



Together we achieve  
the impossible

**SR-Boligkreditt**

Subsidiary of SpareBank 1 SR-Bank

## Interim Financial Statements Q2 2018

Statement of the Board of Directors.....	3
Income statement .....	4
Balance sheet .....	5
Statement of changes in equity .....	6
Cash flow statement .....	7
Notes to The Financial statements .....	8
Note 1 Accounting policies .....	8
Note 2 Amounts arising from ECL .....	9
Note 3 Other assets .....	9
Note 4 Other liabilities .....	9
Note 5 Lending to Customers .....	10
Note 6 Capital adequacy.....	11
Note 7 Debt securities issued .....	12
Note 8 Asset coverage .....	13
Note 9 Financial derivatives.....	13
Note 10 Net income from financial instruments .....	14
Note 11 Events after the balance sheet date .....	14
Contact Information .....	15

## 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 2018

Net income totalled NOK 184.9 million as at 30 June 2018.

(Amounts in NOK millions)	01.01.18 - 30.06.18	01.01.17 - 30.06.17
Total income	185.0	67.7
Net interest income	226.6	161.3
Net commission income	-15.6	-11.7
Net income on financial investments	-26.0	-81.9

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 June 2018, total assets stood at NOK 50.3 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 45.6 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 June 2018, the company's equity

totalled NOK 4.1 billion. The capital adequacy ratio was 20.4%.

## Outlook

The level of activity in Rogaland has been rising moderately in the year-to-date 2018 and is expected to increase in coming years. Both oil companies and the supply industry are reporting better prospects with higher sales, new investments and increased employment. Export-oriented industries are experiencing growth due to a weak Norwegian krone and greater competitiveness. The building and construction industry has been boosted by major infrastructure projects and an improving local housing market. Continued, stable activity is expected within most sectors in Hordaland and the Agder counties. 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 13 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 June 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, 7 August 2018

The Board of Directors of SR-Boligkreditt AS

## Income statement

NOK 1 000	Note	01.01.18 – 30.06.18	01.01.17 – 30.06.17	2017
Interest income		532 292	414 921	910 559
Interest expense		305 700	253 588	514 852
<b>Net interest income</b>		<b>226 592</b>	<b>161 333</b>	<b>395 707</b>
Commission and fee expenses		15 625	11 728	26 094
<b>Net commission income</b>		<b>-15 625</b>	<b>-11 728</b>	<b>-26 094</b>
Net gains/losses on financial instruments	10	-25 982	-81 931	-93 123
<b>Net income on financial investments</b>		<b>-25 982</b>	<b>-81 931</b>	<b>-93 123</b>
<b>Total net income</b>		<b>184 984</b>	<b>67 673</b>	<b>276 490</b>
Administrative expenses		795	712	1 444
Other operating costs		1 364	-767	516
<b>Total operating costs before impairment losses on loans</b>		<b>2 159</b>	<b>-55</b>	<b>1 960</b>
<b>Operating profit before impairment losses on loans</b>		<b>182 825</b>	<b>67 728</b>	<b>274 530</b>
Impairment losses on loans and guarantees	2, 5	4 147	1 202	1 749
<b>Pre-tax profit</b>		<b>178 678</b>	<b>66 526</b>	<b>272 781</b>
Tax expense		41 096	16 632	68 201
<b>Profit after tax</b>		<b>137 582</b>	<b>49 895</b>	<b>204 580</b>
<b>Other comprehensive income</b>				
Adjustments		-	-	-
<b>Comprehensive Income</b>		<b>137 582</b>	<b>49 895</b>	<b>204 580</b>

## Balance sheet

NOK 1 000	Note	30.06.18	30.06.17	31.12.17
<b>Assets</b>				
Balances with credit institutions		1 499 759	986 006	2 202 630
Loans to customers	2,5	47 521 270	36 493 025	40 824 596
Bonds		150 226	100 165	100 216
Financial derivatives	9	399 264	394 592	1 102 792
Deferred tax assets		17 983	11 935	17 983
Other assets	3	760 233	1 275	211
<b>Total assets</b>		<b>50 348 735</b>	<b>37 986 999</b>	<b>44 248 427</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Listed debt securities	7	45 562 078	34 370 446	39 594 428
Balances with credit institutions		-	237 007	-
Financial derivatives	9	599 956	281 811	368 278
Taxes payable	4	42 923	16 632	74 248
Other liabilities	4	7 334	4 498	5 182
<b>Total liabilities</b>		<b>46 212 291</b>	<b>34 910 393</b>	<b>40 042 135</b>
<b>Equity</b>				
Paid-in equity capital		4 000 150	3 025 150	4 000 150
Retained earnings		136 295	51 456	206 141
<b>Total equity</b>		<b>4 136 445</b>	<b>3 076 606</b>	<b>4 206 291</b>
<b>Total liabilities and equity</b>		<b>50 348 735</b>	<b>37 986 999</b>	<b>44 248 427</b>

## Statement of changes in equity

NOK 1 000	Share- capital	Premium reserve	Other equity	Total equity
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
<b>Equity as at 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	0	0	-28 000	-28 000
Capital increase 18 May 2016	750 000	0	0	750 000
Profit for the period	0	0	84 851	84 851
<b>Equity as at 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	0	0	1 000 000
Dividend 2016, resolved in 2017	0	0	-84 000	-84 000
Capital increase 20 October 2017	975 000	0	0	975 000
Profit for the period	0	0	204 580	204 580
<b>Equity as at 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	0	0	-3 429	-3 429
Dividend 2017, resolved in 2018	0	0	-204 000	-204 000
Profit for the period	0	0	137 582	137 582
<b>Equity as at 30 June 2018</b>	<b>4 000 000</b>	<b>150</b>	<b>136 295</b>	<b>4 136 445</b>

## Cash flow statement

<b>NOK 1 000</b>	<b>30.06.18</b>	<b>30.06.17</b>	<b>31.12.17</b>
Interest receipts from lending to customers	528 833	411 434	898 892
Provisions to SR-Bank	-15 625	-9 481	-23 572
Payments for operations	-1 906	-2	-2 113
Taxes paid	-71 278	-40 648	-40 648
<b>Net cash flow relating to operations</b>	<b>440 024</b>	<b>361 303</b>	<b>832 559</b>
Net purchase of loan portfolio	-6 699 914	-7 134 749	-11 457 118
Net payments on the acquisition of bonds	-50 044	-49 990	-49 990
Net investments in intangible assets	-	-	-
<b>Net cash flow relating to investments</b>	<b>-6 749 958</b>	<b>-7 184 739</b>	<b>-11 507 108</b>
Debt raised by issuance of securities	6 098 802	6 340 867	10 981 817
Redemption of issued securities	-	-	-60 000
Net change in loans from credit institutions	-	237 007	-
Paid in capital equity	-	1 000 000	1 975 000
Interest payments on debt raised by issuance of securities	-287 739	-237 179	-488 386
Dividend paid	-204 000	-84 000	-84 000
<b>Net cash flow relating to funding activities</b>	<b>5 607 063</b>	<b>7 256 695</b>	<b>12 324 431</b>
<b>Net cash flow during the period</b>	<b>-702 871</b>	<b>433 258</b>	<b>1 649 882</b>
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	1 499 759	986 006	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 - 30 June 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 Q2 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
Loans and advances to customers at amortized cost				
<b>Balance sheet as at 1 January 2018</b>	<b>3 536</b>	<b>5 359</b>	<b>200</b>	<b>9 095</b>
Transfer to/ from 12 month ECL	-2 223	2 018	205	-
Transfer to/ from lifetime ECL - No objective evidence of loss	80	-1 173	1 093	-
Transfer to/ from lifetime ECL - objective proof of loss	-	8	-8	-
Net remeasurement of loss allowance	1 677	181	-40	1 818
New financial assets originated or purchased	1 346	1 737	278	3 361
Change due to reduced portfolio	-599	-282	-151	-1 032
Other movements	-	-	-	-
<b>Balance sheet as at 30 June 2018</b>	<b>3 817</b>	<b>7 848</b>	<b>1 577</b>	<b>13 242</b>

## Note 3 Other assets

NOK 1 000	30.06.18	30.06.17	31.12.17
Unsettled securities	760 161	-	-
Other assets	73	1 275	211
<b>Total other assets</b>	<b>760 233</b>	<b>1 275</b>	<b>211</b>

## Note 4 Other liabilities

NOK 1 000	30.06.18	30.06.17	31.12.17
Taxes payable	42 923	16 632	74 248
Deferred taxes	-	-	-
Accounts payable	3 108	3 320	2 640
Expected credit loss unused credit lines	161	-	-
Accrued expenses and prepaid revenue	4 064	1 178	2 541
<b>Total other liabilities</b>	<b>50 257</b>	<b>21 129</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 47.5 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.06.18	30.06.17	31.12.17
Non-amortising loans - retail market	12 798 549	10 288 538	11 945 762
Amortising loans - retail market	34 695 295	26 179 595	28 846 309
Accrued interest	40 507	28 868	37 049
<b>Gross loans</b>	<b>47 534 351</b>	36 497 001	40 829 119
Individual impairments	-	-	-
Impairments on groups of loans	N/A	-3 976	-4 523
Expected credit loss, stage 1	-3 714	N/A	N/A
Expected credit loss, stage 2, no objective proof of loss	-7 790	N/A	N/A
Expected credit loss, stage 3, objective proof of loss	-1 577	N/A	N/A
<b>Loans to customers</b>	<b>47 521 270</b>	36 493 025	40 824 596
<b>Liability</b>			
Unused credit lines	4 345 919	3 157 136	3 835 770
<b>Total</b>	<b>4 345 919</b>	3 157 136	3 835 770
<b>Expected credit loss unused credit lines</b>	<b>-161</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>30.06.18</b>	<b>30.06.17</b>	<b>31.12.17</b>
Share capital	4 000 000	3 025 000	4 000 000
Premium reserve	150	150	150
Other equity	-1 287	1 561	206 141
<b>Total Common Equity Tier 1 capital</b>	<b>3 998 863</b>	<b>3 026 711</b>	<b>4 206 291</b>
Deduction for proposed dividend	-	-	-204 000
Deduction for expected losses on IRB, net of write-downs	-70 041	-56 304	-66 807
Value of derivative liabilities at fair value	-1 158	-755	-1 523
<b>Total Tier 1 capital</b>	<b>3 927 664</b>	<b>2 969 652</b>	<b>3 933 961</b>
<b>Net primary capital</b>	<b>3 927 664</b>	<b>2 969 652</b>	<b>3 933 961</b>
Credit risk	10 094 481	7 853 441	9 828 325
Operational risk	384 596	168 738	168 738
Transitional scheme	8 823 010	6 797 900	6 927 742
<b>Risk weighted balance</b>	<b>19 302 087</b>	<b>14 820 079</b>	<b>16 924 805</b>
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	868 594	666 904	761 616
Buffer requirements:			
Capital conservation buffer 2,5 %	482 552	370 502	423 120
Systemic risk buffer 3 %	579 063	444 602	507 744
Countercyclical capital buffer 2 % (1,5 % per 31.03.2017)	386 042	222 301	338 496
Total buffer requirement to common equity Tier 1 capital ratio	1 447 657	1 037 406	1 269 360
Available common equity Tier 1 capital ratio after buffer requirement	1 611 414	1 265 343	1 902 984
Capital ratio	20.35 %	20.04 %	23.24 %
Tier 1 capital ratio	20.35 %	20.04 %	23.24 %
Common equity Tier 1 capital ratio	20.35 %	20.04 %	23.24 %
Leverage Ratio	7.73 %	7.09 %	8.50 %

## Note 7 Debt securities issued

NOK 1 000	30.06.18	Carrying amount	
		30.06.17	31.12.17
Covered bonds nominal amount	45 537 971	34 098 058	38 679 008
Adjustments	-103 283	165 862	749 307
Accrued interests	127 391	106 526	166 113
<b>Total securities issued</b>	<b>45 562 078</b>	<b>34 370 446</b>	<b>39 594 428</b>
			Nominal amount*
<b>Change in debt raised through issuance of securities</b>	<b>30.06.18</b>	<b>30.06.17</b>	<b>31.12.17</b>
Covered bonds start of period	38 679 008	27 757 191	27 757 191
Covered bonds issued	6 858 963	6 340 867	10 981 817
Covered bonds matured	-	-	-60 000
<b>Total debt raised through issuance of securities</b>	<b>45 537 971</b>	<b>34 098 058</b>	<b>38 679 008</b>
* The nominal amount is the principal at the exchange rate when the new loan is raised			
<b>Securities issued by maturity date</b>			
			Nominal amount
<b>Public covered bonds</b>	<b>30.06.18</b>	<b>30.06.17</b>	<b>31.12.17</b>
	2017	-	60 000
	2019	5 000 000	5 000 000
	2020	9 737 400	9 737 400
	2021	6 968 775	6 968 775
	2022	5 161 200	5 161 200
	2023	10 701 410	5 701 410
	2024	4 640 950	137 307
	2029	137 307	90 918
	2031	90 918	1 060 000
	2032	1 060 000	181 048
	2038	1 858 963	-
	2041	181 048	-
<b>Sum</b>	<b>45 537 971</b>	<b>34 098 058</b>	<b>38 679 008</b>
			Carrying amount
<b>Liabilities by currency</b>	<b>30.06.18</b>	<b>30.06.17</b>	<b>31.12.17</b>
NOK	16 002 756	11 068 541	11 006 915
EUR	24 804 281	23 301 905	23 400 353
USD	4 755 041	-	5 187 159
<b>Total</b>	<b>45 562 078</b>	<b>34 370 446</b>	<b>39 594 428</b>

## Note 8 Asset coverage

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 30 June 2018), loans with a loan-to-value ratio in excess of 75 % and the use of market values.

NOK 1 000	30.06.18	30.06.17	31.12.17
Covered bonds	45 562 078	34 652 257	39 594 428
<b>Total covered bonds</b>	<b>45 562 078</b>	34 652 257	39 594 428
Loans to customers	47 241 440	36 172 232	40 501 323
Substitute collateral	1 449 294	1 380 598	2 613 014
<b>Total cover pool</b>	<b>48 690 734</b>	37 552 830	43 114 337
<b>Asset coverage</b>	<b>106.9 %</b>	108.4 %	108.9 %

## Note 9 Financial derivatives

At fair value through profit and loss NOK 1 000	Contract amount 30.06.18	Fair value at 30.06.18	
		Assets	Liabilities
<b>Hedging / Interest and exchange rate instruments</b>			
Interest rate swaps (including cross currency)	60 022 472	384 989	622 315
<b>Total hedging / Interest and exchange rate instruments</b>	<b>60 022 472</b>	384 989	622 315
<b>Total currency and interest rate instruments</b>			
Total interest and exchange rate instruments	60 022 472	384 989	622 315
Total accrued interests	-	14 275	-22 360
<b>Total financial derivatives</b>	<b>60 022 472</b>	399 264	599 956

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>30.06.18</b>	<b>30.06.17</b>	<b>31.12.17</b>
Net gains for bonds and certificates	-102	180	235
Net change in value, basis swap spread	-11 758	-87 417	-98 991
Net change in value, other financial investments	-14 151	5 263	5 591
Net gain currency	29	43	42
<b>Net income from financial instruments</b>	<b>-25 982</b>	<b>-81 931</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 30 June 2018.

## Contact Information

### Address

---

Bjergsted Terrasse 1  
Postboks 250  
N-4066 Stavanger

Tel. (+47) 915 02 002

[www.sr-bank.no/sr-boligkreditt](http://www.sr-bank.no/sr-boligkreditt)

### Chief executive officer

---

Dag Hjelle  
Tel. (+47) 51 50 94 37  
(+47) 909 500 88

Email: [dag.hjelle@sr-bank.no](mailto:dag.hjelle@sr-bank.no)