

Møre Boligkreditt AS

A company in the Sparebanken Møre Group

4 quarter 2019

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 65 million in fourth quarter 2019, compared to NOK 58 million in fourth quarter 2018. Net interest income amounted to NOK 82 million, compared to NOK 70 million in the same quarter last year. Costs amounted to NOK 12 million in fourth quarter 2019, compared to NOK 10 million in the corresponding quarter in 2018.

The calculation of expected credit loss (ECL) for Møre Boligkreditt AS resulted in an increase of impairments of NOK 1 million in the fourth quarter 2019, the same as in the corresponding quarter in 2018. Profit after tax amounted to NOK 61 million in fourth quarter 2019, compared to NOK 42 million in the corresponding quarter 2018.

Basis swap spreads are added to OCI with NOK 1 million after tax in fourth quarter 2019, compared to charged OCI with NOK 5 million in fourth quarter of 2018.

Møre Boligkreditt AS acquired mortgages from Sparebanken Møre in fourth quarter of 2019, and net mortgage volume increased by NOK 2,394 million in the quarter. One new covered bond loan of EUR 250 million was issued in fourth quarter 2019, and partial early redemptions of NOK 1,770 million was made in bond loan maturing in January 2020.

Fourth quarter end results

By fourth quarter end 2019 the financial statements show a profit before tax of NOK 271 million, compared to NOK 230 million by fourth quarter end 2018. Net interest income amounted to NOK 308 million by fourth quarter end 2019, compared to NOK 274 million by end of same period last year. Costs in the period ending 31 December 2019 amounted to NOK 45 million, compared with NOK 42 million for the corresponding period 2018.

Net loss in value of debt securities issued and related derivatives in 2019 was NOK 4 million, compared to net loss of NOK 1 million in 2018.

Profit after tax amounted to NOK 222 million by fourth quarter end 2019 compared to NOK 174 million by fourth quarter end 2018. Tax amounted to NOK 49 million in 2019 compared to NOK 56 million in 2018.

Basis swap spreads are added to OCI with NOK 2 million after tax as at 31 December 2019, compared to charged OCI with NOK 13 million after tax at fourth quarter end of 2018.

Møre Boligkreditt AS had thirteen bond loans outstanding at 31 December 2019 with a total bond loan debt of NOK 23,062 million, compared to twelve bond loans with NOK 22,384 million outstanding at 31 December 2018.

Total assets at fourth quarter end 2019 amounted to NOK 27,749 million compared to NOK 25,557 million at fourth quarter end 2018. Net lending to customers increased by NOK 2,246 million in 2019 and amounted to NOK 25,655 million at fourth quarter end 2019, compared with NOK 23,409 million at fourth quarter end 2018. The ECL calculation as at 31 December 2019 shows expected credit loss of NOK 3 million for Møre Boligkreditt AS, compared with NOK 15 million in ECL as at 31 December 2018. At fourth quarter end 2019, the mortgages in the cover pool had an average loan-to-value ratio of 59.3 per cent, calculated as mortgage amount relative to the value of the property used as collateral.

At fourth quarter end 2019, the company's substitute assets included in the cover pool amounted to NOK 988 million, compared to NOK 1,300 million at fourth quarter end 2018. Net value of financial derivatives included in the cover pool amounted to NOK 544 million at fourth quarter end 2019, compared to NOK 602 million at end of

fourth quarter 2018. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt, was 15.8 per cent as at 31 December 2019, compared to 11.1 per cent as at 31 December 2018.

In addition to liquid assets included in the cover pool, Møre Boligkreditt AS' Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 293 million at 31 December 2019, reporting total LCR of 117 per cent by fourth quarter end 2019.

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 2,274 million by end of fourth quarter 2019, compared to NOK 1,767 million by end of fourth quarter 2018. Risk weighted assets amounted to NOK 6,068 million by end of fourth quarter 2019. Net equity and subordinated loan capital amounted to NOK 2,005 million by end of fourth quarter 2019, compared to NOK 1,567 million by end of fourth quarter 2018. This corresponds to a Common Equity Tier 1 capital ratio of 33 per cent. Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

Outlook

A strong household sector due to the still low interest rate level, low unemployment levels, together with a solid public sector has kept Norwegian production levels high. The weak NOK is positive for the competitiveness of the export industry and the tourist industry.

The Norwegian key policy rate was announced unchanged at 1.50 per cent 19 December 2019, and in the Norges Bank's Executive Board assessment the policy rate is expected to stay close to the current level ahead. The development of housing prices, together with the growth in debt, are the most important risk factors for Norwegian households. Important risk factors going forward are also the oil price development, macroeconomic growth in export markets, the concern for a global trade war and the NOK exchange rate.

The combined activity of businesses located in the county of Møre og Romsdal remains high. The registered unemployment rate in the county of Møre og Romsdal is 2.0 per cent in December 2019, below the Norwegian national average of 2.2 per cent. We expect the unemployment rate in the county to remain around the national average level also going forward.

Retail lending in Sparebanken Møre Group increased with 4.5 per cent in 2019.

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

Ålesund, 31 December 2019

29 January 2020

THE BOARD OF DIRECTORS OF MØRE BOLIGKREDITT AS

KJETIL HAUGE, Chairman
BRITT IREN TØSSE AANDAL
ELISABETH BLOMVIK
GEIR TORE HJELLE
SANDRA MYHRE HELSETH

OLE ANDRE KJERSTAD, Managing Director

Statement of income

STATEMENT OF INCOME - compressed

(NOK million)	Notes	Q4 2019	Q4 2018	2019	2018
Interest income from assets assessed at amortised cost	<u>2</u>	221	157	757	599
Interest income from assets assessed at fair value	<u>2</u>	1	1	7	4
Interest expenses	<u>2</u>	140	88	456	329
Net interest income	<u>2 6</u>	82	70	308	274
Commission income		0	0	1	0
Net change in value of securities and related derivatives		-4	-1	-4	-1
Total income		78	69	305	273
Wages, salaries and general administration costs		1	1	3	3
Other operating costs	<u>6</u>	11	9	42	39
Total operating costs		12	10	45	42
Profit before impairment on loans and taxes		66	59	260	231
Impairment on loans	<u>3</u>	1	1	-11	1
Pre-tax profit		65	58	271	230
Taxes		4	16	49	56
Profit after tax		61	42	222	174

STATEMENT OF COMPREHENSIVE INCOME - compressed

(NOK million)	Q4 2019	Q4 2018	2019	2018
Profit after tax	61	42	222	174
Items that may subsequently be reclassified to the income statement:				
Basis swap spreads - changes in value	1	-7	2	-17
Tax effect of basis swap spreads	0	2	0	4
Total comprehensive income for the period	62	37	224	161

Statement of financial position

ASSETS - compressed

(NOK million)	Notes	31.12.2019	31.12.2018
Loans to and receivables from credit institutions	<u>4 6</u>	827	1 002
Loans to and receivables from customers	<u>2 3 4</u>	25 655	23 409
Certificates and bonds	<u>4 5</u>	678	512
Financial derivatives	<u>4 5</u>	589	625
Deferred tax asset		0	9
Total assets		27 749	25 557

LIABILITIES AND EQUITY - compressed

(NOK million)	Notes	31.12.2019	31.12.2018
Loans from credit institutions	<u>4 6</u>	2 296	1 330
Debt securities issued	<u>4 5 6</u>	23 062	22 384
Financial derivatives	<u>4 5</u>	45	23
Tax payable		10	53
Deferred tax		62	0
Total liabilities		25 475	23 790
Share capital		1 875	1 425
Share premium		175	175
Paid-in equity		2 050	1 600
Retained earnings		224	167
Total equity	<u>Z</u>	2 274	1 767
Total liabilities and equity		27 749	25 557

Statement of changes in equity

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. The issue of share capital of NOK 450 million was fully paid on 22 February 2019, approved by the Norwegian FSA 11 March 2019, and registered in the Norwegian Register of Business Enterprises 13 March 2019.

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

31.12.2018

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2017	1 667	1 325	175	167
Effect of transition to IFRS 9 01.01.2018	-9			-9
Equity as at 1 January 2018	1 658	1 325	175	158
Total comprehensive income for the period	161			161
Issue of share capital	100	100		
Dividends	-152			-152
Equity as at 31 December 2018	1 767	1 425	175	167

The share capital consisted of 1 140 000 shares at NOK 1 250, a total of NOK 1 425 million. All shares were owned by Sparebanken Møre.

Proposed dividend as of 31 December 2018 amounted to NOK 167 million.

Statement of cash flow

(NOK million)	31.12.2019	31.12.2018
Cash flow from operating activities		
Interest, commission and fees received	758	600
Interest, commission and fees paid	-9	-14
Operating expenses paid	-45	-42
Income taxes paid	-22	-56
Payment for acquiring loans from the Parent Bank	-9 088	-7 943
Payment related to instalment loans and credit lines to customers	6 854	5 683
Net cash flow from operating activities	-1 552	-1 772
Cash flow from investing activities		
Received interest, commission and fees related to certificates, bonds and other securities	7	4
Proceeds from the sale of certificates, bonds and other securities	1 746	2 622
Purchases of certificates, bonds and other securities	-1 911	-3 073
Changes in other assets	-3	-20
Net cash flow from investing activities	-161	-467
Cash flow from financing activities		
Paid interest, commission and fees related to issued bonds	-435	-317
Net change in loans from credit institutions	965	128
Proceeds from bonds issued	5 536	5 862
Redemption of issued covered bonds	-4 784	-2 500
Dividend paid	-167	-152
Changes in other debt	-27	34
Issue of share capital and premium	450	100
Net cash flow from financing activities	1 538	3 155
Net change in cash and cash equivalents	-175	917
Cash balance at 01.01	1 002	85
Cash balance at 31.12	827	1 002

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 2019. 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 2018. IFRS 16 Leases is effective from 1 January 2019. The implementation of the new standard has no effect on the statements of either income or financial position of Møre Boligkreditt AS.

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.

(NOK million)	Loans	
	31.12.2019	31.12.2018
Loans, nominal amount	25 658	23 424
Expected credit loss (ECL) - stage 1	0	-3
Expected credit loss (ECL) - stage 2	-3	-12
Expected credit loss (ECL) - stage 3	0	0
Loans to and receivables from customers	25 655	23 409

(NOK million)	Net interest income	
	31.12.2019	31.12.2018
Interest income from:		
Loans to and receivables from credit institutions	18	8
Loans to and receivables from customers	739	591
Certificates, bonds and other interest-bearing securities	7	4
Interest income	764	603
Interest expenses in respect of:		
Loans from credit institutions	17	12
Debt securities issued	435	317
Other interest expenses	4	0
Interest expenses	456	329
Net interest income	308	274

Note 3

Impairment and losses

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 objective 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 objective evidence of loss or if individual impairments have been made, 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 2019	Q4 2018	31.12.2019	31.12.2018
Changes in Expected Credit Loss (ECL) in stage 1	-66	570	-2 284	510
Changes in Expected Credit Loss (ECL) in stage 2	575	988	-8 938	405
Changes in Expected Credit Loss (ECL) in stage 3	0	-1 013	-237	237
Total impairment on loans in the period	509	545	-11 459	1 152

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

Changes in ECL in the period (NOK thousand) - 31.12.2018	Stage 1	Stage 2	Stage 3	Total
31.12.2017 according to IAS 39				2 000
Effect of transition to IFRS 9				11 697
ECL 01.01.2018 according to IFRS 9	2 315	11 382	0	13 697
New loans	746	3 377	0	4 123
Disposal of loans	-440	-2 312	0	-2 752
Changes in ECL in the period for loans which have not migrated	125	-789	0	-664
Migration to stage 1	185	-4 764	0	-4 579
Migration to stage 2	-105	4 893	0	4 788
Migration to stage 3	-1	0	237	236
ECL 31.12.2018	2 825	11 787	237	14 849

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

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

31.12.2018	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	23 159	183	0	23 342
Medium risk (0.5 % - < 3 %)	703	429	0	1 132
High risk (3 % - <100 %)	73	93	3	169
Total commitments before ECL	23 935	705	3	24 643
- ECL	-3	-12	0	-15
Loans and receivables from customers 31.12.2018 *	23 932	693	3	24 628

*) 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 any 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Loans to and receivables from credit institutions			827	1 002
Loans to and receivables from customers			25 655	23 409
Certificates and bonds	678	512		
Financial derivatives	589	625		
Total financial assets	1 267	1 137	26 482	24 411
Loans from credit institutions			2 296	1 330
Debt securities issued			23 062	22 384
Financial derivatives	45	23		
Total financial liabilities	45	23	25 358	23 714

Fair value of financial instruments at amortised cost	31.12.2019		31.12.2018	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	827	827	1 002	1 002
Loans to and receivables from customers	25 655	25 655	23 409	23 409
Total financial assets	26 482	26 482	24 411	24 411
Loans from credit institutions	2 296	2 296	1 330	1 330
Debt securities issued	23 138	23 062	22 432	22 384
Total financial liabilities	25 434	25 358	23 762	23 714

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

Financial instruments at fair value - 31.12.2018	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	512	-	-	512
Financial derivatives	-	625	-	625
Total financial assets	512	625	-	1 137
Financial derivatives	-	23	-	23
Total financial liabilities	-	23	-	23

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 31.12.2019	Interest	Issued	Maturity	31.12.2019	31.12.2018
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 187	1 212
NO0010676018	NOK	-	3M Nibor + 0.47 %	2013	2019	-	2 506
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	308	300
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	296	298
NO0010696990	NOK	230	3M Nibor + 0.45 %	2013	2020	231	2 507
NO0010720204	NOK	3 000	3M Nibor + 0.24 %	2014	2020	3 001	2 999
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	999	1 001
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 013	3 011
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 490	2 504
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 004	2 500
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 522	2 524
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 024	1 022
NO0010853096	NOK	2 500	3M Nibor + 0.37 %	2019	2025	2 503	-
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 484	-
Total borrowings raised through the issue of securities						23 062	22 384

Cover pool (NOK million)	31.12.2019	31.12.2018
Pool of eligible loans 1)	25 182	22 976
Substitute assets	988	1 300
Financial derivatives to hedge issued securities (assets)	589	625
Financial derivatives to hedge issued securities (liabilities)	-45	-23
Total collateralised assets	26 714	24 878

1) NOK 476 million of total gross loans are not eligible for the cover pool as at 31.12.19 (NOK 433 million as at 31.12.2018)

Covered bonds issued (NOK million)	31.12.2019	31.12.2018
Covered bonds (nominal) 2)	22 720	22 071
Premium/discount	342	313
Total covered bonds	23 062	22 384
Own holding (covered bonds)	-	-
Debt securities issued	23 062	22 384

2) Norges Bank's exchange rates at the date of reporting is applied for outstanding debt in currencies other than NOK

Collateralisation (in %)	31.12.2019	31.12.2018
Total collateralised assets / debt securitised issued	115.8	111.1

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)	31.12.2019	31.12.2018
Statement of income:		
Interest and credit commission income from Sparebanken Møre related to deposits	19	8
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	17	12
Interest paid to Sparebanken Møre related to bonded debt	9	19
Management fee paid to Sparebanken Møre	36	34
Statement of financial position:		
Deposits in Sparebanken Møre	827	867
Covered bonds held by Sparebanken Møre as assets	0	818
Loan/credit facility in Sparebanken Møre	2 171	1 177
Accumulated transferred loan portfolio from Sparebanken Møre	25 658	23 424

Note 7

Equity and related capital

Tier 1 capital and supplementary capital	31.12.2019	31.12.2018
Share capital and share premium	2 050	1 600
Retained earnings	224	167
Total equity	2 274	1 767
Value adjustments of financial instruments at fair value	-1	-1
Expected IRB-losses exceeding ECL	-44	-32
Dividends	-224	-167
Common Equity Tier 1 capital	2 005	1 567
Supplementary capital	0	0
Net equity and subordinated loan capital	2 005	1 567

Risk-Weighted Assets (RWA) - calculation basis for capital adequacy ratio	31.12.2019	31.12.2018
Credit risk loans and receivables (Standardised Approach)	429	505
Credit risk loans and receivables (Internal Ratings Based Approach)	4 671	4 537
Operational Risk (Basic indicator Approach)	516	486
Total risk exposure amount for credit valuation adjustment (CVA) (SA)	452	498
Risk-weighted assets (less transitional rules for 2018)	6 068	6 026
Additional RWA from transitional rules 1)	0	3 944
Total risk-weighted assets	6 068	9 970
Minimum requirement Common Equity Tier 1 capital (4.5%)	273	449

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	31.12.2019	31.12.2018
Countercyclical buffer (2.5 % in 2019 and 2.0% i 2018)	152	200
Capital conservation buffer (2.5%)	152	249
Systemic risk buffer (3.0%)	182	299
Total buffer requirements	485	748
Available Common Equity Tier 1 capital after buffer requirements	1 247	370

Capital adequacy as a percentage of the weighted asset calculation basis	31.12.2019	31.12.2018
Capital adequacy ratio	33.0 %	15.7 %
Tier 1 capital ratio	33.0 %	15.7 %
Common Equity Tier 1 capital ratio	33.0 %	15.7 %

Leverage ratio	31.12.2019	31.12.2018
Leverage ratio	7.0 %	6.0 %

Liquidity Coverage Ratio	31.12.2019	31.12.2018
Liquidity Coverage Ratio - Total	117.0 %	325%
Liquidity Coverage Ratio - NOK	117.0 %	325%
Liquidity Coverage Ratio - EUR	-	-

Møre Boligkreditt AS' capital requirements at 31 December 2019 are based on IRB-Foundation for commercial commitments and IRB-Retail for retail commitments.

Profit performance

QUARTERLY PROFIT (NOK million)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest income	82	80	77	69	70
Other operating income	-4	2	-2	1	-1
Total operating costs	12	10	13	10	10
Profit before impairment on loans	66	72	62	60	59
Impairment on loans	1	-10	-1	-1	1
Pre tax profit	65	82	63	61	58
Tax	4	18	13	14	16
Profit after tax	61	64	50	47	42

As a percentage of average assets:

Net interest income	1.22	1.28	1.21	1.13	1.17
Other operating income	-0.06	0.03	-0.03	0.02	-0.01
Total operating costs	0.18	0.16	0.20	0.17	0.17
Profit before impairment on loans	0.98	1.15	0.98	0.98	0.99
Impairment on loans	0.01	-0.16	-0.02	-0.01	0.01
Pre tax profit	0.97	1.31	1.00	0.99	0.98
Tax	0.06	0.29	0.22	0.22	0.28
Profit after tax	0.91	1.02	0.78	0.77	0.70

Average total assets (NOK million)	26 891	25 223	25 142	24 582	23 794
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	31.12.2019	31.12.2018
Net interest income	308	274
Other operating income	-3	-1
Total operating costs	45	42
Profit before impairment on loans	260	231
Impairment on loans	-11	1
Pre tax profit	271	230
Tax	49	56
Profit after tax	222	174
As a percentage of average assets:		
Net interest income	1.21	1.15
Other operating income	-0.01	0.00
Total operating costs	0.18	0.18
Profit before impairment on loans	1.02	0.97
Impairment on loans	-0.04	0.00
Pre tax profit	1.06	0.97
Tax	0.19	0.24
Profit after tax	0.87	0.73
Average total assets (NOK million)	25 460	23 834

Alternative performance measure

Alternative performance measure

Alternative performance measure or APM defined by ESMA (European Securities and Markets Authority) as «a financial measure of historical or future financial performance, financial position, or cash flows, other than financial measure defined or specified in the applicable financial reporting framework».

Alternative performance measures are either adjusted key figures or key figures not defined under IFRS. APMs are not intended to substitute accounting figures prepared in accordance with IFRS and are not to be assigned greater importance than these accounting figures, however, they have been included in the financial reporting in order to provide a more complete description of the company's performance. Furthermore, APMs constitute important targets as to how the management governs the company.

The APMs of Møre Boligkreditt AS are used in the report of the Board of Directors, as well as in presentations of the financial statements. All APMs are specified with corresponding comparative figures for previous periods.

Møre Boligkreditt AS has the following APMs, which are not reflected in the financial statements with disclosures:

Total assets

Definition: The sum of all assets.

Justification: Total assets is an industry-specific designation for the sum of all assets.

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.

LTV (Loan to value)

Definition: Average loan amount of loans to customers divided by average market value of collateral.

Justification: This key figure provides information about the asset ratio in the lending portfolio and is relevant for evaluating the risk of loss.

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.

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