



Boligkreditt

3rd Quarterly Report 2018

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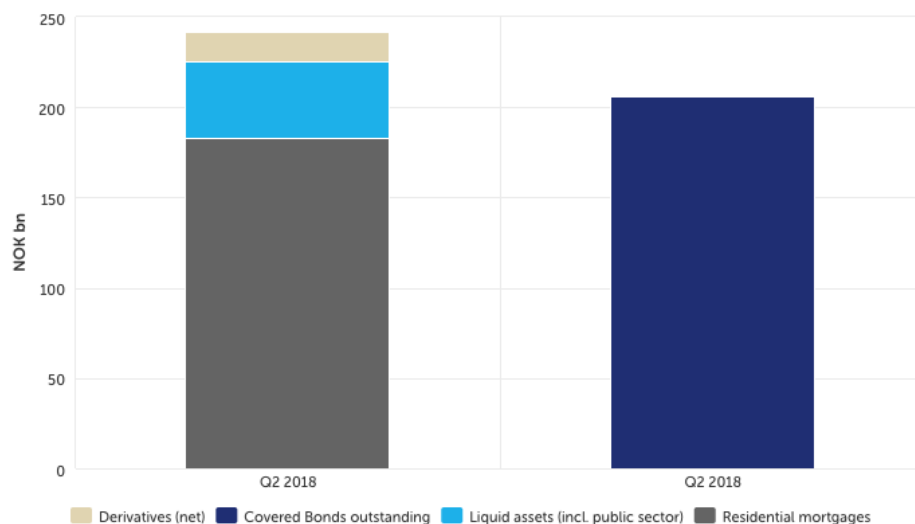
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Statement from the Board of Directors of SpareBank 1 Boligkreditt AS for the third quarter 2018

Cover pool and outstanding covered bonds¹

SpareBank 1 Boligkreditt's ('Boligkreditt', 'SpaBol', or 'The Company') cover pool consists of residential mortgages and liquid, highly rated 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:



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 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 %

^{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). The cover pool report is not yet available at the time of writing for the third quarter, but there has been no material change from the 2nd quarter.

Key developments in Q3 2018

No issuance took place during the third quarter in any currencies, but so far in the fourth quarter both fixed and floating covered bond issuances in NOK has been placed, as well as 400 million kroner of subordinated debt (refinancing of existing subordinated debt).

The residential mortgage lending volume at SpaBol has increased moderately as expected by approximately 3.4 % during the year to September 30, as measured against the balance of loans as of December 31, 2017. The mortgage balance is 184 billion kroner (equivalent to 19.5 billion Euro).

Boligkreditt is well capitalized with a capital coverage ratio of 16.9 % (Pillar 1) measured against a total capital requirement of 15.5 %, while the add-on required Pillar 2 requirement is set at 0.8 % common capital. Total Tier 1 capital is 14.8 and common equity capital 13.3 %, the latter against a requirement for common equity capital (incl. Pillar 2) of 12.8 %. It is the Company's policy to maintain a capital ratio slightly above the regulatory requirement. Additional common equity is injected by the owner banks when required, while Additional Tier 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 % 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 third quarter 2018. Numbers in brackets refer to the previous year same period for comparison.

The total balance sheet at 30.09.18 amounts to 246 (244) billion kroner. The Company had in the first three quarters of 2018 net interest income of 256 (318) million kroner, which also includes the deduction of commissions paid to

the owner banks. The cost of operations for the first half was 23.6 (24.6) million kroner including depreciation and amortization. IFRS 9 expected losses increased by 0.3 million to 12 million. No actual loan losses have occurred since the Company commenced operations in 2007. This produces an operating result of 52,3 (-259) million kroner before tax. The result was negative last year due to the basis swap valuation adjustments in 2017 (a non-cash accounting measure reflecting the changing market rate for entering into currency basis swaps). The basis swap valuation effect is from 2018 accounted for in other comprehensive income only.

Mortgage loans for residential properties amounted to 184 (176) billion kroner as of 30.09.18. The Company's own liquid assets as of 30.09.18 were approximately 33 (28) billion kroner. Liquid assets are cash and highly rated, highly liquid bonds which are held as a function of refinancing early the Company's upcoming bond maturities up to six months ahead in time, or to comply with the Net Stable Funding Ratio as proposed, whichever is higher.

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 concludes 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 137 billion kroner in EUR, 10 billion kroner in USD, 8.0 billion kroner in GBP and 0.2 billion kroner in Swedish kroner, at exchange rates at the end of September. 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 46.4 (45.8) billion kroner, whereof 13.4 (17.8) 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 30.09.2018 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 or to comply with the NSFR requirement as proposed, whichever is higher. 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 or malfunction. 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 2.0 per cent over 2017 and the forecast for 2018 is recently upgraded to 2.3 (from 2.1) % (Statistics Norway). The project for the following years were similarly increased. This is largely due to an expected increased level of investments in the petroleum sector. The recovery from the previous 2015-16 oil price related slow-down is broad based. The Norwegian central bank has now raised its policy rate by 0.25 bps as expected. The banking industry has also generally raised their customer rates by the same amount. Further increases in interest rates are expected by both the central bank and the market. Risks to the demand driven growth scenario are to be found in these increasing interest rates, especially as household debt, which is mostly variable rate mortgage debt, stands at a historic high level. Households may become on balance more cautious in their consumption due to higher mortgage servicing costs. A long awaited potential strengthening of the krone (due to a higher oil price), could impact companies' competitiveness in what is an open economy dependent and influenced by open markets and terms of trade. The government budget for 2019, presented in October, was largely neutral in terms of its fiscal impulse.

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

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

Source: Statistics Norway (SSB) September 4, 2018

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.

Future prospects of the Company

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

Residential real estate prices in Norway, and especially in the capital of Oslo, have seen strong growth over 2015-16 and a correction in 2017. 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. In the first nine months of 2018 the Norwegian real estate price index has appreciated by 5 %, but prices declined in the month of September.

SpareBank 1 Boligkredit's portfolio is well diversified throughout the major city regions in all of Norway. In addition, mortgage loans in the cover pool are very granular (average size of 1.4 million kroner). The banks in the SpareBank 1 Alliance must keep reserves of eligible (i.e. cover pool qualified) mortgages in order to provide replacement assets should this become necessary in the future (if residential price declines increase LTVs above the eligibility limit for

³ Macroeconomic projections have been sourced from Statistics Norway as of September 4, 2018.

mortgages in the pool). 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 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 affirm 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 third 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 three quarters of 2018.

Stavanger, 24 October 2018

The Board of Directors of SpareBank 1 Boligkreditt AS



/s/ Kjell Fordat
Chairman of the Board



/s/ Rolf Eigil Bygdnes



/s/ Merete N. Kristiansen



/s/ Knut Oscar Fleten



/s/ Geir-Egil Bolstad



/s/ Inger M.S. Eriksen



/s/ Arve Austestad
CEO

SpareBank 1 Boligkreditt AS

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

The Board and the Chief Executive Officer have today reviewed and approved the financial accounts for the first three quarters 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 30.09.18.

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

Stavanger, 24 October 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	3. quarter 2018	3. quarter 2017	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017	2017
Total interest income	2	925.159	822.416	2.643.954	2.660.722	3.470.270
Total interest and commission expense	2	-845.254	-718.215	-2.387.732	-2.343.004	-3.044.417
Net interest income		79.905	104.201	256.222	317.718	425.852
Net gains/losses from financial instruments	3	-13.427	-20.781	-179.988	-476.950	-630.361
Net other operating income		-13.427	-20.781	-179.988	-476.950	-630.361
Total operating income		66.478	83.420	76.235	-159.232	-204.508
Salaries and other ordinary personnel expenses	4	-3.100	-3.117	-9.240	-8.935	-12.017
Other operating expenses	5	-4.406	-4.257	-14.344	-15.710	-22.389
Total operating expenses		-7.507	-7.374	-23.584	-24.646	-34.406
Operating result before losses		58.971	76.046	52.651	-183.878	-238.914
Write-downs on loans and guarantees	7	272	-	-329	-	-
Pre-tax operating result		59.243	76.046	52.322	-183.878	-238.914
Taxes		-14.811	-19.011	-13.080	45.969	59.720
Profit/loss for the period		44.433	57.034	39.241	-137.908	-179.194
Portion attributable to shareholders		33.987		8.259		-216.321
Portion attributable to additional Tier 1 capital holders		10.446		30.982		37.127
Profit/loss for the period		44.433		39.241		-179.194

Overview of comprehensive income

NOK 1 000	3. quarter 2018	3. quarter 2017	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017	2017
Profit/loss for the year	44.433	57.034	39.241	-137.908	-179.194
Items which will not impact the income statement in future periods:					
Change due to basis swap spread adjustment	-40.907	-	-135.834	-	-
Tax effect of basis swap spread adjustment	10.227	-	33.959	-	-
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	-30.680	-	-101.876	-	-260
Total profit/loss	13.752	57.034	-62.635	-137.908	-179.454

Balance sheet

NOK 1 000	Note	30.09.2018	30.09.2017	2017
Assets				
Lending to and deposits with credit institutions	14	11.411.753	4.200.397	3.044.644
Certificates and bonds	14, 15	35.032.317	41.638.986	54.318.384
Residential mortgage loans	7, 14, 19	183.811.362	176.093.142	177.675.130
Financial derivatives	13,14,15	15.982.953	21.637.545	27.144.125
Defered tax asset		10.055	9.299	-
Other assets	6	1.507	992	1.188
Total assets		246.249.947	243.580.361	262.183.472
Liabilities and equity				
Liabilities				
Debt incurred by issuing securities	10,14	217.814.578	211.526.141	224.462.981
Collateral received under derivatives contracts	14,15, 20	13.370.235	17.848.036	23.628.253
Financial derivatives	13,14,15	1.479.191	1.231.492	898.292
Deferred tax	14	102.675	208.816	136.634
Tax payable	14	-	-	-
Subordinated debt	11,14	1.603.108	1.603.253	1.603.356
Other Liabilities	14,16	148.423	126.172	182.231
Total Liabilities		234.518.210	232.543.911	250.911.747
Equity				
Paid-in equity	9	10.638.470	9.708.470	9.858.470
Other paid-in equity (not yet registered)		150.000	150.000	300.000
Hybrid capital	9	1.180.000	1.080.000	1.180.000
Accrued equity		-275.974	121.938	-139.022
Net profit		39.241	-137.908	-
Declared dividends		-	113.950	72.276
Total equity		11.731.737	11.036.450	11.271.724
Total liabilities and equity		246.249.947	243.580.361	262.183.472

Stavanger, 24.10.2018

/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 2016	-	-	-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	160.000	80.000	-	-	-	-	-	240.000
Dividend 2017	-	-	-72.276	-	-	-	-	-72.276
Share increase September 27 (not yet registered)	-	-	-	150.000	-	-	-	150.000
Net income for the period	-	-	-	-	39.241	-	-	39.241
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-30.982	-	-30.982
OCI -basisswapsread	-	-	-	-	-101.876	-	-	-101.876
Balance as of 30 September 2018	7.090.548	3.547.922	0	150.000	-168.624	-68.109	1.180.000	11.731.737

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	30.09.2018	30.09.2017	2017
Cash flows from operations			
Interest received	3.380.717	3.157.089	3.552.215
Paid expenses, operations	-70.378	-28.338	-34.718
Paid tax	-	-124.898	-124.898
Net cash flow relating to operations	3.310.339	3.003.853	3.392.598
Cash flows from investments			
Net purchase of loan portfolio	-6.142.759	-1.617.503	-3.187.555
Net payments on the acquisition of government bills	1.177.693	509.274	552.662
Net payments on the acquisition of bonds	16.829.399	811.903	-11.142.971
Net investments in intangible assets	-897	-214	-214
Net cash flows relating to investments	11.863.436	-296.539	-13.778.078
Cash flows from funding activities			
Net receipt/payment from the issuance of certificates	-120.999	-377.075	-828.967
Net receipt/payment from the issuance of bonds	5.296.092	3.183.173	10.266.970
Net receipt/payment from the issuance of subordinated debt	-	-	100.000
Net receipt/payment of loans to credit institutions	-9.657.823	-6.395.388	-1.413.538
Equity capital subscription	630.000	-150.000	450.000
Paid dividend	-72.276	-	-113.950
Net interest payments on funding activity	-2.907.219	-2.911.283	-3.234.635
Net cash flow relating to funding activities	-6.832.224	-6.650.574	5.225.880
Net cash flow in the period	8.341.551	-3.943.260	-5.159.599
Balance of cash and cash equivalents at beginning of period	3.044.644	8.129.096	8.129.097
Net receipt/payments on cash	8.341.551	-3.943.260	-5.159.599
Exchange rate difference	25.558	14.560	75.147
Balance of cash and cash equivalents at end of period	11.411.753	4.200.397	3.044.644

Quarterly Financial Statements

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

Income Statement

	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter
NOK 1 000	2018	2018	2018	2017	2017
Total interest income	925.159	913.860	804.935	809.548	822.416
Total interest expenses	-845.254	-821.721	-720.757	-701.413	-718.215
Net interest income	79.905	92.139	84.178	108.134	104.201
Net gains/losses from financial instruments	-13.427	-125.375	-41.185	-153.411	-20.781
Net other operating income	-13.427	-125.375	-41.185	-153.411	-20.781
Total operating income	66.478	-33.236	42.993	-45.277	83.420
Salaries and other ordinary personnel expenses	-3.100	-2.860	-3.279	-3.081	-3.118
Other operating expenses	-4.406	-4.901	-5.037	-6.679	-4.257
Total operating expenses	-7.507	-7.761	-8.316	-9.760	-7.375
Operating result before losses	58.971	-40.997	34.677	-55.037	76.045
Write-downs on loans and guarantees	272	-665	64	-	-
Pre-tax operating result	59.243	-41.662	34.740	-55.037	76.045
Taxes	-14.811	10.416	-8.685	13.750	-19.011
Profit/loss for the year	44.433	-31.247	26.055	-41.286	57.034
Other income and expense	-30.680	-81.450	10.254	-260	-
Total Profit/Loss	13.752	-112.696	36.309	-41.546	57.034

Balance sheet

NOK 1 000	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Assets					
Lending to and deposits with credit institutions	11.411.753	9.270.163	6.778.074	3.044.644	4.200.397
Certificates and bonds	35.032.317	43.651.308	44.775.172	54.318.384	41.638.986
Residential mortgage loans	183.811.362	182.852.976	181.205.294	177.675.130	176.093.142
Financial derivatives	15.982.953	17.220.292	20.488.383	27.144.125	21.637.545
Deferred tax asset	10.055	6.573	2.968	-	9.299
Other assets	1.507	1.897	1.281	1.188	992
Total assets	246.249.947	253.003.210	253.251.172	262.183.472	243.580.361
Liabilities and equity					
Liabilities					
Debt incurred by issuing securities	217.814.578	225.077.253	223.053.410	224.462.981	211.526.141
Collateral received under derivatives contracts	13.370.235	13.203.305	15.716.295	23.628.253	17.848.036
Financial derivatives	1.479.191	1.225.000	1.010.264	898.292	1.231.492
Deferred tax	102.675	112.902	140.052	136.634	208.816
Tax payable	-	-	-	-	-
Subordinated debt	1.603.108	1.603.084	1.603.656	1.603.356	1.603.253
Other Liabilities	148.423	130.959	193.433	182.231	126.173
Total Liabilities	234.518.210	241.352.503	241.717.109	250.911.747	232.543.911
Equity					
Contributed equity	10.638.470	10.398.470	10.158.470	9.858.470	9.708.470
Other paid in equity (not yet registered)	150.000	240.000	240.000	300.000	150.000
Hybrid capital	1.180.000	1.180.000	1.180.000	1.180.000	1.080.000
Accrued equity	-275.974	-234.848	-142.738	-139.022	121.938
Net profit	39.241	-5.191	26.055	-	-137.908
Declared dividends	-	72.276	72.276	72.276	113.950
Total equity	11.731.737	11.650.707	11.534.063	11.271.724	11.036.449
Total liabilities and equity	246.249.947	253.003.210	253.251.173	262.183.472	243.580.361

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 - 30.09.2018. 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 24.10.2018

1.2 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments has replaced IAS 39 from January 1 2018. See note 32 IFRS 9 in the annual accounts for 2017, and note 7 and note 8 in the interim financial statements Q3 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 segments 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	30.09.2018	30.09.2017	2017
Interest income			
Interest income from, certificates, bonds and deposits	313.135	347.615	453.891
Interest income from residential mortgage loans	3.479.456	3.439.824	4.599.141
Commission expense (payable to shareholder banks) *	-1.148.637	-1.126.716	-1.582.762
Total interest income	2.643.954	2.660.722	3.470.270
Interest expense			
Interest expense and similar expenses to credit institutions	-29.812	-8.378	-15.755
Interest expense and similar expenses on issued bonds	2.373.346	2.306.110	3.000.407
Interest expense and similar expenses on subordinated debt	38.494	39.204	51.641
Other interest expenses	5.704	6.068	8.124
Total interest expense	2.387.732	2.343.004	3.044.417
Net interest income	256.222	317.718	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	30.09.2018	30.09.2017	2017
Net gains (losses) from financial liabilities (1)	-3.156.350	-3.655.610	-3.819.661
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	3.570.410	3.357.169	3.006.425
Net gains (losses) from financial assets (2)	-658.411	101.029	517.587
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	64.364	46.663	54.560
Net gains (losses) due to changes in basisswapsreads (4)	-	-326.201	-389.271
Net gains (losses)	-179.988	-476.950	-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	30.09.2018	30.09.2017	2017
Salary	7.974	7.341	10.486
Salaries invoiced to SpareBank1 Næringskreditt*	-2.183	-2.107	-2.945
Pension expenses	1.735	1.924	2.002
Social insurance fees	1.639	1.633	2.251
Other personnel expenses	75	144	221
Total salary expenses	9.240	8.935	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	30.09.2018	30.09.2017	2017
IT and IT operations	7.104	6.948	9.143
Purchased services other than IT	5.581	6.655	10.290
Other Operating Expenses	1.183	1.347	1.934
Depreciation on fixed assets and other intangible assets	475	761	1.021
Total	14.344	15.710	22.389

Note 6 Other assets

NOK 1 000	30.09.2018	30.09.2017	2017
Intangible assets *	860	698	438
Account receivables from SpareBank 1 Næringskreditt AS	647	294	750
Total	1.507	992	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 30.09.2018 were NOK 183,8 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.09.2018	30.09.2017	2017
Revolving loans - retail market	47.252.001	50.270.071	49.192.170
Amortising loans - retail market	136.400.946	125.670.065	128.318.018
Accrued interest	170.448	160.714	172.650
Total loans before specified and unspecified loss provisions	183.823.395	176.100.850	177.682.838
Individual impairments	-	7.708	7.708
Impairments on groups of loans	-	-	-
Expected credit loss, stage 1	3.762	N/A	N/A
Expected credit loss, stage 2, no objective proof of loss	8.270	N/A	N/A
Expected credit loss, stage 3, objective proof of loss	-	N/A	N/A
Total net loans and claims with customers	183.811.362	176.093.142	177.675.130
Liability			
Unused balances under customer revolving credit lines (flexible loans)	12.600.771	12.850.826	12.431.823
Total	12.600.771	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			
	Stage 1	Stage 2	Stage 3	Total
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	-9	-	-	-9
Transfer to lifetime ECL - No objective evidence of loss	-	339	-	339
Transfer to lifetime ECL - objective proof of loss	-	-	-	-
Net remeasurement of loss allowance	-9	339	-	329
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 September 30 2018	3.834	8.299	-	12.132

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			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost				
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 September 2018	3.834	8.299	-	12.132

Note 9 Share Capital and Shareholder Information

List of shareholders as of 30.09.2018

	No of Shares	in per cent	Share of votes
SpareBank 1 Østlandet	14.946.509	21,08 %	21,08 %
SpareBank 1 SMN	14.071.552	19,85 %	19,85 %
SpareBank 1 Nord-Norge	11.949.267	16,85 %	16,85 %
SpareBank 1 SR-Bank ASA	5.642.356	7,96 %	7,96 %
BN Bank ASA	4.700.587	6,63 %	6,63 %
SpareBank 1 BV	4.426.390	6,24 %	6,24 %
SpareBank 1 Østfold Akershus	3.215.583	4,54 %	4,54 %
Sparebanken Telemark	3.152.066	4,45 %	4,45 %
SpareBank 1 Ringerike Hadeland	2.949.604	4,16 %	4,16 %
SpareBank 1 Nordvest	1.568.093	2,21 %	2,21 %
SpareBank 1 Modum	1.151.259	1,62 %	1,62 %
SpareBank 1 Søre Sunnmøre	915.051	1,29 %	1,29 %
SpareBank 1 Hallingdal Valdres	873.369	1,23 %	1,23 %
SpareBank 1 Gudbrandsdal	784.046	1,11 %	1,11 %
SpareBank 1 Lom og Skjåk	559.750	0,79 %	0,79 %
Total	70.905.482	100 %	100 %

The share capital consists of 70 905 482 shares with a nominal value of NOK 100

Hybrid capital

NOK 1000	ISIN	Interest rate	Issued year	Call option	30.09.2018	30.09.2017	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

NOK 1 000	Nominal value* 30.09.2018	Nominal value* 30.09.2017	Nominal value* 2017
Short term notes, unsecured	-	765.000	121.000
Repurchased short term notes, unsecured	-	-192.000	-
Senior unsecured bonds	1.388.000	3.556.000	2.747.000
Repurchased senior unsecured bonds	-	-484.000	-
Covered bonds	201.170.506	189.325.703	195.440.860
Repurchased Covered bonds	-	-2.357.875	-679.000
Total debt incurred by issuing securities	202.558.506	190.612.828	197.629.860

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

NOK 1 000	Book value 30.09.2018	Book value 30.09.2017	Book value 2017
Short term notes, unsecured	-	764.988	120.999
Repurchased short term notes, unsecured	-	-192.097	-
Senior unsecured bonds	1.387.958	3.556.289	2.747.224
Repurchased senior unsecured bonds	-	-484.220	-
Covered bonds	215.495.640	209.292.549	220.881.928
Repurchased covered bonds	-	-2.514.242	-690.258
Activated costs incurred by issuing debt	-177.133	-166.568	-165.460
Accrued interest	1.108.113	1.269.441	1.568.549
Total debt incurred by issuing securities	217.814.578	211.526.141	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	30.09.2018	30.09.2017	2017
2017	-	535.000	-
2018	91.000	1.554.000	1.312.000
2019	1.297.000	1.556.000	1.556.000
Total	1.388.000	3.645.000	2.868.000

Covered bonds

Due in	30.09.2018	30.09.2017	2017
2017	-	1.824.500	-
2018	13.969.250	34.841.250	33.624.750
2019	27.258.444	27.554.400	27.580.116
2020	24.963.500	24.963.500	24.963.500
2021	28.825.266	28.815.560	28.877.278
2022	38.749.200	33.403.200	38.749.200
2023	30.256.700	9.410.500	14.624.800
2024	11.086.348	11.013.218	11.191.944
2025	10.648.750	1.010.000	1.010.000
2026	12.185.000	12.185.000	12.185.000
2027	665.248	663.900	672.472
2028	2.562.800	1.282.800	1.282.800
Total	201.170.506	186.967.828	194.761.860
Total	202.558.506	190.612.828	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	30.09.2018	30.09.2017	2017
NOK	62.440.662	63.990.855	65.008.436
EUR	136.993.834	129.423.654	135.362.358
USD	10.067.640	17.843.744	18.270.303
GBP	8.063.438	0	5.546.052
SEK	249.004	267.888	275.832
Total	217.814.578	211.526.141	224.462.981

Note 11 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option from	Maturity	Nominal amount	30.09.2018	30.09.2017	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							3.108	3.253	3.356
Book value							1.603.108	1.603.253	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		30.09.2018
			Adjustments	Other changes	
Liabilities					
Debt incurred by issuing certificates	122.705	-120.999	-	-1.706	0
Debt incurred by issuing bonds	224.340.276	5.296.092	-10.200.932	-1.620.859	217.814.578
Collateral received in relation to financial derivatives	23.628.253	-9.657.823	-	-600.196	13.370.235
Financial derivatives	898.292	-	445.064	135.834	1.479.191
Subordinated debt	1.603.356	-	-	-248	1.603.108
Hybrid capital	1.180.000	-	-	-	1.180.000
	251.772.882	-4.482.729	-9.755.868	-2.087.173	235.447.111

Note 13 Financial Derivatives

NOK 1 000	30.09.2018	30.09.2017	2017
Interest rate derivative contracts			
Interest rate swaps			
Nominal amount	64.380.659	74.490.504	74.269.883
Asset	2.496.164	3.704.718	3.661.041
Liability	-485.838	-563.060	-655.346
Currency derivative contracts			
Currency swaps			
Nominal amount	145.143.490	134.464.794	145.676.227
Asset	13.486.789	17.932.827	23.483.084
Liability	-667.050	-541.034	-52.478
Total financial derivative contracts			
Nominal amount	209.524.149	208.955.298	219.946.110
Asset	15.982.953	21.637.545	27.144.125
Liability	-1.152.888	-1.104.094	-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	Liability	Liability	2017
Asset/Liability	-1.152.888	-1.104.094	-707.824
Net gain (loss) on valuation adjustment of basis swap spreads	-326.302	-127.398	-190.468
Net asset/liability derivatives	-1.479.191	-1.231.492	-898.292

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

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	30.09.2018
Assets					
Lending to and deposits with credit institutions	-	11.411.753	-	-	11.411.753
Lending to customers	35.032.317	-	-	-	35.032.317
Certificates and bonds	-	183.811.362	-	-	183.811.362
Financial derivatives	15.982.953	-	-	-	15.982.953
Deferred tax asset	-	-	-	10.055	10.055
Other assets	-	-	-	1.507	1.507
Total Assets	51.015.270	195.223.115	0	11.562	246.249.947
Liabilities					
Debt incurred by issuing securities	171.644.706	46.169.872	-	-	217.814.578
Collateral received in relation to financial derivatives	-	13.370.235	-	-	13.370.235
Financial derivatives	1.479.191	-	-	-	1.479.191
Deferred taxes	-	-	-	102.675	102.675
Taxes payable	-	-	-	-	-
Subordinated dept	-	1.603.108	-	-	1.603.108
Other liabilities	-	-	-	148.423	148.423
Total Liabilities	173.123.896	61.143.215	-	251.099	234.518.210
Total Equity	-	1.180.000	-	10.551.737	11.731.737
Total Liabilities and Equity	173.123.896	62.323.215	-	10.802.836	246.249.947

*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	30.09.2017
Assets					
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
Total Assets	63.276.531	180.293.539	0	10.291	243.580.361
Liabilities					
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 debt	-	1.603.253	-	-	1.603.253
Other liabilities	-	-	-	126.173	126.173
Total Liabilities	167.887.706	64.321.216	-	334.989	232.543.911
Total Equity	-	1.080.000	-	9.956.449	11.036.449
Total Liabilities and Equity	167.887.706	65.401.216	-	10.291.438	243.580.361

*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, or calculated based on market rates for cash flows of assets or liabilities, but could also include 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 30.09.2018

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	21.280.143	13.752.174	-	35.032.317
Financial Derivatives	-	15.982.953	-	15.982.953
Total Assets	21.280.143	29.735.127	-	51.015.270
Bonds	-	171.644.706	-	171.644.706
Financial Derivatives	-	1.479.191	-	1.479.191
Total Liabilities	-	173.123.896	-	173.123.896

The following table presents the company's assets and liabilities at fair value as of 30.09.2017

NOK 1 000

	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
Total Assets	25.574.356	37.702.175	-	63.276.531
Bonds	-	166.656.214	-	166.656.214
Financial Derivatives	-	1.231.492	-	1.231.492
Total Liabilities	-	167.887.706	-	167.887.706

Note 16 Other Liabilities

NOK 1 000	30.09.2018	30.09.2017	2017
Employees tax deductions and other deductions	499	895	911
Employers national insurance contribution	297	349	627
Accrued holiday allowance	663	720	1.038
Commission payable to shareholder banks	111.668	147.624	155.832
Deposits*	188	3.713	771
Pension liabilities	15.961	14.874	15.211
Other accrued costs	19.147	-42.003	7.840
Total	148.423	126.172	182.231

The Company does not have an overdraft facility or a revolving credit facility as of 30.09.2018

* 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 (30.09.2017 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	30.09.2018	30.09.2017	2017
Covered Bonds	216.599.631	210.585.779	222.444.844
Repurchased Bonds	-	-2.549.783	-
Derivatives	-	-20.710.258	-
Total Covered Bonds	216.599.631	187.325.737	222.444.844
Residential mortgage loans	182.857.384	175.509.697	176.832.108
Lending to the public sector (gov. bonds/ certificates or gov. guaranteed debt)	1.876.221	1.708.243	2.432.576
Reverse repo/ depo less than 100 days	9.386.748	-	-
Exposure to credit institutions (covered bonds)	21.758.180	24.477.273	30.750.021
Derivatives	14.830.064	-	26.599.558
Total Cover Pool	230.708.598	201.695.213	236.614.263
Asset-coverage	106,5 %	107,7 %	106,4 %

Liquidity Coverage Ratio (LCR)	30.09.2018	30.09.2017	2017
Liquid assets	9.916.420	1.556.781	510.729
Cash outflow next 30 days	1.254.658	1.545.125	491.758
LCR ratio	790 %	101 %	104 %

Net Stable Funding Ratio (NSFR)	30.09.2018	30.09.2017	2017
Available amount of stable funding	198.196.910	186.112.783	185.243.178
Required amount of stable funding	190.959.935	180.693.416	181.490.902
NSFR ratio	103,8 %	103,0 %	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 Bolikreditt 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% pilar 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	30.09.2018	30.09.2017	2017
Share capital	7.090.548	6.470.548	6.570.548
Premium share fund	3.547.922	3.237.922	3.287.922
Other equity capital	-125.974	247.980	233.254
Common equity	10.512.496	9.956.450	10.091.724
Intangible assets	-860	-698	-438
Declared share dividend	-	-113.950	-72.276
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-346.871	-323.288	-338.144
Prudent valuation adjustment (AVA)	-33.119	-64.508	-32.770
Core equity capital	10.131.645	9.454.006	9.648.096
Hybrid bond	1.180.000	1.080.000	1.180.000
Tier 1 equity capital	11.311.645	10.534.006	10.828.096
Supplementary capital (Tier 2)	1.600.000	1.600.000	1.600.000
Total capital	12.911.645	12.134.006	12.428.096
Minimum requirements for capital. NOK 1 000	30.09.2018	30.09.2017	2017
Credit risk	3.316.120	3.237.540	3.318.616
Market risk	-	-	-
Operational risk	62.185	58.661	58.661
Depreciation on groups of loans	-	-	-
CVA Risk	173.229	227.053	245.931
Difference in capital requirement resulting from transitional floor	2.559.659	2.401.126	2.337.486
Minimum requirement for capital	6.111.193	5.924.380	5.960.695

Capital coverage

	30.09.2018	30.09.2017	2017
Risk-weighted assets incl. transitional floor	76.389.911	74.054.758	74.508.686
Capital coverage (%)	16,90 %	16,39 %	16,68 %
Tier 1 capital coverage (%)	14,81 %	14,22 %	14,53 %
Core Tier 1 capital coverage (%)	13,26 %	12,77 %	12,95 %
Leverage ratio (%)	4,83 %	4,24 %	3,63 %

Note 19 Related parties

The Company has 183 811 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 30.09.2018 this collateral amounted to NOK 13 370 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 30.09.2018.

Contact information

SpareBank 1 Boligkreditt AS

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

Visiting address:
Bjergsted Terrasse 1
4007 Stavanger
Norway



Managing Director

Arve Austestad
Phone: +47 5150 9411
arve.austestad@sparebank1.no



Director finance and investor relations

Eivind Hegelstad
Phone: +47 5150 9367
eivind.hegelstad@sparebank1.no



Director risk and operations

Henning Nilsen
Phone: +47 5150 9412
henning.nilsen@sparebank1.no