

# SR-BOLIGKREDITT AS

Q3 2015

**SR-Boligkreditt**

Subsidiary of SpareBank 1 SR-Bank

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## 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 the third quarter 2015

Profit after tax totalled NOK 7.3 million in the third quarter of 2015.

(Amounts in NOK millions)

Profit after tax	7.3
Net interest income	23.5
Net commission and fee income	0

Operating expenses are kept low due to effective operation and synergies with treasury in SpareBank 1 SR-Bank ASA and totalled NOK 5.5 million for the third quarter of 2015.

### 1.2. Balance sheet

At end of September 2015 total assets stood at NOK 9,898 million. SR-Boligkreditt AS has NOK 4,6 billion in two benchmarks outstanding in the Norwegian market and one international benchmark 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 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 September 2015, the company's equity totalled NOK 532 million. The capital adequacy ratio was 14,96 %.

### 1.4. Outlook

Economic forecasts for 2015 indicate moderate global economic growth. Economic growth is also expected in Norway, although the growth will probably slow somewhat in 2015 as a result of declining oil investments and their spillover effects on the mainland economy. House prices are expected to remain stable in SpareBank 1 SR-Bank's region. SR-Boligkreditt will continue to build the company's funding curve and to provide funding diversification for the parent bank. The volume of covered bond issues in 2015 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 third quarter financial statements for the company for the period 17 March 2015 through 30 September 2015 to the best of our knowledge have 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 third 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, 28 October 2015

The Board of Directors of SR-Boligkreditt AS

Inge Reinertsen  
(Chairman)

Merete Eik

Stian Helgøy

Børge Henriksen

Dag Hjelle  
(CEO)

### 3. Income statement

<b>NOK 1 000</b>	Note	17.03.15- 30.09.15	Q3 2015
Interest income		60.570	42.125
Interest expense		37.083	25.195
<b>Net interest income</b>		<b>23.487</b>	<b>16.930</b>
Net gains/losses on financial instruments	10	-8.051	-8.051
<b>Net income on financial investments</b>		<b>-8.051</b>	<b>-8.051</b>
<b>Total operating income</b>		<b>15.436</b>	<b>8.879</b>
Administrative expenses		2.476	1.634
Other operating costs		2.983	2.959
<b>Total operating costs</b>		<b>5.459</b>	<b>4.593</b>
<b>Operating profit before impairment losses</b>		<b>9.977</b>	<b>4.286</b>
Impairment losses on loans and guarantees	5	-	-
<b>Pre-tax profit</b>		<b>9.977</b>	<b>4.286</b>
Tax expense		2.694	1.157
<b>Profit after tax</b>		<b>7.283</b>	<b>3.129</b>
<b>Other comprehensive income</b>			
Items in comprehensive income		-	-
<b>Comprehensive Income</b>		<b>7.283</b>	<b>3.129</b>

#### 4. Balance sheet

<b>NOK 1 000</b>	<b>Note</b>	<b>30.09.2015</b>
<b>Assets</b>		
Loans to and receivables on credit institutions		541.267
Loans to customers	2, 5	9.344.343
Financial derivatives	9	11.704
Other assets	3	855
<b>Total assets</b>		<b>9.898.169</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Listed debt securities	7	9.360.222
Balances with credit institutions		-
Financial derivatives		-
Taxes payable	4	2.694
Other liabilities	4	2.820
<b>Total liabilities</b>		<b>9.365.736</b>
<b>Equity</b>		
Paid-in equity capital		525.150
Retained earnings		-
Net profit for the period		7.283
<b>Total equity</b>		<b>532.433</b>
<b>Total liabilities and equity</b>		<b>9.898.169</b>

#### 5. Statement of changes in equity

<b>NOK 1 000</b>	<b>Share-capital</b>	<b>Premium reserve</b>	<b>Other equity</b>	<b>Total equity</b>
<b>Equity as of 31. December 2014</b>	-	-	-	-
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
Profit for the period	-	-	7.283	7.283
<b>Equity as of 30. September 2015</b>	<b>525.000</b>	<b>150</b>	<b>7.283</b>	<b>532.433</b>

## 6. Cash flow statement

NOK 1.000	17.03.2015- 30.09.2015
Interest receipts from loans to customers	50.250
Payments for operations	-3.500
<b>Net cash flow relating to operations</b>	<b>46.750</b>
Net payments for purchases of loans	-9.334.023
Net investments in other assets	-880
<b>Net cash flow relating to investments</b>	<b>-9.334.903</b>
Debt raised by issuance of securities	9.333.571
Receipts from borrowings from financial institutions	-
Paid in capital equity	525.150
Net interest payments on funding activities	-29.301
<b>Net cash flows relating to funding activities</b>	<b>9.829.420</b>
<b>Net cash flow during the period</b>	<b>541.267</b>
Balance of cash and cash equivalents start of period	-
Balance of cash and cash equivalents end of period	541.267

## 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 - 30 September 2015. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements were 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 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 consequently not been prepared.

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

#### 1.2 Critical accounting estimates and judgements

The preparation of the 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 for assets, liabilities, income and costs. Note 4 of the interim financial

statement for the second quarter 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	30.09.15
<b>Non-performing loans and advances</b>	
Gross non-performing loans above 90 days	0
Provisions for Individual impairment losses	0
<b>Net non-performing loans and advances</b>	<b>0</b>
<b>Loan loss provision ratio</b>	<b>0 %</b>
<b>Other problem commitments</b>	
Problem commitments	0
Provisions for Individual impairment losses	0
Collective impairment loss provisions	0
<b>Net other problem commitments</b>	<b>0</b>
<b>Loan loss provision ratio</b>	<b>0 %</b>

## Note 3 – Other assets

NOK 1 000	30.09.15
Intangible assets	855
Other assets	-
<b>Total other assets</b>	<b>855</b>

## Note 4 – Other liabilities

NOK 1 000	30.09.15
Taxes payable	2.694
Accounts payable	2.324
Accrued expenses and prepaid revenue	496
<b>Total other liabilities</b>	<b>5.514</b>



## Note 5 – Lending to customers

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of the period were NOK 9.344 million. All mortgages carry a variable interest rate.

<b>NOK 1 000</b>	<b>30.09.15</b>
Revolving loans - retail market	735.532
Amortising loans - retail market	8.598.491
Accrued interest	10.320
<b>Total loans before specified and unspecified loss provisions</b>	<b>9.344.343</b>
Specified loan loss provisions	-
Unspecified loan loss provisions	-
<b>Total net loans and claims with customers</b>	<b>9.344.343</b>
<b>Liability</b>	
Unused balances under customer revolving credit lines (flexible loans)	163.984
<b>Total</b>	<b>163.984</b>
<b>Defaulted loans</b>	
Defaults*	0,0 %
Specified loan loss provisions	0,0 %
<b>Net defaulted loans</b>	<b>0,0 %</b>
<b>Loans at risk for loss</b>	
Loan not defaulted but at risk of loss	0,0 %
- Write downs on loans at risk of loss	0,0 %
<b>Net other loans at risk of loss</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.

<b>Changes to loan loss provisions</b>	
<b>NOK 1 000</b>	<b>30.09.15</b>
Loan loss provisions starting balance	-
Change in group loan loss provisions	-
<b>Loan loss provisions ending balance</b>	<b>-</b>

## 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 calculates capital requirements using the standard method. The Financial Supervisory Authority of Norway gave as of 7 October 2015 permission to use the IRB approach for calculating capital requirements for credit risk on the retail portfolio. This approach will be used for calculating capital requirements as from 31.12.2015.

<b>NOK 1 000</b>	<b>30.09.15</b>
Share capital	525.000
Premium reserve	150
Adjustments to common equity tier 1 capital	-12
Intangible assets	-855
<b>Total Common equity Tier 1 capital</b>	<b>524.283</b>
<b>Total Tier 1 capital</b>	<b>524.283</b>
<b>Net primary capital</b>	<b>524.283</b>
Credit risk	3.470.613
Operational risk	33.872
<b>Risk weighted balance</b>	<b>3.504.485</b>
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	157.702
Buffer requirement	
Capital conservation buffer 2,5 %	87.612
Systemic risk buffer 3 %	105.135
Total buffer requirement to common equity Tier 1 capital ratio	192.747
Available common equity Tier 1 capital ratio after buffer requirement	173.835
Capital ratio	14,96 %
Tier 1 capital ratio	14,96 %
Common equity Tier 1 capital ratio	14,96 %
Leverage Ratio	5,42 %

## Note 7 – Securities issued

<b>NOK 1 000</b>	<b>30.09.15</b>
Covered bonds	9.356.920
Accrued interests	3.303
<b>Total securities issued</b>	<b>9.360.223</b>

	Nominal amount
<b>Change in debt raised through issuance of securities</b>	<b>30.09.15</b>
Covered bonds	9.337.400
<b>Total debt raised through issuance of securities</b>	<b>9.337.400</b>

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

Securities issued by maturity date (principal)

<b>Public covered bonds</b>		Nominal amount
	<b>Year</b>	<b>30.09.15</b>
	2017	2.500.000
	2018	-
	2019	-
	2020	6.837.400
<b>Sum</b>		<b>9.337.400</b>

Liabilities by currency (book value at end of quarter)

	<b>30.09.2015</b>
NOK	4.600.386
EUR	4.759.837
<b>Sum</b>	<b>9.360.223</b>

## 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 other occurrences of non-performance as of 30 September 2015) and loans subject to a change in the loan-to-collateral value ratio in excess of 75 %. Market values for all elements in asset coverage are also used.

<b>NOK 1 000</b>	<b>30.09.15</b>
Covered bonds	9.360.223
Financial derivatives	-11.704
<b>Total covered bonds</b>	<b>9.348.519</b>
Loans to customers	9.333.309
Substitute collateral	541.267
<b>Total cover pool</b>	<b>9.874.576</b>
<b>Asset coverage</b>	<b>105,6 %</b>

## Note 9 – Financial derivatives

At fair value through profit and loss	Contract amount	Fair value at 30.09.15	
	30.09.15	Assets	Liabilities
<b>Hedging / Interest and exchange rate instruments</b>			
Interest rate swaps (including cross currency)	9.505.800	12.158	-
<b>Total hedging / Interest and exchange rate instruments</b>	<b>9.505.800</b>	<b>12.158</b>	<b>-</b>
<b>Accrued interests</b>			
Accrued interests	-	-454	-
<b>Total accrued interests</b>	<b>-</b>	<b>-454</b>	<b>-</b>
<b>Total currency and interest rate instruments</b>			
Total interest and exchange rate instruments	9.505.800	12.158	-
Total accrued interests	-	-454	-
<b>Total financial derivatives</b>	<b>9.505.800</b>	<b>11.704</b>	<b>-</b>

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	30.09.15
Net gains for bonds and certificates	-
Net change in value, basis swap spread	-5.727
Net change in value, other financial investments	-2.279
Net gain currency	-45
<b>Net income from financial instruments</b>	<b>-8.051</b>

## Note 11 – Events after the balance sheet date

The Financial Supervisory Authority of Norway gave as of 7 October 2015 permission to use the IRB approach for calculating capital requirements for credit risk on the retail portfolio. This approach will be used for calculating capital requirements as from 31.12.2015.

Otherwise, no material events that have influence on the prepared interim financial statements have been registered after 30 September 2015.

## 8. Contact Information

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