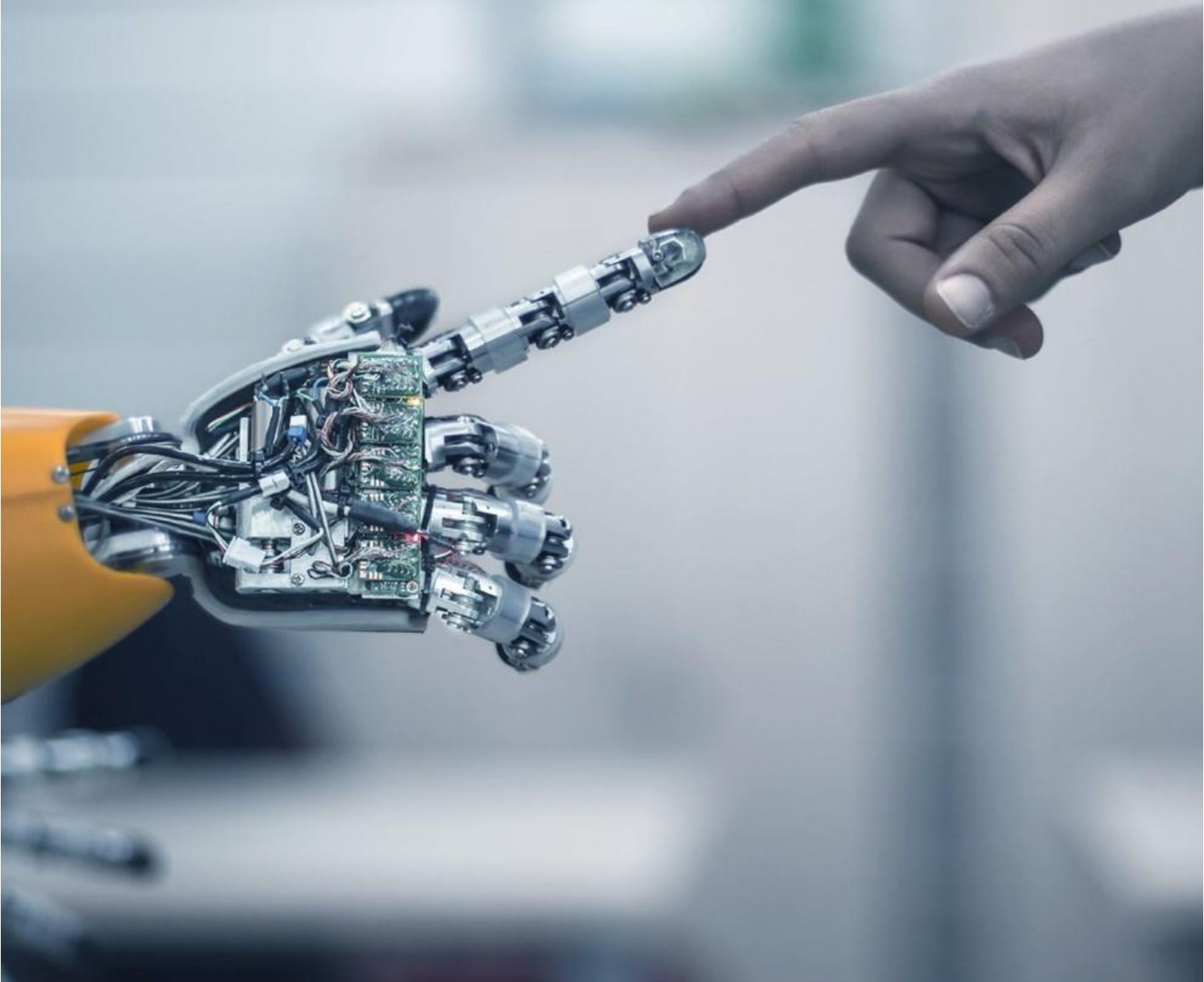


FOURTH QUARTER 2016

The impossible is solved
by incredible people



SR-Boligkreditt

Subsidiary of SpareBank 1 SR-Bank

Interim Financial Statements Q4 2016

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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 31. December 2016

Net income totalled NOK 121.0 million as at 31. December 2016.

(Amounts in NOK millions)	01.01.16 - 31.12.16	17.03.15 - 31.12.15
Total income	121,0	45,7
Net interest income	169,3	50,3
Net other operating income	(48,4)	(4,6)

Operating expenses are kept low due to effective operation and synergies with treasury in SpareBank 1 SR-Bank ASA and totalled NOK 5.5 million as at 31. December 2016. Other operating income is volatile due to changes in value of basis swaps.

Balance sheet

At end of December 2016, total assets stood at NOK 30.1 billion. SR-Boligkreditt AS has NOK 10.9 billion outstanding in the Norwegian market and NOK 16.4 billion in EURO.

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 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 December 2016, the company's equity totalled NOK 2.1 billion. The capital adequacy ratio was 16.33%.

Outlook

Economic forecasts for 2017 indicate moderate global economic growth. Economic growth is also expected in Norway, although the growth will probably slow somewhat as a result of declining oil investments and their spillover effects on the mainland economy. House prices are expected to remain 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 – 31 December 2016. 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. February 2017

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.16 - 31.12.16	17.03.15- 31.12.15	Q4 2016	Q4 2015
Interest income		508.319	124.749	166.965	64.179
Interest expense		339.006	74.416	115.957	37.333
Net interest income		169.312	50.333	51.008	26.846
Commission and fee expenses		14.952	2.941	5.024	1.697
Net gains/losses on financial instruments	10	-33.402	-1.664	-56.537	6.387
Net other operating income		-48.354	-4.605	-61.561	4.690
Total operating income		120.958	45.728	-10.553	31.536
Administrative expenses		1.485	1.821	415	589
Other operating costs		4.058	4.132	427	1.149
Total operating costs		5.543	5.953	842	1.738
Operating profit before impairment losses		115.415	39.775	-11.395	29.798
Impairment losses on loans and guarantees	5	2.281	493	1.135	493
Pre-tax profit		113.134	39.282	-12.530	29.305
Tax expense		28.284	10.572	-3.132	7.878
Profit after tax		84.851	28.710	-9.397	21.427
Adjustments		0	0	0	0
Comprehensive Income		84.851	28.710	-9.397	21.427

Balance sheet

NOK 1 000	Note	31.12.16	31.12.15
Assets			
Balances with credit institutions		552.748	706.494
Loans to customers	2, 5	29.357.902	9.949.686
Bonds		49.967	0
Financial derivatives	9	171.271	96.103
Deferred tax assets		11.935	0
Other assets	3	489	821
Total assets		30.144.313	10.753.104
Liabilities and equity			
Liabilities			
Listed debt securities	7	27.272.136	9.438.553
Financial derivatives	9	717.386	0
Taxes payable	4	40.648	10.143
Other liabilities	4	3.432	548
Total liabilities		28.033.602	9.449.244
Equity			
Paid-in equity capital		2.025.150	1.275.150
Retained earnings		85.561	28.710
Total equity		2.110.711	1.303.860
Total liabilities and equity		30.144.313	10.753.104

Statement of changes in equity

NOK 1 000	Share-capital	Premium reserve	Other equity	Total equity
Equity as of 31. December 2014	0	0	0	0
Incorporation 17. March 2015	150.000	150	0	150.150
Capital increase 24. April 2015	150.000	0	0	150.000
Capital increase 4. September 2015	225.000	0	0	225.000
Capital increase 27. October 2015	750.000	0	0	750.000
Profit for the period	0	0	28.710	28.710
Equity as of 31. December 2015	1.275.000	150	28.710	1.303.860
Dividend 2015, resolved in 2016	0	0	-28.000	-28.000
Capital increase 18. Mai 2016	750.000	0	0	750.000
Profit for the period	0	0	84.851	84.851
Equity as of 31. December 2016	2.025.000	150	85.561	2.110.711

Cash flow statement

NOK 1 000	31.12.16	17.03.15- 31.12.15
Interest receipts from lending to customers	493.710	113.976
Provisions to SR-Bank	-14.952	0
Payments for operations	-4.093	-8.716
Taxes paid	-10.143	0
Net cash flow relating to operations	464.522	105.260
Net purchase of loan portfolio	-19.393.732	-9.939.407
Net payments on the acquisition of bonds	-49.892	0
Net investments in intangible assets	0	-880
Net cash flow relating to investments	-19.443.624	-9.940.287
Debt raised by issuance of securities	18.407.673	9.333.893
Receipts from borrowing from financial institutions	0	0
Paid in capital equity	750.000	1.275.150
Net interest payments on funding activities	-304.318	-67.522
Dividend paid	-28.000	0
Net cash flow relating to funding activities	18.825.355	10.541.521
Net cash flow during the period	-153.747	706.494
Balance of cash and cash equivalents start of period	706.494	0
Balance of cash and cash equivalents end of period	552.747	706.494

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 - 31 December 2016. 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 2015.

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 2015 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

Note 2 Non-performing and impaired loans

	31.12.16	31.12.15
Non-performing loans and advances		
Gross non-performing loans above 90 days	4.894	0
Provisions for Individual impairment losses	0	0
Net non-performing loans and advances	4.894	0
Loan loss provision ratio	0 %	0 %
Other problem commitments		
Problem commitments	0	0
Provisions for Individual impairment losses	0	0
Collective impairment loss provisions	0	0
Net other problem commitments	0	0
Loan loss provision ratio	0 %	0 %

Note 3 Other assets

	31.12.16	31.12.15
Other assets	489	821
Total other assets	489	821

Note 4 Other liabilities

	31.12.16	31.12.15
Taxes payable	40.648	10.143
Deferred taxes	0	429
Accounts payable	2	40
Accrued expenses and prepaid revenue	3.430	79
Total other liabilities	44.080	10.691

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 29,361 million. All mortgages carry a variable interest rate.

	31.12.16	31.12.15
Flexible loans - retail market	6.751.694	896.941
Amortising loans - retail market	22.583.602	9.042.466
Accrued interest	25.381	10.773
Total loans before specified and unspecified loss provisions	29.360.677	9.950.180
Specified loan loss provisions	0	0
Unspecified loan loss provisions	-2.774	-493
Total net loans and claims with customers	29.357.902	9.949.687
Liability		
Unused balances under customer revolving credit lines (flexible loans)	2.094.205	220.634
Total	2.094.205	220.634
Defaulted loans		
Defaults*	0 %	0 %
Specified loan loss provisions	0 %	0 %
Net defaulted loans	0 %	0 %
Loans at risk for loss		
Loan not defaulted but at risk of loss	0 %	0 %
- Write downs on loans at risk of loss	0 %	0 %
Net other loans at risk of loss	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

	31.12.16	31.12.15
Loan loss provisions starting balance	493	-
Change in group loan loss provisions	2.281	493
Loan loss provisions ending balance	2.774	493

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.

	31.12.16	31.12.15
Share capital	2.025.000	1.275.000
Premium reserve	150	150
Other equity	85.561	28.710
Total Common equity Tier 1 capital	2.110.711	1.303.860
Intangible assets	-	-781
Deduction for proposed dividend	-84.000	-28.000
Deduction for expected losses on IRB, net of write-downs	-52.014	-16.784
Value of derivative liabilities at fair value	-883	-96
Total Tier 1 capital	1.973.814	1.258.199
Net primary capital	1.973.814	1.258.199
Credit risk	6.355.116	2.311.343
Operational risk	94.376	33.872
Transitional scheme	5.639.503	1.682.429
Risk weighted balance	12.088.995	4.027.644
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	544.005	181.244
Buffer requirements:		
Capital conservation buffer 2,5 %	302.225	100.691
Systemic risk buffer 3 %	362.670	120.829
Countercyclical capital buffer 1,5 % ¹⁾	181.335	40.276
Total buffer requirement to common equity Tier 1 capital ratio	846.230	261.797
Available common equity Tier 1 capital ratio after buffer requirement	583.579	815.158
Capital ratio	16,33 %	31,24 %
Tier 1 capital ratio	16,33 %	31,24 %
Common equity Tier 1 capital ratio	16,33 %	31,24 %
Leverage Ratio	6,49 %	11,20 %

¹⁾ The countercyclical capital buffer 31.12.16 is calculated to 1,5 % . Comparable figures are calculated to 1 % .

Note 7 Securities issued

	31.12.16	31.12.15
Covered bonds	27.209.665	9.429.274
Accrued interests	62.471	9.279
Total securities issued	27.272.136	9.438.553

	31.12.16	Nominal amount 31.12.15
Change in debt raised through issuance of securities	31.12.16	31.12.15
Covered bonds	18.419.791	9.337.400
Total debt raised through issuance of securities	18.419.791	9.337.400

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

Securities issued by maturity date (principal)

	31.12.16	Nominal amount 31.12.15
Public covered bonds	31.12.16	31.12.15
2017	60.000	2.500.000
2018	-	-
2019	5.000.000	-
2020	9.737.400	6.837.400
2021	6.968.775	-
2022	-	-
2023	4.819.050	-
2031	90.918	-
2032	900.000	-
2041	181.048	-
Sum	27.757.191	9.337.400

Liabilities by currency (book value at end of quarter)

NOK	10.906.062	4.600.521
EUR	16.366.075	4.838.032
Sum	27.272.136	9.438.553

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 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.

	31.12.16	31.12.15
Covered bonds	27.989.523	9.438.553
Total covered bonds	27.989.523	9.438.553
Loans to customers	29.134.271	9.873.033
Substitute collateral	773.986	802.597
Total cover pool	29.908.257	10.675.630
Asset coverage	106,9 %	113,1 %

Note 9 Financial derivatives

At fair value through profit and loss	Contract amount	Fair value at 31.12.16	
	31.12.16	Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	33.872.051	133.705	699.086
Total hedging / Interest and exchange rate instruments	33.872.051	133.705	699.086
Total currency and interest rate instruments			
Total interest and exchange rate instruments	33.872.051	133.705	699.086
Total accrued interests	-	37.566	18.300
Total financial derivatives	33.872.051	171.271	717.386

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

	31.12.16	31.12.15
Net gains for bonds and certificates	23	0
Net change in value, basis swap spread	-27.386	2.998
Net change in value, other financial investments	-6.042	-4.602
Net gain currency	3	-59
Net income from financial instruments	-33.402	-1.664

Note 11 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 31 December 2016.

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