

FIRST QUARTER 2017

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SR-Boligkreditt

Subsidiary of SpareBank 1 SR-Bank

Interim Financial Statements Q1 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 31. March 2017

Net income totalled NOK 27.4 million as at 31. March 2017.

| (Amounts in NOK millions) | 31.03.17 | 31.03.16 |
|-------------------------------------|----------|----------|
| Total income | 27,4 | 39,7 |
| Net interest income | 67,6 | 32,8 |
| Net commission income | (5,4) | (2,5) |
| Net income on financial investments | (34,8) | 9,4 |

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 March 2017, total assets stood at NOK 32.3 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 28.6 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 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 March 2017, the company's equity totalled NOK 3.1 billion. The capital adequacy ratio was 24.15%.

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 March 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, 26. April 2017

The Board of Directors of SR-Boligkreditt AS

Income statement

| NOK 1 000 | Note | 01.01.17 - 31.03.17 | 01.01.16 - 31.03.16 | 2016 |
|--|------|------------------------|------------------------|---------|
| Interest income | | 187,425 | 93,707 | 508,319 |
| Interest expense | | 119,837 | 60,894 | 339,006 |
| Net interest income | | 67,588 | 32,813 | 169,312 |
| Commission and fee expenses | | 5,407 | 2,471 | 14,952 |
| Net commission income | | -5,407 | -2,471 | 14,952 |
| Net gains/losses on financial instruments | 10 | -34,790 | 9,362 | -33,402 |
| Net income on financial investments | | -34,790 | 9,362 | -33,402 |
| Total net income | | 27,391 | 39,704 | 120,958 |
| Administrative expenses | | 328 | 403 | 1,485 |
| Other operating costs | | -1,447 | 350 | 4,058 |
| Total operating costs before impairment losses on loans | | -1,119 | 753 | 5,543 |
| Operating profit before impairment losses on loans | | 28,510 | 38,951 | 115,415 |
| Impairment losses on loans and guarantees | 5 | 1,519 | 691 | 2,281 |
| Pre-tax profit | | 26,991 | 38,260 | 113,134 |
| Tax expense | | 6,748 | 9,565 | 28,284 |
| Profit after tax | | 20,244 | 28,695 | 84,851 |
| Other comprehensive income | | | | |
| Adjustments | | 0 | 0 | 0 |
| Comprehensive Income | | 20,244 | 28,695 | 84,851 |

Balance sheet

| NOK 1 000 | Note | 31.03.17 | 31.03.16 | 31.12.16 |
|-------------------------------------|------|-------------------|------------|------------|
| Assets | | | | |
| Balances with credit institutions | | 1,695,782 | 553,654 | 552,748 |
| Loans to customers | 2, 5 | 30,399,176 | 15,620,162 | 29,357,902 |
| Bonds | | 99,951 | - | 49,967 |
| Financial derivatives | 9 | 136,381 | 211,966 | 171,271 |
| Deferred tax assets | | 11,935 | - | 11,935 |
| Other assets | 3 | 483 | 708 | 489 |
| Total assets | | 32,343,709 | 16,386,490 | 30,144,313 |
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Listed debt securities | 7 | 28,599,695 | 14,234,613 | 27,272,136 |
| Balances with credit institutions | | - | 650,534 | - |
| Financial derivatives | 9 | 569,312 | 148,527 | 717,386 |
| Taxes payable | 4 | 38,004 | 19,707 | 40,648 |
| Other liabilities | 4 | 5,743 | 554 | 3,432 |
| Total liabilities | | 29,212,754 | 15,053,935 | 28,033,602 |
| Equity | | | | |
| Paid-in equity capital | | 3,025,150 | 1,275,150 | 2,025,150 |
| Retained earnings | | 105,805 | 57,405 | 85,561 |
| Total equity | | 3,130,955 | 1,332,555 | 2,110,711 |
| Total liabilities and equity | | 32,343,709 | 16,386,490 | 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 |
| Profit for the period | - | - | 20,244 | 20,244 |
| Equity as of 31 March 2017 | 3,025,000 | 150 | 105,805 | 3,130,955 |

Cash flow statement

| NOK 1 000 | 31.03.17 | 31.03.16 | 31.12.16 |
|--|-------------------|-------------------|--------------------|
| Interest receipts from lending to customers | 186,559 | 88,301 | 493,710 |
| Provisions to SR-Bank | -5,407 | - | -14,952 |
| Payments for operations | 814 | -3,144 | -4,093 |
| Taxes paid | -4,696 | - | -10,143 |
| Net cash flow relating to operations | 177,270 | 85,157 | 464,522 |
| Net purchase of loan portfolio | -1,041,777 | -5,665,762 | -19,393,732 |
| Net payments on the acquisition of bonds | -49,990 | - | -49,892 |
| Net investments in intangible assets | - | - | - |
| Net cash flow relating to investments | -1,091,767 | -5,665,762 | -19,443,624 |
| Debt raised by issuance of securities | 1,179,667 | 4,819,256 | 18,407,673 |
| Receipts from borrowing from financial institutions | - | 650,534 | - |
| Paid in capital equity | 1,000,000 | - | 750,000 |
| Net interest payments on funding activities | -122,136 | - | -304,318 |
| Dividend paid | - | -42,025 | -28,000 |
| Net cash flow relating to funding activities | 2,057,531 | 5,427,765 | 18,825,355 |
| Net cash flow during the period | 1,143,034 | -152,840 | -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 | 1,695,782 | 553,654 | 552,747 |

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 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 | 31.03.2017 | 31.03.2016 | 31.12.2016 |
|--|--------------|------------|--------------|
| Non-performing loans and advances | | | |
| Gross non-performing loans above 90 days | 0 | 0 | 4,894 |
| Provisions for Individual impairment losses | 0 | 0 | 0 |
| Net non-performing loans and advances | 0 | 0 | 4,894 |
| Loan loss provision ratio | 0 % | 0 % | 0 % |
| Other problem commitments | | | |
| Problem commitments | 0 | 0 | 0 |
| Provisions for Individual impairment losses | 0 | 0 | 0 |
| Collective impairment loss provisions | 4,293 | 493 | 2,774 |
| Net other problem commitments | 0 | 0 | 0 |
| Loan loss provision ratio | 0 % | 0 % | 0 % |

Note 3 Other assets

| NOK 1 000 | 31.03.17 | 31.03.16 | 31.12.16 |
|---------------------------|------------|------------|------------|
| Other assets | 483 | 708 | 489 |
| Total other assets | 483 | 708 | 489 |

Note 4 Other liabilities

| NOK 1 000 | 31.03.17 | 31.03.16 | 31.12.16 |
|--------------------------------------|---------------|---------------|---------------|
| Taxes payable | 38,004 | 19,708 | 40,648 |
| Deferred taxes | - | 429 | 0 |
| Accounts payable | 5,199 | 4 | 2 |
| Accrued expenses and prepaid revenue | 544 | 121 | 3,430 |
| Total other liabilities | 43,747 | 20,262 | 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 30,403 million. All mortgages carry a variable interest rate.

| NOK 1 000 | 31.03.17 | 31.03.16 | 31.12.16 |
|--|-------------------|-----------------|-----------------|
| Flexible loans - retail market | 7.933.862 | 2.004.503 | 6.751.694 |
| Amortising loans - retail market | 22.443.359 | 13.600.665 | 22.583.602 |
| Accrued interest | 26.247 | 16.179 | 25.381 |
| Total loans before specified and unspecified loss provisions | 30.403.469 | 15.621.347 | 29.360.677 |
| Individual impairments | 0 | - | 0 |
| Impairments on groups of loans | -4.293 | -1.185 | -2.774 |
| Total net loans and claims with customers | 30.399.176 | 15.620.162 | 29.357.902 |
| Liability | | | |
| Unused balances under customer revolving credit lines (flexible loans) | 2.450.640 | 508.534 | 2.094.205 |
| Total | 2.450.640 | 508.534 | 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 | 31.03.17 | 31.03.16 | 31.12.16 |
| Loan loss provisions starting balance | 2.774 | - | 493 |
| Change in group loan loss provisions | 1.519 | 691 | 2.281 |
| Loan loss provisions ending balance | 4.293 | 691 | 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 | 31.03.17 | 31.03.16 | 31.12.16 |
|---|-------------------|-----------|------------|
| Share capital | 3.025.000 | 1.275.000 | 2.025.000 |
| Premium reserve | 150 | 150 | 150 |
| Other equity | 85.561 | 28.710 | 85.561 |
| Total Common equity Tier 1 capital | 3.110.711 | 1.303.860 | 2.110.711 |
| Intangible assets | - | -708 | - |
| Deduction for proposed dividend | -84.000 | -28.000 | -84.000 |
| Deduction for expected losses on IRB, net of write-downs | -49.306 | -27.512 | -52.014 |
| Value of derivative liabilities at fair value | -779 | -195 | -883 |
| Total Tier 1 capital | 2.976.626 | 1.247.445 | 1.973.814 |
| Net primary capital | 2.976.626 | 1.247.445 | 1.973.814 |
| Credit risk | 6.737.885 | 3.432.553 | 6.355.116 |
| Operational risk | 168.738 | 94.376 | 94.376 |
| Transitional scheme | 5.459.318 | 2.715.325 | 5.639.503 |
| Risk weighted balance | 12.365.941 | 6.242.254 | 12.088.995 |
| Minimum requirement for common equity Tier 1 capital ratio 4,5 % | 556.467 | 280.901 | 544.005 |
| Buffer requirements: | | | |
| Capital conservation buffer 2,5 % | 309.149 | 156.056 | 302.225 |
| Systemic risk buffer 3 % | 370.978 | 187.268 | 362.670 |
| Countercyclical capital buffer 1,5 % ¹⁾ | 185.489 | 62.423 | 181.335 |
| Total buffer requirement to common equity Tier 1 capital ratio | 865.616 | 405.747 | 846.230 |
| Available common equity Tier 1 capital ratio after buffer requirement | 1.554.543 | 560.797 | 583.579 |
| Capital ratio | 24,07 % | 19,98 % | 16,33 % |
| Tier 1 capital ratio | 24,07 % | 19,98 % | 16,33 % |
| Common equity Tier 1 capital ratio | 24,07 % | 19,98 % | 16,33 % |
| Leverage Ratio | 8,47 % | 7,32 % | 6,08% |

¹⁾ The countercyclical capital buffer is 1,5 %. Comparable figure 31.03.16 is 1 %.

Note 7 Debt securities issued

| NOK 1 000 | Carrying amount | | |
|--------------------------------|-------------------|-------------------|------------|
| | 31.03.17 | 31.03.16 | 31.12.16 |
| Covered bonds | 28.546.573 | 14.212.539 | 27.209.665 |
| Accrued interests | 53.122 | 22.074 | 62.471 |
| Total securities issued | 28.599.695 | 14.234.613 | 27.272.136 |

| Change in debt raised through issuance of securities | Nominal amount | | |
|---|------------------|------------------|------------|
| | 31.03.17 | 31.03.16 | 31.12.16 |
| Covered bonds | 1.179.667 | 4.819.050 | 18.419.791 |
| Total debt raised through issuance of securities | 1.179.667 | 4.819.050 | 18.419.791 |

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

Securities issued by maturity date (principal)

| Public covered bonds | Nominal amount | | |
|----------------------|-------------------|-------------------|------------|
| | 31.03.17 | 31.03.16 | 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 |
| 2022 | - | - | - |
| 2023 | 5.701.410 | 4.819.050 | 4.819.050 |
| 2029 | 137.307 | - | - |
| 2031 | 90.918 | - | 90.918 |
| 2032 | 1.060.000 | - | 900.000 |
| 2041 | 181.048 | - | 181.048 |
| Sum | 28.936.858 | 14.156.450 | 27.757.191 |

Liabilities by currency (book value at end of quarter)

| | | | |
|------------|-------------------|------------|------------|
| NOK | 11.069.496 | 4.600.627 | 10.906.062 |
| EUR | 17.530.199 | 9.633.986 | 16.366.075 |
| Sum | 28.599.695 | 14.234.613 | 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 31 March 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 | 31.03.17 | 31.03.16 | 31.12.16 |
|----------------------------|-------------------|------------|------------|
| Covered bonds | 29,169,007 | 14,383,139 | 27,989,523 |
| Total covered bonds | 29,169,007 | 14,383,139 | 27,989,523 |
| Loans to customers | 30,267,122 | 15,569,591 | 29,134,271 |
| Substitute collateral | 1,832,163 | 765,620 | 773,986 |
| Total cover pool | 32,099,285 | 16,335,211 | 29,908,257 |
| Asset coverage | 110.0 % | 113.6 % | 106.9 % |

Note 9 Financial derivatives

| At fair value through profit and loss NOK 1 000 | Contract amount 31.03.17 | Fair value at 31.03.17 | |
|---|-----------------------------|------------------------|-------------|
| | | Assets | Liabilities |
| Hedging / Interest and exchange rate instruments | | | |
| Interest rate swaps (including cross currency) | 36.279.780 | 118.009 | 560.985 |
| Total hedging / Interest and exchange rate instruments | 36.279.780 | 118.009 | 560.985 |
| Total currency and interest rate instruments | | | |
| Total interest and exchange rate instruments | 36.279.780 | 118.009 | 560.985 |
| Total accrued interests | 10.046 | 18.372 | 8.326 |
| Total financial derivatives | 36.289.826 | 136.381 | 569.312 |

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 | 31.03.17 | 31.03.16 | 31.12.16 |
|--|----------------|----------|----------|
| Net gains for bonds and certificates | -49 | - | 23 |
| Net change in value, basis swap spread | -40,923 | 12,850 | -27,386 |
| Net change in value, other financial investments | 6,183 | -3,478 | -6,042 |
| Net gain currency | -1 | -9 | 3 |
| Net income from financial instruments | -34,790 | 9,363 | -33,402 |

Note 11 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 31 March 2017.

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