



*Lofoten, Norway*

# Boligkreditt 2<sup>nd</sup> Quarterly Report 2017

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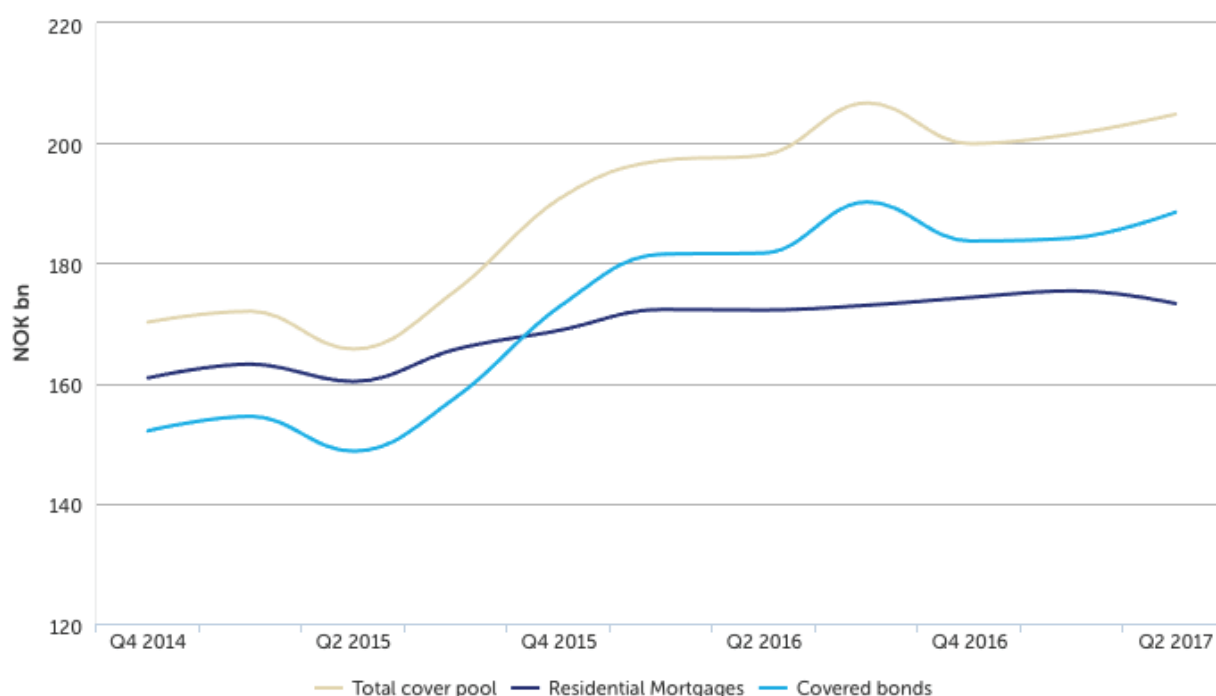
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# Statement of the Board of Directors for the second quarter 2017

## Cover pool and outstanding covered bonds

The cover pool consists of residential mortgages and liquid, highly rated assets (substitute assets). The amount of liquid assets varies over time and the variation is solely a result of the Issuer's liquidity risk management (and regulatory requirements), whereby upcoming redemptions are refinanced early (up to 12 months) with proceeds held as liquid assets (please see the investor reports for details on the composition of liquid assets). Covered bonds are shown inclusive of the market value of the derivatives deployed to hedge currencies and interest rates.



## Key figures

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Weighted Average Current LTV (%)	49,2 %	49,7 %	51,1 %	49,9 %	49,9 %
Weighted Average Original LTV (%)	59,8 %	59,6 %	59,4 %	59,0 %	58,7 %
Average Loan Balance (NOK)	1 349 074	1 340 039	1 322 732	1 306 717	1 286 759
Number of Mortgages in Pool	128 475	130 920	131 743	132 397	133 840
Percentage of non first-lien mortgages	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
Overcollateralization	108,7 %	111,2 %	108,8 %	108,6 %	109,0 %

## Key developments in the first half 2017

SpareBank 1 Boligkreditt issued two new EUR benchmark covered bonds; in January and June 2017 with a maturity of 5 and 7 years, respectively. Both transactions were well received and both achieved a new issue spread over mid swaps of zero bps. One EUR and one USD benchmark were repaid during the first half. The Company also issued 3.2 billion

Norwegian kroner worth of covered bonds during the first six months, as well as a smaller amount of EUR private placements.

The residential lending volume has decreased according to expectations with a small amount (approx. 2 billion kroner) over the second quarter of the year. This reduction is a net number of additions and subtractions in the cover pool. The expectation is for the volume of mortgages to increase by three to four per cent for the full year 2017 (over 2016), but this remains dependent on owner banks' funding plans and growth through the year.

In the market for the Company's bonds the credit spreads have generally contracted with the market during the first half.

Boligkreditt is well capitalized with a capital coverage ratio of 16.19 per cent measured against a total capital requirement of 15.0 per cent, in addition to a moderate capital requirement for Pillar 2 requirements. Total Tier 1 capital is 14.02 and core equity capital 12.55 per cent.

SpareBank 1 Boligkreditt has a negative result for the first half 2017, which was also the case for the full year 2016. This is entirely due to the change in basis swap valuation adjustments, an accounting requirement, which does not impact cash flows and earnings and reverse to zero over time. The pre-tax result is a positive 52 million kroner excluding the effect from revaluing basis swaps.

As of 31.12.2016 the Company reclassified its hybrid bonds from debt to equity on the balance sheet, in accordance with IFRS rules. Capital ratios are not affected by this movement of lines on the balance sheet. Interest expense on the hybrid bonds however are from 2017 charged to equity and not accounted for in the pre-tax result as interest expense.

## Nature and development of the Company's business

SpareBank 1 Boligkreditt AS is a credit institution licensed by the Norwegian Financial Services Authority (Finanstilsynet) and is operated according to the legislation for covered bond issuers in Norway which is included in the law regarding financial enterprises ("Finansieringsvirksomhetsloven") chapter 2, section IV and the detailed regulations thereof.

The purpose of the Company is to provide funding for the owners by buying residential mortgage loans with a loan-to-value ("LTV") of up to 75 per cent and financing these primarily through the issuance of covered bonds. The Company which is based in Stavanger, is owned by banks which are members of the SpareBank 1 Alliance. A comprehensive agreement is signed which each of the banks in the SpareBank 1 Alliance which are selling mortgages to the Company regarding the purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing Agreement", "TSA"). The Company's operating model is to pay out to the owner banks who sell mortgages to the Company the margin earned during the course of the year (commissions to the parent banks). These commissions are deducted in the financial accounts to calculate net income.

The Company's issuances of covered bonds mainly take place under the EUR 25,000,000,000 Global Medium Term Covered Note Programme (GMTCN Programme). This Programme was updated on June 10, 2016 and is available on the Company's home page: <https://spabol.sparebank1.no>.

One or more credit ratings from international rating agencies are important in order to be able to issue covered bonds. The Company have procured the services of Moody's Ratings Service and Fitch Ratings to evaluate the credit quality of the issuances under the GMTCN Programme. The bond ratings are Aaa from Moody's and AAA from Fitch.



## Accounts for the period

The annual accounts have been prepared in accordance with the International Reporting Standards (IFRS) as adopted by the EU and published by the International Reporting Standards Board (IASB).

The Board views the accounts as presented to be a true representation of SpareBank 1 Boligkreditt's operations and financial position at the end of the year. Numbers in brackets refer to the previous year for comparison.

The total balance sheet at the end of the second quarter 2017 amounts to 254 (263) billion kroner. The reduction is largely due to a decline in the value of derivatives used for hedging issued bonds and declines in associated collateral levels held. The Company had in the first half of 2017 net interest income of 214 (220) million kroner, which includes deducting commissions paid to the parent banks. The cost of operations for the first half was 17.3 (15.6) million kroner including depreciation and amortization (an additional 5 per cent tax is levied on Norwegian banks' pay roll from January 2017). No additional amounts have been charged as loan provisions (write offs) in 2017 beyond the approximately 8 million kroner which has been reserved from previous years. No actual loan losses have occurred since the Company commenced operations. This produces an operating result of negative 260 million kroner (positive 126) before tax. The operating result includes a pre-tax loss due to basis swap valuation adjustments of approximately 336 million kroner. Basis swap valuation adjustments are temporary effects reversed over time until maturity of the swaps.

Lending to customers amounted to 174 (173) billion kroner as of 30.06.17. The Company's own liquid assets as of December 31, 2016 were 32 (26) billion kroner. Liquid assets are cash and highly rated, highly liquid bonds which are held as a function of upcoming bond maturities up to 12 months ahead in time.

## Risk aspects

SpareBank 1 Boligkreditt as an issuer of covered bonds is subject to strict rules regarding its exposure to credit, market, and liquidity risks. This fact and the aim of the maintenance of the AAA/Aaa rating means that the Company is subject to low levels of risk and places strong emphasis on risk control.

**Credit Risk** is defined as the risk that losses can occur as a consequence of that customers and others do not have the ability or willingness to meet their obligations to SpareBank 1 Boligkreditt. Because the Company buys residential mortgages within 75% of the value of the objects on which the mortgages are secured, the Board of Directors conclude that the credit risk is lower than for banks in general.

**Market risk** is defined as the risk of losses due to changes in market rates, i.e. interest rates, exchange rates and the prices of financial instruments. At the end of the quarter SpareBank 1 Boligkreditt AS had issued bonds in foreign currency, in addition to Norwegian kroner denominated debt. Amounts were approximately 132 billion kroner in EUR, 19 billion kroner in USD and 0.3 billion kroner in Swedish kroner, at exchange rates at quarter-end. However, all borrowing and investments with a fixed rate and all borrowing and investments in a foreign currency have been hedged by financial currency- and/or interest rate swap agreements or through natural hedges. The collective cash flow therefore matches borrowings in Norwegian kroner with floating rate conditions (NIBOR 3 months). The Company receives collateral from its counterparties in derivative agreements according to certain criteria.

SpareBank 1 Boligkreditt AS owns cash, bonds and short term notes at year-end for a total of 55 (58) billion kroner, whereof 23 (32) billion kroner is collateral received from counterparties in derivatives transactions and are not available for the Company as liquid assets. The bonds held are Norwegian and Nordic covered bonds and German supra sovereign and agencies (German agencies guaranteed by the German government) with a triple-A rating from Fitch, Moody's and/or S&P, as well as some Norwegian and German sovereign debt. Deposits are placed in banks with a minimum rating of at least A/A2.

The Company had as of 30.06.2017 only moderate interest rate risk and immaterial amounts of currency risk.

**Liquidity risk** is defined as the risk that the Company is not able to meet its obligations at maturity or to be able to finance the purchase of loans at normal terms and conditions. Liquidity risk is managed based upon a liquidity strategy approved by the Board. According to the strategy, SpareBank 1 Boligkreditt AS shall maintain a material liquidity reserve with a minimum size of covering all maturities within 6 months and 50 per cent of all maturities between 6 and 12 months. The Company's liquidity position is good.

**Operational risk** is defined as risk of loss due to error or neglect in transaction execution, weakness in the internal control or information technology systems breakdowns. Reputational, legal, ethical and competency risks are also elements of operational risk. The risk is assessed to be moderate.

The Company spends much time identifying, measuring, managing and following up central areas of risk in such a way that this contributes to meeting the strategic goals. The notes 23 to 27 in the annual report 2016 provides further information.

## Future prospects of the Company

The Company has a portfolio of residential mortgage lending with an average loan to value of approximately 50 per cent and no loans are in default. Residential real estate prices have increased overall in Norway over the year 2016 and into 2017 and stand at a high level. There are now signs that a correction is under way where real estate prices increased the most over the previous 12 to 18 months (especially in Oslo). SpareBank 1 Boligkreditt's portfolio is well diversified throughout the major city regions in all of Norway.

Due to the special characteristics and restrictions for loans to become part of the cover pool, the high degree of diversification of the pool and the continued strength of the Norwegian economy, as well as prudent lending practices (and mortgage lending regulations) in place, the prospects for the Company are continuing to be good and stable. The Board also base this conclusion on the low LTVs of the mortgages, no defaults or arrears, a strong history and institutional framework in Norway for loan performance, as well as the low unemployment environment.

**Macroeconomic development<sup>1</sup>:** The Norwegian economy expanded in the first quarter 2017 by 3.1 per cent, a very solid performance in the mainland economy driven by business investments, exports and consumption increases, both private and public sector. The unemployment rate is now 4.6 per cent (April 2017), down from the peak of 4.9 per cent in this cycle, but an increase from 4.2 per cent at the beginning of this year, indicating that the labour market is still affected by the changing economic situation. However, while jobs are created in many sectors, the relatively low unemployment rate (following the oil sector changes) is partially also explained by a reduced labour force, which is now 70.1 per cent of the population, down from 71 per cent in April 2014.

**Economic outlook:** The economic outlook is summarized in the table below. Second quarter national account data is published by SSB in Norway on August 24. The latest data at the time of writing is therefore the first quarter 2017. The 3.1 growth rate for the first quarter may be the start of a cyclical economic upswing as the decline in the aggregated demand from the petroleum sector comes to an end (the decline in oil sector investments was now only 3.4 per cent y-o-y in the first quarter over the same period the previous year). House construction and demand from the public sector have contributed to the strong growth. The household consumption growth has also increased some over the last two quarters (and consumer confidence expanding). Looking ahead it is the export sector (the weak NOK and reduced cost levels lead to a better competitive position) and investment in mainland industries (electric power, i.e. wind investments and electric transmission upgrades) which will likely be the drivers of economic growth. House prices are showing first signs of correcting downwards in the spring of 2017 (following strong growth and investments in 2016-2017) and it is expected that this will be a drag on economic growth in 2018 and

<sup>1</sup> Macroeconomic projections have been sourced from Statistics Norway as of June 8, 2017.

possibly beyond. After a record setting decline in average real wages in 2016, a small increase is expected in 2017 and higher growth the following years. This will contribute to growth in household consumption.

Projections (%)	2017	2018	2019	2020
GDP growth, mainland	1,9	2,2	2,4	2,2
Unemployment rate	4,3	4,2	4,1	4
CPI growth	2,1	2	2,1	2,3
Annual wage increase	2,3	3,1	3,4	4

Source: Statistics Norway (SSB) June 6, 2017

The Board of Directors affirms that the financial accounts present a correct and complete picture of the Company's operations and financial position for the second quarter of 2017. The financial accounts including notes are produced under the assumption of a going concern.

There have been no incidents of a material nature after year-end which are expected to impact the quarterly accounts as of 30 June, 2017.

Stavanger, June 30, 2017 / August 7, 2017  
The Board of Directors of SpareBank 1 Boligkreditt AS



/s/ Kjell Fordal  
Chairman of the Board



/s/ Inge Reinertsen



/s/ Merete N. Kristiansen



/s/ Geir Egil Bolstad



/s/ Inger M.S. Eriksen



/s/ Arve Austestad  
Managing Director



# SpareBank 1 Boligkreditt AS

## - Statement of the members of the board and the chief executive officer

The Board and the chief executive officer have today reviewed and approved the financial accounts for the second quarter 2017 for SpareBank 1 Boligkreditt AS. The quarterly accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

To the best knowledge of the board and the chief executive officer the accounts have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole as of 30.06.17.

The board of directors and the chief executive officer declare to the best of their knowledge that the annual report gives a true and fair view of the development and performance of the business of the Company, as well as a description of the principal risks and uncertainties facing the Company.

Stavanger, June 30, 2017 / August 7, 2017  
The Board of Directors of SpareBank 1 Boligkreditt AS

/s/ Kjell Fordal  
Chairman of the Board

/s/ Inge Reinertsen

/s/ Merete N. Kristiansen

/s/ Geir Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Arve Austestad  
Managing Director

# Financial statements

## Income statement

NOK 1 000	Note	2. quarter 2017	2. quarter 2016	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016	2016
Total interest income	2	900 887	924 572	1 838 306	1 883 373	3 797 962
Total interest expenses	2	-777 648	-817 253	-1 624 789	-1 663 595	-3 386 965
<b>Net interest income</b>		<b>123 239</b>	<b>107 319</b>	<b>213 517</b>	<b>219 778</b>	<b>410 997</b>
Net gains/losses from financial instruments	3	-205 252	-112 625	-456 169	-77 698	-521 993
<b>Net other operating income</b>		<b>-205 252</b>	<b>-112 625</b>	<b>-456 169</b>	<b>-77 698</b>	<b>-521 993</b>
<b>Total operating income</b>		<b>-82 013</b>	<b>-5 306</b>	<b>-242 652</b>	<b>142 080</b>	<b>-110 996</b>
Salaries and other ordinary personnel expenses	4	-2 429	-2 043	-5 818	-5 143	-11 409
Administration expenses	5	-2 849	-2 299	-5 404	-5 021	-10 247
Other operating expenses	6	-3 201	-3 076	-5 536	-4 711	-12 315
Depreciation on fixed assets and other intangible assets		-267	-320	-513	-720	-1 367
<b>Total operating expenses</b>		<b>-8 746</b>	<b>-7 738</b>	<b>-17 271</b>	<b>-15 595</b>	<b>-35 338</b>
<b>Operating result before losses</b>		<b>-90 759</b>	<b>-13 044</b>	<b>-259 922</b>	<b>126 485</b>	<b>-146 334</b>
Write-downs on loans and guarantees	8	-	-	-	-	-
<b>Pre-tax operating result</b>		<b>-90 759</b>	<b>-13 044</b>	<b>-259 922</b>	<b>126 485</b>	<b>-146 334</b>
Taxes		22 690	3 261	64 981	-31 621	36 583
<b>Profit/loss for the year</b>		<b>-68 069</b>	<b>-9 783</b>	<b>-194 942</b>	<b>94 864</b>	<b>-109 751</b>

## Overview of comprehensive income

NOK 1 000	2. quarter 2017	2. quarter 2016	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016	2016
Profit/loss for the year	-68 069	-9783	-194 942	94 864	-
Items which will not impact the income statement in future periods:					
Change in pensions for a previous period	-	-	-	-	-
Estimate deviation for pensions	-	-	-	-	-1 054
Tax effect of the estimate deviation	-	-	-	-	264
<b>Total profit/loss accounted for in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-791</b>
<b>Total profit/loss</b>	<b>-68 069</b>	<b>-9 783</b>	<b>-194 942</b>	<b>94 864</b>	<b>-791</b>

# Balance sheet

NOK 1 000	Note	30.06.2017	30.06.2016	2016
<b>Assets</b>				
Lending to and deposits with credit institutions	13	10 490 289	11 257 916	8 129 096
Norwegian government s-t debt certificates	13, 14	2 667 460	1 656 360	1 948 409
Bonds	13, 14	42 106 577	44 733 335	40 558 209
Lending to customers	8	173 571 981	172 616 073	174 463 203
Financial derivatives	12	24 684 813	32 728 300	27 150 388
Deferred tax asset		6 174	-	-
Other assets	7	1 109	1 833	1 543
<b>Total assets</b>		<b>253 528 402</b>	<b>262 993 816</b>	<b>252 250 848</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Debt incurred by issuing securities	10, 13, 14	216 466 932	217 597 620	213 056 583
Collateral received under derivatives contracts	19	23 245 875	31 632 419	24 304 397
Financial derivatives	12	1 074 719	575 679	1 781 221
Deferred tax		208 816	370 561	208 816
Tax payable		-	31 621	124 898
Subordinated debt	11	1 603 328	2 684 337	1 603 778
Other Liabilities	15	89 939	133 917	117 865
<b>Total Liabilities</b>		<b>242 689 610</b>	<b>253 026 155</b>	<b>241 197 558</b>
<b>Equity</b>				
Paid-in equity		9 708 470	9 258 470	9 498 470
Other paid-in equity (not yet registered)		-	240 000	210 000
Hybrid capital		1 080 000	-	1 081 034
Accrued equity		131 314	374 328	149 836
Net profit		-194 942	94 864	-
Declared dividends		113 950	-	113 950
<b>Total equity</b>		<b>10 838 792</b>	<b>9 967 662</b>	<b>11 053 290</b>
<b>Total liabilities and equity</b>		<b>253 528 402</b>	<b>262 993 816</b>	<b>252 250 848</b>

/s/ Kjell Fordal  
Chairman of the Board

/s/ Inge Reinertsen

/s/ Merete N. Kristiansen

/s/ Geir Egil Bolstad

/s/ Inger M.S. Eriksen

/s/ Arve Austestad  
Managing Director

## Statement of changes in equity

NOK 1 000	Share capital	Additional paid in equity	Dividend	Other paid-in equity (not yet registered)	Other Equity	Hybrid capital	Total Equity
<b>Balance as of 31 December 2015</b>	<b>5 710 548</b>	<b>2 857 922</b>	<b>105 074</b>	<b>690 000</b>	<b>374 328</b>	<b>-</b>	<b>9 737 872</b>
Registration of share increase (from 22 December 2015)	460 000	230 000	-	-690 000	-	-	-
Dividend 2015	-	-	-105 074	-	-	-	-105 074
Share increase 29 June 2016	160 000	80 000	-	-	-	-	240 000
Share increase 28 December 2016 (not yet registered)	-	-	-	210 000	-	-	210 000
Net income for the period *	-	-	-	-	-109 751	-	-109 751
Proposed dividend for 2016	-	-	113 950	-	-113 950	-	-
OCI - pension - annual estimate deviation	-	-	-	-	-791	-	-791
Reclassification of hybrid capital as of 31 December 2016	-	-	-	-	-	1 081 034	1 081 034
<b>Balance as of 31 December 2016</b>	<b>6 330 548</b>	<b>3 167 922</b>	<b>113 950</b>	<b>210 000</b>	<b>149 836</b>	<b>1 081 034</b>	<b>11 053 290</b>
Registration of share increase (from 28 December 2016)	140 000	70 000	-	-210 000	-	-	-
Net income for the period	-	-	-	-	-194 942	-	-194 942
Paid interest on hybrid capital	-	-	-	-	-24 696	-1 034	-25 730
Tax on hybrid capital, directly against equity	-	-	-	-	6 174	-	6 174
<b>Balance as of 30 June 2017</b>	<b>6 470 548</b>	<b>3 237 922</b>	<b>113 950</b>	<b>-</b>	<b>-63 628</b>	<b>1 080 000</b>	<b>10 838 792</b>

Equity is paid in by the Company's parent banks when a requirement arises. The requirement arises regularly when the Company acquires larger portfolios of mortgage loans, and otherwise according to changes in capitalization rules for banks in Norway.

All CET1 hybrid instruments have been reclassified to equity on the balance sheet from 31.12.2016. This is according to the definition of a financial liability under IAS 32.

# Cash flow statement

NOK 1 000	31.03.2017	31.03.2016	2016
<b>Cash flows from operations</b>			
Interest received	2 178 046	2 127 599	3 858 846
Paid expenses, operations	-20 473	-16 764	-36 469
Paid tax	-124 898	0	0
<b>Net cash flow relating to operations</b>	<b>2 032 675</b>	<b>2 110 835</b>	<b>3 822 377</b>
<b>Cash flows from investments</b>			
Net purchase of loan portfolio	889 007	-3 292 443	-5 128 140
Net payments on the acquisition of government bills	-632 639	7 023 992	6 685 763
Net payments on the acquisition of bonds	-607 889	-4 110 811	-495 538
Net investments in intangible assets	-214	-563	-732
<b>Net cash flows relating to investments</b>	<b>-351 735</b>	<b>-379 825</b>	<b>1 061 353</b>
<b>Cash flows from funding activities</b>			
Net receipt/payment from the issuance of certificates	-585 009	949 966	949 966
Net receipt/payment from the issuance of bonds	4 931 699	5 987 836	8 296 329
Net receipt/payment from the issuance of subordinated debt	0	250 000	250 000
Net receipt/payment of loans to credit institutions	-1 585 136	-3 840 767	-11 329 904
Equity capital subscription	0	240 000	450 000
Paid dividend	0	-105 074	-105 074
Net interest payments on funding activity	-2 062 805	-1 915 219	-3 396 582
<b>Net cash flow relating to funding activities</b>	<b>698 750</b>	<b>1 566 743</b>	<b>-4 885 266</b>
<b>Net cash flow in the period</b>	<b>2 379 690</b>	<b>3 297 753</b>	<b>-1 535</b>
<b>Balance of cash and cash equivalents at beginning of period</b>	<b>8 129 097</b>	<b>8 083 543</b>	<b>8 083 543</b>
Net receipt/payments on cash	2 379 690	3 297 753	-1 535
Exchange rate difference	-18 498	-123 380	47 089
<b>Balance of cash and cash equivalents at end of period</b>	<b>10 490 289</b>	<b>11 257 916</b>	<b>8 129 096</b>



## Quarterly Financial Statements

These quarterly statements are not individually audited and are included as additional information to these accounts.

### Income statement

	2th Quarter	1th Quarter	4th Quarter	3th Quarter	2th Quarter
NOK 1 000	2017	2017	2016	2016	2016
Total interest income	900 887	937 419	972 314	942 275	924 572
Total interest expenses	-777 648	-847 140	-883 715	-839 655	-817 253
<b>Net interest income</b>	<b>123 239</b>	<b>90 278</b>	<b>88 599</b>	<b>102 620</b>	<b>107 319</b>
Net gains/losses from financial instruments	-205 252	-250 917	-262 950	-181 345	-112 625
<b>Net other operating income</b>	<b>-205 252</b>	<b>-250 917</b>	<b>-262 950</b>	<b>-181 345</b>	<b>-112 625</b>
<b>Total operating income</b>	<b>-82 013</b>	<b>-160 639</b>	<b>-174 351</b>	<b>-78 725</b>	<b>-5 306</b>
Salaries and other ordinary personnel expenses	-2 429	-3 389	-3 106	-3 160	-2 043
Administration expenses	-2 849	-2 555	-2 649	-2 577	-2 299
Other operating expenses	-3 201	-2 335	-4 047	-3 557	-3 076
Depreciation on fixed assets and other intangible assets	-267	-246	-354	-293	-320
<b>Total operating expenses</b>	<b>-8 746</b>	<b>-8 525</b>	<b>-10 156</b>	<b>-9 587</b>	<b>-7 738</b>
<b>Operating result before losses</b>	<b>-90 759</b>	<b>-169 164</b>	<b>-184 507</b>	<b>-88 312</b>	<b>-13 044</b>
Write-downs on loans and guarantees	-	-	-	-	-
<b>Pre-tax operating result</b>	<b>-90 759</b>	<b>-169 164</b>	<b>-184 507</b>	<b>-88 312</b>	<b>-13 044</b>
Taxes	22 690	42 291	46 126	22 078	3 261
<b>Profit/loss for the year</b>	<b>-68 069</b>	<b>-126 873</b>	<b>-138 381</b>	<b>-66 234</b>	<b>-9 783</b>
Other income and expense	-	-	-791	-	-
<b>Total Profit/Loss</b>	<b>-68 069</b>	<b>-126 873</b>	<b>-139 172</b>	<b>-66 234</b>	<b>-9 783</b>

# Balance sheet

<b>NOK 1 000</b>	<b>30.06.2017</b>	<b>31.03.2017</b>	<b>31.12.2016</b>	<b>30.09.2016</b>	<b>30.06.2016</b>
<b>Assets</b>					
Lending to and deposits with credit institutions	10 490 289	8 251 587	8 129 096	10 261 328	11 257 916
Norwegian Government Treasury Bills	2 667 460	395 059	1 948 409	2 596 035	1 656 360
Bonds	42 106 577	39 834 119	40 558 209	46 446 864	44 733 335
Lending to customers	173 571 981	175 654 209	174 463 203	173 328 663	172 616 073
Financial derivatives	24 684 813	25 160 358	27 150 388	27 278 826	32 728 300
Deferred tax asset	6 174	3 005	-	-	-
Other assets	1 109	1 703	1 543	2 262	1 833
<b>Total assets</b>	<b>253 528 402</b>	<b>249 300 040</b>	<b>252 250 848</b>	<b>259 913 978</b>	<b>262 993 816</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Debt incurred by issuing securities	216 466 932	212 822 181	213 056 583	220 083 440	217 597 620
Collateral received under derivatives contracts	23 245 875	22 005 476	24 304 397	25 331 451	31 632 419
Financial derivatives	1 074 719	1 514 308	1 781 221	1 415 786	575 679
Deferred tax	208 816	208 816	208 816	380 104	370 561
Tax payable	-	<b>124 898</b>	124 898	-	31 621
Subordinated debt	1 603 328	1 603 633	1 603 778	2 684 461	2 684 337
Other Liabilities	89 939	104 359	117 865	117 308	133 917
<b>Total Liabilities</b>	<b>242 689 610</b>	<b>238 383 671</b>	<b>241 197 558</b>	<b>250 012 550</b>	<b>253 026 155</b>
<b>Equity</b>					
Contributed equity	9 708 470	9 708 470	9 498 470	9 498 470	9 258 470
Other paid in equity (not yet registered)	-	-	210 000	-	240 000
Hybrid capital	1 080 000	1 070 986	1 081 034	-	-
Accrued equity	131 314	149 836	149 836	374 328	374 328
Net profit	-194 942	-126 873	-	28 630	94 864
Declared dividends	113 950	113 950	113 950	-	-
<b>Total equity</b>	<b>10 838 792</b>	<b>10 916 369</b>	<b>11 053 290</b>	<b>9 901 428</b>	<b>9 967 662</b>
<b>Total liabilities and equity</b>	<b>253 528 402</b>	<b>249 300 040</b>	<b>252 250 848</b>	<b>259 913 978</b>	<b>262 993 816</b>

# Notes to the financial statements March 31, 2017

## Note 1 Accounting principles

### 1.1 Basis for preparation

SpareBank 1 Boligkreditt AS is the SpareBank 1 Alliance's separate legal vehicle established according to the specialist banking principle within the Norwegian legislation for covered bonds. The Company's purpose is to acquire residential mortgages from its ownership banks organised in the SpareBank 1 Alliance and finance these by issuing covered bonds.

SpareBank1 Boligkreditt main office is located in Stavanger, visiting address Bjergsted Terrasse 1.

These quarterly accounts for SpareBank 1 Boligkreditt refers to the period 01.01.2017 - 30.06.2017. The accounts have been produced in accordance with IAS 34 reporting for a partial year. The accounts are prepared in accordance with IFRS and IFRIC interpretations thereof. The Company's accounting principles and calculation methods have not materially changed since the annual accounts for 2016. The principles addressed below should be seen in connection with the accounting principles as they were presented in the annual accounts for 2016.

These financial accounts have been approved by the Board of Directors of SpareBank 1 Boligkreditt on 07.08.2017

### 1.2 Segment

Business segments are the Company's primary reporting segment. The Company has only one segment, which is the retail customer segment. The segment consists of lending to private individuals and all loans have been acquired from the member banks of the SpareBank 1 alliance. The Company's total results as of the second quarter 2017 is therefore equal to the retail segment total results.

### 1.3 Presentational Currency

The presentation currency is Norwegian Kroner (NOK), which is also the Company's functional currency. All amounts are given in NOK thousand unless otherwise stated.

### 1.4 Risk Management

SpareBank 1 Boligkreditt AS' financial assets and liabilities fluctuates in value as a result of the variability of prices of such assets and liabilities in the financial markets. In the annual accounts for 2016 Note 3 explains in more detail the use of critical estimates and judgements when applying the accounting policies

### 1.5 Estimates and assessments regarding the use of accounting principles

The preparation of the financial information is in accordance with IFRS and involves management's estimates which affect the implementation of accounting principles and thereby accounting values for assets, liabilities, revenue and costs. These estimates have been described in the notes to the annual accounts for 2016.

## Note 2 Net interest income

NOK 1 000	30.06.2017	30.06.2016	2016
<b>Interest income</b>			
Interest income and similar income from loans to and balances with credit institutions	253 990	242 291	526 792
Interest income and similar income from loans to and balances with customers	2 286 163	2 298 496	4 511 245
Interest income treasury bills	-4 091	19 268	7 877
Commission expense (payable to shareholder banks) *	-697 755	-676 681	-1 247 952
<b>Total interest income</b>	<b>1 838 306</b>	<b>1 883 373</b>	<b>3 797 962</b>
<b>Interest expense</b>			
Interest expense and similar expenses to credit institutions	-5 387	8 851	12 258
Interest expense and similar expenses on issued bonds	1 592 570	1 606 410	3 265 299
Interest expense and similar expenses on issued certificates	6 998	2 097	9 107
Interest expense and similar expenses on Tier 1 capital **	-	19 260	45 227
Interest expense and similar expenses on Tier 2 capital	26 521	26 903	54 001
Other interest expenses	4 087	73	1 073
<b>Total interest expense</b>	<b>1 624 789</b>	<b>1 663 595</b>	<b>3 386 965</b>
<b>Net interest income</b>	<b>213 517</b>	<b>219 778</b>	<b>410 997</b>

\* Commissions to our parent banks are calculated daily for each mortgage loan transferred, whereby the commission equals the customer loan rate less a rate which incorporates the Company's average cost of funding and operational costs. The operational add-on element is expressed through an average rate which is from time to time decided by the Company's Board of Directors.

\*\* The reclassification on Tier 1 capital, Hybrid capital to equity, occurred at 31.12.2016 so that the interest will first be recognized in other equity as of 01.01.2017

## Note 3 Net Gains on Financial Instruments

NOK 1 000	30.06.2017	30.06.2016	2016
Net gains (losses) from financial liabilities (1)	-4 047 766	-4 673 830	-3 274 659
Net gains (losses) from financial derivatives, hedging liabilities, at fair value, hedging instrument (1,3)	3 543 276	4 815 315	3 641 152
Net gains (losses) from financial assets (2)	348 154	-287 883	-665 916
Net gains (losses) from financial derivatives, hedging assets, at fair value, hedging instrument (2,3)	36 127	15 401	77 376
Net gains (losses) due to changes in basisswaps spreads (4)	-335 960	53 299	-299 947
<b>Net gains (losses)</b>	<b>-456 169</b>	<b>-77 698</b>	<b>-521 993</b>

(1) The Company utilizes hedge accounting as defined in IFRS for issued fixed rate bonds (covered bonds) with derivatives (swaps) which hedges fixed rates to floating and foreign currencies to Norwegian kroner. The hedges are individually tailored to each issued bond and exactly matches the cash flows and duration of the issued bonds. Some liabilities in foreign currency are hedged with natural hedges (corresponding assets in the same currency and will cause the valuation change of the liabilities to be different to the valuation changes in the derivatives hedging the liabilities (there will also be valuation differences due to the the amortization of issuance costs and when the bonds are issued at prices different from par value.)

(2) SpareBank 1 Boligkreditt AS manages its liquidity risk by refinancing its outstanding bonds ahead of expected maturities and keeping proceeds as a liquidity portfolio. The majority of this portfolio is valued according to observed market values (fair value). Fixed rate bonds and bonds in other currencies than Norwegian kroner are hedged using swaps. The latter are valued according to interest rate and foreign exchange rates and are also valued at fair value (though differences may occur because the valuation of the bonds include a credit risk/spread element which the swaps do not contain). A smaller part of the portfolio is classified as hold-to-maturity and consist of bonds in Norwegian kroner at floating rates. Included in assets in the table are also investments which are hedged with natural currency hedges, as well as investments in short term, highly rated bonds from funds received from swap counterparties for collateral purposes. Such investments do not have a corresponding value change in the financial derivatives hedging the assets (and are also not included in the liabilities in line 1 in the table above as this contains only the Company's issued debt securities).

(3) All derivatives are valued at fair value according to changes in market interest rates and foreign exchange rates. Changes in valuations from the previous period is accounted for in profit and loss.

(4) The Company utilizes basis swaps, which is the foreign exchange swap that changes foreign currency exposure into Norwegian kroner exposure, and this is entered into at a certain cost expressed in bps per annum. The change in this cost is used to adjust the valuation of all of the outstanding basis swaps each quarter, along with the change in other transaction charges to enter into the swaps. An increase in the costs for basis swaps results in a positive adjustment (gain), while a reduction in basis swap costs lead to a negative adjustment (loss). The effect of the basis swap valuation adjustments can be material from quarter to quarter because the Company's portfolio of swaps is extensive. All basis swap valuation adjustments will reverse in line the with the passage of time and will become zero at the latest at the point of the scheduled swap termination date.

## Note 4 Salaries and remuneration

<b>NOK 1 000</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
Salary	4 559	4 787	9 903
Salaries invoiced to SpareBank1 Næringskreditt*	-1 328	-1 674	-2 691
Pension expenses	1 271	1 077	1 956
Social insurance fees	1 092	797	1 699
Other personnel expenses	224	156	541
<b>Total salary expenses</b>	<b>5 818</b>	<b>5 143</b>	<b>11 409</b>
Average number of full time equivalents (FTEs)	8	8	8

\* The company's employees have shared employment between SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. All remuneration is effectuated through SpareBank 1 Boligkreditt and a portion is invoiced to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank 1 SR-Bank ASA and SpareBank 1 Gruppen. Pension benefit obligations are covered in SpareBank 1 Boligkreditt through participation in the pension fund of SpareBank 1 SR-Bank ASA. This pension scheme meets the legal demands on mandatory occupational pension.



## Note 5 Administration Expenses

NOK 1 000	30.06.2017	30.06.2016	2016
IT operation and maintenance	4 962	4 735	9 456
Travel	578	411	944
Telephone and postage	27	29	123
Misc other adm expenses	1	8	9
Cost share with SpareBank 1 Næringskreditt AS	-163	-163	-284
<b>Total</b>	<b>5 404</b>	<b>5 021</b>	<b>10 247</b>

## Note 6 Other Operating Expenses

NOK 1 000	30.06.2017	30.06.2016	2016
Auditing, hired personnel from SpareBank 1 Group, other services	5 304	4 370	11 761
Operating expenses rented offices	342	294	618
Operating expenses reinvoiced to SpareBank 1 Næringskreditt	-275	-254	-500
Misc other operating expenses	165	300	436
<b>Total</b>	<b>5 536</b>	<b>4 711</b>	<b>12 315</b>

## Note 7 Other assets

NOK 1 000	30.06.2017	30.06.2016	2016
Intangible assets	946	1 722	1 245
Account receivables from SpareBank 1 Næringskreditt AS	163	111	299
<b>Total</b>	<b>1 109</b>	<b>1 833</b>	<b>1 543</b>

## Note 8 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 Q2 2017 were NOK 173,6 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.06.2017	30.06.2016	2016
Revolving loans - retail market	50 456 110	54 697 466	53 353 004
Amortising loans - retail market	122 977 516	117 789 470	120 969 630
Accrued interest	146 062	136 844	148 277
<b>Total loans before specified and unspecified loss provisions</b>	<b>173 579 689</b>	<b>172 623 781</b>	<b>174 470 911</b>
Specified loan loss provisions			-
Unspecified loan loss provisions	7 708	7 708	7 708
<b>Total net loans and claims with customers</b>	<b>173 571 981</b>	<b>172 616 073</b>	<b>174 463 203</b>

**Liability**

Unused balances under customer revolving credit lines (flexible loans)	13 121 002	18 627 409	13 593 736
<b>Total</b>	<b>13 121 002</b>	<b>18 627 409</b>	<b>13 593 736</b>

**Defaulted loans**

Defaults*	0,0 %	0,0 %	0,0 %
Specified loan loss provisions	0,0 %	0,0 %	0,0 %
<b>Net defaulted loans</b>	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>

**Loans at risk of loss**

Loans not defaulted but at risk of loss	0,0 %	0,0 %	0,0 %
- Write downs on loans at risk of loss	0,0 %	0,0 %	0,0 %
<b>Net other loans at risk of loss</b>	<b>0,0 %</b>	<b>0,0 %</b>	<b>0,0 %</b>

\*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**

<b>NOK 1 000</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
Loan loss provisions starting balance	7 708	7 708	7 708
Change in group loan loss provisions	0	0	0
<b>Loan loss provisions ending balance</b>	<b>7 708</b>	<b>7 708</b>	<b>7 708</b>

## Note 9 Share Capital and Shareholder Information

**List of shareholders as of 31.03.2017**

	<b>No of Shares</b>	<b>in per cent</b>	<b>Share of votes</b>
SpareBank 1 Østlandet	13 107 545	20,26 %	20,26 %
SpareBank 1 SMN	12 349 152	19,09 %	19,09 %
SpareBank 1 Nord-Norge	9 452 201	14,61 %	14,61 %
SpareBank 1 SR-Bank ASA	8 972 206	13,87 %	13,87 %
BN Bank ASA	3 904 571	6,03 %	6,03 %
SpareBank 1 BV	2 990 735	4,62 %	4,62 %
SpareBank 1 Østfold Akershus	2 879 967	4,45 %	4,45 %
Sparebanken Telemark	2 728 584	4,22 %	4,22 %
SpareBank 1 Ringerike Hadeland	2 374 127	3,67 %	3,67 %
SpareBank 1 Nordvest	1 421 523	2,20 %	2,20 %
SpareBank 1 Modum	941 527	1,46 %	1,46 %
SpareBank 1 Nøtterøy Tønsberg	904 606	1,40 %	1,40 %
SpareBank 1 Søre Sunnmøre	841 836	1,30 %	1,30 %
SpareBank 1 Hallingdal Valdres	775 375	1,20 %	1,20 %
SpareBank 1 Gudbrandsdal	599 994	0,93 %	0,93 %
SpareBank 1 Lom og Skjåk	461 533	0,71 %	0,71 %
<b>Total</b>	<b>64 705 482</b>	<b>100 %</b>	<b>100 %</b>

The share capital consists of 64 705 482 shares with a nominal value of NOK 100

## Note 10 Liabilities incurred by issuing Securities

	Nominal value*	Nominal value*	Nominal value*
<b>NOK 1 000</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
Short term notes, unsecured	365 000	950 000	950 000
Repurchased short term notes, unsecured	-	-	-
Senior unsecured bonds	4 231 000	3 631 000	3 481 000
Repurchased senior unsecured bonds	-326 000	-282 000	-232 000
Covered bonds	190 183 687	184 961 507	185 292 077
Repurchased Covered bonds	-2 105 970	-3 635 195	-1 951 550
<b>Total debt incurred by issuing securities</b>	<b>192 347 717</b>	<b>185 625 312</b>	<b>187 539 527</b>

\* Nominal value is incurred debt at exchange rates (EUR/NOK and USD/NOK) at the time of issuance

	Book value	Book value	Book value
<b>NOK 1 000</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
Short term notes, unsecured	364 957	949 966	949 966
Repurchased short term notes, unsecured	-	-	-
Senior unsecured bonds	4 231 377	3 630 435	3 480 574
Repurchased senior unsecured bonds	-326 130	-280 870	-231 456
Covered bonds	213 350 828	215 798 777	209 376 266
Repurchased covered bonds	-2 273 383	-3 870 060	-2 136 734
Activated costs incurred by issuing debt	-179 250	-159 745	-163 181
Accrued interest	1 298 533	1 529 119	1 781 147
<b>Total debt incurred by issuing securities</b>	<b>216 466 932</b>	<b>217 597 620</b>	<b>213 056 583</b>

Liabilities categorized by debt instrument and year of maturity (nominal value\*, net of repurchased bonds) NOK 1,000:

### Senior Unsecured Bonds and notes

<b>Due in</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
2016		500 000	
2017	1 468 000	2 618 000	2 518 000
2018	1 621 000	300 000	800 000
2019	1 181 000	881 000	881 000
<b>Total</b>	<b>4 270 000</b>	<b>4 299 000</b>	<b>4 199 000</b>

### Covered bonds

<b>Due in</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
2016		10 345 000	-
2017	2 149 500	19 877 500	19 449 500
2018	35 435 250	35 754 250	35 754 250
2019	27 564 438	27 550 128	27 535 470
2020	24 963 500	24 958 500	24 958 500
2021	28 839 651	28 505 307	28 770 128
2022	33 403 200	18 698 750	21 148 750
2023	9 494 150	9 374 900	9 252 750
2024	11 082 982	1 558 327	1 517 529
2025	1 010 000	1 010 000	1 010 000
2026	12 185 000	1 935 000	12 185 000
2027	667 246	475 850	475 850
2028	1 282 800	1 282 800	1 282 800
<b>Total</b>	<b>188 077 717</b>	<b>181 326 312</b>	<b>183 340 527</b>

\* Nominal value is incurred debt at exchange rates (EUR/NOK and USD/NOK) at the time of issuance

Debt incurred by currency (book values at the end of the period)

NOK 1 000	30.06.2017	30.06.2016	2016
NOK	65 675 864	60 717 004	62 584 741
EUR	131 824 378	127 194 134	120 282 131
USD	18 695 188	29 407 367	29 922 726
SEK	271 501	279 115	266 985
<b>Total</b>	<b>216 466 932</b>	<b>217 597 620</b>	<b>213 056 583</b>

## Note 11 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option	Nominal amount	30.06.2017	30.06.2016	2016
With maturity								
Subordinated debt (Tier 2 capital instrument)	NO0010704109	3M Nibor + 225 bp	2014	07.05.2019	1 600 000	1 600 000	1 600 000	1 600 000
Accrued interest						3 328	3 477	3 778
* Hybrid (Tier 1 capital instrument)						0	1 080 860	0
<b>Book value</b>						<b>1 603 328</b>	<b>2 684 337</b>	<b>1 603 778</b>

\* All hybrid instruments have been reclassified to equity from 31.12.2016. This is according to the definition of a financial liability under IAS 32.

## Note 12 Financial derivatives

NOK 1 000	30.06.2017	30.06.2016	2016
<b>Interest rate derivative contracts</b>			
<b>Interest rate swaps</b>			
Nominal amount	74 562 672	79 229 257	69 479 995
Asset	3 995 594	5 701 627	4 346 925
Liability	-661 148	-525 072	-667 779
<b>Currency derivative contracts</b>			
<b>Currency swaps</b>			
Nominal amount	137 466 427	142 587 689	138 286 431
Asset	20 689 219	26 474 623	22 604 660
Liability	-276 415	-50 607	-1 113 441
<b>Total financial derivative contracts</b>			
Nominal amount	212 029 099	221 816 945	207 766 425
Asset	24 684 813	32 176 250	26 951 585
Liability	-937 562	-575 679	-1 781 221
All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.			
<b>* Change due to basis swap spread adjustment</b>	<b>Liability</b>	<b>Asset</b>	<b>Asset</b>
Asset/Liability	-937 562	32 176 250	26 951 585
Net gain (loss) on valuation adjustment of basisswap spreads	-137 157	552 050	198 803
<b>Net asset/liability derivatives</b>	<b>-1 074 719</b>	<b>32 728 300</b>	<b>27 150 388</b>

Basis swaps are currency swaps and are entered into at a certain cost (spread) between SpareBank 1 Boligkreditt and counterparties (banks) that have signed an ISDA and CSA agreement with the Company. Changes in the cost are valued each quarter across all of the Company's swaps in accordance with the IFRS rules. An increase in the cost would result in an increase in the value of the basisswaps while a cost decrease would reduce the value of the basis swaps. The effect may be material from quarter to quarter because the Company's portfolio of swaps is extensive. All basisswap value changes will reverse over time towards the point of termination of the swaps. All swaps are employed for hedging purposes.

## Note 13 Classification of financial instruments

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	30.06.2017
<b>Assets</b>					
Deposits at and receivables from financial institutions	-	10 490 289	-	-	10 490 289
Norwegian government short term debt certificates	2 667 460	-	-	-	2 667 460
Bonds	42 106 577	-	-	-	42 106 577
Lending to customers	-	173 571 981	-	-	173 571 981
Financial derivatives	24 684 813	-	-	-	24 684 813
Deferred tax asset	-	-	-	6 174	6 174
Other assets	-	-	-	1 109	1 109
<b>Total Assets</b>	<b>69 458 849</b>	<b>184 062 270</b>	<b>0</b>	<b>7 283</b>	<b>253 528 402</b>
<b>Liabilities</b>					
Debt incurred by issuing securities	170 240 644	46 226 289	-	-	216 466 932
Collateral received in relation to financial derivatives	-	23 245 875	-	-	23 245 875
Financial derivatives	1 074 719	-	-	-	1 074 719
Deferred taxes	-	-	-	208 816	208 816
Taxes payable	-	-	-	-	-
Subordinated debt	-	1 603 328	-	-	1 603 328
Other liabilities	-	-	-	89 939	89 939
<b>Total Liabilities</b>	<b>171 315 363</b>	<b>71 075 492</b>	<b>-</b>	<b>298 756</b>	<b>242 689 610</b>
<b>Total Equity</b>	<b>-</b>	<b>1 080 000</b>	<b>-</b>	<b>9 758 792</b>	<b>10 838 792</b>
<b>Total Liabilities and Equity</b>	<b>171 315 363</b>	<b>72 155 492</b>	<b>-</b>	<b>10 057 547</b>	<b>253 528 402</b>

\*Fair value calculation according to changes in market interest rates and currencies exchange rates

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	30.06.2016
<b>Assets</b>					
Deposits at and receivables from financial institutions	-	11 257 916	-	-	11 257 916
Norwegian government short term debt certificates	1 656 360	-	-	-	1 656 360
Bonds	44 658 605	-	74 730	-	44 733 335
Lending to customers	-	172 616 073	-	-	172 616 073
Financial derivatives	32 728 300	-	-	-	32 728 300
Other assets	-	-	-	1 833	1 833
<b>Total Assets</b>	<b>79 043 265</b>	<b>183 873 989</b>	<b>74 730</b>	<b>1 833</b>	<b>262 993 816</b>



<b>Liabilities</b>					
Debt incurred by issuing securities	175 957 449	41 640 171	-	-	217 597 620
Collateral received in relation to financial derivatives	-	31 632 419	-	-	31 632 419
Financial derivatives	575 679	-	-	-	575 679
Deferred taxes	-	-	-	370 561	370 561
Taxes payable	-	-	-	31 621	31 621
Subordinated dept	-	2 684 337	-	-	2 684 337
Other liabilities	-	-	-	133 917	133 917
<b>Total Liabilities</b>	<b>176 533 128</b>	<b>75 956 927</b>	<b>-</b>	<b>536 099</b>	<b>253 026 155</b>
<b>Total Equity</b>					
	-	-	-	9 967 662	9 967 662
<b>Total Liabilities and Equity</b>	<b>176 533 128</b>	<b>75 956 927</b>	<b>-</b>	<b>10 503 760</b>	<b>262 993 816</b>

\*Fair value calculation according to changes in market interest rates and currencies exchange rates

## Note 14 Financial instruments at fair value

### Methods in order to determine fair value

#### General

The interest rate curve that is used as input for fair value valuations of hedging instruments and hedging objects consists of the NIBOR-curve for maturities less than one year. The swap-curve is used for maturities exceeding one year.

#### Interest rate and currency swaps

Valuation of interest rate swaps is at fair value through discounting future cash flows to their present values. Valuation of currency swaps will also include the element of foreign exchange rates.

#### Bonds

Valuation of bonds is at fair value through discounting future cash flows to present value.

With effect from 2009 SpareBank 1 Boligkreditt AS has implemented the changes in IFRS 7 in relation to the valuation of financial instruments as of the date of the financial accounts. The changes require a presentation of the fair value measurement for each Level. We have the following three Levels for the fair value measurement:

**Level 1:** Quoted price in an active market. Fair value of financial instruments which are traded in active markets are based on the market price at the balance sheet date. A market is considered to be active if the market prices are easily and readily available from an exchange, dealer, broker, industry group, pricing service or regulating authority and that these prices represent actual and regular market transactions on an arm's length basis.

**Level 2:** Valuation based on observable factors. Level 2 consist of instruments which are not valued based on listed prices, but where prices are indirectly observable for assets or liabilities, but also includes listed prices in not active markets.

**Level 3:** The valuation is based on factors that are not found in observable markets (non-observable assumptions). If valuations according to Level 1 or Level 2 are not available, valuations are based on not-observable information. The Company has a matter of principle neither assets nor liabilities which are valued at this level.

The following table presents the company's assets and liabilities at fair value as of 30.06.2017

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Bonds and bills	29 076 787	15 697 249	-	44 774 036
Financial Derivatives	-	24 684 813	-	24 684 813
<b>Total Assets</b>	<b>29 076 787</b>	<b>40 382 062</b>	<b>-</b>	<b>69 458 849</b>
Bonds	-	170 240 644	-	170 240 644
Financial Derivatives	-	1 074 719	-	1 074 719
<b>Total Liabilities</b>	<b>-</b>	<b>171 315 363</b>	<b>-</b>	<b>171 315 363</b>

The following table presents the company's assets and liabilities at fair value as of 30.06.2016

**NOK 1 000**

	Level 1	Level 2	Level 3	Total
Bonds and bills	30 722 252	15 592 712	-	46 314 964
Financial Derivatives	-	32 728 300	-	32 728 300
<b>Total Assets</b>	<b>30 722 252</b>	<b>48 321 012</b>	<b>-</b>	<b>79 043 264</b>
Bonds	-	175 957 449	-	175 957 449
Financial Derivatives	-	575 679	-	575 679
<b>Total Liabilities</b>	<b>-</b>	<b>176 533 128</b>	<b>-</b>	<b>176 533 128</b>

## Note 15 Other liabilities

<b>NOK 1 000</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
Employees tax deductions and other deductions	450	387	1 470
Employers national insurance contribution	442	306	476
Accrued holiday allowance	445	428	1 011
Commission payable to shareholder banks	132 221	105 225	92 506
Deposits*	2 038	6 753	1 010
Pension liabilities	14 624	12 823	14 124
Other accrued costs	-60 281	7 995	7 267
<b>Total</b>	<b>89 939</b>	<b>133 917</b>	<b>117 865</b>

The Company does not have an overdraft facility or a revolving credit facility as of 30.06.2017

\* Deposits represents temporary balances paid in by customers in excess of the original loan amount

## Note 16 Asset coverage test

The asset coverage is calculated according to the Financial Services Act § 2-31 (Covered Bond Legislation). There is a discrepancy between the asset coverage test and the amounts in the balance sheet because for the purposes of the test mortgage loans which may have migrated above the 75% loan to value level are reduced to reflect the decrease in the value of the underlying collateral so that only a maximum loan corresponding to a value of 75% of the collateral is considered. Market values are used for all substitute collateral in the test. In addition any defaulted loans, i.e. loans in arrears at or beyond 90 days, are excluded from the test (there have been no occurrences of any defaults starting with the commencement of operations through 30.06.2017).

<b>NOK 1 000</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
Covered Bonds	214 693 867	217 376 383	211 161 257
Repurchased Bonds	-2 330 630	-3 927 714	-2 155 498
Derivatives	-23 867 791	-31 798 450	-25 321 068
Total Covered Bonds	188 495 446	181 650 218	183 684 691
Lending to customers	173 122 544	172 207 775	173 757 431
Lending to the public sector (gov. bonds/ certificates or gov. guaranteed debt)	4 174 857	3 614 410	0
Liquid assets (substitute assets)	27 532 840	22 200 956	26 181 743
Total Cover Pool	204 830 241	198 023 141	199 939 174
<b>Asset-coverage</b>	<b>108,7 %</b>	<b>109,0 %</b>	<b>108,8 %</b>

<b>Liquidity Coverage Ratio (LCR)</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
Liquid assets	236 708	9 204 456	6 907 156
Cash outflow next 30 days	273 570	253 503	430 345
LCR ratio	87 %	3631 %	1605 %

<b>Net Stable Funding Ratio (NSFR)</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
Available amount of stable funding	193 321 956	181 145 955	179 903 405
Required amount of stable funding	178 591 279	176 819 401	178 901 734
NSFR ratio	108,2 %	102,4 %	100,6 %

## Note 17 Capital adequacy

The primary goal for the Company's management of capital reserves is to ensure compliance with laws and regulatory requirements and maintain solid financial ratios and a high quality credit assessment in order to best support its business.

A new capital requirements directive was introduced in Norway as of January 1, 2007 (Basel II). SpareBank1 Bolkreditt AS obtained permission from the Financial Services Authority in Norway (Finanstilsynet) for the implementation of its own Internal Ratings Based (IRB) model for credit risks from the second quarter of 2009.

Transitional rules have been implemented by the FSA whereby regulated financial institutions with approved IRB models will not be able to fully benefit from the results of such models until the year 2018. Regulated entities are allowed to reduce by 20% the total sum of risk weighted assets which would otherwise have been in place under the previous Basel I framework. In the following years until the end of 2017, the transitional rules will lead to significantly higher capital requirements than what would otherwise have been applicable under Basel II.

The European Union has approved new regulatory requirements, CRD IV, which is implemented in Norway. The requirement of 15.0% total capital in effect from July 1, 2016 includes a 11.5% Core Tier 1 capital, including a 1.5% countercyclical buffer, and 3.5% other capital. From 31.12.2017 the countercyclical buffer will increase to 2.0%.

The Company's parent banks have committed themselves to keep the Equity Core Tier 1 capital at a minimum 9% (is currently being reviewed with a target to increase to 11%). Primarily this commitment is pro rata according to the ownership stakes in the Company, but it is a joint and several undertaking if one or more ownership banks are unable to comply, up to the maximum of twice the initial pro rata amount.

Capital. NOK 1 000	30.06.2017	30.06.2016	2016
Share capital	6 470 548	6 170 548	6 330 548
Premium share fund	3 237 922	3 087 922	3 167 922
Other equity capital	50 322	614 328	473 786
Common equity	9 758 792	9 872 798	9 972 256
Intangible assets	-946	-1 722	-1 245
Declared share dividend	-113 950	-	-113 950
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-313 397	-315 593	-322 613
Prudent valuation adjustment (AVA)	-70 534	-79 694	-71 438
Core equity capital	9 259 965,74	9 475 789	9 463 010
Hybrid bond	1 080 000	1 080 000	1 080 000
Tier 1 equity capital	10 339 966	10 555 789	10 543 010
Supplementary capital (Tier 2)	1 600 000	1 600 000	1 600 000
<b>Total capital</b>	<b>11 939 966</b>	<b>12 155 789</b>	<b>12 143 010</b>
<b>Minimum requirements for capital. NOK 1 000</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>2016</b>
Credit risk	3 246 189	3 169 337	3 173 049
Market risk	-	-	-
Operational risk	58 661	52 871	52 871
Depreciation on groups of loans	-	-	-
CVA Risk	191 458	127 595	109 651
Difference in capital requirement resulting from transitional floor	2 404 769	2 550 684	2 545 697
<b>Minimum requirement for capital</b>	<b>5 901 076,81</b>	<b>5 900 487</b>	<b>5 881 268</b>

**Capital coverage**

	30.06.2017	30.06.2016	2016
Risk-weighted assets incl. transitional floor	73 763 459	73 756 084	73 515 848
Capital coverage (%)	16,19 %	16,48 %	16,52 %
Tier 1 capital coverage (%)	14,02 %	14,31 %	14,34 %
Core Tier 1 capital coverage (%)	12,55 %	12,85 %	12,87 %
Leverage ratio (%)	4,24 %	3,82 %	4,38 %

## Note 18 Related parties

The Company has 173 571 MNOK loans to customers. These are loans acquired from shareholder banks at market values (i.e. nominal value).

**SpareBank 1 SR-Bank ASA**

The Company purchases a substantial amount of their support functions from SpareBank 1 SR-Bank ASA. A complete SLA is established between the Company and SpareBank 1 SR-Bank ASA.

**SpareBank 1 - Alliance**

In addition the Company has a Transfer and Servicing agreement in place with each individual shareholder bank regulating amongst other things the servicing of mortgage loans.

**SpareBank 1 Næringskreditt AS**

All employees within SpareBank 1 Boligkreditt AS are also to various degrees working for SpareBank 1 Næringskreditt AS. Twenty percent of the administrative expenses in SpareBank 1 Boligkreditt AS to be charged to SpareBank 1 Næringskreditt AS. This division of administrative expenses between the two companies reflect the actual resources utilisation in SpareBank 1 Boligkreditt AS

## Note 19 Collateral received

SpareBank 1 Boligkreditt has signed ISDA-agreements including CSAs (Credit Support Annexes) with a number of financial institutions that are counterparties in interest rate and currency swaps. These institutions post collateral in the form of cash deposits to SpareBank 1 Boligkreditt. At the end of the period 30.06.2017 this collateral amounted to NOK 23 246 million. This amount is included in the balance sheet, but represents restricted cash. According to signed ISDA and CSA agreement, it is not permitted for the parties in derivatives transactions to net amounts amongst various transactions.

## Note 20 Contingencies and Events after Balance Sheet Date

SpareBank 1 Boligkreditt AS is not a party to any ongoing legal proceedings

No events have taken place after the balance sheet date which are expected to have any material impact on the financial statements as of the end of the period 30.06.2017



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