Boligkreditt

Annual Report 2014

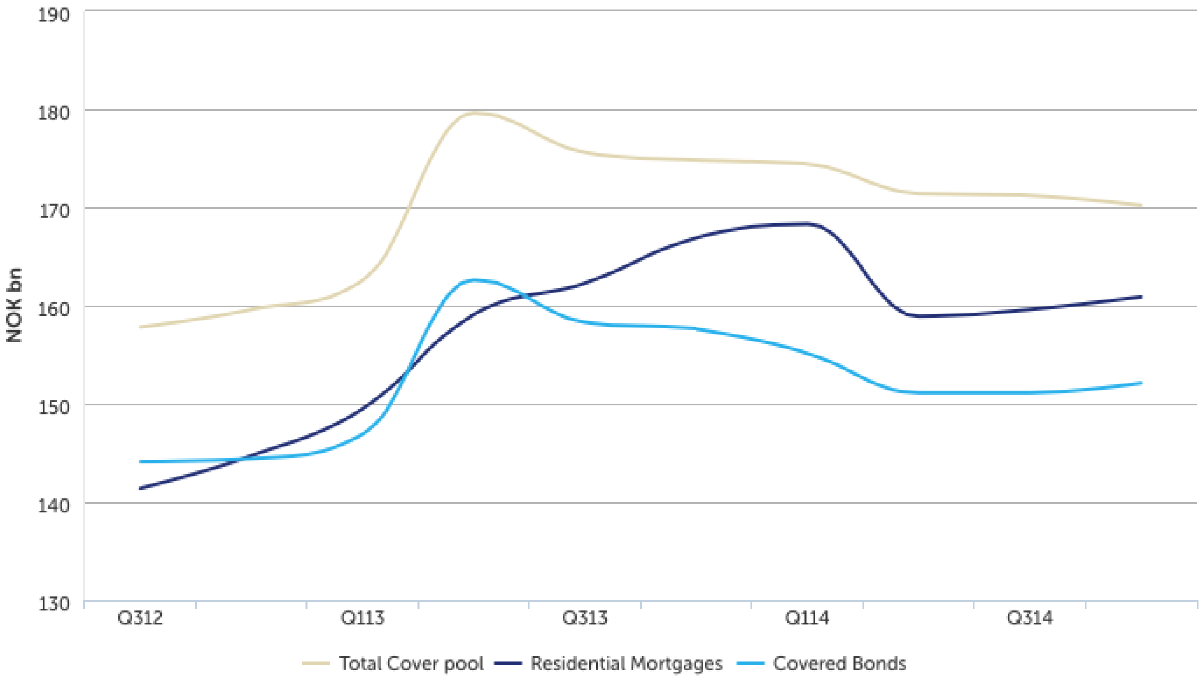
Building Insight:
Housing for the future

Table of contents

Notes to the accounts

Report of the Board of Directors

Cover pool and outstanding covered bonds[1]



Key figures overview

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Weighted Average Current LTV (%)	51.1 %	51.2 %	51.6 %	52.2 %	51.7 %
Weighted Average Original LTV (%)	57.3 %	57.4 %	57.2 %	57.3 %	57.0 %
Average Loan Balance (NOK)	1 194 160	1 193 893	1 200 321	1 213 532	1 206 278
Number of Mortgages in Pool	134 454	133 393	132 344	138 664	138 359
Percentage of non first-lien mortgages	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Overcollateralization	111.9 %	113.3 %	113.4 %	112.5 %	110.9 %

Key developments in the foruth quarter and in 2014

Boligkreditt issued covered bonds in NOK of 2.25 billion kroner in the 4th quarter and 7.19 billion for the year as a whole. No issuances have taken place in EUR or USD. Including the issuances in NOK, covered bonds outstanding have been reduced by 11 billion kroner in 2014 due to that Norges Bank's swap facility was terminated and some residential mortgages were as a consequence repurchased from some of the Company's parent banks. With the exception of this reduction associated with the swap facility the volume of lending has increased moderately for the year. This is because of a moderate growth in lending for the Company's parent banks, an increase in the deposits

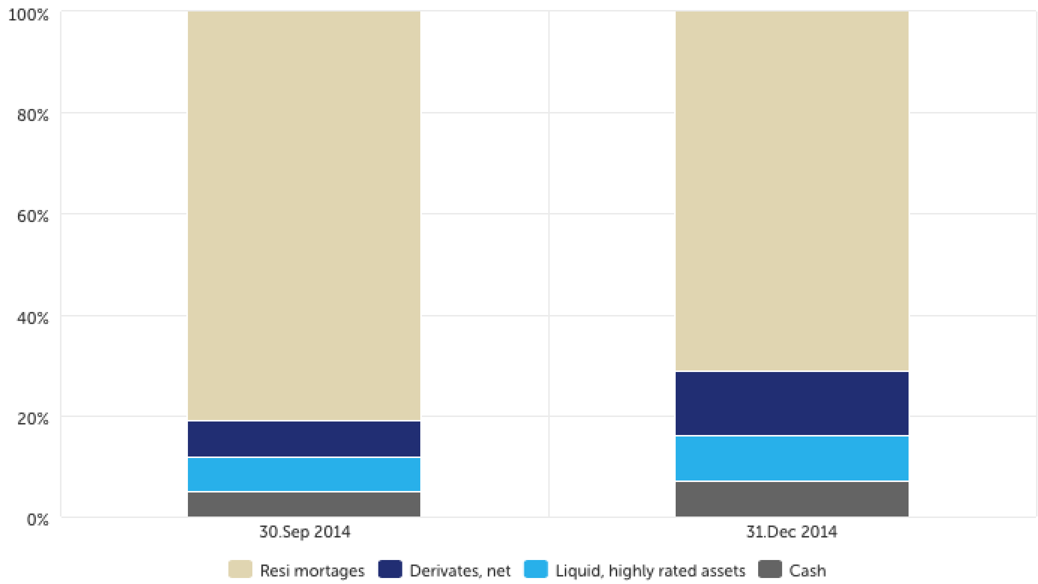
[1] The cover pool consists of residential mortgages and liquid, highly rated assets (substitute assets). Covered bonds are shown inclusive of the market value of the derivatives deployed to hedge currencies and interest rates

of these banks and attractive conditions in the market for senior unsecured bonds (an advantageous credit spread compared to previous years). For 2015 there are reasons to expect a continued moderate growth in the residential lending volume

SpareBank 1 Boligkreditt is well capitalized, with a capital coverage ratio of 14.1 per cent measured against a requirement of 13.5 per cent. Core equity is 11.3 per cent measured against a requirement of 10 per cent. These figures reflect that SpareBank 1 Boligkreditt has introduced a new capital coverage calculation according to CRD IV.

In the market for the Company's bonds, credit spreads have generally increased a little from the end of the third quarter to the end of the year, but remain at a historical low level.

The Norwegian krone was put under pressure during the fourth quarter, presumably because of the significant decline in the oil price. This results in that SpareBank 1 Boligkreditt receives more collateral from its swap counterparties according to the ISDA/CSA agreements which the Company has established. This increases the balance sheet of the Company significantly as of 31 December 2014 because the derivatives as an asset are valued at fair value while the amount of liquid assets due to the collateral placements with the company also increase. The following charts illustrate this and show the relative shares for the largest balance sheet items as of September 30 and 31 December, 2014:



The share of mortgages are reduced optically from a little over 80 per cent to just over 70 per cent as of December 31, 2014, but as shown above there are minor changes in the volumes of residential mortgages as measured in kroner. The change is due in its entirely to the fact that the derivatives have increased in value, and more collateral is posted to the Company. On the balance sheet's liability side a corresponding entry is increased for the market value of issued debt (in EUR and USD), while a liability is recorded for the collateral received of approximately 27.1 billion kroner (see note 33 in the annual accounts). Boligkreditt holds separate accounts for assets which is held as collateral and for its own liquid assets which is a part of the Company's liquidity management.

Nature and development of the company's business

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

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

The Company's issuances of covered bonds mainly take place under the EUR 25,000,000,000 Global Medium Term Covered Note Programme (GMTCN Programme). This Programme was updated on April 15, 2015 and is available at the Company's home page: https://spabol.sparebank1.no.

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

Annual accounts

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

The Board views the accounts as presented to be a true representation of SpareBank 1 Boligkreditt's operations and financial position at the end of the year.

The total balance sheet amounts to 228 billion kroner vs. 206 billion kroner at the end of the previous year (see above for an explanation for the increase in total assets). The Company had in 2014 net interest income of NOK 355 million kroner, including commissions paid to its parent banks, compared to 295 million kroner for the same period last year. The cost of operations was NOK 33.3 million including depreciation compared to 31.4 million kroner for the same period last year. No additional amounts have been charged as loan provisions (write offs) in 2014 beyond the approximately 8 million kroner which has been reserved from previous years. No actual loan losses have occurred since the Company commenced operations. This produces an operating result of 284 million kroner before tax, compared to 201 million kroner last year. The operating result includes a loss on financial instruments of 39.5 million kroner which include both realized and unrealized changes in value for derivatives, debt and certain financial assets (bonds). Unrealized effects include the result of the fair value of derivatives and effect from basis swap effects which are reversed over time.

Lending to customers amounted to NOK 161 billion kroner at year-end 2014 which is approximately 14 billion less than one year ago. This development is due to that some loans where repurchased by the Company's parent banks in the 2nd quarter of 2014. The Company's own liquid assets as of December 31, 2014 were 9.5 billion kroner.

Risk Aspects

SpareBank 1 Boligkreditt as an issuer of covered bonds is subject to strict rules regarding its exposure to credit, mar-ket, 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.

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

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

Market risk is defined as the risk of losses due to changes in market rates, i.e. interest rates, exchange rates and the prices of financial instruments. At the end of the year SpareBank 1 Boligkreditt AS had issued bonds for approximately NOK 100 billion kroner in euros, 25 billion kroner in United States dollars and 0.2 billion kroner in Swedish kroner. All borrowing and investments with a fixed rate and all borrowing and investments in a foreign currency have been hedged by financial currency- and/or interest rate swap agreements or through natural hedges. The collective cash flow therefore matches to high degree borrowings in Norwegian kroner with floating rate conditions (NIBOR 3 months). The Company receives collateral from its counterparties in derivative agreements according to certain criteria.

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

The Company had as of 31.12.2014 only moderate interest rate risk and immaterial amounts of currency risk.

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

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

Employees and the working environment

SpareBank 1 Boligkreditt had eight employees as of 31.12.2014. The Company employs six males and two females. SpareBank 1 Boligkreditt AS has a Transfer and Servicing Agreement with each shareholder bank which is handling the customer contact and servicing the mortgage portfolio on behalf of the Company. In addition, the Company purchases a significant amount of its support functions from SpareBank 1 SR-Bank ASA, e.g. accounting, HR and IT functions as well as finance related back-office functions.

The working environment is characterised as good and there is no pollution of the physical environment. There has been 0.8 per cent employee absence recorded in 2013 due to sickness. No workplace accidents which might have resulted in property and/or damage to any persons have occurred or been reported during the year.

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

At the establishment of SpareBank 1 Næringskreditt AS which represents a similar type of business activity to that of SpareBank 1 Boligkreditt AS, it was decided that the two companies will have identical staffing. Of the eight full time employees which in 2013 have been employed in SpareBank 1 Boligkreditt AS, 2.7 full time equivalents have been allocated to SpareBank 1 Næringskreditt AS. The Boards of the two companies have joint meetings, where the members associated with one of the companies take the role of observers when matters of the other Company are discussed.

Corporate governance

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

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

The Company publishes its Corporate Governance policies in a document available on the Company's website spabol.sparebank1.no. With regards to that the Company has a single purpose and that the shares are not freely tradeable nor listed on an exchange it is the Company's opinion that any deviations to the policies are immaterial.

Shareholders

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

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

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

Social responsibility

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

Future prospects of the company

SpareBank 1 Boligkreditt's future prospects are stable and good. Residential real estate prices (the residential real estate index from Eiendom Norge) increased by 8.1 per cent from December 3013 to December 2014, but this should be seen in connection with a decline in the index of 0.5 per cent during 2013. The average loan-to-value in the Company's portfolio is stable at 51 per cent and there are no losses and no loans with a delayed payment of more than 6 0days (number of loans with a delayed payment between one and two months amounts to 0.02 per cent of the portfolio). Unemployment is at a low level of 3.7 per cent per cent in November 2014 according to Statistics Norway. Even if the unemployment rate has increased since May 2014 (3.2 per cent), the Company does not expect a large increase in this number in 2015. This is despite of that uncertainty for the Norwegian economy has increased markedly as a consequence of a decline in the oil price. Lending growth for residential purposes in the SpareBank 1 banks is positive, but has reduced from previous years. For 2015 we expect a moderate growth in the amount of residential mortgages which the Company is financing. Both the interest rate earned on customer lending (from 4.06 per cent in December 2013 to 3.66 per cent in December 2014) and Boligkreditt's funding costs (from 2.42 per cent in December 2013 to 2.37 per cent in December 2014) have been reduced during 2014, which produced a reduced margin. The margin is still at a continued high level in a historical context. The market for the Company's bonds now reflects a lower credit spread than for the previously issued bonds. This results in that the Company at future refinancing and through new issues is expecting to reduce the average funding costs. The Company's funding costs is tracking the 3 months NIBOR, and because this has declined towards the end of the year this will also contribute further to reduced funding costs at coming interest rate reset dates during the first quarter in 2015.

Macroeconomic development[3]:

According to preliminary seasonally-adjusted volume figures, Mainland Norway's gross domestic product (GDP) was up 0.4 per cent in the third quarter compared with the previous quarter. This reflect the moderate growth rate which Norway has experienced over the last 18 months. Household total consumption expenditures declined 0.1 per cent in the 3rd quarter this year, after increasing 0.7 per cent in the previous quarter. The previous fast pace of growth in the oil based investments was halted a year ago and declined some in the 3rd quarter of 2014, while residential and public investment were weak and industrial investments at the same level as in the 2nd quarter.

Economic outlook:

Reduced demand from the oil sector and a continued weak international development is dampening the growth in the Norwegian economy for some time. A material depreciation in the exchange rate of the Norwegian krone should help the traditional (non-oil and gas related) export goods and services. Somewhat higher growth in demand from mainland Norway has not been sufficient to prevent that GDP for mainland Norway is expected to increase at a slower pace in 2015 compared with 2014, and that the unemployment rate probably will increase some for the time ahead. Statistics Norway is forecasting a markedly improved growth in 2016, but points to increased uncertainty for the Norwegian economy. The Norwegian central bank reduced its monetary policy rate to 1.25 per cent on the 11th of December 2014 and there is an expectation of a further reduction in March 2015.

Forecast (%)	2014	2015	2016	2017
Mainland GDP growth	2.6	1	2.2	2.7
Unemployment rate	3.5	3.9	4	3.7
CPI growth	2.1	2.6	2	1.7
Annual wage growth	3.3	3.1	3.3	3.3

[3] Macroeconomic prospects and forecasts have been sourced from Statistics Norway.

The Board of Directors affirms that the financial accounts present a correct and complete picture of the Company's operations and financial position for 2014. The financial accounts including notes thereto are produced under the assumption of a going concern. 203.9 million kroner of the annual net income will be distributed as a dividend to the shareholders. This corresponds to 3.70 kroner per share.

There have been no incidents of a material nature after year-end which are expected to impact the annual accounts for 2014.

Stavanger, 31. December 2014 / Oslo, 12. February 2015
The Board of Directors of SpareBank 1 Boligkreditt AS

Kjell Fordal
Chairman of the Board

Inge Reinertsen

Merete Kristiansen

Tore Anstein Dobloug

Inger Eriksen

Arve Austestad
Chief Executive Officer

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

The Board and the chief executive officer have today reviewed and approved the financial accounts for 2014 for SpareBank 1 Boligkreditt AS. The annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

To the best knowledge of the board and the chief executive officer the accounts have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole as of 31.12.14.

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

Stavanger, 31. December 2014 / Oslo, 12. February 2015
The Board of Directors of SpareBank 1 Boligkreditt AS

Kjell Fordal Chairman of the Board	Inge Reinertsen	Merete Kristiansen
Tore Anstein Dobloug	Inger Eriksen	Arve Austestad Chief Executive Officer

Management's statement 2014

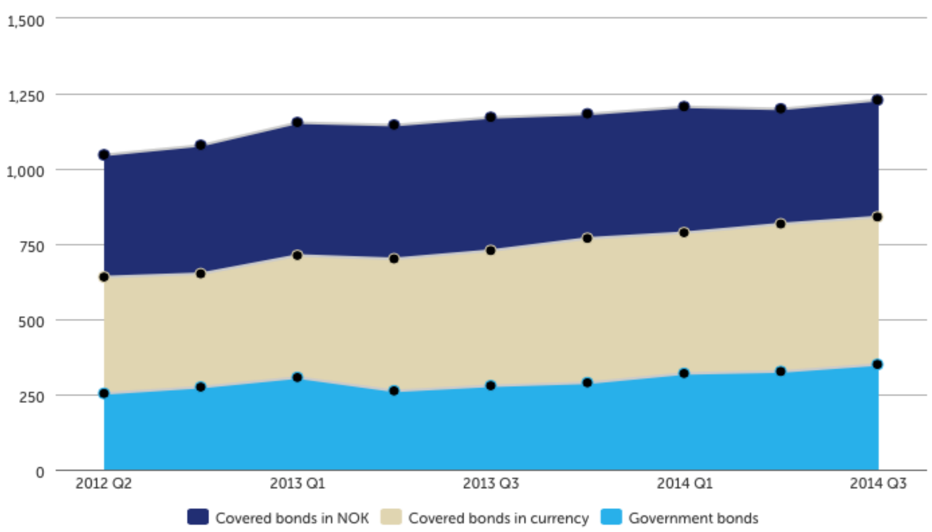
Issuances in 2014

During 2014 we issued no EUR or USD denominated benchmark transactions but a little more than 7 billion of covered bonds in the Norwegian market, denominated in NOK. Total volumes nevertheless declined (of both mortgages and covered bonds) because some of our parent banks decided to repurchase mortgage loans which we had used to obtain covered bond funding with the central bank in 2009. This Norwegian government swap facility, which was arranged and administered by the central bank, ended during 2014 and all the bonds needed to be redeemed. We repurchased our bonds early and transferred most of the associated mortgages back to certain of our parent banks.

Credit spreads on our issuances have declined through 2014 mostly due to factor which affect the whole covered bond market such as the monetary policies in the Eurozone but also the negative net supplies of covered bonds in Euros. While Norwegian covered bonds were not eligible to be acquired by the European Central Bank asset purchase programme (CBPP3), the actions of the ECB still impacted the spreads of our bonds in a tighter direction. Norwegian covered bonds in EUR are Liquidity Cover Ratio (LCR) eligible for the highest category as this was agreed by banking regulators during the year. While we fulfil all the requirements for LCR eligibility a question arose with regards to the issue of a mandatory overcollateralization (OC) of 2 per cent. SpareBank 1 Boligkreditt has a minimum committed OC included in its GMTCN programme and we believe this is sufficient to satisfy the demand for mandatory OC. In the meantime the Norwegian Parliament will be overhauling the banking act (Finansieringsvirksomhetsloven) on a few points, and it is expected that a minimum OC will be enshrined in the legislation during the first half of 2015.

The domestic private investor market continues to develop well and was able to assume essentially all of the maturities from the swap facility. The NOK market for covered bonds in Norway is approximately the same size as the market for Norwegian government bonds in NOK. We follow a policy of tapping our outstanding issues and will target a normal size for our NOK bonds of above NOK 4 billion so as for these bonds to be LCR eligible in the highest category in Norway.

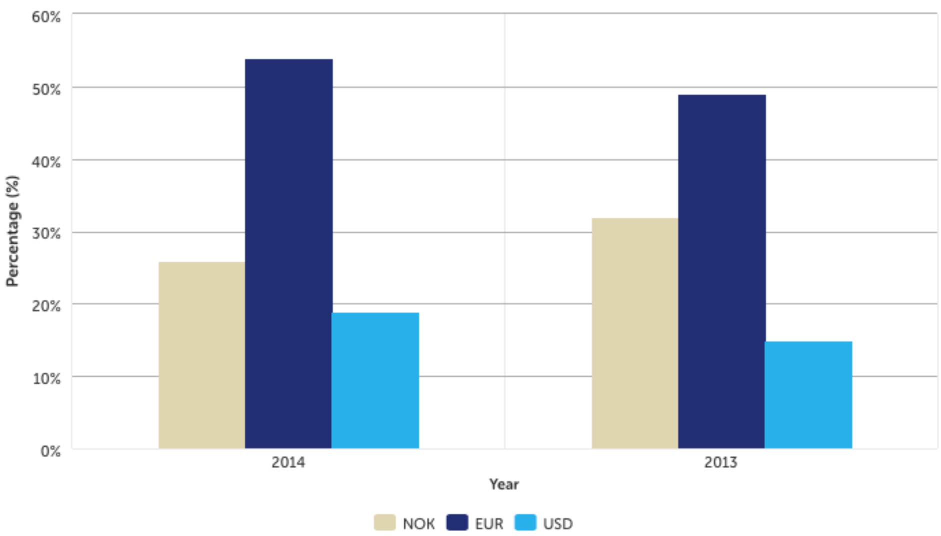
Chart 1: Outstanding Norwegian covered bonds and government bonds:



Our markets for covered bonds

We expect renewed benchmark issues in other currencies than Norwegian kroner for 2015. Our policy of refinancing outstanding issues ahead of time will see us needing to refinance both a USD 1 billion and a EUR 1.25 billion in outstanding bonds during 2015. Additionally we forecast a modest growth in mortgages in our portfolio over 2015 of a little below 6 per cent, though this number is uncertain. It is ultimately our parent banks who decide on their funding mix and how much should come through covered bonds. Our parent banks have excellent access to a Norwegian deposit base and to the market for senior unsecured bank debt in NOK (and some also in EUR). The larger banks in the SpareBank 1 Alliance are in the process of establishing solely owned covered bond vehicles for reasons of obtaining maximum flexibility in the face of tighter regulations relating to largest exposures between banks, also between SpareBank 1 units. This may lead to some covered bond issuance in NOK from SpareBank 1 banks directly during 2015. We expect this direct issuance to be small and for SpareBank 1 Boligkreditt to remain the main vehicle for the SpareBank 1 banks' covered bond funding.

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



Oustandings in EUR and USD have increased relatively to NOK over 2014, but this is matched by a similar increase in our derivatives as more closely described in the Statement of the Board of Directors.

The Norwegian residential real estate market

2014 saw an increase in the real estate market national residential index of 8.1 per cent, but this should be seen in context with 2013 when prices declined 0.5 per cent on average. With real household disposable income growing 3.25 per cent on average over the two previous years, and inflation averaging 2.1 per cent, the two year average nominal house price increase is below the two year annual increase in household sector income.

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

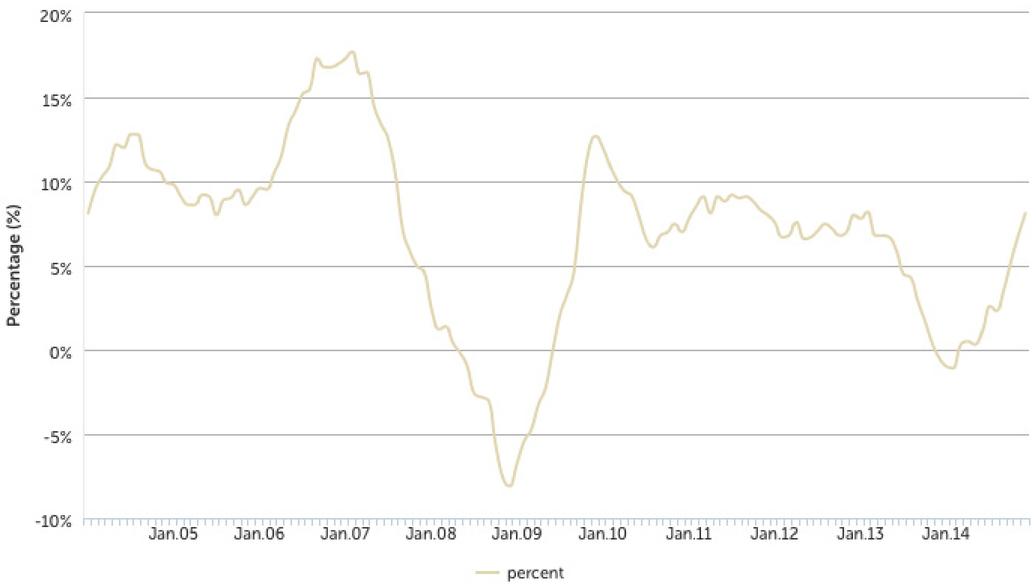
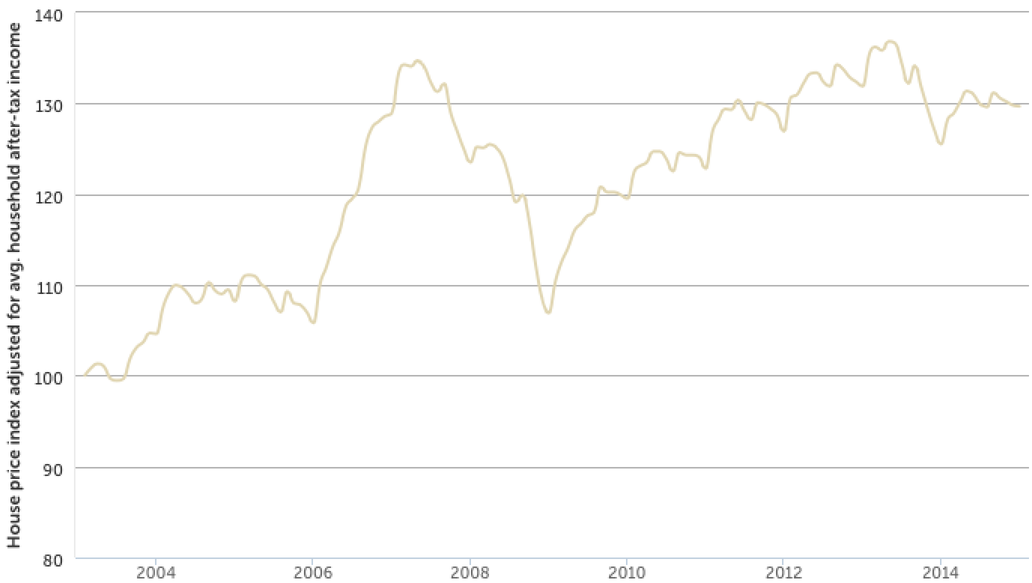
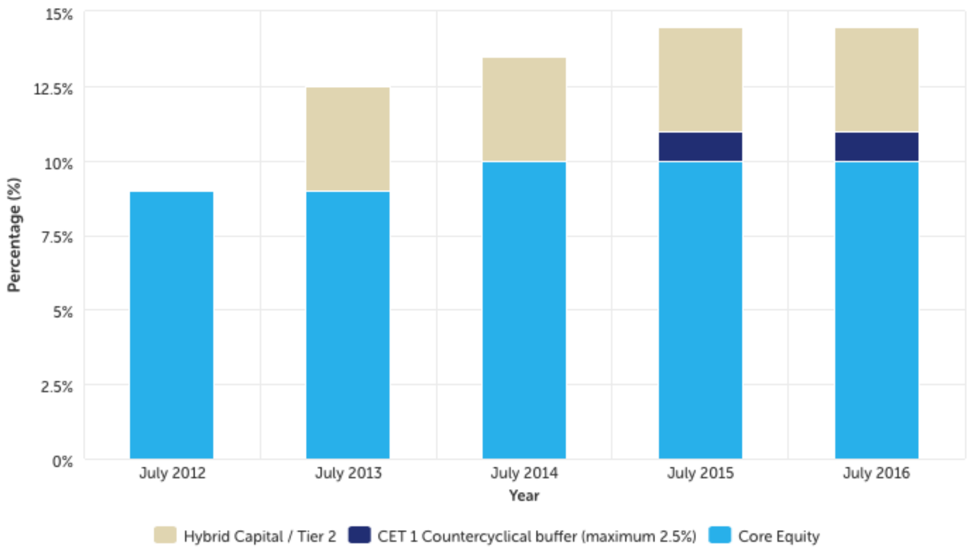


Chart 4: National house price index adjusted for after-tax household income



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

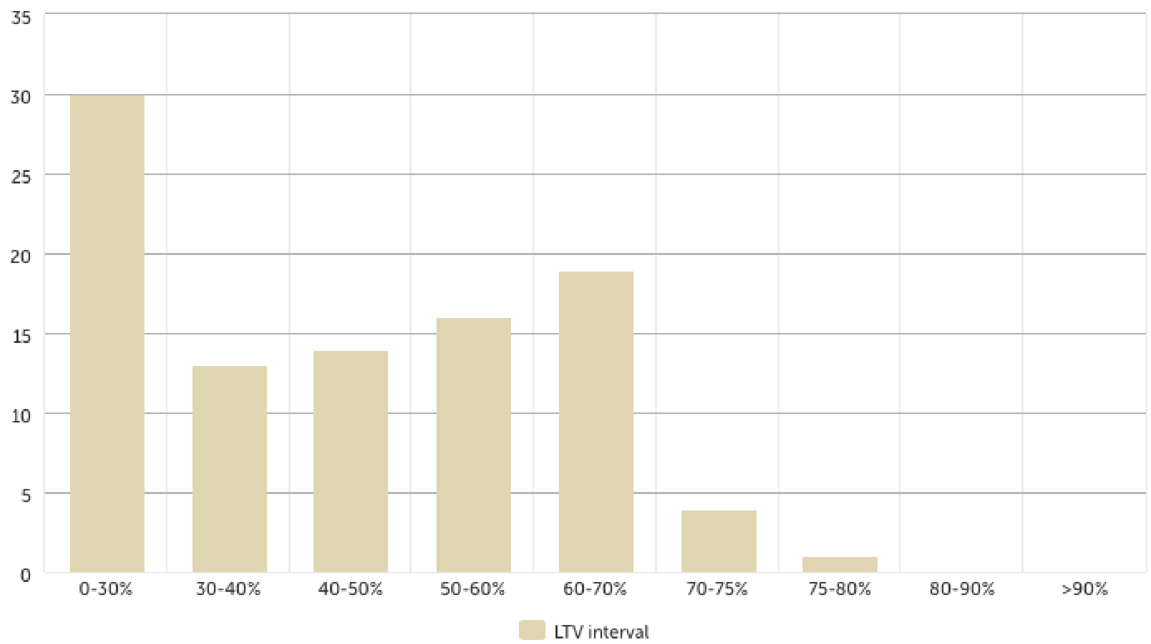
Chart 5: Capital requirements for banks and credit institutions (covered bond issuers) in Norway



Cover pool

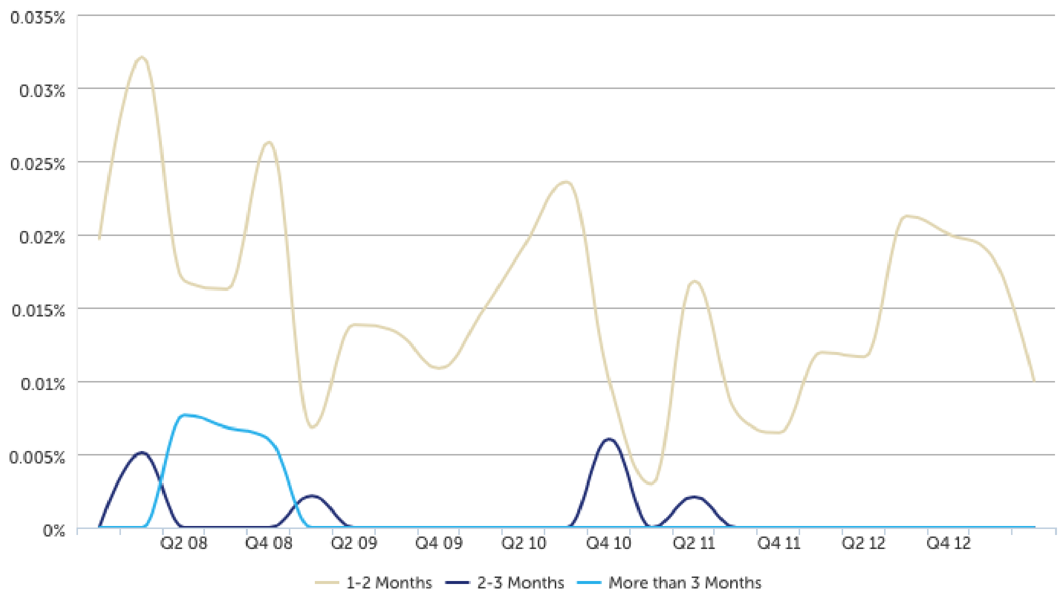
Our cover pool metrics continue to exhibit a robust profile with an average weighted LTV in the cover pool of 51.1 per cent. The real estate values are updated for the entire cover pool each quarter based on an automated valuation model (AVM) from the Norwegian company Eiendomsverdi, used by most Norwegian banks. The model is independently tested and validated and has certain parameters built into its valuation settings which allow for a cautious treatment of potential upside valuation outcomes for individual houses.

Chart 6: SpareBank 1 Boligkreditt cover pool: number of loans by LTV interval



SpareBank 1 Boligkreditt continues to have no arrears beyond 90 days in the cover pool and has never experienced a credit event with regards to any of the mortgage loans in the pool. We stress test the portfolio regularly for potential sharp house price declines, which provides comfort with regards to the robustness of the pool, even in the face of 20 to 40 per cent house price declines. Because we would like to maintain strong LTV cushions also in a severe house price decline environment we decided to set new self-selected limitations for the maximum LTV eligibility criteria; the new limits for the pool are thus 70 per cent for repayment mortgages and 60 per cent for interest only mortgages (both down from 75 per cent before, which remains the legal criteria).

Chart 7: SpareBank 1 Boligkreditt cover pool: loans in arrears history



Outlook 2015

We expect to take advantage of strong markets in covered bonds in 2015 and return to the EUR benchmark market and may also consider the USD market given that circumstances align, especially making the USD market competitive with the EUR market via the currency swap (basis swap) market. We will also be present in the NOK market regularly throughout the year. We expect that despite some heightened uncertainty with regards to Norway's economic outlook that this will not have a material impact on two key elements important to us: unemployment and house prices, partly due to the responses of monetary policy and the large potential for fiscal policy manoeuvrability which the Norwegian government retains.

Annual accounts 2014

Income statement

NOK 1 000	Note	2014	2013
Total interest income	5	4 476 095	4 682 822
Total interest expenses	5	-4 120 722	-4 387 634
Net interest income		**355 372**	**295 188**
Net gains/losses from financial instruments	6	-38 458	36 906
Net other operating income		**-38 458**	**36 906**
Total operating income		**316 915**	**332 094**
Salaries and other ordinary personnel expenses	7,8	-10 224	-10 033
Administration expenses	10	-9 299	-10 318
Other operating expenses	11	-12 064	-9 374
Depreciation on fixed assets and other intangible assets	13	-1 702	-1 706
Total operating expenses		**-33 290**	**-31 430**
Operating result before losses		**283 625**	**300 664**
Write-downs on loans and guarantees	14	0	0
Pre-tax operating result		**283 625**	**300 664**
Taxes	12	-78 586	-77 753
Profit/loss for the year		**205 039**	**222 911**

Statement of comprehensive income 2014

NOK 1 000	2014	2013
Profit/loss for the year	205 039	222 911
Items which will not impact the income statement in future periods:		
Change in pensions for a previous period	4 700	-
Estimate deviation for pensions	-6 488	-563
Tax effect of the estimate deviation	1 752	158
Total profit/loss accounted for in equity	**-4 736**	**-405**
Total profit/loss	**200 303**	**222 506**

Balance Sheet 2014

NOK 1 000	**Note**	**2014**	**2013**
Assets			
Lending to and deposits with credit institutions	20	16 268 940	11 882 469
Norwegian Government Treasury Bills	20,21	487 553	1 261 795
Bonds	20,21	19 880 949	5 476 099
Lending to customers	14, 31	161 205 282	174 781 222
Financial derivatives	19,20,21	29 746 665	12 760 351
Other assets	13	4 468	4 164
Total assets		**227 593 858**	**206 166 101**
Liabilities and equity			
Liabilities			
Debt incurred by issuing securities	17,20,21, 22	188 719 491	183 146 411
Collateral received under derivatives contracts	33	27 181 223	10 611 584
Financial derivatives	19,20,21	825 043	797 417
Deferred tax	12	234 604	178 307
Tax payable	12	-	-
Subordinated debt	18	1 954 262	-
Other Liabilities	23	204 836	3 143 356
Total Liabilities		**219 119 459**	**197 877 075**
Equity			
Contributed equity	15,16	8 268 470	7 968 470
Accrued equity	16	2 039	925
Declared dividends	16	203 890	319 630
Total equity		**8 474 399**	**8 289 025**
Total liabilities and equity		**227 593 858**	**206 166 101**

Oslo, 12.02.2015

Kjell Fordal
Chairman of the Board

Inge Reinertsen

Merete Kristiansen

Tore Anstein Dobloug

Inger Eriksen

Arve Austestad
Chief Executive Officer

Changes in equity

NOK 1 000	Share capital	Premium	Proposed dividend	Fund for unrealized gain	Other equity	Total equity
Balance as of 31 December 2012	**5 030 548**	**2 517 922**	**145 886**	**97 072**	**978**	**7 792 406**
Share increase 8. April 2013	280 000	140 000	-	-	-	420 000
Dividend paid for 2012	-	-	-145 886	-	-	-145 886
Net income for the period	-	-	319 630	-97 072	353	222 911
OCI - pension - annual estimate deviation	-	-	-	-	-405	-405
Balance as of 31 December 2013	**5 310 548**	**2 657 922**	**319 630**	**-**	**925**	**8 289 025**
Share increase 26. february 2014	200 000	100 000	-	-	-	300 000
Dividend paid for 2013	-	-	-319 630	-	-	-319 630
Net income for the period	-	-	203 890	-	1 149	205 039
Change in pension for a previous period	-	-	-	-	4 700	4 700
OCI - pension - annual estimate deviation	-	-	-	-	-4 736	-4 736
Balance as of 31 December 2014	**5 510 548**	**2 757 922**	**203 890**	**-**	**2 038**	**8 474 399**

Cash flow statement

NOK 1 000	2014	2013
Cash flows from operations		
Interest received	4 217 076	4 626 878
Paid expenses, operations	-34 248	-37 484
Paid tax	-20 537	0
Net cash flow relating to operations	**4 162 291**	**4 589 394**
Cash flows from investments		
Net purchase of loan portfolio	13 547 291	-14 522 291
Net payments on the acquisition of government bills	773 608	542 536
Net payments on the acquisition of bonds	-13 810 924	7 292 705
Net investments in intangible assets	-1 603	-2 672
Net cash flows relating to investments	**508 372**	**-6 689 721**
Cash flows from funding activities		
Net receipt/payment from the issuance of certificates	-2 649 531	-619 108
Net receipt/payment from the issuance of bonds	-8 996 950	3 386 095
Net receipt/payment from the issuance of subordinated debt	1 950 000	0
Net receipt/payment of loans to credit institutions	13 456 060	9 178 564
Equity capital subscription	300 000	420 000
Paid dividend	-319 630	-145 886
Net interest payments on funding activity	-3 892 809	-4 283 351
Net cash flow relating to funding activities	**-152 859**	**7 936 313**
Net cash flow in the period	**4 517 804**	**5 835 986**
Balance of cash and cash equivalents Jan 1, 2014	**11 882 469**	**6 036 499**
Net receipt/payments on cash	**4 517 804**	**5 835 987**
Exchange rate difference	**-131 332**	**9 983**
Balance of cash and cash equivalents Dec 31, 2014	**16 268 940**	**11 882 469**

Quarterly income statements and balance sheets

Income statement

NOK 1 000	4th Quarter 2014	3rd Quarter 2014	2nd Quarter 2014	1st Quarter 2014	4th Quarter 2013
Total interest income	1 089 772	1 126 351	1 136 519	1 123 453	1 158 905
Total interest expenses	-990 434	-1 032 591	-1 064 944	-1 032 754	-1 055 943
Net interest income	**99 337**	**93 761**	**71 575**	**90 699**	**102 963**
Net gains/losses from financial instruments	24 242	-4 369	-30 043	-28 287	18 378
Net other operating income	**24 242**	**-4 369**	**-30 043**	**-28 287**	**18 378**
Total operating income	**123 579**	**89 392**	**41 532**	**62 412**	**121 341**
Salaries and other ordinary personnel expenses	-2 200	-3 145	-2 416	-2 463	-2 437
Administration expenses	-2 632	-2 270	-2 038	-2 359	-4 047
Other operating expenses	-3 308	-3 565	-1 741	-3 450	-2 249
Depreciation on fixed assets and other intangible assets	-476	-437	-399	-390	-391
Total operating expenses	**-8 617**	**-9 417**	**-6 593**	**-8 663**	**-9 123**
Operating result before losses	**114 962**	**79 975**	**34 939**	**53 750**	**112 218**
Write-downs on loans and guarantees	-	-	-	-	-
Pre-tax operating result	**114 962**	**79 975**	**34 939**	**53 750**	**112 218**
Taxes	-33 047	-21 593	-9 434	-14 512	-24 988
Profit/loss for the year	**81 915**	**58 381**	**25 505**	**39 238**	**87 230**
Other income and expense	**-36**	**-4 700**	**-**	**4 700**	**-405**
Total Profit/Loss	**81 879**	**53 681**	**25 506**	**43 937**	**86 825**

Balance sheets

NOK 1 000	4th Quarter 2014	3rd Quarter 2014	2nd Quarter 2014	1st Quarter 2014	4th Quarter 2013
Assets					
Lending to and deposits with credit institutions	16 268 940	9 637 332	12 569 541	10 545 177	11 882 469
Norwegian Government Treasury Bills	487 553	297 525	1 189 286	967 828	1 261 795
Bonds	19 880 949	13 734 034	10 895 277	4 891 483	5 476 099
Lending to customers	161 205 282	159 820 373	159 444 399	175 315 196	174 781 222
Financial derivatives	29 746 665	14 803 363	15 736 719	11 986 042	12 760 351
Other assets	4 468	4 424	2 536	8 845	4 164
Total assets	**227 593 858**	**198 297 051**	**199 837 758**	**203 714 573**	**206 166 101**
Liabilities and equity					
Liabilities					
Debt incurred by issuing securities	188 719 491	173 041 757	174 164 672	181 362 838	183 146 411
Collateral received under derivatives contracts	27 181 223	11 921 491	12 337 063	8 977 523	10 611 584
Financial derivatives	825 043	769 378	718 770	761 473	797 417
Deferred tax	234 604	157 770	157 770	157 770	178 307
Tax payable	-	-	-	20 537	-
Subordinated debt	1 954 262	1 954 337	1 954 120	1 604 400	-
Other Liabilities	204 836	2 055 098	2 166 524	2 197 068	3 143 356
Total Liabilities	**219 119 459**	**189 899 831**	**191 498 919**	**195 081 609**	**197 877 075**

Equity					
Contributed equity	8 268 470	8 268 470	8 268 470	8 268 470	7 968 470
Accrued equity	2 039	5 626	5 626	5 626	925
Net Income	-	123 124	64 743	39 237	
Declared dividends	203 890	-	-	319 630	319 630
Total equity	**8 474 399**	**8 397 220**	**8 338 839**	**8 632 964**	**8 289 025**
Total liabilities and equity	**227 593 858**	**198 297 051**	**199 837 758**	**203 714 573**	**206 166 101**

Key Figures					
Number of shares	55 105 482	55 105 482	55 105 482	53 105 480	53 105 480
Result per share	**1.49**	**0.97**	**0.46**	**0.82**	**1.64**

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of SpareBank 1 Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of SpareBank 1 Boligkreditt AS, which comprise the statement of financial position as at December 31, 2014, and the income statement, the statement of total profit/loss, changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of SpareBank 1 Boligkreditt AS as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

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

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

Opinion on Registration and Documentation

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

Stavanger, 12 February 2015
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

ZEB Pilot House

Housing for the future

A look at Norwegian sustainable housing with Snøhettas Tine Hegli

Senior architect at Snøhetta and both process leader and project manager in the Powerhouse Alliance, Tine Hegli, admits that working at the vanguard of sustainability is no walk in the park. It is meticulous and not always prosperous work.
– A portion of your working hours will inevitably be hard to attribute to anything other than a knowledge account, says Tine Hegli with a smile.
Her work is rewarding nevertheless, as the hard-earned experience from numerous joint venture projects with cutting-edge contributors on all aspects of construction will no doubt lay a foundation of insight, paving the way for sustainable construction on a large scale in the future.

– The materials and solutions we come up with can very well be used on future projects. This way the utility of our efforts increase not only for us, but also for the business as a whole, Hegli explains.

The mind-set of sustainability

One of her projects, The Powerhouse Brattørkaia prospected in Trondheim, is Norway's first office building creating more energy than it is using. Its distinctive south-tilted crown maximize sun-energy absorption through the 2000kWh of solar panelled roof and is characterizing of the form follow environment-mantra applied throughout the structure to optimize every ounce of energy. Use of natural light for office lighting, seawater as source for stabilizing temperature and displacement ventilation for air circulation all attribute to its energy efficiency.
– You need to work with two budgets. A commercial budget and an energy budget, both of which needs balancing, says Hegli.
To achieve this balance, Hegli and the Powerhouse Alliance found that a slightly altered work-process was necessary. Having a bigger team in the very first design phase was of vital importance for the work process. Material innovation is fundamental for an energy positive building, thus it was crucial to have access to this expertise right from the start.
– This way you eliminate the risk of grounding the project on premises that prove unproductive later in the process, the senior architect explains.

Design for future living

As well as projects like the strikingly ambitious urban planning venture Zero Village Bergen and the easily scalable ideas of Powerhouse Kjørbo, Tine Hegli and partners also

ZEB Pilot House

created the ZEB Pilot House. However, this 200 m2 single-family house is not for anyone to grow up or grow old in, as the structure is intended as a demonstration residence only. The aim is to facilitate learning on building methodology for plus houses with sustainable solutions. According to Hegli, the typical myth is that plus-energy architecture implies restricted daylight and a more confined living. The Pilot House addresses this myth. The space utilisation, the recycled building components and the hydroscopic materials stabilising air humidity are all means of which architecture and technology come together in showing a promise – the much-welcomed promise that completely sustainable living can be completely exceptional to live in.

So, how do they do it? What's the secret?
– It's not so much about thinking different, as it is about thinking more! We need to keep more concepts simultaneously in mind.

In many ways sustainability brings the role of the architect back to its origins. The environmental, social and economical aspects of sustainability increase focus on the lifecycle perspective of our built environment. Therefore knowledge of building materials and the functionality of space and form are as essential as ever, as human necessities are weighted even more closely against the physics of nature.

Factsheet

Tine Hegli Tine Hegli is a Senior Architect at the internationally renowned architectural practice Snøhetta. Amongst prestigious projects she has been involved in are the Oslo Opera House, The National September 11 Memorial and Museum (Ground Zero) in New York and The King Abdulaziz Centre for World Culture.

Powerhouse Alliance A cooperative of industry partners working on creating energy positive commercial buildings, producing more energy within a period of 60 years than the energy used for operation and constructing, including all of the building materials and equipment. The goal is to show that energy positive structures are possible even at the cold latitudes of the Nordics. Powerhouse Alliancework closely with the research center on zero emission buildings ZEB, collaborating with SINTEF and hosted by NTNU faculty of Architecture and Fine Arts.

POWERHOUSE PARTNERS: ZERO, Sapa, Hydro, Asplan Viak, Entra, Skanska, Snøhetta.

ZEB – Zero Energy Buildings National research program with a wide scope of partners focusing on the development of competitive plus-energy solutions for existing and new buildings that will lead to market penetration of zero-emission buildings.

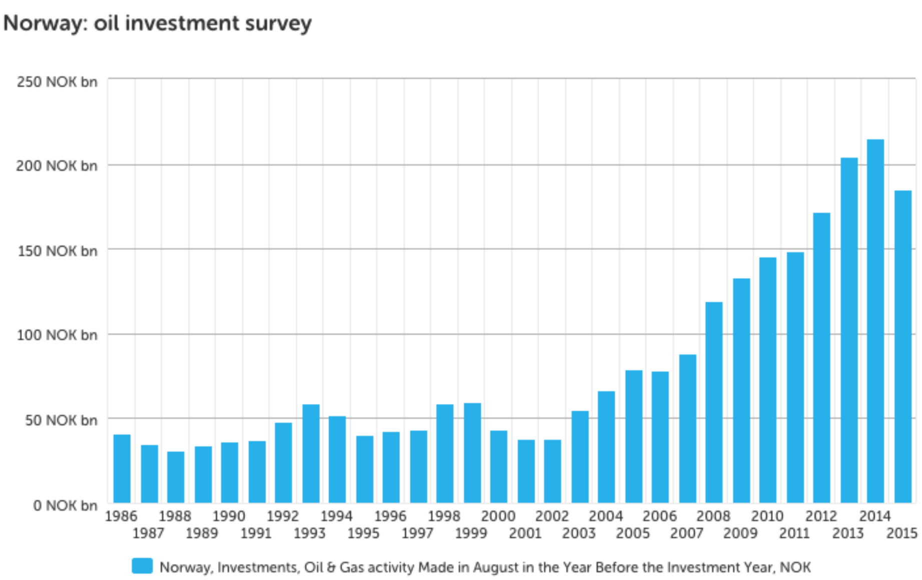
ZEB PARTNERS: BNL, Brødrene Dahl, ByBo, Caverion Norge, DiBK, DuPoint, Enova SF, Entra, Forsvarsbygg, Glava, Husbanken, Isola, Muliconsult, NorDan, Norsk Teknologi, Protan, Sapa, Skanska, Statsbygg, Sør-Trøndelag Fylkeskommune, Weber, Snøhetta.

Text: Inge Kvivik. Photography: Snøhetta

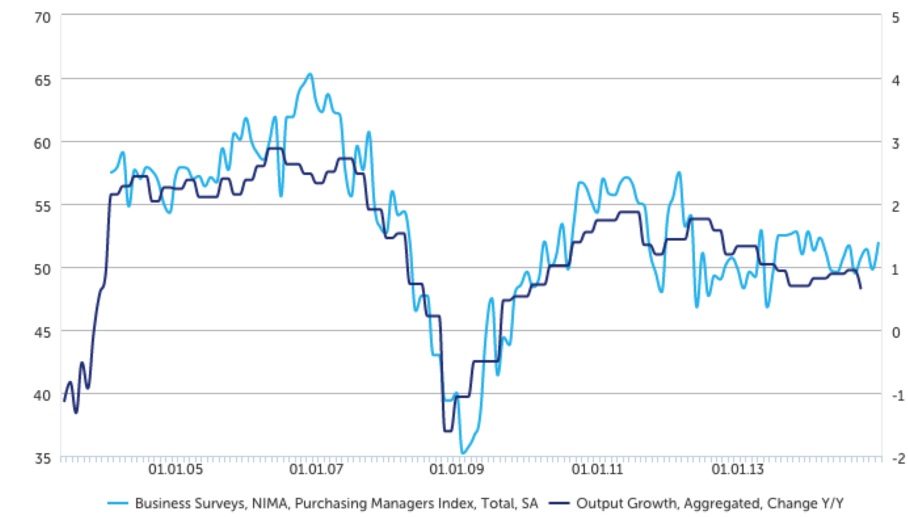
Barcode, Oslo

Soft Landing for the Norwegian Economy

The Norwegian economy is entering a period with lower growth compared to the recent few years. In Norway, oil sector investments have increased by nearly 9 per cent in each of the last three years. This has created activity and employment growth in the mainland economy, and has also contributed to rising immigration for employment purposes and increasing real estate prices. This year oil based investments are expected to decline by approximately 15 per cent and exhibit a further drop of 7 per cent in 2016. Due to these declines the Norwegian economy is losing an important growth driver. However, a weaker Norwegian krone exchange rate will contribute positively to growth in traditional (non-oil) export industries. Another effect of a weaker currency is that private consumption expenditures are likely to be shifted more towards domestically produced goods and services, and non-Norwegian residents will probably perceive added value with regards to holidays in Norway. There is ample room for increasing public investments if the growth trajectory should disappoint. The banking sector has increased its capital coverage over the last few years and will be able to withstand a period with weaker growth and a potential increase in credit losses. Norway's mainland GDP growth will probably be approximately 1 per cent this year and 1.5 per cent in 2016.



Norway: Business sentiment survey



Source: SpareBank1, Macrobonds

A falling price of oil and shrinking investments hampers the pace of growth in the Norwegian economy

It remains uncertain exactly how large the negative effects of the decline in the oil sector investments are likely to be. The estimates range from a modest negative impact to great consequences for employment with an associated large decline in residential real estate values. The household sector carries a high debt load relative to income and this, together with an increase in uncertainty about future employment and income, may lead to an increase in personal saving rates. The average ratio of debt to disposable income of 200 per cent may lead to increasing savings even with lower interest rates. This lower interest rate however is a catalyst for higher residential real estate prices in the years ahead, despite increases in the level of unemployment. The unemployment rate is likely to be around 4 per cent in 2016, while wage growth is likely to stabilize at 3 per cent for the next couple of years.

The implications of oil for the Norwegian economy

There are mainly four channels through which the price of oil influences the Norwegian economy:

1. Oil sector investments
2. Government oil related revenue and spending over the annual budget
3. The employment market and wage settlements
4. The exchange rate value of the Norwegian krone

Investments

Statistics Norway highlights in a recent analysis that one third of the growth in the mainland economy in 2013 can be attributed to increased petroleum sector investments. The number of oilfields which are contributing to the aggregated oil production has increased from 43 in 2004 to 68 today. With that the number of employees on the fields has increased and increased building and maintenance work is required. The number of persons engaged in administrating processes around the oil production has also increased significantly. Despite an increasing activity level the net operating profit margin in the oil producing companies has come under some pressure. When the price of oil declines it becomes necessary to adjust the cost base. The effects of these cuts will be felt mostly by western Norwegian regions and the Stavanger area in particular.

Government oil related revenue and spending over the annual budget

With the significant increase in the price of oil over the past 10-15 years the Norwegian sovereign wealth fund (oil fund) has grown materially. The drop in the price of oil lately has on the other hand led to that lower taxes are now paid by the oil producing companies. Lower prices and volume declines will reduce the government's tax take in the future, and the continued rise of the oil fund be paused. At the same time, cheaper oil will spur growth in the world economy and thus positively affect the equity markets, which in turn Norway's large fund will benefit from. As the fund's mandate is to invest outside of Norway, a weaker NOK will appreciate the value of the fund in NOK. According to the fiscal spending rule adhered to by successive Norwegian governments, more than 4 per cent of the size of the fund may be withdrawn for certain periods. In 2015 the Norwegian administration planned to spend an amount equal to 3 per cent of the fund's size. There is therefore ample room to stimulate the economy in the short term if the need is deemed to have occurred.

The employment market and wage settlements

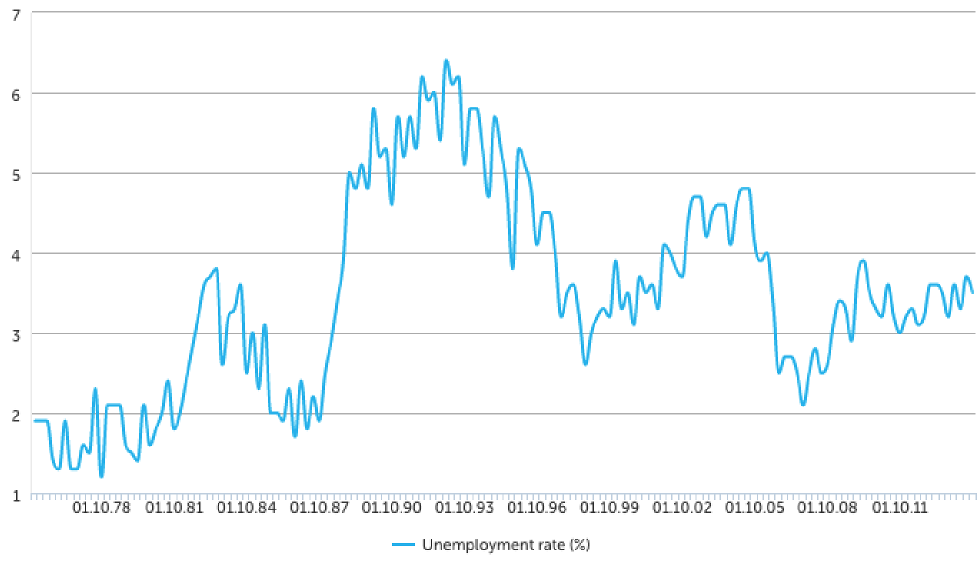
Because the oil sector is in that part of the labour market which negotiates wage settlements first it sets the tone and creates a reference point for wage settlements throughout the economy. With a cooling oil ector the wage growth is likely to moderate in the time ahead. In 2014 wage growth probably ended close to 3.5 per cent. With inflation at close to 2 per cent that means a real wage growth of approximately 1.5 per cent. In 2015 inflation will increase temporarily as a consequence of imported price growth when the NOK exchange rate is weak. This will probably result in a more modest real wage growth this yea. Unemployment will increase, but probably not beyond 4 per cent in the next few years. The labour market in Norway is flexible in the sense that high employment related immigration has been the norm in the recent past. When unemployment rises this trend is likely to reverse and workers in Norway may choose take up employment elsewhere.

Lesser growth provides an opportunity to increase competitiveness

Slower growth will let the inflation pressure in Norway abate and contribute to a lower exchange rate for the NOK. This is important for the export industries. A weak exchange rate contributes to higher price growth in Norway, as approximately a third of what Norwegians consume is imported goods and services. This pares real wage growth to a more moderate number compared to that which Norwegians have experienced in recent years. This again will contribute to a further cooling of economic conditions.

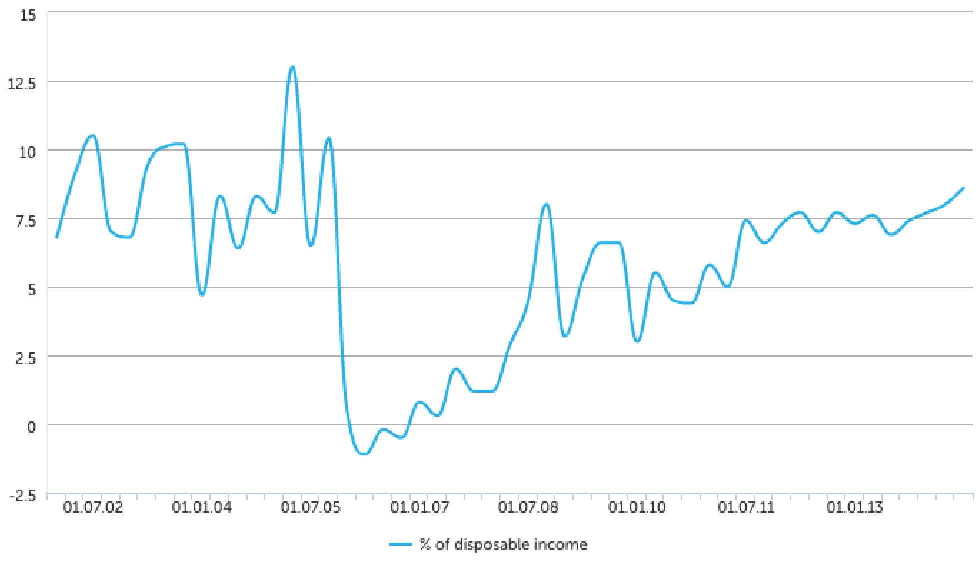
A weaker exchange rate is the mechanism which will assist the transformation of Norwegian industry in a time of decreased oil-related activities. A weak exchange rate makes all exporting businesses more competitive. At the same time it will become easier for non-oil areas of Norwegian industry to attract qualified personnel. Norway's central bank has signalled that with decreasing oil-related activities the monetary policy rate will be further reduced from todays' level of 1.25 per cent. A rate cut is expected in March and further that the policy rate is heading towards 0.5 per cent over the course of the next couple of years.

Norway: unemployment rate, survey (AKU)



Source: SpareBank1, Macrobonds

Norway: saving ratio, % of disposable income



Source: SpareBank1, Macrobonds

Elisabeth Holvik

Elisabeth Holvik is the Chief Economist at SpareBank 1.

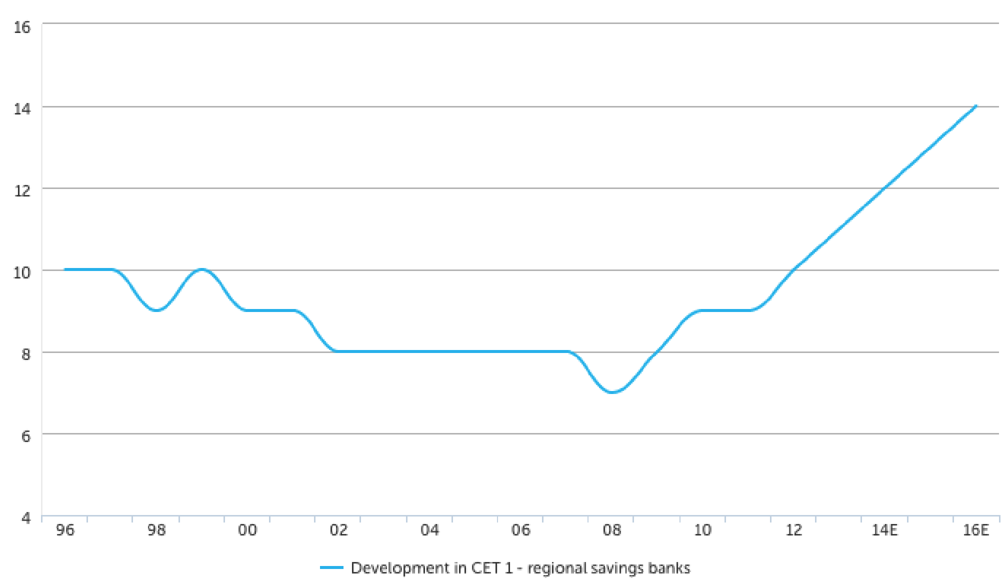
The Status of Norwegian Savings Banks

Norwegian savings banks have a particularly strong position in the Norwegian banking landscape with a combined market share of lending of 33 per cent in the market for private customers (households) and 30 per cent in the corporate market. SpareBank 1 represents the largest single group of savings banks with a market share of approximately 20 and 17 per cent in the market for individuals and corporates, respectively.

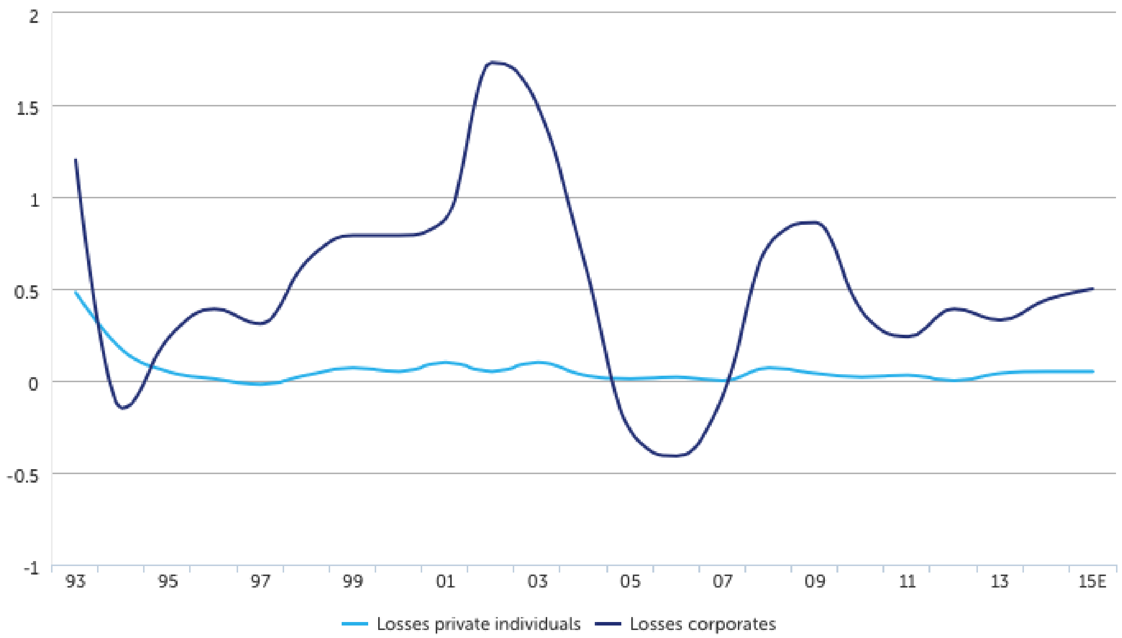
A decline in the price of oil of 60 per cent in the second half of 2014 has increased the uncertainty for the Norwegian economy. We believe however that both Norway as a nation and Norwegian banks in particular are well suited to meet the challenges associated with the decrease of activity in the petroleum sector:

- The equity components of Norwegian banks' balance sheets has doubled from 2008 to 2014 through equity issuance, reduced lending and reduced dividends to shareholders
- Losses on residential mortgages are historically low over time for Norwegian banks. Credit risk in the covered bond issuers (Boligkreditt) which finance residential mortgages up to 75 per cent loan to value therefore seems particularly low
- The share of long-term financing has increased meaningfully and banks are able to run for 12 to 18 months without needing to access external financing
- The banks' lending margins have increased over the last few years and therefore also their capability to absorb potential losses over the P&L.
- Norwegian authorities has shown a high level of vigilance when it comes to the banking sector; not only in the sense that a very effective funding mechanism was developed in 2008-09 when the wholesale funding markets seized up (the swap facility) but also the fact that the Norwegian regulator of banks (Finanstilsynet) has launched strict new lending conditions for residential mortgages in the last few years and effectively requires more equity capital to be held in Norwegian banks than that which is regulated in CRD IV.
- Very limited deployment of the oil revenue stream in the government's budgets over the last few decades and the corresponding funding of the Norwegian sovereign wealth fund (the 'oil fund') with a current size of NOK 6,700 billion (NOK 1,3 million per resident) allows for a large fiscal measures to be taken to counter the effects of the decline in the oil price

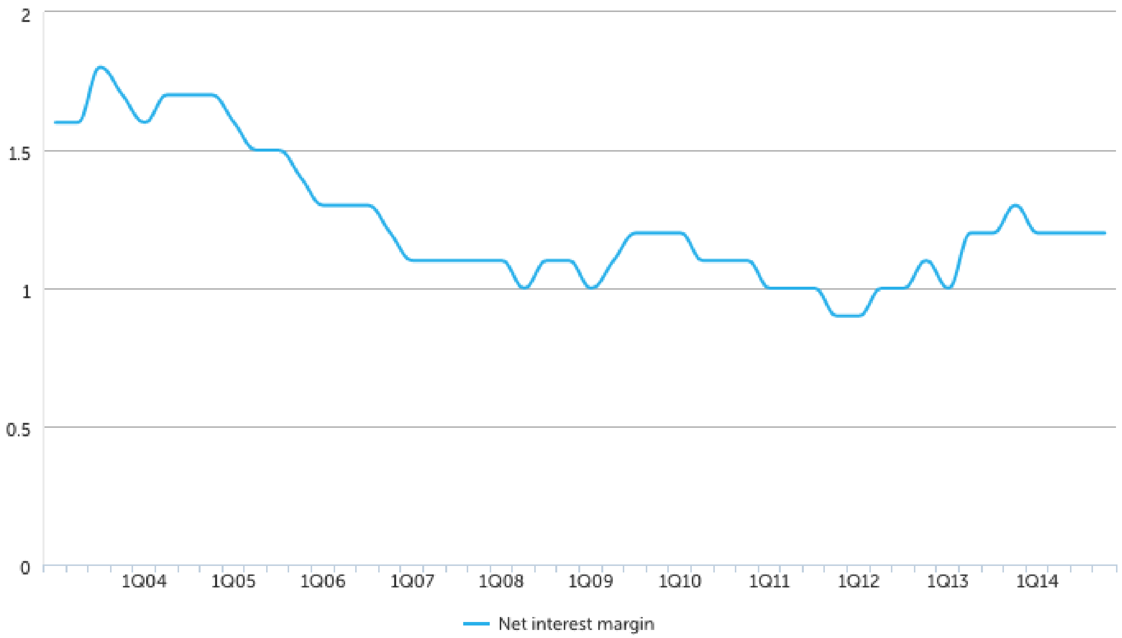
Development in CET 1 - regional savings banks



Loan losses



Net interest margin



Nils Christian Øyen

Nils Christian Øyen is a Financial analyst at SpareBank 1 Markets.

Notes to the Accounts

Note 1 General information

SpareBank 1 Boligkreditt AS is the SpareBank 1 Alliance's separate legal vehicle established according to the specialist banking principle within the Norwegian legislation for covered bonds. The Company's purpose is to acquire residential mortgages from its ownership banks organised in the SpareBank 1 Alliance and finance these by issuing covered bonds.

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

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

The Financial Statements for 2014 is approved by the Board of Directors on February 12th 2014.

Note 2 Summary of significant accounting policies

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

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

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

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

- substantial financial difficulties for the Issuer or with the borrower
- default on the contract, such as missing instalments or interest payments

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

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

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

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

In December 2014 the Company distributed amended Servicing and Transfer agreements, which were effective from 31.12.2014. As of 31.12.14 not all banks have signed the amended agreement, but it is expected that they will do so with effect from 31.12.14. According to the amended agreement SpareBank 1 Boligkreditt has the right to off-set any losses incurred on individual mortgage loans against the commissions due to all banks for the remainder of the calendar year. The Company has not since the commencement of its operations had any instances of off-sets against the commissions due to its owner banks.

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

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

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

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

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

Liabilities:

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

Assets:

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

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

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

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

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

Taxes

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

Pensions

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

<u>Defined Benefit Plan</u>

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.

<u>Defined Contribution Plan</u>

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

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

Cash Flow Statement

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

Reserves

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

Supplier Debt and other Short Term Liabilities

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

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

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

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

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

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

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

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

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.
IFRS 13 requires prospective application from 1 January 2013. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated statements.

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

Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The new and revised IFRSs

are not mandatorily effective for the year ended December 31, 2014. The Company intends to adopt these standards when they become effective. The Company is targeting implementing IFRS 9 early when this is possible.

Financial Instruments: Classification and Measurement

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

Key requirements of IFRS 9:

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

The mandatory effective date of IFRS 15 is 1 January, 2017. IFRS 15 has not yet been endorsed for application in the European Union. (expected approval in Q2 2015). It is expected that the effects of IFRS 15 will be minor and no effect would have been expected as of the date of these accounts.

Note 3 Risk Management

SpareBank 1 Boligkreditt AS is an institution which acquires residential mortgages from banks in the SpareBank 1 Alliance. This activity is predominantly financed by the issuance of covered bonds. The Company is therefore subject to the Norwegian legislation for covered bonds and the demands this imply for exposure to risk. In addition, the Company wishes to maintain the AAA/Aaa ratings from Fitch and Moody's, resepctively, with regards to the covered bonds, which also requires a high degree of attention to risk management and a low risk exposure profile.

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

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

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

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

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

- The Board of Directors determines the main principles for risk management, including determining the risk profile, limits and guidelines. The Board also carries the responsibility to review capital levels in accordance with the risk profile and the requirements of the regulatory authorities.
- The Chief Exceutive Officer is responsible for the day to day administration of the Company's business and operations according to laws, statutes, powers of attorney and instructions from the Board. Staretgic items or operational items of an unusual nature or importance are discussed with and presented to the Board of Directors. The CEO may however decide a matter in accordance with a power of attorney from the Board. The CEO is responsible for implementing the Company's strategy and in cooperation with the Board to also develop and evolve the strategy.
- The risk manager reports both directly to the CEO and to the Board. The risk manager is tasked with developing the framework for risk managament including risk models and risk management systems. The poistion is further responsible for the independent evaluation and reporting of risk exposure in addition to maintaing all relevant laws and regulations.

- The balance sheet committee is an advisory council for the operational management of the Company's balance sheet within the framework determined by the Board of Directors. The committee is a an important component of Boligkreditt's operative management of liquidity risks. The balance sheet committee is headed by the CEO and consists of the CFOs of the largest banks in the SpareBank 1 Alliance in addition to one representative from the smaller Alliance banks (Samspar).
- The investment committee is an advisory council for the evaluation of counterparty exposure limits and for the composition of the liquidity portfolio. The committee is headed by the CEO and consists of Boligkreditt's financial director and director for asset liability management. The committee advises on credit limits for counterparties and the composition of the liquidity portfolio. The CEO has been tasked by the Board to make decisions regarding credit limits for counterparties and individual investments.

Risk Categories:

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

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

Further details about risk categories are discussed in later Notes

Note 4 Important estimates and considerations regarding application of accounting policies

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

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

Futures estimates based on historical incidents may prove to be erroneous because it is uncertain which relevance historical data have as a predictior for the future. Where loans are secured on collateral in stressed situations, such as when certain objects or industries are in distress, the proceeds from sales of collateral in relative illiquid markets may be subject to a high degree of uncertainty.

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

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

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

Note 5 Net Interest Income

NOK 1 000	2014	2013
Interest income		
Interest income and similar income from loans to and balances with credit institutions	205 278	264 755
Interest income and similar income from loans to and balances with customers	6 502 841	6 661 490
Interest income treasury bills	26 035	55 606
Commission expense (payable to shareholder banks) *	-2 258 058	-2 299 029
Total interest income	**4 476 095**	**4 682 822**
Interest expense		
Interest expense and similar expenses to credit institutions	40 085	22 910
Interest expense and similar expenses on issued bonds	3 970 238	4 259 716
Interest expense and similar expenses on issued certificates	48 067	104 327
Interest expense and similar expenses on subordinated debt	62 240	-
Other interest expenses	92	682
Total interest expense	**4 120 722**	**4 387 634**
Net interest income	**355 372**	**295 188**

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

Note 6 Net gains from financial instruments

NOK 1 000	2014	2013
Net gains (losses) from financial liabilities	-4 464 177	1 770 926
Net gains (losses) from financial assets	234 442	-176 973
Net gains (losses) from financial derivatives, hedging, at fair value	4 159 673	-1 557 047
Net gains (losses) due to changes in basisswapspreads	31 604	-
Net gains (losses)	**-38 458**	**36 906**

Note 7 Salaries and remuneration

NOK 1 000	2014	2013
Salary	10 176	11 112
Salaries reinvoiced to SpareBank1 Næringskreditt*	-5 329	-4 187
Pension expenses	1 783	1 330
Social insurance fees	1 611	1 445
Other personnel expenses	1 984	334
Total salary expenses	**10 224**	**10 033**
Average number of full time equivalents (FTEs)	8	8

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

Note 8 Salaries and other remuneration of management

Paid in 2014

NOK 1 000	Total compensation	Bonus	Other compensation	Pension cost	Accrued Pensions	Employee mortgage loan
Management						
Chief Executive Office - Arve Austestad	2 197	144	162	616	5 178	2 788
Director. Head of Finance & Risk - Henning Nilsen	1 350	88	36	173	1 183	1 433
Chief Operating Officer - Eivind Hegelstad	1 467	96	67	-	-	4 261
Total for Management	**5 014**	**328**	**265**	**789**	**6 361**	**8 482**
The Board of Directors						
Kjell Fordal	97	-	-	-	-	-
Inge Reinertsen	76	-	-	-	-	-
Tore Anstein Dobloug	76	-	-	-	-	-
Merete N. Kristiansen	76	-	-	-	-	-
Inger S. Eriksen	76	-	-	-	-	-
Trond Sørås (Observer)	14	-	-	-	-	-
Geir-Egil Bolstad (Observer)	16	-	-	-	-	-
Total for the Board of Directors	**431**	**-**	**-**	**-**	**-**	**-**
The Control Committee						
Ola Neråsen	10	-	-	-	-	-
Brigitte Ninauve	10	-	-	-	-	-
Ivar Listerud	10	-	-	-	-	-
Kjersti Hønstad	13	-	-	-	-	-
Total for the Control Committee	**42**	**-**	**-**	**-**	**-**	**-**
The Committee of Representatives						
Arne Henning Falkenhaug	9	-	-	-	-	-
Kjersti Hønstad	2	-	-	-	-	-
NIls Arne Norheim	2	-	-	-	-	-
Hanne J Nordgaard	2	-	-	-	-	-
Gudrun Michelsen	2	-	-	-	-	-
Total for the Committee of Representatives	**16**	**-**	**-**	**-**	**-**	**-**

The bonus shown is for 2013. but paid out in 2014. All employees have an offer of an employee mortgage loan from SpareBank 1 SR-Bank. The terms and conditions for this include an interest rate one percentage point below the standard rate as determined by the Norwegian Treasury Department from time to time.

Paid in 2013

NOK 1 000	Total compensation	Bonus	Other compensation	Pension cost	Accrued Pensions	Employee mortgage loan
Management						
Chief Executive Office - Arve Austestad	2 061	167	169	475	2 783	2 913
Director. Head of Finance & Risk - Henning Nilsen	1 255	98	42	121	646	1 483
Chief Operating Officer - Eivind Hegelstad	1 363	113	67	-	-	4 254
Total for Management	**4 679**	**378**	**278**	**595**	**3 430**	**8 649**
The Board of Directors						
Kjell Fordal	94	-	-	-	-	-
Inge Reinertsen	73	-	-	-	-	-
Tore Anstein Dobloug	73	-	-	-	-	-
Merete N. Kristiansen	73	-	-	-	-	-
Inger S. Eriksen	73	-	-	-	-	-
Trond Sørås (Observer)	16	-	-	-	-	-
Geir-Egil Bolstad (Observer)	13	-	-	-	-	-
Total for the Board of Directors	**414**	**-**	**-**	**-**	**-**	**-**
The Control Committee						
Ola Neråsen	9	-	-	-	-	-
Brigitte Ninauve	12	-	-	-	-	-
Ivar Listerud	7	-	-	-	-	-
Kjersti Hønstad	9	-	-	-	-	-
Total for the Control Committee	**38**	**-**	**-**	**-**	**-**	**-**
The Committee of Representatives						
Arne Henning Falkenhaug	9	-	-	-	-	-
Kjersti Hønstad	2	-	-	-	-	-
Nils Arne Norheim	2	-	-	-	-	-
Hanne J Nordgaard	2	-	-	-	-	-
Gudrun Michelsen	2	-	-	-	-	-
Total for the Committee of Representatives	**16**	**-**	**-**	**-**	**-**	**-**

The bonus shown is for 2012. but paid out in 2013.

Note 9 Pensions

SpareBank 1 Boligkreditt maintains both a defined benefit and a defined contribution plan. The Company's pension plans meet the demands of the Norwegian law regarding obligatory pension commitments for employees.

Defined benefit plan
All employees have pension contracts with SpareBank 1 SR Bank ASAs pension scheme. The resulting obligations are financed by contributions to the scheme by the Company. and are determined by actuarial calculations periodically. A defined benefis plan provides a defined pay-out at a future specific retirement date. generally as decided by age. number of years in employment and compensation. The obligation recorded by the Company in its financial accounts is the present value of the obligation less the fair value of the associated pension assets. The obligation is calculated annually by independent actuaries. The present value of future benefits are calculated by discounting future payments by using the yield on norwegian covered bonds adjusted for differnces in maturities.

Defined contribution plan
In its defined contribution plan the Company makes pension contributions to an insurance company. The Company has no further obligations after making these contributions. The payments are recorded as compensation. Any prepaid amounts are recorded as an asset (pension assets) to the degree that such amounts may be refunded or will reduce future contributions.

Valuation of the pension assets and the accrued obligations are based on estimates. These estimates are updated annually based on the actual fair value of the pension assets. statements from the insurance company regarding fair values and the actuarial estimates of the size of the pension obligation. When calculating the future pension payments. the following assumptions have been made:

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

	2014	2013
Discount rate	2.3%	4.0%
Expected return on pension assets	2.3%	4.0%
Future annual compensation increases	2.8%	3.8%
Annual change in the "G" amount	2.5%	3.5%
Penions regulation amount	2.0%	2.0%
Employer payroll taxes	14.1%	14.1%
Employee turnover	5% before 45 years. 2% after 45 years	5% before 45 years. 2% after 45 years
	25% at 62 years and 25% at 64 years	25% at 62 years and 25% at 64 years

The use of a certain discount rate derived from a certain set of bonds require that there is an actively traded market in such bonds and that the bonds traded are of a high quality and of a longer duration in the same currency. The Norwegian foundation for financial accounting (NRS) has evaluated the market using inputs provided by participants in the market and publicly available information. The market for covered bonds is a market where the liquidity is evaluated for floating and fixed rate bonds together. Participants in the covered bond market have maintained that the market posesses a sufficient liquidity and that the pricing mechanism in the market is reliable. No detailed analysis have gone into evaluating the pricing and the market functionality. however. data which NRS has obtained do not indicate that the market would not provide a reliable pricing mechanism. Based on its evaluation. NRS has in its updated guidelines for pension assumptions as of 31.12.13 concluded that the interest rate for covered bonds can not be rejected as the basis for the determination of the discount rate. SpareBank 1 Boligkreditt AS agrees with NRS's conclusion and is of the opinion that the market for covered bonds is sufficiently liquid and that the pricing in the market is reliable. Because of this. SpareBank 1 Boligkreditt AS has chosen to use the covered bond interest rate as a basis for its pension plan discount rate as of 31.12.2014.

The assumption for mortality is based on published statistics and experience.

Average life expectancy (in years) as of the date of these financial accounts for a person who retires when he/she is 65 years is as follows:

	2014	2013
Male	21.10 years	21.04 years
Female	24.30 years	24.20 years

Average expected life expectancy (in years) 20 years after the date of these financial accounts for a person who retired when he/she was 65 years old is as follows:

	2014	2013
Male	23.00 years	22.87 years
Female	26.20 years	26.13 years

The calculations are based on standardised assumptions regarding the development in mortality. incapacity and other demographic factors from the Insurance Association of Norway. Assumptions for mortality is based on published statistics and experience.

	2014	2013
Net pension obligation		
Defined benefits plan - insured	7 085	3 171
Defined benefits plan - uninsured	11 849	8 940
Net pension obligation recorded as of Dec 31	**18 934**	**12 111**
Defined benefit plan pension expense		
Defined benefits plan - insured	989	671
Defined benefits plan - uninsured	808	731
Total defined benefits plan expense for the period	**1 797**	**1 402**
Pension obligation in defined defined plan		
Present value of the obligation at Jan 1	14 282	12 689
Pension rights accrued in the period	1 148	849
Interest cost for the accrued pension obligation	560	500
Actuarial profits and losses (deviation from previous estimates)	5 714	1 545
Paid out from the scheme	-274	-326
Discounts and settlement	-	-
Change in accruals for earlier periods	-	-
Other changes	-	-975
Present value of the obligation as of Dec 31	**21 431**	**14 282**
Pension assets		
Pension assets as of Jan 1	3 668	3 009
Expected return in the period	134	130
Actuarial profits and losses (deviation from previous estimates)	28	77
Contributions from employer	1 280	778
Paid out from the scheme	-274	-326
Discounts and settlement	-	-
Other changes	-	-
Pension assets as of Dec 31	**4 836**	**3 668**
Net pension obligations on the balance sheet		
Present value pension obligation as of Dec 31	21 431	14 282
Pension assets as of Dec 31	4 836	3 668
Net pension obligation as of Dec 31	16 595	10 614
Employer payroll tax	2 340	1 497
Net pension obligation recorded as of Dec 31	**18 935**	**12 111**

Pension costs in the period

Defined benefit pension accrued in the period	1 148	849
Interest rate costs for accrued pension obligation	560	500
Expected return on pension assets	-134	-130
Discounts and settlement	-	-
Accrual for previous periods included in this period	-	-
Net defined benefit pension cost excluding employer payroll tax	1 574	1 219
Accrued employer payroll tax	222	183
Net defined benefit pension cost	1 796	1 402
Defined contribution pension expense and joint arrangement AFP	170	68
Pension expense for the period	**1 966**	**1 470**

Actuarial profits and losses (deviations from estimates)

The period actuarial profits and losses included in equity	6 488	563
Cumulative actuarial profits and losses included in equity	-	-6 533
Expected return pension assets	134	130
Actual return pension assets	-	-

Status of the defined benefit plan.	**2014**	**2013**
Net present value of the pension obligation 31.12.	21 431	14 282
Pension assets 31.12.	4 836	3 668
Net deficit	**16 595**	**10 614**

Expected paid-in premium is for 2014 is NOK 0.539 million.

Note 10 Administrative expenses

NOK 1 000	2014	2013
IT operation and maintenance	8 080	8 588
Travel	1 037	1 562
Telephone and postage	163	125
Misc other adm expenses	19	43
Total	**9 299**	**10 318**

Note 11 Other operating expenses

NOK 1 000	2014	2013
Auditing, hired personnel from SpareBank 1 Group, other services	12 162	9 369
Operating expenses rented offices	570	570
Operating expenses reinvoiced to SpareBank 1 Næringskreditt	-867	-885
Misc other operating expenses	200	320
Total	**12 064**	**9 374**

Auditing

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

NOK 1 000	2014	2013
Legally required audit	500	785
Other attestation services, incl. examination services, loan documents sample testing, comfort letters	665	1 172
Other services outside auditing	48	18
Total (incl VAT)	**1 213**	**1 975**

Note 12 Taxes

NOK 1 000	2014	2013
Change to 27% from 28% for tax corrections: too little payable tax recorded in 2013	733	-
Change in deferred taxes	77 853	77 753
Tax expense	**78 586**	**77 753**

Specification of tax effects on elements in comprehensive income and loss		
Pension estimate deviation	1 752	158
Tax effects on elements in comprehensive income and loss	**1 752**	**158**
Reconciliation tax expense		
28% of pre-tax profit/loss	76 578	84 186
Permanent differences (28%)	1 274	10
Deferred taxes change for this year's result due to the change in the tax code to 27% from 28%	734	-6 603
Insufficient/excessive tax expense this year	-	160
Insufficient/excessive tax expense this year	-	-
Calculated tax expense	**78 586**	**77 753**
Effective tax rate	**27.71%**	**25.86%**

Temporary differences as of 31.12		
Unrealised losses, net	1 221 763	819 389
Pension	-18 935	-12 111
Total temporary differences that affect the tax base	**1 202 828**	**807 278**
Tax deficit to be carried forward	-113 694	-
Corrections to be carried forward	-220 230	-146 883
Total temporary differences that affects the tax base	**-333 924**	**-146 883**
Tax reducing temporary differences, net	868 904	660 395
Tax increasing temporary differences, net	-	-
Net temporary differences	**868 904**	**660 395**
Net deferred tax benefit (-) / deferred tax (+)	**234 604**	**178 307**
Assets - deferred tax		-
Liabilities - deferred tax	234 604	178 307
Deferred tax		
Deferred tax 01.01	178 307	100 712
Reclassified from deferred tax to tax payable in the first quarter of 2014	-20 537	-
27% of pre-tax net income	76 578	84 186
Change due to change in the pension estimate	-1 752	-158
Change due to a reduction in the rate of tax from 28 % to 27 %	734	-6 603
Other changes	1 274	170
Deferred tax 31.12	**234 604**	**178 307**

Note 13 Other assets

NOK 1 000	2014	2013
Intangible assets *	2 904	3 002
Receivables from SpareBank 1 Næringskreditt AS	1 564	1 162
Total	**4 468**	**4 164**

* Intangible assets

NOK 1 000	
Acquisition cost 01.01.2013	28 121
Acquisitions	2 673
Disposals	
Acquisition cost 31.12.2013	**30 794**
Accumulated depreciation and write-downs 01.01.2013	26 086
Periodical depreciation	1 706
Periodical write-down	-
Disposal ordinary depreciation	-
Accumulated depreciation and write-downs 31.12.2013	27 792
Book value as of 31.12.2013	**3 002**
Acquisition cost 01.01.2014	30 794
Acquisitions	1 603
Disposals	
Acquisition cost 31.12.2014	**32 397**
Accumulated depreciation and write-downs 01.01.2014	27 792
Periodical depreciation	1 702
Periodical write-down	-
Disposal ordinary depreciation	-
Accumulated depreciation and write-downs 31.12.2014	29 494
Book value as of 31.12.2014	**2 904**
Financial lifespan	3 years
Depreciation schedule	linear

Note 14 Lending to customers

Lending to customers consists of residential mortgages only. The mortgages generally have a loan lon-to-value and losses have been very low. The total amout of lending to customers at the end of 2013 were NOK 161.2 billion. All mortgages carry a variable interest rate.

NOK 1 000	2014	2013
Revolving loans - retail market	56 465 882	66 797 306
Amortising loans - retail market	104 560 477	107 776 344
Accrued interest	186 630	215 280
Total loans before specified and unspecified loss provisions	**161 212 990**	**174 788 930**
Specified loan loss provisions	-	-
Unspecified loan loss provisions	7 708	7 708
Total net loans and claims with customers	**161 205 282**	**174 781 222**

Liability		
Unused balances under revolving credit lines	19 210 784	21 528 276
Total	**19 210 784**	**21 528 276**

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

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

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

Changes to loan loss provisions

NOK 1 000	2014	2013
Loan loss provisions as of 01.01	7 708	7 708
Change in group loan loss provisions	0	0
Loan loss provisions as of 31.12	**7 708**	**7 708**

Loans sorted according to geography (Norwegian counties) *

NOK 1 000		Lending 2014	Lending 2014 in %	Lending 2013	Lending 2013 in %
NO01	**Østfold**	5 704 005	3.54 %	5 890 694	3.4 %
NO02	**Akershus**	15 790 919	9.80 %	15 981 358	9.2 %
NO03	**Oslo**	16 183 203	10.04 %	15 777 238	9.0 %
NO04	**Hedmark**	11 866 108	7.36 %	11 599 197	6.6 %
NO05	**Oppland**	3 804 998	2.36 %	3 568 735	2.0 %
NO06	**Buskerud**	8 608 366	5.34 %	8 650 357	5.0 %
NO07	**Vestfold**	6 039 376	3.75 %	6 122 801	3.5 %
NO08	**Telemark**	5 278 528	3.27 %	4 863 162	2.8 %
NO09	**Aust Agder**	538 837	0.33 %	768 633	0.4 %
NO10	**Vest Agder**	2 276 758	1.41 %	3 749 015	2.1 %
NO11	**Rogaland**	27 419 416	17.01 %	37 665 179	21.6 %
NO12	**Hordaland**	3 786 644	2.35 %	4 814 627	2.8 %
NO14	**Sogn og Fjordane**	236 108	0.15 %	192 601	0.1 %
NO15	**Møre og Romsdal**	8 655 117	5.37 %	9 270 358	5.3 %
NO16	**Sør Trøndelag**	15 739 961	9.76 %	16 419 769	9.4 %
NO17	**Nord Trøndelag**	7 177 368	4.45 %	7 984 201	4.6 %
NO18	**Nordland**	9 001 037	5.58 %	8 629 978	4.9 %
NO19	**Troms**	9 269 289	5.75 %	8 938 583	5.1 %
NO20	**Finnmark**	3 797 023	2.36 %	3 663 302	2.1 %
	Svalbard	32 220	0.02 %	23 865	0.0 %
SUM		**161 205 282**	**100.0 %**	**174 573 650**	**100.0 %**

** Loans sorted according to geography is presented exclusive of accrued interest and before accounting for group loan loss provisions*

Note 15 Share capital and shareholder information

List of shareholders as of 31.12.2014

	No of Shares	in per cent	Share of votes
SpareBank 1 SR-Bank ASA	11 076 409	20.10 %	20.10 %
SpareBank 1 SMN	9 737 324	17.67 %	17.67 %
SpareBank 1 Nord-Norge	8 106 030	14.71 %	14.71 %
Bank 1 Oslo Akershus AS	5 155 681	9.36 %	9.36 %
Sparebanken Hedmark	5 237 544	9.50 %	9.50 %
BN Bank ASA	3 027 817	5.49 %	5.49 %
SpareBank 1 BV	2 401 168	4.36 %	4.36 %
SpareBank 1 Østfold Akershus	2 260 849	4.10 %	4.10 %
Sparebanken Telemark	1 984 188	3.60 %	3.60 %
SpareBank 1 Ringerike Hadeland	1 732 419	3.14 %	3.14 %
SpareBank 1 Nordvest	1 142 663	2.07 %	2.07 %
Modum Sparebank	621 718	1.13 %	1.13 %
SpareBank 1 Søre Sunnmøre	658 498	1.19 %	1.19 %
SpareBank 1 Nøtterøy Tønsberg	610 450	1.11 %	1.11 %
SpareBank 1 Hallingdal	609 581	1.11 %	1.11 %
SpareBank 1 Gudbrandsdal	457 534	0.83 %	0.83 %
Lom og Skjåk Sparebank	285 609	0.52 %	0.52 %
Total	**55 105 482**	**100%**	**100%**

The share capital consists of 55 105 482 shares with a nominal value of NOK 100

Note 16 Equity

NOK 1 000

	Share capital	Premium share fund	Declared dividend	Fund for unrealised profits	Other equity capital	Total equity capital
Equity as of 01.01.14	5 310 548	2 657 922	319 630	-	925	8 289 025
Changes during the year						
Share increase 26 of February 2014	200 000	100 000				300 000
Dividend paid for 2013			-319 630			-319 630
Net income			203 890		1 149	205 039
Change in pension for a previous period					4 700	4 700
Other comprehensive income - pensions estimate deviation					-4 736	-4 736
Equity Capital as of 31.12.14	**5 510 548**	**2 757 922**	**203 890**	**-**	**2 038**	**8 474 399**

Note 17 Liabilities incurred by issuing securities

NOK 1 000	Nominal value * 2014	Nominal value * 2013
Short term notes, unsecured	750 000	3 400 000
Repurchased short term notes, unsecured	-	-
Senior unsecured Bonds	6 950 000	3 676 000
Repurchased senior unsecured bonds	-	-
Covered bonds	153 214 115	166 495 725
Withdrawn from the Norwegian Central Bank Swap Facility	-	6 569 843
Bonds deposited in the Norwegian Central Bank Swap Facility	-	-7 552 000
Repurchased Bonds	-1 611 552	-1 764 681
Total liabilities incurred by issuing securities	**159 302 563**	**170 824 887**

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

NOK 1 000	Book value 2014	Book value 2013
Short term notes, unsecured	749 969	3 399 501
Repurchased short term notes, unsecured	-	-
Senior unsecured Bonds	6 948 228	3 675 628
Repurchased senior unsecured bonds	-	
Covered bonds	181 117 727	177 379 674
Withdrawn from the Norwegian Central Bank Swap Facility	-	6 572 905
Bonds deposited in the Norwegian Central Bank Swap Facility	-	-7 552 000
Repurchased Bonds	-1 825 486	-1 856 072
Activated costs incurred by issuing debt	-148 534	-188 315
Accrued interest	1 877 586	1 715 090
Total liabilities incurred by issuing securities	**188 719 491**	**183 146 411**

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

Senior Unsecured

Matures in year	2014	2013
2014	-	4 651 000
2015	1 700 000	2 425 000
2016	5 750 000	-
2017	250 000	-
Total	**7 700 000**	**7 076 000**

Covered Bonds in Central Bank Swap Facility

Matures in year	2014	2013
2014	-	6 569 843
Total	**-**	**6 569 843**

Covered Bonds

Matures in year	2014	2013
2014	-	6 309 000
2015	10 032 698	17 127 000
2016	25 975 625	25 756 158
2017	21 013 000	21 013 000
2018	21 785 000	21 485 000
2019	25 481 150	25 194 564
2020	24 128 500	17 293 500

2021	15 759 760	15 670 710
2022	3 233 750	3 233 750
2023	-	-
2024	1 370 280	1 273 562
2025	1 010 000	1 010 000
2026	1 650 000	1 650 000
2027	-	-
2028	162 800	162 800
Total	**151 602 563**	**157 179 044**
Grand Total	**159 302 563**	**170 824 887**

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

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

NOK 1 000	**2014**	**2013**
NOK	53 495 067	64 499 347
EUR	99 956 242	89 786 425
USD	35 001 278	28 624 959
SEK	266 905	235 680
Total	**188 719 491**	**183 146 411**

Note 18 Subordinated debt

NOK 1000	Issued	Call	Nominal	Accrued interest	2014	2013
Subordinated debt (Tier 2 capital instrument)	2014	Call option 2019	1 600 000	4 128	1 604 128	-
Hybrid (Tier 1 capital instrument)	2014	Call option 2019	350 000	134	350 134	-
Book value			**1 950 000**	**4 262**	**1 954 262**	**-**

Note 19 Financial derivatives

NOK 1 000	2014	2013
Rate contracts		
Interest rate swaps		
Nominal amount	60 000 110	77 804 369
Asset	6 076 849	4 111 612
Liability	-778 250	-745 077
Currency contracts		
Currency swaps		
Nominal amount	125 117 673	112 350 126
Asset	23 638 212	8 648 739
Liability	-46 793	-52 340
Total fiancial derivatives		
Nominal amount	185 117 783	190 154 495
Asset	29 715 061	12 760 351
Liability *	-825 043	-797 417

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

* Including basis swap spread adjustments, see note 6.

Asset	29 715 061	12 760 351
Net gains (losses) from basis swap spread changes	31 604	-
Derivatives, net	29 746 665	12 760 351

Note 20 Classification of Financial Instruments

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

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

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	2013
Assets					
Deposits at and receivables from financial institutions	-	11 882 469	-	-	11 882 469
Norwegian government short term debt certificates	1 261 795	-	-	-	1 261 795
Bonds	4 259 973	-	1 216 126	-	5 476 099
Lending to customers	-	174 781 222	-	-	174 781 222
Financial derivatives	12 760 351	-	-	-	12 760 351
Other assets	-	-	-	4 165	4 165
Total Assets	**18 282 119**	**186 663 691**	**1 216 126**	**4 165**	**206 166 101**
Liabilities					
Debt incurred by issuing securities	138 551 795	44 594 616	-	-	183 146 411
Collateral received in relation to financial derivatives	-	10 611 584	-	-	10 611 584
Financial derivatives	797 417	-	-	-	797 417
Deferred taxes	-	-	-	178 307	178 307
Taxes payable	-	-	-	-	-
Other liabilities	-	-	-	3 143 357	3 143 357
Total Liabilities	**139 349 212**	**55 206 200**	**-**	**3 321 664**	**197 877 076**
Total Equity	**-**	**-**	**-**	**8 289 025**	**8 289 025**
Total Liabilities and Equity	**139 349 212**	**55 206 200**	**-**	**11 610 689**	**206 166 101**

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

Note 21 Financial instruments at fair value

Methods in order to determine fair value

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

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

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

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

- Quoted price in an active market for an identical asset or liability (Level 1). Fair value of financial instruments which are traded in active markets are based on the market price at the balance sheet date. A market is consid ered to be active if the market prices are easily and readily available from an exchange, dealer, broker, industry group, pricing service or regulating authority and that these prices represent actual and regular market transactions on an arm's length basis. In this category are, amongst others, debt certificates and covered bonds listed on an exchange in the Eurozone and the US.

- 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). Level 2 consist of instruments which are valued using information which is not listed prices, but where the prices are directky or indirectly observable for assets or liabilities or, and which also include prices in active markets. In this category are included covered bonds issued in NOK and listed on the Oslo stock exchange or ABM. The valuation of these instruments are largely affected by the change in interest rate curves and credit spreads. Where prices are not directly observable these have been derived from observable interest rate curves and credit spreads produced by the Association of Fund Managers (VFF).

- The valuation is based on factors that are not found in observable markets (non-observable assumptions) (level 3). If valuations according to Level 1 or Level 2 are not available, valuations are based on not-observable information. The Company has a a matter of principle neither assets nor liabilities which are valued at this level.

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

NOK 1 000

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

The following table presents the Company's financial assets and liabilities at fair value as of 31.12.2013

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	3 891 779	1 629 989	-	5 521 768
Financial Derivatives	-	12 760 351	-	12 760 351
Total Assets	**3 891 779**	**14 390 340**	**-**	**18 282 119**
Bonds	-	138 551 795	-	138 551 795
Financial Derivatives	-	797 417	-	797 417
Total Liabilities	**-**	**139 349 212**	**-**	**139 349 212**

Note 22 Bonds classified as hold to maturity

Pr. 31.12.14

Bonds classified as	Book value 1/1/2014	Investments	Matured	Amortising	Exchange rate effects	Amortised cost 12/31/2014
Hold to maturity	1 213 050	-	-350 000	-72 835	-	790 215
Total certificates and bonds	**1 213 050**	**-**	**-350 000**	**-72 835**	**-**	**790 215**

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	790 215	794 767	4 552
Total certificates and bonds	**790 215**	**794 767**	**4 552**

Note 23 Other liabilities

NOK 1 000	**2014**	**2013**
Employees tax deductions and other deductions	867	600
Employers national insurance contribution	411	369
Accrued holiday allowance	1 055	901
Commission payable to shareholder banks	164 329	3 115 000
Deposits*	14 209	8 541
Pension liabilities	18 935	12 111
Other accrued costs	5 030	5 834
Total	**204 836**	**3 143 356**

The Company does not have an overdraft facility or a revolving credit facility as of 31.12.2013

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

Note 24 Credit risk

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

In December 2014 the Company distributed amended Servicing and Transfer agreements. which were effective from 31.12.2014. As of 31.12.14 not all banks have signed the amended agreement. but it is expected that they will do so with effect from 31.12.14. According to the amended agreement SpareBank 1 Boligkreditt has the right to off-set any losses incurred on individual mortgage loans against the commissions due to all banks for the remainder of the calendar year. The Company has not since the commencement of its operations had any instances of off-sets against the commissions due to its owner banks.

Credit Exposure

NOK 1 000	**2014**	**2013**
Loans to customers	161 205 282	174 781 222
Loans to and deposits with credit institutions	16 268 940	11 882 469
Government certificates	487 553	1 261 795
Bonds	19 880 949	5 476 099
Financial derivatives	29 746 665	12 760 351
Total assets	**227 589 389**	**206 161 936**
Unused credit on flexible loans	19 210 784	21 536 820
Received collateral in relation to derivative contracts	-27 181 223	-10 611 584
Total credit exposure	**219 618 950**	**217 087 172**

Lending to customers (residential mortgage loans)

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

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

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

- Maximum probability of default for the portfolio: 0.90 per cent
- Expected loss in the portfolio: < 0.02 per cent of the loan volume
- Unexpected loss in the portfolio (at a 99.97 per cent confidence level): < 0.75 per cent of the loan volume

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

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

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

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

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

Definition of risk groups - based on probability of default			**In per cent**		**In NOK ***	
Risk group	**Lower limit**	**Upper limit**	**2014**	**2013**	**2014**	**2013**
Lowest	0.00 %	0.01 %	74.24 %	71.71 %	119 549 325	125 193 806
Low	0.01 %	0.05 %	19.30 %	20.93 %	31 078 433	36 540 961
Medium	0.05 %	0.20 %	4.76 %	5.45 %	7 670 309	9 506 448
High	0.20 %	0.50 %	0.82 %	0.97 %	1 317 046	1 701 569
Very high	0.50 %	100%	0.88 %	0.94 %	1 411 354	1 632 978
Total			**100.00 %**	**100.00 %**	**161 026 468**	**174 575 762**

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

Loans to and deposits with credit institutions

SpareBank 1 Boligkreditt only has deposits with financial institutions rated A-/A2 or higher as of 31.12.2014

Bonds and certificates

Rating class		2014	2013
AAA/Aaa	Covered Bonds	13 599 039	4 429 913
	Norw. Government bills	487 554	1 261 795
	Other government or gov guaranteed bonds	5 920 103	527 413
	Financial institutions	-	
	Total	20 006 695	6 219 121
AA+/Aa1 til AA-/Aa3	Covered Bonds	361 807	342 941
	Financial institutions	-	75 387
	Total	361 807	418 328
A+/A1	Financial institutions	-	100 445
	Total	-	100 445
Total		**20 368 502**	**6 737 894**

Fitch/Moody's rating classes are used. If the ratings differ. the lowest counts. All bonds are publicly listed.

Financial derivatives

Derivative contracts are only entered into with counterparties rated 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 25 Liquidity risk

Liquidity risk is defined as the risk that the business is not able to meet its obligations at maturity. SpareBank 1 Boligkreditt AS issues covered bonds at shorter maturities than the residential mortgages which make up the largest portion of assets on the Company's balance sheet. The Liquidity risk which arises is closely monitored and is in compliance with the Norwegian covered bond legislation which amongst other things requires that the cash flow from the cover pool is sufficient to cover outgoing cash flows for holders of preferential claims on the cover pool (holders of covered bonds and counterparties in associated hedging contracts (swaps). In order to manage the liquidity risk certain limits and liquidity reserves have been approved by the Board of Directors. SpareBank 1 Boligkreditt AS maintains a liquidity reserve which will cover undrawn amounts under revolving loans, a theoretical temporary halt to incoming interest payments from the mortgage loans and at any point in time cover bond maturities for the next six months (100 per cent) and 50 per cent for maturities between 6 and 12 months, according to the proposals for a new Net Stable Funding Ratio (NSFR). Liquidity risk is monitored on a regular basis and weekly reports are presented to the management and monthly reports to the Board.

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

Liquidity Risk - all amounts in 1000 NOK

	12/31/2014	No set term	Maturity 0 to 1 month	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	36 149 890	4 204 767	12 139 515	189 412	6 632 611	11 538 397	1 445 186
Lending to customers	161 205 282		226	6 041	32 394	1 333 985	159 832 637
Derivatives	29 746 665				1 330 518	17 986 819	10 429 328
Treasury Bills	487 553			264 444	223 110		
Other assets with no set term	4 468	4 468					
Total Assets	227 593 858	4 209 235	12 139 741	459 897	8 218 633	30 859 201	171 707 151
Liabilities incurred when issuing securities	-188 719 491	148 533	-251 144	-501 509	-12 303 981	-118 077 596	-57 733 794
Other liabilities with a set term	-27 181 223		-27 181 223				
Derivatives	-825 043				-70 774	-513 222	-241 047
Liabilities with no set term	-439 440	-439 440					
Subordinated debt	-1 954 262	0					-1 954 262
Equity	-8 474 399	-8 474 399					
Total liabilities and equity	-227 593 858	-8 571 492	-27 432 367	-501 509	-12 374 755	-118 590 818	-59 929 103
Net total all items		-4 362 257	-15 292 626	-41 612	-4 156 122	-87 731 617	111 778 048

Interest Rate Risk - all amounts in 1000 NOK

	12/31/2013	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	17 358 567	-	11 882 469	10 033	627 846	4 497 790	340 430
Lending to customers	174 781 222	-	3 897	18 868	58 129	1 359 533	173 340 794
Derivatives	12 760 351	-	-	-	8 244	6 530 214	6 221 893
Treasury Bills	1 261 795	-	-	448 785	813 010	-	-
Other assets with no set term	4 164	4 164	-	-	-	-	-
Total Assets	206 166 101	4 164	11 886 366	477 686	1 507 229	12 387 537	179 903 118
Liabilities incurred when issuing securities	-183 146 411	188 315	-1 322 291	-50 018	-16 232 630	-94 295 073	-71 434 715
Other liabilities with a set term	-10 611 584	-	-10 611 584	-	-	-	-
Derivatives	-797 417	-	-	-	-	-297 840	-499 578
Liabilities with no set term	-3 328 096	-3 328 096	-	-	-	-	-
Equity	-8 282 592	-8 282 592	-	-	-	-	-
Total liabilities and equity	-206 166 101	-11 422 373	-11 933 875	-50 018	-16 232 630	-94 592 912	-71 934 292
Net total all items	-	-11 418 209	-47 509	427 668	-14 725 400	-82 205 375	107 968 825

Note 26 Interest rate risk

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

Interest Rate Risk - all amounts in 1000 NOK

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

Interest Rate Risk - all amounts in 1000 NOK

	12/31/2013	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	17 358 567	-	13 476 943	1 251 640	-	2 289 554	340 430
Lending to customers	174 781 222	-	-	174 781 222	-	-	-
Treasury Bills	1 261 795	-	-	448 785	813 010	-	-
Other assets with no set term	4 164	4 164	-	-	-	-	-
Total Assets	193 405 749	4 164	13 476 943	176 481 647	813 010	2 289 554	340 430
Liabilities incurred when issuing securities	-183 146 411	188 315	-9 389 399	-34 457 649	-8 848 300	-66 271 896	-64 367 482
Other liabilities with a set term	-10 611 584	-	-10 611 584	-	-	-	-
Liabilities with no set term	-3 328 096	-3 328 096	-	-	-	-	-
Equity	-8 282 592	-8 282 592	-	-	-	-	-
Total liabilities and equity	-205 368 684	-11 422 373	-20 000 983	-34 457 649	-8 848 300	-66 271 896	-64 367 482
Net interest rate risk before derivatives	-11 962 934	-11 418 209	-6 524 040	142 023 998	-8 035 290	-63 982 342	-64 027 052
Derivatives	11 962 934	-	-16 318 281	-106 541 778	6 788 272	63 961 558	64 073 163
Net interest rate risk	-	-11 418 209	-22 842 321	35 482 220	-1 247 019	-20 784	46 112
% of total assets	0 %	-6 %	-11 %	17 %	-1 %	0 %	0 %

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

		Sensitivity of net interest rate expense in NOK 1000	
Currency	**Change in basis points**	**2014**	**2013**
NOK	100	36 556	49 447

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

Note 27 Currency risk

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

	Net currency exposure in NOK 1000	
Currency	**2014**	**2013**
EUR	**26 735**	**27 468**
- Bank Deposits	31 115	371 859
- Issued Bonds	-99 956 242	-89 786 425
- Derivatives	96 840 018	86 855 373
- Bond investments	3 111 844	2 586 660
USD	**3 383**	**1 824**
- Bank Deposits	3 645	2 583
- Issued Bonds	-35 001 278	-28 624 959
- Derivatives	35 001 015	28 580 876
- Bond investments		43 324
SEK	**-**	**-**
- Bank Deposits	**-**	**-**
- Issued Bonds	-266 906	-235 680
- Derivatives	266 906	235 680
- Bond investments	-	-
SUM	29 292	29 292

		P&L effect before tax, in NOK 1000	
Currency	**Change in Exchange Rate (per cent)**	**2014**	**2013**
EUR	+10	3 111	2 747
USD	+10	365	182
SEK	+10	-	-
CHF	+10	-	-
SUM		3 476	2 929

Note 28 Operational risk

The operational risk in SpareBank 1 Boligkreditt AS is limited due to the low complexity of operations. The Company is only engaged in lending to private individuals, the investment of liquid assets in high qulity debt instruments and the funding of these activities. In addition the majority of the operational risk is associated with the management of the mortgage loans in the individual SpareBank 1 banks which also act as servicers of the mortgage loans. This relationship between Boligkreditt and the shareholder banks is regulated in the Transfer and Service Agreement which the Company has signed with each bank individually.

The Company has a contious focus on the evolution of the Company's own structure, systems and processes. Many of the daily operational tasks have been outsourced to SpareBank 1 SR-Bank ASA, which by the nature of being a larger and more complex financial institution than the Company have many overlaps between its operational activities and those activities outsourced to it from the Company. In addition there is a close working relationship between SpareBank 1 Boligkreditt AS and several of its larger shareholder banks.
In connection with changes in the operations of the Company, a specialist banking vehicle such as SpareBank 1 Boligkreditt AS is faced with the fact that the for example the expansion of operations, introduction of new products or replacement of IT systems will represent such a large and significant change that it will nearly always be necessary with heightened scrutiny risk assessment and analysis. The Company has established a practice whereby annually all areas of risk or identified as carrying risk are evaluated. The Company's management of operational risk is considered to be satiisfactory.

Based on the aspects discussed above, Management is of the opinion that the utilisation of the standard approach to measuring operational risks provides for more than adequate equity coverage for the actual operational risks that the business carries. The Company therefore employs the standard appraoch with the capital adequacy framework (Basel II, Pilar 1) as the effective method for calculation the necessary amount of capital to cover operational risks. This method uses a level of statistical confidence of 99.9 per cent. The capital requirements as calculated on 31.12.2014 is approximately NOK 35.7 million (refer also to the note on capital adequacy) and is seen as adequate.

Note 29 Asset coverage test

The asset coverage is calculated according to the Financial Services Act § 2-31 (Covered Bond Legislation). There is a discrepancy between the asset coverage test and the amounts in the balance sheet because for the purposes of the test mortgage loans which may have migrated above the 75 per cent 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 per cent 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 occurrences of any defaults starting with the commencement of operations through 31.12.2014). 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	**2014**	**2013**
Covered Bonds	182 989 799	171 499 524
Repurchased Bonds	-1 843 388	-1 859 098
Derivatives	-29 035 167	-12 005 425
Total Covered Bonds	152 111 244	157 635 002
Lending to customers	160 919 570	167 354 070
Treasury Bills	487 554	498 480
Substitute collateral	8 792 087	6 901 444
Total Cover Pool	170 199 210	174 753 993
Asset-coverage	111.9 %	110.9 %

Pool 2

NOK 1 000	**2014**	**2013**
Covered Bonds	-	8 556 515
Repurchased Bonds	-	-998 894
Derivatives	-	-3 043
Total Covered Bonds	-	7 554 578
Lending to customers	-	7 273 742
Treasury Bills	-	246 487
Substitute collateral	-	320 762
Total Cover Pool	-	7 840 991
Asset-coverage	0.0 %	103.8 %

Note 30 Capital adequacy

The primary goal for the Company's management of capital reserves is to ensure compliance with laws and regulatory requirements and maintain solid financial ratios and a high quality credit assessment in order to best support its business. The Board of Directors have approved a target for the Company's risk weighted equity coverage of assets of 10 per cent.

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

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

The European Union has approved new regulatory requirements, CRD IV. The new regulations places more robust requirements on capital adequacy, capital structure, liquidity buffers and funding. CRD IV is gradually introduced in Norway up until the end of 2016. The requirement of 13.5 per cent total capital from July 1, 2014 includes a 10 per cent Core Tier 1 capital and 3.5 per cent other capital.

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

New CRD IV calculation

Capital, NOK 1 000	**2014**	**2013**
Share capital	5 510 548	5 310 548
Premium share fund	2 757 922	2 657 922
Other equity capital	205 928	320 555
Total equity capital entered into the balance sheet	8 474 398	8 289 025
Intangible assets	-2 904	-3 002
Declared share dividend	-203 890	-302 105
Hybrid bond	350 000	-
50% of IRB expected loss deduction (pre CRD IV calculation)		-182 832
100% deduction of expected losses exceeding loss provisions IRB	-272 755	
Prudent valuation adjustment (AVA)	-50 940	
Core capital (Tier 1)	8 293 909	7 801 086
Supplementary capital	1 600 000	-
50% of IRB expected loss deduction (pre CRD IV calculation)		-
Total capital	**9 893 909**	**7 801 086**

Minimum requirements for capital, NOK 1 000		2014	2 013
Credit risk	36 176 462	2 894 117	1 846 418
Market risk		-	-
Operational risk	446 409	35 713	27 797
Depreciation on groups of loans		-	-
CVA Risk	1 855 000	148 400	
Difference in capital requirement resulting from transitional floor		2 538 910	4 299 650
Minimum requirement for capital		**5 617 140**	**6 173 865**

Capital Coverage

	2014	2013
Risk-weighted assets, incl. transitional floor	70 214 246	77 173 313
Capital coverage (%)	14.09 %	10.11 %
Tier 1 capital coverage (%)	11.81 %	10.11 %
Core Tier 1 capital coverage (%)	11.31 %	10.11 %

Note 31 Related parties

The Company has 161 205 MNOK loans to customers. These are loans acquired from shareholder banks at market values (i.e. nominal value).

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

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

SpareBank 1 Næringskreditt AS
All employees within SpareBank 1 Boligkreditt AS are also to various degrees working for SpareBank 1 Næringskreditt AS. In accordance with a Board decision in SpareBank 1 Næringskreditt dated 17.09.09 one third of the administrative expenses in SpareBank 1 Boligkreditt AS are to be charged to SpareBank 1 Næringskreditt AS. This division of administrative expenses between the two companies reflect the actual resources utilisation in SpareBank 1 Boligkreditt AS.

Note 32 Contingencies

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

Note 33 Collateral received

SpareBank 1 Boligkreditt has signed ISDA-agreements including CSAs (Credit Support Annexes) with a number of financial institutions that are counterparties in interest rate and currency swaps. These institutions post collateral in the form of cash deposits to SpareBank 1 Boligkreditt. At the year-end 31.12.2014 this collateral amounted to NOK 27 181 million. This amount is included in the balance sheet, but represents restricted cash.

Note 34 Events after the balance sheet date

The dividend is proposed to be NOK 203.9 million (NOK 3.70 per share).

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