



Q1

First quarter 2020

(Unaudited)

Sbanken Boligkreditt AS

Key figures

In NOK thousand	Reference	Q1 20	Q1 19	2019
Summary of income statement				
Net interest income		59 853	72 578	250 053
Net other income		-3 767	-12 291	-14 994
Total income		56 086	60 287	235 059
Other operating expenses		-3 163	-2 039	-9 258
Operating profit before loan losses		52 923	58 248	225 801
Loan losses		-1 213	-208	-2 204
Profit before tax		51 710	58 040	223 597
Tax expense		-10 599	-12 055	-46 464
Net profit		41 111	45 985	177 133
Balance sheet figures (in million NOK)				
Total loan volume		36 125	33 700	34 371
Covered bonds issued (nominal value)		30 005	28 855	30 005
Covered bonds issued (carried value)		31 122	28 980	30 271
Total assets, end of period		38 737	34 146	36 359
Losses and defaults				
Loss rate (%)	1	0.01%	0.00%	0.01%
Solvency				
Common equity Tier 1 ratio	2	17.3%	17.3%	17.6%
Tier 1 capital ratio		19.0%	19.1%	19.3%
Total capital ratio		21.4%	21.7%	21.9%
Leverage ratio		6.8%	6.9%	6.9%
Other				
Loan to value	3	52.6%	49.7%	53.0%
Cover Pool	4	36 455	33 975	35 803
Over-collateralisation (OC), (nominal)		20.5%	16.2%	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.

First Quarter Results

Sbanken Boligkreditt AS had a net profit of NOK 41.1 million in the first quarter of 2020, compared to NOK 46.0 million in the first quarter of 2019.

At the end of the quarter, customer loans amounted to NOK 36.1 (33.7) billion. Outstanding covered bonds amounted to NOK 30.0 (28.9) billion. The average loan to value (LTV) was 52.6 (49.7) 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

In the first quarter of 2020, the outbreak of coronavirus Covid-19 has spread from China to large parts of the world, including Europe and Norway. The World Health Organisation (WHO) recognised the outbreak as a pandemic on 11 March. On 12 March, the Norwegian Government announced extensive measures to combat the outbreak, including the closure of schools and kindergartens, in addition to extensive fiscal and monetary policy measures. Many businesses have been forced to temporarily lay off staff, which has led to a sharp increase in registered unemployment in Norway.

On 13 March, the Ministry of Finance followed Norges Bank's advice to lower the countercyclical buffer requirement from 2.5 to 1 per cent, effective immediately. Norges Bank lowered the key policy rate twice in March, first from 1.5 per cent to 1 per cent on 13 March, then to 0.25 per cent on 20 March, a record low level for the Norwegian key policy rate. The three-month NIBOR rate decreased by 78 basis points from 1.84 per cent at the end of the fourth quarter, to 1.06 per cent at the end of the first quarter.

Sbanken followed Norges Bank's first rate cut by lowering interest rates by up to 50 basis points on 17 March, with mortgage rate cuts having full effect from 30 April. On 23 March, Sbanken lowered mortgage rates by 50 basis points with immediate effect for all customers.

To support customers facing an uncertain future, the bank has been offering deferral of instalments for all mortgage customers for up to three months. These measures are not expected to have a material effect on credit risk.

Operating income

Operating income was reduced to NOK 56.1 million compared with NOK 60.3 million in the first quarter of last year, following a decrease in net interest income to NOK 59.9 (72.6) million and an increase in other operating income to NOK -3.8 (-12.3) million.

Operating expenses

Operating expenses amounted to NOK 3.2 (2.0) 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 1.2 (0.2) million in the quarter. At the end of the quarter, expected credit losses (ECL) amounted to NOK 7.0 million.

Taxes

The estimated tax expense was NOK 10.6 (12.1) million in the first quarter, which corresponds to an effective tax rate of 20.5 (20.8) per cent.

Loans to customers

Loans to customers amounted to NOK 36.1 (33.7) billion.

Capitalisation, liquidity and financial position

Sbanken Boligkreditt had total booked equity of NOK 2.6 billion as of 31 March 2020, equivalent to a common equity Tier 1 capital ratio of 17.3 per cent. The Tier 1 capital ratio was 19.0 per cent and the total capital ratio 21.4 per cent. The capital ratios include full retained earnings for the first quarter 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 6.8 per cent compared with the regulatory requirement of 3 per cent.

Sbanken Boligkreditt had NOK 30.0 (28.9) billion in outstanding debt issued as covered bonds as of 31 March 2020.

At quarter-end, Sbanken Boligkreditt had total liquid assets of NOK 1.5 (0.4) billion.

Covered bonds issued by Sbanken Boligkreditt have been assigned the highest rating from Moody's Investors Service (Aaa) with stable outlook, last confirmed 8 April 2020.

Subsequent events

On 7 May, Norges Bank lowered the key policy rate by 0.25 percentage points to 0 per cent. The following day, Sbanken announced mortgage rate cuts of up to 0.4 percentage points, coming into full effect from 25 May.

Outlook

The outlook for the Norwegian economy has been significantly altered by the outbreak of coronavirus. Future growth rate, unemployment and housing prices are currently difficult to predict, but the development will be supported by Norway's scope for manoeuvrability in fiscal and monetary policy.

Record low key policy rate and executed reprising will put downward pressure on the group's interest rate margin. 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 increased uncertainty regarding future loss levels, but a conservative lending portfolio and strong capital position ensures that the group is well positioned to navigate through the COVID-19 pandemic.

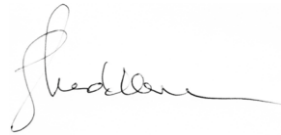
Sbanken Boligkreditt is also capitalised to acquire significant amounts of residential mortgages from Sbanken ASA to support the group's further growth.

Bergen, 14 May 2020

The Board of Directors, Sbanken Boligkreditt AS



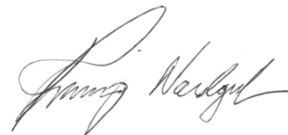
Mai-Lill Ibsen
(Chair)



Egil Mogleiv



Øyvind Thomassen



Henning Nordgulen
(CEO)

Income statement

In NOK thousand	Note	Q1 20	Q1 19	2019
Interest income	14	249 984	211 563	898 226
Interest expense	14	-190 130	-138 985	-648 172
Net interest income		59 853	72 578	250 053
Net gain (loss) on financial instruments	15	-3 767	-12 291	-14 994
Other income		0	0	0
Other operating income		-3 767	-12 291	-14 994
Personnel expenses	16	-92	-126	-415
Administrative expenses	16	-3 071	-1 913	-8 843
Profit before loan losses		52 923	58 248	225 801
Loan losses	10	-1 213	-208	-2 204
Profit before tax		51 710	58 040	223 597
Tax expense	17	-10 599	-12 055	-46 464
Profit for the period		41 111	45 985	177 133
Attributable to				
Shareholders		37 579	42 810	163 722
Tier 1 capital holders	13	3 532	3 175	13 411
Profit for the period		41 111	45 985	177 133

Statement of comprehensive income

In NOK thousand		Q1 20	Q1 19	2019
Profit for the period		41 111	45 985	177 133
Other comprehensive income				
Other comprehensive income that can be reclassified to profit or loss after tax		21 131	-3 175	1 766
Other items that can not be reclassified to profit or loss after tax		0	0	0
Total components of other comprehensive income (after tax)		21 131	-3 175	1 766
Total comprehensive income for the period		62 242	42 810	178 899
Attributable to				
Shareholders		58 710	39 635	165 488
Tier 1 capital holders	13	3 532	3 175	13 411
Total comprehensive income for the period		62 242	42 810	178 899

Balance sheet

In NOK thousand	Note	31.03.20	31.03.19	31.12.19
Assets				
Loans to and receivables from credit institutions	5,6	1 473 532	239 326	1 701 897
Loans to customers	5,6,7,8,18	36 118 072	33 695 941	34 365 353
Net loans to customers and credit institutions		37 591 604	33 935 267	36 067 250
Commercial paper and bonds at fair value through other comprehensive income (OCI)	18	76 016	124 403	86 411
Derivatives		1 069 828	81 105	201 842
Deferred tax assets		0	5 686	3 976
Other assets		0	0	0
Advance payment and accrued income		0	0	0
Total assets		38 737 448	34 146 461	36 359 479
Liabilities				
Loans from credit institutions	18	3 511 538	2 258 834	2 897 390
Debt securities issued	12,18	31 121 806	28 980 155	30 271 177
Deferred tax		1 167	0	0
Taxes payable	17	32 706	43 501	46 464
Other liabilities		1 193 558	170 277	326 468
Subordinated loan	12	325 000	325 000	325 000
Total liabilities		36 185 775	31 777 766	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	226 084	227 671	226 102
Other equity		625 709	441 145	566 998
Total equity		2 551 673	2 368 695	2 492 980
Total liabilities and equity		38 737 448	34 146 461	36 359 479

Statement of changes in equity

In NOK thousand	Share capital	Share premium	Additional Tier 1 capital	Changes in fair value through OCI	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 - 31.03.19)					42 810	42 810
Profit for the period to Tier 1 capital holders (01.01.19 - 31.03.19)			3 175			3 175
Payments to Tier 1 capital holders (01.01.19 - 31.03.19)			-1 397			-1 397
Net change of financial instruments at fair value through other comprehensive income (01.01.19 to 31.03.19)				-3 175		-3 175
Balance sheet as at 31.03.19	850 000	849 880	227 671	-19 036	460 180	2 368 695
Profit for the period to other equity (01.04.19 - 31.12.19)					120 912	120 912
Profit for the period to Tier 1 capital holders (01.04.19 - 31.12.19)			10 236			10 236
Payments to Tier 1 capital holders (01.04.19 - 31.12.19)			-11 805			-11 805
Net change of financial instruments at fair value through other comprehensive income (01.04.19 to 31.12.19)				4 941		4 941
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 - 31.03.20)					37 579	37 579
Profit for the period to Tier 1 capital holders (01.01.20 - 31.03.20)			3 532			3 532
Payments to Tier 1 capital holders (01.01.20 - 31.03.20)			-3 550			-3 550
Net change of financial instruments at fair value through other comprehensive income (01.01.20 to 31.03.20)				21 131		21 131
Balance sheet as at 31.03.20	850 000	849 880	226 084	7 036	618 671	2 551 673

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

Statement of cash flows

In NOK thousand	Note	Jan-Mar 20	Jan-Mar 19	2019
Cash flows from operating activities				
Net payments on loans to customers	5,6	-1 752 728	703 692	40 881
Interest received on loans to customers	14	247 596	209 659	883 951
Interest received on loans to credit institutions		695	334	1 914
Interest paid on loans and deposits from credit institution	14	-15 071	-11 092	-48 364
Net receipts/payments from buying and selling financial instruments at fair value	18	9 927	-28 671	10 062
Receipts of collateral related to derivatives used in hedge accounting		874 936	-91 826	36 671
Interest received from commercial paper and bonds	14	498	363	2 552
Other interest cost		0	0	-4 048
Payments related to administrative expenses	16	-2 770	-1 638	-9 387
Payments related to personnel expenses		-96	-131	-418
Taxes paid		-25 175	-21 192	-52 638
Other receipts/payments		-1 823	11 234	-2 120
Net cash flows from operating activities		-664 011	770 732	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	0	600 000	3 450 000
Payments on matured and redeemed covered bonds	12	0	-2 310 222	-3 964 475
Interest paid on covered bonds	14	-171 581	-122 132	-562 763
Net receipts on loans and deposits from credit institution	18	614 148	138 290	776 847
Receipts on subordinated loan	12	0	0	0
Interest paid on subordinated loan	14	-3 371	-2 748	-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	-3 550	-3 083	-13 202
Net cash flows from financing activities		435 646	-1 699 895	-325 648
Total net cash flows		-228 365	-929 163	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		1 473 532	239 326	1 701 897
Change in cash		-228 365	-929 163	533 408
Cash				
Loans to credit institutions		1 473 532	239 326	1 701 897
Total cash		1 473 532	239 326	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 three 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 Q1 2020, the bank has used projections set out in Norges Bank's Monetary Policy Report 1/20 (March 2020). The bank has chosen to adjust Norges Bank's projections for the development in housing prices and GDP slightly downwards, and to adjust the unemployment projections slightly upwards. Statistics Norway's projections were not published until late April, and were therefore not available when the model-based provisions were made.

It is underlined that the outbreak of COVID-19 has raised the level of uncertainty associated with forward-looking information considerably. At the same time, oil prices have also fallen dramatically and further increased the uncertainty for the outlook of the Norwegian economy. The uncertainty relates to the scope and duration of the financial consequences, as well as the impact of the relief measures that the Government has introduced. For Sbanken Boligkreditt, the unemployment rate and housing prices are important macroeconomic factors in the calculation of ECL.

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 accounts. 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	31.03.20		31.03.19		31.12.19	
	Nominal exposure	Risk-Weighted volume	Nominal exposure	Risk-Weighted volume	Nominal exposure	Risk-Weighted volume
Central governments	25 896	0	74 040	0	35 985	0
Regional governments	0	0	5 686	14 215	3 976	9 939
Institutions	1 521 582	304 316	296 285	59 257	1 749 947	349 989
Secured by mortgages on immovable property	36 046 976	12 651 094	33 633 929	11 821 180	34 292 583	12 065 311
Exposures in default	71 096	71 096	62 012	62 012	72 770	72 770
Covered bonds	50 120	5 012	50 366	5 037	50 426	5 043
Total credit risk, standardised method ¹	37 715 670	13 031 518	34 122 318	11 961 701	36 205 687	12 503 052
Credit value adjustment risk (CVA risk)		28 465		43 957		30 647
Operational risk		357 665		367 727		357 665
Total risk- weighted volume		13 417 648		12 373 385		12 891 364
Capital base						
Share capital		850 000		850 000		850 000
Share premium		849 880		849 880		849 880
Other equity		588 130		398 334		403 276
Additional Tier 1 capital		226 084		227 671		226 102
Profit for the period		37 579		42 810		163 722
Total booked equity		2 551 673		2 368 695		2 492 980
Additional Tier 1 capital instruments included in total equity		-226 084		-227 671		-226 102
Common equity Tier 1 capital instruments		2 325 589		2 141 024		2 266 878
<i>Deductions</i>						
Value adjustment due to the requirements for prudent valuation (AVA)		-76		-124		-87
Profit for the period, unaudited		-37 579		-42 810		0
Common equity Tier 1 capital		2 287 934		2 098 090		2 266 791
Additional Tier 1 capital		225 000		225 000		225 000
Tier 1 capital		2 512 934		2 323 090		2 491 791
Tier 2 capital		325 000		325 000		325 000
Own funds (primary capital)		2 837 934		2 648 090		2 816 791
Specification of capital requirements						
Minimum requirements CET1 capital	4.5%	603 794	4.5%	556 802	4.5%	580 111
Capital conservation buffer	2.5%	335 441	2.5%	309 335	2.5%	322 284
Systemic risk buffer	3.0%	402 529	3.0%	371 202	3.0%	386 741
Countercyclical capital buffer	1.0%	134 176	2.0%	247 468	2.5%	322 284
Additional Tier 1 capital	1.5%	201 265	1.5%	185 601	1.5%	193 370
Tier 2 capital	2.0%	268 353	2.0%	247 468	2.0%	257 827
Total minimum and buffer requirements own funds (primary capital)	14.5%	1 945 559	15.5%	1 917 875	16.0%	2 062 618
<i>Available CET1 capital after buffer requirements</i>		<i>811 992</i>		<i>613 284</i>		<i>655 371</i>
<i>Available Own funds (primary capital)</i>		<i>892 374</i>		<i>730 216</i>		<i>754 173</i>
Capital ratio %		31.03.20		31.03.19		31.12.19
Common equity Tier 1 capital		17.1%		17.0%		17.6%
Additional Tier 1 capital		1.7%		1.8%		1.7%
Tier 2 capital		2.4%		2.6%		2.5%
Total capital ratio		21.2%		21.4%		21.9%

Capital ratio % (including interim profits ²)				
Common equity Tier 1 capital		17.3%	17.3%	17.6%
Additional Tier 1 capital		1.7%	1.8%	1.7%
Tier 2 capital		2.4%	2.6%	2.5%
Total capital ratio		21.4%	21.7%	21.9%

¹ The specification is according to EBA reporting framework.

² 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		31.03.20	31.03.19	31.12.19
Derivatives market value		0	8 910	0
Potential future exposure on derivatives		48 050	48 050	48 050
Loans and advances and other assets		37 667 620	34 065 356	36 157 637
Regulatory adjustments included in Tier 1 capital		0	0	0
Total leverage exposure		37 715 670	34 122 316	36 205 687
Tier 1 capital		2 512 934	2 323 090	2 491 791
Leverage ratio %		6.7 %	6.8 %	6.9 %
Leverage ratio % (including interim profits) ¹		6.8 %	6.9 %	6.9 %
Leverage Ratio requirements				
Minimum requirements	3.0%	1 131 470	1 023 669	1 086 171
Buffer requirements credit institutions	0.0%	0	0	0
Total minimum and buffer requirements (Tier 1 capital)	3.0%	1 131 470	1 023 669	1 086 171
Available Tier 1 capital after minimum and buffer requirements		1 381 464	1 299 421	1 405 620
Available Tier 1 capital after minimum and buffer requirement (including interim profits ¹)		1 419 043	1 342 231	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.

31.03.20			
In NOK thousand	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Loans to and receivables from credit institutions	1 473 532	0	1 473 532
Loans to and receivables from central bank and credit institutions	1 473 532	0	1 473 532
Loans to customers, secured	36 125 057	0	36 125 057
Loans to and receivables from customers	36 125 057	0	36 125 057
Other financial assets with credit risk	0	0	0
Financial instruments at amortised cost	37 598 589	0	37 598 589
Commercial paper and bonds	76 016	0	76 016
Financial instruments at fair value through other comprehensive income	76 016	0	76 016
Derivatives	1 069 828	0	1 069 828
Financial instruments at fair value through profit and loss	1 069 828	0	1 069 828
Gross exposure	38 744 433	0	38 744 433
Other financial assets without credit risk	0	0	0
Impairment	-6 985	0	-6 985
Total net exposure	38 737 448	0	38 737 448

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				
31.03.20				
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	-228 365	0	0	-228 365
Financial assets that have been derecognised	0	0	0	0
Changes in interest accrual	0	0	0	0
Closing balance gross carrying amount	1 473 532	0	0	1 473 532
Maturity:				
In NOK thousands				
Loans with agreed maturity	0	0	0	0
Loans without agreed maturity	1 473 532	0	0	1 473 532
Total	1 473 532	0	0	1 473 532

Gross carrying amount - Loans to customers				
31.03.20				
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)	171 732	-171 732	0	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-547 012	548 223	-1 211	0
Transfers to Stage 3 (Lifetime ECL - impaired)	0	-13 636	13 636	0
Net new financial assets originated or derecognised	1 869 924	-103 555	-13 541	1 752 828
Changes in interest accrual	654	352	98	1 104
Other movements	0	0	0	0
Closing balance gross carrying amount 31.12.19	34 222 057	1 826 985	76 015	36 125 057

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

Maturity:

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	31.03.20		31.12.19	
	Percentage	Gross lending	Percentage	Gross lending
Eastern Norway ex. Oslo	44.7%	16 158 563	44.1%	15 154 207
Oslo	19.4%	6 991 468	19.4%	6 660 013
Southern Norway	1.9%	694 908	1.9%	662 679
Western Norway	21.8%	7 875 068	22.4%	7 695 833
Central Norway	4.7%	1 696 510	4.7%	1 600 376
Northern Norway	7.5%	2 708 540	7.6%	2 598 017
Total gross lending by geographical area	100.0%	36 125 057	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	31.03.20			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 %	22.3%	8 054 065	0	23.4%	8 038 714	0
40 % - 60 %	39.0%	14 101 543	0	35.9%	12 322 404	0
60 % - 80 %	37.5%	13 555 046	0	39.3%	13 501 097	0
80 % - 90 %	0.7%	257 717	0	1.0%	336 355	0
90 % - 100 %	0.3%	91 905	0	0.3%	103 865	0
> 100 %	0.2%	64 781	0	0.2%	68 690	0
Residential mortgages	100.0%	36 125 057	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	31.03.20		31.12.19	
	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts
Loan-to-value, residential mortgages (relative distribution)				
0 % - 85 %	99.90%	36 089 393	99.90%	34 337 403
85 % - 100 %	0.06%	21 611	0.07%	23 115
> 100 %	0.04%	14 053	0.03%	10 607
Residential mortgages	100.0%	36 125 057	100.0%	34 371 125

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

In NOK thousand	31.03.20		31.12.19		
	Nominal value	Carried value	Nominal value	Carried value	
Debt related to securities issued, nominal value	30 005 000		30 005 000		
Debt related to securities issued, carried value	31 121 806		30 271 177		
Loans to customers (gross)*	36 078 838		34 323 261		
Average size of loan per customer	1 850		1 851		
Number of loans	19 169		18 536		
Weighted average since issuing of the loans (months)	53		54		
Weighted average remaining maturity (months)	261		259		
Average LTV (percent)	52.6		53.0		
Cover pool					
		31.03.20		31.12.19	
Loans secured with mortgages		36 078 838		34 323 261	
Not eligible for the over-collateralisation calculation		-286 553		-380 581	
Net loans that are in the over-collateralisation		35 792 285		33 942 680	
Supplementary assets		376 572		1 480 171	
Total cover pool for the over-collateralisation calculation		36 168 857		35 422 851	
		Nominal value	Carried value	Nominal value	Carried value
Over-collateralisation (percent)		20.5	16.2	18.1	17.0
Amount surpassing legal minimum requirements and requirements as indicated by rating agency		5 563 757	4 424 615	4 817 751	4 546 250

*excl. earned interest

Note 10 – Loan losses

Expected credit loss (ECL)				
January - March 2020				
In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
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	-93	0	-87
Transfers to Stage 2	-36	386	-54	296
Transfers to Stage 3	0	-22	109	87
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	73	231	714	1 018
<i>Other changes:</i>				
New financial assets originated	103	0	0	103
Financial assets that have been derecognised	-28	-63	-113	-204
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 31.03.20	337	1 729	4 919	6 985

Specification of loan losses

In NOK thousands	Q1 20	Q1 19	2019
Changes in ECL, stage 1	-118	55	36
Changes in ECL, stage 2	-439	3	-546
Changes in ECL, stage 3	-656	-266	-1 694
Write-offs	0	0	0
Recoveries of previously written off loans	0	0	0
Net cost of loan losses in the period	-1 213	-208	-2 204

Expected credit loss (ECL)				
January - December 2019				
In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
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		31.03.20					
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	76 015	-4 919	71 096	71 096	0	0.0%
Total credit-impaired assets		76 015	-4 919	71 096	71 096	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		31.03.20			
In NOK thousand	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	Total
Mortgages	287 695	82 619	17 740	76 015	464 069
Total	287 695	82 619	17 740	76 015	464 069

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	31.03.20	31.03.19	31.12.19
Bonds issued	NOK	31 121 806	28 980 155	30 271 177
Subordinated loan	NOK	325 000	325 000	325 000
Total debt securities issued		31 446 806	29 305 155	30 596 177

Specification of covered bonds as at 31.03.20:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Covered bonds						
NO0010745334	Sbanken Boligkreditt AS	5 000 000	NOK	Floating	14.08.20	5 000 898
NO0010745342	Sbanken Boligkreditt AS	6 200 000	NOK	Floating	14.10.21	6 188 232
NO0010786999	Sbanken Boligkreditt AS	7 000 000	NOK	Floating	27.04.22	7 021 977
NO0010790603	Sbanken Boligkreditt AS	7 000 000	NOK	Floating	10.02.23	7 029 677
XS1813051858	Sbanken Boligkreditt AS	500 000	EURO	Fixed	26.04.23	5 881 022
Total covered bonds						31 121 806

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 - March 2020				31.03.20
		Issued	Matured	Redeemed	Other adjustments	
Covered bonds (nominal)	30 005 000	0	0	0	0	30 005 000
Subordinated loan	325 000	0	0	0	0	325 000
Total	30 330 000	0	0	0	0	30 330 000

Note 13 – Additional Tier 1 Capital (hybrid capital)

In NOK thousand	Currency	31.03.20	31.12.19
Additional Tier 1 capital	NOK	225 000	225 000
Total Additional Tier 1 capital		225 000	225 000

Specification of additional Tier 1 capital as at 31.03.20:

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 - March 2020				31.03.20
		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 31 March 2020, NOK 1.1 million in accrued interest is related to additional Tier 1 capital.

This has been recognised against the additional Tier 1 capital and the carried value including accrued interest is NOK 226.1 million.

Note 14 – Net interest income

Net interest income	Q1 20	Q1 19	2019
In NOK thousand			
Loans to and receivables from credit institutions	695	333	1 914
Loans to customers	248 800	210 863	893 753
Commercial paper and bonds	489	367	2 559
Total interest income	249 984	211 563	898 226
Loans and deposits from credit institutions	-15 071	-11 092	-48 364
Debt securities issued	-170 363	-125 044	-583 430
Subordinated loan	-3 346	-2 850	-12 330
Other interest expense	-1 350	0	-4 048
Total interest expense	-190 130	-138 985	-648 172
Net interest income	59 853	72 578	250 053

All interest income from customers is related to residential mortgages.

Note 15 – Net gain (loss) on financial instruments

In NOK thousand	Q1 20	Q1 19	2019
1) Financial instruments at fair value through profit and loss:			
Gain/(loss) on derivatives (used in hedge accounting)	-3 716	-1 010	-176
Total gain/(loss) on financial instruments at fair value through profit and loss	-3 716	-1 010	-176
2) Financial instruments at amortised cost:			
Gain (loss) by repurchase of own bonds at amortised cost	0	-10 494	-12 120
Total gain (loss) on financial instruments at amortised cost	0	-10 494	-12 120
3) Currency items:			
Gain (loss) on currency items	-51	-787	-1 746
Total gain (loss) on currency items	-51	-787	-1 746
4) Realisation of financial instruments at fair value through other comprehensive income			
Gain/(loss) by realisation of financial instruments:	0	0	-952
Total gain/(loss) by realisation of financial instruments at fair value through other comprehensive income	0	0	-952
Total gain (loss) on financial instruments recognised through profit and loss	-3 767	-12 291	-14 994

Note 16 – Administrative expenses

Other administrative expenses

In NOK thousand	Q1 20	Q1 19	2019
Consultants and other external services	-3 065	-1 910	-8 713
Other operating expenses	-6	-3	-130
Total other administrative expenses	-3 071	-1 913	-8 843

Personnel expenses

In NOK thousand	Q1 20	Q1 19	2019
Board remuneration	-81	-108	-364
Payroll tax	-11	-18	-51
Total personnel expenses	-92	-126	-415

Note 17 – Tax expense

In NOK thousand	Q1 20	Q1 19	2019
Taxes payable	11 417	12 055	46 464
Change in deferred tax	-818	0	0
Correction of taxes payable previous year	0	0	0
Total tax expense	10 599	12 055	46 464
Reconciliation of the tax expense:			
Profit before tax	51 710	58 040	223 597
Expected tax expense at nominal rate of 22 % (in 2020) and 22 % (in 2019)	11 376	12 769	49 191
Tax effect from interest to Tier 1 capital holders	-777	-492	-2 951
Tax effect from unrealised financial instruments	0	-222	224
Correction of taxes payable previous year	0	0	0
Total tax expense	10 599	12 055	46 464
Effective tax rate	20.5%	20.8%	20.8%

Note 18 – Fair value of financial instruments

In NOK thousand	31.03.20		31.12.19	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Loans to and receivables from credit institutions (ac)	1 473 532	1 473 532	1 701 897	1 701 897
Loans to customers (ac)	36 118 072	36 118 072	34 365 353	34 365 353
Commercial paper and bonds at fair value through OCI	76 016	76 016	86 411	86 411
Derivatives (used in hedge accounting)	1 069 828	1 069 828	201 842	201 842
Other assets (ac)	0	0	3 976	3 976
Total assets financial instruments	38 737 448	38 737 448	36 359 479	36 359 479
Liabilities				
Loans and deposits from credit institutions (ac)	3 511 538	3 511 538	2 897 390	2 897 390
Debt securities issued (ac)	31 121 806	31 163 361	30 271 177	30 403 601
Other liabilities (ac)	1 193 558	1 193 558	326 468	326 468
Subordinated loan (ac)	325 000	316 510	325 000	331 799
Total liabilities financial instruments	36 151 902	36 184 967	33 820 035	33 959 258

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

31.03.2020

	Level 1	Level 2	Level 3	Total
Derivatives (used in hedge accounting)	0	1 069 828	0	1 069 828
Commercial paper and bonds at fair value through OCI	0	76 016	0	76 016
Total	0	1 145 844	0	1 145 844
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 31 March 2020	0

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to March 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	31.03.20	31.03.19	31.12.19
Liability related to overdraft facility to Sbanken ASA	3 511 538	2 258 834	2 897 390
Receivables related to deposits in Sbanken ASA	376 372	200 009	1 701 897
Sbanken ASAs ownership of covered bonds issued by Sbanken Boligkreditt AS	3 289 120	140 923	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 - 31.03.20	01.01.19 - 31.03.19	2019
Purchase of services in line with service agreement	2 002	1 689	6 808
Interest expense on overdraft facility	15 071	11 092	48 364
Interest income on deposits	386	271	1 290
Interest on covered bonds issued by Sbanken Boligkreditt AS	14 400	1 492	23 898
Interest on subordinated loan issued by Sbanken Boligkreditt AS	3 346	2 850	12 330
Share of result related to Sbanken ASAs ownership of additional Tier 1 capital in Sbanken Boligkreditt AS	3 532	3 175	13 411

Note 20 – Subsequent events

There have not been any significant events subsequent to 31.03.20 that affect the financial statements for Q1 2020.

Sbanken

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<https://sbanken.no/IR/IR-english/funding-and-rating/funding>

<https://sbanken.no/IR/funding-og-rating/funding-no>