



*Lofoten, Norway*

# Boligkreditt

## 3<sup>rd</sup> Quarterly Report 2017

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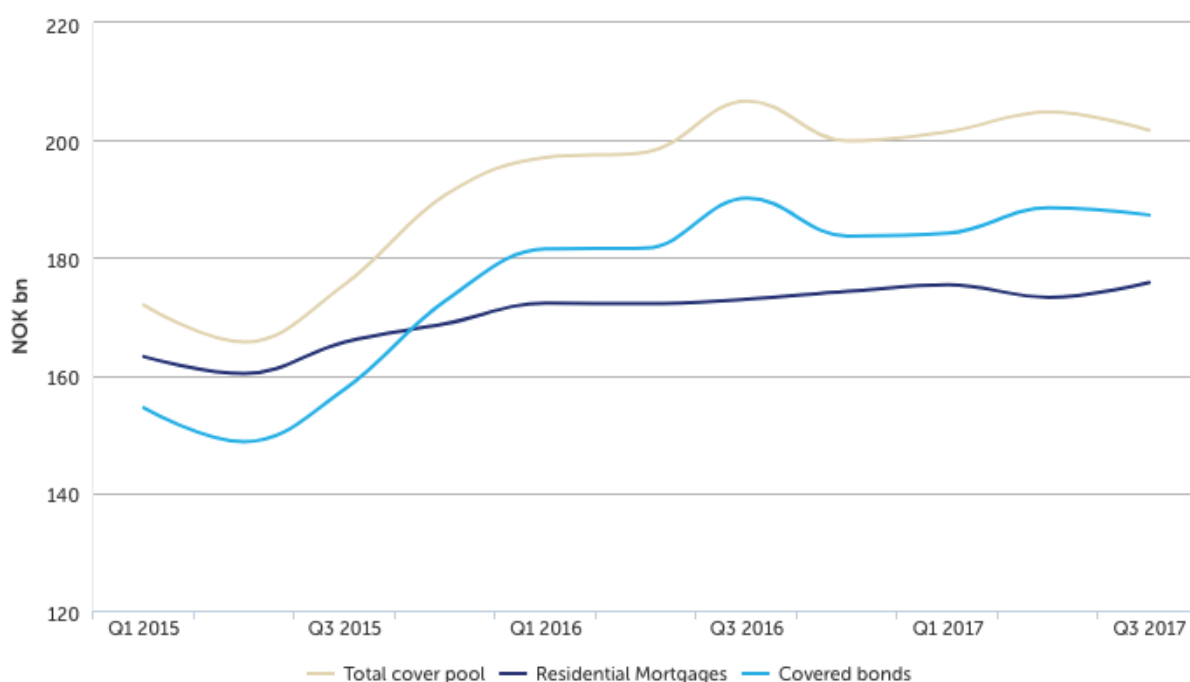
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# Statement of the Board of Directors for the third quarter 2017

## Cover pool and outstanding covered bonds

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



## Key figures

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Weighted Average Current LTV (%)	51,0 %	49,2 %	49,7 %	51,1 %	49,9 %
Weighted Average Original LTV (%)	59,9 %	59,8 %	59,6 %	59,4 %	59,0 %
Average Loan Balance (NOK)	1 374 953	1 349 074	1 340 039	1 322 732	1 306 717
Number of Mortgages in Pool	127 895	128 475	130 920	131 743	132 397
Pct. of non first-lien mortgages	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
Overcollateralization	107,7 %	108,7 %	111,2 %	108,8 %	108,6 %

## Key developments in the first nine months of 2017

During the third quarter no new debt was issued as the EUR 1 billion benchmark settled on June 26 was sufficient for requirements during the quarter. The summer period is also typically associated with less issuance volume. The Norwegian covered bond market is developing well. During the third quarter and market adopted to the European issuance standard with larger amounts from two issuers placed during one day in a syndicated format.

The residential lending volume has increased by NOK 2 billion (1.4 per cent.) over the third quarter of the year. This increase is a net number of additions and subtractions in the cover pool. The expectation is for the volume of mort-

gages to increase by approximately NOK 3 billion during the fourth quarter 2017. As usual the expectation is based on the SpareBank 1 banks' funding plans and mortgage growth.

In the market for the Company's bonds the credit spreads have generally contracted moderately with the market during year to September. The EUR denominated bonds issued in 2017, a 5-year in January and a 7-year benchmark in June both carried spreads of zero bps over mid-swaps.

Boligkreditt is well capitalized with a capital coverage ratio of 16.39 per cent measured against a total capital requirement of 15.0 per cent, in addition to 0.8 per cent capital requirement for Pillar 2 requirements. Total Tier 1 capital is 14.22 and core equity capital 12.77 per cent.

SpareBank 1 Boligkreditt has a negative result for the nine months to the end of September, which was also the case for the full year 2016. This is due to the change in basis swap valuation adjustments, an accounting requirement which does not impact cash flows and earnings and reverse to zero over time. The pre-tax result is a positive 142 million kroner excluding the effect from revaluing basis swaps.

As of 31.12.2016 the Company reclassified its hybrid bonds from debt to equity on the balance sheet, in accordance with IFRS rules. Capital ratios are not affected by this movement of lines on the balance sheet. Interest expense on the hybrid bonds however are from 2017 charged to equity and not accounted for in the pre-tax result as interest expense.

In October 2017 SpareBank 1 Boligkreditt decided to end the requested covered bond rating from the agency Fitch Ratings for commercial reasons. The rating from Fitch is currently AAA and has remained at this level since the first covered bond issuance in 2007. The covered bonds maintain their rating by Moody's Investor Service (rated Aaa).

## Nature and development of the Company's business

SpareBank 1 Boligkreditt AS is a credit institution licensed by the Norwegian Financial Services Authority (Finanstilsynet) and is operated according to the legislation for covered bond issuers in Norway which is included in the law regarding financial enterprises ("Finansforetaksloven") chapter 11, section II and the detailed regulations thereof. The law was amended and effective from January 1, 2016.

The purpose of the Company is to provide funding for the owners by buying residential mortgage loans with a loan-to-value ("LTV") of up to 75 per cent and financing these primarily through the issuance of covered bonds. The Company which is based in Stavanger, is owned by banks which are members of the SpareBank 1 Alliance. A comprehensive agreement is signed which each of the banks in the SpareBank 1 Alliance which are selling mortgages to the Company regarding the purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing Agreement", "TSA"). The Company's operating model is to pay out to the owner banks who sell mortgages to the Company the margin earned during the course of the year (commissions to the parent banks). These commissions are deducted in the financial accounts to calculate net income.

The Company's issuances of covered bonds mainly take place under the EUR 25,000,000,000 Global Medium Term Covered Note Programme (GMTCN Programme). This Programme was updated on June 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 bond ratings are Aaa from Moody's.

## Accounts for the period

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

The Board views the accounts as presented to be a true representation of SpareBank 1 Boligkreditt's operations and financial position at the end of the year. Numbers in brackets refer to the previous year for comparison.

The total balance sheet at the end of the third quarter 2017 amounts to 233 (250) billion kroner. The reduction is largely due to a decline in the value of derivatives used for hedging issued bonds and declines in associated collateral levels held as well as repayments. The Company had in the three quarters to September 2017 net interest income of 318 (322) million kroner, which includes a deduction for commissions paid to the parent banks who originate the mortgage loans. The cost of operations for the period was 24.6 (25.2) million kroner including depreciation and amortization (an additional 5 per cent tax is levied on Norwegian banks' pay roll from January 2017). No additional amounts have been charged as loan provisions (write offs) in 2017 beyond the approximately 8 million kroner which has been reserved from previous years. No actual loan losses have occurred since the Company commenced operations. This produces an operating result of negative 184 (positive 38) million kroner before tax. The operating result includes a pre-tax loss due to basis swap valuation adjustments of approximately 326 million kroner. Basis swap valuation adjustments are temporary effects reversed over time until maturity of the swaps.

Lending to customers amounted to 176.1 (173) billion kroner as of 30.09.17. The Company's own liquid assets as of December 31, 2016 were 28 (34) billion kroner. Liquid assets are cash and highly rated, highly liquid bonds which are held as a function of upcoming bond maturities up to 12 months ahead in time.

## Risk aspects

SpareBank 1 Boligkreditt as an issuer of covered bonds is subject to strict rules regarding its exposure to credit, market, and liquidity risks. This fact and the aim of the maintenance of the Aaa 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 in foreign currency, in addition to Norwegian kroner denominated debt. Amounts were approximately 129 billion kroner in EUR, 18 billion kroner in USD and 0.3 billion kroner in Swedish kroner, at exchange rates at quarter-end. However, all borrowing and investments with a fixed rate and all borrowing and investments in a foreign currency have been hedged by financial currency- and/or interest rate swap agreements or through natural hedges. The collective cash flow therefore matches borrowings in Norwegian kroner with floating rate conditions (NIBOR 3 months). The Company receives collateral from its counterparties in derivative agreements according to certain criteria.

SpareBank 1 Boligkreditt AS owns cash, bonds and short term notes at year-end for a total of 46 (59) billion kroner, whereof 18 (25) billion kroner is collateral received from counterparties in derivatives transactions and are not available for the Company as liquid assets. The bonds held are Norwegian and Nordic covered bonds and German supra sovereign and agencies (German agencies guaranteed by the German government) with a triple-A rating from Fitch, Moody's and/or S&P, as well as some Norwegian and German sovereign debt. Deposits are placed in banks with a minimum rating of at least A/A2.

The Company had as of 30.09.2017 only moderate interest rate risk and immaterial amounts of currency risk.

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



egy 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. The Company's liquidity position is good.

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

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

## Future prospects of the Company

The Company has a portfolio of residential mortgage lending with an average loan to value of approximately 50 per cent and no loans are in default. Residential real estate prices in Norway, an especially in the capital of Oslo, changed direction over the last six months. This means that a correction is taking place where real estate prices increased the most over the previous years, and especially in Oslo. On a 12 months basis the Norwegian real estate index is up 1.5 per cent in September 2017, while it is up 0.9 per cent in Oslo. Over only the previous six months however, the data show a reduction of 3.8 (nationally, including Oslo) and contraction of 7.8 per cent (for Oslo only). The correction seems to be effected by tighter regulations for banks on the mortgage market, which specifically addressed the previous strong price appreciation in the capital. 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.

Due to the special characteristics and restrictions for loans to become part of the cover pool, the high degree of diversification of the pool and the continued strength of the Norwegian economy, as well as prudent lending practices (and mortgage lending regulations) in place, 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>1</sup>:** The Norwegian mainland economy contracted by 0.2 per cent in the second quarter (from the 2nd quarter last year), but experienced a strong growth of 3.1 per cent in the first quarter. Taken together, the quarters represent a good performance in the mainland economy driven by business investments, exports and consumption increases, both private and public sector. The unemployment rate is now 4.2 per cent (July 2017), down from 4.6 at the last data point in April. The labour market is therefore clearly improving. It is to some extent important that the oil price has stabilized at level above USD 50/barrel. The Norwegian energy sector has over the previous 2 years reduced costs significantly and new investment projects in the sector are viable to a higher degree at the current oil price. Jobs are created in many sectors across industries in Norway, which have benefitted from the relatively weak Norwegian currency (and low interest rates). However, the unemployment rate improvement is partially also explained by a reduced labour force participation rate, which is now 69.9 per cent of the population, down from just above 71 per cent at the end of 2014 and through 2015.

**Economic outlook:** The economic outlook is summarized in the table below. Third quarter national account data is published by SSB in Norway on November 17. The latest data at the time of writing is therefore the second quarter 2017. House construction and total demand from the public sector have contributed to the recovery in Norway in 2017 (real growth in 2016 was 1.0 per cent), alongside a weak exchange rate which has mattered for the general competitiveness in Norwegian industry. The household consumption growth has also increased (and consumer confidence expanding). After a record setting decline in average real household disposable income in 2016 (negative 1.6 per cent), an increase of 2.2 is expected in 2017 and higher growth in the following years. Looking ahead it is the export sector and investment in mainland industries (for example electric power, i.e. wind investments and electric transmission upgrades) which will likely be drivers of economic growth. House prices are now correcting and the construction sector will thus no longer contribute, but probably be a drag on growth in 2018. At the same time the fiscal stimulus from the government looks set to

<sup>1</sup> Macroeconomic projections have been sourced from Statistics Norway as of Sept 5, 2017.

be neutral in 2018 and is likely to reverse in later years as there is a general political consensus that the contribution from the fund to the government budget should decline (2.9 per cent of the fund is proposed used in 2018).

Projections (%)	2017	2018	2019	2020
GDP growth, mainland	2,2	2,1	3,0	2,8
Unemployment rate	3,4	3,7	3,6	3,5
CPI growth	2,1	1,7	1,7	1,9
Annual wage increase	3,5	3,5	3,5	3,6
Current account surplus to GDP	5,2	4,2	4,6	5,1

Source: Statistics Norway (SSB) Sept 5, 2017

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

There have been no incidents of a material nature after year-end which are expected to impact the quarterly accounts as of 30 September, 2017.

Stavanger, September 30, 2017 / October 24, 2017  
The Board of Directors of SpareBank 1 Boligkreditt AS



/s/ Kjell Fordal  
Chairman of the Board



/s/ Inge Reinertsen



/s/ Merete N. Kristiansen



/s/ Geir Egil Bolstad



/s/ Inger M.S. Eriksen



/s/ Arve Austestad  
Managing Director



# SpareBank 1 Boligkreditt AS

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

The Board and the chief executive officer have today reviewed and approved the financial accounts for the third quarter 2017 for SpareBank 1 Boligkreditt AS. The quarterly accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

To the best knowledge of the board and the chief executive officer the accounts have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole as of 30.09.17.

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

Stavanger, September 30, 2017 / October 24, 2017  
The Board of Directors of SpareBank 1 Boligkreditt AS

/s/ Kjell Fordal  
Chairman of the Board

/s/ Inge Reinertsen

/s/ Merete N. Kristiansen

/s/ Geir Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Arve Austestad  
Managing Director

# Financial statements

## Income statement

NOK 1 000	Note	3. quarter 2017	3. quarter 2016	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016	2016
Total interest income	2	822 416	942 275	2 660 722	2 825 648	3 797 962
Total interest expenses	2	-718 215	-839 655	-2 343 004	-2 503 250	-3 386 965
<b>Net interest income</b>		<b>104 201</b>	<b>102 620</b>	<b>317 718</b>	<b>322 398</b>	<b>410 997</b>
Net gains/losses from financial instruments	3	-20 781	-181 345	-476 950	-259 043	-521 993
<b>Net other operating income</b>		<b>-20 781</b>	<b>-181 345</b>	<b>-476 950</b>	<b>-259 043</b>	<b>-521 993</b>
<b>Total operating income</b>		<b>83 420</b>	<b>-78 725</b>	<b>-159 232</b>	<b>63 355</b>	<b>-110 996</b>
Salaries and other ordinary personnel expenses	4	-3 117	-3 160	-8 935	-8 303	-11 409
Other operating expenses	5	-4 257	-6 427	-15 710	-16 879	-23 929
<b>Total operating expenses</b>		<b>-7 374</b>	<b>-9 587</b>	<b>-24 646</b>	<b>-25 182</b>	<b>-35 338</b>
<b>Operating result before losses</b>		<b>76 046</b>	<b>-88 312</b>	<b>-183 878</b>	<b>38 173</b>	<b>-146 334</b>
Write-downs on loans and guarantees	7	-	-	-	-	-
<b>Pre-tax operating result</b>		<b>76 046</b>	<b>-88 312</b>	<b>-183 878</b>	<b>38 173</b>	<b>-146 334</b>
Taxes		-19 011	22 078	45 969	-9 543	36 583
<b>Profit/loss for the year</b>		<b>57 034</b>	<b>-66 234</b>	<b>-137 908</b>	<b>28 630</b>	<b>-109 751</b>

## Overview of comprehensive income

NOK 1 000	3. quarter 2017	3. quarter 2016	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016	2016
Profit/loss for the year	57 034	-66 234	-137 908	28 630	-109 751
Items which will not impact the income statement in future periods:					
Change in pensions for a previous period	-	-	-	-	-
Estimate deviation for pensions	-	-	-	-	-1 054
Tax effect of the estimate deviation	-	-	-	-	264
<b>Total profit/loss accounted for in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-791</b>
<b>Total profit/loss</b>	<b>57 034</b>	<b>-66 234</b>	<b>-137 908</b>	<b>28 630</b>	<b>-110 542</b>

# Balance sheet

NOK 1 000	Note	30.09.2017	30.09.2016	2016
<b>Assets</b>				
Lending to and deposits with credit institutions	12	4 200 397	10 261 328	8 129 096
Certificates and bonds	12, 13	41 638 986	49 042 899	42 506 617
Lending to customers	7	176 093 142	173 328 663	174 463 203
Financial derivatives	11	21 637 545	27 278 826	27 150 388
Deferred tax asset		9 299	-	-
Other assets	6	992	2 262	1 543
<b>Total assets</b>		<b>243 580 361</b>	<b>259 913 978</b>	<b>252 250 848</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Debt incurred by issuing securities	9, 12, 13	211 526 141	220 083 440	213 056 583
Collateral received under derivatives contracts	18	17 848 036	25 331 451	24 304 397
Financial derivatives	11	1 231 492	1 415 786	1 781 221
Deferred tax		208 816	380 104	208 816
Tax payable		-	-	124 898
Subordinated debt	10	1 603 253	2 684 461	1 603 778
Other Liabilities	14	126 172	117 308	117 865
<b>Total Liabilities</b>		<b>232 543 911</b>	<b>250 012 550</b>	<b>241 197 558</b>
<b>Equity</b>				
Paid-in equity		9 708 470	9 498 470	9 498 470
Other paid-in equity (not yet registered)		150 000	-	210 000
Hybrid capital		1 080 000	-	1 081 034
Accrued equity		121 938	374 328	149 836
Net profit		-137 908	28 630	-
Declared dividends		113 950	-	113 950
<b>Total equity</b>		<b>11 036 450</b>	<b>9 901 428</b>	<b>11 053 290</b>
<b>Total liabilities and equity</b>		<b>243 580 361</b>	<b>259 913 978</b>	<b>252 250 848</b>

Stavanger, 24.10.2017

/s/ Kjell Fordal  
Chairman of the Board

/s/ Inge Reinertsen

/s/ Merete N. Kristiansen

/s/ Geir Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Arve Austestad  
Managing Director

## Changes in Equity

NOK 1 000	Share capital	Additional paid in equity	Dividend	Other paid-in equity (not yet registered)	Other Equity	Hybrid capital	Total Equity
<b>Balance as of 31 December 2015</b>	<b>5 710 548</b>	<b>2 857 922</b>	<b>105 074</b>	<b>690 000</b>	<b>374 328</b>	<b>-</b>	<b>9 737 872</b>
Registration of share increase (from 22 December 2015)	460 000	230 000	-	-690 000	-	-	-
Dividend 2015	-	-	-105 074	-	-	-	-105 074
Share increase 29 June 2016	160 000	80 000	-	-	-	-	240 000
Share increase 28 December 2016 (not yet registered)	-	-	-	210 000	-	-	210 000
Net income for the period *	-	-	-	-	-109 751	-	-109 751
Proposed dividend for 2016	-	-	113 950	-	-113 950	-	-
OCI - pension - annual estimate deviation	-	-	-	-	-791	-	-791
Reclassification of hybrid capital as of 31 December 2016	-	-	-	-	-	1 081 034	1 081 034
<b>Balance as of 31 December 2016</b>	<b>6 330 548</b>	<b>3 167 922</b>	<b>113 950</b>	<b>210 000</b>	<b>149 836</b>	<b>1 081 034</b>	<b>11 053 290</b>
Registration of share increase (from 28 December 2016)	140 000	70 000	-	-210 000	-	-	-
Share increase 28 September 2017 (not yet registered)	-	-	-	150 000	-	-	150 000
Net income for the period	-	-	-	-	-137 908	-	-137 908
Paid interest on hybrid capital	-	-	-	-	-37 197	-1 034	-38 231
Tax on hybrid capital, directly against equity	-	-	-	-	9 299	-	9 299
<b>Balance as of 30 September 2017</b>	<b>6 470 548</b>	<b>3 237 922</b>	<b>113 950</b>	<b>150 000</b>	<b>-15 970</b>	<b>1 080 000</b>	<b>11 036 450</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 for banks in Norway.

All CET1 hybrid instruments have been reclassified to equity on the balance sheet from 31.12.2016. This is according to the definition of a financial liability under IAS 32.

# Cash flow statement

NOK 1 000	30.09.2017	30.09.2016	2016
<b>Cash flows from operations</b>			
Interest received	3 157 089	2 887 496	3 858 846
Paid expenses, operations	-28 338	-29 627	-36 469
Paid tax	-124 898	0	0
<b>Net cash flow relating to operations</b>	<b>3 003 853</b>	<b>2 857 870</b>	<b>3 822 377</b>
<b>Cash flows from investments</b>			
Net purchase of loan portfolio	-1 617 503	-4 004 428	-5 128 140
Net payments on the acquisition of government bills	509 274	6 025 532	6 685 763
Net payments on the acquisition of bonds	811 903	-6 772 210	-495 538
Net investments in intangible assets	-214	-642	-732
<b>Net cash flows relating to investments</b>	<b>-296 539</b>	<b>-4 751 750</b>	<b>1 061 353</b>
<b>Cash flows from funding activities</b>			
Net receipt/payment from the issuance of certificates	-377 075	949 959	949 966
Net receipt/payment from the issuance of bonds	3 183 173	14 874 673	8 296 329
Net receipt/payment from the issuance of subordinated debt	0	250 000	250 000
Net receipt/payment of loans to credit institutions	-6 395 388	-9 468 515	-11 329 904
Equity capital subscription	-150 000	240 000	450 000
Paid dividend	0	-105 074	-105 074
Net interest payments on funding activity	-2 911 283	-2 596 483	-3 396 582
<b>Net cash flow relating to funding activities</b>	<b>-6 650 574</b>	<b>4 144 559</b>	<b>-4 885 266</b>
<b>Net cash flow in the period</b>	<b>-3 943 260</b>	<b>2 250 679</b>	<b>-1 535</b>
<b>Balance of cash and cash equivalents at beginning of period</b>	<b>8 129 096</b>	<b>8 083 543</b>	<b>8 083 543</b>
Net receipt/payments on cash	-3 943 260	2 250 679	-1 535
Exchange rate difference	14 560	-72 895	47 089
<b>Balance of cash and cash equivalents at end of period</b>	<b>4 200 397</b>	<b>10 261 328</b>	<b>8 129 096</b>



# Quarterly Financial Statements

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

## Income statement

	3rd Quarter	2th Quarter	1th Quarter	4th Quarter	3rd Quarter
NOK 1 000	2017	2017	2017	2016	2016
Total interest income	822 416	900 887	937 419	972 314	942 275
Total interest expenses	-718 215	-777 648	-847 140	-883 715	-839 655
<b>Net interest income</b>	<b>104 201</b>	<b>123 239</b>	<b>90 278</b>	<b>88 599</b>	<b>102 620</b>
Net gains/losses from financial instruments	-20 781	-205 252	-250 917	-262 950	-181 345
<b>Net other operating income</b>	<b>-20 781</b>	<b>-205 252</b>	<b>-250 917</b>	<b>-262 950</b>	<b>-181 345</b>
<b>Total operating income</b>	<b>83 420</b>	<b>-82 013</b>	<b>-160 639</b>	<b>-174 351</b>	<b>-78 725</b>
Salaries and other ordinary personnel expenses	-7 374	-8 746	-8 525	-10 156	-9 587
Other operating expenses	-4 257	-6 317	-5 136	-7 050	-6 427
<b>Total operating expenses</b>	<b>-7 375</b>	<b>-8 746</b>	<b>-8 525</b>	<b>-10 156</b>	<b>-9 587</b>
<b>Operating result before losses</b>	<b>76 045</b>	<b>-90 759</b>	<b>-169 164</b>	<b>-184 507</b>	<b>-88 312</b>
Write-downs on loans and guarantees	-	-	-	-	-
<b>Pre-tax operating result</b>	<b>76 045</b>	<b>-90 759</b>	<b>-169 164</b>	<b>-184 507</b>	<b>-88 312</b>
Taxes	-19 011	22 690	42 291	46 126	22 078
<b>Profit/loss for the year</b>	<b>57 034</b>	<b>-68 069</b>	<b>-126 873</b>	<b>-138 381</b>	<b>-66 234</b>
Other income and expense	-	-	-	-791	-
<b>Total Profit/Loss</b>	<b>57 034</b>	<b>-68 069</b>	<b>-126 873</b>	<b>-139 172</b>	<b>-66 234</b>

## Balance sheet

NOK 1 000	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016
<b>Assets</b>					
Lending to and deposits with credit institutions	4 200 397	10 490 289	8 251 587	8 129 096	10 261 328
Certificates and bonds	41 638 986	44 774 036	40 229 178	42 506 617	49 042 899
Lending to customers	176 093 142	173 571 981	175 654 209	174 463 203	173 328 663
Financial derivatives	21 637 545	24 684 813	25 160 358	27 150 388	27 278 826
Deferred tax asset	9 299	6 174	3 005	-	-
Other assets	992	1 109	1 703	1 543	2 262
<b>Total assets</b>	<b>243 580 361</b>	<b>253 528 402</b>	<b>249 300 040</b>	<b>252 250 848</b>	<b>259 913 978</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Debt incurred by issuing securities	211 526 141	216 466 932	212 822 181	213 056 583	220 083 440
Collateral received under derivatives contracts	17 848 036	23 245 875	22 005 476	24 304 397	25 331 451
Financial derivatives	1 231 492	1 074 719	1 514 308	1 781 221	1 415 786
Deferred tax	208 816	208 816	208 816	208 816	380 104
Tax payable	-	-	124 898	124 898	-
Subordinated debt	1 603 253	1 603 328	1 603 633	1 603 778	2 684 461
Other Liabilities	126 173	89 939	104 359	117 865	117 308
<b>Total Liabilities</b>	<b>232 543 911</b>	<b>242 689 610</b>	<b>238 383 671</b>	<b>241 197 558</b>	<b>250 012 550</b>
<b>Equity</b>					
Contributed equity	9 708 470	9 708 470	9 708 470	9 498 470	9 498 470
Other paid in equity (not yet registered)	150 000	-	-	210 000	-
Hybrid capital	1 080 000	1 080 000	1 070 986	1 081 034	-
Accrued equity	121 938	131 314	149 836	149 836	374 328
Net profit	-137 908	-194 942	-126 873	-	28 630
Declared dividends	113 950	113 950	113 950	113 950	
<b>Total equity</b>	<b>11 036 449</b>	<b>10 838 792</b>	<b>10 916 369</b>	<b>11 053 290</b>	<b>9 901 428</b>
<b>Total liabilities and equity</b>	<b>243 580 361</b>	<b>253 528 402</b>	<b>249 300 040</b>	<b>252 250 848</b>	<b>259 913 978</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 01.01.2017 - 30.06.2017. The accounts have been produced in accordance with IAS 34 reporting for a partial year. The accounts are prepared in accordance with IFRS and IFRIC interpretations thereof. The Company's accounting principles and calculation methods have not materially changed since the annual accounts for 2016. The principles addressed below should be seen in connection with the accounting principles as they were presented in the annual accounts for 2016.

These financial accounts have been approved by the Board of Directors of SpareBank 1 Boligkreditt on 24.10.2017

### 1.2 Segment

Business segments are the Company's primary reporting segment. The Company has only one segment, which is the retail customer segment. The segment consists of lending to private individuals and all loans have been acquired from the member banks of the SpareBank 1 alliance. The Company's total results as of the second quarter 2017 is therefore equal to the retail segment total results.

### 1.3 Presentational Currency

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

### 1.4 Risk Management

SpareBank 1 Boligkreditt AS' financial assets and liabilities fluctuates in value as a result of the variability of prices of such assets and liabilities in the financial markets. In the annual accounts for 2016 Note 3 explains in more detail the use of critical estimates and judgements when applying the accounting policies

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

The preparation of the financial information is in accordance with IFRS and involves management's estimates which

affect the implementation of accounting principles and thereby accounting values for assets, liabilities, revenue and costs. These estimates have been described in the notes to the annual accounts for 2016.

## Note 2 Net interest income

NOK 1 000	30.09.2017	30.09.2016	2016
<b>Interest income</b>			
Interest income and similar income from loans to and balances with credit institutions	353 979	378 986	526 792
Interest income and similar income from loans to and balances with customers	3 439 824	3 405 652	4 511 245
Interest income treasury bills	-6 365	18 684	7 877
Commission expense (payable to shareholder banks) *	-1 126 716	-977 674	-1 247 952
<b>Total interest income</b>	<b>2 660 722</b>	<b>2 825 648</b>	<b>3 797 962</b>
<b>Interest expense</b>			
Interest expense and similar expenses to credit institutions	-17 030	8 075	12 258
Interest expense and similar expenses on issued bonds	2 306 110	2 416 106	3 265 299
Interest expense and similar expenses on issued certificates	8 653	5 565	9 107
Interest expense and similar expenses on Tier 1 capital **	-	32 178	45 227
Interest expense and similar expenses on Tier 2 capital	39 204	40 308	54 001
Other interest expenses	6 068	1 020	1 073
<b>Total interest expense</b>	<b>2 343 004</b>	<b>2 503 250</b>	<b>3 386 965</b>
<b>Net interest income</b>	<b>317 718</b>	<b>322 398</b>	<b>410 997</b>

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

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

## Note 3 Net Gains on Financial Instruments

NOK 1 000	30.09.2017	30.09.2016	2016
Net gains (losses) from financial liabilities (1)	-3 655 610	-3 557 619	-3 274 659
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	3 357 169	3 980 663	3 641 152
Net gains (losses) from financial assets (2)	101 029	-601 426	-665 916
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	46 663	16 031	77 376
Net gains (losses) due to changes in basisswapsreads (4)	-326 201	-96 693	-299 947
<b>Net gains (losses)</b>	<b>-476 950</b>	<b>-259 043</b>	<b>-521 993</b>

(1) The Company utilizes hedge accounting as defined in IFRS for issued fixed rate bonds (covered bonds) with derivatives (swaps) which hedges fixed rates to floating and foreign currencies to Norwegian kroner. The hedges are individually tailored to each issued bond and exactly matches the cash flows and duration of the issued bonds. Some liabilities in foreign currency are hedged with natural hedges (corresponding assets in the same currency and will cause the valuation change of the liabilities to be different to the valuation changes in the derivatives hedging the liabilities (there will also be valuation differences due to the 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.

## Note 4 Salaries and remuneration

NOK 1 000	30.09.2017	30.09.2016	2016
Salary	7 341	7 666	9 903
Salaries reinviced to SpareBank1 Næringskreditt*	-2 107	-2 311	-2 691
Pension expenses	1 924	1 631	1 956
Social insurance fees	1 633	1 198	1 699
Other personnel expenses	144	119	541
<b>Total salary expenses</b>	<b>8 935</b>	<b>8 303</b>	<b>11 409</b>
Average number of full time equivalents (FTEs)	8	8	8

\* The company's employees have shared employment between SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. All remuneration is effectuated through SpareBank 1 Boligkreditt and a portion is reinviced 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	30.09.2017	30.09.2016	2016
IT and IT operations	6 948	7 118	9 295
Purchased services other than IT	6 655	7 642	11 471
Other Operating Expenses	1 347	1 106	1 796
Depreciation on fixed assets and other intangible assets	761	1 013	1 367
<b>Total</b>	<b>15 710</b>	<b>16 879</b>	<b>23 929</b>

## Note 6 Other assets

NOK 1 000	30.09.2017	30.09.2016	2016
Intangible assets	698	1 510	1 245
Account receivables from SpareBank 1 Næringskreditt AS	294	753	299
<b>Total</b>	<b>992</b>	<b>2 262</b>	<b>1 543</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 Q3 2017 were NOK 176,1 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.09.2017	30.09.2016	2016
Revolving loans - retail market	50 270 071	53 822 598	53 353 004
Amortising loans - retail market	125 670 065	119 376 324	120 969 630
Accrued interest	160 714	137 449	148 277
<b>Total loans before specified and unspecified loss provisions</b>	<b>176 100 850</b>	<b>173 336 371</b>	<b>174 470 911</b>
Specified loan loss provisions	-	-	-
Unspecified loan loss provisions	7 708	7 708	7 708
<b>Total net loans and claims with customers</b>	<b>176 093 142</b>	<b>173 328 663</b>	<b>174 463 203</b>

### Liability

Unused balances under customer revolving credit lines (flexible loans)	12 850 826	13 731 753	13 593 736
<b>Total</b>	<b>12 850 826</b>	<b>13 731 753</b>	<b>13 593 736</b>

### Defaulted loans

Defaults*	0,0 %	0,0 %	0,0 %
Specified loan loss provisions	0,0 %	0,0 %	0,0 %
<b>Net defaulted loans</b>	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>

### Loans at risk of loss

Loans not defaulted but at risk of loss	0,0 %	0,0 %	0,0 %
- Write downs on loans at risk of loss	0,0 %	0,0 %	0,0 %
<b>Net other loans at risk of loss</b>	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>

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

#### Changes to loan loss provisions

NOK 1 000	30.09.2017	30.09.2016	2016
Loan loss provisions starting balance	7 708	7 708	7 708
Change in group loan loss provisions	0	0	0
<b>Loan loss provisions ending balance</b>	<b>7 708</b>	<b>7 708</b>	<b>7 708</b>

## Note 8 Share Capital and Shareholder Information

#### List of shareholders as of 30.09.2017

	No of Shares	in per cent	Share of votes
SpareBank 1 Østlandet	13 107 545	20,26 %	20,26 %
SpareBank 1 SMN	12 349 152	19,09 %	19,09 %
SpareBank 1 Nord-Norge	9 452 201	14,61 %	14,61 %
SpareBank 1 SR-Bank ASA	8 972 206	13,87 %	13,87 %
BN Bank ASA	3 904 571	6,03 %	6,03 %
SpareBank 1 BV	2 990 735	4,62 %	4,62 %
SpareBank 1 Østfold Akershus	2 879 967	4,45 %	4,45 %
Sparebanken Telemark	2 728 584	4,22 %	4,22 %
SpareBank 1 Ringerike Hadeland	2 374 127	3,67 %	3,67 %
SpareBank 1 Nordvest	1 421 523	2,20 %	2,20 %
SpareBank 1 Modum	941 527	1,46 %	1,46 %
SpareBank 1 Nøtterøy Tønsberg	904 606	1,40 %	1,40 %
SpareBank 1 Søre Sunnmøre	841 836	1,30 %	1,30 %
SpareBank 1 Hallingdal Valdres	775 375	1,20 %	1,20 %
SpareBank 1 Gudbrandsdal	599 994	0,93 %	0,93 %
SpareBank 1 Lom og Skjåk	461 533	0,71 %	0,71 %
<b>Total</b>	<b>64 705 482</b>	<b>100 %</b>	<b>100 %</b>

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

## Note 9 Liabilities incurred by issuing Securities

	Nominal value*	Nominal value*	Nominal value*
NOK 1 000	30.09.2017	30.09.2016	2016
Short term notes, unsecured	765 000	950 000	950 000
Repurchased short term notes, unsecured	-192 000	-	-
Senior unsecured bonds	3 556 000	3 631 000	3 481 000
Repurchased senior unsecured bonds	-484 000	-232 000	-232 000
Covered bonds	189 325 703	193 760 232	185 292 077
Repurchased Covered bonds	-2 357 875	-3 889 085	-1 951 550
<b>Total debt incurred by issuing securities</b>	<b>190 612 828</b>	<b>194 220 147</b>	<b>187 539 527</b>

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

	Book value 30.09.2017	Book value 30.09.2016	Book value 2016
<b>NOK 1 000</b>			
Short term notes, unsecured	764 988	949 959	949 966
Repurchased short term notes, unsecured	-192 097	-	-
Senior unsecured bonds	3 556 289	3 630 568	3 480 574
Repurchased senior unsecured bonds	-484 220	-231 291	-231 456
Covered bonds	209 292 549	218 297 071	209 376 266
Repurchased covered bonds	-2 514 242	-4 102 595	-2 136 734
Activated costs incurred by issuing debt	-166 568	-175 849	-163 181
Accrued interest	1 269 441	1 715 578	1 781 147
<b>Total debt incurred by issuing securities</b>	<b>211 526 141</b>	<b>220 083 440</b>	<b>213 056 583</b>

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

#### Senior Unsecured Bonds and notes

Due in	30.09.2017	30.09.2016	2016
2016	-	500 000	0
2017	535 000	2 668 000	2 518 000
2018	1 554 000	300 000	800 000
2019	1 556 000	881 000	881 000
<b>Total</b>	<b>3 645 000</b>	<b>4 349 000</b>	<b>4 199 000</b>

#### Covered bonds

Due in	30.09.2017	30.09.2016	2016
2016	-	10 252 000	-
2017	1 824 500	19 480 500	19 449 500
2018	34 841 250	35 754 250	35 754 250
2019	27 554 400	27 530 484	27 535 470
2020	24 963 500	24 958 500	24 958 500
2021	28 815 560	28 458 162	28 770 128
2022	33 403 200	18 698 750	21 148 750
2023	9 410 500	9 211 200	9 252 750
2024	11 013 218	1 503 651	1 517 529
2025	1 010 000	1 010 000	1 010 000
2026	12 185 000	11 255 000	12 185 000
2027	663 900	475 850	475 850
2028	1 282 800	1 282 800	1 282 800
<b>Total</b>	<b>186 967 828</b>	<b>189 871 147</b>	<b>183 340 527</b>

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

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

NOK 1 000	30.09.2017	30.09.2016	2016
NOK	63 990 855	59 885 435	62 584 741
EUR	129 423 654	131 672 207	120 282 131
USD	17 843 744	28 259 485	29 922 726
SEK	267 888	266 313	266 985
<b>Total</b>	<b>211 526 141</b>	<b>220 083 440</b>	<b>213 056 583</b>

## Note 10 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option	Nominal amount	30.09.2017	30.09.2016	2016
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						3 253	3 552	3 778
* Hybrid (Tier 1 capital instrument)						0	1 080 909	0
<b>Book value</b>						<b>1 603 253</b>	<b>2 684 461</b>	<b>1 603 778</b>

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

## Note 11 Financial derivatives

NOK 1 000	30.09.2017	30.09.2016	2016
<b>Interest rate derivative contracts</b>			
<b>Interest rate swaps</b>			
Nominal amount	74 490 504	77 041 291	69 479 995
Asset	3 704 718	5 113 523	4 346 925
Liability	-563 060	-521 729	-667 779
<b>Currency derivative contracts</b>			
<b>Currency swaps</b>			
Nominal amount	134 464 794	146 579 003	138 286 431
Asset	17 932 827	21 763 245	22 604 660
Liability	-541 034	-894 056	-1 113 441
<b>Total financial derivative contracts</b>			
Nominal amount	208 955 298	223 620 294	207 766 425
Asset	21 637 545	26 876 768	26 951 585
Liability	-1 104 094	-1 415 786	-1 781 221
All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.			
<b>* Change due to basis swap spread adjustment</b>	<b>Liability</b>	<b>Asset</b>	<b>Asset</b>
Asset/Liability	-1 104 094	26 876 768	26 951 585
Net gain (loss) on valuation adjustment of basisswap spreads	-127 398	402 058	198 803
<b>Net asset/liability derivatives</b>	<b>-1 231 492</b>	<b>27 278 826</b>	<b>27 150 388</b>

Basis swaps are currency swaps and are entered into at a certain cost (spread) between SpareBank 1 Boligkreditt and counterparties (banks) that have signed an ISDA and CSA 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. All swaps are employed for hedging purposes.

## Note 12 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	30.09.2017
<b>Assets</b>					
Deposits at and receivables from financial institutions	-	4 200 397	-	-	4 200 397
Certificates and bonds	41 638 986	-	-	-	41 638 986
Lending to customers	-	176 093 142	-	-	176 093 142
Financial derivatives	21 637 545	-	-	-	21 637 545
Deferred tax asset	-	-	-	9 299	9 299
Other assets	-	-	-	992	992
<b>Total Assets</b>	<b>63 276 531</b>	<b>180 293 539</b>	<b>0</b>	<b>10 291</b>	<b>243 580 361</b>
<b>Liabilities</b>					
Debt incurred by issuing securities	166 656 214	44 869 927	-	-	211 526 141
Collateral received in relation to financial derivatives	-	17 848 036	-	-	17 848 036
Financial derivatives	1 231 492	-	-	-	1 231 492
Deferred taxes	-	-	-	208 816	208 816
Taxes payable	-	-	-	-	-
Subordinated dept	-	1 603 253	-	-	1 603 253
Other liabilities	-	-	-	126 173	126 173
<b>Total Liabilities</b>	<b>167 887 706</b>	<b>64 321 216</b>	<b>-</b>	<b>334 989</b>	<b>232 543 911</b>
<b>Total Equity</b>	<b>-</b>	<b>1 080 000</b>	<b>-</b>	<b>9 956 449</b>	<b>11 036 449</b>
<b>Total Liabilities and Equity</b>	<b>167 887 706</b>	<b>65 401 216</b>	<b>-</b>	<b>10 291 438</b>	<b>243 580 361</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	30.09.2016
<b>Assets</b>					
Deposits at and receivables from financial institutions	-	10 261 328	-	-	10 261 328
Certificates and bonds	48 968 169	-	74 730	-	49 042 899
Lending to customers	-	173 328 663	-	-	173 328 663
Financial derivatives	27 278 826	-	-	-	27 278 826
Other assets	-	-	-	2 262	2 262
<b>Total Assets</b>	<b>76 246 995</b>	<b>183 589 991</b>	<b>74 730</b>	<b>2 262</b>	<b>259 913 978</b>
<b>Liabilities</b>					



Debt incurred by issuing securities	178 880 889	41 202 550	-	-	220 083 440
Collateral received in relation to financial derivatives	-	25 331 451	-	-	25 331 451
Financial derivatives	1 415 786	-	-	-	1 415 786
Deferred taxes	-	-	-	380 104	380 104
Taxes payable	-	-	-	-	-
Subordinated dept	-	2 684 461	-	-	2 684 461
Other liabilities	-	-	-	117 308	117 308
<b>Total Liabilities</b>	<b>180 296 675</b>	<b>69 218 462</b>	<b>-</b>	<b>497 412</b>	<b>250 012 550</b>
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 901 428</b>	<b>9 901 428</b>
<b>Total Liabilities and Equity</b>	<b>180 296 675</b>	<b>69 218 462</b>	<b>-</b>	<b>10 398 840</b>	<b>259 913 978</b>

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

## Note 13 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 is at fair value 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 is at fair value 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 30.09.2017

<b>NOK 1 000</b>				
	Level 1	Level 2	Level 3	Total
Bonds and bills	25 574 356	16 064 630	-	41 638 986
Financial Derivatives	-	21 637 545	-	21 637 545
<b>Total Assets</b>	<b>25 574 356</b>	<b>37 702 175</b>	<b>-</b>	<b>63 276 531</b>
Bonds	-	166 656 214	-	166 656 214
Financial Derivatives	-	1 231 492	-	1 231 492
<b>Total Liabilities</b>	<b>-</b>	<b>167 887 706</b>	<b>-</b>	<b>167 887 706</b>

The following table presents the company's assets and liabilities at fair value as of 30.09.2016

<b>NOK 1 000</b>				
	Level 1	Level 2	Level 3	Total
Bonds and bills	30 189 424	18 778 745	-	48 968 169
Financial Derivatives	-	27 278 826	-	27 278 826
<b>Total Assets</b>	<b>30 189 424</b>	<b>46 057 571</b>	<b>-</b>	<b>76 246 995</b>
Bonds	-	178 880 889	-	178 880 889
Financial Derivatives	-	1 415 786	-	1 415 786
<b>Total Liabilities</b>	<b>-</b>	<b>180 296 675</b>	<b>-</b>	<b>180 296 675</b>

## Note 14 Other liabilities

<b>NOK 1 000</b>	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>2016</b>
Employees tax deductions and other deductions	895	597	1 470
Employers national insurance contribution	349	210	476
Accrued holiday allowance	720	704	1 011
Commission payable to shareholder banks	147 624	95 986	92 506
Deposits*	3 713	1 520	1 010
Pension liabilities	14 874	13 073	14 124
Other accrued costs	-42 003	5 218	7 267
<b>Total</b>	<b>126 172</b>	<b>117 308</b>	<b>117 865</b>

The Company does not have an overdraft facility or a revolving credit facility as of 30.09.2017

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

## Note 15 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 30.09.2017).

<b>NOK 1 000</b>	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>2016</b>
Covered Bonds	210 585 779	220 025 655	211 161 257
Repurchased Bonds	-2 549 783	-4 127 576	-2 155 498
Derivatives	-20 710 258	-25 672 251	-25 321 068
<b>Total Covered Bonds</b>	<b>187 325 737</b>	<b>190 225 827</b>	<b>183 684 691</b>
Lending to customers	175 509 697	172 845 081	173 757 431
Lending to the public sector (gov. bonds/ certificates or gov. guaranteed debt)	1 708 243	4 270 028	0
Liquid assets (substitute assets)	24 477 273	29 536 736	26 181 743
<b>Total Cover Pool</b>	<b>201 695 213</b>	<b>206 651 845</b>	<b>199 939 174</b>
<b>Asset-coverage</b>	<b>107,7 %</b>	<b>108,6 %</b>	<b>108,8 %</b>

<b>Liquidity Coverage Ratio (LCR)</b>	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>2016</b>
Liquid assets	1 556 781	14 233 426	6 907 156
Cash outflow next 30 days	1 545 125	387 279	430 345
LCR ratio	100,8 %	3675 %	1605 %

<b>Net Stable Funding Ratio (NSFR)</b>	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>2016</b>
Available amount of stable funding	186 112 783	183 808 893	179 903 405
Required amount of stable funding	180 693 416	178 416 795	178 901 734
NSFR ratio	103,0 %	103,0 %	100,6 %

## Note 16 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 15.0% total capital in effect from July 1, 2016 includes a 11.5% Core Tier 1 capital, including a 1.5% countercyclical buffer, and 3.5% other capital. From 31.12.2017 the countercyclical buffer will increase to 2.0%.

The Company's parent banks have committed themselves to keep the Equity Core Tier 1 capital at a minimum 9% (is currently being reviewed with a target to increase to 11%). Primarily this commitment is pro rata according to the ownership stakes in the Company, but it is a joint and several undertaking if one or more ownership banks are unable to comply, up to the maximum of twice the initial pro rata amount.

<b>Capital. NOK 1 000</b>	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>2016</b>
Share capital	6 470 548	6 330 548	6 330 548
Premium share fund	3 237 922	3 167 922	3 167 922
Other equity capital	247 980	374 328	473 786
<b>Common equity</b>	<b>9 956 450</b>	<b>9 872 798</b>	<b>9 972 256</b>
Intangible assets	-698	-1 510	-1 245
Declared share dividend	-113 950	-	-113 950
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-323 288	-312 674	-322 613
Prudent valuation adjustment (AVA)	-64 508	-77 738	-71 438
<b>Core equity capital</b>	<b>9 454 006,00</b>	<b>9 480 876</b>	<b>9 463 010</b>
Hybrid bond	1 080 000	1 080 000	1 080 000
<b>Tier 1 equity capital</b>	<b>10 534 006</b>	<b>10 560 876</b>	<b>10 543 010</b>
Supplementary capital (Tier 2)	1 600 000	1 600 000	1 600 000
<b>Total capital</b>	<b>12 134 006</b>	<b>12 160 876</b>	<b>12 143 010</b>

<b>Minimum requirements for capital. NOK 1 000</b>	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>2016</b>
Credit risk	3 237 540	3 184 869	3 173 049
Market risk	-	-	-
Operational risk	58 661	52 871	52 871
Depreciation on groups of loans	-	-	-
CVA Risk	227 053	107 396	109 651
Difference in capital requirement resulting from transitional floor	2 401 126	2 576 856	2 545 697
<b>Minimum requirement for capital</b>	<b>5 924 380,42</b>	<b>5 921 992</b>	<b>5 881 268</b>

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**Capital coverage**

	30.09.2017	30.09.2016	2016
Risk-weighted assets incl. transitional floor	77 287 638	74 024 894	73 515 848
Capital coverage (%)	16,39 %	16,43 %	16,52 %
Tier 1 capital coverage (%)	14,22 %	14,27 %	14,34 %
Core Tier 1 capital coverage (%)	12,77 %	12,81 %	12,87 %
Leverage ratio (%)	4,41 %	4,25 %	4,38 %

## Note 17 Related parties

The Company has 176 093 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 18 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 30.09.2017 this collateral amounted to NOK 17 848 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 the period 30.09.2017



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