SpareBank 1 BOLIGKREDITT

feeling NORWAY

ANNUAL REPORT 2011 SPAREBANK 1 BOLIGKREDITT AS

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Home life ceases to be free and beautiful as soon as it is founded on borrowing and debt.

FROM HENRIK IBSEN:
A DOLL'S HOUSE

feeling NORWAY

In a European context Norway was a relatively poor country before oil revenues started to flow from the offshore oil sector in the 1970ies.
Practically nobody believed that that Norway would become a major force in the oil business. Least of all the Norwegian Geological Institute (NGU), an organisation which in 1958 concluded that "the possibility can be disregarded that there will be any deposits of coal, oil or sulphur below the seabed around the Norwegian coast line". They were wrong.
Phillips Petroleum shared the view that the estimates of the NGU were wrong, and convinced the Norwegian government that exploration on the continental shelf outside of Norway should be pursued. Phillips also convinced the government that it was in the best position to do so.
The search for oil deposits became a prolonged and intense process, with many disappointments along the way. However, in what history has labeled a "last try" Phillips in deed found oil. A lot of oil. A discovery which size would cause worldwide attention. December 23, 1969 became a date for the history books and Christmas had arrived early that year. The giant field of Ekofisk changed Norway fundamentally, and the south western region in particular, almost overnight.

Today we find the mark of the petroleum industry everywhere in Norway. In addition to increased welfare and high employment and the fact that several smaller communities have become vibrant on the back of oil investment activities, the revenues from the oil and gas sector have given us a freedom we did not enjoy decades ago. Norway has saved the results of a large part of its national resources wealth in a sovereign wealth fund. Thus we have the ability to keep a long term perspective while at the same time live in the present and inspire innovation.

NEW GIANT DISCOVERIES

At a time when many believed the time of the giants had passed on the Norwegian continental shelf, 2011 served up two large finds: Skrugards in the Barents Sea and the Aldous/Avaldnes field in the North Sea.
The latter, an enormous field of up to 1.8 billion barrels of oil equivalents (oil and gas), has reignited a somewhat dormant optimism – especially in the south west region, where large parts of the oil field supply businesses are located.

ENVIRONMENTAL CONSIDERATIONS AND OBLIGATIONS

The Norwegian oil industry is not only a major producer – it is also a leading industry regarding innovation and development of new technologies, such as subsea technology and technology which limits emissions and the impact the industry has on the environment. Norway is also, through the government owned company Statkraft Europe's leading supplier of renewable energy.

EVERY FOURTH NORWEGIAN IS EMPLOYED IN THE OIL SECTOR

26 per cent of all Norwegians work in an oil related sector, which means companies which are directly or indirectly involved in extracting oil and gas from the continental shelf. Several of these work offshore, however, an increasing number have jobs on shore as more and more operations are managed from dry land.

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 eight employees as of 31.12.2011.

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IMPORTANT EVENTS FOR SPAREBANK 1 BOLIGKREDITT 2007-2012

10.2007
SpareBank 1 Boligkreditt issues the first AAA/Aaa-rated jumbo EUR Covered Bond.

01.2008
The volume of the mortagage portfolio exceds NOK 20 billion

12.2008
The Norwegian central bank carries an initiative that encompasses covered bonds and SpareBank 1 Boligkreditt issues a bond directed at this initiative

05.2009
Application to convert to IRB-reporting.

08.2009
A second mortgage portfolio is established to ensure efficient utilization of the swap facility with Norges Bank

11.2009
SpareBank 1 Boligkreditt issues the first benchmark EUR Covered Bond since before the financial crisis

05.2010
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10.2010
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01.2011
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11.2011
The only covered bond issuer to issue a EUR benchmark covered bond in november 2011.

12.2011
The Mortages portifolio exceeds 125 billion

board of directors.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Key events in 2011

SpareBank 1 Boligkreditt, has, despite the fact that it has been a difficult year managed to carry out several major bond issuance in both euro and US dollars, in addition to a significant volume issued in the Norwegian market. The Company enjoys the benefits of access to a large investor base.

2011 was generally characterized by intermittent to good access to capital, but markets have at times been almost inaccessible and the price of funding has become increasingly more expensive. Part of the turmoil is caused by doubts about the euro and the Euro zone states' options to help save the countries in need of assistance, and the financial institutions ability to cope with the consequences of these problems. Other parts of the instability is caused by concern as to whether or not the financial institutions at the same time will manage the new requirements to 9% core capital to be introduced from 1 July 2012 for major banks.

The nature and development of the Company

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

The Company's bonds are mainly issued under the €25,000,000,000 Global Medium Term Covered Note Programme (the GMTCN programme). Bonds issued under the programme have been given a AAA/Aaa rating by Fitch and Moody's.

During 2011 SpareBank 1 Boligkreditt's loans to customers increased by approximately NOK 35.9 billion to NOK 127.0 billion.

The Board of Directors confirms that the conditions for presenting the 2011 accounts under the assumption of a going concern are fulfilled.

Employees and the working environment

SpareBank 1 Boligkreditt had eight employees as of 31.12.2011. In addition a new employee started in January 2012. The Company thus employs seven males and two females. The Company 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 and servicing the motgage portfolio on behalf of the Company.

The working environment is characterised as good and there is no pollution of the physical environment. There has been 0,5% employee absence recorded in 2011 due to sickness. No workplace accidents which might have resulted in property and/or damage to any persons have occurred or been reported during the year.

The Board consists of five persons of which three are male and two are female. SpareBank 1 Boligkreditt 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 companies will have identical staffing for the time being. Of the nine full time employees which in 2011 have been employed in SpareBank 1 Boligkreditt, three have been allocated to SpareBank 1 Næringskreditt. The Boards of the two companies have joint meetings, where the members associated with one of the companies take the role of observers when matters of the other company are discussed.

The financial accounts for 2011

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 148 billion vs. NOK 105 billion at the end of the previous year. The Company had net interest earned of NOK 234.0 million, including NOK 364.7 million earned by the ownership banks and accrued as a cost to SpareBank 1 Boligkreditt. The cost of operations was NOK 30.6 million including amortisation. It is set aside a further NOK 2.32 million for loan losses in 2011, in addition to the 3.34 million that was allocated in 2008/2009. No loan losses have occurred. In total the year's result before tax was NOK 114.9 million.

The business growth is according to expectations. The cash and cash equivalents at 31.12.2011 amounted to NOK 3.0 billion. Net cash flow for the year was NOK -0.6 billion.

During the year the shareholders' equity increased by NOK 930 million through ordinary capital calls. Total equity amounted to NOK 5.742 billion. Equity available for distribution is NOK 83.6 million. The total capital ratio and core capital ratio for the Company was 9.83% at year end.

The Board proposes that out of net income after tax of NOK 83.0 million, NOK 83.0 million is distributed to shareholders which equates to NOK 2.20 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 Company is subject to low levels of risk and places strong emphasis on risk control.

The Company 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 2011 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 Company 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 32.58% at 31.12.2011.

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 Company 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 Company 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 mortgages. 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 2011 the total portfolio of mortgages to customers increased from NOK 91 billion to NOK 127 billion. The portfolio consists exclusively of mortgages secured with a first lien on residential property. The average size of a mortgage is NOK 1,187,000. The average loan to value is approximately 51%. No mortgages were above 90 days in arrears as of yearend. The portfolio of mortgages is distributed throughout Norway, with the main concentrations in the regions of Rogaland (29%), Sør-Trøndelag (9%) and Akershus (8%)

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 Company 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, or natural hedges were investments in the same currency as the issued bond are kept to ensure that the currency and interest rate risk is limited. The policy set by the Board allows for the use of derivatives only for hedging purposes.

At the end of the year SpareBank 1 Boligkreditt had issued bonds for approximately NOK 60.2 billion in EUR, NOK 16.8 billion in USD and NOK 61.5 billion in NOK. The fixed rate issued bonds are hedged by financial swaps or natural hedges, effectively converting all of this debt to a NOK floating rate (3 months NIBOR).

SpareBank 1 Boligkreditt owns bonds and treasury bills at year end for a total of NOK 13.0 billion. Bonds have been issued by financial institutions with a rating of at least A/A2.

The Company had as of 31.12.2011 only moderate interest rate risk and immaterial amounts of currency risk.

Liquidity Risk

Liquidity risk is defined as the risk that the Company is not able to meet its obligations at maturity or to be able to finance the purchase of loans at normal terms and conditions.

Liquidity risk is managed based upon a liquidity strategy approved by the Board. According to the strategy, SpareBank 1 Boligkreditt'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 Company shall at any point in time be able to meet its interest payments, including derivatives, which come due in the next three months under a scenario where no interest payments are received from the loan portfolio. At the start of 2012 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.

Shareholders and Corporate Governance

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

Neither the Company nor employees own shares in the company.

In a shareholders agreement in which all shareholders and the Company is party to, it is stated that the Company's shares will be reallocated at least annually and in relation to the mortgage volume transferred to the Company by each shareholder. The shareholders are obliged to vote for any possibly private placements to new banks that have transferred mortgages to the Company. In case of a rights issue, the shareholders are obliged to subscribe shares according to its share of the shareholdings. It also follows from the shareholders' agreement that the Company should have a core capital ratio of at least 9%. This can be achieved by the Company changing its asset mix or reducing its balance. If such or other measures are not sufficient the shareholders are to provide the needed core capital within 3 months. This will primarily be provided by the shareholders according to pro rate ownership, secondarily by a joint and several liability, but limited to twice the share corresponding to the shareholder's ownership share.

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

The Company report on Corporate Governance in a separate document available on the company website www.sparebank1.no/boligkreditt. Taking into consideration that this is a special purpose entity and that the Company shares are not publicly traded or listed it is the Company's view that the deviations are not material.

Future prospects of the Company

For 2011, the Company had access to funding most of the year but experience has shown that the cost of funding and for the derivatives associated with it have increased.

The Company has in late January / February 2012 issued covered bond of € 1.25 billion Euro with a maturity of 7 years. This was the bond with the longest duration recorded from a Nordic issuer in 2012 at the time it was issued. The issuance was very well received. For the Company, this gives comfort both in the form of long-term funding and in form of the genuine interest from investors for covered bonds from Norway / SpareBank 1. The Company increased the equity connection with the issuance by NOK 840 million.

The economic situation of the Company is also dependent on developments in the customers ability to pay their mortgages. The outlook for the Norwegian economy in 2012 is good. The market expects stable or slightly rising house prices and continued low interest rates. Unemployment is expected to be stable at the current low level and will then remain at a moderate level. The Company has a portfolio of mortgages with low credit risk. The average loan to value ratio for the portfolio is approximately 51%. The Company does not expect significant adverse consequences related to any general downturn in the economy.

The Board expects an increase in the Company's balance sheet and a result that is slightly better than the results for 2011 due to higher business volume in 2012.

No significant changes in the operating conditions as 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 is expected to have an impact on the financial accounts for 2011.

SPAREBANK 1 BOLIGKREDITT AS

Stavanger, 31 December 2011/14 February 2012

Kjell Fordal (s) Chair	Inge Reinertsen (s)	Merete Nygaard Kristiansen (s)
Inger Eriksen (s)	Tore Arnstein Dobloug (s)	Arve Austestad (s) Chief Executive Officer

BOARD OF DIRECTORS

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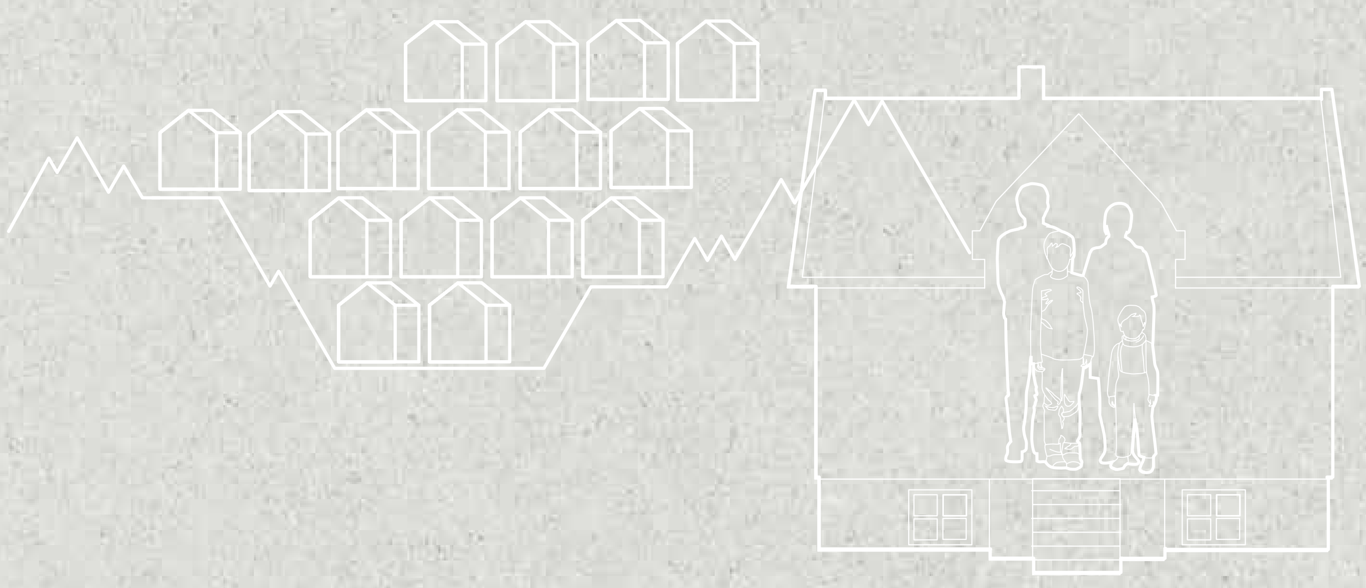
The outlook for the Norwegian economy in 2012 is good. The market expects a stable or slightly rising house prices and continued low interest rates. Unemployment is expected to be stable at the current low level and will then remain at a moderate level compared to other European nations.



INGER S. ERIKSEN
Advokat, Basale AS

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

TORE ANSTEIN DOBLOUG
Chief Financial Officer
Sparebanken Hedmark

INGE REINERTSEN
Chief Financial Officer
SpareBank 1 SR-Bank

MERETE NYGAARD KRISTIANSEN
Market Director Norwegian
Seafood Export Council

ARVE AUSTESTAD
Chief Executive Officer
SpareBank 1 Boligkreditt

FACT SHEET

norway.

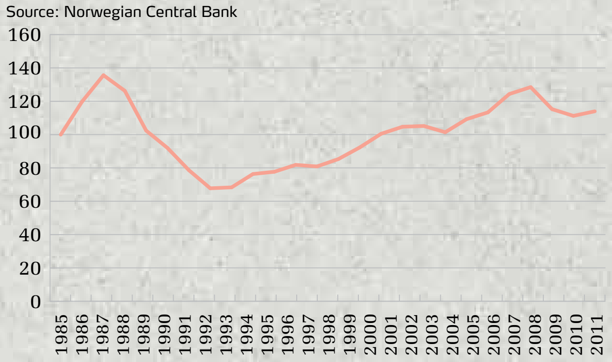
KEY MACROECONOMIC FIGURES

Year on year growth, historical data and estimates for 2012

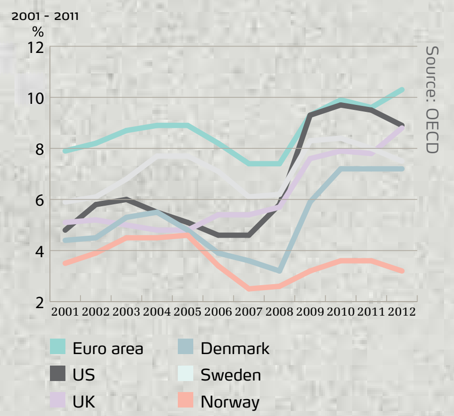
	2007	2008	2009	2010	2011E	2012P
GDP growth (mainland)	5,3	1,5	-1,6	1,9	2,6	2,7
Inflation (CPI)	0,8	3,8	2,1	2,5	1,2	1,3
Household Consumption	5,4	1,8	0	3,7	2,2	3,2
Interest Rate 3M	5,0	6,2	2,5	2,5	2,9	2,8
Household savings ratio	0,9	3,5	6,8	6,3	8,2	8,4
Unemployment rate	2,5	2,6	3,2	3,6	3,3	3,4
Current Account Surplus/GDP	12,5	16	9,7	12,4	14,3	14,8
Budget Surplus/GDP	17 %	20 %	12 %	11 %	13 %	13 %
Government Wealth Fund/GDP	89 %	89 %	112 %	122 %	129 %	139 %

Sourses: Statistics Norway, NBIM,Norwegian Ministry of Finance

House Price (1985=100)
Index adjusted for Household Disposable Income
Source: Norwegian Central Bank



Unemployment Rates
2001 - 2011



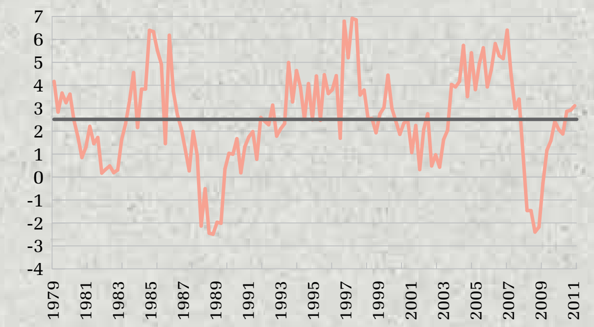
NORWAY – INCREASED OPTIMISM DUE TO BOOMING OIL SECTOR

NORWAY WAS FAIRLY SHELTERED FROM THE GLOBAL DOWNTURN AFTER 2008. THE ECONOMIC GROWTH WAS DRIVEN BY A LOW INTEREST RATE LEVEL, HIGH WAGE GROWTH, INCREASING HOUSE PRICES AND OIL INVESTMENTS. IN 2011, THE NORWEGIAN ECONOMY PICKED UP SPEED DUE TO IMPROVED GLOBAL GROWTH IN EARLY 2011, WHICH PUSHED UP OIL PRICES AND HENCE INCREASED OIL INVESTMENTS. LARGE DISCOVERIES OF NEW OIL RESERVES HAVE BOOSTED OPTIMISM IN THE OIL SECTOR. DUE TO THE BOOMING OIL SECTOR IT IS ESTIMATED THAT A SHORTAGE OF 16 000 ENGINEERS EXISTS.. WE EXPECT GDP GROWTH CLOSE TO TREND GROWTH OF 2 – 2.5% ANNUALLY OVER THE NEXT COUPLE OF YEARS DRIVEN BY HIGH OIL INVESTMENTS, INCREASING CONSTRUCTION OF NEW HOMES AND SOLID HOUSEHOLD REAL DISPOSABLE INCOME GROWTH. INTEREST RATES ARE EXPECTED TO STAY ON HOLD FOR THE NEXT YEARS AS THE INCREASED FUNDING COST FOR NORWEGIAN BANKS IS EXPECTED TO PUSH UP INTEREST RATES TO HOUSEHOLDS AND COMPANIES. INCREASING HOUSE BUILDING AND STRICTER LENDING PRACTISES ARE LIKELY TO CAUSE A MORE MODEST PRICE INCREASE IN RESIDENTIAL REAL ESTATE.

The Norwegian economy is picking up steam and is expected to grow close to its long term average of 2,5%. The growth is driven by high oil investments, increased house building and increased demand from the household sector. Interest rates are low, and the unemployment rate is at record low levels close to 3%. The uncertainty regarding Europe has affected business sentiment as shown in the chart below. Business confidence has dropped below its long term average and the reduced optimism is explained by expectations of slower export and tighter lending practise. High wage growth and a strong currency are undermining the competitiveness of export oriented companies outside the oil industry. Weaker export markets are likely to reduce companies' willingness to invest in non-oil related industries.

GDP GROWTH, MAINLAND ECONOMY, QUARTERLY

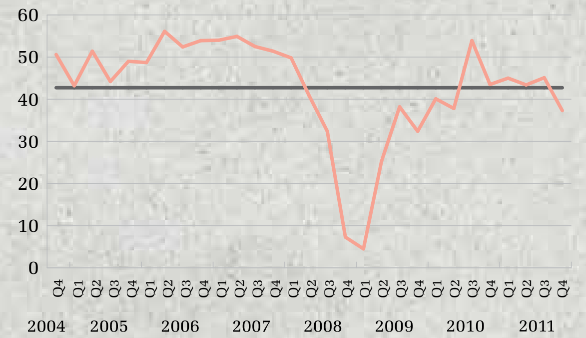
Norway, Gross Domestic Product, Mainland, Constant Prices, SA, NOK



Source: SpareBank 1, Macrobond

BUSINESS CONFIDENCE

Norway, Business Surveys, Perduco, Economic Barometer, All Enterprises



Source: SpareBank 1, Macrobond

According to the business survey, the Norwegian manufacturing industry (outside of the oil sector) experienced reduced optimism at the end of last year. The business confidence index dropped from 45 to 37 from Q3 to Q4 last year. Sentiment has dropped in all types of companies aside the largest companies with more than 100 employees. The largest drop was among small companies with 5-19 employees. Companies reported weaker earnings and expect to reduce the number of new hiring in 2012. However, it seems that the ECB's LTRO has eased the tension also among Norwegian companies. This might lead to increased optimism in 2012.

Low unemployment and high income growth in households
The unemployment rate is at a low level thanks to the booming oil sector and a high public-sector employment level over the last years. The unemployment rate is about 3%, and there is shortage of certain professions like engineers. The tight labour market led to a high wage growth last year with a real wage growth of 2.5% last year (with total household disposable income increasing at 4% according to Statistics Norway). We expect a more modest wage increase this year due to the reduced competitiveness of

the export sector. The challenge is the deep split between the booming oil sector and the rest of the export industry with the wage growth in oil sector pulling up the total wage growth in the Norwegian economy.

The high income growth among households last year has not led to a marked increase in private consumption. This is expected to change, assisted by expectations of relatively low interest rates for many years to come. The income growth in households is expected to remain high over the next couple of years, although the real wage growth is expected to slow somewhat due to higher prices.

Lower growth in house prices going forward

House prices have increased by an average of more than 8% annually since 2000. House prices have been pushed up by a set of factors; a considerable increase in the population (mostly through EU immigration), high real income growth, continuing low real interest rates after tax and tax incentives to invest in real estate. The large cities have seen a marked increase in population, contributing to price pressure in the largest cities. After a slow period, new building of houses is expected to increase by 22% in 2012, and by 4-6% annually in 2013 and 2014. Stricter lending practice by banks (a maximum 85% LTV limit for residential mortgage loans has been advised by the Norwegian FSA amongst other measures) is expected to contribute to a slower credit growth among households, contributing to a more modest development in real estate prices. However, as long as real interest rate after tax continues to stay low, it might contribute to continued high credit growth and a further price increase of real estate also in 2012.

Increase in business investments

Investments in the petroleum sector are expected to increase by as much as 15 per cent in 2012, and 5-6% in 2013 and 2014. The investments in Norwegian mainland industries showed a marked increase last year, but growth is expected to fall considerably in the years ahead due to the weaker competitiveness of non-oil related industries.

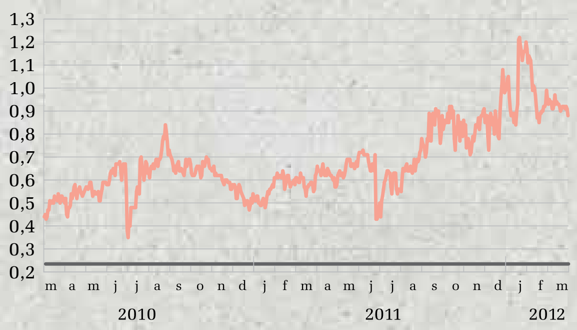
More expansive fiscal policy after 2012

After 2008 the government deployed very aggressive fiscal stimuli to the economy. In 2009, the structural non-oil budget deficit, which is the measure of how expansionary the budget is, was 2%. The fiscal policy returned to broadly neutral in 2010 and 2011. As the return on the Norwegian sovereign wealth fund (The Government Pension Fund Global) was high, the fiscal policy quickly returned to the 4% spending rule allowing the government to spend 4% of the fund annually. A continued high oil price will contribute to a clear increase in the fund. Were the government to follow the 4% rule it would result in expansive impulses over the next year. Expansionary fiscal policy will add to the challenge for Norges Bank to stabilize the domestic economy.

Norges Bank to keep rates low for a long period of time

Norges Bank cut interest rates by 0.5%-point in December 2011 due to slower global growth and higher market rates in Norway due to increased funding cost by Norwegian banks. In order to avoid a rate hike by commercial banks to their customers, Norges Bank cut interest rates by 0.5%-points to 1.75% and by another 25 bps to 1.50% in March 2012. Despite the low policy rate, interest rates to households and companies are rather high as credit spreads have widened as a result of the tenser European-wide environment for bank funding costs generally. The 3 months interbank interest rate level is currently (Jan/Feb 2012) at 2.75%, more than 0.6%-point below the peak in November 2011 of 3.4%, while commercial banks senior unsecured funding cost is currently estimated to about 5% for 5 years funding.

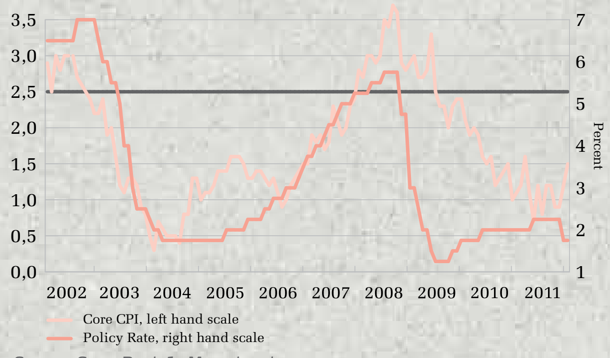
CREDIT SPREAD BETWEEN 3M NIBOR AND POLICY RATE



Source: Norges Bank, Macrobonds

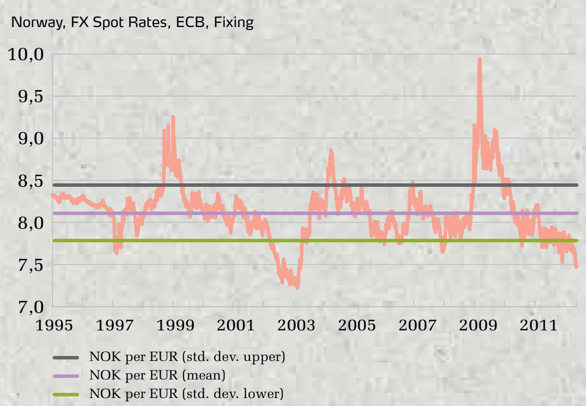
Interbank interest rates have come down this year due to the rate cut by Norges Bank, and reduced credit risk after the ECB promise to provide unlimited liquidity in three years. The spread between 3 months Norwegian interbank interest rates (NIBOR) and the policy rates have since December dropped from 1.2 to below 1%. Should the interbank interest rate level stay elevated or increase further, banks will sooner or later be forced to increase interest rates to its customers. Inflationary pressure is subdued due to weak global pricing power and a strong Norwegian currency. Should Norwegian banks experience rapidly increasing funding costs, the government is likely to re-activate the emergency loans to banks (covered bond swap facility) as they did in late 2008, and Norges Bank might also cut its policy rates further.

CORE CPI AND POLICY RATE



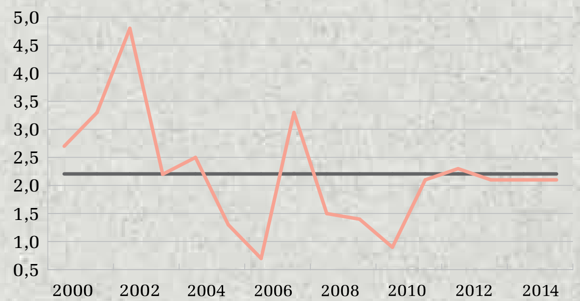
Source: SpareBank 1, Macrobond

EUR/NOK. MEAN AND STANDARD DEVIATION 1995 -



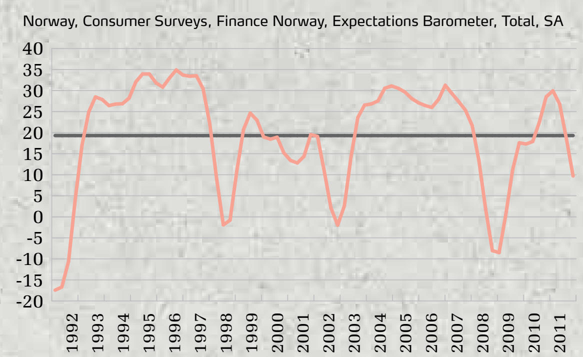
Source: SpareBank 1, Macrobond

NORWAY: REAL AFTER-TAX INTEREST RATE



Source: Bloomberg

NORWAY: CONSUMER CONFIDENCE



Source: Bloomberg

To summarize, the Norwegian economy is robust and is set to grow close to 2.5% over the next years. Due to the recent turmoil in financial markets, we expect Norges Bank to maintain its policy stance in 2012 and maybe also in 2013. A strong increase in new house building is expected to slow the house price growth to a more long term sustainable level.

design.

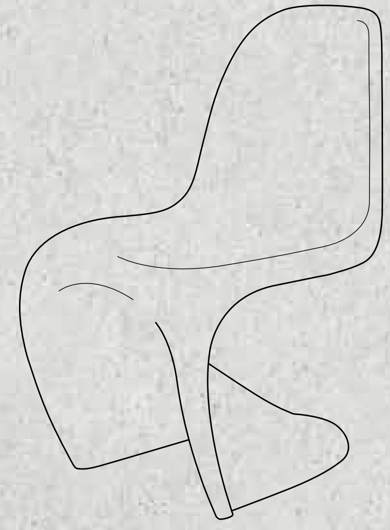
THE NORTH SEA JACKET

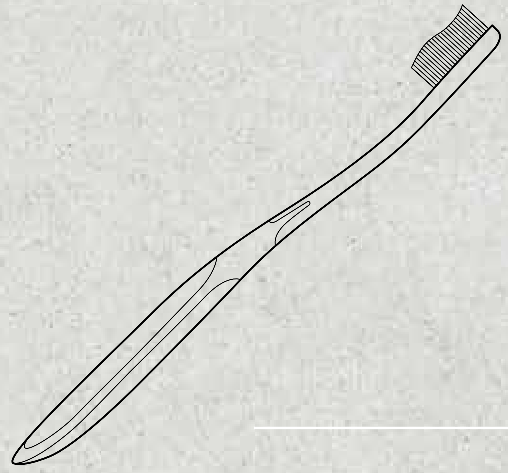
The North Sea jacket is in more than one way a product of oil. Oil is an important input factor, but the jacket is also a product of the times and all the expressions which were introduced with the oil industry. The North Sea jacket was the workman's jacket, became fashionable and something everybody wanted in the early 80ies. The jacket evolved and is alive and well today, and known as an all-weather jacket, which is perfect for the often stormy Norwegian climate.

When you discover a piece of designer furniture, a fancy boat or the latest textile fashions, perhaps oil is not the first thing that comes to mind? But all these things and many more can be traced back to the oil as an important input factor. Plastics is an oil product – evidently present in boat hulls and many chairs, but not so visible perhaps in clothing made by polyester, fleece or artificial fibers.

OIL IN DESIGNER FURNITURE

In 1960 Verner Panton created the first chair moulded entirely from plastic, by injecting the plastic into a one-piece mould. This stacking chair or S-chair – also known as the Panton chair was revolutionary when it arrived and is still produced in an evolved and technically improved way. It is on its fourth edition with an improved shape and durability.



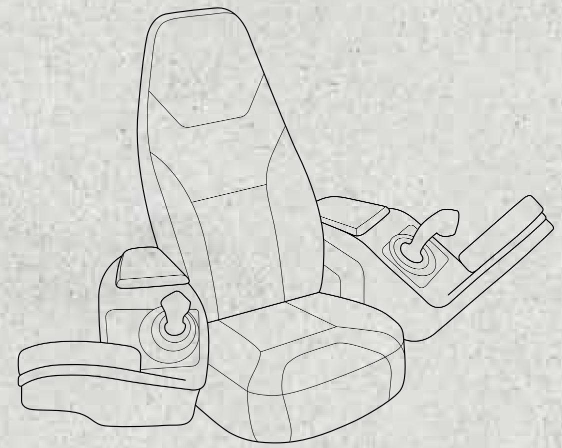


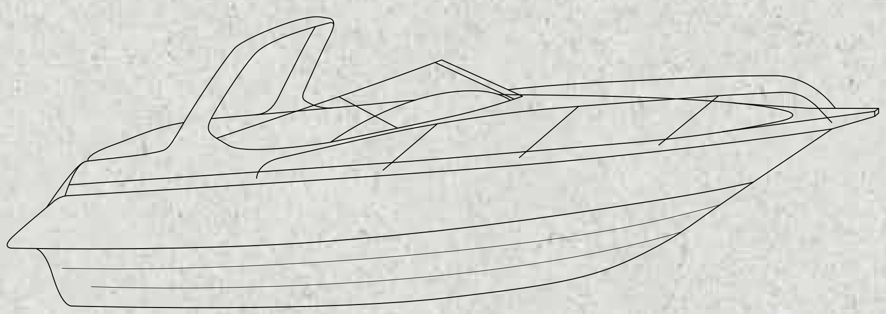
THE TOOTBRUSH

Duration and strength is the reason that most tooth-brushes are made of plastics and ultimately oil. In 2009 the toothbrush producer Jordan received the designer award "Design Effect" from the Norwegian Council of Design, for the toothbrush "Jordan Individual". This brush has now been further developed within a "Design Collection", by which is meant that four European artists designed each their toothbrush. The art of brushing ones teeth has thereby been elevated to another dimension.

HITECH CHAIR

Cytec Operator System is a chair made and designed for the oil industry and their needs in drilling operations. The idea and the technical solutions behind the chair are Norwegian and the design is Danish. In this chair the operator maintains full control over all the processes involved in the drilling of wells.





BOAT

In one sense of the word, Norwegians let their oil out into the sea every year. Meaning we launch it, because we are and remain a people focused on boats. And especially boats made out of plastics. Unless you would like to spend your summer maintaining your wooden boat, you'll do as most people and chose a maintenance free boat made from the oil product plastics.

FACT SHEET

alliance.

WHAT IS A NORWEGIAN SAVINGS BANK?

The banks in the SpareBank 1 Alliance are Norwegian savings banks. The legal basis for these banks is established in a separate piece of legislation from 1961 (the Savings Banks Act) (Norwegian: Sparebankloven), which was last amended in 2010.

While the savings banks' business model is typically dominated by taking deposits and making retail mortgage loans, the essence of what makes a savings bank unique is that it is a self owned entity. Traditionally, going back to the 1800s the savings banks were the only kind of financial institution in Norway and their equity capital had been created from their own retained earnings over time. With the introduction of the Savings Bank Act the various layers of capital were specified and certain rules established and these have since evolved some.

Simplified we can say that today a savings bank has two layers of capital: its own and that of the external equity holders. The savings bank's own funds are further divided into components which represents the mission of a savings bank, which includes being a supporting component of local communities.

In the following high level illustration of a typical savings bank's balance sheet (organized in descending order of priority in the case of insolvency), the equity consists of the bottom three lines in the table below.

<table>
<tr><td colspan="3">Retail deposits up to NOK 2 mill (insured)</td></tr>
<tr><td colspan="3">Senior debt / Deposits above NOK 2 mill</td></tr>
<tr><td colspan="3">Subordinated Debt</td></tr>
<tr><td colspan="3">Equity Capital Certificates (ECC)</td></tr>
<tr><td colspan="3">ECC´s / Bank´s paid-in capital reserves</td></tr>
<tr><td>Equalization Fund</td><td>Savingsbank´s Reserve Fund</td><td>Gift Fund</td></tr>
</table>

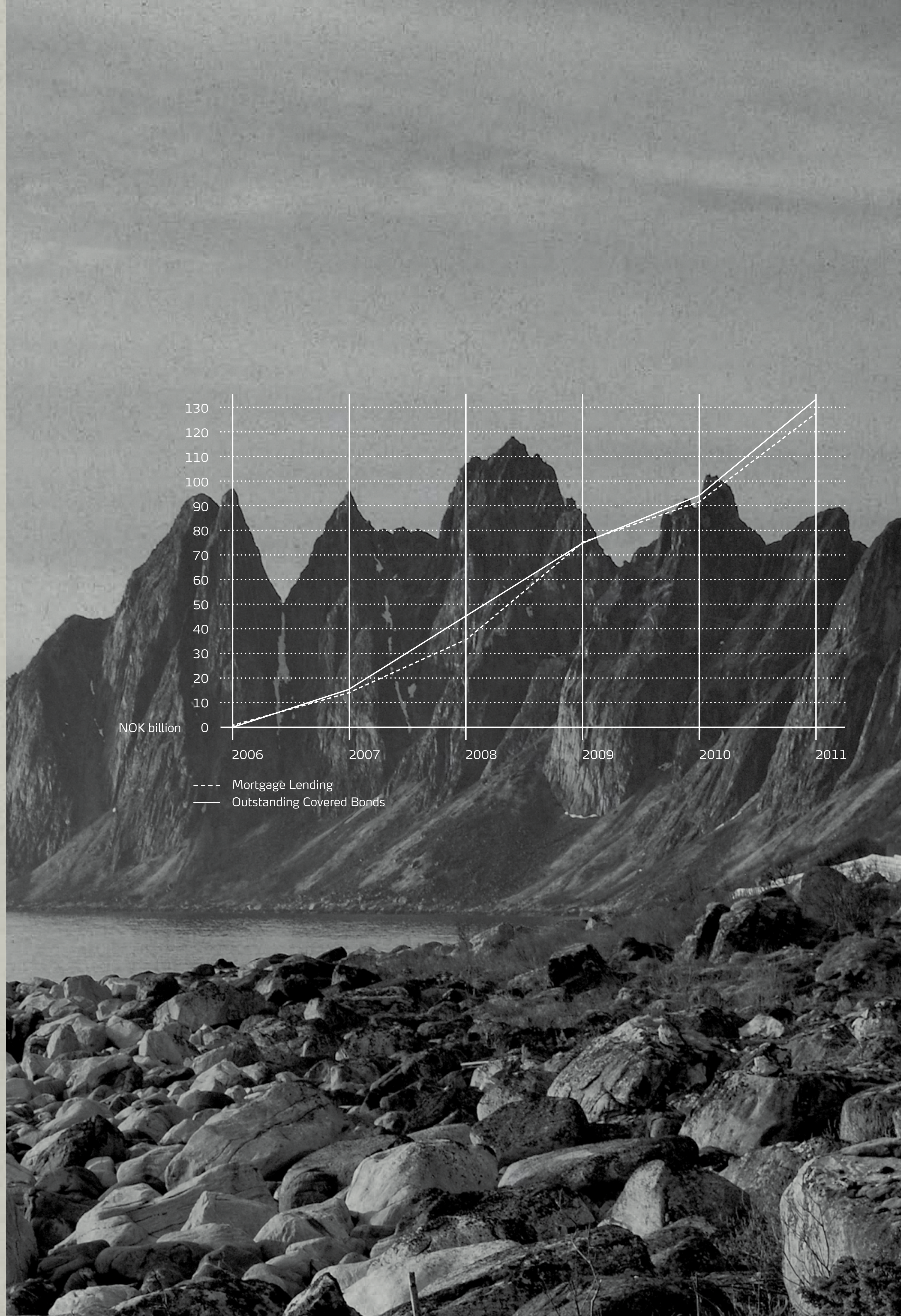
The Equity Capital Certificates (ECCs) represent the external capital, which must not necessarily be present in a savings bank. If it is present, it is usually listed on the Oslo Stock Exchange. The ECC holders can by law hold a maximum of 40% of the votes. It consists of certificates with a nominal value and additional paid in capital.

The savings bank's own funds are represented by the last line in the table below and must always represent 35% of the total votes of the bank, voted by the depositors and/or publicly elected officials from the community in which the bank is located and operates. The remaining 25% of the votes belongs to the employees. The Reserve Fund is the core of the self owned capital, while the Gift Fund represents money set aside to support community projects (a gift is typically distributed annually) in the region where the bank is located. Finally the Equalization Fund belongs economically to the ECC holders in that it may be used for future dividends or converted to ECCs in the future, but this capital is voted by the bank itself until it is converted.

A key take away is that a savings bank can never be acquired against its will due to the limitation on votes of the external capital.

SpareBank 1 SR-Bank, which is a key bank in the SpareBank 1 Alliance has as of January 1, 2012 changed its own legal basis to a bank where the entire equity capital is in the form of publicly traded, regular shares which is typical of banks elsewhere in the world. Recent amendments to the savings banks Act allows for this.

The previous self owned capital of SpareBank 1 SR-Bank has been converted into an external fund or trust (Norwegian: stiftelse) which is now the largest individual owner of the share capital in SpareBank 1 SR-Bank. The SpareBank 1 SR-Bank Trust statutes represent the savings bank principles which were previously enshrined within the bank itself, i.e. the Gift Fund activities and the preservation of its own ownership of SpareBank 1 SR-Bank over time. Because of this trust ownership, SpareBank 1 SR-Bank may still call itself a savings bank under Norwegian law.



FACT SHEET

boligkreditt.

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.

In NOK 1000					
Mortgages	111 014 879	PAR-test	109.0 %	Covered bonds	120 595 374
		Company target	109.0 %	Repurchased Bonds	-3 262 537
Treasury Bills	3 117 720				
Substitute Collateral	10 302 799			Swaps	-3 203 537
Total	**124 435 398**			**Total**	**114 129 300**

Cover Pool details*	As of 31.12.2011
Total mortgage portfolio (in NOK 1000)	111 014 879
Number of loans	93 439
Average loan size (in NOK 1000)	1 188
% of non-performing loans	0,000 %
Weighted average time since origination	31 months
Weighted average remaining term	262 months
Ratio of floating rate loans	100 %
Weighted average interest rate	4,12 %
Weighted average margin (in bps)	42
Weighted average current LTV	51 %
Weighted average original LTV	58 %
Maximum orginal LTV permitted by law	75 %

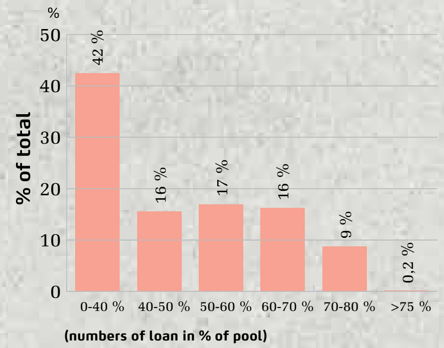
*All data input for Pool 1

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. Over 99 % of the bond portfolio are Nordic Covered Bonds, Norwegian government and SSA paper, 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. Details of the bond composition may be found in our investor report which is available on www.sparebank1.no/boligkreditt.

Current LTV distribution



Covered Bond details

EUR-deals

ISIN	Nominal Balance	Issue date	Maturity date*	Interest payments	Interest type
XS0386753031	1 000 000 000	10.09.08	10.09.13	Annually	Fixed rate
XS0470740969	1 000 000 000	03.12.09	03.12.12	Annually	Fixed rate
XS0495145657	1 250 000 000	17.03.10	17.03.17	Annually	Fixed rate
XS0519708613	1 000 000 000	23.06.10	23.06.15	Annually	Fixed rate
XS0587952085	1 000 000 000	03.02.11	03.02.21	Annually	Fixed rate
XS0674396782	1 000 000 000	07.09.11	07.09.21	Annually	Fixed rate
XS0707700919	1 000 000 000	22.11.11	22.11.16	Annually	Fixed rate
N-note	60 000 000	18.09.08	18.09.19	Annually	Fixed rate
N-note	105 000 000	26.01.11	26.01.21	Annually	Fixed rate
N-note	12 000 000	28.01.11	28.01.21	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	Semi-annually	Fixed rate
XS0632246426	1 250 000 000	27.05.11	27.05.16	Semi-annually	Fixed rate

NOK-deals

ISIN	Nominal Balance	Issue date	Maturity date*	Interest payments	Interest type
NO0010441454	1 000 000 000	18.06.08	18.06.18	Annually	Fixed rate
NO0010441678	200 000 000	25.06.08	25.06.18	Annually	Fixed rate
NO0010441652	800 000 000	25.06.08	25.06.12	Annually	Fixed rate
NO0010464944	2 800 000 000	16.10.08	16.10.17	Annually	Fixed rate
NO0010467491	300 000 000	31.10.08	31.10.13	Annually	Fixed rate
NO0010622137	2 220 000 000	15.07.11	15.07.22	Annually	Fixed rate
NO0010625460	1 650 000 000	05.10.11	05.10.26	Annually	Fixed rate
NO0010633068	620 000 000	22.12.11	22.06.16	Annually	Fixed rate
NO0010480452	2 678 000 000	16.12.08	15.02.13	Quarterly	Floating rate
NO0010492333	6 000 000 000	17.02.09	25.08.14	Quarterly	Floating rate
NO0010520356	7 350 000 000	11.06.09	11.06.15	Quarterly	Floating rate
NO0010572142	5 600 000 000	29.04.10	29.04.16	Quarterly	Floating rate
NO0010583222	3 000 000 000	13.08.10	13.08.15	Quarterly	Floating rate
NO0010621782	1 000 000 000	14.07.11	14.07.17	Quarterly	Floating rate
NO0010623234	1 000 000 000	16.08.11	16.08.18	Quarterly	Floating rate
NO0010628290	3 500 000 000	15.07.11	04.11.14	Quarterly	Floating rate
NO0010630833	1 750 000 000	02.12.11	03.11.16	Quarterly	Floating rate

*All covered bonds have a one year extention clause

NORWEGIAN COVERED BOND LEGISLATION

To conduct a coved 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, but also through some senior funding and our own equity.

The most important issue is protection of the investors who has a claim towards the pool, especially if the issuer goes bankrupt. This is achieved by several rules and principles applied.

The main objective is however to avoid a default by either issuer or pool. 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 mechanismens applied.

For retail mortgages the loan to value (LTV) must be below 75% when the loan enters the pool. For commercial loans the LTV is 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.

There is a par test to be done as to see if the assets in the pool are larger than the liabilities at all times. In the par test loans in arrear for more than 90 days are not included, but are still a part of the pool. The real estate prices are to be monitored, and if a there is a significant drop we are obliged to make new valuation calculations, and if the LTV is above 75%, the amount above 75% will be left out of the asset par test, but still remain as part of the pool.

The legislation allows for little interest rate risk, and even less currency risk. The latter means that 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 positive cash flow.

The issuer must at all times keep an updated pool register which contains 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 Regulations.

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. 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. In such case the assets will 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. If there are anything left the remaining will go to creditors without the preferential claim. If there are insuffient funds to cover the preferential claims, the remaining claim will have a claim towards the assets outside the pool, but will then rank pari passue with all other creditors with unpreferential claims.

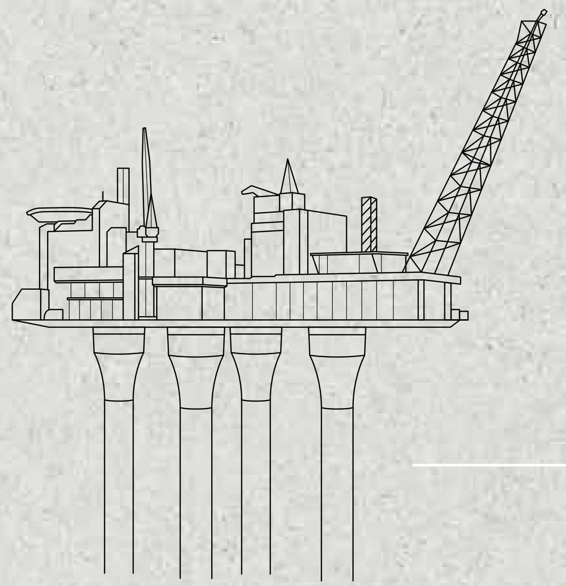
For further information we refer you to our Global Medium Term Covered Notes Programme.

SIGRUN FOSSE MELING
Analyst

EIVIND HEGELSTAD
Chief Operating Officer & Investor Relations

innovation.

The chalk in the Tor formation (which is part of the Valhalla field) is finely grained with cracks running through it and they enable oil and water to flow more easily through the chalk. But as a consequence of the drop in pressure caused by the extraction of oil, the chalk compacted and serious flow problems arose. The processing equipment was clogged by a chalk with the texture of toothpaste which followed the oil up and into the equipment onboard the platform.
Smart ideas were in demand. The solution was remarkable – and quite funny seen with the eyes of grown-ups: In order to keep the natural cracks open the solution which was found was to pump essentially the entire Norwegian stock of marbles into the seabed. This is an important part of the reason why Norwegian children played with marbles quite a bit in the 70ies, but not in the early 80ies, when Amoco cleaned out the Norwegian market for marbles.

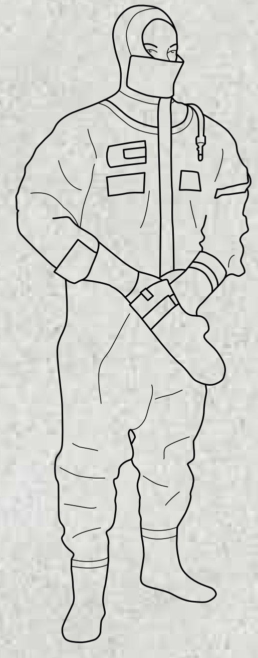


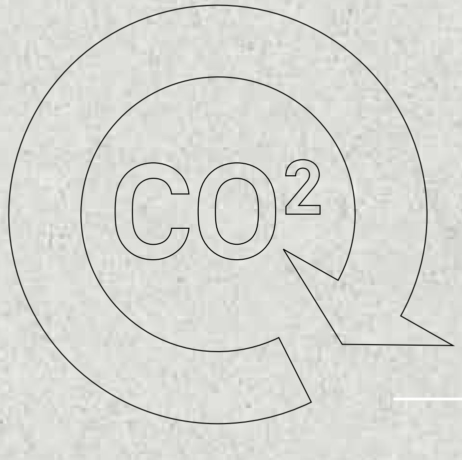
THE LARGEST CONSTRUCTION TO HAVE BEEN MOVED – EVER!

7 days was the time it took to transport the 472 meters tall structure called the Troll-A platform out to the Troll field, which was opened in 1995. The platform and the way in which it was moved were lauded as an engineering feat by the national and international press. The massive construction is now embedded in the sea bed, 369 meters below the surface. Attention was again drawn to the platform in 2006 when the singer Katie Melua performed in the deepest concert ever, 303 meters below the surface of the sea, at the bottom of one of the platform legs.

THE TECHNOLOGY OF HEALTH, SAFETY AND ENVIRONMENT (HSE)

It's about being well within the margin of error. At the very beginning of the oil age in Norway, safety was not the most important thing. But today the focus of the oil extraction business on safety is completely different. The way in which the offshore oil extraction business works in this area has taught the land-based industries and inspired them to focus on the same. They have understood the importance of developing their own HSE procedures and equipment, tailored to their own businesses.



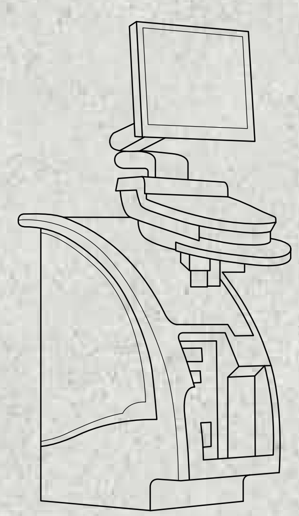


CAPTURE AND STORAGE OF CO²

In order to reduce the emissions of gases harmful to the environment an experiment was conducted to capture CO2 within the ground, under the seabed. In 1996 Statoil managed to do this at the Sleipner field in the North Sea, an innovative development and the world's first such large scale project of its kind. The idea of capturing CO2 within the ground is Norwegian, developed by Statoil's own project group in the late 80ies.

MEDICAL SPIN OFFS

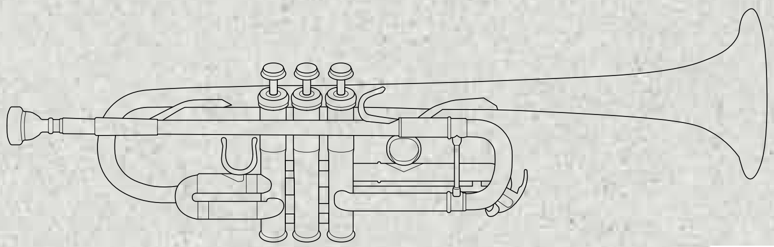
In the search for oil deposits, seismic geology under the seabed was conducted with the help of sonar signals. This sonar technology was later further developed within the area of medicine, an example of which is the ultrasound procedure to explore the foetus in the womb.



culture.

Kaizers Orchestra.

The oil industry's presence in the arts and culture is not exclusively about sponsorships, it's also about a way of expression. The oil painting is widely known of course. The actual barrel of oil is often used in Caribbean music making. The Norwegian music band Kaizers Orchestra also chose the steel barrel as their preferred percussion instrument.

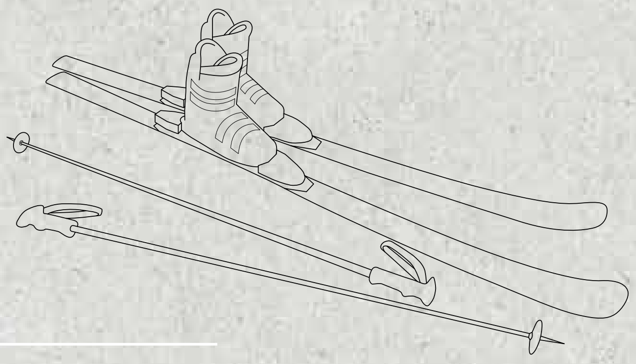


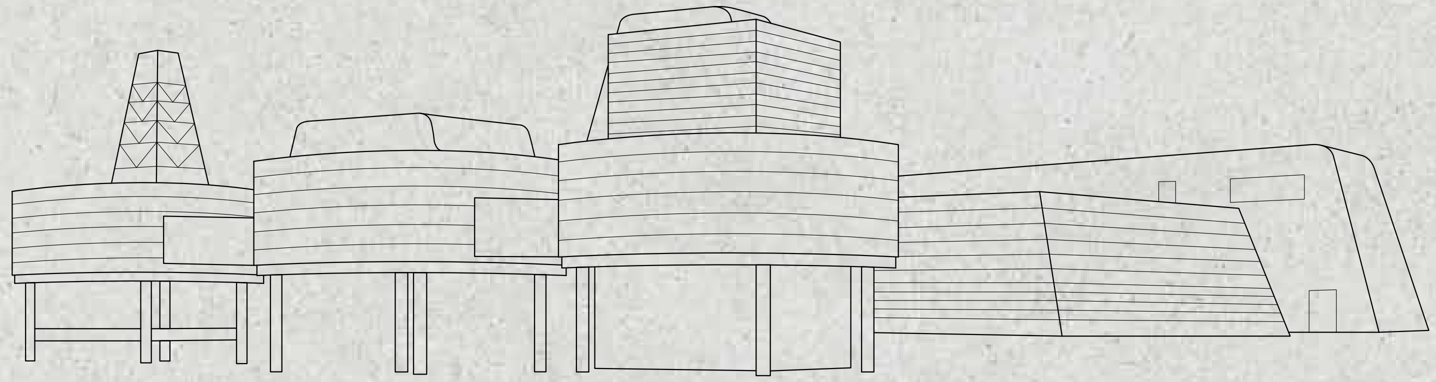
SPONSORSHIPS

Sponsorships have become increasingly important for the oil companies as a combination of society involvement and self marketing. Most companies have defined what and whom they're going to support, whether established performers or new talents.

NATIONAL LIFE STYLE

Skis. Many insisted for a long time that the skis must be made out of wood as in times past until this type of skis were ripe for the museum. Today, wooden skis have been replaced by glassfiber ones, which are made from plastics and are therefore also an oil product. With a sense of humour Norwegians claim to have been born with their skis on. A complicated birth procedure for sure! But jokes aside, cross country skiing is nearly obligatory for Norwegians from a very early age. After a while we also learn downhill skiing and many pick up snowboarding for additional thrills.



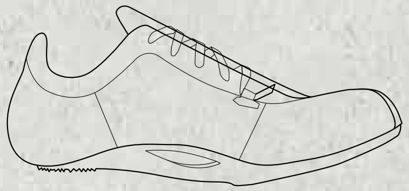


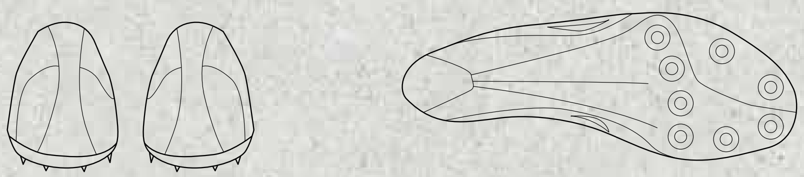
THE OIL MUSEUM

As the Norwegian oil age advanced and history was written a need arose to capture historical important national elements related to the industry's development. The Norwegian Oil Museum was officially opened in Stavanger by Norway's King Harald, just prior to the 30th anniversary of the Ekofisk field discovery.

BISLETT GAMES

Bislett Games is a large annual international athletics competition, which is part of the Diamond League. Many oil companies are heavily represented at the games through sponsorship agreements, either of the whole event, or of individual teams and performers. The surface inside this stadium (Bislett) and stadiums like it has some degree of oil content, depending on the layer of the surface. Recycled rubber tires form the base of the second layer from the top.





annual accounts.

INCOME STATEMENT 2011

NOK 1 000	Note	2011	2010
Total interest income	3	4 056 168	2 798 192
Total interest expenses	3	-3 822 123	-2 661 310
Net interest income		**234 046**	**136 882**
Net gains/losses from financial instruments	2, 4	-86 195	-7 337
Net other operating income		**-86 195**	**-7 337**
Total operating income		**147 851**	**129 545**
Salaries and other ordinary personnel expenses	5	-7 356	-6 422
Administration expenses	7	-7 066	-6 137
Other operating expenses	8	-13 083	-8 090
Depreciation on fixed assets and other intangible assets	10	-3 086	-3 545
Total operating expenses		**-30 590**	**-24 193**
Operating result before losses		**117 261**	**105 352**
Write-downs on loans and guarantees	2, 12	-2 318	0
Pre-tax operating result		**114 943**	**105 352**
Taxes	9	-32 281	-29 567
Profit/loss for the year		**82 662**	**75 785**

STATEMENT OF TOTAL PROFIT/LOSS FOR THE YEAR 2011

NOK 1 000	Note	2011	2010
Profit/loss for the year	14	82 662	75 785
Total profit/loss		**82 662**	**75 785**
Allocations:			
Declared dividends	14	82 952	75 613
Other Equity	14	-291	172
Total allocations		**82 662**	**75 785**

BALANCE SHEET AS OF 31 DECEMBER 2011

NOK 1 000	Note	2011	2010
Assets			
Other intangible assets	10	2 132	4 780
Other assets	11	1 876	440
Treasury Bills	17	4 144 419	6 677 603
Bonds	17	8 861 103	2 184 270
Lending to and deposits with credit institutions	17	3 046 116	3 658 257
Lending to customers	12	126 997 078	91 083 932
Financial derivatives	16, 17	4 607 603	1 469 563
Total assets		**147 660 328**	**105 078 845**
Liabilities			
Deferred taxes	9	0	35 768
Debt incurred by issuing securities	15	138 564 942	97 791 218
Debt to credit institutions	17	1 236 293	390 468
Financial derivatives	16	1 396 600	1 150 778
Tax payable	9	38 645	0
Other liabilities	20	681 732	905 545
Total liabilities		**141 918 211**	**100 273 777**
Equity			
Contributed equity	14	5 658 470	4 728 470
Accrued equity	14	695	985
Declared dividends	14	82 952	75 613
Total equity		**5 742 117**	**4 805 069**
Total liabilities and equity		**147 660 328**	**105 078 845**

Stavanger, February 14, 2012

Kjell Fordal
Chair of the Board

Inge Reinertsen

Tore Anstein Dobloug

Inger S. Eriksen

Merete Nygaard Kristiansen

Arve Austestad
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

NOK 1 000	Share capital	Premium reserve	Other contributed	Declared 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		-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**
Share increase 27 May 2011	280 000	140 000				420 000
Share Increase 14 October 2011	340 000	170 000				510 000
Dividend 2010				-75 613		-75 613
Result for the period				82 952	-291	82 662
Balance sheet as of 31 December 2011	**3 770 548**	**1 887 922**	**0**	**82 952**	**695**	**5 742 118**

CASH FLOW STATEMENT

NOK 1 000	2011	2010
Cash flows from operations		
Interest received	3 754 412	3 196 044
Payments to operations	-24 871	-18 190
Paid tax	-29 405	-23 539
Net cash flow relating to operations	**3 700 136**	**3 154 316**
Cash flows from investments		
Net purchase of loan portfolio	-35 864 583	-16 624 750
Net payments on the acquisition of government bills	2 533 183	-6 677 603
Net payments on the acquisition of bonds	-6 537 042	-1 182 705
Net investments in intangible assets	-438	-4 454
Net cash flows relating to investments	**-39 868 879**	**-24 489 512**
Cash flows from funding activities		
Net receipt/payment from the issuance of certificates	4 499 235	1 250 000
Net receipt/payment from the issuance of bonds	32 939 167	21 210 985
Net receipt/payment from the issuance of loans to credit institutions	845 825	-1 601 203
Equity capital subscription	930 000	1 140 000
Paid dividend	-75 613	-93 231
Net interest payments on funding activity	-3 574 364	-2 711 126
Net cash flow relating to funding activities	**35 564 250**	**19 195 425**
Net cash flow in the period	**-604 493**	**-2 139 772**
Balance of cash and cash equivalents Jan 1, 2011	**3 658 257**	**5 800 587**
Net receipt/payments on cash	-604 493	-2 139 772
Exchange rate difference	-7 648	-2 558
Balance of cash and cash equivalents Dec 31, 2011	**3 046 116**	**3 658 257**

NOTES TO THE ACCOUNTS 2011

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 following standards, interpretations and amendments are mandatory for annual accounts from January 1, 2012 and later dates, however, they have been deemed not relevant for the annual accounts for 2011: IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements" , IFRS 12 "Disclosures of Interest in Other Entities", IFRS 13 "Fair Value Measurement". There are no other IFRS standards nor any IFRIC interpretations of such standards which have not yet become effective and which are expected to have any material impact on the annual accounts. The company will consider the effects of the new IFRS 9 at a later date. To be able to make an overall assessment of the accounting effects of the new classification and measurement of the company's financial instruments, it is considered prudent to await the completion of all stages of the project leading up to the new IFRS 9. The entry into force of IFRS 9 has been delayed to January 1, 2015.

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 IMPAIRMENTS (WRITE DOWNS) ON MORTGAGE LOANS

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

- substantial financial difficulties 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 an 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 are not present at the time of the historic losses, as well as the adjustment of the effects of circumstances that are not currently present.

In the case of losses on individual mortgage loans, SpareBank 1 Boligkreditt has a right to offset these in the commission paid out to banks which have originated and sold such loans to the Company. The amount that can be offset is limited to a maxium of the last 12 months worth of commission due. SpareBank 1 Boligkreditt defers payment of the commission to the shareholder banks for 18 months in order to establish whether any losses have occured which should be offset. The Company has since the commencement of operations in 2007 not had any incidents of reduced or offset commissions.

ESTABLISHED LOSSES

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

SECURITIES

Securities consists of certificates and bonds. These are either carried at fair value or hold to maturity.

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

HEDGE ACCOUNTING

The company has implemented fair value hedge accounting for bonds with fixed rates and bonds in foreign currencies. These bonds are entered into a hedging relationship with individually tailored interest swaps and currency swaps. The company values and documents the 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 relevant interest rate curve and currency, and changes in these values from the opening balance are recorded in net income.

VALUATION OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

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

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

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

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

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

TAXES
Tax in the income statement consists of tax payable on the annual taxable result before tax and deferred tax.

Deferred tax is calculated in accordance with the liability method complying with IAS 12. With deferred taxes the liability or asset is calculated based on temporary differences, which is the difference between tax due according to the statutory tax calculations and tax calculated according to the financial accounts, as long as it is probable that there will be a future taxable income and that any temporary differences may be deducted from this income.
In terms of deferred taxes, assets will only be included if there is an expectation that a future taxable result makes it possible to utilise the tax relief. The assessment of this probability will be based on historic earnings and the future expectations regarding margins.

PENSIONS
SpareBank 1 Boligkreditt maintains two types of pension plans. Both plans are managed under the pension Scheme of SpareBank 1 SR Bank ASA.

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

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

SpareBank 1 Boligkreditt had 8 employees at 31.12.2011. The employees are members of SpareBank 1 SR-Bank ASA's pension scheme and earn pension rights equivalent to those of other employees in the scheme. SpareBank 1 Boligkreditt pays the pension premiums for its employees as billed by the scheme. When the premiums have been paid no further obligations exists on the part of SpareBank 1 Boligkreditt, except a defined benefit for that part of the CEO's remuneration which is above an amount equal to 12G (G is the basic amount in the Norwegian public benefits system). One employee works for the Company but is formally employed by the SpareBank 1 Gruppen (the internal or coordinating company in the SpareBank 1 Alliance), which covers all the pension obligations for 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 recorded at cost.

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

COMMISSION 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 regulatory authorities may subsequently refuse to approve the annual accounts, but they cannot change them.

Events up until the annual accounts are deemed to be approved for publication and that concern issues already known on the accounting day, will be part of the information that the determination of accounting estimates have been based on, and as such will be fully reflected in the accounts. Events that concern issues not known on the accounting day, will be commented upon, provided that they are of relevance.

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

SHARE CAPITAL AND PREMIUM
Ordinary shares are classified as equity capital. Expenses directly related to the issuing of new shares or options with tax relief, will be entered into the accounts as a reduction in the proceeds received.

NOTE 3 NET INTEREST INCOME

NOK 1 000	2011	2010
Interest income		
Interest income and similar income from loans to and balances with credit institutions	288 525	160 876
Interest income and similar income from loans to and balances with customers	4 091 674	3 031 818
Interest income treasury bills	40 666	142 677
Commission expense (payable to shareholder banks)	-364 697	-537 179
Total interest income	**4 056 168**	**2 798 192**
Interest expense		
Interest expense and similar expenses to credit institutions	6 035	13 059
Interest expense and similar expenses on issued bonds	3 752 924	2 647 520
Interest expense and similar expenses on issued certificates	63 099	345
Interest expense and similar expenses on deposits from and liabilities to customers	0	0
Other interest expenses	65	386
Total interest expense	**3 822 122**	**2 661 310**
Total net interest income	**234 046**	**136 882**

NOTE 4 NET GAINS FROM FINANCIAL INSTRUMENTS

NOK 1 000	2011	2010
Net gains (losses) from financial liabilities	-2 880 403	-5 480 185
Net gains (losses) from financial assets	-45 506	-21 799
Net gains (losses) from financial derivatives, hedging, at fair value	2 839 714	5 494 647
Net gains from financial instruments	**-86 195**	**-7 337**

Please also refer to Note 2, valuation of derivatives and other financial instruments

NOTE 5 SALARIES AND REMUNERATION

NOK 1 000	2011	2010
Salary	8 216	6 986
Salaries reinvoiced to SpareBank1 Næringskreditt*	-4 435	-2 552
Pension expenses	1 948	757
Social insurance fees	1 300	940
Other personnel expenses	328	291
Total salary expenses	**7 356**	**6 422**
Average number of man-years	**8**	**6**

*The company's employees have shared employment between SpareBank1 Næringskreditt and SpareBank1 Boligkreditt. All remuneration is effectuated through SpareBank 1 Boligkreditt and a portion is reinvoiced to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank1 SR-Bank ASA and SpareBank1 Gruppen. Pension benefit obligations are safeguarded in SpareBank 1 Boligkreditt through participation in the pension fund of SpareBank 1 SR-Bank ASA. This pension scheme meets the legal demands on mandatory occupational pension.

NOTE 6 SALARIES AND OTHER REMUNERATION OF MANAGEMENT

Paid in 2011

NOK 1 000	Salary/Fee	Other remuneration	Pension
Chief Executive Officer			
Arve Austestad	2 051	31	452
The Board of Directors			
Kjell Fordal	65	0	0
Inge Reinertsen	50	0	0
Tore Anstein Dobloug	50	0	0
Merete N. Kristiansen	50	0	0
Merete Eik	50	0	0
Svend Lund (observer)	11	0	0
Total for the Board of Directors	**265**	**0**	**0**
The Control Committee			
Ola Neråsen	6	0	0
Brigitte Ninauve	7	0	0
Ivar Listerud	4	0	0
Kjersti Hønstad	5	0	0
Total for the Control Committee	**22**	**0**	**0**
The Committee of Representatives			
Anne Maria Langeland	8	0	0
NIls Arne Norheim	1	0	0
Kjersti Hønstad	1	0	0
Sveinung Hestnes	1	0	0
Elisabeth Johansen	1	0	0
Gudrun Michelsen	1	0	0
Total for the Committee of Representatives	**14**	**0**	**0**

The Chief Executive's salary includes a bonus of 400 000 for 2010, which was paid out in 2011. All employees are offered mortgage loans through SpareBank 1 SR-Bank ASA. The terms include an interest rate one percentage point below a reference interest rate which is determined by the Norwegian Ministry of Finance. The CEOs mortgage loan was NOK 3 166 749 at year end 2011.

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	**27**	**0**	**0**

NOTE 7 ADMINISTRATION EXPENSES

NOK 1 000	2011	2010
IT operation and maintenance	5 653	5 177
Travel	1 144	739
Telephone and postage	200	114
Training	0	76
Misc other adm expenses	70	31
Total	**7 066**	**6 137**

NOTE 8 OTHER OPERATING EXPENSES

NOK 1 000	2011	2010
Auditing, hired personnel from SpareBank 1 Group, other services	13 313	8 148
Operating expenses rented offices	164	164
Operating expenses reinvoiced to SpareBank 1 Næringskreditt	-706	-566
Misc other operating expenses	312	344
Total	**13 083**	**8 090**

Auditing

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

NOK 1 000	2011	2010
Legally required audit	528	528
Other attestation services	1 622	1 166
Tax consulting	0	0
Other services outside auditing	82	285
Total (incl VAT)	**2 232**	**1 979**

NOTE 9 TAXES

NOK 1 000	2011	2010
Tax payable	38 645	0
Change in deferred tax	0	29 564
Insufficient/excessive tax allocation previously in the period*	-6 363	3
Tax expense	**32 281**	**29 567**

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

NOK 1 000	2011	2010
Temporary differences as of 31.12.11		
Fixed assets	0	0
Unrealised losses, net	428 723	650 710
Pension	-674	-222
Total temporary differences that affect the tax base	**428 049**	**650 488**
Tax deficit to be carried forward	-184 254	-522 743
Corrections to be carried forward	-243 795	-105 018
Total temporary differences that affects the tax base	**-428 049**	**-627 761**
Tax reducing temporary differences, net	0	127 745
Tax increasing temporary differences, net	0	0
Net deferred tax benefit (-) / deferred tax (+)	**0**	**35 768**
Assets - deferred tax	0	0
Liabilities - deferred tax	0	35 768
Reconciliation tax expense		
28% of pre-tax profit/loss	32 184	29 498
Permanent differences (28%)	97	65
Insufficient/excessive deferred tax previous year	-6 363	0
Insufficient/excessive tax expence privious year	6 363	3
Calculated tax expense	**32 281**	**29 566**
Effective tax rate	**28,08 %**	**28,06 %**

NOTE 10 DATASYSTEMS AND SOFTWARE

NOK 1 000	
Acquisition cost 01.01.2010	21 613
Acquisitions	4 454
Disposals	
Acqusition 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**
Acquisition cost 01.01.2011	26 067
Acquisitions	438
Disposals	
Acqusition cost 31.12.2011	26 505
Accumulated depreciation and write-downs 01.01.2011	21 287
Periodical depreciation	3 086
Periodical write-down	0
Disposal ordinary depreciation	0
Accumulated depreciation and write-downs 31.12.2011	24 372
Book value as of 31.12.2011	**2 132**
Financial lifespan	3 years
Depreciation schedule	linear

NOTE 11 OTHER ASSETS

NOK 1 000	2011	2010
Accrued interest	0	-430
Claims against SpareBank 1 Næringskreditt AS	1 876	870
Other	0	0
Total	**1 876**	**440**

NOTE 12 LENDING TO CUSTOMERS

NOK 1 000	2011	2010
Revolving loans - retail market	53 247 134	36 442 098
Amortising loans - retail market	73 599 202	54 539 655
Accrued interest	156 428	105 546
Total loans before specified and unspecified loss provisions	**127 002 763**	**91 087 298**
Specified loan loss provisions		
Unspecified loan loss provisions	5 685	3 366
Total net loans and claims with customers	**126 997 078**	**91 083 932**
Liability		
Unused balances under revolving credit lines	15 051 298	10 029 961
Total	**15 051 298**	**10 029 961**
Defaulted loans		
Defaults*	0	0
Specified loan loss provisions	0	0
Net defaulted loans	**0**	**0**
Loans at risk of loss		
Loans not defaulted but at risk of loss	0	0
- Write downs on loans at risk of loss	0	0
Net other loans at risk of loss	**0**	**0**

Loans sorted according to geography (Norwegian counties)

NOK 1 000		Loans 2011	Loans 2011 in %	Loans 2010	Loans 2010 in %
NO01	**Østfold**	3 519 352	2,77 %	2 736 740	3,01 %
NO02	**Akershus**	9 395 255	7,41 %	6 481 445	7,12 %
NO03	**Oslo**	8 299 180	6,54 %	5 469 332	6,01 %
NO04	**Hedmark**	8 348 853	6,58 %	6 612 792	7,27 %
NO05	**Oppland**	1 758 501	1,39 %	1 679 293	1,85 %
NO06	**Buskerud**	4 660 697	3,67 %	3 885 407	4,27 %
NO07	**Vestfold**	3 944 054	3,11 %	3 109 615	3,42 %
NO08	**Telemark**	2 692 939	2,12 %	2 196 564	2,41 %
NO09	**Aust Agder**	685 955	0,54 %	445 751	0,49 %
NO10	**Vest Agder**	3 655 069	2,88 %	2 230 913	2,45 %
NO11	**Rogaland**	36 860 454	29,06 %	21 639 756	23,78 %
NO12	**Hordaland**	3 689 161	2,91 %	2 144 103	2,36 %
NO14	**Sogn og Fjordane**	90 218	0,07 %	32 818	0,04 %
NO15	**Møre og Romsdal**	6 833 317	5,39 %	5 183 383	5,70 %
NO16	**Sør Trøndelag**	11 225 729	8,85 %	9 232 744	10,15 %
NO17	**Nord Trøndelag**	5 903 949	4,65 %	4 759 299	5,23 %
NO18	**Nordland**	6 181 028	4,87 %	5 146 700	5,66 %
NO19	**Troms**	6 600 014	5,20 %	5 872 481	6,45 %
NO20	**Finnmark**	2 470 057	1,95 %	2 077 110	2,28 %
	Svalbard	32 553	0,03 %	45 508	0,05 %
Total		**126 846 335**	**100,0 %**	**90 981 752**	**100,0 %**

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

NOTE 13 SHARE CAPITAL AND SHAREHOLDER INFORMATION

List of shareholders as of 31.12.11	No. of shares	Stake	Share of votes
SpareBank 1 SR-Bank ASA	12 969 462	34,40 %	34,40 %
SpareBank 1 SMN	6 725 178	17,84 %	17,84 %
SpareBank 1 Nord-Norge	4 999 520	13,26 %	13,26 %
Sparebanken Hedmark	3 000 822	7,96 %	7,96 %
Bank 1 Oslo Akershus AS	2 306 988	6,12 %	6,12 %
SpareBank 1 Buskerud Vestfold	1 575 013	4,18 %	4,18 %
SpareBank 1 Østfold Akershus	1 183 519	3,14 %	3,14 %
BN Bank ASA	1 181 122	3,13 %	3,13 %
Sparebanken Telemark	832 530	2,21 %	2,21 %
SpareBank 1 Nordvest	754 667	2,00 %	2,00 %
SpareBank 1 Ringerike Hadeland	687 201	1,82 %	1,82 %
SpareBank 1 Søre Sunnmøre	358 495	0,95 %	0,95 %
SpareBank 1 Nøtterøy Tønsberg	302 213	0,80 %	0,80 %
Modum Sparebank	235 822	0,63 %	0,63 %
SpareBank 1 Hallingdal	220 427	0,58 %	0,58 %
SpareBank 1 Gudbrandsdal	213 011	0,56 %	0,56 %
Lom og Skjåk Sparebank	159 493	0,42 %	0,42 %
Total	**37 705 482**	**100 %**	**100 %**

The share capital consists of 37 705 482 shares at a nominal value of NOK 100

NOTE 14 EQUITY

NOK 1 000	Share capital	Premium share fund	Other contrib. equity	Declared dividend	Other equity capital	Total equity capital
Equity capital as of 01.01.2011	3 150 548	1 577 922	0	75 613	985	4 805 068
Changes in the period:						
Share increase 27.05.2011	280 000	140 000				420 000
Share increase 14.10.2011	340 000	170 000				510 000
Share dividend 2010				-75 613		-75 613
Result for the period				82 952	-291	82 662
Equity capital as of 31.12.2011	**3 770 548**	**1 887 922**	**0**	**82 952**	**695**	**5 742 117**

NOTE 15 LIABILITIES INCURRED BY ISSUING SECURITIES

NOK 1 000	Nominal value 2011 *	Nominal value 2010*
Short term notes, unsecured	4 500 000	0
Covered bonds	134 597 453	95 793 170
Withdrawn from the Norwegian Central Bank Swap Facility	14 864 778	14 864 778
Bonds deposited in the Norwegian Central Bank Swap Facility	-18 100 000	-18 100 000
Sr. Unsecured Bonds	1 900 000	4 725 000
Repurchased Bonds	-3 024 198	0
Total liabilities incurred by issuing securities	**134 738 033**	**97 282 948**

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

NOK 1 000	Book value 2011	Book value 2010
Short term notes, unsecured	4 499 236	0
Covered bonds	137 480 924	95 512 208
Withdrawn from the Norwegian Central Bank Swap Facility	14 864 778	14 864 778
Bonds deposited in the Norwegian Central Bank Swap Facility	-18 100 000	-18 100 000
Sr. Unsecured Bonds	1 899 899	4 724 996
Repurchased Bonds	-3 221 071	0
Activated costs incurred by issuing debt	-126 323	-70 348
Accrued interest	1 267 499	859 584
Total liabilities incurred by issuing securities	**138 564 942**	**97 791 218**

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

Year	ISIN nr	Issuance	Maturity	Interest rate type	2011	2010
2010	Repurchased Bonds				-3 024 198	0
2010	T-Bills from Swap Facility	26.08.09	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	0	1 475 000
2011	XS0350301668	04.03.08	15.06.11	Fixed	0	7 888 000
2011	NO0010542616	30.09.09	30.09.11	Floating	0	2 000 000
2012	NO0010624745	01.09.11	29.02.12	Fixed	750 000	0
2012	NO0010625395	16.09.11	16.03.12	Fixed	500 000	0
2012	NO0010571086	23.03.10	23.03.12	Floating	1 250 000	1 250 000
2012	NO0010630510	30.11.11	30.05.12	Fixed	1 000 000	0
2012	NO0010441652	25.06.08	25.06.12	Fixed	800 000	800 000
2012	NO0010630528	30.11.11	30.08.12	Fixed	1 000 000	0
2012	NO0010633324	16.12.12	17.09.12	Fixed	750 000	0
2012	NO0010626120	30.09.11	29.06.12	Fixed	500 000	0
2012	XS0470740969	03.12.09	03.12.12	Fixed	8 384 500	8 384 500
2013	NO0010480452	16.12.08	15.02.13	Floating	2 678 000	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	8 842 500
2013	NO0010467491	10.10.08	31.10.13	Fixed	300 000	300 000
2014	NO0010633555	23.12.11	23.01.14	Floating	650 000	0
2014	NO0010492333	17.02.09	25.08.14	Floating	6 000 000	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
2014	NO0010628290	04.11.11	04.11.14	Floating	3 500 000	0
2015	NO0010520356	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	7 890 000
2015	NO0010583222	13.08.10	13.08.15	Floating	3 000 000	1 000 000
2016	NO0010572142	29.04.10	29.04.16	Floating	5 600 000	4 000 000
2016	XS0632246426	23.05.11	27.05.16	Fixed	6 986 625	0
2016	NO0010633068	22.12.11	22.06.16	Fixed	620 000	0
2016	NO0010630833	02.12.11	03.11.16	Floating	1 750 000	0
2016	XS0707700919	22.11.11	22.11.16	Fixed	7 807 000	0
2017	XS0495145657	17.03.10	17.03.17	Fixed	10 037 500	10 037 500
2017	NO0010621782	14.07.11	14.07.17	Floating	1 000 000	0
2017	NO0010464944	07.10.08	16.10.17	Fixed	2 800 000	2 000 000
2018	NO0010441454	18.06.08	18.06.18	Fixed	1 000 000	500 000
2018	NO0010441678	25.06.08	26.06.18	Fixed	200 000	200 000
2018	NO0010623234	16.08.11	16.08.18	Floating	1 000 000	0
2019	N-note	18.09.08	18.09.19	Fixed	485 670	485 670
2021	N-note	26.01.11	26.01.21	Fixed	828 576	0
2021	N-note	28.01.11	28.01.21	Fixed	94 512	0
2021	XS0587952085	03.02.11	03.02.21	Fixed	7 930 050	0
2021	XS0674396782	07.09.11	07.09.21	Fixed	7 747 520	0
2022	NO0010622137	15.07.11	15.07.22	Fixed	2 200 000	0
2026	NO0010625460	05.10.11	05.10.26	Fixed	1 650 000	0
Total					**134 738 033**	**97 282 948**

Liabilities sorted by currency (book value)

NOK 1 000	2011	2010
NOK	61 525 635	46 790 082
EUR	60 198 923	42 327 967
USD	16 840 385	8 673 169
Total	**138 564 942**	**97 791 218**

NOTE 16 FINANCIAL DERIVATIVES

NOK 1 000	Contract amount	Fair value: Assets	Fair value: Liabilities	Distributed to: Cash-flow hedging	Distributed to: Fair value hedging
Hedging 2011					
Swaps					
Interest rate and cross currency swaps	165 290 913	4 607 603	1 396 600		165 290 913
Total interest derivatives	**165 290 913**	**4 607 603**	**1 396 600**		**165 290 913**
Hedging 2010					
Swaps					
Interest rate and cross currency swaps	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**

All derivative contracts are for the purpose of hedging interest rates and currency.

NOTE 17 CLASSIFICATION OF FINANCIAL INSTRUMENTS

NOK 1 000	Financial instruments accounted for at fair value*	Financial assets and debt accounted for at amortised cost	Financial assets held to maturity	Non-financial assets and liabilities	2011
Assets					
Other intangible assets				2 132	2 132
Other assets				1 876	1 876
Treasury Bills	4 144 419				4 144 419
Bonds	6 655 589		2 205 514		8 861 103
Lending to and deposits with credit institutions		3 046 116			3 046 116
Lending to customers		126 997 078			126 997 078
Financial derivatives	4 607 603				4 607 603
Total Assets	**15 407 611**	**130 043 194**	**2 205 514**	**4 008**	**147 660 328**
Liabilities					
Deferred taxes					
Debt incurred by issuing securities	132 165 807	6 399 135			138 564 942
Debt to credit institutions		1 236 293			1 236 293
Financial derivatives	1 396 600				1 396 600
Tax payable				38 645	38 645
Other liabilities				681 732	681 732
Total liabilities	**133 562 407**	**7 635 428**		**720 376**	**141 918 211**
Total equity				**5 742 117**	**5 742 117**
Total liabilities and equity	**133 562 407**	**7 635 428**		**6 462 493**	**147 660 328**

*Fair value calculation according to market interest rates and currencies

NOTE 18 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 currency swaps

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

Bonds

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

Fair value presentation

- 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 2011

NOK 1 000	Level 1	Level 2	Level 3	Total
Bonds and bills	0	10 800 008	0	10 800 008
Financial Derivatives	0	4 607 603	0	4 607 603
Total Assets	**0**	**15 407 611**	**0**	**15 407 611**
Bonds	0	132 165 807	0	132 165 807
Financial Derivatives		1 396 600		1 396 600
Total Liabilities	**0**	**133 562 407**	**0**	**133 562 407**

NOTE 19 BONDS CLASSIFIED AS HOLD TO MATURITY

As of 31.12.11

Bonds classified as	Book value 31.12.10	Investments	Matured	Amortising	Exchange rate effects	Amortised cost 31.12.11
Hold to maturity	1 243 617	1 015 000	-50 000	9 759	-12 862	2 205 514
Total certificates and bonds	**1 243 617**	**1 015 000**	**-50 000**	**9 759**	**-12 862**	**2 205 514**

Market value of bonds in hold to maturity portfolio

Bonds classified as	Book value	Market value incl exchange rate effects	Effect on result if at fair value
Hold to maturity	2 205 514	2 206 061	547
Total certificates and bonds	**2 205 514**	**2 206 061**	**547**

NOTE 20 OTHER LIABILITIES

NOK 1 000	2011	2010
Employees tax deductions and other deductions	496	320
Employers national insurance contribution	314	100
Accrued holiday allowance	723	629
Commission payable to shareholder banks	663 177	897 124
Deposits*	7 663	2 522
Pension liabilities	674	222
Other accrued costs	8 685	4 628
Total	**681 732**	**905 545**

The Company does not have an overdraft facility or a revolving credit facility as of 31.12.11
*Deposits represents temporary balances paid in by customers in excess of the original loan amount

NOTE 21 CREDIT RISK

Credit risk is defined as the risk that losses can occur as a consequence of that customers and others do not have the ability or willingness to meet their obligations to SpareBank 1 Boligkreditt as and when agreed. Credit risk mainly includes loans to customers which are collateralised by private residences (residential mortgage loans), but also includes credit risk in derivatives contracts (counterparty credit risk) and investment in bonds within the Company's liquidity portfolio. SpareBank 1 Boligkreditt maintains a credit policy and limits in order to manage and closely monitor all credit risk the company is exposed to.

Total Credit Exposure **Amounts in NOK million**	**2011**	**2010**
Loans to and deposits with credit institutions	3 046	3 658
Government certificates	4 144	6 678
Bonds	8 861	2 184
Financial derivatives	4 608	1 470
Loans to customers	126 997	91 084
Total assets	**147 656**	**105 074**
Unused credit on flexible loans	15 051	10 031
Received collateral in relation to derivative contracts	-1 111	-390
Total credit exposure	**160 200**	**113 563**

Lending to customers (residential mortgage loans)
Lending to customers (residential mortgages)
The risk classification of the Company's loan portfolio takes place based on an assessment and grouping of the individual loans.
The assessment is based on the following main principles:

- The customer's ability to pay (income and debt)
- The customer's willingness to pay (late payments and missed payments)
- The size of the mortgage loan
- The loan to value (the maximum loan to value is 75% and the residential properties which are the collateral must be valued by an independent source and documented; collateral value assessments are updated quarterly for the entire portfolio)

SpareBank 1 Boligkreditt utilizes the IT platform of the SpareBank 1 Alliance in addition to customized systems which assist in analysing and managing the acquisition of residential mortgage loans from its shareholder banks in the SpareBank 1 Alliance. Credit risk is monitored by measuring the development of the residential mortgage portfolio, details regarding late payments, defaults and overdrawn overdrafts.
For defaults and losses in the portfolio, the Board of SpareBank 1 Boligkreditt has approved the following limits:

- Maximum probability of default for the portfolio: 0.9%
- Expected loss in the portfolio: < 0.02% of outstanding balances
- Unexpected loss in the portfolio (at a 99.97 level of confidence): < 0.75% of outstanding balances

The following risk classifications, step 1 through 3, are completed on a monthly basis:

1 Probability of Default (PD): customers are classified in PD groups according to the PD during a 12 month period based on a long term average (through the cycle). The PD is calculated based on historical financial time series for income and development thereof and non-financial factors such as behaviour and age. In order to group the customers, nine categories of PD classes are used (A through I). In addition the Company has two classes (J and K) for customers in default and/or with written down loans.

2. Exposure at Default: Gives the estimated exposure for SpareBank 1 Boligkreditt at the time of customer default. The assessment considers the outstanding loan balance and granted but not drawn amounts of credit. The undrawn balances are considered fully drawn.

3. Loss given default (LGD): This is an estimate of the loss to the Company if the customer defaults. The assess considers the value of the collateral and the costs of foreclosing on the collateral. The Company estimates foreclosure values based on experiences made in the shareholder banks over time and such that these values reflect the conservative assessments in an economic down cycle. 7 categories are used to group LGDs.

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

Definition of risk groups - based on expected loss

Risk group	**Lower limit**	**Upper limit**	**EAD**
Lowest	0,00 %	0,0165 %	132 298
Low	0,0165 %	0,34 %	9 276
Medium	0,34 %	2,15 %	289
High	2,15 %	2,50 %	6
Very high	2,50 %	100,00 %	28
Default			0
Total			**141 898**

Loans to and deposits with credit institutions
SpareBank 1 Boligkreditt only has deposits with financial institutions rated A-/A2 or higher as of 31.12.2011.

Bonds and certificates **Rating class**		**2011**	**2010**
AAA/Aaa	Government Certificates	4 144	6 678
	Financial institutions	8 161	1 448
	Total	**12 306**	**8 125**
AA+/Aa1 til AA-/Aa3	Financial institutions	700	737
	Total	**700**	**737**
Total		**13 006**	**8 862**

Fitch/Moody's rating classes are used. If the ratings differ, the lowest counts. All bonds are publicly listed.
Investments in bonds of financial institutions are mainly investments in covered bonds of Nordic issuers

Financial derivatives
Derivative contracts are only entered into with counterparties rated minimum A or A2 by Fitch Ratings and Moody's Ratings Service, respectively. If the value of the derivative exceeds the credit limits held by SpareBank 1 Boligkreditt for counterparty risk in derivative contracts the counterparty must post cash collateral in either NOK or EUR. SpareBank 1 Boligkreditt is not required to post collateral if the value of the contract should be in favour of the counterparty. Collateral received is included in the balance sheet under receivables with and debt to credit institutions.

NOTE 22 LIQUIDITY RISK

Liquidity risk is defined as the risk that the business is not able to meet its obligations at maturity. SpareBank 1 Boligkreditt issues covered bonds at shorter maturities than the residential mortgages which make up the largest portion of assets on the Company's balance sheet. The Liquidity risk which arises is closely monitored and is in compliance with the Norwegian covered bond legislation which amongst other things requires that the cash flow from the cover pool is sufficient to cover outgoing cash flows for holders of preferential claims on the cover pool (holders of covered bonds and counterparties in associated hedging contracts (swaps). In order to manage the liquidity risk certain limits and liquidity reserves have been approved by the Board of Directors. SpareBank 1 Boligkreditt maintains a liquidity reserve which will cover undrawn amounts under revolving loans, a theoretical temporary halt to incoming interest payments from the mortgage loans and at any point in time cover bond maturities for the next twelve months. In addition it is an explicit and defined goal for the Company to issue covered bonds with maturities which produce a longer weighted average tenor for the Company's liabilities and limit to a certain proportion the amount of maturities due within any 12 month period. Liquidity risk is monitored on a regular basis and weekly reports are presented to the administration and monthly reports to the Board.

Liquidity Risk - all amounts in 1 000 NOK

	31.12.11	**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	11 907 219	3 046 116	523 110	155 872	247 207	6 293 874	1 641 040
Lending to customers	126 997 078		3 127	7 729	45 419	1 138 398	125 802 405
Derivatives	4 607 603				100 817	1 692 574	2 814 212
Treasury Bills	4 144 419	0	0	249 325	3 895 094	0	0
Other assets with no set term	4 008	4 008	0	0	0	0	0
Total Assets	**147 660 328**	**3 050 125**	**526 237**	**412 927**	**4 288 537**	**9 124 846**	**130 257 658**
Liabilities incurred when issuing securities	138 564 942	0	0	-2 482 265	-11 860 730	-85 610 009	-38 611 938
Other liabilities with a set term	1 236 293		-1 236 293	0	0	0	0
Derivatives	-1 396 600				-635 441	-483 416	-277 743
Liabilities with no set term	720 376	720 376	0	0	0	0	0
Equity	5 742 117	5 742 117	0	0	0	0	0
Total liabilities and equity	**144 867 128**	**6 462 493**	**-1 236 293**	**-2 482 265**	**-12 496 171**	**-86 093 425**	**-38 889 681**
Net total all items		**-2 012 557**	**-387 909**	**-1 469 825**	**-2 972 382**	**-66 039 418**	**72 882 092**

NOTE 23 INTEREST RATE RISK

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

Interest Rate Risk - all amounts in 1 000 NOK

	31.12.11	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	**11 907 219**	**3 046 116**	**1 820 392**	**2 666 886**	**3**	**3 769 027**	**604 794**
Lending to customers	126 997 078			126 997 078			
Treasury Bills	4 144 419			249 325	3 895 094		
Other assets with no set term	**4 008**	**4 008**					
Total Assets	**143 052 725**	**3 050 125**	**1 820 392**	**129 913 289**	**3 895 097**	**3 769 027**	**604 794**
Liabilities incurred when issuing securities	-138 564 942		-7 255 153	-27 849 414	-26 799 844	-40 047 635	-36 612 897
Other liabilities with a set term	-1 236 293		-1 236 293				
Liabilities with no set term	-720 376	-720 376					
Equity	-5 742 117	-5 742 117					
Total liabilities and equity	-146 263 728	-6 462 493	-8 491 446	-27 849 414	-26 799 844	-40 047 635	-36 612 897
Net interest rate risk before derivatives	**-3 211 003**	**-3 412 369**	**-6 671 054**	**102 063 875**	**-22 904 747**	**-36 278 607**	**-36 008 102**
Derivatives	**3 211 003**	**0**	**-13 954 779**	**-78 727 062**	**23 586 980**	**36 286 284**	**36 019 579**
Net interest rate risk	**0**	**-3 412 369**	**-20 625 832**	**23 336 813**	**682 234**	**7 677**	**11 477**
% of total assets	**0 %**	**-2 %**	**-14 %**	**16 %**	**0 %**	**0 %**	**0 %**

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

		Sensitivity of new interest rate expense in NOK 1 000	
Currency	**Change in basis points**	**2011**	**2010**
NOK	100	**4 857**	16 533

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

NOTE 24 CURRENCY RISK

The exchange rate risk is the risk of a negative profit effect due to changes in the exchange rate. By the end of the year SpareBank 1 Boligkreditt had issued debt in other currencies amounting to EUR 7,4 billion and USD 2,75 billion. In accordance with the Norwegian legislation for covered bonds and internal guidelines, SpareBank 1 Boligkreditt hedges essentially all exchange rate risk by utilising currency swaps so that the risk related to changes in the exchange rate is practically 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. The Company did not have any material exposure to currencies other than NOK at year-end 2011.

	Net exchange rate exposure in NOK 1 000	
Currency	**2011**	**2010**
EUR		
- Bank deposits	254 008	167 876
- Issued Bonds *	-59 949 891	-42 327 004
- Derivatives	50 573 045	41 455 263
- Bonds held as assets *	9 173 223	710 291
USD		
- Bank deposits	146	0
- Issued Bonds *	-16 809 659	-8 679 205
- Derivatives	16 809 659	8 679 205
Total	**50 531**	**6 425**

*Repurchased bonds have not been netted in this table

NOTE 25 OPERATIONAL RISK

Operational risk in SpareBank 1 Boligkreditt is limited because of a low degree of complexity in the Company's business. The Company is engaged solely in owning residential mortgages purchased from its shareholder banks, the placement or investment of assets in highly rated and liquid bonds and the financing of these activities. In addition the majority of the operational risk is connected to the servicing of mortgage loans through the shareholder banks. This element is regulated in transfer and service agreements between the Company and each of the individual shareholder banks.

The Company has a continuous focus on its infrastructure, systems and processes. Several daily tasks have been outsourced to SpareBank 1 SR-Bank ASA in a service level agreement. SR-Bank is a larger organization and well suited to carry out such tasks. SpareBank 1 Boligkreditt also has a close cooperation with several of the larger shareholder banks.

In connection with changes to the company's operations, SpareBank 1 Boligkreditt will, as a specialist company (covered bond issuer), be in a situation where changes to the operations or introductions of new products or changes to IT systems are of a major character and as such will need to be thoroughly vetted before being implemented.

The Company goes through a full assessment which includes participation by all employees annually where risks from all areas are evaluated. The Company's operational risk management and level of operational risk is considered satisfactory.

Based on the factors above there the Company believes that applying the standard method under Basel II, Pilar 1 to account for the amount of capital needed to address operational risks is justified. The capital need as of the calculation date of June 30, 2011 (annual ICAAP assessment) is NOK 17.4 million (please also refer to note 27 Capital Adequacy)

NOTE 26 ASSET COVERAGE REQUIREMENT

The asset coverage is calculated according to the Financial Services Act § 2-31 (Covered Bond Legislation). There is a discrepancy between the asset coverage test and the amounts in the balance sheet because for the purposes of the test mortgage loans which may have migrated above the 75% loan to value level are reduced to reflect the decrease in the value of the underlying collateral so that only a maximum loan corresponding to a value of 75% of the collateral is considered. Furthermore, the fact that market values are recorded for all bonds and certificates in the cover pool could have an impact. In addition any defaulted loans, i.e. loans in arrears at or beyond 90 days, are excluded from the test (there have been no occurances of any defaults starting with the commencement of operations through 31.12.2011). The company separates Cover Pool 1 and Cover Pool 2. Cover Pool 1 is utilised for market issuances of covered bonds whilst Cover Pool 2 is a separate mortgage portfolio established solely for use in the swap facility with Norway's Central Bank in 2009.

POOL 1

NOK 1 000	2011	2010
Covered Bonds	120 595 374	77 951 005
Repurchased Bonds	-3 262 137	
Derivatives	-3 203 537	-275 992
Total Covered Bonds	**114 129 700**	**77 675 013**
Lending to customers	111 014 879	74 269 828
Treasury Bills	3 117 720	6 677 603
Substitute collateral	10 302 799	4 402 393
Total Cover Pool	**124 435 399**	**85 349 825**
Asset-coverage	**109,0 %**	**109,9 %**

POOL 2

NOK 1 000	2011	2010
Covered Bonds	18 166 609	18 100 000
Repurchased Bonds	-1 014 310	-1 013 000
Derivatives	-47 908	-12 216
Total Covered Bonds	**17 104 391**	**17 074 784**
Lending to customers	15 954 617	16 324 512
Substitute collateral	1 218 060	1 048 822
Total Cover Pool	**17 172 677**	**17 373 333**
Asset-coverage	**100,4 %**	**101,7 %**

* Accrued interest corresponding to bonds, derivatives and loans are reclassified to be included with the relevant instrument rather than being grouped with other assets.

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 has been granted permission from the Norwegian Financial Supervisory Authority to use the Internal Rating Based Approach (IRB) for credit risk from the 2nd quarter of 2009. Transitional rules are given by regulation from the Norwegian Financial Supervisory Authority whereby the use of the IRB-approach will not have full effect of reduced regulatory capital requirements until 2015. In 2011 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 mean that the company's assets in 2011 have a higher risk-weighting than that under the standard method (in Basel II).

Subordinated capital in NOK 1 000	**2011**	**2010**
Share capital	3 770 548	3 150 548
Premium share fund	1 887 922	1 577 922
Other equity capital	695	985
Profit/loss	82 662	75 785
Total equity capital entered into the balance sheet	**5 741 827**	**4 805 240**
Intangible assets	-2 132	-4 780
Declared share dividend	-82 952	-75 613
50% deduction of expected losses exceeding loss provisions IRB	-54 693	-37 781
Core capital (Tier 1)	**5 602 051**	**4 687 066**
Supplementary capital	0	0
50% deduction of expected losses exceeding loss provisions IRB	-54 693	-37 781
Total capital	**5 547 358**	**4 649 285**

Minimum requirements for capital according to Basel II i NOK 1 000	**2011**	**2010**
Credit risk	1 344 887	896 339
Market risk	0	0
Operational risk	17 435	12 219
Depreciation on groups of loans		
Difference in capital requirement resulting from transitional period 2007-2009	3 152 127	2 276 924
Minimum requirement for capital	**4 514 449**	**3 185 482**

Capital adequacy in NOK 1 000	**2011**	**2010**
Core capital ratio (%) (Tier 1)	**9,93 %**	**11,77 %**
Total capital ratio (%)	**9,83 %**	**11,68 %**

NOTE 28 RELATED PARTIES

Transactions with related parties
The Company has 126 997 MNOK loans to customers. These are acquired from shareholder banks at market value (i.e. nominal value).
The Company purchases a substantial amount of their support functions from SpareBank 1 SR-Bank ASA.
A complete SLA are established between the Company and SpareBank 1 SR-Bank ASA.
In addition the Company has a Transfer and Servicing agreement in place with each individual shareholder bank regulating amongst other things the servicing of mortgage loans.

Amounts of loans and receivables with related parties
All deposits (floating/short term fixed deposits) are at market interest rates

NOK 1 000 **Loans to and receivables from shareholder banks**	**2011**	**2010**
SpareBank 1 SR-Bank ASA	2 045 332	3 633 575
SpareBank 1 SMN	600 033	5 503
SpareBank 1 Nord-Norge	326 872	13 347
Total	**2 972 237**	**3 652 425**

NOTE 29 CONTINGENCIES

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

NOTE 30 RESTRICTED CASH

SpareBank 1 Boligkreditt has signed ISDA-agreements including CSAs (Credit Support Annexes) with a number of financial institutions that are counterparties in interest rate and currency swaps. These institutions post collateral in the form of cash deposits to SpareBank 1 Boligkreditt. At the year-end 31.12.2011 this collateral amounted to NOK 1 267 498 796. 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 2011. 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 2011 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 31.12.11.
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.

Stavanger 14 February 2012

Kjell Fordal
Chairman

Inger Eriksen

Inge Reinertsen

Tore Arnstein Dobloug

Merete Nygaard Kristiansen

Arve Austestad
Chief Executive Officer

SPAREBANK 1 BOLIGKREDITT AS

THE CONTROL COMMITEE'S STATEMENT FOR 2011

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 2011.

Oslo 27 February 2012

Brigitte Ninauve

Ola Neråsen

Kjersti Hønstad

Ivar Listerud

Deloitte.

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of SpareBank 1 Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of SpareBank 1 Boligkreditt AS, which comprise the balance sheet as of December 31, 2011, the income statement, the statement of total profit/loss, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of SpareBank 1 Boligkreditt AS as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the allocation of the profit

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

Opinion on Registration and Documentation

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

Stavanger, February 22, 2012
Deloitte AS

Svein Sivertsen
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

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NORWAY

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