

# Møre Boligkreditt AS

A company in the Sparebanken Møre  
Group

## 1 quarter 2020

Unaudited  
interim report



Møre  
Boligkreditt

# Interim report from the Board of Directors

## About the Company

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

The accounts have been prepared in accordance with IFRS.

## First quarter results

The financial statements of Møre Boligkreditt AS show a pre-tax profit of NOK 61 million in the first quarter of 2020, the same as in the first quarter of 2019. Net interest income amounted to NOK 81 million, compared to NOK 69 million in the same quarter last year. Costs amounted to NOK 12 million in the first quarter of 2020, compared to NOK 10 million in the corresponding quarter in 2019.

The calculation of expected loss (ECL) for Møre Boligkreditt AS resulted in an increase of impairments of NOK 3 million in the first quarter 2020 compared to a reduction in ECL of NOK 1 million in the corresponding quarter in 2019.

Net losses in value of debt securities and related derivatives as of 31 March 2020 was NOK 5 million, compared to NOK 1 million gain in the corresponding quarter in 2019. Basis swap spreads are added to other comprehensive income (OCI) with NOK 5 million after tax in the first quarter of 2020, compared to being charged with NOK 3 million in the corresponding quarter of 2019.

Møre Boligkreditt AS acquired mortgages in the amount of NOK 1,802 million from Sparebanken Møre in the first quarter of 2020, and net loans to and receivables from customers increased by NOK 225 million in the quarter. No new covered bond loans were issued, but one existing covered bond loan was increased with a tap issue of NOK 500 million 30 March 2020. The tap issue was sold in its entirety to Sparebanken Møre. One bond loan with NOK 230 million in remaining outstanding debt matured in the first quarter of 2020.

Profit after tax amounted to NOK 48 million in the first quarter of 2020, compared to NOK 47 million in the corresponding quarter 2019. Tax amounted to NOK 13 million in the first quarter of 2020 compared to NOK 14 million in the corresponding quarter in 2019.

Møre Boligkreditt AS had twelve bond loans outstanding at 31 March 2020 with total debt securities issued of NOK 24,880 million, compared to twelve bond loans and NOK 22,296 million outstanding at 31 March 2019.

Total assets at first quarter end 2020 amounted to NOK 31,159 million compared to NOK 25,712 million at first quarter end 2019. Net lending amounted to NOK 25,880 million at first quarter end 2020, compared to NOK 23,682 million at first quarter end 2019. The ECL calculation as at 31 March 2020 shows expected credit loss of NOK 7 million, compared to NOK 14 million as at 31 March 2019. At first quarter end 2020, the mortgages in the cover pool had an average loan-to-value ratio of 58.6 per cent, calculated as mortgage amount relative to the value of the property used as collateral.

At first quarter end 2020, the company's substitute assets included in the cover pool amounted to NOK 1,841 million, compared to NOK 1,321 million at first quarter end 2019. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 17.9 per cent as at 31 March 2020, compared to 12.8 per cent as at 31 March 2019.

Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets

amounted to NOK 97 million at 31 March 2020, reporting total LCR of 335 per cent by first 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 2,102 million by end of first quarter 2020, compared to NOK 2,094 million by end of first quarter 2019. Risk weighted assets amounted to NOK 6,924 million by end of first quarter 2020. Net equity and subordinated loan capital amounted to NOK 2,007 million by end of first quarter 2020, compared to NOK 2,016 by end of first quarter 2019. This corresponds to a Common Equity Tier 1 capital ratio of 29.0 per cent. Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

### **Outlook**

The Norwegian economy has contracted sharply as a consequence of the outbreak of the COVID-19 virus, causing great turmoil in capital markets.

Extensive measures to combat the outbreak was announced by the Norwegian government on March 12. Measures such as shutting down schools, imposing transportation- and travel restrictions, together with temporarily closing-down parts of both the public- and private service sector led to steep increase in unemployment. The national number of registered wholly unemployed, including the temporarily laid off, rose to 10.7 percent of the labour force in March, sharply up from 2.3 percent in February. In the county of Møre og Romsdal, the number of registered wholly unemployed ended at 10 percent by end of March, up from 2.1 per cent in February.

Mitigating steps to dampen the immediate impact on the economy were taken relatively fast. The countercyclical buffer requirement for banks was lowered from 2.5 to 1 per cent, effective immediately. Norges Bank reduced the key policy rate in extra ordinary meetings, first from 1.5 per cent to 1 per cent, then to the record-low level of 0.25 per cent. Norges Bank also introduced liquidity to the market through the offering of F-loans with maturities of up to 12 months.

Housing prices fell by moderately 1.4 percent seasonally adjusted in March and was up 1.5 percent as a national average last 12 months. House prices are expected to decline further in the second quarter of 2020 due to the sharp increase in unemployment and Covid-19 uncertainty. We expect, however, unemployment levels in the county to be reduced when Covid-19 restrictions are lifted. Most of the temporarily laid off are likely to be back at work when restrictions are eased, but we will see higher unemployment levels going forward than before Covid-19.

The long-term financial implications of the Covid-19 virus are difficult to predict, but the Board believes that the efforts to minimise the potential negative consequences of the outbreak are taken, and that the financial implications for Møre Boligkreditt AS will not be significant.

Ålesund, 31 March 2020

29 April 2020

### **THE BOARD OF DIRECTORS OF MØRE BOLIGKREDITT AS**

KJETIL HAUGE, Chairman

ELISABETH BLOMVIK

GEIR TORE HJELLE

SANDRA MYHRE HELSETH

OLE ANDRE KJERSTAD, Managing Director

# Statement of income

## STATEMENT OF INCOME - compressed

(NOK million)	Notes	Q1 2020	Q1 2019	2019
Interest income from assets assessed at amortised cost	<u>2</u>	213	164	757
Interest income from assets assessed at fair value	<u>2</u>	2	1	7
Interest expenses	<u>2</u>	134	96	456
Net interest income	<u>2 6</u>	81	69	308
Commission income		0	0	1
Net change in value of securities and related derivatives		-5	1	-4
Total income		76	70	305
Wages, salaries and general administration costs		1	1	3
Other operating costs	<u>6</u>	11	9	42
Total operating costs		12	10	45
Profit before impairment on loans and taxes		64	60	260
Impairment on loans	<u>3</u>	3	-1	-11
Pre-tax profit		61	61	271
Taxes		13	14	49
Profit after tax		48	47	222

## STATEMENT OF COMPREHENSIVE INCOME - compressed

(NOK million)	Q1 2020	Q1 2019	2019
Profit after tax	48	47	222
Items that may subsequently be reclassified to the income statement:			
Basis swap spreads - changes in value	6	-4	2
Tax effect of basis swap spreads	-1	1	0
Total comprehensive income for the period	52	44	224

# Statement of financial position

## ASSETS - compressed

(NOK million)	Notes	31.03.2020	31.03.2019	31.12.2019
Loans to and receivables from credit institutions 1)	<u>4.6</u>	3 071	1 332	827
Loans to and receivables from customers	<u>2.3.4</u>	25 880	23 682	25 655
Certificates and bonds	<u>4.5</u>	97	142	678
Financial derivatives	<u>4.5</u>	2 111	548	589
Deferred tax asset		0	8	0
<b>Total assets</b>		<b>31 159</b>	<b>25 712</b>	<b>27 749</b>

1) NOK 1,257 million out of total NOK 3,071 million in Loans to and receivables from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA

## LIABILITIES AND EQUITY - compressed

(NOK million)	Notes	31.03.2020	31.03.2019	31.12.2019
Loans from credit institutions 2)	<u>4.6</u>	4 086	1 243	2 296
Debt securities issued	<u>4.5.6</u>	24 880	22 296	23 062
Financial derivatives	<u>4.5</u>	13	39	45
Tax payable		14	40	10
Incurring costs and prepaid income		1	0	0
Deferred tax		63	0	62
<b>Total liabilities</b>		<b>29 057</b>	<b>23 618</b>	<b>25 475</b>
Share capital		1 875	1 875	1 875
Share premium		175	175	175
Paid-in equity		2 050	2 050	2 050
Other equity		0	0	224
Total comprehensive income for the period		52	44	0
Retained earnings		52	44	224
<b>Total equity</b>	<u>7</u>	<b>2 102</b>	<b>2 094</b>	<b>2 274</b>
<b>Total liabilities and equity</b>		<b>31 159</b>	<b>25 712</b>	<b>27 749</b>

2) NOK 1,257 million out of total NOK 4,086 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

31.03.2020

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

31.03.2019

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2018	1 767	1 425	175	167
Total comprehensive income for the period	44			44
Issue of share capital	450	450		
Dividends	-167			-167
Equity as at 31 March 2019	2 094	1 875	175	44

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

31.12.2019

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

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

Proposed dividend as of 31 December 2019 amounted to NOK 224 million.

# Statement of cash flow

(NOK million)	31.03.2020	31.03.2019	31.12.2019
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	214	164	758
Interest, commission and fees paid	-10	-1	-9
Operating expenses paid	-12	-11	-45
Income taxes paid	-11	-25	-22
Payment for acquiring loans from the Parent Bank	-1 802	-1 805	-9 088
Payment related to instalment loans and credit lines to customers	1 574	1 533	6 854
Net cash flow from operating activities	-47	-145	-1 552
<b>Cash flow from investing activities</b>			
Received interest, commission and fees related to certificates, bonds and other securities	2	1	7
Proceeds from the sale of certificates, bonds and other securities	580	370	1 746
Purchases of certificates, bonds and other securities	0	0	-1 911
Changes in other assets	2	-3	-3
Net cash flow from investing activities	584	367	-161
<b>Cash flow from financing activities</b>			
Paid interest, commission and fees related to issued bonds	-127	-94	-435
Net change in loans from credit institutions	1 790	-87	965
Proceeds from bonds issued	499	0	5 536
Redemption of issued covered bonds	-230	0	-4 784
Dividend paid	-224	-167	-167
Changes in other debt	-1	6	-27
Issue of share capital and premium	0	450	450
Net cash flow from financing activities	1 707	107	1 538
Net change in cash and cash equivalents	2 244	330	-175
Cash balance at 01.01	827	1 002	1 002
Cash balance at 31.03 / 31.12	3 071	1 332	827

# Note 1

## Accounting principles

Møre Boligkreditt AS' interim accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU as of 31 March 2020. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting (compressed). The accounts are prepared using the same principles and with the same methodology as the annual accounts for 2019.

All amounts are stated in NOK million unless stated otherwise.

The interim financial statements are not audited.



# Note 2

## Operating segments

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

### Loans

(NOK million)	31.03.2020	31.03.2019	31.12.2019
Loans, nominal amount	25 887	23 696	25 658
Expected credit loss (ECL) - stage 1	-1	-3	0
Expected credit loss (ECL) - stage 2	-6	-11	-3
Expected credit loss (ECL) - stage 3	0	0	0
Loans to and receivables from customers	25 880	23 682	25 655

### Net interest income

(NOK million)	31.03.2020	31.03.2019	31.12.2019
Interest income from:			
Loans to and receivables from credit institutions	2	4	18
Loans to and receivables from customers	211	160	739
Certificates, bonds and other interest-bearing securities	2	1	7
Interest income	215	165	764
Interest expenses in respect of:			
Loans from credit institutions	6	2	17
Debt securities issued	127	94	435
Other interest expenses	1	0	4
Interest expenses	134	96	456
Net interest income	81	69	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)	Q1 2020	Q1 2019	2019
Changes in Expected Credit Loss (ECL) in stage 1	237	-54	-2 284
Changes in Expected Credit Loss (ECL) in stage 2	3 082	-322	-8 938
Changes in Expected Credit Loss (ECL) in stage 3	0	-237	-237
Total impairment on loans in the period	3 319	-613	-11 459

<b>Changes in ECL in the period (NOK thousand) - 31.03.2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
ECL 31.12.2019	540	2 849	0	3 389
New loans	38	-	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
<b>ECL 31.03.2020</b>	<b>778</b>	<b>5 931</b>	<b>0</b>	<b>6 709</b>

<b>Changes in ECL in the period (NOK thousand) - 31.03.2019</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	86	246	0	332
Disposal of loans	-360	-444	0	-804
Changes in ECL in the period for loans which have not migrated	18	-150	0	-132
Migration to stage 1	411	-4 720	0	-4 309
Migration to stage 2	-209	4 746	-237	4 300
Migration to stage 3	0	0	0	0
Other changes	0	0	0	0
<b>ECL 31.03.2019</b>	<b>2 771</b>	<b>11 465</b>	<b>0</b>	<b>14 236</b>

<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
<b>ECL 31.12.2019</b>	<b>540</b>	<b>2 849</b>	<b>0</b>	<b>3 389</b>

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

<b>31.03.2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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

<b>31.03.2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	23 584	152	0	23 736
Medium risk (0.5 % - < 3 %)	631	419	0	1 050
High risk (3 % - <100 %)	72	91	0	163
Total commitments before ECL	24 287	662	0	24 949
- ECL	-3	-11	0	-14
Loans and receivables from customers 31.03.2019 *)	24 284	651	0	24 935

<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 can therefore not be reconciled against carrying amount.

# 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

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.

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

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

### LEVELS IN THE VALUATION HIERARCHY

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

#### Level 1 – Valuation based on prices in an active market

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

#### Level 2 – Valuation based on observable market data

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

included in level 1.

### Level 3 – Valuation based on other than observable market data

Level 3 comprises financial instruments which cannot be valued based on directly or indirectly observable prices.

Classification of financial instruments	Financial instruments at fair value through profit or loss			Financial instruments carried at amortised cost		
	31.03.2020	31.03.2019	31.12.2019	31.03.2020	31.03.19	31.12.2019
Loans to and receivables from credit institutions				3 071	1 332	827
Loans to and receivables from customers				25 880	23 682	25 655
Certificates and bonds	97	142	678			
Financial derivatives	2 111	548	589			
<b>Total financial assets</b>	<b>2 208</b>	<b>690</b>	<b>1 267</b>	<b>28 951</b>	<b>25 014</b>	<b>26 482</b>
Loans from credit institutions				4 086	1 243	2 296
Debt securities issued				24 880	22 296	23 062
Financial derivatives	13	39	45			
<b>Total financial liabilities</b>	<b>13</b>	<b>39</b>	<b>45</b>	<b>28 966</b>	<b>23 539</b>	<b>25 358</b>

Fair value of financial instruments at amortised cost	31.03.2020		31.03.2019		31.12.2019	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	3 071	3 071	1 332	1 332	827	827
Loans to and receivables from customers	25 880	25 880	23 682	23 682	25 655	25 655
<b>Total financial assets</b>	<b>28 951</b>	<b>28 951</b>	<b>25 014</b>	<b>25 014</b>	<b>26 482</b>	<b>26 482</b>
Loans from credit institutions	4 086	4 086	1 243	1 243	2 296	2 296
Debt securities issued	24 859	24 880	22 368	22 296	23 138	23 062
<b>Total financial liabilities</b>	<b>28 945</b>	<b>28 966</b>	<b>23 611</b>	<b>23 539</b>	<b>25 434</b>	<b>25 358</b>

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	
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 - 31.03.2019	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Certificates and bonds	132	10		142
Financial derivatives		548		548
Total financial assets	132	558	-	690
Financial derivatives		39		39
Total financial liabilities	-	39	-	39

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

# Note 5

## Issued covered bonds

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

Covered bonds (NOK million)								
ISIN code	Currency	Nominal value 31.03.2020	Interest	Issued	Maturity	31.03.2020	31.03.2019	31.12.2019
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 262	1 225	1 187
NO0010676018	NOK	-	3M Nibor + 0.47 %	2013	2019	-	2 506	-
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	364	302	308
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	345	290	296
NO0010696990	NOK	-	3M Nibor + 0.45 %	2013	2020	-	2 508	231
NO0010720204	NOK	3 000	3M Nibor + 0.24 %	2014	2020	3 001	3 000	3 001
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 011	989	999
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 013	3 011	3 013
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 905	2 447	2 490
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 003	2 500	3 004
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 947	2 477	2 522
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 115	1 041	1 024
NO0010853096	NOK	3 000	3M Nibor + 0.37 %	2019	2025	3 002	-	2 503
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 912	-	2 484
Total borrowings raised through the issue of securities						24 880	22 296	23 062



<b>Cover pool (NOK million)</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.12.2019</b>
Pool of eligible loans 1)	25 400	23 324	25 182
Substitute assets	1 841	1 321	988
Financial derivatives to hedge issued securities (assets)	2 111	548	589
Financial derivatives to hedge issued securities (liabilities)	-13	-39	-45
<b>Total collateralised assets</b>	<b>29 339</b>	<b>25 154</b>	<b>26 714</b>

1) NOK 480 million of total gross loans are not eligible for the cover pool as at 31.03.2020 (NOK 358 million as at 31.03.2019)

<b>Covered bonds issued (NOK million)</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.12.2019</b>
Covered bonds (nominal) 2)	22 731	21 732	22 720
Premium/discount	2 149	564	342
<b>Total covered bonds</b>	<b>24 880</b>	<b>22 296</b>	<b>23 062</b>
Own holding (covered bonds)	-	-	-
<b>Debt securities issued</b>	<b>24 880</b>	<b>22 296</b>	<b>23 062</b>

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

<b>Collateralisation (in %)</b>	<b>31.12.2019</b>	<b>31.03.2019</b>	<b>31.12.2019</b>
<b>Total collateralised assets / debt securitised issued</b>	<b>117.9</b>	<b>112.8</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. 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)	31.03.2020	31.03.2019	31.12.2019
<b>Statement of income:</b>			
Interest and credit commission income from Sparebanken Møre related to deposits	2	4	18
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	6	1	17
Interest paid to Sparebanken Møre related to bonded debt	0	5	9
Management fee paid to Sparebanken Møre	9	9	36
<b>Statement of financial position:</b>			
Deposits in Sparebanken Møre	3 071	1 332	827
Covered bonds held by Sparebanken Møre as assets	823	1 288	0
Loan/credit facility in Sparebanken Møre	2 856	1 151	2 171
Accumulated transferred loan portfolio from Sparebanken Møre	25 887	23 696	25 658

# Note 7

## Equity and related capital

Tier 1 capital and supplementary capital	31.03.2020	31.03.2019	31.12.2019
Share capital and share premium	2 050	2 050	2 050
Retained earnings	52	44	224
<b>Total equity</b>	<b>2 102</b>	<b>2 094</b>	<b>2 274</b>
Value adjustments of financial instruments at fair value	-2	-1	-1
Expected IRB-losses exceeding ECL	-41	-33	-44
Dividends	0	0	-224
Deductions for total comprehensive income for the period	-52	-44	-
<b>Common Equity Tier 1 capital</b>	<b>2 007</b>	<b>2 016</b>	<b>2 005</b>
Supplementary capital	0	0	0
<b>Net equity and subordinated loan capital</b>	<b>2 007</b>	<b>2 016</b>	<b>2 005</b>

Risk-Weighted Assets (RWA) - calculation basis for capital adequacy ratio	31.03.2020	31.03.2019	31.12.2019
Credit risk loans and receivables (Standardised Approach)	988	531	429
Credit risk loans and receivables (Internal Ratings Based Approach)	4 700	4 601	4 671
Operational Risk (Basic indicator Approach)	516	477	516
Total risk exposure amount for credit valuation adjustment (CVA) (SA)	720	448	452
<b>Risk-weighted assets</b>	<b>6 924</b>	<b>6 057</b>	<b>6 068</b>
Additional RWA from transitional rules 1)	0	4 038	0
<b>Total risk-weighted assets</b>	<b>6 924</b>	<b>10 095</b>	<b>6 068</b>
Minimum requirement Common Equity Tier 1 capital (4.5%)	312	454	273

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

Buffer Requirement	31.03.2020	31.03.2019	31.12.2019
Countercyclical buffer (1.0 % at 31.03.20, 2.0 % at 31.03.19 and 2.5 % at 31.12.19)	69	202	152
Capital conservation buffer (2.5%)	173	252	152
Systemic risk buffer (3.0%)	208	303	182
<b>Total buffer requirements</b>	<b>450</b>	<b>757</b>	<b>485</b>
<b>Available Common Equity Tier 1 capital after buffer requirements</b>	<b>1 245</b>	<b>804</b>	<b>1 247</b>

<b>Capital adequacy as a percentage of the weighted asset calculation basis</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.12.2019</b>
Capital adequacy ratio	29.0 %	20.0 %	33.0 %
Tier 1 capital ratio	29.0 %	20.0 %	33.0 %
Common Equity Tier 1 capital ratio	29.0 %	20.0 %	33.0 %

<b>Leverage ratio</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.12.2019</b>
Leverage ratio	6.5 %	7.6 %	7.0 %

<b>Liquidity Coverage Ratio</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.12.2019</b>
Liquidity Coverage Ratio - Total	335%	314%	117%
Liquidity Coverage Ratio - NOK	336%	314%	117%
Liquidity Coverage Ratio - EUR	108%	103%	-

Møre Boligkreditt AS' capital requirements at 31 March 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 Q1-2020 have occurred after the reporting date. The company is not involved in any legal proceedings.

# Profit performance

QUARTERLY PROFIT (NOK million)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	81	82	80	77	69
Other operating income	-5	-4	2	-2	1
Total operating costs	12	12	10	13	10
Profit before impairment on loans	64	66	72	62	60
Impairment on loans	3	1	-10	-1	-1
Pre tax profit	61	65	82	63	61
Tax	13	4	18	13	14
Profit after tax	48	61	64	50	47

As a percentage of average assets:

Net interest income	1.24	1.22	1.28	1.21	1.13
Other operating income	-0.07	-0.06	0.03	-0.03	0.02
Total operating costs	0.18	0.18	0.16	0.20	0.17
Profit before impairment on loans	0.99	0.98	1.15	0.98	0.98
Impairment on loans	0.05	0.01	-0.16	-0.02	-0.01
Pre tax profit	0.94	0.97	1.31	1.00	0.99
Tax	0.20	0.06	0.29	0.22	0.22
Profit after tax	0.74	0.91	1.02	0.78	0.77

Average total assets (NOK million)	26 293	26 891	25 223	25 142	24 582
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	31.03.2020	31.03.2019	31.12.2019
Net interest income	81	69	308
Other operating income	-5	1	-3
Total operating costs	12	10	45
Profit before impairment on loans	64	60	260
Impairment on loans	3	-1	-11
Pre tax profit	61	61	271
Tax	13	14	49
Profit after tax	48	47	222

As a percentage of average assets:

Net interest income	1.24	1.13	1.21
Other operating income	-0.07	0.02	-0.01
Total operating costs	0.18	0.17	0.18
Profit before impairment on loans	0.99	0.98	1.02
Impairment on loans	0.05	-0.01	-0.04
Pre tax profit	0.94	0.99	1.06
Tax	0.20	0.22	0.19
Profit after tax	0.74	0.77	0.87

Average total assets (NOK million)	26 293	24 582	25 460
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## Alternative performance measures

<b>Average assets</b>	<b>Definition</b>	The average sum of total assets for the year, calculated as a daily average.
	<b>Justification</b>	This key figure is used in the calculation of percentage ratios for the performance items.
	<b>Calculation</b>	Average sum of total assets*
<b>LTV (Loan to value)</b>	<b>Definition</b>	A customer's loan amount as a percentage of market value** of the collateral.
	<b>Justification</b>	This key figure provides information about the asset ratio in the lending portfolio and is relevant for evaluating the risk of loss.
	<b>Calculation</b>	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.
<b>Over-collateralisation</b>	<b>Definition</b>	Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt.
	<b>Justification</b>	This key figure provides information about the ratio between outstanding bond loans and the underlying collateralised assets.
	<b>Calculation</b>	$\frac{\text{Total collateralised assets}}{\text{Debt securitites issued}}$
	<b>Figures</b>	31.03.2020: $29,339 / 24,880 = 117.9 \%$ 31.03.2019: $25,154 / 22,296 = 112.8 \%$ 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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