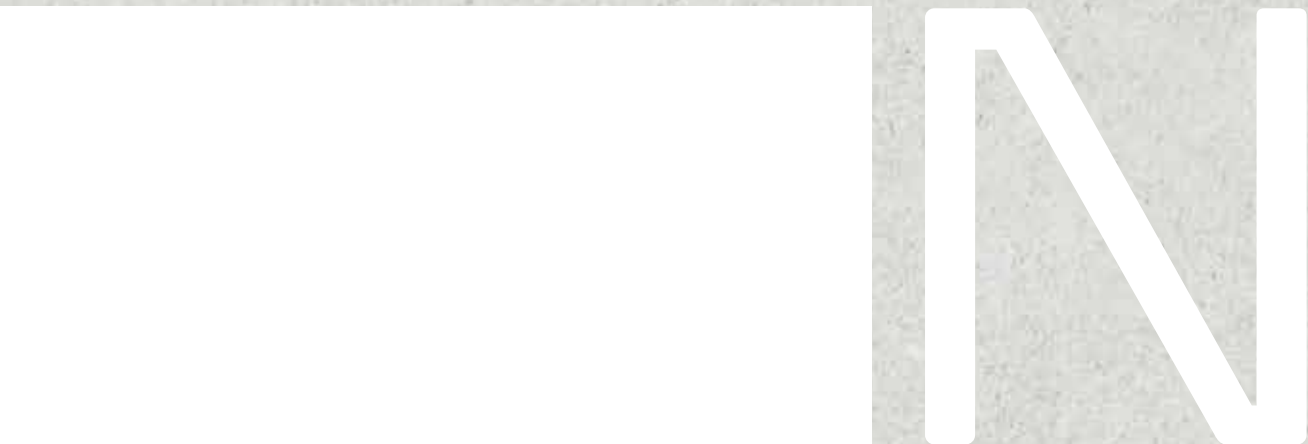


feeling NORWAY

ANNUAL REPORT 2010 SPAREBANK 1 BOLIGKREDITT AS



**Ja vi elsker dette landet
som det stiger frem
furet vejrbidt over vandet
med de tusen hjem.**

THE NORWEGIAN
NATIONAL ANTHEM,
BJØRNSTJERNE BJØRNSON

feeling NORWAY

Way back when man first wandered out on the continents the ice that had covered the Nordic land tongue started to melt. Against massifs heavy with rain the water became deep pools the pools became streams and along the shores the first houses were raised by a growing hunters' society. The water ran to the oceans and carried the Vikings out to the world and thus became the pre-requisite for the Vikings' conquests. The water also provided basis of existence through raw materials and soil rich with nutrients. In the mist over the cold waters fairy people appear. The popular superstition and Norwegian culture in general has always had close ties with the water. In the same way water and the ocean has been an important part of Norwegian adventures, innovation, hard work and success, from Leif Eriksson to today's oil wealth.

Sound business is built upon mutual trust. The reports published by SpareBank 1 Boligkreditt allow you to get to know us and our culture. By letting you feel Norway.

FIG 1

The fjords are undersea valleys dug by old age glaciers. By the outlet the glacier would leave rocks and sand that form the so called fjord threshold the shallow inlet of the fjord. Several of the mightiest fjords in the world are found in Norway. For the inspiration and enjoyment of tourists they silently carry the mark of the water's ever lasting impact on the mountains.

FIG 2

The free trade agreements of the 1880s put Norway in a beneficial trading position. This soon made little Norway to be the third largest shipping nation in the world and lead to the rise of many characteristic seaports that harbored the ships and fed the crews.

FIG 3

Terje Vigen is introduced to us in an epic poem written by Henrik Ibsen. The wonderful grizzled Terje Vigen the man who travelled to Denmark in his open row boat for three barrels of barley to feed his wife and daughter during the Napoleonic wars. This poem has become one of the most prominent national tales in Norway.

contents.

ABOUT US

SpareBank 1 Boligkreditt is a mortgage company licensed by the Financial Supervisory Authority of Norway. The main purpose of the company is to relieve the owner banks of part of their financing requirements by taking over parts of their loan portfolios and fund this by issuing covered bonds. SpareBank 1 Boligkreditt is fully owned by savings banks that are a part of the SpareBank 1 Alliance and operates as a separate legal entity. SpareBank 1 Boligkreditt has its business address in Stavanger and has five employees as of 31.12.2010.

CONTENTS

- p 7 Important Events
- p 8 Annual Report of the Board of Directors
- p 14 Factsheet Norway
- p 16 Architecture
- p 18 Factsheet Alliance
- p 20 Factsheet Boligkreditt
- p 24 Innovation
- p 26 Culture
- p 28 Annual Accounts

IMPORTANT EVENTS FOR SPAREBANK 1 BOLIGKREDITT 2005-2010

MAY 2006
The first prime residential mortgage is transferred from one of the owner banks SpareBank 1 SR-Bank

AUGUST 2007
The volume of the mortgage portfolio exceeds NOK 10 billion

OCTOBER 2007
SpareBank 1 Boligkreditt issues the first AAA/ Aaa-rated jumbo EUR Covered Bond.

JANUAR 2008
The volume of the mortgage portfolio exceeds NOK 20 billion

DECEMBER 2008
The Norwegian central bank carries an initiative that encompasses covered bonds and SpareBank 1 Boligkreditt issues a bond directed at this initiative

MARCH 2007
The legal framework for Norwegian Covered Bonds is established

AUGUST 2005
SpareBank 1 Boligkreditt is established by 20 banks in the SpareBank 1 alliance

MAY 2009
Application to convert to IRB-reporting.

AUGUST 2009
A second mortgage portfolio is established to ensure efficient utilization of the swap facility with Norges Bank

AUGUST 2009
The combined volume of the mortgage portfolios exceeds NOK 50 billion

NOVEMBER 2009
SpareBank 1 Boligkreditt issues the first jumbo EUR Covered Bond since before the financial crisis

MAY 2010
The mortgage portfolio exceeds NOK 80 billion

OCTOBER 2010
SpareBank 1 Boligkreditt issues its first jumbo USD Covered Bond

board of directors.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Key events in 2010

After extensive preparation SpareBank 1 Boligkreditt carried out the first issuance in the US investor market. This meant passing a new milestone for the business. The company will surely benefit from the larger available investor base and the ability to issue in different markets/currencies depending on availability and price. The company has also issued two deals in EUR (jumbo size) and some smaller NOK issues.

2010 was generally characterized by better access to funding compared with the previous years. However unrest persists in financial markets especially in the form of specific country risk. It seems as though this unrest will continue in 2011.

CEO Per Skibeli passed away on 12 June 2010 after prolonged illness. Deputy CEO Arve Austestad was appointed new CEO.

During 2010 SpareBank 1 Boligkreditt's loans to customers increased by approximately NOK 16.6 billion to NOK 91.1 billion.

The nature and development of the business

SpareBank 1 Boligkreditt AS is a credit institution licensed by the Norwegian Financial Authority (Finanstilsynet). The purpose of the business is to provide funding for the owners by buying residential mortgage loans and financing these primarily through the issuance of covered bonds. The credit institution is owned by banks which are members of the SpareBank 1 Alliance and is based in Stavanger.

The credit institutions bonds are issued under the €15.000.000.000 Global Medium Term Covered Note Programme (the GMTC programme) which was renewed in October 2010 when the option to issue in USD was incorporated. Bonds issued under the programme have been given a AAA/Aaa rating by Fitch and Moody's.

The Board of Directors confirms that the conditions for presenting the 2010 accounts under the assumption of a going concern are fulfilled.

Employees and the working environment

SpareBank 1 Boligkreditt had five employees as of 31.12.2010 of which three were male and two female. Three more are hired that will start early 2011. The business purchases a significant

amount of its support functions from SpareBank 1 SR-Bank e.g. accounting HR and IT functions as well as finance related back-office functions. SpareBank 1 Boligkreditt also has transfer and servicing agreements with banks which are handling the customer contact on behalf of the business.

The working environment is characterised as good and there is no pollution of the physical environment. There has been 3,8% employee absence recorded in 2010 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. Boligkreditt strives to achieve an even distribution between the genders in recruiting for the staff and the Board.

At the time of establishment of SpareBank 1 Næringskreditt AS which represents a similar type of business activity to that of SpareBank 1 Boligkreditt it was decided that the two businesses will have identical staffing for the time being. Of the six full time employees which in 2010 have been employed in Boligkreditt two have been allocated to Næringskreditt. The Boards of the two businesses have joint meetings where the members associated with one of the businesses take the role of observers when matters of the other business are discussed.

The financial accounts for 2010

The financial accounts have been produced according to the International Financial Reporting Standards (IFRS) as legislated by the EU. This includes interpretations of the international committee for interpretation of financial reporting (IFRIC) and its predecessor the Standing Interpretation Committee (SIC).

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. The total balance sheet amounts to NOK 105 billion vs. NOK 84 billion at the end of the previous year. The business had net interest earned of NOK 136.9 million including NOK 537.2 million earned by the ownership banks and accrued as a cost to SpareBank 1 Boligkreditt. The cost of operations was NOK 24.2 million including amortisation. Nothing further than the NOK 3.34 million from 2008/2009 is accrued as a

loan loss reserve. No loan losses have occurred. In total the year's result before tax was NOK 105.4 million.

The business growth is according to expectations. The cash and cash equivalents at 31.12.2010 amounted to NOK 3.7 billion. Net cash flow for the year was NOK -2.1 billion.

During the year shareholders' equity increased by NOK 1.140 billion through ordinary capital calls. Total equity amounted to NOK 4.805 billion. Equity available for distribution is NOK 76.6 million. The total and core capital ratio for the business was 11.68% at year end.

The Board proposes that out of net income after tax of NOK 75.8 million NOK 75.6 million is distributed to shareholders which equates to NOK 2.40 per share. After the distribution SpareBank 1 Boligkreditt's remaining equity available for distribution is NOK 1.0 million.

RISK ASPECTS

General considerations

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 business is subject to low levels of risk and places strong emphasis on risk control.

The business strives to identify measure control and manage central sources of risk in such a way that its goals are achieved. SpareBank 1 Boligkreditt has during 2010 worked to develop further risk reporting. In 2009 the Norwegian Financial Authority gave its approval for SpareBank 1 Boligkreditt to use the rules according to the IRB approach. Because of the transition rules to Basel II and IRB the business is obligated to hold at least 80% of the capital it would have had to hold according to the old Basel I rules. The standard approach of Basel II (as opposed to IRB) would have meant that the amount of capital to be held would have been 70% compared to the Basel I rules. The authorities have postponed complete implementation of Basel II whilst waiting for adjustments in the rules which will be initiated by the Basel committee. If the full effect of the rules according to the IRB method had been in effect SpareBank 1 Boligkreditt would have had a capital ratio of 40.93% at 31.12.2010.

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.

The business buys residential mortgages within 75% of the value of the objects on which the mortgages are secured. The mortgages are granted to customers with a high degree of ability to service their debts. The credit policy of the business aims to keep the portfolio of loans within well defined and low levels of risk. The risk classification system is used to manage the portfolio of mortgage assets according to the overall strategy.

SpareBank 1 Boligkreditt AS utilises the SpareBank 1 Alliance's IT support systems in buying loans. Credit risk is monitored by measuring the development of the portfolio's credit quality the details of loans in arrears and over the limit overdrafts.

During 2010 the total portfolio of loans to customers increased from NOK 74 billion to NOK 91 billion. The portfolio consists exclusively of mortgages secured with a first lien on residential property. The average size of a mortgage is NOK 1.036.000. The average loan to value is approximately 50%. No loans were above 90 days in arrears as of yearend.

The portfolio of loans is distributed throughout Norway with the main concentrations in the regions of Rogaland (24%) Sør-Trøndelag (10%) and Akershus (7%)

The Board is of the opinion that SpareBank 1 Boligkreditt's portfolio represents a lower degree of credit risk than that found in ordinary banking and credit institutions.

Market Risk

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.

The business is subject to strict rules regarding market risk in the national legislation covering issuers of covered bonds. The Board of SpareBank 1 Boligkreditt has decided on moderate and specific limits for market risk. Market risk arises mainly as a consequence of covered bonds issued or investments made in fixed income in NOK or other currencies. The limits formulated by the Board means that all bond issuances or investments which incur market risk are hedged by the use of derivatives. The directions of the Board allows for the use of derivatives only for hedging purposes.

At the end of the year SpareBank 1 Boligkreditt had issued bonds with a fixed coupon for approximately EUR 5.3 billion and NOK 3.8 billion. Additionally the issued floating rate bonds and notes amounted to NOK 45.2 billion. The fixed rate issued bonds are hedged by financial swaps effectively converting all of this debt to a NOK floating rate (3 months NIBOR).

At the end of the year SpareBank 1 Boligkreditt owns bonds and notes for a total of NOK 8.9 billion of which NOK 2.2 billion are issued by financial institutions with a rating of at least A/A2 and 6.7 are Norwegian treasury bills. The business had as of 31.12.2010 only moderate interest rate risk and immaterial amounts of currency risk.

Liquidity Risk

Liquidity risk is defined as the risk that the business 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's operating procedure includes to be able to meet all maturities coming due in the next twelve months at any point in time without accessing external financing. In addition the business 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. At the start of 2011 SpareBank 1 Boligkreditt's liquidity situation is within these rules and is characterised as good.

Operational Risk

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 considered moderate the number of employees in relation to the balance sheet size. This must be viewed in the context of the relative streamlined operations. The Company has appointed three persons who joins in early 2011. This helps to reduce dependence on key personnel.

Future prospects of the business

The markets for longer dated internationally issued bonds have been troublesome since the inception of the company. In that respect 2010 brought considerable improvement. There is however still some uncertainty with regards to individual countries' ability to manage their debt in the eurozone in particular. Therefore it has been important for the company to gain access to the US market.

At the end of January SpareBank 1 Boligkreditt issued a benchmark covered bond in euro with a maturity of 10 years. This is the first ever 10 year covered bond from a Norwegian issuer in the public euro market. The bond was very well received and at a lower price than similar bonds from issuers of other nationalities. For the business this provides insurance both in the form of long term funding and the genuine interest from investors for loans from Norway and SpareBank 1.

The development of the financial situation of the business is also dependent on customers' ability to service their mortgage debts and the development of the valuations in the residential housing market. Prospects for the Norwegian economy in 2011 are promising. The market expects stable housing prices in spite of a slightly higher interest rate level. The unemployment is expected to remain stable at today's level of 3.1% which is low in comparison with other European countries. SpareBank 1 Boligkreditt has a portfolio of assets with low credit risk with the average loan to value of about 50% and only prime customers' mortgages are purchased from the ownership banks. Consequentially no material negative impacts of a possibly deteriorating macroeconomic situation are expected.

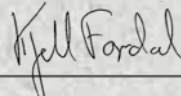
As the ownership banks only sell their loans to SpareBank 1 Boligkreditt there is no competition in the sourcing of mortgage assets. The Board expects an increase to the business' balance sheet due to increased transfer of mortgages and an increase in results in 2011 from 2010 because of a higher level of interest rates.

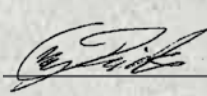
No material changes to any of the conditions of operations and limits as set by the Board are expected.

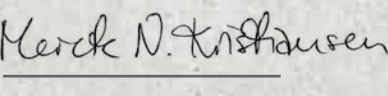
The Board confirms that the financial accounts give a true and fair presentation of Boligkreditt's operations and financial condition. No incidents have occurred after the financial year end which are expected to have an impact on the financial accounts for 2010.

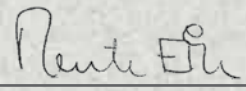
SPAREBANK 1 BOLIGKREDITT AS

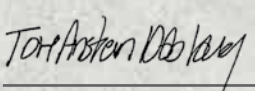
Stavanger 31 December 2010/16 February 2011

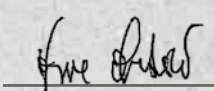

Kjell Fordal
Chairman


Inge Reinertsen


Merete Nygaard Kristiansen

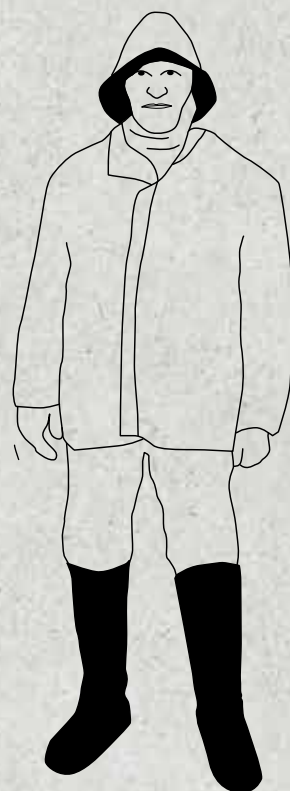

Merete Eik


Tore Arnstein Dobloug


Arve Austestad
Chief Executive Officer



ARVE AUSTESTAD
Chief Executive Officer
SpareBank 1 Boligkreditt



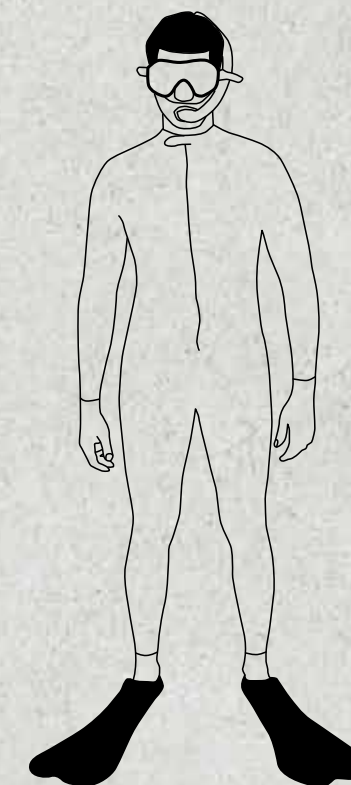
FISHERMAN
Has thorough knowledge about which tools should be used for collecting the biggest catch. He reaps nature's resources through fish crustaceans and other lucrative organisms living in the ocean.



KJELL FORDAL
Chair of the Board
Chief Financial Officer
SpareBank 1 SMN



MERETE EIK
Managing Director
Rogaland Teater



SCUBA DIVER
Works under water more often than not under difficult high-pressure conditions with rescue assistance and maintenance of coastal infrastructure.



TORE ANSTEIN DOBLOUG
Chief Financial Officer
Sparebanken Hedmark

THE BOARD OF DIRECTORS

69,8 %
WATER

As an infant 90 percent of body mass consist of water. A full grown SpareBank 1 employee consist of approximately 70 percent water. The human body needs 2-2,5 liters of water daily. Around one litre comes from the food we ingest; the rest should ideally be introduced in the form of a beverage.



INGE REINERTSEN
Chief Financial Officer
SpareBank 1 SR-Bank



MERETE NYGAARD KRISTIANSEN
Market Director Norwegian
Seafood Export Council



MARITIME PILOT
Leads large vessels safely through dangerous waters through extensive knowledge of the coast and harbours. The maritime pilot community is an age old arrangement along the Norwegian coast with regulations written down as far back as 1274.

FACT SHEET

_norway.

KEY MACROECONOMIC FIGURES

Unemployment rates, historical data and estimated for 2011

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E
Norway	3.5	3.9	4.5	4.5	4.6	3.4	2.5	2.6	3.2	3.6	3.6
Sweden	5.9	6.1	6.8	7.7	7.7	7.1	6.1	6.2	8.3	8.4	8.0
Denmark	4.4	4.5	5.3	5.5	4.8	3.9	3.6	3.2	5.9	7.2	7.2
UK	5.1	5.2	5.0	4.8	4.8	5.4	5.4	5.7	7.6	7.9	7.8
US	4.8	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.7	9.5
Euro area	7.9	8.2	8.7	8.9	8.9	8.2	7.4	7.4	9.3	9.9	9.6

Housing prices 2005-2010

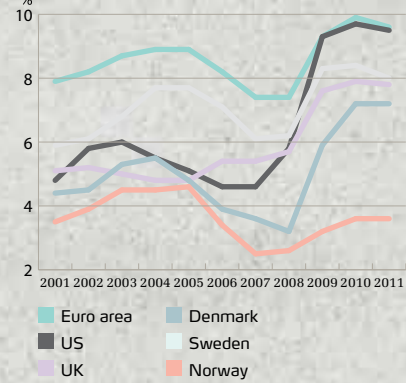
Index Jan 2000=100



Source: Eiendomsverdi

Unemployment Rates

2001 - 2011



Source: OECD



ALMOST EVERYONE IS WORKING

CURRENTLY NORWAY EXHIBITS ONE OF THE LOWEST UNEMPLOYMENT RATES IN THE WORLD. AT THE START OF 2011 THE UNEMPLOYMENT RATE WAS AT 3.6 %. THIS IS SPECTACULARLY LOW FOR INSTANCE COMPARED TO THE EUROPEAN AVERAGE WHICH WAS OVER 9 % AT THE SAME TIME.

Even just after facing the gravest economic downturn of the global economy since the Second World War the unemployment in Norway only increased marginally compared to other countries. In addition the Norwegian labour market has a very high participation rate. The participation rate describes the participating portion of the labour force relative to the total population. One of the reasons for this is the large share of employed women in Norway. Seven out of ten women and almost eight out of ten men are employed today. Thirty years ago less than half of Norwegian adult women had jobs or were actively seeking work. Men were about as active in the 1970s as they are today.

Still today a lot of women choose to work part time. 41% of employed women are part time employees. 14 % of men have part time jobs. This does demonstrate that Norway does in fact have a gender divide in the labour force in which women dominate in health and service industries. The real pension age in Norway is 64 for men and 63 for women. Many experience transition period with both income from work and social security in the final years before pension age.

Compared to other OECD countries Norway gets a high score for participation and share of women in the labour force. However when it comes to number of work hours per employee Norway is behind other OECD countries mainly because of the high share of part time and generally shorter work hours. Norway is also among the top of the world when it comes to number of ill people and disabled compared to the total work force. In Norway very few manage to return to

work after a period of illness. It seems that if one has been granted the status of disabled very few manage to return to working life.

Looking at the composition of the labour force the employment in education is doubled and employment in health- and social services has quadrupled since 1970 whilst the primary sector is reduced by a third and two thirds in manufacturing.

One characteristic of the Norwegian labour market is the degree of centralized wage bargaining. According to research done by Statistics Norway centralized wage bargaining leads to lower wage increases and small wage differences. This promotes productivity and adaptation. The reason for that is that relatively cheap human capital and those with the highest education needs the most advanced technology. Correspondingly the less educated are relatively expensive to hire and therefore technological investments are prioritized before low-competency jobs. Society reaps the gains from the technological advancement but it does in turn mean that those without education and adaptability will be excluded. Hence some of the costs of low productivity labour are shifted over to the state in that they exit from the working force into various social services. The productivity growth in Norway has been very high compared to other countries much thanks to the small wage differences and high degree of coordination which makes it easier to implement new technological innovation like payment systems, broadband, mobile networks etc.

The long term challenge for Norway is the increase in public spending when facing the aging of the population which will hit Norway around 2020. It will be important in the time leading up to this to include more people in the work force that are today on social security and have them contribute as well. An important resource pool for Norway comes from all the part time workers. If there should be a need for more labour when facing an aging population it will be possible to change the work ratio of the part time employees. A reduction in contributions to people who are ill and disabled could be possible tools at the government's disposal, but as this is more politically challenging, it is likely to be less attainable unless the economic situation becomes servere.

architecture.



FIG 1

When Troll A the platform for natural gas was towed out on the Troll field in the North Sea this was the largest construction ever to be moved to a new position relative to the surface of the earth. With its 472 metres and 656 000 tons it is amongst the most complex construction projects in the world.

FIG 2

The world's northernmost ice hotel is found in Alta. Every season this hotel is built over the course of six weeks. Everything is made by hand out of snow and ice. The ice hotel is 2000 square meters and holds a temperature of -4 to -7 degrees Celcius and has both a bridal suite and an ice chapel and hosts on average two weddings each week.

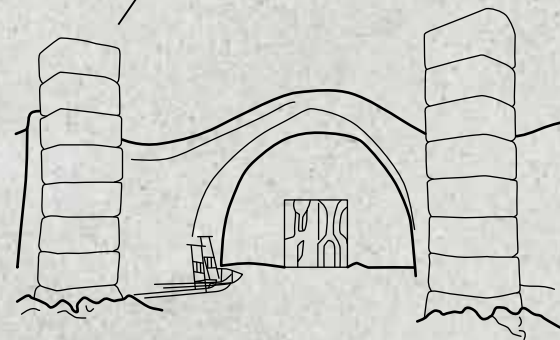


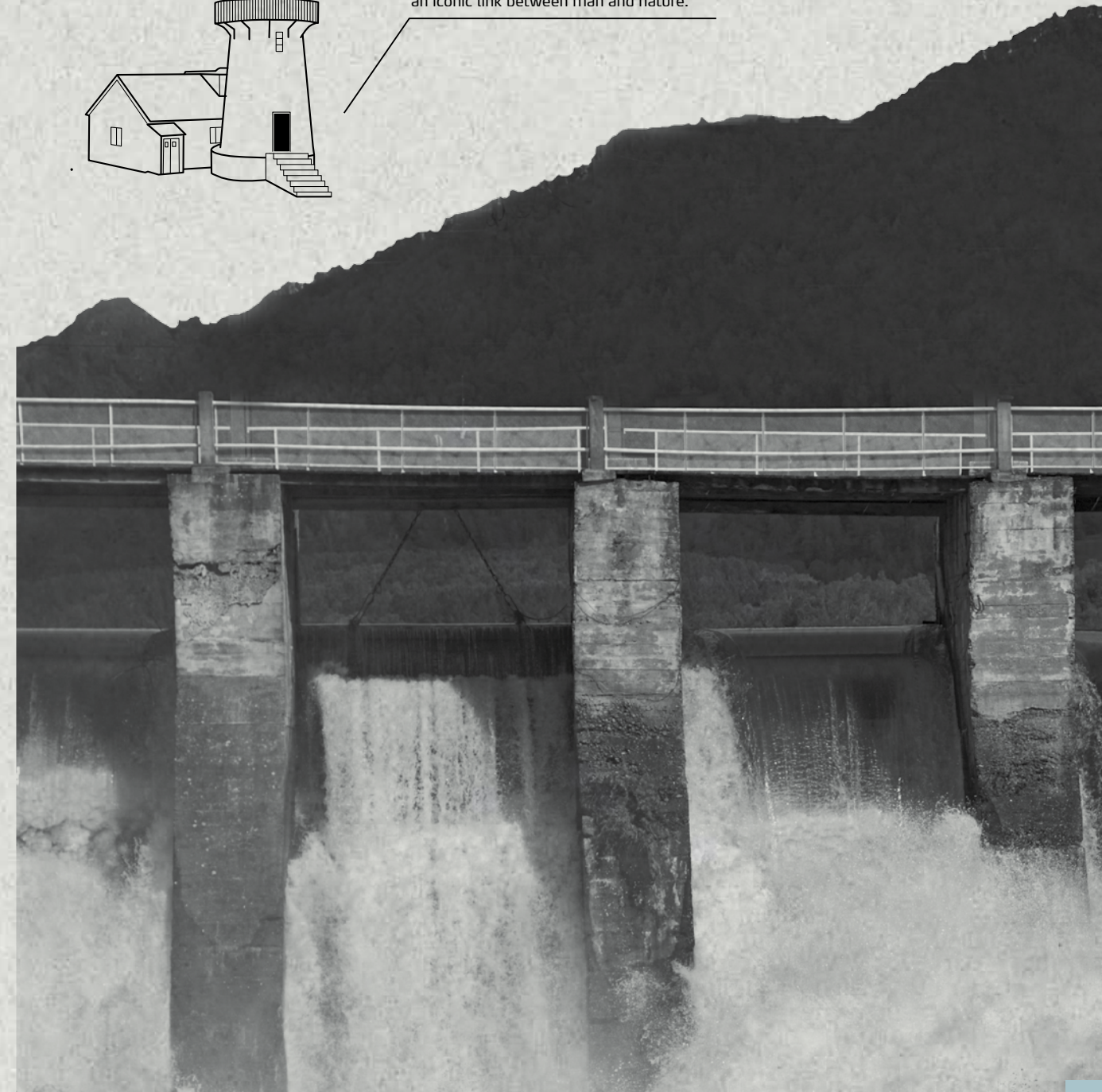
FIG 3

The Atlantic Road on the coast of Nordmøre lets 19 000 visitors every year come unblushingly close to the ocean and the unique maritime environment Norway has to offer. Through bridges and fillings an impressive piece of road stretching from island to island on a stippled stripe of land further out to sea than anything nearby.



FIG 4

The first lighthouses were equipped with a bonfire. Soon after the keepers used to light fires in iron pots and hoist them up with a lever. These were called tilting lighthouses. Later arrived the houses with the light in the top the formation that has forever become an iconic link between man and nature.



High quality architecture and functionality is usually found under the same roof. As a consequence of the climate Norwegian architecture is very much marked by the powers and circuits of water. So-called "Grindverk" buildings are a type of cog joint constructions that are typical for Norway with roots back to the Bronze Age. This type of construction is made to let in light and air but to keep the water out. Therefore these buildings are well suited for storage and drying. In Forsand in Rogaland there are found traces of 3000 year old "grindverk" buildings.

Water is central also in today's Norwegian architecture. The enlargement of the Røldal/Suldal construction was drawn by architect and modernist Geir Grung. His use of stylized geometric shapes and the construction's harmonization of purpose and form makes the construction acknowledged as a modern architectural masterpiece.



FACT SHEET

alliance.

About Eiendomsverdi AS

Eiendomsverdi was founded in 2000 and is owned by the founders and with equal shares by four of the largest banking constellations in Norway, DnB NOR, SpareBank 1, Terra and Nordea. The company develops and supplies information tools and systems to estimate market value (both on an individual unit level and on a portfolio level) for the Norwegian residential real estate market.

Our services are offered to real estate agents, surveyors, banks, financial institutions and real estate developers.

About the Eiendomsverdi AVM

Eiendomsverdi's AVM model introduced automated property valuations to the Norwegian market.

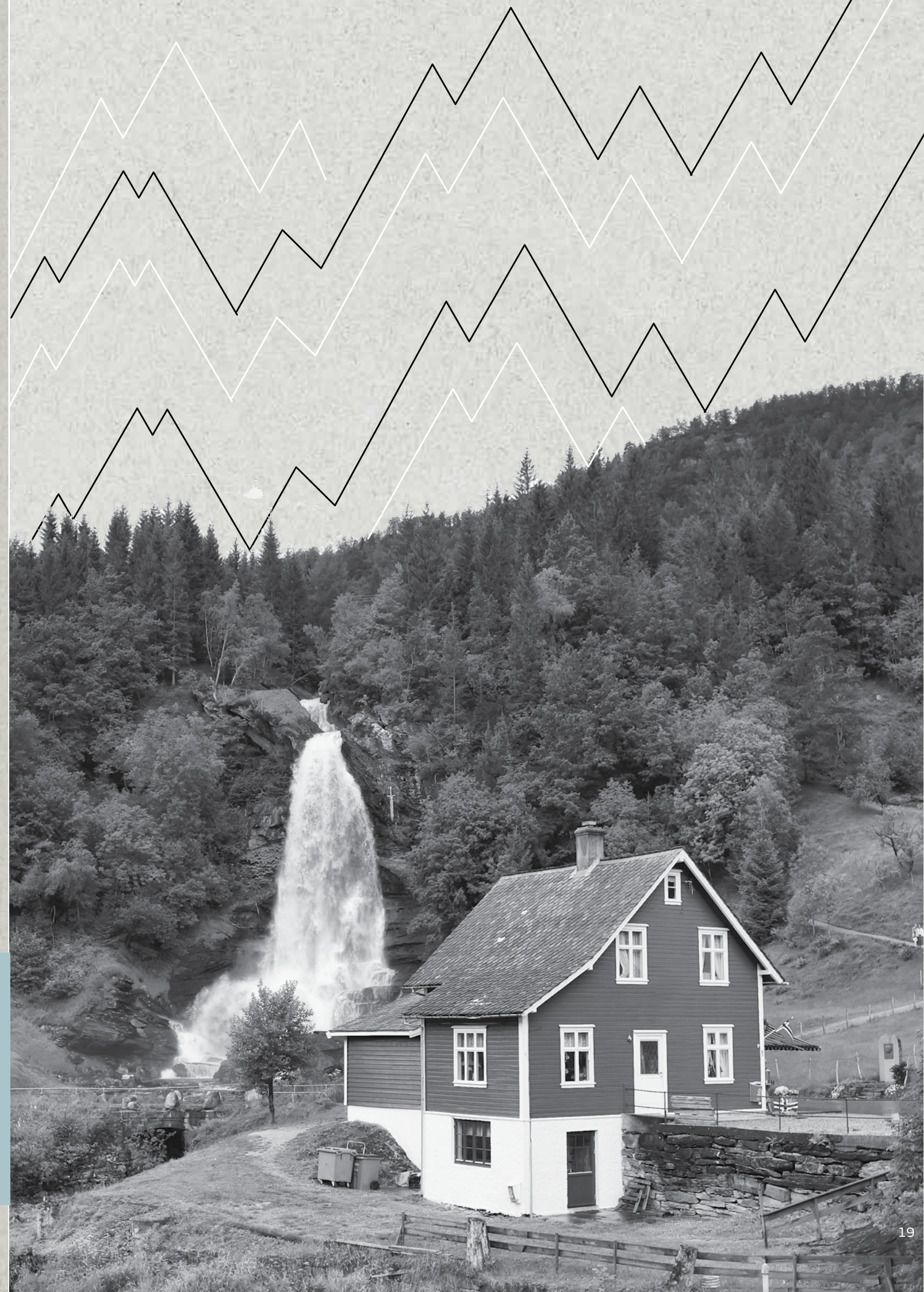
Assessing the value of a property is a relatively extensive process. In many cases an appraisal is not feasible or too costly and time consuming leaving an AVM estimate the only viable alternative. As a result of the high level of accuracy and ease-of-use coupled with the inherent cost effectiveness the use of Eiendomsverdi's AVM models has increased dramatically over the past few years. Today it is used by almost all of the Norwegian banks both at origination of the mortgage and to track the value of the collateral over the duration of the mortgage.

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.

In addition due to the unique collaboration between the Norwegian real estate agents and Eiendomsverdi with well over 90 percent of agents participating Eiendomsverdi's database has been updated in real time with data from house sales performed by agents since 2003. When a residential property is sold on the open market the transaction price and corresponding transaction data will be updated in the database the day after. This information is then cross-referenced with existing information on that property.

This is possible due to the high quality of the public land registry and speedy nature of Norwegian house sales. An offer is binding on the buyer from the time it has been presented to the seller and therefore the final selling price is available immediately after the offer has been accepted by the seller. This data is then immediately incorporated into our model.

Although an AVM will not be able to inspect the target property Eiendomsverdi's AVM has proved to be highly accurate and the level of accuracy has been competitive to alternative valuation methods incorporating such an inspection. To ensure that the model is accurate under any and all market conditions Eiendomsverdi validates its models every fortnight. This is done by comparing the sum of actual sales prices for all properties sold in that month with a valuation of the same properties performed on the corresponding sales date (without incorporating data from the transaction). This has proved that the model is highly resilient to market turmoil. Even during the financial crisis when Norwegian house prices fell at something which was probably record rates our models kept track with the market. Even in the worst month our model returned estimates which on an aggregate represented an overvaluation of only three percent. Already the next month November 2008 the sum of our estimates represented an undervaluation of approximately one percent.



FACT SHEET

boligkreditt.

In NOK 1000					
Mortgages	74 685 860	PAR-test	110.1 %	Covered bonds	78 228 586
		Company target	109.0 %		
Norwegian Treasury Bills	6 677 603				
Substitute Collateral	4 402 393			Swaps	-306 783
Total	85 765 857			Total	77 921 804

Asset Coverage test
The Asset Coverage test shows the ratio of assets to liabilities at any given time. This test is carried out on a weekly basis to ensure that the asset coverage remains above the minimum requirement and near the target ratio.

Cover Pool details*	As of 31.12.2010
Total mortgage portfolio (in NOK 1000)	74 685 860
Number of loans	68 942
Average loan size (in NOK 1000)	1 083
% of non-performing loans	0.0%

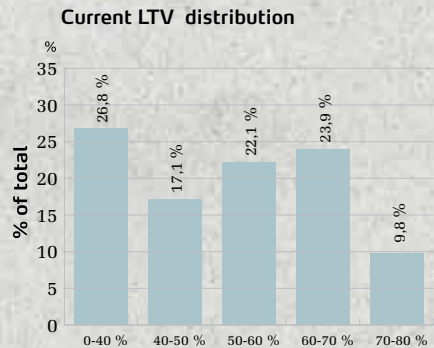
Weighted average time since origination	31 months
Weighted average remaining term	255 months

Ratio of floating rate loans	100%
Weighted average interest rate on mortgages	3.7%
Weighted average margin (in bps)	48

Weighted average current LTV	50%
Weighted average original LTV	57%
Maximum original LTV permitted by law	75%

*all data input for pool 1
The covered bonds company has also set up a second portfolio which is tailor made for Norges Banks swap facility. This portfolio consists for mortgages for NOK 16 bn. There will not be bonds in the market that are issued against this portfolio.

Substitute Collateral
In addition to prime mortgages, the cover pool consists of Norwegian Treasury Bills, high grade bonds and some deposits that serve as liquidity reserve and substitute collateral. The company has strict rules for what types of bonds that can be included in this reserve. 75 % of the bond portfolio are Nordic Covered Bonds, and the remainder are high grade financial bonds with a minimum rating of A. The deposits are with the rated owner banks for operational purposes.



Covered Bond details

EUR-deals					
ISIN	Nominal Balance	Issue date	Maturity date*	Interest payments	Interest type
XS0350301668	1 000 000 000	15-03-08	15-06-11	Annually	Fixed rate
XS0470740969	1 000 000 000	03-12-09	03-12-12	Annually	Fixed rate
XS0386753031	1 000 000 000	10-09-08	10-09-13	Annually	Fixed rate
XS0519708613	1 000 000 000	23-06-10	23-06-15	Annually	Fixed rate
XS0495145657	1 250 000 000	17-03-10	17-03-17	Annually	Fixed rate
N-note	60 000 000	18-09-08	18-09-19	Annually	Fixed rate

USD-deals					
ISIN	Nominal Balance	Issue date	Maturity date*	Interest payments	Interest type
XS0552808940	1 500 000 000	26-10-10	25-10-13	Annually	Fixed rate

NOK-deals					
ISIN	Nominal Balance	Issue date	Maturity date*	Interest payments	Interest type
NO0010441652	800 000 000	25-06-08	25-06-12	Annually	Fixed rate
NO0010480452	3 000 000 000	15-02-08	15-02-13	Quarterly	Floating rate
NO0010467491	300 000 000	31-10-08	31-10-13	Annually	Fixed rate
NO0010492333	7 000 000 000	17-02-09	25-08-14	Quarterly	Floating rate
NO0010583222	1 000 000 000	13-08-10	13-08-15	Quarterly	Floating rate
NO0010572142	4 000 000 000	29-04-10	29-04-16	Quarterly	Floating rate
NO0010520356	7 350 000 000	11-06-09	13-06-16	Quarterly	Floating rate
NO0010464944	2 000 000 000	16-10-08	16-10-17	Annually	Fixed rate
NO0010441454	500 000 000	18-06-08	18-06-18	Annually	Fixed rate
NO0010441678	200 000 000	25-06-08	25-06-18	Annually	Fixed rate

*All covered bonds have a one year extension clause



FIG 1
The yoke illustrates the balance-related situation for SpareBank 1 Boligkreditt. There must always be a predominance of assets in relation to debt in order to meet the legal requirement for over collateralization.



CARL FREDRIK HJELLE
Risk Manager

HENNING NILSEN
Director finance and risk

HEIDI HØIVIK
Operations systems and compliance

NORWEGIAN COVERED BOND LEGISLATION

To conduct a covered bond business is easier if you have a legal framework made for this purpose. When the Norwegian framework was drafted SpareBank 1 Boligkreditt, together with other potential issuers took an active part in the drafting and kept close contact with rating agencies and rating advisors. This has ensured one of the best legal frameworks for covered bonds and aids us in achieving a top rating and the confidence of investors from many different jurisdictions.

The legal framework allows for covered bonds to be issued only by specialist mortgage finance companies, whose objective it is to mainly finance its activities by the issuance of covered bonds. SpareBank 1 Boligkreditt is such a specialist mortgage finance company. All we do is purchase retail mortgages and finance them, mainly by issuance of covered bonds. The objective of the framework is to ensure timely payment to counterparties and investors and to ring fence the covered pool assets in an event of default. This is done by strict limitations on the business, the specialist principle, the risk allowed to be taken, the restrictions on mortgages and the control mechanisms applied. The most important issue is however the protection of the covered investors if the issuer goes bankrupt. This is achieved by several rules and principles applied.

For retail mortgages the loan to value (LTV) must be below 75% when the loan enters the pool. For commercial loans the LTV has to be less than 60%. We do not mix commercial loans into our retail pool, but has established a separate covered bond issuer, SpareBank 1 Næringskreditt, for that purpose. All real estate has to be valued by an independent appraiser and according to our credit policy that valuation should not be older than 12 months. According to section 2-31 in the Act the company must perform an asset ratio test to ensure that the assets in the pool are larger than the liabilities at all time. Loans, interest rate contracts and foreign exchange contracts shall all be valued at net present value. In the test loans in arrear for more than 90 days are not included, but they are still a part of the pool. The real estate prices are to be monitored, and if there is a significant drop we are obliged to make new valuation calculations. If the LTV should move above 75% after such new valuation, the amount above 75% will be left out of the asset test, but still remain as part of the pool.

The Act and sub-legislation allows for little interest rate risk, and even less currency risk. To comply with the fact that all our mort-

gages at present has a floating interest rate that can be changed within 6 weeks notice, all our major loans and investments are hedged from other currencies to NOK, and from any fixed interest rate to 3 months floating rate. With regard to liquidity we are required to at all time have a positive cash flow. In addition to this we are also subject to general bank regulations, like capital adequacy, large single customer exposure and liquidity regulations, and we are supervised by the Norwegian Financial Supervisory Authority.

The issuer must at all times keep an updated pool register which contains detailed information about all assets and liabilities covered by the pool. This is monitored by an independent inspector. The register provides strong, but not conclusive evidence that the claim is given the preferential position. The conclusive evidence is the intention of the parties, proven by all evidence available. Pursuant to the Act, loans and receivables included in the cover pool may not be assigned, pledged, or made subject to any set-off. However, an exemption regarding the prohibition against set-off has been made in relation to derivatives agreements, as further described in the Act and sub-legislation.

As long as the pool makes timely payment and no halt-of-payment has been declared, an issuer bankruptcy will only result in a change of management as an administrator will be appointed by the court and replace the management. The pool will be kept running and make timely payment. The administrator can obtain new funding as in ordinary course of business.

In case the pool is deemed unlikely to make timely payment a halt of payment will be introduced by the administrator. The assets will then be liquidated and the cash will be transferred first to those that have a preferential claim, according to the net present value of that claim. Any remains will go to creditors without the preferential claim. If there are insufficient funds to cover the preferential claims, the remaining pool claim will be a claim towards the assets outside the pool, but with a pari passu ranking with the unpreferential claims.

For further information we refer you to our Global Medium Term Covered Notes Programme.

innovation.

FIG 1

Norway is a small country with a small population and large untouched spaces in which nature gets to unfold freely. This in combination with lots of rainfall makes for outstanding conditions for high quality Artesian water. The company Voss has made great success by delivering exclusive Artesian water to picky consumers all over the world.



FIG 2

The new generation of wind mills which by the help of Norwegian offshore technology can be installed over great depths far out on sea. This gives the windmills potential to collect 20-30% more energy than their brothers on land in addition to eliminating both phonetic and esthetic noise.

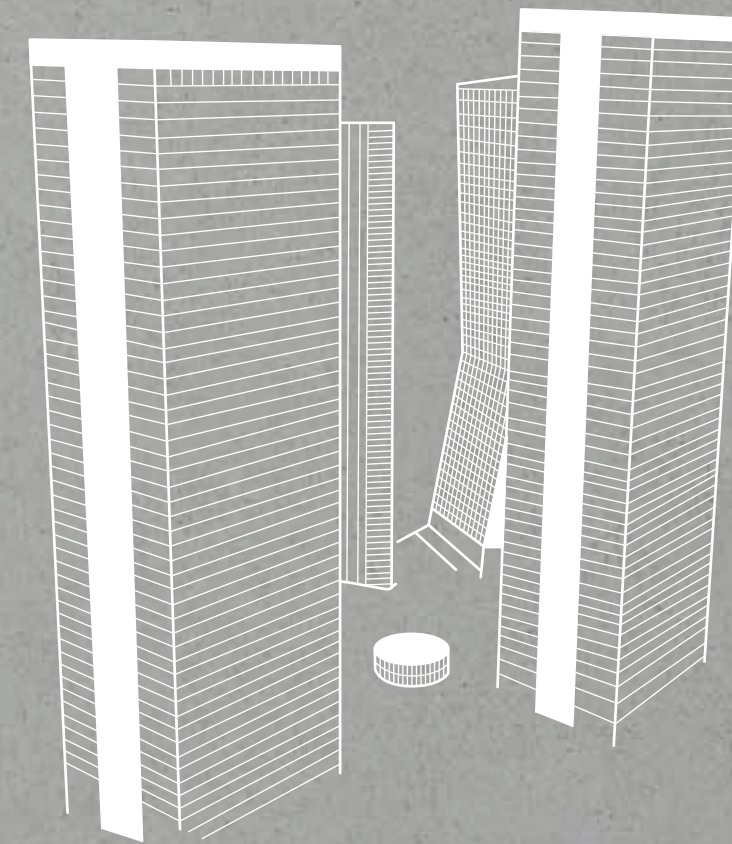


FIG 3

In 2009 Statkraft opened the first salt water power station in Hurum. Statkraft Osmotic Power Prototype produces electric power through osmosis. Osmotic energy has a global potential of 1600 to 1700 TWh which corresponds the total energy consumption of China in 2002.

FIG 4

Norwegian Even Tollefsen is considered to be the father of tankers. In 1877 he built the first ship for transportation of petroleum products in bulk compared to in barrels which had been the method until then. In 1886 99% of oil exported by the US put on barrels 20 years later 99% was moved by tankers.

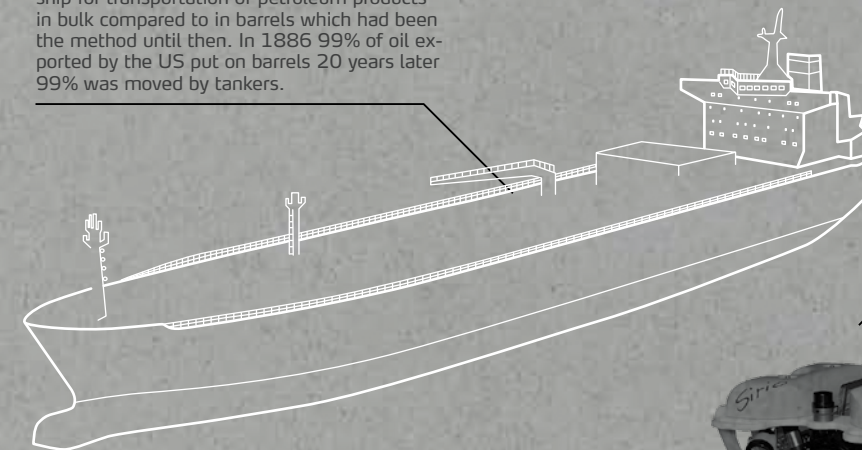


FIG 5

In the old herring capital Haugesund one finds one of the leading underwater water companies. DeepOcean builds underwater robots and delivers submarine services and maintenance. They have some twenty ships and nearly 700 employees that work out of 11 offices around the world.



Salt water and fresh water. Our climate has given us water in abundance throughout our entire history, hence it is included in everything we are and everything we do. Throughout times we have learned to tame the water, defeat its dangers and make use of it. Norway is a patchwork of drained patches of land, trenches, ditches, piers, ports, streams, passing, old sawmills and mountains with gigantic tunnels and turbines. Outside our coasts some of the world's largest maritime buildings are found and Norwegian ships still call at ports all over the world. Norwegian wealth creation has always been connected to water. Also in today's search for alternative sources of energy Norwegian innovators look to water and the ocean for possibilities.

culture.

FIG 1

The longships were of major importance to the success of the Vikings. The ships were streamlined efficient and had very narrow drafts. These attributes gave them supreme seaworthiness and a broader range of access to shallow waterways such as tight sounds and rivers. The longship marked the beginning of a long and proud maritime culture.

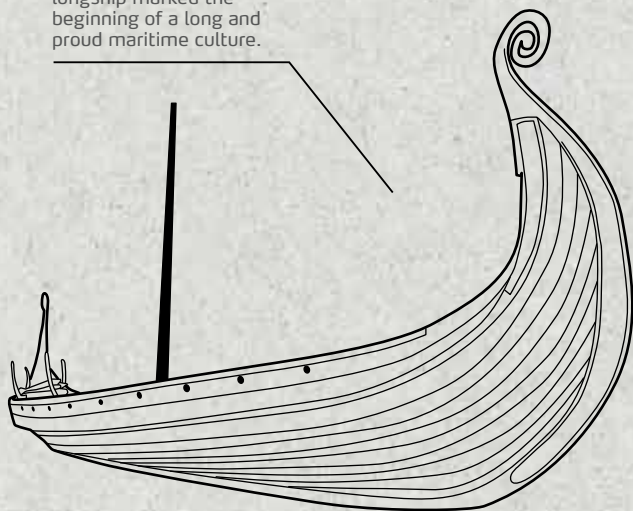


FIG 3

Whether one is alone with the elements or cheering in the sea of people sports and outdoor life is deeply rooted in Norwegian mind. Skating, with Hjalmar "Hjallis" Andersen at the helm, was for a long time the sporting event that gathered all walks of life to the arenas. Although more non-traditional sports often appear among the Norwegians of today, the joy of using your body and nature remains the same.



FIG 2

Edvard Munch's ability to catch deep human themes in the colours he uses has impressed the entire world. Art is not an imitation of nature but work of humans, with this idea Munch entered into history as one of the early expressionists. Water often appears in Munch's art and he especially used it for visualizing his relationship to love and women.



FIG 4

There is something eternal about the Nordic shores either in the vividness of summer sunlight or under the pounding roar of autumn storms. It may have been these elements which the sculptor Antony Gormley wished his ironcasts to engage with when he placed them scarcely about the beach of Solastranden.



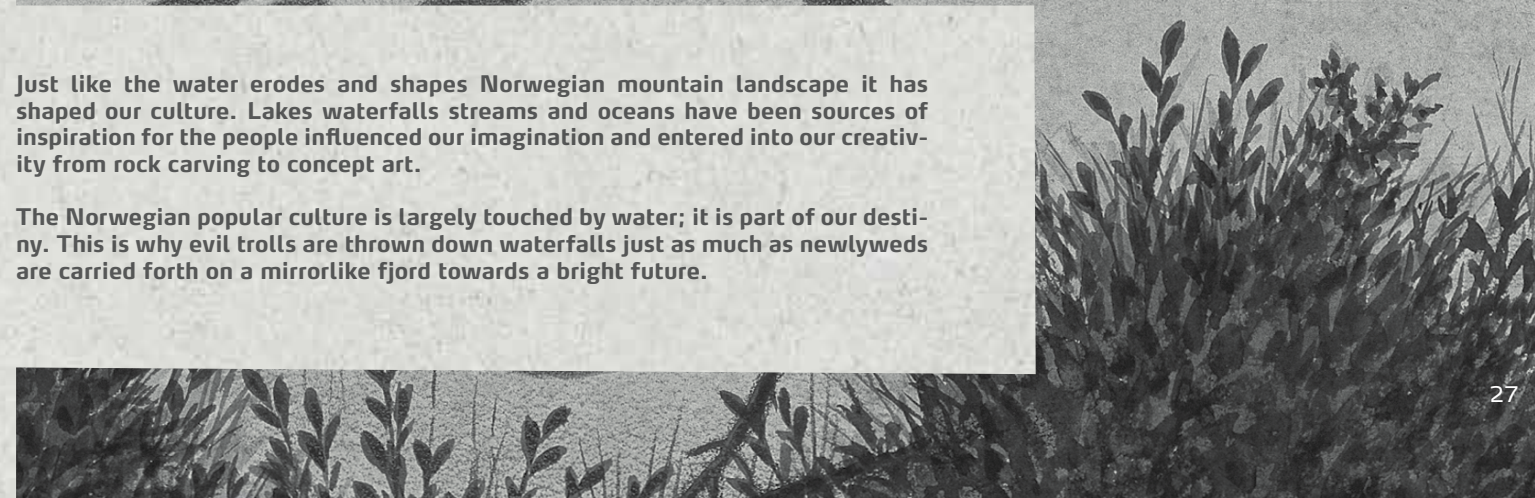
FIG 5

The Nix is the name of a supernatural character who lives in lakes and streams in Nordic popular superstition. He will show himself in several forms often in the form of a white horse trying to allure people into following him and then proceed to drown them especially after sun set. He often appears as a prewarning for coming accidents related to water.



Just like the water erodes and shapes Norwegian mountain landscape it has shaped our culture. Lakes waterfalls streams and oceans have been sources of inspiration for the people influenced our imagination and entered into our creativity from rock carving to concept art.

The Norwegian popular culture is largely touched by water; it is part of our destiny. This is why evil trolls are thrown down waterfalls just as much as newlyweds are carried forth on a mirrorlike fjord towards a bright future.



annual accounts.

INCOME STATEMENT

NOK 1 000	Note	2010	2009
Total interest income	3	2 798 192	1 783 634
Total interest expenses	3	-2 661 310	-1 675 732
Net interest income		136 882	107 902
Net gains/losses from financial instruments	4	-7 337	28 622
Net other operating income		-7 337	28 622
Total operating income		129 545	136 524
Salaries and other ordinary personnel expenses	5	-6 422	-5 793
Administration expenses	7	-6 137	-3 901
Other operating expenses	8	-8 090	-5 577
Depreciation on fixed assets and other intangible assets	10	-3 545	-4 116
Total operating expenses		-24 193	-19 387
Operating result before losses		105 352	117 137
Write-downs on loans and guarantees		0	-366
Pre-tax operating result		105 352	116 771
Taxes	9	-29 567	-32 652
Profit/loss for the year		75 785	84 119

STATEMENT OF TOTAL PROFIT/LOSS FOR THE YEAR 2010

NOK 1 000	Note	2010	2009
Profit/loss for the year	15	75 785	84 119
Total profit/loss		75 785	84 119
Allocations:			
Purposed dividends	15	75 613	93 231
Other Equity	15	172	-9 112
Total allocations		75 785	84 119

BALANCE SHEET AS OF 31 DECEMBER 2010

NOK 1 000	Note	2010	2009
Assets			
Deferred tax advantage		0	0
Other intangible assets	10	4 780	3 867
Other assets	11	440	2 731
Treasury bills	18	6 677 603	0
Bonds	18	2 184 270	989 374
Lending to and deposits with credit institutions	18	3 658 257	5 800 587
Lending to customers	12	91 083 932	74 429 195
Financial derivatives	17	1 469 563	3 558 599
Total assets		105 078 845	84 784 352
Liabilities			
Deferred taxes	9	-35 768	-6 205
Debt incurred by issuing securities	16	-97 791 218	-78 299 031
Debt to credit institutions	18	-390 468	-1 992 032
Financial derivatives	17	-1 150 778	-134 894
Tax payable	9	0	-23 536
Other liabilities	20	-905 545	-646 138
Total liabilities		-100 273 777	-81 101 836
Equity			
Contributed equity	15	-4 728 470	-3 168 470
Other contributed equity (not registered)		0	-420 000
Accrued equity	15	-985	-814
Purposed dividends	15	-75 613	-93 231
Total equity		-4 805 069	-3 682 516
Total liabilities and equity		-105 078 845	-84 784 352


Stavanger 31 December 2010 / 16 February 2011


Kjell Fordal
Chair of the Board


Inge Reinertsen


Tore Anstein Dobloy


Merete Eik


Merete Nygaard Kristiansen


Arve Austestad
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

NOK 1 000	Share capital	Premium reserve	Other contributed	Purposed dividend	Other equity	Total equity
Incorporation 18.08.2005	80 000	20 000				100 000
Costs of incorporation		-6				-6
Share increase 21. November 2006	240 000	60 000				300 000
Result for the period					-1 724	-1 724
Balance sheet as of 1. January 2007	320 000	79 994			-1 724	398 270
Share increase 22. February 2007	3 140	816				3 956
Share increase 22. August 2007	200 000	50 000				250 000
Share increase 02. November 2007	176 401	88 201				264 602
Share increase 20. December 2007	83 599	26 170				109 769
Result for the period					9 510	9 510
Balance sheet as of 31. December 2007	783 140	245 181			7 786	1 036 107
Share increase 04. June 2008	7 408	2 741				10 149
Share increase 13. June 2008	150 000	150 000				300 000
Share increase 30. October 2008	150 000	150 000				300 000
Result for the period					31 585	31 585
Balance sheet as of 31. December 2008	1 090 548	547 922			39 371	1 677 841
Share increase 11. February 2009	170 000	85 000				255 000
Share increase 4. June 2009	170 000	85 000				255 000
Share increase 19. August 2009	280 000	140 000				420 000
Share increase 14. September 2009	400 000	200 000				600 000
Share increase 20. November 2009			420 000			420 000
Share dividend 2008					-29 445	-29 445
Result for the period				93 231	-9 112	84 119
Balance sheet as of 31. December 2009	2 110 548	1 057 922	420 000	93 231	814	3 682 515
Share increase 2 February 2010	280 000	140 000	-420 000			0
Share increase 3 May 2010	480 000	240 000				720 000
Share increase 15 November 2010	280 000	140 000				420 000
Share dividend 2009				-93 231 753		-93 231
Result for the period				75 613	171	75 785
Balance sheet as of 31 December 2010	3 150 548	1 577 922	0	75 613	985	4 805 069

CASH FLOW STATEMENT

NOK 1 000	2010	2009
Cash flows from operations		
Interest received	3 196 044	2 046 276
Payments to operations	-18 190	-20 152
Paid tax	-23 539	-15 234
Net cash flow relating to operations	3 154 316	2 010 890
Cash flows from investments		
Net purchase of loan portfolio	-16 624 750	-38 154 431
Net payments on the acquisition of government securities	-6 677 603	1 900 387
Net payments on the acquisition of securities	-1 182 705	-586 076
Net investments in intangible assets	-4 454	-4 090
Net cash flows relating to investments	-24 489 512	-36 844 209
Cash flows from funding activities		
Net receipt/payment from the issuance of certificates	1 250 000	2 974 800
Net receipt/payment from the issuance of bonds	21 210 985	35 061 986
Net receipt/payment from the issuance of loans to credit institutions	-1 601 203	-3 910 856
Payment of new equity capital	1 140 000	1 950 000
Paid dividend	-93 231	-29 445
Net interest payments on funding activity	-2 711 126	-1 699 847
Net cash flow relating to funding activities	19 195 425	34 346 638
Net cash flow in the period	-2 139 772	-486 681
Balance of cash bank deposits and similar entities as of 01.01.10	5 800 587	6 294 029
Net receipt/payments on cash	-2 139 772	-486 681
Exchange rate difference	-2 558	-6 762
Balance of cash bank deposits and similar entities as of 31.12.10	3 658 257	5 800 587

NOTES TO THE ACCOUNTS 2010

NOTE 1 GENERAL INFORMATION

The accounts are prepared in accordance with “International Financial Reporting Standards” (IFRS) as determined by the EU. This includes interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC).

The IFRS 9 Financial Instruments standard are made public and will most likely come into effect from 1 January 2013 or later. The management has decided not to implement it before this time.

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.

Entering into the balance sheet and exclusion of assets and liabilities. Assets and liabilities are recorded on the balance sheet at the time the Company assumes actual control of the rights to the assets and takes on a real obligation. Assets are excluded at the time actual risk relating to the assets is transferred and control of rights to the assets is annulled or expired.

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 DEPRECIATION OF 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 with the issuer or the lender
- default on the contract such as missing instalments or interest payments
- the Company grants the lender particular terms on the basis of financial or legal circumstances related to the lender'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 lenders 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 a impairment is identified or continues to be observed will not be a part of a collective evaluation of impairment. If there is objective proof of the occurrence of impairment 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.

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 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 basis swaps. The company values and documents the efficiency 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 interest rate and changes in these values from the opening balance are allocated to net income.

For classification under hedge accounting see “financial derivatives” below.

FINANCIAL DERIVATIVES

Financial derivatives are estimated at fair value and presented as an asset if the value is positive and as a liability if the value is negative. Offset accounting is used if the Company has entered into a legally binding contract with the counterparty to offset and the purpose is to pay off the net amount or to realise the asset and the obligation simultaneously. The interest income and cost of any financial derivative is part of “net interest income” based on the internal rate of return method. Financial derivatives that are being used for hedging purposes are presented alongside the financial derivatives in the income statement.

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 taxes are entered into the accounts in accordance with the liability method complying with IAS 12. With deferred taxes the liability or asset is calculated on temporary differences that is the difference between the value that has been entered into the accounts and the fiscal value of assets and liabilities when it is probable that there will be a future taxable income and that temporary differences may be deducted from this income. All the same there will not be any calculation of liabilities or assets on deferred taxes on goodwill that does not provide tax relief nor on first time entered posts that neither affect the accounting result nor the taxable result.

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.

FUNDING

Loans will initially be accounted for based on the net proceeds less any transaction costs. Loans are subsequently assessed at amortised cost. Any difference between the original proceeds and settlement amount on maturity is thus accrued over the term of the loan by means of the effective interest rate method.

Loans will be classified as short term debt unless there is an unconditional entitlement to postpone payment of the debt for more than 12 months from the accounting day.

PENSIONS

The Company's employees are also employees of SpareBank 1 SR-Bank on leave of absence. In the period of this leave of absence they are also members of the SpareBank 1 SR-Bank pension fund and are accruing the same pension entitlements as the remaining members of the pension fund. SpareBank 1 Boligkreditt covers the pension premium for the employees while they are on leave of absence from SpareBank 1 SR-Bank. When this premium has been paid there are no further payment obligations except from the share of the salary of the CEO that exceeds 12 G. One employee is hired from SpareBank 1 Gruppen AS who also covers all the pension costs to this employee.

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 entered into the accounts at cost.

INTEREST RATE INCOME AND -COSTS

Interest rate income and -costs associated with assets and liabilities measured at amortised cost will be continuously entered into the accounts based on an 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 INCOME AND -COSTS

Commission income and -costs will in general be entered into the accounts in accordance with the accruals principle in line with the rendering of a service. Fees associated with any interest bearing instruments will not be entered into the accounts as commission but will be part of the calculation of an effective rate of interest and will be entered into the accounts accordingly.

EVENTS FOLLOWING THE ACCOUNTING DAY

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 regulation 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 on the prerequisite that the operations will continue. This prerequisite was in the opinion of the Board of Directors present at the time when the accounts were presented tot he 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 entered into the accounts as a reduction in the proceeds received.

NOTE 3 NET INTEREST INCOME

NOK 1 000	2010	2009
Interest income		
Interest income and similar income from loans to and balances with credit institutions	160 876	192 911
Interest income and similar income from loans to and balances with customers	3 031 818	2 028 245
Interest income treasury bills	142 677	320
Commission expense	-537 179	-437 842
Total interest income	2 798 192	1 783 634
Interest expense		
Interest expense and similar expenses to credit institutions	13 059	76 797
Interest expense and similar expenses on issued bonds	2 647 520	1 593 003
Interest expense and similar expenses on issued certificates	345	5 868
Interest expense and similar expenses on deposits from and liabilities to customers	0	2
Other interest expenses	386	61
Total interest expense	2 661 310	1 675 732
Total net interest income	136 882	107 902

NOTE 4 NET GAINS FROM FINANCIAL INSTRUMENTS

NOK 1 000	2010	2009
Net gains (losses) from financial liabilities	-5 480 185	5 599 925
Net gains (losses) from financial assets	-21 799	-76 389
Net gains (losses) from financial derivatives hedging at fair value	5 494 647	-5 494 914
Net gains from financial instruments	-7 337	28 622

NOTE 5 SALARIES AND REMUNERATION

NOK 1 000	2010	2009
Salary	6 986	6 042
Salaries reinvoiced to SpareBank1 Næringskreditt	-2 552	-2 060
Pension expenses	757	707
Social insurance fees	940	882
Other personnel expenses	291	222
Total salary expenses	6 442	5 793
Average number of man-years	6	6

*The company's employees have shared employment between SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. Remuneration is done through SpareBank 1 Boligkreditt and futher reinvoiced to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank 1 SR-Bank and SpareBank 1 Gruppen. Salaries and expenses charged from other companies are also declared by office-keeping costs. Pension benefit obligations are safeguarded in SpareBank 1 Boligkreditt through participation in the pension fund of SpareBank 1 SR-Bank. This pension scheme meets the legal demands on mandatory occupational pension. The Chief Executive Officer further earns old-age pension which corresponds to 70% of ordinary salary also that which exceeds 12 G starting from age 67. In addition there are dependents' pensions. Such pensions exceeding 12 G are not covered by SpareBank 1 SR-bank's pension fund and NOK 222 168 has been allocated to cover these obligations. The employment contracts contain a three month reciprocal term of notice and the right to pay after termination for three months at the company's dismissal. In addition the company can decide if there should be a qualifying period of up to 6 months in case of appointment to competing firms. During the qualifying period full salary is paid with deductions for income from other employment.

NOTE 6 SALARIES AND OTHER REMUNERATION OF THE MANAGEMENT

Paid in 2010

NOK 1 000	Salary/Fee	Other remuneration	Pension
Chief Executive Officer			
Arve Austestad	1 789	16	222
Per Skibeli	1 280	72	0
The Board of Directors			
Kjell Fordal	65	0	0
Lisbet Karin Nærø	50	0	0
Tore Anstein Dobloug	50	0	0
Merete N. Kristiansen	50	0	0
Merete Eik	50	0	0
Svend Lund	14	0	0
Erling Øverland	14	0	0
Total for the Board of Directors	293	0	0
The Control Committee			
Ola Neråsen	19	0	0
Brigitte Ninauve	14	0	0
Ivar Listerud	14	0	0
Kjersti Hønstad	14	0	0
Total for the Control Committee	61	0	0
The Committee of Representatives			
Knut Oscar Fleten	15	0	0
Kjersti Hønstad	3	0	0
Sveinung Hestnes	3	0	0
Elisabeth Johansen	3	0	0
Gudrun Michelsen	3	0	0
Total for the Committee of Representatives	26	0	0

Paid in 2009

NOK 1 000	Salary/Fee	Other remuneration	Pension
Chief Executive Officer			
Per Skibeli	1 702	142	1 041
The Board of Directors			
Kjell Fordal	130	0	0
Merete N. Kristiansen	50	0	0
Hilde Vatne	50	0	0
Stig-Arne Engen	50	0	0
Rannveig Sofie Stangeland	38	0	0
Inger Marie Stordal Eriksen	50	0	0
Lisbet Karin Nærø	50	0	0
Tore Anstein Dobloug	50	0	0
Bjørn R Engaas	50	0	0
Inglen Haugland	4	0	0
Total for the Board of Directors	521	0	0
The Control Committee			
Ola Neråsen	20	0	0
Kjersti Hønstad	14	0	0
Brigitte Ninauve	14	0	0
Ivar Listerud	14	0	0
Total for the Control Committee	62	0	0
The Committee of Representatives			
Harald Indresøvde	15	0	0
Sveinung Hestnes	3	0	0
Gudrun Michelsen	3	0	0
Kjersti Hønstad	3	0	0
Elisabeth Johansen	3	0	0
Total for the Committee of Representatives	26	0	0

NOTE 7 ADMINISTRATION EXPENSES

NOK 1 000	2010	2009
IT operation and maintenance	5 177	3 297
Travel	739	688
Travel expenses invoiced to SpareBank 1 Næringskreditt	0	-221
Telephone and postage	114	60
Training	76	40
Misc other adm expenses	31	37
Total	6 137	3 901

NOTE 8 OTHER OPERATING EXPENSES

NOK 1 000	2010	2009
Internal auditor hired personnel from SpareBank 1 Gruppen other services	8 148	5 987
Operating expenses rented offices	164	164
Operating expenses invoiced to SpareBank 1 Næringskreditt	-566	-1 046
Misc other operating expenses	344	472
Total	8 090	5 577

Auditing

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

NOK 1 000	2010	2009
Legally required audit	528	338
Other attestation services	1 166	246
Tax consulting	0	0
Other services outside auditing	285	208
Total (incl VAT)	1 979	791

NOTE 9 TAXES

NOK 1 000	2010	2009
Tax payable	0	23 536
Change in deferred tax relief	29 564	16 066
Insufficient/excessive tax allocation previously in the period*	3	-6 950
Tax expense	29 567	32 652

*Corrected shift between deferred tax and payable tax on the balance sheet last year

Temporary differences as of 31.12.10

Fixed assets	0	3
Net unrealised losses	650 710	23 198
Pension	-222	-1 041
Total temporary differences that affects the tax base	650 488	22 160

Tax deficit to be carried forward	-522 743	0
Total temporary differences that affects the tax base	-522 743	0

Net tax reducing temporary differences	127 745	22 160
Net tax increasing temporary differences	0	0
Net deferred tax benefit (-) / deferred tax (+)	35 768	6 205

Assets - deferred tax	0	0
Liabilities - deferred tax	35 768	6 205

Reconciliation tax expense

28% of pre-tax profit/loss	29 498	32 696
Permanent differences (28%)	65	-32
Insufficient/excessive purposed tax this year	3	-12
Calculated tax expense	29 567	32 652

Effective tax rate	28.06%	27.86%
--------------------	--------	--------

NOTE 10 INTANGIBLE ASSETS

NOK 1 000	Datasystems and software
Acquisition cost 01.01.2010	21 613
Acquisitions	4 454
Disposals	
Acqusion cost 31.12.2010	26 067
Accumulated depreciation and write-downs 01.01.2010	17 746
Periodical depreciation	3 541
Periodical write-down	0
Disposal ordinary depreciation	0
Accumulated depreciation and write-downs 31.12.2010	21 287
Book value as of 31.12.2010	4 780
Financial lifespan	3 years
Depreciation schedule	linear

NOTE 11 OTHER ASSETS

NOK 1 000	2010	2009
Accrued not yet received interest	-430	-1 963
Claims against SpareBank 1 Næringskreditt AS	870	4 690
Other	0	3
Total	440	2 731

Accrued interest corresponding to loans and bonds are re-classified so they no longer belong with other assets. Figures from 2009 have been revised.

NOTE 12 LENDING TO CUSTOMERS

NOK 1 000	2010	2009
Flexible loans - retail market	36 442 098	31 186 607
Amortising loans - retail market	54 539 655	43 170 396
Total loans before accrued interest	90 981 752	74 357 003
Accrued interest	105 546	75 558
Total loans before specified and unspecified loss provisions	91 087 298	74 432 561
Specified loan loss provisions		0
Grouped loan loss provisions	3 366	3 366
Total net loans and claims with customers	91 083 932	74 429 195
Liability		
Undrawn amounts on flexible loans	10 029 961	8 213 816
Total	10 029 961	8 213 816
Defaulted loans		
Defaults*	0	0
Specified loan loss provisions	0	0
Net defaulted loans	0	0
Other loans at risk of loss		
Loans not defaulted but at risk of loss	0	0
- Individual depreciation other loans at risk of loss	0	0
Net other loans at risk of loss	0	0

*Accrued interest corresponding to loans bonds and derivatives are re-classified so they no longer belong with other assets. Figures from 2009 have been revised.

Loans sorted according to geography

NOK 1 000		Loans 2010	Loans 2010 in %	Loans 2009	Loans 2009 in %
NO01	Østfold	2 736 740	3.01%	2 069 601	2.78%
NO02	Akershus	6 481 445	7.12%	4 370 545	5.88%
NO03	Oslo	5 469 332	6.01%	3 211 034	4.32%
NO04	Hedmark	6 612 792	7.27%	4 094 875	5.51%
NO05	Oppland	1 679 293	1.85%	1 463 530	1.97%
NO06	Buskerud	3 885 407	4.27%	3 203 737	4.31%
NO07	Vestfold	3 109 615	3.42%	2 484 775	3.34%
NO08	Telemark	2 196 564	2.41%	1 558 389	2.10%
NO09	Aust Agder	445 751	0.49%	453 128	0.61%
NO10	Vest Agder	2 230 913	2.45%	2 215 621	2.98%
NO11	Rogaland	21 639 756	23.78%	20 847 892	28.04%
NO12	Hordaland	2 144 103	2.36%	1 866 280	2.51%
NO14	Sogn og Fjordane	32 818	0.04%	38 176	0.05%
NO15	Møre og Romsdal	5 183 383	5.70%	3 951 138	5.31%
NO16	Sør Trøndelag	9 232 744	10.15%	7 698 009	10.35%
NO17	Nord Trøndelag	4 759 299	5.23%	4 617 038	6.21%
NO18	Nordland	5 146 700	5.66%	3 983 341	5.36%
NO19	Troms	5 872 481	6.45%	4 477 011	6.02%
NO20	Finnmark	2 077 110	2.28%	1 710 766	2.30%
	Svalbard	45 508	0.05%	38 750	0.05%
Total		90 981 752	100.0 %	74 353 637	100.0 %

*The client's total engagement 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 flexible loans are exceeded for 90 days or more.

NOTE 13 FINANCIAL ASSETS CLASSIFIED AS HOLD TO MATURITY

Book value							Amortised cost
Bonds classified as	31.12.09	New investments	Matured	Amortising	Accrued interest	Exchange rate Effects	31.12.10
Hold to maturity	989 374	465 000	-200 901	2 244	3 737	-12 101	1 247 354
Total certificates and bonds	989 374	465 000	-200 901	2 244	3 737	-12 101	1 247 354

Market value of bonds in hold to maturity portfolio

Bonds classified as	Book value	Market value incl. Exchange rate effect	Effect on result if at market value
Hold to maturity	1 247 354	1 250 969	3 615
Total certificates and bonds	1 247 354	1 250 969	3 615

NOTE 14 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital consists of 31 505 482 shares at a par value of NOK 100

List of shareholders as of 31.12.10	No. of shares	Stake	Share of votes
SpareBank 1 SR-Bank	8 999 754	28.57%	28.57%
SpareBank 1 SMN	6 176 629	19.60%	19.60%
SpareBank 1 Nord-Norge	4 959 961	15.74%	15.74%
Sparebanken Hedmark	2 747 585	8.72%	8.72%
Bank 1 Oslo AS	1 640 054	5.21%	5.21%
SpareBank 1 Buskerud Vestfold	1 323 821	4.20%	4.20%
Rygge-Vaaler Sparebank	1 005 986	3.19%	3.19%
SpareBank 1 Ringerike Hadeland	798 932	2.54%	2.54%
Sparebanken Telemark	718 949	2.28%	2.28%
SpareBank 1 Nordvest	593 906	1.89%	1.89%
SpareBank 1 Søre Sunnmøre	359 204	1.14%	1.14%
SpareBank 1 Nøtterøy-Tønsberg	314 504	1.00%	1.00%
Modum Sparebank	228 980	0.73%	0.73%
SpareBank 1 Hallingdal	235 792	0.75%	0.75%
SpareBank1 Lom og Skjåk	141 952	0.45%	0.45%
SpareBank 1 Hardanger	171 675	0.54%	0.54%
SpareBank 1 Gudbrandsdal	177 690	0.56%	0.56%
Halden SpareBank 1	82 393	0.26%	0.26%
BN Bank	827 715	2.63%	2.63%
Total	31 505 482	100%	100%

NOTE 15 EQUITY

	Share capital	Premium share fund	Other contrib. equity	Purposed dividend	Other equity capital	Total equity capital
NOK 1 000						
Equity capital as of 01.01.2010	2 110 548	1 057 922	420 000	93 231	814	3 682 516
Changes in the period:						
Share increase 02.02.2010	280 000	140 000	-420 000			0
Share increase 03.03.2010	480 000	240 000				720 000
Share increase 15.10.2010	280 000	140 000				420 000
Share dividend 2009				-93 231		-93 231
Result for the period				75 613	172	75 785
Equity capital as of 31.12.2010	3 150 548	1 577 922	0	75 613	985	4 805 069

NOTE 16 LIABILITIES INCURRED BY ISSUING SECURITIES

	Nominal value 2010 *	Nominal value 2009 *
NOK 1 000		
Covered bonds	95 793 170	75 221 670
Withdrawn from the swap facility	14 864 778	14 864 778
Bonds deposited in the swap facility	-18 100 000	-18 100 000
Bonds	4 725 000	3 475 000
Own bonds	0	-574 006
Total liabilities incurred by issuing securities	97 282 948	74 887 442
	Book value 2010	Book value 2009
NOK 1 000		
Covered bonds	95 512 208	78 110 895
Withdrawn from the swap facility	14 864 778	14 885 658
Bonds deposited in the swap facility	-18 100 000	-18 100 000
Bonds	4 724 996	3 474 800
Own bonds	0	-627 829
Costs incurred by issuing debt onto the balance sheet	-70 348	-22 225
Accrued interest	859 584	577 732
Total liabilities incurred by issuing securities	97 791 218	78 299 031

Liabilities incurred by issuing securities according to maturity (nominal value)

Year	ISIN nr	Issuance	Maturity	Interest rate type	2010	2009
2010	XS0323446665	17/10/07	10/01/10	Fixed	0	11 698 500
2010	Own Bonds				0	-574 006
2010	T-Bills from swap facility	26/0809	18/12/13	Floating	5 132 380	5 132 380
2010	T-Bills from swap facility	09/09/09	18/12/13	Floating	3 162 555	3 162 555
2010	T-Bills from swap facility	21/09/09	18/06/14	Floating	6 569 843	6 569 843
2011	NO0010496359	23/02/09	23/03/11	Floating	1 475 000	1 475 000
2011	XS0350301668	04/03/08	15/06/11	Fixed	7 888 000	7 888 000
2011	NO0010542616	30/09/09	30/09/11	Floating	2 000 000	2 000 000
2012	NO0010571086	23/03/10	23/03/12	Floating	1 250 000	
2012	NO0010441652	25/06/08	25/06/12	Fixed	800 000	800 000
2012	XS0470740969	03/12/09	03/12/12	Fixed	8 384 500	8 384 500
2013	NO0010480452	16/12/08	15/02/13	Floating	3 000 000	3 000 000
2013	XS0386753031	10/09/08	10/09/13	Fixed	8 015 000	8 015 000
2013	US84650WAA45	19/10/10	25/10/13	Fixed	8 842 500	
2013	NO0010467491	10/10/08	31/10/13	Fixed	300 000	300 000
2014	NO0010492333	17/02/09	35/08/14	Floating	7 000 000	7 000 000
2014	NO0010534340	20/08/09	22/05/14	Floating	15 000	15 000
2014	NO0010540578	17/09/09	17/09/14	Floating	998 000	998 000
2014	NO0010534340	20/08/09	22/05/14	Floating	9 535 000	9 535 000
2014	NO0010540578	17/09/09	17/09/14	Floating	7 552 000	7 552 000
2014	NO0010534340	20/08/09	22/05/14	Floating	-9 550 000	-9 550 000
2014	NO0010540578	17/09/09	17/09/14	Floating	-8 550 000	-8 550 000
2015	NO0010520365	11/06/09	11/06/15	Floating	7 350 000	7 350 000
2015	XS0519708613	23/06/10	23/06/15	Fixed	7 890 000	0
2015	NO0010583222	13/08/10	13/08/15	Floating	1 000 000	
2016	NO0010572142	29/04/10	29/04/16	Floating	4 000 000	
2017	XS0495145657	17/03/10	17/03/17	Fixed	10 037 500	
2017	NO0010464944	16/10/08	16/10/17	Fixed	2 000 000	1 500 000
2018	NO0010441454	18/06/08	18/06/18	Fixed	500 000	500 000
2018	NO0010441578	25/06/08	26/06/18	Fixed	200 000	200 000
2019	N-note	18/09/08	18/09/19	Fixed	485 670	485 670
Total					97 282 948	74 889 451

Liabilities sorted by currency (book value at year-end)

NOK 1 000	2010	2009
NOK	46 790 082	39 126 867
EUR	51 001 136	39 172 164
Totalt	97 791 218	78 299 031

*Amounts show nominal at exchange rate (EUR/NOK) at time of issuance and thus differ from amounts in balance which are entered at amortised cost. Accrued interest corresponding to bonds have been reclassified and are now included in liabilities incurred by issuing securities. Figures for 2009 have been revised.

NOTE 17 FINANCIAL DERIVATIVES

NOK 1 000	Contract amount	Fair value		Distributed into	
		Assets	Liabilities	Cash-flow hedging	Fair value hedging
Hedging 2010					
Interest Derivatives					
Interest rate and cross currency swaps					
Total interest derivatives	126 127 845	1 469 563	-1 150 778		126 127 845
Total interest derivatives	126 127 845	1 469 563	-1 150 778		126 127 845
Hedging 2009					
Interest Derivatives					
Interest rate and cross currency swaps					
Total interest derivatives	99 680 782	3 558 599	-134 894		99 680 782
Total interest derivatives	99 680 782	3 558 599	-134 894		99 680 782

All derivative contracts done by the Company are for the purpose of hedging. Accrued interest corresponding to derivatives have been reclassified and are now included in financial derivatives. Figures for 2009 have been revised.

NOTE 18 CLASSIFICATION OF FINANCIAL INSTRUMENTS

NOK 1 000	Financial instruments accounted at fair value *	Financial assets and debt accounted at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	2010
<i>Assets</i>					
Other intangible assets				4 780	4 780
Other assets				440	440
Treasury bills	6 677 603				6 677 603
Bonds	936 916		1 247 354		2 184 269
Lending to and deposits with credit institutions		3 658 257			3 658 257
Lending to customers		91 083 932			91 083 932
Financial derivatives	1 469 563				1 469 563
Total Assets	1 469 563	94 742 189	1 247 354	5 220	105 078 845
<i>Liabilities</i>					
Deferred taxes				-35 768	-35 768
Debt incurred by issuing securities	-69 509 098	-28 282 120			-97 791 218
Debt to credit institutions		-390 468			-390 468
Financial derivatives	-1 150 778				-1 150 778
Tax payable				0	0
Other liabilities				-905 545	-905 545
Total liabilities	-70 659 876	-28 672 588	0	-941 313	-100 273 776
Total equity				-4 805 069	-4 805 069
Total liabilities and equity	-70 659 876	-28 672 588	0	-5 746 382	-105 078 845

NOTE 19 FINANCIAL INSTRUMENTS AT FAIR VALUE

Procedures 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 basis swaps

Valuation of interest rate swaps at fair value is done through discounting future cash flows to their present values. For the calculation of expected cash flows and their discounting observable market interest rates are used.

Bonds

Valuation of bonds at fair value is done through discounting future cash flows to present value. Risk free interest rate is deduced from the market for loans between banks with low credit risk.

Presentation of the valuations at each level for deciding the fair value:

- Quoted price in an active market for an identical asset or liability (level 1)
- Valuation based on observable factors either direct (prices) or indirected (deduced from prices used in level 1) other than quoted price for the asset or liability (level 2)
- The valuation is based on factors that are not found in observable markets (non-observable assumptions) (level 3)

The following numbers present the company's assets and liabilities at fair value as of 31 December 2010

NOK 1 000	Level 1	Level 2	Level 3	Total
<i>Bonds</i>				
	0	936 916	0	936 916
Financial Derivatives	0	1 469 563	0	1 469 563
Total Assets	0	2 406 479	0	2 406 479
<i>Liabilities</i>				
Bonds	0	-69 509 098	0	-69 509 098
Financial Derivatives		-1 150 778		-1 150 778
Total Liabilities	0	-70 659 876	0	-70 659 876

NOTE 20 OTHER LIABILITIES

NOK 1 000	2010	2009
Employees tax deductions and other deductions	320	355
Employers national insurance contribution	100	235
Accrued holiday allowance	629	559
Accrued interest	0	140 418
Commission due to banks for loans provided	897 124	499 272
Deposits	2 522	2 151
Pension liabilities	222	1 041
Other accrued costs	4 628	2 108
Total	905 545	646 138

The company does not have an overdraft facility or a revolving credit facility as of 31.12.10.

Accrued interest corresponding to bonds and derivatives have been reclassified and no longer belong with other liabilities. The figures from 2009 have been revised.

NOTE 21 RISK CLASSIFICATION

The risk classification of the Company's liabilities is completed upon the background of a complete assessment of the liabilities.

This assessment is based on the following main criteria:

- The client's ability to pay (income and debt)
- The client's willingness to pay (poor payment records and past due reminders)
- The size of the loan
- Debt to asset ratio (only within 75% of the estimated value)
- Location

NOTE 22 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. 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. The credit policy of the business aims to keep the portfolio of loans within well defined and low levels of risk. The risk classification system is used to manage the portfolio of mortgage assets according to the overall strategy. SpareBank 1 Boligkreditt AS utilises the SpareBank 1 Alliance's IT support systems in buying loans. Credit risk is monitored by measuring the development of the portfolio's credit quality the details of loans in arrears and over the limit overdrafts.

Amounts in NOK million	2010	2009
Loans to and deposits with credit institutions	3 658	5 801
Government certificates	6 678	0
Bonds	2 184	987
Financial derivatives	319	2 885
Loans to customers	91 084	74 354
Total assets	103 923	84 027
Unused credit on flexible loans	10 031	8 214
Received collateral in relation to derivative contracts	-390	-1 992
Total credit exposure	113 563	90 249

Loans to and deposits with credit institutions

SpareBank 1 Boligkreditt only has deposits with financial institutions rated A/A2 or higher.

Bonds and certificates

Rating class		2010	2009
AAA/Aaa	Government Certificates	6 678	0
	Financial institutions	1 448	300
	Total	8 125	300
AA+/Aa1 til AA-/Aa3	Financial institutions	737	687
	Total	737	687
Total		8 862	987

Fitch/Moody's 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 rated A/A2 or higher. 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. Spare-Bank 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.

Lending to customers

SpareBank 1 Boligkreditt AS will only purchase loans from the shareholder banks that have a high servicing capacity and low loan to value (less than 75%). 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 compared to exposure at default (EAD) for each individual loan.

Definition of risk groups - based on expected loss

Risk group	Lower limit	Upper limit	Total engagement
Lowest	0,00 %	0,0165 %	95 314
Low	0,0165 %	0,34 %	5 527
Medium	0,34 %	2,15 %	165
High	2,15 %	2,50 %	3
Very high	2,50 %	100,00 %	5
Default			0
Total			101 013

NOTE 23 FINANCIAL RISK

Liquidity risk is defined as the risk that the business 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 1Boligkreditt's operating procedure includes to be able to meet all maturities coming due in the next twelve months at any point in time without accessing external financing. In addition the business 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. Liquidity risk i monitored on a regular basis and weekly reports are presented to the administration and monthly reports to the Board.

Liquidity risk - all amounts in 1000 NOK

	31.12.10	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	5 842 526	3 658 257	0	0	226 749	1 839 355	118 166
Lending to customers	91 083 932	0	2 558	6 662	43 765	1 013 684	90 017 263
Derivatives	1 469 563				271 310	858 403	339 850
Treasury Bills	6 677 603				6 677 603		
Other assets with no set term	5 220	5 220	0	0	0	0	0
Total assets	105 078 845	3 663 477	2 558	6 662	7 219 427	3 711 442	90 475 278
Liabilities incurred when issuing securities	-97 791 218	70 348	0	-1 476 487	-10 103 586	-68 691 275	-17 590 217
Other liabilities with a set term	-390 468	0	-390 468	0	0	0	0
Derivatives	-1 150 778				-88 223	-1 059 585	-2 970
Liabilities with no set term	-941 313	-941 313	0	0	0	0	0
Equity	-4 805 069	-4 805 069	0	0	0	0	0
Total liabilities and equity	-105 078 845	-5 676 034	-390 468	-1 476 487	-10 191 810	-69 750 860	-17 593 187
Net total all items		-2 012 557	-387 909	-1 469 825	-2 972 382	-66 039 418	72 882 092

Interest rate risk - all amounts in 1000 NOK

	31.12.10	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	5 842 526	3 658 257	373 958	1 290 580		401 566	118 166
Lending to customers	91 083 932	0	0	91 083 932	0	0	0
Treasury Bills	6 677 603				6 677 603		
Other assets with no set term	5 220	5 220	0	0	0	0	0
Total assets	103 609 282	3 663 477	373 958	92 374 512	6 677 603	401 566	118 166
Liabilities incurred when issuing securities	-97 791 218	70 348	-4 013 227	-15 762 851	-41 505 971	-23 002 527	-13 576 990
Other liabilities with a set term	-390 468	0	-390 468	0	0	0	0
Liabilities with no set term	-941 313	-941 313	0	0	0	0	0
Equity	-4 805 069	-4 805 069	0	0	0	0	0
Total liabilities and equity	-103 928 068	-5 676 034	-4 403 694	-15 762 851	-41 505 971	-23 002 527	-13 576 990
Net interest rate risk before derivatives	-318 785	-2 012 557	-4 029 737	76 611 662	-34 828 368	-22 600 961	-13 458 825
Derivatives	318 785	0	-10 631 505	-59 492 859	33 737 365	23 250 868	13 454 917
Net interest rate risk	0	-2 012 557	-14 661 242	17 118 802	-1 091 003	649 907	-3 908
% of total assets	0%	-2%	-14%	17%	-1%	1%	0%

NOTE 24 MARKET RISK ASSOCIATED WITH 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 flexible interest rate that can be changed after a 6 week notice period flexible interest rate terminable deposits funding from the Norwegian and international money markets and of issued bonds and securities. 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 expected effect on revenues from a one per cent (100 basis points) parallel shift in the interest rate curve.

Sensitivity of new interest rate expense in NOK 1000			
Currency	Change in basis points	2010	2009
NOK	100	16 533	33 239

NOTE 25 MARKET RISK ASSOCIATED WITH EXCHANGE RATE RISK

The exchange rate risk is the risk of a negative profit effect due to changes in the exchange rate. The balance sheet of SpareBank 1 Boligkreditt consists in essence of loans to retail clients in NOK terminable deposits in NOK and funding sourced from the Norwegian and international money markets or by issuing bonds and certificates in NOK or EUR. By the end of the year SpareBank 1 Boligkreditt had issued debt in other currencies amounting to EUR 5 3 billion and USD 1 5 billion. In accordance with the Norwegian legislation applicable to Covered Bonds and internal guidelines SpareBank 1 Boligkreditt hedges all exchange rate risk by utilising currency swaps so that the risk related to changes in the exchange rate is eliminated. The currency risk exposure is reported on a weekly basis to the administration and on a monthly basis to the Board. In SpareBank 1 Boligkreditt the exchange rate risk (sensitivity) is calculated by adding up the Company's net exposure to changes in the various exchange rates. By the end of the year SpareBank 1 Boligkreditt had no net exposure in any other currency than NOK.

Net exchange rate exposure in NOK 1 000		
Currency	2010	2009
EUR		
- Bank deposits	167 876	13 158
- Bonds *	-42 327 004	-39 172 121
- Derivatives	41 455 263	38 130 015
- Bonds as assets *	710 291	1 036 887
Total	6 425	7 939

*Net accounting of the purchase of own issued bonds is not considered in these records.

NOTE 26 ASSET COVERAGE REQUIREMENT

The asset coverage is calculated according to the Financial Services Act § 2-31. This results in a deviation in relation to the amounts on the balance sheet because among other things the total amount of lending to customers is curtailed due to defaulted loans and loans with substantial change in loan to value exceeding 75% in addition to the fact that market value is utilized on bonds in the cover pool. The company seperates Pool 1 and Pool 2. Pool 1 is utilised in the market whilst Pool 2 is a total separate mortgage portfolio established for use in the swap facility with Norges Bank in 2009.

POOL 1

NOK 1 000	2010	2009*
Covered Bonds	78 228 586	60 448 641
Derivatives	-306 783	-3 311 651
Total Covered Bonds	77 921 804	57 136 990
Lending to customers	74 685 860	57 670 481
Treasury Bills	6 677 603	
Substitute collateral	4 402 393	4 656 028
Total Cover Pool	85 765 857	62 326 509
Asset-coverage	110.1 %	109.1 %

POOL 2

NOK 1 000	2010	2009*
Covered Bonds	18 143 762	18 239 277
Own bonds	-1 014 345	-1 013 000
Derivatives	-12 002	-112 054
Total Covered Bonds	17 117 415	17 114 223
Lending to customers	16 365 776	16 703 045
Substitute collateral	1 048 822	522 782
Total Cover Pool	17 414 597	17 225 827
Asset-coverage	101.7 %	100.7 %

* Accrued interest corresponding to bonds derivatives and loans are reclassified to that the are included in the 2010 figures. The 2009 figures have been revised.

NOTE 27 CAPITAL ADEQUACY

New capital adequacy regulations were introduced in Norway as of 1 January 2007 (Basel II - the new EU directive for capital adequacy). SpareBank 1 Boligkreditt AS has been granted permission from the Financial Supervisory Authority of Norway to use the Internal Rating Based Approach (IRB) for credit risk from the 2nd quarter of 2009 onwards. Transitional rules are given by regulation from the Financial Supervisory Authority of Norway whereby the use of the IRB-approach will not have full effect of reduced regulatory capital requirements until 2012. In 2010 permission is given for a reduction in risk-weighted basis of calculation of 20% of the old capital adequacy regulation (Basel I). For Boligkreditt these transitional rules implies that the company's assets now have a higher risk-weighting than that under the standard method (in Basel II).

Subordinated capital in NOK 1 000	2010	2009
Share capital	3 150 548	2 110 548
Premium share fund	1 577 922	1 057 922
Other equity capital	985	429 926
Profit/loss	75 785	84 119
Total equity capital entered into the balance sheet	4 805 240	3 682 516
Intangible assets	-4 780	-3 867
Purposed for share dividend	-75 613	-93 231
50% deduction of expected losses exceeding loss provisions IRB	-37 781	-29 925
Core capital	4 687 066	3 555 492
Supplementary capital	0	0
50% deduction of expected losses exceeding loss provisions IRB	-37 781	-29 925
Total subordinated capital	4 649 285	3 525 568
Minimum requirements for subordinated capital according to Basel II i NOK 1 000	2010	2009
Credit risk	896 339	790 872
Market risk	0	0
Operational risk	12 219	7 158
Depreciation on groups of loans		0
Difference in capital requirement resulting from transitional period 2007-2009	2 276 924	1 844 855
Minimum requirement subordinated capital	3 185 482	2 642 885
Capital adequacy		
in NOK 1 000	2010	2009
Core capital ratio (%)	11.77%	10.76%
Subordinated capital ratio (%)	11.68%	10.67%

NOTE 28 RELATED PARTIES

Transactions with related parties

The Company has 90 982 MNOK loans to customers. These are bought from shareholder banks at market value.

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

In addition the Company has transfer and servicing agreements regarding the banks servicing the individual customers.

Amounts of loans and receivables with related parties

NOK 1 000	2010		2009	
Loans to and receivables from ownership banks	Outstanding	Interest rate	Outstanding	Interest rate
SpareBank 1 SR-Bank	3 633 575	3 month NIBOR	2 933 265	3 month NIBOR
SpareBank 1 SMN	5 503	3 month NIBOR	933 204	3 month NIBOR
SpareBank 1 Nord-Norge	13 347	3 month NIBOR	1 934 118	3 month NIBOR
Total	3 652 425		5 800 587	

NOTE 29 CONTINGENCIES

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

NOTE 30 RESTRICTED CASH

SpareBank1 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 31.12.2010 this collateral amounted to NOK 390 467 566. This amount is included in the balance sheet as a deposit but represents restricted cash.

SPAREBANK 1 BOLIGKREDITT AS


DECLARATION FROM THE BOARD OF DIRECTORS
AND THE CHIEF EXECUTIVE OFFICER

Today the Board of Directors and the Chief Executive Officer have assessed and approved the financial accounts of SpareBank 1 Boligkreditt AS for 2010. The accounts have been prepared in accordance with the “International Financial Reporting Standards” (IFRS) as determined by the EU.

The Board of Directors and the Chief Executive Officer hereby confirm that to the best of their knowledge the annual accounts for 2010 are prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the company's assets liabilities and overall financial position as of 31.12.10.

The Board of Directors and the Chief Executive Officer declare that to the best of their knowledge the annual report gives a true and fair rendition of the company's development results and overall financial position along with an account of the most important risk and uncertainty factors encountered by the company.

16 February 2011


Kjell Fordal
Chairman


Inge Reinertsen


Merete Nygaard Kristiansen


Merete Eik


Tore Arnstein Dobloug


Arve Austestad
Chief Executive Officer

SPAREBANK 1 BOLIGKREDITT AS

THE CONTROL COMMITTEE'S STATEMENT FOR 2010

The Committee is assigned to make a statement to the Committee of representatives and the General Meeting on the annual report and accounts and advice on whether or not the income statement and the balance sheet should be approved as the company's accounts. The Control Committee has performed its duties in accordance with the legal framework and instructions to the committee.

The Control Committee has examined the proposal on the annual report and accounts by the Board of Directors and the auditor's statement. With reference to the auditor's statement the Control committee recommends that the income statement and balance sheet are adopted as the accounts of SpareBank 1 Boligkreditt AS for 2010.

Trondheim March 8th 2011


Ola Neråsen


Kjersti Hønstad


Ivar Listerud


Brigitte Ninauve





feeling
NORWAY

SpareBank 1 Boligkreditt AS
Bjergsted Terrasse 1
PO Boks 250
4066 Stavanger
Norway

E-mail: boligkreditt@sparebank1.no
Central switchboard: +47 915 02002
www.sparebank1.no/boligkreditt

