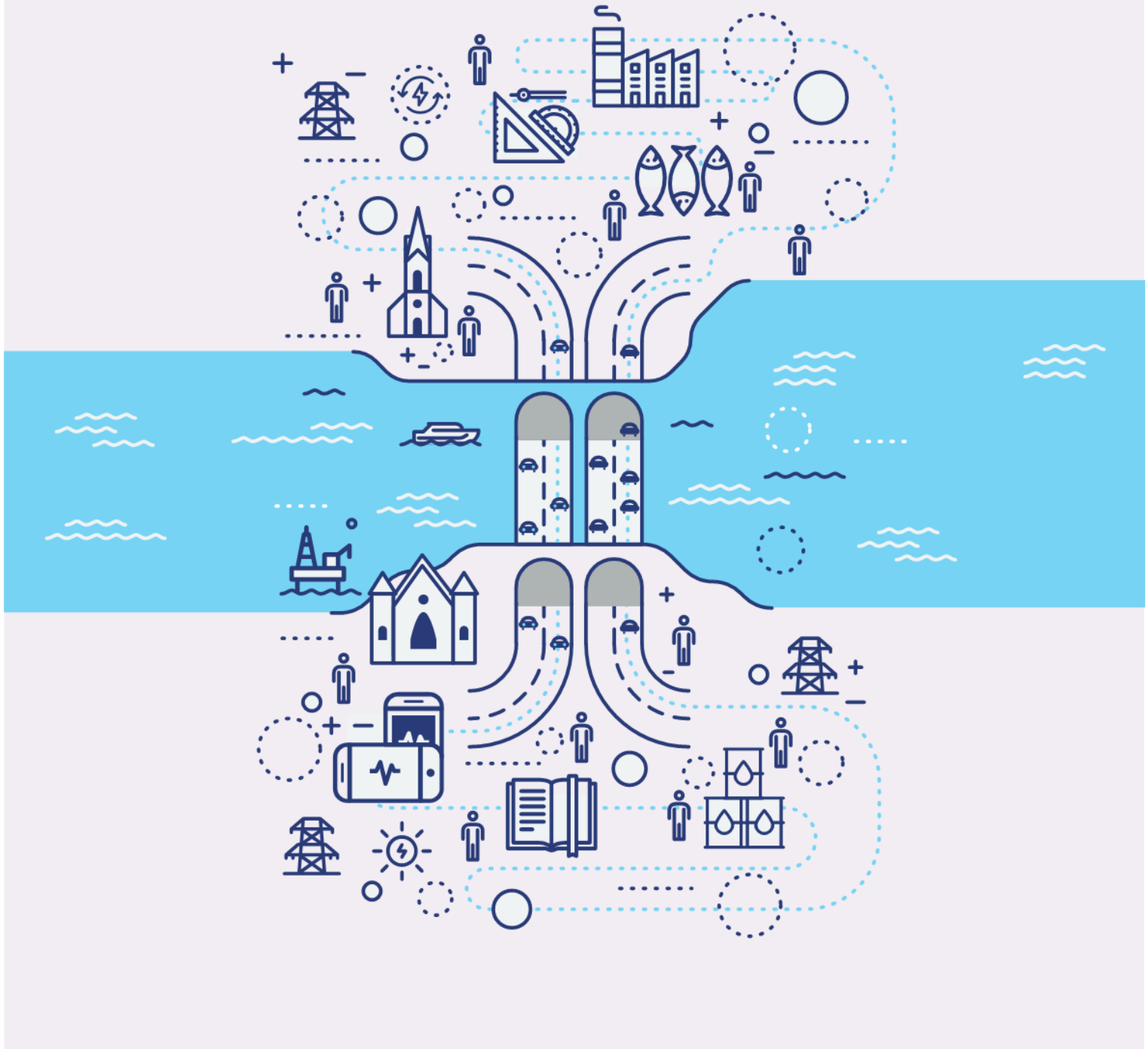


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Interim Financial Statements Q2 2017

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Statement of the Board of Directors

SR-Boligkreditt AS is a wholly owned subsidiary of SpareBank 1 SR-Bank. The company issues covered bonds backed by home mortgages acquired from SpareBank 1 SR-Bank. Moody's rates SR-Boligkreditt AS's covered bond programme Aaa.

Income statement as at 30. June 2017

Net income totalled NOK 67.7 million as at 30. June 2017.

(Amounts in NOK millions)	01.01.17 - 30.06.17	01.01.16 - 30.06.16
Total income	67,7	77,3
Net interest income	161,3	73,0
Net commission income	(11,7)	(5,7)
Net income on financial investments	(81,9)	10,0

Operating expenses are kept low due to effective operation and synergies with treasury in SpareBank 1 SR-Bank ASA. Other operating income is volatile due to changes in value of basis swaps.

Balance sheet

At end of June 2017, total assets stood at NOK 38.0 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 34.4 billion.

Risk

SR-Boligkreditt AS has established guidelines and limits for management and control of the different types of risk. Currency and interest rate risk is eliminated through the use of derivatives. Liquidity risk is managed in accordance with regulatory requirements and limits approved by the board. The company's overall financial risk is considered to be low. The servicing agreement with SpareBank 1 SR-Bank ASA comprises administration, bank production, IT operations, and financial and liquidity management. Operational risk is assessed as low. Negative developments in the housing market will affect the company. A decline in housing prices will reduce the value of the company's cover pool relative to the statutory asset coverage requirement. Quarterly stress tests are carried out to estimate effects of a negative development in housing prices. One short-term measure to meet a significant fall in housing prices would be to supply SR-Boligkreditt with home mortgages from SpareBank 1 SR-Bank. The board considers the company's total risk exposure to be low. At the end

of June 2017, the company's equity totalled NOK 3.1 billion. The capital adequacy ratio was 20.04%.

Outlook

The level of activity in the region will be moderate in 2017, but is expected to improve in the years ahead. Both oil companies and the supply industry have rationalized operations and reduced costs to adapt to the new level of turnover. This is affecting the overall level of activity. Export-oriented industries are experiencing growth due to a weak Norwegian kroner and greater competitiveness. The building and construction industry is seeing the positive effects of an improving local housing market and moderate to increasing activity is expected in this sector going forward. House prices are expected to be stable in SpareBank 1 SR-Bank's region. SR-Boligkreditt will continue to build the company's funding curve and to provide funding diversification for the parent bank. The volume of covered bond issues in 2017 is expected to be close to NOK 10 billion and to provide a sound basis for SpareBank 1 SR-Bank's lending activities.

Statement pursuant to the Securities Trading Act

Statement pursuant to Section 5-6 of the Securities Trading Act.

These interim financial statements for SR-Boligkreditt AS cover the period 1 January – 30 June 2017. The financial statements were prepared in accordance with IAS 34 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole. To the best of our knowledge, the fourth quarter report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the financial statements
- description of the principal risks and uncertainties facing the company over the next accounting period
- description of major transactions with related parties

Stavanger, 8. August 2017

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.17 - 30.06.17	01.01.16 - 30.06.16	Q2 2017	Q2 2016	2016
Interest income		414.921	203.498	227.497	109.791	508.319
Interest expense		253.588	130.448	133.752	69.554	339.006
Net interest income		161.333	73.049	93.745	40.236	169.312
Commission and fee expenses		11.728	5.689	6.321	3.218	14.952
Net commission income		-11.728	-5.689	-6.321	-3.218	-14.952
Net gains/losses on financial instruments	10	-81.931	9.955	-47.142	593	-33.402
Net income on financial investments		-81.931	9.955	-47.142	593	-33.402
Total net income		67.673	77.315	40.282	37.611	120.958
Administrative expenses		712	763	384	360	1.485
Other operating costs		-767	3.536	680	3.186	4.058
Total operating costs before impairment losses on loans		-55	4.299	1.064	3.546	5.543
Operating profit before impairment losses on loans		67.728	73.017	39.218	34.066	115.415
Impairment losses on loans and guarantees	5	1.202	823	-317	132	2.281
Pre-tax profit		66.526	72.194	39.535	33.934	113.134
Tax expense		16.632	18.048	9.884	8.483	28.284
Profit after tax		49.895	54.145	29.651	25.450	84.851
Other comprehensive income						
Adjustments		-	-	-	-	-
Comprehensive Income		49.895	54.145	29.651	25.450	84.851

Balance sheet

NOK 1 000	Note	30.06.17	30.06.16	31.12.16
Assets				
Balances with credit institutions		986.006	1.597.880	552.748
Loans to customers	2, 5	36.493.025	21.596.684	29.357.902
Bonds		100.165	49.957	49.967
Financial derivatives	9	394.592	353.424	171.271
Deferred tax assets		11.935	-	11.935
Other assets	3	1.275	400.637	489
Total assets		37.986.999	23.998.581	30.144.313
Liabilities and equity				
Liabilities				
Listed debt securities	7	34.370.446	21.647.178	27.272.136
Balances with credit institutions		237.007	-	-
Financial derivatives	9	281.811	251.575	717.386
Taxes payable	4	16.632	18.048	40.648
Other liabilities	4	4.498	1.774	3.432
Total liabilities		34.910.393	21.918.575	28.033.602
Equity				
Paid-in equity capital		3.025.150	2.025.150	2.025.150
Retained earnings		51.456	54.856	85.561
Total equity		3.076.606	2.080.006	2.110.711
Total liabilities and equity		37.986.999	23.998.581	30.144.313

Statement of changes in equity

NOK 1 000	Share- capital	Premium reserve	Other equity	Total equity
Incorporation 17 March 2015	150.000	150	-	150.150
Capital increase 24 April 2015	150.000	-	-	150.000
Capital increase 4 September 2015	225.000	-	-	225.000
Capital increase 27 October 2015	750.000	-	-	750.000
Profit for the period	-	-	28.710	28.710
Equity as of 31 December 2015	1.275.000	150	28.710	1.303.860
Dividend 2015, resolved in 2016	-	-	-28.000	-28.000
Capital increase 18 May 2016	750.000	-	-	750.000
Profit for the period	-	-	84.851	84.851
Equity as of 31 December 2016	2.025.000	150	85.561	2.110.711
Capital increase 20 January 2017	1.000.000	-	-	1.000.000
Dividend 2016, resolved in 2017	-	-	-84.000	-84.000
Profit for the period	-	-	49.895	49.895
Equity as of 30 June 2017	3.025.000	150	51.456	3.076.606

Cash flow statement

NOK 1 000	30.06.17	30.06.2016	31.12.16
Interest receipts from lending to customers	411.434	198.091	493.710
Provisions to SR-Bank	-9.481	-589	-14.952
Payments for operations	-2	-9.245	-4.093
Taxes paid	-40.648	-10.143	-10.143
Net cash flow relating to operations	361.303	178.114	464.522
Net purchase of loan portfolio	-7.134.749	-11.640.411	-19.393.732
Net payments on the acquisition of bonds	-49.990	-49.892	-49.892
Net investments in intangible assets	-	-	-
Net cash flow relating to investments	-7.184.739	-11.690.303	-19.443.624
Debt raised by issuance of securities	6.340.867	11.789.531	18.407.673
Receipts from borrowing from financial institutions	237.007	-	-
Paid in capital equity	1.000.000	750.000	750.000
Net interest payments on funding activities	-237.179	-107.957	-304.318
Dividend paid	-84.000	-28.000	-28.000
Net cash flow relating to funding activities	7.256.695	12.403.574	18.825.355
Net cash flow during the period	433.258	891.385	-153.747
Balance of cash and cash equivalents start of period	552.748	706.494	706.494
Balance of cash and cash equivalents end of period	986.006	1.597.879	552.748

Notes to The Financial statements

Note 1 Accounting policies

1. Basis of preparation

These interim financial statements for SR-Boligkreditt AS cover the period 1 January - 30 June 2017. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements were also prepared in accordance with the applicable IFRS standards and IFRIC interpretations. The interim financial statements are unaudited. All amounts are stated in NOK thousands unless stated otherwise.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual accounts for 2016.

There are no other standards or interpretations that are not currently in effect and could be expected to have a material effect on the financial statements.

2. Critical accounting estimates and judgements

The preparation of financial information pursuant to IFRS entails the executive management making estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognised as assets, liabilities, income and costs. Note 3 of the annual accounts for 2016 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

Note 2 Non-performing and impaired loans

NOK 1 000	30.06.17	30.06.16	31.12.16
Non-performing loans and advances			
Gross non-performing loans above 90 days	942	-	4.894
Provisions for Individual impairment losses	-	-	-
Net non-performing loans and advances	942	-	4.894
Loan loss provision ratio	0 %	0 %	0 %
Other problem commitments			
Problem commitments	-	-	-
Provisions for Individual impairment losses	-	-	-
Collective impairment loss provisions	3.976	1.316	2.774
Net other problem commitments	-	-	-
Loan loss provision ratio	0 %	0 %	0 %

Note 3 Other assets

NOK 1 000	30.06.17	30.06.16	31.12.16
Unsettled securities	-	400.000	-
Other assets	1.275	637	489
Total other assets	1.275	400.637	489

Note 4 Other liabilities

NOK 1 000	30.06.17	30.06.16	31.12.16
Taxes payable	16.632	18.048	40.648
Deferred taxes	-	429	-
Accounts payable	3.320	212	2
Accrued expenses and prepaid revenue	1.178	1.133	3.430
Total other liabilities	21.129	19.822	44.080

Note 5 Lending to Customers

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of the period were NOK 36,497 million. All mortgages carry a variable interest rate.

NOK 1 000	30.06.17	30.06.16	31.12.16
Flexible loans - retail market	10.288.538	4.438.786	6.751.694
Amortising loans - retail market	26.179.595	17.141.032	22.583.602
Accrued interest	28.868	18.182	25.381
Total loans before specified and unspecified loss provisions	36.497.001	21.598.000	29.360.677
Individual impairments	-	-	-
Impairments on groups of loans	-3.976	-1.316	-2.774
Total net loans and claims with customers	36.493.025	21.596.684	29.357.902
Liability			
Unused balances under customer revolving credit lines (flexible loans)	3.157.136	1.269.959	2.094.205
Total	3.157.136	1.269.959	2.094.205
Defaulted loans			
Defaults*	0 %	0 %	0 %
Specified loan loss provisions	0 %	0 %	0 %
Net defaulted loans	0 %	0 %	0 %
Loans at risk for loss			
Loan not defaulted but at risk of loss	0 %	0 %	0 %
- Write downs on loans at risk of loss	0 %	0 %	0 %
Net other loans at risk of loss	0 %	0 %	0 %

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

Changes to loan loss provisions NOK 1 000	30.06.17	30.06.16	31.12.16
Loan loss provisions starting balance	2.774	493	493
Change in group loan loss provisions	1.202	823	2.281
Loan loss provisions ending balance	3.976	1.316	2.774

Note 6 Capital adequacy

On 22 August 2014, the Ministry of Finance issued amendments to the capital requirements regulations that came into effect on 30 September 2014. The amendments were adjustments implemented to comply with the EU's new capital adequacy regulations for banks and securities undertakings (CRD IV/CRR) and entail the minimum requirement for common equity tier 1 capital ratio gradually increasing in the run up to 31 December 2017.

SR-Boligkreditt AS has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk. The use of IRB requires the company to comply with extensive requirements relating to organisation, expertise, risk models and risk management systems.

NOK 1 000	30.06.17	30.06.16	31.12.16
Share capital	3.025.000	2.025.000	2.025.000
Premium reserve	150	150	150
Other equity	1.561	710	710
Total Common equity Tier 1 capital	3.026.711	2.025.860	2.025.860
Intangible assets	-	-634	-
Deduction for proposed dividend	-	-	-84.000
Deduction for expected losses on IRB, net of write-downs	-56.304	-35.029	-52.014
Value of derivative liabilities at fair value	-755	-152	-883
Total Tier 1 capital	2.969.652	1.990.045	1.888.963
Net primary capital	2.969.652	1.990.045	1.888.963
Credit risk	7.853.441	5.368.711	6.355.116
Operational risk	168.738	94.376	94.376
Transitional scheme	6.797.900	3.660.841	5.639.503
Risk weighted balance	14.820.079	9.123.928	12.088.995
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	666.904	410.577	544.005
Buffer requirements:			
Capital conservation buffer 2,5 %	370.502	228.098	302.225
Systemic risk buffer 3 %	444.602	273.718	362.670
Countercyclical capital buffer 1,5 %	222.301	136.859	181.335
Total buffer requirement to common equity Tier 1 capital ratio	1.037.406	638.675	846.230
Available common equity Tier 1 capital ratio after buffer requirement	1.265.343	940.793	498.729
Capital ratio	20,04 %	21,81 %	15,63 %
Tier 1 capital ratio	20,04 %	21,81 %	15,63 %
Common equity Tier 1 capital ratio	20,04 %	21,81 %	15,63 %
Leverage Ratio	7,09 %	7,72 %	6,49 %

Note 7 Debt securities issued

NOK 1 000	30.06.17	30.06.16	31.12.16
Covered bonds	34.263.920	21.610.616	27.209.665
Accrued interests	106.526	36.562	62.471
Total securities issued	34.370.446	21.647.178	27.272.136

			Nominal amount
Change in debt raised through issuance of securities	30.06.17	30.06.16	31.12.16
Covered bonds start of period	27.757.191	9.337.400	9.337.400
Covered bonds issued	6.340.867	12.187.825	18.419.791
Total debt raised through issuance of securities	34.098.058	21.525.225	27.757.191

* The nominal amount is the principal at the exchange rate when the new loan is raised (EUR/NOK)

Securities issued by maturity date (principal)

			Nominal amount
Public covered bonds	30.06.17	30.06.16	31.12.16
2017	60.000	2.500.000	60.000
2018	-	-	-
2019	5.000.000	-	5.000.000
2020	9.737.400	6.837.400	9.737.400
2021	6.968.775	6.968.775	6.968.775
2022	5.161.200	-	-
2023	5.701.410	4.819.050	4.819.050
2029	137.307	-	-
2031	90.918	-	90.918
2032	1.060.000	400.000	900.000
2041	181.048	-	181.048
Sum	34.098.058	21.525.225	27.757.191

Liabilities by currency (book value at end of quarter)

NOK	11.068.541	5.001.684	10.906.062
EUR	23.301.905	16.645.494	16.366.075
Sum	34.370.446	21.647.178	27.272.136

Note 8 Asset coverage

The asset coverage is calculated according to the Financial Services Act, section 2-31. There is a discrepancy between the balance sheet amounts, partly because lending will be reduced due to non-performing loans (no occurrences of non-performance as of 30 June 2017) and loans subject to a change in the loan-to-collateral value ratio in excess of 75%. Market values for all elements in asset coverage are also used.

NOK 1 000	30.06.17	30.06.16	31.12.16
Covered bonds	34.652.257	21.647.178	27.989.523
Total covered bonds	34.652.257	21.647.178	27.989.523
Loans to customers	36.172.232	21.574.405	29.134.271
Substitute collateral	1.380.598	1.749.685	773.986
Total cover pool	37.552.830	23.324.090	29.908.257
Asset coverage	108,4 %	107,7 %	106,9 %

Note 9 Financial derivatives

At fair value through profit and loss NOK 1 000	Contract amount 30.06.17	Fair value at 30.06.17	
		Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	47.206.829	359.620	293.961
Total hedging / Interest and exchange rate instruments	47.206.829	359.620	293.961
Total currency and interest rate instruments			
Total interest and exchange rate instruments	47.206.829	359.620	293.961
Total accrued interests	47.122	34.972	-12.150
Total financial derivatives	47.253.951	394.592	281.811

SR-Boligkreditt AS has an ISDA agreement with a CSA supplement with the counterparty for derivatives. The agreement is one-way, which means only the counterparty has to pledge security when the market value of derivatives fluctuates.

Note 10 Net income from financial instruments

NOK 1 000	30.06.17	30.06.16	31.12.16
Net gains for bonds and certificates	180	18	23
Net change in value, basis swap spread	-87.417	17.332	-27.386
Net change in value, other financial investments	5.263	-7.395	-6.042
Net gain currency	43	-	3
Net income from financial instruments	-81.931	9.955	-33.402

Note 11 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 30 June 2017.

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