



Boligkreditt

3rd Quarterly Report 2019

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Statement of the Board of Directors of SpareBank 1 Boligkreditt AS, 30 September 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 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.

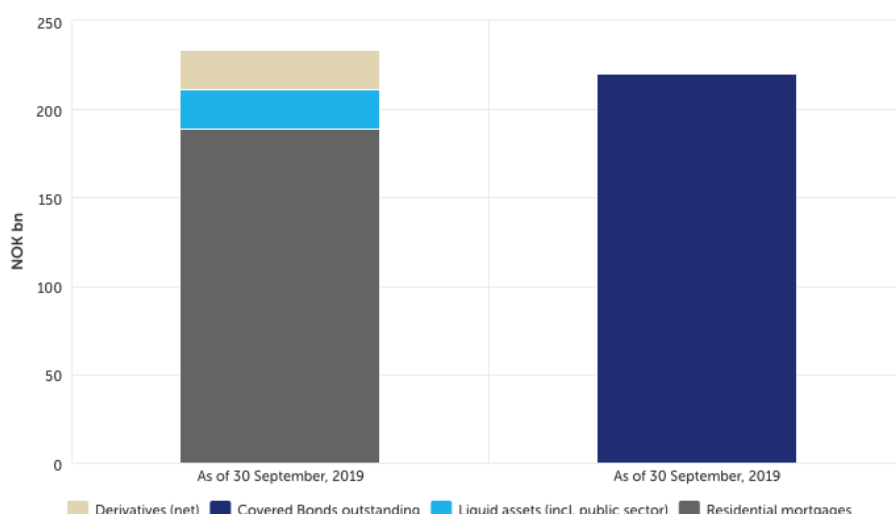
The Company, which is based in Stavanger, is owned by banks which are all members of the SpareBank 1 Alliance. A comprehensive agreement with each of these banks regulates the mortgage purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing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

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 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 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 third quarter 2019:



¹ 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.

² The source is the balance sheet figures as of 30 September 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 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 figures³

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Weighted Average Current LTV (%)	52.1 %	53.1 %	52.7 %	51.7 %	51.3 %
Weighted Average Original LTV (%)	59.6 %	59.6 %	59.6 %	59.8 %	59.8 %
Average Loan Balance (NOK)	1,436,755	1,430,260	1,422,929	1,414,203	1,414,916
Number of Mortgages in Pool	132,483	131,375	129,209	129,791	129,057
Pct. of non first-lien mortgages	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Overcollateralization	6.0 %	6.5 %	6.5 %	6.5 %	6.7 %

Key developments during the first three quarters of 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. In May, a 7 year covered bond was issued. Both bonds were well oversubscribed. During the 3rd quarter, issuance has concentrated on NOK, and nearly 9 billion were issued in both fixed and floating format. Further issuance is planned in the final quarter of the year.

The residential mortgage lending volume at SpaBol has increased by approximately 3.1 per cent during the first three quarters, as measured against the balance of loans as of December 31, 2018. The current mortgage balance is NOK 189.8 billion (equivalent to approximately EUR 20 billion).

The Board of Directors views Boligkreditt as well capitalized with a capital coverage ratio of 16.7 per cent against a total requirement, including buffers, of 15.5 per cent (Pillar 1) plus 0.8 per cent (Pillar 2). Total equity Tier 1 capital is 14.9 per cent against a total requirement, including buffers, of 14.3 per cent. Common equity capital was 13.4 per cent against a requirement, including all buffers, of 12.8 per cent. It is the Company's policy to maintain capital ratios slightly above the regulatory requirements. When required, additional common equity is paid in 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 Norwegian regulator has proposed a change in capital requirements to come into effect at December 31, 2019. The Basel I Norwegian transitory rules in effect for a number of years will be discontinued, and this will lead to an increase in reported capitalization coverage levels for Boligkreditt. With the change implemented, the estimated total capitalization would be 25.5 per cent as of June 30, 2019. At the same time, the requirements for the systemic risk buffer has been proposed to increase to 4.5 per cent (from 3 per cent), the anticyclical buffer is set to increase to 2.5 per cent (from 2 per cent).

³ The portfolio data as of 3Q 2019 was not yet available at the time of producing this statement. There were however no material changes to the pool data during the latest quarter.

Moody's has increased the requirement for overcollateralization to 2.5 per cent in June 2019, from 0.5 per cent prior. This change results from the conclusion of a rating review process of the Company's owner banks. The ratings review was initiated by Moody's due to the introduction of BRRD in Norway, which reduces the likelihood of government support. The Company's owner banks counterparty risk rating was reduced by one notch, to A1. Boligkreditt's cover pool overcollateralization at September 30, 2019 was 5.9 per cent.

Covered bond issuers have also been included as contributors to the new Norwegian bank resolution fund, as mandated by the EUs BRRD. The charge for Boligkreditt will be approximately 42 million kroner for the full year 2019, of which 31.5 million have been recognized as a cost in the statements as of September 30, 2019.

Quarterly accounts

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

The Board views the accounts as presented to be a true representation of SpareBank 1 Boligkreditt's operations and financial position as of the end of the third quarter 2019. Numbers in brackets refer to the corresponding period last year for comparison.

The total balance sheet at 30.09.19 amounted to 252 (246) billion kroner. The balance sheet increased primarily due to an increase in the value of derivatives hedging issued debt and increased mortgage loans. The Company had in the first three quarters of 2019 net interest income of 323 (256) 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 half of 2019 was 26.5 (23.6) million kroner including depreciation and amortization. IFRS 9 expected loan losses decreased by 2 million to 10.6 million. No actual loan losses have occurred since the Company commenced operations. This produces an operating result of 156.6 (39.2) million kroner before tax. In addition to the increase in net interest income, this change in result was due to accounting valuation adjustments on bonds held for liquidity management purposes as well as issued bonds, including derivatives.

Mortgage loans for residential properties amounted to 189.8 (183.8) billion kroner as of the end of the third quarter of 2019. The Company's own liquid assets were approximately 23 (33) 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 at least six months ahead in time, or to comply with the Net Stable Funding Ratio, as proposed. Liquid assets are managed to meet the 180 day minimum liquidity rule in the EU covered bond harmonization directive and the NSFR rule. 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, mean 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 142 billion kroner in EUR, 9.6 billion kroner in USD, 8.5 billion kroner in GBP and 0.2 billion kroner in Swedish kroner, at exchange rates at the end of September 30, 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 (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 September 30, 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 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 2018 annual accounts provides further information.

Macroeconomic development and outlook⁴

The Norwegian mainland economy expanded by 2.2 per cent over 2018 and 2.4 per cent is expected in 2019. The economic cycle is in a moderate but broad growth phase, with increases across several segments of the economy. From 2020, weakness in international demand is expected, and this is projected to impact the Norwegian growth rate in the years ahead.

The oil sector investments are providing a growth contribution for the economy in 2019, after which they are expected to drop off as large investment projects are now completing. Investments in wind energy and other sectors will balance this out for an overall expectation of stable industry or business investments after 2019 (no significant growth contribution).

Housing investments have delivered positive contributions to growth in 2019 and house prices have appreciated moderately. These investments are projected to decrease somewhat in the years ahead, partly due to higher mortgage rates, but also due to regulations on the mortgage market. The unemployment rate is seen to have bottomed out in 2019, but is nevertheless not seen to increase materially in the years ahead. Wage growth is projected to remain stable at a little over 3 per cent. as inflation is around 2 per cent. This leads to continued normal growth in household consumption.

The micro-prudential regulations of the mortgage market, which were last tightened in January 2017 and renewed in June 2018, are believed to have had the desired effect, targeting a balancing of supply and demand after rapid price appreciation in 2016, particularly in the capital of Oslo. Unsecured lending by banks with an unsecured lending business model have been curtailed by regulations from 2019, and a new debt registry for unsecured debt has come into effect from July 2019. This registry will provide mortgage banks a better insight into all aspects of a mortgage applicants fi-

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

nances. Residential real estate prices through September 2019 have increased moderately, they are up 5 per cent nationally from the start of the year after a 2.8 per cent increase in 2018, and a 1.1 per cent decline in 2017.

Summarized for a few macroeconomic indicators, the recent data and forecast for the next few years are as follows:

Recent data and forecast (per cent)	2018	2019	2020	2021	2022
Mainland GDP growth	2.2	2.4	2.2	1.6	1.4
Unemployment rate	3.8	3.6	3.7	3.7	3.8
CPI growth	2.7	2.2	1.8	1.9	2.0
Annual wage growth	2.8	3.4	3.6	3.5	3.2
Current account surplus to GDP	8.1	6.5	7.6	8.2	8.0

Source: Statistics Norway (SSB) Sept 5, 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 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 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 a strict qualifying process for loans to become part of the cover pool (bank lending practices, mortgage regulations and cover pool qualification requirements), a high degree of diversification of the mortgages in the pool and the continued strength of the Norwegian economy, the Board of Directors views prospects for the Company continuing to be good and stable. The Board also bases this conclusion on the low average LTV of the mortgage portfolio, 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 third 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 three quarters of 2019.

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/ Knut Oscar Fleten



/s/ Geir-Egil Bolstad



/s/ Inger M.S. Eriksen



/s/ Arve Austestad
CEO

SpareBank 1 Boligkreditt AS

- Statement of the Members of the Board and the Chief Executive Officer

The Board and the chief executive officer have today reviewed and approved the financial accounts for the first three quarters of 2019 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 30.09.2019.

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, 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

NOK 1 000	Note	3. quarter 2019	3. quarter 2018	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018	2018
Total interest income	2	1,151,160	925,159	3,135,652	2,643,954	3,577,766
Total interest expenses	2	-1,054,143	-845,254	-2,812,243	-2,387,732	-3,244,627
Net interest income		97,018	79,905	323,409	256,222	333,139
Net gains/losses from financial instruments	3	-55,735	-13,427	-90,271	-179,988	-293,531
Net other operating income		-55,735	-13,427	-90,271	-179,988	-293,531
Total operating income		41,283	66,478	233,138	76,235	39,608
Salaries and other ordinary personnel expenses	4	-3,695	-3,100	-9,035	-9,240	-11,766
Other operating expenses	5	-6,181	-4,406	-17,344	-14,344	-20,490
Total operating expenses		-9,876	-7,507	-26,380	-23,584	-32,256
Operating result before losses		31,407	58,971	206,759	52,651	7,352
Write-downs on loans and guarantees		4,102	272	2,004	-329	-849
Pre-tax operating result		35,510	59,243	208,763	52,322	6,503
Taxes		-8,877	-14,811	-52,191	-13,080	-1,627
Profit/loss for the year		26,632	44,433	156,572	39,241	4,876
Portion attributable to shareholders		14,980	33,987	123,590	8,259	-36,928
Portion attributable to additional Tier 1 capital holders		11,652	10,446	32,982	30,982	41,804
Profit/loss for the period		26,632	44,433	156,572	39,241	4,876

Overview of comprehensive income

NOK 1 000	3. quarter 2019	3. quarter 2018	01.01.2019 - 30.09.2019	01.01.2018 - 30.09.2018	2018
Profit/loss for the year	26,632	44,433	156,572	39,241	26,055
Items which will not impact the income statement in future periods:					
Change due to basis swap spread adjustment	-34,334	-40,907	-71,723	-135,834	-280,245
Tax effect of basis swap spread adjustment	8,584	10,227	17,931	33,959	70,061
Change in pensions for a previous period					
Estimate deviation for pensions	-	0	-	-	5,468
Tax effect of the estimate deviation	-	0	-	-	-1,367
Total profit/loss accounted for in equity	-25,750	-30,680	-53,792	-101,876	-206,083
Total profit/loss	882	13,752	102,780	-62,635	-180,028

Balance sheet

NOK 1 000	Note	30.09.2019	30.09.2018	2018
Assets				
Lending to and deposits with credit institutions	12	4,564,258	11,411,753	12,990,004
Certificates and bonds	12,13	35,143,942	35,032,317	25,271,910
Residential mortgage loans	7,12	189,763,221	183,811,362	184,073,918
Financial derivatives	11,12,13	22,386,673	15,982,953	23,183,793
Deferred tax asset	12	10,994	10,055	-
Other assets	6,12	991	1,507	1,750
Total assets		251,870,081	246,249,947	245,521,375
Liabilities and equity				
Liabilities				
Debt incurred by issuing securities	9,12,13	220,220,804	217,814,578	212,351,045
Collateral received under derivatives contracts	12,18	16,783,630	13,370,235	18,733,053
Repurchase agreement	12	-	-	-
Financial derivatives	11,12,13	900,005	1,479,191	1,042,108
Deferred tax	12	21,446	102,675	39,377
Tax payable	12	52,191	13,080	15,503
Subordinated debt	10,12	1,432,972	1,603,108	1,606,160
Other Liabilities	12,14	175,870	135,343	150,763
Total Liabilities		239,586,917	234,518,210	233,938,009
Equity				
Paid-in equity	12	11,418,470	10,638,470	10,788,470
Other paid-in equity (not yet registered)	12	-	150,000	-
Hybrid capital	8,12	1,180,000	1,180,000	1,180,000
Accrued equity	12	-471,879	-275,974	-389,980
Net profit	12	156,572	39,241	4,876
Declared dividends	12	-	-	-
Total equity		12,283,163	11,731,737	11,583,366
Total liabilities and equity		251,870,081	246,249,947	245,521,375

Stavanger, 22.10.2019

/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	-	-	-306,173	-78,932	1,180,000	11,583,366
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	-	-	-	-	156,572	-	-	156,572
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-32,982	-	-32,982
OCI -basisswapsread	-	-	-	-	-53,793	-	-	-53,793
Balance as of 30 September 2019	7,610,548	3,807,922	-	-	-203,394	-111,914	1,180,000	12,283,163

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	30.09.2019	30.09.2018	2018
Cash flows from operations			
Interest received	3,628,381	3,380,717	3,787,762
Paid expenses, operations	-1,014	-70,378	-59,111
Paid tax	-15,503	0	0
Net cash flow relating to operations	3,611,864	3,310,339	3,728,652
Cash flows from investments			
Net purchase of loan portfolio	-5,666,076	-6,142,759	-6,392,387
Net payments on the acquisition of government bills	-197,693	1,177,693	1,163,310
Net payments on the acquisition of /sale of bonds	-9,965,581	16,829,399	27,522,971
Net investments in intangible assets	153	-897	-897
Net cash flows relating to investments	-15,829,197	11,863,436	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	8,219,005	5,296,092	-8,347,785
Net receipt/payment from the issuance of subordinated debt	175,000	0	0
Net receipt/payment of loans to credit institutions	-1,942,822	-9,657,823	-4,901,801
Equity capital subscription	630,000	630,000	630,000
Paid dividend	0	-72,276	-72,276
Net interest payments on funding activity	-3,287,289	-2,907,219	-3,267,854
Net cash flow relating to funding activities	3,793,893	-6,832,224	-16,080,715
Net cash flow in the period	-8,423,439	8,341,551	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	-8,423,439	8,341,551	9,940,933
Exchange rate difference	-2,306	25,558	4,427
Balance of cash and cash equivalents at end of period	4,564,258	11,411,753	12,990,004

Quarterly Financial Statements

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

Income Statement

	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter
NOK 1 000	2019	2019	2019	2018	2018
Total interest income	1,151,160	1,042,088	942,404	933,812	925,159
Total interest expenses	-1,054,143	-917,711	-840,389	-856,896	-845,254
Net interest income	97,018	124,376	102,015	76,917	79,905
Net gains/losses from financial instruments	-55,735	-49,926	15,390	-113,543	-13,427
Net other operating income	-55,735	-49,926	15,390	-113,543	-13,427
Total operating income	41,283	74,450	117,405	-36,626	66,478
Salaries and other ordinary personnel expenses	-3,695	-2,506	-2,835	-2,527	-3,100
Other operating expenses	-6,181	-5,820	-5,344	-6,145	-4,406
Total operating expenses	-9,876	-8,325	-8,178	-8,672	-7,507
Operating result before losses	31,407	66,125	109,227	-45,299	58,971
Write-downs on loans and guarantees	4,102	136	-2,234	-520	272
Pre-tax operating result	35,510	66,261	106,993	-45,819	59,243
Taxes	-8,877	-16,565	-26,748	11,453	-14,811
Profit/loss for the year	26,632	49,695	80,245	-34,365	44,433
Other income and expense	-25,750	87,888	-115,930	-104,207	-30,680
Total Profit/Loss	882	137,583	-35,685	-138,572	13,752

Balance sheet

NOK 1 000	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Assets					
Lending to and deposits with credit institutions	4,564,258	4,519,102	5,111,110	12,990,004	11,411,753
Certificates and bonds	35,143,942	29,554,116	25,623,908	25,271,910	35,032,317
Residential mortgage loans	189,763,221	190,606,858	188,171,797	184,073,918	183,811,362
Financial derivatives	22,386,673	17,829,896	17,447,357	23,183,793	15,982,953
Deferred tax asset	10,994	7,110	3,484	-	10,055
Other assets	991	1,040	1,801	1,750	1,507
Total assets	251,870,081	242,518,121	236,359,456	245,521,375	246,249,947
Liabilities and equity					
Liabilities					
Debt incurred by issuing securities	220,220,804	214,370,809	207,447,274	212,351,045	217,814,578
Collateral received under derivatives contracts	16,783,630	12,625,416	12,784,877	18,733,053	13,370,235
Repurchase agreement	-	553,863	1,508,401	-	-
Financial derivatives	900,005	1,030,359	1,048,763	1,042,108	1,479,191
Deferred tax	21,446	30,029	733	39,377	102,675
Tax payable	52,191	-	15,503	15,503	-
Subordinated debt	1,432,972	1,432,458	1,431,965	1,606,160	1,603,108
Other Liabilities	175,870	181,253	164,711	150,763	148,423
Total Liabilities	239,586,917	230,224,187	224,402,227	233,938,009	234,518,210
Equity					
Contributed equity	11,418,470	11,418,470	11,208,470	10,788,470	10,638,470
Other paid in equity (not yet registered)	-	-	-	-	150,000
Hybrid capital	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000
Accrued equity	-471,879	-434,476	-511,486	-389,980	-275,974
Net profit	156,572	129,940	80,245	4,876	39,241
Declared dividends	-	-	-	-	-
Total equity	12,283,163	12,293,934	11,957,229	11,583,366	11,731,737
Total liabilities and equity	251,870,081	242,518,121	236,359,456	245,521,375	246,249,947

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 Segments

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.

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	30.09.2019	30.09.2018	2018
Interest income			
Interest income from, certificates, bonds and deposits	179,913	313,135	380,228
Interest income from residential mortgage loans	4,025,673	3,479,456	4,715,801
Commission expense (payable to shareholder banks) *	-1,069,935	-1,148,637	-1,518,263
Total interest income	3,135,652	2,643,954	3,577,766
Interest expense			
Interest expense and similar expenses to credit institutions	-36,728	-29,812	-25,036
Interest expense and similar expenses on issued bonds	2,775,328	2,373,346	3,211,071
Interest expense and similar expenses on subordinated debt	35,609	38,494	50,836
Guarantee Fund **	31,500	-	-
Other interest expenses	6,534	5,704	7,757
Total interest expense	2,812,243	2,387,732	3,244,627
Net interest income	323,409	256,222	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.

** From 2019, SPB1 Boligkreditt has been incorporated into the Norwegian Guarantee Fund.

Note 3 Net Gains on Financial Instruments

NOK 1 000	30.09.2019	30.09.2018	2018
Net gains (losses) from financial liabilities (1)	-5,750,645	-3,156,350	-4,904,674
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	5,758,930	3,570,410	4,849,334
Net gains (losses) from financial assets (2)	-103,155	-658,411	-234,796
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	4,599	64,364	-3,394
Net gains (losses)	-90,271	-179,988	-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 the amortization of issuance costs and when the bonds are issued at prices different from par value.)

(2) SpareBank 1 Boligkreditt AS manages its liquidity risk by refinancing its outstanding bonds ahead of expected maturities and keeping proceeds as a liquidity portfolio. The majority of this portfolio is valued according to observed market values (fair value). Fixed rate bonds and bonds in other currencies than Norwegian kroner are hedged using swaps. The latter are valued according to interest rate and foreign exchange rates and are also valued at fair value (though differences may occur because the valuation of the bonds include a credit risk/spread element which the swaps do not contain). A smaller part of the portfolio is classified as hold-to-maturity and consist of bonds in Norwegian kroner at floating rates. Included in assets in the table are also investments which are hedged with natural currency hedges, as well as investments in short term, highly rated bonds from funds received from swap counterparties for collateral purposes. Such investments do not have a corresponding value change in the financial derivatives hedging the assets (and are also not included in the liabilities in line 1 in the table above as this contains only the Company's issued debt securities).

(3) All derivatives are valued at fair value according to changes in market interest rates and foreign exchange rates. Changes in valuations from the previous period is accounted for in profit and loss.

Note 4 Salaries and remuneration

NOK 1 000	30.09.2019	30.09.2018	2018
Salary	7,318	7,974	10,201
Salaries reinvoyed to SpareBank1 Næringskreditt*	-2,092	-2,183	-2,870
Pension expenses	1,673	1,735	2,055
Social insurance fees	1,952	1,639	2,146
Other personnel expenses	184	75	234
Total salary expenses	9,035	9,240	11,766

Average number of full time equivalents (FTEs)	7	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 reinvoyed to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank 1 SR-Bank ASA and SpareBank 1 Gruppen. Pension benefit obligations are covered in SpareBank 1 Boligkreditt through participation in the pension fund of SpareBank 1 SR-Bank ASA. This pension scheme meets the legal demands on mandatory occupational pension.

Note 5 Other Operating Expenses

NOK 1 000	30.09.2019	30.09.2018	2018
IT and IT operations	8,848	7,104	9,565
Purchased services other than IT	7,065	5,581	8,310
Other Operating Expenses	1,185	1,183	1,987
Depreciation on fixed assets and other intangible assets	246	475	628
Total	17,344	14,344	20,490

Note 6 Other assets

NOK 1 000	30.09.2019	30.09.2018	2018
Intangible assets	461	860	707
Account receivables from SpareBank 1 Næringskreditt AS	332	647	1,043
Other	198	-	-
Total	991	1,507	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 30.09.2019 were NOK 190 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.09.2019	30.09.2018	2018
Revolving loans - retail market	43,301,662	47,252,001	45,484,285
Amortising loans - retail market	146,266,990	136,400,946	138,418,290
Accrued interest	205,186	170,448	183,912
Total loans before specified and unspecified loss provisions	189,773,838	183,823,395	184,086,488

Impairments on groups of loans			
Expected credit loss, stage 1	1,030	3,762	3,905
Expected credit loss, stage 2, no objective proof of loss	9,587	8,270	8,665
Expected credit loss, stage 3, objective proof of loss	-	-	-
Total net loans and claims with customers	189,763,221	183,811,362	184,073,918

Liability

Unused balances under customer revolving credit lines (flexible loans)	12,129,027	12,600,771	12,304,082
Total	12,129,027	12,600,771	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 30.09.2019

	No of Shares	in per cent	Share of votes
SpareBank 1 Østlandet	16,446,741	21.61 %	21.61 %
SpareBank 1 SMN	15,748,727	20.69 %	20.69 %
SpareBank 1 Nord-Norge	13,558,833	17.82 %	17.82 %
BN Bank ASA	4,973,224	6.53 %	6.53 %
SpareBank 1 BV	4,895,107	6.43 %	6.43 %
SpareBank 1 SR-Bank ASA	3,663,342	4.81 %	4.81 %
Sparebanken Telemark	3,498,261	4.60 %	4.60 %
SpareBank 1 Ringerike Hadeland	3,420,431	4.49 %	4.49 %
SpareBank 1 Østfold Akershus	3,318,023	4.36 %	4.36 %
SpareBank 1 Nordvest	1,659,011	2.18 %	2.18 %
SpareBank 1 Modum	1,454,195	1.91 %	1.91 %
SpareBank 1 Hallingdal Valdres	983,118	1.29 %	1.29 %
SpareBank 1 Søre Sunnmøre	944,202	1.24 %	1.24 %
SpareBank 1 Gudbrandsdal	931,914	1.22 %	1.22 %
SpareBank 1 Lom og Skjåk	610,353	0.80 %	0.80 %
Total	76,105,482	100 %	100 %

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	30.09.2019	30.09.2018	2018
Perpetual							
Hybrid (Tier 1 capital instrument)	NO0010713746	3M Nibor + 310 bp	2014	09.05.2019	-	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
Hybrid (Tier 1 capital instrument)	NO0010850621	3M Nibor + 340 bp	2019	30.04.2024	350,000	-	-
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	30.09.2019	30.09.2018	2018
Senior unsecured bonds	-	1,388,000	1,047,000
Repurchased senior unsecured bonds	-	-	-
Covered bonds	197,703,292	201,170,506	188,169,679
Repurchased Covered bonds	-	-	-
Total debt incurred by issuing securities	197,703,292	202,558,506	189,216,679

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

	Book value 30.09.2019	Book value 30.09.2018	Book value 2018
NOK 1 000			
Senior unsecured bonds	-	1,387,958	1,046,990
Repurchased senior unsecured bonds	-	-	-
Covered bonds	219,323,073	215,495,640	209,973,603
Repurchased covered bonds	-	-	-
Activated costs incurred by issuing debt	-194,464	-177,133	-165,808
Accrued interest	1,092,195	1,108,113	1,496,260
Total debt incurred by issuing securities	220,220,804	217,814,578	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	30.09.2019	30.09.2018	2018
2018	-	91,000	1,047,000
2019	-	1,297,000	-
Total	-	1,388,000	1,047,000

Covered bonds

Due in	30.09.2019	30.09.2018	2018
2018	-	13,969,250	-
2019	6,030,414	27,258,444	24,954,124
2020	22,462,500	24,963,500	24,963,500
2021	28,891,117	28,825,266	28,894,098
2022	38,749,200	38,749,200	38,749,200
2023	30,373,550	30,256,700	30,378,725
2024	22,862,717	11,086,348	13,916,174
2025	10,648,750	10,648,750	10,648,750
2026	21,940,000	12,185,000	12,185,000
2027	674,394	665,248	674,808
2028	2,562,800	2,562,800	2,562,800
2029	12,265,350	-	-
2038	242,500	-	242,500
Total	197,703,292	201,170,506	188,169,679
Total	197,703,292	202,558,506	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	30.09.2019	30.09.2018	2018
NOK	60,323,691	62,440,662	62,711,262
EUR	141,547,805	136,993,834	130,285,193
USD	9,601,507	10,067,640	10,707,438
GBP	8,499,140	8,063,438	8,382,733
SEK	248,662	249,004	264,420
Total	220,220,804	217,814,578	212,351,045

Note 10 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option from	Maturity	Nominal amount	30.06.2019	30.06.2018	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							7,972	3,108	6,160
Book value							1,432,972	1,603,108	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	30.09.2019	30.09.2018	2018
Interest rate derivative contracts			
Interest rate swaps			
Nominal amount	60,665,104	64,380,659	68,401,281
Asset	2,547,232	2,496,164	2,918,190
Liability	-357,568	-485,838	-514,399
Currency derivative contracts			
Currency swaps			
Nominal amount	145,503,389	145,143,490	140,302,215
Asset	19,839,441	13,486,789	20,265,604
Liability	-	-667,050	-56,996
Total financial derivative contracts			
Nominal amount	206,168,494	209,524,149	208,703,496
Asset	22,386,673	15,982,953	23,183,793
Liability	-357,568	-1,152,888	-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	30.09.2019	30.09.2018	2018
Asset/Liability(-)	-357,568	-1,152,888	-571,395
Net gain (loss) on valuation adjustment of basis swap spreads	-542,437	-326,302	-470,713
Net asset/liability derivatives	-900,005	-1,479,191	-1,042,108

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

IFRS 9 allows the company to present the changes in basis swap spreads below other comprehensive income. As of 01.01.2018 it will no longer be presented below the income statement. 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	30.09.2019
Assets					
Lending to and deposits with credit institutions	-	4,564,258	-	-	4,564,258
Certificates and bonds	35,143,942	-	-	-	35,143,942
Residential mortgage loans	-	189,763,221	-	-	189,763,221
Financial derivatives	22,386,673	-	-	-	22,386,673
Deferred tax asset	-	-	-	10,994	10,994
Other assets	-	-	-	991	991
Total Assets	57,530,615	194,327,480	-	11,986	251,870,081
Liabilities					
Debt incurred by issuing securities	176,944,884	43,275,920	-	-	220,220,804
Collateral received in relation to financial derivatives	-	16,783,630	-	-	16,783,630
Repurchase agreement	-	-	-	-	-
Financial derivatives	900,005	-	-	-	900,005
Deferred taxes	-	-	-	21,446	21,446
Taxes payable	-	-	-	52,191	52,191
Subordinated debt	-	1,432,972	-	-	1,432,972
Other liabilities	-	-	-	175,870	175,870
Total Liabilities	177,844,889	61,492,522	-	249,507	239,586,918
Total Equity	-	1,180,000	-	11,103,163	12,283,163
Total Liabilities and Equity	177,844,889	62,672,522	-	11,352,670	251,870,081

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

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	30.09.2018
Assets					
Lending to and deposits with credit institutions	-	11,411,753	-	-	11,411,753
Residential mortgage loans	-	183,811,362	-	-	183,811,362
Certificates and bonds	35,032,317	-	-	-	35,032,317
Financial derivatives	15,982,953	-	-	-	15,982,953
Deferred tax asset	-	-	-	10,055	10,055
Other assets	-	-	-	1,507	1,507
Total Assets	51,015,270	195,223,115	-	11,562	246,249,947
Liabilities					
Debt incurred by issuing securities	171,644,706	46,169,872	-	-	217,814,578
Collateral received in relation to financial derivatives	-	13,370,235	-	-	13,370,235
Financial derivatives	1,479,191	-	-	-	1,479,191
Deferred taxes	-	-	-	102,675	102,675
Taxes payable	-	-	-	-	-
Subordinated debt	-	1,603,108	-	-	1,603,108
Other liabilities	-	-	-	148,423	148,423
Total Liabilities	173,123,896	61,143,215	-	251,099	234,518,210
Total Equity	-	1,180,000	-	10,551,737	11,731,737
Total Liabilities and Equity	173,123,896	62,323,215	-	10,802,836	246,249,947

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

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 30.09.2019

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	22,551,609	12,592,333	-	35,143,942
Financial Derivatives	-	22,386,673	-	22,386,673
Total Assets	22,551,609	34,979,006	-	57,530,615
Bonds	-	176,944,884	-	176,944,884
Financial Derivatives	-	900,005	-	900,005
Total Liabilities	-	177,844,889	-	177,844,889

The following table presents the company's assets and liabilities at fair value as of 30.09.2018

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	21,280,143	13,752,174	-	35,032,317
Financial Derivatives	-	15,982,953	-	15,982,953
Total Assets	21,280,143	29,735,127	-	51,015,270
Bonds	-	171,644,706	-	171,644,706
Financial Derivatives	-	1,479,191	-	1,479,191
Total Liabilities	-	173,123,896	-	173,123,896

Note 14 Other Liabilities

NOK 1 000	30.09.2019	30.09.2018	2018
Employees tax deductions and other deductions	366	499	623
Employers national insurance contribution	383	297	708
Accrued holiday allowance	707	663	946
Commission payable to shareholder banks	126,512	111,668	132,512
Deposits*	1,407	188	525
Pension liabilities	11,211	15,961	10,461
Other accrued costs	35,284	6,067	4,988
Total	175,870	135,343	150,763

The Company does not have an overdraft facility or a revolving credit facility as of 30.06.2019

* 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 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..

NOK 1 000	30.09.2019	30.09.2018	2018
Total Covered Bonds	220,415,268	216,599,631	211,466,729
Residential mortgage loans	188,707,184	182,857,384	182,916,170
Lending to the public sector (gov. bonds/ certificates or gov. guaranteed debt)	1,663,449	1,876,221	2,443,614
Reverse repo/ depo less than 100 days	1,549,291	9,386,748	9,337,374
Exposure to credit institutions (covered bonds)	19,393,961	21,758,180	7,829,441
Derivatives	22,029,105	14,830,064	22,612,398
Total Cover Pool	233,342,990	230,708,598	225,138,997
Asset-coverage	105.9 %	106.5 %	106.5 %

Liquidity Coverage Ratio (LCR)	30.09.2019	30.09.2018	2018
Liquid assets	11,932,647	9,916,420	10,054,367
Cash outflow next 30 days	4,772,533	1,254,658	1,061,996
LCR ratio	250.0 %	790.4 %	946.7 %

Net Stable Funding Ratio (NSFR)	30.09.2019	30.09.2018	2018
Available amount of stable funding	200,358,957	198,196,910	202,019,676
Required amount of stable funding	205,559,935	190,959,935	191,375,955
NSFR ratio	102.6 %	103.8 %	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	30.09.2019	30.09.2018	2018
Share capital	7,610,548	7,090,548	7,190,548
Premium share fund	3,807,922	3,547,922	3,597,922
Other equity capital	-471,879	-125,974	-385,104
Common equity	10,946,591	10,512,496	10,403,366
Intangible assets	-461	-860	-707
Declared share dividend	-	-	-
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-392,390	-346,871	-363,428
Prudent valuation adjustment (AVA)	-21,486	-33,119	-15,182
Core equity capital	10,532,254	10,131,645	10,024,049
Hybrid bond	1,180,000	1,180,000	1,180,000
Tier 1 equity capital	11,712,254	11,311,645	11,204,049
Supplementary capital (Tier 2)	1,425,000	1,600,000	1,600,000
Total capital	13,137,254	12,911,645	12,804,049

Minimum requirements for capital. NOK 1 000	30.09.2019	30.09.2018	2018
Credit risk	3,627,350	3,316,120	3,362,169
Market risk	-	-	-
Operational risk	58,499	62,185	62,185
Depreciation on groups of loans	-	-	-
CVA Risk	362,097	173,229	308,572
Difference in capital requirement resulting from transitional floor	2,249,689	2,559,659	2,378,276
Minimum requirement for capital (8 per cent of RWA)	6,297,636	6,111,193	6,111,202

Capital coverage

	30.09.2019	30.09.2018	2018
Risk-weighted assets incl. transitional floor	78,720,448	76,389,911	76,390,017
Capital coverage (requirement w/all buffers, 16,3%)	16.69 %	16.90 %	16.76 %
Tier 1 capital coverage (requirement w/all buffers, 14,3%)	14.88 %	14.81 %	14.67 %
Core capital coverage (requirement w/all buffers, 12,8%)	13.38 %	13.26 %	13.12 %
Leverage ratio (requirement 3%)	4.87 %	4.83 %	4.91 %

Note 17 Related parties

The Company has 189 763 MNOK loans to customers. These are loans acquired from shareholder banks at market values (i.e. nominal value).

SpareBank 1 SR-Bank ASA

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

SpareBank 1 - Alliance

In addition the Company has a Transfer and Servicing agreement in place with each individual shareholder bank regulating amongst other things the servicing of mortgage loans.

SpareBank 1 Næringskreditt AS

All employees within SpareBank 1 Boligkreditt AS are also to various degrees working for SpareBank 1 Næringskreditt AS. Twenty percent of the administrative expenses in SpareBank 1 Boligkreditt AS to be charged to SpareBank 1 Næringskreditt AS. This division of administrative expenses between the two companies reflect the actual resources utilisation in SpareBank 1 Boligkreditt AS.

Note 18 Collateral received

SpareBank 1 Boligkreditt has signed ISDA-agreements including CSAs (Credit Support Annexes) with a number of financial institutions that are counterparties in interest rate and currency swaps. These institutions post collateral in the form of cash deposits to SpareBank 1 Boligkreditt. At the end of the period 30.09.2019 this collateral amounted to NOK 16 784 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 30.09.2019.

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