Q4

Fourth quarter 2015
(Unaudited)

Skandiabanken Boligkreditt AS

Covered bonds outstanding	Cover pool	Average LTV
NOK 12.7 bn	NOK 15.4 bn	53.6 %

skandia:banken Boligkreditt

Key figures

In NOK thousand	Reference	31.12.15
Summary of income statement		
Net interest income		31 183
Net other income		0
Total income		**31 183**
Other operating expenses		-2 044
Operating profit before loan losses		**29 139**
Loan losses		-1 272
Profit before tax		**27 867**
Tax expense		-7 524
Net profit		**20 343**
Balance sheet figures (in million NOK)		
Total loan volume		14 986
Covered bonds issued (nominal value)		12 685
Covered bonds issued (book value)		12 673
Total assets, end of period		15 492
Losses and defaults		
Total loan loss (%)	1	0,04%
Solvency		
Common equity		16.3%
Core capital		16.3%
Subordinated capital		0,0%
Leverage ratio		5.9%
Other		
Loan to value		53.6%
Over-collateralisation (OC)		21.9%

References

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

Fourth Quarter Results

Skandiabanken Boligkreditt AS had a net profit of NOK 20.3 million in the fourth quarter. At the end of the quarter net customer loans were NOK 15.0 billion and covered bonds outstanding was NOK 12.7 billion.

The company is the vehicle for the issue of covered bonds based on residential mortgages for Skandiabanken Group. The company's offices are located in Bergen.

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

Important events during the quarter

With effect from 5 October 2015 operations organised in Skandiabanken AB NUF was transported to and continued in Skandiabanken ASA and the wholly-owned covered bond subsidiary Skandiabanken Boligkreditt AS. The two companies constitute the Skandiabanken Group. Skandiabanken ASA was listed on the Oslo Stock Exchange on 2 November 2015.

In connection with the separation from Skandiabanken AB, Skandiabanken Boligkreditt AS issued covered bonds as redemption in kind for the covered bonds previously issued by Skandiabanken AB, related to the Norwegian business.

On 6 October Moody's assigned a long term Aaa rating for Skandiabanken Boligkreditt's covered bond programme.

Comments to the fourth quarter and full year 2015

The company did not have activity between the date of incorporation 17 April 2015 and 5 October 2015, when operations commenced.

Operating income

Operating income amounted to NOK 31.2 million and consisted only of net interest income in the quarter.

Operating expenses

Operating expenses were NOK 2.0 million in the quarter, and consists solely of administrative expenses. Administrative expenses are related to the company's hire of management and administrative resources from Skandiabanken ASA,

Impairments and losses

Write-downs on the loan portfolio were NOK 1.3 million in the quarter. The loss percentage was 0.04.

Taxes

The calculated income tax expense was NOK million 7.5, which corresponds to an effective tax rate of 27.0 percent.

Loans to and deposits from customers

Loans to customers increased to NOK 15.0 billion, representing a net increase of NOK 1.5 billion from the opening balance 5 October 2015. The increase was a result of acquisition of NOK 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 total booked equity of NOK 0.9 billion per 31 December 2015, equivalent to a Common Equity Tier 1 capital ratio of 16.3 %. As the company has not issued perpetual debt or subordinated debt, the total capital ratio was also 16.3 % at year-end.

Skandiabanken Boligkreditt had outstanding NOK billion 12.7 in debt issued as covered bonds per 31 December 2015. A total of NOK 2.0 billion in covered bonds were issued under existing loan agreements during the quarter.

At the end of the period, Skandiabanken Boligkreditt had total liquid assets of NOK 0.5 billion, deposited with the parent bank.

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

Events after end of quarter

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

Outlook

The economic forecasts from Norges Bank indicate an increasing unemployment in 2016 in regions with a strong connection to the oil service industry, which is expected to increase somewhat in 2016. The growth in housing prices also weakened in 2015, but there are regional differences, and in some areas housing prices have corrected as a result of the development in the petroleum sector.

A lower interest rate level and a weakened NOK exchange rate has in isolation a stimulating effect on the mainland economy, and the low interest rate level has in addition a stimulating effect on the housing market. The incumbent government is showing willingness to implement measures in order to stimulate the Norwegian economy.

Covered bonds are expected to represent an increasingly important role in the overall funding in the Skandiabanken group in the years to come.

Bergen, 8 February 2016

The Board of Skandiabanken Boligkreditt AS

Petter Skouen
(Chairman)

Per Morten Christiansen

Mai-Lill Ibsen

Ragnhild Wiborg

Henning Nordgulen
(CEO)

Income statement

in NOK thousands	Note	05.10.15-31.12.15
Interest income	5	86 240
Interest expense	5	-55 057
Net interest income		**31 183**
Net gains / (losses) on financial instruments		0
Other income		0
Other operating income		**0**
Personnel expenses		0
Administrative expenses	14 , 6	-2 044
Profit before loan losses		**29 139**
Loan losses	11	-1 272
Profit before tax		**27 867**
Tax expense	7	-7 524
Net profit		**20 343**
Attributable to		
Attributable to shareholders		20 343
Profit for the period		**20 343**

Statement of comprehensive income

in NOK thousands	Note	05.10.15-31.12.15
Profit for the period		**20 343**
Other comprehensive income		
Other comprehensive income that will be reclassified to profit or loss after tax		0
Other items that will not be reclassified to profit or loss after tax		0
Total components of other comprehensive income (after tax)		**0**
Total comprehensive income for the period		**20 343**

Balance sheet

In NOK thousands	Note	31.12.15
Assets		
Loans to and receivables from credit institutions	8,14	491 146
Loans to customers	9,11,15	14 985 711
Net loans to customers and credit institutions		**15 476 857**
Other assets		0
Advance payment and accrued income		15 354
Total assets		**15 492 210**
Liabilities		
Loans and deposits from credit institutions	8,14	1 853 330
Debt securities issued	15,16	12 672 989
Payable taxes	7	7 524
Other liabilities		37 994
Total liabilities		**14 571 837**
Equity		
Share capital		60 030
Share premium		840 000
Other equity		20 343
Total equity		**920 373**
Total liabilities and equity		**15 492 210**

Statement of changes in equity

In NOK thousands	Share capital	Share premium	Other equity	Total equity
Paid-in share capital in connection with incorporation 17.04.15	30	0	0	30
Capital increase 05.10.2015	60 000	840 000	0	900 000
Profit for the period	0	0	20 343	20 343
Balance sheet as at 31.12.15	**60 030**	**840 000**	**20 343**	**920 373**

Statement of cash flows

In NOK thousands	Note	05.10.15-31.12.15
Cash flows from operating activities		
Net payments on loans to customers*	9	-14 986 983
Interest received on loans to customers	5	70 730
Interest paid on loans and deposits from credit institution		-10 360
Payments related to administrative expenses		0
Taxes paid*	7	0
Other receipts/payments		-448
Net cash flows from operating activities		**-14 927 061**
Cash flows from investment activities		
Net cash flows from investment activities		**0**
Cash flows from funding activities		
Receipts on share capital and share premium	EQ*	900 030
Receipts on issued covered bonds*	16	13 437 989
Payments on matured and redeemed covered bonds		-765 000
Interest paid on covered bonds		-8 142
Receipts on loans and deposits from credit institution		1 853 330
Net cash flows from financing activities		**15 418 207**
Total net cash flows		**491 146**
Cash at the beginning of the period		0
Cash at the end of the period		491 146
Change in cash		**491 146**
Cash		
Loans to credit institutions		491 146
Total cash		**491 146**

EQ* = Statement of changes in equity

Notes

Note 1 – Accounting Principles

General
Skandiabanken Boligkreditt AS is domiciled in Norway and is a wholly-owned subsidiary of the listed company Skandiabanken ASA. The company itself also has bonds listed on the Oslo Stock Exchange. The company is headquartered at Folke Bernadottes vei 38 in Bergen. The company's main activity is to offer home loans intended exclusively for private individuals. The accounting principles employed are described below. The quarterly financial statements rest on the assumption that the company is a going concern.

The quarterly financial statements have been prepared in accordance with the Norwegian Accounting Act and International Financial Reporting Standards (IFRS).

The company has made use of all standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), which have been adopted by the EU, are relevant to the business and must be used for reporting periods starting on 1 January 2015.

Changes in accounting principles
New and revised standards for the 2015 financial year

The IFRSs and statements of interpretation that are valid for the 2015 financial year have been employed. Few changes have occurred with effect in 2015. These have had no material impact on the financial statements.

New and revised standards for the 2016 and subsequent financial years

A number of new or amended standards and interpretations come into effect in the course of the next financial year and have not been applied in the preparation of these quarterly financial statements. To the extent that the anticipated effects of the application of the following new or amended standards and interpretations have not been described below, the new rules are not expected to have any material impact on Skandiabanken Boligkreditt's financial report.

IFRS 15 Revenue from Contracts with Customers

The idea is that a single standard will replace existing standards and statements relating to revenue. A holistic model for revenue recognition has been proposed, regardless of business sector and type of transaction. This will be implemented in accordance with a five-step model, which, in brief, means that a company should recognise revenues in line with the performance of the underlying contractual obligations. For each contract with a customer, a company shall identify performance obligations for each product or service, and then allocate a transaction price to each respective obligation. A revenue shall then be reported when the obligation to perform has been fulfilled. No material areas are affected at Skandiabanken Boligkreditt AS. The preliminary assessment is therefore that the standard will have little impact on Skandiabanken Boligkreditt AS. However, IFRS 15 will result in a greater requirement for public disclosure.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments introduces new requirements with respect to the classification and measurement of financial assets and liabilities, and the derecognition of the same. IFRS 9 comes into effect for financial years starting on 1 January 2018 or later. The standard has not yet been approved by the EU. In December 2011 IFRS 7 was amended, which means a greater requirement for disclosure in the period when IFRS 9 is applied for the first time. The main principles of IFRS 9 are described below:

According to IFRS 9, all recognised financial assets covered by IAS 39 Financial Instruments shall hereby be measured either at amortised cost or fair value. Financial assets retained within a business model whose purpose is to centralise contractual cash flows, and instruments which have contractual cash flows only in the form of interest and instalments on an outstanding principle, are valued at amortised cost at the close of the period. All other financial assets shall be assessed at fair value through profit or loss or other items of profit or loss.

IFRS 9's impact on the classification and measurement of financial liabilities is primarily associated with changes in fair value as a result of changes in a financial liability's credit risk. IFRS 9 states that for financial liabilities classified at fair value through profit or loss, that portion of the change in fair value which depends on credit risk in other items of profit or loss shall be presented. This is provided that the recognition of the impact of the change in the liability's credit risk in other items of profit or loss does not create or increase matching errors in the reporting of the results. Changes in fair value which are due to the liability's credit risk will not be reclassified to profit or loss in subsequent periods. Under today's IAS 39, the entire change in fair value is presented in the income statement.

IFRS 9 also contains new principles with respect to impairment. The new principles mean that provisions for lending losses are calculated on the basis of expected loss instead of incurred loss. The principles for hedge accounting under IFRS 9 are also being changed, and provide greater opportunities to link hedging activities to actual risk management. The retrospective calculation of the impact of hedging will be replaced by more qualitative assessments.

Management considers that application of IFRS 9 will affect the amounts recognised in the accounts with respect to Skandiabanken Boligkreditt's financial assets, particularly Skandiabanken Boligkreditt's provisions for lending losses. A detailed analysis of the effect of introducing the standard has not yet been performed. It cannot therefore be quantified.

In our preliminary assessment, based on the business in which the enterprise is engaged today, other changes in standards and statements of interpretation will have no material impact.

Revenue and cost recognition principles
Net interest income

Interest income and expenses are calculated and recognised on the basis of the effective interest method. The method takes account of all direct and attributable costs which are an integral part of the effective interest rate.

Income from financial assets

See description under the section on financial assets

Operating expenses

Operating expenses comprise payroll, administration and sales costs. These costs are periodised and charged to expenses during the accounting period.

Currency
Norwegian kroner ("NOK") is both the presentation and functional currency of Skandiabanken Boligkreditt AS.

Segments
Skandiabanken Boligkreditt AS has only one reporting segment, which is home loans to private individuals. Management follows up the company only in relation to this one segment.

Impairment
The company assesses the book value of its assets annually or more frequently if events and changes in assumptions indicate that the book value is not recoverable. Indicators which are considered material by the company and which can trigger testing for impairment include:

- Any significant drop in financial performance compared with historic or expected future results.
- Significant changes in the company's use of its assets or the business's overarching strategy.
- Significant negative trends for the sector or the economy.

Previously performed write-downs for impairment, apart from goodwill, are reversed if the conditions underpinning the write-down no longer exist. A write-down is reversed only to the extent that the asset's book value at reversal does not exceed that which it would have been after depreciation had impairment not been recognised.

Financial instruments
Recognition and derecognition

Financial assets and liabilities are recognised in the balance sheet when the company becomes part of the instrument's contractual terms. The ordinary buying and selling of financial instruments is recognised on the date the transaction took place. When a financial asset or liability is recognised for the first time (asset/liability not at fair value through profit or loss), it is measured at fair value plus transaction costs directly attributable to the acquisition or the issue of the financial asset or liability.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the enterprise transfers the financial asset in a transaction where all or almost all of the risk and opportunities for profit associated with ownership of the asset are transferred.

Financial liabilities are derecognised when they have ceased to exist. In other words, when the obligation specified in the contract has been fulfilled, cancelled or expired.

In connection with their initial recognition, financial assets are classified in one of the following categories:

- Loans and receivables, capitalised at amortised cost.
- Financial assets available for sale, with changes in value through other items of profit or loss.
- Financial assets designated to be recognised at fair value through profit or loss under the fair value option.
- Financial assets held for trading, at fair value through profit or loss.
- Investments held to maturity, capitalised at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with payments that are regular or may be determined. Loans and receivables are recognised initially at fair value, and at amortised cost in accordance with the effective interest method in subsequent periods. When calculating the effective rate of interest, cash flows are estimated, and all contractual terms and conditions associated with the financial instruments are taken into account.

On each balance sheet date, an assessment is made of whether there is any objective evidence that the value of a receivable/loan or a group of receivables/loans has fallen. Individual write-downs are determined before any write-down at the group level is determined.

If objective evidence exists that an impairment loss has occurred, the estimated loss is written down. Objective evidence in this context means that events have occurred which indicate the value of the loan has been impaired. Information relating to late payment, bankruptcy or other delinquency is deemed to constitute an indicator of impairment.

Available for sale

Securities available for sale are non-derivative financial assets that have been deliberately placed in this category or which are not classified in any other category. Securities in this category are measured at fair value, while changes in value are recognised through other comprehensive income. Each quarter an assessment is made of whether any value impairment has occurred. If this impairment is significant or has lasted for more than nine months, the combined loss – measured as the difference between acquisition cost and fair value, less any impairment on the financial asset that has previously been recognised through profit or loss before other comprehensive income – is written down. Impairment of the value of shares and similar instruments recognised through profit or loss before other comprehensive income are reversed through other comprehensive income.

At fair value through profit or loss under the fair value option

At the time of IFRS implementation and in subsequent periods in connection with initial recognition, all financial assets and liabilities may be classified at fair value through profit or loss if:

- the classification reduces the mismatch in measurement or recognition which would otherwise have occurred as a result of differences in the rules for measuring assets and liabilities
- the financial assets are part of a portfolio which is measured continuously and reported at fair value.

Financial assets at fair value through profit or loss are measured at their fair value on the balance sheet date. Changes in fair value are recognised in the income statement.

Trading

A financial asset is classified as held for trading when it has been acquired or obtained primarily for the purpose of selling it or buying it back in the short term, is part of a portfolio of identified financial instruments which are managed together and for which it has been substantiated that there exists an actual pattern of short-term profit realisation, or is a derivative. This does not include a derivative which has been earmarked and functions as a hedging instrument.

Financial assets classified as held for trading are measured at their fair value on the balance sheet date. Changes in fair value are recognised in the income statement.

Investments held to maturity

Investments held to maturity are non-derivative financial assets, with a fixed maturity date and payments which are regular or may be determined, that an enterprise has a positive intention and ability to retain until maturity, with the exception of

- those which the enterprise, at initial recognition, earmarks at fair value through profit or loss
- those which meet the definition of loans and receivables

Hold-to-maturity assets are recognised at amortised cost in accordance with the effective interest method.

Fair value

Fair value is the amount for which an asset can be sold or a liability settled in a transaction at arm's length between well-informed and willing parties. The fair value of financial assets that are listed on a stock exchange or other regulated marketplace is set at the purchase price on the last day of trading up to and including the balance sheet date. The fair value of an asset that is to be acquired or a liability already incurred equals its sales price.

Where the market for a financial instrument is not active, fair value is determined by means of valuation methods. Valuation methods encompass the use of recently performed market transactions at arm's length between well-informed and willing parties. If such are not available, reference is made to the current fair value of another, practically identical instrument, discounted cash-flow estimates and option pricing models. If a particular valuation method is commonly used by market participants to price the instrument, and this technique has proved to provide reliable estimates of the prices achieved in actual market transactions, this method is used.

Amortised cost

After initial recognition, loans and receivables, as well as financial liabilities that are not recognised at fair value through profit or loss, are measured at amortised cost in accordance with the effective interest method. Effective interest is determined by discounting contractual cash flows within the expected term to maturity. Cash flows include start-up charges and direct transaction costs which are not covered by others, as well as any residual value at the end of its expected lifetime. Amortised cost is thus the present value of such cash flows discounted by the effective rate of interest.

Debt to credit institutions

Liabilities to credit institutions are recognised as debt to credit institutions and, after initial recognition, are measured at amortised cost using the effective interest method.

Debt associated with the issue of securities

Debt associated with the issue of securities includes issued bond debt. Securities debt is recognised initially at fair value, and at amortised cost using the effective interest method in subsequent periods.

Dividend

Dividend from investments is recognised when the company has an unconditional right to receive the dividend.

Provisions

A provision is recognised when the company has a legal or implied liability deriving from some previous event, and it is likely that this will result in a payment or transfer of other assets to settle the liability.

Tax

The tax expense comprises the sum of tax payable and changes in deferred tax. Tax is recognised in the income statement unless it relates to items that are recognised in total comprehensive income under other items of profit or loss. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the tax and book values of assets and liabilities.

Use of estimates

General

The preparation of financial statements in accordance with IFRS and the application of the selected accounting principles requires that management make assessments, draw up estimates and apply assumptions that affect the book value of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historic experience and other factors that are considered reasonable, given the underlying circumstances. Actual figures may deviate from these estimates. The estimates and associated assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period in which the estimates are changed if the change affects only this period, or in the period in which the estimates are changed and in future periods if the changes affect both existing and future periods.

The accounting principles applied by the company in areas where assessments, estimates and assumptions may deviate significantly from actual results are presented below.

Loss on financial assets

On the balance sheet date, an assessment is made with respect to financial assets not recognised at fair value to see whether there are any indications that the value of a financial asset or group of financial assets has become impaired. The company performs both individual and group-wise write-downs on loans.

Note 2 – The establishment of Skandiabanken Boligkreditt AS

Background
In January 2015 Skandiabanken AB announced its desire to publicly float its Norwegian banking business. Skandiabanken ASA was floated on the Oslo Stock Exchange on 2 November 2015 having Skandiabanken Boligkreditt AS as a subsidiary. Skandiabanken AB's Norwegian business was until then organised as a branch of Skandiabanken AB, and legally registered in Norway as Skandiabanken AB NUF. In order to demerger the business as an independent listed company, a number of transactions were carried out in advance of the flotation.

Skandiabanken Boligkreditt AS 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 object is to act as a Covered Bond company for the Skandiabanken 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 ASA to Skandiabanken Boligkreditt AS, enabling the issuance of Covered Bonds in the Norwegian market to be used as "redemption-in-kind" to the Covered Bonds formerly issued by Skandiabanken AB related to the Norwegian business. Consequently the former bonds were swapped for newly issued bonds from Skandiabanken Boligkreditt AS 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 (Skandiabanken ASA and Skandiabanken Boligkreditt AS together), 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 AS, 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 the company, Skandiabanken Boligkreditt AS (formerly Midgard Prosjekt II AS), 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 AS. 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 AS' financial statements there will not be a one-to-one relationship between the old business in Skandiabanken AB NUF and the new Skandiabanken Boligkreditt AS. 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 indvidual 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 – Financial risk management

Approach to risk and risk appetite
The board of directors defines the risk limits and principles for the risk management of the company

For the purposes of risk management, the company classifies the following categories of risk:

- Credit risk, defined as the risk of loss resulting from a counterparty not fulfilling their obligations, at the same time as the collateral pledged do not cover the outstanding claim.
- Liquidity risk which comprises of the following two elements:
- Refinancing risk: The risk of the bank being unable to refinance its obligations as they fall due for payment, and the risk of the bank being unable to finance planned growth.
- Price risk: The risk of the bank being unable to refinance its obligations without a material rise in costs or that financing growth will cost substantially more.

Liquidity risk shall be managed such that the bank minimises its financing costs, at the same time as the refinancing risk is kept within the board's specified risk appetite. Liquidity risk shall be managed at an overarching, consolidated level, at various company levels and down to the individual transaction.

- Market risk, defined as the risk of loss due to unfavourable changes in market variables, such as interest rates, exchange rates and credit spreads.
- Operational risk, which is defined as unexpected fluctuations in results which are attributable to inadequacies or failures in internal processes and systems, employees or external events

Risk management principles
The company shall apply the following principles in its risk management:

- Ongoing identification and assessment of material risks
- Defined limits to each category of risk
- Execute risk assessments before material changes are effectuated
- Ongoing reporting to the board of directors of any material risks

Organisation of risk management
As of 31th December 2015, the company has no employees. The CEO is hired from Skandiabanken ASA. The company's functions for risk management consist of:

- The board of directors which have the overall responsibility for the risk management of the company. The board of directors decides the risk policy of the company
- The CEO which have the responsibility of the day-to-day management of the company, and is responsible for the company's overall risk management.
- The risk management function (CRO) in Skandiabanken ASA is responsible for the monitoring of risk and reporting to the board of directors.
- The Internal audit reports directly to the board of directors and is responsible for independent control of the risk framework.
- The company is obliged to have an independent inspector appointed by the Norwegian Financial Authority (FSA). The investigator shall periodically report the FSA about its findings.

Note 4 – Segment information

Skandiabanken Boligkreditt AS has only one reporting segment, which comprises home loans to private individuals. Management follows up the company only in relation to this one segment.

Note 5 – Net interest income

In NOK thousands	**05.10.15-31.12.15**
Loans to and receivables from credit institutions	155
Loans to customers	86 085
Total interest income	86 240
Loans and deposits from credit institutions	-10 361
Debt securities issued	-44 695
Total interest expense	**-55 057**
Net interest income	**31 183**

All interest income from customers is related to home loans

Note 6 – Other administrative expenses

In NOK thousands	**05.10.15-31.12.15**
Consultants and other external services	1 961
Other operating expenses	83
Total other administrative expenses	**2 044**

Note 7 – Tax expense

In NOK thousands	05.10.15-31.12.15
Taxes payable	**7 524**
Change in deferred tax	0
Total tax expense	**7 524**
Reconciliation of the tax expense:	
Profit before tax	**27 867**
Expected tax expense at nominal rate of 27%	7 524
Total tax expense	**7 524**
Effective tax rate	27,0%

Note 8 – Credit institutions - receivables and liabilities

In NOK thousands	31.12.15
Loans and receivables to credit institutions	
Loans and receivables without agreed maturity or notice period	491 146
Loans and receivables with agreed maturity or notice period	0
Write-downs on impaired loans	0
Total loans and receivables to credit institutions	**491 146**
Liabilities to credit institutions	
Loans and deposits from credit institutions without agreed maturity or notice period	0
Loans and deposits from credit institutions with agreed maturity or notice period	1 853 330
Total liabilities to credit institutions	**1 853 330**

Note 9 – Loans to and receivables from customers

In NOK thousands	31.12.15
Loans and receivables without agreed maturity or notice period	0
Loans and receivables with agreed maturity or notice period	14 986 983
Total loans and receivables from customers	**14 986 983**
Write-downs for individually assessed impaired loans	0
Write-downs for collectively assessed impaired loans	1 272
Net loans and receivables from customers	**14 985 711**

Lending by geographical area

	31.12.15	
In NOK thousands	Percentage	Gross lending
Oslo, Akershus og Buskerud	53,4%	8 007 444
Hordaland og Rogaland	22,7%	3 407 387
Nordland, Troms og Finnmark	5,7%	853 806
Other areas in Norway	18,1%	2 718 346
Total gross lending per geographical area	**100,0 %**	**14 986 983**

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

In NOK thousands	31.12.15
Debt related to securities issued, nominal value	12 685 000
Debt related to securities issued, book value	12 672 989
Loans to customers (gross)	14 986 983
Average size of loan per customer	1 915
Number of loans	7 992
Weighted average since issuing of the loans (months)	36
Weighted average remaining maturity (months)	276
Average LTV (percent)	53,6

Cover pool

	31.12.15
Loan secured with mortgages, book value	14 986 983
Not eligible for the cover pool	-32 722
Net loans that are in the cover pool	**14 954 261**
Commercial Papers and bonds	0
Supplementary assets	491 133
Total cover pool	**15 445 394**

Cover pool	Nominal value	Booked value
Over-collateralisation (percent)	21,8	21,9
Amount surpassing legal minimum requirements	2 760 394	2 772 406
Amount surpassing minimum requirements as indicated by rating agency	2 443 269	2 455 581

Note 11 - Losses on loans, guarantees, etc.

Loan loss provisions

In NOK thousands	31.12.15
Opening balance	**0**
+ Increase in write-downs on loans	1 272
- Reversal of impairment loss from previous years	0
- Reversal of provisions from this year	0
Interest on impaired loans and receivables	0
Closing balance	**1 272**
Individual write-downs	0
Individual write-downs (collectively considered)	0
Collective write-downs	1 272
Total write-downs	**1 272**
Specification of loan losses	
Actual losses	0
Reversal of previous years' depreciation	0
Increase in provision	1 272
Reversal of provisions	0
Recoveries of previously written-off claim	0
Net cost of losses in the period	**1 272**
Losses broken down by sector and industry	
Private market (individuals)	1 272
Total	**1 272**

Collateral related to loans to customers

In NOK thousands Loan-to-value 31.12.15	Distribution in percent	Number of loans	Lending to customers	Unused credit facilities	Sum loans and credit facilities
0 % - 40 %	22 %	2 692	3 280 045	0	3 280 045
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
Loans secured by mortgages			**14 986 983**	**0**	**14 986 983**
Total lending to customers as at 31 December 2015			**14 986 983**	**0**	**14 986 983**

Note 12 – Capital adequacy

	31.12.15	
Risk-weighted volume	Nominal exposure	Risik-weighted volume
Institutions	491 146	98 229
Retail	11	8
Secured by mortgages on immovable property	14 997 033	5 265 485
Exposures in default	4 020	4 020
Other items	1	1
Total credit risk, standard method	**15 492 210**	**5 367 743**
Operational risk		282 186
Total risk weighted volume		**5 649 929**
Capital base		
Share capital		60 030
Share premium		840 000
Other equity		20 343
Total booked equity		**920 373**
Deductions		
Goodwill, deferred tax assets and other intangible assets		0
Value adjustment due to the requirements for prudent valuation (AVA)		0
Common equity Tier 1 capital		**920 373**
Additional Tier 1 capital		0
Tier 1 capital		**920 373**
Tier 2 instruments		0
Own funds (primary capital)		**920 373**
Specification of capital requirements		
Minimum requirements CET1 capital	4,5%	254 247
Capital conservation buffer	2,5%	141 248
Systemic risk buffer	3,0%	169 498
Countercyclical capital buffer	1,0%	56 499
Additional Tier 1 capital	1,5%	84 749
Tier 2 instruments	2,0%	112 999
Total minimum and buffer requirements own funds (primary capital)	**14,5%**	**819 240**
Available CET1capital after buffer requirements		*101 134*
Available Own funds (primary capital)		*101 134*
Capital ratio %		
Common equity Tier 1 capital		16,3%
Tier 1 capital		0,0%
Tier 2 instruments		0,0%
Total capital ratio		**16,3%**

Note 13 – Liquidity risk (LCR)

Norwegian covered bonds companies, including Skandiabanken Boligkreditt AS, are exempt from complying with the LCR requirement until 30 June 2016. The Skandiabanken ASA group (including Skandiabanken Boligkreditt AS) had an LCR ratio of 186% per 31 December 2015. Skandiabanken Boligkreditt AS will take adequate measures during the first quarters of 2016 in order to comply with the LCR requirement.

Note 14 – Related party transactions

Assets/loans from Skandiabanken ASA

In NOK thousands	**31.12.15**
Liability related to overdraft facility with Skandiabanken ASA	1 853 330
Skandiabanken Boligkreditt AS's deposit in Skandiabanken ASA	491 146

Transactions with Skandiabanken ASA

In NOK thousands	**05.10.15-31.12.15**
Purchased services according to agreement with Skandiabanken ASA	1 255
Interest expense on overdraft facility	10 361
Interest income on deposits	155
Total transactions	**11 771**

Description of agreements with related parties:

Sale of home loans to Skandiabanken Boligkreditt AS:
Skandiabanken ASA sells home loans to its subsidiary, Skandiabanken Boligkreditt AS. Only loans with a LTV lower than 75% may be sold to Skandiabanken Boligkreditt AS. The sale and transfer of loans is carried out at market terms and conditions. After the loans have been transferred, Skandiabanken Boligkreditt AS assumes all the risks and benefits associated with the home loans sold.

The practicalities relating to the transfer of new loans and the write-back of loans are undertaken by employees of Skandiabanken ASA. In general, the write-back of loans from Skandiabanken Boligkreditt AS to Skandiabanken ASA will be relevant only if a customer wishes to increase/refinance the loan. Any such write-back will also be carried out at market terms and conditions. Delinquent loans will remain with Skandiabanken Boligkreditt AS, and are treated in the same way as delinquent home loans in Skandiabanken ASA.

Management agreement between Skandiabanken ASA and Skandiabanken Boligkreditt AS:
A management agreement has been entered into between Skandiabanken ASA and Skandiabanken Boligkreditt AS, under the terms of which Skandiabanken Boligkreditt AS purchases administrative services from Skandiabanken ASA. These services relate, inter alia, to CEO, treasury, IT, finance and accounting, and risk management. The agreement has been entered into at market terms and conditions.

Skandiabanken Boligkreditt AS's credit facilities:
Skandiabanken ASA has granted two credit facilities to Skandiabanken Boligkreditt AS. Each of these facilities is for NOK 3 billion. One of the credit facilities is a short-term frame agreement with a term of one year, while the other is a rolling credit lasting three years. Both facilities are at floating interest rates, three-month NIBOR plus a margin.

Deposit accounts in Skandiabanken ASA:
Skandiabanken Boligkreditt AS has two ordinary deposit accounts with Skandiabanken ASA paying market interest rate.

Note 15 – Fair value on financial instruments

In NOK thousands	31.12.15	
	Booked value	**Fair value**
Assets		
Loans to and receivables from credit institutions (ac)	491 146	491 146
Loans to customers (ac)	14 985 711	14 985 711
Total assets financial instruments	**15 476 857**	**15 476 857**
Liabilities		
Loans and deposits from credit institutions (ac)	1 853 330	1 853 330
Debt securities issued (ac)	12 672 989	12 587 260
Total liabilities financial instruments	**14 526 319**	**14 440 590**

(ac) = assets and liabilities booked at amortised cost

Fair value and amortised cost
For assets and liabilities where the amortised cost and fair value is highly correspondent, book value and fair value are presented with identical amounts corresponding to the amortised cost, and are not included in a fair value hierarchy. Debt securities issued are recognised at amortised cost, but would be classified as Level 2 given a fair value recognition.

Assets and liabilities which are carried at fair value , either as a result of that they are held for trading purposes, to be recognised at fair value upon initial recognition (fair value option) or held as available for sale, shall be classified according to how safe estimate The fair value is. The classification has three levels, where level 1 is quoted prices in active markets, Level 2 valuations are derived from observable prices for similar assets (directly or indirectly) and Level 3 valuations are not based on observable prices , eg using a separate valuation model.

Method for valuation at fair value of financial instruments
Assets and liabilities recorded at fair value, either as a result of that they are held for trading, loans and receivables, or held as available for sale, shall be classified according to how correct the estimate of fair value is at three different levels

Level 1: Quoted prices in an active market. With active market means that the quoted prices are readily and regularly available on a stock exchange, trading platform, from a broker or another entity that makes available price information. Price setting should represent actual and regular transactions. For Skandiabanken these entries are composed of interest-bearing securities

Level 2: Other prices than the prices included in Level 1 and that are observable either directly (price settings) or indirectly (derived from prices). Interest-bearing securities that are valued at fair value based on prices obtained from the trading markets , brokers or other enterprises that make available price information and that Skandiabanken cannot demonstrate that trade happens regularly since no official prices available, is recognised at level 2. For the purposes of valuation, external data is used to discount the cash flows (eg. prices set by third party or rates for similar financial instruments). Discount is excluded from market interest rates with regard to credit and liquidity risk. For all financial instruments measured at this level fair value is calculated through discounting future cash flows

Level 3: Evaluation based on unobservable prices. Whole or substantial parts of input in the valuation requires adjustment based on non -observable prices.

Note 16 – Debt securities issued

In NOK thousands

Booked at amortised cost

	Currency	31.12.15
Covered bonds	NOK	12 672 989
Total debt securities issued		**12 672 989**

Specification of covered bonds as at 31.12.15 for Skandiabanken Boligkreditt AS

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity*	Booked value
Covered bonds						
NO0010745318	Skandiabanken Boligkreditt AS	600 000	NOK	Floating	15.01.2016	599 998
NO0010745284	Skandiabanken Boligkreditt AS	2 585 000	NOK	Floating	04.10.2016	2 586 333
NO0010745326	Skandiabanken Boligkreditt AS	2 000 000	NOK	Floating	31.07.2017	1 998 366
NO0010745292	Skandiabanken Boligkreditt AS	2 000 000	NOK	Floating	04.10.2018	1 990 991
NO0010745300	Skandiabanken Boligkreditt AS	2 000 000	NOK	Floating	29.10.2019	1 995 578
NO0010745334	Skandiabanken Boligkreditt AS	2 500 000	NOK	Floating	14.08.2020	2 502 555
NO0010745342	Skandiabanken Boligkreditt AS	1 000 000	NOK	Floating	14.10.2021	999 167
Total covered bonds						**12 672 989**

Changes of debt securities in the period

	05.10.15	Issued after 05.10.15	Matured	Redeemed	Other adjustments	31.12.15
Bonds (nominal)	11 145 000	2 305 000	0	-765 000	0	12 685 000
Total	**11 145 000**	**2 305 000**	**0**	**-765 000**	**0**	**12 685 000**

* Maturity refers to the first possible maturity date (call date)

All debt securities have covenants according to the standard agreements of Nordic Trustee.

Note 17 – Earnings per share (EPS)

In NOK	05.10.15-31.12.15
Profit of the period to other equity	20 343 000
Number of shares (weighted average)	60 030 000
Earnings per share (weighted average for the period)	**0,34**

Contact information
Skandiabanken Boligkreditt AS
P.O. Box 7077
NO-5020 Bergen
NORWAY

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

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

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