

# Q3

**Third quarter 2016**  
**First nine months 2016**  
(Unaudited)

Skandiabanken Boligkreditt AS

Covered bonds outstanding

**NOK 16.2 bn**

Cover pool

**NOK 19.6 bn**

Average LTV

**48.7 %**

**skandia : banken**  
**Boligkreditt**

# Key figures

In NOK thousand	Reference	Jan - Sep 2016	05.10.15 - 31.12.15
<b>Summary of income statement</b>			
Net interest income		93 957	31 183
Net other income		968	0
<b>Total income</b>		<b>94 925</b>	<b>31 183</b>
Other operating expenses		-6 132	-2 044
<b>Operating profit before loan losses</b>		<b>88 793</b>	<b>29 139</b>
Loan losses		-112	-1 272
<b>Earnings before tax</b>		<b>88 681</b>	<b>27 867</b>
Calculated tax		-21 664	-7 524
<b>Net profit</b>		<b>67 017</b>	<b>20 343</b>
<b>Balance sheet figures (in NOK million)</b>			
Total loan volume		18 210	14 987
Covered bonds issued (nominal value)		16 163	12 685
Covered bonds issued (carried value)		16 143	12 673
Total assets, end of period		19 715	15 492
<b>Losses and defaults</b>			
Total loan loss (%)	1	0.001 %	0.037 %
<b>Solvency</b>			
Common equity Tier 1 ratio	2	14.4 %	16.3 %
Tier 1 capital ratio		16.2 %	16.3 %
Total capital ratio		18.7 %	16.3 %
Leverage ratio		5.6 %	5.9 %
<b>Other</b>			
Loan to value		48.7 %	53.6 %
Over-collateralisation (OC), (nominal)		21.4 %	21.8 %

## References

1) Annualised loan losses as a percentage of average loan volume in the period

2) Including profit for the period

# Third Quarter Results

Skandiabanken Boligkreditt AS had a net profit of NOK 22.6 million in the third quarter, which is equal to the second quarter of 2016.

At the end of the quarter, net customer loans were NOK 18.2 billion, down from NOK 18.7 billion at the end of the second quarter. Outstanding covered bonds were NOK 16.2 (15.7) billion. The average loan to value (LTV) was 48.7 per cent (49.7).

Skandiabanken Boligkreditt AS ("Skandiabanken Boligkreditt" or "the company") was established in 2015 to be used as 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 previous quarter.

## Important events during the quarter

Norwegian short-term money market rates (3 month NIBOR) increased in the quarter, while Norges Bank kept its key policy rate stable at 0.5 per cent in the September rate decision meeting. Skandiabanken Boligkreditt kept its lending rate stable in the quarter.

The company issued NOK 1.5 billion in covered bonds under the loan agreement with 2020 maturity. Covered bonds under the loan agreement now has an outstanding balance of NOK 4.0 billion, and are thus eligible as a Level 1 asset in LCR.

## Operating income

Operating income was NOK 31.3 million, compared to NOK 32.7 million in the previous quarter. Net interest income decreased by NOK 1.3 million to 31.8 million. Net other income was NOK -0.5 million related to a net loss on financial instruments.

## Operating expenses

Operating expenses were NOK 1.9 (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 decreased NOK 0.2 million in the quarter, compared to an increase of NOK 0.3 million in the second quarter.

At the end of the quarter, total write-downs were NOK 1.4 (1.6) million.

## Taxes

The calculated income tax expense was NOK 6.9 (7.5) million, which corresponds to an effective tax rate of 23.5 (24.8) per cent.

## Loans to and deposits from customers

Loans to customers decreased to NOK 18.2 billion, representing a net decrease of NOK 0.5 billion compared with the previous quarter.

The decrease resulted from the acquisition of NOK 1.2 billion in residential mortgages from Skandiabanken ASA, and ordinary repayments from customers in the period.

## Comments on results for the first nine months of 2016

Skandiabanken Boligkreditt had operational income of NOK 94.9 million in the first nine months of 2016. Net interest income was NOK 94.0 million. Net other income was NOK 1.0 million and related to a net gain on financial instruments.

Operating expenses were NOK 6.1 million and consisted mainly of administrative expenses.

Loan losses were NOK 0.1 million, corresponding to a loan-loss ratio of 0.0 per cent.

## Capitalisation, liquidity and financial position

Skandiabanken Boligkreditt had total booked equity of NOK 1.11 billion as of 30 September 2016, equivalent to a common equity Tier 1 capital ratio of 14.4 per cent. At quarter end the Tier 1 capital ratio was 16.2 per cent and the total capital ratio 18.7 per cent.

Skandiabanken Boligkreditt had NOK 16.2 (15.7) billion in outstanding debt issued as covered bonds as of 30 September 2016. A total of NOK 1.5 billion in covered bonds were issued under existing agreements during the quarter. Securities totalling NOK 1.1 billion were redeemed during the quarter.

At quarter end, Skandiabanken Boligkreditt had total liquid assets of NOK 1.5 (0.4) billion. The liquidity coverage ratio (LCR) was 239 per cent, significantly above the regulatory minimum of 70 per cent.

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

## Events after the end of the quarter

There have not been any significant events subsequent to 30 September 2016 that affect the financial statements for Q3 2016.

## Outlook

Macroeconomic development both in Norway and internationally, indicates a lower downside risk from unemployment, interest rates and housing prices in Norway than three months ago.

Growth in the global economy is moderate and the growth in imports among trading partners is expected to be somewhat softer, however the economic forecast from Norges Bank indicates that the growth in the Norwegian economy is picking up slightly faster than projected in its June report. In the western and coastal parts of Norway, development in housing prices is weak and unemployment is still increasing. In the eastern and middle parts of the country, the unemployment rate is decreasing and housing prices are rising. In general, the growth in registered unemployment has declined and is expected to top out below 5 %. Inflation in house prices has been higher than previously projected. According to the economic forecast, national unemployment will remain at the current level and is no longer expected to increase.

Skandiabanken continuously evaluates its credit policies to ensure that the risk in the loan book does not increase significantly as a result of macroeconomic development.

Norges Bank maintained a stable key policy rate of 0.5 per cent at its September and October rate decision meetings. The next interest rate decision will be announced on 15 December 2016. The latest *Monetary Policy Report* indicates that the key policy rate will remain close to 0.5 per cent over the next few years.

Skandiabanken Boligkreditt has experienced volume growth as a result of the growth in the parent bank in the previous quarters. Covered bonds are expected to play an increasingly important role in the overall funding of the Skandiabanken group in the years to come.

**Bergen, 8 November 2016**


The Board of Directors, Skandiabanken Boligkreditt AS



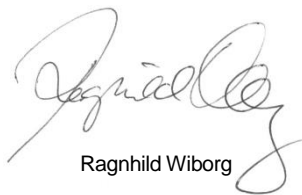
Petter Skouen  
(Chairman)



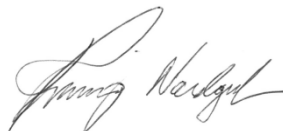
Per Morten Christiansen



Mai-Lill Ibsen



Ragnhild Wiborg



Henning Nordgulen  
(CEO)

# Income statement

In NOK thousand	Note	Q3 2016	Jan - Sep 2016	05.10.15 - 31.12.15
Interest income	17	102 342	291 167	86 240
Interest expense	17	-70 529	-197 210	-55 057
<b>Net interest income</b>		<b>31 813</b>	<b>93 957</b>	<b>31 183</b>
Net gain (loss) on financial instruments		-544	968	0
Other income		0	0	0
<b>Other operating income</b>		<b>-544</b>	<b>968</b>	<b>0</b>
Personnel expenses		0	0	0
Administrative expenses	18	-1 937	-6 132	-2 044
<b>Profit before loan losses</b>		<b>29 332</b>	<b>88 793</b>	<b>29 139</b>
Loan losses	12	168	-112	-1 272
<b>Profit before tax</b>		<b>29 500</b>	<b>88 681</b>	<b>27 867</b>
Tax expense	19	-6 918	-21 664	-7 524
<b>Profit for the period</b>		<b>22 582</b>	<b>67 017</b>	<b>20 343</b>
<b>Attributable to</b>				
Shareholders		20 558	64 796	20 343
Tier 1 capital holders	16	2 024	2 221	0
<b>Profit for the period</b>		<b>22 582</b>	<b>67 017</b>	<b>20 343</b>

Earnings per share, see note 22

# Statement of comprehensive income

In NOK thousand		Q3 2016	Jan - Sep 2016	05.10.15 - 31.12.15
<b>Profit for the period</b>		<b>22 582</b>	<b>67 017</b>	<b>20 343</b>
<b>Other comprehensive income</b>				
Other comprehensive income that can be reclassified to profit or loss after tax		-16	-179	0
Other items that cannot be reclassified to profit or loss after tax		0	0	0
<b>Total components of other comprehensive income (after tax)</b>		<b>-16</b>	<b>-179</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>22 566</b>	<b>66 838</b>	<b>20 343</b>
<b>Attributable to</b>				
Shareholders		20 542	64 617	20 343
Tier 1 capital holders	16	2 024	2 221	0
<b>Total comprehensive income for the period</b>		<b>22 566</b>	<b>66 838</b>	<b>20 343</b>

# Balance sheet

In NOK thousand	Note	30.09.16	31.12.15
<b>Assets</b>			
Loans to and receivables from credit institutions	11	585 550	491 146
Loans to customers	7,8,9,20	18 208 264	14 985 711
<b>Net loans to customers and credit institutions</b>		<b>18 793 814</b>	<b>15 476 857</b>
Commercial paper and bonds available for sale		905 822	0
Other assets		0	0
Advance payment and accrued income		15 754	15 354
<b>Total assets</b>		<b>19 715 390</b>	<b>15 492 210</b>
<b>Liabilities</b>			
Loans from credit institutions	11,20	2 205 818	1 853 330
Debt securities issued	15,20	16 142 796	12 672 989
Taxes payable	19	29 189	7 524
Other liabilities		52 420	37 994
Subordinated loan		175 000	0
<b>Total liabilities</b>		<b>18 605 223</b>	<b>14 571 837</b>
<b>Equity</b>			
Share capital		60 030	60 030
Share premium		840 000	840 000
Additional Tier 1 capital	16	125 177	0
Other equity		84 960	20 343
<b>Total equity</b>		<b>1 110 167</b>	<b>920 373</b>
<b>Total liabilities and equity</b>		<b>19 715 390</b>	<b>15 492 210</b>

# 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
Paid share capital in connection with the foundation 17.04.15	30	0	0	0	0	30
Capital increase at 05.10.15, with transfer of assets (non-cash contribution)	60 000	840 000	0	0	0	900 000
Profit for the period (05.10.15 - 31.12.15)	0	0	0	0	20 343	20 343
<b>Balance sheet as at 31.12.15</b>	<b>60 030</b>	<b>840 000</b>	<b>0</b>	<b>0</b>	<b>20 343</b>	<b>920 373</b>
Profit for the period to other equity (01.01.16 - 30.09.16)					64 796	64 796
Profit for the period to Tier 1 capital holders (01.01.16 - 30.09.16)			2 221			2 221
Issued Additional Tier 1 capital			125 000			125 000
Payments to Tier 1 capital holders			-2 044			-2 044
Net change in fair value of financial instruments available for sale (01.01.16 to 30.09.16)				-179		-179
<b>Balance sheet as at 30.09.16</b>	<b>60 030</b>	<b>840 000</b>	<b>125 177</b>	<b>-179</b>	<b>85 139</b>	<b>1 110 167</b>

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

# Statement of cash flows

In NOK thousand	Note	Jan - Sep 2016	05.10.15 - 31.12.15
<b>Cash flows from operating activities</b>			
Net payments on loans to customers*	7	-3 224 049	-14 086 953
Interest received on loans to customers	17	289 088	70 730
Interest paid on loans and deposits from credit institution	17	-26 619	-10 360
Net receipts/payments from buying and selling financial instruments at fair value	20	-904 942	0
Interest received from commercial paper and bonds	17	121	0
Payments related to administrative expense	18	-6 180	0
Taxes paid		0	0
Other receipts/payments		6 002	-448
<b>Net cash flows from operating activities</b>		<b>-3 866 579</b>	<b>-14 027 031</b>
<b>Cash flows from investment activities</b>			
<b>Net cash flows from investment activities</b>		<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Receipts on issued covered bonds*	15	5 741 807	13 437 989
Payments on matured and redeemed covered bonds	15	-2 272 000	-765 000
Interest paid on covered bonds	17	-157 446	-8 142
Receipts on loans and deposits from credit institution	11	352 488	1 853 330
Receipts on subordinated loan	15	175 000	0
Interest paid on subordinated loan	17	-1 822	0
Receipts on issued additional Tier1 capital	16	125 000	0
Interest paid on additional Tier 1 capital	EQ	-2 044	0
<b>Net cash flows from financing activities</b>		<b>3 960 983</b>	<b>14 518 177</b>
<b>Total net cash flows</b>		<b>94 404</b>	<b>491 146</b>
Cash at the beginning of the period		491 146	0
Cash at the end of the period		585 550	491 146
<b>Change in cash</b>		<b>94 404</b>	<b>491 146</b>
<b>Cash</b>			
Loans to credit institutions		585 550	491 146
<b>Total cash</b>		<b>585 550</b>	<b>491 146</b>

\* The changes in 2015 are mainly related to transfer of loans and covered bonds between Skandiabanken ASA and Skandiabanken Boligkreditt on 5 October 2015 - see also note 2.  
EQ – 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 2015. 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 2015.

## Note 2 – The establishment of Skandiabanken Boligkreditt AS

### Background

In January 2015, Livförsäkringsbolaget Skandia, ömsesidigt announced that it was considering a listing of Skandiabanken AB's Norwegian banking business (Skandiabanken AB NUF) to facilitate continued growth. Skandiabanken ASA was floated on the Oslo Stock Exchange on 2 November 2015. Skandiabanken AB's Norwegian business was organised as a branch of Skandiabanken AB and legally registered in Norway as Skandiabanken AB NUF. In order to spin the business off as an independent listed company, a number of transactions were carried out in advance of the flotation.

Skandiabanken Boligkreditt was incorporated on 17 April 2015 as Midgard Prosjekt II AS, a wholly owned subsidiary of Midgard Prosjekt I ASA (which later changed its name to "Skandiabanken ASA"). The company's objective is to act as a covered bond company for the Group in Norway. On 5 October 2015, the business belonging to Skandiabanken AB NUF was transferred in a cross-border demerger/merger (pursuant to § 14-12(4) of the Public Limited Companies Act and Chapter 11 of the Taxation Act) to Midgard Prosjekt I ASA. Simultaneously, residential mortgages were transferred from Skandiabanken AB to Skandiabanken Boligkreditt, enabling the issuance of covered bonds in the Norwegian market to be used as "redemption-in-kind" for the covered bonds formerly issued by Skandiabanken AB in respect of the Norwegian business. Consequently the former bonds were swapped for newly issued bonds from Skandiabanken Boligkreditt on the original terms and conditions.

Skandiabanken AB retained all rights in the transaction to the brand name "Skandiabanken", "Skandia", "Ideer for livet", domain names associated with the brand names and liabilities associated with tax for Skandiabanken AB. Since Skandiabanken AB NUF had never had these rights, it is not deemed to be a relevant issue in the assessment below. All other assets and liabilities associated with the Norwegian business were spun off from Skandiabanken AB.

### Recognition and presentation in the company's financial statements

A transaction encompassing companies under the same control, a newly incorporated parent which has had no commercial activity before the transaction(s) and where the parent company takes over an existing business is a transaction that must be recognised as a "capital reorganisation". Such a transaction is not deemed to be a business combination under IFRS 3, nor a combination with reverse takeover, since the newly established parent has no existing business. The establishment of the Skandiabanken ASA group, where the business previously belonging to Skandiabanken AB NUF and assets and liabilities associated with the Norwegian business operated through the branch Skandiabanken AB NUF are transferred to the newly established companies Skandiabanken ASA and Skandiabanken Boligkreditt, is deemed to represent such a case.

This means that assets and liabilities in the existing business are recognised in Skandiabanken ASA's consolidated financial statements at their book value at the time the transaction took place (continuity). The reason for this is that, for accounting purposes, there is no financial substance to the transaction, since, in reality, the new group structure takes over the entire business previously organised in the branch, Skandiabanken AB NUF and thereby reflects the profit/loss and balance of the existing business. The only thing that is changed by the transactions is the legal structure. In a capital reorganisation the new company's consolidated financial statements will reflect the existing business's results (including comparable figures), even though the reorganisation has occurred in the middle of a financial period.

In the financial statements of Skandiabanken Boligkreditt, it will also be natural to make use of a capital reorganisation perspective, since it is a transaction under the same control, where a newly incorporated "subsidiary" has no commercial activity before the transaction takes place.

With respect to the presentation of comparable figures, one must however, take into account that only part of the business belonging to Skandiabanken AB NUF has been transferred to Skandiabanken Boligkreditt. The objective of showing a full accounting history in a capital reorganisation is to show the unit as if no transaction has occurred, since performance of the transactions causes no real financial change on the part of the joint owner. However, for Skandiabanken Boligkreditt's financial statements there will not be a one-to-one relationship between the old business in Skandiabanken AB NUF and the new Skandiabanken Boligkreditt. It is therefore not expedient to present comparable figures, since only part of the former business has wound up in the company. Such an apportionment could quickly give the impression of being pro forma, since many of the items must be allocated.



In our view, there is no obligation to choose the same solution for the consolidated financial statements and the individual company financial statements. One can therefore choose to present the company's financial statements only for the period in which the company has existed (but where assets taken over from Skandiabanken AB NUF are measured and recognised at Skandiabanken AB NUF's book values at that time, i.e. another variant of the continuity perspective).

### **Note 3 – 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 4 – 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.

## Capital adequacy

In NOK thousand	30.09.16		31.12.15	
	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Central governments	301 565	0	0	0
Institutions	585 550	117 110	491 146	98 229
Secured by mortgages on immovable property	18 214 689	6 382 298	14 997 044	5 265 493
Exposures in default	9 280	9 280	4 020	4 020
Covered bonds	604 257	60 425		
Other items	49	49	1	1
<b>Total credit risk, standardised method</b>	<b>19 715 390</b>	<b>6 569 162</b>	<b>15 492 210</b>	<b>5 367 743</b>
Operational risk		282 186		282 186
<b>Total risk- weighted volume</b>		<b>6 851 348</b>		<b>5 649 929</b>
<b>Capital base</b>				
Share capital		60 030		60 030
Share premium		840 000		840 000
Other equity		20 164		20 343
Additional Tier 1 capital		125 197		0
Profit for the period		64 796		0
<b>Total booked equity</b>		<b>1 110 187</b>		<b>920 373</b>
Additional Tier 1 capital instruments included in total equity		-125 197		0
<b>Common equity Tier 1 capital instruments</b>		<b>984 990</b>		<b>920 373</b>
<i>Deductions</i>				
Goodwill, deferred tax assets and other intangible assets		0		0
Value adjustment due to the requirements for prudent valuation (AVA)		-906		0
Profit for the period, not eligible*				
<b>Common equity Tier 1 capital</b>		<b>984 084</b>		<b>920 373</b>
Additional Tier 1 capital		125 000		0
<b>Tier 1 capital</b>		<b>1 109 084</b>		<b>920 373</b>
Tier 2 capital		175 000		0
<b>Own funds (primary capital)</b>		<b>1 284 084</b>		<b>920 373</b>
<b>Specification of capital requirements</b>				
Minimum requirements CET1 capital	4.5 %	308 311	4.5 %	254 247
Capital conservation buffer	2.5 %	171 284	2.5 %	141 248
Systemic risk buffer	3.0 %	205 540	3.0 %	169 498
Countercyclical capital buffer	1.5 %	102 770	1.0 %	56 499
Additional Tier 1 capital	1.5 %	102 770	1.5 %	84 749
Tier 2 capital	2.0 %	137 027	2.0 %	112 999
<b>Total minimum and buffer requirements own funds (primary capital)</b>	<b>15.0 %</b>	<b>1 027 702</b>	<b>14.5 %</b>	<b>819 240</b>
<i>Available CET1 capital after buffer requirements</i>		196 179		101 134
<i>Available Own funds (primary capital)</i>		256 381		101 134
<b>Capital ratio %</b>				
Common equity Tier 1 capital		14.4 %		16.3 %
Additional Tier 1 capital		1.8 %		0.0 %
Tier 2 capital		2.6 %		0.0 %
<b>Total capital ratio</b>		<b>18.7 %</b>		<b>16.3 %</b>

\* The financial statements for the period have been subject to a full or partial external audit and the profit for the period is included. The expected dividends of 30 per cent for the group are deducted in the parent bank's capital ratio calculation.

## Note 5 – Leverage ratio

According to section 14-4 of the Norwegian Finance Institutions Act, the Tier 1 Capital or Common equity Tier 1 Capital in financial institutions shall at least comprise a defined percentage of the value of the company's assets and off-balance-sheet liabilities, calculated without a risk weighting (Leverage Ratio).

The Leverage Ratio is intended to prevent banks from using a too low risk-weight in the capital adequacy calculations, and to ensure that the banks maintain a minimum capital, even with skewing of the portfolio towards low-risk segments. The Leverage Ratio is discussed in the CRD IV Regulation (CRR, EU No. 575/2013) Article 430. The Basel Committee's original proposal from 2011 was based on a minimum requirement of three per cent. The EU Commission has not proposed any final minimum requirements and they are discussing differentiated requirements depending on the business model.

On 31 March the Norwegian Ministry of Finance received a consultation memorandum from the Financial Supervisory Authority of Norway. In brief, the authority's recommendations are that the definitions of the denominator and the numerator used in the capital fraction follow the existing rule proposals in the EU. The minimum requirements suggested are six per cent for banks and three per cent for credit institutions. The final deadline for consultation response expired 5th of August this year.

The table below shows the calculation based on existing rule proposals.

In NOK thousand	30.09.16	31.12.15
Off balance sheet commitments	0	0
Loans and advances and other assets	19 715 390	15 492 210
Regulatory adjustments included in Tier 1 capital	0	0
<b>Total leverage exposure</b>	<b>19 715 390</b>	<b>15 492 210</b>
<b>Tier 1 capital*</b>	<b>1 109 084</b>	<b>920 373</b>
<b>Leverage ratio %</b>	<b>5.6 %</b>	<b>5.9 %</b>

\* The financial statements for the period have been subject to a full or partial external audit and the profit for the period is included. The expected dividends of 30 per cent for the group are entirely deducted from in the parent bank's capital ratio calculation.

## Note 6 – Financial risk management

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

### Risk philosophy

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

- Skandiabanken Boligkreditt'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 Boligkreditt'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 Boligkreditt's organisation of risk management is designed so as to secure implementation of the company's risk strategy.

Skandiabanken Boligkreditt does not currently employ any staff. The CEO's services are hired from the bank. Skandiabanken Boligkreditt's functions for handling risk and capital management include:

- The Board of Directors, and the Board's Risk Management Committee
- 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 Boligkreditt, reference is made to the annual report for 2015.

## Note 7 – Loans to customers

In NOK thousand	30.09.16	31.12.15
<b>Loans to customers</b>		
Loans without agreed maturity or notice period	0	0
Loans with agreed maturity or notice period	18 209 648	14 986 983
<b>Total loans to customers (gross)</b>	<b>18 209 648</b>	<b>14 986 983</b>
Write-downs for individually assessed impaired loans		0
Write-downs for collectively assessed impaired loans	1 384	1 272
<b>Total loans to customers (net)</b>	<b>18 208 264</b>	<b>14 985 711</b>

### Residual time to maturity (gross loans)

In NOK thousand	30.09.16	31.12.15
Upon request		0
Maximum 3 months	237 657	190 358
3 months - 1 year	712 862	569 010
1-5 years	3 748 878	2 989 093
More than 5 years	13 510 251	11 238 522
<b>Total</b>	<b>18 209 648</b>	<b>14 986 983</b>

## Note 8 – Loans to customers by geographical area

In NOK thousand	30.09.16		31.12.15	
	Percentage	Gross lending	Percentage	Gross lending
Østfold	5.4 %	982 203	4.4 %	666 271
Akershus	22.7 %	4 125 530	24.4 %	3 656 533
Oslo	19.6 %	3 572 348	23.5 %	3 527 264
Hedmark	1.2 %	215 851	0.8 %	120 888
Oppland	1.0 %	183 769	0.9 %	130 685
Buskerud	6.1 %	1 112 659	5.5 %	823 645
Vestfold	4.0 %	728 555	3.4 %	510 967
Telemark	0.9 %	161 150	0.5 %	79 117
Aust-Agder	1.0 %	173 353	0.6 %	86 930
Vest-Agder	1.2 %	220 332	1.0 %	154 638
Rogaland	9.4 %	1 710 472	8.6 %	1 289 934
Hordaland	14.2 %	2 587 341	14.1 %	2 117 453
Sogn og Fjordane	0.2 %	38 607	0.2 %	22 503
Møre og Romsdal	1.8 %	321 479	1.4 %	212 713
Sør-Trøndelag	4.4 %	794 968	4.5 %	671 922
Nord-Trøndelag	0.7 %	121 155	0.4 %	61 714
Nordland	2.5 %	457 580	2.0 %	300 957
Troms	3.1 %	555 584	3.1 %	468 653
Finnmark	0.8 %	146 712	0.6 %	84 196
<b>Total gross lending per geographical area</b>	<b>100.0 %</b>	<b>18 209 648</b>	<b>100.0 %</b>	<b>14 986 983</b>

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

## Note 9 – 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 exposure 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		30.09.16			
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 %	29 %	4 035	5 226 502	0	5 226 502
40 % - 60 %	44 %	3 769	8 043 834	0	8 043 834
60 % - 80 %	27 %	1 392	4 910 251	0	4 910 251
80 % - 90 %	0 %	9	24 709	0	24 709
90 % - 100 %	0 %	2	1 852	0	1 852
> 100 %	0 %	1	2 500	0	2 500
<b>Residential mortgages</b>			<b>18 209 648</b>	<b>0</b>	<b>18 209 648</b>
<b>Exposure to customers</b>			<b>18 209 648</b>	<b>0</b>	<b>18 209 648</b>
Loans to and receivables from credit institutions			585 550	0	585 550
Commercial paper and bonds available for sale			905 822	0	905 822
Other assets			15 754	0	15 754
<b>Exposure to others</b>			<b>1 507 126</b>	<b>0</b>	<b>1 507 126</b>
<b>Gross exposure</b>			<b>19 716 774</b>	<b>0</b>	<b>19 716 774</b>

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		30.09.16	
Loan-to-value, Residential mortgages (relative distribution)	Distribution in percent	Gross carrying amounts	
0 % - 85 %	99.993 %	18 208 407	
85 % - 100 %	0.004 %	731	
> 100 %	0.003 %	510	
<b>Residential mortgages</b>		<b>18 209 648</b>	

In NOK thousand

31.12.15

	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 %	22 %	2 692	3 280 875	0	3 280 875
40 % - 60 %	37 %	2 775	5 520 386	0	5 520 386
60 % - 80 %	41 %	2 478	6 118 022	0	6 118 022
80 % - 90 %	0 %	40	59 540	0	59 540
90 % - 100 %	0 %	5	4 901	0	4 901
> 100 %	0 %	3	3 259	0	3 259
<b>Residential mortgages</b>			<b>14 986 983</b>	<b>0</b>	<b>14 986 983</b>
<b>Exposure to customers</b>			<b>14 986 983</b>	<b>0</b>	<b>14 986 983</b>
Loans to and receivables from credit institutions			491 146	0	491 146
Other assets			15 354	0	15 354
<b>Exposure to others</b>			<b>506 500</b>	<b>0</b>	<b>506 500</b>
<b>Gross exposure</b>			<b>15 493 483</b>	<b>0</b>	<b>15 493 483</b>

In NOK thousand

31.12.15

	Distribution in percent	Gross carrying amounts
Loan-to-value, Residential mortgages (relative distribution)		
0 % - 85 %	99.98 %	14 984 565
85 % - 100 %	0.01 %	1 716
> 100 %	0.01 %	702
<b>Residential mortgages</b>		<b>14 986 983</b>

## Note 10 – Loan-to-value (LTV) and cover pool

In NOK thousand	30.09.16		31.12.15		
Debt related to securities issued, nominal value		16 163 000		12 685 000	
Debt related to securities issued, carried value		16 142 796		12 672 989	
Loans to customers (gross)		18 209 648		14 986 983	
Average size of loan per customer		1 880		1 915	
Number of loans		9 739		7 992	
Weighted average since issuing of the loans (months)		43		36	
Weighted average remaining maturity (months)		269		276	
Average LTV (percent)		48.7		53.6	
<b>Cover pool</b>					
		<b>30.09.16</b>		<b>31.12.15</b>	
Loans secured with mortgages		18 209 648		14 986 983	
Not eligible for the cover pool		-69 630		-32 722	
<b>Net loans that are in the cover pool</b>		<b>18 140 018</b>		<b>14 954 261</b>	
Commercial paper and bonds		905 822		0	
Supplementary assets		585 550		491 133	
<b>Total cover pool</b>		<b>19 631 390</b>		<b>15 445 394</b>	
<b>Cover pool</b>					
		Nominal value	Carried value	Nominal value	Carried value
Over-collateralisation (percent)		21.4	21.6	21.8	21.9
Amount surpassing legal minimum requirements		3 468 390	3 488 594	2 760 394	2 772 406
Amount surpassing minimum requirements as indicated by rating agency		3 064 315	3 085 024	2 443 269	2 455 581

## Note 11 – Credit institutions – receivables and liabilities

In NOK thousand	30.09.16	31.12.15
<b>Loans to and receivables from credit institutions</b>		
Loans to and receivables without maturity or notice period	585 550	491 146
Loans to and receivables with agreed maturity or notice period	0	0
Write-downs on impaired loans	0	0
<b>Total loans to and receivables from credit institutions</b>	<b>585 550</b>	<b>491 146</b>
<b>Liabilities to credit institutions</b>		
Loans and deposits from credit institutions without agreed maturity or notice period	0	0
Loans and deposits from credit institutions with agreed maturity or notice period	2 205 818	1 853 330
<b>Total liabilities to credit institutions</b>	<b>2 205 818</b>	<b>1 853 330</b>

## Note 12 – Loan losses

### Loan loss provisions

In NOK thousand	30.09.16	31.12.15
<b>Opening balance individual write-downs</b>	<b>0</b>	<b>0</b>
+ Increase in write-downs on loans previously written down	0	0
+ Write-downs on loans not previously written down	0	0
- Reversal of write downs as a result of confirmations in the period	0	0
- Reversal of individual write-downs in the period	0	0
<b>Closing balance</b>	<b>0</b>	<b>0</b>
<b>Opening balance collective write-downs</b>	<b>1 272</b>	<b>0</b>
+/- change in collective write-downs in the period	112	1 272
<b>Closing balance group collective write-downs</b>	<b>1 384</b>	<b>1 272</b>
<b>Closing balance total write-downs</b>	<b>1 384</b>	<b>1 272</b>
Individual write-downs	0	0
Individual write-downs (collectively considered)	0	0
Collective write-downs	1 384	1 272
<b>Total write downs</b>	<b>1 384</b>	<b>1 272</b>
<b>Specification of loan losses</b>		
Actual losses	0	0
Reversal of previous years' depreciation	0	0
Increase in provision	-112	-1 272
Reversal of provisions	0	0
Recoveries of previously written-off	0	0
<b>Net cost of losses in the period</b>	<b>-112</b>	<b>-1 272</b>
<b>Losses by sector and industry</b>		
Retail market (individuals)	-1 384	-1 272
<b>Total</b>	<b>-1 384</b>	<b>-1 272</b>
<b>Write-downs by product group</b>		
Residential mortgages	1 384	1 272
<b>Total</b>	<b>1 384</b>	<b>1 272</b>

## Note 13 – 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 always 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	30.09.16	31.12.15
Non-performing loans with write-downs	0	0
Non-performing loans without write-downs	9 280	4 018
<b>Total non-performing loans (more than 60 days)</b>	<b>9 280</b>	<b>4 018</b>
Doubtful loans	0	0
<b>Gross non-performing and doubtful loans</b>	<b>9 280</b>	<b>4 018</b>
- Individual write-downs	0	0
<b>Net non-performing and doubtful loans</b>	<b>9 280</b>	<b>4 018</b>
Provisioning ratio	0 %	0 %

### 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 company's 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	30.09.16				Total
	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	
Mortgages	148 257	22 433	1 009	8 271	179 970
<b>Loans to customers</b>	<b>148 257</b>	<b>22 433</b>	<b>1 009</b>	<b>8 271</b>	<b>179 970</b>

In NOK thousand	31.12.15				Total
	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	
Mortgages	177 755	25 539	4 018	0	207 312
<b>Loans to customers</b>	<b>177 755</b>	<b>25 539</b>	<b>4 018</b>	<b>0</b>	<b>207 312</b>

## Note 14 – 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 applies from 30 June 2016. The requirement is gradually phased in, starting with 70 percent, rising to 80 percent from 31 December 2016, and 100 percent from 31 December 2017.

The NSFR has still not been introduced as a minimum requirement. The EU Commission is expected to present a draft proposal by the end of 2016, which is expected to be introduced from 2018.



## LCR (Liquidity Coverage Ratio)

In NOK thousand	30.09.16	
	Carrying value	Value LCR
Level 1 - assets exclusive Covered bonds	301 565	301 565
Level 1 Covered bonds	604 244	561 947
Level 2A - assets	0	0
Level 2B - assets	0	0
Assets ineligible as "liquid assets"	18 809 581	0
<b>Total assets</b>	<b>19 715 390</b>	<b>863 512</b>
<b>Net outflows</b>		<b>360 785</b>
<b>LCR %</b>		<b>239 %</b>

## Note 15 – Debt securities issued

Carried at amortised cost:

In NOK thousand	Currency	30.09.16	31.12.15
Bonds issued	NOK	16 142 796	12 672 989
Subordinated loan	NOK	175 000	0
<b>Total debt securities issued</b>		<b>16 317 796</b>	<b>12 672 989</b>

Specification of covered bonds as at 30.09.16:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
<b>Covered bonds</b>						
NO0010745284	Skandiabanken Boligkreditt AS	986 000	NOK	Floating	04.10.2016	985 932
NO0010745326	Skandiabanken Boligkreditt AS	2 250 000	NOK	Floating	31.07.2017	2 249 144
NO0010745292	Skandiabanken Boligkreditt AS	4 000 000	NOK	Floating	04.10.2018	3 991 877
NO0010745300	Skandiabanken Boligkreditt AS	4 000 000	NOK	Floating	29.10.2019	3 990 276
NO0010745334	Skandiabanken Boligkreditt AS	4 000 000	NOK	Floating	14.08.2020	3 999 242
NO0010745342	Skandiabanken Boligkreditt AS	927 000	NOK	Floating	14.10.2021	926 325
<b>Total covered bonds</b>						<b>16 142 796</b>

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
<b>Total subordinated loan</b>						<b>175 000</b>

\*\* 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:

	31.12.15	Issued Jan - Sep 2016	Matured	Redeemed	Other adjustments	30.09.16
Bonds (nominal)	12 685 000	5 750 000	-600 000	-1 672 000		16 163 000
Subordinated loan	0	175 000				175 000
<b>Total</b>	<b>12 685 000</b>	<b>5 925 000</b>	<b>-600 000</b>	<b>-1 672 000</b>	<b>0</b>	<b>16 338 000</b>

## Note 16 – 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	30.09.16	31.12.15
Additional Tier 1 capital	NOK	125 000	0
<b>Total Additional Tier 1 capital</b>		<b>125 000</b>	<b>0</b>

Specification of additional Tier 1 capital as at 30.09.16:

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

\* The Tier1 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

	31.12.2015	January - September 2016				30.09.16
		Issued	Matured	Redeemed	Other adjustments	
Additional Tier 1 capital	0	125 000	0	0	0	125 000
<b>Total</b>	<b>0</b>	<b>125 000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125 000</b>

As at 30 September 2016, 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 17 – Net interest income

In NOK thousand	Q3 2016	Jan - Sep 2016	05.10.15 - 31.12.15
Loans to and receivables from credit institutions	168	644	155
Loans to customers	101 213	289 339	86 085
Commercial paper and bonds	961	1 184	0
<b>Total interest income</b>	<b>102 342</b>	<b>291 167</b>	<b>86 240</b>
Loans and deposits from credit institutions	-9 154	-26 770	-10 361
Debt securities issued	-59 571	-168 460	-44 695
Subordinated loan	-1 804	-1 980	0
<b>Total interest expense</b>	<b>-70 529</b>	<b>-197 210</b>	<b>-55 057</b>
<b>Net interest income</b>	<b>31 813</b>	<b>93 957</b>	<b>31 183</b>

All interest income from customers is related to residential mortgages

## Note 18 – Administrative expenses

In NOK thousand	Q3 2016	Jan - Sep 2016	05.10.15 - 31.12.15
Consultants and other external services	1 934	6 128	1 961
Other operating expenses	3	4	83
<b>Total other administrative expenses</b>	<b>1 937</b>	<b>6 132</b>	<b>2 044</b>

## Note 19 – Tax expense

In NOK thousand	Q3 2016	Jan - Sep 2016	05.10.15 - 31.12.15
<b>Taxes payable</b>	<b>6 918</b>	<b>21 664</b>	<b>7 524</b>
Change in deferred tax	0	0	0
<b>Total tax expense</b>	<b>6 918</b>	<b>21 664</b>	<b>7 524</b>
<b>Reconciliation of the tax expense:</b>			
Profit before tax	<b>29 500</b>	<b>88 681</b>	<b>27 867</b>
Expected tax expense at nominal rate of 25 % (in 2016) and 27 % (in 2015)	7 375	22 170	7 524
Tax effect from interest to Tier 1 capital holders	-457	-506	0
<b>Total tax expense</b>	<b>6 918</b>	<b>21 664</b>	<b>7 524</b>
Effective tax rate	<b>23.5 %</b>	<b>24.4 %</b>	<b>27.0 %</b>

## Note 20 – Fair value of financial instruments

In NOK thousand	30.09.2016		31.12.15	
	Carrying value	Fair value	Carrying value	Fair value
<b>Assets</b>				
Loans to and receivables from credit institutions (ac)	585 550	585 550	491 146	491 146
Loans to customers (ac)	18 208 264	18 208 264	14 985 711	14 985 711
Commercial paper and bonds available for sale	905 822	905 822	0	0
Other assets (ac)	15 754	15 754	15 354	15 354
<b>Total assets financial instruments</b>	<b>19 715 390</b>	<b>19 715 390</b>	<b>15 492 210</b>	<b>15 492 210</b>
<b>Liabilities</b>				
Loans and deposits from credit institutions (ac)	2 205 818	2 205 818	1 853 330	1 853 330
Debt securities issued (ac)	16 142 796	16 191 931	12 672 989	12 587 260
Other liabilities (ac)	52 420	52 420	45 518	45 518
Subordinated loan (ac)	175 000	179 686	0	0
<b>Total liabilities financial instruments</b>	<b>18 576 034</b>	<b>18 629 855</b>	<b>14 571 837</b>	<b>14 486 108</b>

(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 implies 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 investor's 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.

30.09.2016	Level 1	Level 2	Level 3	Total
Commercial paper and bonds available for sale	249 745	656 077		905 822
<b>Total</b>	<b>249 745</b>	<b>656 077</b>	<b>0</b>	<b>905 822</b>
<b>Financial instruments measured at fair value level 3</b>				
In NOK thousand				<b>Total</b>
<b>Opening balance 1 January 2016</b>			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
<b>Closing balance at 30 September 2016</b>			<b>0</b>	<b>0</b>

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to September 2016

(ac) = assets and liabilities booked at amortised cost

### 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 21 – Related party transactions

### Liabilities to and receivables from Skandiabanken ASA

In NOK thousand	30.09.16	31.12.15
Liability related to overdraft facility to Skandiabanken ASA	2 205 818	1 853 330
Receivables related to deposits in Skandiabanken ASA	585 550	491 146
Skandiabanken ASAs ownership of covered bonds issued by Skandiabanken Boligkreditt AS	199 959	n.a
Skandiabanken ASAs ownership of subordinated loan issued by Skandiabanken Boligkreditt AS	175 000	n.a
Skandiabanken ASAs ownership of additional Tier 1 capital issued by Skandiabanken Boligkreditt AS	125 000	n.a

### Transactions with Skandiabanken ASA

In NOK thousand	Jan - Sep 2016	05.10.15 - 31.12.15
Purchase of services in line with service agreement	3 839	1 255
Interest expense on overdraft facility	26 770	10 361
Interest income on deposits	644	156
Interest on covered bonds issued by Skandiabanken Boligkreditt AS	2 766	n.a
Interest on subordinated loan issued by Skandiabanken Boligkreditt AS	1 980	n.a
Share of result related to Skandiabanken ASAs ownership of additional Tier 1 capital in Skandiabanken Boligkreditt AS	2 221	n.a

### Description of agreements with related parties:

#### Sale of mortgages to Skandiabanken Boligkreditt:

Skandiabanken ASA sells mortgages 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 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, Treasury, IT, Finance and Accounting, and Risk Management. The agreement has been entered into on 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 into two credit facilities, each to 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 has two ordinary deposit accounts with Skandiabanken ASA with interest at the market rate.

## Note 22 – Earnings per share (EPS)

In NOK	Q3 2016	Jan - Sep 2016	05.10.15 - 31.12.15
Profit for the period to other equity (shareholders)	20 558 000	64 796 000	20 343 000
Number of shares (weighted average)	60 030 000	60 030 000	60 030 000
<b>Earnings per share (basic)</b>	<b>0.34</b>	<b>1.08</b>	<b>0.34</b>
<b>Earnings per share (diluted)</b>	<b>0.34</b>	<b>1.08</b>	<b>0.34</b>

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

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