



Boligkreditt

# 3<sup>rd</sup> Quarterly Report 2020

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

## SpareBank 1 Boligkreditt's purpose

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

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

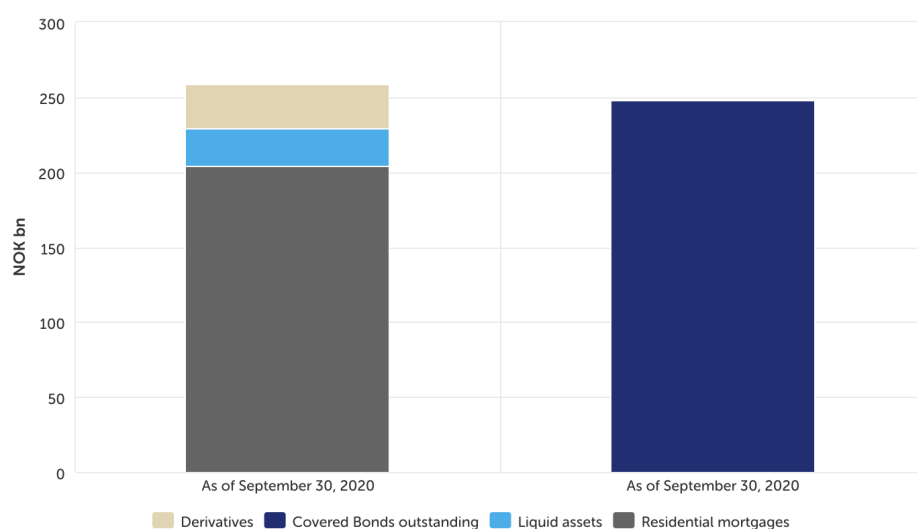
The Company, which is based in Stavanger, is owned by banks which are all members of the SpareBank 1 Alliance. A comprehensive agreement with each of these banks regulates the mortgage purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing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

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

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

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

SpareBank 1 Boligkreditt's cover pool consists of residential mortgages and liquid, highly rated assets as well as derivatives hedging liabilities in a foreign currency and/or at fixed rates. The chart below illustrates the balances as of the end of the third quarter 2020:



<sup>1</sup> The limit for instalment mortgages is 75 per cent, while mortgages which have no scheduled repayment structure are limited to 60 per cent. All mortgages above 60 per cent must be amortizing by at least 2.5 per cent per year according to current mortgage market regulations.

<sup>2</sup> The source is the balance sheet figures as of 30 September 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. This is reflected in the chart and figures. Overcollateralization may elsewhere be presented by grouping the 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

	Q3 2020	Q2 2019	Q1 2019	Q4 2019	Q3 2019
Weighted Average Current LTV (%)	51.8 %	52.6 %	53.2 %	53.6 %	52.1 %
Weighted Average Original LTV (%)	59.3 %	59.4 %	59.3 %	59.7 %	59.6 %
Average Loan Balance (NOK)	1,488,367	1,470,921	1,456,844	1,443,119	1,440,088
Number of Mortgages in Pool	138,375	137,427	136,884	132,358	131,564
Pct. of non first-lien mortgages	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Overcollateralization	4.3 %	7.2 %	4.2 %	4.1 %	5.9 %

## Key developments during the first three quarters of 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.

At the end of May, Boligkreditt issued a new SEK 7.5 billion green covered bond, which was well received amongst Scandinavian based investors. The bond was later, during the 3rd quarter, increased to SEK 8.5 bn. This was followed up with a EUR 1 bn green covered bond with a 7 year maturity in September.

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 24.0 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 21.4 per cent. against a total requirement, including buffers, of 13.4 per cent. Common equity capital was 19.8 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.

After the outbreak of the pandemic, Boligkreditt's mortgage portfolio recorded some increase of mortgage loans with principal payment deferral. Such mortgages increased from 16.9 per cent. at the end of February to 26.1 per cent. at the end of May, but has since returned to 20 per cent. at the end of September. A mortgage loan with a loan to value below 60 per cent, may have an installment free period under normal times, but this was relaxed during the pandemic. The Norwegian unemployment rate, which was the driver for the increase in repayment breaks, increased to above 10 per cent during the spring, but stands at 3.7 per cent at the beginning of October (actual registered unemployment).

The financial accounts for the first three quarters 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 and three quarters of 2020.

## 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 Boligkredit's operations and financial position as of the end of the third quarter 2020. Numbers in brackets refer to the corresponding period last year for comparison.

The total balance sheet at 30.09.20 amounted to 287 (252) billion kroner. The increase is primarily due to an increase in mortgage volume and an increase in the value of derivatives hedging issued debt, as well as collateral received. The Company had in the first three quarters of 2020 net interest income of 1,5 (1,4) billion kroner on higher mortgage volume. Reduced mortgage rates were gradually reflected in lower financing costs through the second quarter. Commissions paid to the owner banks were 1,2 (1,1) billion kroner and represent most of the margin between mortgage interest rates and the Company's funding costs. The cost of operations for the first three quarters of 2020 was 29 (26) million kroner, including depreciation and amortization. IFRS 9 expected loan losses increased by 11 (-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 182 (209) million kroner before tax. Valuation changes in fair value of 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 206 (190) billion kroner as of the end of the third quarter. The Company's own liquid assets were approximately 28 (23) billion kroner. Liquid assets are cash and highly rated, highly liquid bonds that are held to meet, at a minimum, 180 days of forward outflows. This liquidity buffer rule is also included in the EU covered bond harmonization directive.

## Risk aspects

SpareBank 1 Boligkredit, 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 Boligkredit. 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 Boligkredit AS had issued bonds for approximately 157 billion kroner in EUR, 9.3 billion kroner in GBP, and 9.3 billion kroner in SEK, based on exchange rates at September 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 September 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. 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 outlook for 2020 changed dramatically due to the Covid-19 crisis, but have since the spring been adjusted upwards (see forecast by Statistics Norway (SSB) in the table below). The improved 2020 GDP projection of a 3.2 per cent decline, rests on improvement in both the consumption and investment areas, compared to earlier estimates for the year. The recovery is evidenced in unemployment too. The SSB unemployment survey level at 5.2 per cent for the June through August period is forecast at 4.9 per cent for the full year, while registered unemployment was only 3.7 per cent in early October 2020.

Infections have increased this autumn in Norway too, and new infections were above 20 per million for the seven-day rolling average in early October, a level which was last seen in April 2020. This level is the limit for when the Norwegian authorities set travel quarantine restrictions for other countries, which is also now in place for almost all countries. The increased level of infections increases economic uncertainty, but the outbreaks are also limited in geography, hence no general business restrictions loom at the time of writing.

Oil price and oil investments continue to be a slight economic drag in 2020 and more so in 2021. Business investments is the main driver for the negative mainland investment level in 2020, with also 2021 a drag on growth, after recent expansive years. Investments in residential real estate is also lower in 2020, but is expected to contribute to GDP growth in 2021.

Residential house prices, as expressed by the national index stand 5.8 per cent higher in September 2020 compared to a year earlier. Interest rates dropping to record low levels are seen as the main driver for this development, which includes regional differences. The activity level in the real estate market has been robust this year, with a high number of transactions measured on the same year-to-date period for the previous ten years.

Recent data and forecast (per cent)	2018	2019	2020	2021	2022
Mainland GDP growth	2.2	2.3	-3.2	3.6	2.9
Private consumption growth	1.9	1.5	-7.2	7.9	4.7
Mainland investments growth	3.0	4.3	-6.2	0.7	2.0
Unemployment rate	3.8	3.7	4.9	4.5	4.3
CPI growth	2.7	2.2	1.5	2.9	2.1
Annual wage growth	2.8	3.5	2.0	2.3	3.5
Current account surplus to GDP	7.1	4.1	3.6	3.1	3.6

Source: Statistics Norway as of September 11, 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, where SpareBank 1 SR-Bank is located, which does not contribute loans to the SpareBank 1 Boligkreditt cover pool). 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. An increase in mortgage instalment deferrals during the pandemic outbreak was well handled, and is retuning to normal. Estimated IFRS 9 loan losses amount to 0.01% of the mortgage portfolio.

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. During 2020 Boligkreditt has issued normal volumes of covered bonds in NOK and other currencies. This attests that the Company's covered bonds are seen as attractive by investors in a time of market turmoil.



\* \* \*

The Board of Directors affirms its conviction that the financial accounts present a correct and complete picture of the Company's operations and financial position at the end of the third quarter of 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 three quarters of 2020.

Stavanger, October 21, 2020  
The Board of Directors of SpareBank 1 Boligkreditt AS



/s/ Kjell Fordal  
Chairman of the Board



/s/ Bengt Olsen



/s/ Merete N. Kristiansen



/s/ Knut Oscar Fleten



/s/ Geir-Egil Bolstad



/s/ Inger M.S. Eriksen



/s/ Arve Austestad  
CEO

# SpareBank 1 Boligkreditt AS

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

The Board and the chief executive officer have today reviewed and approved the financial accounts for the first 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, October 21, 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 September 2020

NOK 1 000	Note	3. quarter 2020	3. quarter 2019	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019	2019
Total interest income	2	1,112,955	1,277,542	3,994,265	4,207,768	5,834,356
Total interest expense	2	-466,886	-1,054,143	-2,497,164	-2,812,243	-3,958,307
<b>Net interest income</b>		<b>646,069</b>	<b>97,018</b>	<b>1,497,101</b>	<b>1,395,525</b>	<b>1,876,049</b>
Commission and fee expense		-566,950	-126,381	-1,169,011	-1,072,116	-1,444,292
<b>Net commission income</b>		<b>-566,950</b>	<b>-126,381</b>	<b>-1,169,011</b>	<b>-1,072,116</b>	<b>1,444,292</b>
Net gains/losses from financial instruments	3	5,734	-55,735	-106,159	-90,271	-171,295
<b>Net other operating income</b>		<b>5,734</b>	<b>-55,735</b>	<b>-106,159</b>	<b>-90,271</b>	<b>-171,295</b>
<b>Total operating income</b>		<b>84,853</b>	<b>41,283</b>	<b>221,932</b>	<b>233,138</b>	<b>260,462</b>
Salaries and other ordinary personnel expense	4	-3,844	-3,695	-8,934	-9,035	-11,780
Other operating expense	5	-5,340	-6,181	-20,079	-17,344	-24,359
<b>Total operating expenses</b>		<b>-9,185</b>	<b>-9,876</b>	<b>-29,013</b>	<b>-26,380</b>	<b>-36,139</b>
<b>Operating result before losses</b>		<b>75,668</b>	<b>31,407</b>	<b>192,919</b>	<b>206,759</b>	<b>224,323</b>
Impairment losses on loans and guarantees		9,327	4,102	-10,815	2,004	856
<b>Pre-tax operating result</b>		<b>84,995</b>	<b>35,510</b>	<b>182,104</b>	<b>208,763</b>	<b>225,179</b>
Taxes	-18,169	-8,877	-34,436	-52,191	-56,298	-56 298
<b>Profit/loss for the year</b>	<b>66,826</b>	<b>26,632</b>	<b>147,668</b>	<b>156,572</b>	<b>168,880</b>	<b>168 880</b>
Portion attributable to shareholders		54,508	14,980	103,307	123,590	123,796
Portion attributable to additional Tier 1 capital holders		12,318	11,652	44,361	32,982	45,084
<b>Profit/loss for the period</b>		<b>66,826</b>	<b>26,632</b>	<b>147,668</b>	<b>156,572</b>	<b>168,880</b>

## Overview of Comprehensive Income

NOK 1 000	3. quarter 2020	3. quarter 2019	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019	2019
Profit/loss for the year	66,826	26,632	147,668	156,572	168,880
Items which will not impact the income statement in future periods:	-	-	-	-	-
Change due to basis swap spread adjustment	-71,769	-34,334	77,802	-71,723	-74,707
Tax effect of basis swap spread adjustment	17,942	8,584	-19,450	17,931	18,677
Change in pensions for a previous period	-	-	-	-	-
Estimate deviation for pensions	-	-	-	-	-353
Tax effect of the estimate deviation	-	-	-	-	88
<b>Total profit/loss accounted for in equity</b>	<b>-53,827</b>	<b>-25,750</b>	<b>58,351</b>	<b>-53,792</b>	<b>-56,294</b>
<b>Total profit/loss</b>	<b>12,999</b>	<b>882</b>	<b>206,020</b>	<b>102,780</b>	<b>112,586</b>

# Balance sheet

NOK 1 000		30.09.2020	30.09.2019	2019
<b>Assets</b>				
Lending to and deposits with credit institutions	12	17,695,451	4,564,258	9,801,250
Certificates and bonds	12,13	33,852,412	35,143,942	28,067,101
Residential mortgage loans	7,12	205,998,995	189,763,221	191,309,342
Financial derivatives	11,12,13	30,074,324	22,386,673	16,254,454
Deferred tax asset	12	142,782	10,994	188,308
Other assets	6,12	798	991	890
<b>Total assets</b>		<b>287,764,762</b>	<b>251,870,081</b>	<b>245,621,345</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Debt incurred by issuing securities	9,12,13	245,303,651	220,220,804	217,670,078
Collateral received under derivatives contracts	12,18	23,499,230	16,783,630	12,418,140
Repurchase agreement	12	250,003	-	-
Financial derivatives	11,12,13	726,670	900,005	1,420,374
Deferred tax	12	19,450	21,446	-
Tax payable	12	223,594	52,191	250,190
Subordinated debt	10,12	1,429,936	1,432,972	1,433,439
Other Liabilities	12,14	3,960,268	175,870	148,256
<b>Total Liabilities</b>		<b>275,412,801</b>	<b>239,586,917</b>	<b>233,340,477</b>
<b>Equity</b>				
Paid-in equity	12	11,698,470	11,418,470	11,418,470
Other paid-in equity (not yet registered)	12	-	-	-
Hybrid capital	8,12	900,000	1,180,000	1,180,000
Accrued equity	12	-394,177	-471,879	-408,167
Net profit	12	147,668	156,572	
Declared dividends	12	-	-	90,566
<b>Total equity</b>		<b>12,351,961</b>	<b>12,283,163</b>	<b>12,280,868</b>
<b>Total liabilities and equity</b>		<b>287,764,762</b>	<b>251,870,081</b>	<b>245,621,345</b>

Stavanger, 21.10.2020

/s/ Kjell Fordal  
Chairman of the Board

/s/ Bengt Olsen

/s/ Merete N. Kristiansen

/s/ Geir-Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Knut Oscar Fleten

/s/ Arve Austestad  
CEO

## Changes in Equity

NOK 1 000	Share capital	Additional paid in equity	Dividend	Other paid-in equity (not yet registered)	Other Equity	Interest on hybrid capital	Hybrid capital	Total Equity
<b>Balance as of 31 December 2018</b>	<b>7,190,548</b>	<b>3,597,922</b>	-	-	<b>-306,173</b>	<b>-78,932</b>	<b>1,180,000</b>	<b>11,583,366</b>
Change in presentation of interest on hybrid capital	-	-	-	-	-78,932	78,932	-	-
Share increase 27 February 2019	280,000	140,000	-	-	-	-	-	420,000
Share increase 22 May 2019	140,000	70,000	-	-	-	-	-	210,000
Net income for the period	-	-	-	-	33,231	45,084	-	78,315
Paid interest on hybrid capital - directly against equity	-	-	-	-	-	-45,084	-	-45,084
OCI -basisswapsread	-	-	-	-	-56,030	-	-	-56,030
Proposed dividend for 2019	-	-	-	-	90,566	-	-	90,566
OCI - pension - annual estimate deviation	-	-	-	-	-264	-	-	-264
<b>Balance as of 31 December 2019</b>	<b>7,610,548</b>	<b>3,807,922</b>	-	-	<b>-317,603</b>	-	<b>1,180,000</b>	<b>12,280,868</b>
Share increase 22 May 2020	186,667	93,333	-	-	-	-	-	280,000
Net income for the period	-	-	-	-	147,668	-44,361	-	103,307
Paid interest on hybrid capital - directly against equity	-	-	-	-	-44,361	44,361	-	-
OCI -basisswapsread	-	-	-	-	58,351	-	-	58,351
Dividend 2019	-	-	-	-	-90,566	-	-	-90,566
Other	-	-	-	-	-	-	-280,000	-280,000
<b>Balance as of 31 June, 2020</b>	<b>7,797,215</b>	<b>3,901,255</b>	-	-	<b>-246,510</b>	-	<b>900,000</b>	<b>12,351,961</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	30.09.2020	30.09.2019	2019
<b>Cash flows from operations</b>			
Interest received	2,858,899	3,628,381	4,790,476
Paid expenses, operations	20,014	-1,014	-39,009
Paid tax	250,190	-15,503	-15,503
<b>Net cash flow relating to operations</b>	<b>3,129,103</b>	<b>3,611,864</b>	<b>4,735,964</b>
<b>Cash flows from investments</b>			
Net purchase of loan portfolio	-14,782,191	-5,666,076	-7,189,127
Net payments on the acquisition of government bills	-536,787	-197,693	-575,312
Net payments on the acquisition of bonds	-5,248,524	-9,965,581	-3,042,017
Net investments in intangible assets		153	153
Net investments in fixed assets	-385		
<b>Net cash flows relating to investments</b>	<b>-20,567,887</b>	<b>-15,829,197</b>	<b>-10,806,303</b>
<b>Cash flows from funding activities</b>			
Net receipt/payment from the issuance of securities	13,146,072	0	12,608,151
Net receipt/payment from the issuance of subordinated debt	-280,000	175,000	-175,000
Net receipt/payment from the issuance of bonds		8,219,005	
Net receipt/payment of collateral received under derivatives contracts		0	-5,938,817
Net receipt/payment of loans to credit institutions	16,098,870	-1,942,822	
Equity capital subscription	280,000	630,000	630,000
Paid dividend	-90,566	0	0
Net interest payments on funding activity	-3,833,460	-3,287,289	-4,241,013
<b>Net cash flow relating to funding activities</b>	<b>25,320,916</b>	<b>-3,793,893</b>	<b>2,883,320</b>
<b>Net cash flow in the period</b>	<b>7,882,133</b>	<b>-8,423,439</b>	<b>-3,187,019</b>
<b>Balance of cash and cash equivalents at beginning of period</b>	<b>9,801,250</b>	<b>12,990,004</b>	<b>12,990,004</b>
Net receipt/payments on cash	7,882,133	-8,423,439	-3,187,019
Exchange rate difference	12,068	-2,306	-1,735
<b>Balance of cash and cash equivalents at end of period</b>	<b>17,695,451</b>	<b>4,564,258</b>	<b>9,801,250</b>



## Quarterly Financial Statements

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

### Income Statement

	3th Quarter	2th Quarter	1th Quarter	4th Quarter	3th Quarter
NOK 1 000	2020	2020	2020	2019	2019
Total interest income	1,112,955	1,249,912	1,631,398	1,628,769	1,521,528
Total interest expenses	-466,886	-878,527	-1,151,751	-1,146,064	-1,054,143
<b>Net interest income</b>	<b>646,069</b>	<b>371,385</b>	<b>479,646</b>	<b>482,705</b>	<b>467,385</b>
Commission and fee expenses	-566,950	-244,043	-358,017	-374,357	-370,367
<b>Net commission income</b>	<b>-566,950</b>	<b>-244,043</b>	<b>-358,017</b>	<b>-374,357</b>	<b>-370,367</b>
Net gains/losses from financial instruments	5,734	171,895	-283,788	-81,025	-55,735
<b>Net other operating income</b>	<b>5,734</b>	<b>171,895</b>	<b>-283,788</b>	<b>-81,025</b>	<b>-55,735</b>
<b>Total operating income</b>	<b>84,853</b>	<b>299,237</b>	<b>-162,159</b>	<b>27,324</b>	<b>41,283</b>
Salaries and other ordinary personnel expenses	-3,844	-1,935	-3,154	-2,744	-3,695
Other operating expenses	-5,340	-7,945	-6,794	-7,015	-6,181
<b>Total operating expenses</b>	<b>-9,185</b>	<b>-9,880</b>	<b>-9,949</b>	<b>-9,759</b>	<b>-9,876</b>
<b>Operating result before losses</b>	<b>75,668</b>	<b>289,358</b>	<b>-172,107</b>	<b>17,564</b>	<b>31,407</b>
Write-downs on loans and guarantees	9,327	-10,905	-9,236	-1,148	4,102
<b>Pre-tax operating result</b>	<b>84,995</b>	<b>278,452</b>	<b>-181,343</b>	<b>16,416</b>	<b>35,510</b>
Taxes	-18,169	-65,753	49,486	108,489	-8,877
<b>Profit/loss for the year</b>	<b>66,826</b>	<b>212,699</b>	<b>-131,857</b>	<b>12,308</b>	<b>26,632</b>
Other income and expense	54,508	197,259	77,825	-2,502	-25,750
<b>Total Profit/Loss</b>	<b>12,318</b>	<b>15,441</b>	<b>-54,031</b>	<b>9,806</b>	<b>882</b>

# Balance Sheet

NOK 1 000	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
<b>Assets</b>					
Lending to and deposits with credit institutions	17,695,451	8,926,842	4,471,962	9,801,250	4,564,258
Certificates and bonds	33,852,412	28,950,758	38,793,444	28,067,101	35,143,942
Residential mortgage loans	205,998,995	202,356,280	199,687,454	191,309,342	189,763,221
Financial derivatives	30,074,324	28,051,937	38,900,544	16,254,454	22,386,673
Deferred tax asset	142,782	164,031	233,644	188,308	10,994
Other assets	798	4,479,081	1,831	890	991
<b>Total assets</b>	<b>287,764,762</b>	<b>272,928,929</b>	<b>282,088,878</b>	<b>245,621,345</b>	<b>251,870,081</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Debt incurred by issuing securities	245,303,651	233,899,764	239,812,029	217,670,078	220,220,804
Collateral received under derivatives contracts	23,499,230	20,469,422	27,484,900	12,418,140	16,783,630
Repurchase agreement	250,003	2,507,625	-	-	-
Financial derivatives	726,670	734,333	723,758	1,420,374	900,005
Deferred tax	19,450	37,393	-	-	21,446
Tax payable	223,594	226,673	230,533	250,190	52,191
Subordinated debt	1,429,936	1,430,788	1,433,354	1,433,439	1,432,972
Other Liabilities	3,960,268	1,271,651	284,635	148,256	175,870
<b>Total Liabilities</b>	<b>275,412,801</b>	<b>260,577,649</b>	<b>269,969,209</b>	<b>233,340,477</b>	<b>239,586,917</b>
<b>Equity</b>					
Contributed equity	11,698,470	11,418,470	11,418,470	11,418,470	11,418,470
Other paid in equity (not yet registered)		0	-	-	-
Hybrid capital	900,000	1,180,000	1,180,000	1,180,000	1,180,000
Accrued equity	-394,177	-328,033	-346,945	-577,048	-471,879
Net profit	147,668	80,843	-131,857	168,880	156,572
Declared dividends		0	-	90,566	-
<b>Total equity</b>	<b>12,351,961</b>	<b>12,351,280</b>	<b>12,119,669</b>	<b>12,280,868</b>	<b>12,283,163</b>
<b>Total liabilities and equity</b>	<b>287,764,762</b>	<b>272,928,929</b>	<b>282,088,878</b>	<b>245,621,345</b>	<b>251,870,081</b>

# Notes to the financial statements

## Note 1 Accounting principles

### 1.1 Basis for preparation

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

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

The interim financial statements are not audited.

### 1.2 Segments

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

### 1.3 Estimates and assessments regarding the use of accounting principles

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

## Note 2 Net interest income

NOK 1 000	30.09.2020	30.09.2019	2019
<b>Interest income</b>			
Interest income from, certificates, bonds and deposits	161,073	179,913	280,846
Interest income from residential mortgage loans	3,833,192	4,027,855	5,553,510
<b>Total interest income</b>	<b>3,994,265</b>	<b>4,207,768</b>	<b>5,834,356</b>
<b>Interest expense</b>			
Interest expense and similar expenses to credit institutions	21,106	-36,728	-45,148
Interest expense and similar expenses on issued bonds	2,401,922	2,775,328	3,903,694
Interest expense and similar expenses on subordinated debt	30,428	35,609	48,356
Recovery and Resolution Fund *	38,224	31,500	-
Other interest expenses	5,483	6,534	51,406
<b>Total interest expense</b>	<b>2,497,164</b>	<b>2,812,243</b>	<b>3,958,307</b>
<b>Net interest income</b>	<b>1,497,100</b>	<b>1,395,525</b>	<b>1,876,049</b>

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

## Note 3 Net Gains on Financial Instruments

NOK 1 000	30.09.2020	30.09.2019	2019
Net gains (losses) from financial liabilities (1)	-6,548,320	-5,750,645	-6,958,008
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	-5,931,934	5,758,930	6,990,649
Net gains (losses) from financial assets (2)	10,903,519	-103,155	-272,077
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	1,470,575	4,599	68,140
<b>Net gains (losses)</b>	<b>-106,159</b>	<b>-90,271</b>	<b>-171,295</b>

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

(2) SpareBank 1 Boligkreditt AS manages its liquidity risk by refinancing its outstanding bonds ahead of expected maturities and keeping proceeds as a liquidity portfolio. 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 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	30.09.2020	30.09.2019	2019
Salary	7,803	7,318	9,682
Salaries invoiced to SpareBank1 Næringskreditt*	-2,413	-2,092	-2,772
Pension expenses	1,041	1,673	1,727
Social insurance fees	1,767	1,952	2,536
Other personnel expenses	736	184	606
<b>Total salary expenses</b>	<b>8,934</b>	<b>9,035</b>	<b>11,780</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 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	30.09.2020	30.09.2019	2019
IT and IT operations	9,784	8,848	11,775
Purchased services other than IT	8,645	7,065	10,159
Other Operating Expenses	1,381	1,185	2,097
Depreciation on fixed assets and other intangible assets	270	246	328
<b>Total</b>	<b>20,079</b>	<b>17,344</b>	<b>24,359</b>

## Note 6 Other assets

NOK 1 000	30/06/2020	30/06/2019	2019
Intangible assets	154	461	379
Fixed assets	339	-	-
Account receivables from SpareBank 1 Næringskreditt AS	297	332	499
Accounts receivable, securities	0	-	-
Other	8	198	12
<b>Total</b>	<b>798</b>	<b>991</b>	<b>890</b>

## Note 7 Lending to customers

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of 30.09.2020 were NOK 205,9 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.09.2020	30.09.2019	2019
Revolving loans - retail market	41,986,145	43,301,662	42,431,353
Amortising loans - retail market	163,887,748	146,266,990	148,660,350
Accrued interest	147,600	205,186	229,402
<b>Total loans before specified and unspecified loss provisions</b>	<b>206,021,494</b>	<b>189,773,838</b>	<b>191,321,105</b>
Stage 1	199,158,131	183,237,271	183,557,607
Stage 2	6,863,362	6,536,567	7,763,498
Stage 3	-	-	-
<b>Gross loans</b>	<b>206,021,494</b>	<b>189,773,838</b>	<b>191,321,105</b>
Impairments on groups of loans			
Expected credit loss, stage 1	1,271	1,030	1,068
Expected credit loss, stage 2, no objective proof of loss	21,228	9,587	10,695
Expected credit loss, stage 3, objective proof of loss	-	-	-
<b>Total net loans and claims with customers</b>	<b>205,998,995</b>	<b>189,763,221</b>	<b>191,309,342</b>
<b>Liability</b>			
Unused balances under customer revolving credit lines (flexible loans)	12,648,002	12,129,027	12,028,316
<b>Total</b>	<b>12,648,002</b>	<b>12,129,027</b>	<b>12,028,316</b>

<b>Defaulted loans</b>			
Defaults*	0.0 %	0.0 %	0.0 %
Specified loan loss provisions	0.0 %	0.0 %	0.0 %
<b>Net defaulted loans</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>
<b>Loans at risk of loss</b>			
Loans not defaulted but at risk of loss	0.0 %	0.0 %	0.0 %
- Write downs on loans at risk of loss	0.0 %	0.0 %	0.0 %
<b>Net other loans at risk of loss</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

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

## Note 8 Share Capital and Shareholder Information

### List of shareholders as of 2020

	No of Shares	in per cent	Share of votes
SpareBank 1 Østlandet	17,377,736	22.29 %	22.29 %
SpareBank 1 SMN	16,288,758	20.89 %	20.89 %
SpareBank 1 Nord-Norge	14,538,500	18.65 %	18.65 %
BN Bank ASA	5,251,861	6.74 %	6.74 %
SpareBank 1 BV	4,893,152	6.28 %	6.28 %
Sparebanken Telemark	3,680,938	4.72 %	4.72 %
SpareBank 1 Ringerike Hadeland	3,572,202	4.58 %	4.58 %
SpareBank 1 Østfold Akershus	3,523,874	4.52 %	4.52 %
SpareBank 1 Nordvest	1,751,869	2.25 %	2.25 %
SpareBank 1 SR-Bank ASA	1,720,859	2.21 %	2.21 %
SpareBank 1 Modum	1,631,051	2.09 %	2.09 %
SpareBank 1 Søre Sunnmøre	1,049,108	1.35 %	1.35 %
SpareBank 1 Gudbrandsdal	1,037,027	1.33 %	1.33 %
SpareBank 1 Hallingdal Valdres	1,006,821	1.29 %	1.29 %
SpareBank 1 Lom og Skjåk	648,393	0.83 %	0.83 %
<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

### Hybrid capital

NOK 1000	ISIN	Interest rate	Issued year	Call option	30.09.2020	30.09.2019	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
Hybrid (Tier 1 capital instrument)	NO0010746191	3M Nibor + 360 bp	2015	29.09.2020	-	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
Hybrid (Tier 1 capital instrument)	NO0010890825	3M Nibor + 300 bp	2020	26.08.2025	200,000		
<b>Book value</b>					<b>900,000</b>	<b>1,180,000</b>	<b>1,180,000</b>

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



## Note 9 Liabilities incurred by issuing Securities

	Nominal value*	Nominal value*	Nominal value*
<b>NOK 1 000</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
Senior unsecured bonds	-	-	-
Repurchased senior unsecured bonds	-	-	-
Covered bonds	218,416,475	197,703,292	201,758,203
Repurchased Covered bonds	-2,990,000	-	-
<b>Total debt incurred by issuing securities</b>	<b>215,426,475</b>	<b>197,703,292</b>	<b>201,758,203</b>

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

	Book value	Book value	Book value
<b>NOK 1 000</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
Senior unsecured bonds	-	-	-
Repurchased senior unsecured bonds	-	-	-
Covered bonds	247,538,288	219,323,073	216,579,429
Repurchased covered bonds	-2,990,406	-	-
Activated costs incurred by issuing debt	-214,471	-194,464	-184,635
Accrued interest	970,239	1,092,195	1,275,284
<b>Total debt incurred by issuing securities</b>	<b>245,303,651</b>	<b>220,220,804</b>	<b>217,670,078</b>

### Covered bonds

<b>Due in</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
2019	-	6,030,414	-
2020	-	22,462,500	20,035,500
2021	27,112,000	28,891,117	28,881,382
2022	43,759,200	38,749,200	38,749,200
2023	28,196,750	30,373,550	30,356,650
2024	24,158,575	22,862,717	23,451,428
2025	30,713,750	10,648,750	10,648,750
2026	22,710,000	21,940,000	22,210,000
2027	11,563,850	674,394	673,042
2028	2,712,800	2,562,800	2,562,800
2029	24,257,050	12,265,350	23,946,950
2038	242,500	242,500	242,500
<b>Total</b>	<b>215,426,475</b>	<b>197,703,292</b>	<b>201,758,203</b>

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

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

NOK 1 000	30.09.2020	30.09.2019	2019
NOK	69,545,046	60,323,691	59,978,539
EUR	157,238,388	141,547,805	148,733,048
USD	-	9,601,507	0
GBP	9,265,435	8,499,140	8,706,679
SEK	9,254,781	248,662	251,812
<b>Total</b>	<b>245,303,651</b>	<b>220,220,804</b>	<b>217,670,078</b>

## Note 10 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option from	Maturity	Nominal amount	30.09.2020	30.09.2019	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							4,936	7,972	8,439
<b>Book value</b>							<b>1,429,936</b>	<b>1,432,972</b>	<b>1,433,439</b>

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

## Note 11 Financial Derivatives

NOK 1 000	30.09.2020	30.09.2019	2019
<b>Interest rate derivative contracts</b>			
<b>Interest rate swaps</b>			
Nominal amount	59,952,495	60,665,104	55,698,553
Asset	2,927,406	2,547,232	2,067,884
Liability	-214,028	-357,568	-332,246
<b>Currency derivative contracts</b>			
<b>Currency swaps</b>			
Nominal amount	121,765,375	145,503,389	145,222,180
Asset	27,146,917	19,839,441	14,186,570
Liability	-45,024	-	-542,709
<b>Total financial derivative contracts</b>			
Nominal amount	181,717,870	206,168,494	200,920,732
Asset	30,074,324	22,386,673	16,254,454
Liability	-259,052	-357,568	-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	30.09.2020	30.09.2019	2019
Net asset (+) / liability (-) as shown above, before basisswap	-259,052	-357,568	-874,955
Net gain (loss) on valuation adjustment of basisswap spreads	-467,617	-542,437	-545,419
<b>Total asset (+) / liability (-) derivatives</b>	<b>-726,670</b>	<b>-900,005</b>	<b>-1,420,374</b>

Basis swaps are currency swaps and are entered into at a certain cost (spread) between SpareBank 1 Boligkreditt and banks which offer such swaps and which have signed an ISDA agreement with the Company. Changes in the cost are valued each quarter across all of the Company's swaps in accordance with the IFRS rules. An increase in the cost would result in an increase in the value of the basisswaps while a cost decrease would reduce the value of the basisswaps. 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	30.09.2020
<b>Assets</b>				
Lending to and deposits with credit institutions	-	17,695,451	-	17,695,451
Certificates and bonds	33,852,412	-	-	33,852,412
Residential mortgage loans	-	205,998,995	-	205,998,995
Financial derivatives	30,074,324	-	-	30,074,324
Deferred tax asset	-	-	142,782	142,782
Other assets	-	-	798	798
<b>Total Assets</b>	<b>63,926,736</b>	<b>223,694,446</b>	<b>143,580</b>	<b>287,764,762</b>
<b>Liabilities</b>				
Debt incurred by issuing securities	196,858,089	48,445,562	-	245,303,651
Collateral received in relation to financial derivatives	-	23,499,230	-	23,499,230
Repurchase agreement	-	250,003	-	250,003
Financial derivatives	726,670	-	-	726,670
Deferred taxes	-	-	19,450	19,450
Taxes payable	-	-	223,594	223,594
Subordinated dept	-	1,429,936	-	1,429,936
Other liabilities	-	-	3,960,268	3,960,268
<b>Total Liabilities</b>	<b>197,584,759</b>	<b>73,624,730</b>	<b>4,203,312</b>	<b>275,412,801</b>
<b>Total Equity</b>	<b>-</b>	<b>900,000</b>	<b>11,451,961</b>	<b>12,351,961</b>
<b>Total Liabilities and Equity</b>	<b>197,584,759</b>	<b>74,524,730</b>	<b>15,655,273</b>	<b>287,764,762</b>

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

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Non-financial assets and liabilities	30.09.2020
<b>Assets</b>				
Lending to and deposits with credit institutions	-	4,564,258	-	4,564,258
Certificates and bonds	35,143,942	-	-	35,143,942
Residential mortgage loans	-	189,763,221	-	189,763,221
Financial derivatives	22,386,673	-	-	22,386,673
Deferred tax asset	-	-	10,994	10,994
Other assets	-	-	991	991
<b>Total Assets</b>	<b>57,530,615</b>	<b>194,327,479</b>	<b>11,985</b>	<b>251,870,078</b>
<b>Liabilities</b>				
Debt incurred by issuing securities	176,944,884	43,275,920	-	220,220,804
Collateral received in relation to financial derivatives	-	16,783,630	-	16,783,630
Repurchase agreement	-	-	-	-
Financial derivatives	900,005	-	-	900,005
Deferred taxes	-	-	21,446	21,446
Taxes payable	-	-	52,191	52,191
Subordinated dept	-	1,432,972	-	1,432,972
Other liabilities	-	-	175,870	175,870
<b>Total Liabilities</b>	<b>177,844,889</b>	<b>61,492,522</b>	<b>249,507</b>	<b>239,586,918</b>
<b>Total Equity</b>	<b>-</b>	<b>1,180,000</b>	<b>11,103,163</b>	<b>12,283,163</b>
<b>Total Liabilities and Equity</b>	<b>177,844,889</b>	<b>62,672,522</b>	<b>11,352,670</b>	<b>251,870,081</b>

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

## Note 13 Financial Instruments at Fair Value

### Methods in order to determine fair value

#### General

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

#### Interest rate and currency swaps

Valuation of interest rate swaps at fair value is done through discounting future cash flows to their present values.

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

#### Bonds

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

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

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

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

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

The following table presents the company's assets and liabilities at fair value as of 30.09.2020

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Certificates and bonds	23,066,419	10,785,993	-	33,852,412
Financial Derivatives	-	30,074,324	-	30,074,324
<b>Total Assets</b>	<b>23,066,419</b>	<b>40,860,317</b>	<b>-</b>	<b>63,926,736</b>
Debt incurred by issuing securities	-	196,858,089	-	196,858,089
Financial Derivatives	-	726,670	-	726,670
<b>Total Liabilities</b>	<b>-</b>	<b>197,584,759</b>	<b>-</b>	<b>197,584,759</b>

The following table presents the company's assets and liabilities at fair value as of 30.09.2019

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Certificates and bonds	22,551,609	12,592,333	-	35,143,942
Financial Derivatives	-	22,386,673	-	22,386,673
<b>Total Assets</b>	<b>22,551,609</b>	<b>34,979,006</b>	<b>-</b>	<b>57,530,615</b>
Bonds	-	176,944,884	-	176,944,884
Debt incurred by issuing securities	-	-	-	-
Financial Derivatives	-	900,005	-	900,005
<b>Total Liabilities</b>	<b>-</b>	<b>177,844,889</b>	<b>-</b>	<b>177,844,889</b>

## Note 14 Other Liabilities

<b>NOK 1 000</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
Employees tax deductions and other deductions	367	366	548
Employers national insurance contribution	1,239	383	645
Accrued holiday allowance	776	707	994
Commission payable to shareholder banks	189,529	126,512	126,813
Deposits*	3,101	1,407	2,471
Pension liabilities	11,833	11,211	11,383
Expected credit loss unused credit lines (flexible loans)	113	0	34
Accounts payable, securities	3,762,575	0	0
Other accrued costs	-9,265	35,284	5,368
<b>Total</b>	<b>3,960,268</b>	<b>175,870</b>	<b>148,256</b>

The Company does not have an overdraft facility or a revolving credit facility as of 30.09.2020

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



## Note 15 Asset Coverage Test

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

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

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

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

<b>NOK 1 000</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
Covered Bonds	248,539,419	220,415,268	217,833,870
Total Covered Bonds	248,539,419	220,415,268	217,833,870
Residential mortgage loans	204,930,908	188,707,184	190,250,177
Public sector, SSA bond exposure	1,464,766	1,663,449	357,901
-of which allocated to LCR	835,840	-	-
Reverse repo/ depo less than 100 days	6,656,019	1,549,291	5,254,080
-of which allocated to LCR	-	-	-
Exposure to credit institutions (covered bonds)	16,462,046	19,393,961	15,521,382
-of which allocated to LCR	2,211,586	-	-
Derivatives	29,815,273	22,029,105	15,379,500
Total Cover Pool	256,281,586	233,342,990	226,763,040
Asset-coverage	103.1 %	105.9 %	104.1 %
Cover pool including amounts allocated to LCR	259,329,012		
Assets-coverage including amounts allocated to LCR	104.3 %		
<b>Liquidity Coverage Ratio (LCR)</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
Liquid assets	19,669,497	11,932,647	14,680,356
Cash outflow next 30 days	13,511,171	4,772,533	12,605,694
LCR ratio	145.6 %	250.0 %	116.5 %
<b>Net Stable Funding Ratio (NSFR)</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
Available amount of stable funding	235,976,047	200,358,957	206,882,321
Required amount of stable funding	217,614,132	205,559,935	198,323,077
NSFR ratio	108.4 %	102.6 %	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 30 September 2020.

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

<b>Capital. NOK 1 000</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
Share capital	7,797,215	7,610,548	7,610,548
Premium share fund	3,901,255	3,807,922	3,807,922
Other equity capital	-394,177	-471,879	-317,602
Common equity	11,304,293	10,946,591	11,100,868
Intangible assets	-154	-461	-379
Declared share dividend	-	-	-90,566
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-385,380	-392,390	-420,879
Prudent valuation adjustment (AVA)	-17,900	-21,486	-16,639
Deferred taxes	-	-	-
<b>Core equity capital</b>	<b>10,900,859</b>	<b>10,532,254</b>	<b>10,572,406</b>
Hybrid bond	900,000	1,180,000	1,180,000
<b>Tier 1 equity capital</b>	<b>11,800,859</b>	<b>11,712,254</b>	<b>11,752,406</b>
Supplementary capital (Tier 2)	1,425,000	1,425,000	1,425,000
<b>Total capital</b>	<b>13,225,859</b>	<b>13,137,254</b>	<b>13,177,406</b>

<b>Minimum requirements for capital. NOK 1 000</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
Credit risk	3,850,503	3,627,350	3,711,268
Market risk	-	-	-
Operational risk	59,537	58,499	59,537
Depreciation on groups of loans	-	-	-
CVA Risk	500,326	362,097	329,561
Difference in capital requirement resulting from transitional floor	-	2,249,689	-
<b>Minimum requirement for capital</b>	<b>4,410,366</b>	<b>6,297,636</b>	<b>4,100,367</b>

<b>Capital coverage</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>2019</b>
Risk-weighted assets incl. transitional floor*	55,129,576	78,720,448	51,254,583
Capital coverage (requirement w/all buffers, 15.4%)	23.99 %	16.69 %	25.71 %
Tier 1 capital coverage (requirement w/all buffers, 13.4%)	21.41 %	14.88 %	22.93 %
Core capital coverage (requirement w/all buffers, 11.9%)	19.77 %	13.38 %	20.63 %
Leverage ratio (requirement 3.0%)	4.60 %	4.87 %	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 205.999 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 30.09.2020 this collateral amounted to NOK 23.499 million. This amount is included in the balance sheet, but represents restricted cash.

## Note 19 Contingencies and Events after Balance Sheet Date

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

No events have taken place after the balance sheet date which are expected to have any material impact on the financial statements as of the end of the period 30.09.2020.

## Contact information

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