

Q2

Second quarter 2017
(Unaudited)

Skandiabanken Boligkreditt AS

Covered bonds outstanding

NOK 22.6 bn

Cover pool

NOK 25.2 bn

Average LTV

47.6 %

skandia : banken
Boligkreditt

Key figures

In NOK thousand	Reference	Jan- Jun 17	Jan- Jun 16	2016
Summary of income statement				
Net interest income		80 366	62 144	121 141
Net other income		-3 074	1 512	420
Total income		77 292	63 656	121 561
Other operating expenses		-4 238	-4 195	-8 649
Operating profit before loan losses		73 054	59 461	112 912
Loan losses		-257	-280	-176
Profit before tax		72 797	59 181	112 736
Tax expense		-16 510	-14 746	-27 145
Net profit		56 287	44 435	85 591
Balance sheet figures (in million NOK)				
Total loan volume		24 897	18 751	19 373
Covered bonds issued (nominal value)		22 582	15 718	16 300
Covered bonds issued (carried value)		22 529	15 699	16 262
Total assets, end of period		25 315	19 197	19 479
Losses and defaults				
Loss rate (%)	1	0.001 %	0.003 %	0.001 %
Solvency				
Common equity Tier 1 ratio	4	17.7 %	13.9 %	14.2 %
Tier 1 capital ratio		19.1 %	15.7 %	16.0 %
Total capital ratio		21.0 %	18.2 %	18.5 %
Leverage ratio		6.8 %	5.7 %	5.8 %
Other				
Loan-to-value	2	47.6 %	49.7 %	49.2 %
Cover Pool	3	25 187	18 760	19 391
Over-collateralisation (OC), (nominal)		11.5 %	19.4 %	19.0 %

Alternative Performance Measures / References:

Skandiabanken Boligkreditt AS (the company) discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are commonly used by analysts, investors and other stakeholders to evaluate the performance of the company in isolation or relative to the financial industry. The measures are provided to give an enhanced insight into the operations, financing and future prospects of the company. Some of the measures are presented in detail in notes to the financial statement and not repeated here.

- 1) Loss rate** is calculated as the loan losses of the period divided by the average loan volume of the period. The measure is commonly used by banks and industry analysts to indicate the performance and quality of the lending book. For interim periods the loan losses for the period is annualised using the number of days in the period to the total number of days in the year.
- 2) LTV (Loan-to-Value)** is calculated as the loan amount divided by the estimated value of the property. When calculating a weighted average of LTV for the entire loan book, the credit balance of home loans is used as weights. The LTV is provided as a measure of lending risk exposure.
- 3) Cover pool** consist of mortgages and supplementary assets eligible according to the covered bonds legislation in Norway. Please refer to note 9 for further detail.
- 4) Solvency** figures are presented including profit for the period. Please refer to note 3 for further detail.

Second Quarter Results

Skandiabanken Boligkreditt AS had a net profit of NOK 32.8 (22.6) million in the second quarter of 2017, which is an increase of NOK 9.3 million from the first quarter of 2017.

At the end of the quarter, net customer loans amounted to NOK 24.9 (18.7) billion, up from NOK 23.3 billion at the end of the first quarter of 2017. Outstanding covered bonds amounted to NOK 22.6 (15.7) billion. The average loan to value (LTV) was 47.6 (49.7) per cent.

Skandiabanken Boligkreditt AS ("Skandiabanken Boligkreditt" or "the company") is a vehicle to fund the Skandiabanken group by issuing covered bonds based on residential mortgages. The company's offices are located in Bergen, Norway.

All comparable figures refer to the corresponding period previous year.

Important events during the quarter

The average Norwegian short-term money market rates continued to decrease in the second quarter of 2017, while Norges Bank kept its key policy rate stable at 0.5 per cent at the June meeting. Skandiabanken Boligkreditt increased its lending rate for home loans with 0.15 per cent in the quarter, effective from 14 August 2017.

In the second quarter the company entered into a new loan agreement with maturity in 2023. Under this agreement, the company has issued NOK 2.5 billion in covered bonds, eligible as level 1 assets in LCR.

On 13 June 2017, the Financial Supervisory of Norway gave its consent to the share capital increase authorised by an Extraordinary General Meeting on 10 May 2017. The new share capital was registered in the Register of Business Enterprises on 10 July 2017. Following the share capital increase, the company's share capital amounts to NOK 600 million consisting of 100 million shares each with a nominal value of NOK 6.

Operating income

Operating income amounted to NOK 45.0 (32.7) million, compared to NOK 32.3 million in the first quarter of 2017. Net interest income increased to NOK 45.6 (33.1) million. Net other income amounted to NOK -0.6 (-0.4) million related to a net loss on financial instruments.

Operating expenses

Operating expenses amounted to NOK 2.3 (2.4) million in the quarter and consisted of administrative expenses related to the company's hire of management and administrative resources from Skandiabanken ASA.

Impairments and losses

Provisions amounted to NOK 0.2 (0.2) million in the quarter. At the end of the quarter, total write-downs were NOK 1.7 (1.6) million.

Taxes

The calculated income tax expense was NOK 9.7 (7.5) million, which corresponds to an effective tax rate of 22.9 (24.8) per cent.

Loans to and deposits from customers

Loans to customers increased to NOK 24.9 (18.8) billion, representing a net increase of NOK 1.6 billion from the previous quarter.

The increase was due to the acquisition of NOK 3.9 billion in residential mortgages from Skandiabanken ASA, less ordinary repayments from customers in the period.

Capitalisation, liquidity and financial position

Skandiabanken Boligkreditt had total booked equity of NOK 1.7 billion as of 30 June 2017, equivalent to a common equity Tier 1 capital ratio of 17.7 per cent. At quarter end the Tier 1 capital ratio was 19.1 per cent and the total capital ratio 21.0 per cent.

The Ministry of Finance's new leverage ratio requirements for Norwegian banks and credit institutions were effective from 30 June 2017. The general minimum requirement was set at three per cent, with an additional buffer of two per cent for banks, thus indicating a total leverage ratio requirement of three per cent for Skandiabanken Boligkreditt AS. As of 30 June 2017, the company had a leverage ratio of 6.8 per cent.

Skandiabanken Boligkreditt had NOK 22.6 (15.7) billion in outstanding debt issued as covered bonds as of 30 June 2017. A total of NOK 2.5 billion in covered bonds were issued under a new loan agreement during the quarter. Securities totalling NOK 0.7 billion were redeemed during the quarter.

At quarter end, Skandiabanken Boligkreditt had total liquid assets of NOK 0.1 (0.1) billion. The liquidity coverage ratio (LCR) was 685 per cent, significantly above the regulatory minimum.

Covered bonds issued by Skandiabanken Boligkreditt have been assigned the highest rating from Moody's Investors Service (Aaa).

Subsequent events

There have not been any significant events subsequent to 30.06.17 that affect the financial statements for Q2 2017.

Outlook

Macroeconomic developments in Norway indicate that economic growth in 2017 will be moderate. Monetary policy is expansive and supportive of structural adjustments in the Norwegian economy, but it is expected to take time for the effects of the oil price fall to dissipate and for the level of activity to normalise. The most recent surveys show that unemployment is decreasing and that economic growth appears to be gaining some momentum.

Low interest rates supported the strong inflation in house prices in Norway in 2016. The new regulations on requirements for new residential mortgage loans that took effect in Q1 2017 have dampened the growth in house prices and recent statistics show a marginal decrease in the Norwegian housing prices in June, with regional differences. Norges Bank still expects house prices in Norway to increase in 2017, but at a slower pace due to increased housing supply and lower population growth.

Norges Bank maintained a stable key policy rate of 0.5 per cent the rate decision meeting in June. The next interest rate decision will be announced on 21 September 2017. The latest Monetary Policy Report indicates that the key policy rate will remain close to 0.5 per cent in the nearest future.

Losses related to mortgages are expected to remain at the marginal historical levels in 2017.

Skandiabanken Boligkreditt has experienced volume growth as a result of the positive volume growth in the parent bank in the first half year of 2017. Growth is expected to continue into the third quarter at a slower pace, partly due to the interest rate increase announced 29 June 2017.

Bergen, 10 August 2017

The Board of Directors, Skandiabanken Boligkreditt AS



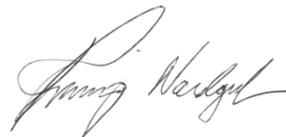
Petter Skouen
(Chairman)



Ragnhild Wiborg



Mai-Lill Ibsen



Henning Nordgulen
(CEO)

Income statement

In NOK thousand	Note	Q2 17	Q2 16	Jan- Jun 17	Jan- Jun 16	2016
Interest income	16	137 637	99 597	255 314	188 825	392 521
Interest expense	16	-92 071	-66 484	-174 948	-126 681	-271 380
Net interest income		45 566	33 113	80 366	62 144	121 141
Net gain (loss) on financial instruments		-603	-417	-3 074	1 512	420
Other income		0	0	0	0	0
Other operating income		-603	-417	-3 074	1 512	420
Personnel expenses		0	0	0	0	0
Administrative expenses	17	-2 315	-2 366	-4 238	-4 195	-8 649
Profit before loan losses		42 648	30 330	73 054	59 461	112 912
Loan losses	11	-152	-210	-257	-280	-176
Profit before tax		42 496	30 120	72 797	59 181	112 736
Tax expense	18	-9 723	-7 481	-16 510	-14 746	-27 145
Profit for the period		32 773	22 639	56 287	44 435	85 591
Attributable to						
Shareholders		30 789	22 442	52 281	44 238	81 328
Tier 1 capital holders	15	1 984	197	4 006	197	4 263
Profit for the period		32 773	22 639	56 287	44 435	85 591

Earnings per share, see note 22

Statement of comprehensive income

In NOK thousand	Q2 17	Q2 16	Jan- Jun 17	Jan- Jun 16	2016
Profit for the period	32 773	22 639	56 287	44 435	85 591
Other comprehensive income					
Other comprehensive income that can be reclassified to profit or loss after tax	117	-163	5	-163	-226
Other items that can not be reclassified to profit or loss after tax	0	0	0	0	0
Total components of other comprehensive income (after tax)	117	-163	5	-163	-226
Total comprehensive income for the period	32 890	22 476	56 292	44 272	85 365
Attributable to					
Shareholders	30 906	22 279	52 286	44 075	81 102
Tier 1 capital holders	15	1 984	197	197	4 263
Total comprehensive income for the period	32 890	22 476	56 292	44 272	85 365

Balance sheet

In NOK thousand	Note	30.06.17	30.06.16	31.12.16
Assets				
Loans to and receivables from credit institutions	10	321 247	314 798	13 590
Loans to customers	6,7,8,19	24 895 544	18 749 201	19 371 961
Net loans to customers and credit institutions		25 216 791	19 063 999	19 385 551
Commercial paper and bonds available for sale	19	76 184	116 916	76 072
Deferred tax assets		70	0	71
Other assets		0	0	0
Advance payment and accrued income		22 382	16 213	16 926
Total assets		25 315 427	19 197 128	19 478 620
Liabilities				
Loans from credit institutions	10,19	792 523	2 157 854	1 816 845
Debt securities issued	14,19	22 529 078	15 699 213	16 261 848
Taxes payable	18	16 503	22 270	27 118
Other liabilities		73 539	53 145	71 131
Subordinated loan	14	175 000	175 000	175 000
Total liabilities		23 586 643	18 107 482	18 351 942
Equity				
Share capital		300 150	60 030	60 030
Share premium		849 880	840 000	840 000
Additional Tier 1 capital	15	125 172	125 197	125 203
Other equity		453 581	64 418	101 445
Total equity		1 728 783	1 089 645	1 126 678
Total liabilities and equity		25 315 427	19 197 128	19 478 620

Statement of changes in equity

In NOK thousand	Share capital	Share premium	Additional Tier 1 capital	Changes in fair value of financial instruments available for sale	Other equity	Total equity
Balance sheet as at 01.01.16	60 030	840 000	0	0	20 343	920 373
Profit for the period to other equity (01.01.16 - 30.06.16)			0	0	44 238	44 238
Profit for the period to Tier 1 capital holders (01.01.16 - 30.06.16)			197			197
Issued Additional Tier 1 capital (01.01.16 - 30.06.16)			125 000			125 000
Net change in fair value of financial instruments available for sale (01.01.16 to 30.06.16)				-163		-163
Balance sheet as at 30.06.16	60 030	840 000	125 197	-163	64 582	1 089 645
Profit for the period to other equity (01.07.16 - 31.12.16)					37 089	37 089
Profit for the period to Tier 1 capital holders (01.07.16 - 31.12.16)			4 066			4 066
Issued Additional Tier 1 capital (01.07.16 - 31.12.16)			0			0
Payments to Tier 1 capital holders (01.07.16 - 31.12.16)			-4 060			-4 060
Net change in fair value of financial instruments available for sale (01.07.16 to 31.12.16)				-63		-63
Balance sheet as at 31.12.16	60 030	840 000	125 203	-226	101 671	1 126 678
Profit for the period to other equity (01.01.17 - 30.06.17)					52 281	52 281
Profit for the period to Tier 1 capital holders (01.01.17 - 30.06.17)			4 006			4 006
Issued Additional Tier 1 capital (01.01.17 - 30.06.17)			0			0
Payments to Tier 1 capital holders (01.01.17 - 30.06.17)			-4 037			-4 037
Net change in fair value of financial instruments available for sale (01.01.17 to 30.06.17)				5		5
Capital increase Q1 17*	240 120	9 880				250 000
Capital increase not registered in the Register of Business Enterprises **					299 850	299 850
Balance sheet as at 30.06.17	300 150	849 880	125 172	-221	453 802	1 728 783

Skandiabanken Boligkreditt AS is a wholly owned subsidiary of Skandiabanken ASA.

*In Q1 2017 the share capital in Skandiabanken Boligkreditt AS was increased by NOK 240 120 000 from NOK 60 030 000 to NOK 300 150 000 by increasing the nominal value from NOK 1 to NOK 5 per share (increase of NOK 4 per share). The share premium was increased by NOK 9 880 000. The Financial Supervisory Authority of Norway gave its consent to the share capital increase and the new share capital was registered with the Register of Business and Enterprises on 10 March 2017.

**In Q2 2017 the share capital in Skandiabanken Boligkreditt AS was increased by NOK 299 850 000 from NOK 300 150 000 to NOK 600 000 000 by increasing the nominal value from NOK 5 to NOK 6 per share (increase of NOK 1 per old shares) and issuing of 39 070 000 new shares with nominal value of 6 per share. The Financial Supervisory Authority of Norway gave its consent to the share capital increase, but as at 30 June 2017 the capital increase was not yet registered with the Register of Business and Enterprises. The capital increase is therefore recognised as "other equity" as it was formally registered in the Register of Business Enterprises (NO: Brønnøysundsregistre) on 10 July 2017. From 10 July 2017 it is recognised as "share capital".

Statement of cash flows

In NOK thousand	Note	01.01.17- 30.06.17	01.01.16- 30.06.16	2016
Cash flows from operating activities				
Net payments on loans to customers	6	-5 523 841	-3 763 770	-4 384 978
Interest received on loans to customers	16	249 246	187 363	388 610
Interest received on loans to credit institutions		179	0	0
Interest paid on loans and deposits from credit institution	16	-11 553	-17 458	-35 914
Net receipts/payments from buying and selling financial instruments at fair value	19	30	-116 856	-76 369
Interest received from commercial paper and bonds	16	298	0	1 497
Payments related to administrative expenses	17	-3 848	-3 643	-7 863
Taxes paid		-27 125	0	-7 551
Other receipts/payments		-9 246	8 799	22 637
Net cash flows from operating activities		-5 325 860	-3 705 565	-4 099 931
Cash flows from investment activities				
Net cash flows from investment activities		0	0	0
Cash flows from financing activities				
Receipts on issued covered bonds	14	8 174 136	4 250 000	7 096 860
Payments on matured and redeemed covered bonds	14	-1 918 000	-1 217 000	-3 508 000
Interest paid on covered bonds	16	-140 494	-108 307	-222 313
Net receipts on loans and deposits from credit institution	10	-1 024 322	304 524	-36 485
Receipts on subordinated loan	14	0	175 000	175 000
Interest paid on subordinated loan	14	-3 617	0	-3 627
Receipts on share capital and share premium net of issuing cost	EQ*	549 850	0	0
Receipts on issued additional Tier1 capital	15	0	125 000	125 000
Interest paid on additional Tier 1 capital	15	-4 037	0	-4 060
Net cash flows from financing activities		5 633 516	3 529 217	3 622 375
Total net cash flows		307 656	-176 348	-477 556
Cash at the beginning of the period		13 590	491 146	491 146
Cash at the end of the period		321 247	314 798	13 590
Change in cash		307 656	-176 348	-477 556
Cash				
Loans to credit institutions		321 247	314 798	13 590
Loans from credit institutions				0
Total cash		321 247	314 798	13 590

EQ*= see statement of changes in equity

Notes

Note 1 – Accounting Principles

The quarterly financial statement for Skandiabanken Boligkreditt AS has been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and adopted by the EU. A description of the accounting principles applied in the preparation of the financial statements appears in the annual report for 2016. There have been no changes or amendments to accounting principles in the period.

When preparing the financial statements, the management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the critical accounting estimates and areas where judgment is applied appear in note 2 in the annual report for 2016.

Note 2 – Segment information

Skandiabanken Boligkreditt AS has only one reporting segment, which comprises home loans to private individuals. Management monitors the company only in relation to this segment.

Note 3 – Capital adequacy

The capital adequacy regulations are intended to improve institutions' risk management and achieve closer concordance between risk and capital. The applicable regulations for Norwegian banks are adapted to the EU's capital adequacy regulations for credit institutions and investment firms (CRD IV/CRR).

Skandiabanken Boligkreditt uses the standard method to establish the risk weighted volume for credit risk and the basic method to establish the risk weighted volume for operational risk. At the balance sheet date no exposure was included in the risk weighted volume for market risk.

In NOK thousand	30.06.17		30.06.16		31.12.16	
	Nominal exposure	Risk-Weighted volume	Nominal exposure	Risk-Weighted volume	Nominal exposure	Risk-Weighted volume
Central governments	25 741	0	65 020	13 004	25 859	0
Regional governments	70	175	0	0	72	179
Institutions	321 247	64 249	366 694	73 339	13 591	2 718
Secured by mortgages on immovable property	24 896 413	8 733 608	18 756 485	6 574 072	19 381 550	6 796 482
Exposures in default	21 513	21 513	8 831	8 831	7 337	7 337
Covered bonds	50 441	5 044	0	0	50 211	5 021
Other items	0	0	98	98	0	0
Total credit risk, standardised method	25 315 425	8 824 589	19 197 128	6 669 344	19 478 620	6 811 737
Operational risk		227 138		282 186		227 138
Total risk- weighted volume		9 051 727		6 951 530		7 038 875
Capital base						
Share capital		300 150		60 030		60 030
Share premium		849 880		840 000		840 000
Other equity		401 300		20 180		20 117
Additional Tier 1 capital		125 172		125 197		125 203
Profit for the period*		52 281		44 238		81 328
Total booked equity		1 728 783		1 089 645		1 126 678
Additional Tier 1 capital instruments included in total equity		-125 172		-125 197		-125 203
Common equity Tier 1 capital instruments		1 603 611		964 448		1 001 475

Deductions

Goodwill, deferred tax assets and other intangible assets		0		0		0
Value adjustment due to the requirements for prudent valuation (AVA)		-76		-117		-76
Common equity Tier 1 capital		1 603 535		964 331		1 001 399
Additional Tier 1 capital		125 000		125 000		125 000
Tier 1 capital		1 728 535		1 089 331		1 126 399
Tier 2 capital		175 000		175 000		175 000
Own funds (primary capital)		1 903 535		1 264 331		1 301 399
Specification of capital requirements						
Minimum requirements CET1 capital	4.5 %	407 328	4.5 %	312 819	4.5 %	316 749
Capital conservation buffer	2.5 %	226 293	2.5 %	173 788	2.5 %	175 972
Systemic risk buffer	3.0 %	271 552	3.0 %	208 546	3.0 %	211 166
Countercyclical capital buffer	1.5 %	135 776	1.5 %	104 273	1.5 %	105 583
Additional Tier 1 capital	1.5 %	135 776	1.5 %	104 273	1.5 %	105 583
Tier 2 capital	2.0 %	181 035	2.0 %	139 031	2.0 %	140 778
Total minimum and buffer requirements own funds (primary capital)	15.0 %	1 357 759	15.0 %	1 042 730	15.0 %	1 055 831
<i>Available CET1 capital after buffer requirements</i>		<i>545 776</i>		<i>164 905</i>		<i>191 928</i>
<i>Available Own funds (primary capital)</i>		<i>545 776</i>		<i>221 601</i>		<i>245 568</i>
Capital ratio %						
Common equity Tier 1 capital		17.7 %		13.9 %		14.2 %
Additional Tier 1 capital		1.4 %		1.8 %		1.8 %
Tier 2 capital		1.9 %		2.5 %		2.5 %
Total capital ratio		21.0 %		18.2 %		18.5 %

* Retained earnings of 90 per cent for the group are deducted in the parent bank's capital ratio calculation.

Note 4 – Leverage ratio

The leverage ratio requirements is a supplement to the risk-weighted minimum capital requirements and states that the capital base in financial institutions shall also comprise a defined percentage of the value of the company's assets and off-balance-sheet liabilities, calculated without risk weighting. The regulations are intended to prevent banks from using too low of a risk weight in the capital adequacy calculations, and to ensure that the banks maintain a minimum capital level, even with skewing of the portfolio towards low-risk segments.

On 20 December 2016 the Norwegian Ministry of Finance announced that the minimum leverage ratio requirement for Norwegian banks and credit institutions will be three per cent. In addition, banks will have to meet a buffer requirement of two per cent. The requirements will take effect from 30 June 2017. If the requirements are not met, institutions will have to submit a plan for the necessary increase in leverage ratio within five days. The automatic restrictions that occur for institutions dividend policy, bonus payments and share buybacks under the risk-weighted minimum capital requirements, does not apply to the non-fulfilment of buffer requirements for leverage ratio.

The capital target is to consist of Tier 1 capital and the exposure target to follows the rules in the Commission Delegated Regulation (EU) 2015-62. The regulation has not yet been incorporated into the EEA Agreement, or translated into Norwegian. The Norwegian Ministry of Finance will issue further rules for calculating the exposure target during the spring of 2017.

The table below shows the calculation, on the basis of existing rule proposals and with credit conversion factors (CCFs) based on the current standardised approach, subject to a CCF-floor of 10 per cent.

In NOK thousand		30.06.17	30.06.16	31.12.16
Off balance sheet commitments		0	0	0
Loans and advances and other assets		25 315 427	19 197 128	19 478 620
Regulatory adjustments included in Tier 1 capital		0	0	0
Total leverage exposure		25 315 427	19 197 128	19 478 620
Tier 1 capital*		1 728 535	1 089 331	1 126 399
Leverage ratio %		6.8 %	5.7 %	5.8 %
Leverage Ratio requirements				
Minimum requirements	3.0 %	759 463	575 914	584 359
Buffer requirements credit institutions	0.0 %	0	0	0
Total minimum and buffer requirements (Tier 1 capital)	3.0 %	759 463	575 914	584 359
<i>Available Tier 1 capital after minimum and buffer requirements</i>		<i>969 072</i>	<i>513 417</i>	<i>542 040</i>

* Retained earnings of 90 per cent for the group are deducted in the parent bank's capital ratio calculation.

Note 5 – Financial risk management

Skandiabanken Boligkredit's risk strategy comprises a combination of its risk philosophy and risk management principles.

Risk philosophy

Skandiabanken Boligkredit's core business involves issuing or purchasing residential mortgages, property mortgages and funding of the lending activity, primarily through the issuance of covered bonds. Skandiabanken Boligkredit shall not assume any material risk other than that deriving from this core business, i.e. primarily credit risk and liquidity risk. The company shall have a sound risk culture, based on openness, transparency and competence, and shall constantly challenge its methods, processes and procedures in order to improve its performance.

Risk management principles

Skandiabanken Boligkredit shall adopt a holistic approach to risk management. The following principles therefore apply:

- Skandiabanken Boligkredit's Board of Directors shall establish specific management frameworks for each risk area.
- Risk management and reporting shall be performed in accordance with applicable frameworks and objectives.
- Risk management shall be an ongoing and continuous process.
- Risk reporting shall be framed in an understandable manner and provide a clear picture of Skandiabanken Boligkredit's risk situation to all stakeholders.
- Responsibility for entering into agreements that cause the company to incur risk is delegated through personal authorisations.

Organisation of risk management

Skandiabanken Boligkredit's organisation of risk management is designed so as to secure implementation of the company's risk strategy. Skandiabanken Boligkredit does not currently employ any staff. The CEO's services are hired from the parent bank. Skandiabanken Boligkredit's functions for handling risk and capital management include:

- The Board of Directors
- The CEO
- The bank's Risk Management function
- The bank's Finance functions, including CFO, Asset and Liability Committee and Treasury
- Internal Auditor
- External Auditor
- Independent Inspector

For further information about risk management and the different types of risks in Skandiabanken Boligkredit, reference is made to the annual report for 2016.

Note 6 – Loans to customers

In NOK thousand	30.06.17	30.06.16	31.12.16
Loans to customers			
Loans without agreed maturity or notice period	0	0	0
Loans with agreed maturity or notice period	24 897 249	18 750 753	19 373 409
Total loans to customers (gross)	24 897 249	18 750 753	19 373 409
Write-downs for individually assessed impaired loans	0	0	0
Write-downs for collectively assessed impaired loans	1 705	1 552	1 448
Total loans to customers (net)	24 895 544	18 749 201	19 371 961

Residual time to maturity (gross loans)

In NOK thousand	30.06.17	30.06.16	31.12.16
Upon request	0	0	0
Maximum 3 months	327 228	242 434	254 827
3 months - 1 year	978 050	726 940	763 957
1-5 years	5 128 804	3 821 506	4 006 910
More than 5 years	18 463 167	13 959 873	14 347 715
Total	24 897 249	18 750 753	19 373 409

Note 7 – Loans to customers by geographical area

Lending by geographical area*

In NOK thousand	30.06.17		30.06.16		31.12.16	
	Percentage	Gross lending	Percentage	Gross lending	Percentage	Gross lending
Østfold	5.2 %	1 297 763	5.3 %	1 002 994	5.0 %	975 557
Akershus	24.8 %	6 175 723	22.6 %	4 232 483	24.8 %	4 795 591
Oslo	22.5 %	5 601 339	19.9 %	3 727 402	22.7 %	4 392 599
Hedmark	1.0 %	239 396	1.2 %	219 129	0.9 %	174 199
Oppland	1.0 %	245 963	1.0 %	180 210	0.9 %	170 243
Buskerud	6.0 %	1 486 324	6.1 %	1 150 654	5.9 %	1 134 053
Vestfold	3.7 %	924 076	4.0 %	748 826	3.6 %	702 130
Telemark	0.7 %	168 961	0.9 %	162 917	0.6 %	116 171
Aust-Agder	0.7 %	183 224	0.9 %	173 938	0.7 %	131 898
Vest-Agder	1.0 %	258 052	1.2 %	226 397	1.0 %	187 475
Rogaland	7.4 %	1 844 081	9.4 %	1 761 680	7.8 %	1 507 283
Hordaland	13.6 %	3 385 236	14.3 %	2 673 691	14.0 %	2 703 701
Sogn og Fjordane	0.2 %	39 685	0.2 %	40 961	0.2 %	30 807
Møre og Romsdal	1.4 %	343 561	1.7 %	320 406	1.4 %	273 250
Sør-Trøndelag	4.1 %	1 027 095	4.4 %	827 077	4.2 %	820 756
Nord-Trøndelag	0.5 %	113 602	0.7 %	122 480	0.5 %	93 255
Nordland	2.4 %	591 996	2.5 %	463 685	2.2 %	423 226
Troms	3.2 %	790 435	3.0 %	568 864	3.1 %	608 476
Finnmark	0.7 %	180 737	0.8 %	146 959	0.7 %	132 739
Total gross lending per geographical area	100.0 %	24 897 249	100.0 %	18 750 753	100.0 %	19 373 409

* The basis for the geographical distribution is the customer's residential address.

Note 8 – Credit risk exposure and collateral

Credit risk or counterparty risk is the risk of loss as a result of the company's customers and counterparties failing to fulfil their payment obligations. The company's maximum credit exposure will be the book value of financial assets and any associated off-balance sheet liabilities.

The company's customer exposures comprises the bulk of the company's total credit exposure. A high percentage of the company's lending is collateralised. Collateral in the private retail market essentially comprise fixed property.

The table below shows the relationship between total credit exposure and the associated collateral distributed to exposure class. Lending secured by mortgages includes the percentage distributed of exposure relating to the various loan-to-value levels. For example, the line 0-40% means that the exposures amount to less than 40 percent of the value of the collateral. 100% means that the loan amount exceeds the value of the hedging object or that the loan is unsecured. The entire loan per collateral is placed in the same loan-to-value category.

The property values on which the calculations are based are updated in the last month of each quarter and are therefore representative of the current market value. The calculation of loan-to-value does not take into account any additional collateral.

In NOK thousand		30.06.17			
Loan-to-value, Residential mortgages	Distribution in percent	Number of loans	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
0 % - 40 %	31 %	5 686	7 730 144	0	7 730 144
40 % - 60 %	45 %	5 030	11 148 691	0	11 148 691
60 % - 80 %	24 %	2 394	5 985 651	0	5 985 651
80 % - 90 %	0 %	12	30 608	0	30 608
90 % - 100 %	0 %	0	0	0	0
> 100 %	0 %	1	2 155	0	2 155
Residential mortgages			24 897 249	0	24 897 249
Exposure to customers			24 897 249	0	24 897 249
Loans to and receivables from credit institutions			321 247	0	321 247
Commercial paper and bonds available for sale			76 184	0	76 184
Other assets			22 382	0	22 382
Exposure to others			419 813	0	419 813
Gross exposure			25 317 062	0	25 317 062

The table below shows the percentage allocation of exposures for home loans for various levels of loan-to-value. Where the entire exposure in the table above is placed in a related loan-to-value level, the relative share of the loan exposure at each level is shown in the table below.

In NOK thousand		30.06.17	
Loan-to-value, Residential mortgages (relative distribution)	Distribution in percent	Gross carrying amounts	
0 % - 85 %	99.993 %	24 895 573	
85 % - 100 %	0.006 %	1 559	
> 100 %	0.000 %	117	
Residential mortgages		24 897 249	

In NOK thousand

30.06.16

	Distribution in percent	Number of loans	Gross carrying amounts	Off- balance sheet amounts	Maximum exposure to credit risk
Loan-to-value, Residential mortgages					
0 % - 40 %	27 %	3 874	5 017 707	0	5 017 707
40 % - 60 %	43 %	3 802	8 009 140	0	8 009 140
60 % - 80 %	30 %	2 267	5 705 891	0	5 705 891
80 % - 90 %	0 %	6	13 926	0	13 926
90 % - 100 %	0 %	1	839	0	839
> 100 %	0 %	2	3 250	0	3 250
Residential mortgages			18 750 753	0	18 750 753
Exposure to customers			18 750 753	0	18 750 753
Loans to and receivables from credit institutions			314 798	0	314 798
Commercial paper and bonds available for sale			116 916	0	116 916
Other assets			16 213	0	16 213
Exposure to others			447 927	0	447 927
Gross exposure			19 198 680	0	19 198 680

In NOK thousand

30.06.16

	Distribution in percent	Gross carrying amounts
Loan-to-value, Residential mortgages (relative distribution)		
0 % - 85 %	99.99 %	18 749 282
85 % - 100 %	0.00 %	898
> 100 %	0.00 %	573
Residential mortgages		18 750 753

In NOK thousand

31.12.16

	Distribution in percent	Number of loans	Gross carrying amounts	Off- balance sheet amounts	Maximum exposure to credit risk
Loan-to-value, Residential mortgages					
0 % - 40 %	28 %	4 277	5 477 711	0	5 477 711
40 % - 60 %	43 %	3 925	8 270 699	0	8 270 699
60 % - 80 %	29 %	2 165	5 552 102	0	5 552 102
80 % - 90 %	0 %	22	65 746	0	65 746
90 % - 100 %	0 %	2	2 822	0	2 822
> 100 %	0 %	2	4 329	0	4 329
Residential mortgages			19 373 409	0	19 373 409
Exposure to customers			19 373 409	0	19 373 409
Loans to and receivables from credit institutions			13 590	0	13 590
Commercial paper and bonds available for sale			76 072	0	76 072
Other assets			16 997	0	16 997
Exposure to others			106 659	0	106 659
Gross exposure			19 480 068	0	19 480 068

In NOK thousand

31.12.16

	Distribution in percent	Gross carrying amounts
Loan-to-value, Residential mortgages (relative distribution)		
0 % - 85 %	99.990 %	19 371 527
85 % - 100 %	0.008 %	1 490
> 100 %	0.002 %	392
Residential mortgages		19 373 409

Note 9 – Loan-to-value (LTV) and cover pool

In NOK thousand	30.06.17		30.06.16		31.12.16	
Debt related to securities issued, nominal value	22 582 000		15 718 000		16 300 000	
Debt related to securities issued, carried value	22 529 078		15 699 213		16 261 848	
Loans to customers (gross)	24 897 249		18 750 753		19 373 409	
Average size of loan per customer	1 897		1 895		1 864	
Number of loans	13 123		9 952		10 393	
Weighted average since issuing of the loans (months)	45		40		44	
Weighted average remaining maturity (months)	266		271		267	
Average LTV (percent)	47.6		49.7		49.2	
Cover pool						
	30.06.17		30.06.16		31.12.16	
Loans secured with mortgages	24 897 249		18 750 753		19 373 409	
Not eligible for the cover pool	-106 981		-357 772		-71 183	
Net loans that are in the cover pool	24 790 268		18 392 981		19 302 226	
Commercial paper and bonds	75 000		51 895		75 000	
Supplementary assets	321 247		314 798		13 590	
Total cover pool	25 186 515		18 759 674		19 390 816	
Cover pool	Nominal value	Carried value	Nominal value	Carried value	Nominal value	Carried value
Over-collateralisation (percent)	11.5	11.8	19.4	19.5	19.0	19.2
Amount surpassing legal minimum requirements	2 604 515	2 657 437	3 041 674	3 060 461	3 090 816	3 128 968
Amount surpassing minimum requirements as indicated by rating agency	2 039 965	2 094 210	2 648 724	2 667 981	2 683 316	2 722 422

Note 10 – Credit institutions – receivables and liabilities

In NOK thousand	30.06.17		30.06.16		31.12.16	
Loans to and receivables from credit institutions						
Loans to and receivables without maturity or notice period		321 247		314 798		13 590
Loans to and receivables with agreed maturity or notice period		0		0		0
Write-downs on impaired loans		0		0		0
Total loans to and receivables from credit institutions		321 247		314 798		13 590
Liabilities to credit institutions						
Loans and deposits from credit institutions without agreed maturity or notice period		0		0		0
Loans and deposits from credit institutions with agreed maturity or notice period		792 523		2 157 854		1 816 845
Total liabilities to credit institutions		792 523		2 157 854		1 816 845

Note 11 – Loan losses

Loan loss provisions

In NOK thousand	30.06.17	30.06.16	31.12.16
Opening balance individual write-downs	0	0	0
+ Increase in write-downs on loans previously written down	0	0	0
+ Write-downs on loans not previously written down	0	0	0
- Reversal of write downs as a result of confirmations in the period	0	0	0
- Reversal of individual write-downs in the period	0	0	0
Closing balance	0	0	0
Opening balance collective write-downs	1 448	1 272	1 272
+/- change in collective write-downs in the period	257	280	176
Closing balance group collective write-downs	1 705	1 552	1 448
Closing balance total write-downs	1 705	1 552	1 448
Individual write-downs	0	0	0
Individual write-downs (collectively considered)	0	0	0
Collective write-downs	1 705	1 552	1 448
Total write downs	1 705	1 552	1 448
Specification of loan losses			
Actual losses	0	0	0
Reversal of previous years' depreciation	0	0	0
Increase in provision	-257	-280	-176
Reversal of provisions	0	0	0
Recoveries of previously written-off	0	0	0
Net cost of losses in the period	-257	-280	-176
Losses by sector and industry			
Retail market (individuals)	-257	-280	-176
Total	-257	-280	-176
Write-downs by product group			
Residential mortgages	1 705	1 552	1 448
Total	1 705	1 552	1 448

Note 12 – Non-performing and doubtful loans

Non-performing and doubtful loans

Skandiabanken Boligkreditt AS has internal routines for ongoing monitoring of exposures for which repayments and interest have not been paid on time or for which authorised overdraft limits are exceeded, where the reason is deemed to be the customer's inability or lack of propensity to pay. Payment defaults of more than 60 days and more than NOK 200 are reported as non-performing. If other matters are identified that make it probable that the customer's financial position will result in loss, the exposure is classified as doubtful. The need to recognise individual impairments is assessed against the value of available collateral for the exposure. The table below shows the relationship between the gross book value of non-performing and doubtful loans and the associated individual impairments.

In NOK thousand	30.06.17	30.06.16	31.12.16
Non-performing loans with write-downs	0	0	0
Non-performing loans without write-downs	20 505	8 831	6 349
Total non-performing loans (more than 60 days)	20 505	8 831	6 349
Doubtful loans	0	0	0
Gross non-performing and doubtful loans	20 505	8 831	6 349
- Individual write-downs	0	0	0
Net non-performing and doubtful loans	20 505	8 831	6 349
<i>Provisioning ratio</i>	<i>0 %</i>	<i>0 %</i>	<i>0 %</i>

Overdue loans without write-downs - age distribution

The table below shows the book value of overdue loans and overdrawn amounts on credits allocated by number of days after maturity, where no impairments have been recognised. The table is intended to provide an analysis of exposures where there is inadequate ability or propensity to pay, rather than overdue amounts attributable to a delay in transferring funds. Based on this and the companies internal routines for monitoring overdue exposures, the default must exceed NOK 200 for more than 6 days to be included in the table below.

In NOK thousand	30.06.17				Total
	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	
Mortgages	188 175	28 989	10 839	9 666	237 669
Loans to customers	188 175	28 989	10 839	9 666	237 669

In NOK thousand	30.06.16				Total
	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	
Mortgages	134 645	22 056	3 781	5 050	165 532
Loans to customers	134 645	22 056	3 781	5 050	165 532

In NOK thousand	31.12.16				Total
	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	
Mortgages	178 813	26 768	2 000	4 349	211 930
Loans to customers	178 813	26 768	2 000	4 349	211 930

Note 13 – Liquidity risk (LCR) and NSFR

The liquidity requirements are intended to guarantee satisfactory liquidity management by ensuring that the institutions have sufficient liquid assets to cover their liabilities on maturity and have stable and long-term financing at all times. The Liquidity Coverage Ratio (LCR) is intended to ensure that institutions can convert sufficient assets to cash to cover expected net liquidity outflows over the next 30 days in stressed situations in the money and capital markets. The Net Stable Funding Ratio (NSFR) is intended to ensure that less liquid assets are financed over the long term.

On 22 December 2015, based on the CRR/CRD IV Regulation, Finanstilsynet issued its Regulation on Calculation of Liquid Assets, Payments and Deposits in the Liquidity Coverage Ratio (LCR). For Norwegian covered bonds companies, including Skandiabanken Boligkreditt, the LCR requirement applied from 30 June 2016. The requirement is gradually phased in, and rising from 70 per cent to 80 per cent from 31 December 2016, and finally to 100 percent from 31 December 2017.

The NSFR has not yet been introduced as a minimum requirement. On 23 November the EU Commission proposed the introduction of a requirement of 100 per cent which will come into force two years after publication in the Official Journal of the European Union. The requirement will thus presumably apply from the end of 2018 or beginning early in 2019.

LCR (Liquidity Coverage Ratio)

In NOK thousand	30.06.17		31.12.16	
	Carrying value	Value LCR	Carrying value	Value LCR
Level 1 - assets exclusive Covered bonds	25 743	25 743	25 859	25 859
Level 1 Covered bonds	50 441	46 910	50 212	46 698
Level 2A - assets	0	0	0	0
Level 2B - assets	0	0	0	0
Assets ineligible as "liquid assets"	25 239 242	0	19 402 549	0
Total assets	25 315 427	72 653	19 478 620	72 557
Net outflows		10 602		11 897
LCR %		685 %		610 %

Note 14 – Debt securities issued

Carried at amortised cost:

In NOK thousand	Currency	30.06.17	30.06.16	31.12.16
Bonds issued	NOK	22 529 078	15 699 213	16 261 848
Subordinated loan	NOK	175 000	175 000	175 000
Total debt securities issued		22 704 078	15 874 213	16 436 848

Specification of covered bonds as at 30.06.17:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Covered bonds						
NO0010745326	Skandiabanken Boligkreditt AS	82 000	NOK	Floating	31.07.2017	81 997
NO0010745292	Skandiabanken Boligkreditt AS	4 000 000	NOK	Floating	04.10.2018	3 994 864
NO0010745300	Skandiabanken Boligkreditt AS	4 000 000	NOK	Floating	29.10.2019	3 992 590
NO0010745334	Skandiabanken Boligkreditt AS	4 000 000	NOK	Floating	14.08.2020	3 999 328
NO0010745342	Skandiabanken Boligkreditt AS	4 000 000	NOK	Floating	14.10.2021	3 962 170
NO0010786999	Skandiabanken Boligkreditt AS	4 000 000	NOK	Floating	27.04.2022	4 002 835
NO0010790603	Skandiabanken Boligkreditt AS	2 500 000	NOK	Floating	10.02.2023	2 495 294
Total covered bonds		22 582 000				22 529 078

All covered bond loans have "soft bullet" with the possibility to extend the maturity with one year.

Subordinated loan

NO0010768120	Skandiabanken Boligkreditt AS	175 000	NOK	Floating	22.06.2026**	175 000
Total subordinated loan		175 000				175 000

** First possible call date for the issuer is 22 June 2021. The loan agreement has covenants to qualify as Tier 2 capital.

Changes of debt securities:

	31.12.16	January - June 2017				30.06.17
		Issued	Matured	Redeemed	Other adjustments	
Covered bonds (nominal)	16 300 000	8 200 000	0	-1 918 000	0	22 582 000
Subordinated loan	175 000	0	0	0	0	175 000
Total	16 475 000	8 200 000	0	-1 918 000	0	22 757 000

Note 15 – Additional Tier 1 Capital (hybrid capital)

On 21 June 2016, Skandiabanken Boligkreditt AS issued a hybrid capital instrument with a nominal value of NOK 125 million. The instrument is perpetual with an option for the issuer to redeem the capital at specific dates, the first time being 22 June 2021, 5 years after the issue date. The instrument has an interest rate of NIBOR 3 months plus a margin of 5.3 percent.

The loan agreement fulfils the Norwegian regulatory requirements for inclusion in the Bank's Tier 1 capital. This implies that the issuer, at its sole discretion, has the right to withhold interest and/or redemption of the instrument. This implies that the instrument do not fulfil the definition of a debt instrument according to IAS 32 and is such defined as equity in the company's balance sheet.

In NOK thousand	Currency	30.06.17	30.06.16	31.12.16
Additional Tier 1 capital	NOK	125 000	125 000	125 000
Total Additional Tier 1 capital		125 000	125 000	125 000

Specification of additional Tier 1 capital as at 30.06.17:

ISIN	Issuing company	Nomin al value	Currency	Interest	Maturity*	Carrying amounts
Additional Tier 1 capital						
NO0010768138	Skandiabanken Boligkreditt AS	125 000	NOK	3M Nibor +5.3 %	Perpetual	125 000
Total additional Tier 1 capital						125 000

* The additional Tier 1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first time being 22 June 2021.

Change of additional Tier 1 capital

	31.12.16	January - June 2017				30.06.17
		Issued	Matured	Redeemed	Other adjustments	
Additional Tier 1 capital	125 000	0	0	0	0	125 000
Total	125 000	0	0	0	0	125 000

As at 30 June 2017, there is NOK 0.2 million in accrued interest related to additional Tier 1 capital. This has been recognised against the additional Tier 1 capital and the carried value including accrued interest is 125.2 million NOK

Note 16 – Net interest income

Net interest income

In NOK thousand	Q2 17	Q2 16	Jan- Jun 17	Jan- Jun 16	2016
Loans to and receivables from credit institutions	118	249	179	476	812
Loans to customers	137 467	99 125	254 701	188 126	390 185
Commercial paper and bonds	52	223	434	223	1 524
Total interest income	137 637	99 597	255 314	188 825	392 521
Loans and deposits from credit institutions	-5 751	-8 550	-11 553	-17 616	-35 914
Debt securities issued	-84 559	-57 758	-159 810	-108 889	-231 656
Subordinated loan	-1 761	-176	-3 585	-176	-3 810
Total interest expense	-92 071	-66 484	-174 948	-126 681	-271 380
Net interest income	45 566	33 113	80 366	62 144	121 141

All interest income from customers is related to residential mortgages.

Note 17 – Administrative expenses

Other administrative expenses

In NOK thousand	Q2 17	Q2 16	Jan- Jun 17	Jan- Jun 16	2016
Consultants and other external services	2 315	2 365	4 238	4 194	8 645
Other operating expenses	0	1	0	1	4
Total other administrative expenses	2 315	2 366	4 238	4 195	8 649

Note 18 – Tax expense

In NOK thousand	Q2 17	Q2 16	Jan- Jun 17	Jan- Jun 16	2016
Taxes payable	9 723	7 481	16 510	14 746	27 118
Change in deferred tax	0	0	0	0	0
Correction of taxes payable previous year	0	0	0	0	27
Total tax expense	9 723	7 481	16 510	14 746	27 145
Reconciliation of the tax expense:					
Profit before tax	42 496	30 120	72 797	59 181	112 736
Expected tax expense at nominal rate of 24 % (in 2017) and 25 % (in 2016)	10 199	7 530	17 471	14 795	28 184
Tax effect from interest to Tier 1 capital holders	-476	-49	-961	-49	-1 066
Correction of taxes payable previous year	0	0	0	0	27
Total tax expense	9 723	7 481	16 510	14 746	27 145
Effective tax rate	22.9 %	24.8 %	22.7 %	24.9 %	24.1 %

Note 19 – Fair value of financial instruments

Fair value of financial instruments (in NOK thousands)

In NOK thousand	30.06.17		30.06.16		31.12.16	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Assets						
Loans to and receivables from credit institutions (ac)	321 247	321 247	314 798	314 798	13 590	13 590
Loans to customers (ac)	24 895 544	24 895 544	18 749 201	18 749 201	19 371 961	19 371 961
Commercial paper and bonds available for sale	76 184	76 184	116 916	116 916	76 072	76 072
Other assets (ac)	22 382	22 382	16 213	16 213	16 926	16 926
Total assets financial instruments	25 315 357	25 315 357	19 197 128	19 197 128	19 478 549	19 478 549
Liabilities						
Loans and deposits from credit institutions (ac)	792 523	792 523	2 157 854	2 157 854	1 816 845	1 816 845
Debt securities issued (ac)	22 529 078	22 689 907	15 699 213	15 692 472	16 261 848	16 302 714
Other liabilities (ac)	90 042	90 042	75 415	75 415	98 249	98 249
Subordinated loan (ac)	175 000	185 360	175 000	175 544	175 000	181 030
Total liabilities financial instruments	23 586 643	23 757 832	18 107 482	18 101 285	18 351 942	18 398 838

(ac) = assets and liabilities booked at amortised cost

Fair value of financial instruments measured at amortised cost

Cash and cash equivalents, loans to credit institutions and loans to customers and debt securities are measured at amortised cost.

Measurement at amortised cost imply that a financial asset or liability is recognised to the present value of the contractual cash flows using effective interest rate method, adjusted for potential impairment. This measurement method will not necessarily provide a carrying value equal to the fair value of the financial instrument due to volatility in the market, changed market conditions, asymmetrical information and changes in investors' risk- and return expectations.

Cash and cash equivalents and loans and advances: Fair value is estimated based on amortised cost as all assets are recognised in the accounts based on the contractual cash flow with floating interest rate and that loans with impairment indicators are written down to fair value of expected cash flows. There is no active market for loan portfolios.

Debt to credit institutions are liabilities with floating interest rate and as there have not been any significant changes in the credit spread, amortised cost is assumed to be a reasonable approximation to fair value.

Debt securities are measured at fair value based on prices sourced from Nordic Bond Pricing. Nordic Bond Pricing has estimated the fair value based on available price information from investment banks and brokers trading in the bond markets.

30.06.2017				
	Level 1	Level 2	Level 3	Total
Commercial paper and bonds available for sale	0	76 184	0	76 184
Total	0	76 184	0	76 184
Financial instruments measured at fair value level 3				
In NOK thousand				Total
Opening balance 1 January 2017			0	0
Net gain/(loss) on financial instruments (unrealised)*			0	0
Acquisitions / exits			0	0
Sale			0	0
Settlement			0	0
Transferred from Level 1 or Level 2			0	0
Transferred to Level 1 or Level 2			0	0
Other			0	0
Closing balance at 30 June 2017			0	0

There has been no transfers of financial instruments between Level 1 and Level 2 in the period January to June 2017

30.06.2016

	Level 1	Level 2	Level 3	Total
Commercial paper and bonds available for sale	51 895	65 021	0	116 916
Total	51 895	65 021	0	116 916

Financial instruments measured at fair value level 3

In NOK thousand				Total
Opening balance 1 January 2016			0	0
Net gain/(loss) on financial instruments (unrealised)*			0	0
Acquisitions / exits			0	0
Sale			0	0
Settlement			0	0
Transferred from Level 1 or Level 2			0	0
Transferred to Level 1 or Level 2			0	0
Other			0	0
Closing balance at 30 June 2016			0	0

31.12.2016

	Level 1	Level 2	Level 3	Total
Commercial paper and bonds available for sale	0	76 072	0	76 072
Total	0	76 072	0	76 072

Financial instruments measured at fair value level 3

In NOK thousand		Total
Opening balance 1 January 2016	0	0
Net gain/(loss) on financial instruments (unrealised)*	0	0
Acquisitions / exits	0	0
Sale	0	0
Settlement	0	0
Transferred from Level 1 or Level 2	0	0
Transferred to Level 1 or Level 2	0	0
Other	0	0
Closing balance at 31 December 2016	0	0

Fair value hierarchy

Financial assets and debt recognised at fair value, due to these having been classified either as held for trade, designated at fair value through profit or loss on initial recognition (fair value option) or held for sale, shall be classified in a fair value hierarchy depending on the reliability of the fair value estimate. At Level 1, assets or liabilities are priced in an active market, at level 2 prices are determined on the basis of observable input data from similar assets (either directly or indirectly) and at level 3 prices are fair value based on unobservable input data.

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has access to at the reporting date. An active market is a market where quoted prices are easily accessible at a stock exchange or similar trading place, from a broker or other entity that publishes price information. Quoted prices shall represent actual and frequent transactions. For Skandiabanken Boligkreditt AS, level 1 assets and liabilities comprise listed interest-bearing bonds.

Level 2: Prices other than the quoted prices at level 1 and which are observable either directly or indirectly. Interest-bearing bonds that are valued based on prices sourced from trading places, brokers or other entities that publish price information, but where there is no active market because no official prices are available, are categorised as level 2. When using valuation methods, external data are applied to discounted cash flows (e.g. prices quoted by third parties or prices for similar instruments). The discount rate is implicit in the market interest rate with respect to credit and liquidity risk.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Note 20 – Related party transactions

Liabilities to and receivables from Skandiabanken ASA

In NOK thousand	30.06.17	30.06.16	31.12.16
Liability related to overdraft facility to Skandiabanken ASA	792 523	2 157 854	1 816 398
Receivables related to deposits in Skandiabanken ASA	321 166	314 798	13 510
Skandiabanken ASAs ownership of covered bonds issued by Skandiabanken Boligkreditt AS	25 185	633 763	140 156
Skandiabanken ASAs ownership of subordinated loan issued by Skandiabanken Boligkreditt AS	175 000	175 000	175 000
Skandiabanken ASAs ownership of additional Tier 1 capital issued by Skandiabanken Boligkreditt AS	125 000	125 000	125 000

Transactions with Skandiabanken ASA

In NOK thousand	Jan- Jun 17	Jan- Jun 16	2016
Purchase of services in line with service agreement	2 744	2 595	5 096
Interest expense on overdraft facility	11 533	17 616	35 258
Interest income on deposits	179	477	812
Interest on covered bonds issued by Skandiabanken Boligkreditt AS	3 703	3 709	3 288
Interest on subordinated loan issued by Skandiabanken Boligkreditt AS	3 585	175	3 810
Share of result related to Skandiabanken ASAs ownership of additional Tier 1 capital in Skandiabanken Boligkreditt AS	4 006	197	4 263

Description of agreements with related parties:

Sale of mortgages to Skandiabanken Boligkreditt:

Skandiabanken ASA sells home loans to its subsidiary, Skandiabanken Boligkreditt. Only loans with a LTV lower than 75% may be sold to Skandiabanken Boligkreditt. The sale and transfer of loans is carried out at market terms and conditions. After the loans have been transferred, Skandiabanken Boligkreditt AS assumes all the risks and benefits associated with the mortgages sold.

Management agreement between Skandiabanken ASA and Skandiabanken Boligkreditt:

A management agreement has been entered into between Skandiabanken ASA and Skandiabanken Boligkreditt, under the terms of which Skandiabanken Boligkreditt purchases administrative services from Skandiabanken ASA. These services relate, inter alia, to the CEO, to Treasury, IT, Finance and Accounting, and Risk Management. The agreement has been entered into at market terms and conditions.

Skandiabanken Boligkreditt's credit facilities:

Skandiabanken ASA has granted an overdraft facility and a revolving credit facility to Skandiabanken Boligkreditt. The overdraft is divided in two credit facilities, each in the amount of NOK 3 billion and with a term of 364 days and three years, respectively. The revolving credit facility equals Skandiabanken Boligkreditt's payment obligations for the next 12 months in respect of issued covered bonds, and with a term extending four months after the last maturity date of issued covered bonds. Both facilities are at floating interest rates, three-month NIBOR plus a margin.

Deposit accounts with Skandiabanken ASA:

Skandiabanken Boligkreditt AS has two ordinary deposit accounts with Skandiabanken ASA with interest at the market rate.

Note 21 – Earnings per share (EPS)

In NOK	Q2 17	Q2 16	Jan- Jun 17	Jan- Jun 16	2016
Profit for the period to other equity (shareholders)	30 789 000	22 442 000	52 281 000	44 238 000	81 328 000
Number of shares (weighted average)	60 030 000	60 030 000	60 030 000	60 030 000	60 030 000
Earnings per share (basic)	0.51	0.37	0.87	0.74	1.35
Number of shares including the not registered capital increase in June 2017, see also Statement of equity	100 000 000	NA	100 000 000	NA	NA
Earnings per share (diluted)	0.31	0.37	0.52	0.74	1.35

Note 22 – Subsequent events

There have not been any significant events subsequent to 30.06.17 that affect the financial statements for Q2 2017.

Statement

pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that, to the best of our knowledge, the half-yearly financial statements for the company for the period 1 January through 30 June 2017 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 group and the company taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the group over the next accounting period
- description of major transactions with related parties.

Bergen, 10 August 2017

The Board of Directors of Skandiabanken Boligkreditt AS



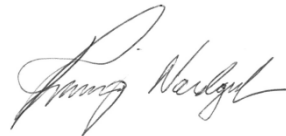
Petter Skouen
(Chairman)



Ragnhild Wiborg



Mai-Lill Ibsen



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<https://skandiabanken.no/IR/funding-og-rating/funding-no>