



Boligkreditt  
2<sup>nd</sup> Quarterly Report 2021

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# Statement of the Board of Directors of SpareBank 1 Boligkreditt AS, 2nd Quarter 2021

## SpareBank 1 Boligkreditt's purpose

SpareBank 1 Boligkreditt AS ('Boligkreditt', 'SpaBol', or 'The Company') is a specialized covered bond issuer. It is regulated as a credit institution and licensed by the Norwegian Financial Supervisory Authority (Finanstilsynet) and is operated according to the legislation for covered bonds in Norway<sup>1</sup>.

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 percent and financing these through the issuance of covered bonds<sup>2</sup>.

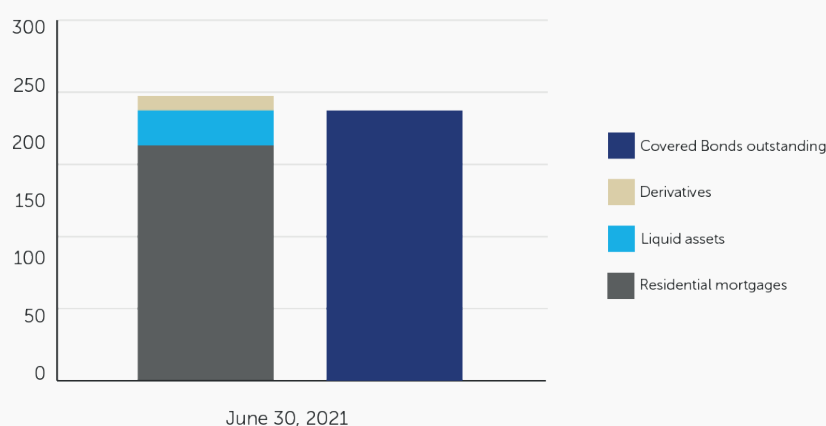
The Company, which is based in Stavanger, Norway, is owned by banks which are all members of the SpareBank 1 Alliance. A comprehensive agreement with each of these banks regulates the mortgage purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer 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, 2021 and is available on the Company's home page: <https://spabol.sparebank1.no>.

Moody's Ratings Service evaluates the credit quality of the issuances under the GMTCN Programme. The covered bonds are rated Aaa.

## Cover pool and outstanding covered bonds<sup>3</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 June 30, 2021:



<sup>1</sup> The covered bond legislation is included in the Financial Institutions Act ("Finansforetaksloven") chapter 11, section II and the detailed regulations thereof.

<sup>2</sup> The limit for instalment mortgages is 75 percent, while mortgages which have no scheduled repayment structure are limited to 60 percent. There is a regulatory minimum amortization requirement of 2.5 percent annually for new mortgages with a LTV at 60 percent or above.

<sup>3</sup> The source is the cover pool asset liability test for overcollateralization as of June 30, 2021 (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 (liability side). This is reflected in the chart.

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 other than the Company's owner banks. Counterparties post collateral to Boligkreditt for its swap exposures, and this is included as a liability and an asset, amongst liquid assets, on the balance sheet.

The table below provides an overview of the **residential mortgages** in the cover pool, as well as the overcollateralization.

## Residential mortgages key figures<sup>4</sup>

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Weighted Average Current LTV (%)	49.2 %	51.2 %	51.4 %	51.8 %	52.6 %
Weighted Average Original LTV (%)	59.9 %	59.8 %	59.7 %	59.3 %	59.4 %
Average Loan Balance (NOK)	1,539,309	1,521,007	1,507,205	1,488,367	1,470,921
Number of Mortgages in Pool	137,453	138,595	138,298	138,275	137,427
Pct. of non first-lien mortgages	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Overcollateralization	5.7 %	4.5 %	4.4 %	4.3 %	7.2 %

## Key developments in the first half 2021

The covered bond markets have seen less supply from many jurisdictions, creating good conditions for issuance. There is no extraordinary central bank financial support in Norway, which means covered bond market funding is sought by banks, as usual. SpareBank 1 Boligkreditt has issued NOK 12 billion at various tenors and EUR 1 billion in a 10-year benchmark covered bond during the period. Further market issuance is likely to take place in the second half.

The residential mortgage lending volume which SpaBol finances continues to increase, but at a more moderate pace compared to last year. During the first half of 2021, residential mortgages increased by NOK 3.2 billion or 1.5%

The Norwegian government is implementing the EU's harmonization directive in covered bonds, as well as changes to Article 129 in CRR (Capital Requirement Regulation). This is expected to mean that the required regulatory overcollateralization increases to 5 percent from 2 percent. These and other changes in the covered bond legal framework, due to the EU harmonization, are not expected to be of any particular challenge for the Issuer.

Green bonds are a key element of Boligkreditt's activities (the 10-year EUR issue in May 2021 was green), and the decision by the EU commission to plan for that the top 15 percent energy effective residential units in a market qualify for green bond issuance (constructed through 2020), is welcome. It is however at the moment unclear how an issuer can be 10 percent below the NZEB standard of energy efficiency for residential (and commercial) units constructed from 2021 onwards, so Boligkreditt plans to continue, for the time being, focusing on mortgages for the 15 percent best in class residential units, as the basis for green covered bond issuance.

<sup>4</sup> Overcollateralization in the table is calculated inclusive of LCR amounts within the cover pool.

## 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 second quarter 2021. Numbers in brackets refer to the corresponding period last year for comparison.

The total balance sheet at 30.06.21 amounted to 258 (273) billion kroner. The balance sheet decreased primarily due to a decrease in the value of financial derivatives (and associated collateral), due to a stronger NOK exchange rate against EUR, and repayment of maturing debt. The Company had in the first half of 2021 net interest income of 1,157 (851) million kroner. The increase is due to a higher volume of financed mortgages and a higher margin compared to the same period last year, when variable mortgage interest rates reduced quickly due to the pandemic. Commissions paid to Boligkreditt's owner banks were 1,022 (602) million. Changes to these commissions largely reflect changes in net interest income for mortgages financed, and represent most of the margin between mortgage interest rates and the Company's funding costs.

The cost of operations for the first half of 2021 was 21 (20) million kroner including depreciation and amortization. The majority of operating costs are for expenses related to the Company's bond issuances, IT operations as well as personnel related expenses.

IFRS 9 expected loan losses decreased by 13 (increased by 20) million to 17 (32) million. No actual loan losses have occurred. This produces an operating result of 59.5 (97.1) million kroner before tax. The operating result includes scheduled payments to Additional Tier 1 bondholders, which are classified as distribution to equity capital.

Mortgage loans for residential properties amounted to 212 (202) billion kroner as of the end of the second quarter. The Company's own liquid assets were approximately 24 (17) billion kroner.

Liquid assets are cash and highly rated, highly liquid bonds being 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 Net Stable Financing Rule (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 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 first quarter SpareBank 1 Boligkreditt had issued bonds for approximately 142 billion kroner in EUR, 9 billion kroner in GBP and 8.9 billion kroner in Swedish kroner, based on exchange rates at June 30, 2021. 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 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 June 30, 2021 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 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 24 through 28 in the 2020 annual accounts provide further information.

## Macroeconomic development and outlook<sup>5</sup>

With the outbreak of the pandemic, Norway saw a recession in 2020, like most other countries, with GDP contracting 2.5 percent. Looking ahead, it is private consumption that will provide a boost to growth once the pandemic ends, while aggregate investment will return to growth, but is expected to be slower to pick up, i.e. in 2022. Investments within the still important oil and gas sector are seen as continuing to shrink through 2022.

New housing investment has delivered negative GDP contributions from 2018 through 2020 but is seen to be turning positive in 2021 and subsequent years. The housing market, with a high activity level in 2020 as well as relatively strong price appreciation, is likely influenced by the current low mortgage interest rates, hence more investments and construction are expected. However, with the economic growth unfolding (and forward economic indicators in a clear upswing), Norway's central bank is now expected to embark on a tightening cycle in September 2021. This is expected to negatively impact the price level for real estate, or at least create the basis for a sideways development in the time to come. Norwegian banks are required to test mortgage customers' ability to service new mortgage loans at a much higher rate than the prevailing market interest rate level (regulatory requirement when granting mortgages at variable rates), so higher levels of payment problems are not expected from the hiking cycle, which targets price stability at 2 percent.

Both the unemployment rate and trade contributions to GDP in 2020, show the effects of the pandemic. Unemployment increased in the travel and services sectors, and is expected to remain, even through 2022, at above 4 percent, which is higher than before the pandemic. The latest labour market data from the end of June, show a

<sup>5</sup> Macroeconomic projections have been sourced from Statistics Norway as of June 4, 2021.

substantial improvement in unemployment rate, which probably means that the unemployment rate forecast in the table below for 2021 and 2022 will be revised down.

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

<b>Recent data and forecast (percent)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Mainland GDP growth	2.2	2.3	-2.5	3.1	4.1
Private consumption growth	1.6	1.4	-6.9	5.1	7.9
Mainland investments growth	1.5	4.0	-4.1	0.9	3.2
Unemployment rate	3.8	3.7	4.6	4.6	4.2
CPI growth	2.7	2.2	1.3	3.1	1.8
Annual wage growth	2.8	3.5	3.1	3.1	3.1
Current account surplus to GDP	8.0	2.8	1.9	8.3	9.2

Source: Statistics Norway (SSB) June 4, 2021

## Future Prospects of the Company

The Company has a portfolio of residential mortgage loans with an average loan to value (LTV) slightly above 50 percent, and no loans are in default. The maximum allowable level for a mortgage in a cover pool is 75 percent LTV, with amounts above that level not being eligible as a cover pool asset. There is no material volume of mortgages in the Company's portfolio that has been granted a covid-related repayment postponement.

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-industry dominated area of Norway). Mortgage loans in the cover pool are very granular (average size of 1.5 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 (i.e. if residential price declines increase LTVs above the eligibility limit for mortgages in the pool). Such reserves in the banks are tested regularly to verify that a 30 percent decline in real estate prices leaves banks with sufficient qualifying reserves for replenishing the cover pool.

The Board of Directors views Boligkreditt as well capitalized with a capital coverage ratio of 22.3 percent against a total requirement, including all buffers, of 16.0 percent (Pillar 1) plus 0.9 percent (Pillar 2). The countercyclical buffer capital requirement was lowered from 2.5 to 1 percent in March 2020, but will increase to 1.5 percent as of June 30, 2022.

Total equity Tier 1 capital is 19.9 percent against a requirement, including buffers, of 14.9 percent. Common equity capital was 18.3 percent against a requirement, including all buffers, of 13.4 percent. It is the Company's policy to maintain capital ratios slightly above the regulatory requirements (a management buffer). 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 capital market.

The Board of Directors views prospects for the Company to continue to be good and stable. This is based on several elements: 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, as well as the robustness of the Norwegian economy, both during the pandemic and future outlook, including the strong financial resources available to the Norwegian state to support the economy at large. The Board also bases this conclusion on the low average LTV of the mortgage portfolio, no defaults or loans in arrears, and a strong history and institutional framework in Norway for mortgage loan performance.



\* \* \*

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 second quarter 2021. The financial accounts including notes are produced under the assumption of a going concern.

There have been no incidents of a material nature after year-end which are expected to impact the accounts for the second quarter of 2021.

Stavanger, August 10, 2021

The Board of Directors of SpareBank 1 Boligkreditt AS



/s/ Kjell Fordal  
Chair



/s/ Bengt Olsen



/s/ Geir-Egil Bolstad



/s/ Heidi Aas Larsen



/s/ Merete N. Kristiansen



/s/ Knut Oscar Fleten

# 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 second quarter 2021 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 30.06.2021.

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, August 10, 2021

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/ Heidi C Aas Larsen

/s/ Knut Oscar Fleten

/s/ Arve Austestad  
CEO

# Financial statements

## Income Statement 2nd Quarter 2021

NOK 1 000	Note	2. quarter 2021	2. quarter 2020	01.01.2021- 30.06.2021	01.01.2020- 30.06.2020	2020
Total interest income	2	1 065 641	1 249 912	2 143 752	2 881 310	5 119 553
Total interest expense	2	-480 759	-878 527	-985 899	-2 030 278	-2 980 079
<b>Net interest income</b>		<b>584 882</b>	<b>371 385</b>	<b>1 157 853</b>	<b>851 032</b>	<b>2 139 474</b>
Commissions to SpareBank 1 banks	3	-521 979	-244 043	-1 022 396	-602 060	-1 769 898
<b>Net commission income</b>		<b>-521 979</b>	<b>-244 043</b>	<b>-1 022 396</b>	<b>-602 060</b>	<b>-1 769 898</b>
Net gains/losses from financial instruments	4	-24 038	171 895	-67 621	-111 893	-142 200
<b>Net other operating income</b>		<b>-24 038</b>	<b>171 895</b>	<b>-67 621</b>	<b>-111 893</b>	<b>-142 200</b>
<b>Total operating income</b>		<b>38 864</b>	<b>299 237</b>	<b>67 837</b>	<b>137 079</b>	<b>227 376</b>
Salaries and other ordinary personnel expenses	5	-2 709	-1 935	-5 814	-5 089	-12 465
Other operating expenses	6	-8 782	-7 945	-15 678	-14 739	-28 065
<b>Total operating expenses</b>		<b>-11 492</b>	<b>-9 880</b>	<b>-21 493</b>	<b>-19 828</b>	<b>-40 530</b>
<b>Operating result before losses</b>		<b>27 373</b>	<b>289 358</b>	<b>46 344</b>	<b>117 250</b>	<b>186 846</b>
Mortgages IFRS 9 ECL	8	826	-10 905	13 208	-20 141	-18 429
<b>Pre-tax operating result</b>		<b>28 199</b>	<b>278 452</b>	<b>59 552</b>	<b>97 109</b>	<b>168 417</b>
Taxes		-4 769	-65 753	-10 353	-16 267	-29 239
<b>Profit/loss for the year</b>		<b>23 430</b>	<b>212 699</b>	<b>49 200</b>	<b>80 843</b>	<b>139 178</b>
Portion attributable to shareholders		14 307	197 259	31 058	48 800	86 001
Portion attributable to additional Tier 1 capital holders		9 123	15 441	18 141	32 043	53 177
<b>Profit/loss for the period</b>		<b>23 430</b>	<b>212 699</b>	<b>49 200</b>	<b>80 843</b>	<b>139 178</b>

## Overview of Comprehensive Income

NOK 1 000	2. quarter 2021	2. quarter 2020	01.01.2021- 31.06.2021	01.01.2020- 31.06.2020	2020
Profit/loss for the year	23 430	212 699	49 200	80 843	139 178
Items which will not impact the income statement in future periods:	-	-	-	-	-
Change due to basis swap spread adjustment	-78 894	45 803	-271 908	149 571	120 478
Tax effect of basis swap spread adjustment	19 724	-11 451	67 977	-37 393	-30 120
Estimate deviation for pensions	-	-	-	-	1,537
Tax effect of the estimate deviation	-	-	-	-	-384
<b>Total profit/loss accounted for in equity</b>	<b>-59 171</b>	<b>34 353</b>	<b>-203 931</b>	<b>112 178</b>	<b>91,512</b>
<b>Total profit/loss</b>	<b>-35 741</b>	<b>247 052</b>	<b>-154 731</b>	<b>193 021</b>	<b>230,690</b>

# Balance Sheet

## Balance Sheet 2nd Quarter 2021

NOK 1 000	Note	31.06.2021	31.06.2020	2020
<b>Assets</b>				
Lending to and deposits with credit institutions	13	3 184 594	8 926 842	6 473 876
Certificates and bonds	13,14	28 690 918	28 950 758	34 515 412
Residential mortgage loans	8,13	211 797 941	202 356 280	208 613 697
Financial derivatives	12,13,14	13 893 022	28 051 937	21 396 448
Deferred tax asset	13	319 738	164 031	281 880
Other assets	7,13	412 906	4 479 081	5 018
<b>Total assets</b>		<b>258 299 120</b>	<b>272 928 929</b>	<b>271 286 332</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Debt incurred by issuing securities	10,13,14	234 550 251	233 899 764	239 372 170
Collateral received under derivatives contracts	19,13	7 570 606	20 469 422	16 838 423
Repurchase agreement	13	-	2 507 625	-
Financial derivatives	12,13,14	1 919 437	734 333	915 540
Deferred tax	13	-	37 393	30 120
Tax payable	13	83 549	226 673	123 196
Subordinated debt	11,13	1 429 879	1 430 788	1 429 990
Other Liabilities	13,15	636 226	1 271 651	209 078
<b>Total Liabilities</b>		<b>246 189 947</b>	<b>260 577 649</b>	<b>258 918 517</b>
<b>Equity</b>				
Paid-in equity	9,13	11 698 470	11 418 470	11 698 470
Other paid-in equity (not yet registered)	13	-	-	-
Hybrid capital	9,13	900 000	1 180 000	900 000
Accrued equity	13	-538 497	-328 033	-316 424
Net profit	13	49 200	80 843	-
Declared dividends	13	-	-	85 769
<b>Total equity</b>		<b>12 109 173</b>	<b>12 351 280</b>	<b>12 367 815</b>
<b>Total liabilities and equity</b>		<b>258 299 120</b>	<b>272 928 929</b>	<b>271 286 332</b>

Stavanger, 10.08.2021

/s/ Kjell Fordal  
Chairman of the Board

/s/ Bengt Olsen

/s/ Merete N. Kristiansen

/s/ Geir-Egil Bolstad

/s/ Heidi C Aas Larsen

/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, 2019</b>	<b>7,610,548</b>	<b>3,807,922</b>	<b>90,566</b>	-	<b>-408,168</b>	-	<b>1 180 000</b>	<b>12 280 868</b>
Share increase May 22, 2020	186 667	93 333	-	-	-	-	-	280 000
Net income for the period	-	-	85 769	-	53 409	-53 177	-	86 001
Paid interest on hybrid capital - directly against equity	-	-	-	-	-53 177	53 177	-	-
OCI - basisswapsread	-	-	-	-	90 359	-	-	90 359
Dividend 2019	-	-	-90 566	-	-	-	-	-90 566
OCI - pension - annual estimate deviation	-	-	-	-	1 153	-	-	1 153
Other	-	-	-	-	-	-	-280 000	-280 000
<b>Balance as of 31 December, 2020</b>	<b>7 797 215</b>	<b>3 901 255</b>	<b>85 769</b>	-	<b>-316 425</b>	-	<b>900 000</b>	<b>12 367 815</b>
Dividend 2020	-	-	-85 769	-	-	-	-	-85 769
Net income for the period	-	-	-	-	49 200	-18 141	-	31 058
Paid interest on hybrid capital - directly against equity	-	-	-	-	-18 141	18 141	-	-
OCI - basisswapsread	-	-	-	-	-203 931	-	-	-203 931
<b>Balance as of 30 June, 2021</b>	<b>7 797 215</b>	<b>3 901 255</b>	-	-	<b>-489 298</b>	-	<b>900 000</b>	<b>12 109 173</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	31.03.2021	31.06.2020	2020
<b>Cash flows from operations</b>			
Interest received	2 204 377	2 202 869	5 189 270
Paid expenses, operations	44 029	-87 171	-34 661
Paid tax	-123 196	-250 190	-251 521
<b>Net cash flow relating to operations</b>	<b>2 125 210</b>	<b>1 865 507</b>	<b>4 903 088</b>
<b>Cash flows from investments</b>			
Net purchase of loan portfolio	-4 203 966	-11 046 938	-19 108 681
Net payments on the acquisition of government bills	-1 300 287	30 218	-2 099 005
Net payments on the acquisition of bonds	6 430 544	-913 876	-5 146 575
Net investments in intangible assets	0	0	0
Net investments in fixed assets	0	-385	-5 040
<b>Net cash flows relating to investments</b>	<b>926 291</b>	<b>-11 930 980</b>	<b>-26 359 301</b>
<b>Cash flows from funding activities</b>			
Net receipt/payment from the issuance of securities	3 630 306	3 747 632	16 016 622
Net receipt/payment from the issuance of subordinated debt	0	0	0
Net receipt/payment of loans to credit institutions	-8 912 678	7 723 378	5 157 620
Equity capital subscription	0	0	281 153
Paid dividend	-85 769	-90 566	-90 566
Net interest payments on funding activity	-972 642	-2 189 379	-3 235 991
<b>Net cash flow relating to funding activities</b>	<b>-6 340 783</b>	<b>9 191 065</b>	<b>18 128 839</b>
<b>Net cash flow in the period</b>	<b>-3 289 282</b>	<b>-874 408</b>	<b>-3 327 374</b>
<b>Balance of cash and cash equivalents at beginning of period</b>	<b>6 473 877</b>	<b>9 801 250</b>	<b>9 801 251</b>
Net receipt/payments on cash	-3 289 282	-874 408	-3 327 374
<b>Balance of cash and cash equivalents at end of period</b>	<b>3 184 595</b>	<b>8 926 842</b>	<b>6 473 877</b>

# Quarterly Financial Statements

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

## Income Statement

	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter
NOK 1 000	2021	2021	2020	2020	2020
Total interest income	1 065 641	1 078 111	1 125 288	1 112 955	1 249 912
Total interest expenses	-480 759	-505 139	-482 915	-466 886	-878 527
<b>Net interest income</b>	<b>584 882</b>	<b>572 972</b>	<b>642 373</b>	<b>646 069</b>	<b>371 385</b>
Commissions to SpareBank 1 banks	-521 979	-500 416	-600 887	-566 950	-244 043
<b>Net commission income</b>	<b>-521 979</b>	<b>-500 416</b>	<b>-600 887</b>	<b>-566 950</b>	<b>-244 043</b>
Net gains/losses from financial instruments	-24 038	-43 583	-36 041	5 734	171 895
<b>Net other operating income</b>	<b>-24 038</b>	<b>-43 583</b>	<b>-36 041</b>	<b>5 734</b>	<b>171 895</b>
<b>Total operating income</b>	<b>38 864</b>	<b>28 972</b>	<b>5 445</b>	<b>84 853</b>	<b>299 237</b>
Salaries and other ordinary personnel expenses	-2 709	-3 105	-3 532	-3 844	-1 935
Other operating expenses	-8 782	-6 896	-7 985	-5 340	-7 945
<b>Total operating expenses</b>	<b>-11 492</b>	<b>-10 001</b>	<b>-11 517</b>	<b>-9 185</b>	<b>-9 880</b>
<b>Operating result before losses</b>	<b>27 373</b>	<b>18 971</b>	<b>-6 072</b>	<b>75 668</b>	<b>289 358</b>
Mortgages IFRS 9 ECL	826	12 382	-7 614	9 327	-10 905
<b>Pre-tax operating result</b>	<b>28 199</b>	<b>31 354</b>	<b>-13 687</b>	<b>84 995</b>	<b>278 452</b>
Taxes	-4 769	-5 584	5 197	-18 169	-65 753
<b>Profit/loss for the year</b>	<b>23 430</b>	<b>25 770</b>	<b>-8 490</b>	<b>66 826</b>	<b>212 699</b>
Other income and expense	-59 171	-144 760	33 160	-53 827	34 353
<b>Total Profit/Loss</b>	<b>-35 741</b>	<b>-118 990</b>	<b>24 670</b>	<b>12 999</b>	<b>247 052</b>

## Balance Sheet

NOK 1 000	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020
<b>Assets</b>					
Lending to and deposits with credit institutions	3 184 594	1 977 185	6 473 876	17 695 451	8 926 842
Certificates and bonds	28 690 918	25 297 614	34 515 412	33 852 412	28 950 758
Residential mortgage loans	211 797 941	210 994 595	208 613 697	205 998 995	202 356 280
Financial derivatives	13 893 022	11 937 811	21 396 448	30 074 324	28 051 937
Deferred tax asset	319 738	300 014	281 880	142 782	164 031
Other assets	412 906	4 009 951	5 018	798	4 479 081
<b>Total assets</b>	<b>258 299 120</b>	<b>254 517 170</b>	<b>271 286 332</b>	<b>287 764 762</b>	<b>272 928 929</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Debt incurred by issuing securities	234 550 251	225 652 744	239 372 170	245 303 651	233 899 764
Collateral received under derivatives contracts	7 570 606	7 190 519	16 838 423	23 499 230	20 469 422
Repurchase agreement	0	2 610 725	-	250 003	2 507 625
Financial derivatives	1 919 437	2 389 366	915 540	726 670	734 333
Deferred tax	0	0	30 120	19 450	37 393
Tax payable	83 549	3 685	123 196	223 594	226 673
Subordinated debt	1 429 879	1 430 181	1 429 990	1 429 936	1 430 788
Other Liabilities	636 226	3 085 914	209 078	3 960 268	1 271 651
<b>Total Liabilities</b>	<b>246 189 947</b>	<b>242 363 133</b>	<b>258 918 517</b>	<b>275 412 801</b>	<b>260 577 649</b>
<b>Equity</b>					
Contributed equity	11 698 470	11 698 470	11 698 470	11 698 470	11 418 470
Other paid in equity (not yet registered)	-	-	-	-	-
Hybrid capital	900 000	900 000	900 000	900 000	1 180 000
Accrued equity	-538 497	-470 203	-316 424	-394 177	-328 033
Net profit	49 200	25 770	-	147 668	80 843
Declared dividends	0	-	85 769	-	-
<b>Total equity</b>	<b>12 109 173</b>	<b>12 154 037</b>	<b>12 367 815</b>	<b>12 351 961</b>	<b>12 351 280</b>
<b>Total liabilities and equity</b>	<b>258 299 120</b>	<b>254 517 170</b>	<b>271 286 332</b>	<b>287 764 762</b>	<b>272 928 929</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 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 residential 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 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.

## Note 2 Net Interest Income

NOK 1 000	31.06.2021	31.06.2020	2020
<b>Interest income</b>			
Interest income from certificates, bonds and deposits	78 971	118 361	222 810
Interest income from residential mortgage loans	2 064 781	2 762 948	4 896 743
<b>Total interest income</b>	<b>2 143 752</b>	<b>2 881 310</b>	<b>5 119 553</b>
<b>Interest expense</b>			
Interest expense and similar expenses to credit institutions	-376	18 672	38 007
Interest expense and similar expenses on issued bonds	942 480	1 959 539	2 842 413
Interest expense and similar expenses on subordinated debt	15 314	22 743	37 900
Recovery and Resolution Fund *	24 097	25 200	51 385
Other interest expenses	4 383	4 124	10 374
<b>Total interest expense</b>	<b>985 899</b>	<b>2 030 278</b>	<b>2 980 079</b>
<b>Net interest income</b>	<b>1 157 852</b>	<b>851 031</b>	<b>2 139 473</b>

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

## Note 3 Commissions to Sparebank 1 banks

NOK 1 000	30.06.2021	30.06.2020	2020
<b>Commission expense</b>			
Commission expense to SpareBank 1 banks	1 022 396	602 060	1,769,898
<b>Total commission expense</b>	<b>1 022 396</b>	<b>602 060</b>	<b>1,769,898</b>

These amounts represent Boligkreditt's expenses in form of commissions to its owner banks, which originate the mortgage loans transferred to the Company. The amounts are calculated by subtracting all of the Company's funding costs and estimated operational costs, including costs for additional Tier 1 bonds outstanding, from mortgage interest income.

## Note 4 Net Gains on Financial Instruments

NOK 1 000	30.06.2021	31.06.2020	2020
Net gains (losses) from financial liabilities	-650 422	-6 682 156	-6 074 987
Net gains (losses) from financial derivatives at fair value, hedging liabilities (hedging instrument)	7 341 316	-3 611 303	3 648 701
Net gains (losses) from financial assets	-6 748 614	8 851 099	2 308 177
Net gains (losses) from financial derivatives at fair value, hedging assets (hedging instrument)	-9 901	1 330 467	-24 090
<b>Net gains (losses)</b>	<b>-67 621</b>	<b>-111 893</b>	<b>-142 200</b>

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.

SpareBank 1 Boligkreditt AS manages its liquidity risk by refinancing its outstanding bonds ahead of expected maturities and keeping proceeds as a liquidity portfolio. Fixed rate bonds and bonds in other currencies than Norwegian kroner are hedged using swaps, unless forming part of a natural hedge. 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 in short term, highly rated bonds from funds received from swap counterparties for collateral purposes, with a corresponding collateral liability. Such investments do not have swap hedges.

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 5 Salaries and Remuneration

<b>NOK 1 000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
Salaries	4 847	4 855	10 922
Salaries reinvoyced to SpareBank1 Næringskreditt*	-1 377	-2 111	-3 275
Pension expenses	1 017	796	1 977
Social insurance fees	1 238	1 132	2 332
Other personnel expenses	89	417	510
<b>Total salary expense</b>	<b>5 814</b>	<b>5 089</b>	<b>12 465</b>
Average number of full time equivalents (FTEs)	7	7	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 reinvoyced to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank 1 SMN and SpareBank 1 Gruppen.

## Note 6 Other Operating Expenses

<b>NOK 1 000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
IT and IT operations	5 996	7 057	12 704
Purchased services other than IT	8 762	6 474	13 282
Other Operating Expenses	801	1 027	1 721
Depreciation on fixed assets and other intangible assets	119	182	359
<b>Total</b>	<b>15 678</b>	<b>14 739</b>	<b>28 065</b>

## Note 7 Other Assets

<b>NOK 1 000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
Leases	3 413	-	3,879
Fixed assets	281	358	320
Intangible assets	5	223	85
Account receivables from SpareBank 1 Næringskreditt AS	54	3 201	515
Accounts receivable, securities	409 135	4 475 289	212
Other	18	10	7
<b>Total</b>	<b>412 906</b>	<b>4 479 081</b>	<b>5,018</b>

## Note 8 Residential mortgage loans

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value. The total amount of lending to customers at the end of 30.06.2021 were NOK 211 billion. All mortgages carry a variable interest rate.

<b>NOK 1 000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
Revolving loans - retail market	38 840 207	42 766 488	40 078 412
Amortising loans - retail market	172 829 202	159 469 560	168 409 290
Accrued interest	145 518	151 939	156 170
<b>Total loans before specified and unspecified loss provisions</b>	<b>211 814 927</b>	<b>202 387 986</b>	<b>208 643 872</b>
Stage 1	204 569 919	195 255 028	199 787 000
Stage 2	7 245 008	7 132 958	8 856 872
Stage 3	-	-	-
<b>Gross loans</b>	<b>211 814 927</b>	<b>202 387 986</b>	<b>208 643 872</b>
<b>Impairments on groups of loans</b>			
Expected credit loss, stage 1	1 115	10 927	1 207
Expected credit loss, stage 2, no objective proof of loss	15 870	20 779	28 968
Expected credit loss, stage 3, objective proof of loss	-	-	-
<b>Total net loans and claims with customers</b>	<b>211 797 941</b>	<b>202 356 280</b>	<b>208 613 697</b>
<b>Liability</b>			
Unused balances under customer revolving credit lines (flexible loans)	12 669 244	12 817 574	12 328 559
<b>Total</b>	<b>12 669 244</b>	<b>12 817 574</b>	<b>12 328 559</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 9 Share Capital and Shareholder Information

### List of shareholders as of 2021

	No. of Shares	In percent	Share of votes
SpareBank 1 Østlandet	17 506 879	22,45 %	22,45 %
SpareBank 1 SMN	17 431 133	22,36 %	22,36 %
SpareBank 1 Nord-Norge	14 146 598	18,14 %	18,14 %
BN Bank ASA	5 436 118	6,97 %	6,97 %
SpareBank 1 Sør-Øst Norge	8 629 054	11,07 %	11,07 %
SpareBank 1 Ringerike Hadeland	3 698 165	4,74 %	4,74 %
SpareBank 1 Østfold Akershus	3 694 453	4,74 %	4,74 %
SpareBank 1 Nordvest	1 633 728	2,10 %	2,10 %
SpareBank 1 SR-Bank ASA	-	0,00 %	0,00 %
SpareBank 1 Modum	1 856 509	2,38 %	2,38 %
SpareBank 1 Søre Sunnmøre	1 171 457	1,50 %	1,50 %
SpareBank 1 Gudbrandsdal	1 141 753	1,46 %	1,46 %
SpareBank 1 Hallingdal Valdres	983 950	1,26 %	1,26 %
SpareBank 1 Lom og Skjåk	642 352	0,82 %	0,82 %
<b>Total</b>	<b>77,972,149</b>	<b>100 %</b>	<b>100 %</b>

The share capital consists of 77.972.149 shares with a nominal value of NOK 100.

The percent share allocation and share of vote are identical.

### Hybrid capital

NOK 1000	ISIN	Interest rate	Issued year	Call option	30.06.2021	30.06.2020	2020
<b>Perpetual</b>							
Hybrid (Tier 1 capital instrument)	NO0010745920	3M Nibor + 360 bp	2015	23.09.2020		300 000	-
Hybrid (Tier 1 capital instrument)	NO0010746191	3M Nibor + 360 bp	2015	29.09.2020		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
Hybrid (Tier 1 capital instrument)	NO0010890825	3M Nibor + 300 bp	2020	26.08.2025	200 000		200,000
<b>Book value</b>					<b>900 000</b>	<b>1 180 000</b>	<b>900,000</b>

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

## Note 10 Liabilities incurred by issuing Securities

NOK 1 000	Nominal value*	Nominal value*	Nominal value*
	30.06.2021	30.06.2020	2020
Senior unsecured bonds	-	-	-
Repurchased senior unsecured bonds	-	-	-
Covered bonds	221 498 405	208 329 790	220 831 875
Repurchased Covered bonds	-	-2 300 000	-2 500 000
<b>Total debt incurred by issuing securities</b>	<b>221 498 405</b>	<b>206 029 790</b>	<b>218 331 875</b>

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

NOK 1 000	Book value	Book value	Book value
	30.06.2021	30.06.2020	2020
Senior unsecured bonds	-	-	-
Repurchased senior unsecured bonds	-	-	-
Covered bonds	233 826 797	235 278 654	240 993 020
Repurchased covered bonds	-	-2 300 000	-2 500 013
Activated costs incurred by issuing debt	-205 732	-202 237	-201 926
Accrued interest	929 187	1 123 347	1 081 090
<b>Total debt incurred by issuing securities</b>	<b>234 550 251</b>	<b>233 899 764</b>	<b>239 372 170</b>

### Covered bonds

Due in	30.06.2021	30.06.2020	2020
2021	6 807 490	29 040 560	24 779 600
2022	39 749 200	44 249 200	41 749 200
2023	30 564 750	28 376 500	30 606 750
2024	28 111 615	24 136 030	28 158 375
2025	31 713 750	29 643 750	31 713 750
2026	24 010 000	22 710 000	22 710 000
2027	22 546 250	695 150	11 551 850
2028	2 712 800	2 712 800	2 712 800
2029	24 037 050	24 223 300	24 107 050
2031	10 003 000		
2032	1 000 000	-	-
2038	242 500	242 500	242 500
<b>Total</b>	<b>221 498 405</b>	<b>206 029 790</b>	<b>218 331 875</b>
<b>Total</b>	<b>221 498 405</b>	<b>206 029 790</b>	<b>218 331 875</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	30.06.2021	30.06.2020	2020
NOK	75 009 829	72 245 484	72 469 545
EUR	141 690 916	144 404 833	148 882 707
GBP	8 995 261	9 130 633	8 845 102
SEK	8 854 246	8 118 814	9 174 816
<b>Total</b>	<b>234 550 251</b>	<b>239,812,029</b>	<b>239,372,170</b>

## Note 11 Subordinated Debt

NOK 1000	ISIN	Interest rate	Issued year	Call option from	Maturity	Nominal amount	30.06.2021	30.06.2020	2020
<b>With maturity</b>									
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							4 879	5 788	4 990
<b>Book value</b>							<b>1 429 879</b>	<b>1 430 788</b>	<b>1 429 990</b>

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

## Note 12 Financial Derivatives

NOK 1 000	30.06.2021	30.06.2020	2020
<b>Interest rate derivative contracts</b>			
<b>Interest rate swaps</b>			
Nominal amount	39 724 211	59 581 610	54 965 589
Asset	1 556 047	5 924 177	2 427 317
Liability	-165 141	-257 447	-192 716
<b>Currency derivative contracts</b>			
<b>Currency swaps</b>			
Nominal amount	141 283 325	111 899 375	139 210 375
Asset	12 336 975	22 127 760	18 969 131
Liability	-1 057 446	-81 037	-297 883
<b>Total financial derivative contracts</b>			
Nominal amount	181 007 536	171 480 985	194 175 964
Asset	13 893 022	28 051 937	21 396 448
Liability*	-1 222 587	-338 484	-490 599

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

*Change due to basis swap spread adjustment	30.06.2021	30.06.2020	2020
Total liability derivatives	-1 222 587	-338 484	-490,599
Net gain (loss) on valuation adjustment of basisswap spreads	-696 849	-395 849	-424,941
Net liability derivatives	-1 919 437	-734 333	-915,540

Basis swaps are currency swaps and are entered into at a certain cost (basis swap 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. 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 13 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	30.06.2021
<b>Assets</b>				
Lending to and deposits with credit institutions	-	3 184 594	-	3 184 594
Certificates and bonds	28 690 918	-	-	28 690 918
Residential mortgage loans	-	211 797 941	-	211 797 941
Financial derivatives	13 893 022	-	-	13 893 022
Deferred tax asset	-	-	300 014	300 014
Other assets	-	-	412 906	412 906
<b>Total Assets</b>	<b>42 583 940</b>	<b>214 982 536</b>	<b>712 920</b>	<b>258 279 396</b>
<b>Liabilities</b>				
Debt incurred by issuing securities*	-	234 550 251	-	234 550 251
Collateral received in relation to financial derivatives	-	7 570 606	-	7 570 606
Repurchase agreement	-	-	-	-
Financial derivatives	1 919 437	-	-	1 919 437
Deferred taxes	-	-	-19 724	-19 724
Taxes payable	-	-	83 549	83 549
Subordinated dept	-	1 429 879	-	1 429 879
Other liabilities	-	-	636 226	636 226
<b>Total Liabilities</b>	<b>1 919 437</b>	<b>243 550 736</b>	<b>700 051</b>	<b>246 170 224</b>
<b>Total Equity</b>	<b>-</b>	<b>900 000</b>	<b>11 209 173</b>	<b>12 109 173</b>
<b>Total Liabilities and Equity</b>	<b>1 919 437</b>	<b>244 450 736</b>	<b>11 909 224</b>	<b>258 279 396</b>

\* For issued securities, 179 billion are hedged with swaps. This means that foreign currency and fixed rate exposure is effectively converted to a 3 month NIBOR exposure in Norwegian kroner.



NOK 1 000	Financial instruments accounted for at fair value	Financial assets and debt accounted for at amortised cost	Non-financial assets and liabilities	30.06.2020
<b>Assets</b>				
Lending to and deposits with credit institutions	-	8 926 842	-	8 926 842
Certificates and bonds	28 950 758	-	-	28 950 758
Residential mortgage loans	-	202 356 280	-	202 356 280
Financial derivatives	28 051 937	-	-	28 051 937
Deferred tax asset	-	-	164 031	164 031
Other assets	-	-	4 479 081	4 479 081
<b>Total Assets</b>	<b>57 002 695</b>	<b>211 283 122</b>	<b>4 643 112</b>	<b>272 928 929</b>
<b>Liabilities</b>				
Debt incurred by issuing securities*	-	233 899 764	-	233 899 764
Collateral received in relation to financial derivatives	-	20 469 422	-	20 469 422
Repurchase agreement	-	2 507 625	-	2 507 625
Financial derivatives	734 333	-	-	734 333
Deferred taxes	-	-	37 393	37 393
Taxes payable	-	-	226 673	226 673
Subordinated dept	-	1 430 788	-	1 430 788
Other liabilities	-	-	1 271 651	1 271 651
<b>Total Liabilities</b>	<b>734 333</b>	<b>258 307 599</b>	<b>1 535 717</b>	<b>260 577 649</b>
<b>Total Equity</b>	<b>-</b>	<b>1 180 000</b>	<b>11 171 280</b>	<b>12 351 280</b>
<b>Total Liabilities and Equity</b>	<b>734 333</b>	<b>259 487 599</b>	<b>12 706 997</b>	<b>272 928 929</b>

\*For issued securities, 182 billion are hedged with swaps. This means that foreign currency and fixed rate exposure is effectively converted to a 3 month NIBOR exposure in Norwegian kroner.

## Note 14 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 30.06.2021

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Certificates and bonds	28 690 918	-	-	28 690 918
Financial Derivatives	-	13 893 022	-	13 893 022
<b>Total Assets</b>	<b>28 690 918</b>	<b>13 893 022</b>	-	<b>42 583 940</b>
Financial Derivatives	-	1 919 437	-	1 919 437
<b>Total Liabilities</b>	-	<b>1 919 437</b>	-	<b>1 919 437</b>

The following table presents the company's assets and liabilities at fair value as of 30.06.2020.

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Certificates and bonds	28 950 759	-	-	28 950 759
Financial Derivatives	-	28 051 937	-	28 051 937
<b>Total Assets</b>	<b>28 950 759</b>	<b>28 051 937</b>	-	<b>57 002 696</b>
Financial Derivatives	-	734 333	-	734 333
<b>Total Liabilities</b>	-	<b>734 333</b>	-	<b>734 333</b>

## Note 15 Other Liabilities

<b>NOK 1 000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
Employees tax deductions and other deductions	392	465	627
Employers national insurance contribution	875	926	702
Accrued holiday allowance	460	386	1 082
Commission payable to shareholder banks	184 165	130 627	184 028
Deposits*	658	1 836	4 361
Pension liabilities	10 748	11 683	10 448
Expected credit loss unused credit lines (flexible loans)	32	232	51
Accounts payable, securities	408 800	1 093 000	-
Other accrued costs	30 095	32 495	7 779
<b>Total</b>	<b>636 226</b>	<b>1 271 651</b>	<b>209 078</b>

The Company does not have an overdraft facility or a revolving credit facility as of 30.06.2021

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

Accounts payable, securities, are such amounts that have been transacted, but not yet settled.

## Note 16 Asset Coverage Test

The asset coverage is calculated according to the Financial Services Act § 2-31 (Covered Bond Legislation). The asset coverage test excludes as a cover pool asset any shares of mortgages representing loan to value above the legal maximum of 75 percent.

In addition any defaulted loans, i.e. loans in arrears at or beyond 90 days, are excluded from asset coverage. Substitute (liquid) assets are included at market values.

<b>NOK 1 000</b>	<b>31.06.2021</b>	<b>31.06.2020</b>	<b>2020</b>
Covered Bonds	234 755 983	228 562 836	242 074 324
<b>Total Covered Bonds</b>	<b>234 755 983</b>	<b>228 562 836</b>	<b>242 074 324</b>
Residential mortgage loans	211 248 702	201 046 743	207 697 380
Public sector, SSA bond exposure	3 134 039	1 060 763	3 858 900
-of which allocated to LCR	379 995	0	1 245 478
Reverse repo/ depo less than 100 days	894 159	3 214 757	4 402 964
-of which allocated to LCR	0	0	-
Exposure to credit institutions (covered bonds)	20 266 960	13 295 569	15 852 466
-of which allocated to LCR	5 790 500	1 357 901	1 948 134
Derivatives	12 670 434	27 785 411	20 905 849
<b>Total Cover Pool</b>	<b>242 043 799</b>	<b>245 045 342</b>	<b>249 523 946</b>
<b>Asset-coverage</b>	<b>103,1 %</b>	<b>107,2 %</b>	<b>103,1 %</b>
Cover pool including amounts allocated to LCR	248 214 295	246 403 243	252 717 558
<b>Assets-coverage including amounts allocated to LCR</b>	<b>105,7 %</b>	<b>107,8 %</b>	<b>104,4 %</b>
<b>Liquidity Coverage Ratio (LCR)</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
Liquid assets	10 985 773	15 010 955	17 332 393
Cash outflow next 30 days	4 827 460	14 494 866	12 783 956
LCR ratio	227,6 %	103,6 %	135,6 %
<b>Net Stable Funding Ratio (NSFR)</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
Available amount of stable funding	227 233 171	234 549 793	227 169 644
Required amount of stable funding	221 424 640	214 463 664	217 574 186
NSFR ratio	102,6 %	109,4 %	104,4 %

## Note 17 Capital Adequacy

The primary goal for the Company's management of capital reserves is to ensure compliance with laws and regulatory requirements. The Company's owner banks pay in additional core capital on an as-needed basis, according to the covered bond funding function that Boligkreditt delivers to its banks.

As of December 31, 2020 the Norwegian national implementation of the EU's CRR/CRD IV was amended, which means that the average risk weight on lending secured by residential property in Norway cannot be lower than 20 percent.

The European Union has approved new regulatory requirements, CRD IV, which is implemented in Norway. The requirement of 16.0 percent total capital for SpareBank 1 Boligkreditt includes:

- Minimum core equity Pillar 1: 4.5 percent.
- Additional Tier 1 equity capital 1.5 percent. and additional Tier 2 capital 2.0 percent (can be held as Tier 1 and Tier 2, alternatively as core equity capital).
- Conservation buffer: 2.5 percent core capital.
- Systemic risk buffer: 4.5 percent core equity for exposures in Norway.
- Countercyclical buffer: 1.0 percent core equity.

The Issuer has an additional Pillar 2 requirement which is 0.9 percent core equity capital. The total requirement for the Issuer is therefore to have capital of minimum 16.9 percent of risk weighted assets. With a management buffer added, the target for capital coverage is 17.3 percent as of June 30, 2021.

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 undertaking if one or more ownership banks are unable to comply up to the maximum of twice the initial pro rata amount.

<b>Capital. NOK 1 000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
Share capital	7 797 215	7 610 548	7 797 215
Premium share fund	3 901 255	3 807 922	3 901 255
Other equity capital	-520 356	-328 033	-282 363
<b>Common equity</b>	<b>11 178 114</b>	<b>11 090 438</b>	<b>11 416 107</b>
Intangible assets	-5	-223	-85
Declared share dividend	-	-	-85 769
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-399 531	-367 362	-409 225
Prudent valuation adjustment (AVA)	-23 401	-16 864	-19 711
Deferred taxes	-	-	-
<b>Core equity capital</b>	<b>10 755 177</b>	<b>10 705 989</b>	<b>10 901 316</b>
Hybrid bond	900 000	1 180 000	900 000
<b>Tier 1 equity capital</b>	<b>11 655 177</b>	<b>11 885 989</b>	<b>11 801 316</b>
Supplementary capital (Tier 2)	1 425 000	1 425 000	1 425 000
<b>Total capital</b>	<b>13 080 177</b>	<b>13 310 989</b>	<b>13 226 316</b>
<b>Minimum requirements for capital. NOK 1 000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
Credit risk	4 214 135	3 871 006	4 040 496
Market risk	-	-	-
Operational risk	56 724	59 537	56 724
Depreciation on groups of loans	-	-	-
CVA Risk	426 069	531 073	334 910
Difference in capital requirement resulting from transitional floor	-	-	-
<b>Minimum requirement for capital</b>	<b>4 696 927</b>	<b>4 561 616</b>	<b>4 432 130</b>
<b>Capital coverage</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>2020</b>
Risk-weighted assets incl. transitional floor*	58 711 584	55 770 199	55 401 623
Capital coverage (requirement w/all buffers, 16.9%)	22,28 %	23,87 %	23,87 %
Tier 1 capital coverage (requirement w/all buffers, 14.9%)	19,85 %	21,31 %	21,30 %
Core capital coverage (requirement w/all buffers, 13.4%)	18,32 %	19,20 %	19,68 %
Leverage ratio (requirement 3.0%)	4,53 %	4,62 %	4,53 %

## Note 18 Related parties

The Company has 211.798 MNOK loans to customers. These are loans acquired from shareholder banks at market values (i.e. nominal value).

### SpareBank 1 SMN

The Company acquires significant support services, including accounting services, back-office and other banking services from SpareBank 1 SMN. These services were previously purchased from SpareBank SR Bank. 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 19 Collateral received

NOK 1 000	30.06.2021	30.06.2020	2020
Collateral	7 570 606	20 469 422	16 838 423
<b>Total</b>	<b>7 570 606</b>	<b>20 469 422</b>	<b>16 838 423</b>

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. The amount is included in the balance sheet, but represents restricted cash.

## Note 20 Contingencies and events after balance sheet date

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

No events have taken place after the balance sheet date which are expected to have any material impact on the financial statements as of the end of the period 30.06.2021.

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