

**Møre Boligkreditt AS**

A company in the Sparebanken Møre Group

**3 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 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.

## Third quarter results

The financial statements of Møre Boligkreditt AS show a pre-tax profit of NOK 82 million in the third quarter of 2019, compared to NOK 58 million in the third quarter of 2018. Net interest income amounts to NOK 80 million, compared to NOK 66 million in the same quarter last year. Costs amount to NOK 10 million in the third quarter of 2019, compared to NOK 11 million in the corresponding quarter in 2018.

Calculations of expected credit loss (ECL) for Møre Boligkreditt AS resulted in a reduction of impairments of NOK 10 million in the third quarter 2019 compared to a reduction of NOK 2 million in the corresponding quarter in 2018.

Net change in value of debt securities in third quarter 2019 is positive with NOK 1 million equal to the corresponding quarter in 2018.

Møre Boligkreditt AS did not purchase mortgage portfolios from Sparebanken Møre in the third quarter of 2019. Net loans to and receivables from customers was reduced by NOK 1,732 million in the third quarter of 2019. In the third quarter of 2019, no bond loans matured. One existing bond loan was tapped with NOK 500 million to new outstanding volume of NOK 3,000 million.

Profit after tax amounts to NOK 64 million in the third quarter of 2019, compared to NOK 44 million in the corresponding quarter 2018. Taxes amount to NOK 18 million in the third quarter of 2019 compared to NOK 14 million in the corresponding quarter in 2018.

## Third quarter end results

By end of third quarter 2019, the financial statements show a pre-tax profit of NOK 206 million, compared to NOK 173 million by third quarter end 2018. Net interest income amounts to NOK 226 million by third quarter end 2019, compared to NOK 204 million by end of same period last year. Costs in the period ending 30 September 2019 amount to NOK 33 million, compared with NOK 32 million for the corresponding period 2018.

No change in value of debt securities issued and related derivatives at third quarter end 2019, equal to the corresponding quarter in 2018.

Profit after tax amounts to NOK 161 million in the first nine months of 2019, compared to NOK 133 million in the corresponding period in 2018. Taxes amount to NOK 45 million by end of third quarter of 2019 compared to NOK 40 million in the corresponding period of 2018.

Basis swap spreads are added to other comprehensive income (OCI) with NOK 1 million after tax by third quarter end 2019, compared to being charged with NOK 8 million by third quarter end 2018.

## Financial position

Møre Boligkreditt AS has twelve bond loans outstanding at 30 September 2019 with total debt securities issued of NOK 22,988 million, compared to eleven bond loans and NOK 21,018 million outstanding at 30 September 2018.

Total assets at third quarter end 2019 amount to NOK 25,511 million compared to NOK 23,980 million at third quarter end 2018. Net lending amounts to NOK 23,261 million at third quarter end 2019, compared to NOK 22,335 million at third quarter end 2018. ECL model calculations as at 30 September 2019 show expected credit loss of NOK 3 million for Møre Boligkreditt AS, compared with NOK 13 million as at 30 September 2018.

At third quarter end 2019, the mortgages in the cover pool have an average loan-to-value ratio of 58 per cent, calculated as mortgage amount relative to the value of the property used as collateral. At third quarter end 2019, the company's substitute assets included in the cover pool amount to NOK 1,196 million, compared to NOK 1,307 million at third quarter end 2018. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt is 7.3 per cent as at 30 September 2019, compared to 11.8 per cent as at 30 September 2018.

Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amount to NOK 80 million at 30 September 2019, reporting total LCR of 392 per cent by third 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 amount to NOK 2,212 million by end of third quarter 2019, compared to NOK 1,732 million by end of third quarter 2018. Risk-weighted assets amount to NOK 9,990 million by end of third quarter 2019. Net equity and subordinated loan capital amount to NOK 2,006 million by end of third quarter 2019, compared to NOK 1,575 million by end of third quarter 2018. This corresponds to a Common Equity Tier 1 capital ratio of 20.1 per cent as at 30 September 2019. 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 raised by 0.25 percentage points to 1.50 per cent 19 September 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. The registered unemployment rate in the county of Møre og Romsdal is 2.0 per cent in September 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 5.8 per cent the last twelve months.

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, 30 September 2019

23 October 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	Q3 2019	Q3 2018	30.09.2019	30.09.2018	2018
Interest income from assets assessed at amortised cost	2	196	155	536	442	599
Interest income from assets assessed at fair value	2	0	2	6	3	4
Interest expenses	2	116	91	316	241	329
Net interest income	2 6	80	66	226	204	274
Commission income		1	0	1	0	0
Net change in value of securities and related derivatives		1	1	0	0	-1
Wages, salaries and general administration costs		1	1	2	2	3
Other operating costs	6	9	10	31	30	39
Total operating costs		10	11	33	32	42
Profit before impairment on loans and taxes		72	56	194	172	231
Impairment on loans	3	-10	-2	-12	-1	1
Pre-tax profit		82	58	206	173	230
Taxes		18	14	45	40	56
Profit after tax		64	44	161	133	174

## STATEMENT OF COMPREHENSIVE INCOME - compressed

(NOK million)	Q3 2019	Q3 2018	30.09.2019	30.09.2018	2018
Profit after tax	64	44	161	133	174
Items that may subsequently be reclassified to the income statement:					
Basis swap spreads - changes in value	-1	-1	1	-10	-17
Tax effect of basis swap spreads	1	0	0	2	4
Total comprehensive income for the period	64	43	162	125	161

# Statement of financial position

## ASSETS - compressed

(NOK million)	Notes	30.09.2019	30.09.2018	31.12.2018
Loans to and receivables from credit institutions	4 6	1 431	1 154	1 002
Loans to and receivables from customers	2 3 4	23 261	22 335	23 409
Certificates and bonds	4 5	80	213	512
Financial derivatives	4 5	730	273	625
Deferred tax asset		9	5	9
<b>Total assets</b>		<b>25 511</b>	<b>23 980</b>	<b>25 557</b>

## LIABILITIES AND EQUITY - compressed

(NOK million)	Notes	30.09.2019	30.09.2018	31.12.2018
Loans from credit institutions	4 6	235	1 172	1 330
Debt securities issued	4 5 6	22 988	21 018	22 384
Financial derivatives	4 5	28	24	23
Tax payable		48	34	53
<b>Total liabilities</b>		<b>23 299</b>	<b>22 248</b>	<b>23 790</b>
Share capital		1 875	1 425	1 425
Share premium		175	175	175
<b>Paid-in equity</b>		<b>2 050</b>	<b>1 600</b>	<b>1 600</b>
Other equity		0	7	167
<b>Total comprehensive income for the period</b>		<b>162</b>	<b>125</b>	<b>-</b>
<b>Retained earnings</b>		<b>162</b>	<b>132</b>	<b>167</b>
<b>Total equity</b>	<b>7</b>	<b>2 212</b>	<b>1 732</b>	<b>1 767</b>
<b>Total liabilities and equity</b>		<b>25 511</b>	<b>23 980</b>	<b>25 557</b>

# Statement of changes in equity

30.09.2019

(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	162			162
Issue of share capital	450	450		
Dividends	-167			-167
Equity as at 30 September 2019	2 212	1 875	175	162

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.

30.09.2018

(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	1 659	1 325	175	159
Total comprehensive income for the period	125			125
Issue of share capital	100	100		
Dividends	-152			-152
Equity as at 30 September 2018	1 732	1 425	175	132

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 amounted to NOK 167 million.

# Statement of cash flow

(NOK million)	30.09.2019	30.09.2018	31.12.2018
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	542	442	600
Interest, commission and fees paid	-4	-7	-14
Operating expenses paid	-33	-32	-42
Income taxes paid	-51	-56	-56
Payment for acquiring loans from the Parent Bank	-4 785	-5 427	-7 943
Payment related to instalment loans and credit lines to customers	4 945	4 242	5 683
Net cash flow from operating activities	614	-838	-1 772
<b>Cash flow from investing activities</b>			
Received interest, commission and fees related to certificates, bonds and other securities	6	3	4
Proceeds from the sale of certificates, bonds and other securities	1 716	2 622	2 622
Purchases of certificates, bonds and other securities	-1 284	-2 773	-3 073
Changes in other assets	1	-12	-20
Net cash flow from investing activities	439	-160	-467
<b>Cash flow from financing activities</b>			
Paid interest, commission and fees related to issued bonds	-304	-230	-317
Net change in loans from credit institutions	-1 096	-30	128
Proceeds from bonds issued	3 002	4 863	5 862
Redemption of issued covered bonds	-2 504	-2 500	-2 500
Dividend paid	-167	-152	-152
Changes in other debt	-5	16	34
Issue of share capital and premium	450	100	100
Net cash flow from financing activities	-624	2 067	3 155
Net change in cash and cash equivalents	429	1 069	917
Cash balance at 01.01	1 002	85	85
Cash balance at 30.09/31.12	1 431	1 154	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 30 September 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.

	Loans		
(NOK million)	30.09.2019	30.09.2018	31.12.2018
Loans, nominal amount	23 264	22 348	23 424
Expected credit loss (ECL) - Stage 1	-1	-2	-3
Expected credit loss (ECL) - Stage 2	-2	-11	-12
Expected credit loss (ECL) - Stage 3	0	0	0
Loans to and receivables from customers	23 261	22 335	23 409

	Net interest income		
(NOK million)	30.09.2019	30.09.2018	31.12.2018
Interest income from:			
Loans to and receivables from credit institutions	11	5	8
Loans to and receivables from customers	525	437	591
Certificates, bonds and other interest-bearing securities	6	3	4
Interest income	542	445	603
Interest expenses in respect of:			
Loans from credit institutions	11	11	12
Debt securities issued	305	230	317
Interest expenses	316	241	329
Net interest income	226	204	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)	Q3 2019	Q3 2018	30.09.2019	30.09.2018	31.12.2018
Changes in Expected Credit Loss (ECL) in stage 1	-2 323	-41	-2 218	-60	510
Changes in Expected Credit Loss (ECL) in stage 2	-7 507	-1 574	-9 513	-583	405
Changes in Expected Credit Loss (ECL) in stage 3	0	0	-237	0	237
Total impairment on loans in the period	-9 830	-1 615	-11 968	-643	1 152

Changes in ECL in the period (NOK thousand) - 30.09.2019	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2018	2 825	11 787	237	14 849
New loans	69	193	0	262
Disposal of loans	-2 305	-8 861	-115	-11 281
Changes in ECL in the period for loans which have not migrated	-61	-231	0	-292
Migration to stage 1	142	-1 924	0	-1 782
Migration to stage 2	-62	1 309	-122	1 125
Migration to stage 3	0	0	0	0
ECL 30.09.2019	608	2 273	0	2 881

<b>Changes in ECL in the period (NOK thousand) - 30.09.2018</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	466	2 761	0	3 227
Disposal of loans	-308	-1 640	0	-1 948
Changes in ECL in the period for loans which have not migrated	-194	-1 522	0	-1 716
Migration to stage 1	99	-3 855	0	-3 756
Migration to stage 2	-124	3 673	0	3 549
Migration to stage 3	0	0	0	0
ECL 30.09.2018	2 254	10 799	0	13 053

<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

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

<b>30.09.2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	23 105	141	0	23 246
Medium risk (0.5 % - < 3 %)	712	393	0	1 105
High risk (3 % - <100 %)	63	96	0	159
Total commitments before ECL	23 880	630	0	24 510
- ECL	-1	-2	0	-3
Loans to and receivables from customers 30.09.2019 *)	23 879	628	0	24 507

<b>30.09.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0,5 %)	22 479	179	0	22 658
Medium risk (0,5 % - < 3 %)	550	453	0	1 003
High risk (3 % - <100 %)	37	56	0	93
Total commitments before ECL	23 066	688	0	23 754
- ECL	-2	-11	0	-13
Loans to and receivables from customers 30.09.2018 *)	23 064	677	0	23 741

<b>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 cannot 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		
	30.09.2019	30.09.2018	31.12.2018	30.09.2019	30.09.2018	31.12.2018
Loans to and receivables from credit institutions				1 431	1 154	1 002
Loans to and receivables from customers				23 261	22 335	23 409
Certificates and bonds	80	213	512			
Financial derivatives	730	273	625			
<b>Total financial assets</b>	<b>810</b>	<b>486</b>	<b>1 137</b>	<b>24 692</b>	<b>23 489</b>	<b>24 411</b>
Loans from credit institutions				235	1 172	1 330
Debt securities issued				22 988	21 018	22 384
Financial derivatives	28	24	23			
<b>Total financial liabilities</b>	<b>28</b>	<b>24</b>	<b>23</b>	<b>23 223</b>	<b>22 190</b>	<b>23 714</b>

Fair value of financial instruments at amortised cost	30.09.2019		30.09.2018		31.12.2018	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	1 431	1 431	1 154	1 154	1 002	1 002
Loans to and receivables from customers	23 261	23 261	22 335	22 335	23 409	23 409
<b>Total assets</b>	<b>24 692</b>	<b>24 692</b>	<b>23 489</b>	<b>23 489</b>	<b>24 411</b>	<b>24 411</b>
Loans from credit institutions	235	235	1 172	1 172	1 330	1 330
Debt securities issued	23 072	22 988	21 095	21 018	22 432	22 384
<b>Total liabilities</b>	<b>23 307</b>	<b>23 223</b>	<b>22 267</b>	<b>22 190</b>	<b>23 762</b>	<b>23 714</b>

Financial instruments at amortised cost - 30.09.2019	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	-	1 431	-	1 431
Loans to and receivables from customers	-	-	23 261	23 261
<b>Total assets</b>	-	1 431	23 261	24 692
Loans from credit institutions	-	235	-	235
Debt securities issued	-	23 072	-	23 072
<b>Total liabilities</b>	-	23 307	-	23 307

Financial instruments at amortised cost- 30.09.2018	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	-	1 154	-	1 154
Loans to and receivables from customers	-	-	22 335	22 335
<b>Total assets</b>	-	1 154	22 335	23 489
Loans from credit institutions	-	1 172	-	1 172
Debt securities issued	-	21 095	-	21 095
<b>Total liabilities</b>	-	22 267	-	22 267

Financial instruments at amortised cost - 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	
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

Financial instruments at fair value - 30.09.2019	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	80	-	-	80
Financial derivatives	-	730	-	730
<b>Total assets</b>	80	730	-	810
Financial derivatives	-	28	-	28
<b>Total liabilities</b>	-	28	-	28

Financial instruments at fair value - 30.09.2018	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	213	-	-	213
Financial derivatives	-	273	-	273
<b>Total assets</b>	213	273	-	486
Financial derivatives	-	24	-	24
<b>Total liabilities</b>	-	24	-	24

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
<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 30.09.2019	Interest	Issue	Maturity	Book value 30.09.2019	30.09.2018	31.12.2018
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 197	1 190	1 200
NO0010676018	NOK	-	3M Nibor + 0.47 %	2013	2019	-	2 501	2 501
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	317	280	298
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	297	284	298
NO0010696990	NOK	2 500	3M Nibor + 0.45 %	2013	2020	2 500	2 498	2 499
NO0010720204	NOK	3 000	3M Nibor + 0.24 %	2014	2020	2 999	2 999	2 999
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	986	982	987
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 002	3 002	3 002
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 517	2 368	2 502
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 002	2 499	2 499
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 557	2 378	2 519
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 050	-	1 018
NO0010853096	NOK	2 500	3M Nibor + 0.37 %	2019	2025	2 497	-	-
Total securities issued						22 920	20 981	22 322
Accrued interest						68	37	62
Total borrowings raised through the issue of securities						22 988	21 018	22 384

Cover pool (NOK million)	30.09.2019	30.09.2018	31.12.2018
Pool of eligible loans 1)	22 770	21 942	22 976
Substitute assets	1 196	1 307	1 300
Financial derivatives to hedge issued securities (liabilities)	-28	-24	-23
Financial derivatives to hedge issued securities (assets)	730	273	625
<b>Total collateralised assets</b>	<b>24 668</b>	<b>23 498</b>	<b>24 878</b>

1) NOK 491 million of total gross loans are not eligible for the cover pool as at 30.09.19 (NOK 393 million as at 30.09.2018)

Covered bonds issued (NOK million)	30.09.2019	30.09.2018	31.12.2018
Covered bonds (nominal) 2)	22 542	20 804	22 071
Premium/discount	378	177	251
<b>Total covered bonds</b>	<b>22 920</b>	<b>20 981</b>	<b>22 322</b>
Accrued interest	68	37	62
Own holding (covered bonds)	-	-	-
<b>Debt securities issued</b>	<b>22 988</b>	<b>21 018</b>	<b>22 384</b>

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

Collateralisation (in %)	30.09.2019	30.09.2018	31.12.2018
<b>Total collateralised assets / debt securitised issued</b>	<b>107.3</b>	<b>111.8</b>	<b>111.1</b>

# Note 6

## Transactions with related parties

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

Loans from Sparebanken Møre are transferred at market value. If the purchased mortgage loans have fixed interest rates, the 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)	30.09.2019	30.09.2018	31.12.2018
Statement of income:			
Interest and credit commission income from Sparebanken Møre related to deposits	11	5	8
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	11	11	12
Interest paid to Sparebanken Møre related to bonded debt	6	17	19
Management fee paid to Sparebanken Møre	27	25	34
Statement of financial position:			
Deposits in Sparebanken Møre	1 431	1 154	867
Covered bonds held by Sparebanken Møre as assets	589	556	818
Loan/credit facility in Sparebanken Møre	0	1 172	1 177
Accumulated transferred loan portfolio from Sparebanken Møre	23 264	22 348	23 424

# Note 7

Tier 1 capital and supplementary capital	30.09.2019	30.09.2018	31.12.2018
Share capital and share premium	2 050	1 600	1 600
Retained earnings	162	132	167
<b>Total equity</b>	<b>2 212</b>	<b>1 732</b>	<b>1 767</b>
Value adjustments of financial instruments at fair value	-1	-	-1
Expected IRB-losses exceeding ECL	-43	-25	-32
Dividends	0	0	-167
Deductions for total comprehensive income for the period	-162	-125	-
<b>Common Equity Tier 1 capital</b>	<b>2 006</b>	<b>1 575</b>	<b>1 567</b>
Supplementary capital	0	0	0
<b>Net equity and subordinated loan capital</b>	<b>2 006</b>	<b>1 575</b>	<b>1 567</b>

Risk-weighted assets (calculation basis for capital adequacy ratio)	30.09.2019	30.09.2018	31.12.2018
Credit risk loans and receivables (Standardised Approach)	624	348	505
Credit risk loans and receivables (Internal Ratings Based Approach)	4 417	4 275	4 537
Operational Risk (Basic indicator Approach)	477	486	486
Total risk exposure amount for credit valuation adjustment (CVA) (SA)	517	215	498
<b>Risk-weighted assets less transitional rules</b>	<b>6 035</b>	<b>5 324</b>	<b>6 026</b>
Additional RWA from transitional rules 1)	3 955	4 177	3 944
<b>Total risk-weighted assets</b>	<b>9 990</b>	<b>9 501</b>	<b>9 970</b>
Minimum requirement Common Equity Tier 1 capital (4.5%)	450	428	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>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
Countercyclical buffer (2.0%)	200	190	200
Capital conservation buffer (2.5%)	250	238	249
Systemic risk buffer (3.0%)	299	285	299
<b>Total buffer requirements</b>	<b>749</b>	<b>713</b>	<b>748</b>
Available Common Equity Tier 1 capital after buffer requirements	807	435	370

<b>Capital adequacy as a percentage of the weighted asset calculation basis</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
Capital adequacy ratio	20.1 %	16.6 %	15.7 %
Tier 1 capital ratio	20.1 %	16.6 %	15.7 %
Common Equity Tier 1 capital ratio	20.1 %	16.6 %	15.7 %

<b>Leverage ratio</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
Leverage ratio	7.6 %	6.4 %	6.0 %

<b>Liquidity Coverage Ratio</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
Liquidity Coverage Ratio - Total	391.7 %	338.6 %	325%
Liquidity Coverage Ratio - NOK	391.7 %	338.4 %	325%
Liquidity Coverage Ratio - EUR	105.5 %	106.9 %	-

Møre Boligkreditt AS' capital requirements at 30 September 2019 are based on IRB-Foundation for commercial commitments and IRB-Retail for retail commitments.

# Profit performance

QUARTERLY PROFIT (NOK million)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	80	77	69	70	66
Other operating income	2	-2	1	-1	1
Total operating costs	10	13	10	10	11
Profit before impairment on loans	72	62	60	59	56
Impairment on loans	-10	-1	-1	1	-2
Pre tax profit	82	63	61	58	58
Tax	18	13	14	16	14
Profit after tax	64	50	47	42	44

As a percentage of average assets:

Net interest income	1.28	1.21	1.13	1.17	1.02
Other operating income	0.03	-0.03	0.02	-0.01	0.01
Total operating costs	0.16	0.20	0.17	0.17	0.16
Profit before impairment on loans	1.15	0.98	0.98	0.99	0.87
Impairment on loans	-0.16	-0.02	-0.01	0.01	-0.02
Pre tax profit	1.31	1.00	0.99	0.98	0.89
Tax	0.29	0.22	0.22	0.28	0.20
Profit after tax	1.02	0.78	0.77	0.70	0.69

Average total assets (NOK million)	25 223	25 142	24 582	23 794	25 983
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	30.09.2019	30.09.2018	31.12.2018
Net interest income	226	204	274
Other operating income	1	0	-1
Total operating costs	33	32	42
Profit before impairment on loans	194	172	231
Impairment on loans	-12	-1	1
Pre tax profit	206	173	230
Tax	45	40	56
Profit after tax	161	133	174

As a percentage of average assets:

Net interest income	1.21	1.14	1.15
Other operating income	0.01	0.00	0.00
Total operating costs	0.18	0.18	0.18
Profit before impairment on loans	1.04	0.96	0.97
Impairment on loans	-0.06	0.00	0.00
Pre tax profit	1.10	0.96	0.97
Tax	0.24	0.22	0.24
Profit after tax	0.86	0.74	0.73

Average total assets (NOK million)	24 982	23 848	23 834
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# Alternative performance measures - APMs

## Alternative performance measures

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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