amounted to NOK 31,783 million compared to NOK 27,749 million at fourth quarter end 2019. Møre Boligkreditt AS reported Net Stable Funding Ratio (NSFR) of 100.8 per cent as at 31 December 2020.

Net mortgage lending to customers increased by NOK 3,386 million in 2020 and amounted to NOK 29,041 million at fourth quarter end 2020, compared to NOK 25,655 million at fourth quarter end 2019. The ECL calculation as at 31 December 2020 shows expected credit loss of NOK 4 million for Møre Boligkreditt AS, compared to NOK 3 million in ECL as at 31 December 2019.

At fourth quarter end 2020, 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, compared to 59.3 per cent loan-to-value ratio by fourth quarter end 2019. At fourth quarter end 2020, the company's

substitute assets included in the cover pool amounted to NOK 903 million, compared to NOK 988 million at fourth quarter end 2019. Net value of financial derivatives included in the cover pool amounted to NOK 1,100 million at fourth quarter end 2020, compared to NOK 544 million at end of fourth quarter 2019. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 27.9 per cent as at 31 December 2020, compared to 15.8 per cent as at 31 December 2019. 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 December 2020, reporting total LCR of 566 per cent by fourth quarter end 2020.

### **Rating**

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

### **Capital strength**

Paid in equity and retained earnings amounted to NOK 2,282 million by end of fourth quarter 2020, compared to NOK 2,274 million by end of fourth quarter 2019. Risk weighted assets amounted to NOK 7,824 million by end of fourth quarter 2020. Net equity and subordinated loan capital amounted to NOK 1,996 million by end of fourth quarter 2020. This corresponds to a Common Equity Tier 1 capital ratio of 25.5 per cent. Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

### **Outlook**

Mainland Norway GDP was down 0.9 per cent in November, year-over-year, which is a milder setback than Norges Banks expectation of a 1.6 per cent drop. Although we still see reports of new Covid-19 cases in Norway, the effects of the vaccination program is likely to gradually wound down the strict measures taken to contain the virus.

In December, the national level of unemployment was reported at 3.8 per cent, and 2.9 per cent in the county of Møre og Romsdal. Central eastern parts of Norway report somewhat higher levels of unemployment, with 5.7 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 last meeting, January 20<sup>th</sup> 2021. Core inflation rose by 0.1 percentage point in December to 3.0 per cent year-over-year, which is below inflation projections. Core inflation is expected to fall below target of 2 per cent by mid-2021. The published policy rate path indicates a hike of 0.25 percentage points in first quarter of 2022.

Housing prices increased by 8.7 per cent as a national average in 2020. In the county of Møre og Romsdal, the 12 months growth in housing prices was 9.7 per cent by end of 2020. 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, both on national level and in the county of Møre og Romsdal, to further decline, but at a more moderate pace. It is expected that the entire grown population of Norway will be offered a Covid-19 vaccine in the first half of 2021. 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 efforts to minimise the potential negative consequences of the outbreak have been successful. The financial implications for Møre Boligkreditt AS, as consequence of Covid-19 measures, have not been significant.

Ålesund, 31 December 2020  
11 February 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	Q4 2020	Q4 2019	2020	2019
Interest income from assets assessed at amortised cost	<u>2</u>	139	221	661	757
Interest income from assets assessed at fair value	<u>2</u>	10	1	30	7
Interest expenses	<u>2</u>	54	140	346	456
Net interest income	<u>2 6</u>	95	82	345	308
Commission income		-1	0	0	1
Net gains/losses from financial instruments		1	-4	-1	-4
Total income		95	78	344	305
Wages, salaries and general administration costs		1	1	3	3
Other operating costs	<u>6</u>	11	11	46	42
Total operating costs		12	12	49	45
Profit before impairment on loans		83	66	295	260
Impairment on loans	<u>3</u>	-1	1	1	-11
Pre-tax profit		84	65	294	271
Taxes		18	4	64	49
Profit after tax		66	61	230	222

## STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	Q4 2020	Q4 2019	2020	2019
Profit after tax	66	61	230	222
Items that may subsequently be reclassified to the income statement:				
Basis swap spreads - changes in value	10	1	3	2
Tax effect of basis swap spreads	-2	0	-1	0
Total comprehensive income for the period	74	62	232	224

# Statement of financial position

## ASSETS

(NOK million)	Note	31.12.2020	31.12.2019
Loans to and receivables from credit institutions 1)	<u>4 6</u>	1 450	827
Loans to and receivables from customers	<u>2 3 4</u>	29 041	25 655
Certificates and bonds	<u>4 5</u>	116	678
Financial derivatives	<u>4 5</u>	1 176	589
<b>Total assets</b>		<b>31 783</b>	<b>27 749</b>

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

## LIABILITIES AND EQUITY

(NOK million)	Note	31.12.2020	31.12.2019
Loans from credit institutions 2)	<u>4 6</u>	5 306	2 296
Debt securities issued	<u>4 5 6</u>	23 991	23 062
Financial derivatives	<u>4 5</u>	76	45
Tax payable		0	10
Deferred tax		128	62
<b>Total liabilities</b>		<b>29 501</b>	<b>25 475</b>
Share capital		1 875	1 875
Share premium		175	175
Paid-in equity		2 050	2 050
Retained earnings		232	224
<b>Total equity</b>	<u>7</u>	<b>2 282</b>	<b>2 274</b>
<b>Total liabilities and equity</b>		<b>31 783</b>	<b>27 749</b>

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

# Statement of changes in equity

31.12.2020

(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 amounts to NOK 232 million.

31.12.2019

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

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

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

# Statement of cash flow

(NOK million)	31.12.2020	31.12.2019
<b>Cash flow from operating activities</b>		
Interest, commission and fees received	687	758
Interest, commission and fees paid	-34	-9
Operating expenses paid	-49	-45
Income taxes paid	-9	-22
Payment for acquiring loans from the Parent Bank	-10 933	-9 088
Payment related to installment loans and credit lines to customers	7 545	6 854
Net cash flow from operating activities	-2 793	-1 552
<b>Cash flow from investing activities</b>		
Received interest, commission and fees related to certificates, bonds and other securities	4	7
Proceeds from the sale and settlement of certificates, bonds and other securities	1 043	1 746
Purchases of certificates, bonds and other securities	-483	-1 911
Changes in other assets	4	-3
Net cash flow from investing activities	568	-161
<b>Cash flow from financing activities</b>		
Paid interest, commission and fees related to issued bonds	-313	-435
Net change in loans from credit institutions	2 464	965
Proceeds from issued covered bonds	3 821	5 536
Redemption of issued covered bonds	-3 474	-4 784
Dividend paid	-224	-167
Changes in other debt	28	-27
Issued share capital and premium	0	450
Net cash flow from financing activities	2 302	1 538
Net change in cash and cash equivalents	77	-175
Cash balance at 01.01	827	1 002
Cash balance at 31.12.1)	904	827

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, and thus should not be included as cash balance at 31.12.2020.

# Note 1

## Accounting principles

Møre Boligkreditt AS' interim accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU as of 31 December 2020. 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 2019.

All amounts are stated in NOK million unless stated otherwise.

The interim financial statements are not audited.



# Note 2

## Operating segments

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

### Loans

(NOK million)	31.12.2020	31.12.2019
Loans, nominal amount	29 045	25 658
Expected credit loss (ECL) - stage 1	-1	0
Expected credit loss (ECL) - stage 2	-3	-3
Expected credit loss (ECL) - stage 3	0	0
Loans to and receivables from customers	29 041	25 655

### Net interest income

(NOK million)	31.12.2020	31.12.2019
Interest income from:		
Loans to and receivables from credit institutions	11	18
Loans to and receivables from customers	676	739
Certificates, bonds and other interest-bearing securities	4	7
Interest income	691	764
Interest expenses in respect of:		
Loans from credit institutions	25	17
Debt securities issued	313	435
Other interest expenses	8	4
Interest expenses	346	456
Net interest income	345	308

# Note 3

## Impairment, losses and non-performance

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

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

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

Specification of credit loss expense (NOK thousand)	Q4 2020	Q4 2019	2020	2019
Changes in Expected Credit Loss (ECL) in stage 1	74	-66	326	-2 284
Changes in Expected Credit Loss (ECL) in stage 2	-1 206	575	604	-8 938
Changes in Expected Credit Loss (ECL) in stage 3	0	0	0	-237
Total impairment on loans in the period	-1 132	509	930	-11 459

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

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

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

<b>31.12.2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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

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

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

# Note 4

## Financial instruments

### CLASSIFICATION AND MEASUREMENT

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

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

The classification of the financial assets depends on two factors:

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

### Financial assets assessed at amortised cost

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

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

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

### Financial liabilities assessed at amortised cost

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

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

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

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

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

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 9 million on the valuation of the fixed rate loans as at 31.12.2020.

Classification of financial instruments	Financial instruments at fair value through profit or loss		Financial instruments carried at amortised cost	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Loans to and receivables from credit institutions			1 450	827
Loans to and receivables from customers	2 718		26 323	25 655
Certificates and bonds	116	678		
Financial derivatives	1 176	589		
<b>Total financial assets</b>	<b>4 010</b>	<b>1 267</b>	<b>27 773</b>	<b>26 482</b>
Loans from credit institutions			5 306	2 296
Debt securities issued			23 991	23 062
Financial derivatives	76	45		
<b>Total financial liabilities</b>	<b>76</b>	<b>45</b>	<b>29 297</b>	<b>25 358</b>

Fair value of financial instruments at amortised cost	31.12.2020		31.12.2019	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	1 450	1 450	827	827
Loans to and receivables from customers	26 323	26 323	25 655	25 655
<b>Total financial assets</b>	<b>27 773</b>	<b>27 773</b>	<b>26 482</b>	<b>26 482</b>
Loans from credit institutions	5 306	5 306	2 296	2 296
Debt securities issued	24 110	23 991	23 138	23 062
<b>Total financial liabilities</b>	<b>29 416</b>	<b>29 297</b>	<b>25 434</b>	<b>25 358</b>

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

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

Reconciliation of movements in Level 3 during the period	Loans to and receivables from customers
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 5

## Issued covered bonds

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

Covered bonds (NOK million)							
ISIN code	Currency	Nominal value 31.12.2020	Interest	Issued	Maturity	31.12.2020	31.12.2019
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 221	1 187
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	330	308
XS0984191873	EUR	-	6M Euribor + 0.20 %	2013	2020	-	296
NO0010696990	NOK	-	3M Nibor + 0.45 %	2013	2020	-	231
NO0010720204	NOK	-	3M Nibor + 0.24 %	2014	2020	-	3 001
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 022	999
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 006	3 013
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 647	2 490
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 002	3 004
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 684	2 522
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 086	1 024
NO0010853096	NOK	3 000	3M Nibor + 0.37 %	2019	2025	2 998	2 503
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 670	2 484
NO0010884950	NOK	3 000	3M Nibor + 0.42 %	2020	2025	2 998	-
XS2233150890	EUR	30	3M Euribor +0.75 %	2020	2027	327	-
Total borrowings raised through the issue of securities (incl. accrued interest)						23 991	23 062

Cover pool (NOK million)	31.12.2020	31.12.2019
Pool of eligible loans 1)	28 684	25 182
Substitute assets	903	988
Financial derivatives to hedge issued securities (assets)	1 176	589
Financial derivatives to hedge issued securities (liabilities)	-76	-45
Total collateralised assets	30 687	26 714

1) NOK 357 million of total gross loans are not eligible for the cover pool as at 31.12.2020 (NOK 476 million as at 31.12.2019)

<b>Covered bonds issued (NOK million)</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Covered bonds (nominal) 2)	22 808	22 720
Accrued interest	48	60
Premium/discount	1 135	282
<b>Total covered bonds</b>	<b>23 991</b>	<b>23 062</b>
Own holding (covered bonds)	0	0
<b>Debt securities issued</b>	<b>23 991</b>	<b>23 062</b>

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

<b>Collateralisation (in %)</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Total collateralised assets / debt securitised issued</b>	<b>127.9</b>	<b>115.8</b>



# Note 6

## Transactions with related parties

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

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

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

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

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

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

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

The most important transactions are as follows:

(NOK million)	31.12.2020	31.12.2019
<b>Statement of income:</b>		
Interest and credit commission income from Sparebanken Møre related to deposits	11	19
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	25	17
Interest paid to Sparebanken Møre related to bonded debt	8	9
Management fee paid to Sparebanken Møre	41	36
<b>Statement of financial position:</b>		
Deposits in Sparebanken Møre 1)	1 450	827
Covered bonds held by Sparebanken Møre as assets	503	0
Loan/credit facility in Sparebanken Møre	4 760	2 171
Intragroup hedging	60	-
Accumulated transferred loan portfolio from Sparebanken Møre	29 045	25 658

1) NOK 546 million out of total NOK 1,450 million of deposits in Sparebanken Møre is the margin call balance on financial derivatives paid in by counterparties according to CSA

# Note 7

## Equity and related capital

<b>Tier 1 capital and supplementary capital</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Share capital and share premium	2 050	2 050
Retained earnings	232	224
<b>Total equity</b>	<b>2 282</b>	<b>2 274</b>
Value adjustments of financial instruments at fair value	-4	-1
Expected IRB-losses exceeding ECL	-50	-44
Dividends	-232	-224
<b>Common Equity Tier 1 capital</b>	<b>1 996</b>	<b>2 005</b>
Supplementary capital	0	0
<b>Net equity and subordinated loan capital</b>	<b>1 996</b>	<b>2 005</b>

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

<b>Credit risk - standardised approach</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Institutions (banks etc)	527	366
Covered bonds	7	47
Other items	51	16
<b>Total credit risk - standardised approach</b>	<b>585</b>	<b>429</b>

### Credit risk - IRB Foundation

Retail - Secured by real estate	6 021	4 485
Retail - Other	1	1
Corporate lending	270	185
<b>Total credit risk - IRB-F</b>	<b>6 292</b>	<b>4 671</b>

Credit valuation adjustment risk (CVA) - market risk	370	452
Operational risk (Basic indicator Approach)	577	516
<b>Risk weighted assets (RWA)</b>	<b>7 824</b>	<b>6 068</b>

Minimum requirement Common Equity Tier 1 capital (4.5%)	352	273
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<b>Buffer Requirement</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Countercyclical buffer (1.0 % at 31.12.20 and 2.5 % at 31.12.19)	78	152
Capital conservation buffer (2.5%)	196	152
Systemic risk buffer (3.0%)	235	182
<b>Total buffer requirements</b>	<b>509</b>	<b>485</b>
Available Common Equity Tier 1 capital after buffer requirements	1 135	1 247

  

<b>Capital adequacy as a percentage of the weighted asset calculation basis</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Capital adequacy ratio	25.5 %	33.0 %
Tier 1 capital ratio	25.5 %	33.0 %
Common Equity Tier 1 capital ratio	25.5 %	33.0 %

  

<b>Leverage ratio</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Leverage ratio	6.2 %	7.0 %

  

<b>Liquidity Coverage Ratio</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Liquidity Coverage Ratio - Total	566.0 %	117.0 %
Liquidity Coverage Ratio - NOK	566.0 %	117.0 %
Liquidity Coverage Ratio - EUR	-	-

Møre Boligkreditt AS' capital requirements at 31 December 2020 are based on IRB-Foundation for commercial commitments and IRB-Retail for retail commitments.

## **Note 8**

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

No events of material significance for the financial statements for Q4-2020 have occurred after the reporting date. The company is not involved in any legal proceedings.

# Profit performance

QUARTERLY PROFIT (NOK million)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net interest income	95	101	69	81	82
Other operating income	0	0	4	-5	-4
Total operating costs	12	12	14	12	12
Profit before impairment on loans	83	89	59	64	66
Impairment on loans	-1	-1	0	3	1
Pre tax profit	84	90	59	61	65
Tax	18	20	13	13	4
Profit after tax	66	70	46	48	61

As a percentage of average assets:

Net interest income	1.31	1.32	0.93	1.24	1.21
Other operating income	0.00	0.00	0.05	-0.07	-0.07
Total operating costs	0.17	0.16	0.18	0.18	0.17
Profit before impairment on loans	1.14	1.16	0.80	0.99	0.97
Impairment on loans	-0.02	-0.01	0.00	0.05	0.01
Pre tax profit	1.16	1.17	0.80	0.94	0.96
Tax	0.26	0.26	0.17	0.20	0.06
Profit after tax	0.90	0.91	0.63	0.74	0.90

Average total assets (NOK million)	29 043	30 443	29 473	26 293	26 891
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	31.12.2020	31.12.2019
Net interest income	345	308
Other operating income	-1	-3
Total operating costs	49	45
Profit before impairment on loans	295	260
Impairment on loans	1	-11
Pre tax profit	294	271
Tax	64	49
Profit after tax	230	222

As a percentage of average assets:

Net interest income	1.20	1.21
Other operating income	0.00	-0.01
Total operating costs	0.17	0.18
Profit before impairment on loans	1.03	1.02
Impairment on loans	0.00	-0.04
Pre tax profit	1.03	1.06
Tax	0.22	0.19
Profit after tax	0.81	0.87

Average total assets (NOK million)	28 813	25 460
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## Alternative Performance Measures

Average assets	Definition	The average sum of total assets for the year, calculated as a daily average.
	Justification	This key figure is used in the calculation of percentage ratios for the performance items.
	Calculation	Average sum of total assets*
LTV (Loan to value)	Definition	A customer's loan amount as a percentage of market value** of the collateral.
	Justification	This key figure provides information about the asset ratio in the lending portfolio and is relevant for evaluating the risk of loss.
	Calculation	Weighted average LTV is calculated by weighting each LTV by the respective loan amount, and then dividing the sum of the weighted LTVs by the total loan amount.
Over-collateralisation	Definition	Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt.
	Justification	This key figure provides information about the ratio between outstanding bond loans and the underlying collateralised assets.
	Calculation	$\frac{\text{Total collateralised assets}}{\text{Debt securitites issued}}$
	Figures	31.12.2020: $30,687/23,991 = 127.9 \%$ 31.12.2019: $26,714 / 23,062 = 115.8 \%$

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

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



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