

Q1

First quarter 2016

(Unaudited)

Skandiabanken
Boligkreditt AS

Covered bonds outstanding

NOK 13.3 bn

Cover pool

NOK 16.4 bn

Average LTV

51.4 %

skandia : banken
Boligkreditt

Key figures

In NOK thousand	Q1 2016	05.10.15 - 31.12.15
Summary of income statement		
Net interest income	29 031	31 183
Net other income	1 929	0
Total income	30 960	31 183
Other operating expenses	-1 829	-2 044
Operating profit before loan losses	29 131	29 139
Loan losses	-70	-1 272
Earnings before tax	29 061	27 867
Tax expense	-7 265	-7 524
Net profit	21 796	20 343
Balance sheet figures (in NOK million)		
Total loan volume	16 372	14 986
Covered bonds issued (nominal value)	13 312	12 685
Covered bonds issued (carried value)	13 297	12 673
Total assets, end of period	16 386	15 492
Losses and defaults		
Total loan loss (%) ¹⁾	0.00%	0.04%
Solvency		
Common equity Tier 1 capital	15.6%	16.3%
Tier 1 capital	15.6%	16.3%
Total capital	15.6%	15.6%
Leverage ratio	5.7%	5.9%
Other		
Loan to value	51.4%	53.6%
Over-collateralisation (OC)	22.4%	21.9%

References

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

First Quarter Results

Skandiabanken Boligkreditt AS had a net profit of NOK 21.8 million in the first quarter, compared to NOK 20.3 million in the previous period.

At the end of the quarter, net customer loans were NOK 16.4 billion, up from NOK 15.0 billion at year-end 2015. Outstanding covered bonds were NOK 13.3 (12.7) billion. The average loan to value (LTV) was 51.4 (53.6) per cent.

Skandiabanken Boligkreditt's covered bond programme is rated Aaa by Moody's.

Skandiabanken Boligkreditt AS ("Skandiabanken Boligkreditt" or "the company") was established in 2015 to be used as a vehicle to fund the Skandiabanken ASA group (the "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 continued to decrease in the quarter, and Norges Bank lowered its key policy rate from 0.75 per cent to 0.50 per cent on 17 March 2016. Skandiabanken Boligkreditt reduced the interest rate for mortgages with effect from 30 March 2016. No further changes were announced in the quarter.

Based on the ICAAP process conducted in the first quarter, the Board of Directors decided on 31 March 2016 to increase the company's capital ratio targets. The CET1 ratio target is 13.5 per cent. The Pillar 2a requirement is assessed to be 0.9 per cent and the Pillar 2b requirement to be 0 per cent, implying a total Pillar 2 requirement of 0.9 per cent. With the increased capital ratios, Skandiabanken Boligkreditt targets a capital adequacy well above the regulatory minimum.

Henning Nordgulen, CFO of Skandiabanken ASA, was appointed CEO of Skandiabanken Boligkreditt with effect from 1 January 2016.

Operating income

Operating income was NOK 31.0 million, compared to NOK 31.2 million in the previous period. Net interest income decreased by NOK 2.1 million, but was largely compensated by a net gain on financial instruments of NOK 1.9 million related to issued covered bonds.

Operating expenses

Operating expenses were NOK 1.8 (2.0) million in the quarter, and consisted mainly of administrative expenses related to the company's hiring of management and administrative resources from Skandiabanken ASA.

Impairments and losses

Net write-downs on the loan portfolio were NOK 0.0 (1.3) million in the quarter. No actual loss was recorded and the net loan losses were NOK 0.0 million. The loan loss ratio was 0.00 (0.04) per cent.

At the end of the quarter, the total write-downs were NOK 1.3 (1.3) million.

Taxes

The Norwegian corporate tax rate was lowered from 27 per cent to 25 per cent in 2016. The calculated tax expense was NOK 7.3 (7.5) million, which correspond to an effective tax rate of 25.0 (27.0) per cent.

Loans to and deposits from customers

Loans to customers increased to NOK 16.4 (15.0) billion, representing a net increase of NOK 1.4 billion from the previous quarter, equivalent to a growth of 9.2 per cent.

The increase was a result of the net acquisition of NOK 2.8 (2.0) billion in residential mortgage portfolios from Skandiabanken ASA and ordinary repayment from customers in the period.

Capitalisation, liquidity and financial position

Skandiabanken Boligkreditt had a total booked equity of NOK 0.94 (0.92) billion at 31 March 2016, equivalent to a common equity Tier 1 capital ratio of 15.6 (16.3) per cent. As the company has not issued perpetual debt or subordinated debt, the total capital ratio was also 15.6 (16.3) per cent at the end of the quarter. The company plans to strengthen its capital ratios in 2016 by issuing both Tier 1 capital (hybrid capital) and Tier 2 capital (subordinated debt).

At the end of the quarter, Skandiabanken Boligkreditt had an outstanding NOK 13.3 (12.7) billion in debt issued as covered bonds. The maximum outstanding amount per loan has been increased to NOK 4.0 billion. The company issued covered bonds in the amount of NOK 1.3 billion in the quarter, and securities totalling NOK 0.7 matured or were redeemed in the quarter.

At the end of the quarter, Skandiabanken Boligkreditt had total liquid assets of NOK 0.4 (491.1) million, deposited with the parent bank.

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

Subsequent events

In an update of 7 April 2016, Moody's Investor Service maintained Skandiabanken ASA's long-term credit rating of A3 with a stable outlook.

Outlook

There is downside risk related to development in the Norwegian and international economies and the effect this could have on employment, interest rates and housing prices in Norway. The economic forecasts from Norges Bank document increasing unemployment in regions with strong connections to the petroleum sector and indicate that national unemployment is expected to increase somewhat in 2016.

Norges Bank responded to the economic forecast by lowering its policy rate to 0.5 per cent in March. The next interest rate decision meeting is 12 May 2016. The latest Monetary Policy Report indicates that the interest rate could be reduced by a further 0.25 percentage points by the end of this year.

There are regional variations in unemployment and housing prices. While the development in housing prices is weak and unemployment is increasing in the western and coastal parts of Norway, the development in unemployment has been stable and housing prices are increasing in the eastern and middle parts of Norway.

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

Bergen, 10 May 2016

The Board of Directors of Skandiabanken Boligkreditt AS



Petter Skouen
(Chairman)



Per Morten Christiansen



Mai-Lill Ibsen



Ragnhild Wiborg



Henning Nordgul
(CEO)

Income statement

In NOK thousand	Note	Q1 2016	05.10.15 - 31.12.15
Interest income	16	89 228	86 240
Interest expense	16	-60 197	-55 057
Net interest income		29 031	31 183
Net gain (loss) on financial instruments		1 929	0
Other income		0	0
Other operating income		1 929	0
Personnel expenses		0	0
Administrative expenses	17	-1 829	-2 044
Profit before loan losses		29 131	29 139
Loan losses	12	-70	-1 272
Profit before tax		29 061	27 867
Tax expense	18	-7 265	-7 524
Profit for the period		21 796	20 343
Attributable to			
Shareholders		21 796	20 343
Profit for the period		21 796	20 343

Earnings per share, see note 21

Statement of comprehensive income

In NOK thousand	Q1 2016	05.10.15 - 31.12.15
Profit for the period	21 796	20 343
Other comprehensive income		
Other comprehensive income that can be reclassified as profit or loss after tax	0	0
Other items that cannot be reclassified as profit or loss after tax	0	0
Total components of other comprehensive income (after tax)	0	0
Total comprehensive income for the period	21 796	20 343
Attributable to		
Shareholders	21 796	20 343
Total comprehensive income for the period	21 796	20 343

Balance sheet

In NOK thousand	Note	31.03.16	31.12.15
Assets			
Loans to and receivables from credit institutions	11	406	491 146
Loans to customers	7, 8, 9, 19	16 370 639	14 985 711
Net loans to customers and credit institutions		16 371 045	15 476 857
Other assets		0	0
Advance payment and accrued income		15 168	15 354
Total assets		16 386 213	15 492 210
Liabilities			
Loans from credit institutions	11, 19	2 076 937	1 853 330
Debt securities issued	15, 19	13 297 349	12 672 989
Taxes payable	18	14 790	7 524
Other liabilities		54 967	37 994
Total liabilities		15 444 043	14 571 837
Equity			
Share capital		60 030	60 030
Share premium		840 000	840 000
Other equity		42 140	20 343
Total equity		942 170	920 373
Total liabilities and equity		16 386 213	15 492 210

Statement of changes in equity

In NOK thousand	Share capital	Share premium	Other equity	Total equity
Paid share capital in connection with incorporation at 17.04.15	30	0	0	30
Capital increase at 05.10.2015, with transfer of assets (non-cash contribution)	60 000	840 000	0	900 000
Profit for the period (05.10.15 - 31.12.15)	0	0	20 343	20 343
Balance sheet as at 31.12.15	60 030	840 000	20 343	920 373
Profit for the period (01.01.16 - 31.03.16)	0	0	21 796	21 796
Balance sheet as at 31.03.16	60 030	840 000	42 140	942 170

Skandiabanken Boligkreditt is a wholly owned subsidiary of Skandiabanken ASA.

Statement of cash flows

In NOK thousand	Note	Q1 2016	05.10.15 - 31.12.15
Cash flows from operating activities			
Net payments on loans to customers*	7	-1 384 998	-14 086 953
Interest received on loans to customers	16	89 334	70 730
Interest paid on loans and deposits from credit institutions	16	-8 631	-10 360
Payments related to administrative expenses	17	-1 777	0
Taxes paid*		0	0
Other receipts / payments		15 681	-448
Net cash flows from operating activities		-1 290 391	-14 027 031
Cash flows from investment activities			
Net cash flows from investment activities		0	0
Cash flows from funding activities			
Receipts on issued covered bonds*	15	1 300 000	13 437 989
Payments on matured and redeemed covered bonds	15	-673 000	-765 000
Interest paid on covered bonds	16	-50 956	-8 142
Receipts on loans and deposits from credit institutions	11	223 607	1 853 330
Net cash flows from financing activities		799 651	14 518 177
Total net cash flows		-490 740	491 146
Cash at the beginning of the period		491 146	0
Cash at the end of the period		406	491 146
Change in cash		-490 740	491 146
Cash			
Loans to credit institutions		406	491 146
Loans from credit institutions		0	0
Total cash		406	491 146

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

Notes

Note 1 – Accounting principles

The quarterly financial statement for Skandiabanken Boligkreditt 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 appears in note 2 in the annual report for 2015.

Note 2 – The establishment of Skandiabanken Boligkreditt

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 section 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 formerly issued 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 names "Skandiabanken", "Skandia" and "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 deemed not 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 deemed not 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 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 (formerly Midgard Prosjekt II AS), it is also natural to make use of a capital reorganisation perspective, since this 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 would have to 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 – Segments

Skandiabanken Boligkreditt has only one reporting segment, which comprises residential mortgages to private individuals.

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.

In NOK thousand	31.03.16		31.12.15	
	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Institutions	406	81	491 146	98 229
Secured by mortgages on immovable property	16 377 315	5 743 585	14 997 044	5 265 493
Exposures in default	8 344	8 344	4 020	4 020
Other items	149	149	1	1
Total credit risk, standardised method	16 386 214	5 752 159	15 492 211	5 367 743
Operational risk		282 186		282 186
Total risk-weighted volume		6 034 345		5 649 929
Capital base				
Share capital		60 030		60 030
Share premium		840 000		840 000
Other equity		20 343		20 343
Additional Tier 1 capital		0		0
Profit for the period, eligible*		21 796		0
Total booked equity		942 170		920 373
Additional Tier 1 capital instruments included in total equity		0		0
Common equity Tier 1 capital instruments		942 170		920 373
<i>Deductions</i>				
Goodwill, deferred tax assets and other intangible assets		0		0
Value adjustment due to the requirements for prudent valuation (AVA)		0		0
Common equity Tier 1 capital		942 170		920 373
Additional Tier 1 capital		0		0
Tier 1 capital		942 170		920 373
Tier 2 capital		0		0
Own funds (primary capital)		942 170		920 373
Specification of capital requirements				
Minimum requirements – CET1 capital	4.5%	271 546	4.5%	254 247
Capital conservation buffer	2.5%	150 859	2.5%	141 248
Systemic risk buffer	3.0%	181 030	3.0%	169 498
Countercyclical capital buffer	1.0%	60 343	1.0%	56 499
Additional Tier 1 capital	1.5%	90 515	1.5%	84 749
Tier 2 capital	2.0%	120 687	2.0%	112 999
Total minimum and buffer requirements – own funds (primary capital)	14.5%	874 980	14.5%	819 240
<i>Available CET1 capital after buffer requirements</i>		67 190		101 134
<i>Available own funds (primary capital)</i>		67 190		101 134
Capital ratio %				
Common equity Tier 1 capital		15.6%		16.3%
Additional Tier 1 capital		0.0%		0.0%
Tier 2 capital		0.0%		0.0%
Total capital ratio		15.6%		16.3%

* The auditor has performed a review of the quarterly accounts.

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 too low a calculation basis 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 ("Finanstilsynet"). In brief, Finanstilsynet recommends that the definitions of the denominator and the numerator used in the capital fraction follow the existing rule proposals. The minimum requirement suggested is three per cent for credit institutions. The Ministry of Finance has asked for consultation response by 5 August 2016.

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

In NOK thousand	31.03.16	31.12.15
Off-balance-sheet commitments	0	0
Loans and advances and other assets	16 386 213	15 492 210
Regulatory adjustments included in Tier 1 capital	0	0
Total leverage exposure	16 386 213	15 492 210
Tier 1 capital	942 170	920 373
Leverage ratio %	5.7%	5.9%

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 and 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 parent 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 parent bank's Risk Management function
- The parent 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, please refer to the 2015 annual report.

Note 7 – Loans to customers

In NOK thousand	31.03.16	31.12.15
Loans to customers		
Loans without agreed maturity or notice period	0	0
Loans with agreed maturity or notice period	16 371 981	14 986 983
Total loans to customers (gross)	16 371 981	14 986 983
Write-downs for individually assessed impaired loans	0	0
Write-downs for collectively assessed impaired loans	1 342	1 272
Total loans to customers (net)	16 370 639	14 985 711

Residual time to maturity (gross loans)

In NOK thousand	31.03.16	31.12.15
Upon request	0	0
Maximum 3 months	209 568	190 358
3 months - 1 year	628 704	569 010
1 - 5 years	3 322 100	2 989 093
More than 5 years	12 211 609	11 238 522
Total	16 371 981	14 986 983

Note 8 – Loans to customers by geographical area

Lending by geographical area*

In NOK thousand	31.03.16		31.12.15	
	Percentage	Gross lending	Percentage	Gross lending
Østfold	4.5%	743 967	4.4%	666 271
Akershus	24.7%	4 042 949	24.4%	3 656 533
Oslo	23.3%	3 813 578	23.5%	3 527 264
Hedmark	0.8%	127 878	0.8%	120 888
Oppland	0.9%	144 372	0.9%	130 685
Buskerud	5.6%	921 762	5.5%	823 645
Vestfold	3.5%	564 854	3.4%	510 967
Telemark	0.5%	79 670	0.5%	79 117
Aust-Agder	0.6%	94 885	0.6%	86 930
Vest-Agder	1.0%	169 672	1.0%	154 638
Rogaland	8.2%	1 345 663	8.6%	1 289 934
Hordaland	14.2%	2 318 720	14.1%	2 117 453
Sogn og Fjordane	0.2%	28 554	0.2%	22 503
Møre og Romsdal	1.4%	235 555	1.4%	212 713
Sør-Trøndelag	4.4%	721 530	4.5%	671 922
Nord-Trøndelag	0.4%	70 952	0.4%	61 714
Nordland	2.0%	335 071	2.0%	300 957
Troms	3.2%	515 752	3.1%	468 653
Finnmark	0.6%	96 597	0.6%	84 196
Total gross lending by geographical area	100.0%	16 371 981	100.0%	14 986 983

* 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 comprises fixed property.

The table below shows the relationship between total credit exposure and the associated collateral distributed by exposure class. Lending secured by mortgages includes the percentage distribution of exposure relating to the various loan-to-value levels. For example, the "0% - 40%" line means that the exposure amounts to less than 40 per cent 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		31.03.16			
	Distribution as percentage	Number of loans	Gross carrying amounts	Off-balance-sheet amounts	Maximum exposure to credit risk
Loan to value, residential mortgages					
0% - 40%	24%	3 194	3 986 647	0	3 986 647
40% - 60%	40%	3 178	6 489 591	0	6 489 591
60% - 80%	36%	2 339	5 868 591	0	5 868 591
80% - 90%	0%	9	22 414	0	22 414
90% - 100%	0%	0	0	0	0
> 100%	0%	2	4 738	0	4 738
Residential mortgages			16 371 981	0	16 371 981
Exposure to customers			16 371 981	0	16 371 981
Loans to and receivables from credit institutions					
			406	0	406
Other assets					
			15 168	0	15 168
Exposure to others			15 574	0	15 574
Gross exposure			16 387 555	0	16 387 555

The table below shows the percentage allocation of exposure for mortgages 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		31.03.16	
	Distribution as percentage		Gross carrying amounts
Loan to value, residential mortgages (relative distribution)			
0% - 85%	99.98%		16 368 813
85% - 100%	0.00%		360
> 100%	0.02%		2 808
Residential mortgages			16 371 981

In NOK thousand		31.12.15			
	Distribution as percentage	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
Residential mortgages			14 986 983	0	14 986 983
Exposure to customers			14 986 983	0	14 986 983
Loans to and receivables from credit institutions					
			491 146	0	491 146
Other assets					
			15 354	0	15 354
Exposure to others			506 500	0	506 500
Gross exposure			15 493 483	0	15 493 483

Note 9 – Credit risk exposure and collateral (continued)

In NOK thousand	31.12.15	
	Distribution as percentage	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
Residential mortgages		14 986 983

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

In NOK thousand	31.03.16		31.12.15	
Debt related to securities issued, nominal value	13 312 000		12 685 000	
Debt related to securities issued, carried value	13 297 349		12 672 989	
Loans to customers (gross)	16 371 981		14 986 983	
Average size of loan per customer	1 888		1 915	
Number of loans	8 722		7 992	
Weighted average since issuing of the loans (months)	38		36	
Weighted average, remaining maturity (months)	272		276	
Average LTV (per cent)	51.4		53.6	
Cover pool	31.03.16		31.12.15	
Loan secured with mortgages, carried value	16 371 981		14 986 983	
Not eligible for the cover pool	-92 018		-32 722	
Net loans that are in the cover pool	16 279 963		14 954 261	
Commercial paper and bonds	0		0	
Supplementary assets	406		491 133	
Total cover pool	16 280 369		15 445 394	
Cover pool	Nominal value	Carried value	Nominal value	Carried value
Over-collateralisation (per cent)	22.3	22.4	21.8	21.9
Amount surpassing legal minimum requirements	2 968 369	2 983 020	2 760 394	2 772 406
Amount surpassing minimum requirements as indicated by rating agency	2 635 569	2 650 586	2 443 269	2 455 581

Note 11 – Credit institutions: receivables and liabilities

In NOK thousand	31.03.16		31.12.15	
Loans to and receivables from credit institutions				
Loans to and receivables without maturity or notice period	406		491 146	
Loans to and receivables with agreed maturity or notice period	0		0	
Write-downs on impaired loans	0		0	
Total loans to and receivables from credit institutions	406		491 146	
Liabilities to credit institutions				
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	2 076 937		1 853 330	
Total liabilities to credit institutions	2 076 937		1 853 330	

Note 12 – Loan losses

Loan loss provisions

In NOK thousand	31.03.16	31.12.15
Opening balance individual write-downs	0	0
+ 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
Closing balance individual write-downs	0	0
Opening balance collective write-downs	1 272	0
+/- change in collective write-downs in the period	70	1 272
Closing balance group collective write-downs	1 342	1 272
Closing balance total write-downs	1 342	1 272
Individual write-downs	0	0
Individual write-downs (collectively considered)	0	0
Collective write-downs	1 342	1 272
Total write-downs	1 342	1 272
Specification of loan losses		
Actual losses	0	0
Reversal of previous years' depreciation	0	0
Increase in provision	-70	-1 272
Reversal of provisions	0	0
Recoveries of previously written-off loans	0	0
Net cost of losses in the period	-70	-1 272
Losses by sector and industry		
Retail market (individuals)	-70	-1 272
Total	-70	-1 272
Write-downs by product group		
Residential mortgages	1 342	1 272
Total	1 342	1 272

Note 13 – Non-performing and doubtful loans

Non-performing and doubtful loans

Skandiabanken Boligkreditt 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	31.03.16	31.12.15
Non-performing loans with write-downs	0	0
Non-performing loans without write-downs	8 344	4 018
Total non-performing loans (more than 60 days)	8 344	4 018
Doubtful loans	0	0
Gross non-performing and doubtful loans	8 344	4 018
- Individual write-downs	0	0
Net non-performing and doubtful loans	8 344	4 018
<i>Provisioning ratio</i>	<i>0%</i>	<i>0%</i>

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	31.03.16				Total
	7 - 30 days	31 - 60 days	61 - 90 days	More than 90 days	
Mortgages	189 580	23 959	8 344	0	221 883
Loans to customers	189 580	23 959	8 344	0	221 883

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
Loans to customers	177 755	25 539	4 018	0	207 312

Note 14 – 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 the Calculation of Liquid Assets, Payments and Deposits in the Liquidity Coverage Ratio (LCR). Norwegian covered bond companies, including Skandiabanken Boligkreditt, are exempt from complying with the LCR requirement until 30 June 2016. The requirement will then be gradually phased in, starting with 70 per cent, rising to 80 per cent from 31 December 2016, and 100 per cent from 31 December 2017. Skandiabanken Boligkreditt will take adequate measures during the first half of 2016 in order to comply with the LCR requirement.

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.

Note 15 – Debt securities issued

Carried at amortised cost:

In NOK thousand	Currency	31.03.16	31.12.15
Bonds issued	NOK	13 297 349	12 672 989
Total debt securities issued		13 297 349	12 672 989

Specification of covered bonds as at 31.03.16:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Covered bonds						
NO0010745292	Skandiabanken Boligkreditt AS	2,800,000	NOK	Floating	04.10.2018	2 790 543
NO0010745284	Skandiabanken Boligkreditt AS	2,585,000	NOK	Floating	04.10.2016	2 585 897
NO0010745300	Skandiabanken Boligkreditt AS	2,500,000	NOK	Floating	29.10.2019	2 493 588
NO0010745326	Skandiabanken Boligkreditt AS	2,000,000	NOK	Floating	31.07.2017	1 998 621
NO0010745334	Skandiabanken Boligkreditt AS	2,500,000	NOK	Floating	14.08.2020	2 502 421
NO0010745342	Skandiabanken Boligkreditt AS	927,000	NOK	Floating	14.10.2021	926 279
Total covered bonds						13 297 349

All covered bond loans have “soft bullet” with the possibility of extending the maturity by one year.

Changes in debt securities:

	31.12.15	Issued Q1 16	Matured	Redeemed	Other adjustments	31.03.16
Bonds (nominal)	12 685 000	1 300 000	-600 000	-73 000	0	13 312 000
Total	12 685 000	1 300 000	-600 000	-73 000	0	13 312 000

Note 16 – Net interest income

Net interest income

In NOK thousand	Q1 2016	05.10.15 - 31.12.15
Loans to and receivables from credit institutions	227	155
Loans to customers	89 001	86 085
Total interest income	89 228	86 240
Loans and deposits from credit institutions	-9 066	-10 361
Debt securities issued	-51 131	-44 695
Total interest expense	-60 197	-55 057
Net interest income	29 031	31 183

All interest income from customers is related to residential mortgages.

Note 17 – Administrative expenses

Other administrative expenses

In NOK thousand	Q1 2016	05.10.15 - 31.12.15
Consultants and other external services	1 828	1 961
Other operating expenses	0	83
Total other administrative expenses	1 828	2 044

Note 18 – Tax expense

In NOK thousand	Q1 2016	05.10.15 - 31.12.15
Taxes payable	7 265	7 524
Change in deferred tax	0	0
Total tax expense	7 265	7 524
Reconciliation of the tax expense:		
Profit before tax	29 061	27 867
Expected tax expense at nominal rate of 25% (Q1 2016) and 27% (in 2015)	7 265	7 524
Total tax expense	7 265	7 524
Effective tax rate	25.0%	27.0%

Skandiabanken Boligkreditt has no deferred tax or deferred tax assets in the balance sheet.

Note 19 – Fair value of financial instruments

Fair value of financial instruments

In NOK thousand	31.03.16		31.12.15	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Loans to and receivables from credit institutions (ac)	406	406	491 146	491 146
Loans to customers (ac)	16 370 639	16 370 639	14 985 711	14 985 711
Other assets (ac)	15 168	15 168	15 354	15 354
Total assets financial instruments	16 386 213	16 386 213	15 492 210	15 492 210
Liabilities				
Loans and deposits from credit institutions (ac)	2 076 937	2 076 937	1 853 330	1 853 330
Debt securities issued (ac)	13 297 349	13 211 880	12 672 989	12 587 260
Other liabilities (ac)	69 757	69 757	45 518	45 518
Total liabilities financial instruments	15 444 043	15 358 574	14 571 837	14 486 108

(ac) = assets and liabilities carried at amortised cost

Note 19 – Fair value of financial instruments (continued)

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 at the present value of the contractual cash flows using the 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 investors' 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 rates, and loans with impairment indicators are written down to the fair value of expected cash flows. There is no active market for loan portfolios.

Debts to credit institutions are liabilities with floating interest rates, and as there have not been any significant changes in the credit spread, amortised cost is assumed to be a reasonable approximation of 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.

Note 20 – Related party transactions

Assets with and loans from Skandiabanken ASA

In NOK thousand	31.03.16	31.12.15
Liability related to overdraft facility from Skandiabanken ASA	2 076 379	1 853 330
Receivables related to deposits in Skandiabanken ASA	361	491 146

Transactions with Skandiabanken ASA

In NOK thousand	Q1 2016	05.10.15 - 31.12.15
Purchase of services in line with service agreement	1 307	1 255
Interest expense on overdraft facility	8 858	10 361
Interest income on deposits	227	156
Total transactions	10 392	11 772

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 in 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 in Skandiabanken ASA:

Skandiabanken Boligkreditt has two ordinary deposit accounts with Skandiabanken ASA with interest at the market rate.

Note 21 – Earnings per share

In NOK	Q1 2016	05.10.15 - 31.12.15
Profit for the period to other equity	21 796 000	20 343 000
Number of shares (weighted average)	60 030 000	60 030 000
Earnings per share (basic)	0.36	0.34
Earnings per share (diluted)	0.36	0.34

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