

INTERIM REPORT  
1 QUARTER  
UNAUDITED

2019



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 2019, compared to NOK 64 million in the first quarter of 2018. Net interest income amounted to NOK 69 million, compared to NOK 72 million in the same quarter last year. Costs amounted to NOK 10 million in the first quarter of 2019, equal to the corresponding period in 2018.

The calculation of expected loss (ECL) for Møre Boligkreditt AS resulted in a reduction of impairments of NOK 1 million in the first quarter of 2019, equal to the corresponding quarter in 2018.

Net gain in value of debt securities and related derivatives as of 31 March 2019 was NOK 1 million, equal to the corresponding quarter in 2018. Basis swap spreads are charged to other comprehensive income (OCI) with NOK 3 million after tax in the first quarter of 2019, compared to NOK 4 million in the corresponding quarter of 2018.

Møre Boligkreditt AS acquired mortgages in the amount of NOK 1,805 million from Sparebanken Møre in the first quarter of 2019, and net loans to and receivables from customers increased by NOK 273 million in the quarter. No new covered bond loans were issued, and no outstanding bond loan debt matured in the first quarter of 2019.

Profit after tax amounted to NOK 47 million in the first quarter of 2019, compared to NOK 49 million in the corresponding quarter in 2018. Tax amounted to NOK 14 million in the first quarter of 2019 compared to NOK 15 million in the corresponding quarter in 2018.

Møre Boligkreditt AS had twelve bond loans outstanding at 31 March 2019 with total debt securities issued of NOK 22,296 million, compared to eleven bond loans and NOK 21,217 million outstanding at 31 March 2018.

Total assets at first quarter end 2019 amounted to NOK 25,712 million compared to NOK 24,070 million at first quarter end 2018. Net lending amounted to NOK 23,682 million at first quarter end 2019, compared to NOK 23,252 million at first quarter end 2018. The ECL calculation as at 31 March 2019 shows expected credit loss of NOK 14 million, compared to NOK 13 million as at 31 March 2018. At first quarter end 2019, the mortgages in the cover pool had an average loan-to-value ratio of 57.9 per cent, calculated as mortgage amount relative to the value of the property used as collateral.

At first quarter end 2019, the company's substitute assets included in the cover pool amounted to NOK 1,321 million, compared to NOK 402 million at first quarter end 2018. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 12.8 per cent as at 31 March 2019, compared to 11.1 per cent as at 31 March 2018.

Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 60 million at 31 March 2019, reporting total LCR of 314 per cent by first 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

In the first quarter 2019, Møre Boligkreditt AS increased its equity by NOK 450 million through an issue of 360,000 shares á NOK 1,250. The capital increase was fully paid in by Sparebanken Møre as the owner of all 1,500,000 shares in Møre Boligkreditt AS. Paid in equity and retained earnings amounted to NOK 2,094 million by end of first quarter 2019, compared to NOK 1,651 million by end of first quarter 2018. Risk weighted assets amounted to NOK 10,095 million by end of first quarter 2019. Net equity and subordinated loan capital amounted to NOK 2,016 million by end of first quarter 2019, compared to NOK 1,574 million by end of first quarter 2018. This corresponds to a Common Equity Tier 1 capital ratio of 20.0 per cent as at 31 March 2019. Møre

Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

### **Outlook**

A strong household sector due to record low interest rates, low unemployment levels, together with a solid public sector has kept Norwegian production levels high. The still weak NOK is positive for the competitiveness of the export industry and the tourist industry. The Norwegian key policy rate was announced raised with 0.25 percentage points to 1.0 per cent 21 March 2019, followed by announcements of mortgage interest rate hikes from banks operating in the Norwegian mortgage market. The development of housing prices, together with the growth in debt, are the most important risk factors to 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 despite recent years decline in the petroleum related industries. The registered unemployment rate in the county of Møre og Romsdal is 2.3 per cent in March 2019, just below the Norwegian national average of 2.4 per cent. We expect unemployment level in the county to be around national average levels also going forward.

Annualised retail lending growth in the Sparebanken Møre Group was 5.2 per cent in the first quarter of 2019.

The Board believes that the low level of unemployment, still low interest rates 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 March 2019

24 April 2019

### **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	Q1 2019	Q1 2018	2018
Interest income from assets assessed at amortised cost	2	164	137	599
Interest income from assets assessed at fair value	2	1	0	4
Interest expenses	2	96	65	329
Net interest income	2 6	69	72	274
Commission income		0	0	0
Net change in value of securities and related derivatives		1	1	-1
Wages, salaries and general administration costs		1	1	3
Other operating costs	6	9	9	39
Total operating costs		10	10	42
Profit before impairment on loans and taxes		60	63	231
Impairment on loans	3	-1	-1	1
Pre-tax profit		61	64	230
Taxes		14	15	56
Profit after tax		47	49	174

## STATEMENT OF COMPREHENSIVE INCOME - compressed

(NOK million)	Q1 2019	Q1 2018	2018
Profit after tax	47	49	174
Items that may subsequently be reclassified to the income statement:			
Basis swap spreads - changes in value	-4	-5	-17
Tax effect of basis swap spreads	1	1	4
Total comprehensive income for the period	44	45	161

# Statement of financial position

## ASSETS - compressed

(NOK million)	Notes	31.03.2019	31.03.2018	31.12.2018
Loans to and receivables from credit institutions	2 4 5 6	1 332	402	1 002
Loans to and receivables from customers	2 3 4	23 682	23 252	23 409
Certificates and bonds	4 5	142	60	512
Financial derivatives	4 5	548	352	625
Deferred tax asset		8	4	9
<b>Total assets</b>		<b>25 712</b>	<b>24 070</b>	<b>25 557</b>

## LIABILITIES AND EQUITY - compressed

(NOK million)	Notes	31.03.2019	31.03.2018	31.12.2018
Loans from credit institutions	4 6	1 243	1 136	1 330
Debt securities issued	4 5 6	22 296	21 217	22 384
Financial derivatives	4 5	39	28	23
Tax payable		40	38	53
<b>Total liabilities</b>		<b>23 618</b>	<b>22 419</b>	<b>23 790</b>
Share capital		1 875	1 425	1 425
Share premium		175	175	175
Paid-in equity		2 050	1 600	1 600
Other equity		0	6	167
Total comprehensive income for the period		44	45	-
Retained earnings		44	51	167
<b>Total equity</b>	7	<b>2 094</b>	<b>1 651</b>	<b>1 767</b>
<b>Total liabilities and equity</b>		<b>25 712</b>	<b>24 070</b>	<b>25 557</b>

# Statement of changes in equity

## 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 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.

## 31.03.2018

(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 01 January 2018	1 658	1 325	175	158
Total comprehensive income for the period	45			45
Issue of share capital	100	100		
Dividends	-152			-152
Equity as at 31 March 2018	1 651	1 425	175	51

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.

## 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 amounts to NOK 167 million.

# Statement of cash flow

(NOK million)	31.03.2019	31.03.2018	31.12.2018
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	164	137	600
Interest, commission and fees paid	-1	-2	-14
Operating expenses paid	-11	-10	-42
Income taxes paid	-25	-28	-56
Payment for acquiring loans from the Parent Bank	-1 805	-3 251	-7 943
Payment related to instalment loans and credit lines to customers	1 533	1 151	5 683
Net cash flow from operating activities	-145	-2 003	-1 772
<b>Cash flow from investing activities</b>			
Received interest, commission and fees related to certificates, bonds and other securities	1	0	4
Proceeds from the sale of certificates, bonds and other securities	370	30	2 622
Purchases of certificates, bonds and other securities	0	-30	-3 073
Changes in other assets	-3	-5	-20
Net cash flow from investing activities	367	-5	-467
<b>Cash flow from financing activities</b>			
Paid interest, commission and fees related to issued bonds	-94	-61	-317
Net change in loans from credit institutions	-87	-66	128
Proceeds from bonds issued	0	2 499	5 862
Redemption of issued covered bonds	0	0	-2 500
Dividend paid	-167	-152	-152
Changes in other debt	6	5	34
Issue of share capital and premium	450	100	100
Net cash flow from financing activities	107	2 325	3 155
Net change in cash and cash equivalents	330	317	917
Cash balance at 01.01	1 002	85	85
Cash balance at 31.03/31.12	1 332	402	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 March 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.

<b>Loans</b>			
(NOK million)	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Loans, nominal amount	23 696	23 265	23 424
Expected credit loss (ECL) - Stage 1	-3	-2	-3
Expected credit loss (ECL) - Stage 2	-11	-11	-12
Expected credit loss (ECL) - Stage 3	0	0	0
Loans to and receivables from customers	23 682	23 252	23 409

<b>Net interest income</b>			
(NOK million)	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Interest income from:			
Loans to and receivables from credit institutions	4	1	8
Loans to and receivables from customers	160	136	591
Certificates, bonds and other interest-bearing securities	1	0	4
Interest income	165	137	603
Interest expenses in respect of:			
Loans from credit institutions	2	4	12
Debt securities issued	94	61	317
Interest expenses	96	65	329
Net interest income	69	72	274

## 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 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.

The methodology for measuring expected credit losses (ECL) in accordance with IFRS 9 are presented in Note 3 in the Annual Report 2018.

Specification of credit loss expense (NOK thousand)	Q1 2019	Q1 2018	31.12.2018
Changes in Expected Credit Loss (ECL) in stage 1	-54	-187	510
Changes in Expected Credit Loss (ECL) in stage 2	-322	-322	405
Changes in Expected Credit Loss (ECL) in stage 3	-237	0	237
Total impairment on loans in the period	-613	-510	1 152

<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
ECL 31.03.2019	2 771	11 465	0	14 236

<b>Changes in ECL in the period (NOK thousand) - 31.03.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
31.12.2017 according to IAS 39				2 000
Effect of transition to IFRS 9				11 697
ECL 1.1.2018 according to IFRS 9	2 315	11 382	0	13 697
New loans	29	24	0	53
Disposal of loans	-124	-585	0	-709
Changes in ECL in the period for loans which have not migrated	-50	-910	0	-960
Migration to stage 1	51	-931	0	-880
Migration to stage 2	-94	2 080	0	1 986
Migration to stage 3	0	0	0	0
ECL 31.03.2018	2 127	11 060	0	13 187

<b>Changes in ECL in the period (NOK thousand) - 31.12.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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

<b>Commitments (exposure) divided into risk groups based on probability of default (NOK million) - 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	83	8	163
Total commitments before ECL	24 287	654	8	24 949
- ECL	-3	-11	0	-14
Loans to and receivables from customers 31.03.2019 *)	24 284	643	8	24 935

<b>Commitments (exposure) divided into risk groups based on probability of default (NOK million) - 31.03.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0,5 %)	22 654	32	825	23 511
Medium risk (0,5 % - < 3 %)	300	463	135	898
High risk (3 % - <100 %)	5	59	37	101
Total commitments before ECL	22 959	554	997	24 510
- ECL	-2	-11	0	-13
Loans to and receivables from customers 31.03.2018 *)	22 957	543	990	24 490

<b>Commitments (exposure) divided into risk groups based on probability of default (NOK million) - 31.12.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	23 165	183	0	23 348
Medium risk (0.5 % - < 3 %)	691	429	0	1 120
High risk (3 % - <100 %)	78	93	3	174
Total commitments before ECL	23 934	704	3	24 641
- ECL	-3	-12	0	-15
Loans and receivables from customers 31.12.2018 *)	23 931	692	3	24 626

\*) The tables above show exposures at reporting date 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:

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

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 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 debt securities issued, 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 can not be valued based on directly or indirectly observable prices. This category mainly includes loans to customers.

CLASSIFICATION OF FINANCIAL INSTRUMENTS	Financial instruments at fair value through profit or loss			Financial instruments carried at amortised cost		
	31.03.2019	31.03.2018	31.12.2018	31.03.2019	31.03.2018	31.12.2018
Loans to and receivables from credit institutions				1 332	402	1 002
Loans to and receivables from customers				23 682	23 252	23 409
Certificates and bonds	142	60	512			
Financial derivatives	548	352	625			
Total assets	690	412	1 137	25 014	23 654	24 411
Loans from credit institutions				1 243	1 136	1 330
Debt securities issued				22 296	21 217	22 384
Financial derivatives	39	28	23			
Total liabilities	39	28	23	23 539	22 353	23 714

FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST	31.03.2019		31.03.2018		31.12.2018	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	1 332	1 332	402	402	1 002	1 002
Loans to and receivables from customers	23 682	23 682	23 252	23 252	23 409	23 409
Total assets	25 014	25 014	23 654	23 654	24 411	24 411
Loans from credit institutions	1 243	1 243	1 136	1 136	1 330	1 330
Debt securities issued	22 368	22 296	21 309	21 217	22 432	22 384
Total liabilities	23 611	23 539	22 445	22 353	23 762	23 714

<b>FINANCIAL INSTRUMENTS AT AMORTISED COST - 31.03.2019</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Loans to and receivables from credit institutions	-	1 332	-	1 332
Loans to and receivables from customers	-	-	23 682	23 682
<b>Total assets</b>	-	1 332	23 682	25 014
Loans from credit institutions	-	1 243	-	1 243
Debt securities issued	-	22 368	-	22 368
<b>Total liabilities</b>	-	23 611	-	23 611

<b>FINANCIAL INSTRUMENTS AT AMORTISED COST - 31.03.2018</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Loans to and receivables from credit institutions	-	402	-	402
Loans to and receivables from customers	-	-	23 252	23 252
<b>Total assets</b>	-	402	23 252	23 654
Loans from credit institutions	-	1 136	-	1 136
Debt securities issued	-	21 309	-	21 309
<b>Total liabilities</b>	-	22 445	-	22 445

<b>FINANCIAL INSTRUMENTS AT AMORTISED COST - 31.12.2018</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Loans to and receivables from credit institutions	-	1 002	-	1 002
Loans to and receivables from customers	-	-	23 409	23 409
<b>Total assets</b>	-	1 002	23 409	24 411
Loans from credit institutions	-	1 330	-	1 330
Debt securities issued	-	22 432	-	22 432
<b>Total liabilities</b>	-	23 762	-	23 762

<b>FINANCIAL INSTRUMENTS AT FAIR VALUE - 31.03.2019</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Certificates and bonds	132	10	-	142
Financial derivatives	-	548	-	548
<b>Total assets</b>	<b>132</b>	<b>558</b>	<b>-</b>	<b>690</b>
Financial derivatives	-	39	-	39
<b>Total liabilities</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>39</b>

<b>FINANCIAL INSTRUMENTS AT FAIR VALUE - 31.03.2018</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Certificates and bonds	60	-	-	60
Financial derivatives	-	352	-	352
<b>Total assets</b>	<b>60</b>	<b>352</b>	<b>-</b>	<b>412</b>
Financial derivatives	-	28	-	28
<b>Total liabilities</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>28</b>

<b>FINANCIAL INSTRUMENTS AT FAIR VALUE - 31.12.2018</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Certificates and bonds	512	-	-	512
Financial derivatives	-	625	-	625
<b>Total assets</b>	<b>512</b>	<b>625</b>	<b>-</b>	<b>1 137</b>
Financial derivatives	-	23	-	23
<b>Total liabilities</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>23</b>

# 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 31.03.2019	Interest	Issue	Maturity	31.03.2019	31.03.2018	31.12.2018
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 200	1 203	1 200
NO0010657232	NOK	-	3M Nibor + 0.65 %	2012	2018	-	2 502	-
NO0010676018	NOK	2 500	3M Nibor + 0.47 %	2013	2019	2 500	2 502	2 501
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	298	287	298
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	290	288	298
NO0010696990	NOK	2 500	3M Nibor + 0.45 %	2013	2020	2 499	2 498	2 499
NO0010720204	NOK	3 000	3M Nibor + 0.24 %	2014	2020	2 999	2 998	2 999
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	987	980	987
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 002	3 003	3 002
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 444	2 401	2 502
NO0010819543	NOK	2 500	3M Nibor + 0.42 %	2018	2024	2 499	2 499	2 499
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 470	-	2 519
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 032	-	1 018
Total securities issued						22 220	21 161	22 322
Accrued interest						76	56	62
Total borrowings raised through the issue of securities						22 296	21 217	22 384

Cover pool (NOK million)	31.03.2019	31.03.2018	31.12.2018
Pool of eligible loans 1)	23 324	22 853	22 976
Supplementary assets	1 321	402	1 300
Financial derivatives to hedge issued securities (liabilities)	-39	-28	-23
Financial derivatives to hedge issued securities (assets)	548	352	625
Total collateralised assets	25 154	23 579	24 878
Collateralisation in %	112.8	111.1	111.1

1) NOK 358 million of total gross loans are not eligible for the cover pool as at 31.03.19 (NOK 392 million as at 31.03.2018)

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

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

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

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

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

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

The most important transactions are as follows:

(NOK million)	31.03.2019	31.03.2018	31.12.2018
Statement of income:			
Interest and credit commission income from Sparebanken Møre related to deposits	4	1	8
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	1	4	12
Interest paid to Sparebanken Møre related to bonded debt	5	2	19
Management fee paid to Sparebanken Møre	9	8	34
Statement of financial position:			
Deposits in Sparebanken Møre	1 332	402	867
Covered bonds held by Sparebanken Møre as assets	1 288	1 320	818
Loan/credit facility in Sparebanken Møre	1 151	1 136	1 177
Accumulated transferred loan portfolio from Sparebanken Møre	23 696	23 265	23 424

# Note 7

## EQUITY AND RELATED CAPITAL

<b>Tier 1 capital and supplementary capital</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Share capital and share premium	2 050	1 600	1 600
Retained earnings	44	51	167
<b>Total equity</b>	<b>2 094</b>	<b>1 651</b>	<b>1 767</b>
Value adjustments of financial instruments at fair value	-1	-	-1
Expected IRB-losses exceeding ECL	-33	-26	-32
Dividends	0	0	-167
Deductions for total comprehensive income for the period	-44	-51	-
<b>Common Equity Tier 1 capital</b>	<b>2 016</b>	<b>1 574</b>	<b>1 567</b>
Supplementary capital	0	0	0
<b>Net equity and subordinated loan capital</b>	<b>2 016</b>	<b>1 574</b>	<b>1 567</b>

<b>Risk-weighted assets (calculation basis for capital adequacy ratio)</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Credit risk loans and receivables (Standardised Approach)	531	188	505
Credit risk loans and receivables (Internal Ratings Based Approach)	4 601	4 381	4 537
Operational Risk (Basic indicator Approach)	477	486	486
Total risk exposure amount for credit valuation adjustment (CVA) (SA)	448	251	498
<b>Risk-weighted assets less transitional rules</b>	<b>6 057</b>	<b>5 306</b>	<b>6 026</b>
Additional RWA from transitional rules 1)	4 038	4 463	3 944
<b>Total risk-weighted assets</b>	<b>10 095</b>	<b>9 769</b>	<b>9 970</b>
Minimum requirement Common Equity Tier 1 capital (4.5%)	454	440	449

1) Transitional rules require that RWA can not be less than 80 per cent of the corresponding Basel I requirement

<b>Buffer Requirement</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Countercyclical buffer (2.0%)	202	195	200
Capital conservation buffer (2.5%)	252	244	249
Systemic risk buffer (3.0%)	303	293	299
<b>Total buffer requirements</b>	<b>757</b>	<b>733</b>	<b>748</b>
Available Common Equity Tier 1 capital after buffer requirements	804	402	370

<b>Capital adequacy as a percentage of the weighted asset calculation basis</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Capital adequacy ratio	20.0 %	16.1 %	15.7 %
Tier 1 capital ratio	20.0 %	16.1 %	15.7 %
Common Equity Tier 1 capital ratio	20.0 %	16.1 %	15.7 %

  

<b>Leverage ratio</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Leverage ratio	7.6 %	6.4 %	6.0 %

  

<b>Liquidity Coverage Ratio</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Liquidity Coverage Ratio - Total	314%	285%	325%
Liquidity Coverage Ratio - NOK	314%	286%	325%
Liquidity Coverage Ratio - EUR	103%	107%	0%

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

# Profit performance

QUARTERLY PROFIT (NOK million)	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	69	70	66	66	72
Other operating income	1	-1	1	-2	1
Total operating costs	10	10	11	11	10
Profit before impairment on loans	60	59	56	53	63
Impairment on loans	-1	1	-2	3	-1
Pre tax profit	61	58	58	50	64
Tax	14	16	13	11	15
Profit after tax	47	42	45	39	49

As a percentage of average assets:

Net interest income	1.13	1.17	1.02	1.11	1.34
Other operating income	0.02	-0.01	0.01	-0.03	0.02
Total operating costs	0.17	0.17	0.16	0.20	0.18
Profit before impairment on loans	0.98	0.99	0.87	0.88	1.18
Impairment on loans	-0.01	0.01	-0.02	0.04	-0.01
Pre tax profit	0.99	0.98	0.89	0.84	1.19
Tax	0.22	0.28	0.20	0.19	0.27
Profit after tax	0.77	0.70	0.69	0.65	0.92

Average total assets (NOK million)	24 582	23 794	25 983	23 970	21 365
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	31.03.2019	31.03.2018	31.12.2018
Net interest income	69	72	274
Other operating income	1	1	-1
Total operating costs	10	10	42
Profit before impairment on loans	60	63	231
Impairment on loans	-1	-1	1
Pre tax profit	61	64	230
Tax	14	15	56
Profit after tax	47	49	174

As a percentage of average assets:

Net interest income	1.13	1.34	1.15
Other operating income	0.02	0.02	0.00
Total operating costs	0.17	0.18	0.18
Profit before impairment on loans	0.98	1.18	0.97
Impairment on loans	-0.01	-0.01	0.00
Pre tax profit	0.99	1.19	0.97
Tax	0.22	0.27	0.24
Profit after tax	0.77	0.92	0.73

Average total assets (NOK million)	24 582	21 365	20 225
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