



Boligkreditt 2nd Quarterly Report 2020

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Statement of the Board of Directors of SpareBank 1 Boligkreditt AS, 30 June 2020

SpareBank 1 Boligkreditt's purpose

SpareBank 1 Boligkreditt AS ('Boligkreditt', 'SpaBol', or 'The Company') is a credit institution licensed by the Norwegian Financial Supervisory Authority (Finanstilsynet) and is operated according to the legislation for covered bond issuers in Norway which is included in the Financial Institutions Act ("Finansforetaksloven") chapter 11, section II and the detailed regulations thereof.

The purpose of the Company is solely to provide funding for its owner banks by buying qualifying residential mortgage loans from them with a loan-to-value ("LTV") of up to 75 per cent and financing these through the issuance of covered bonds.¹

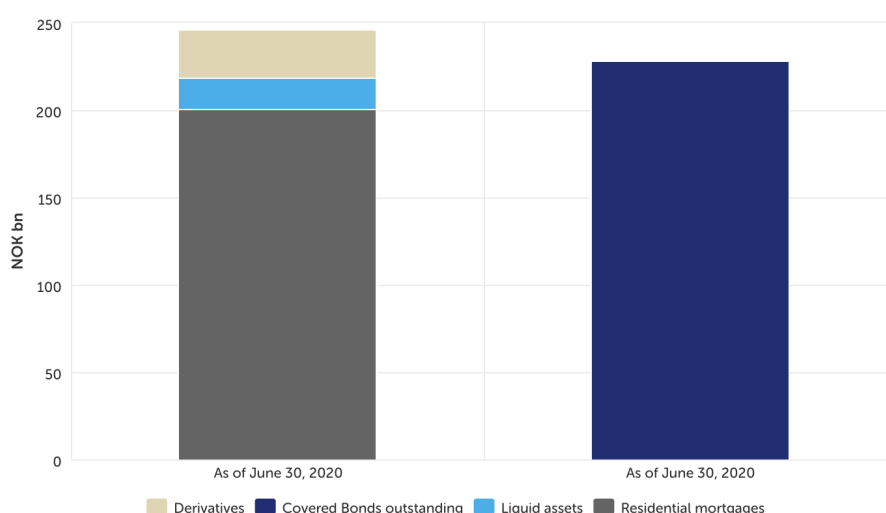
The Company, which is based in Stavanger, is owned by banks which are all members of the SpareBank 1 Alliance. A comprehensive agreement with each of these banks regulates the mortgage purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing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

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

The Company has procured the services of Moody's Ratings Service to evaluate the credit quality of the issuances under the GMTCN Programme. The covered bonds rating is Aaa.

Cover pool and outstanding covered 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 second quarter 2020:



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 31 March 2020 and the cover pool asset liability test for overcollateralization (see notes to the financial statements). Norwegian covered bond issuers are required by law to group derivatives as part of cover pool assets, and not together with the issued covered bonds that they hedge. This is reflected in the chart and figures above. This may not be identical to the Moodys overcollateralization calculation, which in an economic sense provides a better illustration by grouping derivatives with the bonds they hedge.

The amount of **liquid assets** varies over time , and the variation is solely a result of the Issuer's liquidity risk management (and regulatory requirements), whereby upcoming redemptions are refinanced prior to the maturity of outstanding bonds (minimum 180 days) with bond proceeds invested as liquid assets. Liquid assets are covered bonds with a triple-A rating, SSA or government bonds with a triple-A rating, or short term cash deposits and repos (please see the cover pool statistical reports for details on the composition of liquid assets).

Derivatives are used solely to hedge currency and interest rate risk. They are tailored to exactly match the cash flows related to the bonds they hedge for the full duration of the bond. Swap counterparties are subject to certain rating criteria and are in all cases banks other than the Company's owner banks

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

Residential mortgages key figures

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Weighted Average Current LTV (%)	52.6 %	53.2 %	53.6 %	52.1 %	52.1 %
Weighted Average Original LTV (%)	59.4 %	59.3 %	59.7 %	59.6 %	59.6 %
Average Loan Balance (NOK)	1,470,921	1,456,844	1,443,119	1,440,088	1,436,755
Number of Mortgages in Pool	137,427	136,884	132,358	131,564	132,483
Pct. of non first-lien mortgages	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Overcollateralization	7.2 %	4.2 %	4.1 %	5.9 %	6.0 %

Key developments in the first half 2020

SpaBol issued 6.4 billion Norwegian kroner of covered bonds in the domestic market during the first quarter 2020, and additional 5.9 billion kroner in the second quarter. In addition, covered bonds in a modest amount were issued to the Company's owner banks which were used as collateral in a new Central Bank facility, which was one of the responses of Norges Bank to the capital market turmoil in the first quarter.

At the end of May, Boligkreditt issued a new SEK 7.5 billion green covered bond, which was well received amongst Scandinavian based investors.

With the market turmoil and worsening economic outlook, the countercyclical capital buffer for banks was reduced on March 13. This buffer requirement, which previously was increased by 0.5 percentage points on December 31, 2019 to 2.5 per cent, was reduced to 1.0 per cent. A reduction in the buffer takes place with immediate effect. However, the systemic buffer is scheduled to increase by 1.5 per cent by December 31, 2020.

The Board of Directors views Boligkreditt as well capitalized with a capital coverage ratio of 23.9 per cent against a total requirement of 15.4 per cent. including all buffers and a 0.9 per cent Pillar 2 requirement. Total CET1 capital is 21.3 per cent against a total requirement, including buffers, of 13.4 per cent. Common equity capital was 19.2 per cent against a requirement, including all buffers, of 11.9 per cent. It is the Company's policy to maintain capital ratios slightly above the regulatory requirements. When required, additional common equity is contributed by the owner banks in the regular course of business, usually in connection with increases in transferred mortgage volume. Additional Tier 1 and Tier 2 capital is raised in the Norwegian domestic market.

The financial accounts for the first half of 2020 were impacted by the market turmoil in the first quarter 2020, with credit spreads widening and the 3 month NIBOR rate falling. With the second quarter, credit spreads decreased, and NIBOR stabilized, leading to an increase in valuations of financial instruments, thus a negative result in the first quarter turned to a positive pre-tax result for the first half overall of 97 million kroner.

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

The total balance sheet at 30.06.20 amounted to 273 (243) billion kroner. The increase is primarily due to an increase in mortgage volume and an increase in the value of derivatives hedging issued debt. The Company had in the first half of 2020 net interest income of 851 (896) million kroner. Commissions paid to the owner banks were 602 (670) million and represent most of the margin between mortgage interest rates and the Company's funding costs. The cost of operations for the first half 2020 was 19.8 (16.5) million kroner, including depreciation and amortization. IFRS 9 expected loan losses increased by 20 (-2) million kroner. The loan losses are assessed by applying the IFRS 9 principles and model and taking into account various economic outlooks as weighted scenarios. No actual loan losses have occurred since the Company commenced operations. This produces an operating result of 97 (173) million kroner before tax. Valuation changes in financial instruments (issued bonds as well as bond investments) was a major contributor to the change in result.

Mortgage loans for residential properties amounted to 202.4 (190.6) billion kroner as of the end of the second quarter. The Company's own liquid assets were approximately 17.4 (21.4) billion kroner.

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

Risk aspects

SpareBank 1 Boligkreditt, as a licensed and regulated covered bond issuer, is subject to strict rules regarding its exposure to credit, market, and liquidity risks. This fact, and the aim of the maintenance of the Moody's Aaa rating, 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 that 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 accounting period, SpareBank 1 Boligkreditt AS had issued bonds for approximately 144 billion kroner in EUR, 9.1 billion kroner in GBP, and 8.1 billion kroner in SEK, based on exchange rates at June 30, 2020. However, all borrowing and investments with a fixed rate, and all borrowing and investments in foreign currency, have been hedged by financial currency- and/or interest rate swap agreements, or through natural hedges. The collective cash flow from FX amounts hedged with swaps matches borrowing in Norwegian kroner with floating rate conditions (NIBOR 3 months). The Company receives collateral from its counterparties in derivative agreements according to certain criteria.

The bonds held in the Company's liquidity portfolio are mainly Nordic covered bonds and German supra sovereign and agencies (agencies guaranteed by the German government) with a triple-A rating from Fitch, Moody's or S&P. Deposits are placed in banks with a minimum rating of A/A2. Cash is also placed in reverse repos with approved counterparty banks, with AAA rated securities as collateral.

The Company had as of June 30, 2020 only moderate interest rate risk and 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 time identifying, measuring, managing and following up on central areas of risk in such a way that this contributes to meeting its strategic goals. The notes 23 to 27 in the 2019 annual accounts provide further information in this respect.

Macroeconomic development and outlook

The Norwegian mainland economy expanded by 2.3 per cent in 2019. The outlook for 2020 changed dramatically due to the Covid-19 crisis in early April, but have since recovered (see forecast by Statistics Norway in the table below). The improved 2020 GDP expectation of a "modest" 3.9 per cent recession, rests on a strong recovery in registered unemployment (the level is at 4.8 per cent in early July 2020), alongside low levels of infections and a re-opening of almost all economic activity from late April onwards (except gatherings of more than 200 people at events). Travel advice and quarantine rules were relaxed in the middle of July for most European countries.

Risks for the economic outlook for the Norwegian economy are oil prices and as a consequence thereof, investment levels in the petroleum industry, as well as the international economic cycle. As elsewhere, should Covid-19 infections start to rise, this could have the potential to significantly adversely change the forecast. Government spending to create economic stimulus for 2020 is high, and is likely to continue into 2021, materially breaching the Norwegian sovereign wealth fund's three per cent spending rule for 2020.

Residential house prices have increased in 2020, somewhat to the surprise of observers. Contributing to the 6.3 per cent increase in the national residential real estate index for the first six months of 2020 have probably been the relatively steep decreases in mortgage rates, and slight temporary easing of rules on the mortgage market. The former came about as the central bank's policy rates as well as NIBOR fell. Easing of the mortgage requirements (raising a bank's rules-exempt mortgage applications to 20 per cent from 10 per cent) was included as a direct Covid19 countermeasure by the Norwegian government, and could reverse again relatively quickly. In isolation, the second quarter 2020 brought a 3.3 percentage points increase in residential real estate prices. On a year to date basis in June 2020, all Norwegian major cities show a strong gain. The activity level in the real estate market has been robust this spring, despite the pandemic.

Source: Statistics Norway as of June 5, 2020

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-industry dominated area of Norway). Mortgage loans in the cover pool are granular (average size of 1.4 million kroner). The banks in the SpareBank 1 Alliance are required to keep reserves of eligible (i.e. cover pool pre-qualified) mortgages in order to provide replacement assets should this become necessary. This could be the case if residential real estate prices decline, and LTVs increase above the eligibility limit for mortgages. Such reserves in the banks are robust, and reserves are tested regularly to ensure that a 30 per cent decline in real estate prices can be handled, with sufficient qualifying reserves replenishing the cover pool. In the aftermath of the Covid-19 crisis, some mortgage holders applied for deferral of scheduled principal repayment. The outstanding full balance of such loans amounted to 8,1% of the mortgage portfolio that are repayment mortgages, or approximately 13 billion kroner. Typically, only principal is deferred for up to six months in these cases.

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

* * *

The Board of Directors affirms its conviction that the financial accounts present a correct and complete picture of the Company's operations and financial position at the end of the second quarter of 2020. The financial accounts including notes are produced under the assumption of a going concern.

There have been no incidents of a material nature after quarter-end which are expected to impact the accounts for the first half of 2020.

Stavanger, August 6, 2020

The Board of Directors of SpareBank 1 Boligkreditt AS



/s/ Kjetil 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 half 2020 for SpareBank 1 Boligkreditt AS. The accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

To the best knowledge of the Board and the chief executive officer the accounts have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole as of 30.06.2020.

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

Stavanger, August 6, 2020

The Board of Directors of SpareBank 1 Boligkreditt AS

/s/ Kjell Fordal
Chairman of the Board

/s/ Bengt Olsen

/s/ Merete N. Kristiansen

/s/ Geir-Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Knut Oscar Fleten

/s/ Arve Austestad
CEO

Financial statements

Income statement 1Q 2020

NOK 1 000	Note	2. quarter 2020	2. quarter 2019	01.01.20- 30/06/2020	01.01.19- 30/06/2019	2019
Total interest income	2	1,249,912	1,042,088	2,881,310	2,654,088	5,834,356
Total interest expense	2	-878,527	-917,711	-2,030,278	-1,758,100	-3,958,307
Net interest income		371,385	124,376	851,032	895,988	1,876,049
Commission and fee expense		-244,043	-354,035	-602,060	-669,597	-1,444,292
Net commission income		-244,043	-354,035	-602,060	-669,597	1,444,292
Net gains/losses from financial instruments	3	171,895	-49,926	-111,893	-34,536	-171,295
Net other operating income		171,895	-49,926	-111,893	-34,536	-171,295
Total operating income		299,237	74,450	137,079	191,855	260,462
Salaries and other ordinary personnel expense	4	-1,935	-2,506	-5,089	-5,340	-11,780
Other operating expense	5	-7,945	-5,820	-14,739	-11,163	-24,359
Total operating expenses		-9,880	-8,325	-19,828	-16,504	-36,139
Operating result before losses		289,358	66,125	117,250	175,352	224,323
Impairment losses on loans		-10,905	136	-20,141	-2,098	856
Pre-tax operating result		278,452	66,261	97,109	173,253	225,179
Taxes		-65,753	-16,565	-16,267	-43,313	-56,298
Profit/loss for the year		212,699	49,695	80,843	129,940	168,880
Portion attributable to shareholders		197,259	38,817	48,800	108,610	123,796
Portion attributable to additional Tier 1 capital holders		15,441	10,878	32,043	21,330	45,084
Profit/loss for the period		212,699	49,695	80,843	129,940	168,880

Overview of Comprehensive Income

NOK 1 000	2. quarter 2020	2. quarter 2019	01/01/2020 30/06/2020	01/01/2020 30/06/2019	2019
Profit/loss for the year	212,699	49,695	80,843	129,940	168,880
Items which will not impact the income statement in future periods:	-	-	-	-	-
Change due to basis swap spread adjustment	45,803	117,184	149,571	-37,389	-74,707
Tax effect of basis swap spread adjustment	-11,451	-29,296	-37,393	9,347	18,677
Change in pensions for a previous period	-	-	-	-	-
Estimate deviation for pensions	-	-	-	-	-353
Tax effect of the estimate deviation	-	-	-	-	88
Total profit/loss accounted for in equity	34,353	87,888	112,178	-28,042	-56,294
Total profit/loss	247,052	137,583	193,021	101,898	112,586

Balance sheet

NOK 1 000		30/06/2020	30/06/2019	2019
Assets				
Lending to and deposits with credit institutions	12	8,926,842	4,519,102	9,801,250
Certificates and bonds	12,13	28,950,758	29,554,116	28,067,101
Residential mortgage loans	7,12	202,356,280	190,606,858	191,309,342
Financial derivatives	11,12,13	28,051,937	17,829,896	16,254,454
Deferred tax asset	12	164,031	7,110	188,308
Other assets	6,12	4,479,081	1,040	890
Total assets		272,928,929	242,518,121	245,621,345
Liabilities and equity				
Liabilities				
Debt incurred by issuing securities	9,12,13	233,899,764	214,370,809	217,670,078
Collateral received under derivatives contracts	12,18	20,469,422	12,625,416	12,418,140
Repurchase agreement	12	2,507,625	553,863	-
Financial derivatives	11,12,13	734,333	1,030,359	1,420,374
Deferred tax	12	37,393	30,029	-
Tax payable	12	226,673	-	250,190
Subordinated debt	10,12	1,430,788	1,432,458	1,433,439
Other Liabilities	12,14	1,271,651	181,253	148,256
Total Liabilities		260,577,649	230,224,187	233,340,477
Equity				
Paid-in equity	12	11,418,470	11,418,470	11,418,470
Other paid-in equity (not yet registered)	12	-	-	-
Hybrid capital	8,12	1,180,000	1,180,000	1,180,000
Accrued equity	12	-328,033	-434,476	-408,167
Net profit	12	80,843	129,940	
Declared dividends	12	-	-	90,566
Total equity		12,351,280	12,293,934	12,280,868
Total liabilities and equity		272,928,929	242,518,121	245,621,345

Stavanger, 06.08.2020

/s/ Kjell Fordal
Chairman of the Board

/s/ Bengt Olsen

/s/ Merete N. Kristiansen

/s/ Geir-Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Knut Oscar Fleten

/s/ Arve Austestad
CEO

Changes in Equity

NOK 1 000	Share capital	Additional paid in equity	Dividend	Other paid-in equity (not yet registered)	Other Equity	Interest on hybrid capital	Hybrid capital	Total Equity
Balance as of 31 December 2018	7,190,548	3,597,922	-	-	-306,173	-78,932	1,180,000	11,583,366
Change in presentation of interest on hybrid capital	-	-	-	-	-78,932	78,932	-	-
Share increase 27 February 2019	280,000	140,000	-	-	-	-	-	420,000
Share increase 22 May 2019	140,000	70,000	-	-	-	-	-	210,000
Net income for the period	-	-	-	-	33,231	45,084	-	78,315
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-45,084	-	-45,084
OCI -basisswapsread	-	-	-	-	-56,030	-	-	-56,030
Proposed dividend for 2019	-	-	-	-	90,566	-	-	90,566
OCI - pension - annual estimate deviation	-	-	-	-	-264	-	-	-264
Balance as of 31 December 2019	7,610,548	3,807,922	-	-	-317,603	-	1,180,000	12,280,868
Net income for the period	-	-	-	-	80,843	-32,043	-	48,800
Paid interest on hybrid capital - directly against equity	-	-	-	-	-32,043	32,043	-	-
OCI -basisswapsread	-	-	-	-	112,178	-	-	112,178
Dividend 2019	-	-	-	-	-90,566	-	-	-90,566
Balance as of 31 June, 2020	7,610,548	3,807,922	-	-	-247,190	-	1,180,000	12,351,280

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	30/06/2020	30/06/2019	2019
Cash flows from operations			
Interest received	2,202,869	2,348,453	4,790,476
Paid expenses, operations	-87,171	-28,477	-39,009
Paid tax	-250,190	-15,503	-15,503
Net cash flow relating to operations	1,865,507	2,304,472	4,735,964
Cash flows from investments			
Net purchase of loan portfolio	-11,046,938	-6,514,251	-7,189,127
Net payments on the acquisition of government bills	30,218	299,574	-575,312
Net payments on the acquisition of bonds	-913,876	-5,141,911	-3,042,017
Net investments in intangible assets		153	153
Net investments in fixed assets	-385		
Net cash flows relating to investments	-11,930,980	-11,356,435	-10,806,303
Cash flows from funding activities			
Net receipt/payment from the issuance of securities	3,747,632	7,436,101	12,608,151
Net receipt/payment from the issuance of subordinated debt	0	175,000	-175,000
Net receipt/payment of collateral received under derivatives contracts	7,709,219	-5,547,447	-5,938,817
Equity capital subscription	0	630,000	630,000
Paid dividend	-90,566	0	0
Net interest payments on funding activity	-2,189,379	-2,106,277	-4,241,013
Net cash flow relating to funding activities	9,176,906	587,378	2,883,320
Net cash flow in the period	-888,567	-8,464,585	-3,187,019
Balance of cash and cash equivalents at beginning of period	9,801,250	12,990,004	12,990,004
Net receipt/payments on cash	-888,567	-8,464,585	-3,187,019
Exchange rate difference	14,159	-6,317	-1,735
Balance of cash and cash equivalents at end of period	8,926,842	4,519,102	9,801,250

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

Quarterly Financial Statements

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

Income Statement

	2th Quarter	1th Quarter	4th Quarter	3th Quarter	2th Quarter
NOK 1 000	2020	2020	2019	2019	2019
Total interest income	1,249,912	1,631,398	1,628,769	1,521,528	1,396,122
Total interest expenses	-878,527	-1,151,751	-1,146,064	-1,054,143	-917,711
Net interest income	371,385	479,646	482,705	467,385	478,411
Commission and fee expenses	-244,043	-358,017	-374,357	-370,367	-354,035
Net commission income	-244,043	-358,017	-374,357	-370,367	-354,035
Net gains/losses from financial instruments	171,895	-283,788	-81,025	-55,735	-49,926
Net other operating income	171,895	-283,788	-81,025	-55,735	-49,926
Total operating income	299,237	-162,159	27,324	41,283	74,450
Salaries and other ordinary personnel expenses	-1,935	-3,154	-2,744	-3,695	-2,506
Other operating expenses	-7,945	-6,794	-7,015	-6,181	-5,820
Total operating expenses	-9,880	-9,949	-9,759	-9,876	-8,325
Operating result before losses	289,358	-172,107	17,564	31,407	66,125
Write-downs on loans and guarantees	-10,905	-9,236	-1,148	4,102	136
Pre-tax operating result	278,452	-181,343	16,416	35,510	66,261
Taxes	-65,753	49,486	108,489	-8,877	-16,565
Profit/loss for the year	212,699	-131,857	12,308	26,632	49,695
Other income and expense	197,259	77,825	-2,502	-25,750	87,888
Total Profit/Loss	15,441	-54,031	9,806	882	137,583

Balance Sheet

NOK 1 000	30/06/2020	31/03/2020	31/12/2019	30/09/2019	30/06/2019
Assets					
Lending to and deposits with credit institutions	8,926,842	4,471,962	9,801,250	4,564,258	4,519,102
Certificates and bonds	28,950,758	38,793,444	28,067,101	35,143,942	29,554,116
Residential mortgage loans	202,356,280	199,687,454	191,309,342	189,763,221	190,606,858
Financial derivatives	28,051,937	38,900,544	16,254,454	22,386,673	17,829,896
Deferred tax asset	164,031	233,644	188,308	10,994	7,110
Other assets	4,479,081	1,831	890	991	1,040
Total assets	272,928,929	282,088,878	245,621,345	251,870,081	242,518,121
Liabilities and equity					
Liabilities					
Debt incurred by issuing securities	233,899,764	239,812,029	217,670,078	220,220,804	214,370,809
Collateral received under derivatives contracts	20,469,422	27,484,900	12,418,140	16,783,630	12,625,416
Repurchase agreement	2,507,625	0	-	-	553,863
Financial derivatives	734,333	723,758	1,420,374	900,005	1,030,359
Deferred tax	37,393	0	-	21,446	30,029
Tax payable	226,673	230,533	250,190	52,191	-
Subordinated debt	1,430,788	1,433,354	1,433,439	1,432,972	1,432,458
Other Liabilities	1,271,651	284,635	148,256	175,870	181,253
Total Liabilities	260,577,649	269,969,209	233,340,477	239,586,917	230,224,187
Equity					
Contributed equity	11,418,470	11,418,470	11,418,470	11,418,470	11,418,470
Other paid in equity (not yet registered)	0	0	-	-	-
Hybrid capital	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000
Accrued equity	-328,033	-346,945	-577,048	-471,879	-434,476
Net profit	80,843	-131,857	168,880	156,572	129,940
Declared dividends	0	0	90,566	-	-
Total equity	12,351,280	12,119,669	12,280,868	12,283,163	12,293,934
Total liabilities and equity	272,928,929	282,088,878	245,621,345	251,870,081	242,518,121

Notes to the financial statements

Note 1 Accounting principles

1.1 Basis for preparation

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

The presentation currency is Norwegian Kroner (NOK), which is also the Company's functional currency. All amounts are given in NOK thousand unless otherwise stated.

The interim financial statements are not audited.

1.2 Segments

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

1.3 Estimates and assessments regarding the use of accounting principles

The preparation of the financial information is in accordance with IFRS and involves management's estimates which affect the implementation of accounting principles and thereby accounting values for assets, liabilities, revenue and costs. These estimates have been described in the notes to the annual accounts for 2019.

Note 2 Net interest income

NOK 1 000	30/06/2020	30/06/2019	2019
Interest income			
Interest income from, certificates, bonds and deposits	118,361	93,008	280,846
Interest income from residential mortgage loans	2,762,948	1,891,483	5,553,510
Total interest income	2,881,310	1,984,490	5,834,356
Interest expense			
Interest expense and similar expenses to credit institutions	18,672	-34,585	-45,148
Interest expense and similar expenses on issued bonds	1,959,539	1,764,679	3,903,694
Interest expense and similar expenses on subordinated debt	22,743	23,651	48,356
Recovery and Resolution Fund *	25,200		-
Other interest expenses	4,124	4,355	51,406
Total interest expense	2,030,278	1,758,100	3,958,307
Net interest income	851,031	226,390	1,876,049

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

Note 3 Net Gains on Financial Instruments

NOK 1 000	30/06/2020	30/06/2019	2019
Net gains (losses) from financial liabilities (1)	-6,682,156	-4,565,404	-6,958,008
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	-3,611,303	4,776,797	6,990,649
Net gains (losses) from financial assets (2)	8,851,099	-249,898	-272,077
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	1,330,467	3,969	68,140
Net gains (losses)	-111,893	-34,536	-171,295

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

(2) SpareBank 1 Boligkreditt AS manages its liquidity risk by refinancing its outstanding bonds ahead of expected maturities and keeping proceeds as a liquidity portfolio. The majority of this portfolio is valued according to observed market values (fair value). Fixed rate bonds and bonds in other currencies than Norwegian kroner are hedged using swaps. These positions are valued at fair value though differences may occur because the valuation of the bonds include a credit risk/spread element which the swaps do not contain. Included in assets in the table are also investments which are hedged with natural currency hedges, as well as investments in short term, highly rated bonds from funds received from swap counterparties for collateral purposes. Such investments do not have a corresponding value change in swap hedges

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

Note 4 Salaries and remuneration

NOK 1 000	30/06/2020	30/06/2019	2019
Salary	4,855	4,299	9,682
Salaries invoiced to SpareBank1 Næringskreditt*	-2,111	-1,197	-2,772
Pension expenses	796	1,008	1,727
Social insurance fees	1,132	1,103	2,536
Other personnel expenses	417	127	606
Total salary expenses	5,089	5,340	11,780
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 invoiced to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank 1 SMN and SpareBank 1 Gruppen. Pension benefit obligations are covered in SpareBank 1 Boligkreditt through participation in the pension fund of SpareBank 1 SMN. This pension scheme meets the legal demands on mandatory occupational pension.

Note 5 Other Operating Expenses

NOK 1 000	30/06/2020	30/06/2019	2019
IT and IT operations	7,057	6,109	11,775
Purchased services other than IT	6,474	4,039	10,159
Other Operating Expenses	1,027	851	2,097
Depreciation on fixed assets and other intangible assets	182	164	328
Total	14,739	11,163	24,359

Note 6 Other assets

NOK 1 000	30/06/2020	30/06/2019	2019
Intangible assets	223	543	379
Fixed assets	358	-	-
Account receivables from SpareBank 1 Næringskreditt AS	3,201	112	499
Other	4,475,289	-	-
Total	10	384	12
	4,479,081	1,040	890

Note 7 Lending to customers

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

NOK 1 000	30/06/2020	30/06/2019	2019
Revolving loans - retail market	42,766,488	44,624,884	42,431,353
Amortising loans - retail market	159,469,560	145,791,942	148,660,350
Accrued interest	151,939	204,739	229,402
Total loans before specified and unspecified loss provisions	202,387,986	190,621,565	191,321,105
Stage 1	195,255,028	183,683,931	183,557,607
Stage 2	7,132,958	6,937,634	7,763,498
Stage 3	-	-	-
Gross loans	202,387,986	190,621,565	191,321,105
Impairments on groups of loans			
Expected credit loss, stage 1	10,927	1,451	1,068
Expected credit loss, stage 2, no objective proof of loss	20,779	13,257	10,695
Expected credit loss, stage 3, objective proof of loss	-	-	-
Total net loans and claims with customers	202,356,280	190,606,858	191,309,342
Liability			
Unused balances under customer revolving credit lines (flexible loans)	12,817,574	12,499,395	12,028,316
Total	12,817,574	12,499,395	12,028,316

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 2020

	No of Shares	in per cent	Share of votes
SpareBank 1 Østlandet	16,961,710	22.29%	22.29%
SpareBank 1 SMN	15,898,802	20.89%	20.89%
SpareBank 1 Nord-Norge	14,190,446	18.65%	18.65%
BN Bank ASA	5,126,131	6.74%	6.74%
SpareBank 1 BV	4,776,009	6.28%	6.28%
Sparebanken Telemark	3,592,816	4.72%	4.72%
SpareBank 1 Ringerike Hadeland	3,486,683	4.58%	4.58%
SpareBank 1 Østfold Akershus	3,439,512	4.52%	4.52%
SpareBank 1 Nordvest	1,709,929	2.25%	2.25%
SpareBank 1 SR-Bank ASA	1,679,661	2.21%	2.21%
SpareBank 1 Modum	1,592,003	2.09%	2.09%
SpareBank 1 Søre Sunnmøre	1,023,992	1.35%	1.35%
SpareBank 1 Gudbrandsdal	1,012,200	1.33%	1.33%
SpareBank 1 Hallingdal Valdres	982,718	1.29%	1.29%
SpareBank 1 Lom og Skjåk	632,870	0.83%	0.83%
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	30/06/2020	30/06/2019	2019
Perpetual							
Hybrid (Tier 1 capital instrument)	NO0010713746	3M Nibor + 310 bp	2014	09/05/2019		-	-
Hybrid (Tier 1 capital instrument)	NO0010745920	3M Nibor + 360 bp	2015	23/09/2020	300,000	300,000	300,000
Hybrid (Tier 1 capital instrument)	NO0010746191	3M Nibor + 360 bp	2015	29/09/2020	180,000	180,000	180,000
Hybrid (Tier 1 capital instrument)	NO0010767643	3M Nibor + 360 bp	2016	22/06/2021	250,000	250,000	250,000
Hybrid (Tier 1 capital instrument)	NO0010811318	3M Nibor + 310 bp	2017	01/12/2022	100,000	100,000	100,000
Hybrid (Tier 1 capital instrument)	NO0010850621	3M Nibor + 340 bp	2019	30/04/2024	350,000	350,000	350,000
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	30/06/2020	30/06/2019	2019
Senior unsecured bonds	-	-	-
Repurchased senior unsecured bonds	-	-	-
Covered bonds	208,329,790	196,619,073	201,758,203
Repurchased Covered bonds	-2,300,000	-	-
Total debt incurred by issuing securities	206,029,790	196,619,073	201,758,203

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

	Book value	Book value	Book value
NOK 1 000	30/06/2020	30/06/2019	2019
Senior unsecured bonds	-	-	-
Repurchased senior unsecured bonds	-	-	-
Covered bonds	235,278,654	213,471,602	216,579,429
Repurchased covered bonds	-2,300,000	-	-
Activated costs incurred by issuing debt	-202,237	-206,442	-184,635
Accrued interest	1,123,347	1,105,649	1,275,284
Total debt incurred by issuing securities	233,899,764	214,370,809	217,670,078

Covered bonds

Due in	30/06/2020	30/06/2019	2019
2019	-	11,581,588	-
2020	-	24,963,500	20,035,500
2021	29,040,560	28,858,818	28,881,382
2022	44,249,200	38,749,200	38,749,200
2023	28,376,500	30,317,475	30,356,650
2024	24,136,030	13,875,259	23,451,428
2025	29,643,750	10,648,750	10,648,750
2026	22,710,000	21,940,000	22,210,000
2027	695,150	669,908	673,042
2028	2,712,800	2,562,800	2,562,800
2029	24,223,300	12,209,275	23,946,950
2038	242,500	242,500	242,500
Total	206,029,790	196,619,073	201,758,203

* 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	30/06/2020	30/06/2019	2019
NOK	72,245,484	58,860,642	59,978,539
EUR	144,404,833	138,169,836	148,733,048
USD	-	8,932,243	0
GBP	9,130,633	8,161,880	8,706,679
SEK	8,118,814	246,208	251,812
Total	233,899,764	214,370,809	217,670,078

Note 10 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option from	Maturity	Nominal amount	30/06/2020	30/06/2019	2019
With maturity									
Subordinated debt (Tier 2 capital instrument)	NO0010704109	3M Nibor + 225 bp	2014	07.03.2019	07.03.2024	475,000	-	-	-
Subordinated debt (Tier 2 capital instrument)	NO0010826696	3M Nibor + 153 bp	2018	22.06.2023	22.06.2028	250,000	250,000	250,000	250,000
Subordinated debt (Tier 2 capital instrument)	NO0010833908	3M Nibor + 180 bp	2018	08.10.2025	08.10.2030	400,000	400,000	400,000	400,000
Subordinated debt (Tier 2 capital instrument)	NO0010835408	3M Nibor + 167 bp	2018	02.11.2023	02.11.2028	475,000	475,000	475,000	475,000
Subordinated debt (Tier 2 capital instrument)	NO0010842222	3M Nibor + 192 bp	2019	24.01.2024	24.01.2029	300,000	300,000	300,000	300,000
Accrued interest							5,788	7,458	8,439
Book value							1,430,788	1,432,458	1,433,439

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	30/06/2020	30/06/2019	2019
Interest rate derivative contracts			
Interest rate swaps			
Nominal amount	59,581,610	60,631,583	55,698,553
Asset	5,924,177	2,595,572	2,067,884
Liability	-257,447	-450,826	-332,246
Currency derivative contracts			
Currency swaps			
Nominal amount	111,899,375	142,476,917	145,222,180
Asset	25,033,086	15,234,324	14,186,570
Liability	-81,037	-71,431	-542,709
Total financial derivative contracts			
Nominal amount	171,480,985	203,108,500	200,920,732
Asset	30,957,263	17,829,896	16,254,454
Liability	-338,484	-522,257	-874,955

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

* Change due to basis swap spread adjustment	30/06/2020	30/06/2019	2019
Asset/Liability	-338,484	-522,257	-874,955
Net gain (loss) on valuation adjustment of basisswap spreads	-395,849	-508,102	-545,419
Net asset (+) / liability (-) derivatives	-734,333	-1,030,359	-1,420,374

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

Note 12 Classification of Financial Instruments

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Non-financial assets and liabilities	30/06/2020
Assets				
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
Total Assets	57,002,695	211,283,122	4,643,112	272,928,929
Liabilities				
Debt incurred by issuing securities	182,808,903	51,090,861	-	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	-	-	-	-
Taxes payable	-	-	226,673	226,673
Subordinated dept	-	1,430,788	-	1,430,788
Other liabilities	-	-	1,271,651	1,271,651
Total Liabilities	183,543,235	75,498,697	1,498,324	260,540,256
Total Equity	-	1,180,000	11,171,280	12,351,280
Total Liabilities and Equity	183,543,235	76,678,697	12,669,604	272,891,536

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

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Non-financial assets and liabilities	30/06/2020
Assets				
Lending to and deposits with credit institutions	-	4,519,102	-	4,519,102
Residential mortgage loans	29,554,116	-	-	29,554,116
Certificates and bonds	-	190,606,858	-	190,606,858
Financial derivatives	17,829,896	-	-	17,829,896
Deferred tax asset	-	-	7,110	7,110
Other assets	-	-	1,040	1,040
Total Assets	47,384,012	195,125,960	8,150	242,518,121
Liabilities				
Debt incurred by issuing securities	172,289,245	42,081,564	-	214,370,809
Collateral received in relation to financial derivatives	-	12,625,416	-	12,625,416
Financial derivatives	-	553,863	-	553,863
Deferred taxes	1,030,359	-	-	1,030,359
Taxes payable	-	-	30,029	30,029
Subordinated dept	-	-	-	-
Other liabilities	-	1,432,458	-	1,432,458
Total Liabilities	173,319,604	56,693,301	211,282	230,224,187
Total Equity	-	1,180,000	11,113,934	12,293,934
Total Liabilities and Equity	173,319,604	57,873,301	11,325,216	242,518,121

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

Note 13 Financial Instruments at Fair Value

Methods in order to determine fair value

General

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

Interest rate and currency swaps

Valuation of interest rate swaps at fair value is done through discounting future cash flows to their present values. Valuation of currency swaps will also include the element of foreign exchange rates.

Bonds

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

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

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

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

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

The following table presents the company's assets and liabilities at fair value as of 31.03.2020

NOK 1 000

	Level 1	Level 2	Level 3	Total
Certificates and bonds	19,844,973	9,105,786	-	28,950,759
Financial Derivatives	-	28,051,937	-	28,051,937
Total Assets	19,844,973	37,157,723	-	57,002,696
Debt incurred by issuing securities	-	182,808,903	-	182,808,903
Financial Derivatives	-	734,333	-	734,333
Total Liabilities	-	183,543,235	-	183,543,235

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

NOK 1 000

	Level 1	Level 2	Level 3	Total
Certificates and bonds	18,207,095	11,347,021	-	29,554,116
Financial Derivatives	-	17,829,896	-	17,829,896
Total Assets	18,207,095	29,176,917	-	47,384,012
Debt incurred by issuing securities	-	172,289,245	-	172,289,245
Financial Derivatives	-	1,030,359	-	1,030,359
Total Liabilities	-	173,319,604	-	173,319,604

Note 14 Other Liabilities

NOK 1 000	30/06/2020	30/06/2019	2019
Employees tax deductions and other deductions	465	43,673	548
Employers national insurance contribution	926	701	645
Accrued holiday allowance	386	406	994
Commission payable to shareholder banks	130,627	120,733	126,813
Deposits*	1,836	1,040	2,471
Pension liabilities	11,683	10,961	11,383
Expected credit loss unused credit lines (flexible loans)	232	0	34
Other accrued costs	1,093,000	0	0
Total	1,271,651	181,253	148,256

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

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

Note 15 Asset Coverage Test

The asset coverage is calculated according to the Financial Services Act § 2-31 (Covered Bond Legislation). There is a difference between this asset coverage test and the amounts in the balance sheet; for the purposes of the test mortgage loans which may have migrated above the 75% loan to value level are adjusted.

Only that part of the mortgage loan corresponding to a loan to value up to 75% of the collateral is considered.

Market values are used for all substitute collateral in the test.

In addition any defaulted loans, i.e. loans in arrears at or beyond 90 days, are excluded from the test..

NOK 1 000	30/06/2020	30/06/2019	2019
Covered Bonds	228,562,836	214,577,251	217,833,870
Total Covered Bonds	228,562,836	214,577,251	217,833,870
Residential mortgage loans	201,046,743	189,507,101	190,250,177
Public sector, SSA bond exposure	1,060,763	1,321,381	357,901
-of which allocated to LCR	-	-	-
Reverse repo/ depo less than 100 days	3,214,757	126,651	5,254,080
-of which allocated to LCR	-	-	-
Exposure to credit institutions (covered bonds)	13,295,569	19,213,223	15,521,382
-of which allocated to LCR	1,357,901	-	-
Derivatives	27,785,411	17,307,639	15,379,500
Total Cover Pool	245,045,342	227,475,995	226,763,040
Asset-coverage	107.2 %	106.0 %	104.1 %
Cover pool including amounts allocated to LCR	246,403,243		
Assets-coverage including amounts allocated to LCR	107.8 %		
Liquidity Coverage Ratio (LCR)	30/06/2020	30/06/2019	2019
Liquid assets	15,010,955	9,165,914	14,680,356
Cash outflow next 30 days	14,494,866	1,840,316	12,605,694
LCR ratio	103.6 %	443.7 %	116.5 %
Net Stable Funding Ratio (NSFR)	30/06/2020	30/06/2019	2019
Available amount of stable funding	234,549,793	198,854,003	206,882,321
Required amount of stable funding	214,463,664	199,070,228	198,323,077
NSFR ratio	109.4 %	99.9 %	104.3 %

Note 16 Capital Adequacy

The primary goal for the Company's management of capital reserves is to ensure compliance with laws and regulatory requirements and maintain solid financial ratios and a high quality credit assessment in order to best support its business.

Transitional rules have been implemented by the FSA whereby regulated financial institutions with approved IRB models will not be able to fully benefit from the results of such models. Regulated entities are allowed to reduce by 20 per cent the total sum of risk weighted assets which would otherwise have been in place under the previous Basel I framework.

The European Union has approved new regulatory requirements, CRD IV, which is implemented in Norway. The requirement of 14.5 per cent total capital for SpareBank 1 Boligkreditt includes:

- Minimum core equity Pillar 1: 4.5 per cent.
- Additional Tier 1 equity capital 1.5 per cent. and additional Tier 2 capital 2.0 per cent (can be held as Tier 1 and Tier 2, alternatively as core equity capital)
- Conservation buffer: 2.5 per cent core capital
- Systemic risk buffer: 3 per cent. core equity
- Countercyclical buffer: 1.0 per cent. core equity

The Issuer has an additional Pillar 2 requirement which is 0.9 per cent. core equity capital. The total requirement for the Issuer is therefore to have capital of minimum 15.4 per cent of risk weighted assets. With a management buffer added, the target for capital coverage is 15.8 per cent at June 30 2020.

The Company's parent banks have committed themselves to keep the Company's Equity Tier 1 capital at the minimum regulatory level (in the Shareholders Agreement). Primarily this commitment is pro rata according to the ownership stakes in the Company, but it is a joint and several undertaking if one or more ownership banks are unable to comply, up to the maximum of twice the initial pro rata amount.

Capital. NOK 1 000	30/06/2020	30/06/2019	2019
Share capital	7,610,548	7,610,548	7,610,548
Premium share fund	3,807,922	3,807,922	3,807,922
Other equity capital	-328,033	-434,476	-317,602
Common equity	11,090,438	10,983,994	11,100,868
Intangible assets	-223	-543	-379
Declared share dividend	-	-	-90,566
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-367,362	-371,400	-420,879
Prudent valuation adjustment (AVA)	-16,864	-20,761	-16,639
Deferred taxes	-	-	-
Core equity capital	10,705,989	10,591,290	10,572,406
Hybrid bond	1,180,000	1,180,000	1,180,000
Tier 1 equity capital	11,885,989	11,771,290	11,752,406
Supplementary capital (Tier 2)	1,425,000	1,425,000	1,425,000
Total capital	13,310,989	13,196,290	13,177,406

Minimum requirements for capital. NOK 1 000	30/06/2020	30/06/2019	2019
Credit risk	3,871,006	3,600,987	3,711,268
Market risk	-	-	-
Operational risk	59,537	58,499	59,537
Depreciation on groups of loans	-	-	-
CVA Risk	531,073	357,423	329,561
Difference in capital requirement resulting from transitional floor	-	2,317,645	-
Minimum requirement for capital	4,061,616	6,334,555	4,100,367

Capital coverage	30/06/2020	30/06/2019	2019
Risk-weighted assets incl. transitional floor*	55,770,199	79,181,933	51,254,583
Capital coverage (requirement w/all buffers, 15.4%)	23.87%	16.67%	25.71%
Tier 1 capital coverage (requirement w/all buffers, 13.4%)	21.31%	14.87%	22.93%
Core capital coverage (requirement w/all buffers, 11.9%)	19.20%	13.38%	20.63%
Leverage ratio (requirement 3.0%)	4.62%	4.97%	5.05%

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

Note 17 Related parties

The Company has 202.356 MNOK loans to customers. These are loans acquired from shareholder banks at market values (i.e. nominal value).

SpareBank 1 SMN

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

SpareBank 1 - Alliance

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

SpareBank 1 Næringskreditt AS

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

Note 18 Collateral received

SpareBank 1 Boligkreditt has signed ISDA-agreements including CSAs (Credit Support Annexes) with a number of financial institutions that are counterparties in interest rate and currency swaps. These institutions post collateral in the form of cash deposits to SpareBank 1 Boligkreditt. At the end of the period 30.06.2020 this collateral amounted to NOK 17 327 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 30.06.2020.

Note 20 Information related to Covid-19

SpareBank 1 Boligkreditt has been impacted mainly in two ways by the Covid-19 crisis, as follows.

1. Estimated loan losses according to IFRS 9

Note 7 provide the details for the mortgage portfolio and expected loan losses (ECLs) for the portfolio of mortgage loans. Total ECL are estimated at 32 million kroner as of June 30, 2020. This is an expected loss of 0.015 per cent of total exposure at default. The calculation includes a at 32 million kroner as of June 30, 2020. This is an expected loss of 0.015 per cent of total exposure at default. The calculation includes a of 4.8 per cent in Norway in July 2020) and a 5.5 per cent decline in GDP for 2020 and no recovery in 2021. This scenario is meant to illustrate the effects of an increase in Covid-19 cases and a shut-down of much economic activity, but also mitigating measures by the State. Based on the downside scenario alone, the probability of default and loss given default in the mortgage portfolio increases, with a peak in 2021 of 0.89 per cent and 7 per cent, respectively. The ECL from only considering the downside case would be 130 million or 0.061 per cent. However, the assumption is that the downside case has a probability of 15 per cent, while the base case, with a 0.1 to 0.15 per cent probability of default for mortgage loans, have a probability of 75 per cent.

2. Repayment deferrals for mortgage loans

The Covid-19 crisis increased unemployment in Norway, from low levels to over 10 per cent of the work force. As a consequence, banks accommodated customers request for mortgage repayment deferrals. The banks in the SpareBank 1 Alliance, from which Boligkreditt acquires the mortgage loans, generally granted repayment deferrals for up to 6 months on request, with interest paid throughout. As a funding unit for the SpareBank 1 banks, Boligkreditt automatically approves a bank approved mortgage deferral approval. As a funding unit for the SpareBank 1 banks, Boligkreditt automatically approves a bank approved mortgage deferral approval. Amounts deferred are added to the remaining repayment schedule of the mortgage, with each monthly payment thereafter slightly above the pre-Covid-19 schedule.

As of June 20, 2020, the portfolio has the following characteristics:

Type of mortgage	Share of the portfolio
Repayment mortgages	53%
Repayment mortgages without scheduled repayment	21%
Flexible mortgage loans	26%

Mortgages may be without a repayment schedule when the LTV is below 60%. This is a feature of the mortgage regulation, and a bank may agree that with a customer. As a consequence, there is some level of repayment mortgages without a current repayment schedule. The change in such mortgages post Covid, was 8.1% to 21%. This represents a nominal mortgage volume of 12.9 billion kroner.

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