

INTERIM REPORT
4 QUARTER
UNAUDITED

18



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 58 million in fourth quarter 2018, compared to NOK 69 million in fourth quarter 2017. Net interest income amounted to NOK 70 million, compared to NOK 75 million in the same quarter last year. Costs amounted to NOK 10 million in fourth quarter 2018, equal to costs in the corresponding quarter in 2017.

The calculation of expected loss (ECL) for Møre Boligkreditt AS resulted in an increase of impairments of NOK 1 million in the fourth quarter 2018 compared with a reduction of NOK 3 million in the corresponding quarter in 2017. Profit after tax amounted to NOK 42 million in fourth quarter 2018, compared to NOK 57 million in the corresponding quarter 2017.

The transition from IAS 39 to IFRS 9 from 1 January 2018 impacts the company's accounting for basis swap spreads. Basis swap spreads are charged to OCI with NOK 5 million after tax in fourth quarter 2018.

Møre Boligkreditt AS acquired mortgages from Sparebanken Møre in fourth quarter of 2018, and net mortgage volume increased by NOK 1,080 million in the quarter. One covered bond loan of NOK 1,000 million was issued in fourth quarter 2018. No bond loans matured in fourth quarter 2018.

Fourth quarter end results

By fourth quarter end 2018 the financial statements show a profit before tax of NOK 230 million, compared to NOK 213 million by fourth quarter end 2017. Net interest income amounted to NOK 274 million by fourth quarter end 2018, compared to NOK 261 million by end of same period last year. Costs in the period ending 31 December 2018 amounted to NOK 42 million, compared with NOK 38 million for the corresponding period 2017.

Net loss in value of debt securities issued and related derivatives in 2018 was NOK 1 million, compared to net loss of NOK 14 million including basis swap spreads in 2017. Basis swap spreads are charged to OCI with NOK 17 million (before tax) as at 31 December 2018.

Profit after tax amounted to NOK 174 million by fourth quarter end 2018 compared to NOK 165 million by fourth quarter end 2017. Tax amounted to NOK 56 million in 2018 compared to NOK 48 million in 2017.

Møre Boligkreditt AS had twelve bond loans outstanding at 31 December 2018 with a total bond loan debt of NOK 22,384 million, compared to ten bond loans with NOK 18,823 million outstanding at 31 December 2017.

Total assets at fourth quarter end 2018 amounted to NOK 25,554 million compared to NOK 21,748 million at fourth quarter end 2017. Net lending increased by NOK 2,247 million in 2018 and amounted to NOK 23,409 million at fourth quarter end 2018, compared with NOK 21,162 million at fourth quarter end 2017. The ECL calculation as at 31 December 2018 shows expected credit loss of NOK 15 million for Møre Boligkreditt AS, compared with NOK 2 million allocated for collective impairment as at 31 December 2017. At fourth quarter end 2018, the mortgages in the cover pool had an average loan-to-value ratio of 58.1 per cent, calculated as mortgage amount relative to the value of the property used as collateral.

At fourth quarter end 2018, the company's substitute assets included in the cover pool amounted to NOK 1,902 million, compared to NOK 520 million at fourth quarter end 2017. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 11.1 per cent as at 31 December 2018, compared to 13.3 per cent as at 31 December 2017.

Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 60 million at 31 December 2018, reporting total LCR of 325 per cent by fourth quarter end 2018.

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 1,767 million by end of fourth quarter 2018, compared to NOK 1,667 million by end of fourth quarter 2017. Risk weighted assets amounted to NOK 9,970 million by end of fourth quarter 2018. Net equity and subordinated loan capital amounted to NOK 1,567 million by end of fourth quarter 2018, compared to NOK 1,476 million by end of fourth quarter 2017. This corresponds to a Common Equity Tier 1 capital ratio of 15.7 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 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 development of house prices, together with growth in debt, are the most important risk factors to Norwegian households. The Norwegian key policy rate was announced unchanged at 0.75 percentage points 14 December 2018. Inflation is just above Norges Bank's target of 2 per cent and stand at 2.1 per cent year-over-year by December 2018. This will support Norges Bank's current rate path, and we believe the first of two hikes in the policy rate in 2019 will be announced in March. Important risk factors going forward are also the oil price development, macroeconomic growth in export markets, the growing 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 December 2018, at the same level as the Norwegian national average. We expect unemployment level in the county around national average levels.

Annual retail lending growth in the Sparebanken Møre Group was 5.3 per cent in 2018. 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 further mortgage loan portfolios from the parent bank and further increase the volume of outstanding bond loans from Møre Boligkreditt AS.

Ålesund, 31 December 2018

23 January 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	Q4 2018	Q4 2017	2018	2017
Interest income from assets assessed at amortised cost	2	157	138	599	527
Interest income from assets assessed at fair value	2	1	0	4	3
Interest expenses	2	88	63	329	269
Net interest income	2 6	70	75	274	261
Commission income		0	1	0	1
Net change in value of securities and related derivatives		-1	0	-1	-14
Wages, salaries and general administration costs		1	1	3	3
Other operating costs	6	9	9	39	35
Total operating costs		10	10	42	38
Profit before impairment on loans and taxes		59	66	231	210
Impairment on loans	3	1	-3	1	-3
Pre-tax profit		58	69	230	213
Taxes		16	12	56	48
Profit after tax		42	57	174	165

STATEMENT OF COMPREHENSIVE INCOME - compressed

(NOK million)	Q4 2018	Q4 2017	2018	2017
Profit after tax	42	57	174	165
Items that may subsequently be reclassified to the income statement:				
Basis swap spreads - changes in value 1)	-7	0	-17	0
Tax effect of basis swap spreads	2		4	0
Total comprehensive income for the period	37	57	161	165

1) Changes in value on basis swaps inherent in hedging instruments, have up to 31.12.2017 been recognised in the income statement. As of 1.1.2018, changes in value on basis swaps due to changes in basis swap spreads, will be recognised in OCI as a cost of hedging.

Statement of financial position

ASSETS - compressed

(NOK million)	Notes	31.12.2018	31.12.2017
Loans to and receivables from credit institutions	2 4 5 6	1 002	85
Loans to and receivables from customers	2 3 4	23 409	21 162
Certificates and bonds	4 5	512	60
Financial derivatives	4 5	625	439
Deferred tax asset		6	2
Total assets		25 554	21 748

LIABILITIES AND EQUITY - compressed

(NOK million)	Notes	31.12.2018	31.12.2017
Loans from credit institutions	4 6	1 330	1 202
Debt securities issued	4 5 6	22 384	18 823
Financial derivatives	4 5	23	4
Tax payable		50	52
Total liabilities		23 787	20 081
Share capital		1 425	1 325
Share premium		175	175
Paid-in equity		1 600	1 500
Retained earnings		167	167
Total equity	7	1 767	1 667
Total liabilities and equity		25 554	21 748

Statement of changes in equity

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 consists of 1 140 000 shares at NOK 1 250, a total of NOK 1 425 million. All shares are owned by Sparebanken Møre. The issue of share capital of NOK 100 million was fully paid on 28 February 2018, approved by the Norwegian FSA 12 March 2018, and registered in the Norwegian Register of Business Enterprises 19 March 2018.

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

31.12.2017

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2016	1 509	1 175	175	159
Total comprehensive income for the period	165			165
Issue of share capital	150	150		
Dividends	-156			-156
Equity as at 31 December 2017	1 667	1 325	175	167

The share capital consisted of 1 060 000 shares at NOK 1 250, a total of NOK 1 325 million. All shares were owned by Sparebanken Møre.

Dividend as of 31 December 2017 amounted to NOK 152 million.

Statement of cash flow

(NOK million)	31.12.2018	31.12.2017
Cash flow from operating activities		
Interest, commission and fees received	600	527
Interest, commission and fees paid	-14	-14
Operating expenses paid	-42	-38
Income taxes paid	-56	-51
Payment for acquiring loans from the Parent Bank	-7 943	-5 108
Payment related to instalment loans and credit lines to customers	5 683	3 759
Net cash flow from operating activities	-1 772	-925
Cash flow from investing activities		
Received interest, commission and fees related to certificates, bonds and other securities	4	3
Proceeds from the sale of certificates, bonds and other securities	2 622	1 170
Purchases of certificates, bonds and other securities	-3 073	-707
Changes in other assets	-20	-14
Net cash flow from investing activities	-467	452
Cash flow from financing activities		
Paid interest, commission and fees related to issued bonds	-317	-252
Net change in loans from credit institutions	128	61
Proceeds from bonds issued	5 862	3 350
Redemption of issued covered bonds	-2 500	-2 883
Dividend paid	-152	-156
Changes in other debt	34	17
Issue of share capital and premium	100	150
Net cash flow from financing activities	3 155	287
Net change in cash and cash equivalents	917	-186
Cash balance at 01.01	85	271
Cash balance at 31.12	1 002	85

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 31.12.2018. 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 2017, except for IFRS 9 replacing IAS 39 from 1 January 2018.

Accounting principles for classification in accordance with IFRS 9 are presented in Note 4. The methodology for measuring expected credit losses (ECL) in accordance with IFRS 9 is explained in the Q1 2018 interim report. In addition, reference is made to the Annual Report 2017 for further description of accounting principles.

All amounts are stated in NOK million unless stated otherwise.

Note 2

OPERATING SEGMENTS

Møre Boligkreditt AS has only one business segment and the customers derive mainly from the retail banking market.

(NOK million)	Loans	
	31.12.2018	31.12.2017
Loans, nominal amount	23 424	21 164
Expected credit loss (ECL) - Stage 1	-3	-
Expected credit loss (ECL) - Stage 2	-12	-
Expected credit loss (ECL) - Stage 3	0	-
Collective impairment	-	-2
Loans to and receivables from customers	23 409	21 162

(NOK million)	Net interest income	
	31.12.2018	31.12.2017
Interest income from:		
Loans to and receivables from credit institutions	8	2
Loans to and receivables from customers	591	525
Certificates, bonds and other interest-bearing securities	4	3
Interest income	603	530
Interest expenses in respect of:		
Loans from credit institutions	12	17
Debt securities issued	317	252
Interest expenses	329	269
Net interest income	274	261

Note 3

IMPAIRMENT, LOSSES AND NON-PERFORMANCE

Møre Boligkreditt 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 is explained in Note 1 in the interim report for the 1st quarter. Tables showing the transition effects of the implementation of IFRS 9 are presented in Note 1.13 in the Annual Report 2017.

Specification of credit loss expense (NOK thousand)	Q4 2018	Q4 2017	31.12.2018	31.12.2017
Changes in collective impairment during the period (IAS 39)	-	0	-	-3 000
Changes in Expected Credit Loss (ECL) during the period stage 1	570	-	510	-
Changes in Expected Credit Loss (ECL) during the period stage 2	988	-	405	-
Changes in Expected Credit Loss (ECL) during the period stage 3	-1 013	-	237	-
Total impairment on loans in the period	545	0	1 152	-3 000

Changes in ECL in the period (NOK thousand)	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	3 378	0	4 124
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	4 892	0	4 787
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)	Stage 1	Stage 2	Stage 3	Total
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	92	3	173
Total commitments before ECL	23 934	704	3	24 641
- ECL	-3	-12	0	-15
Loans to and receivables from customers 31.12.2018 *)	23 931	692	3	24 626

*) The table shows 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, as this portfolio is managed based on fair value.

Financial derivatives are instruments used to mitigate any interest- or currency risk incurred in 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Loans to and receivables from credit institutions			1 002	85
Loans to and receivables from customers			23 409	21 162
Certificates and bonds	512	60		
Financial derivatives	625	439		
Total assets	1 137	499	24 411	21 247
Loans from credit institutions			1 330	1 202
Debt securities issued			22 384	18 823
Financial derivatives	23	4		
Total liabilities	23	4	23 714	20 025

FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST	31.12.2018		31.12.2017	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	1 002	1 002	85	85
Loans to and receivables from customers	23 409	23 409	21 162	21 162
Total assets	24 411	24 411	21 247	21 247
Loans from credit institutions	1 330	1 330	1 202	1 202
Debt securities issued	22 432	22 384	18 894	18 823
Total liabilities	23 762	23 714	20 096	20 025

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

FINANCIAL INSTRUMENTS AT AMORTISED COST - 31.12.2017	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Loans to and receivables from credit institutions	-	85	-	85
Loans to and receivables from customers	-	-	21 162	21 162
Total assets	-	85	21 162	21 247
Loans from credit institutions	-	1 202	-	1 202
Debt securities issued	-	18 894	-	18 894
Total liabilities	-	20 096	-	20 096

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

FINANCIAL INSTRUMENTS AT FAIR VALUE - 31.12.2017	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Certificates and bonds	60	-	-	60
Financial derivatives	-	439	-	439
Total assets	60	439	-	499
Financial derivatives	-	4	-	4
Total liabilities	-	4	-	4

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 31.12.2018	Interest	Issue	Maturity	31.12.2018	31.12.2017
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 200	1 235
NO0010657232	NOK	-	3M Nibor + 0.65 %	2012	2018	-	2 503
NO0010676018	NOK	2 500	3M Nibor + 0.47 %	2013	2019	2 501	2 502
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	298	295
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	298	295
NO0010696990	NOK	2 500	3M Nibor + 0.45 %	2013	2020	2 499	2 497
NO0010720204	NOK	3 000	3M Nibor + 0.24 %	2014	2020	2 999	2 998
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	987	993
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 002	3 003
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 502	2 450
NO0010819543	NOK	2 500	3M Nibor + 0.42 %	2018	2024	2 499	-
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 519	-
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 018	-
Total securities issued						22 322	18 771
Accrued interest						62	52
Total borrowings raised through the issue of securities						22 384	18 823

Cover pool (NOK million)	31.12.2018	31.12.2017
Pool of eligible loans 1)	22 976	20 814
Supplementary assets	1 300	85
Financial derivatives to hedge issued securities (liabilities)	-23	-4
Financial derivatives to hedge issued securities (assets)	625	439
Total collateralised assets	24 878	21 334
Collateralisation in %	111.1	113.3

1) NOK 433 million of total gross loans are not eligible for the cover pool as at 31.12.18.

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)	31.12.2018	31.12.2017
Statement of income:		
Interest and credit commission income from Sparebanken Møre related to deposits	8	2
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	12	17
Interest paid to Sparebanken Møre related to bonded debt	19	11
Management fee paid to Sparebanken Møre	34	30
Statement of financial position:		
Deposits in Sparebanken Møre	867	85
Covered bonds held by Sparebanken Møre as assets	818	425
Loan/credit facility in Sparebanken Møre	1 177	1 202
Accumulated transferred loan portfolio from Sparebanken Møre	23 424	21 164

Note 7

EQUITY AND RELATED CAPITAL

Tier 1 capital and supplementary capital	31.12.2018	31.12.2017
Share capital and share premium	1 600	1 500
Retained earnings	167	167
Total equity	1 767	1 667
Dividends	-167	-152
Value adjustments of financial instruments at fair value	-1	0
Expected IRB-losses exceeding ECL	-32	-40
Common Equity Tier 1 capital	1 567	1 476
Supplementary capital	0	0
Net equity and subordinated loan capital	1 567	1 476

Risk-weighted assets (calculation basis for capital adequacy ratio)	31.12.2018	31.12.2017
Credit risk loans and receivables (Standardised Approach)	505	217
Credit risk loans and receivables (Internal Ratings Based Approach)	4 537	3 898
Operational Risk (Basic indicator Approach)	486	505
Total risk exposure amount for credit valuation adjustment (CVA) (SA)	498	320
Risk-weighted assets less transitional rules	6 026	4 941
Additional RWA from transitional rules 1)	3 944	3 995
Total risk-weighted assets	9 970	8 936
Minimum requirement Common Equity Tier 1 capital (4.5%)	449	402

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

Buffer Requirement	31.12.2018	31.12.2017
Countercyclical buffer (2.0%)	200	179
Capital conservation buffer (2.5%)	249	223
Systemic risk buffer (3.0%)	299	268
Total buffer requirements	748	670
Available Common Equity Tier 1 capital after buffer requirements	370	403

Capital adequacy as a percentage of the weighted asset calculation basis	31.12.2018	31.12.2017
Capital adequacy ratio	15.7 %	16.5 %
Tier 1 capital ratio	15.7 %	16.5 %
Common Equity Tier 1 capital ratio	15.7 %	16.5 %
Leverage ratio		
Leverage ratio	6.0 %	6.6 %
Liquidity Coverage Ratio		
Liquidity Coverage Ratio - Total	325 %	295 %
Liquidity Coverage Ratio - NOK	325 %	295 %
Liquidity Coverage Ratio - EUR	-	-

Møre Boligkreditt AS' capital requirements at 31 December 2018 are based on IRB-Foundation for commercial commitments and IRB-Retail for retail commitments.

Profit performance

QUARTERLY PROFIT (NOK million)	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net interest income	70	66	66	72	75
Other operating income	-1	1	-2	1	1
Total operating costs	10	11	11	10	10
Profit before impairment on loans	59	56	53	63	66
Impairment on loans	1	-2	3	-1	-3
Pre tax profit	58	58	50	64	69
Tax	16	13	11	15	12
Profit after tax	42	45	39	49	57

As a percentage of average assets:

Net interest income	1.17	1.02	1.11	1.34	1.43
Other operating income	-0.01	0.01	-0.03	0.02	0.02
Total operating costs	0.17	0.16	0.20	0.18	0.18
Profit before impairment on loans	0.99	0.87	0.88	1.18	1.27
Impairment on loans	0.02	-0.04	0.05	-0.02	-0.06
Pre tax profit	0.97	0.91	0.83	1.20	1.33
Tax	0.27	0.21	0.20	0.28	0.23
Profit after tax	0.70	0.70	0.63	0.92	1.10

Average total assets (NOK million)	23 794	25 983	23 970	21 365	20 910
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	31.12.2018	31.12.2017
Net interest income	274	261
Other operating income	-1	-13
Total operating costs	42	38
Profit before impairment on loans	231	210
Impairment on loans	1	-3
Pre tax profit	230	213
Tax	56	48
Profit after tax	174	165
As a percentage of average assets:		
Net interest income	1.15	1.29
Other operating income	0.00	-0.06
Total operating costs	0.18	0.19
Profit before impairment on loans	0.97	1.04
Impairment on loans	0.01	-0.01
Pre tax profit	0.96	1.05
Tax	0.24	0.24
Profit after tax	0.72	0.81
Average total assets (NOK million)	23 834	20 225