SpareBank 1

Boligkreditt

Annual Report 2015

Building Insight:
Sustainable housing

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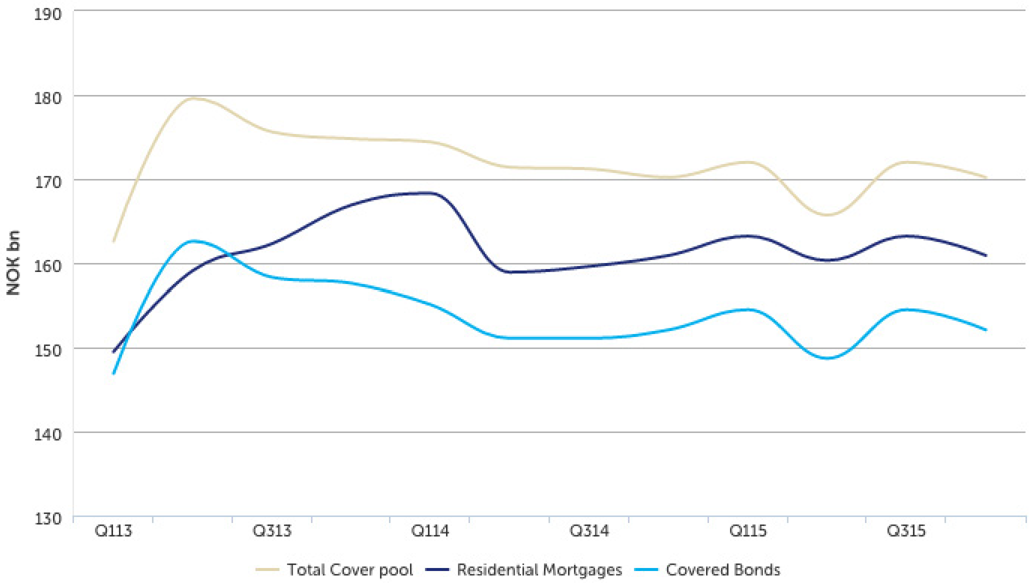
Statement of the Board of Directors

Cover pool and outstanding covered bonds[1]



Key figures overview

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Weighted Average Current LTV (%)	52.1 %	50.3 %	49.2 %	50.5 %
Weighted Average Original LTV (%)	58.7 %	58.3 %	58.2 %	57.3 %
Average Loan Balance (NOK)	1 251 680	1 221 414	1 201 505	1 199 658
Number of Mortgages in Pool	134 895	135 688	133 422	136 032
Pct. of non first-lien mortgages	0.0 %	0.0 %	0.0 %	0.0 %
Overcollateralization	110.4 %	111.2 %	111.5 %	111.3 %

Key developments in the fourth quarter and in 2015

SpareBank 1 Boligkreditt issued covered bonds in 2015 for a total of 36.9 billion kroner, including two bonds issued in EUR (September and November) for a total of 23.4 billion kroner (63 per cent of the issuance volume) and the remainder in Norwegian kroner.

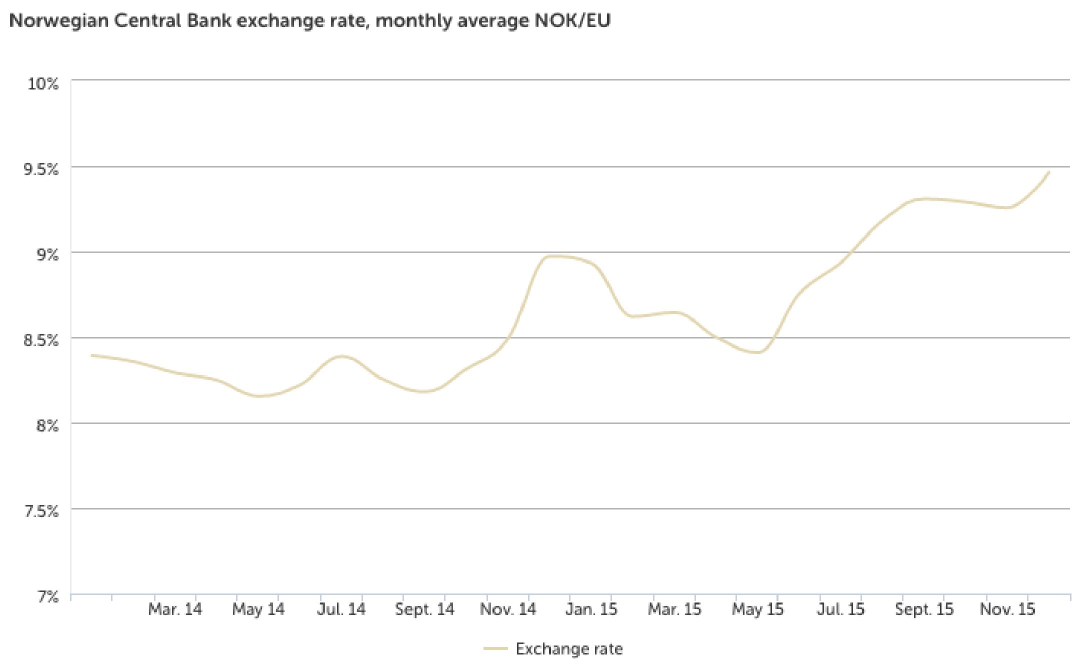
[1] The cover pool consists of residential mortgages and liquid, highly rated assets (substitute assets). Covered bonds are shown inclusive of the market value of the derivatives deployed to hedge currencies and interest rates.

The residential lending volume has increased moderately as expected by 5.2 per cent over 2015. This must be seen in connection with a moderate growth in the lending activities of the parent banks and an increase in the same banks' deposit base, and the establishment of a wholly-owned covered bond issuer for SpareBank 1 SR-Bank which has produced a drop in the volume of loans that this bank has sold to the Company. For 2016 the forecast is for growth in the Company's residential mortgage lending volume of between 5 and 6 per cent.

Boligkreditt is well capitalized with a capital coverage ratio of 16.09 per cent measured against a requirement of 14.5 per cent, which incerases to 15.0 per cent from Jul 1, 2016. Core equity capital is 12.73 per cent against a requirement of 10.0 per cent. These figures reflect that Boligkreditt has implemented a new capital coverage calculation according to CRD IV.

In the market for the Company's bonds the credit spreads have generally widened through the second half of 2015, from historically low levels prior to the summer. This is in keeping with the market development both in EUR and NOK. In the latter instance, there are probably a few reasons for the widening, but a significant reason is to be found in that the spread for entering into basis (currency) swaps from EUR to NOK has widened.

The Norwegian krone was also in 2015 under pressure, probably because the price of oil has reduced significantly.



The currency depreciation has the effect that SpareBank 1 Boligkreditt receives more collateral in the form of cash or bonds from swap counterparties according to the ISDA/CSA agreement which the Company has entered into. This increases the balance sheet materially as of December 31, 2015 because the derivatives are accounted for at fair value as an asset while the stock of liquid assets which increases when collateral is posted also goes up (assets and liabilities increase)

The Company is maintaining separate accounts for liquid assets posted to it a s collateral and for assets which is a part of the Company's own liquidity portfolio.

Nature and development of the Company's business

SpareBank 1 Boligkreditt AS is a credit institution licensed by the Norwegian Financial Services Authority (Finanstilsynet) and is operated according to the legislation for covered bond issuers in Norway which is included in the law regarding financial enterprises ("Finansieringsvirksomhetsloven") chapter 2, section IV and the detailed regulations thereof.

The purpose of the Company is to provide funding for the owners by buying residential mortgage loans with a loan-to-value ("LTV") of up to 75 per cent and financing these primarily through the issuance of covered bonds[2]. The Company which is based in Stavanger, is owned by banks which are members of the SpareBank 1 Alliance. A comprehensive agreement is signed which each of the banks in the SpareBank 1 Alliance which are selling mortgages to the Company regarding the purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing Agreement", "TSA").

The Company's issuances of covered bonds mainly take place under the EUR 25,000,000,000 Global Medium Term Covered Note Programme (GMTCN Programme). This Programme was updated on April 23, 2015 and is available at the Company's home page: https://spabol.sparebank1.no.

One or more credit ratings from international rating agencies are important in order to be able to issue covered bonds. The Company have procured the services of Moody's Ratings Service and Fitch Ratings to evaluate the credit quality of the issuances under the GMTCN Programme. The bond ratings are Aaa from Moody's and AAA from Fitch.

Annual accounts

The annual accounts have been prepared in accordance with the International Reporting Standards (IFRS) as adopted by the EU and published by the International Reporting Standards Board (IASB).

The Board views the accounts as presented to be a true representation of SpareBank 1 Boligkreditt's operations and financial position at the end of the year. Numbers in brackets refer to the previous year for comparison.

The total balance sheet at year-end 2015 amounts to 269 (228) billion kroner. The increase is due to that residential mortgages increased by approximately 8 billion kroner, an increased requirement for liquid assets due to maturities in 2016 by 12 billion kroner, in addition to an increase in the value of the derivatives and posted collateral as described above. The Company had in 2015 net interest income of 407 (355) million kroner, considering also commissions paid to the parent banks. The cost of opertaions for the year was 33.1 (33.3) million kroner including depreciaton and amortization. No additional amounts have been charged as loan provisions (write offs) in 2015 beyond the approximately 8 million kroner which has been reserved from previous years. No actual loan losses have occurred since the Company commenced operations. This produces an operating result of 608 (284) million kroner before tax. The operating result includes a gain due to basis swap valuation adjustments of 467 million kroner. This is reversed over time until maturity of the swaps.

Lending to customers amounted to 169 (161) billion kroner as of 31.12.15. Even though some mortgage loans have been sold back to the Company's parent banks during the year as a part of normal operations, there has been an expected though moderate increase of mortgage loans during the year. The Company's own liquid assets as of December 31, 2015 were 21.8 (9.5) billion kroner.

[2] The issuer's own criteria for which loans will qualify for the cover pool include a maximum LTV requirement of 70 per cent for new residential mortgages from the end of the first quarter 2014.

Risk aspects

SpareBank 1 Boligkreditt as an issuer of covered bonds is subject to strict rules regarding its exposure to credit, market, and liquidity risks. This fact and the aim of the maintenance of the AAA/Aaa rating means that the Company is subject to low levels of risk and places strong emphasis on risk control.

Credit risk is defined as the risk that losses can occur as a consequence of that customers and others do not have the ability or willingness to meet their obligations to SpareBank 1 Boligkreditt. Because the Company buys residential mortgages within 75% of the value of the objects on which the mortgages are secured, the Board of Directors conclude that the credit risk is lower than for banks in general.

Market risk is defined as the risk of losses due to changes in market rates, i.e. interest rates, exchange rates and the prices of financial instruments. At the end of the year SpareBank 1 Boligkreditt AS had issued bonds for approximately NOK 119 billion kroner in euros, 41 billion kroner in US dollars and 0.3 billion kroner in Swedish kroner. All borrowing and investments with a fixed rate and all borrowing and investments in a foreign currency have been hedged by financial currency- and/or interest rate swap agreements or through natural hedges. The collective cash flow therefore matches to high degree borrowings in Norwegian kroner with floating rate conditions (NIBOR 3 months). The Company receives collateral from its counterparties in derivative agreements according to certain criteria.

SpareBank 1 Boligkreditt AS owns bonds and treasury bills at year-end for a total of NOK 58.8 (36.6) billion kroner, whereof 37.0 (27.1) billion kroner is collateral received from counterparties in derivatives transactions and are no available for the Company as liquid assets. The bonds are mainly Nordic covered bonds and German supra sovereign and agencies (German agencies guaranteed by the German government) with a triple-A rating from Fitch, Moody’s or S&P. Deposits are placed in banks with a minimum rating of at least A/A2.

The Company had as of 31.12.2015 only moderate interest rate risk and immaterial amounts of currency risk.

Liquidity risk is defined as the risk that the Company is not able to meet its obligations at maturity or to be able to finance the purchase of loans at normal terms and conditions. Liquidity risk is managed based upon a liquidity strategy approved by the Board. According to the strategy, SpareBank 1 Boligkreditt AS shall maintain a material liquidity reserve with a minimum size of covering all maturities within 6 months and 50 per cent of all maturities between 6 and 12 months. Additionally the Company shall at any point in time be able to meet its interest payments, including derivatives, which come due in the next three months under a scenario where no interest payments are received from the loan portfolio. SpareBank 1 Boligkreditt AS’s liquidity situation is good.

Operational risk is defined as risk of loss due to error or neglect in transaction execution, weakness in the internal control or information technology systems breakdowns. Reputational, legal, ethical and competency risks are also elements of operational risk. The risk is assessed to be moderate.

The Company spends much time identifying, measuring, managing and following up central areas of risk in such a way that this contributes to meeting the strategic goals. The notes 24 to 26 in the annual report provides further information.

Employees and the working environment

SpareBank 1 Boligkreditt had eight employees as of 31.12.2015. The Company employs six males and two females.

SpareBank 1 Boligkreditt AS has a Transfer and Servicing Agreement with each shareholder bank which is handling the customer contact and servicing the mortgage portfolio on behalf of the Company. In addition, the Company purchases a significant amount of its support functions from SpareBank 1 SR-Bank ASA, e.g. accounting, HR and IT functions as well as finance related back-office functions.

The working environment is characterised as good and there is no pollution of the physical environment. There has been 0.2% employee absence recorded in 2013 due to sickness. No workplace accidents which might have resulted in property and/or damage to any persons have occurred or been reported during the year.

The Board consists of five persons of which three are male and two are female. SpareBank 1 Boligkreditt AS strives to achieve an even distribution between the genders in recruiting for the staff and the Board.

At the establishment of SpareBank 1 Næringskreditt AS which represents a similar type of business activity to that of SpareBank 1 Boligkreditt AS, it was decided that the two companies will have identical staffing. Of the eight full time employees which in 2013 have been employed in SpareBank 1 Boligkreditt AS, 1.6 full time equivalents have been allocated to SpareBank 1 Næringskreditt AS. The Boards of the two companies have joint meetings, where the members associated with one of the companies take the role of observers when matters of the other Company are discussed.

Corporate governance

SpareBank 1 Boligkreditt's principles for corporate governance is based on the Norwegian accounting law and regulations and the Norwegian practice for corporate governance.The Board of Directors has appointed an audit committee which evaluates the Accounts inclusive of the Notes to the Accounts. The Board of Directors reviews the financial reporting processes in order to contribute to a culture which maintains a focus on quality and accuracy of this work. Boligkreditt seeks to deliver through its financial accounting relevant and timely information which can be compared over time to constituents in the SpareBank 1 Alliance, regulatory authorities and participants in the capital markets. The Board evaluates and approves Management's proposed annual and quarterly financial accounts.

Boligkreditt maintains an administration which is suitable for the purposes, activities and extent of the business. The Management routinely evaluates internal procedures and policies for risk and financial reporting including measuring the results and effectiveness of the procedures and policies. Any breaches in the policy and procedures are reported continuously to the Board of Directors. Management is also responsible for following up and implementing actions, recommendations and new rules from the regulatory authorities.

The Company publishes its Corporate Governance policies in a document available on the Company's website www.spabol.no. With regards to that the Company has a single purpose and that the shares are not freely tradeable nor listed on an exchange it is the Company's opinion that any deviations to the policies are immaterial.

Shareholders

According to the Articles of Association 2 "The shares can only be owned by banks under contract with the Company for managing the Company's lending funds." Entering into such agreements is decided by the Board or the General Meeting.

Neither the Company nor employees own shares in the company. A shareholders agreement which all shareholders and the Company are parties to, it is agreed that the Company's shares will be reallocated at least annually and in relation to the mortgage volume transferred to the Company by each shareholder. The shareholders are obliged to vote for any possibly private placements to new banks that have transferred mortgages to the Company. In case of a rights issue, the shareholders are obliged to subscribe shares according to its share of the shareholdings.

The Company is not party to agreements which come into force, are amended or terminated as a result of a takeover bid.

Social responsibility

SpareBank 1 Boligkreditt is an issuer of covered bonds and has, despite the size of its balance sheet, a very limited activity. The nature of the business consists of buying mortgage loans from its shareholder banks in the SpareBank 1 Alliance, and to finance this activity by issuing covered bonds. The owner banks have meaningful roles as pillars of society in their regional areas, and we make a reference to the annual accounts of the banks for a closer description of the social responsibility of SpareBank 1. The Company thus chooses not to maintain special guidelines and principles tied to social responsibility.

Future prospects of the Company

This is a somewhat surprising strong growth (albeit lower than in 2014, given the decline in the price of oil and the petroleum sector significance for the Norwegian economy (approximately 20 per cent of total GDP). Some of the reason for this growth can be found in lower mortgage rates through all of 2015 both because of increasing competition in the banks market but also because the Norwegian central bank reduced its monetary policy rate twice during the year. At the same time, residential real estate prices in the region most tied to the oil industry were lower at the end of the year than at the beginning.

The average loan to value in the Company's portfolio of mortgage loans is stable at approximately 50 per cent and there are no incurred losses and no loans with a delayed payment of more than 60 days (the number of loans with a delayed payment of between one and two months is 0,01 to 0,02 per cent of the portfolio). The unemployment rate remains at a low level in an international context of 4.6 per cent (an increase from 3.7 per cent from November 2014) according to Statistics Norway. Even if the unemployment rate has increased, it may also continue to do so in 2016, as there is uncertainty tied to this development at the beginning of the year. Despite of this development, the Company does not take the view that the mortgage loans in the cover pool, which have a low loan to value and are subject to strict quality criteria, have a heightened risk profile. The portfolio is well diversified geographically all over Norway. The country is structurally well equipped to mitigate and counterbalance and increase in unemployment, unemployment insurance is generous and monetary policy and the interest rate level generally is expected to decrease if unemployment keeps rising.

Lending growth for residential purposes in the SpareBank 1 banks is moderate. A further moderate development is expected in 2016 for residential loans in the cover pool. Both the average customer interest rate (3.62 per cent in December 2014 to 2.75 per cent in December 2015) and Boligkreditt's funding costs (2.37 per cent in December 2014 to 1.88 per cent in December 2015) have reduced during 2015, which reduces the margin. The margin remains at a high level in a historical context. The market for covered bonds now indicate a similar credit spread for new issuances as historical average spreads. Funding costs are also dependent on the 3 month NIBOR rate, and this has been volatile over 2015, though the level has remained relatively stable in the final quarter of the year.

Macroeconomic development[3]:

GDP for mainland Norway increased by 0.1 per cent in the fourth quarter from the 3rd quarter 2015. The GDP growth rate for all of 2015 was a modest 1.0 per cent. This reflect the moderate growth Norway has experienced in the last 18-24 months and it is the year of the weakest growth since 2009. The household sector total consumption expense increase by 2.0 per cent for the year, a relatively robust figure. The previously strong growth in oil investments have provided significantly negative growth impulses since the third quarter of 2014 and this is likely to continue as long as the oil price does not stabilize at a higher level than today (approximately USD 30 per barrel in January 2016). Mainland investments in total increased by 0.2 per cent in 2015 (buoyed by public sector, residential housing and some goods production), while oil investments declined 14.7 per cent and in all for industry on the mainland the investment reduction was 2.8 per cent. Generally, it is increases in public investment and consumption as well as housing investments together with exports which brings about GDP growth. Both the goods- and service exports show a relatively strong growth, probably due to a weaker krone and therefore the possibility of offering better prices.

[3] Macroeconomic prospects and forecasts have been sourced from Statistics Norway as of December 1, 2015 and February 16, 2016.

Economic outlook:

A low exchange rate continues to provide positive impulses and growth possibilities for Norwegian exports in 2016, but will also be impacted by economic growth internationally, which, even if expected better in the Eurozone, remains moderate. A significant increase in public demand and a return to growth in the mainland industries are the important contributors to activity growth in the time ahead. The government budget will remain in an expansive mode for a few years, but more so in 2016 than in the following years when the oil price is again expected to increase. Despite the low interest rates, the change in real estate prices nationally is forecasted to be only 1.5 per cent in 2016 because the unemployment rate is expected to increase some from the level as of the end of 2015, before it returns to 4.6 per cent at the end of 2016.

Forecast (%)	2015	2016	2017	2018
Mainland GDP growth	1.0	2.0	2.6	2.7
Unemployment rate	4.6	4.6	4.4	4.3
CPI growth	2.3	2.8	2.1	1.6
Annual wage growth	2.8	2.6	2.5	2.9

The Board of Directors affirms that the financial accounts present a correct and complete picture of the Company's operations and financial position for 2015. The financial accounts including notes thereto are produced under the assumption of a going concern. 105.1 million kroner of the annual net income will be distributed as a dividend to the shareholders. This corresponds to 1.84 kroner per share.

There have been no incidents of a material nature after year-end which are expected to impact the annual accounts for 2015.

Stavanger, 31. December 2015 / Tromsø, 1. March 2016. The Board of Directors of SpareBank 1 Boligkreditt AS

Kjell Fordal
Chairman of the Board

Inge Reinertsen

Merete N. Kristiansen

Tore Anstein Dobloug

Inger M. S. Eriksen

Arve Austestad
Chief Executive Officer

SpareBank 1 Boligkreditt AS
- Statement of the members of the board and the chief executive officer

The Board and the chief executive officer have today reviewed and approved the financial accounts for 2015 for SpareBank 1 Boligkreditt AS. The annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

To the best knowledge of the board and the chief executive officer the accounts have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole as of 31.12.15.

The board of directors and the chief executive officer declare to the best of their knowledge that the annual report gives a true and fair view of the development and performance of the business of the Company, as well as a description of the principal risks and uncertainties facing the Company.

Stavanger, 31. December 2015 / Tromsø, 1. March 2016. Members of the board, SpareBank 1 Boligkreditt AS

Kjell Fordal
Chairman of the Board

Inge Reinertsen

Merete N. Kristiansen

Tore Anstein Dobloug

Inger M. S. Eriksen

Arve Austestad
Chief Executive Officer

Management's statement 2015

Issuances in 2015

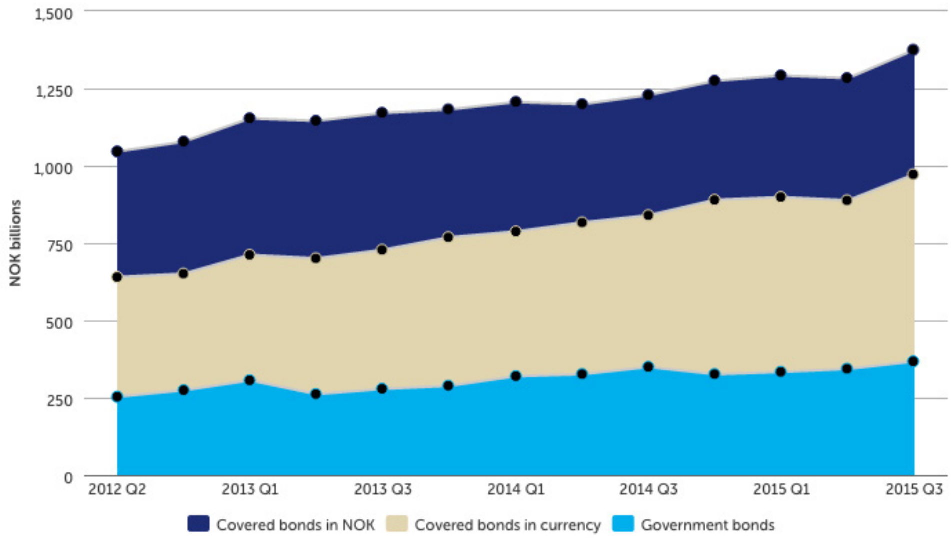
During 2015 we issued two EUR denominated benchmark transactions for a total of EUR 2.5 billion and approximately NOK 17 billion of covered bonds in the Norwegian market, denominated in NOK. The EUR bonds had maturities of 7 years (issuance in August) and 3 years (November) and met with very good demand at mid-swaps+ 8 bps for the 7 year and mid-swaps + 10 bps for the 3-year. Credit spreads continued to move out during the second half of the year along with the general market; the non-CBPP3 eligibility of Norwegian covered bonds continue to ensure more attractive spreads for our bonds compared to covered bonds from the Eurozone. Our EUR issuances are Liquidity Cover Ratio (LCR) category 1 eligible. The Norwegian parliament approved a new financial series legislation in 2016, which includes the covered bond legal framework. The relevant change in the latter is the inclusion of a minimum overcollateralization level of 2 per cent, something we expect will become effective during the first half of 2016.

Mortgages in the cover pool increased by NOK 8.1 billion (5.0 per cent) over the year and we expect a similar increase in 2016. Spabol has since the start in 2007 been and continues to be the strategic and preferred vehicle for covered bonds issuance on behalf of the SpareBank 1 Alliance banks. One Alliance bank, SpareBank 1 SR-Bank, chose to set up its own wholly owned covered bond issuer in 2015. Neither we, nor any other banks in the SpareBank 1 Alliance expect that any further individual covered bond issuers will be formed within the Alliance. When SpareBank 1 SR-Bank has chosen to supplement its covered bond funding with its own issuer in addition to Spabol, the only significance of this is that our cover pool is likely to grow more moderately than if this had not been the case. Lending growth for the banks in the Alliance was on average just above 5 per cent in 2015, which was retail (mortgage) growth with lending to corporates more or less flat.

Norwegian bank regulators tightened lending regulation in 2015. Previous guidelines became regulatory requirements and include a maximum 85 per cent loan to value, an amortization requirement for all mortgages with loan to value above 70 per cent and an interest increase (5 per cent increase in the mortgage rate) as a stress test. Banks are allowed to have an exception limit under these regulations of a share of mortgages they originate of up to 10 per cent. The exception is intended for when a creditworthy customer does not meet all the criteria for granting a mortgage loan.

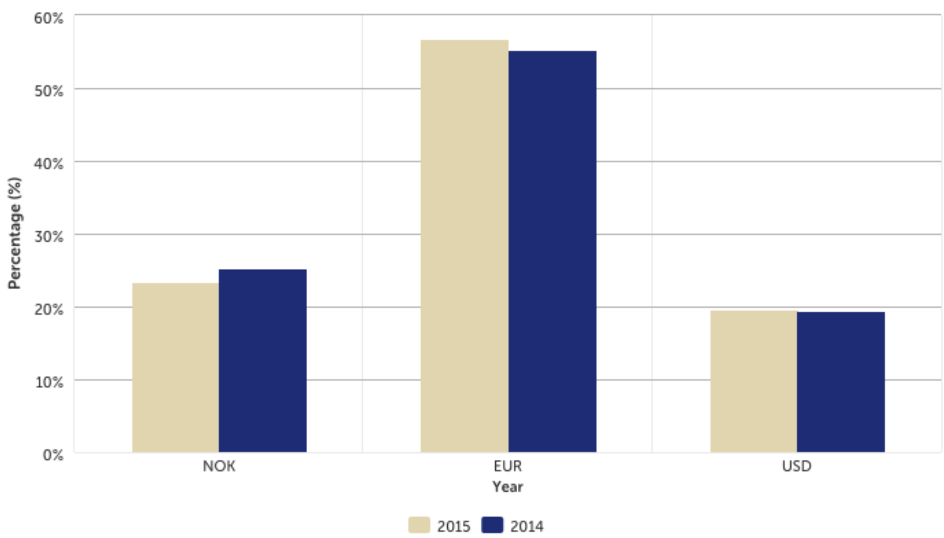
The domestic private investor market continues to develop well. The NOK market for covered bonds in Norway is approximately the same size as the market for Norwegian government bonds in NOK. We follow a policy of tapping our outstanding issues and will target a normal size for our NOK bonds of above NOK 4 billion kroner so as for these bonds to be LCR eligible in the highest category in Norway. A range of maturities in fixed and floating bonds are available for taps.

Chart 1: Outstanding Norwegian covered bonds and government bonds:



We expect further EUR covered bond issuance in 2016, with perhaps two benchmark bonds and will in addition consider other currencies for covered bond issuance.

Chart 2: Outstanding SpareBank 1 Boligkreditt covered bonds as of year-end, by currency:



Oustandings in EUR and USD on a book value basis as depicted above have increased relatively to NOK over 2014 and 2015 due to the krone depreciation. All foreign currency issuance is hedged fully with swaps.

The Norwegian residential real estate market

2015 saw an increase in the real estate market national residential index of 5.1%.

The Norwegian economy grew at a slower pace, 1 per cent growth for mainland GDP, which is the weakest growth year since 2009. Due to the slowdown in the economy, wage increases in the economy moderated to a lower level than in the recent past (around 2.8 per cent nominally, which is approximately equal to inflation in 2015). It is however likely that the continuous downward trend in mortgage interest rates (bank competition and lower monetary policy rates in Norway) and high demand for housing in central areas of the largest cities which drive the price increase. Most analysts expect a lower growth rate for the national real estate index in 2016 than in 2015, though growth. The bifurcation of the market is expected to continue with price drops in the southwest oil dependent regional economies and above average growth in the Oslo market. SpareBank 1 Boligkreditt has a very well diversified portfolio with currently only 11 per cent (downward trend) of the loan book in southwest (Rogaland region) where houseprices were down a little over 3 per cent in 2015.

Chart 3: Twelve month growth rate of the residential real estate price index for Norway:

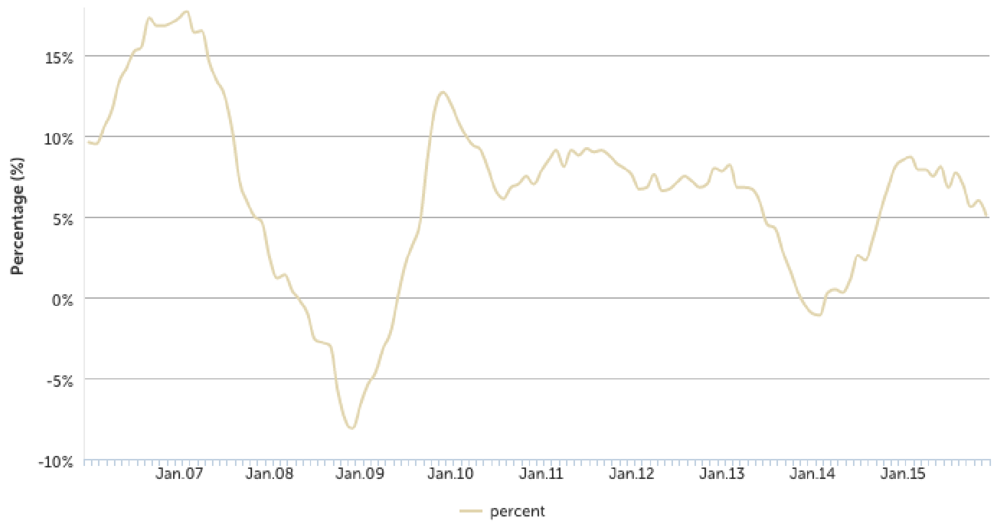
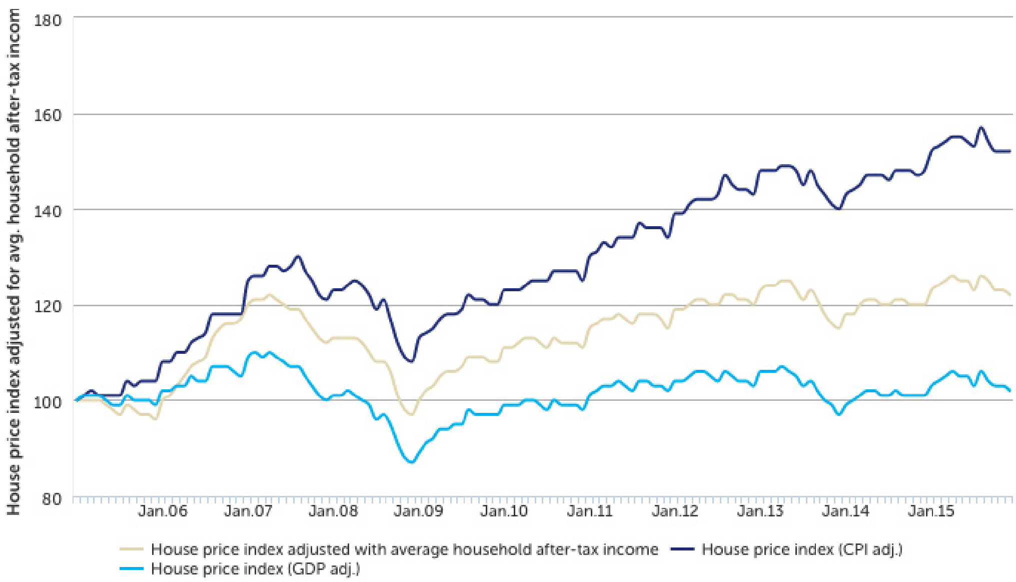


Chart 4: National house price index adjusted for after-tax household income



In 2014 we increased our capital coverage ratio, along with our parent banks according to new regulation (CRD IV) and a Norwegian additional component. The requirements for capital are rendered below, including a 1 per cent countercyclical buffer which is expected to come into effect from July 1, 2015. SpareBank Boligkreditt's capital coverage at year-end 2014 was 14.1%

Capital requirements

Norwegian capital requirements have continued to move up for banks and covered bond issuer for some time and the overall capitalization requirement for significant financial institutions (SIFIs) is 17 per cent of risk weighted assets as of July 1, 2016 (see chart below).

This includes a countercyclical buffer of 1.5% and this now represents a tool for the authorities to free up further lending capacity for banks should credit growth turn negative or be too low to sustain economic expansion (Norway is going through re-adjustment phase due to lower oil prices). SpareBank Boligkreditt's capital coverage at year-end 2014 was 16.1%, which is influenced some by our valuation adjustment of basis swaps (approximately by 0.5%). Basis swap spreads as well as related costs have continued to move out and this causes an accounting gain and an increase in equity for 2016 (as detailed in the financial accounts and notes thereto). SpareBank 1 banks, including Boligkreditt are not determined to be SIFI banks, though some have stated as their goal to hold the same amount of capital as if they were. The weighted average capitalization of the four largest SpareBank 1 banks was 17.6 per cent as of year-end 2015.

Chart 5: Capital requirements for banks and credit institutions (covered bond issuers) in Norway

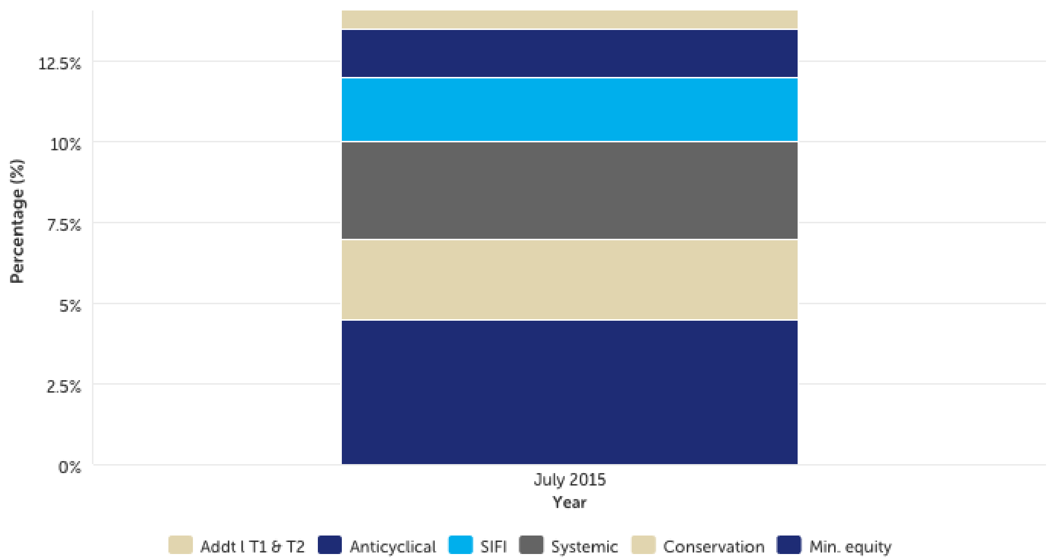
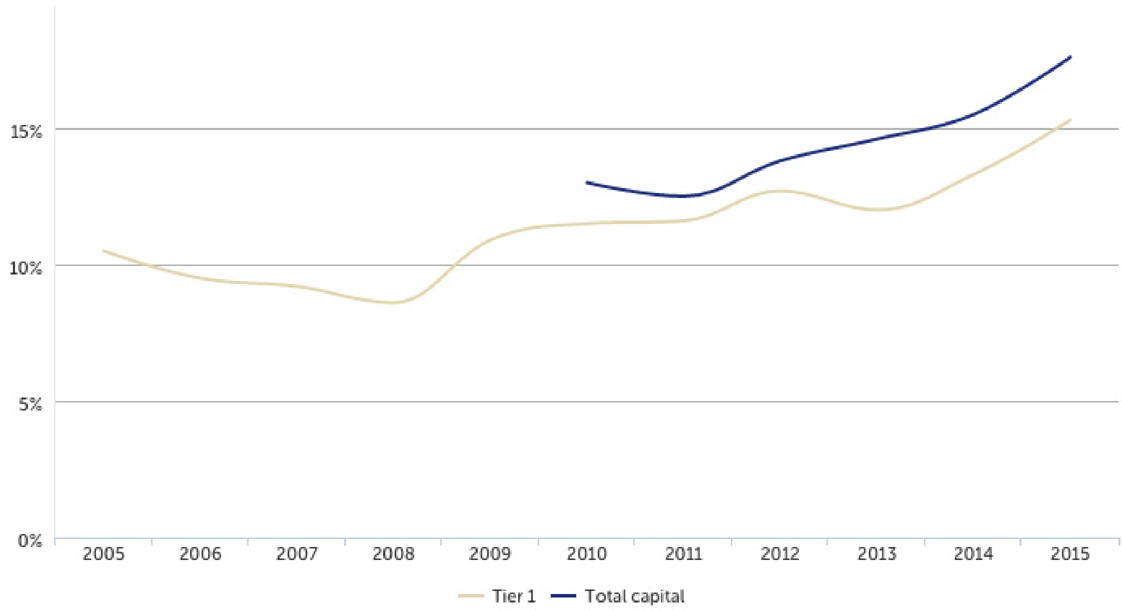


Chart 6: Capital in the four largest SpareBank 1 banks (weighted average)

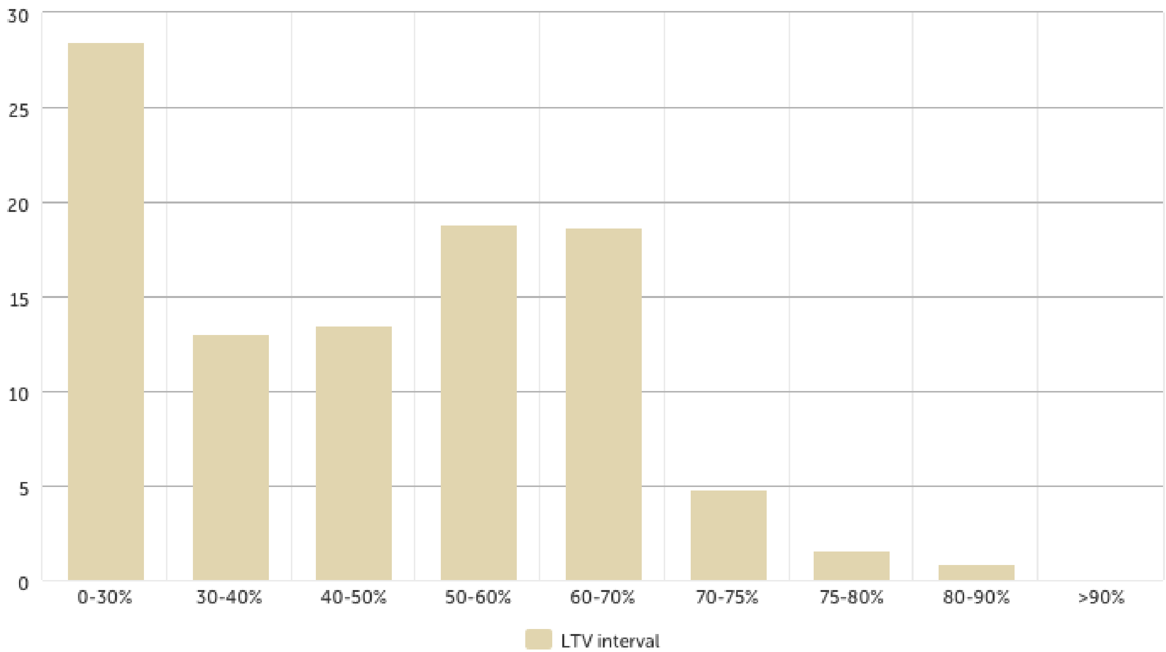


Cover pool

Our cover pool metrics continue to exhibit a robust profile with an average weighted LTV in the cover pool of 52.1%.

The real estate values are updated for the entire cover pool each quarter based on an automated valuation model (AVM) from the Norwegian company Eiendomsverdi, used by most Norwegian banks. The model is independently tested and validated and has certain parameters built into its valuation settings which allow for a cautious treatment of potential upside valuation outcomes for individual houses.

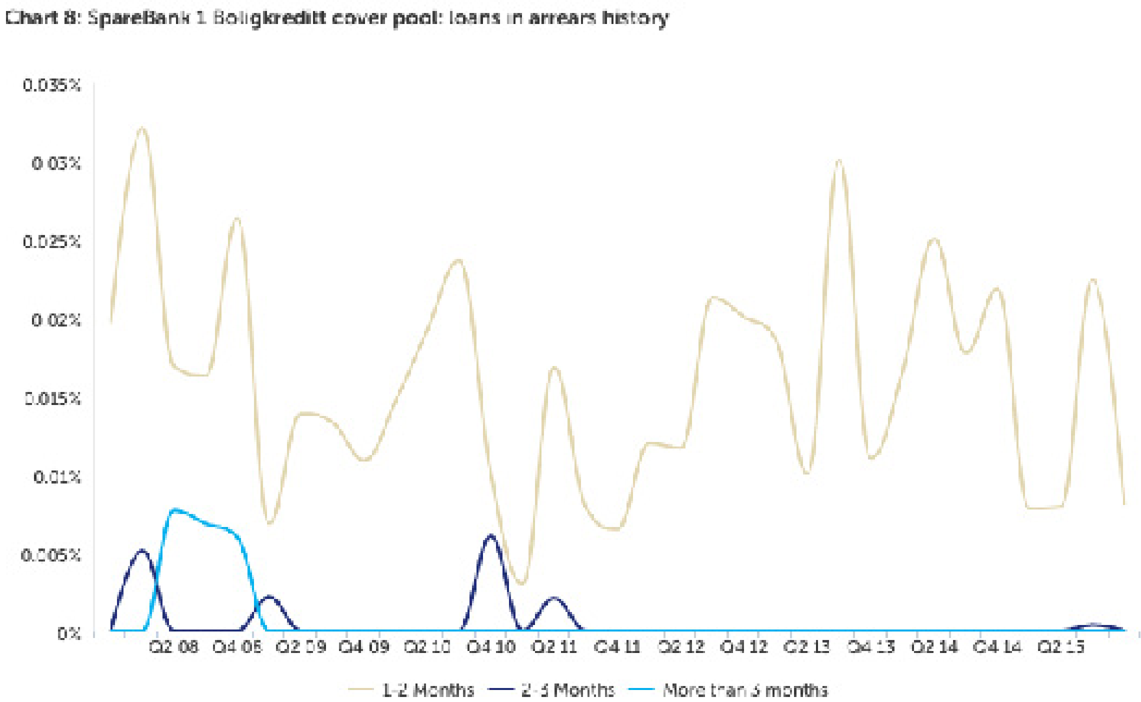
Chart 7: SpareBank 1 Boligkreditt cover pool: number of loans by LTV interval



SpareBank 1 Boligkreditt continues to have no arrears beyond 90 days in the cover pool and has never experienced a credit event with regards to any of the mortgage loans in the pool. We stress test the portfolio regularly for potential sharp house price declines, which provides comfort with regards to the robustness of the pool, even in the face

of 20 to 40% house price declines. Because we would like to maintain strong LTV cushions also in a severe house price decline environment, we decided to set new self-selected limitations for the maximum LTV eligibility criteria. The new limits for the pool are thus 70% for repayment mortgages and 60% for interest only mortgages or flexible loans (both down from 75% before 1Q 2014, which remains the legal criteria). Loans over 75% means some migration since transfer of the loan to the cover pool, though the parts of these loans representing higher than 75% LTV are not counted as cover assets.

Chart 8: SpareBank 1 Boligkreditt cover pool: loans in arrears history



Outlook 2016

We expect to issue EUR covered bonds in both half of the year, markets permitting. We would also like to return to the USD market at some point. Boligkreditt's early refinance policy means that we keep a portfolio of liquid assets and with upcoming redemptions in 2016 and 2017 this determines our international issuance volume, along with the growth in the cover pool on the one hand as well as the uptake in the domestic NOK covered bond market on the other.

It is clear that the Norwegian economy is undergoing a transitional phase due to lower oil prices in which two factors have material importance; (1) a floating krone exchange rate which ensures that companies exporting and other producers of goods and servicing competing with imports become more competitive and (2) a well-funded public sector which has accumulated a large sovereign wealth fund from oil revenue over the previous two decades. Oil prices on the other hand may rebound, as is expected by analysts in the second half of 2016, where several see global supply and demand being balanced contrary to the situation in 2015 and than at the beginning of 2016. Break even cost for Norwegian oil production has been significantly reduced and renewed investments in the sector, which is the current headwind for economic expansion, will likely start growing at significantly lower levels than were required in the beginning of 2014.

We see no impact on the cover pool from the weaker macroeconomic climate. The mortgage pool have a low weighted average current loan to value, unemployment remains low and there is ample structural support (fiscal, monetary policy as well strong unemployment support) in Norway and the Spabol pool is geographically very well diversified. Capitalization levels at Norwegian banks are very robust.

Financial statements 2015

Income statement

NOK 1 000	Note	2015	2014
Total interest income	5	3,879,909	4,476,095
Total interest expenses	5	-3,473,052	-4,120,722
Net interest income		**406,857**	**355,372**
Net gains/losses from financial instruments	6	233,848	-38,458
Net other operating income		**233,848**	**-38,458**
Total operating income		**640,704**	**316,915**
Salaries and other ordinary personnel expenses	8	-10,700	-10,224
Administration expenses	10	-10,625	-9,299
Other operating expenses	11	-9,760	-12,064
Depreciation on fixed assets and other intangible assets	13	-1,985	-1,702
Total operating expenses		**-33,070**	**-33,290**
Operating result before losses		**607,635**	**283,625**
Write-downs on loans and guarantees	14	0	0
Pre-tax operating result		**607,635**	**283,625**
Taxes	12	-134,535	-78,586
Profit/loss for the year		**473,100**	**205,039**

Statement of comprehensive income 2015

NOK 1 000	2015	2014
Profit/loss for the year	473,100	205,039
Items which will not impact the income statement in future periods:		
Change in pensions for a previous period		4,700
Estimate deviation for pensions	5,685	-6,488
Tax effect of the estimate deviation	-1,421	1,752
Total profit/loss accounted for in equity	**4,264**	**-36**
Total profit/loss	**477,363**	**205,003**

Balance sheet

NOK 1 000	Note	2015	2014
Assets			
Lending to and deposits with credit institutions	20	8,083,543	16,268,940
Norwegian Government Treasury Bills	20	8,705,692	487,553
Bonds	20	42,113,662	19,880,949
Lending to customers	14	169,338,988	161,205,282
Financial derivatives	19	40,947,743	29,746,665
Other assets	13	3,671	4,468
Total assets		**269,193,299**	**227,593,858**
Liabilities and equity			
Liabilities			
Debt incurred by issuing securities	17	218,853,602	188,719,491
Collateral received under derivatives contracts	20	36,950,453	27,181,223
Financial derivatives	19	690,315	825,043
Deferred tax	12	370,561	234,604
Tax payable		0	0
Subordinated debt	18	2,434,380	1,954,262
Other Liabilities	9	156,116	204,836
Total Liabilities		**259,455,427**	**219,119,459**
Equity			
Paid-in equity	15	8,568,470	8,268,470
Other paid-in equity (not yet registered)	16	690,000	
Accrued equity	16	374,328	2,039
Declared dividends	16	**105,074**	**203,890**
Total equity		9,737,872	8,474,399
		227 593 858	**206 166 101**
Total liabilities and equity		**269,193,299**	**227,593,858**

Kjell Fordal
Chairman of the Board

Inge Reinertsen

Merete N. Kristiansen

Tore Anstein Dobloug

Inger M. S. Eriksen

Arve Austestad
Chief Executive Officer

Changes in equity

NOK 1 000	Share capital	Premium	Proposed dividend	Fund for unrealized gain	Other equity	Total equity
Balance as of 31 December 2013	**5,310,548**	**2,657,922**	**319,630**	**0**	**925**	**8,289,025**
Share increase 26. February 2014	200,000	100,000	0	0	0	300,000
Dividend paid for 2013	0	0	-319,630	0	0	-319,630
Net income for the period	0	0	203,890	0	1,149	205,039
Change in pension for a previous period	0	0	0	0	4,700	4,700
OCI - pension - annual estimate deviation	**0**	**0**	**0**	**0**	**-4,736**	**-4,736**
Balance as of 31 December 2014	5,510,548	2,757,922	203,890	0	2,038	8,474,399
Dividend paid for 2014	0	0	-203,890	0	0	-203,890
Equity increase 29. Sept. 2015	200,000	100,000				300,000
Other pad-in equity (not yet registered)				690,000		690,000
Net income for the period *	0	0	105,074		368,026	473,100
OCI - pension - annual estimate deviation					4,263	4,263
Balance as of 31 December 2015	**5,710,548**	**2,857,922**	**105,074**	**690,000**	**374,328**	**9,737,872**

Cash flow statement

NOK 1 000	2015	2014
Cash flows from operations		
Interest received	3,784,335	4,217,076
Paid expenses. operations	-27,767	-34,248
Paid tax	0	-20,537
Net cash flow relating to operations	**3,756,568**	**4,162,291**
Cash flows from investments		
Net purchase of loan portfolio	-8,168,134	13,547,291
Net payments on the acquisition of government bills	-8,214,730	773,608
Net payments on the acquisition of bonds	-21,073,393	-13,810,924
Net investments in intangible assets	-1,054	-1,603
Net cash flows relating to investments	**-37,457,311**	**508,372**
Cash flows from funding activities		
Net receipt/payment from the issuance of certificates	-749,970	-2,649,531
Net receipt/payment from the issuance of bonds	19,811,929	-8,996,950
Net receipt/payment from the issuance of subordinated debt	480,000	1,950,000
Net receipt/payment of loans to credit institutions	8,412,189	13,456,060
Equity capital subscription	990,000	300,000
Paid dividend	-203,890	-319,630
Net interest payments on funding activity	-3,433,837	-3,892,809
Net cash flow relating to funding activities	**25,306,422**	**-152,859**
Net cash flow in the period	**-8,394,321**	**4,517,804**
Balance of cash and cash equivalents Jan 1. 2014	16,268,940	11,882,469
Net eceipt/payments on cash	-8,394,321	4,517,804
Exchange rate difference	208,925	-131,332
Balance of cash and cash equivalents Dec 31. 2014	**8,083,543**	**16,268,940**

Quarterly income statements and balance sheets

Income statement

NOK 1 000	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015	4th Quarter 2014
Total interest income	933,888	953,317	985,788	1,006,916	1,089,772
Total interest expenses	-838,460	-840,875	-889,343	-904,375	-990,434
Net interest income	**95,428**	**112,442**	**96,446**	**102,541**	**99,337**
Net gains/losses from financial instruments	18,482	8,027	-18,586	225,925	24,242
Net other operating income	**18,482**	**8,027**	**-18,586**	**225,925**	**24,242**
Total operating income	**113,910**	**120,469**	**77,860**	**328,467**	**123,579**
Salaries and other ordinary personnel expenses	-3,622	-2,409	-2,075	-2,594	-2,200
Administration expenses	-2,961	-2,419	-2,578	-2,667	-2,632
Other operating expenses	-3,003	-2,429	-1,904	-2,423	-3,308
Depreciation on fixed assets and other intangible assets	-438	-488	-547	-512	-476
Total operating expenses	**-10,025**	**-7,745**	**-7,104**	**-8,196**	**-8,617**
Operating result before losses	**103,885**	**112,724**	**70,756**	**320,271**	**114,962**
Write-downs on loans and guarantees	0	0	0	0	0
Pre-tax operating result	**103,885**	**112,724**	**70,756**	**320,271**	**114,962**
Taxes	1,477	-30,435	-19,104	-86,473	-33,047
Profit/loss for the year	**105,362**	**82,288**	**51,652**	**233,798**	**81,915**
Other income and expense	**4,264**	**0**	**0**	**0**	**-36**
Total Profit/Loss	**109,626**	**82,288**	**51,652**	**233,798**	**81,879**

Balance sheets

NOK 1 000	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015	4th Quarter 2014
Assets					
Lending to and deposits with credit institutions	8,083,543	16,896,170	13,049,194	14,824,479	16,268,940
Norwegian Government Treasury Bills	8,705,692	0	19,926	248,200	487,553
Bonds	42,113,662	28,522,929	16,361,109	19,680,901	19,880,949
Lending to customers	169,338,988	166,201,206	161,072,171	163,915,020	161,205,282
Financial derivatives	40,947,743	37,885,017	27,178,048	29,953,871	29,746,665
Other assets	3,671	4,692	3,696	2,631	4,468
Total assets	**269,193,299**	**249,510,013**	**217,684,144**	**228,625,101**	**227,593,858**
Liabilities and equity					
Liabilities					
Debt incurred by issuing securities	218 853 602	201 403 517	181 577 042	191 054 848	188 719 491
Collateral received under derivatives contracts	36 950 453	35 800 968	24 404 974	25 767 483	27 181 223
Financial derivatives	690 315	392 999	682 483	622 647	825 043
Deferred tax	370 561	234 604	234 604	234 604	234 604
Tax payable	-	-	-	-	-
Subordinated debt	2 434 380	2 434 246	1 953 999	1 954 021	1 954 262
Other Liabilities	156 116	305 434	275 084	283 302	204 836
Total Liabilities 259,455,427 240,571,767	**259 455 427**	**240 571 767**	**209 128 186**	**219 916 905**	**219 119 459**

Equity					
Contributed equity	8,568,470	8,268,470	8,268,470	8,268,470	8,268,470
Other paid in equity (not yet registered)	690,000	300,000	0	0	0
Accrued equity	374,328	2,039	2,039	2,039	2,039
Net profit	0	367,738	285,449	233,798	0
Declared dividends	105,074	0	0	203,890	203,890
Total equity	**9,737,872**	**8,938,246**	**8,503,595**	**8,708,196**	**8,474,399**
Total liabilities and equity	**269,193,299**	**249,510,013**	**217,612,414**	**228,625,101**	**227,593,858**

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of SpareBank 1 Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of SpareBank 1 Boligkreditt AS, which comprise the statement of financial position as at December 31, 2015, and the income statement, overview of comprehensive income, changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of SpareBank 1 Boligkreditt AS as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 1 March 2016
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

Vindmøllebakken

Sustainable housing

Sustainable housing provides environmental advantages

Gaining by Sharing: It's all about the individual, the social and environmental benefits which can be gained by sharing daily life with one another. At Vindmøllebakken in Stavanger, south west Norway, they are experimenting with a new model and a solution which makes sharing both a natural and a smart option in relation to the resident's requirements and to future urban development.

Vindmøllebakken and "Gaining by Sharing" is a concept developed and christened by Siv Helene Stangeland, founder and architect in the international prize winning architectural firm Helen & Hard and Sissel Leire, Chairman of Kruse Smith, a property development company in Norway.

- Are we back to the hippie era, with collectives and a free for all?

- Sissel comments, "We had a meeting where we discussed new forms of housing. The situation here in Stavanger is special. There are too many people living in homes, which occupy large sites. There is a mismatch between demand for residential units in the form of apartments / townhouses and the number of single houses. The future demands smaller units and further social integration.

Enhancing the quality of life

In addition, there is a more sustainable way of solving future residential infrastructure, we believe that it will enhance the quality of life for the residents, says Siv Helene Stangeland. The volume of interest we have received relating to the project indicates that there is a demand for such an initiative. Currently we have more than 100 interested parties. They are invited to meetings in advance of the construction phase. They become involved in pre-planning through workshops and idea exchanges. In other words, they are active participants in the shaping of their own future home.

- Is this a new approach for you as architects and contractors?

- It isn't unusual to cooperate with the developer, but to explore the possibilities and wishes with the future residents is a step in a new direction, says Stangeland.

Four points on sustainability

- You have spoken alot about sustainability. What does this actually mean?

- We have four points on sustainability of which all are equally as important, says Sissel Leire. The first is economy. This is a commercial model where earning a profit is a goal. However, it is a project with smaller units. The sharing model benefits the inhabitants as it makes it easier to raise capital for buying into a unit.

- The next point is humanity. By sharing and being more active within your community is fulfilling. Being closer to your neighbour and being part of something bigger, a community and a collective spirit. Not being isolated and alone whilst simultaneously being able to maintain a level of privacy. This adds something extra!

Multiple advantages

- The third point is sustainable architecture, says architect Siv Helene Stangeland. - Architecture can inspire and support sustainable living. We provide a framework for a simpler life, a life which focuses on reducing your CO2 footprint. However you also get more because there is more to share. For this project it is important that there are common meeting places. A communal laundry can also be a library; a lot can happen when people meet. Other communal areas include: a garden and a roof terrace where people can gather with similar interests.
Our goal is to make it easier to gain by living together and by staying together both financially and socially through architecture. When this happens it becomes sustainable.

- Architecture is all about sustainability: Adapting spaces to the climate and its surroundings, good spatial organisation and not least an understanding and knowledge of the entire production chain and combining it with healthy materials, comments Siv Helene Stangeland.

Our goal is to make it easier to gain by living together and staying together both financially and socially through architecture. When this happens it becomes sustainable.

Siv Helene Stangeland, partner at Helen & Hard architects

An environmental boost

- Last but not least we come to the fourth point, namely the environment, says Sissel Leire. As Chairman of Kruse Smith she is of course excited by the possibilities concrete can offer, however Kruse Smith Eiendom (a sub-division of Kruse Smith) placed great emphasis on timely and environmentally friendly building technologies and materials.

– We've made an environmental stand says Leire. We explored new construction methods, but also looked at how the community can reduce the demand on a number of objects.

- We will have less of a carbon footprint and emissions states the architect. The goal is, as much as possible, to be renewable. We work holistically, think about all of the phases of the project to reduce the environmental impact, not only now but also for the future. We have developed a completely new building system for wood. We make wood visible, because it is so beautiful. It's properties are wonderful, providing exciting opportunities which other materials simply cannot provide. On the downside perhaps is that the Norwegian timber industry has only come so far in the development of wood based building systems. It is therefore tempting to source systems we use from further afield. We must focus on quality first when selecting materials. We hope the industry will rise to the challenge and join the environmental developments.

48 homes, 30 of them in a collective

Vindmøllebakken is still a project, which has not quite started. On the site Helen & Hard have outlined a prototype of the parts of a house. Nevertheless, there is great optimism and huge interest among potential buyers.

48 residential units are planned for the site, where 30 of these are included in collective living arrangements.

The entire project is planned with a dense and low wooden structure, which embraces the surrounding timber neighbourhood at Storhaug. Older industrial buildings will be transformed to make further room in the future. There will be pedestrianized streets and social meeting places. The space between the houses will be as important as the units themselves so that the project maintains the ambition of a social community and shared experiences.

The development will also exploit the tapering terrain of the site, where many of the homes gain access to light, air and direct access from the ground level. This also saves considerable resources in terms of power for heating and lighting while avoiding interior service space costs for corridors and elevators.

Sissel Leire and Siv Helene Stangeland

Who is it designed for?

Actually, it's for a whole generation. There is enough room for people of all age's and walks of life. Apartment living is relatively new in Norway so it is important to attract inhabitants who are familiar with this form of living. However, the project welcomes each and everyone! The project is also a part of the "Future Built" project, which is a pilot initiative with the goal of halving greenhouse gas emissions. Vindmøllebakken will be built with a focus on minimum passive levels.

Factsheet

Sissel Leire
Third generation owner of Kruse Smith; a Construction and Property Development Company in Norway. Passionate about finding value driven business opportunities and proud member of Toniic. Co founder of Gaining By Sharing. Searching for economic, ecological and ethical growth - in that balance.

Siv Helene Stangeland
Siv Helene Stangeland studied architecture at the Oslo School of Architecture with three years student exchange at ETSAB in Barcelona. She has training in supervision and process management with sustainability as a focus. In 1996 she founded the architectural firm Helen & Hard AS together with Reinhard Kropf. Today they have 26 employees and offices in Stavanger and Oslo. They have won numerous awards for sustainable architecture and design both nationally and internationally.

Kristin Storen Wigum
Industrial Designer and researcher, owning the consultancy Gaia Trondheim, Product and System Design for Sustainability. Kristin is partner in the concept Gaining by Sharing, and has specific focus on process development for co-designing with the dwellers. All her works combine ecology, system oriented design, and goals for quality of life.

Vindmøllebakken, Storhaug Stavanger
48 townhouses, a mixture of terraced housing and apartments where 30 apartments are collective.
Client: Kruse Smith Eiendom and Helen & Hard Architects
Developer: Kruse Smith
Project: Kruse Smith Real Estate, Helen & Hard, Gaia Trondheim
Project period: 2013 - 2017
Environmental Ambition: Energy label A and minimum passive level.
Approved as a pilot project for "Future Built"

Text: Erling Forfang, Oktan Stavanger. Photography: Jon Arne Tjelta, Oktan Stavanger

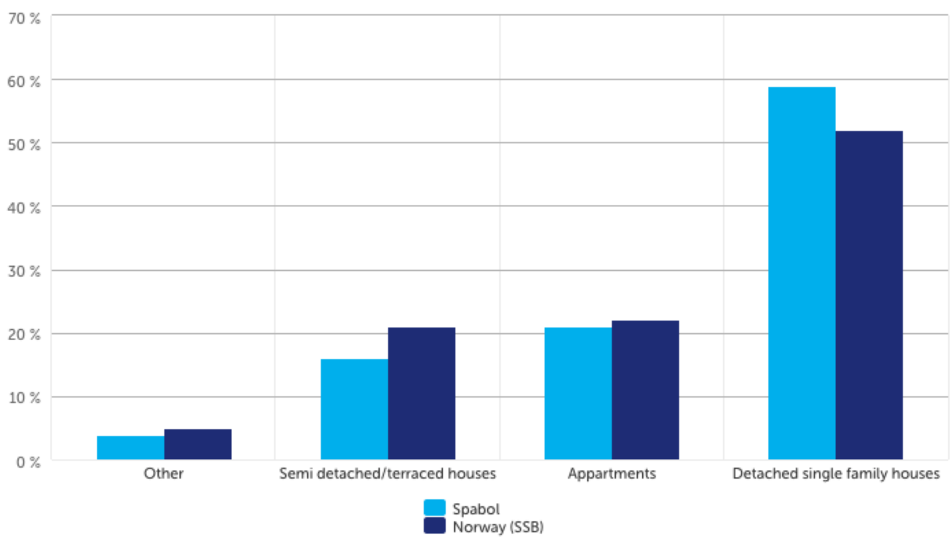
Stavanger

Norwegian housing stock, home ownership and mortgage finance

Statistics Norway (SSB) publishes data on the overall structure of the housing stock in Norway. This shows that the majority of the Norwegian population live in one-family, detached houses, and if the semi-detached or terraced houses are included, that figure covers 73 per cent of the total residential housing stock. There are consequently relatively few flats or apartments in Norway, which are mainly located in inner-city centres. It is however the apartment segment which has the highest transaction volume with on average 55% of all real estate sale and purchases in Norway over the last five years being apartments. The main Norwegian residential housing real estate price index is weighted by transaction volume. Consequently, the selling prices of apartments influence the path of the index overproportionally.

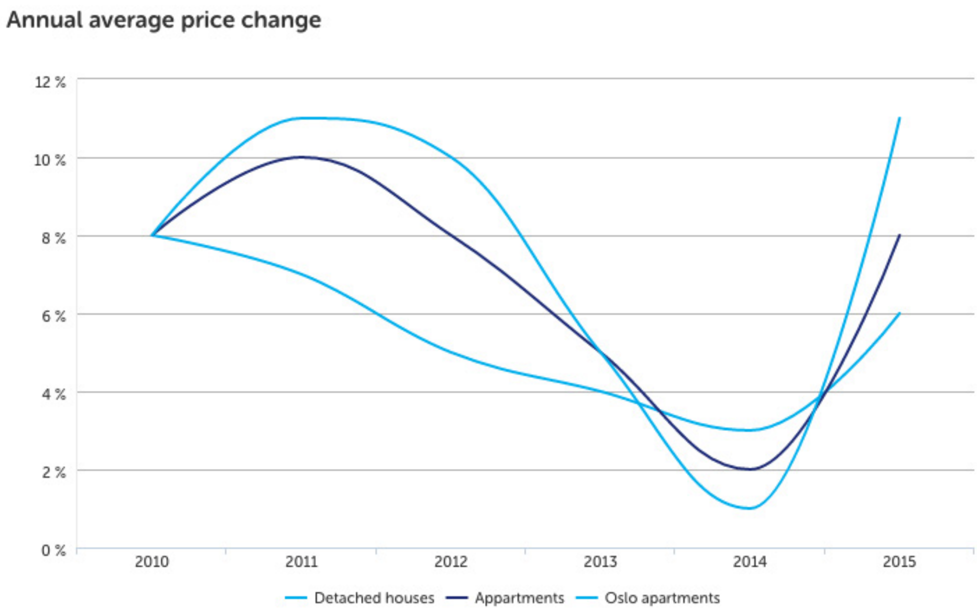
SpareBank 1 Boligkreditt's portfolio of residential units, on which the mortgages are secured, is shown alongside the entire Norwegian housing stock for comparison purposes in the chart below. For Spabol, the detached one-family houses make up a larger proportion of the portfolio with 59 per cent vs. 52 per cent for the country at large, while apartments make up a slightly smaller portion.

Housing stock for Norway and SpareBank 1 Boligkreditt



Oslo is the country's capital and largest city with approximately 640,000 people living within the narrow geographical border of the municipality of Oslo. Due to space restrictions, the Oslo residential real estate market consists overwhelmingly of apartments, thus a large share of Norway's apartment transactions also take place here.

Price appreciation in Oslo has been relatively strong compared to the rest of the country, and is in 2015 (as of the month of November) up 11 per cent on the average compared to the prices in 2014. The chart below illustrates the annual price appreciation for apartments in Oslo vs. the apartments in the country at large and also compare these developments to the detached house price index in Norway over the previous five years. It is clear from the chart that the detached segment has developed more moderately in price.



For SpareBank 1 Boligkreditt, with less than 9 per cent of our portfolio of mortgages in Oslo and overall in Norway a larger representation of mortgages on detached houses, we can conclude that overall house valuations which form the basis for our mortgage lending has developed more moderately than what the price index for Norway as a whole indicates. The price index is influenced by a relatively active apartment transaction volume in the capital.

Home ownership

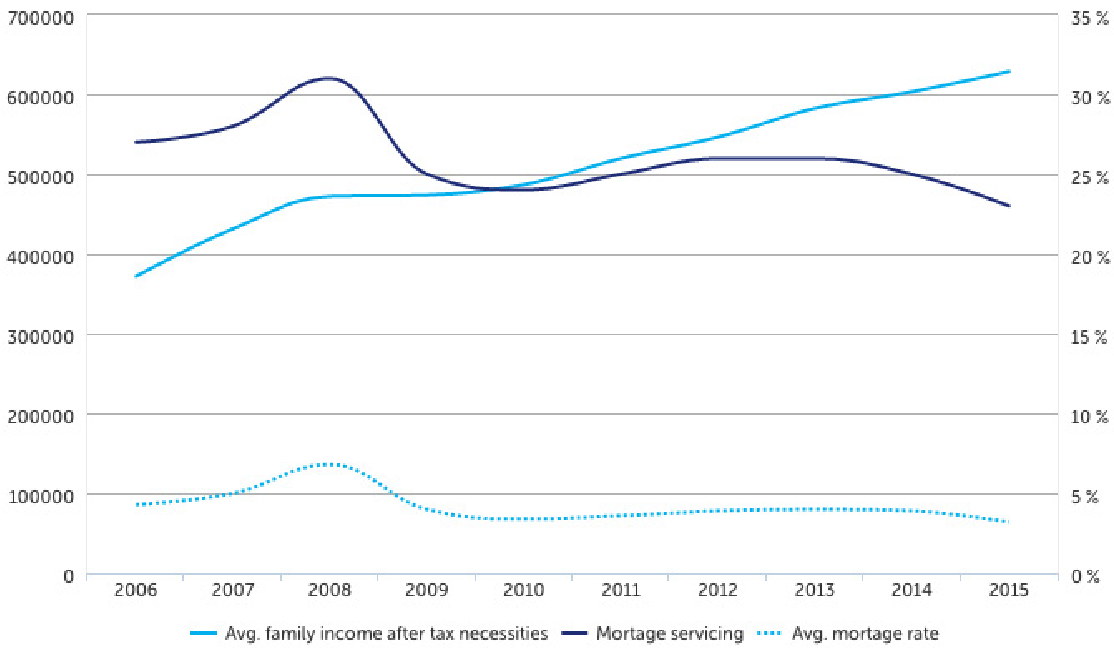
Most household own their dwellings in Norway. The overall share of the population over 16 years of age who lives in a house or apartment which is owned is 84 per cent, according to SSB. Over time there has been a slight increase in the share of home owners, which stood at 82 per cent in 1997. The highest proportion of owner occupier households is among the older members of the population (45 years and older), where about nine out of ten own their home. The most stable growth in owner occupier households, however, is among people aged 25-44, with an increase from 76 per cent in 1997 to 81 per cent in 2015. The increase in owner occupier households among people aged 25-44 has taken place during a period that has also seen a significant increase in housing prices. Couples, especially couples with children, are owners to a greater extent than others, especially when compared with people who are single and single parents. Ninety-eight per cent of couples with children aged 7-19 years are owner occupier households.

The consumer decision to buy vs. rent is influenced by a number of factors, including cultural ones, but is supported by the tax regime with very low or no real estate taxes, tax deductions of interest (27 per cent of interest paid) and a low valuation of real estate as part of the taxable basis for the Norwegian wealth taxation (currently at 0.8 per cent of taxpayer net assets). In addition, the availability of rented accommodation is not, due to a long history of high home ownership, equal to the availability of choice in the buy to own segment.

Household finance

Because of the high home ownership rate, Norwegian households carry mortgage debt. The average debt is between 1.1 and 1.2 million kroner (122,000 to 133,000 Euros at 9 NOK per EUR), with a large degree of variability amongst households. Approximately 12.5 per cent of households are leveraged by more than 3 times gross income and approximately 5 per cent by more than 4 times their gross income. Even though the level of debt as a share of net disposable income for the entire population is around 200 per cent, the growth in debt outstanding has slowed down. Importantly, households are in a comfortable financial position due to that living expenses have not increased nearly as much as income over a number of years and that mortgage interest rates are low.

The chart below illustrates the point for a hypothetical average household with children. The mortgage size has been set at 85 per cent of the median house price in Norway as of September 2015 with a repayment horizon of 25 years and equal instalments . The cost of necessities have been sourced from the government agency which calculates a reference household budget for the country, and this SIFO budget includes the cost of food, clothing, transportation and other goods and services deemed necessities. New mortgages probably would attract a lower rate than the 3.2 per cent figure in the chart, which represent an average for 2015. We estimate that this household spends 24 per cent of net disposable income on average in 2015 for mortgage servicing, both interest and instalments. The trend is decreasing and it is now mainly the downward trajectory of interest rates which is responsible for this, a trend which we expect will continue in 2016.



However, due to the predominance of floating or variable rates with which Norwegian households establish their mortgages, a regulatory requirement is for banks to test how a borrower can withstand interest rate increases. Potential borrowers should be dissuaded from taking out the mortgage if there is not an ample income or financial cushion to be able to absorb a mortgage rate increase of 5 percentage points above the current offered rate.

[1] The 85 per cent loan to value limitation is a regulation which applies to all banks in Norway and was established as such in 2015 after having existed in the form of a recommendation from the banking supervision authorities in prior years.

Eivind Hegelstad

Eivind Hegelstad is COO / Investor Relations at SpareBank 1 Boligkreditt

Mandal

Local residential real estate markets

Norway has 428 municipalities, which contains approximately 2 million residential buildings (detached and terraced houses and apartment buildings). The various municipalities exhibit some degree of variance over a set of factors which taken together may be a good indication for a particular market attractiveness.

Eiendomsverdi AS is a provider of automated valuation services which are employed by banks and covered bond issuers in order to, amongst other things, periodically assess and revalue the residential housing stock which forms the basis for residential real estate lending[1]. The company has ranked all of Norway's municipalities according to six criteria which together express each local market's attractiveness, which is also an indication of how well functioning, or liquid, a particular market is.

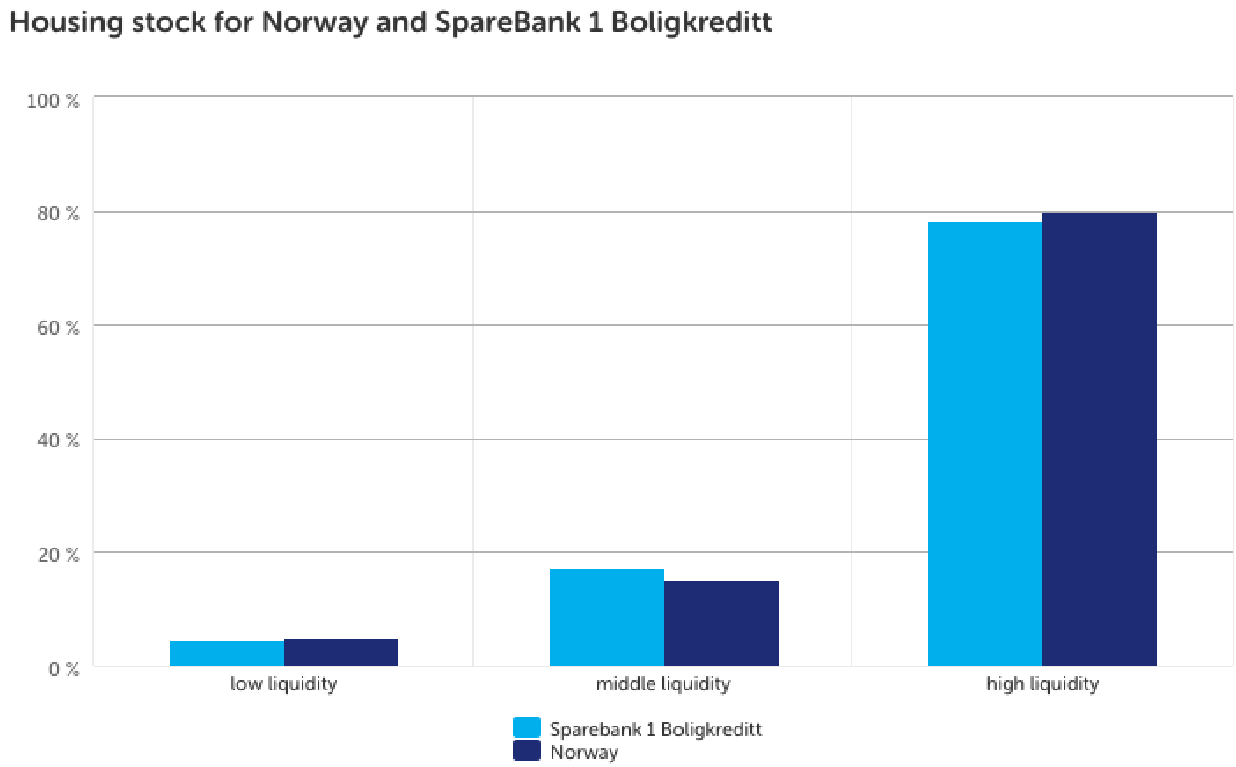
Each municipality is assessed and ranked according to the following six criteria:

- Number of residences
- Population change
- Turnover
- Price level
- Turnover time
- Difference between ask and final sale price

Each of the six criteria is assigned a certain number of maximum points, and each municipality can then score up to 20 points in total, if it ranks the highest in all criteria. The ranking of municipalities are then grouped into three areas of which the lowest score (total points 0-3) means that the municipality has a real estate market which is not well functioning and that liquidity risk here is higher. That means that it could take longer to sell a house and that there is a high degree of uncertainty surrounding the final sale price. A middle segment (total points 4-9) has a more moderate attractiveness while the best scoring segment (10-20 total points) means that the market for real estate in these municipalities is well functioning and the risk of a disappointing sale is limited.

The ranking is also a function of the time period in which the assessment is made. In a market with a downward pricing trend where the difference between asking price and final price increases that would be the case. Currently, this is happening to a moderate degree in municipalities in Norway's south-west region where the oil industry in going through a consolidating phase with an elevated unemployment rate and lesser population growth. The score in such a region is then slightly lower in 2015 than at other times in the recent past.

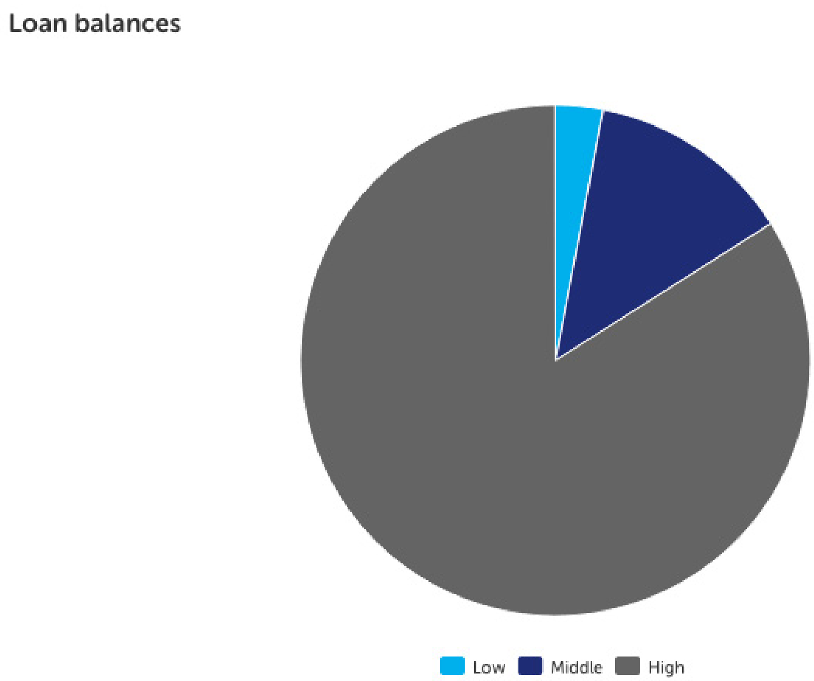
In 2015 all of Norway's 19 regions contained some municipalities where the real estate market is at higher-risk, with the exception of three: Oslo, Akershus and Vestfold, which may all three be seen together as the central area of eastern



Norway. On the other hand, all of Norway's 19 regions contains municipalities with very well functioning real estate markets, which are typically found in the larger towns and cities in each region.

The location of all of Norway's residential units as classified by Eiendomsverdi is represented by the green bars in the chart below, while SpareBank 1 Boligkreditt's portfolio of loans are represented by the dark blue bars

While Boligkreditt's portfolio is estimated slightly below the national average in the least attractive residential real estate market, it is slightly above in the middle category. However, both for Norway in the aggregate as for Boligkreditt



in particular the vast majority of properties are located in well functioning residential real estate markets.

Looking at SpareBank 1 Boligkreditt's distribution of loan balances, only a small share of 2.6 per cent of loan volume outstanding are in areas of low liquidity or attractiveness, the pie chart below illustrates the distribution across the three categories:

The weighted average current loan-to-value in the low liquidity segment in Boligkreditt's portfolio is 52.9 percent, slightly above the weighted average for Boligkreditt's entire portfolio, which has been consistently around the 50 per cent figure for several years. The valuation of the properties for the current LTV calculation represent the expected value at sale from a distribution range of values developed by Eiendomsverdi for each property (and for new loans the appraisal value at loan approval).

[1] Eiendomsverdi has since its inception in early 2000 built a unique database covering the Norwegian property market. By combining publicly available property data with information gathered directly from the real estate agents, the Norwegian housing cooperatives and the real estate developers, the database has become a powerful and critical tool as the basis for our market value estimates. It consists of information on every Norwegian property and the sales price from every transaction since 1990.

Eivind Hegelstad

Eivind Hegelstad is COO / Investor Relations at SpareBank 1 Boligkreditt

Oslo

Norwegian economy in transition

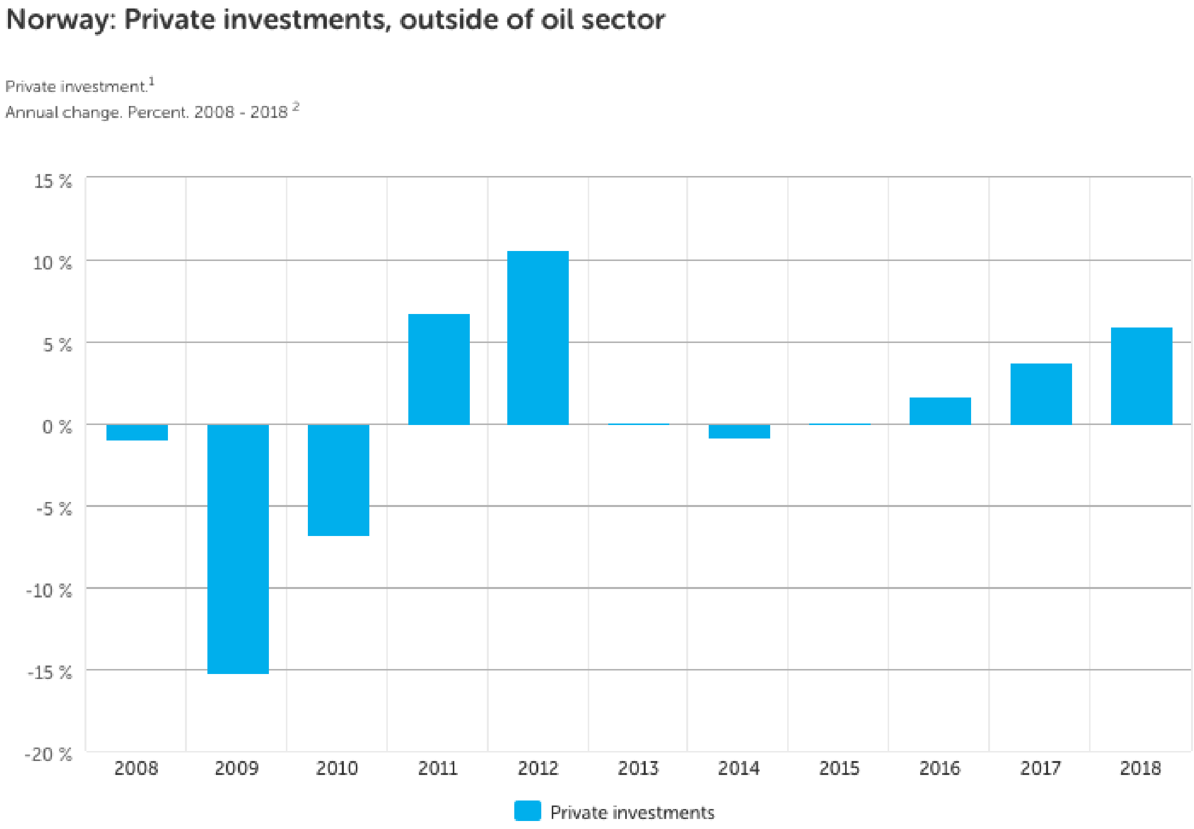
The downturn in the the Norwegian economy has lasted for more than a year, with the driver being the material drop in oil sector investment levels. Low interest rates have contributed to a very weak exchange rate for the Norwegian krone, which in isolation has contributed to a markedly strengthened competitiveness. A weak exchange rate and better access to required competent labour access (with less demand from the petroleum sector) could over time increase exports. When the exporting industries take the view that the weaker krone is a lasting feature, their investments will increase. Both the fiscal- and monetary policy now have a significant stimulating effect on the Norwegian economy. The downturn in the Norwegian economy is still isolated to parts of western Norway where the oil related activity has been at the highest level. Other parts of the country could be affected over time due to increased uncertainty, which could result in higher unemployment and reduced tax yield. This could result in a weaker housing market, and the expectation is therefore that only a moderate increase in real estate prices nationally will result for this current year. If the Norwegian economy weakens further, the central bank can decrease its monetary policy rate further and the government budget can become more expansive. Norwegian banks have stocked up their equity capital over several years, and if the credit growth falls significantly the authorities have the possibility to reduce the countercyclical buffer (core capital countercyclical buffer in effect at 1.5 per cent from July 1, 2016), which means the banks would then enjoy an increased capacity to lend. The government has announced more structural reforms (including tax reform) in order to increase the growth rate in the Norwegian economy, which will contribute positively as well.

Oil related downturn

The price of oil has dropped from a high point of $115 per barrel in the summer of 2014 to around $34. Oil related investments are expected to decline by all of 15 per cent this year, and almost as much again in 2017. The oil companies and the services- and component subcontractor segment have cut significantly their staffing and costs. The second round effects on the rest of the local businesses is materially painful. The unemployment rate for Norway is expected to breach the 5 per cent mark during the year. Other industries have however experienced a boost after the depreciation of the krone. Especially the fisheries sector (Norwegian salmon farming), but also other traditional goods and services including tourism and a series of other exports industries are experiencing stronger demand. Increased exports will lead to demand for more staff and investments, but not enough will take place to compensate for the downturn in the oil sector, which has been and is Norway's largest single industrial sector.

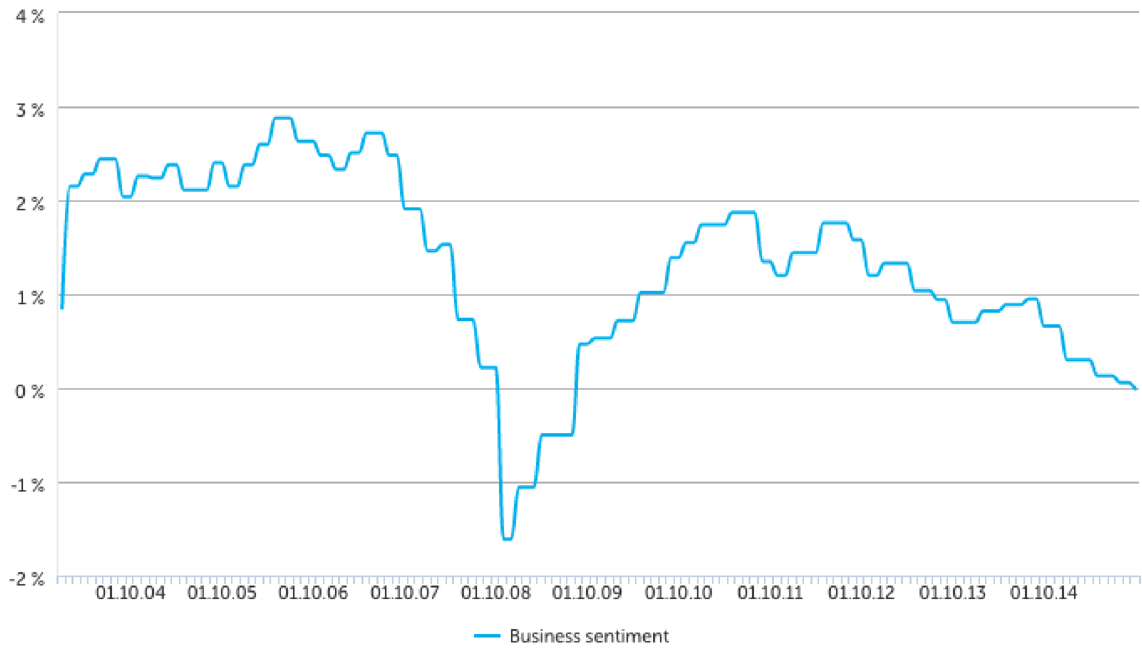
The housing market appreciates due to low interest rates and high immigration

Norway still attracts a high net immigration rate as well as a continued urbanization trend to the large cities around the country. The consequence of this is a continued housing deficit in the cities, and especially in eastern Norway



[1] Housing and business investment.
[2] Projections for 2015 - 2018.
Sources: Statistics Norway and Norges Bank

Norway: Business sentiment survey



Source: SpareBank1, Macrobonds

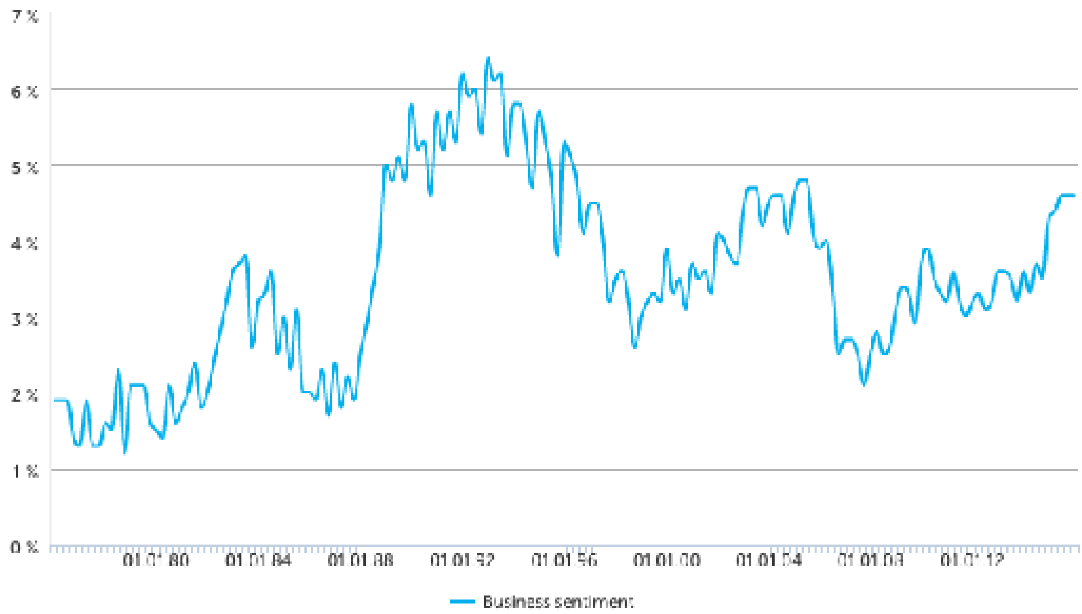
Labour market and wages

The oil sector belongs to that part of the labour market which negotiates pay settlements first, and which therefore sets a framework for wage increases in the rest of the economy. With the cooling off in the oil sector, wages will increase more moderately in the future. This year the wage growth will probably be around 2.7 per cent, only marginally above the rate of inflation. Next year we may experience negative real wage growth due to that higher import prices are expected to contribute to CPI growth up to 3 per cent, while wage increases remain around 2.7 per cent.

Lower growth provides an opportunity to improve competitiveness

A weaker exchange rate is the mechanism which helps Norwegian business to reinvent itself for a period of lesser oil related activity. The exchange rate makes all export companies more competitive. Lower activity in the oil sector enables other sectors of Norwegian industry to hire qualified personnel. The Norwegian central bank has warned that with the lower activity in the oil sector, the monitary policy rate will be further reduced from today’s 0.75 per cent. A rate cut is on the cards already for March, and the interest rate may be reduced to 0.25 per cent by the end of the year.

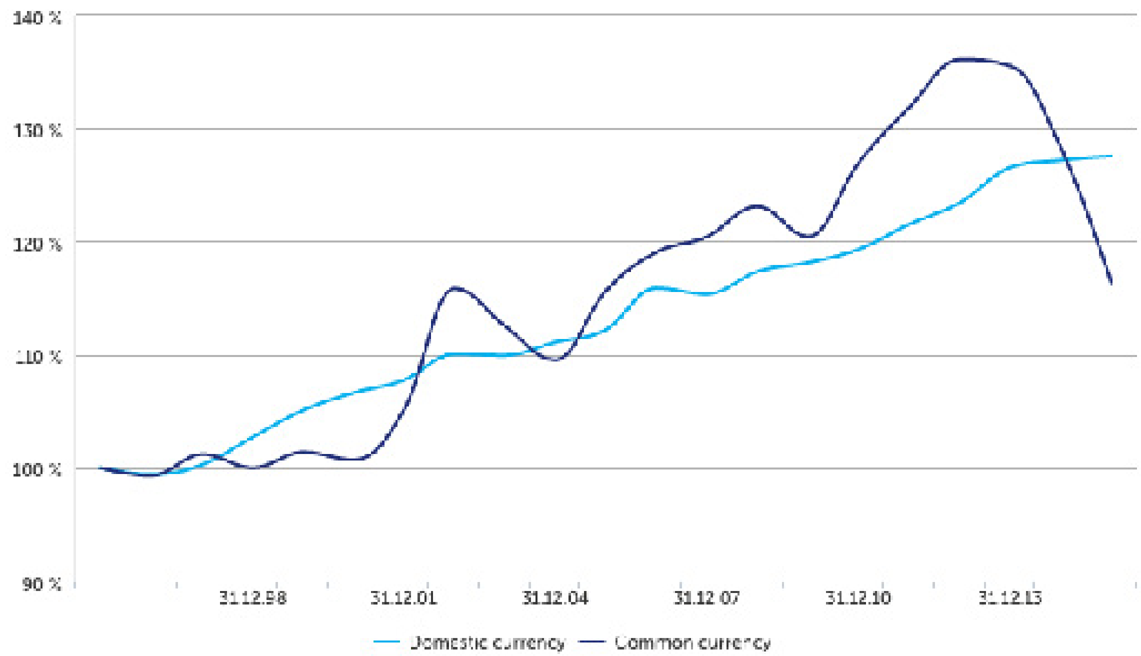
Norway, Unemployment, Rate, Males & Females, Total 15-74 Years



Source: SpareBank1, Macrobonds

Relative wage costs

Labour costs[1] relative to trading partners.
Index 1995 = 100. 1995 - 2015[2]



[1] Hourly labour costs in manufacturing.
[2] Projections for 2015 (broken lines).
Sources: TBU, Statistics Norway and Norges Bank

Norway: Forecasts (Estimates for 31.12, average for the year for GDP, unemployment and wages)

	2014	2015	2016
EUR/NOK	9,04	9,6	9,3
USD/NOK	7,5	8,8	8,4
Oil price (USD)	57,5	38	40
House prices (annual growth in December)	8,1	5,1	3
Norges Banks key rent	1,5	0,75	0,25
Unemployment rate (AKU)	3,5	4,6	5,2
GDP Mainland	2,5	0,9	1,3
CPI	2	2,5	3
Wage growth	3,1	2,7	2,7
Oil investments	212 mrd	-15 %	-10 %

Sources: SpareBank1, Statistics Norway

Elisabeth Holvik

Elisabeth Holvik is the Chief Economist at SpareBank 1.

Notes to the Accounts

Note 1 General information

SpareBank 1 Boligkreditt AS is the SpareBank 1 Alliance's separate legal vehicle established according to the specialist banking principle within the Norwegian legislation for covered bonds.

The Company's purpose is to acquire residential mortgages from its ownership banks organised in the SpareBank 1 Alliance and finance these by issuing covered bonds.

SpareBank1 Boligkreditt main office is located in Stavanger, visiting address Bjergsted Terrasse 1.

The accounts are prepared in accordance with "International Financial Reporting Standards" (IFRS), as determined by the EU and published by "International Accounting Standards Board" (IASB).

The Financial Statements for 2014 is approved by the Board of Directors on March 1, 2016.

Note 2 Summary of significant accounting policies

Presentation currency
The presentation currency is Norwegian Kroner (NOK), which is also the Company's functional currency. All amounts are given in NOK thousand unless otherwise stated.

Recognition and de-recognition of assets and liabilities on the Balance Sheet
Assets and liabilities are recognised on the balance sheet at the point in time when the Company establishes real control over the rights of ownership to assets and becomes effectively responsible for the discharge of a liabilities. Assets are de-recognised at the point in time when the real risk of the assets has been transferred and control over the rights to the assets has been terminated or expired. Liabilities are de-recognised when they have been effectively discharged.

Lending
Lending is measured at amortised cost. Amortised cost is the acquisition cost less any repayments on the principal, adding or subtracting any cumulative amortisation from an effective interest rate method, and less any loss of value or risk of loss. The effective rate of interest is the interest that exactly discounts estimated future positive or negative cash payments made prior to the financial instrument's maturity. Assessment of loans is thus carried out in accordance with the "lending regulation dated 21 December 2004" c.f. circular no 10/2005 from The Financial Supervisory Authority of Norway.

Evaluation of impairments (write downs) on mortgage loans
The Company evaluates the occurrence of impairment to loans or groups of loans at 31 December each year. Impairment has occurred if there is an objective proof of a reduction in value that can lead to a reduction in the future cash flow needed to service the debt. Impairment must result from one or more events that has occurred after the first entering into of a loan or group of loans (a loss incident), and the result of the loss incident (or incidents) must also be measured reliably. Objective proof that the value of a loan or a group of loans has been impaired includes observable data that is known to the group on the following loss incidents:

- substantial financial difficulties for the Issuer or with the borrower
- default on the contract, such as missing instalments or interest payments
- the Company grants the borrower particular terms on the basis of financial or legal circumstances related to the borrower's financial situation
- the probability that the debtor will enter into debt negotiations or other financial re-organisations
- the active market for the financial assets cease to exist due to financial difficulties, or
- observable data indicates that there is a measurable reduction in the future cash flow from a group of loans since they were first entered into, even though the reduction cannot be attributed to a single loan in the group, including;
- an unfavourable development in the payment status of the borrowers in the group, or
- national and/or local financial conditions correlating to the default of the assets in the group

The Company will first evaluate whether there exists individual objective proof of impairment for loans that are individually significant. For loans that are not individually significant, the objective proof of impairment will be evaluated either on an individual basis or collectively. If the Company concludes that there does not exist objective proof of impairment for an individually evaluated loan, whether it is significant or otherwise, the asset will be included in a group of loans having the same credit risk characteristics. This group will then be evaluated collectively for a possible impairment. Assets that are being evaluated individually for signs of impairment, and where an impairment is identified, or continues to be observed, will not be a part of a collective evaluation of impairment.

If objective proof of the occurrence of impairment exist, the magnitude of the loss will be considered to be the gap between the asset's book value and the present value of the estimated cash flow (exclusive of any future credit loss that has not yet occurred) discounted by the loan's last given effective interest rate. The book value of a loan will be reduced and the loss will be reflected in the income statement.

The future cash flow from a group of loans that has been collectively evaluated for impairment will be estimated in accordance with the contractual cash flow of the group as well as any historical loss on assets with a similar credit risk. Historic losses will be adjusted in accordance with existing observable data in order to allow for the effects of any current circumstances that were not present at the time of the historic losses, as well as the adjustment of the effects of circumstances that are not currently present.

According to Transfer and Servicing Agreement which the SpareBank 1 banks have entered into with the Company, SpareBank 1 Boligkreditt has the right to off-set any losses incurred on individual mortgage loans against the commissions due to all banks for the remainder of the calendar year. The Company has not since the commencement of its operations had any instances of off-sets against the commissions due to its owner banks.

Segment
Segments are organised by business activities and the Company has only one segment, mortgage lending to private individuals. All of the mortgages have been acquired from the SpareBank 1 Alliance banks. The Company's entire result for 2014 is therefore the result of the mortgage lending to private customers segment.

Established losses
When there is a prevailing possibility that the losses are final, the loss will be classified as established losses. Any established losses that have been covered by previously specified loan loss provisions will be set off against these provisions. Any established losses that have not been provided for in the loan loss provisions, as well as excessive or insufficient loan loss provisions will be reflected in the income statement.

Securities
Securities consists of certificates and bonds. These are either carried at fair value or hold to maturity. All securities that are classified at fair value in the accounts are recorded at fair value, and changes in value from the opening balance are allocated in the income statement as income from other financial investments. Certificates and bonds that are classified as hold to maturity are recorded at amortised cost by means of the effective interest rate method. The effective rate of interest is the interest that exactly discounts estimated future positive or negative cash payments made prior to the financial instrument's maturity.

Hedge accounting
The company has implemented fair value hedge accounting for bonds with fixed rates and bonds in foreign currencies. These bonds are entered into a hedging relationship with individually tailored interest swaps and currency swaps. The company values and documents the efficacy of the hedge both at first entry and consecutively. In fair value hedging both the hedging instrument and the hedged object are entered into the accounts at fair value with respect to the relevant interest rate curve and currency, and changes in these values from the opening balance are recorded in net income. The cash flow is therefore known for the entire contractual duration after the hedging relationship has been established. Because the hedging relationship is intended to remain in place throughout the life of the hedged instrument, only those changes which the interest rate and currency swap agreements are intended to hedge have an influence on the valuation of the hedging instrument.

Valuation of derivatives and other financial instruments
The Issuer uses financial derivatives to manage essentially all market risk on balance-sheet items. Interest rate risk is hedged to a NIBOR 3 months floating rate basis and currency risk is hedged mostly by derivatives and in some cases by natural asset liabilities hedges.

Liabilities:
- The Issuer applies fair value hedge accounting under IFRS for fixed rate issued debt (covered bonds) utilizing derivatives (swaps) which hedge the fixed interest rate and currency elements of the issued bonds.
- Issued floating rate debt in NOK is accounted for at amortised cost

Assets:
- For liquidity management purposes the issuer maintains a portfolio of liquid assets (including bonds) of which a part is designated as held-to-maturity, and a part is designated as a trading portfolio utilizing the fair value option under IFRS.
- The trading portfolio is valued at fair value (market value) and the associated derivatives (swaps) which hedge interest and/or currency risk are valued at fair value.
- The designated held-to-maturity portfolio is valued at amortised cost and mainly include floating rate debt denominated in NOK.

Though the issuer hedges all material interest rate and currency risk on its balance sheet, net unrealized gains (losses) from financial instruments may occur for the following reasons:

- Temporary mark-to-market differences in the value of an interest rate swap smay occur depending on the difference between the level at which the 3 months floating rate leg in the swap was last fixed and the 3 months interest rate level at the financial reporting date.
- There is a credit risk element which forms a part of the fair value of the assets in the trading portfolio, which is not reflected in the value of the associated interest and/or currency swaps hedging the trading portfolio assets.
- There may be floating rate assets (bonds) in the held-to-maturity portfolio denominated in foreign currency which are hedged via a corresponding foreign exchange liability (issued debt) also on an effective floating rate basis. In such natural asset liability hedges there may be a small element of foreign currency risk which may impact the P&L in that the floating rate coupons on the asset and the liability are not reset on the same dates and/or may be of different magnitude.

Intangible assets
Purchased IT-systems and software are carried on the balance sheet at acquisition cost (including expenses incurred by making the systems operational) and will be assumed to amortise on a linear basis over the expected life span of the asset. Expenses related to development or maintenance are expensed as incurred.

Cash and cash equivalents
Cash and cash equivalents includes cash and deposits, other short term available funds and investments with a maturity of less than three months.

Taxes

Tax in the income statement consists of tax payable on the annual taxable result before tax and deferred tax. Deferred tax is calculated in accordance with the liability method complying with IAS 12. With deferred taxes the liability or asset is calculated based on temporary differences, which is the difference between tax due according to the statutory tax calculations and tax calculated according to the financial accounts, as long as it is probable that there will be a future taxable income and that any temporary differences may be deducted from this income.

The tax rate for 2016 has been reduced from 27% to 25%. Temporary differences between the financial accounts and the tax due calculation have been readjusted to reflect 25%

In terms of deferred taxes, assets will only be included if there is an expectation that a future taxable result makes it possible to utilise the tax relief. The assessment of this probability will be based on historic earnings and the future expectations regarding margins.

Pensions

SpareBank 1 Boligkreditt AS maintains two types of pension plans; a defined benefits plan and a defined contribution plan. The defined benefits plan was closed to new members in 2011. Employees in the plan must migrate to the contribution plan from 01.01.2016.

Defined benefit plan

The plan is fully funded through annual payments to the pension scheme, and are determined by periodic calculations by an actuary. A defined benefit plan is one which grants a specified future benefit upon reaching the specified pension age. Factors which determine the benefit are age, the number of years in employment/membership in the plan and remuneration. The liability which is recorded in the balance sheet is the net present value of the defined benefit reduced by the fair value of the pension plan assets. . The liability is calculated annually by independent actuaries. The net present value of the future benefits are found by using the yields on Norwegian government bonds adjusted for differences in maturity dates.

Defined contribution plan

In a defined contribution plan the company pays a defined contribution into the pension scheme. The Company has no further oblilgations beyond the defined contributions. The contributions are recorded as salary expense in the accounts. Any prepaid contributions are recorded as assets in the balance sheet (pension assets) to the extent that the asset will reduce future payments when due.

The Company has eight employees as of year end 2014. All employees are included in SpareBank 1 SR-Bank ASAs pension scheme and accrue the same benefits as the other membership in that scheme which are employees of SpareBank 1 SR-Bank ASA. For the Chief Executive Officer of SpareBank 1 Boligkreditt future pension obligations for remuneration above the limit of 12 times the basic allowance or limit as formulated by the national pension scheme are accounted for in the Company's accounts. One person is on permanent hire in Boligkreditt from SpareBank 1 Gruppen, which covers all pension obligations for this person.

In addition to the pension obligations, which are covered through the pension scheme, the Company has other uncovered pension obligations. These obligations exist for additions pensions beyond 12 G, ordinary early pensions and early pensions according to AFP ("Avtalefestet pensjon").

Cash flow statement

The cash flow statement has been presented according to the direct method, the cash flows are grouped by sources and uses. The cash flow statement is divided into cash flow from operational, investment and finance activities.
Reserves

The Company will create reserves when there is a legal or self-administered liability following previous events, it is likely that this liability will be of a financial character, and it can be estimated sufficiently accurately. Reserves will be assessed on every accounting day and subsequently adjusted to reflect the most accurate estimate. Reserves are measured at the present value of the expected future payments required to meet the obligation. An estimated interest rate which reflects the risk free rate of interest in addition to a specific risk element associated with this obligation will be used as the pre-tax rate of discount.

Supplier debt and other short term liabilities
Supplier debt is initially booked at fair value. Any subsequent calculations will be at amortised cost, determined by using the effective rate of interest method. Supplier debt and other short term liabilities where the effect of amortising is negligible, will be recorded at cost.

Interest income and expense
Interest income and expense associated with assets, and liabilities measured at amortised cost, are recorded according to the effective rate of interest method. Any fees in connection with interest bearing deposits and loans will enter into the calculation of an effective rate of interest, and as such will be amortised over the expected maturity.

Commission expense
Commissions are paid by the Company to its parents banks and represent most of the net interest margin earned in Boligkreditt.

Dividends
Proposed dividends are recorded as equity during the period up until they have been approved for distribution by the Company's general assembly.

Events after the balance sheet date
The annual accounts are deemed to be approved for publication when the Board of Directors have discussed and approved them. The General Meeting and any regulatory authorities may subsequently refuse to approve the annual accounts, but they cannot change them. Events up until the annual accounts are deemed to be approved for publication and that concern issues already known on the accounting day, will be part of the information that the determination of accounting estimates have been based on, and as such will be fully reflected in the accounts. Events that concern issues not known on the accounting day, will be commented upon, provided that they are of relevance.

The annual accounts have been presented under the assumption of continuing operations. This assumption was, in the opinion of the Board of Directors, justified at the time when the accounts were presented to the Board of Directors for approval.

Share capital and premium
Ordinary shares are classified as equity capital. Expenses directly related to the issuing of new shares or options with tax relief, will be recorded in the accounts as a reduction in the proceeds received.

Fair value measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purpose of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

Adoption of New and Revised International Financial Reporting Standards (IFRSs)
For the previous year, no new or revised IFRS have been incorporated into the Company's accounts.

Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The new and revised IFRSs are not mandatorily effective for the year ended December 31, 2014. The Company intends to adopt these standards when they become effective. The Company is targeting implementing IFRS 9 early when this is possible.

Financial instruments: Classification and Measurement
IFRS 9 issued in November 2009 introduced new requirements for the classification of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.
Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value ant the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit and loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the type of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The mandatory effective date of IFRS 9 is 1 January, 2018. IFRS 9 has not yet been endorsed for application in the European Union.

It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

IFRS 15 Revenue from contracts with customers
In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 and the related interpretation when it becomes effective.

The mandatory effective date of IFRS 15 is 1 January, 2018. IFRS 15 has not yet been endorsed for application in the European Union. (expected approval in Q1 2016). It is expected that the effects of IFRS 15 will be minor and no effect would have been expected as of the date of these accounts.

Note 3 Risk management

SpareBank 1 Boligkreditt AS is an institution which acquires residential mortgages from banks in the SpareBank 1 Alliance.

This activity is predominantly financed by the issuance of covered bonds. The Company is therefore subject to the Norwegian legislation for covered bonds and the demands this imply for exposure to risk. In addition, the Company wishes to maintain the AAA/Aaa ratings from Fitch and Moody's, resepctively, with regards to the covered bonds, which also requires a high degree of attention to risk management and a low risk exposure profile.

The purpose with the risk and capital adequacy management within SpareBank 1 Boligkreditt AS is to ensure a satisfactory level of capital and a responsible management of assets in accordance with the Company's statutes and risk profile. This is ensured through an adequate process for risk management and planning and implementation of the Company's equity capital funding and capital adequacy.

The Company's risk- and capital management are aiming to be in accordance to best practices - and this is ensured through:

- A risk culture characterised through high awareness about types of risk and the management thereof
- A competent risk analysis and control environment
- A good understanding of which material risks the Company is exposed to"

Organisation and organisational culture
SpareBank 1 Boligkreditt AS is focused on maintaining a strong and alert organisational culture characterised by high awareness about risk management.

SpareBank 1 Boligkreditt AS is focused on independence and control, and the responsibilities are divided between different roles within the organisation:

- The Board of Directors determines the main principles for risk management, including determining the risk profile, limits and guidelines. The Board also carries the responsibility to review capital levels in accordance with the risk profile and the requirements of the regulatory authorities.
- The Chief Exceutive Officer is responsible for the day to day administration of the Company's business and operations according to laws, statutes, powers of attorney and instructions from the Board. Staretgic items or

operational items of an unusual nature or importance are discussed with and presented to the Board of Directors. The CEO may however decide a matter in accordance with a power of attorney from the Board. The CEO is responsible for implementing the Company's strategy and in cooperation with the Board to also develep and evolve the strategy.
- The risk manager reports both directly to the CEO and to the Board. The risk managere is tasked with developing the framework for risk managament including risk models and risk management systems. The poistion is further responsible for the independent evaluation and reporting of risk exposure in addition to maintaing all relevant laws and regulations.
- The balance sheet committee is an advisory council for the operational management of the Company's balance sheet within the framework determined by the Board of Directors. The committee is a an important component of Boligkreditt's operative management of liquidity risks. The balance sheet committee is headed by the CEO and consists of the CFOs of the largest banks in the SpareBank 1 Alliance in addition to one representative from the smaller Alliance banks (Samspar).
- The investment committee is an advisory council for the evaluation of counterparty exposure limits and for the composition of the liquidity portfolio. The committee is headed by the CEO and consists of Boligkreditt's financial director and director for asset liability management. The committee advises on credit limits for counterparties and the composition of the liquidity portfolio. The CEO has been tasked by the Board to make decisions regarding credit limits for counterparties and individual investments. "

Risk categories:
In its risk management the Company's differentiates amongst the following categories of risk:

- Credit Risk: The risk of loss as a result of that counterparties are unwilling and/or unable to meet their obligations to the Company. Credit risk management is detailed in the Company's credit risk policy and this policy is approved by the Board of Directors annually.
- Liquidity Risk: The risk that the Company is unable to meet its obligations and/or finance its assets
- Market Risks: The risk of loss as a result of changes in observable market variables such as interest rates, foreign exchange rates and securities.

Further details about risk categories are discussed in later Notes

Note 4 Important estimates and considerations regarding application of accounting policies

The presentation of financial information in accordance with IFRS results in that management uses estimates and makes assumptions which affect the outcome of certain accounting principles, including the amounts accounted for assets, liabilities, income and cost.

Loss on loans and guarantees
The Company makes loan provisions for individual loans if an objective incident has occurred which can be identified in relation to a single exposure, and the objective incident reduces the future expected cash flow for repayment of the exposure. Objective incident may be the default, bankruptcy, lack of liquidity or other material financial problems. Individual loan loss provisions are calculated as the difference between the book value of the loan and the net present value of the future cash flow based on the effective interest rate at the time of the initial calculation of the individual write off. Subsequent changes in interest rates are considered for loan agreements with floating interest rates to the extent this impacts expected cash flow. Group loss provisions are estimated on groups of loans where there are objective evidence that an incurrence of loss has taken place following the initial accounting recognition of these loans on the balance sheet. Objective evidence include observable data which allows for a conclusion that the future cash flow from the group of loans is reduced. The development in probability of default over time is one such objective evidence which is utilised in order to identify a need for a group loan loss provision. Where a require-

ment for a group write down exists, the loss on the group of loans is calculated as the difference between the book value and the net present value of the future estimated cash flow. In order to calculate this difference (which equates to the amount of write downs) the starting point is the expected loss for the group of loans. The estimates of individual and group loan loss provisions are always evaluated and formulated with a considerable degree of uncertainty. Futures estimates based on historical incidents may prove to be erroneous because it is uncertain which relevance historical data have as a predictior for the future. Where loans are secured on collateral in stressed situations, such as when certain objects or industries are in distress, the proceeds from sales of collateral in relative illiquid markets may be subject to a high degree of uncertainty.

Fair value of financial instruments

The fair value of financial instruments which are not traded in a liquid market are determined using valuation techniques. The Company utilises methods and assumptions which are as far as possible based on observable market data and which represent market conditions as of the date of the financial accounts. When valuing financial instruments where no observable market data are available, the Company estimates values based on what it is reasonable to expect that market participants would use as a basis for valuation of financial instruments.

Pensions

Net pension obligations are based on a number of estimates including future investment returns, future interest rate and inflation levels, developments in compensation, turnover, development in the "G" amount (the basic level of pension as determined by the public pension system and used as a yardstick in several calculations nationally) and the general development in the number of disabled persons and life expectancy are of significant importance. The uncertainty is primarily related to the gross obligation for pensions and not the net amount which is recorded in the financial accounts (balance sheet). Changes in pension obligation estimates which may result from changes in the factors mentioned above will be charged directly against the Company's recorded equity.

Income Taxation

The calculation of the income tax also incorporates material estimates. For many transactions and calculations there will be a degree of uncertainty related to the final tax obligation. SpareBank 1 Boligkreditt AS records tax obligations in tax- and other legal disputes based upon whether future income tax obligations are expected to materialise. If the final outcome of a particular case deviate from the original accrued amount for tax, the difference will affect the profit and loss account for tax expense. The recognised amounts for deferred taxation in the period where the difference is established will also be affected.

Note 5 Net interest income

NOK 1 000	2015	2014
Interest income		
Interest income and similar income from loans to and balances with credit institutions	300,398	205,278
Interest income and similar income from loans to and balances with customers	5,258,746	6,502,841
Interest income treasury bills	7,849	26,035
Commission expense (payable to shareholder banks) *	-1,687,085	-2,258,058
Total interest income	**3,879,909**	**4,476,095**
Interest expense		
Interest expense and similar expenses to credit institutions	31,291	40,085
Interest expense and similar expenses on issued bonds	3,359,422	3,970,238
Interest expense and similar expenses on issued certificates	1,735	48,067
Interest expense and similar expenses on subordinated debt	80,584	62,240
Other interest expenses	19	92
Total interest expense	**3,473,052**	**4,120,722**

Net interest income	**406,857**	**355,372**

* Commissions to our parent banks are calculated daily for each mortgage loan transferred. whereby the commission equals the customer loan rate less a rate which incorporates the Company's average cost of funding and operational costs. The operational add-on element is expressed through an average rate which is from time to time decided by the Company's Board of Directors.

Note 6 Net gains from financial instruments

NOK 1 000	2015	2014
Net gains (losses) from financial liabilities. hedged instrument (1)	-408,266	-4,464,177
Net gains (losses) from financial assets. hedged instrument (2)	-34,613	234,463
Net gains (losses) from financial derivatives. hedging. at fair value. hedging instrument (1.3)	209,580	4,159,652
Net gains (losses) due to changes in basisswapspreads	467,146	31,604
Net gains (losses)	**233,848**	**-38,458**

(1) The Company utlilizes hedge accounting as defined in IFRS for issued fixed rate bonds (covered bonds) with derivatives (swaps) which hedges fixed rates to floating and foreign currencies to Norwegian kroner. The hedges are individually tailored to each issued bond and exactly matches the cash flows and duration of the issued bonds.

(2) SpareBank 1 Boligkreditt AS manages its liquidity risk by refinancing its outstanding bonds ahead of expected maturities and keeping proceeds as a liquidity portfolio. The majority of this portfolio is valued according to observed market values (fair value). Fixed rate bonds and bonds in other currencies than Norwegian kroner are hedged using swaps. The latter are valued according to interest rate and foreign exchange rates and are also valued at fair value (though differences may occur because the valuation of the bonds include a credit risk/spread element which the swaps do not contain). A smaller part of the portfolio is classified as hold-to-maturity and consist of bonds in Norwegian kroner at floating rates.

(3) All derivatives are valued at fair value according to changes in market interest rates and foreign exchange rates. Changes in valuations from the previous period is accounted for in profit and loss.

(4) The Company utliizes basis swaps, which is the foreign exchange swap that changes foreign currency exposure into Norwegian kroner exposure, and this is entered into at a certain cost (spread over 3 months NIBOR). The change in the spread is used to adjust the valuation of all of the outstanding basis swaps each quarter, along with the change in other transaction charges to enter into the swaps. An increase in the costs for basis swaps results in a positive adjustment (gain), while a reduction in basis swap costs lead to a negative adjustment (loss). The effect of the basis swap valuation adjustments can be material from quarter to quarter because the Company's portfolio of swaps is extensive. All basis swap valuation adjustments will reverse in line the with the passage of time and will become zero at the latest at the point of the scheduled swap termination date.

Note 7 Salaries and remuneration

NOK 1 000	2015	2014
Salary	10,726	10,176
Salaries reinvoiced to SpareBank1 Næringskreditt*	-3,108	-5,329
Pension expenses	706	1,783
Social insurance fees	1,736	1,611
Other personnel expenses	640	1,984
Total salary expenses	**10,700**	**10,224**
Average number of full time equivalents (FTEs)	8	8

* The company's employees have shared employment between SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. All remuneration is effectuated through SpareBank 1 Boligkreditt and a portion is reinvoiced to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank 1 SR-Bank ASA and SpareBank 1 Gruppen. Pension benefit obligations are safeguarded in SpareBank 1 Boligkreditt through participation in the pension fund of SpareBank 1 SR-Bank ASA. This pension scheme meets the legal requirements on mandatory occupational pension schemes.

Note 8 Salaries and other remuneration of management

Paid in 2015

NOK 1 000	Total compensation	Bonus	Other compensation	Pension cost	Accrued Pensions	Employee mortgage loan
Management						
Chief Executive Office - Arve Austestad	2,089	-	168	706	4,637	4,163
Director. Head of Finance & Risk - Henning Nilsen	1,347	-	35	208	1,043	1,383
Chief Operating Officer - Eivind Hegelstad	1,314	-	35	-	-	4,425
Total for Management	**4,750**	**-**	**238**	**914**	**5,680**	**9,971**

Paid in 2014

NOK 1 000	Total compensation	Bonus	Other compensation	Pension cost	Accrued Pensions	Employee mortgage loan
Management						
Chief Executive Office - Arve Austestad	2,197	144	162	616	5,178	2,788
Director. Head of Finance & Risk - Henning Nilsen	1,350	88	36	173	1,183	1,433
Chief Operating Officer - Eivind Hegelstad	1,467	96	67	-	-	4,261
Total for Management	**5,014**	**328**	**265**	**789**	**6,361**	**8,482**

All employees have an offer of an employee mortgage loan from SpareBank 1 SR-Bank. The terms and conditions for this include an interest rate one percentage point below the standard rate as determined by the. Norwegian Treasury Department from time to time.

The Board of Directors	2015	2014
Kjell Fordal	100	97
Inge Reinertsen	79	76
Tore Anstein Dobloug	79	76
Merete N. Kristiansen	79	76
Merete Eik	79	-
Inger S. Eriksen	-	76
Trond Sørås (Observer)	20	14
Geir-Egil Bolstad (Observer)	17	16
Total for the Board of Directors	**450**	**431**

The Control Committee		
Ola Neråsen	10	10
Brigitte Ninauve	10	10
Solveig Midtbø	5	-
Ivar Listerud	-	10
Kjersti Hønstad	13	13
Total for the Control Committee	**38**	**42**

The Committee of Representatives		
rne Henning Falkenhaug	9	9
Sveinung Hestnes	2	-
Vegard Sæten	2	-
Kjersti Hønstad	2	2
NIls Arne Norheim	-	2
Hanne J Nordgaard	2	2
Gudrun Michelsen	2	2
Total for the Committee of Representatives	**18**	**16**

Note 9 Pensions

SpareBank 1 Boligkreditt changed ended its defined benefits pension scheme for all employees after 31.12.2015. All employees (eight in total) are from 1.1.2016 moved to a defined contributon pension scheme. The Company pays the agreed contribution into the pension scheme and has no further obligations. For the Company's CEO the Company has future pension obligations for salary above 12G (the cap for contributions according to the defined contribution scheme) and these liabilities are accounted for in the Company's accounts.

The following economic assumptions have been made when calculating the value of the pension obligations:

	2015	**2014**
Net pension obligations on the balance sheet		
Present value pension obligation as of Dec 31	15,567	21,431
Pension assets as of Dec 31	4,734	4,836
Net pension obligation as of Dec 31	10,833	16,595
Employer payroll tax	1,527	2,340
Net pension obligation recorded as of Dec 31	12,360	18,935
Pension expense in the period		
Defined benefit pension accrued in the period	602	1,796
Defined contribution plan pension costs including AFP	292	170
Pension expense accounted for in the income statement	894	1,966
The following economic assumptions have been made when calculating the value of the pension obligations:		
Discount rate	2.70%	2.30%
Expected return on pension assets	2.70%	2.30%
Future annual compensation increases	2.50%	2.75%
Regulatory cap change	2.25%	2.50%
Penions regulation amount	2.25%	2.00%
Employer payroll taxes	14.10%	14.10%

Note 10 Administrative expenses

NOK 1 000	2015	2014
IT operation and maintenance	9,705	8,080
Travel	1,087	1,037
Telephone and postage	163	163
Misc other adm expenses	10	19
Invoiced to SpareBank 1 Næringskreditt AS	-340	-
Total	**10,625**	**9,299**

Note 11 Other operating expenses

NOK 1 000	2015	2014
Auditing. hired personnel from SpareBank 1 Group. other services	9,062	12,162
Operating expenses rented offices	675	570
Operating expenses invoiced to SpareBank 1 Næringskreditt	-462	-867
Misc other operating expenses	486	200
Total	**9,760**	**12,064**

Auditing

Remuneration to Deloitte AS and cooperating companies is allocated as follows:

NOK 1 000	2015	2014
Legally required audit	571	500
Other attestation services. incl. examination services. loan documents sample testing. comfort letters	841	665
Other services outside auditing	57	48
Total (incl VAT)	**1,469**	**1,213**

Note 12 Taxes

NOK 1 000	2015	2014
Change to 27% from 28% for tax corrections: too little payable tax recorded in 2013	-	733
Change in deferred taxes	135,956	77,853
Tax expense	**135,956**	**78,586**

Specification of tax effects on elements in comprehensive income and loss		
Pension estimate deviation	-1,421	1,752
Tax effects on elements in comprehensive income and loss	**-1,421**	**1,752**
Reconciliation tax expense		
27% of pre-tax profit/loss	164,061	76,578
Permanent differences	5	1,274
Change due to tax rate change (27% to 25%) in deferred tax (28% to 27% in 2014).	-29,530	734
Calculated tax expense	**134,277**	**78,586**
Effective tax rate	**22.20%**	**27.71%**

Temporary differences as of 31.12		
Net unrealized gain/loss	2,646,524	1,221,763
Pension	-12,360	-18,935
Total temporary differences that affect taxable income	**2,634,164**	**1,202,828**
Tax deficit to be carried forward	-931,692	-113,694
Corrections to be carried forward	-220,230	-220,230
Total other differences that affect the taxable income	**-1,151,922**	**-333,924**
Tax reducing temporary differences. net	1,482,242	868,904
Tax increasing temporary differences. net	-	-
Net temporary differences	**1,482,242**	**868,904**
Net deferred tax benefit (-) / deferred tax (+)	**370,561**	**234,604**
Assets - deferred tax		
Liabilities - deferred tax	370,561	234,604
Deferred tax		
Deferred tax 01.01	234,604	178,307
Reclassified from deferred tax to tax payable in the first quarter of 2014	-	-20,537
27% of pre-tax net income	164,061	76,578
Change due to change in the pension estimate	1,421	-1,752
Change due to tax rate change from 27 % to 25 % (28 % to 27 % in 2014)	-29,530	734
Other changes	5	1,274
Deferred tax 31.12	**370,561**	**234,604**

Note 13 Other assets

NOK 1 000	2015	2014
Intangible assets *	1,880	2,904
Receivables	1,791	1,564
Total	**3,671**	**4,468**

* Intangible assets

NOK 1 000	
Acquisition cost 01.01.2014	30,794
Acquisitions	1,603
Disposals	
Acquisition cost 31.12.2014	**32,397**
Accumulated depreciation and write-downs 01.01.2014	27,792
Periodical depreciation	1,702
Periodical write-down	-
Disposal ordinary depreciation	-
Accumulated depreciation and write-downs 31.12.2014	29,494
Book value as of 31.12.2014	**2,904**
Acquisition cost 01.01.2015	32,397
Acquisitions	962
Disposals	
Acquisition cost 31.12.2015	**33,359**
Accumulated depreciation and write-downs 01.01.2015	29,494
Periodical depreciation	1,985
Periodical write-down	-
Disposal ordinary depreciation	-
Accumulated depreciation and write-downs 31.12.2015	31,479
Book value as of 31.12.2015	**1,880**
Financial lifespan	3 years
Depreciation schedule	linear

Note 14 Lending to customers

Lending to customers consists of residential mortgages only. The mortgages generally have a low loan lon-to-value and actual losses have not been recorded. The total amout of lending to customers at the end of 2015

NOK 1 000	2015
Revolving loans - retail market	54,205,342
Amortising loans - retail market	114,989,151
Accrued interest	152,202
Total loans before specified and unspecified loss provisions	**169,346,696**
Specified loan loss provisions	0
Unspecified loan loss provisions	7,708
Total net loans and claims with customers	**169,338,988**

Liability	
Unused balances under revolving credit lines	18,636,235
Total	**18,636,235**

Defaulted loans	
Defaults*	0.0 %
Specified loan loss provisions	0.0 %
Net defaulted loans	**0.0 %**

Loans at risk of loss	
Loans not defaulted but at risk of loss	0.0 %
- Write downs on loans at risk of loss	0.0 %
Net other loans at risk of loss	**0.0 %**

*The entire customer loan balance is considered to be in default and will be included in overviews of defaulted loans when overdue instalments and interest
payments are not received within 90 days or if credit limits on revolving loans are exceeded for 90 days or more.

Changes to loan loss provisions

NOK 1 000	2015
Loan loss provisions as of 01.01	7,708
Change in group loan loss provisions	0
Loan loss provisions as of 31.12	**7,708**

Loans sorted according to geography (Norwegian counties)

NOK 1 000		Lending 2015	Lending 2015 in %	Lending 2014	Lending 2014 in %
NO01	**Østfold**	6 145 884	3,63%	5 704 005	3,54%
NO02	**Akershus**	18 026 924	10,65%	15 790 919	9,80%
NO03	**Oslo**	17 205 312	10,16%	16 183 203	10,04%
NO04	**Hedmark**	12 782 891	7,55%	11 866 108	7,36%
NO05	**Oppland**	4 570 495	2,70%	3 804 998	2,36%
NO06	**Buskerud**	9 347 308	5,52%	8 608 366	5,34%
NO07	**Vestfold**	6 825 251	4,03%	6 039 376	3,75%
NO08	**Telemark**	6 027 434	3,56%	5 278 528	3,27%
NO09	**Aust Agder**	459 263	0,27%	538 837	0,33%
NO10	**Vest Agder**	1 923 355	1,14%	2 276 758	1,41%
NO11	**Rogaland**	24 310 677	14,36%	27 419 416	17,01%
NO12	**Hordaland**	3 604 683	2,13%	3 786 644	2,35%
NO14	**Sogn og Fjordane**	316 366	0,19%	236 108	0,15%
NO15	**Møre og Romsdal**	9 615 178	5,68%	8 655 117	5,37%
NO16	**Sør Trøndelag**	17 932 825	10,59%	15 739 961	9,76%
NO17	**Nord Trøndelag**	7 655 581	4,52%	7 177 368	4,45%
NO18	**Nordland**	9 050 823	5,34%	9 001 037	5,58%
NO19	**Troms**	9 713 575	5,74%	9 269 289	5,75%
NO20	**Finnmark**	3 792 768	2,24%	3 797 023	2,36%
	Svalbard	32 397	0,02%	32 220	0,02%
SUM		**169 338 988**	**100,0 %**	**161 205 282**	**100,0 %**

Note 15 Share capital and shareholder information

List of shareholders as of 31.12.2015

	No of Shares	in per cent	Share of votes
SpareBank 1 SMN	10,830,923	18.97%	18.97%
SpareBank 1 SR-Bank ASA	9,532,264	16.69%	16.69%
SpareBank 1 Nord-Norge	8,253,765	14.45%	14.45%
Sparebanken Hedmark	5,685,145	9.96%	9.96%
Bank 1 Oslo Akershus AS	5,525,937	9.68%	9.68%
BN Bank ASA	3,396,289	5.95%	5.95%
SpareBank 1 BV	2,557,830	4.48%	4.48%
SpareBank 1 Søre Sunnmøre	2,442,160	4.28%	4.28%
Sparebanken Telemark	2,266,349	3.97%	3.97%
SpareBank 1 Ringerike Hadeland	1,864,251	3.26%	3.26%
SpareBank 1 Nordvest	1,192,036	2.09%	2.09%
SpareBank 1 Søre Sunnmøre	729,670	1.28%	1.28%
Modum Sparebank	693,980	1.22%	1.22%
SpareBank 1 Nøtterøy Tønsberg	686,782	1.20%	1.20%
SpareBank 1 Hallingdal	642,547	1.13%	1.13%
SpareBank 1 Gudbrandsdal	463,985	0.81%	0.81%
Lom og Skjåk Sparebank	341,569	0.60%	0.60%
Total	**57,105,482**	**100%**	**100%**

The share capital consists of 57 105 482 shares with a nominal value of NOK 100

Note 16 Equity

Equity is paid in by the Company's parent banks when a requirement arises. The requirement arises regularly when the Company acquires larger portfolios of mortgage loans. and otherwise according to changes in capitalization rules because SpareBank 1 Boligkreditt is subject to the same capiutal adequacy rules under Pillar 1 as banks in general. Each parent bank has also signed a Shareholders Agreement with the Company. which amongst other things stipulates when additional capital must be contributed.

NOK 1 000

	Share capital	Premium share fund	Declared dividend	Fund for unrealised profits	Other equity capital	Total equity capital
Equity as of 31.12.14	5,510,548	2,757,922	203,890	-	2,038	8,474,399
Changes during the year						
Dividend paid for 2014	-	-	-203,890	-	-	-203,890
Capital increase 29.Sep 2015	200,000	100,000	-	-	-	300,000
Other paid in equity (not yet registered)		-	-	690,000	-	690,000
Net profit for the period	-	-	105,074	-	368,026	473,100
Other comprehensive income - pensions estimate deviation		-	-	-	4,264	4,264
Equity as of 31.12.15	**5,710,548**	**2,857,922**	**105,074**	**690,000**	**374,328**	**9,737,872**

Note 17 Liabilities incurred by issuing securities

NOK 1 000	Nominal value * 2015	Nominal value * 2014
Short term notes. unsecured	-	750,000
Repurchased short term notes. unsecured	-	-
Senior unsecured Bonds	6,476,000	6,950,000
Repurchased senior unsecured bonds	-74,000	-
Covered bonds	177,244,869	153,214,115
Repurchased Covered Bonds	-4,917,100	-1,611,552
Total liabilities incurred by issuing securities	178,729,769	159,302,563

* Nominal value is incurred debt at exchange rates (EUR/NOK and USD/NOK) at the time of issuance

NOK 1 000	Book value 2015	Book value 2014
hort term notes. unsecured	-	749,969
Repurchased short term notes. unsecured	-	-
Senior unsecured Bonds	6,475,779	6,948,228
Repurchased senior unsecured bonds	-73,998	-
Covered bonds	215,868,978	181,117,727
Repurchased Covered Bonds	-5,125,020	-1,825,486
Activated costs incurred by issuing debt	-158,707	-148,534
Accrued interest	1,866,571	1,877,586
Total liabilities incurred by issuing securities	**218,853,602**	**188,719,491**

Liabilities categorized by debt instrument and year of maturity (nominal value*) NOK 1,000:

Senior Unsecured

Matures in year	2015	2014
2015	-	1,700,000
2016	3,752,000	5,750,000
2017	2,650,000	250,000
Total	6,402,000	7,700,000
Total	**7 700 000**	**7 076 000**

Covered Bonds

Matures in year	2015	2014
2015	-	10,032,698
2016	20,621,625	25,975,625
2017	21,013,000	21,013,000
2018	35,754,250	21,785,000
2019	27,167,690	25,481,150
2020	24,958,500	24,128,500
2021	25,402,456	15,759,760
2022	12,648,750	3,233,750
2023	-	-
2024	1,462,848	1,370,280
2025	1,010,000	1,010,000
2026	1,650,000	1,650,000
2027	475,850	-
2028	162,800	162,800

Total	**172,327,769**	**151,602,563**
Grand Total	**178,729,769**	**159,302,563**

* Nominal value is incurred debt at exchange rates (EUR/NOK and USD/NOK) at the time of issuance

Liabilities incurred by currency (book values at the end of the period)

NOK 1 000	2015	2014
NOK	56,218,289	53,495,067
EUR	120,721,290	99,956,242
USD	41,625,965	35,001,278
SEK	288,058	266,905
Sum	**218,853,602**	**188,719,491**

Note 18 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued	Call option	Nominal amount	2015	2014
With maturity							
Subordinated loan (Tier 2 capital)	NO0010704109	3 mnd Nibor + 225 bp	2014	43,592	1,600,000	1,600,000	1,600,000
Perpetual							
Hybrid (Tier 1 capital instrument)	NO0010713746	3 mnd Nibor + 310 bp	2014	43,594	350,000	350,000	350,000
Hybrid (Tier 1 capital instrument)	NO0010745920	3 mnd Nibor + 360 bp	2015	44,097	300,000	300,000	-
Hybrid (Tier 1 capital instrument)	NO0010746191	3 mnd Nibor + 360 bp	2015	44,103	180,000	180,000	-
Accrued interest						4	4
Book value					**830**	**2**	

Note 19 Financial derivatives

NOK 1 000	2015	2014
Rate contracts		
Interest rate swaps		
Nominal amount	80,539,030	60,000,110
Asset	5,345,413	6,076,849
Liability	-638,503	-778,25
Currency contracts		
Currency swaps		
Nominal amount	153,531,262	125,117,673
Asset	35,103,579	23,638,212
Liability	51,812	-46,793
Total fiancial derivatives		
Nominal amount	234,070,292	185,117,783
Asset	40,448,992	29,715,061
Liability *	-690,315	-825,043

All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.

* Including basis swap spread adjustments, see note 6.

Asset (+)/ Liabilities (-)	40,448,992	29,715,061
Net gains (losses) from basis swap spread valuation changes *	498,751	31,604
Derivatives, net	40,947,743	29,746,665

Note 20 Classification of Financial Instruments

NOK 1 000	Financial instruments accounted for at fair value *	Financial assets and debt accounted for at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	**2015**
Assets					
Deposits at and receivables from financial institutions	-	8,083,543	-	-	8,083,543
Norwegian government short term debt certificates	8,705,692	-	-	-	8,705,692
Bonds	41,888,568	-	225,094	-	42,113,662
Lending to customers	-	169,338,988	-	-	169,338,988
Financial derivatives	40,947,743	-	-	-	40,947,743
Other assets	-	-	-	3,671	3,671
Total assets	**91,542,003**	**177,422,531**	**225,094**	**3,671**	**269,193,299**
Liabilities					
Debt incurred by issuing securities	178,925,021	39,928,581	-	-	218,853,602
Collateral received in relation to financial derivatives	-	36,950,453	-	-	36,950,453
Financial derivatives	690,315	-	-	-	690,315
Deferred taxes	-	-	-	373,781	373,781
Taxes payable	-	-	-	-	-
Subordinated debt	-	2,434,380	-	-	2,434,380
Other liabilities	-	-	-	156,116	156,116
Total liabilities	**179,615,336**	**79,313,414**	**-**	**529,897**	**259,458,647**
Total equity	**-**	**-**	-	**9,747,533**	**9,747,533**
Total liabilities and equity	**179,615,336**	**79,313,414**	**-**	**10,277,430**	**269,206,180**

*Fair value calculation according to changes in market interest rates and currencies exchange rates

NOK 1 000	Financial instruments accounted for at fair value *	Financial assets and debt accounted for at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	2014
Assets					
Deposits at and receivables from financial institutions	-	16,268,940	-	-	16,268,940
Norwegian government short term debt certificates	487,553	-	-	-	487,553
Bonds	19,090,735	-	790,214	-	19,880,949
Lending to customers	-	161,205,282	-	-	161,205,282
Financial derivatives	29,746,665	-	-	-	29,746,665
Other assets	-	-	-	4,468	4,468
Total Assets	**49,324,953**	**177,474,222**	**790,214**	**4,468**	**227,593,858**
Liabilities					
Debt incurred by issuing securities	149,567,065	39,152,427	-	-	188,719,491
Collateral received in relation to financial derivatives	-	27,181,223	-	-	27,181,223
Financial derivatives	825,043	-	-	-	825,043
Deferred taxes	-	-	-	234,604	234,604
Taxes payable	-	-	-	-	-
Subordinated debt	-	1,954,262	-	-	1,954,262
Other liabilities	-	-	-	204,836	204,836
Total Liabilities	**150,392,108**	**68,287,912**	**-**	**439,440**	**219,119,459**
Total Equity	**-**	**-**	**-**	**8,474,399**	**8,474,399**
Total Liabilities and Equity	**150,392,108**	**68,287,912**	**-**	**8,913,839**	**227,593,858**

*Fair value calculation according to changes in market interest rates and currencies exchange rates

Note 21 Financial instruments at fair value

Methods in order to determine fair value

General
The interest rate curve that is used as input for fair value valuations of hedging instruments and hedging objects consists of the NIBOR-curve for maturities less than one year. The swap-curve is used for maturities exceeding one year.

Interest rate and currency swaps
Valuation of interest rate swaps at fair value is done through discounting future cash flows to their present values. Valuation of currency swaps will also include the element of foreign exchange rates

Bonds
Valuation of bonds at fair value is done through discounting future cash flows to present value.

With effect from 2009 SpareBank 1 Boligkreditt AS has implemented the changes in IFRS 7 in relation to the valuation of financial instruments as of the date of the financial accounts. The changes require a presentation of the fair value measurement for each Level. We have the following three Levels for the fair value measurement:

- Level 1: Quoted price in an active market. Fair value of financial instruments which are traded in active markets are based on the market price at the balance sheet date. A market is considered to be active if the market prices are easily and readily available from an exchange, dealer, broker, industry group, pricing service or regulating authority and that these prices represent actual and regular market transactions on an arm's length basis.
- Level 2: Valuation based on observable factors. Level 2 consist of instruments which are not valued based on listed prices, but where prices are indirectly observable for assets or liabilities, but also includes listed prices in not active markets.
- Level 3: The valuation is based on factors that are not found in observable markets (non-observable assumptions). If valuations according to Level 1 or Level 2 are not available, valuations are based on not-observable information. The Company has a matter of principle neither assets nor liabilities which are valued at this level.

The following table presents the Company's financial assets and liabilities at fair value as of 31.12.2015

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	41,286,375	9,307,886	-	50,594,260
Financial Derivatives	-	40,947,743	-	40,947,743
Total Assets	41,286,375	50,255,628	-	91,542,003
Bonds	-	178,925,021	-	178,925,021
Financial Derivatives	-	690,315	-	690,315
Total Liabilities	**-**	**179,615,336**	**-**	**179,615,336**

The following table presents the Company's financial assets and liabilities at fair value as of 31.12.2014

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	12,239,038	7,339,250	-	19,578,288
Financial Derivatives	-	29,746,665	-	29,746,665
Total Assets	**12,239,038**	**37,085,915**	**-**	**49,324,953**
Bonds	-	149,567,065	-	149,567,065
Financial Derivatives	-	825,043	-	825,043
Total Liabilities	**-**	**150,392,108**	**-**	**150,392,108**

Note 22 Bonds classified as hold to maturity

Pr. 31.12.14

Bonds classified as	Book value 1/1/2015	Investments	Matured	Amortising	Exchange rate effects	Amortised cost 12/31/2015
Hold to maturity	790,215	-	565,000	-610	-	224,605
Total certificates and bonds	**790,215**	**-**	**565,000**	**-610**	**-**	**224,605**

Market value of bonds in hold to maturity portfolio

Bonds classified as	Book value	Market value incl fx effect	Effect on result if at fair value
Hold to maturity	224,605	225,681	1,076
Total certificates and bonds	**224,605**	**225,681**	**1,076**

Note 23 Other liabilities

NOK 1 000	**2015**	**2014**
Employees tax deductions and other deductions	1,478	867
Employers national insurance contribution	462	411
Accrued holiday allowance	1,015	1,055
Commission payable to shareholder banks	117,921	164,329
Deposits*	12,977	14,209
Pension liabilities	12,360	18,935
Other accrued costs	9,902	5,030
Total	**156,116**	**204,836**

The Company does not have an overdraft facility or a revolving credit facility as of 31.12.2015

* Deposits represents temporary balances paid in by customers in excess of the original loan amount

Note 24 Credit risk

Credit risk is defined as the risk that losses can occur as a consequence of that customers and others do not have the ability or willingness to meet their obligations to SpareBank 1 Boligkreditt as and when agreed.

Credit risk mainly includes loans to customers which are collateralised by private residences (residential mortgage loans), but also includes credit risk in derivatives contracts (counterparty credit risk) and investment in bonds within the Company's liquidity portfolio. SpareBank 1 Boligkreditt AS maintains a credit policy and limits in order to manage and closely monitor all credit risk the company is exposed to.

According to the Transfer and Servicing agreement between SpareBank 1 Boligkreditt and each parent bank, the Company has the right to reduce commissions payable for the remainder of the current calendar year to all of its parents banks by an amount equal to any incurred losses on individual mortgage loans. The Company has not since the commencement of its operations had any instances of off-set against the commissions due to its parent banks.

Credit Exposure

NOK 1 000	**2014**	**2013**
Loans to customers	169,338,988	161,205,282
Loans to and deposits with credit institutions	8,083,543	16,268,940
Government certificates	8,705,692	487,553
Bonds	42,113,662	19,880,949
Financial derivatives	40,947,743	29,746,665
Total assets	**269,189,628**	**227,589,389**
Unused credit on flexible loans	18,653,742	19,210,784
Received collateral in relation to derivative contracts	-36,950,453	-27,181,223
Total credit exposure	**250,905,798**	**219,618,950**

SpareBank 1 Boligkreditt AS will only purchase loans from the shareholder banks that have a high servicing capacity and low loan to value. This implies that the loans bought by the Company are in lower risk groups. The Company utilizes the same risk classification as the other banks in the SpareBank 1 Alliance. Presented below is an overview that shows how loans are allocated over the risk groups. The allocation in risk groups is based on expected loss (PD multiplied by LGD for each individual loan).

Lending to customers (residential mortgage loans)

The risk classification of the Company's lending is conducted on the basis of an evaluation of the exposures. The evaluation is based on the following main criteria:

- Ability of the customer to pay (income and debt)
- Willingness to pay (payment remarks)
- Size of the loan
- Loan to value (maximum loan to collateral value is 75% and the collateral must be valued by an independent source, Valuations are updated quarterly for the whole loan portfolio)
- Location

SpareBank 1 Boligkreditt AS utilizes the SpareBank 1 Alliance's IT platform and custom developed IT systems for the acquisition of loans from the banks in the SpareBank 1 Alliance. Credit risk is monitored by measuring the development of the mortgage portfolio's credit quality, details about missed payments, defaults and over the limit withdrawals. For defaults and losses in the portfolio the Company has set the following limits:

- Maximum probability of default for the portfolio: 0.90 %
- Expected loss in the portfolio: < 0.02 % of the loan volume
- Unexpected loss in the portfolio (at a 99.97% confidence level): < 0,75 % of the loan volume

The following risk classification, step 1 to 3 is executed monthly based on objective data

1. Probability of default (PD): The customers are classified in PD classes depending on the likelihood for default within the next 12 months based on a long average (through cycle). The PD is calculated on the basis of historical dataseries for financial key numbers tied to income and source of income, as well as on the basis of non-financial criteria such as age and behaviour. In order to group the customers according to PD, nine classes of probability of default are used (A to I). In addition the Company has to default classes (J and K) for customers with defaulted and/ or written down exposures.

2. Exposure at default: This is a calculated number which provides the exposure with a customer at the point of default. This exposure is usually of lending volume and the approved but not utilized credit lines. Customers approved but not utilized credit lines are multiplied with a 100 per cent conversion factor.

3. Loss given default (LGD): This is a calculated number which expresses how much the Company potentially stands to lose if a custiner defaults on his or her obligations. The assessment takes into consideration the collateral and the cost the Company could incur by foreclosing and collecting on the defaulted exposure. The Company determines the realizable value on the collateral based on the experience of the SpareBank 1 banks over time, and so that the values reflect a cautious assessment in the lower point of an economic cycle. Seven classes (1 to 7) are used to classify the exposures according to LGD.

Definition of risk groups - based on probability of default

isk group	Lower limit	Upper limit	Distribution in % 2015	Distribution in % 2014	Total lending * 2015	Total lending * 2014
Lowest	0.00%	0.01%	75.98%	74.24%	128,452,104	119,549,325
Low	0.01%	0.05%	18.61%	19.30%	31,469,568	31,078,433
Medium	0.05%	0.20%	3.84%	4.76%	6,483,931	7,670,309
High	0.20%	0.50%	0.72%	0.82%	1,216,783	1,317,046
Very high	0.50%	100%	0.85%	0.88%	1,433,267	1,411,354
Totalt			**100**	**100**	**169**	**161**

* Total exposures are presented as exposure at default exclusive of accrued interest and before group loan loss provisions.

Loans to and deposits with credit institutions

SpareBank 1 Boligkreditt only has deposits with financial institutions rated A-/A2 or higher as of 31.12.2015

Bonds and certificates

Rating class		2015	2014
AAA/Aaa	Covered Bonds	14,832,945	13,599,039
	Norw. Government bills	8,705,692	487,554
	Other government or gov guaranteed bonds	25,468,493	5,920,103
	Financial institutions		-
	Total	49,007,130	20,006,695
AA+/Aa1 til AA-/Aa3	Covered Bonds	1,812,225	361,807
	Financial institutions	3,319,040	-
	Total	5,131,265	361,807
A+/A1	Financial institutions	4,764,503	-
	Total	4,764,503	-
Total		**58,902,897**	**20,368,502**

Fitch/Moody's/S&P rating classes are used. If the ratings differ. the lowest counts. All bonds are publicly listed.,Financial derivatives,Derivative contracts are only entered into with counterparties with a certain minimum rating by Fitch Ratings and Moody's Ratings Service. If the value of the derivative exceeds the credit limits held by SpareBank 1 Boligkreditt for counterparty risk in derivative contracts the counterparty must post cash collateral in either NOK or EUR. SpareBank 1 Boligkreditt is not required to post collateral if the value of the contract should be in favour of the counterparty. Collateral received is included in the balance sheet under receiva-bles with and debt to credit institutions.

Financial derivatives

Derivative contracts are only entered into with counterparties with a certain minimum rating by Fitch Ratings and Moody's Ratings Service. If the value of the derivative exceeds the credit limits held by SpareBank 1 Boligkreditt for counterparty risk in derivative contracts the counterparty must post cash collateral in either NOK or EUR. SpareBank 1 Boligkreditt is not required to post collateral if the value of the contract should be in favour of the counterparty. Collateral received is included in the balance sheet under receivables with and debt to credit institutions.

Note 25 Liquidity risk

Liquidity risk is defined as the risk that the business is not able to meet its obligations at maturity.

SpareBank 1 Boligkreditt AS issues covered bonds at shorter maturities than the residential mortgages which make up the largest portion of assets on the Company's balance sheet. The Liquidity risk which arises is closely monitored and is in compliance with the Norwegian covered bond legislation which amongst other things requires that the cash flow from the cover pool is sufficient to cover outgoing cash flows for holders of preferential claims on the cover pool (holders of covered bonds and counterparties in associated hedging contracts (swaps). In order to manage the liquidity risk certain limits and liquidity reserves have been approved by the Board of Directors. SpareBank 1 Boligkreditt AS maintains a liquidity reserve which will cover undrawn amounts under revolving loans, a theoretical temporary halt to incoming interest payments from the mortgage loans and at any point in time cover bond maturities for the next six months (100 per cent) and 50 per cent for maturities between 6 and 12 months, according to the proposals for a new Net Stable Funding Ratio (NSFR). Liquidity risk is monitored on a regular basis and weekly reports are presented to the management and monthly reports to the Board.

Boligkreditt's shareholder banks have committed themselves to buying covered bonds in a situation where the primary market for issuance of covered bonds is not functioning. This commitment has no liquidity effects on the SpareBank 1 banks because the covered bonds can be deposited with the central bank at any time. The Company may require its shareholder banks to acquire covered bonds from it in an amount which is capped at the amount of the next 12 months upcoming maturities less what the Company holds as its own liquidity reserve. Each shareholder bank's responsibility is pro rata in accordance with its ownership stake in the Company and secondary up to a level of twice its pro rata stake if other banks are unable or unwilling to meet their commitment. Each bank may make a deduction in its commitment for bonds already purchased under this commitment.

Liquidity Risk - all amounts in 1000 NOK

	12/31/2015	No set term	Maturity 0 to 1 month	Maturity 1 to 3 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	50,197,205	6,434,928	3,286,100	11,086,835	12,100,177	1,483,146
Lending to customers	169,338,988		9,322	14,151	1,329,844	167,938,509
Derivatives	40,947,743				25,343,180	9,038,705
Treasury Bills	8,705,692			4,739,781		
Other assets with no set term	3,671	3,671				
Total Assets	269,193,299	6,438,598	3,295,422	15,840,767	38,773,201	178,460,360
Liabilities incurred when issuing securities	-218,853,602	158,707	-672,290	-568,436	-136,813,686	-51,213,822
Other liabilities with a set term	-36,950,453		-36,950,453			
Derivatives	-690,315		-3,130		-447,723	-204,067
Liabilities with no set term	-526,677	-526,677				
Subordinated debt	-2,434,380	0				-2,434,380
Equity	-9,737,872	-9,737,872				
Total liabilities and equity	-269,193,299	-10,105,841	-37,625,873	-568,436	-137,261,409	-53,852,269
Net total all items		-3,667,243	-34,330,451	15,272,331	-98,488,209	124,608,091

Interest Rate Risk - all amounts in 1000 NOK

	12/31/2014	No set term	Maturity 0 to 1 month	Maturity 1 to 3 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	36,149,890	4,204,767	12,139,515	189,412	11,538,397	1,445,186
Lending to customers	161,205,282		226	6,041	1,333,985	159,832,637
Derivatives	29,746,665				17,986,819	10,429,328
Treasury Bills	487,553			264,444		
Other assets with no set term	4,468	4,468				
Total Assets	227,593,858	4,209,235	12,139,741	459,897	30,859,201	171,707,151
Liabilities incurred when issuing securities	-188,719,491	148,533	-251,144	-501,509	-118,077,596	-57,733,794
Other liabilities with a set term	-27,181,223		-27,181,223			
Derivatives	-825,043				-513,222	-241,047
Liabilities with no set term	-439,440	-439,440				
Subordinated debt	-1,954,262	0				-1,954,262
Equity	-8,474,399	-8,474,399				
Total liabilities and equity	-227,593,858	-8,765,306	-27,432,367	-501,509	-118,590,818	-59,929,103
Net total all items		-4,556,070	-15,292,626	-41,612	-87,731,617	111,778,048

Note 26 Interest rate risk

The interest rate risk is the risk of a negative profit effect due to rate changes. The balance sheet of SpareBank 1 Boligkreditt consists in all essence of loans to retail clients with a variable interest rate that can be changed after a 6 week notice period, floating rate current deposits, bonds and certificates in the Company's liquidity portfolio and of issued bonds and certificates. In accordance with the Norwegian legislation applicable to Covered Bonds and internal guidelines, SpareBank 1 Boligkreditt hedges all interest rate risk by utilising interest rate swaps. The Board approves limits for interest rate risk for different terms. Reports to the Board are presented on a monthly basis. The table below reports the effect on market value in NOK for one per cent change in interest rates for the Company's portfolios of mortgages, derivatives and issued bonds. The interest rate sensitivity shows the expected effect from a 100 basis points parallel shift in the interest rate curve:

Interest Rate Risk - all amounts in 1000 NOK

	12/31/2015	No set term	Maturity 0 to 1 month	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	50,197,205		13,798,383	18,996,862	13,290,834	3,674,048	437,078
Lending to customers	169,338,988			169,338,988			
Treasury Bills	8,705,692			4,739,781	3,965,912		
Other assets with no set term	3,671	3,671					
Total Assets	228,245,556	3,671	13,798,383	193,075,631	17,256,746	3,674,048	437,078
Liabilities incurred when issuing securities	-218,853,602	158,707	-7,165,766	-34,399,765	-23,706,227	-109,208,193	-44,532,358
Other liabilities with a set term	-36,950,453	-36,950,453					
Liabilities with no set term	-526,677	-526,677					
Subordinated debt	-2,434,380						-2,434,380
Equity	-9,737,872	-9,737,872					
Total liabilities and equity	-268,502,984	-47,056,294	-7,165,766	-34,399,765	-23,706,227	-109,208,193	-46,966,738
Net interest rate risk before derivatives	-40,257,428	-47,052,624	6,632,617	158,675,866	-6,449,482	-105,534,145	-46,529,660
Derivatives	40,257,427	0	-15,586,140	-117,215,091	22,625,436	105,544,855	44,889,626
Net interest rate risk		-47,052,624	-8,953,523	41,460,774	16,175,954	10,710	-1,640,034
% of total assets		17%	3%	15%	6%	0%	1%

Interest Rate Risk - all amounts in 1000 NOK

	12/31/2014	No set term	Maturity 0 to 1 month	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	36,149,890		20,453,388	8,380,459	4,416,799	2,363,147	536,096
Lending to customers	161,205,282			161,205,282			
Treasury Bills	487,553			264,444	223,110		
Other assets with no set term	4,468	4,468					
Total Assets	197,847,193	4,468	20,453,388	169,850,185	4,639,908	2,363,147	536,096
Liabilities incurred when issuing securities	-188,719,491	148,533	-10,486,519	-30,199,159	-9,104,680	-89,433,182	-49,644,485
Other liabilities with a set term	-27,181,223	-27,181,223					
Liabilities with no set term	-439,440	-439,440					
Subordinated debt	-1,954,262						-1,954,262
Equity	-8,474,399	-8,474,399					
Total liabilities and equity	-226,768,815	-35,752,715	-10,486,519	-30,199,159	-9,104,680	-89,433,182	-51,598,747
Net interest rate risk before derivatives	-28,921,622	-35,748,551	9,966,869	139,651,026	-4,464,772	-87,070,035	-51,062,651
Derivatives	28,921,622	0	-16,079,883	-99,788,001	8,556,536	87,087,240	49,145,730
Net interest rate risk		-35,748,551	-6,113,014	39,863,025	4,091,765	17,205	-1,916,920
% of total assets		16%	3%	18%	2%	0%	1%

The table below presents a net change in market value in NOK for all the Company's asset and liabilities given a one per cent parallel move of the interest rate curve.

Sensitivity of net interest rate expense in NOK 1000

		Sensitivity of net interest rate expense in NOK 1000	
Currency	**Change in basis points**	**2015**	**2014**
NOK	100	74,560	36,556

Mortgage rates (variable) are set by SpareBank 1 Boligkreditt AS, but for all practical purposes follow the recommendations from the local originating banks. The mortgage interest rates are set dependent on collateral and LTV, customer risk category and the competitive mortgage lending landscape.

Note 27 Currency risk

The foreign exchange risk is the risk of a negative P&L impact as a result of changes in foreign currencies. SpareBank 1 Boligkreditt AS balanse consists mainly of lending to private individuals in Norway and in NOK, current deposits in NOK and liabilities issued in the Norwegian or international capital markets. In accordance with the Norwegian covered bond legislation and its internal guidelines the Company hedges all currency risk, either by the utilisation of swaps or by way of asset liability management, i.e. mainting exposures in assets and liabilities of the same currency. Weekly risk reports are created by the management team and reports to the Board of Directors have a monthly frequency. The currency risk (sensitivity to currency movements) are calculated by adding the exposure in the various currencies. No other currencies than the NOK had a material net position on the Company's balance sheet at the end of the year.

	Net currency exposure in NOK 1000	
Currency	**2015**	**2014**
EUR	**-2,706**	**26,735**
- Bank Deposits	2,117	31,115
- Issued Bonds	-120,721,290	-99,956,242
- Derivatives	116,867,190	96,840,019
- Bond investments	3,849,277	3,111,844
USD	**38,900**	**3,383**
- Bank Deposits	38,975	3,645
- Issued Bonds	-41,625,965	-35,001,278
- Derivatives	41,625,891	35,001,015
- Bond investments		
SEK	**0**	**0**
- Bank Deposits	**-**	**-**
- Issued Bonds	-288,058	-266,906
- Derivatives	288,059	266,906
- Bond investments	-	-
SUM	36,195	30,118

		P&L effect before tax, in NOK 1000	
Currency	**Change in Exchange Rate (per cent)**	**2015**	**2014**
EUR	+10	219	3,111
USD	+10	4,422	365
SEK	+10	-	-
CHF	+10	-	-
SUM		4,642	3,476

Note 28 Asset coverage test

The asset coverage is calculated according to the Financial Services Act § 2-31 (Covered Bond Legislation). There is a discrepancy between the asset coverage test and the amounts in the balance sheet because for the purposes of the test mortgage loans which may have migrated above the 75% loan to value level are reduced to reflect the decrease in the value of the underlying collateral so that only a maximum loan corresponding to a value of 75% of the collateral is considered. Market values are used for all subsitute collateral in the test. In addition any defaulted loans, i.e. loans in arrears at or beyond 90 days, are excluded from the test (there have been no occurrences of any defaults starting with the commencement of operations through 31.12.2015).

NOK 1 000	2015	2014
Covered Bonds	217,752,078	182,989,799
Repurchased Bonds	-5,155,728	-1,843,388
Derivatives	-39,848,930	-29,035,167
Total Covered Bonds	172,747,420	152,111,245
Lending to customers	168,792,683	160,919,570
Treasury Bills	7,210,022	487,554
Substitute collateral	14,664,356	8,792,087
Total Cover Pool	190,667,061	170,199,211
Asset-coverage	110.4 %	111.9 %

Note 29 Capital adequacy

The primary goal for the Company's management of capital reserves is to ensure compliance with laws and regulatory requirements and maintain solid financial ratios and a high quality credit assessment in order to best support its business.

A new capital requirements directive was introduced in Norway as of January 1, 2007 (Basel II). SpareBank1 Boligkreditt AS obtained permission from the Financial Services Authority in Norway (Finanstilsynet) for the implementation of its own Internal Ratings Based (IRB) model for credit risks from the seond quarter of 2009.

Transitional rules have been implemented by the FSA whereby regulated financial institutions with approved IRB models will not be able to fully benefit from the results of such models until the year 2018. Regulated entities are allowed to reduce by 20% the total sum of risk weighted assets which would otherwise have been in place under the previous Basel I framework. In the following years until the end of 2017, the transitional rules will lead to significantly higher capital requirements than what would otherwise have been applicable under Basel II.

The European Union has approved new regulatory requirements, CRD IV. The new regulations places more robust requirements on capital adequacy, capital structure, liquidity buffers and funding. CRD IV is gradually introduced in Norway up until the end of 2016. The requirement of 15.0% total capital from July 1, 2016 includes a 11.5% Core Tier 1 capital and 3.5% other capital.

The Company's parent banks have committed themselves to keep the Equity Core Tier 1 capital at a minimum 9% (is currently being reviewed with a target to increase to 11%). Primarily this commitment is pro rata according to the ownership stakes in the Company, but it is a joint and several undertaking if one or more ownership banks are unable to comply, up to the maximum of twice the initial pro rata amount.

New CRD IV calculation

Capital, NOK 1 000	**2014**	**2013**
Share capital	5,710,548	5,510,548
Premium share fund	2,857,922	2,757,922
Other equity capital	1,179,063	205,928
Total equity capital entered into the balance sheet	9,747,533	8,474,398
Intangible assets	-1,880	-2,904
Declared share dividend	-114,211	-203,890
Hybrid bond	830,000	350,000
100% deduction of expected losses exceeding loss provisions IRB	-326,724	-272,755
Prudent valuation adjustment (AVA)	-83,765	-50,940
Core capital (Tier 1)	10,050,953	8,293,909
Supplementary capital (Tier 2)	**1,600,000**	**1,600,000**
Total capital	11,650,953	9,893,909
Minimum requirements for capital. NOK 1 000	2015	2014
Credit risk	3,122,297	2,894,117
Market risk	-	-
Operational risk	41,779	35,713

Depreciation on groups of loans	-	-
CVA Risk	165,228	148,400
Difference in capital requirement resulting from transitional floor	2,463,358	2,538,910
Minimum requirement for capital	5,792,642	5,617,140

Capital Coverage

	2014	2013
Risk-weighted assets. incl. transitional floor	72,406,991	70,214,246
Capital coverage (%)	16	14
Tier 1 capital coverage (%)	14	12
Core Tier 1 capital coverage (%)	13	11

Note 30 Related parties

The Company has 169 347 MNOK loans to customers. These are loans acquired from shareholder banks at market values (i.e. nominal value).

SpareBank 1 SR-Bank ASA
The Company purchases a substantial amount of their support functions from SpareBank 1 SR-Bank ASA. A complete SLA is established between the Company and SpareBank 1 SR-Bank ASA.

SpareBank 1 – Alliance
In addition the Company has a Transfer and Servicing agreement in place with each individual shareholder bank regulating amongst other things the servicing of mortgage loans.

SpareBank 1 Næringskreditt AS
All employees within SpareBank 1 Boligkreditt AS are also to various degrees working for SpareBank 1 Næringskreditt AS. Twenty percent of the administrative expenses in SpareBank 1 Boligkreditt AS are to charged to SpareBank 1 Næringskreditt AS. This division of administrative expenses between the two companies reflect the actual resources utilisation in SpareBank 1 Boligkreditt AS.

Note 31 Collateral received

SpareBank 1 Boligkreditt has signed ISDA-agreements including CSAs (Credit Support Annexes) with a number of financial institutions that are counterparties in interest rate and currency swaps. These institutions post collateral in the form of cash deposits to SpareBank 1 Boligkreditt. At the year-end 31.12.2015 this collateral amounted to NOK 36 950 million. This amount is included in the balance sheet, but represents restricted cash. According to signed ISDA and CSA agreement, it is not permitted for the parties in derivatives transactions to net amounts amongst various transactions.

Note 32 Contingencies and events after the balance sheet date

SpareBank 1 Boligkreditt AS is not a party to any ongoing legal proceedings.

No events have taken place after the balance sheet date which are expected to have any material impact on the financial statements as of Dec. 31, 2015.

The dividend for 2015 is proposed to be NOK 105 million (NOK 1.84 per share)

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