



Boligkreditt 2nd Quarterly Report 2018

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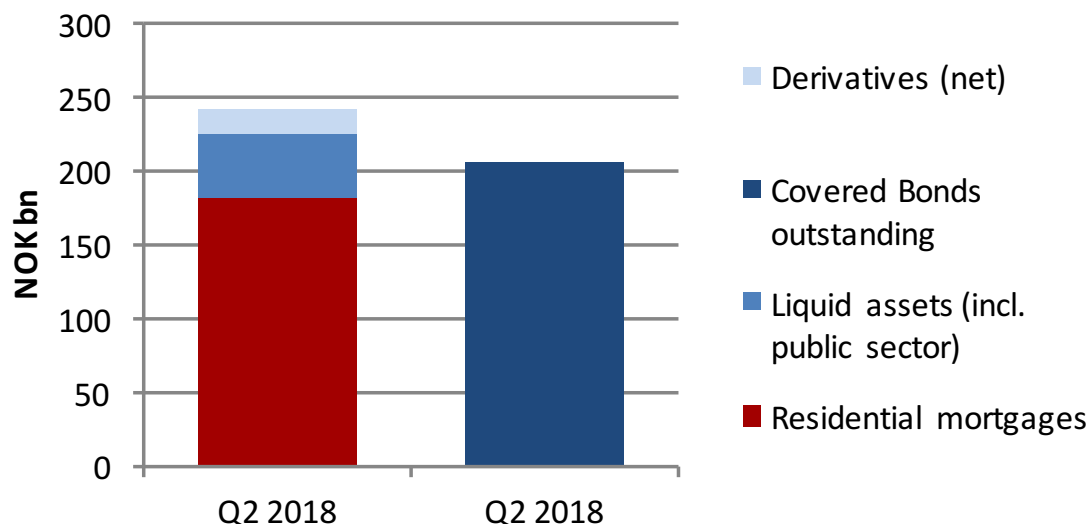
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Statement of the Board of Directors of SpareBank 1 Boligkreditt AS for the second quarter 2018

Cover pool and outstanding covered bonds¹

Boligkreditt's cover pool consists of residential mortgages and liquid, highly rated liquid 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 June 30, 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). The chart below describes the mortgages in the cover pool in more detail.

Key figures²

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Weighted Average Current LTV (%)	51,3 %	52,4 %	52,4 %	51,0 %	49,2 %
Weighted Average Original LTV (%)	59,8 %	59,9 %	59,8 %	59,9 %	59,8 %
Average Loan Balance (NOK)	1 414 916	1 400 686	1 386 865	1 374 953	1 349 074
Number of Mortgages in Pool	129 057	129 173	127 927	127 895	128 475
Pct. of non first-lien mortgages	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
Overcollateralization	6,7 %	6,7 %	6,4 %	7,7 %	8,7 %

Key developments in Q2 2018

A EUR 1 billion, 5 year covered bond was placed in June at a spread of +2 bps over the swap curve. The annual coupon was 0.375% and price 99.798 upon issuance. Spreads had widened slightly by June compared to earlier in the year along with the market.

^{1,2}The source is the balance sheet figures as of 30 June 2018 and the cover pool asset liability test for overcollateralization (see notes to the financial statements)

SpaBol tapped the Norwegian market for total covered bond issuance of 1.53 billion kroner during the 2nd quarter, both in fixed and floating.

A 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 3 per cent during the first half of 2018, as measured against the balance of loans as of December 31, 2017.

Boligkreditt is well capitalized with a capital coverage ratio of 16.7 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 14.6 and core equity capital 13.1 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.

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 pays out nearly the full margin earned to the owner banks which sell mortgages to the Company to obtain funding. This margin is accounted for as commissions due to owner banks and is included in the interest expense line of the Company's financial statements with additional detail in the notes.

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

The total balance sheet at 30.06.18 amounts to 253 (254) billion kroner. The Company had in the first half of 2018 net interest income of 176 (214) million kroner, which also includes the commissions paid to the parent banks. The cost of operations for the first half was 16.1 (17.3) million kroner including depreciation and amortization.

IFRS 9 expected losses increased by 0.6 million to 12 million. No actual loan losses have occurred since the Company commenced operations in 2007. This produces an operating result of -7 (-259) million kroner before tax. The result is negative mainly due to slight credit spread widening in the company's portfolio of liquid assets during 2018, and was negative last year due to the basis swap valuation adjustments in 2017 (a non-cash accounting measure). The basis swap valuation effect is from 2018 accounted for in Other Comprehensive Income only.

Mortgage loans for residential properties amounted to 183 (178) billion kroner as of 30.06.18. The Company's own liquid assets as of 30.06.18 were approximately 40 (32) 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 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 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 for approximately 139 billion kroner in EUR, 10 billion kroner in USD, 8.1 billion kroner in GBP and 0.2 billion kroner in Swedish kroner, at exchange rates at the end of June. 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 deposits, bills and bonds at quarter-end for a total of NOK 52.9 (55.2) billion kroner, whereof 13.2 (23.2) 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 31.06.2018 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 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 21 to 25 in the 2017 annual accounts provides further information.

Macroeconomic development and outlook³

The Norwegian mainland economy expanded by 1.9 per cent over 2017 and the forecast for 2018 is 2.1 per cent (Statistics Norway). The recovery from the previous 2015-16 oil price related slow-down is 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 energy (renewable), pharma and chemical and broadly in the services sector. Risks to the growth scenario are to be found in increasing interest rates (expected monetary policy rate increase in Q3 18) 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. Real estate valuations could be impacted, reducing house investments and its impact on demand. Likewise, an international trade conflict is a risk. Fiscal policy is expected to be neutral.

Summarized the forecast for the next few years are as follows for a few key indicators. Inflation has been revised up in 2018 due to energy prices (electricity) and the current account surplus is significantly revised upwards compared to March 2018 due to the oil price outlook

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

Source: Statistics Norway (SSB) June 5, 2018

Future prospects of the Company

The Company has a portfolio of residential mortgage lending with an average loan to value (LTV) of approximately 51 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 six months of 2018 real estate prices have again appreciated. 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 minimum reserves for each bank is calculated as that mortgage volume which is needed to cover the necessary replacement volume in the cover pool which would be needed should residential real estate prices decline of up to 30 per cent.

Due to the restrictions for loans to become part of the cover pool (bank lending practices, mortgage regulations and

³ Macroeconomic projections have been sourced from Statistics Norway as of June 5, 2018.

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

* * *

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 at the end of the second 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 quarter-end which are expected to impact the accounts for the first quarter 2018.

Stavanger, 7. August 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 second 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 30.06.18.

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

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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	2. quarter 2018	2. quarter 2017	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017	2017
Total interest income	2	913 860	900 887	1 718 795	1 838 306	3 470 270
Total interest expenses	2	-821 721	-777 648	-1 542 478	-1 624 789	-3 044 417
Net interest income		92 139	123 239	176 317	213 517	425 852
Net gains/losses from financial instruments	3	-125 375	-205 252	-166 560	-456 169	-630 361
Net other operating income		-125 375	-205 252	-166 560	-456 169	-630 361
Total operating income		-33 236	-82 013	9 757	-242 652	-204 508
Salaries and other ordinary personnel expenses	4	-2 860	-2 429	-6 140	-5 818	-12 017
Other operating expenses	5	-4 901	-6 317	-9 938	-11 453	-22 389
Total operating expenses		-7 761	-8 746	-16 077	-17 271	-34 406
Operating result before losses		-40 997	-90 759	-6 321	-259 922	-238 914
Write-downs on loans and guarantees	7	-665	-	-601	-	-
Pre-tax operating result		-41 662	-90 759	-6 922	-259 922	-238 914
Taxes		10 416	22 690	1 730	64 981	59 720
Profit/loss for the year		-31 247	-68 069	-5 191	-194 942	-179 194
Portion attributable to shareholders		-41 908	-77 577	-25 727	-214 498	-216 321
Portion attributable to additional Tier 1 capital holders		10 661	9 508	20 536	19 556	37 127
Profit/loss for the period		-31 247	-68 069	-5 191	-194 942	-179 194

Overview of comprehensive income

NOK 1 000	2. quarter 2018	2. quarter 2017	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017	2017
Profit/loss for the year	-31 247	-68 069	-5 191	-194 942	-179 194
Items which will not impact the income statement in future periods:					
Change due to basis swap spread adjustment	-108 600	-	-94 928	-	-
Tax effect of basis swap spread adjustment	27 150	-	23 732	-	-
Change in pensions for a previous period:					
Estimate deviation for pensions	-	-	-	-	-347
Tax effect of the estimate deviation	-	-	-	-	87
Total profit/loss accounted for in equity	-81 450	-	-71 196	-	-260
Total profit/loss	-112 696	-68 069	-76 387	-194 942	-179 454

Balance sheet

NOK 1 000	Note	30.06.2018	30.06.2017	2017
Assets				
Lending to and deposits with credit institutions	14	9 270 163	10 490 289	3 044 644
Certificates and bonds	14, 15	43 651 308	44 774 036	54 318 384
Residential mortgage loans	7, 14, 19	182 852 976	173 571 981	177 675 130
Financial derivatives	13, 14, 15	17 220 292	24 684 813	27 144 125
Deferred tax asset		6 573	6 174	-
Other assets	6	1 897	1 109	1 188
Total assets		253 003 210	253 528 402	262 183 472
Liabilities and equity				
Liabilities				
Debt incurred by issuing securities	10, 14	225 077 253	216 466 932	224 462 981
Collateral received under derivatives contracts	14, 15, 20	13 203 305	23 245 875	23 628 253
Financial derivatives	13, 14, 15	1 225 000	1 074 719	898 292
Deferred tax	14	112 902	208 816	136 634
Tax payable	14	-	-	-
Subordinated debt	11, 14	1 603 084	1 603 328	1 603 356
Other Liabilities	14, 16	130 959	89 939	182 231
Total Liabilities		241 352 503	242 689 610	250 911 747
Equity				
Paid-in equity	9	10 398 470	9 708 470	9 858 470
Other paid-in equity (not yet registered)		240 000	-	300 000
Hybrid capital	9	1 180 000	1 080 000	1 180 000
Accrued equity		-234 848	131 314	-139 022
Net profit		-5 191	-194 942	-
Declared dividends		72 276	113 950	72 276
Total equity		11 650 707	10 838 792	11 271 724
Total liabilities and equity		253 003 210	253 528 402	262 183 472

Stavanger, 07.08.2018

/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
Balance as of 31 December 2016	6 330 548	3 167 922	113 950	210 000	149 836	-	1 081 034	11 053 290
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
Balance as of 31 December 2017	6 570 548	3 287 922	72 276	300 000	-101 894	-37 127	1 180 000	11 271 724
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	160 000	80 000	-	-	-	-	-	240 000
Share increase 11 May 2018	-	-	-	240 000	-	-	-	240 000
Net income for the period	-	-	-	-	-5 191	-	-	-5 191
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-20 536	-	-20 536
OCI -basisswapsread	-	-	-	-	-71 196	-	-	-71 196
Balance as of 30 June 2018	6 930 548	3 467 922	72 276	240 000	-182 376	-57 663	1 180 000	11 650 707

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	30.06.2018	30.06.2017	2017
Cash flows from operations			
Interest received	2 219 481	2 178 046	3 552 215
Paid expenses, operations	-18 509	-20 473	-34 718
Paid tax	-	-124 898	-124 898
Net cash flow relating to operations	2 200 972	2 032 675	3 392 598
Cash flows from investments			
Net purchase of loan portfolio	-5 188 946	889 007	-3 187 555
Net payments on the acquisition of government bills	987 566	-632 639	552 662
Net payments on the acquisition of bonds	8 576 280	-607 889	-11 142 971
Net investments in intangible assets	-839	-214	-214
Net cash flows relating to investments	4 374 062	-351 735	-13 778 078
Cash flows from funding activities			
Net receipt/payment from the issuance of certificates	-120 999	-585 009	-828 967
Net receipt/payment from the issuance of bonds	11 039 537	4 931 699	10 266 970
Net receipt/payment from the issuance of subordinated debt	-	-	100 000
Net receipt/payment of loans to credit institutions	-9 897 394	-1 585 136	-1 413 538
Equity capital subscription	480 000	-	450 000
Paid dividend	-	-	-113 950
Net interest payments on funding activity	-1 862 718	-2 062 805	-3 234 635
Net cash flow relating to funding activities	-361 573	698 750	5 225 880
Net cash flow in the period	6 213 460	2 379 690	-5 159 599
Balance of cash and cash equivalents at beginning of period	3 044 644	8 129 097	8 129 097
Net receipt/payments on cash	6 213 460	2 379 690	-5 159 599
Exchange rate difference	12 059	-18 498	75 147
Balance of cash and cash equivalents at end of period	9 270 163	10 490 289	3 044 644

Quarterly Financial Statements

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

Income Statement

	2nd Quarter	1th Quarter	4th Quarter	3rd Quarter	2nd Quarter
NOK 1 000	2018	2018	2017	2017	2017
Total interest income	913 860	804 935	809 548	822 416	900 887
Total interest expenses	-821 721	-720 757	-701 413	-718 215	-777 648
Net interest income	92 139	84 178	108 134	104 201	123 239
Net gains/losses from financial instruments	-125 375	-41 185	-153 411	-20 781	-205 252
Net other operating income	-125 375	-41 185	-153 411	-20 781	-205 252
Total operating income	-33 236	42 993	-45 277	83 420	-82 013
Salaries and other ordinary personnel expenses	-2 860	-3 279	-3 081	-3 118	-2 429
Other operating expenses	-4 901	-5 037	-6 679	-4 257	-6 317
Total operating expenses	-7 761	-8 316	-9 760	-7 375	-8 746
Operating result before losses	-40 997	34 677	-55 037	76 045	-90 759
Write-downs on loans and guarantees	-665	64	-	-	-
Pre-tax operating result	-41 662	34 740	-55 037	76 045	-90 759
Taxes	10 416	-8 685	13 750	-19 011	22 690
Profit/loss for the year	-31 247	26 055	-41 286	57 034	-68 069
Other income and expense	-81 450	10 254	-260	-	-
Total Profit/Loss	-112 696	36 309	-41 546	57 034	-68 069

Balance sheet

NOK 1 000	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017
Assets					
Lending to and deposits with credit institutions	9 270 163	6 778 074	3 044 644	4 200 397	10 490 289
Certificates and bonds	43 651 308	44 775 172	54 318 384	41 638 986	44 774 036
Residential mortgage loans	182 852 976	181 205 294	177 675 130	176 093 142	173 571 981
Financial derivatives	17 220 292	20 488 383	27 144 125	21 637 545	24 684 813
Deferred tax asset	6 573	2 968	-	9 299	6 174
Other assets	1 897	1 281	1 188	992	1 109
Total assets	253 003 210	253 251 172	262 183 472	243 580 361	253 528 402
Liabilities and equity					
Liabilities					
Debt incurred by issuing securities	225 077 253	223 053 410	224 462 981	211 526 141	216 466 932
Collateral received under derivatives contracts	13 203 305	15 716 295	23 628 253	17 848 036	23 245 875
Financial derivatives	1 225 000	1 010 264	898 292	1 231 492	1 074 719
Deferred tax	112 902	140 052	136 634	208 816	208 816
Tax payable	-	-	-	-	-
Subordinated debt	1 603 084	1 603 656	1 603 356	1 603 253	1 603 328
Other Liabilities	130 959	193 433	182 231	126 173	89 939
Total Liabilities	241 352 503	241 717 109	250 911 747	232 543 911	242 689 610
Equity					
Contributed equity	10 398 470	10 158 470	9 858 470	9 708 470	9 708 470
Other paid in equity (not yet registered)	240 000	240 000	300 000	150 000	-
Hybrid capital	1 180 000	1 180 000	1 180 000	1 080 000	1 080 000
Accrued equity	-234 848	-142 738	-139 022	121 938	131 314
Net profit	-5 191	26 055	-	-137 908	-194 942
Declared dividends	72 276	72 276	72 276	113 950	113 950
Total equity	11 650 707	11 534 063	11 271 724	11 036 449	10 838 792
Total liabilities and equity	253 003 210	253 251 173	262 183 472	243 580 361	253 528 402

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 - 30.06.2018. 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 07.08.2018

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 7 and note 85 in the interim financial statements Q2 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	30.06.2018	30.06.2017	2017
Interest income			
Interest income from, certificates, bonds and deposits	223 028	249 898	453 891
Interest income from residential mortgage loans	2 302 467	2 286 163	4 599 141
Commission expense (payable to shareholder banks) *	-806 700	-697 755	-1 582 762
Total interest income	1 718 795	1 838 306	3 470 270
Interest expense			
Interest expense and similar expenses to credit institutions	-22 068	1 611	-15 755
Interest expense and similar expenses on issued bonds	1 535 506	1 592 570	3 000 407
Interest expense and similar expenses on subordinated debt	25 599	26 521	51 641
Other interest expenses	3 441	4 087	8 124
Total interest expense	1 542 478	1 624 789	3 044 417
Net interest income	176 317	213 517	425 852

* 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	30.06.2018	30.06.2017	2017
Net gains (losses) from financial liabilities (1)	-3 835 286	-4 047 766	-3 819 661
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	4 190 193	3 543 276	3 006 425
Net gains (losses) from financial assets (2)	-546 786	348 154	517 587
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	25 318	36 127	54 560
Net gains (losses) due to changes in basisswapsreads (4)	-	-335 960	-389 271
Net gains (losses)	-166 560	-456 169	-630 361

(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. IFRS 9 allows the company to present the changes in basis swap 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	30.06.2018	30.06.2017	2017
Salary	5 296	4 559	10 486
Salaries invoiced to SpareBank1 Næringskreditt*	-1 532	-1 328	-2 945
Pension expenses	1 224	1 271	2 002
Social insurance fees	1 159	1 092	2 251
Other personnel expenses	-9	224	221
Total salary expenses	6 140	5 818	12 017
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 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 Other Operating Expenses

NOK 1 000	30.06.2018	30.06.2017	2017
IT and IT operations	4 847	4 826	9 143
Purchased services other than IT	3 924	5 130	10 290
Other Operating Expenses	877	984	1 934
Depreciation on fixed assets and other intangible assets	290	513	1 021
Total	9 938	11 453	22 389

Note 6 Other assets

NOK 1 000	30.06.2018	30.06.2017	2017
Intangible assets *	986	946	438
Account receivables from SpareBank 1 Næringskreditt AS	911	163	750
Total	1 897	1 109	1 188

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 30.06.2018 were NOK 182,9 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.06.2018	30.06.2017	2017
Revolving loans - retail market	986	946	438

Amortising loans - retail market	911	163	750
Accrued interest	1 897	1 109	1 188
Total loans before specified and unspecified loss provisions	182 865 289	173 579 689	177 682 838

Individual impairments	-	7 708	7 708
Impairments on groups of loans	-	-	-
Expected credit loss, stage 1	3 909	N/A	N/A
Expected credit loss, stage 2, no objective proof of loss	8 404	N/A	N/A
Expected credit loss, stage 3, objective proof of loss	-	N/A	N/A
Total net loans and claims with customers	182 852 976	173 571 981	177 675 130

Liability

Unused balances under customer revolving credit lines (flexible loans)	13 354 369	13 121 002	12 431 823
Total	13 354 369	13 121 002	12 431 823

Defaulted loans

Defaults*	0,0 %	0,0 %	0,0 %
Specified loan loss provisions	0,0 %	0,0 %	0,0 %
Net defaulted loans	0,0 %	0,0 %	0,0 %

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 %
Net other loans at risk of loss	0,0 %	0,0 %	0,0 %

* 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
Balance sheet on 1 January 2018	3 843	7 960	-	11 803
Transfer to 12 month ECL	139	-	-	139
Transfer to lifetime ECL - No objective evidence of loss	-	463	-	463
Transfer to lifetime ECL - objective proof of loss	-	-	-	-
Net remeasurement of loss allowance	139	463	-	-601
New financial assets originated or purchased	N/A	N/A	-	N/A
Change due to reduced portfolio	N/A	N/A	-	N/A
Other movements	N/A	N/A	-	N/A
Balance sheet on 30 June 2018	3 982	8 423	-	12 404

Note 8 Amounts arising from ECL

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
Balance sheet on 1 January 2018	3 843	7 960	-	11 803
Transfer to 12 month ECL	N/A	N/A	-	N/A
Transfer to lifetime ECL - No objective evidence of loss	N/A	N/A	-	N/A
Transfer to lifetime ECL - objective proof of loss	-	-	-	-
Net remeasurement of loss allowance	N/A	N/A	-	N/A
New financial assets originated or purchased	N/A	N/A	-	N/A
Change due to reduced portfolio	N/A	N/A	-	N/A
Other movements	N/A	N/A	-	N/A
Balance sheet on 30 June 2018	3 982	8 423	-	12 404

Note 9 Share Capital and Shareholder Information

List of shareholders as of 30.06.2018

	No of Shares	in per cent	Share of votes
SpareBank 1 Østlandet	14 609 237	21,08 %	21,08 %
SpareBank 1 SMN	13 754 024	19,85 %	19,85 %
SpareBank 1 Nord-Norge	11 679 629	16,85 %	16,85 %
SpareBank 1 SR-Bank ASA	5 515 035	7,96 %	7,96 %
BN Bank ASA	4 594 517	6,63 %	6,63 %
SpareBank 1 BV	4 326 507	6,24 %	6,24 %
SpareBank 1 Østfold Akershus	3 143 023	4,54 %	4,54 %
Sparebanken Telemark	3 080 939	4,45 %	4,45 %
SpareBank 1 Ringerike Hadeland	2 883 045	4,16 %	4,16 %
SpareBank 1 Nordvest	1 532 709	2,21 %	2,21 %
SpareBank 1 Modum	1 125 280	1,62 %	1,62 %
SpareBank 1 Søre Sunnmøre	894 403	1,29 %	1,29 %
SpareBank 1 Hallingdal Valdres	853 661	1,23 %	1,23 %
SpareBank 1 Gudbrandsdal	766 354	1,11 %	1,11 %
SpareBank 1 Lom og Skjåk	547 119	0,79 %	0,79 %
Total	69 305 482	100 %	100 %

The share capital consists of 69 305 482 shares with a nominal value of NOK 100

Hybrid capital

NOK 1000	ISIN	Interest rate	Issued year	Call option	30.06.2018	30.06.2017	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
Book value					1 180 000	1 080 000	1 180 000

Note 10 Liabilities incurred by issuing Securities

	Nominal value*	Nominal value*	Nominal value*
NOK 1 000	30.06.2018	30.06.2017	2017
Short term notes, unsecured	-	365 000	121 000
Repurchased short term notes, unsecured	-	-	-
Senior unsecured bonds	2 203 000	4 231 000	2 747 000
Repurchased senior unsecured bonds	-57 000	-326 000	-
Covered bonds	206 255 947	190 183 687	195 440 860
Repurchased Covered bonds	-15 000	-2 105 970	-679 000
Total debt incurred by issuing securities	208 386 947	192 347 717	197 629 860

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

	Book value	Book value	Book value
NOK 1 000	30.06.2018	30.06.2017	2017
Short term notes, unsecured	-	364 957	120 999
Repurchased short term notes, unsecured	-	-	-
Senior unsecured bonds	2 203 053	4 231 377	2 747 224
Repurchased senior unsecured bonds	-57 008	-326 130	-
Covered bonds	221 952 215	213 350 828	220 881 928
Repurchased covered bonds	-15 016	-2 273 383	-690 258
Activated costs incurred by issuing debt	-190 176	-179 250	-165 460
Accrued interest	1 184 185	1 298 533	1 568 549
Total debt incurred by issuing securities	225 077 253	216 466 932	224 462 981

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

Senior Unsecured Bonds and notes

Due in	30.06.2018	30.06.2017	2017
2017	-	1 468 000	-
2018	849 000	1 621 000	1 312 000
2019	1 297 000	1 181 000	1 556 000
Total	2 146 000	4 270 000	2 868 000

Covered bonds

Due in	30.06.2018	30.06.2017	2017
2017	-	2 149 500	-
2018	18 755 050	35 435 250	33 624 750
2019	27 560 004	27 564 438	27 580 116
2020	24 963 500	24 963 500	24 963 500
2021	28 829 010	28 839 651	28 877 278
2022	38 749 200	33 403 200	38 749 200
2023	30 269 700	9 494 150	14 624 800
2024	11 052 165	11 082 982	11 191 944
2025	10 648 750	1 010 000	1 010 000
2026	12 185 000	12 185 000	12 185 000
2027	665 768	667 246	672 472
2028	2 562 800	1 282 800	1 282 800
Total	206 240 947	188 077 717	194 761 860
Total	208 386 947	192 347 717	197 629 860

* 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	30.06.2018	30.06.2017	2017
NOK	67 760 752	65 675 864	65 008 436
EUR	138 982 585	131 824 378	135 362 358
USD	9 971 473	18 695 188	18 270 303
GBP	8 115 585	0	5 546 052
SEK	246 858	271 501	275 832
Total	225 077 253	216 466 932	224 462 981

Note 11 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option	Maturity	Nominal amount	30.06.2018	30.06.2017	2017
With maturity									
Subordinated debt (Tier 2 capital instrument)	NO0010704109	3M Nibor + 225 bp	2014	07/05/2019	07/03/2024	1 350 000	1 350 000	1 600 000	1 600 000
Subordinated debt (Tier 2 capital instrument)	NO0010826696	3M Nibor + 153 bp	2018	22/06/2023	22/06/2028	250 000	250 000	0	0
Accrued interest							0	3 328	3 356
Book value							1 600 000	1 603 328	1 603 356

Note 12 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.

NOK 1000	31.12.2017	Financing cash flows	Non-cash changes		30.06.2018
			Adjustments	Other changes	
Liabilities					
Debt incurred by issuing certificates	122 705	-120 999	-	-1 706	0
Debt incurred by issuing bonds	224 340 276	11 039 537	-9 522 307	-780 254	225 077 253
Collateral received in relation to financial derivatives	23 628 253	-9 897 394	-	-527 554	13 203 305
Financial derivatives	898 292	-	231 780	94 928	1 225 000
Subordinated debt	1 603 356	-	-	-272	1 603 084
Hybrid capital	1 180 000	-	-	-	1 180 000
	251 772 882	1 021 145	-9 290 526	-1 214 858	242 288 642

Note 13 Financial derivatives

NOK 1 000	30.06.2018	30.06.2017	2017
Interest rate derivative contracts			
Interest rate swaps			
Nominal amount	64 755 942	74 562 672	74 269 883
Asset	2 948 808	3 995 594	3 661 041
Liability	-583 774	-661 148	-655 346
Currency derivative contracts			
Currency swaps			
Nominal amount	144 590 359	137 466 427	145 676 227
Asset	14 271 484	20 689 219	23 483 084
Liability	-355 830	-276 415	-52 478
Total financial derivative contracts			
Nominal amount	209 346 301	212 029 099	219 946 110
Asset	17 220 292	24 684 813	27 144 125
Liability	-939 605	-937 562	-707 824
All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.			
* Change due to basis swap spread adjustment	30.06.2018	30.06.2017	2017
Asset/Liability	-939 605	-937 562	-707 824
Net gain (loss) on valuation adjustment of basis swap spreads	-285 395	-137 157	-190 468
Net asset/liability derivatives	-1 225 000	-1 074 719	-898 292

Basis swaps are currency swaps and are entered into at a certain cost (spread) between SpareBank 1 Boligkredit 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.

For the market value of derivatives solely related to the covered bonds issued, i.e. that hedge the outstanding covered bonds with regards to interest rates or currencies, please see note titled "Asset Coverage Test". Remaining derivatives (swaps) are used to hedge positions within liquid assets not denominated in NOK and/or at fixed rates

Note 14 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	30.06.2018
Assets					
Lending to and deposits with credit institutions	-	9 270 163	-	-	9 270 163
Lending to customers	-	182 852 976	-	-	182 852 976
Certificates and bonds	43 651 308	-	-	-	43 651 308
Financial derivatives	17 220 292	-	-	-	17 220 292
Deferred tax asset	-	-	-	6 573	6 573
Other assets	-	-	-	1 897	1 897
Total Assets	60 871 600	192 123 139	0	8 470	253 003 210
Liabilities					
Debt incurred by issuing securities	174 147 697	50 929 556	-	-	225 077 253
Collateral received in relation to financial derivatives	-	13 203 305	-	-	13 203 305
Financial derivatives	1 225 000	-	-	-	1 225 000
Deferred taxes	-	-	-	112 902	112 902
Taxes payable	-	-	-	-	-
Subordinated debt	-	1 603 084	-	-	1 603 084
Other liabilities	-	-	-	130 959	130 959
Total Liabilities	175 372 697	65 735 945	-	243 860	241 352 503
Total Equity	-	1 180 000	-	10 470 707	11 650 707
Total Liabilities and Equity	175 372 697	66 915 945	-	10 714 568	253 003 210

* 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
Assets					
Deposits at and receivables from financial institutions	-	10 490 289	-	-	10 490 289
Certificates and bonds	44 774 036	-	-	-	44 774 036
Lending to customers	-	173 571 981	-	-	173 571 981
Financial derivatives	24 684 813	-	-	-	24 684 813
Deferred tax asset	-	-	-	6 174	6 174
Other assets	-	-	-	1 109	1 109
Total Assets	69 458 849	184 062 270	0	7 283	253 528 402
Liabilities					
Debt incurred by issuing securities	170 240 644	46 226 289	-	-	216 466 932
Collateral received in relation to financial derivatives	-	23 245 875	-	-	23 245 875
Financial derivatives	1 074 719	-	-	-	1 074 719
Deferred taxes	-	-	-	208 816	208 816
Taxes payable	-	-	-	-	-
Subordinated debt	-	1 603 328	-	-	1 603 328
Other liabilities	-	-	-	89 939	89 939
Total Liabilities	171 315 363	71 075 492	-	298 756	242 689 610
Total Equity	-	1 080 000	-	9 758 792	10 838 792
Total Liabilities and Equity	171 315 363	72 155 492	-	10 057 547	253 528 402

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

Note 15 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 30.06.2018

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	22 604 273	21 047 035	-	43 651 308
Financial Derivatives	-	17 220 292	-	17 220 292
Total Assets	22 604 273	38 267 327	-	60 871 600
Bonds	-	174 147 697	-	174 147 697
Financial Derivatives	-	1 225 000	-	1 225 000
Total Liabilities	-	175 372 697	-	175 372 697

The following table presents the company's assets and liabilities at fair value as of 30.06.2017

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	29 076 787	15 697 249	-	44 774 036
Financial Derivatives	-	24 684 813	-	24 684 813
Total Assets	29 076 787	40 382 062	-	69 458 849
Bonds	-	170 240 644	-	170 240 644
Financial Derivatives	-	1 074 719	-	1 074 719
Total Liabilities	-	171 315 363	-	171 315 363

Note 16 Other liabilities

NOK 1 000	30.06.2018	30.06.2017	2017
Employees tax deductions and other deductions	850	450	911
Employers national insurance contribution	564	442	627
Accrued holiday allowance	448	445	1 038
Commission payable to shareholder banks	107 474	132 221	155 832
Deposits*	1 993	2 038	771
Pension liabilities	15 711	14 624	15 211
Other accrued costs	3 919	-60 281	7 840
Total	130 959	89 939	182 231

The Company does not have an overdraft facility or a revolving credit facility as of 30.06.2018

* 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 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 (30.06.2017 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

NOK 1 000	30.06.2018	30.06.2017	2017
Covered Bonds	223 129 470	214 693 867	222 444 844
Repurchased Bonds	0	-2 330 630	-
Derivatives	0	-23 867 791	-
Total Covered Bonds	223 129 470	188 495 446	222 444 844
Lending to customers	182 009 708	173 122 544	176 832 108
Lending to the public sector (gov. bonds/certificates or gov. guaranteed debt)	1 887 057	4 174 857	2 432 576
Reverse repo/depo less than 100 days	7 531 862	-	-
Exposure to credit institutions (covered bonds)	30 261 187	27 532 840	30 750 021
Derivatives	16 280 687	-	26 599 558
Total Cover Pool	237 970 502	204 830 241	236 614 263
Asset-coverage	106,7 %	108,7 %	106,4 %

Liquidity Coverage Ratio (LCR)	30.06.2018	30.06.2017	2017
Liquid assets	11 231 317	236 708	510 729
Cash outflow next 30 days	2 004 482	273 570	491 758
LCR ratio	560,3 %	87 %	104 %

Net Stable Funding Ratio (NSFR)	30.06.2018	30.06.2017	2017
Available amount of stable funding	211 271 697	193 321 956	185 243 178
Required amount of stable funding	186 347 504	178 591 279	181 490 902
NSFR ratio	113,4 %	108,2 %	102,1 %

Note 18 Capital adequacy

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

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

Transitional rules have been implemented by the FSA whereby regulated financial institutions with approved IRB models will not be able to fully benefit from the results of such models 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	30.06.2018	30.06.2017	2017
Share capital	6 930 548	6 470 548	6 570 548
Premium share fund	3 467 922	3 237 922	3 287 922
Other equity capital	72 237	50 322	233 254
Common equity	10 470 707	9 758 792	10 091 724
Intangible assets	-986	-946	-438
Declared share dividend	-72 276	-113 950	-72 276
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-336 160	-313 397	-338 144
Prudent valuation adjustment (AVA)	-39 037	-70 534	-32 770
Core equity capital	10 022 248	9 259 966	9 648 096
Hybrid bond	1 180 000	1 080 000	1 180 000
Tier 1 equity capital	11 202 248	10 339 966	10 828 096
Supplementary capital (Tier 2)	1 600 000	1 600 000	1 600 000
Total capital	12 802 248	11 939 966	12 428 096

Minimum requirements for capital. NOK 1 000	30.06.2018	30.06.2017	2017
Credit risk	3 410 277	3 246 189	3 318 616
Market risk	-	-	-
Operational risk	62 185	58 661	58 661
Depreciation on groups of loans	-	-	-
CVA Risk	252 688	191 458	245 931
Difference in capital requirement resulting from transitional floor	2 414 974	2 404 769	2 337 486
Minimum requirement for capital	6 140 124	5 901 077	5 960 695

Capital coverage

	30.06.2018	30.06.2017	2017
Risk-weighted assets incl. transitional floor	76 751 558	73 763 459	74 508 686
Capital coverage (%)	16,68 %	16,19 %	16,68 %
Tier 1 capital coverage (%)	14,60 %	14,02 %	14,53 %
Core Tier 1 capital coverage (%)	13,06 %	12,55 %	12,95 %
Leverage ratio (%)	4,40 %	4,24 %	3,63 %

Note 19 Related parties

The Company has 182 853 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 30.06.2018 this collateral amounted to NOK 13 203 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 30.06.2018.

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