Næringskreditt

Annual Report 2015

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	4 kv. 2015	3 kv. 2015	2 kv. 2015	1 kv. 2015
Number of mortages	440	484	484	504
Average balance per mortage (NOK mill)	32.8	31.4	31.7	30.4
Number of borrowers	322	353	356	365
Average weighted LTV	47,2 %	45,2 %	46,0 %	47,0 %
Cover Pool overcollaterlisation	133,8 %	130,3 %	129,9 %	128,0 %

Nature of the Company's business

SSpareBank 1 Næringskreditt AS is a credit institution licensed by the Norwegian Financial Services Authority (Finanstilsynet) and which is managed in accordance with the Norwegian covered bond legislation (Finaniseringsvirksomhetsloven chapter 2, part IV) and associated regulations.

The purpose of the Company is to provide funding for the owners by buying commercial mortgages with a loan to value of up to 60 per cent and to finance these primarily through the issuance of covered bonds. The Company which is based in Stavanger, is owned by banks which are members of the SpareBank 1 Alliance. An agreement has been signed with each owner bank regarding the acquisition of commercial mortgages and the services which the banks are obligated to perform for the Company and the Company's customers.

Key events in the fourth quarter and in 2015

IIn august 2015 the board of directors in BN Bank ASA made public their decision to close the business division lending to commercial property and refocus the bank to focus on individual or retail customers only. SpareBank 1 Næringskreditt has acquired the largest share of its commercial mortgages from BN Bank, approximately 12 billion kroner. The reduction of BN Bank's portfolio of commercial lending will taken place in a controlled manner over time. Næringskreditt therefore expects that its share of lending acquired from BN Bank will reduce over time. Even though the Company has full ownership of all acquired mortgages, all customer service activities have been outsourced to BN Bank for the lending acquired from that bank. The Company thus has no resources nor will it implement any plan for continuing the lending relationships with former BN Bank customers.

Gross lending developed negatively over 2015 with a reduction of 1.7 billion kroner (10.6 per cent) to 14.4 billion kroner. Most of the reduction took place with the BN Bank part of the Company's portfolio. As of December 31, 2015 SpareBank 1 SMN, SpareBank 1 SR Bank, Sparebanken Hedmark, BN Bank and SpareBank 1 Nordvest have transferred mortgage loans to the Company. The moderate development in lending volume is due to the moderate to negative growth in the commercial lending volumes of the banks. This again is due to a relative low return on lending for commercial property purposes, the key reason for the decision of the BN Bank board of directors described above.

The Company did not issue any new covered bonds during 2015. SpareBank 1 Næringskreditt's first regular (other than the bonds previously used in the Norwegian government swap scheme) bond matured in June 2015.

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 Næringskreditt's operations and financial position at the end of the year.

The total balance sheet amounts to 15.8 (18.2) billion kroner at the end of 2015. The Company had net interest income in 2015 of 142 (173) million kroner, including deducted commissions for the banks which have sold mortgages to the Company. The cost of operations were 11.9 (12.5) million kroner including depreciation. The Company made no further provisions for loan losses during 2015. Group loan loss provisions from previous years amount to 6.4 million kroner. No realized losses have occurred. This results in a result before taxes of 121,7 (161,3) million kroner for 2015. The operating income is relatively high because the Company retains a part of the commissions otherwise payable to BN Bank. Because BN Bank is not a shareholder in the Company, the retained amounts are paid out as dividends to those banks who provide the equity capital on behalf of BN Bank.

Gross lending to customers was 14.4 (16.1) billion kroner at the end of 2015. The cash and equivalents as of year-end was 600 (1.35) billion kroner. During 2015 the level of equity has been stable and is as of December 31. 2015 including the net income for the year 1.916 billion kroner (whereof 90 million kroner have been reserved for the annual dividend). Core Tier 1 equity in the Company was 13,36 per cent as of year-end whereof 12.20 per cent is core equity. The total capitalization of the Company was 15.68 per cent., which is calculated according to new rules (CRD IV). This is more than the regulatory requirement (including the requirement for buffer capital) which is 11 per cent. core equity and 14.5 per cent. total capital since July 1, 2015. The board of Directors view the solidity of the Company as good.

Risk Assessment

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

Credit risk is defined as the risk that losses can occur as a consequence of that customers and others do not have the ability or willingness to meet their obligations to SpareBank 1 Næringskreditt. The Company's mortgage portfolio of loans with up to 60 per cent LTV results in that the Board of Directors assesses the credit risk to be moderate to low.

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 the Company had bonds outstanding for approximately 11.6 billion NOK, 2,0 billion NOK issued in SEK and approx..1 billion NOK issued in EUR. 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 had as of 31.12.2015 only moderate interest rate risk and immaterial amounts of currency risk.

Liquidity risk is defined as the risk that the Company is not able to meet its obligations at maturity or to be able to finance the purchase of loans at normal terms and conditions. Liquidity risk is managed based upon a liquidity strategy approved by the Board. The Company shall maintain a material liquidity reserve with a minimum size of covering all maturities within 6 months and 50 per cent of all maturities between 6 and 12 months. Additionally the

Company shall at any point in time be able to meet its interest payments, including derivatives, which come due in the next three months under a scenario where no interest payments are received from the loan portfolio. SpareBank 1 Næringskreditt 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.

It is important to the Company to identify measure and manage central areas of risk in such as way so that the Company can meet its strategic goals. A reference is made to the notes 22 and 23 in the annual report for 2014 for further information.

Employees and the working environment

The Company has the same management as SpareBank 1 Boligkreditt, which had eight employees as of 31.12.2015. The Company employs six males and two females. SpareBank 1 Boligkreditt AS has a Transfer and Servicing Agreement with each shareholder bank which is handling the customer contact and servicing the mortgage portfolio on behalf of the Company. In addition, the Company purchases a significant amount of its support functions from SpareBank 1 SR-Bank ASA, e.g. accounting, HR and IT functions as well as finance related back-office functions.

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

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

Shareholders and Corporate Governance

It follows from the statutes § 2 that "shares in the Company may only be owned by banks which have an agreement with the Company to service its loan portfolio". Such an agreement is entered into for the Company by the Board of Directors or the general assembly. Neither the Company, nor any of its employees own any shares in the Company. In a shareholders agreement to which the Company and all shareholders are parties it is regulated that the shares are divided into A-shares, held by banks which transfer their originated loans to the Company, and B-shares, which are held by banks owned jointly by other (SpareBank 1 Alliance) banks. Shareholders are obligated to vote in favour of any additional capital issuances targeted at additional SpareBank 1 banks which have or want to sell and transfer additional loans to the Company. By equity rights increases, shareholders are obligated to subscribe to additional shares according to their existing pro rata ownership shares in the Company.

According to the shareholders' agreement shareholders are obligated to maintain the Company's core tier 1 capital ratio at a minimum 9%. This can be achieved by a change or reduction in the Company's balance sheet, though if required banks in the SpareBank 1 Alliance have committed themselves to pay in additional equity capital within three months. The commitment is initially calculated pro rata based on each bank's shareholding in the Company, but in the second instance it is a joint and several commitment which is limited upwards to twice each bank's initial commitment.

The Company is not a party to any agreements which become effective, are changed or voided as a consequence of a merger or acquisition.

The Company publishes its Corporate Governance policies in a document available on the Company's website www.sparebank1.no/naeringskreditt. 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.

Social Responsibility

SpareBank 1 Næringskreditt 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

The loans outstanding has a good geographical diversification and also reflects that Oslo is the largest market for office buildings. The average loan to value in the Company's portfolio is 47 per cent. This is well below the maximum legislative requirement of 60 per cent. There are no losses and no loans in arrears. Despite the fact that BN Bank Selv om BN Bank har vedtatt en nedbygging av sin utlånsvirksomhet innenfor næringseiendom vil Foretaket fortsatt være et finansieringsverktøy for øvrige SpareBank 1 banker.

The unemployment rate of 4.6 per cent. (an increase from the level of 3.7 per cent. in November 2014) is still at a low level in an international context. Even if the unemployment has increased it may continue to do so also in 2016. There is a fair amount of uncertainty about this at the start of 2016. Despite this the Company does not see a sufficient reason for that the mortgages in the cover pool which have a low loan to value and are subject to strict selection criteria have a material adverse development due to the increase in unemployment. A very small share of lending is in regions with a particular high degree of oil related activity. The future prospects of the Company are otherwise reflective of the decision to close the commercial mortgages department in BN Bank, which has transferred approx. 80 per cent. of the Company's mortgage assets, as well as low growth in lending for commercial buildings in other SpareBank 1 banks.

Macroeconomic development[1]:

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

Economic outlook:

A low exchange rate continues to provide positive impulses and growth possibilities for Norwegian exports in 2016, but will also be impacted by economic growth internationally, which, even if expected better in the Eurozone, re-

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

mains moderate. A significant increase in public demand and a return to growth in the mainland industries are the important contributors to activity growth in the time ahead. The government budget will remain in an expansive mode for a few years, but more so in 2016 than in the following years when the oil price is again expected to increase. Despite the low interest rates, the change in real estate prices nationally is forecasted to be only 1.5 per cent in 2016 because the unemployment rate is expected to increase some from the level as of the end of 2015, before it returns to 4.6 per cent at the end of 2016 (source: SSB).

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

The Board of Directors affirms that the financial accounts present a correct and complete picture of the Company's operations and financial position for 2015. The financial accounts including notes thereto are produced under the assumption of a going concern. 105,1 million kroner of the annual net income will be distributed as a dividend to the shareholders. This corresponds to 1.84 kroner per share.

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

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

Kjell Fordal
Chairman of the Board

Rolf Eigil Bygdnes

Knut Oscar Fleten

Merete Eik

Heidi C Aas Larsen

Arve Austestad
Chief Executive Officer

- Statement of the members of the board and the chief executive officer

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

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

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

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

Kjell Fordal
Chairman of the Board

Rolf Eigil Bygdnes

Knut Oscar Fleten

Merete Eik

Heidi C Aas Larsen

Arve Austestad
Chief Executive Officer

Income Statement 2015

NOK 1 000	Note	2015	2014
Total interest income	5	451 033	554 399
Total interest expenses	5	308 796	381 495
Net interest income		**142 237**	**172 904**
Net gains/losses from financial instruments	6	-8 602	853
Net other operating income		**-8 602**	**853**
Total operating income		**133 634**	**173 757**
Salaries and other ordinary personnel expenses	7, 8	3 148	5 377
Administration expenses	9	4 094	4 285
Other operating expenses	10	3 019	2 058
Depreciation and amortization	12	1 683	764
Total operating expenses		**11 944**	**12 484**
Operating result before losses		**121 690**	**161 273**
Write-downs on loans and guarantees	13	0	0
Pre-tax operating result		**121 690**	**161 273**
Taxes	11	31 365	43 543
Profit/loss for the year		**90 325**	**117 730**

Other comprehensive income 2015

NOK 1 000		**2015**	**2014**
Profit/loss for the year	15	90 325	117 730
Total income		**90 325**	**117 730**
Dispositions:			
Declared dividend	15	90 713	118 236
Other equity	15	0	-506
Total dispositions		**90 713**	**117 730**

Balance Sheet 2015

NOK 1 000	Note	2015	2014
Eiendeler			
Lending to and deposits with credit institutions	22	163 321	459 908
Norwegian Government Treasury Bills	19	49 945	183 932
Bonds	19	436 616	702 915
Lending to customers	13	14 400 461	16 111 887
Financial derivatives	18	826 366	698 574
Other intangible assets	12	2 914	3 899
Total assets		**15 879 624**	**18 161 115**
Liabilities and equity			
Liabilities			
Debt incurred by issuing securities	16	13 366 829	15 621 116
Subordinated debt	17	521 890	522 265
Financial derivatives	18	-	-
Deferred tax	11	18 640	38 489
Tax payable	11	51 214	24 966
Other Liabilities	21	5 338	10 655
Total Liabilities		**13 963 911**	**16 217 491**
Equity			
Contributed equity	14,15	1 825 000	1 825 000
Accrued equity	15	388	388
Declared dividends	15	90 325	118 236
Total equity		**1 915 713**	**1 943 624**
Total liabilities and equity		**15 879 624**	**18 161 115**

Tromsø, 01.03.2016

Kjell Fordal
Chairman of the Board

Rolf Eigil Bygdnes

Knut Oscar Fleten

Merete Eik

Heidi C Aas Larsen

Arve Austestad
Chief Executive Officer

Statement of Changes in Equity

NOK 1 000	Share capital	Premium reserve	Declared dividend	Fund for unrealised profits	Other equity	Total equity
Balance sheet as of 31 December 2010	**584 000**	**146 000**	**8 877**	**-**	**34**	**738 911**
Capital increase 05.01.2011	120 000	30 000	-	-	-	150 000
Capital increase 05.01.2011	240 000	60 000	-	-	-	300 000
Dividend paid for 2010	-	-	-8 877	-	-	-8 877
Result for the period	-	-	23 128	-	900	24 028
Balance sheet as of 31 December 2011	**944 000**	**236 000**	**23 128**	**-**	**934**	**1 204 062**
Dividend paid for 2011	-	-	-23 128	-	-	-23 128
Capital increase 20.09. 2012	100 000	25 000	-	-	-	125 000
Result for the period	-	-	21 924	-	-71	21 853
Balance sheet as of 31 December 2012	**1 044 000**	**261 000**	**21 924**	**-**	**863**	**1 327 787**
Capital Increase 27.02.2013	60 000	15 000	-	-	-	75 000
Capital Increase 25.04.2013	20 000	5 000	-	-	-	25 000
Capital Increase 28.05.2013	80 000	20 000	-	-	-	100 000
Dividend paid for 2012	-	-	-21 924	-	-	-21 924
Capital increase 15.10.2013	160 000	40 000	-	-	-	200 000
Result for the period	-	-	32 736	-	31	32 767
Balance sheet as of 31 December 2013	**1 364 000**	**341 000**	**32 736**	**-**	**894**	**1 738 630**
Capital increase 31.01.2014	16 000	4 000	-	-	-	20 000
Dividend paid for 2013 on 06.06.2014	-	-	-32 736	-	-	-32 736
Capital increase 16.09.2014	80 000	20 000	-	-	-	100 000
Result for the period	-	-	118 236	-	-506	117 730
Balance sheet as of 31 December 2014	**1 460 000**	**365 000**	**118 236**	**-**	**388**	**1 943 624**
Dividend paid for 2014 on 07.04.2015	-	-	-118 236	-	-	-118 236
Result for the period	-	-	90 713	-	-388	90 325
Balance sheet as of 31 December 2015	**1 460 000**	**365 000**	**90 713**	**-**	**-0**	**1 915 713**

Cash Flow Statement

NOK 1 000	**2015**	**2014**
Cash flows from operations		
Interest received	483 063	548 122
Payments for operations	-12 957	-10 522
Paid tax	-24 966	-
Net cash flow relating to operations	**445 140**	**537 600**
Cash flows from investments		
Net purchase of loan portfolio	1 674 664	-874 089
Net payments on the acquisition of government bills	133 453	-146 651
Net payments on the acquisition of bonds	262 724	-702 044
Net investments in intangible assets	-698	-4 508
Net cash flows relating to investments	**2 070 144**	**-1 727 292**
Cash flows from funding activities		
Net receipt/payment from the issuance of certificates	-	-
Net receipt/payment from the issuance of bonds	-2 387 264	1 842 869
Net receipt/payment from the issuance of subordinated debt	-	-
Net receipt/payment from the issuance of loans to credit institutions		-244 393
Equity capital subscription	-	120 000
Paid dividend	-118 236	-32 736
Net interest payments on funding activity	-308 480	-394 028
Net cash flow relating to funding activities	**-2 813 980**	**1 291 712**
Net cash flow in the period	**-298 696**	**102 020**
Balance of cash and cash equivalents beginning of period	**459 908**	**357 888**
Net receipt/payments on cash	-298 696	102 020
Exchange rate difference		
Balance of cash and cash equivalents end of period	**161 212**	**459 908**

Quarterly income statement and balance sheets

Quarterly statements are not audited but included as additional information

Resultatregnskap

NOK 1 000	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015	4th Quarter 2014	3rd Quarter 2014	2nd Quarter 2014	1st Quarter 2014	4th Quarter 2013
Total interest income	103 875	114 201	113 272	119 684	139 594	139 934	141 903	132 968	104 450
Total interest expenses	74 018	76 574	78 178	80 027	93 903	94 527	105 413	87 651	81 945
Net interest income	**29 857**	**37 627**	**35 094**	**39 657**	**45 691**	**45 407**	**36 490**	**45 317**	**22 505**
Net gains/losses from financial instruments	3 681	-3 771	-5 396	-3 116	-1 262	298	2 556	-739	580
Total operating income	**33 538**	**33 857**	**29 698**	**36 541**	**44 429**	**45 705**	**39 046**	**44 578**	**19 925**
Salaries and other ordinary personnel expenses	(570)	1 354	916	1 447	1 187	1 722	1 009	1 459	897
Administration expenses	807	1 015	933	1 339	1 109	717	1 033	1 426	614
Other operating expenses	640	753	1 141	485	509	537	447	565	454
Depreciation and amorti-	433	433	426	392	358	258	74	74	202
Total operating expenses	**1 310**	**3 555**	**3 416**	**3 663**	**3 163**	**3 234**	**2 564**	**3 524**	**2 167**
Operating result before losses	**32 228**	**30 302**	**26 282**	**32 878**	**41 266**	**42 471**	**36 482**	**41 054**	**17 758**
Write-downs on loans and guarantees	-	-	-				-	-	-
Pre-tax operating result	**32 228**	**30 302**	**26 282**	**32 878**	**41 266**	**42 471**	**36 482**	**41 054**	**17 758**
Taxes	7 210	10 683	4 595	8 877	11 142	11 467	9 850	11 085	4 233
Profit/loss for the year	**25 017**	**19 619**	**21 687**	**24 001**	**30 125**	**31 004**	**26 632**	**29 969**	**13 525**

Balanse

NOK 1 000	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015	4th Quarter 2014	3rd Quarter 2014	2nd Quarter 2014	1st Quarter 2014	4th Quarter 2013
Assets									
Lending to and deposits with credit institutions	163 321	413 771	19 180	539 178	459 908	923 151	163 526	547 428	357 888
Norwegian Government	49 945	249 675	-	64 597	183 932	99 450	-	131 617	36 774
Bonds	436 616	289 735	1 143 933	1 283 976	702 915	777 653	146 986	610 642	-
Lending to customers	14 400 461	15 283 534	15 423 368	15 410 282	16 111 887	15 774 540	15 760 696	15 773 020	15 238 915
Financial derivatives	826 366	814 096	609 682	695 147	698 574	285 939	202 038	199 682	135 983
Other intangible assets	2 914	3 346	3 779	3 851	3 899	3 606	1 507	82	156
Total assets	**15 879 624**	**17 054 158**	**17 199 941**	**17 997 031**	**18 161 115**	**17 864 339**	**16 274 753**	**17 262 471**	**15 769 716**

Liabilities									
Debt incurred by issuing securities	13 366 829	14 569 880	14 745 711	15 281 395	15 621 116	15 079 913	13 667 387	14 667 775	13 218 990
Debt to credit institutions	-	-	-	139 332					
Subordinated debt	521 890	521 956	522 169	521 960	522 265	522 309	522 316	522 172	522 287
Financial derivatives	-	-	-	- -		71 807	24 752	9 453	16 048
Deferred tax	18 640	38 489	38 489	38 489	38 489	19 912	19 912	19 912	19 912
Tax payable	51 214	24 155	13 473	33 843	24 966	32 402	20 935	11 085	-
Other Liabilities	5 338	8 982	9 023	14 387	10 655	224 497	236 955	243 475	253 850
Total Liabilities	**13 963 911**	**15 163 462**	**15 328 865**	**16 029 406**	**16 217 491**	**15 950 840**	**14 492 257**	**15 473 872**	**14 031 086**
Equity									
Contributed equity	1 825 000	1 825 000	1 825 000	1 825 000	1 825 000	1 725 000	1 725 000	1 705 000	1 705 000
Other contributed equity (not yet registered)	-	-	-	-	-	100 000	-	20 000	-
Accrued equity	-	388	388	364	388	894	894	894	894
Declared dividends	90 713	-	-	118 260	118 236	-	-	32 736	32 736
Net profit		65 307	45 688	24 001	-	87 605	56 602	29 969	-
Total equity	**1 915 713**	**1 890 695**	**1 871 076**	**1 967 625**	**1 943 624**	**1 913 499**	**1 782 496**	**1 788 599**	**1 738 630**
Total liabilities and equity	**15 879 624**	**17 054 158**	**17 199 941**	**17 997 031**	**18 161 115**	**17 864 339**	**16 274 753**	**17 262 471**	**15 769 716**

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of SpareBank 1 Næringskreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

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

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

Auditor's Responsibility

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

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

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

Opinion

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

Deloitte.

Report on Other Legal and Regulatory Requirements

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

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

Opinion on Registration and Documentation

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

Stavanger, 1 March 2016
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

Notes to the financial accounts 2015

Note 1 General information

SSpareBank 1 Næringskreditt 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 commercial mortgages from its ownership banks organised in the SpareBank 1 Alliance and finance these by issuing covered bonds.

SpareBank1 Næringskreditt 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 2015 is approved by the Board of Directors on March 1, 2016.

Note 2 Summary of Significant Accounting Policies

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

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

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

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

- substantial financial difficulties for the Issuer or with the borrower
- default on the contract, such as missing instalments or interest payments
- the Company grants the borrower particular terms on the basis of financial or legal circumstances related to the

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

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

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

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

According to the Servicing and Transfer agreement between the SpareBank 1 banks and the Company, SpareBank 1 Næringskreditt 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.

Realized losses
When there is a high 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 re-

lationship has been established. Because the hedging relationship is intended to remain in place throughout the life of the hedged instrument, only those changes which the interest rate and currency swap agreements are intended to hedge have an influence on the valuation of the hedging instrument.

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

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

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

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

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

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

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

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

The business tax rate is for 2016 reduced from 27 % to 25 %. Temporary differences between financial and tax accounting are therefore revalued at 25%. This revaluation change is accounted for in income for the period (year).

Deferred tax assets is only inlcuded to the extent that there is an expectation that future results will make a realization of these assets feasible. Historical earnings and expected future margins will be applied to estimate the probability for the benefit of deferred tax assets in the future.

Pensions
SpareBank 1 Næringskreditt AS has no employees. The pension obligations are maintained in SpareBank 1 Boligkreditt AS through participation in SpareBank 1 SR-Bank ASA's pension scheme.

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-determined 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.

Debt to suppliers 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 Næringskreditt.

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

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

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

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

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. 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 recognized 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 irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9

requires that the amount of change in the fair value of the financial liability that is attributable to changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit and loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the type of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The mandatory effective date of IFRS 9 is 1 January, 2018. IFRS 9 has not yet been endorsed for application in the European Union. It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

Note 3 Risk Management

SpareBank 1 Næringskreditt AS is an institution which acquires commercial 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 ratings Moody's, 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 Næringskreditt 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 Næringskreditt AS is focused on maintaining a strong and alert organisational culture characterised by high awareness about risk management. SpareBank 1 Næringskreditt 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 Executive 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. Strategic 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 managere is tasked with developing the framework for risk managament including risk models and risk management systems. The poistion is further responsible for the independent evaluation and reporting of risk exposure in addition to maintaing all relevant laws and regulations.

- The balance sheet committee is an advisory council for the operational management of the Company's balance sheet within the framework determined by the Board of Directors. The committee is a an important component of Næringskreditt'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 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.

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 Næringskreditt AS records tax obligations in tax- and other legal disputes based upon whether future income tax obligations are expected to materialise. If the final outcome of a particular case deviate from the original accrued amount for tax, the difference will affect the profit and loss account for tax expense. The recognised amounts for deferred taxation in the period where the difference is established will also be affected.

Note 5 Net Interest Income

NOK 1 000	2015	2014
Interest income		
Interest income and similar income from loans to and balances with credit institutions	20 893	26 542
Interest income and similar income from loans to and balances with customers	495 878	622 716
Commission expense (payable to shareholder banks) *	-65 738	-94 859
Total interest income	**451 033**	**554 399**

* 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.

Rentekostnader		
Interest expense and similar expenses on issued debt	285 313	356 176
Interest expense and similar expenses on subordinated debt	23 482	25 355
Other interest expense	1	-36
Total interest rate expense	**308 796**	**381 495**
Net interest income	**142 273**	**172 904**

Note 6 Net Gains from Financial Instruments

NOK 1 000	2015	2014
Net gains (losses) from financial liabilities	-62 967	-410 436
Net gains (losses) from financial assets	-8 551	-580
Net gains (losses) from financial derivatives, hedging, at fair value	62 916	411 868
Netto gains (losses)	**-8 602**	**852**

Note 7 Salaries and Remuneration

NOK 1 000	2015	2014
Employees compensation*	2 531	4 770
Other personnel expenses	618	607
Total salary expenses	**3 148**	**5 377**

* 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 2015

NOK 1 000	Total compensation	Bonus	Other compensation	Pension cost	Accrued Pensions	Employee mortgage loan
Management						
Chief Executive Office - Arve Austestad	2 089	-	168	706	4 637	4 163
Director, Head of Finance & Risk - Henning Nilsen	1 347	-	35	208	1 043	1 383
Chief Operating Officer - Eivind Hegelstad	1 314	-	35	-	-	4 425
Total for Management	**4 750**	**0**	**238**	**789**	**6 361**	**9 971**

Paid in 2014

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

All employees are able to borrow from SpareBank 1 SR-Bank. Terms and conditions include an interest rate one percentage point below a rate determined by the Ministry of Finance ('Normrenten').

The Board of Directors	2 015	2 014
Kjell Fordal	100	97
Knut Oscar Fleten	79	76
Rolf Eigil Bygdnes	79	76
Merete Eik	79	76
Heidi C Aas Larsen	79	76
Trond Sørås (Observatør)	20	14
Geir-Egil Bolstad (Observatør)	17	16
Total for the Board of Directors	**450**	**431**

The Control Committee		
Ola Neråsen	10	10
Brigitte Ninauve	10	10
Ivar Listerud		10
Solveig Midtbø	5	0
Kjersti Hønstad	13	13
Total for the Control Committee	**38**	**43**

The Committee of Representatives		
Sveinung Hestnes	2	0
NIls Arne Norheim	0	2
Vegard Sæten	2	0
Hanne J. Nordgaard	2	2
Arne Henning Falkenhaug	9	9
Gudrun Michelsen	2	2
Kjersti Hønstad	2	2
Total for the Committee of Representatives	**18**	**17**

Note 9 Administration Expenses

NOK 1 000	2015	2014
Consulting services	4 067	4 179
Travel	27	106
Sum	**4 094**	**4 285**

Auditor

Auditing fees and expensed compensation for Deloitte AS and cooperating companies are allocated in the following manner:

NOK 1 000	2015	2014
Legally required audited	250	250
Other attestation services, including examination, test sampling of loan documentation, comfort letter	195	321
Total (incl VAT)	**445**	**571**

Note 10 Other Operating Expenses

NOK 1 000	2015	2014
IT operations and maintenance	2 775	1 779
Other operating expenses	244	279
Total	**3 019**	**2 058**

Note 11 Taxes

NOK 1 000	2015	2014
Tax payable	51 214	24 966
Change in deferred tax	-19 849	18 577
Tax expense	**33 380**	**43 543**

Temporary differences as of 31.12		
Unrealised gains/losses, net	74 560	142 553
Total temporary differences that affect the tax base	**74 560**	**142 553**
Tax deficit to be carried forward	-	-
Total temporary differences that affects the tax base	**-**	**-**
Tax reducing temporary differences, net	-	-
Tax increasing temporary differences, net	74 560	142 553
Net temporary differences	74 560	142 553
Net deferred tax benefit (-) / deferred tax (+)	**18 640**	**38 489**
Assets - deferred tax	-	-
Liabilities - deferred tax	18 640	38 489
Reconcilliation of tax expense		
27% of the income before tax	32 856	43 543
Chnaged in deferred tax from 27 % to 25 %	-1 491	-
Tax expense	**31 365**	**43 543**
Effective tax rate	**25.77 %**	**27.00 %**

Note 12 Intangible Assets

NOK 1 000	Computer systems and software
Acquisition cost 01.01.2014	5 120
Acquisitions	4 507
Disposals	-
Acquisition cost 31.12.2014	**9 627**
Accumulated depreciation and write-downs 01.01.2014	4 964
Periodical depreciation	764
Periodical write-down	-
Disposal ordinary depreciation	-
Accumulated depreciation and write-downs 31.12.2014	5 728
Book value as of 31.12.2014	**3 899**
Acquisition cost 01.01.2015	9 627
Acquisitions	698
Disposals	-
Acquisition cost 31.12.2015	**10 325**
Accumulated depreciation and write-downs	5 728
Periodical depreciation	1 683
Periodical write-down	-
Disposal ordinary depreciation	-
Accumulated depreciation and write-downs	7 411
Book value as of 31.12.2015	**2 914**
Financial lifespan	3 years
Depreciation schedule	lineær

Note 13 Lending to Customers

NOK 1 000	2015	2014
Amortising loans	14 328 582	16 003 246
Accrued interest	78 276	115 037
Total loans before specified and unspecified loss provisions	**14 406 857**	**16 118 283**
Specified loan loss provisions	-	-
Unspecified loan loss provisions	6 396	6 396
Total net loans and claims with customers	**14 400 461**	**16 111 887**

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	2015	2014
Loan loss provisions as of 01.01	6 396	6 396
Change in group loan loss provisions	0	0
Loan loss provisions as of 31.12	**6 396**	**6 396**

Loan portfolio concentration

The largest exposure as of 31.12.2014 was 3.1 per cent of all lending, while the 10 largest exposures were 22.4% of all lending.

Loans sorted according to geography (Norwegian counties) *

NOK 1 000		Lending 2015*	Lending 2015 i %	Lending 2014*	Lending 2014 i %
NO03	Oslo	5 324 406	37,16%	6 181 043	38,62%
NO02	Akershus	3 192 716	22,28%	3 005 495	18,78%
NO16	Sør Trøndelag	1 126 579	7,86%	1 560 409	9,75%
NO15	Møre og Romsdal	809 131	5,65%	751 094	4,69%
NO11	Rogaland	776 873	5,42%	837 999	5,24%
NO04	Hedmark	623 020	4,35%	731 837	4,57%
NO12	Hordaland	621 982	4,34%	685 968	4,29%
NO08	Telemark	554 815	3,87%	483 511	3,02%
NO06	Buskerud	397 064	2,77%	455 805	2,85%
NO17	Nord Trøndelag	308 836	2,16%	339 342	2,12%
NO01	Østfold	303 562	2,12%	591 855	3,70%
NO05	Oppland	175 589	1,23%	176 339	1,10%
NO07	Vestfold	62 337	0,44%	80 069	0,50%
NO10	Vest-Agder	44 000	0,31%	44 000	0,27%
NO20	Finnmark	6 622	0,05%	6 966	0,04%
NO18	Nordland	1 050	0,01%	9 963	0,06%
NO09	Aust Agder	-	0,00%	23 550	0,15%
NO19	Troms	-	0,00%	38 000	0,24%
SUM		**14 328 582**	**100,0 %**	**16 003 246**	**100,0 %**

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

Note 14 Share Capital and Shareholder Information

Overview of shareholders as of 31.12.2015

	No of Shares	A-Shares	B-Shares	Ownership	Share of votes
SpareBank 1 SMN	4 909 200	1 200 000	3 709 200	33,62 %	33,62 %
SpareBank 1 SR-Bank ASA	3 913 034	1 200 000	2 713 034	26,80 %	26,80 %
SpareBank 1 Nord-Norge	3 041 400	400 000	2 641 400	20,83 %	20,83 %
Sparebanken Hedmark	560 000	560 000	-	3,84 %	3,84 %
SpareBank 1 Ringerike Hadeland	455 646	-	455 646	3,12 %	3,12 %
SpareBank 1 BV	321 589	-	321 589	2,20 %	2,20 %
SpareBank 1 Østfold Akershus	277 072	-	277 072	1,90 %	1,90 %
Sparebanken Telemark	270 165	-	270 165	1,85 %	1,85 %
SpareBank 1 Hallingdal Valdres	171 156	-	171 156	1,17 %	1,17 %
SpareBank 1 Nordvest	140 200	-	140 200	0,96 %	0,96 %
Modum Sparebank	115 127	-	115 127	0,79 %	0,79 %
SpareBank 1 Nøtterøy Tønsberg	102 592	-	102 592	0,70 %	0,70 %
SpareBank 1 Søre Sunnmøre	101 568	-	101 568	0,70 %	0,70 %
SpareBank 1 Gudbrandsdal	86 473	-	86 473	0,59 %	0,59 %
Lom og Skjåk Sparebank	81 869	-	81 869	0,56 %	0,56 %
Sparebanken Vest	52 909	-	52 909	0,36 %	0,36 %
Totalt	**14 600 000**	**3 360 000**	**11 240 000**	**100 %**	**100 %**

The share capital consists of 3,200,000 A-shares and 10,440,000 B-shares each with a nominal value of NOK 100. The A-shares reflect that part of the loan portfolio which a bank has reserved for potensial transfer, under the condition/assumption that the Company wil accept the loans. The B-shares reflects that part of the loan portfolio which banks (as of today only BN-Bank ASA) that are owned by the other shareholders collectively, have reserved for the potential transfer of loans. The B-shares are allocated to the bank in question according to this bank's direct or indirect ownership stakes in these banks. The A- and B-shares have equal rights in every aspect, with the exception that a differentiation is made with regards to the basis for calculating the dividend for the two classes of shares.

Note 15 Equity

NOK 1 000

	Share capital	Premium share fund	Declared dividend	Fund for unrealised profits	Other equity capital	Total equity capital
Equity Capital as of 01.01.2015	1 460 000	365 000	118 236	-	388	1 943 624
Changes during the year						
Dividend paid 07.04.2015	-	-	-118 236	-	-	-118 236
Result of the period	-	-	90 713	-	-388	90 325
Equity 31.12.2015	**1 460 000**	**365 000**	**90 713**	**-**	**-**	**1 915 713**

Note 16 Liabilities incurred by issuing Securities

NOK 1 000	Nominal value * 2015	Nominal value * 2014
Senior unsecured Bonds	1 342 000	1 355 000
Repurchased senior unsecured bonds	-	-16 000
Covered bonds	12 348 013	13 758 330
Withdrawn from the Norwegian Central Bank Swap Facility		-
Bonds deposited in the Norwegian Central Bank Swap Facility		-
Repurchased covered bonds	-873 000	-50 000
Total liabilities incurred by issuing securities	12 817 013	15 047 330

* Nominal value is incurred debt at exchange rates at the time of issuance

NOK 1 000	Bokført verdi 2015	Bokført verdi 2014
Senior unsecured Bonds	1 342 000	1 354 882
Repurchased senior unsecured bonds	-	-15 997
Covered bonds	12 814 312	14 219 182
Withdrawn from the Norwegian Central Bank Swap Facility	-	-
Bonds deposited in the Norwegian Central Bank Swap Facility		-
Repurchased covered bonds	-899 779	-54 963
Activated costs incurred by issuing debt	-205	-500
Accrued interest	110 502	118 512
Total liabilities incurred by issuing securities	**13 366 829**	**15 621 116**

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

Senior unsecured Year	Nominal value * 2015	Nominal value * 2014
2015	-	85 000
2016	-	1 254 000
2017	1 342 000	-
Total	**1 342 000**	**1 339 000**

Covered bonds	Nominal value *	Nominal value *
Year	**2015**	**2014**
2015	-	820 000
2016	152 265	959 400
2017	468 000	600 000
2018	2 179 580	2 189 700
2019	2 986 000	3 650 000
2020	2 200 000	2 200 000,00
2021	1 142 480	980 300
2022	-	-
2023	550 000	550 000
2024	115 488	108 180
2025	200 000	200 000
2026	-	-
2027	-	-
2028	1 000 000	1 000 000
2029	481 200	450 750
Total	**11 475 013**	**13 708 330**
Grand total	**12 817 013**	**15 047 330**

* Nominal value is incurred debt at exchange rates at the time of issuance

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

NOK 1 000	2015	2014
NOK	11 164 510	12 760 938
SEK	1 203 258	1 922 201
EUR	999 061	937 977
Total	**13 366 829**	**15 621 116**

Note 17 Subordinated Debt

NOK 1 000	ISIN	Interest rate	Issued	call	Nominal	2015	2014
Non-perpetual							
Tier 2 capital	NO0010694086	3 mnd Nibor + 210	2013	2018	346 000	346 000	346 000
Perpetual							
Tier 1 capital	NO0010694078	3 mnd Nibor + 420	2013	2018	173 000	173 000	173 000
Accrued interest						2 890	3 265
Book value						521 890	522 265

Tier 2 and Additional Tier 1 capital	2015	2014
Tier 2 capital, nominal value	346 000	346 000
Additional Tier 1, nominal value	173 000	173 000
Valuation adjustments	-	-
Accrued interest	2 890	3 265
Total Tier 2 and Additional Tier 1 capital	**521 890**	**522 265**

Changes in liabilities incurred by issuing Tier 2 / Additional Tier 1	Balance 31.12.2014	Issued 2015	Matured/ repaid 2015	Fx and other 2015	Balance 31.12.2015
Tier 2 capital, nominal value	346 000	0	0	0	346 000
Additional Tier 1, nominal value	173 000	0	0	0	173 000
Valuation adjustments	-	0	0	0	0
Accrued interest	3 265	0	0	-375	2 890
Total Tier 2 and Additional Tier 1 capital	522 265	0	0	-375	521 890

Note 18 Financial Derivatives

Please also refer to Note 2, Accounting Principles: sections on "Hedge Accounting" and "Valuation of Derivatives and other Financial Instruments".

NOK 1 000	2015	2014
Interest rate contracts		
Interest rate swaps		
Nominal Amount	4 450 000	4 550 000
Asset	514 614	527 121
Liability	-	0
Currency Contracts		
Currency swap		
Nominal Amount	2 184 013	2 838 330
Asset	311 752	171 453
Liability	-	-
Total for financial derivatives		
Nominal Amount	6 634 013	7 388 330
Asset	826 366	698 574
Liability	-	0

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

Note 19 Classification of Financial Instruments

NOK 1 000	Financial instruments accounted for at fair value *	Financial assets and debt accounted for at amortised cost	Non-financial assets and liabilities	2015
Assets				
Deposits at and receivables from financial institutions		163 321		163 321
Norwegian government short term debt certificates	49 945			49 945
Bonds	436 616			436 616
Lending to customers		14 400 461		14 400 461
Financial derivatives	826 366			826 366
Other assets			2 914	2 914
Total Assets	**1 312 927**	**14 561 673**	**2 914**	**15 879 624**
Liabilities				
Debt incurred by issuing securities	7 172 257	6 194 572		13 366 829
Subordinated debt		521 890		521 890
Financial derivatives				-
Deferred taxes			18 640	18 640
Taxes payable			51 214	51 214
Other liabilities		1 987	3 351	5 338
Total Liabilities	**7 172 257**	**6 718 448**	**73 206**	**13 963 911**
Total Equity	**-**	**-**	**1 915 713**	**1 915 713**
Total Liabilities and Equity	**7 172 257**	**6 718 448**	**1 988 919**	**15 879 624**

NOK 1 000	Financial instruments accounted for at fair value *	Financial assets and debt accounted for at amortised cost	Non-financial assets and liabilities	2014
Assets				
Deposits at and receivables from financial institutions		459 908		459 908
Norwegian government short term debt certificates	183 932			183 932
Bonds	702 915			702 915
Lending to customers		16 111 887		16 111 887
Financial derivatives	698 574			698 574
Other assets			3 899	3 899
Total Assets	**1 585 421**	**16 571 795**	**3 899**	**18 161 115**
Liabilities				
Debt incurred by issuing securities	7 942 977	7 678 139		15 621 116
Subordinated debt		522 265		522 265
Financial derivatives				
Deferred taxes			38 489	38 489
Taxes payable			24 966	24 966
Other liabilities		6 718	3 937	10 655
Total Liabilities	**7 942 977**	**8 207 122**	**67 392**	**16 217 491**
Total Equity			**1 943 624**	**1 943 624**
Total Liabilities and Equity	**7 942 977**	**8 207 122**	**2 011 016**	**18 161 115**

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

Note 20 Financial Instruments at Fair Value

Methods 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 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
For issued debt the fair value is established through deployment of valuation techniques whereby the future cash flow is discounted to find the present value.

The presentation of fair value measurement is according to three levels:

• 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 considered to be active if the market prices are easily and readily available from an exchange, dealer, broker, industry group, pricing service or regulating authority and that these prices represent actual and regular market transactions on an arm's length basis. 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 numbers present the company's assets and liabilities at fair value as of 31.12.2015

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	0	486 561	0	486 561
Financial Derivatives	0	826 366	0	826 366
Total Assets	**0**	**1 312 927**	**0**	**1 312 927**
Bonds	0	6 194 572	0	6 194 572
Financial Derivatives	0	0	0	0
Total Liabilities	**0**	**6 194 572**	**0**	**6 194 572**

The following numbers present the company's assets and liabilities at fair value as of 31.12.2014

NOK 1 000

	Level 1	Level 2	Level 3	Total
Bonds and bills	183 932	702 915	-	886 847
Financial Derivatives	-	698 574	-	698 574
Total Assets	**183 932**	**1 401 489**	**-**	**1 585 421**
Bonds	-	7 942 977	-	7 942 977
Financial Derivatives	-	-	-	-
Total Liabilities	**-**	**7 942 977**	**-**	**7 942 977**

Note 21 Other Liabilities

NOK 1 000	**2015**	**2014**
Commission owed to SpareBank 1 banks	1 987	6 718
Due to SpareBank 1 Boligkreditt AS	1 028	1 042
Other liabilities incl. amounts due to Boligkreditt	2 323	2 895
Total other liabilities	**5 338**	**10 655**

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

Note 22 Credit Risk

Credit risk is defined as the risk that losses can occur as a consequence of that customers and others do not have the ability or willingness to meet their obligations to SpareBank 1 Næringskreditt as and when agreed. Credit risk mainly includes loans to customers which are collateralised by commercial property, but also includes credit risk in the derivatives contracts (counterparty credit risk) and investment in bonds within the Company's liquidity portfolio.

According to the Transfer and Services Agreement SpareBank 1 Næringskreditt 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.
The Company purchases commercial mortgage loans, secured by commercial properties, with an LTV of maximum 60 %. Næringskreditt will only puchase loans to customers that have a high servicing capacity. The purpose of the Credit Policy is to keep the risk profile of the mortgage portfolio at a very low level.

SpareBank 1 Næringskreditt AS utilizes the IT platform of the SpareBank 1 Alliance in addition to customized systems which assist in analysing and managing the acquisition of commercial mortgage loans from its shareholder banks in the SpareBank 1 Alliance. Credit risk is monitored by measuring the development of the mortgage portfolio, details regarding late payments, defaults and overdrafts. Risk reporting to the Board is conducted on a monthly basis.

Credit Exposure

NOK 1 000	**2015**	**2014**
Loans to customers	14 400 461	16 111 887
Loans to and deposits with credit institutions	161 211	459 908
Government certificates	49 945	183 932
Bonds	436 616	702 915
Financial derivatives	826 366	698 574
Total assets	**15 874 600**	**18 157 216**
Received collateral In connection derivative	-	-
Total credit exposure	**15 874 600**	**18 157 216**

Loans to and deposits with credit institutions
SpareBank 1 Næringskreditt AS only has deposits with SpareBank 1 SR-Bank ASA, SpareBank 1 SMN and BN Bank ASA.

Lending to customers
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 60% and the collateral must be valued by an independent source; valuations are updated annually for the whole loan portfolio)
- Location

The Company purchases commercial mortgage loans, secured by commercial properties, with an LTV of maximum 60 %. Næringskreditt will only purchase loans to customers that have a high servicing capacity. The purpose of the Credit Policy is to keep the risk profile of the mortgage portfolio at a low level. This implies that the loans bought by the Company are in lower risk groups. The Company utilizes the same risk classifications systems 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 probability of default.

Distribution of lending by risk group - based on probability of default

Risk group	Distribution in % 2015	Total exposure * 2015	2014
Lowest	69 %	8 702 442	8 340 557
Lowest	13 %	3 009 896	3 344 167
Medium	10 %	1 744 909	3 942 405
High	5 %	675 989	367 148
Very high	3 %	195 347	8 968
Defaulted **	0 %	-	-
Total	**100 %**	**14 328 582**	**16 003 246**

* Total exposure is before accrued interest and before group loan loss provisions

** Default is defined as missed payment by more than 90 days

Lending to and receivables from credit institutions

SpareBank 1 Næringskreditt AS only maintains deposits with financial institutions with a minimum rating of A-/A2.

Bonds and certificates

Rating		2015	2014
AAA/Aaa	Covered bonds	356 611	702 915
	Government or Gov. G'teed.	80 005	
	Norwegian Gov. Bills	49 945	183 932
Total		**486 561**	**886 847**

Fitch and Moody's ratings have been used. The lowest rating is used in case of a split rating. All the bonds are listed on an exchange.

Derivate Contracts

Derivative contracts are only entered into with counterparties with an required credit rating. If the value of the derivative exceeds the credit limits held by SpareBank 1 Næringskreditt for counterparty risk in derivative contracts the counterparty must post cash collateral. SpareBank 1 Næringskreditt 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 23 Market Risk

Liquidity Risk:
Liquidity risk is defined as the risk that the business is not able to meet its obligations at maturity. SpareBank 1 Næringskreditt AS issues covered bonds at shorter maturities than the commercial 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 Næringskreditt 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.

Næringskreditt'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

	31.12.2015	No set term	Maturity 0 to 1 month	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	161 211	161 211			0	0	0
Lending to customers	14 400 461				98 859	1 186 308	13 115 294
Derivatives	826 366				17 927	331 914	476 525
Norw. Gov. Bills	49 945						49 945
Bonds	436 616				80 005	307 877	48 734
Other	5 024	5 024					
Total Assets	15 879 624	166 235	0	0	196 791	1 826 099	13 690 498
Liabilities incurred when issuing securities	-13 366 829				-152 275	-9 359 782	-3 854 772
Other liabilities with a set term							
Derivatives							
Liabilities with no set term	-75 192	-75 192					
Subordinated debt	-521 890						-521 890
Equity	-1 915 713	-1 915 713					
Total liabilities and equity	-15 879 624	-1 990 905	0	0	-152 275	-9 359 782	-4 376 662
Net total all items	0	-1 824 670	0	0	44 517	-7 533 683	9 313 836

Interest Rate Risk:
The interest rate risk is the risk of a negative profit effect due to rate changes. In accordance with the Norwegian legislation applicable to Covered Bonds and internal guidelines, SpareBank 1 Næringskreditt hedges all interest rate risk by utilising interest rate swaps. The interest rate sensitivity shows expected effect on revenues from a one per cent (100 basis points) parallel shift in the interest rate curve. SpareBank 1 Næringskreditt's balance sheet consists mainly of loans secured by commercial real estate with a floating interest rate which can be reset with a two week notice. The Company's borrowings consist mainly of covered bonds and borrowings from related banks in addition to senior unsecured bonds and certificates. The interest rate on all of these are hedged by interest swaps and are reset every three months.

Interest rate risk - all amounts in NOK 1 000

	31.12.2015	No set term	Maturity 0 to 1 month	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	161 211	161 211			0	0	0
Lending to customers	14 400 461		310 451	14 060 010			
Norw. Gov. Bills	49 945			49 945	0		
Bonds	436 616		50 387	386 230	0	0	0
Other	5 024	5 024					
Total Assets	15 053 258	166 235	390 838	14 496 185	0	0	0
Liabilities incurred when issuing securities	-13 366 829	0	-2 246 812	-5 343 570	-481 902	-1 921 675	-3 372 870
Other liabilities with a set term	0	0					
Liabilities with no set term	-75 192	-75 192					
Subordinated debt	-521 890			-521 890			
Equity	-1 915 713	-1 915 713					
Total liabilities and equity	-15 879 624	-1 990 905	-2 246 812	-5 865 459	-481 902	-1 921 675	-3 372 870
Net interest rate risk before derivatives	-826 366	0	-1 855 974	8 630 725	-481 902	-1 921 675	-3 372 870
Derivatives	826 366	0	-380 298	-4 569 894	481 909	1 921 775	3 372 873
Net interest rate risk		0	-2 236 272	4 060 832	7	100	3
% of total assets		0 %	14 %	26 %	0 %	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 to net interest expense in NOK 1 000

Currency	Change in basis points	2015	2014
NOK	100	4 668	9 812

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 Næringskreditt AS balance consists mainly of lending to customers in Norwegian kroner and bonds issued in the Norwegian or international bond markets. In accordance with the Norwegian covered bond legislation and its internal guidelines the Company hedges all currency risk, either by the utilisation of currency swaps or by way of matching asset with liability positions so that currency net positions are eliminated. Weekly risk reports are monitored by the management team and reports to the Board of Directors have a monthly frequency. The currency risk (sensitivity) is 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.

Currency	2015	2014
		Net currency risk in NOK 1.000
SEK	-7	-
- Bank Deposits	0	-
- Issued Bonds	-1 203 258	-1 922 201
- Derivatives	1 203 252	1 922 201
- Bond investments	-	-
EUR	**11**	**3**
- Bank Deposits	0	-
- Issued Bonds	-999 061	-937 977
- Derivatives	999 072	937 980
- Bond investments		-
TOTAL	**4**	**-1**

Currency	Change in the exchange rate, per cent	2015	2014
		Net result effect before taxes in NOK 1 000	
SEK	+10	-	-
EUR	+10	-	-
TOTAL		**-**	**-**

Operational risk:

The operational risk in SpareBank 1 Næringskreditt AS is limited due to the low complexity of operations. The Company is only engaged in commercial mortgage lending, 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 Næringskreditt 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 Næringskreditt 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 Næringskreditt AS is faced with the fact that 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 satisfactory.

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%.
The capital requirement as calculated on 31.12.2015 is approximately NOK 7,5 million (refer also to the note on capital adequacy) and is seen as adequate.

Note 24 Asset Coverage Requirement

The asset coverage requirement is according to the covered bond law § 2-31

NOK 1 000	2015	2014
Covered Bonds	12 928 142	14 333 327
Repurchased Bonds	-906 962	-56 016
Derivatives	-826 366	-698 574
Total Covered Bonds	11 194 814	13 578 737
Lending to customers	14 330 120	16 057 724
Derivatives	49 945	183 932
Substitute collateral	597 284	1 162 824
Total Cover Pool	14 977 349	17 404 480
Asset-coverage	133,8 %	128,2 %

Note 25 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.

De såkalte Basel II-reglene ble innført i Norge fra 1. januar 2007. SpareBank1 Næringskreditt AS beregner kapitalbehovet etter standardmetoden.

EU har vedtatt nye regulatoriske kapitalkrav, CRD IV. De nye reglene medfører strengere krav til kapitaldekning, kapitalstruktur, likviditetsbuffere og finansieringsstruktur. CRD IV innføres gradvis i Norge frem mot utgangen av 2016. Kravet om minimum 12,5% ansvarlig kapital fra 1 juli 2013 inkluderer et krav om minimum 9% ren kjernekapital og 3,5% annen ansvarlig kapital.

Eierbankene har forpliktet seg til å støtte et minimumsnivå for selskapets kjernekapitaldekning (tier 1) på 9%, primært pro rata i henhold til eierskapsandel, subsidiært solidarisk, men begrenset oppad til det dobbelte av den enkelte banks initielle ansvar.

Capital, NOK 1 000	CRD IV 2015	Basel II 2014
Equity	1 460 000	1 460 000
Additional paid-in equity	365 000	365 000
Other equity	776	894
Declared dividend	-90 713	-118 236
Result of the period	90 325	117 730
Adjustments	-1 263	-1 585
Intangible assets	-2 914	-3 899
Total core equity	1 821 211	1 819 904
Intangible assets		
Deferred taxes	-	-
Declared share dividend		
Additional tier 1 capital	173 000	173 000
Total tier 1 capital	**1 994 211**	**1 992 904**
Supplementary Capital		
Additional tier 1 (exceeding 15% and 35 %)	-	-
Additional tier 2 capital	346 000	346 000
Total supplementary capital (tier 2)	**346 000**	**346 000**
Total capital	**2 340 211**	**2 338 904**

Minimum requirements for capital NOK 1 000	2015	2014
Credit risk	1 137 799	1 286 988
Market risk	-	-
Operational risk	13 768	7 465
CVA adjustment derivatives	43 103	45 261
Depreciation on groups of loans	-512	-512
Minimum capital requirement	**1 194 158**	**1 339 201**

Capital adequacy	2015	2014
Risk weighted assets, incl minimum floor	14 926 975	16 740 014
Capital coverage (%)	15,68 %	13,97 %
Tier 1 Capital coverage (%)	13,36 %	11,91 %
Core Toer 1 Capital coverage (%)	12,20 %	10,87 %

Note 26 Related parties

SpareBank 1 Næringskreditt AS has entered into a number of transactions with the shareholder banks, i.e. the purchase of commercial mortgage loans, deposits placed with the shareholder banks, and unsecured debt from the shareholder banks to the Company. As per the reporting date the Company has purchased loans from BN Bank ASA og SpareBank1 SR Bank ASA og SpareBank 1 SMN, SpareBank 1 Nordvest og Sparebanken Hedmark. The Company has a Transfer and Servicing agreement in place with each individual bank regulating amongst other things the servicing of mortgage loans.

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. In addition SpareBank 1 Næringskreditt AS purchases certain IT-solutions and sevices from BN Bank ASA.

SpareBank1 Næringskreditt AS hires employees (part-time) from SpareBank1 Boligkreditt 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 Boligkredit AS.

SpareBank 1 Næringskreditt AS has for the year 2015 calculated a commission payable of 65.7 million kroner and the payable amount thereof as of 31.12.2015 is 1.9 million kroner. The commission is calculated based on the difference between lending rates and borrowing rates for SpareBank 1 Næringskreditt AS with a deduction for administrative costs.

Note 27 Contingencies and events after the balance sheet date

Contingencies
SpareBank 1 Næringskreditt As is not a party to any ongoing legal proceedings.

Events after the Balance Sheet Date
No events have taken place subsequently to the date of these financial statements, December 31, 2015, which would affect these accounts in any material way.

Dividends are proposed at NOK 1.83 per A-share and NOK 7.52 per B-share for a total dividend of 90.7 millioner kroner.

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