



Boligkreditt

1st Quarterly Report 2019

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Statement of the Board of Directors of SpareBank 1 Boligkreditt AS for the first quarter 2019

SpareBank 1 Boligkreditt's purpose

SpareBank 1 Boligkreditt AS ('Boligkreditt', 'SpaBol', or 'The Company') 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 owner banks (banks in the SpareBank 1 Alliance) by buying residential mortgage loans with a loan-to-value ("LTV") of up to 75 and financing these primarily through the issuance of covered bonds¹.

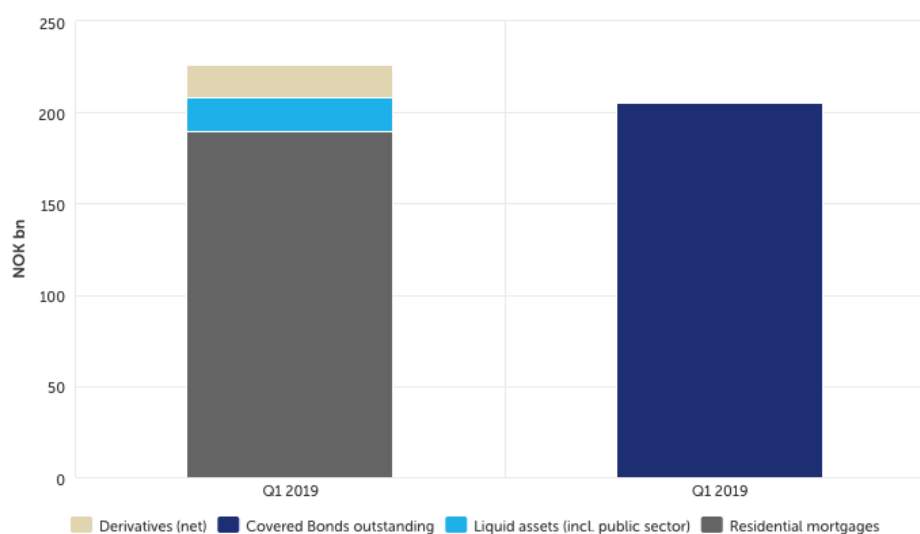
The Company, which is based in Stavanger, is owned by banks which are members of the SpareBank 1 Alliance. A comprehensive agreement with each of these banks regulates the mortgage purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing Agreement", "TSA"). The Company pays out nearly the full interest margin earned to the banks. 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 April 10, 2019 and is available on the Company's home page: <https://spabol.sparebank1.no>.

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.

Cover pool and outstanding covered bonds²

SpareBank 1 Boligkreditt's 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 as of the end of the first quarter 2019:



¹ The limit for instalment mortgages are 75 per cent, while mortgages which have no scheduled repayment structure are limited to 60 per cent (these are a smaller portion of the mortgage portfolio). All mortgages above 60 per cent must be amortizing by at least 2.5 per cent per year according to current mortgage market regulations.

² The source is the balance sheet figures as of 31 March 2019 and the cover pool asset liability test for overcollateralization (see notes to the financial statements).

Norwegian covered bond issuers are required by law to group derivatives as part of cover pool assets, and not together with the issued bonds that they hedge. This is reflected in the chart and figures above.

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). Derivatives are used solely to hedge currency and interest rate risk. The table below describes the mortgages in the cover pool:

Key figures³

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Weighted Average Current LTV (%)	52,7 %	51,7 %	51,3 %	52,4 %	52,4 %
Weighted Average Original LTV (%)	59,6 %	59,8 %	59,8 %	59,9 %	59,8 %
Average Loan Balance (NOK)	1 422 929	1 414 203	1 414 916	1 400 686	1 386 865
Number of Mortgages in Pool	129 209	129 791	129 057	129 173	127 927
Pct. of non first-lien mortgages	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
Overcollateralization	6,5 %	6,5 %	6,7 %	6,7 %	6,4 %

Key developments in Q1 2019

SpaBol issued a EUR 1,25 billion, 10 year covered bond in late January and repaid the same amount in a maturing EUR benchmark transaction in February.

The residential mortgage lending volume at SpaBol has increased by approximately 2.2 per cent during the first quarter, as measured against the balance of loans as of December 31, 2018. The current mortgage balance is 188.2 billion kroner (equivalent to approximately EUR 20 billion).

There has been a personnel change in the Board of Directors, effective May 1, 2019. The new CFO of SpareBank 1 Nord-Norge is an incoming director, replacing Rolf-Eigil Bygdnes who is retiring from the same role in the northern Alliance bank.

The Board of Directors views Boligkreditt as well capitalized with a capital coverage ratio of 16.6 per cent. The capital requirement is 15.5 per cent (Pillar 1), in addition to the Pillar 2 requirement of 0.8 per cent common equity. Total Tier 1 capital is 14.7 per cent and common equity capital 13.2 per cent, the latter against a requirement for common equity capital (incl. Pillar 2) of 12.8 per cent. It is the Company's policy to maintain capital ratios slightly above the regulatory requirements. Additional common equity is injected by the owner banks when required, usually in connection with increases in transferred mortgage volume, while Additional Tier 1 and Tier 2 capital is issued in the Norwegian domestic market when a need arises.

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 first quarter 2019. Numbers in brackets refer to the corresponding period last year for comparison.

³ Key figures for 31.3.19 were not fully available at the time of writing, but there are no material changes in these figures over the last quarter

The total balance sheet at 31.03.19 amounted to 224 (242) billion kroner. The balance sheet decreased primarily due to reduction of the liquidity portfolio. The Company had in the first quarter 2019 net interest income of 102 (84) million kroner, which also includes the deduction of commissions (almost the entire net interest margin on mortgages) paid to the owner banks. The cost of operations for the first quarter 2019 was 8.2 (8.3) million kroner including depreciation and amortization. IFRS 9 expected losses increased by 2.2 million to 14.8 million. No actual loan losses have occurred since the Company commenced operations in 2007. This produces an operating result of 107 (35) million kroner before tax. The improvement comes mainly as the required liquid assets are less in volume and performed well during the quarter.

Mortgage loans for residential properties amounted to 188 (181) billion kroner as of the first quarter 2019. The Company's own liquid assets were approximately 18 (36) 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. Liquid assets have been reduced during 2018 due to the proposed 180 day liquidity rule in the EU covered bond harmonization directive and by the inclusion of a lower than 100 per cent weighting assigned to mortgages when calculating their required long-term financing need. The minimum liquidity portfolio is managed to whichever of these measures requires the greatest amount.

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 Norwegian 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 year SpareBank 1 Boligkreditt AS had issued bonds for approximately 127 billion kroner in EUR, 10.7 billion kroner in USD, 8.5 billion kroner in GBP and 0.3 billion kroner in Swedish kroner, at exchange rates at the end of March 2019. 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.

The bonds held in the Company's liquidity portfolio 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. Cash is also placed in reverse repos with approved counterparty banks, with AAA rated securities as collateral.

The Company had as of 31.03.2019 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 of Directors. 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. The Board of Directors view SpareBank 1 Boligkreditt AS's liquidity situation as 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 by the Board of Directors 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 2018 annual accounts provides further information.

Macroeconomic development and outlook⁴

The Norwegian mainland economy expanded by 2.2 per cent over 2018 and in 2019 a moderate increase is expected to 2.4 per cent. The economic cycle is in a moderate but broad growth phase, with increases across industries. The oil sector investments are expected to provide a clear growth contribution for the economy in 2019, then remain flat. Investments in housing, mainland industries and the public sector are expected to remain moderate, meaning total investments in mainland Norway, excluding offshore oil and gas extraction is expected at approximately 2 per cent. in 2019. The central bank's policy rate was increased to 1 per cent in March and the forecast from Norges Bank expresses continued increases in the rate. International growth and rates movements casts some doubt on the central bank's expectations. Despite some strengthening during the first quarter 2019, the Norwegian currency is relatively weak in a historic context, and this continues to be beneficial to a small and open economy.

The housing market displayed relative stability over 2018. Overall, the real estate price index increased slightly less than general consumer price inflation for the year. The micro-prudential regulations of the mortgage market, which were last tightened in January 2017 and renewed in June 2018, have had a desired effect, targeting a balancing of supply and demand. Real estate prices thus far in 2019 have increased moderately.

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

Recent data and forecast (per cent)	2017	2018	2019	2020	2021
Mainland GDP growth	2,0	2,2	2,4	2,3	2,0
Unemployment rate	4,2	3,8	3,7	3,7	3,7
CPI growth	1,8	2,7	2,3	1,7	1,9
Annual wage growth	2,3	2,8	3,3	3,5	3,6
Current account surplus to GDP	5,7	8,1	8,1	9,7	9,7

Source: Statistics Norway (SSB) March 5, 2019

Future prospects of the Company

The Company has a portfolio of residential mortgage lending with an average loan to value (LTV) slightly above 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.

SpareBank 1 Boligkreditt's portfolio is well diversified throughout the major city regions in 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, i.e. if residential price declines increase LTVs above the eligibility limit for mortgages

⁴ Macroeconomic projections have been sourced from Statistics Norway as of March 5, 2019.

in the pool. Reserves in the banks are robust, making the covered bond funding function in SpareBank 1 resilient to downward shifts in real estate prices.

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 of Directors also base this conclusion on the low LTVs of the mortgages, no defaults or arrears, a strong history and institutional framework in Norway for loan performance, as well as the low unemployment environment.

* * *

The Board of Directors affirms its conviction that the financial accounts present a correct and complete picture of the Company's operations and financial position at the end of the first quarter of 2019. The financial accounts including notes are produced under the assumption of a going concern.

There have been no incidents of a material nature after quarter-end which are expected to impact the accounts for the first quarter 2019.

Stavanger, 2 May 2019

The Board of Directors of SpareBank 1 Boligkreditt AS



/s/ Kjell Fordal
Chairman of the Board



/s/ Bengt Olsen



/s/ Merete N. Kristiansen



/s/ Knut Oscar Fleten



/s/ Geir-Egil Bolstad



/s/ Inger M.S. Eriksen



/s/ Arve Austestad
CEO

SpareBank 1 Boligkreditt AS

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

The Board and the chief executive officer have today reviewed and approved the financial accounts for the first quarter 2019 for SpareBank 1 Boligkreditt AS. The quarterly accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

To the best knowledge of the board and the chief executive officer the accounts have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole as of 31.03.19.

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, 2 May 2019

The Board of Directors of SpareBank 1 Boligkreditt AS

/s/ Kjell Fordal
Chairman of the Board

/s/ Bengt Olsen

/s/ Merete N. Kristiansen

/s/ Geir-Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Knut Oscar Fleten

/s/ Arve Austestad
CEO

Financial statements

Income statement

NOK 1 000	Note	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018	2018
Total interest income	2	942.404	804.935	3.577.766
Total interest expenses	2	-840.389	-720.757	-3.244.627
Net interest income		102.015	84.178	333.139
Net gains/losses from financial instruments	3	15.390	-41.185	-293.531
Net other operating income		15.390	-41.185	-293.531
Total operating income		117.405	42.993	39.608
Salaries and other ordinary personnel expenses	4	-2.835	-3.279	-11.766
Other operating expenses	5	-5.344	-5.037	-20.490
Total operating expenses		-8.178	-8.316	-32.256
Operating result before losses		109.227	34.677	7.352
Write-downs on loans and guarantees		-2.234	64	-849
Pre-tax operating result		106.993	34.740	6.503
Taxes		-26.748	-8.685	-1.627
Profit/loss for the year		80.245	26.055	4.876
Portion attributable to shareholders		69.793	16.180	-36.928
Portion attributable to additional Tier 1 capital holders		10.452	9.875	41.804
Profit/loss for the period		80.245	26.055	4.876

Overview of comprehensive income

NOK 1 000	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018	2018
Profit/loss for the year	80.245	26.055	26.055
Items which will not impact the income statement in future periods:			
Change due to basis swap spread adjustment	-154.573	13.672	-280.245
Tax effect of basis swap spread adjustment	38.643	-3.418	70.061
Change in pensions for a previous period			
Estimate deviation for pensions	-	-	5.468
Tax effect of the estimate deviation	-	-	-1.367
Total profit/loss accounted for in equity	-115.930	10.254	-206.083
Total profit/loss	-35.685	36.309	-180.028

Balance sheet

NOK 1 000	Note	31.03.2019	31.03.2018	2018
Assets				
Lending to and deposits with credit institutions	12	5.111.110	6.778.074	12.990.004
Certificates and bonds	12,13	25.623.908	44.775.172	25.271.910
Lending to customers	7,12	188.171.797	181.205.294	184.073.918
Financial derivatives	11,12,13	17.447.357	20.488.383	23.183.793
Deferred tax asset	12	3.484	2.968	-
Other assets	6,12	1.801	1.281	1.750
Total assets		236.359.456	253.251.172	245.521.375
Liabilities and equity				
Liabilities				
Debt incurred by issuing securities	9,12,13	207.447.274	223.053.410	212.351.045
Collateral received under derivatives contracts	12,18	12.784.877	15.716.295	18.733.053
Repurchase agreement	12	1.508.401	-	-
Financial derivatives	11,12,13	1.048.763	1.010.264	1.042.108
Deferred tax	12	733	140.052	39.377
Tax payable	12	15.503	-	15.503
Subordinated debt	10,12	1.431.965	1.603.656	1.606.160
Other Liabilities	12,14	164.711	193.433	150.763
Total Liabilities		224.402.227	241.717.109	233.938.009
Equity				
Paid-in equity	12	11.208.470	10.158.470	10.788.470
Other paid-in equity (not yet registered)	12	-	240.000	-
Hybrid capital	8,12	1.180.000	1.180.000	1.180.000
Accrued equity	12	-511.486	-142.738	-389.980
Net profit	12	80.245	26.055	4.876
Declared dividends	12	-	72.276	-
Total equity		11.957.229	11.534.063	11.583.366
Total liabilities and equity		236.359.456	253.251.173	245.521.375

Stavanger, 02.05.2019

/s/ Kjell Fordal
Chairman of the Board

/s/ Bengt Olsen

/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 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	-	-	-	-	-3.071	-	-	-3.071
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	100.000	50.000	-	-	-	-	-	150.000
Net income for the period	-	-	-	-	4.876	-	-	4.876
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-41.804	-	-41.804
OCI -basisswapsread	-	-	-	-	-210.184	-	-	-210.184
Proposed dividend for 2018	-	-	-	-	-	-	-	-
OCI - pension - annual estimate deviation	-	-	-	-	4.101	-	-	4.101
Balance as of 31 December 2018	7.190.548	3.597.922	0	-	-306.173	-78.932	1.180.000	11.583.366
Share increase 27 February 2019	280.000	140.000	-	-	-	-	-	420.000
Net income for the period	-	-	-	-	80.245	-	-	80.245
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-10.452	-	-10.452
OCI -basisswapsread	-	-	-	-	-115.930	-	-	-115.930
Balance as of 31 March 2019	7.470.548	3.737.922	0	-	-341.858	-89.384	1.180.000	11.957.229

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.

Cash flow statement

NOK 1 000	31.03.2019	31.03.2018	2018
Cash flows from operations			
Interest received	1.464.435	1.359.508	3.787.762
Paid expenses, operations	-21.283	-9.357	-59.111
Paid tax	0	0	0
Net cash flow relating to operations	1.443.152	1.350.151	3.728.652
Cash flows from investments			
Net purchase of loan portfolio	-4.086.081	-3.527.556	-6.392.387
Net payments on the acquisition of government bills	299.574	948.642	1.163.310
Net payments on the acquisition of /sale of bonds	-1.279.359	7.800.866	27.522.971
Net investments in intangible assets	153	-185	-897
Net cash flows relating to investments	-5.065.713	5.221.767	22.292.996
Cash flows from funding activities			
Net receipt/payment from the issuance of certificates	0	-120.999	-120.999
Net receipt/payment from the issuance of bonds	975.908	5.781.946	-8.347.785
Net receipt/payment from the issuance of subordinated debt	175.000	0	0
Net receipt/payment of loans to credit institutions	-4.439.931	-7.531.499	-4.901.801
Equity capital subscription	420.000	240.000	630.000
Paid dividend	-72.276	0	-72.276
Net interest payments on funding activity	-1.307.121	-1.172.081	-3.267.854
Net cash flow relating to funding activities	-4.248.420	-2.802.633	-16.080.715
Net cash flow in the period	-7.870.981	3.769.285	9.940.933
Balance of cash and cash equivalents at beginning of period	12.990.004	3.044.644	3.044.644
Net receipt/payments on cash	-7.870.981	3.769.285	9.940.933
Exchange rate difference	-7.913	-35.855	4.427
Balance of cash and cash equivalents at end of period	5.111.110	6.778.074	12.990.004

Quarterly Financial Statements

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

Income Statement

	1th Quarter	4th Quarter	3th Quarter	2th Quarter	1th Quarter
NOK 1 000	2019	2018	2018	2018	2018
Total interest income	942.404	933.812	925.159	913.860	804.935
Total interest expenses	-840.389	-856.896	-845.254	-821.721	-720.757
Net interest income	102.015	76.917	79.905	92.139	84.178
Net gains/losses from financial instruments	15.390	-113.543	-13.427	-125.375	-41.185
Net other operating income	15.390	-113.543	-13.427	-125.375	-41.185
Total operating income	117.405	-36.626	66.478	-33.236	42.993
Salaries and other ordinary personnel expenses	-2.835	-2.527	-3.100	-2.860	-3.279
Other operating expenses	-5.344	-6.145	-4.406	-4.901	-5.037
Total operating expenses	-8.178	-8.672	-7.507	-7.761	-8.316
Operating result before losses	109.227	-45.299	58.971	-40.997	34.677
Write-downs on loans and guarantees	-2.234	-520	272	-665	64
Pre-tax operating result	106.993	-45.819	59.243	-41.662	34.740
Taxes	-26.748	11.453	-14.811	10.416	-8.685
Profit/loss for the year	80.245	-34.365	44.433	-31.247	26.055
Other income and expense	-115.930	-104.207	-30.680	-81.450	10.254
Total Profit/Loss	-35.685	-138.572	13.752	-112.696	36.309

Balance sheet

NOK 1 000	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018
Assets					
Lending to and deposits with credit institutions	5.111.110	12.990.004	11.411.753	9.270.163	6.778.074
Certificates and bonds	25.623.908	25.271.910	35.032.317	43.651.308	44.775.172
Lending to customers	188.171.797	184.073.918	183.811.362	182.852.976	181.205.294
Financial derivatives	17.447.357	23.183.793	15.982.953	17.220.292	20.488.383
Deferred tax asset	3.484	-	10.055	6.573	2.968
Other assets	1.801	1.750	1.507	1.897	1.281
Total assets	236.359.456	245.521.375	246.249.947	253.003.210	253.251.172
Liabilities and equity					
Liabilities					
Debt incurred by issuing securities	207.447.274	212.351.045	217.814.578	225.077.253	223.053.410
Collateral received under derivatives contracts	12.784.877	18.733.053	13.370.235	13.203.305	15.716.295
Repurchase agreement	1.508.401	-	-	-	-
Financial derivatives	1.048.763	1.042.108	1.479.191	1.225.000	1.010.264
Deferred tax	733	39.377	102.675	112.902	140.052
Tax payable	15.503	15.503	-	-	-
Subordinated debt	1.431.965	1.606.160	1.603.108	1.603.084	1.603.656
Other Liabilities	164.711	150.763	148.423	130.959	193.433
Total Liabilities	224.402.227	233.938.009	234.518.210	241.352.503	241.717.109
Equity					
Contributed equity	11.208.470	10.788.470	10.638.470	10.398.470	10.158.470
Other paid in equity (not yet registered)	-	-	150.000	240.000	240.000
Hybrid capital	1.180.000	1.180.000	1.180.000	1.180.000	1.180.000
Accrued equity	-511.486	-389.980	-275.974	-234.848	-142.738
Net profit	80.245	4.876	39.241	-5.191	26.055
Declared dividends	-	-	-	72.276	72.276
Total equity	11.957.229	11.583.366	11.731.737	11.650.707	11.534.063
Total liabilities and equity	236.359.456	245.521.375	246.249.947	253.003.210	253.251.173

Notes to the financial statements

Note 1 Accounting principles

1.1 Basis for preparation

SpareBank1 Boligkreditt AS quarterly accounts have been prepared in accordance with the International Financial Standards (IFRS). The accounts have been produced in accordance with IAS 34 reporting for a partial year. The Company's accounting principles and calculation methods have not materially changed since the annual accounts for 2018. IFRS 16- Leases have been adopted from 1 January 2019. This standard does not have any significant impacts for SPB1 Boligkreditt AS.

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.

The interim financial statements are not audited.

1.2 Segment

The Company has only one segment, which is the mortgage lending to retail customers. The segment consists of lending to private individuals and all loans have been acquired from the member banks of the SpareBank 1 alliance. The Company's total results as of the first quarter 2018 is therefore equal to the retail segment total results.

1.3 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 2018.

Note 2 Net interest income

NOK 1 000	31.03.2019	31.03.2018	2018
Interest income			
Interest income from, certificates, bonds and deposits	29.304	110.652	380.228
Interest income from residential mortgage loans	1.258.633	1.139.947	4.715.801
Commission expense (payable to shareholder banks) *	-345.532	-445.664	-1.518.263
Total interest income	942.404	804.935	3.577.766
Interest expense			
Interest expense and similar expenses to credit institutions	-25.124	-11.352	-25.036
Interest expense and similar expenses on issued bonds	851.193	718.366	3.211.071
Interest expense and similar expenses on subordinated debt	12.165	12.380	50.836
Other interest expenses	2.155	1.363	7.757
Total interest expense	840.389	720.757	3.244.627
Net interest income	102.015	84.178	333.139

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

Note 3 Net Gains on Financial Instruments

NOK 1 000	31.03.2019	31.03.2018	2018
Net gains (losses) from financial liabilities (1)	-2,566,964	-1,386,833	-4,904,674
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	2,868,452	1,621,208	4,849,334
Net gains (losses) from financial assets (2)	-316,984	-299,993	-234,796
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	30,886	24,433	-3,394
Net gains (losses)	15,390	-41,185	-293,531

(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 in 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.

Note 4 Salaries and remuneration

NOK 1 000	31.03.2019	31.03.2018	2018
Salary	2,518	2,863	10,201
Salaries invoiced to SpareBank1 Næringskreditt*	-709	-820	-2,870
Pension expenses	513	570	2,055
Social insurance fees	458	515	2,146
Other personnel expenses	54	152	234
Total salary expenses	2,835	3,279	11,766

Average number of full time equivalents (FTEs)	6	7	7
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* 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	31.03.2019	31.03.2018	2018
IT and IT operations	2.678	2.626	9.565
Purchased services other than IT	2.363	1.892	8.310
Other Operating Expenses	220	381	1.987
Depreciation on fixed assets and other intangible assets	82	138	628
Total	5.344	5.037	20.490

Note 6 Other assets

NOK 1 000	31.03.2019	31.03.2018	2018
Intangible assets	625	485	707
Account receivables from SpareBank 1 Næringskreditt AS	621	796	1.043
Other	555	-	-
Total	1.801	1.281	1.750

Note 7 Lending to customers

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of 31.03.2019 were NOK 188 billion. All mortgages carry a variable interest rate.

NOK 1 000	31.03.2019	31.03.2018	2018
Revolving loans - retail market	45.215.673	48.000.826	45.484.285
Amortising loans - retail market	142.772.983	133.036.918	138.418.290
Accrued interest	197.973	179.199	183.912
Total loans before specified and unspecified loss provisions	188.186.629	181.216.943	184.086.488

Stage 1	181.894.510	175.001.191	177.082.658
Stage 2	6.292.119	6.215.752	7.003.830
Stage 3			-
Gross loans	188.186.629	181.216.943	184.086.488

Impairments on groups of loans			
Expected credit loss, stage 1	1,712	3,791	3,905
Expected credit loss, stage 2, no objective proof of loss	13,120	7,858	8,665
Expected credit loss, stage 3, objective proof of loss	-	-	-
Total net loans and claims with customers	188,171,797	181,205,294	184,073,918

Liability			
Unused balances under customer revolving credit lines (flexible loans)	12.444.482	12.459.551	12.304.082
Total	12.444.482	12.459.551	12.304.082

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.

Note 8 Share Capital and Shareholder Information

List of shareholders as of 31.03.2019

	No of Shares	in per cent	Share of votes
SpareBank 1 Østlandet	16.144.195	21,61 %	21,61 %
SpareBank 1 SMN	15.459.021	20,69 %	20,69 %
SpareBank 1 Nord-Norge	13.309.411	17,82 %	17,82 %
BN Bank ASA	4.881.739	6,53 %	6,53 %
SpareBank 1 BV	4.805.059	6,43 %	6,43 %
SpareBank 1 SR-Bank ASA	3.595.953	4,81 %	4,81 %
Sparebanken Telemark	3.433.909	4,60 %	4,60 %
SpareBank 1 Ringerike Hadeland	3.357.510	4,49 %	4,49 %
SpareBank 1 Østfold Akershus	3.256.986	4,36 %	4,36 %
SpareBank 1 Nordvest	1.628.493	2,18 %	2,18 %
SpareBank 1 Modum	1.427.444	1,91 %	1,91 %
SpareBank 1 Hallingdal Valdres	965.033	1,29 %	1,29 %
SpareBank 1 Søre Sunnmøre	926.833	1,24 %	1,24 %
SpareBank 1 Gudbrandsdal	914.771	1,22 %	1,22 %
SpareBank 1 Lom og Skjåk	599.125	0,80 %	0,80 %
Total	74.705.482	100 %	100 %

The share capital consists of 74 705 482 shares with a nominal value of NOK 100

Hybrid capital

NOK 1000	ISIN	Interest rate	Issued year	Call option	31.03.2019	31.03.2018	2018
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	100.000
Book value					1.180.000	1.180.000	1.180.000

The issued bonds listed in the table above have status as Tier 1 capital instruments in the Company's capital coverage ratio.

Note 9 Liabilities incurred by issuing Securities

	Nominal value*	Nominal value*	Nominal value*
NOK 1 000	31.03.2019	31.03.2018	2018
Short term notes, unsecured	-	-	-
Repurchased short term notes, unsecured	-	-	-
Senior unsecured bonds	104.000	2.707.000	1.047.000
Repurchased senior unsecured bonds	-	-	-
Covered bonds	189.901.982	200.346.183	188.169.679
Repurchased Covered bonds	-	-	-
Total debt incurred by issuing securities	190.005.982	203.053.183	189.216.679

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

	Book value	Book value	Book value
NOK 1 000	31.03.2019	31.03.2018	2018
Short term notes, unsecured	-	-	-
Repurchased short term notes, unsecured	-	-	-
Senior unsecured bonds	104.000	2.707.150	1.046.990
Repurchased senior unsecured bonds	-	-	-
Covered bonds	206.499.842	219.416.404	209.973.603
Repurchased covered bonds	-	-	-
Activated costs incurred by issuing debt	-191.373	-176.806	-165.808
Accrued interest	1.034.805	1.106.662	1.496.260
Total debt incurred by issuing securities	207.447.274	223.053.410	212.351.045

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	31.03.2019	31.03.2018	2018
2018	-	1.191.000	1.047.000
2019	104.000	1.516.000	-
Total	104.000	2.707.000	1.047.000

Covered bonds

Due in	31.03.2019	31.03.2018	2018
2018	-	26.531.750	-
2019	14.628.056	27.568.998	24.954.124
2020	24.963.500	24.963.500	24.963.500
2021	28.857.334	28.850.595	28.894.098
2022	38.749.200	38.749.200	38.749.200
2023	30.314.900	17.782.150	30.378.725
2024	13.873.539	11.114.674	13.916.174
2025	10.648.750	10.648.750	10.648.750
2026	12.185.000	12.185.000	12.185.000
2027	669.702	668.766	674.808
2028	2.562.800	1.282.800	2.562.800
2029	12.206.700	-	-
2038	242.500	-	242.500
Total	189.901.982	200.346.183	188.169.679
Total	190.005.982	203.053.183	189.216.679

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

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

NOK 1 000	31.03.2019	31.03.2018	2018
NOK	60.898.228	68.194.201	62.711.262
EUR	127.027.740	131.726.096	130.285.193
USD	10.748.275	17.356.935	10.707.438
GBP	8.518.367	5.516.237	8.382.733
SEK	254.663	259.941	264.420
Total	207.447.274	223.053.410	212.351.045

Note 10 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option from	Maturity	Nominal amount	31.03.2019	31.03.2018	2018
With maturity									
Subordinated debt	NO0010704109	3M Nibor + 225 bp	2014	07.03.2019	07.03.2024	475.000	-	475.000	475.000
Subordinated debt	NO0010826696	3M Nibor + 153 bp	2018	22.06.2023	22.06.2028	250.000	250.000	250.000	250.000
Subordinated debt	NO0010833908	3M Nibor + 180 bp	2018	08.10.2025	08.10.2030	400.000	400.000	400.000	400.000
Subordinated debt	NO0010835408	3M Nibor + 167 bp	2018	02.11.2023	02.11.2028	475.000	475.000	475.000	475.000
Subordinated debt	NO0010842222	3M Nibor + 192 bp	2019	24.01.2024	24.01.2029	300.000	300.000	-	-
Accrued interest							6.965	3.656	6.160
Book value							1.431.965	1.603.656	1.606.160

The issued bonds listed in the table above have status as Tier 2 capital instruments in the Company's capital coverage ratio.

Note 11 Financial Derivatives

NOK 1 000	31.03.2019	31.03.2018	2018
Interest rate derivative contracts			
Interest rate swaps			
Nominal amount	63.762.456	73.346.588	68.401.281
Asset	2.302.857	2.952.545	2.918.190
Liability	-388.176	-610.188	-514.399
Currency derivative contracts			
Currency swaps			
Nominal amount	134.876.663	142.402.120	140.302.215
Asset	15.144.499	17.535.838	20.265.604
Liability	-35.301	-223.280	-56.996
Total financial derivative contracts			
Nominal amount	198.639.118	215.748.707	208.703.496
Asset	17.447.357	20.488.383	23.183.793
Liability	-423.477	-833.468	-571.395
All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.			
* Change due to basis swap spread adjustment	31.03.2019	31.03.2018	2018
Asset/Liability(-)	-423.477	-833.468	-571.395
Net gain (loss) on valuation adjustment of basisswap spreads	-625.286	-176.796	-470.713
Net asset/liability derivatives	-1.048.763	-1.010.264	-1.042.108

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

IFRS 9 allows the company to present the changes in basisswaps spreads below other comprehensive income. As of 01.01.2018 it will no longer be presented below the income statement. It will be presented in other comprehensive income.

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	31.03.2019
Assets					
Lending to and deposits with credit institutions	-	5.111.110	-	-	5.111.110
Certificates and bonds	25.623.908	-	-	-	25.623.908
Residential mortgage loans	-	188.171.797	-	-	188.171.797
Financial derivatives	17.447.357	-	-	-	17.447.357
Deferred tax asset	-	-	-	3.484	3.484
Other assets	-	-	-	1.801	1.801
Total Assets	43.071.265	193.282.907	-	5.284	236.359.456
Liabilities					
Debt incurred by issuing securities	164.244.924	43.202.350	-	-	207.447.274
Collateral received in relation to financial derivatives	-	14.293.278	-	-	14.293.278
Financial derivatives	1.048.763	-	-	-	1.048.763
Deferred taxes	-	-	-	733	733
Taxes payable	-	-	-	15.503	15.503
Subordinated debt	-	1.431.965	-	-	1.431.965
Other liabilities	-	-	-	164.711	164.711
Total Liabilities	165.293.687	58.927.593	-	180.947	224.402.227
Total Equity	-	1.180.000	-	10.777.229	11.957.229
Total Liabilities and Equity	165.293.687	60.107.593	-	10.958.176	236.359.456

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

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	31.03.2018
Assets					
Lending to and deposits with credit institutions	-	6.778.074	-	-	6.778.074
Certificates and bonds	-	181.205.294	-	-	181.205.294
Lending to customers	44.775.172	-	-	-	44.775.172
Financial derivatives	20.488.383	-	-	-	20.488.383
Deferred tax asset	-	-	-	2.968	2.968
Other assets	-	-	-	1.281	1.281
Total Assets	65.263.555	187.983.368	-	4.249	253.251.172
Liabilities					
Debt incurred by issuing securities	166.273.423	56.779.987	-	-	223.053.410
Collateral received in relation to financial derivatives	-	15.716.295	-	-	15.716.295
Financial derivatives	1.010.264	-	-	-	1.010.264
Deferred taxes	-	-	-	140.052	140.052
Taxes payable	-	-	-	-	-
Subordinated debt	-	1.603.656	-	-	1.603.656
Other liabilities	-	-	-	193.433	193.433
Total Liabilities	167.283.688	74.099.937	-	333.485	241.717.109
Total Equity	-	1.180.000	-	10.354.063	11.534.063
Total Liabilities and Equity	167.283.688	75.279.937	-	10.687.548	253.251.172

*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 at fair value is done through discounting future cash flows to their present values.

Valuation of currency swaps will also include the element of foreign exchange rates.

Bonds

Valuation of bonds at fair value is done through discounting future cash flows to present value.

With effect from 2009 SpareBank 1 Boligkreditt AS has implemented the changes in IFRS 7 in relation to the valuation of financial instruments as of the date of the financial accounts. The changes require a presentation of the fair value measurement for each Level. We have the following three Levels for the fair value measurement:

Level 1: Quoted price in an active market. Fair value of financial instruments which are traded in active markets are based on the market price at the balance sheet date. A market is considered to be active if the market prices are easily and readily available from an exchange, dealer, broker, industry group, pricing service or regulating authority and that these prices represent actual and regular market transactions on an arm's length basis.

Level 2: Valuation based on observable factors. Level 2 consist of instruments which are not valued based on listed prices, but where prices are indirectly observable for assets or liabilities, but also includes listed prices in not active markets.

Level 3: The valuation is based on factors that are not found in observable markets (non-observable assumptions). If valuations according to Level 1 or Level 2 are not available, valuations are based on not-observable information. The Company has a matter of principle neither assets nor liabilities which are valued at this level.

The following table presents the company's assets and liabilities at fair value as of 31.03.2019

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	17.769.351	7.854.557	-	25.623.908
Financial Derivatives	-	17.447.357	-	17.447.357
Total Assets	17.769.351	25.301.914	-	43.071.265
Bonds	-	164.244.924	-	164.244.924
Financial Derivatives	-	1.048.763	-	1.048.763
Total Liabilities	-	165.293.687	-	165.293.687

The following table presents the company's assets and liabilities at fair value as of 31.03.2018

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	25.141.665	19.633.507	-	44.775.172
Financial Derivatives	-	20.488.383	-	20.488.383
Total Assets	25.141.665	40.121.890	-	65.263.555
Bonds	-	166.273.423	-	166.273.423
Financial Derivatives	-	1.010.264	-	1.010.264
Total Liabilities	-	167.283.688	-	167.283.688

Note 14 Other Liabilities

NOK 1 000	31.03.2019	31.03.2018	2018
Employees tax deductions and other deductions	308	572	623
Employers national insurance contribution	583	382	708
Accrued holiday allowance	1.183	1.313	946
Commission payable to shareholder banks	118.922	156.142	132.512
Deposits*	425	3.789	525
Pension liabilities	10.711	15.461	10.461
Other accrued costs	32.579	15.773	4.988
Total	164.711	193.433	150.763

The Company does not have an overdraft facility or a revolving credit facility as of 31.03.2019

* 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.

- 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	31.03.2019	31.03.2018	2018
Total Covered Bonds	207.534.245	220.515.619	211.466.729
Residential mortgage loans	186.789.041	180.224.180	182.916.170
Lending to the public sector (gov. bonds/ certificates or gov. guaranteed debt)	2.145.109	2.103.041	2.443.614
Reverse repo/ depo less than 100 days	684.236	0	9.337.374
Exposure to credit institutions (covered bonds)	14.355.785	33.409.118	7.829.441
Derivatives	17.023.879	19.654.915	22.612.398
Total Cover Pool	220.998.051	235.391.254	225.138.997
Asset-coverage	106,5 %	106,7 %	106,5 %
Total Cover Pool	230.708.598	201.695.213	236.614.263
Asset-coverage	106,5 %	107,7 %	106,4 %

Liquidity Coverage Ratio (LCR)	31.03.2019	31.03.2018	2018
Liquid assets	7.238.905	355.860	10.054.367
Cash outflow next 30 days	1.953.120	339.269	1.061.996
LCR ratio	370,6 %	105,0 %	946,7 %

Net Stable Funding Ratio (NSFR)	31.03.2019	31.03.2018	2018
Available amount of stable funding	196.182.838	206.437.827	202.019.676
Required amount of stable funding	202.337.141	187.148.219	191.375.955
NSFR ratio	103,1 %	110,0 %	105,6 %

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. 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. 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. The European Union has approved new regulatory requirements, CRD IV, which is implemented in Norway. The requirement of 16.3% total capital for SpareBank 1 Boligkreditt includes:

- Minimum core equity Pillar 1: 4.5 per cent.
- Additional Tier 1 equity capital 1.5 per cent. and additional Tier 2 capital 2.0 per cent (can be held as Tier 1 and Tier 2, alternatively as core equity capital)
- Conservation buffer: 2.5 per cent core capital
- Systemic risk buffer: 3 per cent. core equity
- Countercyclical buffer: 2 per cent. core equity (will increase to 2.5 per cent. on 31.12.2019)

The Issuer has an additional Pillar 2 requirement which is 0.8 per cent. core equity capital. The total requirement for the Issuer is therefore to have capital of minimum 16.3 per cent. of risk weighted assets. With a management buffer added, the target for capital coverage is 16.7 per cent. as of year-end 2018. The Company's parent banks have committed themselves to keep the Company's Equity Tier 1 capital at the minimum regulatory level (in the Shareholders Agreement). Primarily this commitment is pro rata according to the ownership stakes in the Company, but it is a joint and several undertaking if one or more ownership banks are unable to comply, up to the maximum of twice the initial pro rata amount.

Capital. NOK 1 000	31.03.2019	31.03.2018	2018
Share capital	7.470.548	6.770.548	7.190.548
Premium share fund	3.737.922	3.387.922	3.597.922
Other equity capital	-511.486	169.539	-385.104
Common equity	10.696.984	10.328.009	10.403.366
Intangible assets	-625	-485	-707
Declared share dividend	-	-72.276	-
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-365.982	-343.780	-363.428
Prudent valuation adjustment (AVA)	-18.498	-35.655	-15.182
Core equity capital	10.311.879	9.875.813	10.024.049
Hybrid bond	1.180.000	1.180.000	1.180.000
Tier 1 equity capital	11.491.879	11.055.813	11.204.049
Supplementary capital (Tier 2)	1.425.000	1.600.000	1.600.000
Total capital	12.916.879	12.655.813	12.804.049

Minimum requirements for capital. NOK 1 000	31.03.2019	31.03.2018	2018
Credit risk	3.504.996	3.430.675	3.362.169
Market risk	-	-	-
Operational risk	58.499	62.185	62.185
Depreciation on groups of loans	-	-	-
CVA Risk	332.820	262.316	308.572
Difference in capital requirement resulting from transitional floor	2.345.038	2.340.382	2.378.276
Minimum requirement for capital	6.241.353	6.095.559	6.111.202

Capital coverage

	31.03.2019	31.03.2018	2018
Risk-weighted assets incl. transitional floor	78.016.911	74.508.686	76.390.017
Capital coverage (requirement incl. Pillar 2, 16,3%)	16,56 %	16,61 %	16,76 %
Tier 1 capital coverage (requirement incl. Pillar 2, 14,3%)	14,73 %	14,51 %	14,67 %
Core capital coverage (requirement incl. Pillar 2, 12,8%)	13,22 %	12,96 %	13,12 %
Leverage ratio (requirement 3%)	4,99 %	4,24 %	4,91 %

Note 17 Related parties

The Company has 188 186 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 31.03.2019 this collateral amounted to NOK 12 785 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 19 Contingencies and Events after Balance Sheet Date

SpareBank 1 Boligkreditt AS is not a party to any ongoing legal proceedings.

No events have taken place after the balance sheet date which are expected to have any material impact on the financial statements as of the end of the period 31.03.2019.

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