



Boligkreditt

# 1<sup>st</sup> Quarterly Report 2018

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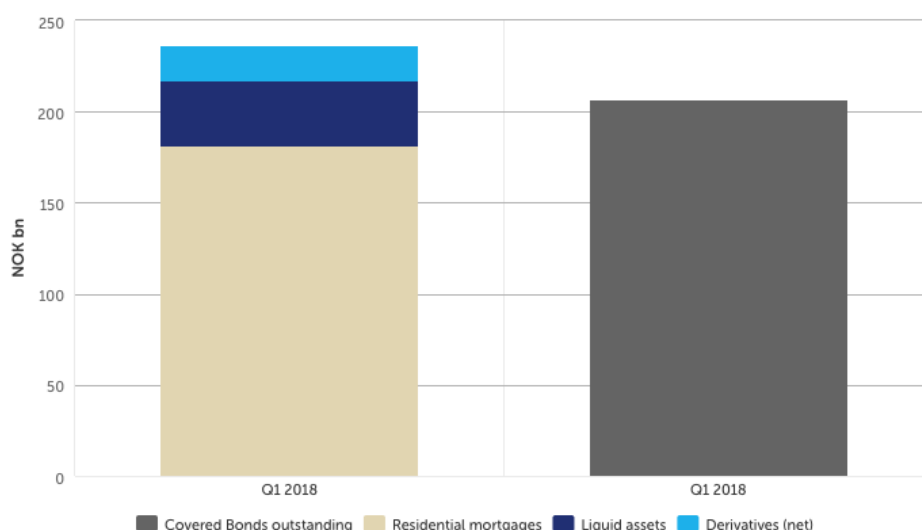
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# Statement of the Board of Directors for the first quarter 2018

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

Boligkreditt's cover pool consists of residential mortgages and liquid, highly rated assets (substitute assets) as well as derivatives hedging liabilities in a foreign currency and/or at fixed rates. The chart below illustrates the balances recorded on the balance sheet as of March 31, 2018:



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).

## Key figures<sup>2</sup>

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Weighted Average Current LTV (%)	52,4 %	51,0 %	49,2 %	49,7 %	51,1 %
Weighted Average Original LTV (%)	59,8 %	59,9 %	59,8 %	59,6 %	59,4 %
Average Loan Balance (NOK)	1 386 865	1 374 953	1 349 074	1 340 039	1 322 732
Number of Mortgages in Pool	127 927	127 895	128 475	130 920	131 743
Pct. of non first-lien mortgages	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
Overcollateralization	106,4 %	107,7 %	108,7 %	111,2 %	108,8 %

## Key developments in Q1 2018

SpareBank 1 Boligkreditt (SpaBol) issued its inaugural green covered bond, backed by mortgages which finance energy efficient properties in the cover pool (for details, please see the annual report 2017 or the Green bond page on the Issuer's website). The bond, with a 7 year maturity was priced at MS-6 bps and was well received in the market, especially amongst the green investor community.

SpaBol tapped the Norwegian market for total covered bond issuance of 3.25 billion kroner during the 1st quarter.

<sup>1</sup> The source for the chart is the balance sheet figures as of 31 March 2018

<sup>2</sup> The Q1 2018 cover pool statistics report detail was not ready at the time of writing (no material change from Q4 2017 has taken place)

A follow-on fixed GBP covered bond took place at the beginning of the second quarter 2018, a £ 250 million, 5.75 year fixed rate transaction.

The residential mortgage lending volume at SpaBol has increased moderately as expected by approximately 2 per cent during the first quarter 2018, as measured against the balance of loans as of December 31, 2017.

Boligkreditt is well capitalized with a capital coverage ratio of 16.61 per cent (Pillar 1) measured against a total capital requirement of 15.5 per cent, while the add-on required Pillar 2 requirement is set at 0.8 per cent core capital. Total Tier 1 capital is 14.51 and core equity capital 12.96 per cent, the latter against a requirement for core capital (incl. Pillar 2) of 12.8 per cent. It is the Company's policy to maintain a capital ratio at or slightly above the regulatory requirement. Additional core capital is injected by the owner banks when required, while additional CET 1 and Tier 2 capital is issued in the Norwegian domestic market.

SpareBank 1 Boligkreditt has a result of 26 million kroner after tax for the first quarter 2018. With the introduction of IFRS 9 from January 1, 2018 basis swap valuation adjustments are now reported in comprehensive income only and will no longer distort the normal results.

The composition of the Board of Directors has been slightly altered at the beginning of this year, in that two persons have joined the Board (previously on the Board of SpareBank 1 Næringskreditt), and one person has left. The Board of Boligkreditt is now identical to the Board of SpareBank 1 Næringskreditt, the Alliance's other covered bond issuer based on commercial mortgages, with the exception that Næringskreditt has one more member. These changes are rooted in amended laws and regulations for Boards of financial companies.

## Nature and development of the Company's business

SpareBank 1 Boligkreditt AS is a credit institution licensed by the Norwegian Financial Supervisory Authority (Finanstilsynet) and is operated according to the legislation for covered bond issuers in Norway which is included in the law regarding financial enterprises ("Finansforetaksloven") chapter 11, section II 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 with 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, similar to interest expense, 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 6, 2017 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 to evaluate the credit quality of the issuances under the GMTCN Programme. The covered bonds rating is Aaa from Moody's.



## Quarterly Accounts

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 Boligkredit's operations and financial position as of the end of the first quarter 2018. Numbers in brackets refer to the previous year same period for comparison.

The total balance sheet at quarter-end 2018 amounts to 253 (249) billion kroner. The Company had in the first quarter of 2018 net interest income of 84 (90) million kroner, which also include the commissions paid to the parent banks (nearly the whole net interest margin on mortgage loans). The cost of operations for the quarter was 8.3 (8.5) million kroner including depreciation and amortization. IFRS 9 expected losses were estimated in total to be 11 million kroner at the beginning of the year and there was a minor adjustment to this estimate during the fourth quarter. No actual loan losses have occurred since the Company commenced operations in 2007. This produces an operating result of 26 million kroner before tax (negative 169 due to the basis swap adjustments in 2017).

Mortgage loans for residential properties amounted to 181 (176) billion kroner as of 31.03.18. The Company's own liquid assets as of 31.03.18 were approximately 36 (26) 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 Boligkredit 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 Moody's 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 Boligkredit. 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 Boligkredit AS had issued bonds for approximately 132 billion kroner in EUR, 17 billion kroner in USD, 5.5 billion in GBP and 0.3 billion kroner in Swedish kroner, at exchange rates at year-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 Boligkredit AS owns deposits, bills and bonds at quarter-end for a total of NOK 55.6 (48.5) billion kroner, whereof 15.7 (22) billion kroner is collateral received from counterparties in derivatives transactions, and are thus reserved for the return of such collateral. The bonds held are mainly 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 or S&P. Deposits are placed in banks with a minimum rating of at least A/A2.

The Company had as of 31.03.2018 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 Boligkredit 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 21 to 25 in the 2017 annual accounts provides further information.

## Future prospects of the Company

The Company has a portfolio of residential mortgage lending with an average loan to value (LTV) of approximately 50 per cent and no loans are in default. The maximum allowable level for a mortgage in a cover pool is 75 per cent LTV, with amounts above that level not being eligible as a cover pool asset.

Residential real estate prices in Norway, and especially in the capital of Oslo, have seen strong growth over 2015-16 and a correction in 2017. In the first three months of 2018 real estate prices have again appreciated slightly, each month. The main reasons for the 2017 correction (decline of 4.1 per cent nationally) may have been the tightening mortgage market regulations as well as significant building starts, especially in Oslo where prices increased the most over 2015-16 when demand was high.

SpareBank 1 Boligkreditt's portfolio is well diversified throughout the major city regions in all of Norway, which do develop with a lesser degree of correlation from time to time. For example, the Oslo market was up over 20 per cent in 2016 compared to the national index which was up 12.5 per cent (including Oslo). In addition, mortgage loans in the cover pool are very granular (average size of 1.3 million kroner) and banks in the SpareBank 1 Alliance must keep reserves of eligible (cover pool qualified) mortgages in order to continue to add more mortgages to the cover pool and thus obtain covered bond funding. The reserves must be calibrated to cover a quick decline of 30 per cent in national real estate prices (all regions).

Due to the restrictions for loans to become part of the cover pool (bank lending practices, mortgage regulations and cover pool qualification requirements), high degree of diversification of the mortgages in the pool and the continued strength of the Norwegian economy, the prospects for the Company are continuing 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>3</sup>:** The Norwegian mainland economy expanded by 1.8 per cent over 2017 and the forecast for 2018 is 2.4 per cent (Statistics Norway). The recovery from the previous 2015-16 oil price related slow-down is relatively strong and broad. With the inflation estimated to meet the central bank's target of 2 per cent in 2018, the central bank policy rate is expected to increase in 2018 from a record low of 0.5 per cent, where it has been since March of 2016. A main driver for growth is increasing oil and gas related investments after oil prices have recovered significantly from the low in 2015-2016, and the industrial sector in Norway has restructured and taken out costs. Other industries contributing to growth is renewable (hydro and wind), pharma, aquaculture (fisheries). Risks to the growth scenario are to be found in increasing interest rates and a potential krone strengthening, which could impact companies' competitiveness in what is an open economy dependent and influenced by open markets and trade and terms of trade. Likewise, an international trade conflict could impact Norway as well.

Summarized the forecast for the next few years are as follows for a few key indicators:

<sup>3</sup> Macroeconomic projections have been sourced from Statistics Norway as of March 8, 2018.

Recent data and forecast (per cent)	2016	2017	2018	2019	2020
Mainland GDP growth	1,0	1,8	2,4	2,3	2,3
Unemployment rate	4,7	4,2	3,9	3,7	3,7
CPI growth	3,6	1,8	2,0	1,6	1,8
Annual wage growth	1,7	2,3	2,9	3,5	3,7
Current account surplus to GDP	3,8	5,1	6,6	6,3	7,2

Source: Statistics Norway (SSB) March 8, 2018

The Board of Directors affirms its conviction that the financial accounts present a correct and complete picture of the Company's operations and financial position as of the first quarter 2018. 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 accounts for the first quarter 2018.

Stavanger, 25. April 2018

The Board of Directors of SpareBank 1 Boligkreditt AS



/s/ Kjell Fordal  
Chairman of the Board



/s/ Rolf Eigil Bygdnes



/s/ Merete N. Kristiansen



/s/ Knut Oscar Fleten



/s/ Geir-Egil Bolstad



/s/ Inger M.S. Eriksen



/s/ Arve Austestad  
CEO



# 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 2018 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 31.03.18.

The board of directors and the chief executive officer declare to the best of their knowledge that the quarterly 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, 25. April 2018

The Board of Directors of SpareBank 1 Boligkreditt AS

/s/ Kjell Fordal  
Chairman of the Board

/s/ Rolf Eigil Bygdnes

/s/ Merete N. Kristiansen

/s/ Geir-Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Knut Oscar Fleten

/s/ Arve Austestad  
CEO

# Financial statements

## Income statement

NOK 1 000	Note	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017	2017
Total interest income	2	804 935	937 419	3 470 270
Total interest expenses	2	-720 757	-847 140	-3 044 417
<b>Net interest income</b>		<b>84 178</b>	<b>90 278</b>	<b>425 852</b>
Net gains/losses from financial instruments	3	-41 185	-250 917	-630 361
<b>Net other operating income</b>		<b>-41 185</b>	<b>-250 917</b>	<b>-630 361</b>
<b>Total operating income</b>		<b>42 993</b>	<b>-160 639</b>	<b>-204 508</b>
Salaries and other ordinary personnel expenses	4	-3 279	-3 389	-12 017
Other operating expenses	5	-5 037	-5 136	-22 389
<b>Total operating expenses</b>		<b>-8 316</b>	<b>-8 525</b>	<b>-34 406</b>
<b>Operating result before losses</b>		<b>34 677</b>	<b>-169 164</b>	<b>-238 914</b>
Write-downs on loans and guarantees	7	64	-	-
<b>Pre-tax operating result</b>		<b>34 740</b>	<b>-169 164</b>	<b>-238 914</b>
Taxes	11	-8 685	42 291	59 720
<b>Profit/loss for the year</b>		<b>26 055</b>	<b>-126 873</b>	<b>-179 194</b>
Portion attributable to shareholders		16 180	-136 921	-216 321
Portion attributable to additional Tier 1 capital holders		9 875	10 048	37 127
<b>Profit/loss for the period</b>		<b>26 055</b>	<b>-126 873</b>	<b>-179 194</b>

## Overview of comprehensive income

NOK 1 000	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017	2017
Profit/loss for the period	26 055	-126 873	-179 194
Items which will not impact the income statement in future periods:			
Change due to basis swap spread adjustment	13 672	-	-
Tax effect of basis swap spread adjustment	-3 418	-	-
Change in pensions for a previous period	-	-	-
Estimate deviation for pensions	-	-	-347
Tax effect of the estimate deviation	-	-	87
<b>Total profit/loss accounted for in equity</b>	<b>10 254</b>	<b>-</b>	<b>-260</b>
<b>Total profit/loss</b>	<b>36 309</b>	<b>-126 873</b>	<b>-179 454</b>

# Balance sheet

NOK 1 000	Note	31.03.2018	31.03.2017	2017
<b>Assets</b>				
Lending to and deposits with credit institutions		6 778 074	8 251 587	3 044 644
Certificates and bonds	13	44 775 172	40 229 178	54 318 384
Residential mortgage loans	7, 13, 14	181 205 294	175 654 209	177 675 130
Financial derivatives	12, 13, 14	20 488 383	25 160 358	27 144 125
Deferred tax asset	13	2 968	3 005	-
Other assets	6, 13	1 281	1 703	1 188
<b>Total assets</b>		<b>253 251 172</b>	<b>249 300 040</b>	<b>262 183 472</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Debt incurred by issuing securities	9, 13, 14	223 053 410	212 822 181	224 462 981
Collateral received under derivatives contracts	13, 14, 19	15 716 295	22 005 476	23 628 253
Financial derivatives	12, 13	1 010 264	1 514 308	898 292
Deferred tax	13	140 052	208 816	136 634
Tax payable		-	124 898	-
Subordinated debt	10, 13	1 603 656	1 603 633	1 603 356
Other Liabilities	13, 15	193 433	104 359	182 231
<b>Total Liabilities</b>		<b>241 717 109</b>	<b>238 383 671</b>	<b>250 911 747</b>
<b>Equity</b>				
Paid-in equity	8	10 158 470	9 708 470	9 858 470
Other paid-in equity (not yet registered)		240 000	-	300 000
Hybrid capital	8	1 180 000	1 070 986	1 180 000
Accrued equity		-142 738	149 836	-139 022
Net profit		26 055	-126 873	-
Declared dividends		72 276	113 950	72 276
<b>Total equity</b>		<b>11 534 063</b>	<b>10 916 369</b>	<b>11 271 724</b>
<b>Total liabilities and equity</b>		<b>253 251 173</b>	<b>249 300 040</b>	<b>262 183 472</b>

Stavanger, 25.04.2018

/s/ Kjell Fordal  
Chairman of the Board

/s/ Rolf Eigil Bygdnes

/s/ Merete N. Kristiansen

/s/ Geir-Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Knut Oscar Fleten

/s/ Arve Austestad  
CEO

## Changes in Equity

NOK 1 000	Share capital	Additional paid in equity	Dividend	Other paid-in equity (not yet registered)	Other Equity	Interest on hybrid capital	Hybrid capital	Total Equity
<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>-</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	-	-	-	-
Share increase 28 September 2017	100 000	50 000	-	-	-	-	-	150 000
Dividend 2015	-	-	-113 950	-	-	-	-	-113 950
Net income for the period	-	-	-	-	-179 194	-	-	-179 194
New hybrid capital	-	-	-	-	-	-	100 000	100 000
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-37 127	-1 034	-38 161
Share increase December 27 (not yet registered)	-	-	-	300 000	-	-	-	300 000
Proposed dividend for 2017	-	-	72 276	-	-72 276	-	-	-
OCI - pension - annual estimate deviation	-	-	-	-	-260	-	-	-260
<b>Balance as of 31 December 2017</b>	<b>6 570 548</b>	<b>3 287 922</b>	<b>72 276</b>	<b>300 000</b>	<b>-101 894</b>	<b>-37 127</b>	<b>1 180 000</b>	<b>11 271 724</b>
Change in losses due to new IFRS 9 measurment	-	-	-	-	-4 095	-	-	-4 095
Registration of share increase (from 27 December 2017)	200 000	100 000	-	-300 000	-	-	-	-
Share increase 28 February 2018	-	-	-	240 000	-	-	-	240 000
Net income for the period	-	-	-	-	26 055	-	-	26 055
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-9 875	-	-9 875
OCI -basisswapsread	-	-	-	-	10 254	-	-	10 254
<b>Balance as of 31 March 2018</b>	<b>6 770 548</b>	<b>3 387 922</b>	<b>72 276</b>	<b>240 000</b>	<b>-69 680</b>	<b>-47 002</b>	<b>1 180 000</b>	<b>11 534 063</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	31.03.2018	31.03.2017	2017
<b>Cash flows from operations</b>			
Interest received	1 359 508	1 553 571	3 552 215
Paid expenses, operations	-9 357	-37 902	-34 718
Paid tax	-	-	-124 898
<b>Net cash flow relating to operations</b>	<b>1 350 151</b>	<b>1 515 669</b>	<b>3 392 598</b>
<b>Cash flows from investments</b>			
Net purchase of loan portfolio	-3 527 556	-1 184 074	-3 187 555
Net payments on the acquisition of government bills	948 642	1 614 848	552 662
Net payments on the acquisition of bonds	7 800 866	875 577	-11 142 971
Net investments in intangible assets	-185	-35	-214
<b>Net cash flows relating to investments</b>	<b>5 221 767</b>	<b>1 306 316</b>	<b>-13 778 078</b>
<b>Cash flows from funding activities</b>			
Net receipt/payment from the issuance of certificates	-120 999	277 976	-828 967
Net receipt/payment from the issuance of bonds	5 781 946	897 863	10 266 970
Net receipt/payment from the issuance of subordinated debt	-	-	100 000
Net receipt/payment of loans to credit institutions	-7 531 499	-2 426 861	-1 413 538
Equity capital subscription	240 000	-	450 000
Paid dividend	-	-	-113 950
Net interest payments on funding activity	-1 172 081	-1 460 205	-3 234 635
<b>Net cash flow relating to funding activities</b>	<b>-2 802 633</b>	<b>-2 711 227</b>	<b>5 225 880</b>
<b>Net cash flow in the period</b>	<b>3 769 285</b>	<b>110 759</b>	<b>-5 159 599</b>
<b>Balance of cash and cash equivalents at beginning of period</b>	<b>3 044 644</b>	<b>8 129 096</b>	<b>8 129 097</b>
Net receipt/payments on cash	3 769 285	110 759	-5 159 599
Exchange rate difference	-35 855	11 731	75 147
<b>Balance of cash and cash equivalents at end of period</b>	<b>6 778 074</b>	<b>8 251 587</b>	<b>3 044 644</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	2018	2017	2017	2017	2017
Total interest income	804 935	809 548	822 416	900 887	937 419
Total interest expenses	-720 757	-701 413	-718 215	-777 648	-847 140
<b>Net interest income</b>	<b>84 178</b>	<b>108 134</b>	<b>104 201</b>	<b>123 239</b>	<b>90 278</b>
Net gains/losses from financial instruments	-41 185	-153 411	-20 781	-205 252	-250 917
<b>Net other operating income</b>	<b>-41 185</b>	<b>-153 411</b>	<b>-20 781</b>	<b>-205 252</b>	<b>-250 917</b>
<b>Total operating income</b>	<b>42 993</b>	<b>-45 277</b>	<b>83 420</b>	<b>-82 013</b>	<b>-160 639</b>
Salaries and other ordinary personnel expenses	-3 279	-3 081	-3 118	-2 429	-3 389
Other operating expenses	-5 037	-6 679	-4 257	-6 317	-5 136
<b>Total operating expenses</b>	<b>-8 316</b>	<b>-9 760</b>	<b>-7 375</b>	<b>-8 746</b>	<b>-8 525</b>
<b>Operating result before losses</b>	<b>34 677</b>	<b>-55 037</b>	<b>76 045</b>	<b>-90 759</b>	<b>-169 164</b>
Write-downs on loans and guarantees	64	-	-	-	-
<b>Pre-tax operating result</b>	<b>34 740</b>	<b>-55 037</b>	<b>76 045</b>	<b>-90 759</b>	<b>-169 164</b>
Taxes	-8 685	13 750	-19 011	22 690	42 291
<b>Profit/loss for the year</b>	<b>26 055</b>	<b>-41 286</b>	<b>57 034</b>	<b>-68 069</b>	<b>-126 873</b>
Other income and expense	10 254	-260	-	-	-
<b>Total Profit/Loss</b>	<b>36 309</b>	<b>-41 546</b>	<b>57 034</b>	<b>-68 069</b>	<b>-126 873</b>

# Balance sheet

NOK 1 000	31.03.2018	31.12.2017	30.09.2017	30.06.2017	31.03.2017
<b>Assets</b>					
Lending to and deposits with credit institutions	6 778 074	3 044 644	4 200 397	10 490 289	8 251 587
Certificates and bonds	44 775 172	54 318 384	41 638 986	44 774 036	40 229 178
Residential mortgage loans	181 205 294	177 675 130	176 093 142	173 571 981	175 654 209
Financial derivatives	20 488 383	27 144 125	21 637 545	24 684 813	25 160 358
Deferred tax asset	2 968	-	9 299	6 174	3 005
Other assets	1 281	1 188	992	1 109	1 703
<b>Total assets</b>	<b>253 251 172</b>	<b>262 183 472</b>	<b>243 580 361</b>	<b>253 528 402</b>	<b>249 300 040</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Debt incurred by issuing securities	223 053 410	224 462 981	211 526 141	216 466 932	212 822 181
Collateral received under derivatives contracts	15 716 295	23 628 253	17 848 036	23 245 875	22 005 476
Financial derivatives	1 010 264	898 292	1 231 492	1 074 719	1 514 308
Deferred tax	140 052	136 634	208 816	208 816	208 816
Tax payable	-	-	-	-	124 898
Subordinated debt	1 603 656	1 603 356	1 603 253	1 603 328	1 603 633
Other Liabilities	193 433	182 231	126 173	89 939	104 359
<b>Total Liabilities</b>	<b>241 717 109</b>	<b>250 911 747</b>	<b>232 543 911</b>	<b>242 689 610</b>	<b>238 383 671</b>
<b>Equity</b>					
Contributed equity	10 158 470	9 858 470	9 708 470	9 708 470	9 708 470
Other paid in equity (not yet registered)	240 000	300 000	150 000	-	-
Hybrid capital	1 180 000	1 180 000	1 080 000	1 080 000	1 070 986
Accrued equity	-142 738	-139 022	121 938	131 314	149 836
Net profit	26 055	-	-137 908	-194 942	-126 873
Declared dividends	72 276	72 276	113 950	113 950	113 950
<b>Total equity</b>	<b>11 534 063</b>	<b>11 271 724</b>	<b>11 036 449</b>	<b>10 838 792</b>	<b>10 916 369</b>
<b>Total liabilities and equity</b>	<b>253 251 173</b>	<b>262 183 472</b>	<b>243 580 361</b>	<b>253 528 402</b>	<b>249 300 040</b>

# Notes to the financial statements

## 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 01.01.2018 - 31.03.2018. 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 2017. The principles addressed below should be seen in connection with the accounting principles as they were presented in the annual accounts for 2017.

These financial accounts have been approved by the Board of Directors of SpareBank 1 Boligkreditt on 25.04.2018

### 1.2 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments has replaced IAS 39 from 1 January 2018. See note 32 IFRS 9 in the annual accounts for 2017, and note 3 and note 7 in the interim financial statements Q1 2018 for more information on the implementation of IFRS 9.

### 1.3 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 second quarter 2017 is therefore equal to the retail segment total results.

### 1.4 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.

### 1.5 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 2017 Note 3 explains in more detail the use of critical estimates and judgements when applying the accounting policies

### 1.6 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 2017.

## Note 2 Net interest income

NOK 1 000	31.03.2018	31.03.2017	2017
<b>Interest income</b>			
Interest income and similar income from loans to and balances with credit institutions	112 002	117 098	450 391
Interest income and similar income from loans to and balances with customers	1 139 947	1 133 861	4 599 141
Interest income treasury bills	-1 349	3 821	3 500
Commission expense (payable to shareholder banks) *	-445 664	-317 361	-1 582 762
<b>Total interest income</b>	<b>804 935</b>	<b>937 419</b>	<b>3 470 270</b>
<b>Interest expense</b>			
Interest expense and similar expenses to credit institutions	-11.401	-1.673	-25.579
Interest expense and similar expenses on issued bonds	718.366	829.380	3.000.407
Interest expense and similar expenses on issued certificates	49	4.502	9.824
Interest expense and similar expenses on Tier 2 capital	12.380	13.456	51.641
Other interest expenses	1.363	1.476	8.124
<b>Total interest expense</b>	<b>720.757</b>	<b>847.140</b>	<b>3.044.417</b>
<b>Net interest income</b>	<b>84 178</b>	<b>90 278</b>	<b>425 852</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	31.03.2018	31.03.2017	2017
Net gains (losses) from financial liabilities (1)	-1 386 833	-804 542	-3 819 661
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	1 621 208	676 430	3 006 425
Net gains (losses) from financial assets (2)	-299 993	60 933	517 587
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	24 433	28 351	54 560
Net gains (losses) due to changes in basisswapsreads (4)	-	-212 088	-389 271
<b>Net gains (losses)</b>	<b>-41 185</b>	<b>-250 917</b>	<b>-630 361</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 the with the passage of time and will become zero at the latest at the point of the scheduled swap termination date. IFRS 9 allows the company to present the changes in basis swaps spreads below other comprehensive income. As of 01.01.2018 it will no longer be presented below the income statement.

## Note 4 Salaries and remuneration

NOK 1 000	31.03.2018	31.03.2017	2017
Salary	2 863	2 969	10 486
Salaries reinvoyced to SpareBank1 Næringskreditt*	-820	-999	-2 945
Pension expenses	570	696	2 002
Social insurance fees	515	547	2 251
Other personnel expenses	152	176	221
<b>Total salary expenses</b>	<b>3 279</b>	<b>3 389</b>	<b>12 017</b>
Average number of full time equivalents (FTEs)	7	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	31.03.2018	31.03.2017	2017
IT and IT operations	2 626	2 366	9 143
Purchased services other than IT	1 892	2 160	10 290
Other Operating Expenses	381	364	1 934
Depreciation on fixed assets and other intangible assets	138	246	1 021
<b>Total</b>	<b>5 037</b>	<b>5 136</b>	<b>22 389</b>

## Note 6 Other assets

NOK 1 000	31.03.2018	31.03.2017	2017
Intangible assets *	485	1 033	438
Account receivables from SpareBank 1 Næringskreditt AS	796	670	750
<b>Total</b>	<b>1 281</b>	<b>1 703</b>	<b>1 188</b>

## Note 7 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 31.03.2018 were NOK 181,2 billion. All mortgages carry a variable interest rate.

NOK 1 000	31.03.2018	31.03.2017	2017
Revolving loans - retail market	48 000 826	53 106 730	49 192 170
Amortising loans - retail market	133 036 918	122 399 977	128 318 018
Accrued interest	179 199	155 210	172 650
<b>Total loans before specified and unspecified loss provisions</b>	<b>181 216 943</b>	<b>175 661 916</b>	<b>177 682 838</b>

Individual impairments	-	7 708	7 708
Impairments on groups of loans	-	-	-
Expected credit loss, stage 1	3 882	N/A	N/A
Expected credit loss, stage 2, no objective proof of loss	7 858	N/A	N/A
Expected credit loss, stage 3, objective proof of loss	-	N/A	N/A
<b>Total net loans and claims with customers</b>	<b>181 205 203</b>	<b>175 654 209</b>	<b>177 675 130</b>

### Liability

Unused balances under customer revolving credit lines (flexible loans)	12 459 551	13 315 988	12 431 823
<b>Total</b>	<b>12 459 551</b>	<b>13 315 988</b>	<b>12 431 823</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.

The following table show reconciliations from the opening to the closing balance of the loss allowance. Explanation of the terms 12-month ECL and lifetime ECL (stage 1-3) are included in note 32.1 in the annual account 2017.

NOK 1 000	2018			
Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	Total
<b>Balance sheet on 1 January 2018</b>	<b>3 843</b>	<b>7 960</b>	<b>-</b>	<b>11 803</b>
Transfer to 12 month ECL	38	-	-	38
Transfer to lifetime ECL - No objective evidence of loss	-	-102	-	-102
Transfer to lifetime ECL - objective proof of loss	-	-	-	-
Net remeasurement of loss allowance	38	-102	-	-64
<b>Balance sheet on 31 March 2018</b>	<b>3 882</b>	<b>7 858</b>	<b>-</b>	<b>11 739</b>

## Note 8 Share Capital and Shareholder Information

### List of shareholders as of 31.03.2018

	No of Shares	in per cent	Share of votes
SpareBank 1 Østlandet	14 271 965	21,08 %	21,08 %
SpareBank 1 SMN	13 436 496	19,85 %	19,85 %
SpareBank 1 Nord-Norge	11 409 991	16,85 %	16,85 %
SpareBank 1 SR-Bank ASA	5 387 714	7,96 %	7,96 %
BN Bank ASA	4 488 447	6,63 %	6,63 %
SpareBank 1 BV	4 226 624	6,24 %	6,24 %
SpareBank 1 Østfold Akershus	3 070 463	4,54 %	4,54 %
Sparebanken Telemark	3 009 812	4,45 %	4,45 %
SpareBank 1 Ringerike Hadeland	2 816 486	4,16 %	4,16 %
SpareBank 1 Nordvest	1 497 325	2,21 %	2,21 %
SpareBank 1 Modum	1 099 301	1,62 %	1,62 %
SpareBank 1 Søre Sunnmøre	873 755	1,29 %	1,29 %
SpareBank 1 Hallingdal Valdres	833 953	1,23 %	1,23 %
SpareBank 1 Gudbrandsdal	748 662	1,11 %	1,11 %
SpareBank 1 Lom og Skjåk	534 488	0,79 %	0,79 %
<b>Total</b>	<b>67 705 482</b>	<b>100 %</b>	<b>100 %</b>

The share capital consists of 67 705 482 shares with a nominal value of NOK 100

### Hybrid capital

NOK 1000	ISIN	Interest rate	Issued year	Call option	31.03.2018	31.03.2017	2017
Perpetual							
Hybrid (Tier 1 capital instrument)	NO0010713746	3M Nibor + 310 bp	2014	09.05.2019	350 000	350 000	350 000
Hybrid (Tier 1 capital instrument)	NO0010745920	3M Nibor + 360 bp	2015	23.09.2020	300 000	300 000	300 000
Hybrid (Tier 1 capital instrument)	NO0010746191	3M Nibor + 360 bp	2015	29.09.2020	180 000	180 000	180 000
Hybrid (Tier 1 capital instrument)	NO0010767643	3M Nibor + 360 bp	2016	22.06.2021	250 000	250 000	250 000
Hybrid (Tier 1 capital instrument)	NO0010811318	3M Nibor + 310 bp	2017	01.12.2022	100 000	-	100 000
<b>Book value</b>					<b>1 180 000</b>	<b>1 080 000</b>	<b>1 180 000</b>

## Note 9 Liabilities incurred by issuing Securities

	Nominal value*	Nominal value*	Nominal value*
<b>NOK 1 000</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>2017</b>
Short term notes, unsecured	-	1 240 000	121 000
Repurchased short term notes, unsecured	-	-12 000	-
Senior unsecured bonds	2 707 000	4 031 000	2 747 000
Repurchased senior unsecured bonds	-	-257 000	-
Covered bonds	200 346 183	185 941 328	195 440 860
Repurchased Covered bonds	-	-2 147 540	-679 000
<b>Total debt incurred by issuing securities</b>	<b>203 053 183</b>	<b>188 795 788</b>	<b>197 629 860</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>31.03.2018</b>	<b>31.03.2017</b>	<b>2017</b>
Short term notes, unsecured	-	1 239 940	120 999
Repurchased short term notes, unsecured	-	-11 999	-
Senior unsecured bonds	2 707 150	4 030 461	2 747 224
Repurchased senior unsecured bonds	-	-256 630	-
Covered bonds	219 416 404	209 119 119	220 881 928
Repurchased covered bonds	-	-2 321 252	-690 258
Activated costs incurred by issuing debt	-176 806	-169 171	-165 460
Accrued interest	1 106 662	1 191 713	1 568 549
<b>Total debt incurred by issuing securities</b>	<b>223 053 410</b>	<b>212 822 181</b>	<b>224 462 981</b>

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

### Senior Unsecured Bonds and notes

<b>Due in</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>2017</b>
2017	-	2 406 000	-
2018	1 191 000	1 415 000	1 312 000
2019	1 516 000	1 181 000	1 556 000
<b>Total</b>	<b>2 707 000</b>	<b>5 002 000</b>	<b>2 868 000</b>

### Covered bonds

<b>Due in</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>2017</b>
2017	-	9 354 000	-
2018	26 531 750	35 625 750	33 624 750
2019	27 568 998	27 541 266	27 580 116
2020	24 963 500	24 963 500	24 963 500
2021	28 850 595	28 784 038	28 877 278
2022	38 749 200	31 553 200	38 749 200
2023	17 782 150	9 301 050	14 624 800
2024	11 114 674	1 533 661	11 191 944
2025	10 648 750	1 010 000	1 010 000
2026	12 185 000	12 185 000	12 185 000
2027	668 766	659 522	672 472
2028	1 282 800	1 282 800	1 282 800
<b>Total</b>	<b>200 346 183</b>	<b>183 793 788</b>	<b>194 761 860</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)

NOK 1 000	31.03.2018	31.03.2017	2017
NOK	68 194 201	64 881 930	65 008 436
EUR	131 726 096	117 680 810	135 362 358
USD	17 356 935	29 988 418	18 270 303
GBP	5 516 237	0	5 546 052
SEK	259 941	271 023	275 832
<b>Total</b>	<b>223 053 410</b>	<b>212 822 181</b>	<b>224 462 981</b>

## Note 10 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option	Nominal amount	31.03.2018	31.03.2017	2017
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						3 656	3 633	3 356
<b>Book value</b>						<b>1 603 656</b>	<b>1 603 633</b>	<b>1 603 356</b>

## Note 11 Reconciliation of liabilities arising from financing activities

The table below details changes in liabilities arising from financing activities, including both cash and non-cash changes.

					Non-cash changes
NOK 1000	31.12.2017	Financing cash flows	Adjustments	Other changes	31.03.2018
Liabilities					
Debt incurred by issuing certificates	122 705	-120 999	-	-1 706	0
Debt incurred by issuing bonds	224 340 276	5 781 946	-6 089 780	-979 033	223 053 410
Collateral received in relation to financial derivatives	23 628 253	-7 531 499	-	-380 459	15 716 295
Financial derivatives	898 292	-	125 644	-13 672	1 010 264
Subordinated dept	1 603 356	-	-	300	1 603 656
Hybrid capital	1 180 000	-	-	-	1 180 000
	251 772 882	-1 870 552	-5 964 136	-1 374 570	242 563 625

## Note 12 Financial derivatives

NOK 1 000	31.03.2018	31.03.2017	2017
<b>Interest rate derivative contracts</b>			
<b>Interest rate swaps</b>			
Nominal amount	73 346 588	70 665 853	74 269 883
Asset	2 952 545	3 984 149	3 661 041
Liability	-610 188	-618 109	-655 346
<b>Currency derivative contracts</b>			
<b>Currency swaps</b>			
Nominal amount	142 402 120	137 070 396	145 676 227
Asset	17 535 838	21 176 209	23 483 084
Liability	-223 280	-882 916	-52 478
<b>Total financial derivative contracts</b>			
Nominal amount	215 748 707	207 736 249	219 946 110
Asset	20 488 383	25 160 358	27 144 125
Liability	-833 468	-1 501 024	-707 824
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>Liability</b>	<b>Liability</b>
Asset/Liability	-833 468	-1 501 024	-707 824
Net gain (loss) on valuation adjustment of basisswap spreads	-176 796	-13 284	-190 468
<b>Net asset/liability derivatives</b>	<b>-1 010 264</b>	<b>-1 514 308</b>	<b>-898 292</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 basisswaps 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 basisswap 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	31.03.2018
<b>Assets</b>					
Lending to and deposits with credit institutions	-	6 778 074	-	-	6 778 074
Lending to customers	-	181 205 294	-	-	181 205 294
Certificates and bonds	44 775 172	-	-	-	44 775 172
Financial derivatives	20 488 383	-	-	-	20 488 383
Deferred tax asset	-	-	-	2 968	2 968
Other assets	-	-	-	1 281	1 281
<b>Total Assets</b>	<b>65 263 555</b>	<b>187 983 368</b>	<b>0</b>	<b>4 249</b>	<b>253 251 172</b>
<b>Liabilities</b>					
Debt incurred by issuing securities	166 273 423	56 779 987	-	-	223 053 410
Collateral received in relation to financial derivatives	-	15 716 295	-	-	15 716 295
Financial derivatives	1 010 264	-	-	-	1 010 264
Deferred taxes	-	-	-	140 052	140 052
Taxes payable	-	-	-	-	-
Subordinated debt	-	1 603 656	-	-	1 603 656
Other liabilities	-	-	-	193 433	193 433
<b>Total Liabilities</b>	<b>167 283 688</b>	<b>74 099 937</b>	<b>-</b>	<b>333 485</b>	<b>241 717 109</b>
<b>Total Equity</b>	<b>-</b>	<b>1 180 000</b>	<b>-</b>	<b>10 354 063</b>	<b>11 534 063</b>
<b>Total Liabilities and Equity</b>	<b>167 283 688</b>	<b>75 279 937</b>	<b>-</b>	<b>10 687 548</b>	<b>253 251 172</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	31.03.2017
<b>Assets</b>					
Deposits at and receivables from financial institutions	-	8 251 587	-	-	8 251 587
Certificates and bonds	40 154 280	-	74 898	-	40 229 178
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

## 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 31.03.2018

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Bonds and bills	25 141 665	19 633 507	-	44 775 172
Financial Derivatives	-	20 488 383	-	20 488 383
<b>Total Assets</b>	<b>25 141 665</b>	<b>40 121 890</b>	<b>-</b>	<b>65 263 555</b>
Bonds	-	166 273 423	-	166 273 423
Financial Derivatives	-	1 010 264	-	1 010 264
<b>Total Liabilities</b>	<b>-</b>	<b>167 283 688</b>	<b>-</b>	<b>167 283 688</b>

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>

## Note 15 Other liabilities

<b>NOK 1 000</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>2017</b>
Employees tax deductions and other deductions	572	959	911
Employers national insurance contribution	382	399	627
Accrued holiday allowance	1 313	1 282	1 038
Commission payable to shareholder banks	156 142	121 064	155 832
Deposits*	3 789	3 233	771
Pension liabilities	15 461	14 374	15 211
Other accrued costs	15 773	-36 951	7 840
<b>Total</b>	<b>193 433</b>	<b>104 359</b>	<b>182 231</b>

The Company does not have an overdraft facility or a revolving credit facility as of 31.03.2018

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

## Note 16 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 2017).

According to discussions the Company has had with the Financial Services Authority, the presentation of the table in this note has been modified in the following way from year end 2017 (31.03.2017 is shown on the previous basis):

- The derivatives values, which are fx and/or hedges corresponding to issued covered bonds have been moved to be included in the cover pool. They were previously shown with the covered bonds.
- Repurchased own bonds have been removed from the calculation

<b>NOK 1 000</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>2017</b>
Covered Bonds	220 515 619	210 329 013	222 444 844
Repurchased Bonds	0	-2 358 440	-
Derivatives	0	-23 774 300	-
<b>Total Covered Bonds</b>	<b>220 515 619</b>	<b>184 196 274</b>	<b>222 444 844</b>
Residential mortgage loans	180 224 180	175 046 243	176 832 108
Lending to the public sector (gov. bonds/ certificates or gov. guaranteed debt)	2 103 041	2 206 277	2 432 576
Liquid assets (substitute assets)	33 409 118	24 243 143	30 750 021
Derivatives	19 654 915	-	26 599 558
<b>Total Cover Pool</b>	<b>235 391 254</b>	<b>201 495 663</b>	<b>236 614 263</b>
<b>Asset-coverage</b>	<b>106,7 %</b>	<b>109,4 %</b>	<b>106,4 %</b>

<b>Liquidity Coverage Ratio (LCR)</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>2017</b>
Liquid assets	355 860	749 391	510 729
Cash outflow next 30 days	339 269	899 630	491 758
LCR ratio	105,0 %	83 %	104 %

<b>Net Stable Funding Ratio (NSFR)</b>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>2017</b>
Available amount of stable funding	206 437 827	186 833 484	185 243 178
Required amount of stable funding	187 148 219	180 056 878	181 490 902
NSFR ratio	110,0 %	103,8 %	102,1 %

## Note 17 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 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 16.3% total capital in effect from December 31, 2017 includes a 12.8% Core Tier 1 capital (including a 2.0% countercyclical buffer and 0.8% pillar 2 requirement) 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% (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	31.03.2018	31.03.2017	2017
Share capital	6 770 548	6 470 548	6 570 548
Premium share fund	3 387 922	3 237 922	3 287 922
Other equity capital	169 539	13 949	233 254
Common equity	10 328 009	9 722 419	10 091 724
Intangible assets	-485	-1 033	-438
Declared share dividend	-72 276	-	-72 276
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-343 780	-325 545	-338 144
Prudent valuation adjustment (AVA)	-35 655	-66 904	-32 770
Core equity capital	9 875 813	9 328 937	9 648 096
Hybrid bond	1 180 000	1 080 000	1 180 000
Tier 1 equity capital	11 055 813	10 408 937	10 828 096
Supplementary capital (Tier 2)	1 600 000	1 600 000	1 600 000
<b>Total capital</b>	<b>12 655 813</b>	<b>12 008 937</b>	<b>12 428 096</b>
Minimum requirements for capital. NOK 1 000	31.03.2018	31.03.2017	2017
Credit risk	3 430 675	3 231 046	3 318 616
Market risk	-	-	-
Operational risk	62 185	58 661	58 661
Depreciation on groups of loans	-	-	-
CVA Risk	262 316	221 356	245 931
Difference in capital requirement resulting from transitional floor	2 340 382	2 422 646	2 337 486
<b>Minimum requirement for capital</b>	<b>6 095 559</b>	<b>5 933 709</b>	<b>5 960 695</b>



**Capital coverage**

	31.03.2018	31.03.2017	2017
Risk-weighted assets incl. transitional floor	74 508 686	74 171 362	74 508 686
Capital coverage (%)	16,61 %	16,19 %	16,68 %
Tier 1 capital coverage (%)	14,51 %	14,03 %	14,53 %
Core Tier 1 capital coverage (%)	12,96 %	12,58 %	12,95 %
Leverage ratio (%)	4,24 %	4,34 %	3,63 %

## Note 18 Related parties

The Company has 181 205 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 19 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 31.03.2018 this collateral amounted to NOK 15 716 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 20 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 31.03.2018.

## Contact information

SpareBank 1 Boligkreditt AS

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**Mailing address:**  
SpareBank 1 Boligkreditt  
P.O.Box 250  
N-4066 Stavanger  
Norway

**Visiting address:**  
Bjergsted Terrasse 1  
4007 Stavanger  
Norway



### **Managing Director**

Arve Austestad  
Phone: +47 5150 9411  
[arve.austestad@sparebank1.no](mailto:arve.austestad@sparebank1.no)



### **Director finance and investor relations**

Eivind Hegelstad  
Phone: +47 5150 9367  
[eivind.hegelstad@sparebank1.no](mailto:eivind.hegelstad@sparebank1.no)



### **Director risk and operations**

Henning Nilsen  
Phone: +47 5150 9412  
[henning.nilsen@sparebank1.no](mailto:henning.nilsen@sparebank1.no)