



Boligkreditt

# 1<sup>st</sup> Quarterly Report 2016

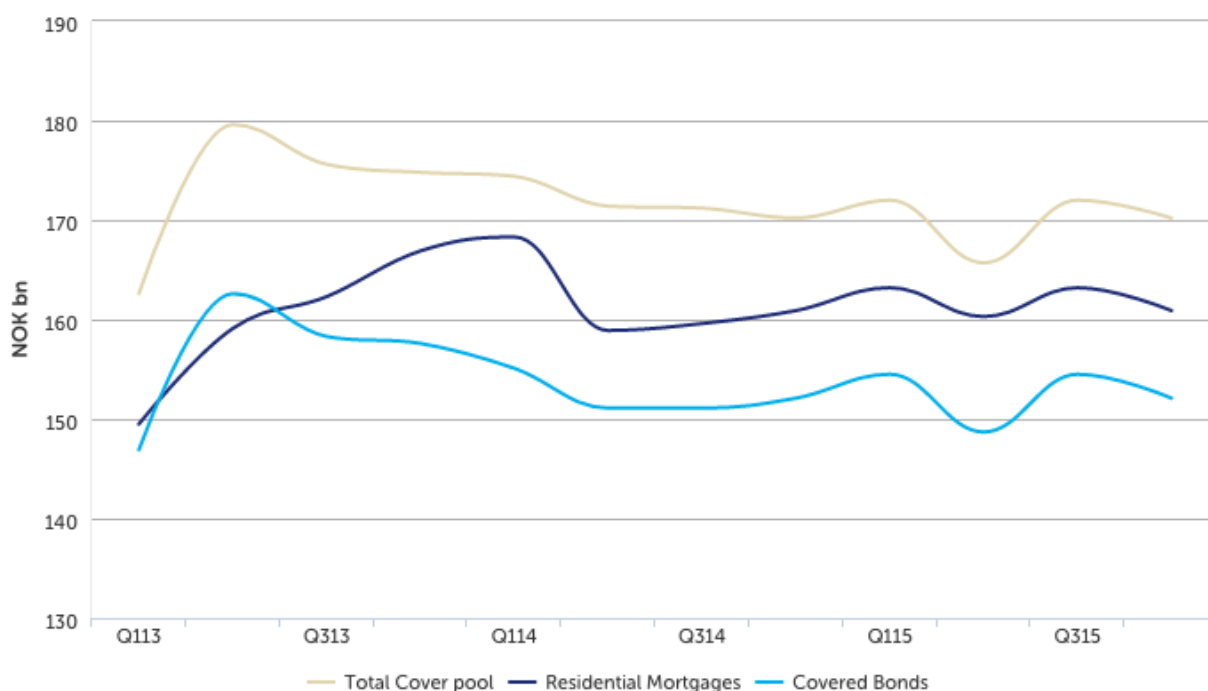
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# Report of the Board of Directors as of March 31, 2016

## Cover pool and outstanding covered bonds<sup>1</sup>



## Key figures

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Weighted Average Current LTV (%)	52.1 %	50.3 %	49.2 %	50.5 %
Weighted Average Original LTV (%)	58.7 %	58.3 %	58.2 %	57.3 %
Average Loan Balance (NOK)	1 251 680	1 221 414	1 201 505	1 199 658
Number of Mortgages in Pool	134 895	135 688	133 422	136 032
Percentage of non first-lien mortgages	0.0 %	0.0 %	0.0 %	0.0 %
Overcollateralization	110.4 %	111.2 %	111.5 %	111.3 %

## Key developments in the period

Boligkreditt issued a new seven year maturity in early March 2016, the bond was EUR 1 bn in size and found good reception in the market at a price of 23 bps above the swap curve in euro. Compared to the previous seven year bond benchmark in late August 2015 which came at a spread of 8 bps, the credit spread now was materially higher, reflecting the market move since the late summer of last year. There have been some signs of a moderate spread tightening in the euro market since our bond issuance.

<sup>1</sup> The cover pool consists of residential mortgages and liquid, highly rated assets (substitute assets). Covered bonds are shown inclusive of the market value of the derivatives deployed to hedge currencies and interest rates. The cover pool data detail for the first quarter 2016 was not yet available at the time of this report.

In the Norwegian covered bond market Boligkreditt issued approximately 7.2 billion Norwegian kroner, both fixed and variable rate bonds maturing. The pace of issuance in NOK has increased into the 2nd quarter.

Total capital coverage is 15.78 per cent as of March 31, 2016, Tier 1 capital coverage is 13.61 per cent and core capital coverage 12.49 per cent. The Company's capital coverage target is to be above the minimum legal requirement, which is 15 per cent total capital from July 1, 2016.

## Nature and development of the Company's business

SpareBank 1 Boligkreditt AS is a credit institution licensed by the Norwegian Financial Services Authority (Finanstilsynet) and is operated according to the legislation for covered bond issuers in Norway which is enshrined in the law regarding financial undertakings ("Finansforetaksloven") chapter 11, section II and the detailed regulations thereof.

We expect that the Norwegian Treasury Department will set a minimum overcollateralization level of 2 per cent for covered bond pools in the law's associated regulations.

The purpose of the Company is to provide funding for the owners by buying residential mortgage loans with a loan-to-value ("LTV") of up to 75 per cent and financing these primarily through the issuance of covered bonds<sup>2</sup>. The Company, which is based in Stavanger, is owned by banks which are members of the SpareBank 1 Alliance. An agreement is signed with each owner bank regarding the purchase and transfer of residential mortgages and the services which the owner banks owe to the Company and the Company's customers in this regard ("Transfer and Servicing Agreement").

The Company's issuances of covered bonds take place under the EUR 25,000,000,000 Global Medium Term Covered Note Programme (GMTCN Programme). The Programme was last updated on April 23, 2015 and is available on the homepage: <https://spabol.sparebank1.no>.

One or more credit ratings from international rating agencies are important in order to be able to issue covered bonds. The Company have procured the services of Moody's Ratings Service and Fitch Ratings to evaluate the credit quality of the issuances under the GMTCN Programme. The bond ratings are Aaa from Moody's and AAA from Fitch.

## Accounts for the period

The quarterly accounts have been prepared in accordance with the International Reporting Standards (IFRS) as adopted by the EU and published by the International Reporting Standards Board (IASB).

The Board views the accounts as presented to be a true representation of SpareBank 1 Boligkreditt's operations and financial position at the end of the first quarter 2016 (corresponding previous year in brackets).

The total balance sheet amounts to NOK 268 (229) billion. Lending to customers amounted to NOK 173 (164) billion as of 31.03.2016. Loan growth is in accordance with expectations. The Company's liquid assets as of March 31, 2016 amounted to NOK 60 (35) billion, whereof approximately NOK 34 billion are funds received as collateral under ISDA agreements and the remainder is available to the Company as liquid assets.

The Company had during the first quarter net interest income of NOK 112 (103) million, including commissions earned by the ownership banks and accrued as an expense to SpareBank 1 Boligkreditt. The cost of operations for the first three months was NOK 8 (8) million including amortisation and depreciation. No additional amounts have

<sup>2</sup> New self-selected criteria for which loans qualify for the cover pool from the first quarter 2014 sets the limit at 70% LTV.

been charged as loan provisions (write offs) during the first quarter of 2016, in addition to the NOK 8 million in cumulative group loan loss provisions as of 31.12.15. No actual loan losses have occurred. The pre-tax result was NOK 140 (320) million. The higher pre-tax result is mostly due to an increase in the book valuation of the Company's basis swaps, which increased by 127 million kroner during the first three months of 2016 (please see note 3 and the annual report for 2015 for further details).

## Risk aspects

SpareBank 1 Boligkreditt as an issuer of covered bonds is subject to strict rules regarding its exposure to credit, market, and liquidity risks. This fact, and the aim of the maintenance of the AAA/Aaa rating, means that the Company is subject to low levels of risk and places strong emphasis on risk control.

**Credit risk** is defined as the risk that losses can occur as a consequence of that customers and others do not have the ability or willingness to meet their obligations to SpareBank 1 Boligkreditt. The portfolio, which consists of mortgages up to 75 per cent LTV, is the reason for why the Board of Directors assess the credit risk to be lower compared to other, universal and deposit taking banks<sup>3</sup>.

**Market risk** is defined as the risk of losses due to changes in market rates, i.e. interest rates, exchange rates and the prices of financial instruments. At the end of the quarter SpareBank 1 Boligkreditt AS had covered bonds outstanding of NOK 185 billion at original (hedged) exchange rates, of which NOK bonds were approximately 55 billion and the remainder mainly in EUR and USD. All borrowing and investments with a fixed coupon and all borrowing and investments denominated in foreign currency are hedged by financial currency/and or interest rate swaps or through natural hedges, in order to convert the effective cash flow on this debt to a NOK floating rate (3 months NIBOR). The Company receives collateral under the derivatives contracts from its counterparties subject to certain thresholds.

SpareBank 1 Boligkreditt AS records cash, bonds and treasury bills at the end of the period for a total of NOK 60 billion, whereby NOK 34 billion thereof is collateral received from counterparties in swap transactions and is not available as general liquidity. The bonds are Nordic covered bonds, Norwegian government debt and German SSA paper with a triple-A rating from Fitch, Moody's or S&P. Deposits are placed in banks with a minimum rating of at least A/A2.

The Company had as of 31.03.2016 only moderate interest rate risk and immaterial amounts of currency risk.

**Liquidity risk** is defined as the risk that the Company is not able to meet its obligations at maturity or to be able to finance the purchase of loans at normal terms and conditions.

Liquidity risk is managed based upon a liquidity strategy approved by the Board. According to the strategy, SpareBank 1 Boligkreditt AS shall maintain a material liquidity reserve with a minimum size of covering all maturities within 6 months, and 50 per cent of all maturities between 6 and 12 months. Additionally the Company shall at any point in time be able to meet its interest payments, including derivatives, which come due in the next three months under a scenario where no interest payments are received from the loan portfolio. SpareBank 1 Boligkreditt AS's liquidity situation is considered to be good.

**Operational risk** is defined as risk of loss due to error or neglect in transaction execution, weakness in the internal control or information technology systems operational breakdowns. Reputational, legal, ethical and competency risks are also elements of operational risk. This risk is considered to be moderate.

The Company is focused on identifying, measuring and managing central areas of risk which contributes to that Boligkreditt achieves its strategic goals. Reference is made to the annual report 2015 for more information on this.

<sup>3</sup> Eligibility criteria for the sale of mortgage loans to Boligkreditt include a maximum 70% LTV from the end of the first quarter 2014.



## Future prospects of the Company

The Company has a portfolio of residential mortgage lending with an average loan to value of approximately 50 per cent and no loans are in default. Residential real estate prices have increased moderately in Norway during the first three months of 2016, and stand at a high level. However, the house price development in the region dominated by the oil industry is weaker than the national average. That house prices nationally increase should be seen in the context of declining interest rates in Norway, also for residential mortgages, together with high demand for property, especially in central areas. Even if the unemployment rate is at a low level in Norway (4.8 per cent in January 2016) it has been on an upward trajectory since late 2014. Despite the current higher uncertainty in the Norwegian economy, the prospects for the Company are considered to be good and stable. The Board base this conclusion on a geographically well diversified loan portfolio without arrears, low LTVs, a strong history and institutional framework in Norway for loan performance, as well as the low unemployment environment.

**Macroeconomic development<sup>4</sup>:** Since the summer of 2014, the Norwegian economy has been experiencing a clear downturn. Oil prices have plummeted and oil investments have fallen markedly. Mainland Norway's GDP increased in 2015 by just 1.0 per cent; the weakest growth since the financial crisis in 2009. Unemployment has been increasing to a seasonally adjusted 4.8 per cent in January 2016, but several analysts consider that the peak for the cycle in unemployment has been reached, although uncertainty remains. The bright spots in the Norwegian economy may be summarized in the regaining of competitiveness with the krone depreciation and a focus on costs in industry, as well as a large potential demand component represented by fiscal policy and the use of money from the sovereign wealth fund to stimulate activity.

**Economic outlook:** Investment activity has been falling in the oil industry, but the rate of decline is now set to decrease. On the other hand, mainland investments are likely to grow in 2016 (over 3 per cent) with a number of large industrial projects and various projects within power supply providing clear impetus for growth. Higher public spending as well as an increase in traditional goods and services exports also contribute to growth. The Norwegian monetary policy rate is at an all-time low of 0.5% in order to support demand, including household consumption, which grew by 2% in 2015 and is expected to grow at 1.2% in 2016. The economic forecast in the table below includes an expectation that oil prices will gradually increase to USD 50 per barrel in 2019.

Projections (%)	2015	2016	2017	2018
GDP growth, mainland	1.0	1.4	2.3	2.4
Unemployment rate	4.4	4.7	4.5	4.3
CPI growth	2.1	2.4	2.0	2.1
Annual wage increase	2.8	2.5	2.4	2.7

<sup>4</sup> Macroeconomic prospects and projections have been sourced from Statistics Norway as of March 10, 2016.

The Board of Directors affirms that they consider the financial accounts to present a correct and complete picture of the Company's operations and financial position as of March 31, 2016.

No events have occurred after March 31, 2016 which are expected to have a material impact on the accounts for the period ending March 31, 2016.

Stavanger, March 31, 2016 / April 26, 2016  
Board of Directors of SpareBank 1 Boligkreditt AS



Kjell Fordal  
Chairman of the Board



Inge Reinertsen



Merete N. Kristiansen



Tore Anstein Dobloug



Inger M.S. Eriksen



Arve Austestad  
Chief Executive Officer



# SpareBank 1 Boligkreditt AS

## - Statement of the members of the board and the chief executive officer

The Board and the chief executive officer have today reviewed and approved the financial accounts for the first three months of 2016 for SpareBank 1 Boligkreditt AS. The accounts have been prepared in accordance with the International Reporting Standards (IFRS), as adopted by the EU.

To the best knowledge of the board and the chief executive officer the accounts have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole as of March 31, 2016.

The board of directors and the chief executive officer declare to the best of their knowledge that the annual report gives a true and fair view of the development and performance of the business of the Company, as well as a description of the principal risks and uncertainties facing the Company.

Stavanger March 31, 2016 / April 26, 2016  
The Board of Directors of Sparebank 1 Boligkreditt AS



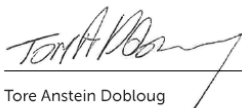
Kjell Fordal  
Chairman of the Board



Inge Reinertsen



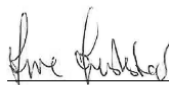
Merete N. Kristiansen



Tore Anstein Dobloug



Inger M.S. Eriksen



Arve Austestad  
Chief Executive Officer

# Financial statements

## Income statement as of March 31, 2016

NOK 1 000	Note	31.03.16	31.03.15	2015
Total interest income	2	958 801	1 006 916	3 879 909
Total interest expenses	2	-846 342	-904 375	-3 473 052
<b>Net interest income</b>		<b>112 459</b>	<b>102 541</b>	<b>406 857</b>
Net gains/losses from financial instruments	3	34 927	225 925	233 848
<b>Net other operating income</b>		<b>34 927</b>	<b>225 925</b>	<b>233 848</b>
<b>Total operating income</b>		<b>147 386</b>	<b>328 467</b>	<b>640 704</b>
Salaries and other ordinary personnel expenses	4	-3 100	-2 594	-10 700
Administration expenses	5	-2 722	-2 667	-10 625
Other operating expenses	6	-1 635	-2 423	-9 760
Depreciation/Amortization		-400	-512	-1 985
<b>Total operating expenses</b>		<b>-7 857</b>	<b>-8 196</b>	<b>-33 070</b>
<b>Net profit before impairment losses</b>		<b>139 529</b>	<b>320 271</b>	<b>607 635</b>
Write-downs on loans and guarantees	8	0	0	0
<b>Pre-tax operating result</b>		<b>139 529</b>	<b>320 271</b>	<b>607 635</b>
Tax expense		-34 882	-86 473	-134 535
<b>Net profit for the period</b>		<b>104 647</b>	<b>233 798</b>	<b>473 100</b>

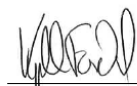
## Statement of comprehensive income as of March 31, 2016

NOK 1 000	31.03.16	31.03.15	2015
Profit/loss for the year	104 647	233 798	473 100
Items which will not impact the income statement in future periods:			
Change in pension expense for an earlier period	-	-	
Estimate change for pension expense	-	-	5 685
Tax effect of the estimate change	-	-	-1 421
<b>Total profit/loss accounted for in equity</b>	<b>-</b>	<b>-</b>	<b>4 264</b>
<b>Total profit/loss</b>	<b>104 647</b>	<b>233 798</b>	<b>477 363</b>

# Balance sheet as of March 31, 2016

NOK 1 000	Note	31.03.16	31.03.15	2015
<b>Assets</b>				
Lending to and deposits with credit institutions	13	11 442 842	14 824 479	8 083 543
Norwegian Government Treasury Bills	13,14	2 833 598	248 200	8 705 692
Bonds	13,14	45 244 165	19 680 901	42 113 662
Lending to customers	8	172 626 526	163 915 020	169 338 988
Financial derivatives	12,13,14	36 047 126	29 953 871	40 947 743
Other assets	7	2 571	2 631	3 671
<b>Total assets</b>		<b>268 196 829</b>	<b>228 625 101</b>	<b>269 193 299</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Debt incurred by issuing securities	10,13,14	220 439 708	191 054 848	218 853 602
Collateral received under derivatives contracts	21	34 494 554	25 767 483	36 950 453
Financial derivatives	12,13,14	428 169	622 647	690 315
Deferred tax		370 561	234 604	370 561
Tax payable		34 882	-	-
Subordinated debt	11	2 434 192	1 954 021	2 434 380
Other Liabilities	16	152 245	283 302	156 116
<b>Total liabilities</b>		<b>258 354 310</b>	<b>219 916 905</b>	<b>259 455 427</b>
<b>Equity</b>				
Paid in equity capital		9 258 470	8 268 470	8 568 470
Other paid in equity (not yet registered)		-	-	690 000
Accrued equity		374 328	2 039	374 328
Net profit		104 647	233 798	
Declared dividend		105 074	203 890	105 074
<b>Total equity</b>		<b>9 842 519</b>	<b>8 708 196</b>	<b>9 737 872</b>
<b>Total liabilities and equity</b>		<b>268 196 829</b>	<b>228 625 101</b>	<b>269 193 299</b>

Stavanger, April 26, 2016



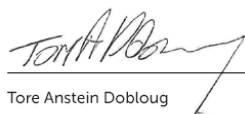
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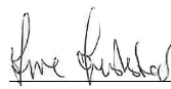
Merete N. Kristiansen



Tore Anstein Dobloug



Inger M.S. Eriksen



Arve Austestad  
Chief Executive Officer

## Statement of changes in equity

NOK 1 000	Share capital	Premium	Dividend	Fund for unrealized profits	Other equity	Total equity
<b>Balance as of December 31, 2013</b>	<b>5 310 548</b>	<b>2 657 922</b>	<b>319 630</b>	-	<b>925</b>	<b>8 289 025</b>
Share increase February 26	200 000	100 000	-	-	-	300 000
Dividend 2013	-	-	-319 630	-	-	-319 630
Result for the period	-	-	203 890	-	1 149	205 039
Change in pension expense for an earlier period	-	-	-	-	4 700	4 700
OCI - pension - estimate change	-	-	-	-	-4 736	-4 736
<b>Balance as of December 31, 2014</b>	<b>5 510 548</b>	<b>2 757 922</b>	<b>203 890</b>	-	<b>2 038</b>	<b>8 474 399</b>
Dividend 2014	-	-	-203 890	-	-	-203 890
Share increase September 29	200 000	100 000	-	-	-	300 000
Share increase December 22 (not yet registered)	-	-	-	690 000	-	690 000
Result for the period	-	-	105 074	-	368 026	473 100
OCI - pension - estimate change	-	-	-	-	4 263	4 263
<b>Balance as of December 31, 2015</b>	<b>5 710 548</b>	<b>2 857 922</b>	<b>105 074</b>	<b>690 000</b>	<b>374 328</b>	<b>9 737 872</b>
Registration of share increase (from Dec. 22, 2015)	460 000	230 000	-	-690 000	-	-
Result for the period	-	-	-	-	104 647	104 647
<b>Balance as of March 31, 2016</b>	<b>6 170 548</b>	<b>3 087 922</b>	<b>105 074</b>	-	<b>478 975</b>	<b>9 842 519</b>

# Cash flow statement

NOK 1 000	31.03.16	31.03.15	2015
<b>Cash flows from operations</b>			
Interest received	1 374 833	1 427 659	3 784 335
Paid expenses, operations	-9 506	-6 254	-27 767
Paid tax	-	-	-
<b>Net cash flow relating to operations</b>	<b>1 365 327</b>	<b>1 421 406</b>	<b>3 756 568</b>
<b>Cash flows from investments</b>			
Net purchase of loan portfolio	-3 287 075	-2 721 174	-8 168 134
Net payments on the acquisition of government bills	5 868 257	238 383	-8 214 730
Net payments on the acquisition of bonds	-4 567 902	-865	-21 073 393
Net investments in intangible assets	-1 054	-241	-1 054
<b>Net cash flows relating to investments</b>	<b>-1 987 774</b>	<b>-2 483 897</b>	<b>-37 457 311</b>
<b>Cash flows from funding activities</b>			
Net receipt/payment from the issuance of certificates	-	-749 970	-749 970
Net receipt/payment from the issuance of bonds	6 292 347	3 115 228	19 811 929
Net receipt/payment from the issuance subordinated debt	-	-	480 000
Net receipt/payment from the issuance of loans to credit institutions	-945 706	-1 674 472	8 412 189
Equity capital subscription	-	-	990 000
Paid dividend	-	-	-203 890
Net interest payments on funding activity	-1 331 798	-1 385 669	-3 433 837
<b>Net cash flow relating to funding activities</b>	<b>4 014 844</b>	<b>-694 883</b>	<b>25 306 422</b>
<b>Net cash flow in the period</b>	<b>3 392 397</b>	<b>-1 757 374</b>	<b>-8 394 321</b>
<b>Balance of cash and cash equivalents beginning of period</b>	<b>8 083 543</b>	<b>16 268 940</b>	<b>16 268 940</b>
Net receipt/payments on cash	3 392 397	-1 757 374	-8 394 321
Exchange rate difference	-33 098	312 912	208 925
<b>Balance of cash and cash equivalents end of period</b>	<b>11 442 842</b>	<b>14 824 479</b>	<b>8 083 543</b>

## Quarterly development 1<sup>st</sup> quarter 2016

### Income statement

	1. quarter	4. quarter	3. quarter	2. quarter	1. quarter
NOK 1 000	2016	2015	2015	2015	2015
Total interest income	958 801	933 888	953 317	985 788	1 006 916
Total interest expenses	-846 342	-838 460	-840 875	-889 343	-904 375
<b>Net interest income</b>	<b>112 459</b>	<b>95 428</b>	<b>112 442</b>	<b>96 446</b>	<b>102 541</b>
Net gains/losses from financial instruments	34 927	18 482	8 027	-18 586	225 925
<b>Net other operating income</b>	<b>34 927</b>	<b>18 482</b>	<b>8 027</b>	<b>-18 586</b>	<b>225 925</b>
<b>Total operating income</b>	<b>147 386</b>	<b>113 910</b>	<b>120 469</b>	<b>77 860</b>	<b>328 467</b>
Salaries and other ordinary personnel expenses	-3 100	-3 622	-2 409	-2 075	-2 594
Administration expenses	-2 722	-2 961	-2 419	-2 578	-2 667
Other operating expenses	-1 635	-3 003	-2 429	-1 904	-2 423
Depreciation/Amortization	-400	-438	-488	-547	-512
<b>Total operating expenses</b>	<b>-7 857</b>	<b>-10 025</b>	<b>-7 745</b>	<b>-7 104</b>	<b>-8 196</b>
<b>Net profit before impairment losses</b>	<b>139 529</b>	<b>103 885</b>	<b>112 724</b>	<b>70 756</b>	<b>320 271</b>
Write-downs on loans and guarantees	-	-	-	-	-
<b>Pre-tax operating result</b>	<b>139 529</b>	<b>103 885</b>	<b>112 724</b>	<b>70 756</b>	<b>320 271</b>
Tax expense	-34 882	1 477	-30 435	-19 104	-86 473
<b>Net profit for the period</b>	<b>104 647</b>	<b>105 362</b>	<b>82 288</b>	<b>51 652</b>	<b>233 798</b>
Other income and expense in comprehensive income	-	4 264	-	-	-
<b>Total net profit for the period</b>	<b>104 647</b>	<b>109 626</b>	<b>82 288</b>	<b>51 652</b>	<b>233 798</b>

### Balance sheet

	1. quarter	4. quarter	3. quarter	2. quarter	1. quarter
NOK 1 000	2016	2015	2015	2015	2015
<b>Assets</b>					
Lending to and deposits with credit institutions	11 442 842	8 083 543	16 896 170	13 049 194	14 824 479
Norwegian Government Treasury Bills	2 833 598	8 705 692	-	19 926	248 200
Bonds	45 244 165	42 113 662	28 522 929	16 361 109	19 680 901
Lending to customers	172 626 526	169 338 988	166 201 206	161 072 171	163 915 020
Financial derivatives	36 047 126	40 947 743	37 885 017	27 178 048	29 953 871
Other assets	2 571	3 671	4 692	3 696	2 631
<b>Total assets</b>	<b>268 196 829</b>	<b>269 193 299</b>	<b>249 510 013</b>	<b>217 684 144</b>	<b>228 625 101</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Debt incurred by issuing securities	220 439 708	218 853 602	201 403 517	181 577 042	191 054 848
Collateral received under derivatives contracts	34 494 554	36 950 453	35 800 968	24 404 974	25 767 483
Financial derivatives	428 169	690 315	392 999	682 483	622 647
Deferred tax	370 561	370 561	234 604	234 604	234 604
Tax payable	34 882	-	-	-	-
Subordinated debt	2 434 192	2 434 380	2 434 246	1 953 999	1 954 021
Other Liabilities	152 245	156 116	305 434	275 084	283 302
<b>Total liabilities</b>	<b>258 354 310</b>	<b>259 455 427</b>	<b>240 571 767</b>	<b>209 128 186</b>	<b>219 916 905</b>



**Equity**

Paid in equity capital	9 258 470	8 568 470	8 268 470	8 268 470	8 268 470
Other paid in equity (not yet registered)	-	690 000	300 000	2 039	-
Accrued equity	374 328	374 328	2 039	285 449	2 039
Net profit	104 647	-	367 738	-	233 798
Declared dividend	105 074	105 074	-	8 503 595	203 890
<b>Total equity</b>	<b>9 842 519</b>	<b>9 737 872</b>	<b>8 938 246</b>		<b>8 708 196</b>
<b>Total liabilities and equity</b>	<b>268 196 829</b>	<b>269 193 299</b>	<b>249 510 013</b>	<b>217 612 414</b>	<b>228 625 101</b>

# Notes to the financial statements March 31, 2016

## Note 1 Accounting principles

### 1.1 Basis for preparation

SpareBank 1 Boligkreditt AS is the SpareBank 1 Alliance's separate legal vehicle established according to the specialist banking principle within the Norwegian legislation for covered bonds. The Company's purpose is to acquire residential mortgages from its ownership banks organised in the SpareBank 1 Alliance and finance these by issuing covered bonds.

SpareBank1 Boligkreditt main office is located in Stavanger, visiting address Bjergsted Terrasse 1.

These quarterly accounts for SpareBank 1 Boligkreditt refers to the period 01.01.2016 - 30.09.2016. The accounts have been produced in accordance with IAS 34 reporting for a partial year. The accounts are prepared in accordance with IFRS and IFRIC interpretations thereof. The Company's accounting principles and calculation methods have not materially changed since the annual accounts for 2015. The principles addressed below should be seen in connection with the accounting principles as they were presented in the annual accounts for 2015.

These financial accounts have been approved by the Board of Directors of SpareBank 1 Boligkreditt on 26.04.2016

### 1.2 Segment

Business segments are the Company's primary reporting segment. The Company has only one segment, which is the retail customer segment. The segment consists of lending to private individuals and all loans have been acquired from the member banks of the SpareBank 1 alliance. The Company's total results as of the first quarter 2016 is therefore equal to the retail segment total results.

### 1.3 Presentational Currency

The presentation currency is Norwegian Kroner (NOK), which is also the Company's functional currency. All amounts are given in NOK thousand unless otherwise stated.

### 1.4 Risk Management

SpareBank 1 Boligkreditt AS' financial assets and liabilities fluctuates in value as a result of the variability of prices of such assets and liabilities in the financial markets. In the annual accounts for 2015 Note 3 this risk and management thereof is more closely discussed.

### 1.5 Estimates and assessments regarding the use of accounting principles

The preparation of the financial information is in accordance with IFRS and involves management's estimates which affect the implementation of accounting principles and thereby accounting values for assets, liabilities, revenue and costs. These estimates have been described in the notes to the annual accounts for 2015.

## Note 2 Net interest income

NOK 1 000	31.03.2016	31.03.2015	2015
<b>Interest income</b>			
Interest income and similar income from loans to and balances with credit institutions	126 418	75 123	300 398
Interest income and similar income from loans to and balances with customers	1 159 054	1 410 196	5 258 746
Interest income treasury bills	10 507	1 966	7 849
Commission expense (payable to shareholder banks) *	-337 179	-480 369	-1 687 085
<b>Total interest income</b>	<b>958 801</b>	<b>1 006 916</b>	<b>3 879 909</b>
<b>Interest expense</b>			
Interest expense and similar expenses to credit institutions	5 619	11 238	31 291
Interest expense and similar expenses on issued bonds	817 422	872 180	3 359 422
Interest expense and similar expenses on issued certificates	-	1 694	1 735
Interest expense and similar expenses on Tier 2 capital	23 293	19 257	80 584
Other interest expenses	9	6	19
<b>Total interest expense</b>	<b>846 342</b>	<b>904 375</b>	<b>3 473 052</b>
<b>Net interest income</b>	<b>112 459</b>	<b>102 541</b>	<b>406 857</b>

\* Commissions to our parent banks are calculated daily for each mortgage loan transferred, whereby the commission equals the customer loan rate less a rate which incorporates the Company's average cost of funding and operational costs. The operational add-on element is expressed through an average rate which is from time to time decided by the Company's Board of Directors.

## Note 3 Net gains on financial instruments

NOK 1 000	31.03.2016	31.03.2015	2015
Net gains (losses) from financial liabilities, hedged instruments (1)	-2 360 776	88 035	-408 266
Net gains (losses) from financial assets, hedged instruments (2)	-120 633	-131 715	-34 613
Net gains (losses) from financial derivatives, hedging, at fair value, hedging instrument (1,3)	2 388 611	54 890	209 580
Net gains (losses) due to changes in basis swap spreads (4)	127 726	214 716	467 146
<b>Netto gains (losses)</b>	<b>34 927</b>	<b>225 925</b>	<b>233 848</b>

(1) The Company utilizes hedge accounting as defined in IFRS for issued fixed rate bonds (covered bonds) with derivatives (swaps) which hedges fixed rates to floating and foreign currencies to Norwegian kroner. The hedges are individually tailored to each issued bond and exactly matches the cash flows and duration of the issued bonds.

(2) SpareBank 1 Boligkreditt AS manages its liquidity risk by refinancing its outstanding bonds ahead of expected maturities and keeping proceeds as a liquidity portfolio. The majority of this portfolio is valued according to observed market values (fair value). Fixed rate bonds and bonds in other currencies than Norwegian kroner are hedged using swaps. The latter are valued according to interest rate and foreign exchange rates and are also valued at fair value (though differences may occur because the valuation of the bonds include a credit risk/spread element which the swaps do not contain). A smaller part of the portfolio is classified as hold-to-maturity and consist of bonds in Norwegian kroner at floating rates.

(3) All derivatives are valued at fair value according to changes in market interest rates and foreign exchange rates. Changes in valuations from the previous period is accounted for in profit and loss.

(4) The Company utilizes basis swaps, which is the foreign exchange swap that changes foreign currency exposure into Norwegian kroner exposure, and this is entered into at a certain cost (spread over 3 months NIBOR). The change in the spread is used to adjust the valuation of all of the outstanding basis swaps each quarter, along with the change in other transaction charges to enter into the swaps. An increase in the costs for basis swaps results in a positive adjustment (gain), while a reduction in basis swap costs lead to a negative adjustment (loss). The effect of the basis swap valuation adjustments can be material from quarter to quarter because the Company's portfolio of swaps is extensive. All basis swap valuation adjustments will reverse in line with the passage of time and will become zero at the latest at the point of the scheduled swap termination date.

## Note 4 Salaries and remuneration

NOK 1 000	31.03.2016	31.03.2015	2015
Salary	2 762	2 853	10 726
Salaries reinvoyced to SpareBank1 Næringskreditt*	-722	-1 297	-3 108
Pension expenses	522	435	706
Social insurance fees	397	384	1 736
Other personnel expenses	141	218	640
<b>Total salary expenses</b>	<b>3 100</b>	<b>2 594</b>	<b>10 700</b>
Average number of full time equivalents (FTEs)	8	8	8

\* The company's employees have shared employment between SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. All remuneration is effectuated through SpareBank 1 Boligkreditt and a portion is reinvoyced to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank 1 SR-Bank ASA and SpareBank 1 Gruppen. Pension benefit obligations are covered in SpareBank 1 Boligkreditt through participation in the pension fund of SpareBank 1 SR-Bank ASA. This pension scheme meets the legal demands on mandatory occupational pension.

## Note 5 Administration expenses

NOK 1 000	31.03.2016	31.03.2015	2015
IT operation and maintenance	2 617	2 734	9 705
Travel	210	206	1 087
Telephone and postage	13	21	163
Misc other adm expenses	7	1	10
cost share with SpareBank 1 Næringskreditt AS	-126	-294	-340
<b>Total</b>	<b>2 722</b>	<b>2 667</b>	<b>10 625</b>

## Note 6 Other operating expenses

NOK 1 000	31.03.2016	31.03.2015	2015
Auditing, hired personnel from SpareBank 1 Group, other services	1 573	2 419	9 062
Operating expenses rented offices	142	142	675
Operating expenses reinvoiced to SpareBank 1 Næringskreditt	-105	-154	-462
Misc other operating expenses	24	15	486
<b>Total</b>	<b>1 635</b>	<b>2 423</b>	<b>9 760</b>

## Note 7 Other assets

NOK 1 000	31.03.2016	31.03.2015	2015
Intangible Assets	1 665	2 558	1 880
Account Receivables from SpareBank 1 Næringskreditt AS	907	73	1 791
<b>Total</b>	<b>2 571</b>	<b>2 631</b>	<b>3 671</b>

## Note 8 Lending to customers

Lending to customers are residential mortgages only. The mortgages generally have a loan lon-to-value and loss-  
es have been very low. The total amount of lending to customers at the end of the period were NOK 173 billion. All  
mortgages carry a variable interest rate.

NOK 1 000	31.03.2016	31.03.2015	2015
Revolving loans - retail market	55 293 260	56 136 504	54 205 342
Amortising loans - retail market	117 188 308	107 611 030	114 989 151
Accrued interest	152 666	175 194	152 202
<b>Total loans before specified and unspecified loss provisions</b>	<b>172 634 234</b>	<b>163 922 728</b>	<b>169 346 696</b>
Specified loan loss provisions	-	-	-
Unspecified loan loss provisions	7 708	7 708	7 708
<b>Total net loans and claims with customers</b>	<b>172 626 526</b>	<b>163 915 020</b>	<b>169 338 988</b>

### Liability

Unused balances under customer revolving credit lines (flexible loans)	18 627 409	19 626 507	18 636 235
<b>Total</b>	<b>18 627 409</b>	<b>19 626 507</b>	<b>18 636 235</b>

### Defaulted loans

Defaults*	0.0 %	0.0 %	0.0 %
Specified loan loss provisions	0.0 %	0.0 %	0.0 %
<b>Net defaulted loans</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

### Loans at risk of loss

Loans not defaulted but at risk of loss	0.0 %	0.0 %	0.0 %
- Write downs on loans at risk of loss	0.0 %	0.0 %	0.0 %
<b>Net other loans at risk of loss</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

\* The entire customer loan balance is considered to be in default and will be included in overviews of defaulted loans when overdue instalments and interest payments are not received within 90 days or if credit limits on revolving loans are exceeded for 90 days or more

#### Changes to loan loss provisions

NOK 1 000	31.03.2016	31.03.2015	2015
Loan loss provisions starting balance	7 708	7 708	7 708
Change in group loan loss provisions	0	0	0
<b>Loan loss provisions ending balance</b>	<b>7 708</b>	<b>7 708</b>	<b>7 708</b>

## Note 9 Equity capital and shareholders

#### Overview of shareholders as of 31.03.16

	No of Shares	in per cent	Share of votes
SpareBank 1 SR-Bank ASA	11 703 383	18.97 %	18.97 %
SpareBank 1 SMN	10 300 113	16.69 %	16.69 %
SpareBank 1 Nord-Norge	8 918 628	14.45 %	14.45 %
Bank 1 Oslo Akershus AS	6 143 099	9.96 %	9.96 %
Sparebanken Hedmark	5 971 066	9.68 %	9.68 %
BN Bank ASA	3 669 869	5.95 %	5.95 %
SpareBank 1 BV	2 763 870	4.48 %	4.48 %
SpareBank 1 Østfold Akershus	2 638 883	4.28 %	4.28 %
Sparebanken Telemark	2 448 910	3.97 %	3.97 %
SpareBank 1 Ringerike Hadeland	2 014 421	3.26 %	3.26 %
SpareBank 1 Nordvest	1 288 058	2.09 %	2.09 %
Modum Sparebank	788 447	1.28 %	1.28 %
SpareBank 1 Søre Sunnmøre	749 882	1.22 %	1.22 %
SpareBank 1 Nøtterøy Tønsberg	742 104	1.20 %	1.20 %
SpareBank 1 Hallingdal	694 306	1.13 %	1.13 %
SpareBank 1 Gudbrandsdal	501 360	0.81 %	0.81 %
Lom og Skjåk Sparebank	369 083	0.60 %	0.60 %
<b>Total</b>	<b>61 705 482</b>	<b>100 %</b>	<b>100 %</b>

The equity capital consists of 61 705 482 shares with a face value of NOK 100 each

## Note 10 Liabilities incurred by issuing securities

	Nominal value*	Nominal value*	Nominal value*
NOK 1 000	31.03.2016	31.03.2015	2015
Short term notes, unsecured	-	-	-
Repurchased short term notes, unsecured	-	-	-
Senior unsecured bonds	4 814 000	7 406 000	6 476 000
Repurchased senior unsecured bonds	-751 000	-	-74 000
Covered bonds	187 276 441	157 836 223	177 244 869
Repurchased Covered bonds	-6 218 465	-3 697 007	-4 917 100
<b>Total debt incurred by issuing securities</b>	<b>185 120 976</b>	<b>161 545 216</b>	<b>178 729 769</b>

\* Nominal value is incurred debt at exchange rates (EUR/NOK and USD/NOK) at the time of issuance



	Book value 31.03.2016	Book value 31.03.2015	Book value 2015
<b>NOK 1 000</b>			
Short term notes, unsecured	-	-	-
Repurchased short term notes, unsecured	-	-	-
Senior unsecured bonds	4 813 683	7 405 052	6 475 779
Repurchased senior unsecured bonds	-750 648	-	-73 998
Covered bonds	221 657 555	186 268 478	215 868 978
Repurchased covered bonds	-6 448 707	-3 911 622	-5 125 020
Activated costs incurred by issuing debt	-171 038	-138 741	-158 707
Accrued interest	1 338 863	1 431 680	1 866 571
<b>Total debt incurred by issuing securities</b>	<b>220 439 708</b>	<b>191 054 848</b>	<b>218 853 602</b>

Liabilities categorised by debt instrument and year of maturity (nominal value\*, net of repurchased bonds) NOK 1,000:

**Senior unsecured bonds**

Due in	31.03.2016	31.03.2015	2015
2015		900 000	-
2016	1 814 000	4 756 000	3 752 000
2017	2 249 000	1 750 000	2 650 000
<b>Total</b>	<b>4 063 000</b>	<b>7 406 000</b>	<b>6 402 000</b>

**Covered bonds**

Due in	31.03.2016	31.03.2015	2015
2015	-	8 751 698	-
2016	17 427 125	25 096 625	20 621 625
2017	20 892 500	21 013 000	21 013 000
2018	35 754 250	21 785 000	35 754 250
2019	27 556 296	25 463 732	27 167 690
2020	24 958 500	24 628 500	24 958 500
2021	26 320 110	20 017 957	25 402 456
2022	12 848 750	3 233 750	12 648 750
2023	9 426 300	-	-
2024	1 575 495	1 326 154	1 462 848
2025	1 010 000	1 010 000	1 010 000
2026	1 650 000	1 650 000	1 650 000
2027	475 850	-	475 850
2028	1 162 800	162 800	162 800
<b>Total</b>	<b>181 057 976</b>	<b>154 139 216</b>	<b>172 327 769</b>

<b>Total</b>	<b>185 120 976</b>	<b>161 545 216</b>	<b>178 729 769</b>
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\* Nominal value is incurred debt at exchange rates (EUR/NOK and USD/NOK) at the time of issuance

**Debt incurred by currency (book values at the end of the period)**

NOK 1 000	31.03.2016	31.03.2015	2015
NOK	55 466 113	55 885 502	56 218 289
EUR	127 937 240	96 116 419	120 721 290
USD	36 746 640	38 785 676	41 625 965
SEK	289 715	267 250	288 058
<b>Total</b>	<b>220 439 708</b>	<b>191 054 848</b>	<b>218 853 602</b>

Debt incurred by currency (book values at the end of the period)

## Note 11 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option	Nominal amount	31.03.2016	31.03.2015	2015
With maturity								
Subordinated debt (Tier 2 capital instrument)	NO0010704109	3M Nibor + 225 bp	2014	07.05.19	1 600 000	1 600 000	1 600 000	1 600 000
Perpetual								
Hybrid (Tier 1 capital instrument)	NO0010713746	3M Nibor + 310 bp	2014	09.05.19	350 000	350 000	350 000	350 000
Hybrid (Tier 1 capital instrument)	NO0010745920	3M Nibor + 360 bp	2015	23.09.20	300 000	300 000	-	300 000
Hybrid (Tier 1 capital instrument)	NO0010746191	3M Nibor + 360 bp	2015	29.09.20	180 000	180 000	-	180 000
Accured interest						4 192	4 021	4 380
Book value					2 430 000	2 434 192	1 954 021	2 434 380

## Note 12 Financial derivatives

NOK 1 000	31.03.2016	31.03.2015	2015
<b>Interest rate derivative contracts</b>			
<b>Interest rate swaps</b>			
Nominal amount	85 567 315	59 666 000	80 539 030
Asset	5 692 100	5 855 654	5 345 413
Liability	-389 129	-583 626	-638 503
<b>Currency derivative contracts</b>			
<b>Currency swaps</b>			
Nominal amount	150 726 516	125 643 414	153 531 262
Asset	29 728 550	23 851 897	35 103 579
Liability	-39 040	-39 021	-51 812
<b>Total financial derivative contracts</b>			
Nominal amount	236 293 831	185 309 414	234 070 292
Asset	35 420 650	29 707 550	40 448 992
Liability *	-428 169	-622 647	-690 315
All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.			
Asset	35 420 650	29 707 550	40 448 992
Net gain (loss) on valuation adjustment of basis swap spreads	626 476	246 321	498 751
Net asset derivatives	36 047 126	29 953 871	40 947 743

Basis swaps are currency swaps and are entered into at a certain cost (spread) between SpareBank 1 Boligkreditt and banks which offer such swaps and which have signed an ISDA agreement with the Company. Changes in the cost are valued each quarter across all of the Company's swaps in accordance with the IFRS rules. An increase in the cost would result in an increase in the value of the basis swaps while a cost decrease would reduce the value of the basis swaps. The effect may be material from quarter to quarter because the Company's portfolio of swaps is extensive. All basis swap value changes will reverse over time towards the point of termination of the swaps.

## Note 13 Classification of financial instruments

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	31.03.16
<b>Assets</b>					
Deposits at and receivables from financial institutions	-	11 442 842	-	-	11 442 842
Norwegian government short term debt certificates	2 833 598	-	-	-	2 833 598
Bonds	45 019 007	-	225 158	-	45 244 165
Lending to customers	-	172 626 526	-	-	172 626 526
Financial derivatives	36 047 126	-	-	-	36 047 126
Other assets	-	-	-	2 571	2 571
<b>Total Assets</b>	<b>83 899 731</b>	<b>184 069 369</b>	<b>225 158</b>	<b>2 571</b>	<b>268 196 829</b>
<b>Liabilities</b>					
Debt incurred by issuing securities	183 338 946	37 100 763	-	-	220 439 708
Collateral received in relation to financial derivatives	-	34 494 554	-	-	34 494 554
Financial derivatives	428 169	-	-	-	428 169
Deferred taxes	-	-	-	370 561	370 561
Taxes payable	-	-	-	34 882	34 882
Subordinated dept	-	2 434 192	-	-	2 434 192
Other liabilities	-	-	-	152 245	152 245
<b>Total Liabilities</b>	<b>183 767 115</b>	<b>74 029 508</b>	<b>-</b>	<b>557 688</b>	<b>258 354 310</b>
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 842 519</b>	<b>9 842 519</b>
<b>Total Liabilities and Equity</b>	<b>183 767 115</b>	<b>74 029 508</b>	<b>-</b>	<b>10 400 207</b>	<b>268 196 829</b>

\*Fair value calculation according to changes in market interest rates and currencies exchange rates

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	31.03.2015
<b>Assets</b>					
Deposits in financial institutions	-	14 824 479	-	-	14 824 479
Norwegian government short term debt	248 200	-	-	-	248 200
Bonds	19 005 971	-	674 929	-	19 680 901
Lending to customers	-	163 915 020	-	-	163 915 020
Financial derivatives	29 953 871	-	-	-	29 953 871
Other assets	-	-	-	2 631	2 631
<b>Total Assets</b>	<b>49 208 042</b>	<b>178 739 499</b>	<b>674 929</b>	<b>2 631</b>	<b>228 625 101</b>

<b>Liabilities</b>					
Debt incurred by issuing securities	150 791 832	40 263 016	-	-	191 054 848
Collateral received in relation to financial derivatives	-	25 767 483	-	-	25 767 483
Financial derivatives	622 647	-	-	-	622 647
Deferred taxes	-	-	-	234 604	234 604
Taxes payable	-	-	-	-	-
Subordinated debt	-	1 954 021	-	-	1 954 021
Other liabilities	-	-	-	283 302	283 302
<b>Total Liabilities</b>	<b>151 414 479</b>	<b>67 984 520</b>	<b>-</b>	<b>517 906</b>	<b>219 916 905</b>
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 708 196</b>	<b>8 708 196</b>
<b>Total Liabilities and Equity</b>	<b>151 414 479</b>	<b>67 984 520</b>	<b>-</b>	<b>9 226 102</b>	<b>228 625 101</b>

\*Fair value calculation according to changes in market interest rates and currencies exchange rates

## Note 14 Financial instruments at fair value

### Methods in order to determine fair value

#### General

The interest rate curve that is used as input for fair value valuations of hedging instruments and hedging objects consists of the NIBOR-curve for maturities less than one year. The swap-curve is used for maturities exceeding one year.

#### Interest rate and currency swaps

Valuation of interest rate swaps at fair value is done through discounting future cash flows to their present values. Valuation of currency swaps will also include the element of foreign exchange rates..

#### Bonds

Valuation of bonds at fair value is done through discounting future cash flows to present value.

With effect from 2009 SpareBank 1 Boligkreditt AS has implemented the changes in IFRS 7 in relation to the valuation of financial instruments as of the date of the financial accounts. The changes require a presentation of the fair value measurement for each Level. We have the following three Levels for the fair value measurement::

#### Level 1: Quoted price in an active market.

Fair value of financial instruments which are traded in active markets are based on the market price at the balance sheet date. A market is considered to be active if the market prices are easily and readily available from an exchange, dealer, broker, industry group, pricing service or regulating authority and that these prices represent actual and regular market transactions on an arm's length basis.

#### Level 2: Valuation based on observable factors.

Level 2 consist of instruments which are not valued based on listed prices, but where prices are indirectly observable for assets or liabilities, but also includes listed prices in not active markets.

**Level 3:** The valuation is based on factors that are not found in observable markets (non-observable assumptions). If valuations according to Level 1 or Level 2 are not available, valuations are based on not-observable information. The Company has a matter of principle neither assets nor liabilities which are valued at this level.

The following table presents the company's assets and liabilities at fair value as of 31.03.2016

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Bonds and bills	32 233 633	15 618 971	-	47 852 605
Financial Derivatives	-	36 047 126	-	36 047 126
<b>Total Assets</b>	<b>32 233 633</b>	<b>51 666 098</b>	<b>-</b>	<b>83 899 731</b>
Bonds	-	183 338 946	-	183 338 946
Financial Derivatives	-	428 169	-	428 169
<b>Total Liabilities</b>	<b>-</b>	<b>183 767 115</b>	<b>-</b>	<b>183 767 115</b>

The following table presents the company's assets and liabilities at fair value as of 31.03.2015

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Bonds and bills	13 758 199	5 495 972	-	19 254 171
Financial Derivatives	-	29 953 871	-	29 953 871
<b>Total Assets</b>	<b>13 758 199</b>	<b>35 449 843</b>	<b>-</b>	<b>49 208 042</b>
Bonds	-	150 791 832	-	150 791 832
Financial Derivatives	-	622 647	-	622 647
<b>Total Liabilities</b>	<b>-</b>	<b>151 414 479</b>	<b>-</b>	<b>151 414 479</b>

## Note 15 Bonds classified as hold to maturity

As of 31.03.2016

	Book value				Exchange rate	Amortised cost
Bonds classified as	01.01.16	Investments	Matured	Amortizing	effects	31.03.16
Hold to maturity	224 605	-	-	65	-	224 670
<b>Total certificates and bonds</b>	<b>224 605</b>	<b>-</b>	<b>-</b>	<b>65</b>	<b>-</b>	<b>224 670</b>

Market value of bonds in hold to maturity portfolio

Bonds classified as	Book value	Market value incl currency effects	Effect on net inc if at fair value
Hold to maturity	224 670	225 589	919
<b>Total certificates and bonds</b>	<b>224 670</b>	<b>225 589</b>	<b>919</b>

## Note 16 Other liabilities

NOK 1 000	31.03.2016	31.03.2015	2015
Employees tax deductions and other deductions	1 312	585	1 478
Employers national insurance contribution	291	292	462
Accrued holiday allowance	1 268	1 328	1 015
Commission payable to shareholder banks	115 686	158 316	117 921
Deposits*	13 748	11 493	12 977
Pension liabilities	12 573	19 260	12 360
Other accrued costs	7 367	92 028	9 902
<b>Total</b>	<b>152 245</b>	<b>283 302</b>	<b>156 116</b>

The Company does not have an overdraft facility or a revolving credit facility

\*Deposits represents temporary balances paid in by customers in excess of the original loan amount



## Note 17 Asset coverage test

The asset coverage is calculated according to the Financial Services Act § 2-31 (Covered Bond Legislation). There is a discrepancy between the asset coverage test and the amounts in the balance sheet because for the purposes of the test mortgage loans which may have migrated above the 75% loan to value level are reduced to reflect the decrease in the value of the underlying collateral so that only a maximum loan corresponding to a value of 75% of the collateral is considered. Market values are used for all substitute collateral in the test. In addition any defaulted loans, i.e. loans in arrears at or beyond 90 days, are excluded from the test (there have been no occurrences of any defaults starting with the commencement of operations through 31.03.2016).

<b>NOK 1 000</b>	<b>31.03.2016</b>	<b>31.03.2015</b>	<b>2015</b>
Covered Bonds	223 041 099	187 717 743	217 752 078
Repurchased Bonds	-6 501 689	-3 947 281	-5 155 728
Derivatives	-35 084 414	-29 231 056	-39 848 930
Total Covered Bonds	181 454 995	154 539 406	172 747 420
Lending to customers	172 049 640	163 438 566	168 792 683
Treasury Bills	1 421 170	248 200	7 210 022
Substitute collateral	23 613 886	8 340 925	14 664 356
Total Cover Pool	197 084 696	172 027 691	190 667 061
Asset-coverage	108.6 %	111.3 %	110.4 %

## Note 18 Capital adequacy

The primary goal for the Company's management of capital reserves is to ensure compliance with laws and regulatory requirements and maintain solid financial ratios and a high quality credit assessment in order to best support its business.

A new capital requirements directive was introduced in Norway as of January 1, 2007 (Basel II). SpareBank1 Bolkreditt AS obtained permission from the Financial Services Authority in Norway (Finanstilsynet) for the implementation of its own Internal Ratings Based (IRB) model for credit risks from the second quarter of 2009.

Transitional rules have been implemented by the FSA whereby regulated financial institutions with approved IRB models will not be able to fully benefit from the results of such models. Regulated entities are allowed to reduce by 20% the total sum of risk weighted assets which would otherwise have been in place under the previous Basel I framework. The transitional rules lead to significantly higher capital requirements than what would otherwise have been applicable under Basel II.

The European Union has approved new regulatory requirements, CRD IV. The new regulations places more robust requirements on capital adequacy, capital structure, liquidity buffers and funding. CRD IV is gradually introduced in Norway up until the end of 2016. The requirement of 15.0% total capital from July 1, 2016 includes a 11.5% Core Tier 1 capital and 3.5% other capital.

The Company's parent banks have committed themselves to keep the Equity Core Tier 1 capital at a minimum 9%. Primarily this commitment is pro rata according to the ownership stakes in the Company, but it is a joint and several undertaking if one or more ownership banks are unable to comply, up to the maximum of twice the initial pro rata amount.

Capital in NOK 1 000	31.03.2016	31.03.2015	2015
Share capital	6 170 548	5 510 548	5 710 548
Premium share fund	3 087 922	2 757 922	2 857 922
Other equity capital	374 328	2 039	1 169 402
Common equity	9 632 798	8 270 509	9 737 872
Intangible assets	-1 665	-2 558	-1 880
Declared share dividend	-	-	-105 074
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-330 786	-320 812	-326 724
Prudent valuation adjustment (AVA)	-81 719	-50 506	-83 752
Core equity capital	9 218 628	7 896 633	9 220 442
Hybrid bond	830 000	350 000	830 000
Tier 1 equity capital	10 048 628	8 246 633	10 050 442
Supplementary capital (Tier 2)	1 600 000	1 600 000	1 600 000
<b>Total capital</b>	<b>11 648 628</b>	<b>9 846 633</b>	<b>11 650 442</b>

Minimum requirements for capital according to Basel II i NOK 1 000	31.03.2016	31.03.2015	2015
Credit risk	3 198 838	3 212 016	3 122 194
Market risk	-	-	-
Operational risk	52 871	41 779	41 779
Depreciation on groups of loans	-	-	-
CVA Risk	131 080	200 104	165 228
Difference in capital requirement resulting from transitional floor	2 523 562	2 178 320	2 463 358
<b>Minimum requirement for capital</b>	<b>5 906 350</b>	<b>5 632 219</b>	<b>5 792 559</b>

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**Capital coverage**

	<b>31.03.2016</b>	<b>31.03.2015</b>	<b>2015</b>
Risk-weighted assets incl. transitional floor	73 829 377	70 402 742	72 406 991
Capital coverage (%)	15.78 %	13.99 %	16.09 %
Tier 1 capital coverage (%)	13.61 %	11.71 %	13.88 %
Core Tier 1 capital coverage (%)	12.49 %	11.22 %	12.73 %

## Note 19 Related parties

The Company has 172 627 MNOK loans to customers. These are loans acquired from shareholder banks at market values (i.e. nominal value).

### **SpareBank 1 SR-Bank ASA**

The Company purchases a substantial amount of their support functions from SpareBank 1 SR-Bank ASA. A complete SLA is established between the Company and SpareBank 1 SR-Bank ASA.

### **SpareBank 1 Alliance**

In addition the Company has a Transfer and Servicing agreement in place with each individual shareholder bank regulating amongst other things the servicing of mortgage loans..

### **SpareBank 1 Næringskreditt AS**

All employees within SpareBank 1 Boligkreditt AS are also to various degrees working for SpareBank 1 Næringskreditt AS. Twenty percent of the administrative expenses in SpareBank 1 Boligkreditt AS are to charged to SpareBank 1 Næringskreditt AS. This division of administrative expenses between the two companies reflect the actual resources utilisation in SpareBank 1 Boligkreditt AS.

## Note 20 Collateral received

SpareBank 1 Boligkreditt has signed ISDA-agreements including CSAs (Credit Support Annexes) with a number of financial institutions that are counterparties in interest rate and currency swaps. These institutions post collateral in the form of cash deposits to SpareBank 1 Boligkreditt. At the end of the period 31.03.2016 this collateral amounted to NOK 34 495 million. This amount is included in the balance sheet, but represents restricted cash. According to signed ISDA and CSA agreement, it is not permitted for the parties in derivatives transactions to net amounts amongst various transactions.

## Note 21 Contingencies and Events after Balance Sheet Date

SpareBank 1 Boligkreditt AS is not a party to any ongoing legal proceedings

No events have taken place after the balance sheet date which are expected to have any material impact on the financial statements as of the end of the period 31.03.2016.

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