



# Boligkreditt 1<sup>st</sup> Quarterly Report 2020

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# Statement of the Board of Directors of SpareBank 1 Boligkreditt AS, 1st quarter 2020

## 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 Financial Institutions Act ("Finansforetaksloven") chapter 11, section II and the detailed regulations thereof.

The purpose of the Company is solely to provide funding for its owner banks by buying qualifying residential mortgage loans from them with a loan-to-value ("LTV") of up to 75 per cent and financing these through the issuance of covered bonds.

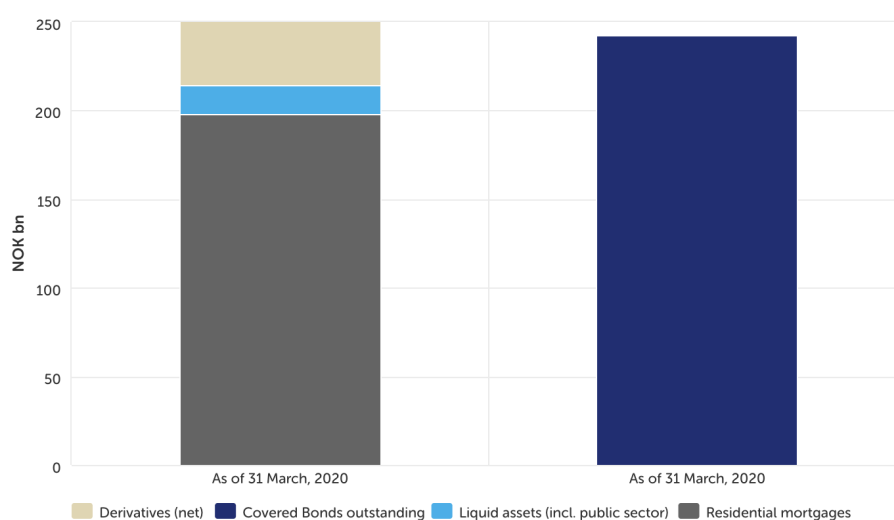
The Company, which is based in Stavanger, is owned by banks which are all members of the SpareBank 1 Alliance. A comprehensive agreement with each of these banks regulates the mortgage purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing Agreement"). The Company pays out the interest margin earned to its owner banks, with deductions for estimated operating and financial expenses. This margin is accounted for as commissions to owner banks.

The Company's issuances of covered bonds mainly take place under the EUR 35,000,000,000 Global Medium Term Covered Note Programme (GMTCN Programme). This Programme was updated on April 20, 2020 and is available on the Company's home page: <https://spabol.sparebank1.no>.

The Company has 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.

## Cover pool and outstanding covered bonds<sup>2</sup>

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 2020:



<sup>1</sup> The limit for instalment mortgages is 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.

<sup>2</sup> The source is the balance sheet figures as of 31 March 2020 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 covered bonds that they hedge. This is reflected in the chart and figures above. This may not be identical to the Moodys overcollateralization calculation, which in an economic sense provides a better illustration by grouping derivatives with the bonds they hedge.

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 prior to the maturity of outstanding bonds (minimum 180 days) with bond proceeds invested as liquid assets. Liquid assets are covered bonds with a triple-A rating, SSA or government bonds with a triple-A rating or short term cash deposits and repos (please see the cover pool statistical reports for details on the composition of liquid assets).

**Derivatives** are used solely to hedge currency and interest rate risk. They are tailored to exactly match the cash flows related to the bonds they hedge, for the full duration of the bond. Swap counterparties are subject to certain rating criteria and are in all cases banks that are not the Company's owner banks

The table below provide an overview of the **residential mortgages** in the cover pool:

## Residential mortgages key figures

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Weighted Average Current LTV (%)	53.2 %	53.6 %	52.1 %	52.1 %	53.1 %
Weighted Average Original LTV (%)	59.3 %	59.7 %	59.6 %	59.6 %	59.6 %
Average Loan Balance (NOK)	1,456,844	1,443,119	1,440,088	1,436,755	1,430,260
Number of Mortgages in Pool	136,884	132,358	131,564	132,483	131,375
Pct. of non first-lien mortgages	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Overcollateralization	4.2 %	4.1 %	5.9 %	6.0 %	6.5 %

## Key developments in the first quarter 2020

SpaBol issued 6.4 billion Norwegian kroner of covered bonds in the domestic market during the first quarter 2020, and further market issuance has taken place in the beginning of the second quarter. In addition, covered bonds were issued to the Company's owner banks which were used as collateral in the newly established Central Bank facility, which is one of the responses of Norges Bank to the capital market turmoil that the Covid-19 crisis has brought. Because of this, residential loan volumes increased on the Company's balance sheet during the first quarter at a higher rate than normal, at 8.4 billion kroner.

With the market turmoil and worsening economic outlook, the countercyclical capital buffer for banks was reduced. The buffer requirement, which was increased by 0.5 percentage points on December 31, 2019 to 2.5 per cent, was reduced to 1.0 per cent on March 13, 2020. A reduction in the buffer takes place with immediate effect.

The Board of Directors views Boligkreditt as well capitalized with a capital coverage ratio of 23.4 per cent against a total requirement of 15.4 per cent. including all buffers and a 0.9 per cent Pillar 2 requirement. Total CET1 capital is 20.8 per cent against a total requirement, including buffers, of 13.4 per cent. Common equity capital was 18.7 per cent against a requirement, including all buffers, of 11.9 per cent. It is the Company's policy to maintain capital ratios slightly above the regulatory requirements. When required, additional common equity is contributed by the owner banks in the regular course of business, usually in connection with increases in transferred mortgage volume. Additional Tier 1 and Tier 2 capital is raised in the Norwegian domestic market.

The financial accounts were impacted by the market turmoil in the first quarter 2020, with credit spreads widening and the 3 month NIBOR rate falling. Both elements caused unrealized mark to market losses in the accounts, which showed a negative result of 181 million kroner for the first quarter.

## Quarterly accounts

The 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 2020. Numbers in brackets refer to the corresponding period last year for comparison.

The total balance sheet at 31.03.20 amounted to 282 (236) billion kroner. The increase is primarily due to an increase in the value of derivatives hedging issued debt, increased issuance of debt and increased mortgage loans. The Company had in the first quarter of 2020 net interest income of 480 (448) million kroner. Commissions paid to the owner banks were 358 (346) million and represent most of the margin between mortgage interest rates and the Company's funding costs. The cost of operations for the first quarter 2020 was 9.9 (8.2) million kroner including depreciation and amortization. IFRS 9 expected loan losses increased by 9.2 (-2.2) million kroner. The loan losses are assessed by applying the IFRS 9 principles and model and taking into account the worsening economic outlook. No actual loan losses have occurred since the Company commenced operations. This produces an operating result of -181 (106) million kroner before tax. Changes in net gains/losses from financial instruments (valuation changes of bonds) was a major contributor to the change in result, both on the asset side and the liability side. These are mostly unrealized losses.

Mortgage loans for residential properties amounted to 199.7 (188.2) billion kroner as of the end of 2019. The Company's own liquid assets were approximately 15.8 (16.4) billion kroner.

Liquid assets are cash and highly rated, highly liquid bonds are held as a function of refinancing early the Company's upcoming bond maturities at least six months ahead of expected maturities. Liquid assets are managed to meet the 180 day minimum liquidity rule in the EU covered bond harmonization directive and the NSFR rule.

## Risk aspects

SpareBank 1 Boligkreditt, as a licensed and regulated covered bond issuer, 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 not having 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 168 billion kroner in EUR, 9.7 billion kroner in GBP and 0.3 billion kroner in SEK, based on exchange rates at March 31, 2020. However, all borrowing and investments with a fixed rate, and all borrowing and investments in foreign currency, have been hedged by financial currency- and/or interest rate swap agreements, or through natural hedges. The collective cash flow from FX amounts hedged with swaps matches borrowing 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 (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 A/A2. Cash is also placed in reverse repos with approved counterparty banks, with AAA rated securities as collateral.



The Company had as of March 31, 2020 only moderate interest rate risk and little currency risk.

**Liquidity risk** is defined as the risk that the Company is not able to meet its obligations at maturity or 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 equal to, or more than all debt maturities within the next 6 months, or to comply with the NSFR requirement as proposed, whichever is higher. The Board of Directors views 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 on central areas of risk in such a way that this contributes to meeting its strategic goals. The notes 23 to 27 in the 2019 annual accounts provides further information in this respect.

## Macroeconomic development and outlook

The Norwegian mainland economy expanded by 2.4 per cent in 2019. The outlook for 2020 has changed dramatically due to the Covid-19 crisis. IMF's recent economic outlook (April 2020) estimated a recession in Norway with a drop in real GDP of 6.2 per cent for 2020, alongside a strong recovery in 2021. This is along the lines for the forecast for the world's major economies, and slightly better than the estimates from IMF for the European Union and the Euro area, with declines of 7.5 and 7.1 per cent of real GDP, respectively.

The material decline in the price of oil and gas is likely to shape investment levels in the oil and gas industry for 2020, Norway's largest industrial sector. Investments were recovering from the previous decline in the oil price during 2014 to 2016 and were originally (early February 2020) projected to be 180 billion kroner for 2020. The low point for investments after the previous oil price slump came in 2017, when 145 billion kroner were invested in the sector. This indicates that despite an adverse oil price environment, there might in the short to medium term be a floor for oil sector investments, and thus related mainland economic activity.

Residential house prices seem so far not to have fully reacted to the Covid-19 crisis, and it is uncertain to which extent house prices will react. Nationally, during the month of March 2020, residential real estate prices fell approximately 1.5 per cent on low transaction volumes.

Unemployment has increased dramatically in Norway as elsewhere in the world, with an unemployment and workers furloughed rate, based on registry data, of perhaps 13 to 14 per cent in April 2020, up from 2.1 per cent in February 2020. For the unemployed, wages are paid for 20 days by a new government programme, unemployment benefits thereafter are 60 per cent of salary (subject to a cap). Banks are granting instalment payment holidays for newly unemployed on request. The Norwegian government has rolled out many other programmes to help businesses economically. Spending from the oil fund will therefore breach the 3 per cent spending rule in 2020, and may be go as high as 5 or 6 per cent of the fund's size as of year-end 2019.

## Future prospects of the Company

The Company has a portfolio of residential mortgage loans 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 residential mortgage portfolio is well diversified, albeit weighted towards the eastern, central and northern regions in Norway (with little exposure in the southwest oil-dominated area of Norway). Mortgage loans in the cover pool are very granular (average size of 1.4 million kroner). The banks in the SpareBank 1 Alliance are required to keep reserves of eligible (i.e. cover pool pre-qualified) mortgages in order to provide replacement assets should this become necessary. This could be the case if residential price declines, and LTVs increase above the eligibility limit for mortgages. Such reserves in the banks are robust, and reserves are tested regularly to ensure that a 30 per cent decline in real estate prices can be handled, with sufficient qualifying reserves replenishing the cover pool.

Due to a strict qualifying process for loans to become part of the cover pool, a high degree of diversification of the mortgages in the pool and ample low-LTV mortgage reserves in the parent banks, the Board of Directors views the prospects for the Company to remain stable. This is in despite of the adverse economic environment caused by the Covid 19 crisis. The Board also bases this conclusion on the low average LTV of the mortgage portfolio, no defaults or loans in arrears, a strong history and institutional framework in Norway for residential mortgage loan origination and performance, including also unemployment benefits and other new measures taken to mitigate the economic stress caused by Covid-19. During the last weeks of March and in early April 2020, Boligkreditt issued sizeable volumes of covered bonds in the domestic market and this attests that the Company's covered bonds are seen as a stable alternative by investors in time of market turmoil, economic crisis and uncertainty.

\* \* \*

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 2020. 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 2020.

Stavanger, April 28 2020

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 2020 for SpareBank 1 Boligkreditt AS. The 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 31.03.2020.

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

Stavanger, 22 October 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 1Q 2020

NOK 1 000	Note	31.03.2020	31.03.2019	2019
Total interest income	2	1,631,398	1,287,936	5,834,356
Total interest expenses	2	-1,151,751	-840,389	-3,958,307
<b>Net interest income</b>		<b>479,646</b>	<b>447,547</b>	<b>1,876,048</b>
Commission and fee expenses		-358,017	-345,532	1,444,292
<b>Net commission income</b>		<b>-358,017</b>	<b>-345,532</b>	<b>-1,444,292</b>
Net gains/losses from financial instruments	3	-283,788	15,390	-171,295
<b>Net other operating income</b>		<b>-283,788</b>	<b>15,390</b>	<b>-171,295</b>
<b>Total operating income</b>		<b>-162,159</b>	<b>117,405</b>	<b>260,462</b>
Salaries and other ordinary personnel expenses	4	-3,154	-2,835	-11,780
Other operating expenses	5	-6,794	-5,344	-24,359
<b>Total operating expenses</b>		<b>-9,949</b>	<b>-8,178</b>	<b>-36,139</b>
<b>Operating result before losses</b>		<b>-172,107</b>	<b>109,227</b>	<b>224,323</b>
Impairment losses on loans and guarantees		-9,236	-2,234	856
<b>Pre-tax operating result</b>		<b>-181,343</b>	<b>106,993</b>	<b>225,179</b>
Taxes		49,486	-26,748	-56,298
<b>Profit/loss for the year</b>		<b>-131,857</b>	<b>80,245</b>	<b>168,880</b>
Portion attributable to shareholders		-148,459	69,793	123,796
Portion attributable to additional Tier 1 capital holders		16,602	10,452	45,084
<b>Profit/loss for the period</b>		<b>-131,857</b>	<b>80,245</b>	<b>168,880</b>

## Profit/loss for the period

NOK 1 000	31.03.2020	31.03.2019	2019
Profit/loss for the year	-131,857	80,245	168,880
Items which will not impact the income statement in future periods:			
Change due to basis swap spread adjustment	103,767	-154,573	-74,707
Tax effect of basis swap spread adjustment	-25,942	38,643	18,677
Change in pensions for a previous period			
Estimate deviation for pensions	-		-353
Tax effect of the estimate deviation	-		88
<b>Total profit/loss accounted for in equity</b>	<b>77,825</b>	<b>-115,930</b>	<b>-56,294</b>
<b>Total profit/loss</b>	<b>-54,031</b>	<b>-35,685</b>	<b>112,586</b>

# Balance sheet

NOK 1 000	Note	31.03.2020	31.03.2019	2019
<b>Assets</b>				
Lending to and deposits with credit institutions	12	4,471,962	5,111,110	9,801,250
Certificates and bonds	12,13	38,793,444	25,623,908	28,067,101
Residential mortgage loans	7,12	199,687,454	188,171,797	191,309,342
Financial derivatives	11,12,13	38,900,544	17,447,357	16,254,454
Deferred tax asset	12	233,644	3,484	188,308
Other assets	6,12	1,831	1,801	890
<b>Total assets</b>		<b>282,088,878</b>	<b>236,359,456</b>	<b>245,621,345</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Debt incurred by issuing securities	9,12,13	239,812,029	207,447,274	217,670,078
Collateral received under derivatives contracts	12,18	23,685,075	12,784,877	12,418,140
Repurchase agreement	12	3,799,825	1,508,401	-
Financial derivatives	11,12,13	723,758	1,048,763	1,420,374
Deferred tax	12	-	733	-
Tax payable	12	230,533	15,503	250,190
Subordinated debt	10,12	1,433,354	1,431,965	1,433,439
Other Liabilities	12,14	284,635	164,711	148,256
<b>Total Liabilities</b>		<b>269,969,209</b>	<b>224,402,227</b>	<b>233,340,477</b>
<b>Equity</b>				
Paid-in equity	12	11,418,470	11,208,470	11,418,470
Other paid-in equity (not yet registered)	12	-	-	-
Hybrid capital	8,12	1,180,000	1,180,000	1,180,000
Accrued equity	12	-346,945	-511,486	-408,167
Net profit	12	-131,857	80,245	
Declared dividends	12	-	-	90,566
<b>Total equity</b>		<b>12,119,669</b>	<b>11,957,229</b>	<b>12,280,868</b>
<b>Total liabilities and equity</b>		<b>282,088,878</b>	<b>236,359,456</b>	<b>245,621,345</b>

Stavanger, 04.05.2020

/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
<b>Balance as of 31 December 2018</b>	<b>7,190,548</b>	<b>3,597,922</b>	-	-	<b>-306,173</b>	<b>-78,932</b>	<b>1,180,000</b>	<b>11,583,366</b>
Change in presentation of interest on hybrid capital	-	-	-	-	-78,932	78,932	-	-
Share increase 27 February 2019	280,000	140,000	-	-	-	-	-	420,000
Share increase 22 May 2019	140,000	70,000	-	-	-	-	-	210,000
Net income for the period	-	-	-	-	33,231	45,084	-	78,315
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-45,084	-	-45,084
OCI -basisswapsread	-	-	-	-	-56,030	-	-	-56,030
Proposed dividend for 2019	-	-	-	-	90,566	-	-	90,566
OCI - pension - annual estimate deviation	-	-	-	-	-264	-	-	-264
<b>Balance as of 31 December 2019</b>	<b>7,610,548</b>	<b>3,807,922</b>	-	-	<b>-317,603</b>	-	<b>1,180,000</b>	<b>12,280,868</b>
Net income for the period	-	-	-	-	-148,459	16,602	-	-131,857
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-16,602	-	-16,602
OCI -basisswapsread	-	-	-	-	77,825	-	-	77,825
Dividend 2019	-	-	-	-	-90,566	-	-	-90,566
<b>Balance as of 31 March 2020</b>	<b>7,610,548</b>	<b>3,807,922</b>	-	-	<b>-478,802</b>	-	<b>1,180,000</b>	<b>12,119,669</b>

Equity is paid in by the Company's parent banks when a requirement arises. The requirement arises regularly when the Company acquires larger portfolios of mortgage loans, and otherwise according to changes in capitalization rules because SpareBank 1 Boligkreditt is subject to the same capital adequacy rules under Pillar 1 as banks in general. Each parent bank has also signed a Shareholders agreement with the Company, which amongst other things stipulates when additional capital must be contributed.

# Cash flow statement

NOK 1 000	31.03.2020	31.03.2019	2019
<b>Cash flows from operations</b>			
Interest received	1,399,409	1,464,435	4,790,476
Paid expenses, operations	8,450	-21,283	-39,009
Paid tax	-250,190	0	-15,503
<b>Net cash flow relating to operations</b>	<b>1,157,669</b>	<b>1,443,152</b>	<b>4,735,964</b>
<b>Cash flows from investments</b>			
Net purchase of loan portfolio	-8,383,080	-4,086,081	-7,189,127
Net payments on the acquisition of government bills	-2,739,869	299,574	-575,312
Net payments on the acquisition of bonds	-5,281,335	-1,279,359	-3,042,017
Net investments in intangible assets		153	153
Net investments in fixed assets	-474		
<b>Net cash flows relating to investments</b>	<b>-16,404,758</b>	<b>-5,065,713</b>	<b>-10,806,303</b>
<b>Cash flows from funding activities</b>			
Net receipt/payment from the issuance of securities	-2,565,537	975,908	12,608,151
Net receipt/payment from the issuance of subordinated debt	0	175,000	-175,000
Net receipt/payment of collateral received under derivatives contracts	13,792,363	-4,439,931	-5,938,817
Equity capital subscription	0	420,000	630,000
Paid dividend	0	-72,276	0
Net interest payments on funding activity	-1,349,012	1,307,121	-4,241,013
<b>Net cash flow relating to funding activities</b>	<b>9,877,814</b>	<b>-4,248,420</b>	<b>2,883,320</b>
<b>Net cash flow in the period</b>	<b>-5,369,275</b>	<b>-7,870,981</b>	<b>-3,187,019</b>
<b>Balance of cash and cash equivalents at beginning of period</b>	<b>9,801,250</b>	<b>12,990,004</b>	<b>12,990,004</b>
Net receipt/payments on cash	-5,369,275	-7,870,981	-3,187,019
Exchange rate difference	39,987	-7,913	-1,735
<b>Balance of cash and cash equivalents at end of period</b>	<b>4,471,961</b>	<b>5,111,110</b>	<b>9,801,250</b>

\* To compare with the balance sheet, see Note 18 Reconciliation of liabilities arising from financing activities.

## Quarterly Financial Statements

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

### Income Statement

	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
NOK 1 000	2020	2019	2019	2019	2019
Total interest income	1,631,398	1,628,769	1,521,528	1,396,122	1,287,936
Total interest expenses	-1,151,751	-1,146,064	-1,054,143	-917,711	-840,389
<b>Net interest income</b>	<b>479,646</b>	<b>482,705</b>	<b>467,385</b>	<b>478,411</b>	<b>447,547</b>
Commission and fee expenses	-358,017	-374,357	-370,367	-354,035	-345,532
<b>Net commission income</b>	<b>-358,017</b>	<b>-374,357</b>	<b>-370,367</b>	<b>-354,035</b>	<b>-345,532</b>
Net gains/losses from financial instruments	-283,788	-81,025	-55,735	-49,926	15,390
<b>Net other operating income</b>	<b>-283,788</b>	<b>-81,025</b>	<b>-55,735</b>	<b>-49,926</b>	<b>15,390</b>
<b>Total operating income</b>	<b>-162,159</b>	<b>27,324</b>	<b>41,283</b>	<b>74,450</b>	<b>117,405</b>
Salaries and other ordinary personnel expenses	-3,154	-2,744	-3,695	-2,506	-2,835
Other operating expenses	-6,794	-7,015	-6,181	-5,820	-5,344
<b>Total operating expenses</b>	<b>-9,949</b>	<b>-9,759</b>	<b>-9,876</b>	<b>-8,325</b>	<b>-8,178</b>
<b>Operating result before losses</b>	<b>-172,107</b>	<b>17,564</b>	<b>31,407</b>	<b>66,125</b>	<b>109,227</b>
Write-downs on loans and guarantees	-9,236	-1,148	4,102	136	-2,234
<b>Pre-tax operating result</b>	<b>-181,343</b>	<b>16,416</b>	<b>35,510</b>	<b>66,261</b>	<b>106,993</b>
Taxes	49,486	108,489	-8,877	-16,565	-26,748
<b>Profit/loss for the year</b>	<b>-131,857</b>	<b>12,308</b>	<b>26,632</b>	<b>49,695</b>	<b>80,245</b>
Other income and expense	77,825	-2,502	-25,750	87,888	-115,930
<b>Total Profit/Loss</b>	<b>-54,031</b>	<b>9,806</b>	<b>882</b>	<b>137,583</b>	<b>-35,685</b>



# Balance Sheet

NOK 1 000	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019
<b>Assets</b>					
Lending to and deposits with credit institutions	4,471,962	9,801,250	4,564,258	4,519,102	5,111,110
Certificates and bonds	38,793,444	28,067,101	35,143,942	29,554,116	25,623,908
Residential mortgage loans	199,687,454	191,309,342	189,763,221	190,606,858	188,171,797
Financial derivatives	38,900,544	16,254,454	22,386,673	17,829,896	17,447,357
Deferred tax asset	233,644	188,308	10,994	7,110	3,484
Other assets	1,831	890	991	1,040	1,801
<b>Total assets</b>	<b>282,088,878</b>	<b>245,621,345</b>	<b>251,870,081</b>	<b>242,518,121</b>	<b>236,359,456</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Debt incurred by issuing securities	239,812,029	217,670,078	220,220,804	214,370,809	207,447,274
Collateral received under derivatives contracts	27,484,900	12,418,140	16,783,630	12,625,416	12,784,877
Repurchase agreement	0	-	-	553,863	1,508,401
Financial derivatives	723,758	1,420,374	900,005	1,030,359	1,048,763
Deferred tax	0	-	21,446	30,029	733
Tax payable	230,533	250,190	52,191	-	15,503
Subordinated debt	1,433,354	1,433,439	1,432,972	1,432,458	1,431,965
Other Liabilities	284,635	148,256	175,870	181,253	164,711
<b>Total Liabilities</b>	<b>269,969,209</b>	<b>233,340,477</b>	<b>239,586,917</b>	<b>230,224,187</b>	<b>224,402,227</b>
<b>Equity</b>					
Contributed equity	11,418,470	11,418,470	11,418,470	11,418,470	11,208,470
Other paid in equity (not yet registered)	0	-	-	-	-
Hybrid capital	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000
Accrued equity	-346,945	-577,048	-471,879	-434,476	-511,486
Net profit	-131,857	168,880	156,572	129,940	80,245
Declared dividends	0	90,566	-	-	-
<b>Total equity</b>	<b>12,119,669</b>	<b>12,280,868</b>	<b>12,283,163</b>	<b>12,293,934</b>	<b>11,957,229</b>
<b>Total liabilities and equity</b>	<b>282,088,878</b>	<b>245,621,345</b>	<b>251,870,081</b>	<b>242,518,121</b>	<b>236,359,456</b>

# 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 2019. IFRS 16- Leases have been adopted from 1 January 2019. This standard do 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 Segments

The Company has only one segment, which is the mortgage lending to real customers. The segment consists of lending to private individuals and all loans have been acquired from the member banks of the SpareBank 1 alliance.

### 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 2019.

## Note 2 Net interest income

NOK 1 000	31.03.2020	31.03.2019	2019
<b>Interest income</b>			
Interest income from, certificates, bonds and deposits	65,423	29,304	280,846
Interest income from residential mortgage loans	1,565,974	1,258,633	5,553,510
<b>Total interest income</b>	<b>1,631,398</b>	<b>1,287,936</b>	<b>5,834,356</b>
<b>Interest expense</b>			
Interest expense and similar expenses to credit institutions	8,332	-25,124	-45,148
Interest expense and similar expenses on issued bonds	1,115,603	851,193	3,903,694
Interest expense and similar expenses on subordinated debt	12,808	12,165	48,356
Recovery and Resolution Fund *	12,550		-
Other interest expenses	2,458	2,155	51,406
<b>Total interest expense</b>	<b>1,151,751</b>	<b>840,389</b>	<b>3,958,307</b>
<b>Net interest income</b>	<b>479,646</b>	<b>447,547</b>	<b>1,876,048</b>

\* From 2019, SPB1 Boligkreditt has been incorporated into the Norwegian Bank Recovery and Resolution Fund.

## Note 3 Net Gains on Financial Instruments

NOK 1 000	31.03.2020	31.03.2019	2019
Net gains (losses) from financial liabilities (1)	-5,423,471	-2,566,964	-6,958,008
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	3,870,659	2,868,452	6,990,649
Net gains (losses) from financial assets (2)	1,297,123	-316,984	-272,077
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	-28,098	30,886	68,140
<b>Net gains (losses)</b>	<b>-283,788</b>	<b>15,390</b>	<b>-171,295</b>

(1) The Company utilizes hedge accounting as defined in IFRS for issued fixed rate bonds (covered bonds) with derivatives (swaps) which hedges fixed rates to floating and foreign currencies to Norwegian kroner. The hedges are individually tailored to each issued bond and exactly matches the cash flows and duration of the issued bonds. Some liabilities in foreign currency are hedged with natural hedges (corresponding assets in the same currency) and this may cause the valuation differences between assets and liabilities. There may also be valuation differences between liabilities and hedges due to the the amortization of issuance costs and bonds issued at or below 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. These positions are 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. 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 swap hedges

(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	31.03.2020	31.03.2019	2019
Salary	2,925	2,518	9,682
Salaries reinvoced to SpareBank1 Næringskreditt*	-944	-709	-2,772
Pension expenses	551	513	1,727
Social insurance fees	552	458	2,536
Other personnel expenses	70	54	606
<b>Total salary expenses</b>	<b>3,154</b>	<b>2,835</b>	<b>11,780</b>
Average number of full time equivalents (FTEs)	7	6	7

\* 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 reinvoced to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank 1 SMN and SpareBank 1 Gruppen. Pension benefit obligations are covered in SpareBank 1 Boligkreditt through participation in the pension fund of SpareBank 1 SMN. This pension scheme meets the legal demands on mandatory occupational pension.

## Note 5 Other Operating Expenses

NOK 1 000	31.03.2020	31.03.2019	2019
IT and IT operations	3,280	2,678	11,775
Purchased services other than IT	2,848	2,363	10,159
Other Operating Expenses	577	220	2,097
Depreciation on fixed assets and other intangible assets	89	82	328
<b>Total</b>	<b>6,794</b>	<b>5,344</b>	<b>24,359</b>

## Note 6 Other assets

NOK 1 000	31.03.2020	31.03.2019	2019
Intangible assets	297	625	379
Fixed assets	377		
Account receivables from SpareBank 1 Næringskreditt AS	1,146	621	499
Other	11	555	12
<b>Total</b>	<b>1,831</b>	<b>1,801</b>	<b>890</b>

## Note 7 Lending to customers

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of 31.03.2020 were NOK 199,6 billion. All mortgages carry a variable interest rate.

NOK 1 000	31.03.2020	31.03.2019	2019
Revolving loans - retail market	43,720,736	45,215,673	42,431,353
Amortising loans - retail market	155,754,047	142,772,983	148,660,350
Accrued interest	233,652	197,973	229,402
<b>Total loans before specified and unspecified loss provisions</b>	<b>199,708,435</b>	<b>188,186,629</b>	<b>191,321,105</b>
Stage 1	192,182,539	181,894,510	183,557,607
Stage 2	7,525,896	6,292,119	7,763,498
Stage 3	-	-	-
<b>Gross loans</b>	<b>199,708,435</b>	<b>188,186,629</b>	<b>191,321,105</b>

### Impairments on groups of loans

Expected credit loss, stage 1	1,255	1,712	1,068
Expected credit loss, stage 2, no objective proof of loss	19,725	13,120	10,695
Expected credit loss, stage 3, objective proof of loss	-	-	-
<b>Total net loans and claims with customers</b>	<b>199,687,454</b>	<b>188,171,797</b>	<b>191,309,342</b>

### Liability

Unused balances under customer revolving credit lines (flexible loans)	12,536,488	12,444,482	12,028,316
<b>Total</b>	<b>12,536,488</b>	<b>12,444,482</b>	<b>12,028,316</b>

<b>Defaulted loans</b>			
Defaults*	0,0 %	0,0 %	0,0 %
Specified loan loss provisions	0,0 %	0,0 %	0,0 %
<b>Net defaulted loans</b>	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>
<b>Loans at risk of loss</b>			
Loans not defaulted but at risk of loss	0,0 %	0,0 %	0,0 %
- Write downs on loans at risk of loss	0,0 %	0,0 %	0,0 %
<b>Net other loans at risk of loss</b>	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>

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

## Note 8 Share Capital and Shareholder Information

### List of shareholders as of 2020

	No of Shares	in per cent	Share of votes
SpareBank 1 Østlandet	16,961,710	22.29 %	22.29 %
SpareBank 1 SMN	15,898,802	20.89 %	20.89 %
SpareBank 1 Nord-Norge	14,190,446	18.65 %	18.65 %
BN Bank ASA	5,126,131	6.74 %	6.74 %
SpareBank 1 BV	4,776,009	6.28 %	6.28 %
Sparebanken Telemark	3,592,816	4.72 %	4.72 %
SpareBank 1 Ringerike Hadeland	3,486,683	4.58 %	4.58 %
SpareBank 1 Østfold Akershus	3,439,512	4.52 %	4.52 %
SpareBank 1 Nordvest	1,709,929	2.25 %	2.25 %
SpareBank 1 SR-Bank ASA	1,679,661	2.21 %	2.21 %
SpareBank 1 Modum	1,592,003	2.09 %	2.09 %
SpareBank 1 Søre Sunnmøre	1,023,992	1.35 %	1.35 %
SpareBank 1 Gudbrandsdal	1,012,200	1.33 %	1.33 %
SpareBank 1 Hallingdal Valdres	982,718	1.29 %	1.29 %
SpareBank 1 Lom og Skjåk	632,870	0.83 %	0.83 %
<b>Total</b>	<b>76,105,482</b>	<b>100 %</b>	<b>100 %</b>

The share capital consists of 76 105 482 shares with a nominal value of NOK 100

### Hybrid capital

NOK 1000	ISIN	Interest rate	Issued year	Call option	31.03.2020	31.03.2019	2019
Perpetual							
Hybrid (Tier 1 capital instrument)	NO0010713746	3M Nibor + 310 bp	2014	09.05.2019		-	-
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
Hybrid (Tier 1 capital instrument)	NO0010850621	3M Nibor + 340 bp	2019	30.04.2024	350,000	350,000	350,000
<b>Book value</b>					<b>1,180,000</b>	<b>1,180,000</b>	<b>1,180,000</b>

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*
<b>NOK 1 000</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
Senior unsecured bonds	-	104,000	-
Repurchased senior unsecured bonds	-	-	-
Covered bonds	203,483,439	189,901,982	201,758,203
Repurchased Covered bonds	-2,900,000	-	-
<b>Total debt incurred by issuing securities</b>	<b>200,583,439</b>	<b>190,005,982</b>	<b>201,758,203</b>

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

	Book value	Book value	Book value
<b>NOK 1 000</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
Senior unsecured bonds	-	104,000	-
Repurchased senior unsecured bonds	-	-	-
Covered bonds	241,829,641	206,499,842	216,579,429
Repurchased covered bonds	-2,900,000	-	-
Activated costs incurred by issuing debt	-202,691	-191,373	-184,635
Accrued interest	1,085,079	1,034,805	1,275,284
<b>Total debt incurred by issuing securities</b>	<b>239,812,029</b>	<b>207,447,274</b>	<b>217,670,078</b>

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

### Senior Unsecured Bonds and notes

<b>Due in</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
2018	-	-	-
2019	-	104,000	-
<b>Total</b>	<b>-</b>	<b>104,000</b>	<b>-</b>

### Covered bonds

<b>Due in</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
2019	-	14,628,056	-
2020	8,461,000	24,963,500	20,035,500
2021	29,123,936	28,857,334	28,881,382
2022	41,349,200	38,749,200	38,749,200
2023	30,777,750	30,314,900	30,356,650
2024	24,232,723	13,873,539	23,451,428
2025	15,898,750	10,648,750	10,648,750
2026	22,710,000	12,185,000	22,210,000
2027	706,730	669,702	673,042
2028	2,712,800	2,562,800	2,562,800
2029	24,368,050	12,206,700	23,946,950
2038	242,500	242,500	242,500
<b>Total</b>	<b>200,583,439</b>	<b>189,901,982</b>	<b>201,758,203</b>
<b>Total</b>	<b>200,583,439</b>	<b>190,005,982</b>	<b>201,758,203</b>

\* 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	31.03.2020	31.03.2019	2019
NOK	66,837,851	60,898,229	59,978,539
EUR	162,837,648	127,027,740	148,733,048
USD	-	10,748,275	0
GBP	9,856,979	8,518,367	8,706,679
SEK	279,551	254,663	251,812
<b>Total</b>	<b>239,812,029</b>	<b>207,447,274</b>	<b>217,670,078</b>

## Note 10 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option from	Maturity	Nominal amount	31.03.2020	31.03.2019	2019
With maturity									
Subordinated debt (Tier 2 capital instrument)	NO0010704109	3M Nibor + 225 bp	2014	07.03.2019	07.03.2024	475,000	-	-	-
Subordinated debt (Tier 2 capital instrument)	NO0010826696	3M Nibor + 153 bp	2018	22.06.2023	22.06.2028	250,000	250,000	250,000	250,000
Subordinated debt (Tier 2 capital instrument)	NO0010833908	3M Nibor + 180 bp	2018	08.10.2025	08.10.2030	400,000	400,000	400,000	400,000
Subordinated debt (Tier 2 capital instrument)	NO0010835408	3M Nibor + 167 bp	2018	02.11.2023	02.11.2028	475,000	475,000	475,000	475,000
Subordinated debt (Tier 2 capital instrument)	NO0010842222	3M Nibor + 192 bp	2019	24.01.2024	24.01.2029	300,000	300,000	300,000	300,000
Accrued interest							8,354	6,965	8,439
<b>Book value</b>							<b>1,433,354</b>	<b>1,431,965</b>	<b>1,433,439</b>

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	31.03.2020	31.03.2019	2019
<b>Interest rate derivative contracts</b>			
<b>Interest rate swaps</b>			
Nominal amount	61,666,676	63,762,456	55,698,553
Asset	2,955,710	2,302,857	2,067,884
Liability	-279,216	-388,176	-332,246
<b>Currency derivative contracts</b>			
<b>Currency swaps</b>			
Nominal amount	158,076,919	134,876,663	145,222,180
Asset	35,944,833	15,144,499	14,186,570
Liability	-	-35,301	-542,709
<b>Total financial derivative contracts</b>			
Nominal amount	219,743,595	198,639,118	200,920,732
Asset	38,900,544	17,447,357	16,254,454
Liability	-279,216	-423,477	-874,955

All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.

* Change due to basis swap spread adjustment	31.03.2020	31.03.2019	2019
Asset/Liability	-279,216	-423,477	-874,955
Net gain (loss) on valuation adjustment of basisswap spreads	-441,652	-625,286	-545,419
<b>Net asset (+) / liability (-) derivatives</b>	<b>-720,868</b>	<b>-1,048,763</b>	<b>-1,420,374</b>

Basis swaps are currency swaps and are entered into at a certain cost (spread) between SpareBank 1 Boligkreditt and banks which offer such swaps and which have signed an ISDA agreement with the Company. Changes in the cost are valued each quarter across all of the Company's swaps in accordance with the IFRS rules. An increase in the cost would result in an increase in the value of the basisswaps while a cost decrease would reduce the value of the basis swaps. The effect may be material from quarter to quarter because the Company's portfolio of swaps is extensive. All basisswap value changes will reverse over time towards the point of termination of the swaps. Changes in basis swap valuations are not included in net income, but is included in other comprehensive income and in equity

## 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	Non-financial assets and liabilities	31.03.2020
<b>Assets</b>				
Lending to and deposits with credit institutions	-	4,471,962	-	4,471,962
Certificates and bonds	38,793,444	-	-	38,793,444
Residential mortgage loans	-	199,687,454	-	199,687,454
Financial derivatives	38,900,544	-	-	38,900,544
Deferred tax asset	-	-	233,644	233,644
Other assets	-	-	1,831	1,831
<b>Total Assets</b>	<b>77,693,988</b>	<b>204,159,416</b>	<b>235,474</b>	<b>282,088,878</b>
<b>Liabilities</b>				
Debt incurred by issuing securities	194,190,779	45,621,250	-	239,812,029
Collateral received in relation to financial derivatives	-	27,484,900	-	27,484,900
Repurchase agreement	-	-	-	-
Financial derivatives	723,758	-	-	723,758
Deferred taxes	-	-	-	-
Taxes payable	-	-	230,533	230,533
Subordinated dept	-	1,433,354	-	1,433,354
Other liabilities	-	-	284,635	284,635
<b>Total Liabilities</b>	<b>194,914,536</b>	<b>74,539,504</b>	<b>515,169</b>	<b>269,969,209</b>
<b>Total Equity</b>	<b>-</b>	<b>1,180,000</b>	<b>10,939,669</b>	<b>12,119,669</b>
<b>Total Liabilities and Equity</b>	<b>194,914,536</b>	<b>75,719,504</b>	<b>11,454,837</b>	<b>282,088,878</b>

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

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Non-financial assets and liabilities	31.03.2019
<b>Assets</b>				
Lending to and deposits with credit institutions	-	5,111,110	-	5,111,110
Residential mortgage loans	25,623,908	-	-	25,623,908
Certificates and bonds	-	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
<b>Total Assets</b>	<b>43,071,265</b>	<b>193,282,907</b>	<b>5,285</b>	<b>236,359,456</b>
<b>Liabilities</b>				
Debt incurred by issuing securities	164,224,924	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 dept	-	1,431,965	-	1,431,965
Other liabilities	-	-	164,711	164,711
<b>Total Liabilities</b>	<b>165,273,687</b>	<b>58,927,593</b>	<b>180,947</b>	<b>224,402,227</b>
<b>Total Equity</b>	<b>-</b>	<b>1,180,000</b>	<b>10,777,229</b>	<b>11,957,229</b>
<b>Total Liabilities and Equity</b>	<b>165,293,687</b>	<b>60,107,593</b>	<b>10,958,176</b>	<b>236,359,456</b>

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

## Note 13 Financial Instruments at Fair Value

### Methods in order to determine fair value

#### General

The interest rate curve that is used as input for fair value valuations of hedging instruments and hedging objects consists of the NIBOR-curve for maturities less than one year. The swap-curve is used for maturities exceeding one year.

#### Interest rate and currency swaps

Valuation of interest rate swaps 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 31.03.2020

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Certificates and bonds	30,106,057	8,687,386	-	38,793,444
Financial Derivatives	-	38,900,544	-	38,900,544
<b>Total Assets</b>	<b>30,106,057</b>	<b>47,587,930</b>	<b>-</b>	<b>77,693,988</b>
Debt incurred by issuing securities	-	194,190,779	-	194,190,779
Financial Derivatives	-	723,758	-	723,758
<b>Total Liabilities</b>	<b>-</b>	<b>194,914,536</b>	<b>-</b>	<b>194,914,536</b>

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
Certificates and bonds	17,769,351	7,854,557	-	25,623,908
Financial Derivatives	-	17,447,357	-	17,447,357
<b>Total Assets</b>	<b>17,769,351</b>	<b>25,301,914</b>	<b>-</b>	<b>43,071,265</b>
Debt incurred by issuing securities	-	164,244,924	-	164,244,924
Financial Derivatives	-	1,048,763	-	1,048,763
<b>Total Liabilities</b>	<b>-</b>	<b>165,293,687</b>	<b>-</b>	<b>165,293,687</b>

## Note 14 Other Liabilities

<b>NOK 1 000</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
Employees tax deductions and other deductions	456	308	548
Employers national insurance contribution	596	583	645
Accrued holiday allowance	1,188	1,183	994
Commission payable to shareholder banks	124,185	118,922	126,813
Deposits*	3,922	425	2,471
Pension liabilities	11,633	10,711	11,383
Expected credit loss unused credit lines (flexible loans)	52		34
Other accrued costs	142,603	32,579	5,368
<b>Total</b>	<b>284,635</b>	<b>164,711</b>	<b>148,256</b>

The Company does not have an overdraft facility or a revolving credit facility as of 31.03.2020

\* 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 difference between this asset coverage test and the amounts in the balance sheet; for the purposes of the test mortgage loans which may have migrated above the 75% loan to value level are adjusted.

Only that part of the mortgage loan corresponding to a loan to value up to 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..

<b>NOK 1 000</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
Covered Bonds	242,915,442	207,534,245	217,833,870
Total Covered Bonds	242,915,442	207,534,245	217,833,870
Residential mortgage loans	198,214,563	186,789,041	190,250,177
Public sector, SSA bond exposure	1,208,564	2,145,109	357,901
-of which allocated to LCR	50,455	-	-
Reverse repo/ depo less than 100 days	1,888,263	684,236	5,254,080
-of which allocated to LCR	-	-	-
Exposure to credit institutions (covered bonds)	13,094,122	14,355,785	15,521,382
-of which allocated to LCR	125,370	-	-
Derivatives	38,621,328	17,023,879	15,379,500
Total Cover Pool	252,851,014	220,998,051	226,763,040
Asset-coverage	104.1 %	106.5 %	104.1 %
Cover pool including amounts allocated to LCR	253,026,839		
Assets-coverage including amounts allocated to LCR	104.2 %		

<b>Liquidity Coverage Ratio (LCR)</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
Liquid assets	27,574,549	7,238,905	14,680,356
Cash outflow next 30 days	11,750,954	1,953,120	12,605,694
LCR ratio	234.7 %	370.6 %	116.5 %

<b>Net Stable Funding Ratio (NSFR)</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
Available amount of stable funding	233,818,645	196,182,838	206,882,321
Required amount of stable funding	213,236,883	202,337,141	198,323,077
NSFR ratio	109.7 %	103.1 %	104.3 %



## 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 per cent 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 14.5 per cent 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: 1.0 per cent. core equity

The Issuer has an additional Pillar 2 requirement which is 0.9 per cent. core equity capital. The total requirement for the Issuer is therefore to have capital of minimum 15.4 per cent of risk weighted assets. With a management buffer added, the target for capital coverage is 15.8 per cent at 31 March 2020.

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.

<b>Capital. NOK 1 000</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
Share capital	7,610,548	7,470,548	7,610,548
Premium share fund	3,807,922	3,737,922	3,807,922
Other equity capital	-478,801	-511,486	-317,602
Common equity	10,939,669	10,696,984	11,100,868
Intangible assets	-297	-625	-379
Declared share dividend	-	-	-90,566
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-403,839	-365,982	-420,879
Prudent valuation adjustment (AVA)	-18,106	-18,498	-16,639
Deferred taxes	-45,336	-	-
<b>Core equity capital</b>	<b>10,472,092</b>	<b>10,311,879</b>	<b>10,572,406</b>
Hybrid bond	1,180,000	1,180,000	1,180,000
<b>Tier 1 equity capital</b>	<b>11,652,092</b>	<b>11,491,879</b>	<b>11,752,406</b>
Supplementary capital (Tier 2)	1,425,000	1,425,000	1,425,000
<b>Total capital</b>	<b>13,077,092</b>	<b>12,916,879</b>	<b>13,177,406</b>

<b>Minimum requirements for capital. NOK 1 000</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
Credit risk	3,887,930	3,504,996	3,711,268
Market risk	-	-	-
Operational risk	59,537	58,499	59,537
Depreciation on groups of loans	-	-	-
CVA Risk	538,319	332,820	329,561
Difference in capital requirement resulting from transitional floor	-	2,345,038	-
<b>Minimum requirement for capital</b>	<b>4,485,786</b>	<b>6,241,353</b>	<b>4,100,367</b>

<b>Capital coverage</b>	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>2019</b>
Risk-weighted assets incl. transitional floor*	56,072,328	78,016,911	51,254,583
Capital coverage (requirement w/all buffers, 16.3%)	23.32 %	16.56 %	25.71 %
Tier 1 capital coverage (requirement w/all buffers, 14.3%)	20.78 %	14.73 %	22.93 %
Core capital coverage (requirement w/all buffers, 12.8%)	18.68 %	13.22 %	20.63 %
Leverage ratio (requirement 3.0%)	4.54 %	4.99 %	5.05 %

\* The EU capital adequacy framework (CRR/CRDIV) was incorporated into Norwegian law with effect from 31 December 2019 and the transitional floor for risk weighted assets was accordingly removed at the same time.

## Note 17 Related parties

The Company has 199 687 MNOK loans to customers. These are loans acquired from shareholder banks at market values (i.e. nominal value).

### **SpareBank 1 SMN**

The Company purchases a substantial amount of their support functions from SpareBank 1 SMN. A complete SLA is established between the Company and SpareBank 1 SMN.

### **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 31.03.2020 this collateral amounted to NOK 27 484 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 31.03.2020.

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