



*Lofoten, Norway*

# Boligkreditt

# 1<sup>st</sup> Quarterly Report 2017

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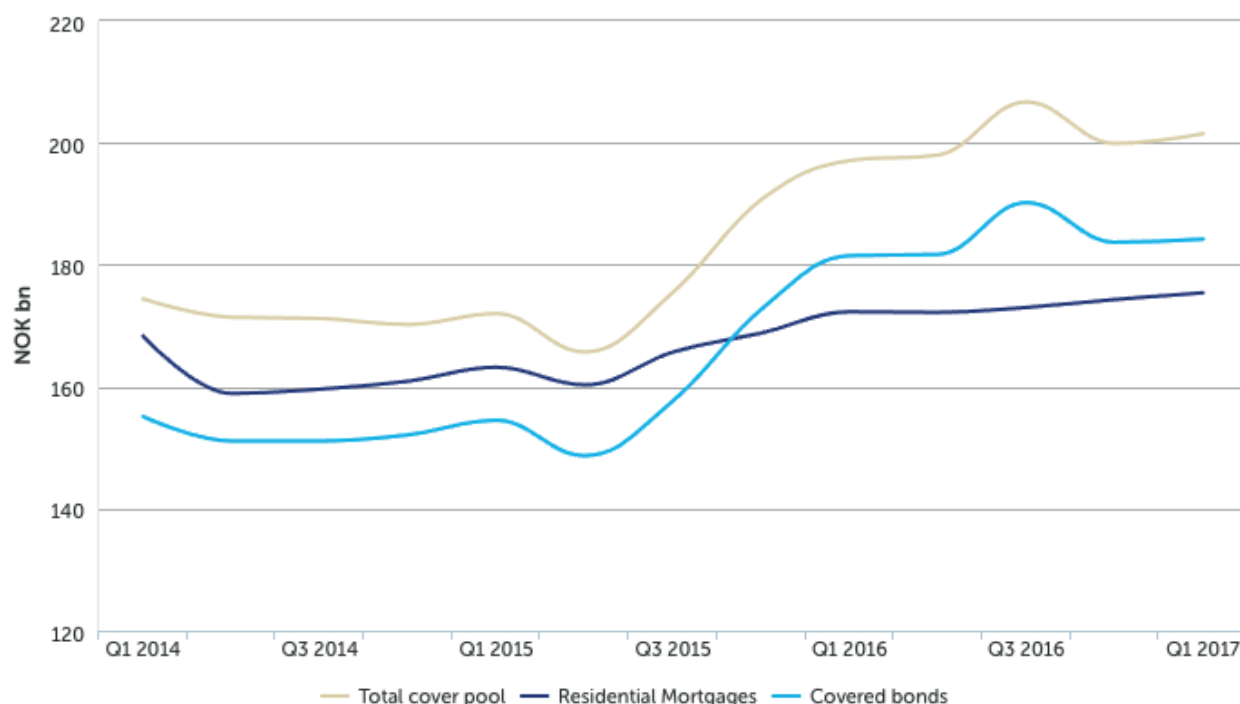
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# Statement of the Board of Directors for the first quarter 2017

## Cover pool and outstanding covered bonds

The cover pool consists of residential mortgages and liquid, highly rated assets (substitute assets). The amount of liquid assets varies over time and the variation is solely a result of the Issuer's liquidity risk management (and regulatory requirements), whereby upcoming redemptions are refinanced early (up to 12 months) with proceeds held as liquid assets (please see the investor reports for details on the composition of liquid assets). Covered bonds are shown inclusive of the market value of the derivatives deployed to hedge currencies and interest rates.



## Key figures

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Weighted Average Current LTV (%)	49,7 %	51,1 %	49,9 %	49,9 %	51,4 %
Weighted Average Original LTV (%)	59,6 %	59,4 %	59,0 %	58,7 %	58,7 %
Average Loan Balance (NOK)	1 340 039	1 322 732	1 306 717	1 286 759	1 272 036
Number of Mortgages in Pool	130 920	131 743	132 397	133 840	135 432
Percentage of non first-lien mortgages	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
Overcollateralization	111,2 %	108,8 %	108,6 %	109,0 %	108,6 %

## Key developments in the first quarter 2017

SpareBank 1 Boligkreditt issued a new EUR benchmark covered bond in January 2017 with a maturity of 5 years, while repaying a 7 year issue from 2010 in March. The Company also issued 1.35 billion Norwegian kroner worth of covered bonds during the first quarter, as well as a smaller amount of EUR private placements.

The residential lending volume has increased according to expectations with a small amount (1.5 billion kroner) over the first quarter of the year. The expectation is for the volume of mortgages to increase by 3 per cent for 2017, but this remains dependent on owner banks funding plans and growth through the year.

In the market for the Company's bonds the credit spreads have generally contracted with the market during the quarter.

Boligkreditt is well capitalized with a capital coverage ratio of 16.19 per cent measured against a total capital requirement of 15.0 per cent, in addition to a moderate capital requirement for Pillar 2 requirements. Total Tier 1 capital is 14.03 and core equity capital 12.58 per cent.

SpareBank 1 Boligkreditt has a negative result for the first quarter 2017, which was also the case for the full year 2016. This is entirely due to the change in basis swap valuation adjustments, an accounting requirement, which does not impact cash flows and earnings and reverse to zero over time. The pre-tax result is a positive 42.9 million excluding the effect from revaluing basis swaps.

As of 31.12.2016 the Company reclassified its hybrid bonds from debt to equity on the balance sheet, in accordance with IFRS rules. Capital ratios are not affected by this movement of lines on the balance sheet. Interest expense on the hybrid bonds however are from 2017 charged to equity and not accounted for in the pre-tax result as interest expense. The pre-tax result of 42.9 million above (excluding basis swaps) would have been 30.9 million including the before-tax interest on the hybrid bonds.

## 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 included in the law regarding financial enterprises ("Finansieringsvirksomhetsloven") chapter 2, section IV and the detailed regulations thereof.

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. The Company which is based in Stavanger, is owned by banks which are members of the SpareBank 1 Alliance. A comprehensive agreement is signed which each of the banks in the SpareBank 1 Alliance which are selling mortgages to the Company regarding the purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing Agreement", "TSA"). The Company's operating model is to pay out to the parent banks who sell mortgages to the Company the margin earned during the course of the year (commissions to the parent banks). These commissions are deducted in the financial accounts to calculate net income.

The Company's issuances of covered bonds mainly take place under the EUR 25,000,000,000 Global Medium Term Covered Note Programme (GMTCN Programme). This Programme was updated on June 10, 2016 and is available on the Company's home page: <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 annual 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 year. Numbers in brackets refer to the previous year for comparison.

The total balance sheet at the end of the first quarter 2017 amounts to 249 (268) billion kroner. The reduction is largely due to a decline in the value of derivatives used for hedging issued bonds and declines in associated collateral levels held. The Company had in Q1 2017 net interest income of 90.3 (112.5) million kroner, which includes deducting commissions paid to the owner banks. The cost of operations for the quarter was 8.5 (7.9) million kroner including depreciation and amortization. No additional amounts have been charged as loan provisions (write offs) in 2017 beyond the approximately 8 million kroner which has been reserved from previous years. No actual loan losses have occurred since the Company commenced operations. This produces an operating result of negative 169 million kroner (positive 140) before tax. The operating result includes a pre-tax loss due to basis swap valuation adjustments of approximately 212 million kroner. Basis swap valuation adjustments are temporary effects reversed over time until maturity of the swaps.

Lending to customers amounted to 176 (173) billion kroner as of 31.03.17. The Company's own liquid assets as of December 31, 2016 were 26.5 (25) billion kroner. Liquid assets are cash and highly rated, highly liquid bonds which are held as a function of upcoming bond maturities up to 12 months ahead in time.

## 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, implies 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. Because the Company buys residential mortgages within 75% of the value of the objects on which the mortgages are secured, the Board of Directors conclude that the credit risk is lower than for banks in general.

**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 issued bonds in foreign currency, in addition to Norwegian kroner denominated debt. Amounts were approximately 117 billion kroner in EUR, 30 billion kroner in USD and 0.3 billion kroner in Swedish kroner, at exchange rates at quarter-end. However, all borrowing and investments with a fixed rate and all borrowing and investments in a foreign currency have been hedged by financial currency- and/or interest rate swap agreements or through natural hedges. The collective cash flow therefore matches borrowings in Norwegian kroner with floating rate conditions (NIBOR 3 months). The Company receives collateral from its counterparties in derivative agreements according to certain criteria.

SpareBank 1 Boligkreditt AS owns bonds and treasury bills at year-end for a total of NOK 48.5 (59.5) billion kroner, whereof 22.0 (34.5) billion kroner is collateral received from counterparties in derivatives transactions and are not available for the Company as liquid assets. The bonds are Norwegian and Nordic covered bonds and German supra sovereign and agencies (German agencies guaranteed by the German government) with a triple-A rating from Fitch, Moody's and/or S&P. Deposits are placed in banks with a minimum rating of at least A/A2.

The Company had as of 31.12.2017 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 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 breakdowns. Reputational, legal, ethical and competency risks are also elements of operational risk. The risk is assessed to be moderate.

The Company spends much time identifying, measuring, managing and following up central areas of risk in such a way that this contributes to meeting the strategic goals. The notes 23 to 27 in the annual report 2016 provides further information.

## 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 overall in Norway over the year 2016 and into 2017 and stand at a high level. However, there are large regional differences and SpareBank 1 Boligkreditt's portfolio is well diversified throughout the major city regions in all of Norway.

Due to the special characteristics and restrictions for loans to become part of the cover pool, the high degree of diversification of the pool and the continued strength of the Norwegian economy, as well as prudent lending practices (as well as new regulations) in place, the prospects for the Company are considered to be good and stable. The Board also base this conclusion on the low LTVs of the mortgages, no defaults or arrears, a strong history and institutional framework in Norway for loan performance, as well as the low unemployment environment.

**Macroeconomic development<sup>1</sup>:** The Norwegian economy expanded in 2016 by 0.8 per cent and in the fourth quarter by 1 per cent compared to the fourth quarter in 2015. The unemployment rate is now 4.2 per cent (January 2017), down from the peak of 4.9 per cent in this cycle. However, while jobs are created in many sectors, the lowered rate is partially also explained by a reduced labour force, which is now 69.7 per cent of the population, down from 71 per cent in January 2014. Private investments grew solidly over 2016, which includes business investments, but also includes strong residential construction. The construction sector responds to the market's price signal, which exhibits a strong appreciation over 2016 and into 2017. Part of the political and regulatory programme is now to reduce this price appreciation.

**Economic outlook:** The economic outlook is summarized in the table below. The GDP figures show that for the full year 2016 real growth was 0.8 per cent, which is the lowest since 2009. The stronger growth figures for 2017 and beyond express that the downturn in the Norwegian economy following the oil sector led decline and consolidation is coming to end and a cautious recovery is underway. Observable in the data is increasing private demand, increasing exports and a halt in the steep decline in offshore oil sector investments.

Significant factors have counterbalanced the oil price and oil sector lead decline (Norway's largest industrial sector), these are government expansionary policies, including tax reductions, low interest rates and a weak and therefore export inducing currency. With the oil price between 50 and 60 USD a barrel, Norway's existing oil and gas production is solidly profitable. Due to cost reductions, the pipeline of investment projects on the Norwegian continental

<sup>1</sup> Macroeconomic projections have been sourced from Statistics Norway as of March 9, 2017.

shelf is also today much more economically viable compared to 2014-2015. Stability in oil prices and an expectation that European and world growth is expanding is also backing the projections for the coming years in the table below.

Projections (%)	2017	2018	2019	2020
GDP growth, mainland	1,8	2,4	2,2	2,1
Unemployment rate	4,4	4,2	4,1	4,1
CPI growth	2	2,1	2,2	2,3
Annual wage increase	2,3	3,1	3,1	3,9

Source: Statistics Norway (SSB) March 9, 2017

The Board of Directors affirms that the financial accounts present a correct and complete picture of the Company's operations and financial position for the first quarter of 2017. The financial accounts including notes are produced under the assumption of a going concern.

There have been no incidents of a material nature after year-end which are expected to impact the quarterly accounts as of 31 March, 2017.

Stavanger, 31. March 2017 / April 27 2017  
The Board of Directors of SpareBank 1 Boligkreditt AS



/s/ Kjell Fordal  
Chairman of the Board



/s/ Inge Reinertsen



/s/ Merete N. Kristiansen



/s/ Geir Egil Bolstad



/s/ Inger M.S. Eriksen



/s/ Arve Austestad  
Managing Director



# 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 quarter 2017 for SpareBank 1 Boligkreditt AS. The quarterly accounts have been prepared in accordance with the International Financial 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 31.03.17.

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, 31. March 2017 / 2. May 2017  
The Board of Directors of SpareBank 1 Boligkreditt AS

/s/ Kjell Fordal  
Chairman of the Board

/s/ Inge Reinertsen

/s/ Merete N. Kristiansen

/s/ Geir Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Arve Austestad  
Managing Director

# Financial statements

## Income statement

NOK 1 000	Note	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016	2016
Total interest income	2	937 419	958 801	3 797 962
Total interest expenses	2	-847 140	-846 342	-3 386 965
<b>Net interest income</b>		<b>90 278</b>	<b>112 459</b>	<b>410 997</b>
Net gains/losses from financial instruments	3	-250 917	34 927	-521 993
<b>Net other operating income</b>		<b>-250 917</b>	<b>34 927</b>	<b>-521 993</b>
<b>Total operating income</b>		<b>-160 639</b>	<b>147 386</b>	<b>-110 996</b>
Salaries and other ordinary personnel expenses	4	-3 389	-3 100	-11 409
Administration expenses	5	-2 555	-2 722	-10 247
Other operating expenses	6	-2 335	-1 635	-12 315
Depreciation on fixed assets and other intangible assets		-246	-400	-1 367
<b>Total operating expenses</b>		<b>-8 525</b>	<b>-7 857</b>	<b>-35 338</b>
<b>Operating result before losses</b>		<b>-169 164</b>	<b>139 529</b>	<b>-146 334</b>
Write-downs on loans and guarantees			0	0
<b>Pre-tax operating result</b>		<b>-169 164</b>	<b>139 529</b>	<b>-146 334</b>
Taxes		42 291	-34 882	36 583
<b>Profit/loss for the year</b>		<b>-126 873</b>	<b>104 647</b>	<b>-109 751</b>

## Statement of comprehensive income

NOK 1 000	Note	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016	2016
Profit/loss for the year		-126 873	104 647	-
Items which will not impact the income statement in future periods:				
Change in pensions for a previous period				
Estimate deviation for pensions		-	-	-1 054
Tax effect of the estimate deviation		-	-	264
<b>Total profit/loss accounted for in equity</b>		<b>-</b>	<b>-</b>	<b>-791</b>
<b>Total profit/loss</b>		<b>-126 873</b>	<b>104 647</b>	<b>-791</b>

# Balance sheet

NOK 1 000	Note	31.03.2017	31.03.2016	2016
<b>Assets</b>				
Lending to and deposits with credit institutions	13	8 251 587	11 442 842	8 129 096
Norwegian Government Treasury Bills	13, 14	395 059	2 833 598	1 948 409
Bonds	13, 14	39 834 119	45 244 165	40 558 209
Lending to customers	8	175 654 209	172 626 526	174 463 203
Financial derivatives	12	25 160 358	36 047 126	27 150 388
Deferred tax asset		3 005	-	-
Other assets	7	1 703	2 571	1 543
<b>Total assets</b>		<b>249 300 040</b>	<b>268 196 829</b>	<b>252 250 848</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Debt incurred by issuing securities	10, 13, 14	212 822 181	220 439 708	213 056 583
Collateral received under derivatives contracts	20	22 005 476	34 494 554	24 304 397
Financial derivatives	12	1 514 308	428 169	1 781 221
Deferred tax		208 816	370 561	208 816
Tax payable		124 898	34 882	124 898
Subordinated debt	11	1 603 633	2 434 192	1 603 778
Other Liabilities	16	104 359	152 245	117 865
<b>Total Liabilities</b>		<b>238 383 671</b>	<b>258 354 310</b>	<b>241 197 558</b>
<b>Equity</b>				
Paid-in equity		9 708 470	9 258 470	9 498 470
Other paid-in equity (not yet registered)		-	-	210 000
Hybrid capital		1 070 986	-	1 081 034
Accrued equity		149 836	374 328	149 836
Net profit		-126 873	104 647	-
Declared dividends		113 950	105 074	113 950
<b>Total equity</b>		<b>10 916 369</b>	<b>9 842 519</b>	<b>11 053 290</b>
<b>Total liabilities and equity</b>		<b>249 300 040</b>	<b>268 196 829</b>	<b>252 250 848</b>

/s/ Kjell Fordal  
Chairman of the Board

/s/ Inge Reinertsen

/s/ Merete N. Kristiansen

/s/ Geir Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Arve Austestad  
Managing Director

## Statement of changes in equity

NOK 1 000	Share capital	Additional paid in equity	Dividend	Other paid-in equity (not yet registered)	Other Equity	Hybrid capital	Total Equity
<b>Balance as of 31 December 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>-</b>	<b>9 737 872</b>
Registration of share increase (from 22 December 2015)	460 000	230 000	-	-690 000	-	-	-
Dividend 2015	-	-	-105 074	-	-	-	-105 074
Share increase 29 June 2016	160 000	80 000	-	-	-	-	240 000
Share increase 28 December 2016 (not yet registered)	-	-	-	210 000	-	-	210 000
Net income for the period *	-	-	-	-	-109 751	-	-109 751
Proposed dividend for 2016	-	-	113 950	-	-113 950	-	-
OCI - pension - annual estimate deviation	-	-	-	-	-791	-	-791
Reclassification of hybrid capital as of 31 December 2016	-	-	-	-	-	1 081 034	1 081 034
<b>Balance as of 31 December 2016</b>	<b>6 330 548</b>	<b>3 167 922</b>	<b>113 950</b>	<b>210 000</b>	<b>149 836</b>	<b>1 081 034</b>	<b>11 053 290</b>
Registration of share increase (from 28 December 2016)	140 000	70 000	-	-210 000	-	-	-
Net income for the period	-	-	-	-	-126 873	-	-126 873
Paid interest on hybrid capital	-	-	-	-	-	-13 053	-13 053
Tax on hybrid capital, directly against equity	-	-	-	-	-	3 005	3 005
<b>Balance as of 31 March 2017</b>	<b>6 470 548</b>	<b>3 237 922</b>	<b>113 950</b>	<b>-</b>	<b>22 963</b>	<b>1 070 986</b>	<b>10 916 369</b>

Equity is paid in by the Company's parent banks when a requirement arises. The requirement arises regularly when the Company acquires larger portfolios of mortgage loans, and otherwise according to changes in capitalization rules because SpareBank 1 Boligkreditt is subject to the same capital adequacy rules under Pillar 1 as banks in general. Each parent bank has also signed a Shareholders agreement with the Company, which amongst other things stipulates when additional capital must be contributed.

All hybrid instruments have been reclassified to equity from 31.12.2016. This is according to the definition of a financial liability under IAS 32.

# Cash flow statement

NOK 1 000	31.03.2017	31.03.2016	2016
<b>Cash flows from operations</b>			
Interest received	1 553 571	1 374 833	3 858 846
Paid expenses, operations	-37 902	-9 506	-36 469
Paid tax	0	0	0
<b>Net cash flow relating to operations</b>	<b>1 515 669</b>	<b>1 365 327</b>	<b>3 822 377</b>
<b>Cash flows from investments</b>			
Net purchase of loan portfolio	-1 184 074	-3 287 075	-5 128 140
Net payments on the acquisition of government bills	1 614 848	5 868 257	6 685 763
Net payments on the acquisition of bonds	875 577	-4 567 902	-495 538
Net investments in intangible assets	-35	-1 054	-732
<b>Net cash flows relating to investments</b>	<b>1 306 316</b>	<b>-1 987 774</b>	<b>1 061 353</b>
<b>Cash flows from funding activities</b>			
Net receipt/payment from the issuance of certificates	277 976	0	949 966
Net receipt/payment from the issuance of bonds	897 863	6 292 347	8 296 329
Net receipt/payment from the issuance of subordinated debt	0	0	250 000
Net receipt/payment of loans to credit institutions	-2 426 861	-945 706	-11 329 904
Equity capital subscription	0	0	450 000
Paid dividend	0	0	-105 074
Net interest payments on funding activity	-1 460 205	-1 331 798	-3 396 582
<b>Net cash flow relating to funding activities</b>	<b>-2 711 227</b>	<b>4 014 844</b>	<b>-4 885 266</b>
<b>Net cash flow in the period</b>	<b>110 759</b>	<b>3 392 397</b>	<b>-1 535</b>
<b>Balance of cash and cash equivalents at beginning of period</b>	<b>8 129 096</b>	<b>8 083 543</b>	<b>8 083 543</b>
Net receipt/payments on cash	110 759	3 392 397	-1 535
Exchange rate difference	11 731	-33 098	47 089
<b>Balance of cash and cash equivalents at end of period</b>	<b>8 251 587</b>	<b>11 442 842</b>	<b>8 129 096</b>



# Quarterly Financial Statements

These quarterly statements are not individually audited and are included as additional information to these accounts.

## Income statement

	1th Quarter	4th Quarter	3th Quarter	2th Quarter	1th Quarter
NOK 1 000	2017	2016	2016	2016	2016
Total interest income	937 419	972 314	942 275	924 572	958 801
Total interest expenses	-847 140	-883 715	-839 655	-817 253	-846 342
<b>Net interest income</b>	<b>90 278</b>	<b>88 599</b>	<b>102 620</b>	<b>107 319</b>	<b>112 459</b>
Net gains/losses from financial instruments	-250 917	-262 950	-181 345	-112 625	34 927
<b>Net other operating income</b>	<b>-250 917</b>	<b>-262 950</b>	<b>-181 345</b>	<b>-112 625</b>	<b>34 927</b>
<b>Total operating income</b>	<b>-160 639</b>	<b>-174 351</b>	<b>-78 725</b>	<b>-5 306</b>	<b>147 386</b>
Salaries and other ordinary personnel expenses	-3 389	-3 106	-3 160	-2 043	-3 100
Administration expenses	-2 555	-2 649	-2 577	-2 299	-2 722
Other operating expenses	-2 335	-4 047	-3 557	-3 076	-1 635
Depreciation on fixed assets and other intangible assets	-246	-354	-293	-320	-400
<b>Total operating expenses</b>	<b>-8 525</b>	<b>-10 156</b>	<b>-9 587</b>	<b>-7 738</b>	<b>-7 857</b>
<b>Operating result before losses</b>	<b>-169 164</b>	<b>-184 507</b>	<b>-88 312</b>	<b>-13 044</b>	<b>139 529</b>
Write-downs on loans and guarantees	-	-	-	-	-
<b>Pre-tax operating result</b>	<b>-169 164</b>	<b>-184 507</b>	<b>-88 312</b>	<b>-13 044</b>	<b>139 529</b>
Taxes	42 291	46 126	22 078	3 261	-34 882
<b>Profit/loss for the year</b>	<b>-126 873</b>	<b>-138 381</b>	<b>-66 234</b>	<b>-9 783</b>	<b>104 647</b>
Other income and expense	-	-791	-	-	-
<b>Total Profit/Loss</b>	<b>-126 873</b>	<b>-139 172</b>	<b>-66 234</b>	<b>-9 783</b>	<b>104 647</b>

# Balance sheet

<b>NOK 1 000</b>	<b>31.03.2017</b>	<b>31.12.2016</b>	<b>30.09.2016</b>	<b>30.06.2016</b>	<b>31.03.2016</b>
<b>Assets</b>					
Lending to and deposits with credit institutions	8 251 587	8 129 096	10 261 328	11 257 916	11 442 842
Norwegian Government Treasury Bills	395 059	1 948 409	2 596 035	1 656 360	2 833 598
Bonds	39 834 119	40 558 209	46 446 864	44 733 335	45 244 165
Lending to customers	175 654 209	174 463 203	173 328 663	172 616 073	172 626 526
Financial derivatives	25 160 358	27 150 388	27 278 826	32 728 300	36 047 126
	3 005	-	-	-	-
Other assets	1 703	1 543	2 262	1 833	2 571
<b>Total assets</b>	<b>249 300 040</b>	<b>252 250 848</b>	<b>259 913 978</b>	<b>262 993 816</b>	<b>268 196 829</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Debt incurred by issuing securities	212 822 181	213 056 583	220 083 440	217 597 620	220 439 708
Collateral received under derivatives contracts	22 005 476	24 304 397	25 331 451	31 632 419	34 494 554
Financial derivatives	1 514 308	1 781 221	1 415 786	575 679	428 169
Deferred tax	208 816	208 816	380 104	370 561	370 561
Tax payable	124 898	<b>124 898</b>	-	31 621	34 882
Subordinated debt	1 603 633	1 603 778	2 684 461	2 684 337	2 434 192
Other Liabilities	104 359	117 865	117 308	133 917	152 245
<b>Total Liabilities</b>	<b>238 383 671</b>	<b>241 197 558</b>	<b>250 012 550</b>	<b>253 026 155</b>	<b>258 354 310</b>
<b>Equity</b>					
Contributed equity	9 708 470	9 498 470	9 498 470	9 258 470	9 258 470
Other paid in equity (not yet registered)	-	210 000	-	240 000	-
Hybrid capital	1 070 986	1 081 034	-	-	-
Accrued equity	149 836	149 836	374 328	374 328	374 328
Net profit	-126 873	-	28 630	94 864	104 647
Declared dividends	113 950	113 950	-	-	105 074
<b>Total equity</b>	<b>10 916 369</b>	<b>11 053 290</b>	<b>9 901 428</b>	<b>9 967 662</b>	<b>9 842 519</b>
<b>Total liabilities and equity</b>	<b>249 300 040</b>	<b>252 250 848</b>	<b>259 913 978</b>	<b>262 993 816</b>	<b>268 196 829</b>

# Notes to the financial statements March 31, 2017

## 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 01.01.2017 - 31.03.2017. 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 2016. The principles addressed below should be seen in connection with the accounting principles as they were presented in the annual accounts for 2016. These financial accounts have been approved by the Board of Directors of SpareBank 1 Boligkreditt on 02.05.2017

### 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 2017 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 2016 Note 3 explains in more detail the use of critical estimates and judgements when applying the accounting policies

### 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 2016.

## Note 2 Net interest income

NOK 1 000	31.03.2017	31.03.2016	2016
<b>Interest income</b>			
Interest income and similar income from loans to and balances with credit institutions	123 994	118 264	526 792
Interest income and similar income from loans to and balances with customers	1 133 861	1 159 054	4 511 245
Interest income treasury bills	-3 075	18 662	7 877
Commission expense (payable to shareholder banks) *	-317 361	-337 179	-1 247 952
<b>Total interest income</b>	<b>937 419</b>	<b>958 801</b>	<b>3 797 962</b>
<b>Interest expense</b>			
Interest expense and similar expenses to credit institutions	-1 673	5 619	12 258
Interest expense and similar expenses on issued bonds	829 380	817 422	3 265 299
Interest expense and similar expenses on issued certificates	4 502	-	9 107
Interest expense and similar expenses on Tier 1 capital **	-	9 664	45 227
Interest expense and similar expenses on Tier 2 capital	13 456	13 629	54 001
Other interest expenses	1 476	9	1 073
<b>Total interest expense</b>	<b>847 140</b>	<b>846 342</b>	<b>3 386 965</b>
<b>Net interest income</b>	<b>90 278</b>	<b>112 459</b>	<b>410 997</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.

\*\* The reclassification on Tier 1 capital, Hybrid capital to equity, occurred at 31.12.2016 so that the interest will first be recognized in other equity from 01.01.2017

## Note 3 Net Gains on Financial Instruments

NOK 1 000	31.03.2017	31.03.2016	2016
Net gains (losses) from financial liabilities (1)	-804 542	-2 360 776	-3 274 659
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	676 430	2 390 333	3 641 152
Net gains (losses) from financial assets (2)	60 933	-120 633	-665 916
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	28 351	-1 723	77 376
Net gains (losses) due to changes in basisswapsreads (4)	-212 088	127 726	-299 947
<b>Net gains (losses)</b>	<b>-250 917</b>	<b>34 927</b>	<b>-521 993</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. Some liabilities in foreign currency are hedged with natural hedges (corresponding assets in the same currency and will cause the valuation change of the liabilities to be different to the valuation changes in the derivatives hedging the liabilities (there will also be valuation differences due to the the amortization of issuance costs and when the bonds are issued at prices different from par value.)

(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. Included in assets in the table are also investments which are hedged with natural currency hedges, as well as investments in short term, highly rated bonds from funds received from swap counterparties for collateral purposes. Such investments do not have a corresponding value change in the financial derivatives hedging the assets (and are also not included in the liabilities in line 1 in the table above as this contains only the Company's issued debt securities).

(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 expressed in bps per annum. The change in this cost 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	31.03.2017	31.03.2016	2016
Salary	2 969	2 762	9 903
Salaries invoiced to SpareBank1 Næringskreditt*	-999	-722	-2 691
Pension expenses	696	522	1 956
Social insurance fees	547	397	1 699
Other personnel expenses	176	141	541
<b>Total salary expenses</b>	<b>3 389</b>	<b>3 100</b>	<b>11 409</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 invoiced 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	31.03.2017	31.03.2016	2016
IT operation and maintenance	2 479	2 617	9 456
Travel	188	210	944
Telephone and postage	14	13	123
Misc other adm expenses	1	7	9
Cost share with SpareBank 1 Næringskreditt AS	-127	-126	-284
<b>Total</b>	<b>2 555</b>	<b>2 722</b>	<b>10 247</b>

## Note 6 Other Operating Expenses

NOK 1 000	31.03.2017	31.03.2016	2016
Auditing, hired personnel from SpareBank 1 Group, other services	2 256	1 573	11 761
Operating expenses rented offices	171	142	618
Operating expenses reinvoiced to SpareBank 1 Næringskreditt	-135	-105	-500
Misc other operating expenses	44	24	436
<b>Total</b>	<b>2 335</b>	<b>1 635</b>	<b>12 315</b>

## Note 7 Other assets

NOK 1 000	31.03.2017	31.03.2016	2016
Intangible assets	1 033	1 665	1 245
Account receivables from SpareBank 1 Næringskreditt AS	670	907	299
<b>Total</b>	<b>1 703</b>	<b>2 571</b>	<b>1 543</b>

## Note 8 Lending to customers

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of Q1 2017 were NOK 175,6 billion. All mortgages carry a variable interest rate.

NOK 1 000	31.03.2017	31.03.2016	2016
Revolving loans - retail market	53 106 730	55 293 260	53 353 004
Amortising loans - retail market	122 399 977	117 188 308	120 969 630
Accrued interest	155 210	152 666	148 277
<b>Total loans before specified and unspecified loss provisions</b>	<b>175 661 916</b>	<b>172 634 234</b>	<b>174 470 911</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>175 654 209</b>	<b>172 626 526</b>	<b>174 463 203</b>

<b>Liability</b>			
Unused balances under customer revolving credit lines (flexible loans)	13 315 988	18 627 409	13 593 736
<b>Total</b>	<b>13 315 988</b>	<b>18 627 409</b>	<b>13 593 736</b>
<b>Defaulted loans</b>			
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>
<b>Loans at risk of loss</b>			
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	31.03.2017	31.03.2016	2016
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

#### List of shareholders as of 31.03.2017

	No of Shares	in per cent	Share of votes
SpareBank 1 SMN	12 349 152	19,09 %	19,09 %
SpareBank 1 Nord-Norge	9 452 201	14,61 %	14,61 %
SpareBank 1 SR-Bank ASA	8 972 206	13,87 %	13,87 %
Bank 1 Oslo Akershus AS	6 609 157	10,21 %	10,21 %
Sparebanken Hedmark	6 498 388	10,04 %	10,04 %
BN Bank ASA	3 904 571	6,03 %	6,03 %
SpareBank 1 BV	2 990 735	4,62 %	4,62 %
SpareBank 1 Østfold Akershus	2 879 967	4,45 %	4,45 %
Sparebanken Telemark	2 728 584	4,22 %	4,22 %
SpareBank 1 Ringerike Hadeland	2 374 127	3,67 %	3,67 %
SpareBank 1 Nordvest	1 421 523	2,20 %	2,20 %
SpareBank 1 Modum	941 527	1,46 %	1,46 %
SpareBank 1 Nøtterøy Tønsberg	904 606	1,40 %	1,40 %
SpareBank 1 Søre Sunnmøre	841 836	1,30 %	1,30 %
SpareBank 1 Hallingdal Valdres	775 375	1,20 %	1,20 %
SpareBank 1 Gudbrandsdal	599 994	0,93 %	0,93 %
SpareBank 1 Lom og Skjåk	461 533	0,71 %	0,71 %
<b>Total</b>	<b>64 705 482</b>	<b>100 %</b>	<b>100 %</b>

The share capital consists of 64 705 482 shares with a nominal value of NOK 100

## Note 10 Liabilities incurred by issuing securities

	Nominal value*	Nominal value*	Nominal value*
<b>NOK 1 000</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
Short term notes, unsecured	1 240 000	-	950 000
Repurchased short term notes, unsecured	-12 000	-	-
Senior unsecured bonds	4 031 000	4 814 000	3 481 000
Repurchased senior unsecured bonds	-257 000	-751 000	-232 000
Covered bonds	185 941 328	187 276 441	185 292 077
Repurchased Covered bonds	-2 147 540	-6 218 465	-1 951 550
<b>Total debt incurred by issuing securities</b>	<b>188 795 788</b>	<b>185 120 976</b>	<b>187 539 527</b>

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

	Book value	Book value	Book value
<b>NOK 1 000</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
Short term notes, unsecured	1 239 940	-	949 966
Repurchased short term notes, unsecured	-11 999	-	-
Senior unsecured bonds	4 030 461	4 813 683	3 480 574
Repurchased senior unsecured bonds	-256 630	-750 648	-231 456
Covered bonds	209 119 119	221 657 555	209 376 266
Repurchased covered bonds	-2 321 252	-6 448 707	-2 136 734
Activated costs incurred by issuing debt	-169 171	-171 038	-163 181
Accrued interest	1 191 713	1 338 863	1 781 147
<b>Total debt incurred by issuing securities</b>	<b>212 822 181</b>	<b>220 439 708</b>	<b>213 056 583</b>

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

### Senior unsecured bonds

<b>Due in</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
2017	2 406 000	1 814 000	2 518 000
2018	1 415 000	2 249 000	800 000
2019	1 181 000		881 000
<b>Total</b>	<b>5 002 000</b>	<b>4 063 000</b>	<b>4 199 000</b>

### Covered bonds

<b>Due in</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
2016		17 427 125	-
2017	9 354 000	20 892 500	19 449 500
2018	35 625 750	35 754 250	35 754 250
2019	27 541 266	27 556 296	27 535 470
2020	24 963 500	24 958 500	24 958 500
2021	28 784 038	26 320 110	28 770 128
2022	31 553 200	12 848 750	21 148 750
2023	9 301 050	9 426 300	9 252 750
2024	1 533 661	1 575 495	1 517 529
2025	1 010 000	1 010 000	1 010 000
2026	12 185 000	1 650 000	12 185 000
2027	659 522	475 850	475 850
2028	1 282 800	1 162 800	1 282 800
<b>Total</b>	<b>183 793 788</b>	<b>181 057 976</b>	<b>183 340 527</b>

\* 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)**

<b>NOK 1 000</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
NOK	64 881 930	55 466 113	62 584 741
EUR	117 680 810	127 937 240	120 282 131
USD	29 988 418	36 746 640	29 922 726
SEK	271 023	289 715	266 985
<b>Total</b>	<b>212 822 181</b>	<b>220 439 708</b>	<b>213 056 583</b>

## Note 11 Subordinated debt

<b>NOK 1000</b>	<b>ISIN</b>	<b>Interest rate</b>	<b>Issued year</b>	<b>Call option</b>	<b>Nominal amount</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
With maturity								
Subordinated debt (Tier 2 capital instrument)	NO0010704109	3M Nibor + 225 bp	2014	07.05.2019	1 600 000	1 600 000	1 600 000	1 600 000
Accrued interest						3 633	3 656	3 778
* Hybrid (Tier 1 capital instrument)						0	830 536	0
<b>Book value</b>						<b>1 603 633</b>	<b>2 434 192</b>	<b>1 603 778</b>

\* All hybrid instruments have been reclassified to equity from 31.12.2016. This is according to the definition of a financial liability under IAS 32.

## Note 12 Financial derivatives

<b>NOK 1 000</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
<b>Interest rate derivative contracts</b>			
<b>Interest rate swaps</b>			
Nominal amount	70 665 853	85 567 315	69 479 995
Asset	3 984 149	5 692 100	4 346 925
Liability	-618 109	-389 129	-667 779
<b>Currency derivative contracts</b>			
<b>Currency swaps</b>			
Nominal amount	137 070 396	150 726 516	138 286 431
Asset	21 176 209	29 728 550	22 604 660
Liability	-882 916	-39 040	-1 113 441
<b>Total financial derivative contracts</b>			
Nominal amount	207 736 249	236 293 831	207 766 425
Asset	25 160 358	35 420 650	26 951 585
Liability	-1 501 024	-428 169	-1 781 221
All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.			
<b>* Change due to basis swap spread adjustment</b>	<b>Liability</b>	<b>Asset</b>	<b>Asset</b>
Asset/Liability	-1 501 024	35 420 650	26 951 585
Net gain (loss) on valuation adjustment of basis swap spreads	-13 284	626 476	198 803
<b>Net asset/liability derivatives</b>	<b>-1 514 308</b>	<b>36 047 126</b>	<b>27 150 388</b>

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	31.03.2017
<b>Assets</b>					
Deposits at and receivables from financial institutions	-	8 251 587	-	-	8 251 587
Norwegian government short term debt certificates	395 059	-	-	-	395 059
Bonds	39 759 221	-	74 898	-	39 834 119
Lending to customers	-	175 654 209	-	-	175 654 209
Financial derivatives	25 160 358	-	-	-	25 160 358
Deferred tax asset	-	-	-	3 005	3 005
Other assets	-	-	-	1 703	1 703
<b>Total Assets</b>	<b>65 314 638</b>	<b>183 905 796</b>	<b>74 898</b>	<b>4 708</b>	<b>249 300 040</b>
<b>Liabilities</b>					
Debt incurred by issuing securities	167 544 630	45 277 552	-	-	212 822 181
Collateral received in relation to financial derivatives	-	22 005 476	-	-	22 005 476
Financial derivatives	1 514 308	-	-	-	1 514 308
Deferred taxes	-	-	-	208 816	208 816
Taxes payable	-	-	-	124 898	124 898
Subordinated dept	-	1 603 633	-	-	1 603 633
Other liabilities	-	-	-	104 359	104 359
<b>Total Liabilities</b>	<b>169 058 938</b>	<b>68 886 661</b>	<b>-</b>	<b>438 073</b>	<b>238 383 671</b>
<b>Total Equity</b>	<b>-</b>	<b>1 080 000</b>	<b>-</b>	<b>9 836 369</b>	<b>10 916 369</b>
<b>Total Liabilities and Equity</b>	<b>169 058 938</b>	<b>69 966 661</b>	<b>-</b>	<b>10 274 442</b>	<b>249 300 040</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	31.03.2016
<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>					
	-	-	-	9 842 519	9 842 519
<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

## 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 31.03.2017

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Bonds and bills	23 137 057	17 017 223	-	40 154 280
Financial Derivatives	-	25 160 358	-	25 160 358
<b>Total Assets</b>	<b>23 137 057</b>	<b>42 177 581</b>	<b>-</b>	<b>65 314 638</b>
Bonds	-	167 544 630	-	167 544 630
Financial Derivatives	-	1 514 308	-	1 514 308
<b>Total Liabilities</b>	<b>-</b>	<b>169 058 938</b>	<b>-</b>	<b>169 058 938</b>

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>

## Note 15 Bonds classified as hold to maturity

As of 31.03.2017

Bonds classified as	Book value			Exchange rate		Amortized cost
	01.01.2017	Investments	Matured	Amortizing	effects	31.03.2017
Hold to maturity	74 845	-	-	45	-	74 890
<b>Total certificates and bonds</b>	<b>74 845</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>74 890</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	74 890	75 110	220
<b>Total certificates and bonds</b>	<b>74 890</b>	<b>75 110</b>	<b>220</b>

## Note 16 Other liabilities

NOK 1 000	31.03.2017	31.03.2016	2016
Employees tax deductions and other deductions	959	1 312	1 470
Employers national insurance contribution	399	291	476
Accrued holiday allowance	1 282	1 268	1 011
Commission payable to shareholder banks	121 064	115 686	92 506
Deposits*	3 233	13 748	1 010
Pension liabilities	14 374	12 573	14 124
Other accrued costs	-36 951	7 367	7 267
<b>Total</b>	<b>104 359</b>	<b>152 245</b>	<b>117 865</b>

The Company does not have an overdraft facility or a revolving credit facility as of 31.03.2017

\* 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 31.03.2017).

<b>NOK 1 000</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
Covered Bonds	210 329 013	223 041 099	211 161 257
Repurchased Bonds	-2 358 440	-6 501 689	-2 155 498
Derivatives	-23 774 300	-35 084 414	-25 321 068
Total Covered Bonds	184 196 274	181 454 995	183 684 691
Lending to customers	175 046 243	172 049 640	173 757 431
Lending to the public sector (gov. bonds/ certificates or gov. guaranteed debt)	2 206 277	6 505 825	0
Liquid assets (substitute assets)	24 243 143	18 529 232	26 181 743
Total Cover Pool	201 495 663	197 084 696	199 939 174
<b>Asset-coverage</b>	<b>109,4 %</b>	<b>108,6 %</b>	<b>108,8 %</b>

<b>Liquidity Coverage Ratio (LCR)</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
Liquid assets	749 391	18 818 550	6 907 156
Cash outflow next 30 days	899 630	1 478 335	430 345
LCR ratio	83 %	1273 %	1605 %

<b>Net Stable Funding Ratio (NSFR)</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
Available amount of stable funding	186 833 484	178 605 993	179 903 405
Required amount of stable funding	180 056 878	176 162 518	178 901 734
NSFR ratio	104 %	101 %	101 %

## 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.

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 until the year 2018. 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. In the following years until the end of 2017, the transitional rules will 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, which is implemented in Norway. The requirement of 15.0% total capital in effect from July 1, 2016 includes a 11.5% Core Tier 1 capital, including a 1.5% countercyclical buffer, and 3.5% other capital. From 31.12.2017 the countercyclical buffer will increase to 2.0%.

The Company's parent banks have committed themselves to keep the Equity Core Tier 1 capital at a minimum 9% (is currently being reviewed with a target to increase to 11%). 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. NOK 1 000	31.03.2017	31.03.2016	2016
Share capital	6 470 548	6 170 548	6 330 548
Premium share fund	3 237 922	3 087 922	3 167 922
Other equity capital	13 949	374 328	473 786
Common equity	9 722 419	9 632 798	9 972 256
Intangible assets	-1 033	-1 665	-1 245
Declared share dividend	-	-	-113 950
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-325 545	-330 786	-322 613
Prudent valuation adjustment (AVA)	-66 904	-81 719	-71 438
Core equity capital	9 328 937	9 218 628	9 463 010
Hybrid bond	1 080 000	830 000	1 080 000
Tier 1 equity capital	10 408 937	10 048 628	10 543 010
Supplementary capital (Tier 2)	1 600 000	1 600 000	1 600 000
<b>Total capital</b>	<b>12 008 937</b>	<b>11 648 628</b>	<b>12 143 010</b>



<b>Minimum requirements for capital. NOK 1 000</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
Credit risk	3 231 046	3 198 838	3 173 049
Market risk	-	-	-
Operational risk	58 661	52 871	52 871
Depreciation on groups of loans	-	-	-
CVA Risk	221 356	131 080	109 651
Difference in capital requirement resulting from transitional floor	2 422 646	2 523 562	2 545 697
<b>Minimum requirement for capital</b>	<b>5 933 709</b>	<b>5 906 350</b>	<b>5 881 268</b>

#### Capital coverage

	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016</b>
Risk-weighted assets incl. transitional floor	74 171 362	73 829 377	73 515 848
Capital coverage (%)	16,19 %	15,78 %	16,52 %
Tier 1 capital coverage (%)	14,03 %	13,61 %	14,34 %
Core Tier 1 capital coverage (%)	12,58 %	12,49 %	12,87 %
Leverage ratio (%)	4,34 %	3,54 %	4,38 %

## Note 19 Related parties

The Company has 175 654 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 to be 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 31.03.2017 this collateral amounted to NOK 22 006 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 31.03.2017

## Contact information

SpareBank 1 Boligkreditt AS

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