Annual report for 2015

SR-Boligkreditt AS has an office in Stavanger and is a fully-owned subsidiary of SpareBank1 SR-Bank ASA. The enterprise is a finance company that issues covered bonds. The assets consist primarily of securitised residential mortgages.
At the end of 2015, the Company's total loans to customers amounted to NOK 9.9 billion. Debt in the form of covered bonds amounted to NOK 9.4 billion.

The market

Funding opportunities by means of issuing covered bonds have been good in 2015, although the credit spread for this type of financing has gone up over the year. Covered bonds are a major and important asset class in the Norwegian market, and foreign investors have also shown great interest in buying covered bonds issued by Norwegian enterprises. SR-Boligkreditt AS bonds have been assigned an Aaa rating by Moody's Investor Service, and the high rating ensures access to financing on satisfactory terms.

Corporate governance

SR-Boligkreditt AS's principles and policy for corporate governance are built on the Norwegian code of practice for corporate governance issued by the Norwegian Corporate Governance Board (NCGB). The Company has adapted itself to the code mentioned above, and SR-Boligkreditt AS's principles and policy are intended to ensure that corporate governance is in line with generally accepted perceptions and standards, and is in compliance with applicable laws and regulations. Furthermore, corporate governance shall ensure good cooperation among the various interests such as shareholders, lenders, customers, employees, governing bodies, management and society at large. It is the opinion of the Board of Directors that SR-Boligkreditt AS's corporate governance is satisfactory and in accordance with applicable principles and policy.

During 2015, 4 board meetings were held. The Board's focal areas have been following up operations, strategy, risk and capital governance and surveillance of markets and framework terms and conditions. The Board has prepared an annual schedule for its work, and emphasis is placed on ensuring sufficient knowledge and expertise among board members.
As a fully-owned subsidiary of SpareBank SR-Bank ASA, SR-Boligkreditt AS is exempt from having a separate audit committee. The enterprise has an independent and effective external and internal audit.

SR-Boligkreditt AS conducts an annual review of risk management and internal control. This is done continuously and any operational incidents that could cause disruptions and/or loss are recorded. The enterprise's risk strategy is adopted by the Board. Identified areas of risk and any significant control deviations concerning the company's financial reporting are followed up by means of the company's risk management and internal control system, and reported to the Board at each board meeting.

The Company's ethical guidelines include a duty to report in cases of blameworthy conditions, including breeches of internal guidelines, laws and regulations, as well as the method to be used to submit this information.
Major enterprises shall submit information on their handling of social responsibility, cf. Section 3-3c of the Norwegian Accounting Act The parent bank, SpareBank1 SR-Bank ASA submits such reports for the group, which also covers subsidiaries. Reference is made to the parent bank's annual report for further information.

SR-Boligkreditt AS's activities are supervised by the Financial Supervisory Authority of Norway. The Board and administration endeavour to maintain an open and constructive dialogue with the Financial Supervisory Authority of Norway.

Review of the annual accounts

Profit and loss account

SR-Boligkreditt AS reports in accordance with the IFRS. The Company's operating result before depreciation and tax amounted to NOK 39.8 million for the 2015 accounting year. The result after depreciation and tax was NOK 28.7 million. The Company's interest income and similar income in 2015 amounted to NOK 124.7 million. Net interest income and similar financial investments amounted to NOK 50.3 in 2015. Net income from financial investments in 2015 amounted to NOK 1.7 million, which for the most part is due to value regulation of swaps related to deferral hedge accounting of financial liabilities.

In relation to average management capital, net interest and credit provision income amounted to 1.4 per cent in 2015.

Interest costs and similar expenses amounted to NOK 74.4 million in 2015, which amounted to 0.85 per cent of average assets.

The Company's operating costs in 2015 amounted to NOK 8.9 million. The Company purchases a number of services from SpareBank1 SR-Bank ASA. Purchase of services is formalised by means of various agreements and the Company is thereby ensured competencies in central professional areas, while also maintaining cost-efficient operations. Additionally, the Company purchases loans from SpareBank1 SR-Bank ASA. Commissions for purchase of loans and services are based on ordinary business principles and amounted to NOK 4.4 million in 2015.

For the financial year 2015, group loan write-downs amounted to NOK 0.5 million. There are no individual write-downs on loans in 2015. The Company had no realised losses in 2015.

Tax expense for 2015 is estimated at NOK 10.6 million, which represents 26.7 per cent of the profit before tax. Net profit after tax for the year 2015 was NOK 28.7 million, which corresponds to a weighted return on equity of 6.7 per cent after tax.

The Board considers the result as satisfactory. Pursuant to Section 3-3a of the Norwegian Accounting Act, the Board confirms that the accounts have been prepared on a going concern basis.

Balance sheet and capital adequacy

The total assets of SR-Boligkreditt AS at the end of the financial year amounted to NOK 10.8 billion. Net lending to customers was NOK 9.9 billion. Liabilities in the form of covered bonds amounted to NOK 9.4 billion. The Company's outstanding debt securities amounted to NOK 9.4 billion.

SR-Boligkreditt AS has authorisation from the Financial Supervisory Authority of Norway to make use of the IRB approach to calculate the Company's capital. This authorisation does not currently have an effect on SR-Boligkreditt AS's capital coverage since the authorities have also decided to continue the so-called Basel 1 floor. The risk weight on residential mortgages will therefore continue at 40 per cent, and IRB approval thus continues to be given a higher weighting than if the Company did not make use of the IRB approach, since weighting according to the standard approach is 35 per cent. Use of the IRB approach provides, in the Board's opinion, better risk and capital management in the Company.

The capital adequacy ratio of SR Boligkreditt AS based on the transitional arrangements for enterprises with IRB approval, was at year end 31.2 per cent. Capital adequacy consists of common equity. All capital is provided by the parent bank.

The cash flow from operating activities was NOK 105 million, while the operating result before tax was NOK 39 million. The difference of NOK 66 million is primarily related to interest expenses on financing activities. Cash flow from operating activities amount to about 1 per cent of the investments. Net cash flow in 2015 was positive at NOK 0.7 billion.

There have been no significant subsequent events that affect the financial statements for 2015.

Risk factors

Laws and regulations for companies with a licence to issue covered bonds suggest that the level of risk is low. The Board emphasises that different types of risk are identified and measured. The Company has established guidelines and frameworks for the management and control of various risk areas. This will ensure that the company enjoys confidence in the market. It is the Board's opinion that the overall risk exposure in the Company is low.

Credit risk

Credit risk is defined as the risk of a loan customer or counterparty failing to fulfil its obligations to SR-Boligkreditt AS. In the professional credit framework for the Company, requirements are established for loans that may be incorporated in the Company's loan portfolio. There have been no significant changes in the Company's credit risk profile throughout the fiscal year.

The assets of SR-Boligkreditt AS consist mainly of loans with mortgages of 75 per cent of appraised value. The Board considers that the quality of the loan portfolio as excellent, an assessment which is reinforced by the Company's low losses. The Board expects that losses on loans and guarantees will be kept at a correspondingly low level in future.

The fall in housing prices will reduce the net value of the Company's cover pool. Regular evaluations are conducted to calculate the effect of a negative trend in housing prices. The Board is comfortable with the outcome of the stress tests.

Market risk

Market risk is defined as the risk of financial loss due to changes in observable market variables such as interest rates, exchange rates and prices of financial instruments.

SR-Boligkreditt AS has low market risk, and limits are established for maximum exposure to fluctuations in the interest and currency market.

To the extent that the Company borrows at fixed rates, and/or that the bonds are issued in foreign currency, interest rate and currency risks are eliminated by entering into swap agreements when the bonds are issued, and then for the entire term of the loans. Such swaps are entered into with counter-parties of good quality and based on agreements that are favourable to the Company. These agreements have been approved by the rating agency used by the Company and contribute to the Company's excellent covered bonds rating.

Swaps are entered into as an element in connection with the hedging of interest rates and currency fluctuation risks by borrowing in foreign currency. Changes in value are recognised currently, but over the borrowers' term, the result effect will be zero. Any accounting effects will thus be reversed over time.

The Board considers both interest and currency risks, and the overall market risk of the Company to be low.

Liquidity risk

Liquidity risk is risk that the Company will be unable to refinance at maturity, or is unable to finance its assets at market terms.

All bonds are issued by SR-Boligkreditt AS based on agreements in which the Company has a unilateral right to extend the maturity of bonds by up to twelve months. This right may be used if the Company encounters difficulties refinancing by ordinary due date.

The Company has an agreement with the parent bank in which the bank is obliged to provide emergency liquidity support if necessary to ensure that outstanding bonds and associated derivatives shall receive timely settlement by the ordinary due date.

The Board considers the Company's liquidity risk as low.

Operational risk Operational risk is the risk of loss due to errors and irregularities in the handling of transactions, lack of internal control or irregularities in the systems that the Company uses.

Identification of operational risk is done through assessments and management confirmations that are part of the internal control in the Company. A management agreement has been signed with SpareBank1 SR-Bank ASA that comprises administration, bank production, IT operations, finance and risk management. According to the agreement, the bank must compensate the Company's expenses arising from any errors in the deliveries and services that the bank should provide. The operational risk is assessed continually. The Company uses E&T as internal auditor, and any discrepancies are reported to the Board. The Board considers the Company's operational risk to be low, including risks related to the financial reporting process.

Employees and the working environment

The CEO is formally employed by the parent bank and leased to SR-Boligkreditt AS as general manager. Other resources for operation of the company are supplied by various departments in SpareBank1 SR-Bank ASA based on agreements between the Company and the parent bank. No serious workplace accidents have occurred or been reported over the year. The working environment in the Company is considered good, and the Company activities do not pollute the environment.

The Board of Directors consists of four people, of which one is a woman. Three of the Board members are employed in leading positions in SpareBank1 SR-Bank ASA. The other Board member is independent of the SpareBank1 SR-Bank ASA group. There have been no changes in Board membership during 2015.

Changes in the regulatory framework

Norwegian authorities have previously made a plan for the escalation of the minimum requirement for core capital for Norwegian financial institutions during the period from 1 July 2013 to 1 July 2016. Taking into account the buffer requirements, after 1 July 2015, SR-Boligkreditt AS shall have a capital adequacy ratio of at least 14.5 per cent; of which common equity shall then constitute at least 11 per cent of the basis of calculation excluding Pillar 2 additional capital. As of 1 July 2016, the Company shall have common equity of at least 11.5 per cent and a capital adequacy ratio of at least 15 per cent. The Company meets all capital requirements at the end of 2015, and will make the necessary adjustments on the capital and operating side to ensure future compliance with capital requirements.

In November 2015, the Ministry of Finance set rules for quantitative requirements related to the Liquidity Coverage Ratio (LCR). The LCR requirements mean that as of 31 December 2015, Norwegian banks shall maintain a liquidity reserve amounting to at least 70 per cent of the company's liquidity outputs within the next 30 days. Norwegian mortgage companies should meet this requirement from 30 June 2016.

Economic development and future prospects

Oil prices fell sharply in the last half of 2014, and the decline continued in 2015 from USD 55 a barrel to USD 33 a barrel by year-end. The fall in oil prices has resulted in increased uncertainty, particularly in the petroleum sector. Oil investments decreased by 12 per cent in 2015 compared with the previous year. In 2016, a further reduction is expected in investments in the petroleum sector of about 12-14 per cent compared to 2015. Both oil companies and the supplier industry are trying to rationalise operations and reduce costs. The risk of lower growth in the Norwegian economy has consequently increased. Clear signs of lower activity can now be seen in the Stavanger region within the construction sector as well as in some segments of retail trade. Unemployment in Rogaland was 4.9 per cent at the end of January 2016. This is an increase from 2.8 per cent in January 2015. Unemployment was slightly higher than the national average which was 3.4 per cent. In Agder, unemployment was at 4.4 per cent (3.5 per cent) at the end of January 2016, while in Hordaland, unemployment in January 2016 was at 3.5 per cent (2.6 per cent). It is expected that unemployment in our market area,will increase somewhat during 2016.
Competition in the banking market is strong, and in particular the competition is exceptionally strong for new mortgage customers.
It is anticipated that the strong competition for mortgage customers will continue. The Stavanger region has over the past year had a weaker housing price development than the rest of the country, with a price fall of 5.3 per cent against the national average which has had a price rise of 7.2 per cent. The trading volume has also fallen and so far this year 15.9 per cent fewer residences have been sold than in 2014. This development should be seen in the context of a stronger rise in housing prices in Stavanger and Rogaland in recent years than in the rest of the country. In the Kristiansand area, there has been a rise in prices over the previous 12 months of 3.6 per cent, while in the Bergen region, prices have risen 6.0 per cent. Increased uncertainty about economic developments will contribute to a more subdued demand for loans, while lower interest rates have the opposite effect. Defaults are expected to increase somewhat in 2016. SR-Boligkreditt AS's activities are expected to generate satisfactory profitability in 2016 and will contribute to the parent bank's competitiveness in the mortgage market.

Allocations

Profit after depreciation and tax for the year 2015 amounted to NOK 28.7 million, and the Board of Directors proposes to issue a NOK 28 million dividend to SpareBank1 SR-Bank ASA. The dividend is considered justifiable as the Board finds that the parent bank will increase the Company's capital should this be needed.

Stavanger, 21. April 2016

Inge Reinertsen, Chairman

Merete Eik

Stian Helgøy

Børge Henriksen

Dag Hjelle, CEO

SR-Boligkreditt AS

Income statement

NOK 1 000	Note	17.03.15-31.12.15
Interest income	14	124.749
Interest expense		74.416
Net interest income		**50.333**
Net gains/losses on financial instruments	15	-1.664
Net income on financial investments		**-1.664**
Total net income		**48.669**
Administrative expenses	16	4.762
Other operating costs	16	4.132
Total operating costs before impairment losses on loans		**8.894**
Operating profit before impairment losses on loans		**39.775**
Impairment losses on loans and guarantees	5	(493)
Pre-tax profit		**39.282**
Tax expense	17	10.572
Profit after tax		**28.710**
Other comprehensive income		
Items in comprehensive income		-
Total comprehensive income		**28.710**

SR-Boligkreditt AS

Balance sheet

NOK 1 000	Note	2015
Assets		
Loans to and receivables on credit institutions		706.494
Loans to customers	6,7,8,9	9.949.686
Financial derivatives	18,19	96.103
Other assets	20	821
Total assets		**10.753.104**
Liabilities and equity		
Liabilities		
Listed debt securities	21, 22	9.438.553
Balances with credit institutions		-
Financial derivatives		-
Taxes payable	17	10.143
Other liabilities	23	548
Total liabilities		**9.449.244**
Equity		
Paid-in equtiy capital	25	1.275.150
Retained earnings		28.710
Total equity		**1.303.860**
Total liabilities and equtiy		**10.753.104**

Stavanger, 21. April 2016

Inge Reinertsen
Chairman

Stian Helgøy

Merete Eik

Børge Henriksen

Dag Hjelle
CEO

SR-Boligkreditt AS

Statement of changes in equity

NOK 1 000	Share-capital	Premium reserve	Other equtiy	Total equity
Equtiy as of 31. December 2014	**-**	**-**	**-**	**-**
Incorporation 17. March 2015	150.000	150	-	150.150
Capital increase 24. April 2015	150.000	-	-	150.000
Capital increase 4. September 2015	225.000	-	-	225.000
Capital increase 27. October 2015	750.000	-	-	750.000
Profit for the period	-	-	28.710	28.710
Equtiy as of 31. December 2015	**1.275.000**	**150**	**28.710**	**1.303.860**

SR-Boligkreditt AS

Statement of cash flow

NOK 1 000	**2015**
Interest receipts from loans to customers	113.976
Payments for operations	-8.716
Net cash flow relating to operations	**105.260**
Net payments for purchases of loans	-9.939.407
Net investments in other assets	-880
Net cash flow relating to investments	**-9.940.287**
Debt raised by issuance of securities	9.333.893
Receipts from borrowings from financial institutions	-
Paid in capital equity	1.275.150
Net interest payments on funding activities	-67.522
Net cash flows relating to funding activities	**10.541.521**
Net cash flow during the period	**706.494**
Balance of cash and cash equivalents start of period	-
Balance of cash and cash equivalents end of period	706.494

Notes to the Financial Statements

Note 1 General information

SR-Boligkreditt AS is a wholly owned subsidiary of SpareBank 1 SR-Bank ASA and was established in accordance with the special banking principle in Norwegian legislation concerning the issuing of covered bonds.

The purpose of the company is to acquire home mortgages from SpareBank 1 SR-Bank ASA and fund lending activities, primarily through issuing covered bonds.

Note 2 – Accounting principles

Basis for the preparation of the annual financial statements for SR-Boligkreditt AS

The annual financial statements cover the period 17 March - 31 December 2015. SR-Boligkreditt AS was founded on 17 March 2015 and comparable figures have consequently not been prepared.

The annual financial statements of SR-Boligkreditt AS ("the company") have been prepared in accordance with International Finance Reporting Standards (IFRS) as adopted by the EU. This includes interpretations from the IFRS Interpretations Committe and its predecessor the Standing Interpretations Committee (SIC).

SR-Boligkreditt is a limited company registered as based in Norway with its head office in Stavanger.

The basis for measurement used in the company's financial statements is acquisition cost, with the following modifications: financial derivatives and some financial liabilities are recognised at fair value with value changes through profit or loss.

Preparing financial statements in accordance with IFRS requires the use of estimates. Furthermore, applying international reporting standards requires management to use its judgement. Areas that involve a great deal of discretionary estimates, a high degree of complexity, or areas where assumptions and estimates are significant for the company's financial statements are described in note 4.

New standards and interpretations that have not been adopted yet.

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. The most important of these that the company has chosen not to implement early are described below:

IFRS 9 Financial Instruments deals with the classification, measurement and recognition of financial assets and obligations, as well as hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces those parts of IAS 39 that deal with equivalent issues. Under IFRS 9, financial assets must be classified into three categories: fair value through other comprehensive income, fair value through profit or loss and measured at amortised cost. The measurement category must be determined upon the initial recognition of the asset. Classification depends on the unit's business model for managing financial instruments and the attributes of the individual instrument's cash flows. Equity instruments should basically be measured at fair value through profit or loss. However, an undertaking can choose to present changes in value through other comprehensive income, but the choice is binding and in the event of a subsequent sale the gain/loss cannot be reclassified through profit or loss. Falls in value due to credit risk must now be recognised on the basis of expected loss instead of the current model where losses must be incurred. The standard largely continues the requirements of IAS 39 as far as financial liabilities are concerned. The biggest change occurs in cases where the fair value option is used for a financial liability where changes in fair value due to changes in own credit risk are recognised in other comprehensive income. IFRS 9 simplifies the requirement for hedge accounting in that the hedging effect is tied more closely to the management's risk management and provides greater room for judgement. At the same time, hedging documentation is still required. The standard comes into effect for the 2018 financial year, but early application is permitted. The company has still not assessed the full effect of IFRS 9.

IFRS 15 Revenue from Contracts with Customers deals with recognising revenue. The standard requires the division of the customer contract into the individual performance obligations. A performance obligation can be a good or a service. Revenue is recognised when a customer achieves control over a good or service and is thus able to determine the use of, and benefit from, the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and pertinent interpretations. The standard comes into effect for the 2018 financial year, but early application is permitted. The company is currently assessing the effects of IFRS 15. The standard has not been endorsed by EU.

There are no other standards or interpretations which are not currently in effect and would be expected to have a material effect on the company's financial statements.

Presentation currency

The presentation currency is Norwegian kroner (NOK), which is also the company's functional currency. All figures are in NOK million unless otherwise stated.

Lending and losses on loans

Loans with variable rates are measured at amortised cost in accordance with IAS 39. The amortised cost is the acquisition cost minus repayments on the principal, taking into account transaction costs, plus or minus cumulative amortisation using the effective interest method, and less any amount for impairment in value or exposure to loss. The effective interest rate is the interest that exactly discounts estimated future cash receipts and payments over the expected life of the financial instrument.

Purchase of loans

The company has concluded an agreement concerning the purchase of loans with good security and collateral in real estate from SpareBank 1 SR-Bank ASA. In accordance with the management agreement between the company and SpareBank 1 SR-Bank ASA, SpareBank 1 SR-Bank ASA will be responsible for the management of loans and maintaining customer contact. The company pays a fee for the services included in the management of the loans. This remuneration is in the form of a fixed commission per loan where interest and instalments are paid in accordance with the loan agreement.

SpareBank 1 SR-Bank ASA guarantees the legal status of the purchased loans at the time they are purchased. The company has assumed the risk and returns associated with the purchased loans and records these as loans to customers in the company's balance sheet.

Assessment of impairment of financial assets

On each balance sheet date, the company assesses whether there is any objective evidence that the cash flow expected when the item was initially recorded will not be realised and that the value of the financial asset or group of financial assets has been reduced. An impairment in value of a financial asset assessed at amortised cost or group of financial assets assessed at amortised cost has been incurred if, and only if, there is objective evidence of impairment that could result in a reduction in future cash flows to service the commitment. The impairment must be the result of one or more events that have occurred after the initial recognition (a loss event) and it must be possible to measure the result of the loss event (or events) in a reliable manner. Objective evidence that the value of a financial asset or group of financial assets has been reduced includes observable data that is known to the company relating to the following loss events:

- The issuer or borrower is experiencing significant financial difficulties
- Breach of contract, such as a default or delinquency in payment of instalments and interest
- The company granting the borrower special terms for financial or legal reasons relating to borrower's financial situation
- Likelihood of the debtor entering into debt negotiations or other financial reorganisation

- Disappearance of an active market for the financial asset because of financial difficulties
- Observable data indicating that there is a measurable decline in future cash flows from a group of financial assets since the initial recognition of those assets, even though the decline cannot yet be fully identified with the individual financial assets in the group including:
    - adverse changes in the payment status of the borrowers in the group
    - national or local economic conditions that correlate with defaults of the assets in the group

The company first considers whether there is individual objective evidence of impairment of financial assets that are significant individually. For financial assets that are not individually significant, the objective evidence of impairment is considered individually or collectively. If the company decides that there is no objective evidence of impairment of an individually assessed financial asset, significant or not, the asset is included in a portfolio of financial assets with the same credit risk characteristics. The group is tested for any impairment on a portfolio basis. Assets that are assessed individually with respect to impairment, and where an impairment is identified or continues to be identified, are not included in a general assessment of impairment. See note 5.

If there is objective evidence that impairment has occurred, the amount of the loss is calculated as the difference between the asset's book (carrying) value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's latest effective interest rate. The book value of the asset is reduced using an allowance account and the loss is recorded in the income statement.

Future cash flows from a group of financial assets that are tested for impairment on a portfolio basis are estimated on the basis of the contractual cash flows for the group and historical losses on assets with a similar credit risk. Historical losses are adjusted for existing observable data in order to take into account the effects of existing circumstances that were not present at the time of the historical losses and to adjust for the effect of earlier circumstances that do not exist today.

Non-performing and loss exposed commitments
The total commitment to a customer is considered to be in default (non-performing) and included in the company's summaries of defaulted loans when an instalment or interest is not paid 90 days after due date, a line of credit is overdrawn for 90 days or more, or the customer is bankrupt. Loans and other commitments that are not in default, but where the customer's financial situation makes it likely that the company will incur a loss, are classified as loss exposed commitments.

Realised losses
When it is highly probable that the losses are final, the losses are classified as realised losses. Realised losses that are covered by earlier specific loss provisions are recorded against the provisions. Realised losses without cover by way of impairment losses on loans and over or under coverage in relation to previous impairment losses on loans are recognised through profit or loss.

Repossessed assets
As part of the handling of non-performing loans and guarantees, the company acquires, in some cases, assets that have been lodged as security for such commitments. At the time of takeover, the assets are valued at their assumed realisation value and the value of the loan commitment is adjusted accordingly. Repossessed assets that are to be realised are classified as operations that will be sold, holdings or fixed assets held for sale and recorded in accordance with the relevant IFRS standards (normally IAS 16, IAS 38, IAS 39 or IFRS 5). This has not happened during 2015.

Securities
Securities comprise equities and units, commercial paper and bonds. Equities and units are recognised either as held for sale or at fair value with change in value through profit or loss. Certificates papers and bonds are classified either as held for sale, at fair value with value change through profit or loss, as held to maturity or as a receivable. The company uses the price on the trade date upon initial recognition of securities.

All financial instruments that are classified as held for sale or at fair value with value change through profit or loss, are measured at fair value, and changes in the value from the opening balance are recorded as income from financial investments. The company is of the opinion that financial instruments classified at fair value with value change through profit or loss provide more relevant information about the values of these items in the balance sheet than if they were assessed at amortised cost. The financial instruments included in this category are regularly reported and managed based on fair value.

Certificates and bonds that are classified as held to maturity or as a receivable are measured at amortised cost using an effective interest rate method. See description of this method in the section on lending. There are no securities by year end 2015.

Derivatives and hedging
Derivatives consist of currency and interest rate instruments. Derivatives are recognised at fair value through profit or loss.

The company uses derivatives for operational and accounting (funding) hedging purposes to minimise the interest rate risk in fixed rate instruments (fixed rate funding and fixed rate loans), bonds (assets and liabilities), and certificates (assets and liabilities). The efficiency of the hedging is assessed and documented both when the initial classification is made and on an ongoing basis. When fair value hedging is used the hedging instrument is recognised at fair value, but as far as the hedging object is concerned changes in fair value linked to the hedged risk are recognized in profit and loss.

Funding
Funding is initially recorded at the cost at which it is raised, which is fair value of the proceeds received after deducting transaction costs. Loans raised with variable rates are thereafter measured at amortised cost, and any discount/premium is accrued over the term of the loan. Borrowing at fixed rates is subject to hedge accounting for the NIBOR/LIBOR component of the fixed rate.

Contingent liabilities
Provisions are made for other uncertain liabilities if it is more probable than not that the liability will materialise and the financial consequences can be reliably calculated. Information is disclosed about contingent liabilities that do not satisfy the criteria for balance sheet recording if they are significant.

Provisions are made for restructuring costs when the company has a contractual or legal obligation, payment is probable and the amount can be estimated, and the size of the obligation can be estimated with sufficient reliability.

Subordinated loans
Subordinated loans have a lower priority than all other debt. 50 % of the dated subordinated loans can be regarded as tier 1 capital in the capital ratio, whilst 100 % of perpetual subordinated loans can be included in tier 1 capital. Subordinated loans are classified as subordinated loan capital in the balance sheet and are measured at fair value with value change through profit or loss or amortised cost in the same way as

other long-term borrowing. The company uses fair value hedging for measuring fixed-rate loans.

Hybrid Tier 1 capital
Hybrid tier 1 capital are bonds with nominal interest, but the company is not obliged to pay any interest in periods when no dividend is paid and the investor cannot later claim any interest that has not been paid, i.e. interest is not accumulated. Hybrid instruments are approved as tier 1 capital elements limited upward to 15 % or 35 % of the total tier 1 capital depending on the type of hybrid tier 1 capital. The Financial Supervisory Authority of Norway (Finanstilsynet) can demand that hybrid instruments be written down proportionally with equity if the company's tier 1 capital ratio falls below 5 %, or the capital ratio falls below 8 %. The written down amount relating to the hybrid tier 1 capital shall be written up before dividends can be disbursed to shareholders. Hybrid tier 1 capital is classified as subordinated loan capital in the balance sheet and is measured at fair value with changes in value through profit or loss.

Dividends
Dividends are recognised as equity in the period prior to being approved by the company's annual general meeting.

Interest income and interest costs
Interest income and interest costs related to assets and liabilities that are measured at amortised cost are recorded continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financial asset or liability being equal to the book value (carrying value) of the respective financial asset or liability. When calculating an effective interest rate, the cash flow effect inherent in the agreement is estimated, without taking into account future impairment. The calculations take therefore into account inter alia fees, transaction costs, premiums and discounts.

If a financial asset is written down due to impairment, a new effective interest rate is calculated based on adjusted estimated cash flows.

Commissions and commission costs
Commissions and commission costs are generally accrued in line with the delivery/receipt of a service. Fees in conjunction with interest-bearing instruments are not recorded as commissions, but are included in calculating the effective interest rate and recognised through profit or loss accordingly. Advisory/consultancy fees are accrued in accordance with the signed agreement, typically at the time the service is delivered.

The same applies to day-to-day management services. Fees and charges related to the sale or brokerage of financial instruments, properties or other investment objects that do not generate balance sheet items in the company's financial statements, are recognised when the transaction is completed.

Transactions and balance sheet items in foreign currency
Transactions involving foreign currencies are converted into Norwegian kroner using the exchange rates at the time of the transactions. Gains and losses linked to executed transactions, or to the conversion of holdings of balance sheet items, in foreign currency are recognised on the balance sheet date. Gains and losses on non-monetary items are included in the income statement in the same way as the corresponding balance sheet item.

The exchange rate on the balance sheet date is used when converting balance sheet items.

Taxes

Taxes consist of payable tax and deferred tax. Payable tax is the estimated tax on the year's taxable profit.

Payable tax for the period is calculated according to the tax laws and regulations enacted or substantively enacted on the balance sheet date.

Deferred taxes are accounted for using the liability method in accordance with IAS 12. Deferred tax assets or liabilities are calculated based on all the temporary differences, which are the differences between the book values of assets and liabilities for accounting purposes and for taxation purposes. Nonetheless, no deferred tax liability or benefit is calculated on goodwill that does not provide tax-related deductions, or on initially recognised items that affect either the accounting or taxable result.

Deferred tax assets are calculated for tax loss carry forwards. Assets with deferred tax are included only to the extent that future taxable profits are expected to make it possible to exploit the related tax benefit.

The statement of cash flow

The statement of cash flow shows cash flows grouped by source and application area. Cash is defined as cash, deposits in central banks, and deposits in financial institutions with no period of notice. The statement of cash flow is prepared using the direct method.

Segment reporting

The company only has one segment, the retail segment. The segment consists of loans to retail customers and all loans are purchased from SpareBank 1 SR-Bank. The company's total comprehensive income thus represents the entire retail segment.

Events after the balance sheet date

The financial statements are published after the board of directors has approved them. The supervisory board, the annual general meeting and the regulatory authorities may refuse to approve the published financial statements subsequent to this but they cannot change them.

Events that take place before the date on which the financial statements are approved for publication, and which affect conditions that were already known on the balance sheet date, will be incorporated into the pool of information that is used when making accounting estimates and are thereby fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are significant.

Note 3 – Critical estimates and judgements concerning use of the accounting policies

The preparation of financial information pursuant to IFRS entails the executive management using estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognised for assets, liabilities, income and costs.

Losses on loans and guarantees
The company makes write-downs if there is objective evidence that can be identified for an individual commitment, and the objective evidence entails a reduction in future cash flows for servicing the commitment. Objective evidence may be default, bankruptcy, insolvency or other significant financial difficulties. Individual write-downs are calculated as the difference between the loan's book (carrying) value and the present value of future cash flows based on the effective interest rate at the time of the calculation of the initial individual write-down. Subsequent changes in interest rates are taken into account for loan agreements with variable rates if these changes affect the expected cash flow.

Collective write-downs are calculated on groups of loans where there is objective evidence indicating that a loss event has occurred after the initial recording of the loans. Objective evidence includes observable data that leads to a measurable reduction in estimated future cash flows from the group of loans. The development of probability for default is one such objective evidence that is used to identify a possible need to make a write-down. Where a need to make collective write-downs has been identified, loan losses shall be calculated as the difference between the carrying value (book value) and the present value of the estimated future cash flows, discounted at the effective interest rate. The basis for calculating this difference (which corresponds to the level of the collective write-downs) is based on the loans' expected losses.

The assessment of individual and collective write-downs will always call for a considerable degree of discretionary judgement. Predictions based on historical data may prove to be incorrect because of the uncertainty of the relevance of historical data as a decision-making basis. When the value of assets pledged as collateral is linked to special objects or industrial sectors in a crisis, it may be necessary to realise the collateral in markets that are rather illiquid and, therefore, the assessment of collateral securities' values may be subject to considerable uncertainty.

Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is determined using various evaluation techniques. The company uses methods and assumptions that, insofar as it is possible, are based on observable market data and reflect the market conditions on the balance sheet date. When evaluating financial instruments for which observable market data is not available, the company makes assumptions with regard to what it expects the market to use as a basis for evaluating equivalent financial instruments.

Income tax
A considerable degree of discretion is required when calculating income tax. There will be some uncertainty associated with the final tax liability with regard to many transactions and calculations. SR-Boligkreditt AS records tax liabilities linked to future decisions in tax cases and disputes based on the additional tax liability that will accrue. If the final outcome of a case differs from the amount originally allocated, the difference will affect the recorded tax costs and allocations for deferred tax in the period the difference is established.

Note 4 Capital adequacy

On 22 August 2014, the Ministry of Finance issued amendments to the capital requirements regulations that came into effect on 30 September 2014. The amendments were adjustment implemented to comply with the EU's new capital adequacy regulations for banks and securities undertakings (CRD IV/CRR) and entail the minimum requirement for common equity tier capital ratio gradually increasing in the run up to 1 July 2016.

SR-Boligkreditt AS has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk The use of IRB requires the company to comply with extensive requirements relating to organisation, expertise, risk models and risk management systems

NOK 1 000	**31.12.15**
Share capital	1.275.000
Premium reserve	150
Other equity	28.710
Total Common equity Tier 1 capital	**1.303.860**
Intangible assets	-781
Deducion for proposed dividend	-28.000
Deduction for expected losses on IRB, net of write-downs	-16.784
Value of derivative liabilities at fair value	-96
Total Tier 1 capital	**1.258.199**
Net primary capital	**1.258.199**
Credit risk	2.311.343
Operational risk	33.872
Transitional scheme	1.682.429
Risk weighted balance	**4.027.644**
Minimum requirement for common equtiy Tier 1 capital ratio 4,5 %	181.244
Buffer requirements:	
Capital conservation buffer 2,5 %	100.691
Systemic risk buffer 3 %	120.829
Countercyclical capital buffer 1 %	40.276
Total buffer requirement to common equity Tier 1 capital ratio	261.797
Available common equity Tier 1 capital ratio after buffer requirement	815.158
Capital ratio	31,24 %
Tier 1 capital ratio	31,24 %
Common equity Tier 1 capital ratio	31,24 %
Leverage Ratio	11,20 %

Note 5 – Risk management

SR-Boligkreditt AS is an institution that purchases home mortgages from SpareBank 1 SR-Bank ASA. This activity is primarily financed by issuing covered bonds. This means that the company is subject to the Norwegian legislation on covered bonds and the requirements this stipulates with regard to risk exposure. The company wishes to maintain an AAA/Aaa rating for covered bonds, which requires a heavy focus on risk management and low risk exposure.

The purpose of the risk and capital management in SR-Boligkreditt AS is to ensure satisfactory capital adequacy and prudent asset management in relation to the adopted business strategies and risk profile. These are ensured through an appropriate process for risk management and planning and monitoring the company's raising of capital and capital adequacy. The company's risk and capital management must comply with best practice. This is achieved by:
• A strong risk culture characterised by a high awareness of risk management
• A qualified control environment
• A good understanding of the material risks faced by the company

Organisation and organisational structure
SR-Boligkreditt AS aims to maintain a strong, healthy organisational culture characterised by a high level of risk management awareness.

SR-Boligkreditt AS focuses on independence in management and control, and this responsibility is divided between the different roles in the organisation:

The board approves the general principles for risk management, including specifying risk profiles, limits and guidelines. The board is also responsible for ensuring that the company has adequate primary capital given the adopted risk profile and regulatory requirements.

The chief executive is responsible for the day-to-day management of the company's activities in accordance with the law, by-laws, powers of attorney and instructions. Matters that are unusual in nature or of material importance to the company must be submitted to the board. The chief executive may, however, decide a matter with the authorization of the board. The chief executive shall implement the company's strategy and develop the strategy further in partnership with the board.

The risk manager reports directly to both the chief executive and the board. The risk manager is responsible for the ongoing development of the framework for risk management, including risk models and risk management systems. The post is also responsible for independently monitoring and reporting risk exposure and for ensuring the company complies with current laws and regulations. The chief executive has been delegated the necessary authority by the board to make decisions concerning lines of credit for counterparties and for individual commercial papers.

Financial risk management
The core purpose of the banking industry is to create value by assuming deliberate and acceptable risk. SR-Boligkreditt AS therefore invests significant resources in the further development of risk management systems and processes in line with leading international practice. SR-Boligkreditt AS is exposed to various types of risk:

- Credit risk: the risk of loss resulting from the customer's inability or unwillingness to fulfil his obligations

- Liquidity risk: the risk of being unable to refinance its debt or not having the ability to fund increases in assets without significant additional costs
- Market risk: the risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and securities markets
- Operational risk: the risk of losses due to weak or inadequate internal processes or systems, human error or external incidents
- Compliance risk: the risk of incurring public sanctions/penalties or financial loss as a result of a failure to comply with legislation and regulations
- Business risk: the risk of unexpected income and cost variations due to changes in external factors such as market conditions or government regulations
- Reputation risk: the risk of a failure in earnings and access to capital because of lack of trust and reputation in the market, i.e. customers, counterparties, stock market and authorities
- Strategic risk: the risk of losses resulting from the wrong strategic decisions
- Concentration risk: the risk of an accumulation of exposure to an individual customer, sector or geographical area arising. Sectoral concentration risk is exposure that can arise across different types of risk or business areas in the company's, e.g. due to common underlying risk drivers such as the price of oil.

Risk exposure

SR-Boligkreditt AS is exposed to various types of risk and the most important risk groups are described below:

SR-Boligkreditt AS is exposed to credit risk. The company only provides credit to the private market and the credit policy stipulates criteria such as first priority loans only and a maximum LTV of 70%. The credit risk is considered to be low.

Liquidity risk is managed via the company's general liquidity strategy, which is reviewed and adopted by the board at least once a year. Liquidity management is based on conservative limits and reflects the company's moderate risk profile. The company's Treasury Department is responsible for liquidity management, while the Risk Management and Compliance Department monitors and reports on the utilisation of limits in accordance with the liquidity strategy. The company's lending is mainly funded by long-term security debt. Liquidity risk is minimised by diversifying the securities issued in terms of markets, funding sources, instruments and maturity periods.

Market risk is managed through the market risk strategy, which defines the company's willingness to assume risk. The strategy and the associated specification of the necessary risk ceilings, reporting procedures and authorities are reviewed and adopted by the board at least once a year. The market risk in SR-Boligkreditt AS primarily relates to the company's long-term investments in securities. The company's market risk is measured and monitored on the basis of conservative limits that are renewed and approved by the board at least once a year. The size of the limits is determined on the basis of stress tests and analyses of negative market movements. The company's exposure to market risk is low.

Interest rate risk is the risk of losses incurred due to changes in interest rates. The company's interest rate risk is regulated by limits for maximum value change following a change in the interest rate level of 1%. The interest rate commitments for the company's instruments are mostly short-term and the company's interest rate risk is low.

Currency rate risk is the risk of losses due to fluctuations in foreign exchange rates. The company measures currency risk on the basis of net positions in the different currencies in which the company has exposure. Currency risk is regulated by nominal limits for maximum aggregate currency positions and maximum positions within individual currencies. The scope of the company's trading in foreign currency is modest and the currency rate risk is considered to be low.

Price risk is the risk of losses that arise following changes in the value of the company's commercial paper, bonds and equity instruments. Spread risk is defined as the risk of changes in the market value of bonds as a result of general changes in the credit spreads. In other words, credit spread risk expresses the potential loss in the bond portfolios beyond the bankruptcy risk. Quantification of the risk-adjusted capital for spread risk in the bond portfolios is calculated based on the Financial Supervisory Authority of Norway's model for risk-based supervision of market risk in insurance companies. The company's risk exposure to this type of risk is regulated through limits for maximum investments in the different portfolios. Operational risk is managed via the risk strategy, which is set annually. According to this strategy, the company will maintain a low risk profile. This will be achieved through a very good corporate risk culture, continuously learning from adverse events, and developing leading methods for identifying, quantifying and balancing risk based on a cost/benefit assessment. This requires the company to strive for a good balance between trust and control that ensures efficiency is safeguarded, at the same time as ensuring it is not exposed to unnecessary risk.

Compliance risk is managed via the framework regulations for compliance that are primarily based on EBA Internal Governance GL44, Basel Committee on Banking Supervision, 'Compliance and the compliance function in banks', ESMA 'Guidelines on certain aspects of the MiFID compliance function requirements ESMA/2012/388', and the Financial Supervisory Authority of Norway's 'Module for evaluating overriding management and control'. SR-Boligkreditt AS's compliance policy is intended to ensure the company does not incur any public sanctions/penalties, or any financial loss, due to a failure to implement or comply with legislation and regulations. The company's compliance policy is adopted by the board and describes the main principles for responsibility and organisation. SR-Boligkreditt AS stresses the importance of good processes to ensure compliance with the current laws and regulations. Focus areas are continuous monitoring of compliance with the current regulations and ensuring that the company has adapted to future regulatory changes as best as it can. SR-Boligkreditt AS's compliance function is performed by the Risk Management and Compliance Department, which is organised independently of the business units. The department bears overall responsibility for the framework, monitoring and reporting within the area.

Note 6 Lending to Customers

Lending to cutomers are residential mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of the period were NOK 9.950 million. All mortgages carry a variable interest rate.

NOK 1 000	**31.12.15**
Flexible loans - retail market	896.941
Amortising loans - retail market	9.042.466
Accrued interest	10.773
Total loans before specified and unspecified loss provisions	**9.950.180**
Specified loan loss provisions	-
Unspecified loan loss provisions	-493
Total net loans and claims with customers	**9.949.687**
Liability	
Unused balances under custumer revolving credit lines (flexible loans)	220.634
Total	220.634
Defaulted loans	
Defaults*	0,0 %
Spcified loan loss provisions	0,0 %
Net defaulted loans	**0,0 %**
Loans at risk for loss	
Loan not defaulted but at risk of loss	0,0 %
- Write downs on loans at risk of loss	0,0 %
Net other loans at risk of loss	**0,0 %**

*The entire customer loan balance is considered to be in default and will be included in overviews of defaulted loans when overdue instalments and interest payments are not recieved 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	**31.12.15**
Loan loss provisions starting balance	-
Change in group loan loss provisions	-493
Loan loss provisions ending balance	**-493**

Gross loans by geographic area

NOK 1 000	**2015**
Rogaland	7.702.475
Agder counties	911.390
Hordaland	1.062.315
International	724
Other	262.504
Total	**9.939.408**

Note 7 Non-performing and impaired loans

NOK 1 000	31.12.15
Non-performing loans and advances	
Gross non-performing loans above 90 days	0
Provisions for Individual impairment losses	0
Net non-performing loans and advances	**0**
Loan loss provision ratio	**0 %**
Other problem commitments	
Problem commitments	0
Provisions for Individual impairment losses	0
Collective impairment loss provisions	**0**
Net other problem commitments	**0**
Loan loss provision ratio	0 %

Note 8 Credit risk exposure for each internal risk class

NOK 1 000	Average unsecured exposure 2015	Total commitment
PD in % [1]		
0,00 - 0,50	**2,9 %**	**8.419.184**
0,50 - 2,50	**4,9 %**	**1.591.302**
2,50 - 10,00	**5,9 %**	**114.893**
10,00 - 99,9	**3,0 %**	**45.435**
Non-performance and written down	**0,0 %**	**-**
Total	**3,7 %**	**10.170.814**

[1] PD = Probability of Default

	LTV in Percentage of total commitment [2]
LTV 0-70	82,9 %
LTV 70-85	14,6 %
LTV 85-100	1,7 %
LTV >100	0,8 %
	100,0 %

[2] LTV= Loan-to-value, the ratio of the loan as a percentage of the appraised value of the property.

Note 9 Maximum credit risk exposure

Maximum exposure to credit risk for balance sheet components, including derivatives
Exposure is shown gross before assets pledged as security and permitted offsetting.

NOK 1000	2015
Assets	
Receivables from the central bank	-
Loans to and receivables from financial institutions	706.494
Loans to and receivables from custumers	9.950.180
Certificates and bonds	-
Derivatives	96.103
Total credit risk exposure balance sheet items	10.752.777
Financial guarantees and loan commitments	
Unused credit lines	220.634
Loan commitments	-
Total financial guarantees and loan commitments	220.634
Total credit risk exposure	10.973.411

Banking operations	2015
Rogaland	8.588.295
Agder counties	932.609
Hordaland	1.087.047
International	741
Other	268.616
Total banking operations	10.877.308
Derivaties	96.103
Total by geographic area	10.973.411

Note 10 Credit quality per class of financial asset

The company manages the credit quality of financial assets in accordance with it's internal credit rating guidelines. The table shows the credit quality per class of asset for loan-related assets in the balance sheet, based on the customer's probability of default (PD).

NOK 1 000	0,00 - 0,50 %	0,50 - 2,50 %	2,50 - 10,0 %	10,0 - 99,9%	Commitments in default	Total
Loans						
Loans to and recievables from financial institutions	706.494	-	-	-	-	706.494
Loans to and recievables from customers						
- Retail market	8.199.797	1.590.330	111.776	48.283	-	9.950.186
- Corporate market	-	-	-	-	-	-
- Unallocated	-	-	-	-	-	-
Total loans	**8.906.291**	**1.590.330**	**111.776**	**48.283**	**-**	**10.656.680**

Note 11 Market risk related to interest rate risk

The table shows the effect on earnings of a positive parallel shift in the yield curve of one percentage point at the end last year, before tax, if all finacial instruments were measured at fair value.

NOK 1 000	**2015**
Other loans and deposits	-9.936
Securities issued	19.681
Other	-
Total interest rate risk	9.745

Maturity bands	
0 - 3 months	9.745
Total interest rate risk	9.745

Currency	
NOK	9.745
EUR	-
Total interest rate risks	9.745

Interest rate risk arises because the company's assets and liabilities may be subject to different fixed rate periods. Interest rate instrument trading must at all times comply with the adopted limits and authorities. The company's limits define quantitative targets for the maximum potential loss.

The company shall not have a net interest rate exposure (exposure assets - exposure debt) in excess of 3 % of total capital. The potential for gain / loss is calculated from a parallel shift of the yield curve by 1 percentage point.

Note 12 Market risk related to currency risk

The table shows the net foreign currency exposure including financial derivatieves as at 31 December as defined by the Capital Requirements Regulations.

NOK 1000	**2015**
Currency	
EUR	-
Other	-
Total	-

Currency risk arises when differences exist between the company's assets and liabilities in the individual currency.
Currency trading must at all times comply with the adopted limits and authorities.
The company's limits define quantitative targets for the maximum net exposure in currency, measured in NOK.

Maximum aggregate currency position shall not exceed 3% of total capital.

Note 13 Liquidity risk

The table shows cash flows including contractual interest maturity

2015

NOK 1000	**Upon request**	**Less than 3 months**	**3-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Debt to financial institutions						-
Securities issued	-	-15.447	-70.695	-9.643.476	-	-9.729.618
Total liabilities	**-**	**-15.447**	**-70.695**	**-9.643.476**	**-**	**-9.729.618**
Derivatives						
Contractual cash flows out	-	-23.783	-70.831	-9.894.357	-	-9.988.971
Contractual cash flows in	-	1.718	29.132	9.727.244	-	9.758.094

Note 14 Net interest income

		2015	
NOK 1000	**Total**	**Measured at amortised cost**	**Measured at fair value**
Interest income			
Interest on recievables from financial institutions	3.736	3.736	-
Interest on lending to customers	121.013	121.013	
Interest on certificates and bonds	-		
Interest on written down loans	-		-
Total interest income	**124.749**	**124.749**	**-**
Interest costs			
Interest on debs to financial institutions	11.465	11.465	
Interest on securities issued	62.950	48.567	14.383
Total interest costs	**74.415**	**60.032**	**14.383**
Net interest income	**50.334**	**64.717**	**-14.383**

Note 15 Net income from financial instruments

NOK 1 000	31.12.15
Net gains for bonds and certificates	-
Net change in value, basis swap spread	2.998
Net change in value, other financial investments	-4.602
Net gain currency	-59
Net income from financial instruments	-1.664

Note 16 Other operating costs

NOK 1000	2015
IT costs	329
Other administrative costs	4.434
Depreciation (note 20)	99
External fees	4.032
Other operative costs	-
Total operating costs	**8.894**

Fees for external auditor - specification of audit fees	
Statutory audit	125
Tax advice [1)]	-
Other certification services	216
Other non-auditing services [1)]	51
Total	**392**

[1)] Fees to the law firm PricewaterhouseCoopers included in tax advice and other non-auditing services

All figures include VAT

Note 17 Tax

NOK 1 000	2015
Pre-tax profit	39.282.263
Permanent differences	-
Group contribution	-
Change in temporary differences	-1.716.205
Tax base/ taxable income for the year	**37.566.058**

Of which payable tax 27 %	10.142.836
Tax effect of group contribution	-
Change in deferred tax	429.051
Total tax cost	**10.571.887**

Explanation of why the tax cost for the year is not 27 % of pre-tax profit

Of which payable tax 27 %	10.606.211
27 % tax on permanent differences	-
Change deferred tax from 27 % to 25 %	-34.324
Total tax cost	**10.571.887**

Deferred tax	
- deferred tax that reverses in more than 12 months	429.051
- deferred tax that reverses within 12 months	-
Total deferred tax	**429.051**
Net deferred tax	**429.051**

Specification of temporary differences	
Differences related to financial items	1.716.205
Group contribution paid	-
Losses carried forward	-
Total temporary differences	**1.716.205**

Tax rate applied	27 %
Tax rate applied for temporary differences	25 %

Note 18 Classification of financial instruments

2015 NOK 1 000	Financial instruments at fair value through profit or loss: Financial derivatives as hedging instruments	Financial assets and liabilities assessed at amortised cost and accrued interest	Total
Assets			
Loans to and receivables from financial institutions	-	706.494	706.494
Loans to customers [1)]	-	9.949.687	9.949.687
Certificates and bonds at fair value	-	-	-
Financial derivatives	96.103	-	96.103
Other assets	-	-	-
Total assets	**96.103**	**10.656.181**	**10.752.284**
Liabilities			
Debt to financial institutions	-	-	-
Securities issued [2)]	-	9.438.553	9.438.553
Financial derivatives	-	-	-
Other liabilities	-	-	-
Total liabilities	**-**	**9.438.553**	**9.438.553**

1) Fair valute of loans to customers approximates book value due to the floating interest rate

2) Securities issued and subordinated loan capital contain secured debt.

Information about fair value

The table below shows financial instruments at fair value according to their valuation method. The different levels are defined as follows:

Listed price in an active market for an identical asset or liability (level 1).
Valuation based on observable factors other than listed price (used in level 1) either direct (price) or indirect (decuced from prices) for the asset or liability 2 (level 2).
Valuation based on factors not obtained from observable markets (non-observable assumptions) (level 3).

2015 NOK 1 000	Valuation according to prices in an active market	Valuation according to observable market data	Valuation according to factors other than observable market data	Total
Assets				
Certificates and bonds at fair value	-	-	-	-
Financial derivatives	-	96.103	-	**96.103**
Liabilities				
Financial derivatieves	-	-	-	-

Note 19 Financial derivatives

At fair value through profit and loss	Contract amount 31.12.15	Fair value at 31.12.15 Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	9.624.000	90.817	-
Total hedging / Interest and exchange rate instruments	**9.624.000**	**90.817**	**-**

Total currency and interest rate instruments	Contract amount 31.12.15	Assets 31.12.2015	Liabilities 31.12.2015
Total interest and exchange rate instruments	9.624.000	90.817	-
Total accrued interests	-	5.286	-
Total financial derivatives	**9.624.000**	**96.103**	**-**

SR-Boligkreditt AS has an ISDA agreement with a CSA supplement with the counterparty for derivatives. The agreement is one-way which means only the counterparty has to pledge security when the market value of derivatives fluctuates

Note 20 Other assets

NOK 1 000	2015
Intangible assets*	781
Other assets	40
Total other assets	**821**

* Intangible assets:

Acquisition cost 1. Jan	-
Additions	880
Disposals	-
Acquisition cost 31. Dec	**880**
Accumulated depreciation and write-downs 1. Jan	-
Year's disposals	-
Year's depreciation and write downs	99
Accumulated depreciation and write-downs 31. Dec	**99**
Carrying amount 31. Dec	**781**
Financial lifespan	3 years
Depreciation schedule	linear

Note 21 Securities issued

NOK 1 000	31.12.15
Covered bonds	9.429.274
Accrued interests	9.279
Total securities issued	**9.438.553**

	Nominal amount
Change in debt raised through issuance of securities	**31.12.15**
Covered bonds	9.337.400
Total debt raised through issuance of securities	**9.337.400**

* The nominal amount is the principal at the exchange rate when the new loan is raised (EUR/NOK)

Securities issued by maturity date (principal)

Public covered bonds		Nominal amount
	Year	**31.12.15**
	2017	2.500.000
	2018	-
	2019	-
	2020	6.837.400
Sum		**9.337.400**

Liabilities by currency (book value at end of quarter)

	31.12.2015
NOK	4.600.521
EUR	4.838.032
Sum	**9.438.553**

Note 22 Asset coverage

The asset coverage is calculated according to the Financial Services Act, section 2-31. There is a discrepancy between the balance sheet amounts, partly because lending will be reduced due to non-performing loans (no occurrences of non-performance as of 31 December 2015) and loans subject to a change in the loan-to-collateral value ratic in excess of 75%. Market values for all elements in asset coverage are also used.

NOK 1 000	**31.12.15**
Covered bonds	9.438.553
Total covered bonds	9.438.553
Loans to customers	9.873.033
Substitute collateral	802.597
Total cover pool	10.675.630
Asset coverage	113,1 %

Note 23 Other liabilities

NOK 1 000	31.12.15
Taxes payable	10.143
Defered taxes	429
Accounts payable	40
Accrued expenses and prepaid revenue	79
Total other liabilities	**10.691**

Note 24 Material transactions with related parties

SR-Boligkreditt AS uses SpareBank 1 SR-Bank ASA, the parent, as counterparty for a large number of banking transactions including loans, deposits and financial derivatives.
All transactions are carried out at market terms and are regulated in the "Transfer and Servicing agreement" and service level agreements.
The Transfer and Servicing agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds, while the servicing level agreements regulates purchase of services, including bank production, distibution, customer contact, IT-operations and financial and liquidity management.

The most important transactions with SpareBank1 SR-Bank ASA 31.12.2015

NOK 1000	Deposits in SR-Bank	Financial derivatives	Covered bonds	Interest income	Interest costs	Operating costs	Management fee
SpareBank1 SR-Bank ASA	706.494	96.103	1.133	3.736	17.445	1.492	2.941
Total	**706.494**	**96.103**	**1.133**	**3.736**	**17.445**	**1.492**	**2.941**

Note 25 Share Capital

The share capital consists of 1 275 000 shares each with a nominal value of NOK 1 000. All shares and voting rights of the company are ownec by SpareBank1 SR-Bank ASA. SR-Boligkreditt AS is included in the consolidated financial statements of SpareBank1 SR-Bank ASA, the consolidated financial statement is available on www.sr-bank.no.

	2015
Total number of shares on March 17.	150.000
Issue of new shares	1.125.000
Total number of shares 31. December	1.275.000

Note 26 Events after the balance sheet date

No material events that have influence on the financial statement for 2015 have been registered after the reporting day. The company is not involved in any legal proceedings

To the Annual Shareholders' Meeting of SR-Boligkreditt AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of SR-Boligkreditt AS, which comprise the balance sheet as at 31 December 2015, income statement, changes in equity and cash flow 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 company'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 present fairly, in all material respects, the financial position of SR-Boligkreditt AS as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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, 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, 21 April 2016
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant (Norway)