



Q3



Third quarter 2020

(Unaudited)

Sbanken Boligkreditt AS

Key figures

In NOK thousand	Reference	Jan-Sep 20	Jan-Sep 19	2019
Summary of income statement				
Net interest income		253 581	191 831	250 053
Net other income		-11 415	-14 645	-14 994
Total income		242 166	177 186	235 059
Other operating expenses		-10 248	-7 451	-9 258
Operating profit before loan losses		231 917	169 735	225 801
Loan losses		-708	-3 030	-2 204
Profit before tax		231 209	166 705	223 597
Tax expense		-48 796	-34 739	-46 464
Net profit		182 413	131 966	177 133
Balance sheet figures (in million NOK)				
Total loan volume		38 473	33 606	34 371
Covered bonds issued (nominal value)		33 505	30 872	30 005
Covered bonds issued (carried value)		34 406	31 199	30 271
Total assets, end of period		41 036	36 759	36 359
Losses and defaults				
Loss rate (%)	1	0.00%	0.00%	0.01%
Solvency				
Common equity Tier 1 ratio	2	17.1%	17.4%	17.6%
Tier 1 capital ratio		18.7%	19.2%	19.3%
Total capital ratio		20.9%	21.7%	21.9%
Leverage ratio		6.6%	6.7%	6.9%
Other				
Loan to value	3	50.0%	51.5%	53.0%
Cover pool	4	39 001	34 832	35 423
Over-collateralisation (OC), (nominal)		16.4%	12.8%	18.1%

Alternative Performance Measures

Sbanken Boligkreditt AS (the company) discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are commonly used by analysts, investors and other stakeholders to evaluate the performance of the company in isolation or relative to the financial industry. The measures are provided to give an enhanced insight into the operations, financing and future prospects of the company. Some of the measures are presented in detail in notes to the financial statement and not repeated here.

References

1) Loss rate is calculated as the loan losses of the period divided by the average loan volume of the period. The measure is commonly used by banks and industry analysts to indicate the performance and quality of the lending book. For interim periods the loan losses for the period is annualised using the number of days in the period to the total number of days in the year.

2) Solvency figures are presented including profit for the period. Please refer to note 3 for further detail.

3) Loan-to-Value (LTV) is calculated as the loan amount divided by the estimated value of the property. When calculating a weighted average of LTV for the entire loan book, the credit balance of mortgages is used as weights. The LTV is provided as a measure of lending risk exposure.

4) Cover pool consist of mortgages and supplementary assets eligible according to the covered bonds legislation in Norway. Please refer to note 9 for further detail.

Third Quarter Results

Sbanken Boligkreditt AS had a net profit of NOK 82.7 million in the third quarter of 2020, compared to NOK 40.9 million in the third quarter of 2019.

At the end of the quarter, customer loans amounted to NOK 38.5 (33.6) billion. Outstanding covered bonds amounted to NOK 33.5 (30.9) billion. The average loan-to-value (LTV) ratio was 50.0 (51.5) per cent.

Sbanken Boligkreditt AS ("Sbanken Boligkreditt" or "the company") is a vehicle to fund the Sbanken group by issuing covered bonds based on residential mortgages. The company's offices are located in Bergen, Norway.

All comparable figures refer to the corresponding period previous year unless otherwise stated.

Important events during the quarter

Following the outbreak of coronavirus in the first half-year, domestic business activity has picked up and unemployment has come down from elevated levels. The easing of containment measures has led to a recent increase in infection rates and there still persists uncertainty regarding the economic development going forward.

Norge Bank kept the key policy rate unchanged at zero per cent, a record low level. The average three-month NIBOR rate was 0.28 per cent, down 18 basis points from the previous quarter.

The majority of customers who in March and April opted for instalment deferrals, have now returned to normal repayment schedules.

Operating income

Operating income increased to NOK 111.0 million, compared with NOK 56.0 million in the third quarter of 2019, following an increase in net interest income to NOK 116.1 (56.1) million and an decrease in other operating income to NOK -5.2 (-0.1) million.

Operating expenses

Operating expenses amounted to NOK 4.2 (2.5) million in the quarter and consisted mainly of administrative expenses related to the company's hire of management and administrative resources from Sbanken ASA.

Impairments and losses

Loan losses amounted to NOK 1.5 (2.1) million in the quarter. At the end of the quarter, expected credit losses (ECL) amounted to NOK 6.5 million.

Taxes

The estimated tax expense was NOK 22.5 (10.5) million in the quarter, corresponding to an effective tax rate of 21.4 (20.5) per cent.

Loans to customers

Loans to customers amounted to NOK 38.5 (33.6) billion.

Capitalisation, liquidity and financial position

Sbanken Boligkreditt had total booked equity of NOK 2.7 billion as of 30 September 2020, equivalent to a CET1 capital ratio of 17.1 per cent. Tier 1 capital ratio was 18.7 per cent and total capital ratio 20.9 per cent. The capital ratios include full retained earnings for the first nine months of 2020, following the company's zero dividend policy. Expected dividends for the group are deducted in the parent bank's capital ratio calculation.

As of quarter-end, the company had a leverage ratio of 6.6 per cent against a regulatory requirement of 3 per cent.

At quarter-end, Sbanken Boligkreditt had total liquid assets of NOK 1.7 (2.9) billion.

Sbanken Boligkreditt had NOK 33.5 (30.9) billion in outstanding debt issued as covered bonds as of 30 September 2020. Covered bonds issued by Sbanken Boligkreditt have been assigned the highest rating from Moody's Investors Service (Aaa) with stable outlook, last confirmed 14 August 2020.

Comments on the results for the first nine months of 2020

Sbanken Boligkreditt made a net profit of NOK 182.4 million in the first nine months of 2020, compared with NOK 132.0 million in the first nine months of 2019.

Net interest income amounted to NOK 253.6 (191.8) million. Operating expenses amounted to NOK 10.2 million, compared with NOK 7.5 million in the first nine months of 2019.

Loan losses for the nine months of 2020 amounted to NOK 0.7 (3.0) million.

Subsequent events

No significant events have occurred after 30 September 2020 that affect the financial statements for the third quarter of 2020.

Outlook

The outlook for the Norwegian economy has improved somewhat after the sharp downturn in the first half-year of 2020, but there still persists uncertainty regarding the development going forward.


Record low key policy rate puts downward pressure on the group's interest rate margin. In the medium term, key policy and money market rates are expected to remain at current levels. The full effects on net interest margin is dependent on changes in funding rates and competition.

Losses related to mortgages have historically been low. There is uncertainty regarding future loss levels, but a conservative lending portfolio and strong capital position ensures that the group is well positioned to face macroeconomic headwinds.

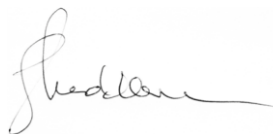
Sbanken Boligkreditt is well capitalised to acquire significant amounts of residential mortgages from Sbanken ASA to support the group's further growth.

Bergen, 12 November 2020

The Board of Directors, Sbanken Boligkreditt AS



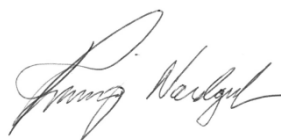
Mai-Lill Ibsen
(Chair)



Egil Møkleiv



Øyvind Thomassen



Henning Nordgulen
(CEO)

Income statement

In NOK thousand	Note	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Interest income	14	195 500	227 514	645 967	648 841	898 226
Interest expense	14	-79 377	-171 410	-392 387	-457 010	-648 172
Net interest income		116 123	56 105	253 581	191 831	250 053
Net gain (loss) on financial instruments	15	-5 164	-76	-11 415	-14 645	-14 994
Other income		0	0	0	0	0
Other operating income		-5 164	-76	-11 415	-14 645	-14 994
Personnel expenses	16	-90	-92	-274	-320	-415
Administrative expenses	16	-4 129	-2 379	-9 974	-7 131	-8 843
Profit before loan losses		106 740	53 557	231 917	169 735	225 801
Loan losses	10	-1 517	-2 093	-708	-3 030	-2 204
Profit before tax		105 223	51 464	231 209	166 705	223 597
Tax expense	17	-22 546	-10 542	-48 796	-34 739	-46 464
Profit for the period		82 677	40 922	182 413	131 966	177 133
Attributable to						
Shareholders		79 938	37 503	173 003	122 093	163 722
Tier 1 capital holders	13	2 739	3 419	9 410	9 873	13 411
Profit for the period		82 677	40 922	182 413	131 966	177 133

Statement of comprehensive income

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Profit for the period	82 677	40 922	182 413	131 966	177 133
Other comprehensive income					
Other comprehensive income that can be reclassified to profit or loss after tax	-1 019	-1 350	2 141	2 225	1 766
Other items that can not be reclassified to profit or loss after tax	0	0	0	0	0
Total components of other comprehensive income (after tax)	-1 019	-1 350	2 141	2 225	1 766
Total comprehensive income for the period	81 658	39 572	184 554	134 191	178 899
Attributable to					
Shareholders	78 919	36 153	175 144	124 318	165 488
Tier 1 capital holders	13	2 739	3 419	9 873	13 411
Total comprehensive income for the period	81 658	39 572	184 554	134 191	178 899

Balance sheet

In NOK thousand	Note	30.09.20	30.09.19	31.12.19
Assets				
Loans to and receivables from credit institutions	5,6	1 642 033	2 246 307	1 701 897
Loans to customers	5,6,7,8,18	38 466 119	33 599 273	34 365 353
Net loans to customers and credit institutions		40 108 152	35 845 580	36 067 250
Commercial paper and bonds at fair value through other comprehensive income (OCI)	18	76 073	643 562	86 411
Derivatives		848 159	265 675	201 842
Deferred tax assets		3 253	4 073	3 976
Other assets		0	0	0
Advance payment and accrued income		0	0	0
Total assets		41 035 637	36 758 891	36 359 479
Liabilities				
Loans from credit institutions	18	3 566 666	2 380 290	2 897 390
Debt securities issued	12,18	34 406 360	31 198 841	30 271 177
Deferred tax		0	0	0
Taxes payable	17	44 792	44 993	46 464
Other liabilities		25 002	357 999	326 468
Subordinated loan	12	325 000	325 000	325 000
Total liabilities		38 367 820	34 307 123	33 866 499
Equity				
Share capital		850 000	850 000	850 000
Share premium		849 880	849 880	849 880
Additional Tier 1 capital	13	225 796	226 059	226 102
Other equity		742 142	525 829	566 998
Total equity		2 667 817	2 451 768	2 492 980
Total liabilities and equity		41 035 637	36 758 891	36 359 479

Statement of changes in equity

In NOK thousand	Share capital	Share premium	Additional Tier 1 capital	Changes in fair value through other comprehensive income	Other equity	Total equity
Balance sheet as at 01.01.19	850 000	849 880	225 893	-15 861	417 370	2 327 282
Profit for the period to other equity (01.01.19 - 30.09.19)					122 093	122 093
Profit for the period to Tier 1 capital holders (01.01.19 - 30.09.19)			9 873			9 873
Payments to Tier 1 capital holders (01.01.19 - 30.09.19)			-9 707			-9 707
Net change of financial instruments at fair value through other comprehensive income (01.01.19 to 30.09.19)				2 225		2 225
Balance sheet as at 30.09.19	850 000	849 880	226 059	-13 636	539 463	2 451 768
Profit for the period to other equity (01.10.19 - 31.12.19)					41 629	41 629
Profit for the period to Tier 1 capital holders (01.10.19 - 31.12.19)			3 538			3 538
Payments to Tier 1 capital holders (01.10.19 - 31.12.19)			-3 495			-3 495
Net change of financial instruments at fair value through other comprehensive income (01.10.19 to 31.12.19)				-459		-459
Balance sheet as at 31.12.19	850 000	849 880	226 102	-14 095	581 092	2 492 980
Profit for the period to other equity (01.01.20 - 30.09.20)					173 003	173 003
Profit for the period to Tier 1 capital holders (01.01.20 - 30.09.20)			9 410			9 410
Payments to Tier 1 capital holders (01.01.20 - 30.09.20)			-9 716			-9 716
Net change of financial instruments at fair value through other comprehensive income (01.01.20 to 30.09.20)				2 141		2 141
Balance sheet as at 30.09.20	850 000	849 880	225 796	-11 954	754 095	2 667 817

Sbanken Boligkreditt AS is a wholly-owned subsidiary of Sbanken ASA.

Statement of cash flows

In NOK thousand	Note	Jan-Sep 20	Jan-Sep 19	2019
Cash flows from operating activities				
Net payments on loans to customers	5,6	-4 112 784	803 837	40 881
Interest received on loans to customers	14	653 099	638 754	883 951
Interest received on loans to credit institutions		2 774	1 170	1 914
Interest paid on loans and deposits from credit institution	14	-32 282	-30 459	-48 364
Net receipts/payments from buying and selling financial instruments at fair value	18	9 927	-546 081	10 062
Receipts of collateral related to derivatives used in hedge accounting		586 432	69 073	36 671
Interest received from commercial paper and bonds	14	1 497	442	2 552
Other interest cost		-5 594	0	-4 048
Payments related to administrative expenses	16	-9 832	-7 471	-9 387
Payments related to personnel expenses		-278	-326	-418
Taxes paid		-50 350	-42 384	-52 638
Other receipts/payments		863	-1 476	-2 120
Net cash flows from operating activities		-2 956 528	885 079	859 056
Cash flows from investment activities				
Net cash flows from investment activities		0	0	0
Cash flows from financing activities				
Receipts on issued covered bonds	12	10 000 000	3 450 000	3 450 000
Payments on matured and redeemed covered bonds	12	-6 510 538	-3 095 126	-3 964 475
Interest paid on covered bonds	14	-429 534	-403 181	-562 763
Net receipts on loans and deposits from credit institution	18	-144 780	259 747	776 847
Receipts on subordinated loan	12	0	0	0
Interest paid on subordinated loan	14	-8 767	-8 994	-12 055
Receipts on share capital and share premium	EQ	0	0	0
Receipts on issued additional Tier1 capital	13	0	0	0
Interest paid on additional Tier 1 capital	14	-9 717	-9 707	-13 202
Net cash flows from financing activities		2 896 664	192 739	-325 648
Total net cash flows		-59 864	1 077 818	533 408
Cash at the beginning of the period		1 701 897	1 168 489	1 168 489
Cash at the end of the period		1 642 033	2 246 307	1 701 897
Change in cash		-59 864	1 077 818	533 408
Cash				
Loans to credit institutions		1 642 033	2 246 307	1 701 897
Total cash		1 642 033	2 246 307	1 701 897

EQ = see statement of changes in equity.

Notes

Note 1 – Accounting Principles

The quarterly financial statement for Sbanken Boligkreditt AS has been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and adopted by the EU. A description of the accounting principles applied in the preparation of the financial statements appears in the annual report for 2019. There have been no changes or amendments to accounting principles in the period.

When preparing the financial statements, the management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the critical accounting estimates and areas where judgment is applied appear in note 2 in the annual report for 2019.

Following the outbreak of coronavirus COVID-19, Sbanken Boligkreditt AS has relied on the following assessments/assumptions in connection with the estimation of expected credit losses (ECL) on loans to customers, in addition to the principles described in Note 2 to the 2019 annual report:

1) Migration between stages as a result of granted instalment deferral

Sbanken Boligkreditt AS has offered all its mortgage customers instalment free periods of up to six months. It is the group's assessment that an instalment deferral in itself will not result in a migration from Stage 1 to Stage 2. Furthermore, a customer that is granted instalment deferral for up to six months is not in itself deemed to be an adequate indication of a significant increase in credit risk, unless the group has previous observations that indicate an increased credit risk for the customer.

2) Macroeconomic assumptions

As described in the 2019 annual report, the bank considers forward-looking information both when assessing whether the credit risk of an asset has increased significantly since initial recognition, and in order to arrive at an unbiased ECL estimate. Recognised ECL is calculated by probability weighting estimated ECL under the different scenarios. Three different scenarios have been used in the calculation (expected, optimistic and pessimistic), and the projection period is set to three years. After the projection period, there are not assumed to be any differences between the different scenarios. The process for assessing forward-looking information and applying the different scenarios is based on projections obtained from Statistics Norway and Norges Bank, in addition to the bank's annual ICAAP process.

In connection with the assessment of forward-looking information for Q3 2020, the bank has used projections set out in Norges Bank's Monetary Policy Report 3/20 (September 2020).

New and revised standards effective from 1 January 2020

Sbanken Boligkreditt AS has applied the new accounting standards effective from 1 January 2020, including changes in IAS 1 and IAS 8 regarding materiality and changes in IFRS 9 and IFRS 7 relating to hedge accounting as a result of the IBOR-reform.

New and revised standards effective from 1 January 2021 or later

Standards and interpretations that will enter into force for the annual periods beginning 1 January 2021 or later have not been used in the preparation of the financial statements. For Sbanken Boligkreditt AS no new standards will have material effect.

Note 2 – Segment information

Sbanken Boligkreditt AS has only one reporting segment, which comprises residential mortgages to private individuals. Management monitors the company only in relation to this segment.

Note 3 – Capital adequacy

The capital adequacy regulations are intended to improve institutions' risk management and achieve closer concordance between risk and capital. The applicable regulations for Norwegian banks are adapted to the EU's capital adequacy regulations for credit institutions and investment firms (CRD IV/CRR). Sbanken Boligkreditt AS uses the standard method to establish the risk weighted volume for credit risk and the standardised approach (changed from basic method in Q4 19) for operational risk. At the balance sheet date, no exposure was included in the volume for market risk.

In NOK thousand	30.09.20		30.09.19		31.12.19	
	Nominal exposure	Risk-Weighted volume	Nominal exposure	Risk-Weighted volume	Nominal exposure	Risk-Weighted volume
Central governments	25 684	0	162 047	0	35 985	0
Regional governments	3 253	8 133	4 073	10 183	3 976	9 939
Institutions	1 729 762	345 952	2 305 583	461 117	1 749 947	349 989
Secured by mortgages on immovable property	38 382 221	13 467 761	33 513 620	11 786 449	34 292 583	12 065 311
Exposures in default	83 898	83 898	85 653	85 653	72 770	72 770
Covered bonds	50 389	5 039	481 515	48 151	50 426	5 043
Total credit risk, standardised method ¹	40 275 207	13 910 783	36 552 491	12 391 553	36 205 687	12 503 052
Credit value adjustment risk (CVA risk)		43 898		40 523		30 647
Operational risk		357 665		367 727		357 665
Total risk- weighted volume		14 312 346		12 799 803		12 891 364
Capital base						
Share capital		850 000		850 000		850 000
Share premium		849 880		849 880		849 880
Other equity		569 139		403 735		403 276
Additional Tier 1 capital		225 796		226 059		226 102
Profit for the period		173 003		122 093		163 722
Total booked equity		2 667 817		2 451 768		2 492 980
Additional Tier 1 capital instruments included in total equity		-225 796		-226 059		-226 102
Common equity Tier 1 capital instruments		2 442 022		2 225 709		2 266 878
<i>Deductions</i>						
Value adjustment due to the requirements for prudent valuation (AVA)		-76		-644		-87
Profit for the period, not eligible ²		-173 003		-37 504		0
Common equity Tier 1 capital		2 268 943		2 187 561		2 266 791
Additional Tier 1 capital		225 000		225 000		225 000
Tier 1 capital		2 493 943		2 412 561		2 491 791
Tier 2 capital		325 000		325 000		325 000
Own funds (primary capital)		2 818 943		2 737 561		2 816 791
Specification of capital requirements						
Minimum requirements CET1 capital	4.5%	644 056	4.5%	575 991	4.5%	580 111
Capital conservation buffer	2.5%	357 809	2.5%	319 995	2.5%	322 284
Systemic risk buffer	3.0%	429 370	3.0%	383 994	3.0%	386 741
Countercyclical capital buffer	1.0%	143 123	2.0%	255 996	2.5%	322 284
Additional Tier 1 capital	1.5%	214 685	1.5%	191 997	1.5%	193 370
Tier 2 capital	2.0%	286 247	2.0%	255 996	2.0%	257 827
Total minimum and buffer requirements own funds (primary capital)	14.5%	2 075 290	15.5%	1 983 969	16.0%	2 062 618
Available CET1 capital after buffer requirements		694 585		651 585		655 371
Available Own funds (primary capital)		743 652		753 592		754 173
Capital ratio %						
		30.09.20		30.09.19		31.12.19
Common equity Tier 1 capital		15.9%		17.1%		17.6%
Additional Tier 1 capital		1.6%		1.8%		1.7%
Tier 2 capital		2.3%		2.5%		2.5%
Total capital ratio		19.7%		21.4%		21.9%

Capital ratio % (including interim profits ³)				
Common equity Tier 1 capital		17.1%	17.4%	17.6%
Additional Tier 1 capital		1.6%	1.8%	1.7%
Tier 2 capital		2.3%	2.5%	2.5%
Total capital ratio		20.9%	21.7%	21.9%

¹ The specification is according to EBA reporting framework.

² No external interim audit performed in 2020. The first nine months of 2019 included 100 per cent of the profit for the first half year of 2019 due to external interim audit.

³ Including 100 per cent of the profit. Expected dividends for the group are deducted in the parent bank's capital ratio calculation.

Note 4 – Leverage ratio

The leverage ratio requirements is a supplement to the risk-weighted minimum capital requirements and states that the capital base in financial institutions shall also comprise a defined percentage of the value of the company's assets and off-balance-sheet liabilities, calculated without risk weighting. The capital ratio consists of Tier 1 capital and the exposure target follows the rules in the Commission Delegated Regulation (EU) 2015-62. The minimum leverage ratio requirement for Norwegian banks and credit institutions is three per cent and an additional buffer requirement of two per cent for banks.

The table below shows the calculation for the company, on the basis of existing rule proposals and with credit conversion factors based on the current standardised approach, subject to a floor of 10 per cent.

In NOK thousand		30.09.20	30.09.19	31.12.19
Derivatives market value		39 679	11 225	0
Potential future exposure on derivatives		48 050	48 050	48 050
Loans and advances and other assets		40 187 478	36 493 216	36 157 637
Regulatory adjustments included in Tier 1 capital		0	0	0
Total leverage exposure		40 275 207	36 552 491	36 205 687
Tier 1 capital		2 493 943	2 412 561	2 491 791
Leverage ratio %		6.2 %	6.6 %	6.9 %
Leverage ratio % (including interim profits) ¹		6.6 %	6.7 %	6.9 %
Leverage Ratio requirements				
Minimum requirements	3.0%	1 208 256	1 096 575	1 086 171
Buffer requirements credit institutions	0.0%	0	0	0
Total minimum and buffer requirements (Tier 1 capital)	3.0%	1 208 256	1 096 575	1 086 171
Available Tier 1 capital after minimum and buffer requirements		1 285 687	1 315 986	1 405 620
Available Tier 1 capital after minimum and buffer requirement (including interim profits ¹)		1 458 690	1 353 490	1 405 620

¹ Including 100 per cent of the profit. Expected dividends for the group are deducted in the parent bank's capital ratio calculation.

Note 5 – Maximum exposure to credit risk

Credit risk is defined as the risk of loss resulting from a counterparty not fulfilling its obligations, and any pledged collateral not covering the outstanding claim. The company's maximum credit exposure is the book value of financial assets and any associated off-balance sheet liabilities. The following table shows the company's maximum credit risk exposure to financial instruments, by measurement categories.

30.09.20			
In NOK thousand	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Loans to and receivables from credit institutions	1 642 033	0	1 642 033
Loans to and receivables from central bank and credit institutions	1 642 033	0	1 642 033
Loans to customers, secured	38 472 598	0	38 472 598
Loans to and receivables from customers	38 472 598	0	38 472 598
Other financial assets with credit risk	0	0	0
Financial instruments at amortised cost	40 114 631	0	40 114 631
Commercial paper and bonds	76 073	0	76 073
Financial instruments at fair value through other comprehensive income	76 073	0	76 073
Derivatives	848 159	0	848 159
Financial instruments at fair value through profit and loss	848 159	0	848 159
Gross exposure	41 038 863	0	41 038 863
Other financial assets without credit risk	3 253	0	3 253
Impairment	-6 479	0	-6 479
Total net exposure	41 035 637	0	41 035 637

31.12.19			
In NOK thousand	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Loans to and receivables from credit institutions	1 701 897	0	1 701 897
Loans to and receivables from central bank and credit institutions	1 701 897	0	1 701 897
Loans to customers, secured	34 371 125	0	34 371 125
Loans to and receivables from customers	34 371 125	0	34 371 125
Other financial assets with credit risk	0	0	0
Financial instruments at amortised cost	36 073 022	0	36 073 022
Commercial paper and bonds	86 411	0	86 411
Financial instruments at fair value through other comprehensive income	86 411	0	86 411
Derivatives	201 842	0	201 842
Financial instruments at fair value through profit and loss	201 842	0	201 842
Gross exposure	36 361 275	0	36 361 275
Other financial assets without credit risk	3 976	0	3 976
Impairment	-5 772	0	-5 772
Total net exposure	36 359 479	0	36 359 479

Note 6 – Loans to credit institutions and customers

Gross carrying amount - Loans to credit institutions				
30.09.20				
In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers)	1 701 897	0	0	1 701 897
Transfers between stages	0	0	0	0
Opening balance gross carrying amount (after transfers)	1 701 897	0	0	1 701 897
Net new financial assets originated or derecognised	0	0	0	0
Financial assets that have been derecognised	-59 864	0	0	-59 864
Changes in interest accrual	0	0	0	0
Closing balance gross carrying amount	1 642 033	0	0	1 642 033
Maturity:				
In NOK thousands				
Loans with agreed maturity	0	0	0	0
Loans without agreed maturity	1 642 033	0	0	1 642 033
Total	1 642 033	0	0	1 642 033
Gross carrying amount - Loans to customers				
30.09.20				
In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers)	32 726 759	1 567 333	77 033	34 371 125
Transfers to Stage 1 (12-months ECL)	331 178	-329 964	-1 214	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-677 851	680 409	-2 558	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-12 412	-26 521	38 933	0
Net new financial assets originated or derecognised	4 361 283	-224 523	-23 425	4 113 335
Changes in interest accrual	-11 525	-867	530	-11 862
Other movements	0	0	0	0
Closing balance gross carrying amount 30.09.20	36 717 432	1 665 867	89 299	38 472 598
Gross carrying amount - Loans to credit institutions				
31.12.19				
In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers)	1 168 489	0	0	1 168 489
Transfers between stages	0	0	0	0
Opening balance gross carrying amount (after transfers)	1 168 489	0	0	1 168 489
Net new financial assets originated or derecognised	533 408	0	0	533 408
Changes in interest accrual	0	0	0	0
Closing balance gross carrying amount	1 701 897	0	0	1 701 897

In NOK thousands				
Loans with agreed maturity	0	0	0	0
Loans without agreed maturity	1 701 897	0	0	1 701 897
Total	1 701 897	0	0	1 701 897

Gross carrying amount - Loans to customers

31.12.19

In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers)	33 510 854	831 544	59 806	34 402 204
Transfers to Stage 1 (12-months ECL)	284 343	-280 481	-3 862	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-1 162 872	1 164 183	-1 311	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-39 480	-25 024	62 937	-1 567
Net new financial assets originated or derecognised	130 491	-124 372	-42 107	-35 988
Changes in interest accrual	3 423	1 483	1 570	6 476
Other movements	0	0	0	0
Closing balance gross carrying amount 31.12.19	32 726 759	1 567 333	77 033	34 371 125

Note 7 – Loans to customers by geographical area

Lending by geographical area

In NOK thousand	30.09.20		31.12.19	
	Percentage	Gross lending	Percentage	Gross lending
Eastern Norway ex. Oslo	45.2%	17 387 569	44.1%	15 154 207
Oslo	21.2%	8 144 420	19.4%	6 660 013
Southern Norway	1.8%	708 034	1.9%	662 679
Western Norway	20.4%	7 856 079	22.4%	7 695 833
Central Norway	4.5%	1 743 982	4.7%	1 600 376
Northern Norway	6.8%	2 632 514	7.6%	2 598 017
Total gross lending by geographical area	100.0%	38 472 598	100.0%	34 371 125

Note 8 – Credit risk exposure and collateral

The company's customer exposures comprise the bulk of the company's total credit exposure. A high percentage of the company's lending is collateralised. Collateral in the private retail market essentially comprise fixed property.

The table below shows the relationship between total credit exposure and the associated collateral distributed to exposure class. Lending secured by mortgages includes the percentage distributed of exposure relating to the various loan-to-value levels. The property values on which the calculations are based are updated in the last month of each quarter and are therefore representative of the current market value. The calculation of loan-to-value does not take into account any additional collateral.

In NOK thousand	30.09.20			31.12.19		
	Distribution as percentage	Gross carrying amounts	Unutilised credit lines	Distribution as percentage	Gross carrying amounts	Unutilised credit lines
Loan-to-value, secured loans						
0 % - 40 %	26.1%	10 039 097	0	23.4%	8 038 714	0
40 % - 60 %	44.0%	16 920 431	0	35.9%	12 322 404	0
60 % - 80 %	29.0%	11 138 908	0	39.3%	13 501 097	0
80 % - 90 %	0.5%	205 144	0	1.0%	336 355	0
90 % - 100 %	0.3%	98 997	0	0.3%	103 865	0
> 100 %	0.2%	70 021	0	0.2%	68 690	0
Residential mortgages	100.0%	38 472 598	0	100.0%	34 371 125	0

The table below shows the percentage allocation of exposures for mortgages for various loan-to-value levels. Where the entire exposure in the table above is placed in a related loan-to-value level, the relative share of the loan exposure at each level is shown in the table below.

In NOK thousand	30.09.20		31.12.19	
	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts
Loan-to-value, residential mortgages (relative distribution)				
0 % - 85 %	99.91%	38 439 136	99.90%	34 337 403
85 % - 100 %	0.06%	21 259	0.07%	23 115
> 100 %	0.03%	12 203	0.03%	10 607
Residential mortgages	100.0%	38 472 598	100.0%	34 371 125

Note 9 – Loan-to-value (LTV) and cover pool

In NOK thousand	30.09.20		31.12.19	
	Debt related to securities issued, nominal value	33 505 000		30 005 000
Debt related to securities issued, carried value	34 406 360		30 271 177	
Loans to customers (gross) ¹	38 436 090		34 323 261	
Average size of loan per customer	1 897		1 851	
Number of loans	20 261		18 536	
Weighted average since issuing of the loans (months)	53		54	
Weighted average remaining maturity (months)	259		259	
Average LTV (percent)	50.0		53.0	
Cover pool				
	30.09.20		31.12.19	
Loans secured with mortgages	38 436 090		34 323 261	
Not eligible for the over-collateralisation calculation	-269 253		-380 581	
Net loans that are in the over-collateralisation	38 166 837		33 942 680	
Supplementary assets	834 936		1 480 171	
Total cover pool for the over-collateralisation calculation	39 001 773		35 422 851	
	Nominal value	Carried value	Nominal value	Carried value
Over-collateralisation (percent)	16.4	13.4	18.1	17.0
Amount surpassing legal minimum requirements and requirements as indicated by rating agency	4 826 673	3 907 286	4 817 751	4 546 250

¹ Excluding accrued interest.

Note 10 – Loan losses

Expected credit loss (ECL)	January - September 2020			
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
In NOK thousand				
Opening balance ECL 01.01.20	219	1 290	4 263	5 772
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
Transfers to Stage 1	6	-228	0	-222
Transfers to Stage 2	-39	354	-55	260
Transfers to Stage 3	-1	-58	345	286
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	-130	-315	924	479
<i>Other changes:</i>				
New financial assets originated	329	136	0	465
Financial assets that have been derecognised	-230	-255	-76	-561
Write-offs, covered by previous write-downs			0	0
Changes to model assumption and methodologies	0	0	0	0
Other movements	0	0	0	0
Closing balance ECL 30.09.20	154	924	5 401	6 479

Specification of loan losses

In NOK thousands	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Changes in ECL, stage 1	12	-16	67	49	36
Changes in ECL, stage 2	-204	-419	363	-361	-546
Changes in ECL, stage 3	-1 325	-1 658	-1 138	-2 718	-1 694
Write-offs	0	0	0	0	0
Recoveries of previously written off loans	0	0	0	0	0
Net cost of loan losses in the period	-1 517	-2 093	-708	-3 030	-2 204

Expected credit loss (ECL)

Expected credit loss (ECL)	January - December 2019			
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
In NOK thousand				
Opening balance ECL 01.01.19	257	741	2 569	3 567
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
Transfers to Stage 1	6	-306	-265	-565
Transfers to Stage 2	-40	903	-10	853
Transfers to Stage 3	-2	-43	1 640	1 595
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	-46	-107	408	255
<i>Other changes:</i>				
New financial assets originated	169	324	34	527
Financial assets that have been derecognised	-125	-222	-113	-460
Write-offs, covered by previous write-downs			0	0
Changes to model assumption and methodologies	0	0	0	0
Other movements	0	0	0	0
Closing balance ECL 31.12.19	219	1 290	4 263	5 772

Note 11 – Credit-impaired assets and overdue loans

Credit-impaired assets		30.09.20					
In NOK thousand	Principal type of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
Loans to customers:							
Mortgages	Residential property	89 299	-5 401	83 898	83 898	0	0.0%
Total credit-impaired assets		89 299	-5 401	83 898	83 898	0	0.0%

Overdue loans - age distribution

The table below shows the carrying value of overdue loans and overdrawn amounts on credits allocated by number of days after maturity. The table provides an analysis of exposure where there is inadequate ability or propensity to pay, rather than overdue amounts attributable to a delay in transferring funds. Based on this and the company's internal routines for monitoring overdue exposure, the default must exceed NOK 800 for more than 6 days to be included in the second table below.

Overdue loans		30.09.20				
In NOK thousand	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	Total	
Mortgages	279 089	53 111	14 084	89 299	435 583	
Total	279 089	53 111	14 084	89 299	435 583	

Credit-impaired assets		31.12.19					
In NOK thousand	Principal type of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
Loans to customers:							
Mortgages	Residential property	77 033	-4 263	72 770	72 770	0	0.0%
Total credit-impaired assets		77 033	-4 263	72 770	72 770	0	0.0%

Overdue loans		31.12.19				
In NOK thousand	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	Total	
Mortgages	399 051	60 660	19 107	77 033	555 851	
Total	399 051	60 660	19 107	77 033	555 851	

Note 12 – Issued debt

Carried at amortised cost:

In NOK thousand	Currency	30.09.20	30.09.19	31.12.19
Bonds issued	NOK	34 406 360	31 198 841	30 271 177
Subordinated loan	NOK	325 000	325 000	325 000
Total debt securities issued		34 731 360	31 523 841	30 596 177

Specification of covered bonds as at 30.09.20:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Covered bonds						
NO0010745342	Sbanken Boligkreditt AS	4 700 000	NOK	Floating	14.10.21	4 693 958
NO0010786999	Sbanken Boligkreditt AS	7 000 000	NOK	Floating	27.04.22	7 016 718
NO0010790603	Sbanken Boligkreditt AS	7 000 000	NOK	Floating	10.02.23	7 019 071
NO0010887078	Sbanken Boligkreditt AS	5 000 000	NOK	Floating	17.06.24	5 000 000
NO0010878978	Sbanken Boligkreditt AS	5 000 000	NOK	Floating	20.06.25	5 000 000
XS1813051858	Sbanken Boligkreditt AS	500 000	EURO	Fixed	26.04.23	5 676 613
Total covered bonds						34 406 360

All covered bond loans have “soft bullet” with the possibility to extend the maturity with one year.

Subordinated loan

NO0010768120	Sbanken Boligkreditt AS	175 000	NOK	Floating	22.06.2026 ¹	175 000
NO0010821853	Sbanken Boligkreditt AS	150 000	NOK	Floating	26.04.2028 ²	150 000
Total subordinated loan		325 000				325 000

¹ First possible call date for the issuer is 22 June 2021. The loan agreement has covenants to qualify as Tier 2 capital.

² First possible call date for the issuer is 26 April 2023. The loan agreement has covenants to qualify as Tier 2 capital.

Changes of debt securities:

	31.12.19	January - September 2020				30.09.20
		Issued	Matured	Redeemed	Other adjustments	
Covered bonds (nominal)	30 005 000	10 000 000	-1 486 000	-5 014 000	0	33 505 000
Subordinated loan	325 000	0	0	0	0	325 000
Total	30 330 000	10 000 000	-1 486 000	-5 014 000	0	33 830 000

Note 13 – Additional Tier 1 Capital (hybrid capital)

In NOK thousand	Currency	30.09.20	30.09.19	31.12.19
Additional Tier 1 capital	NOK	225 000	225 000	225 000
Total Additional Tier 1 capital		225 000	225 000	225 000

Specification of additional Tier 1 capital as at 30.09.20:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity*	Carrying amounts
Additional Tier 1 capital						
NO0010768138	Sbanken Boligkreditt AS	125 000	NOK	3M Nibor+ 5.3 %	Perpetual ¹	125 000
NO0010821861	Sbanken Boligkreditt AS	100 000	NOK	3M Nibor+3.25%	Perpetual ²	100 000
Total additional Tier 1 capital						225 000

¹ The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first time being 22 June 2021.

² The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first time being 26 April 2023.

Change of Additional Tier 1 capital

	31.12.19	January - September 2020				30.09.20
		Issued	Matured	Redeemed	Other adjustments	
Additional Tier 1 capital	225 000	0	0	0	0	225 000
Total	225 000	0	0	0	0	225 000

As at 30 September 2020, NOK 0.8 million in accrued interest related to additional Tier 1 capital.

This has been recognised against additional Tier 1 capital and the carried value including accrued interest is NOK 225.8 million.

Note 14 – Net interest income

Net interest income

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Loans to and receivables from credit institutions	1 140	480	2 774	1 170	1 914
Loans to customers	193 827	226 208	641 788	646 258	893 753
Commercial paper and bonds	533	827	1 405	1 414	2 559
Total interest income	195 500	227 514	645 967	648 841	898 226
Loans and deposits from credit institutions	-7 648	-9 096	-32 282	-30 459	-48 364
Debt securities issued	-68 148	-156 143	-347 605	-414 550	-583 430
Subordinated loan	-2 182	-3 163	-8 304	-8 994	-12 330
Other interest expense	-1 400	-3 006	-4 196	-3 006	-4 048
Total interest expense	-79 377	-171 410	-392 387	-457 010	-648 172
Net interest income	116 123	56 105	253 581	191 831	250 053

All interest income from customers is related to residential mortgages.

Note 15 – Net gain (loss) on financial instruments

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
1) Financial instruments at fair value through profit and loss:					
Gain/(loss) on derivatives (used in hedge accounting)	1 124	127	539	-1 070	-176
Total gain/(loss) on financial instruments at fair value through profit and loss	1 124	127	539	-1 070	-176
2) Financial instruments at amortised cost:					
Gain (loss) by repurchase of own bonds at amortised cost	-6 347	-297	-11 975	-12 106	-12 120
Total gain (loss) on financial instruments at amortised cost	-6 347	-297	-11 975	-12 106	-12 120
3) Currency items:					
Gain (loss) on currency items	59	98	21	-670	-1 746
Total gain (loss) on currency items	59	98	21	-670	-1 746
4) Realisation of financial instruments at fair value through other comprehensive income					
Gain/(loss) by realisation of financial instruments:	0	-4	0	-799	-952
Total gain/(loss) by realisation of financial instruments at fair value through other comprehensive income	0	-4	0	-799	-952
Total gain (loss) on financial instruments recognised through profit and loss	-5 164	-76	-11 415	-14 645	-14 994

Note 16 – Administrative expenses

Other administrative expenses

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Consultants and other external services	-4 093	-2 374	-9 777	-7 005	-8 713
Other operating expenses	-37	-5	-198	-126	-130
Total other administrative expenses	-4 129	-2 379	-9 974	-7 131	-8 843

Personnel expenses

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Board remuneration	-81	-81	-242	-281	-364
Payroll tax	-9	-11	-32	-39	-51
Total personnel expenses	-90	-92	-274	-320	-415

Note 17 – Tax expense

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Taxes payable	22 299	10 542	48 677	34 739	46 464
Change in deferred tax	247	0	118	0	0
Correction of taxes payable previous year	0	0	0	0	0
Total tax expense	22 546	10 542	48 796	34 739	46 464
Reconciliation of the tax expense:					
Profit before tax	105 223	51 464	231 209	166 705	223 597
Expected tax expense at nominal rate of 22 % (in 2020) and 22 % (in 2019)	23 149	11 322	50 866	36 675	49 191
Tax effect from interest to Tier 1 capital holders	-602	-752	-2 070	-2 172	-2 951
Tax effect from unrealised financial instruments	0	-28	0	236	224
Correction of taxes payable previous year	0	0	0	0	0
Total tax expense	22 546	10 542	48 796	34 739	46 464
Effective tax rate	21.4%	20.5%	21.1%	20.8%	20.8%

Note 18 – Fair value of financial instruments

In NOK thousand	30.09.20		31.12.19	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Loans to and receivables from credit institutions (ac)	1 642 033	1 642 033	1 701 897	1 701 897
Loans to customers (ac)	38 466 119	38 466 119	34 365 353	34 365 353
Commercial paper and bonds at fair value through OCI	76 073	76 073	86 411	86 411
Derivatives (used in hedge accounting)	848 159	848 159	201 842	201 842
Other assets (ac)	0	0	3 976	3 976
Total assets financial instruments	41 032 384	41 032 384	36 359 479	36 359 479
Liabilities				
Loans and deposits from credit institutions (ac)	3 566 666	3 566 666	2 897 390	2 897 390
Debt securities issued (ac)	34 406 360	34 557 487	30 271 177	30 403 601
Other liabilities (ac)	25 002	25 002	326 468	326 468
Subordinated loan (ac)	325 000	328 358	325 000	331 799
Total liabilities financial instruments	38 323 028	38 477 513	33 820 035	33 959 258

(ac) = assets and liabilities booked at amortised cost.

30.09.2020

	Level 1	Level 2	Level 3	Total
Derivatives (used in hedge accounting)	0	848 159	0	848 159
Commercial paper and bonds at fair value through OCI	0	76 073	0	76 073
Total	0	924 232	0	924 232
Derivatives (used in hedge accounting)	0	0	0	0
Total	0	0	0	0

Financial instruments measured at fair value level 3

In NOK thousand

	Total
Opening balance 1 January 2020	0
Net gain/(loss) on financial instruments (unrealised)	0
Acquisitions / exits	0
Sale	0
Settlement	0
Transferred from Level 1 or Level 2	0
Transferred to Level 1 or Level 2	0
Other	0
Closing balance at 30 September 2020	0

There were no transfers of financial instruments between Level 1 and Level 2 in the period January to September 2020.

31.12.2019

	Level 1	Level 2	Level 3	Total
Derivatives (used in hedge accounting)	0	201 842	0	201 842
Commercial paper and bonds at fair value through OCI	0	86 411	0	86 411
Total	0	288 253	0	288 253
Derivatives (used in hedge accounting)	0	0	0	0
Total	0	0	0	0

Financial instruments measured at fair value level 3

In NOK thousand

	Total
Opening balance 1 January 2019	0
Net gain/(loss) on financial instruments (unrealised)	0
Acquisitions / exits	0
Sale	0
Settlement	0
Transferred from Level 1 or Level 2	0
Transferred to Level 1 or Level 2	0
Other	0
Closing balance at 31 December 2019	0

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2019.

Note 19 – Related party transactions

Liabilities to and receivables from Sbanken ASA

In NOK thousand	30.09.20	30.09.19	31.12.19
Liability related to overdraft facility to Sbanken ASA	2 758 186	2 380 290	2 897 390
Receivables related to deposits in Sbanken ASA	1 641 891	1 992 384	1 701 897
Sbanken ASAs ownership of covered bonds issued by Sbanken Boligkreditt AS	10 032 860	2 028 813	2 006 575
Sbanken ASAs ownership of subordinated loan issued by Sbanken Boligkreditt AS	325 000	325 000	325 000
Sbanken ASAs ownership of additional Tier 1 capital issued by Sbanken Boligkreditt AS	225 000	225 000	225 000

Transactions with Sbanken ASA

In NOK thousand	01.01.20 - 30.09.20	01.01.19 - 30.09.19	01.01.19 - 31.12.19
Purchase of services in line with service agreement	6 188	5 103	6 808
Interest expense on overdraft facility	32 282	30 459	48 364
Interest income on deposits	1 125	885	1 290
Interest on covered bonds issued by Sbanken Boligkreditt AS	45 132	12 657	23 898
Interest on subordinated loan issued by Sbanken Boligkreditt AS	8 304	8 994	12 330
Share of result related to Sbanken ASAs ownership of additional Tier 1 capital in Sbanken Boligkreditt AS	9 410	9 873	13 411

Note 20 – Subsequent events

There have not been any significant events subsequent to 30.09.20 that affect the financial statements for Q3 2020.

Sbanken

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