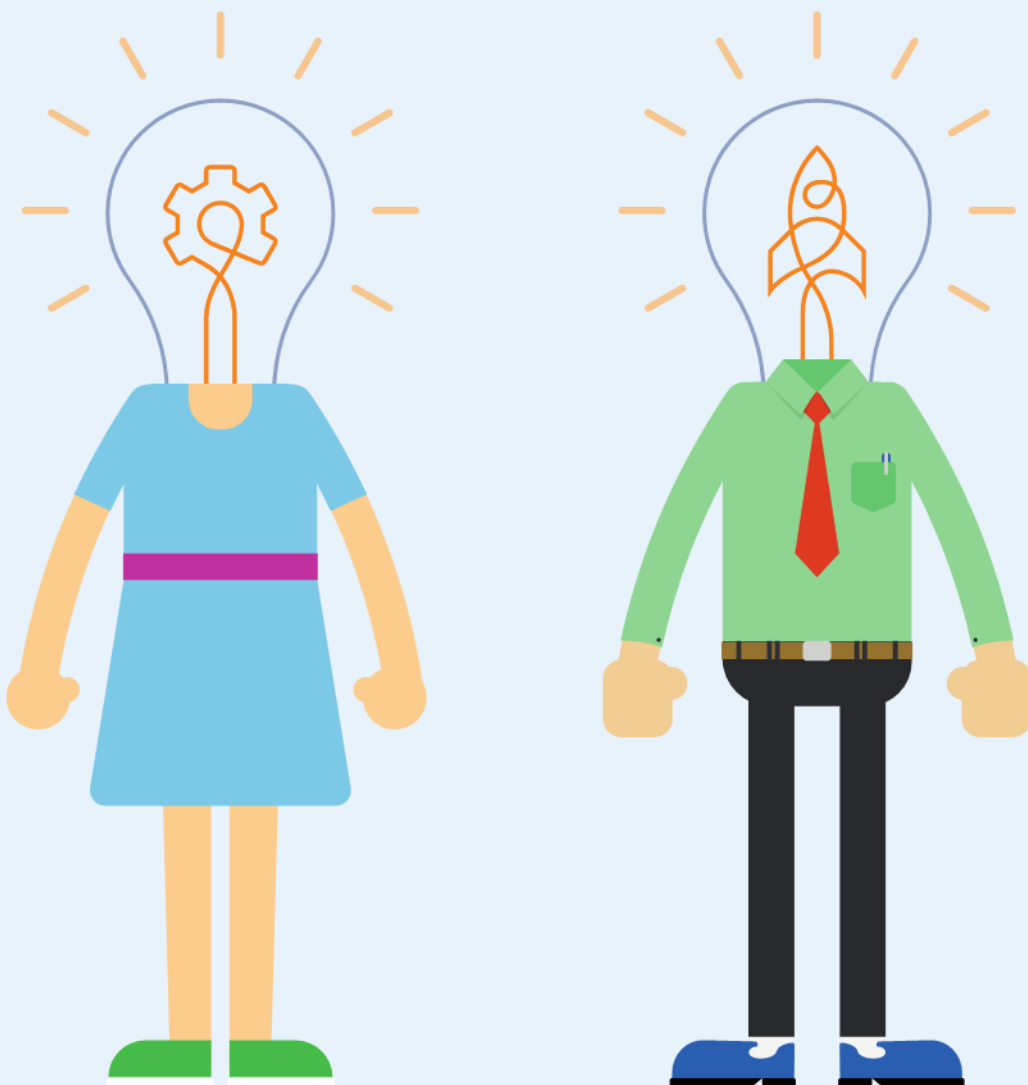


# Together we achieve the impossible



## **Interim Financial Statements Q1 2018**

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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 March 2018

Net income totalled NOK 108.1 million as at 31 March 2018.

(Amounts in NOK millions)	01.01.18 - 31.03.18	01.01.17 - 31.03.17
Total income	108.1	27.4
Net interest income	121.2	67.6
Net commission income	-7.6	-5.4
Net income on financial investments	5.6	-34.8

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

## Balance sheet

At end of March 2018, total assets stood at NOK 43.9 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 38.8 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 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 March 2018, the company's equity

totalled NOK 4.3 billion. The capital adequacy ratio was 23.1%.

## Outlook

The level of activity in the region 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. Export-oriented industries are experiencing growth due to a weak Norwegian krone 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 2018 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 March 2018. 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, 25 April 2018

The Board of Directors of SR-Boligkreditt AS

## Income statement

### Income statement

NOK 1 000	Note	01.01.18 - 31.03.18	01.01.17 - 31.03.17	2017
Interest income		256.539	187.425	910.559
Interest expense		135.346	119.837	514.852
<b>Net interest income</b>		<b>121.193</b>	67.588	395.707
Commission and fee expenses		7.575	5.407	26.094
<b>Net commission income</b>		<b>-7.575</b>	-5.407	-26.094
Net gains/losses on financial instruments	10	-5.566	-34.790	-93.123
<b>Net income on financial investments</b>		<b>-5.566</b>	-34.790	-93.123
<b>Total net income</b>		<b>108.052</b>	27.391	276.490
Administrative expenses		377	328	1.444
Other operating costs		261	-1.447	516
<b>Total operating costs before impairment losses on loans</b>		<b>638</b>	-1.119	1.960
<b>Operating profit before impairment losses on loans</b>		<b>107.414</b>	28.510	274.530
Impairment losses on loans and guarantees	2,5	-	1.519	1.749
<b>Pre-tax profit</b>		<b>107.414</b>	26.991	272.781
Tax expense		26.853	6.748	68.201
<b>Profit after tax</b>		<b>80.560</b>	20.244	204.580
<b>Other comprehensive income</b>				
Adjustments		-	-	-
<b>Comprehensive Income</b>		<b>80.560</b>	20.244	204.580

## Balance sheet

### Balance sheet

NOK 1 000	Note	31.03.18	31.03.17	31.12.17
<b>Assets</b>				
Balances with credit institutions		1.049.628	1.695.782	2.202.630
Loans to customers	2, 5	42.098.552	30.399.176	40.824.596
Bonds		100.170	99.951	100.216
Financial derivatives	9	617.544	136.381	1.102.792
Deferred tax assets		17.983	11.935	17.983
Other assets	3	318	483	211
<b>Total assets</b>		<b>43.884.193</b>	32.343.709	44.248.427
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Listed debt securities	7	38.788.062	28.599.695	39.594.428
Balances with credit institutions		31.133	-	-
Financial derivatives	9	696.767	569.312	368.278
Taxes payable	4	60.936	38.004	74.248
Other liabilities	4	23.873	5.743	5.182
<b>Total liabilities</b>		<b>39.600.770</b>	29.212.754	40.042.135
<b>Equity</b>				
Paid-in equity capital		4.000.150	3.025.150	4.000.150
Retained earnings		283.273	105.805	206.141
<b>Total equity</b>		<b>4.283.423</b>	3.130.955	4.206.291
<b>Total liabilities and equity</b>		<b>43.884.193</b>	32.343.709	44.248.427

## 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
<b>Equity as of 31 December 2015</b>	<b>1.275.000</b>	<b>150</b>	<b>28.710</b>	<b>1.303.860</b>
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
<b>Equity as of 31 December 2016</b>	<b>2.025.000</b>	<b>150</b>	<b>85.561</b>	<b>2.110.711</b>
Capital increase 20 January 2017	1.000.000	-	-	1.000.000
Dividend 2016, resolved in 2017	-	-	-84.000	-84.000
Capital increase 20 October 2017	975.000	-	-	975.000
Profit for the period	-	-	204.580	204.580
<b>Equity as of 31 December 2017</b>	<b>4.000.000</b>	<b>150</b>	<b>206.141</b>	<b>4.206.291</b>
Changes in equity IFRS 9 1 January 2018	-	-	-3.429	-3.429
Profit for the period	-	-	80.560	80.560
<b>Equity as of 31 March 2018</b>	<b>4.000.000</b>	<b>150</b>	<b>283.273</b>	<b>4.283.423</b>

## Cash flow statement

NOK 1 000	31.03.18	31.03.17	31.12.17
Interest receipts from lending to customers	254.447	186.559	898.892
Provisions to SR-Bank	-7.574	-5.407	-23.572
Payments for operations	-530	814	-2.113
Taxes paid	-19.511	-4.696	-40.648
<b>Net cash flow relating to operations</b>	<b>226.832</b>	177.270	832.559
Net purchase of loan portfolio	-1.274.965	-1.041.777	-11.457.118
Net payments on the acquisition of bonds	-	-49.990	-49.990
<b>Net cash flow relating to investments</b>	<b>-1.274.965</b>	-1.091.767	-11.507.108
Debt raised by issuance of securities	-	1.179.667	10.981.817
Redemption of issued securities	-	-	-60.000
Net change in loans from credit institutions	31.132	-	-
Paid in capital equity	-	1.000.000	1.975.000
Interest payments on debt raised by issuance of securities	-136.001	-122.136	-488.386
Dividend paid	-	-	-84.000
<b>Net cash flow relating to funding activities</b>	<b>-104.869</b>	2.057.531	12.324.431
<b>Net cash flow during the period</b>	<b>-1.153.002</b>	1.143.034	1.649.882
Balance of cash and cash equivalents start of period	2.202.630	552.748	552.748
Balance of cash and cash equivalents end of period	1.049.628	1.695.782	2.202.630

# 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 March 2018. 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 2017.

#### **New Standards that have not been adopted yet**

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. Among those SR-Boligkreditt AS has chosen not to apply early, is IFRS 15- Revenue from contracts with Customers and IFRS 16- Leases. These standards are not expected to have significant impacts for SR-Boligkreditt AS.

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.

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments has replaced IAS 39 from 1 January 2018. See note 27 IFRS 9 Financial Instruments in the annual accounts for 2017, and note 2 and note 5 in the interim financial statements Q1 2018 for more information on the implementation of IFRS 9.

### 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 2017 explains in more detail the use of critical estimates and judgements when applying the accounting policies.



## Note 2 Amounts arising from ECL

The following table show reconciliations from the opening to the closing balance of the loss allowance. Explanation of the terms 12-month ECL and lifetime ECL (stage 1-3) are included in note 27 in the annual account 2017.

NOK 1 000	2018			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans and advances to customers at amortized cost</b>				
<b>Balance sheet on 1 January 2018</b>	<b>3.536</b>	<b>5.359</b>	<b>200</b>	<b>9.095</b>
Transfer to 12 month ECL	-377	-298	-	-675
Transfer to lifetime ECL - No objective evidence of loss	40	479	-131	388
Transfer to lifetime ECL - objective proof of loss	-	-104	-	-104
Net remeasurement of loss allowance	3.199	5.436	69	8.704
New financial assets originated or purchased	666	1.313	212	2.191
Change due to reduced portfolio	-323	-1.435	-42	-1.800
Other movements	-	-	-	-
<b>Balance sheet on 31 March 2018</b>	<b>3.542</b>	<b>5.314</b>	<b>239</b>	<b>9.095</b>

## Note 3 Other assets

NOK 1 000	31.03.18	31.03.17	31.12.17
Other assets	318	483	211
<b>Total other assets</b>	<b>318</b>	<b>483</b>	<b>211</b>

## Note 4 Other liabilities

NOK 1 000	31.03.18	31.03.17	31.12.17
Taxes payable	60.936	38.004	74.248
Deferred taxes	-	-	-
Accounts payable	19.708	5.199	2.640
Expected credit loss unused balances under flexible loans	286	-	-
Accrued expenses and prepaid revenue	3.878	544	2.541
<b>Total other liabilities</b>	<b>84.809</b>	<b>43.747</b>	<b>79.429</b>

## 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 42,107 million. All mortgages carry a variable interest rate.

NOK 1 000	31.03.18	31.03.17	31.12.17
Flexible loans - retail market	12.073.337	7.933.862	11.945.762
Amortising loans - retail market	29.994.883	22.443.359	28.846.309
Accrued interest	39.140	26.247	37.049
<b>Gross loans</b>	<b>42.107.361</b>	30.403.469	40.829.119
Individual impairments	-	-	-
Impairments on groups of loans	N/A	-4.293	-4.523
Expected credit loss, stage 1	-3.295	N/A	N/A
Expected credit loss, stage 2, no objective proof of loss	-5.274	N/A	N/A
Expected credit loss, stage 3, objective proof of loss	-240	N/A	N/A
<b>Loans to customers</b>	<b>42.098.552</b>	30.399.176	40.824.596
<b>Liability</b>			
Unused balances under flexible loans	3.979.966	2.450.640	3.835.770
<b>Total</b>	<b>3.979.966</b>	2.450.640	3.835.770
<b>Expected credit loss unused balances under flexible loans</b>	<b>286</b>	N/A	N/A

## Note 6 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU's capital requirements for banks and securities undertakings (CRD IV/ CRR).

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 organization, expertise, risk models and risk management systems.

All capital ratio figures are based on the transitional rule (Basel 1 floor) that states that the capital requirement for using internal methods cannot be less than 80 per cent of the capital requirement according to the Basel 1 regulations.

<b>NOK 1 000</b>	<b>31.03.18</b>	<b>31.03.17</b>	<b>31.12.17</b>
Share capital	4.000.000	3.025.000	4.000.000
Premium reserve	150	150	150
Other equity	202.712	85.561	206.141
<b>Total Common equity Tier 1 capital</b>	<b>4.202.862</b>	<b>3.110.711</b>	<b>4.206.291</b>
Intangible assets	-	-	-
Deduction for proposed dividend	-204.000	-84.000	-204.000
Deduction for expected losses on IRB, net of write-downs	-69.022	-49.306	-66.807
Value of derivative liabilities at fair value	-1.535	-779	-1.523
<b>Total Tier 1 capital</b>	<b>3.928.305</b>	<b>2.976.626</b>	<b>3.933.961</b>
<b>Net primary capital</b>	<b>3.928.305</b>	<b>2.976.626</b>	<b>3.933.961</b>
Credit risk	9.049.405	6.737.885	9.828.325
Operational risk	384.596	168.738	168.738
Transitional scheme	7.584.250	5.459.318	6.927.742
<b>Risk weighted balance</b>	<b>17.018.251</b>	<b>12.365.941</b>	<b>16.924.805</b>
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	765.821	556.467	761.616
Buffer requirements:			
Capital conservation buffer 2,5 %	425.456	309.149	423.120
Systemic risk buffer 3 %	510.548	370.978	507.744
Countercyclical capital buffer 2 % (1,5 % per 31.03.2017)	340.365	185.489	338.496
Total buffer requirement to common equity Tier 1 capital ratio	1.276.369	865.616	1.269.360
Available common equity Tier 1 capital ratio after buffer requirement	1.886.115	1.554.543	1.902.984
Capital ratio	23,08 %	24,07 %	23,24 %
Tier 1 capital ratio	23,08 %	24,07 %	23,24 %
Common equity Tier 1 capital ratio	23,08 %	24,07 %	23,24 %
Leverage Ratio	8,77 %	8,47 %	8,50 %

## Note 7 Debt securities issued

NOK 1 000	31.03.18	31.03.17	Carrying amount 31.12.17
Covered bonds nominal amount	38.679.008	28.936.858	38.679.008
Adjustments	-67.184	-390.285	749.307
Accrued interests	176.238	53.122	166.113
<b>Total securities issued</b>	<b>38.788.062</b>	28.599.695	39.594.428
			Nominal amount
<b>Change in debt raised through issuance of securities</b>	<b>31.03.18</b>	<b>31.03.17</b>	<b>31.12.17</b>
Covered bonds start of period	38.679.008	27.757.191	27.757.191
Covered bonds issued	-	1.179.667	10.981.817
Covered bonds matured	-	-	-60.000
<b>Total debt raised through issuance of securities</b>	<b>38.679.008</b>	28.936.858	38.679.008
* The nominal amount is the principal at the exchange rate when the new loan is raised (EUR/NOK)			
Securities issued by maturity date			
			Nominal amount
<b>Public covered bonds</b>	<b>31.03.18</b>	<b>31.03.17</b>	<b>31.12.17</b>
2017	-	60.000	-
2019	5.000.000	-	5.000.000
2020	9.737.400	5.000.000	9.737.400
2021	6.968.775	9.737.400	6.968.775
2022	5.161.200	6.968.775	5.161.200
2023	5.701.410	5.701.410	5.701.410
2024	4.640.950	-	4.640.950
2029	137.307	137.307	137.307
2031	90.918	90.918	90.918
2032	1.060.000	1.060.000	1.060.000
2041	181.048	181.048	181.048
<b>Sum</b>	<b>38.679.008</b>	28.936.858	38.679.008
			Carrying amount
<b>Liabilities by currency</b>	<b>31.03.18</b>	<b>31.03.17</b>	<b>31.12.17</b>
NOK	10.981.450	11.069.496	11.006.915
EUR	23.152.991	17.530.199	23.400.353
USD	4.653.620	-	5.187.159
<b>Sum</b>	<b>38.788.062</b>	28.599.695	39.594.428

## Note 8 Asset coverage

The asset coverage is calculated according to the Act on Financial Institutions, section 11-11. 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 31 March 2018), loans with a loan-to-value ratio in excess of 75 % and use market values.

<b>NOK 1 000</b>	<b>31.03.18</b>	<b>31.03.17</b>	<b>31.12.17</b>
Covered bonds	38.788.062	29.169.007	39.594.428
<b>Total covered bonds</b>	<b>38.788.062</b>	29.169.007	39.594.428
Loans to customers	41.613.125	30.267.122	40.501.323
Substitute collateral	968.899	1.832.163	2.613.014
<b>Total cover pool</b>	<b>42.582.024</b>	32.099.285	43.114.337
<b>Asset coverage</b>	<b>109,8 %</b>	110,0 %	108,9 %

## Note 9 Financial derivatives

<b>At fair value through profit and loss</b>	<b>Contract amount</b>	<b>Fair value at 31.03.18</b>	
<b>NOK 1 000</b>	<b>31.03.18</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Hedging / Interest and exchange rate instruments</b>			
Interest rate swaps (including cross currency)	56.450.679	625.035	809.480
<b>Total hedging / Interest and exchange rate instruments</b>	<b>56.450.679</b>	625.035	809.480
<b>Total currency and interest rate instruments</b>			
Total interest and exchange rate instruments	56.450.679	625.035	809.480
Total accrued interests	-	-7.491	-112.713
<b>Total financial derivatives</b>	<b>56.450.679</b>	617.544	696.767

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*

<b>NOK 1 000</b>	<b>31.03.18</b>	<b>31.03.17</b>	<b>31.12.17</b>
Net gains for bonds and certificates	-42	-49	235
Net change in value, basis swap spread	-2.047	-40.923	-98.991
Net change in value, other financial investments	-3.478	6.183	5.591
Net gain currency	-	-1	42
<b>Net income from financial instruments</b>	<b>-5.566</b>	<b>-34.790</b>	<b>-93.123</b>

## *Note 11 Events after the balance sheet date*

No material events that affect the prepared interim financial statements have been recorded after 31 March 2018.

## Contact Information

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