



Third Quarter 2019

Statement of the Board of Directors.....	3
<i>Income statement</i>	4
<i>Balance sheet</i>	5
<i>Statement of changes in equity</i>	6
<i>Cash flow statement</i>	7
<i>Notes to The Financial statements</i>	8
<i>Note 1 Accounting policies</i>	8
<i>Note 2 Amounts arising from ECL</i>	9
<i>Note 3 Other assets</i>	9
<i>Note 4 Other liabilities</i>	9
<i>Note 6 Capital adequacy</i>	11
<i>Note 7 Debt securities issued</i>	12
<i>Note 8 Asset coverage</i>	13
<i>Note 9 Financial derivatives</i>	13
<i>Note 11 Events after the balance sheet date</i>	14
<i>Contact Information</i>	15

Statement of the Board of Directors

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

Income statement as at 30 September 2019

Net income totalled NOK 471.4 million as at 30 September 2019.

(Amounts in NOK millions)	01.01.19 - 30.09.19	01.01.18 - 30.09.18
Total income	471.4	288.1
Net interest income	449.4	349.2
Net commission income	-32.0	-24.3
Net income on financial investments	54.0	-36.7

Operating expenses are kept low due to effective operation and synergies with SR-Bank. Net income on financial investments is volatile due to changes in value of basis swaps.

Balance sheet

At end of September 2019, total assets stood at NOK 75.3 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 62.5 billion.

Risk

SR-Boligkreditt AS has established guidelines and limits for management and control of the different types of risk. Currency and interest rate risk is eliminated through the use of derivatives. Liquidity risk is managed in accordance with regulatory requirements and limits approved by the board. The company's overall financial risk is low. The servicing agreement with SR-Bank 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 SR-Bank. The board considers the company's total risk exposure to be low. At the end of September 2019, the company's equity totalled NOK 6.4 billion. The capital adequacy ratio was 20.5%.

Outlook

Continued high consumer consumption rates, increasing business investments and export growth are expected to contribute to a growth in mainland GDP by 2.7 per cent in 2019. The Norwegian Petroleum Directorate expects oil investments on the Norwegian Continental Shelf to grow by 10 per cent in 2019, up from a 2 per cent increase in 2018. Wage growth is expected to be moderate to high in 2019. The Central Bank of Norway increased its base rate by 0.25 percentage points in March, June and September. The market expects the policy rate to remain unchanged the next two years. Norwegian house prices are expected to be stable.

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 2019 is expected to be approximately NOK 10 billion and to provide a sound basis for SR-Bank's lending activities. Defaults are expected to be low and SR-Boligkreditt AS's activities are expected to generate satisfactory profitability in 2019.

The board would like to emphasise that there is considerable uncertainty associated with all assessments of future conditions.

Statement pursuant to the Securities Trading Act

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

These interim financial statements for SR-Boligkreditt AS cover the period 1 January – 30 September 2019. The financial statements were prepared in accordance with IAS 34 Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken. 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, 30 October 2019

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.19 - 30.09.19	01.01.18 - 30.09.18	Q3 2019	Q3 2018	2018
Interest income		1.292.160	837.148	474.048	304.856	1.202.416
Interest expense		842.712	487.965	314.109	182.265	707.375
Net interest income		449.448	349.183	159.939	122.592	495.042
Commission and fee expenses		32.013	24.307	10.859	8.682	34.097
Net commission income		-32.013	-24.307	-10.859	-8.682	-34.097
Net gains/losses on financial instruments	10	54.005	-36.788	2.789	-10.806	-79.608
Net income on financial investments		54.005	-36.788	2.789	-10.806	-79.608
Total net income		471.440	288.088	151.869	103.103	381.337
Administrative expenses		1.227	1.208	380	413	1.597
Other operating costs		1.251	1.839	410	475	2.260
Total operating costs before impairment losses on loans		2.479	3.047	790	888	3.857
Operating profit before impairment losses on loans		468.961	285.041	151.079	102.215	377.480
Impairment losses on loans and guarantees	2	-4.037	1.577	-7.503	-2.571	3.028
Pre-tax profit		472.999	283.464	158.582	104.786	374.451
Tax expense		104.060	65.197	34.888	24.101	86.070
Profit after tax		368.939	218.267	123.694	80.685	288.381
Other comprehensive income						
Adjustments		-	-	-	-	-
Comprehensive Income		368.939	218.267	123.694	80.685	288.381

Balance sheet

NOK 1 000	Note	30.09.19	30.09.18	31.12.18
Assets				
Balances with credit institutions		303.934	776.377	1.767.956
Loans to customers	2, 5	69.241.736	51.492.879	58.788.174
Bonds		1.776.931	150.297	1.930.511
Financial derivatives	9	3.907.727	418.321	2.344.682
Deferred tax assets		33.648	17.983	33.648
Other assets	3	-	240.242	-
Total assets		75.263.977	53.096.099	64.864.971
Liabilities and equity				
Liabilities				
Listed debt securities	7	62.489.898	46.186.530	55.787.432
Balances with credit institutions		6.132.804	1.798.587	3.373.100
Financial derivatives	9	153.614	817.088	305.861
Taxes payable	4	104.060	67.024	103.562
Other liabilities	4	12.418	9.742	7.772
Total liabilities		68.892.794	48.878.969	59.577.727
Equity				
Paid-in equity capital		6.000.150	4.000.150	5.000.150
Retained earnings		371.033	216.980	287.094
Total equity		6.371.183	4.217.130	5.287.244
Total liabilities and equity		75.263.977	53.096.099	64.864.971

Statement of changes in equity

NOK 1 000	Share- capital	Premium reserve	Other equity	Total equity
Equity as of 31 December 2016	2.025.000	150	85.561	2.110.711
Capital increase 20 January 2017	1.000.000	-	-	1.000.000
Dividend 2016, resolved in 2017	-	-	-84.000	-84.000
Capital increase 20 October 2017	975.000	-	-	975.000
Profit for the period	-	-	204.580	204.580
Equity as of 31 December 2017	4.000.000	150	206.141	4.206.291
Changes in equity IFRS 9 1 January 2018	-	-	-3.429	-3.429
Dividend 2017, resolved in 2018	-	-	-204.000	-204.000
Other paid-in equity (not yet registered)	-	-	1.000.000	1.000.000
Profit for the period	-	-	288.381	288.381
Equity as of 31 December 2018	4.000.000	150	1.287.094	5.287.244
Capital increase 9 February 2019	1.000.000	-	-1.000.000	-
Dividend	-	-	-285.000	-285.000
Capital increase 4 June 2019	1.000.000	-	0	1.000.000
Profit for the period	-	-	368.939	368.939
Equity as of 30 September 2019	6.000.000	150	371.033	6.371.183

Cash flow statement

NOK 1 000	30.09.19	30.09.18	31.12.18
Interest receipts from lending to customers	1.278.323	829.274	1.185.523
Provisions to SR-Bank	-32.013	-24.307	-33.362
Payments for operations	-3.284	-2.823	-3.006
Taxes paid	-103.562	-71.278	-71.278
Net cash flow relating to operations	1.139.464	730.866	1.077.877
Net purchase of loan portfolio	-10.434.720	-10.662.028	-17.953.078
Net payments on the acquisition of bonds	155.234	-50.044	-1.827.667
Net cash flow relating to investments	-10.279.486	-10.712.072	-19.780.745
Debt raised by issuance of securities	4.998.157	7.432.041	14.763.682
Redemption of issued securities	-	-	-
Net change in loans from credit institutions	2.759.704	1.798.587	3.373.100
Paid in capital equity	1.000.000	-	1.000.000
Interest payments on debt raised by issuance of securities	-796.862	-471.675	-664.589
Dividend paid	-285.000	-204.000	-204.000
Net cash flow relating to funding activities	7.676.000	8.554.952	18.268.193
Net cash flow during the period	-1.464.022	-1.426.253	-434.674
Balance of cash and cash equivalents start of period	1.767.956	2.202.630	2.202.630
Balance of cash and cash equivalents end of period	303.934	776.377	1.767.956

Notes to The Financial statements

Note 1 Accounting policies

1.1. Basis of preparation

These interim financial statements for SR-Boligkreditt AS cover the period 1 January - 30 September 2019. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements were also prepared in accordance with the applicable IFRS standards and IFRIC interpretations. The interim financial statements are unaudited. All amounts are stated in NOK thousands unless stated otherwise.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual accounts for 2018.

New Standards that have not been adopted yet

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

New Standards that have been adopted

IFRS 16- Leases have been adopted from 1 January 2019. This standard does not have any significant impacts for SR-Boligkreditt AS.

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 3 of the annual accounts for 2018 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

Note 2 Amounts arising from ECL

The following table show reconciliations from the opening to the closing balance of the loss allowance. Explanation of the terms 12-month ECL and lifetime ECL (stage 1-3) are included in note 2 in the annual account 2018.

NOK 1 000	2019			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost				
Balance sheet 1 January 2019	4.245	7.167	711	12.123
Transfer to/ from stage 1	-144	602	-458	0
Transfer to/ from stage 2	1.912	-1.074	-838	0
Transfer to/ from stage 3	0	0	0	0
Net remeasurement of loss allowance	-3.604	572	402	-2.629
New financial assets originated or purchased	612	1.070	-126	1.557
Change due to reduced portfolio	-931	-2.342	309	-2.964
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance sheet 30 September 2019	2.089	5.996	0	8.086

Note 3 Other assets

NOK 1 000	30.09.19	30.09.18	31.12.18
Unsettled securities	-	240.242	-
Other assets	-	-	-
Total other assets	-	240.242	-

Note 4 Other liabilities

NOK 1 000	30.09.19	30.09.18	31.12.18
Taxes payable	104.060	67.024	103.562
Accounts payable	3.688	2.998	-
Expected credit loss on remaining credit lines (flexible loans)	68	131	117
Accrued expenses and prepaid revenue	8.661	6.613	7.655
Total other liabilities	116.477	76.766	111.334

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 69.2 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.09.19	30.09.18	31.12.18
Flexible loans - retail market	18.423.389	13.436.774	15.462.005
Amortising loans - retail market	50.758.587	38.021.724	43.284.234
Accrued interest	67.779	44.923	53.941
Gross loans	69.249.754	51.503.420	58.800.180
Individual impairments	N/A	N/A	N/A
Impairments on groups of loans	N/A	N/A	N/A
Impairment losses after amortised cost	-8.017	-10.541	-12.006
Loans to customers	69.241.736	51.492.879	58.788.174
Liability			
Remaining credit lines (flexible loans)	6.456.584	4.649.851	5.107.530
Total	6.456.584	4.649.851	5.107.530
Expected credit loss on remaining credit lines (flexible loans)	-68	-131	-117

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance 1 January 2019	56.557.611	2.237.457	5.112	58.800.180
Transfer to stage 1	-783.779	783.779	-	-
Transfer to stage 2	727.676	-722.564	-5.112	-
Transfer to stage 3	-	-	-	-
Net increase/decrease balance existing loans	-5.464.660	34.065	-	-5.430.596
Originated or purchased during the period	17.862.640	455.951	-	18.318.590
Loans that have been derecognised	-1.816.509	-621.912	-	-2.438.421
Balance 30 September 2019	67.082.980	2.166.774	-	69.249.754

Note 6 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU's capital requirements for banks and securities undertakings (CRD IV/ CRR).

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 organization, expertise, risk models and risk management systems.

All capital ratio figures are based on the transitional rule (Basel 1 floor) that states that the capital requirement for using internal methods cannot be less than 80 per cent of the capital requirement according to the Basel 1 regulations.

NOK 1 000	30.09.19	30.09.18	31.12.18
Share capital	6.000.000	4.000.000	4.000.000
Premium reserve	150	150	150
Other equity	2.094	-1.287	287.094
Total Common Equity Tier 1 capital	6.002.244	3.998.863	4.287.244
Deduction for proposed dividend	-	-	-
Deduction for expected losses on IRB, net of write-downs	-117.566	-79.926	-96.106
Value of derivative liabilities at fair value	-4.900	-1.422	-3.706
Total Tier 1 capital	5.879.778	3.917.515	4.187.432
Paid-in share capital, not yet registered	-	-	1.000.000
Net primary capital	5.879.778	3.917.515	5.187.432
Credit risk	17.026.535	10.727.958	15.533.840
Operational risk	615.574	384.596	384.596
Transitional scheme	11.038.294	9.622.324	8.473.100
Risk weighted balance	28.680.403	20.734.878	24.391.536
Minimum requirement for Common Equity Tier 1 capital ratio 4,5 %	1.290.618	933.070	1.097.619
Buffer requirements:			
Capital conservation buffer 2,5 %	717.010	518.372	609.788
Systemic risk buffer 3 %	860.412	622.046	731.746
Countercyclical capital buffer 2 %	573.608	414.698	487.831
Total buffer requirement to Common Equity Tier 1 capital ratio	2.151.030	1.555.116	1.829.365
Available Common Equity Tier 1 capital ratio after buffer requirement	2.438.130	1.429.330	1.260.448
Capital ratio	20,50 %	18,89 %	21,27 %
Tier 1 Capital ratio	20,50 %	18,89 %	17,17 %
Common Equity Tier 1 capital ratio	20,50 %	18,89 %	17,17 %
Leverage ratio	7,31 %	7,23 %	6,12 %

Note 7 Debt securities issued

NOK 1 000	Total	NOK	Currency
Covered bonds, nominal value	58.310.898	21.023.248	37.287.650
Value adjustments	3.953.247	10.290	3.942.957
Accrued interests	225.753	40.247	185.506
Total securities issued	62.489.898	21.073.786	41.416.112

Securities issued by maturity date

	Public covered bonds	Total	NOK	Currency
	2019	5.009.597	5.009.597	-
	2020	10.009.002	5.002.609	5.006.393
	2021	7.513.326	-	7.513.326
	2022	10.571.374	5.008.959	5.562.416
	2023	11.190.751	5.006.045	6.184.706
	2024	5.179.865	-	5.179.865
	2025	7.978.863	-	7.978.863
	2029	165.002	-	165.002
	2031	113.189	-	113.189
	2032	1.046.577	1.046.577	-
	2038	3.467.386	-	3.467.386
	2041	244.966	-	244.966
Total debt		62.489.898	21.073.786	41.416.112

Change in debt raised through issuance of securities

	Balance 30.09.19	Issued 2019	Matured/ redeemed 2019	Exchange rate and other changes 2019	Balance 31.12.18
Covered bonds, nominal value	58.310.898	5.000.000	-	20.953	53.289.945
Adjustments	3.953.247	-	-	1.670.699	2.282.547
Accrued interests	225.753	-	-	10.813	214.940
Total debt raised through issuance of securities	62.489.898	5.000.000	-	1.702.466	55.787.432

Note 8 Asset coverage

Asset coverage is calculated according to the Act on Financial Institutions, section 11-11. There is a discrepancy between the balance sheet amounts, partly because lending will be reduced due to non-performing loans (no occurrences of non-performance as of 30 September 2019), loans with a loan-to-value ratio in excess of 75 % and the use of market values.

NOK 1 000	30.09.19	30.09.18	31.12.18
Covered bonds	62.489.898	46.186.530	55.787.432
Total covered bonds	62.489.898	46.186.530	55.787.432
Loans to customers	68.664.574	51.119.489	58.237.977
Substitute collateral	5.470.218	377.610	4.709.670
Total cover pool	74.134.792	51.497.099	62.947.647
Asset coverage	118,6 %	111,5 %	112,8 %

Note 9 Financial derivatives

At fair value through profit and loss NOK 1 000	Contract amount 30.09.19	Fair value at 30.09.19	
		Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	79.968.840	3.842.911	153.569
Total hedging / Interest and exchange rate instruments	79.968.840	3.842.911	153.569
Total currency and interest rate instruments			
Total interest and exchange rate instruments	79.968.840	3.842.911	153.569
Total accrued interests	-	64.816	45
Total financial derivatives	79.968.840	3.907.727	153.614

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	30.09.19	30.09.18	31.12.18
Net gains for bonds and certificates	926	-34	-700
Net change in value, basis swap spread	50.633	-22.663	-62.344
Net change in value, other financial investments	2.446	-14.108	-16.582
Net change in value, currency effect	-	17	17
Net income from financial instruments	54.005	-36.788	-79.608

Note 11 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 30 September 2019.

Contact Information

Address

Bjergsted Terrasse 1
Postboks 250
N-4066 Stavanger

Tel. (+47) 915 02 002

www.sr-bank.no/sr-boligkreditt

Chief Executive Officer

Dag A. Hjelle
Tel. (+47) 51 50 94 37
(+47) 909 500 88

Email: dag.hjelle@sr-bank.no