

SR-BOLIGKREDITT AS

Q1 2016

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 first quarter 2016

Net income totalled NOK 39.7 million in the first quarter of 2016.

(Amounts in NOK millions)

Total income	39.7
Net interest income	32.8
Net other operating income	6.9

Operating expenses are kept low due to effective operation and synergies with treasury in SpareBank 1 SR-Bank ASA and totalled NOK 0.8 million for the first quarter of 2016.

1.2. Balance sheet

At end of March 2016 total assets stood at NOK 16.386,5 million. SR-Boligkreditt AS has NOK 4,6 billion in two benchmarks outstanding in the Norwegian market and two international benchmarks of EUR 500 million. Liabilities to financial institutions (credit facility with parent bank) stood at NOK 650,5 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 March 2016, the company's equity totalled NOK 1.332,6 million. The capital adequacy ratio was 19,98%.

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. 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 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 first quarter financial statements for the company for the period 1 January 2016 through 31 March 2016 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 first 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, 21 April 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	31.03.2016	17.03.15- 31.12.15
Interest income		93.707	124.749
Interest expense		(60.894)	(74.416)
Net interest income		32.813	50.333
Commission and fee expenses		(2.471)	(2.941)
Net gains/losses on financial instruments	10	9.362	(1.664)
Net other operating income		6.891	(4.605)
Total operating income		39.704	45.728
Administrative expenses		(403)	(1.821)
Other operating costs		(350)	(4.132)
Total operating costs		(753)	(5.953)
Operating profit before impairment losses		38.951	39.775
Impairment losses on loans and guarantees	5	(691)	(493)
Pre-tax profit		38.260	39.282
Tax expense		(9.565)	(10.572)
Profit after tax		28.695	28.710
Adjustments		-	-
Comprehensive Income		28.695	28.710

4. Balance sheet

NOK 1 000	Note	31.03.2016	31.12.2015
Assets			
Balances with credit institutions		553.654	706.494
Loans to customers	2, 5	15.620.162	9.949.686
Financial derivatives	9	211.966	96.103
Other assets	3	708	821
Total assets		16.386.490	10.753.104
Liabilities and equity			
Liabilities			
Listed debt securities	7	14.234.613	9.438.553
Balances with credit institutions		650.534	-
Financial derivatives	9	148.527	-
Taxes payable	4	19.707	10.143
Other liabilities	4	554	548
Total liabilities		15.053.935	9.449.244
Equity			
Paid-in equity capital		1.275.150	1.275.150
Retained earnings		57.405	28.710
Total equity		1.332.555	1.303.860
Total liabilities and equity		16.386.490	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
Profit for the period	-	-	28.695	28.695
Equity as of 31. March 2016	1.275.000	150	57.405	1.332.555

6. Cash flow statement

NOK 1 000	31.03.2016	17.03.2015- 31.12.2015
Interest receipts from lending to customers	88.301	113.976
Payments for operations	(3.144)	(8.716)
Net cash flow relating to operations	85.157	105.260
Net purchase of loan portfolio	(5.665.762)	(9.939.407)
Net investments in intangible assets	-	(880)
Net cash flow relating to investments	(5.665.762)	(9.940.287)
Debt raised by issuance of securities	4.819.256	9.333.893
Receipts from borrowing from financial institutions	650.534	-
Paid in capital equity	-	1.275.150
Net interest payments on funding activities	(42.025)	(67.522)
Net cash flow relating to funding activities	5.427.765	10.541.521
Net cash flow during the period	(152.840)	706.494
Balance of cash and cash equivalents start of period	706.494	-
Balance of cash and cash equivalents end of period	553.654	706.494

7. 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 - 31 March 2016. 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 2015. The company was founded on 17 March 2015 and reported financial statements for the first time for the second quarter of 2015. Comparable figures for first quarter 2015 have consequently 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 3 of the annual accounts for 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	31.03.16	31.12.15
Non-performing loans and advances		
Gross non-performing loans above 90 days	0	0
Provisions for Individual impairment losses	0	0
Net non-performing loans and advances	0	0
Loan loss provision ratio	0 %	0 %
Other problem commitments		
Problem commitments	0	0
Provisions for Individual impairment losses	0	0
Collective impairment loss provisions	0	0
Net other problem commitments	0	0
Loan loss provision ratio	0 %	0 %

Note 3 – Other assets

NOK 1 000	31.03.16	31.12.15
Intangible assets	708	781
Other assets	-	40
Total other assets	708	821

Note 4 – Other liabilities

NOK 1 000	31.03.16	31.12.15
Taxes payable	19.708	10.143
Deferred taxes	429	429
Accounts payable	4	40
Accrued expenses and prepaid revenue	121	79
Total other liabilities	20.262	10.691

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 15.621 million. All mortgages carry a variable interest rate.

NOK 1 000	31.03.16	31.12.15
Flexible loans - retail market	2.004.503	896.941
Amortising loans - retail market	13.600.665	9.042.466
Accrued interest	16.179	10.773
Total loans before specified and unspecified loss provisions	15.621.347	9.950.180
Specified loan loss provisions	-	-
Unspecified loan loss provisions	-1.185	-493
Total net loans and claims with customers	15.620.162	9.949.687
Liability		
Unused balances under customer revolving credit lines (flexible loans)	508.534	220.634
Total	508.534	220.634
Defaulted loans		
Defaults*	0,0 %	0,0 %
Spcified loan loss provisions	0,0 %	0,0 %
Net defaulted loans	0,0 %	0,0 %
Loans at risk for loss		
Loan not defaulted but at risk of loss	0,0 %	0,0 %
- Write downs on loans at risk of loss	0,0 %	0,0 %
Net other loans at risk of loss	0,0 %	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 recieved 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	31.03.16	31.12.15
Loan loss provisions starting balance	-	-
Change in group loan loss provisions	691	493
Loan loss provisions ending balance	691	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	31.03.16	31.12.15
Share capital	1.275.000	1.275.000
Premium reserve	150	150
Other equity	28.710	28.710
Total Common equity Tier 1 capital	1.303.860	1.303.860
Intangible assets	-708	-781
Deduction for proposed dividend	-28.000	-28.000
Deduction for expected losses on IRB, net of write-downs	-27.512	-16.784
Value of derivative liabilities at fair value	-195	-96
Total Tier 1 capital	1.247.445	1.258.199
Net primary capital	1.247.445	1.258.199
Credit risk	3.432.553	2.311.343
Operational risk	94.376	33.872
Transitional scheme	2.715.325	1.682.429
Risk weighted balance	6.242.254	4.027.644
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	280.901	181.244
Buffer requirements:		
Capital conservation buffer 2,5 %	156.056	100.691
Systemic risk buffer 3 %	187.268	120.829
Countercyclical capital buffer 1 %	62.423	40.276
Total buffer requirement to common equity Tier 1 capital ratio	405.747	261.797
Available common equity Tier 1 capital ratio after buffer requirement	560.797	815.158
Capital ratio	19,98 %	31,24 %
Tier 1 capital ratio	19,98 %	31,24 %
Common equity Tier 1 capital ratio	19,98 %	31,24 %
Leverage Ratio	7,32 %	11,20 %

Note 7 – Securities issued

NOK 1 000	31.03.16	31.12.15
Covered bonds	14.212.539	9.429.274
Accrued interests	22.074	9.279
Total securities issued	14.234.613	9.438.553

	Nominal amount	
Change in debt raised through issuance of securities	31.03.16	31.12.15
Covered bonds	4.819.050	9.337.400
Total debt raised through issuance of securities	4.819.050	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	31.03.16	31.12.15
	2017	2.500.000	2.500.000
	2018	-	-
	2019	-	-
	2020	6.837.400	6.837.400
	2021	-	-
	2022	-	-
	2023	4.819.050	-
Sum		14.156.450	9.337.400

Liabilities by currency (book value at end of quarter)

	31.03.2016	31.12.2015
NOK	4.600.627	4.600.521
EUR	9.633.986	4.838.032
Sum	14.234.613	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 of 31 March 2016) 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.

NOK 1 000	31.03.16	31.12.15
Covered bonds	14.234.613	9.438.553
Financial derivatives	148.526	-
Total covered bonds	14.383.139	9.438.553
Loans to customers	15.569.591	9.873.033
Substitute collateral	765.620	802.597
Total cover pool	16.335.211	10.675.630
Asset coverage	113,6 %	113,1 %

Note 9 – Financial derivatives

At fair value through profit and loss	Contract amount	Fair value at 31.03.16	
	31.03.16	Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	18.990.550	195.365	131.057
Total hedging / Interest and exchange rate instruments	18.990.550	195.365	131.057
Total currency and interest rate instruments			
	Contract amount	Assets	Liabilities
	31.03.16	31.03.2016	31.03.2016
Total interest and exchange rate instruments	18.990.550	195.365	131.057
Total accrued interests	-	16.601	17.470
Total financial derivatives	18.990.550	211.966	148.527

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	31.03.16	31.12.15
Net gains for bonds and certificates	-	-
Net change in value, basis swap spread	12.850	2.998
Net change in value, other financial investments	-3.478	-4.602
Net gain currency	-9	-59
Net income from financial instruments	9.363	-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 March 2016.

8. Contact Information

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