

SR-BOLIGKREDITT AS

Q4 2015

SR-Boligkreditt

Subsidiary of SpareBank 1 SR-Bank

Contents

1. Statement of the Board of Directors	3
1.1. Income statement for 2015.....	3
1.2. Balance sheet.....	3
1.3. Risk.....	3
1.4. Outlook.....	3
2. Statement pursuant to the Securities Trading Act	4
3. Income statement.....	5
4. Balance sheet.....	6
5. Statement of changes in equity	6
6. Cash flow statement.....	7
7. Notes to the financial statements	7
Note 1 – Accounting principles.....	7
Note 2 – Non-performing and impaired loans.....	8
Note 3 – Other assets	8
Note 4 – Other liabilities.....	8
Note 5 – Lending to customers	9
Note 6 – Capital adequacy	10
Note 7 – Securities issued	11
Note 8 – Asset coverage	11
Note 9 – Financial derivatives	12
Note 10 – Net income from financial instruments.....	12
Note 11 – Events after the balance sheet date.....	12
8. Contact information	13

1. Statement of the Board of Directors

SR-Boligkreditt AS is a wholly owned subsidiary of SpareBank 1 SR-Bank. The company issues covered bonds backed by home mortgages acquired from SpareBank 1 SR-Bank. Moody's rates SR-Boligkreditt AS's covered bond programme Aaa.

1.1. Income statement for 2015

Profit after tax totalled NOK 28.7 million in 2015.

(Amounts in NOK millions)

Profit after tax	28.7
Net interest income	50.3
Net commission and fee income	0

Operating costs are kept low due to effective operations and synergies with treasury in SpareBank 1 SR-Bank ASA and totalled NOK 8.9 million in 2015.

1.2. Balance sheet

At the end of December 2015, total assets stood at NOK 10,753 million. SR-Boligkreditt AS has NOK 4.6 billion in two covered bonds in the Norwegian market and one international covered bond of EUR 500 million.

1.3. Risk

SR-Boligkreditt AS has established guidelines and limits for the management and control of the different types of risk. Currency and interest rate risk is eliminated through the use of derivatives. Liquidity risk is managed in accordance with regulatory requirements and limits approved by the board. The company's overall financial risk is considered to be low. The servicing agreement with SpareBank 1 SR-Bank ASA comprises administration, bank production, IT operations, and financial and liquidity management. Operational risk is assessed as low. Negative developments in the housing market will affect the company. A decline in housing prices will reduce the value of the company's cover pool relative to the statutory asset coverage requirement. Quarterly stress tests are carried out to estimate the effects of a negative development in housing prices. One short-term measure to meet a significant fall in housing prices would be to supply SR-Boligkreditt with home mortgages from SpareBank 1 SR-Bank. The board considers the company's total risk exposure to be low. At the end of December 2015, the company's equity totalled NOK 1,304 million. The capital adequacy ratio was 31.24%.

1.4. Outlook

Economic forecasts for 2016 indicate moderate global economic growth. Economic growth is also expected in Norway, although the growth will probably slow somewhat in 2016 as a result of declining oil investments and their spillover effects on the mainland economy. Stable to moderate decline in house prices is expected in SpareBank 1 SR-Bank's region. SR-Boligkreditt will continue to build the company's funding curve and provide funding diversification for the parent bank. The volume of covered bond issues in 2016 is expected to be close to NOK 10 billion and to provide a sound basis for SpareBank 1 SR-Bank's lending activities.

2. Statement pursuant to the Securities Trading Act

Statement pursuant to Section 5-6 of the Securities Trading Act.

We hereby confirm that the fourth quarter financial statements for the company for the period 17 March to 31 December 2015 have, to the best of our knowledge, been prepared in accordance with IAS 34 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole. To the best of our knowledge, the fourth quarter report gives a true and fair:

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

Stavanger, 4 February 2016

The Board of Directors of SR-Boligkreditt AS

Inge Reinertsen
Chairman

Merete Eik

Stian Helgøy

Børge Henriksen

Dag Hjelle
CEO

3. Income statement

NOK 1 000	Note	17.03.15- 31.12.15
Interest income		124.749
Interest expense		74.416
Net interest income		50.333
Net gains/losses on financial instruments	10	-1.664
Net income on financial investments		-1.664
Total operating income		48.669
Administrative expenses		4.762
Other operating costs		4.132
Total operating costs		8.894
Operating profit before impairment losses		39.775
Impairment losses on loans and guarantees	5	(493)
Pre-tax profit		39.282
Tax expense		10.572
Profit after tax		28.710
Adjustments		-
Comprehensive Income		28.710

4. Balance sheet

NOK 1 000	Note	31.12.2015
Assets		
Balances with credit institutions		706.494
Loans to customers	2, 5	9.949.686
Financial derivatives	9	96.103
Other assets	3	821
Total assets		10.753.104
Liabilities and equity		
Liabilities		
Listed debt securities	7	9.438.553
Balances with credit institutions		-
Financial derivatives		-
Taxes payable	4	10.143
Other liabilities	4	548
Total liabilities		9.449.244
Equity		
Paid-in equity capital		1.275.150
Retained earnings		28.710
Total equity		1.303.860
Total liabilities and equity		10.753.104

5. Statement of changes in equity

NOK 1 000	Share-capital	Premium reserve	Other equity	Total equity
Equity as of 31. December 2014	-	-	-	-
Incorporation 17. March 2015	150.000	150	-	150.150
Capital increase 24. April 2015	150.000	-	-	150.000
Capital increase 4. September 2015	225.000	-	-	225.000
Capital increase 27. October 2015	750.000	-	-	750.000
Profit for the period	-	-	28.710	28.710
Equity as of 31. December 2015	1.275.000	150	28.710	1.303.860

6. Cash flow statement

	17.03.2015-
NOK 1.000	31.12.2015
Interest receipts from lending to customers	113.976
Payments for operations	-8.716
Net cash flow relating to operations	105.260
Net purchase of loan portfolio	-9.939.407
Net investments in intangible assets	-880
Net cash flow relating to investments	-9.940.287
Debt raised by issuance of securities	9.333.893
Receipts from borrowing from financial institutions	-
Paid in capital equity	1.275.150
Net interest payments on funding activities	-67.522
Net cash flow relating to funding activities	10.541.521
Net cash flow during the period	706.494
Balance of cash and cash equivalents start of period	-
Balance of cash and cash equivalents end of period	706.494

7. Notes to the financial statements

Note 1 – Accounting principles

1.1 Basis of preparation

These interim financial statements for SR-Boligkreditt AS cover the period 17 March - 31 December 2015. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements were also prepared in accordance with the applicable IFRS standards and IFRIC interpretations. The interim financial statements are unaudited. All amounts are stated in NOK thousands unless stated otherwise.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the interim financial statements for the second quarter of 2015, which was the first time the company reported financial statements and the policies were stated in full. The company was founded on 17 March 2015 and comparable figures have therefore not been prepared.

There are no other standards or interpretations that are not currently in effect and could be expected to have a material effect on the financial statements.

1.2 Critical accounting estimates and judgements

The preparation of financial information pursuant to IFRS entails the executive management making estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognised as assets, liabilities, income and costs. Note 4 of the interim financial

statements for the second quarter of 2015 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

Note 2 – Non-performing and impaired loans

NOK 1 000	31.12.15
Non-performing loans and advances	
Gross non-performing loans above 90 days	0
Provisions for Individual impairment losses	0
Net non-performing loans and advances	0
Loan loss provision ratio	0 %
Other problem commitments	
Problem commitments	0
Provisions for Individual impairment losses	0
Collective impairment loss provisions	0
Net other problem commitments	0 %
Loan loss provision ratio	0

Note 3 – Other assets

NOK 1 000	31.12.15
Intangible assets	781
Other assets	40
Total other assets	821

Note 4 – Other liabilities

NOK 1 000	31.12.15
Taxes payable	10.143
Deferred taxes	429
Accounts payable	40
Accrued expenses and prepaid revenue	79
Total other liabilities	10.691

Note 5 – Lending to customers

Lending to customers is home mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of the period was NOK 9,950 million. All mortgages carry a variable interest rate.

NOK 1 000	31.12.15
Flexible loans - retail market	896.941
Amortising loans - retail market	9.042.466
Accrued interest	10.773
Total loans before specified and unspecified loss provisions	9.950.180
Specified loan loss provisions	-
Unspecified loan loss provisions	-493
Total net loans and claims with customers	9.949.687
Liability	
Unused balances under customer revolving credit lines (flexible loans)	220.634
Total	220.634
Defaulted loans	
Defaults*	0,0 %
Spcified loan loss provisions	0,0 %
Net defaulted loans	0,0 %
Loans at risk for loss	
Loan not defaulted but at risk of loss	0,0 %
- Write downs on loans at risk of loss	0,0 %
Net other loans at risk of loss	0,0 %

*The entire customer loan balance is considered to be in default and will be included in overviews of defaulted loans when overdue instalments and interest payments are not received within 90 days or if credit limits on revolving loans are exceeded for 90 days or more.

Changes to loan loss provisions	
NOK 1 000	31.12.15
Loan loss provisions starting balance	-
Change in group loan loss provisions	493
Loan loss provisions ending balance	493

Note 6 – Capital adequacy

On 22 August 2014, the Ministry of Finance issued amendments to the capital requirements regulations that came into effect on 30 September 2014. The amendments were adjustments implemented to comply with the EU's new capital adequacy regulations for banks and securities undertakings (CRD IV/CRR) and entail the minimum requirement for common equity Tier 1 capital ratio gradually increasing in the run up to 1 July 2016.

SR-Boligkreditt AS has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk. The use of IRB requires the company to comply with extensive requirements relating to organisation, expertise, risk models and risk management systems.

NOK 1 000	31.12.15
Share capital	1.275.000
Premium reserve	150
Other equity	28.710
Total Common equity Tier 1 capital	1.303.860
Intangible assets	-781
Deduction for proposed dividend	-28.000
Deduction for expected losses on IRB, net of write-downs	-16.784
Value of derivative liabilities at fair value	-96
Total Tier 1 capital	1.258.199
Net primary capital	1.258.199
Credit risk	2.311.343
Operational risk	33.872
Transitional scheme	1.682.429
Risk weighted balance	4.027.644
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	181.244
Buffer requirements:	
Capital conservation buffer 2,5 %	100.691
Systemic risk buffer 3 %	120.829
Countercyclical capital buffer 1 %	40.276
Total buffer requirement to common equity Tier 1 capital ratio	261.797
Available common equity Tier 1 capital ratio after buffer requirement	815.158
Capital ratio	31,24 %
Tier 1 capital ratio	31,24 %
Common equity Tier 1 capital ratio	31,24 %
Leverage Ratio	11,20 %

Note 7 – Securities issued

NOK 1 000	31.12.15
Covered bonds	9.429.274
Accrued interests	9.279
Total securities issued	9.438.553
	Nominal amount
Change in debt raised through issuance of securities	31.12.15
Covered bonds	9.337.400
Total debt raised through issuance of securities	9.337.400

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

Securities issued by maturity date (principal)

Public covered bonds		Nominal amount
	Year	31.12.15
	2017	2.500.000
	2018	-
	2019	-
	2020	6.837.400
Sum		9.337.400

Liabilities by currency (book value at the end of the quarter)

	31.12.2015
NOK	4.600.521
EUR	4.838.032
Sum	9.438.553

Note 8 – Asset coverage

The asset coverage is calculated according to the Financial Services Act, section 2-31. There is a discrepancy between the balance sheet amounts, partly because lending will be reduced due to non-performing loans (no occurrences of non-performance as at 31 December 2015) and loans subject to a change in the loan-to-collateral value ratio in excess of 75%. Market values are also used for all elements in asset coverage.

NOK 1 000	31.12.15
Covered bonds	9.438.553
Total covered bonds	9.438.553
Loans to customers	9.873.033
Substitute collateral	802.597
Total cover pool	10.675.630
Asset coverage	113,1 %

Note 9 – Financial derivatives

At fair value through profit and loss	Contract amount	Fair value at 31.12.15	
	31.12.15	Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	9.624.000	90.817	-
Total hedging / Interest and exchange rate instruments	9.624.000	90.817	-

Total currency and interest rate instruments	Contract amount	Assets	Liabilities
	31.12.15	31.12.2015	31.12.2015
Total interest and exchange rate instruments	9.624.000	90.817	-
Total accrued interests	-	5.286	-
Total financial derivatives	9.624.000	96.103	-

SR-Boligkreditt AS has an ISDA agreement with a CSA supplement with the counterparty for derivatives. The agreement is one-way, which means only the counterparty has to pledge security when the market value of derivatives fluctuates.

Note 10 – Net income from financial instruments

NOK 1 000	31.12.15
Net gains for bonds and certificates	-
Net change in value, basis swap spread	2.998
Net change in value, other financial investments	-4.602
Net gain currency	-59
Net income from financial instruments	-1.664

Note 11 – Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 31 December 2015.

8. Contact information

Address

Bjergsted Terrasse 1
Postboks 250
N-4066 Stavanger

Tel. +47 915 02 002

www.sr-bank.no/sr-boligkreditt

CEO

Dag Hjelle
Tel. +47 51 50 94 37
+47 909 50 088

Email: dag.hjelle@sr-bank.no