



Seventh year of trading

Quarterly report

q4 2015



Contents

Comments.....	pages	2-5
Income statement.....	page	6
Balance sheet.....	page	7
Cash flow analysis.....	page	8
Changes in equity.....	page	8
Profit performance.....	page	9
General information.....	page	10
Accounting policies.....	page	10
Use of estimates and assumptions.....	page	10
Transactions with close associates.....	page	11
Lending to customers by geographical distribution of collateral.....	page	11
Cover pool.....	page	11
Lending by customer groups.....	page	12
Impaired and non-performing commitments.....	page	12
Securities issued.....	page	12
Financial derivatives.....	page	13
Financial instruments.....	page	14
Offsetting right for financial derivatives.....	page	15
Capital adequacy.....	page	16
Operating segments.....	page	17
Guarantees, pledged assets and preferential rights.....	page	17
Ownership structure.....	Page	17
Statement according to the Norwegian Securities Trading Act § 5-5.....	Page	19

Key figures

	31.12.2015	31.12.2014	31.12.2013
Return on equity (%)	9.33	14.29	15.74
Net interest income as % of average total assets	1.44	1.56	1.62
Profit/loss after tax as a % of average total assets	0.90	0.99	1.03
Cost/income ratio (%)	13.06	12.28	11.77
Losses as a % of net lending	0.00	0.00	0.00
Provision percentage for non-performing loans	0.00	0.00	0.00
Non-performing loans as a % of net lending	0.00	0.01	0.00
Capital adequacy ratio in %	23.04	21.50	18.70
Tier 1 capital ratio in %	23.04	21.50	18.70
Dividends (NOK millions)	0.0	0.0	50.0
Average total assets (NOK millions)	8,937.7	8,854.0	7,943.2

Key figures for 31 December 2013 have been restated due to the inclusion of accrued interest in interest-bearing balance sheet items.

Interim report Q4 2015

Sparebanken Øst Boligkreditt AS was founded on 14 April 2009.

Sparebanken Øst Boligkreditt AS is a wholly owned subsidiary of Sparebanken Øst and is a financing institution established for the purpose of issuing covered bonds. In its participation in the market, Sparebanken Øst Boligkreditt AS has played a vital role in securing long-term and favourable financing for the Group, and will continue to do so in the coming year.

Business concept

Sparebanken Øst Boligkreditt AS's purpose is to grant or acquire residential mortgages, commercial mortgages, loans secured against other real estate assets, and public loans, as well as to finance lending operations primarily by issuing covered bonds.

Sparebanken Øst Boligkreditt AS shall be a profitable company run in accordance with business principles and with high ethical standards.

Report on the interim financial statements

Income statement Q4

Total interest income as at Q4 2015 amounted to NOK 66.6 million compared with NOK 80.7 million at the same point in 2014, this is primarily attributable to lower lending rates. The vast majority of interest income relates to lending to customers. Net interest income totalled NOK 31.7 million (NOK 34.1 million at the end of Q4 2014). The decrease was due to lower margins.

The company's operating profit before tax for Q4 2015 amounted to NOK 27.3 million (NOK 28.2 million for Q4 2014), while profit after estimated tax amounted to NOK 20.0 million (NOK 20.6 million for Q4 2014).

Income statement at the end of the quarter

Total interest income at the end of Q4 2015 amounted to NOK 278.3 million compared with NOK 326.9 million at the same point in 2014. The vast majority of interest income relates to lending to customers. Net interest income totalled NOK 128.6 million (NOK 138.4 million at the end of Q4 2014).

The company's operating profit before tax for Q4 2015 amounted to NOK 110.3 million (NOK 120.0 million in Q4 2014), while profit after estimated tax amounted to NOK 80.5 million (NOK 87.6 million in Q4 2014).

Total operating costs at the end of Q4 2015 amounted to NOK 16.6 million (NOK 16.8 million at the end of Q4 2014) of which NOK 12.7 million (NOK 12.8 million at the end of Q4 2014) relate to management fees paid to the parent bank.

Sparebanken Øst Boligkreditt AS has a formal partnership with Sparebanken Øst regulated by a comprehensive management agreement which ensures competency within key fields related to the business and helps to ensure overall cost-effective operations. In line with the management agreement, the fee is calculated according to the lending portfolio being managed at the time.

No lending losses were reported on the company's portfolio in Q4 2015. Similarly, there was no reason to undertake individual or group write-downs.

Calculated tax costs amounted to NOK 29.8 million at the end of Q4 2015 compared with NOK 32.4 million for the same period last year.

Balance sheet

The company's balance sheet showed total assets of NOK 9,254.9 million at the end of Q4 2015, which represents an increase of NOK 53.5 million from Q3 2015 and an increase of NOK 299.9 million

from 31 December 2014. Of the total balance sheet, net lending to customers accounted for NOK 8,769.8 million, which represents an increase of NOK 59.4 million from Q3 2015 and an increase of NOK 320.4 million since 31 December 2014. The managed volume originates in the acquisition of the residential mortgage portfolio from Sparebanken Øst and Boligkreditt.no. Other assets largely comprise deposits in the parent bank.

Bond debt at the end of Q4 2015 amounted to NOK 7,653.1 million, which represents a decrease of NOK 95.6 million since the last quarter and an increase of NOK 478.8 million since 31 December 2014. Sparebanken Øst Boligkreditt AS has this year issued covered bonds with a nominal value totalling NOK 1,300 million by expanding existing issues, but not in Q4.

At the end of the quarter, NOK 667.4 million had been drawn from an approved credit facility with a limit of NOK 2,000 million, which was made available from Sparebanken Øst.

Risk

Sparebanken Øst Boligkreditt AS seeks to maintain a low risk profile in line with regulatory requirements, which also ensures that the company has confidence in the market for covered bonds. The business requires a certain degree of risk-taking, but Sparebanken Øst Boligkreditt AS seeks to maintain a conscious and measured approach to this. This applies particularly to credit risk, interest rate risk, liquidity risk, and operational risk (including ICT risk).

Sparebanken Øst Boligkreditt AS shall achieve its economic objectives over time. These objectives include a return on equity equivalent to risk-free interest over time, capital adequacy at the highest level as stipulated by regulations and the company's own evaluations, and liquidity management that minimises the risk related to future liquidity challenges.

Overall risk management

The Board and management have ultimate responsibility for risk management and internal control. The Board adopts the overall risk strategy and approves principles for monitoring, control, and risk thresholds. The Board regularly evaluates strategies and guidelines pertaining to risk management and control.

Based on the new Financial Institutions Act and the recommendations of the Norwegian Banking Law Commission, a decision was made at an extraordinary general meeting on 5 January 2016 to abolish the Control Committee and the Board of Representatives. The Control Committee has carried out control tasks in 2015.

Sparebanken Øst Boligkreditt AS monitors risk trends by way of systematic quarterly measurements and risk reports for the most crucial areas, including the actual level of risk compared to established limits.

The general manager is responsible for executing and implementing adequate internal controls and risk management. The company has its own controller, who prepares quarterly reports using the existing portfolio as the basis for making spot-checks against credit risk and regulatory provisions. Additionally, checks and reports are carried out for each portfolio transfer from the parent bank to Sparebanken Øst Boligkreditt AS. A quarterly Board and Management Report providing a picture of current risks and trends will be submitted to the Board. The company has established guidelines and a framework for the management and control of various types of risk. Foreign exchange, interest rate, and liquidity risks are managed in accordance with the provisions of the Norwegian Financial Institutions Act for covered bonds, and the framework laid down by the company's Board of Directors. Liquidity management includes the use of forecasts and stress tests for various scenarios that could affect the liquidity situation. The general manager holds quarterly meetings with the parent bank to review the current status, trends, and prospects on the basis of the financial report that has been compiled. Separate minutes are prepared following these quarterly meetings. A financial report together with minutes is submitted to the Board on a quarterly basis. The Board deems the overall financial risk to be low.

A management agreement has been entered into with Sparebanken Øst covering administration, IT operations, and the production of various banking services, as well as finance, clearing, and accounting services. As at the end of Q4 2015, the company had contracted a total of 1.4 FTEs,

including a general manager, to assist in assignments such as follow-ups and controls related to outsourced services. The structures and systems related to this have been developed considerably during the year. The general manager submits an annual report regarding the implementation of internal control and risk management. The Board deems operational risk to be low.

Sparebanken Øst has issued a guarantee for all covered bond liabilities in the mortgage company. Additionally, Sparebanken Øst Boligkreditt AS has drawing rights in Sparebanken Øst.

The assets primarily consist of lending secured against real estate within legal requirements with regard to quality and loan-to-value ratio. The loan-to-value ratio is calculated in relation to the reasonable property value determined in accordance with applicable legislation. The general assessment criteria related to the approval and maintenance of the loan follow the guidelines established by Sparebanken Øst. All collateral is established by way of a value assessment conducted by a competent and independent third party. The Board deems the quality of the lending portfolio to be good. The over-collateralisation of the cover pool was 21% at the end of the quarter. The Board is of the opinion that overall risk exposure in Sparebanken Øst Boligkreditt AS is low.

At the end of Q4 2015, Sparebanken Øst Boligkreditt AS had total subordinated capital of NOK 903.0 million. Total subordinated capital corresponds to a capital adequacy of 23.0% of which CET1 capital adequacy amounted to 23.0%. Risk-weighted balance at the end of Q4 2015 was NOK 3,919.9 million. Capital adequacy is calculated using the standard method. The Board deems the company's risk capacity to be satisfactory.

The Market

Credit spreads in the market for Norwegian covered bonds expanded significantly after the summer. Sparebanken Øst Boligkreditt AS currently has to pay around 10 basis points (hundredths of a percentage point) more in credit spreads than the largest issuers to issue such bonds with a 5-year term to maturity with an outstanding loan amount of between NOK 2 billion and NOK 4 billion. The credit spread was around 81-83 basis points at the end of the quarter, around 18 basis points more than at the start of the quarter.

The cover pool contains secured mortgages from every county in the country. The majority of the objects are located in the centre of south east Norway with loans from Buskerud, Oslo, and Akershus accounting for 72% of the total. The loans in the cover pool have senior collateral in Norwegian residential properties.

Future prospects

Sparebanken Øst Boligkreditt AS took a market approach related to the strategy of the parent bank, and general adaptability to market conditions. The growth in 2015 was adjusted to the parent bank's capital requirements. Access to capital via the issuing of covered bonds has been poorer than in previous years, there has in particular been less demand for longer terms to maturity. Issuing covered bonds has helped Sparebanken Øst achieve a robust liquidity position.

Growth in the Norwegian economy has slowed after having previously shown strong growth driven by high oil prices and investments in oil. The fall in oil prices that started in the summer of 2014 gathered pace throughout 2015 and resulted in a significant reduction in oil investments, uncertainty in the financial markets, and interest rate cuts by Norges Bank. Significant weakening of the Norwegian krone has stimulated growth in traditional exports and increased inflation for imports.

There have been big regional difference in house prices in Norway in 2015. Year-on-year growth in the central Eastern Norway region was still high, while prices fell in the south-west. While the uncertainty due to the fall in oil prices may have a moderating effect on most markets, the very low interest rates that are expected to last for the foreseeable future may sustain the growth in house prices. House price trends and growth in household debt are particularly important to the Norwegian economy, not to mention Sparebanken Øst Boligkreditt AS.

Unemployment is increasing and can be expected to rise further in the future due to weaker growth. Households continue to maintain strong finances, but uncertainty regarding economic development and house prices in particular may result in increased saving and sluggish spending.

The company expects key interest rates to remain low for some time to come. The government's financial position is nevertheless very strong, offering potential for stimulating the Norwegian economy in case of an economic recession.

The company expects moderate future residential mortgage growth and intends to contribute to continued lending growth in the Group. The company has good control over its costs, with no considerable costs expected in addition to costs which would arise naturally as a result of an increased portfolio. Consequently, the Board expects the company to achieve the adopted objective of a satisfactory return on equity.

The Board is also of the opinion that the company's capital base is sufficient to ensure room for manoeuvre in the future. We expect the market for covered bonds with good ratings to improve somewhat from the start of 2016, but cannot rule out that the supply of new ones may diminish over the year.

Drammen, 9 February 2016
The Board of Directors of Sparebanken Øst Boligkreditt AS

Kjell Engen
Chairman of the Board

Pål Strand
Deputy chairman

Lars-Runar Groven
Board member

Per-Øyvind Mørk
Board member

Frode Lindbeck
General Manager

Income statement

(Amounts in NOK 1,000)	2015	2014
Interest income	278,285	326,876
Interest costs	149,706	188,518
Net interest income	128,579	138,358
Commission income and income from banking services	14	16
Commission costs and costs from banking services	12,715	12,771
Net value change and gains/losses on financial instruments	-1,762	-1,617
Administration costs	400	297
Other operating costs	3,451	3,726
PROFIT/LOSS BEFORE LOSSES	110,265	119,963
Losses on loans and guarantees	0	0
PROFIT/LOSS BEFORE TAX COSTS	110,265	119,963
Tax costs	29,759	32,390
PROFIT/LOSS AFTER TAX	80,506	87,573
Earnings per share	7.55	8.22
Diluted earnings per share	7.55	8.22

Comprehensive income

(Amounts in NOK 1,000)	2015	2014
COMPREHENSIVE INCOME	80,506	87,573

Balance sheet

(Amounts in NOK 1,000)	2015	2014
Loans to and receivables from financial institutions	267,061	250,187
Loans to and receivables from customers	8,769,849	8,449,489
Financial derivatives	212,172	251,388
Other assets	5,855	4,005
Prepaid non-accrued costs and earned but not received income	0	0
TOTAL ASSETS	9,254,937	8,955,069
Liabilities to financial institutions	667,640	924,436
Securities issued	7,653,079	7,174,262
Other liabilities	30,830	33,641
Deferred tax liability	152	0
Total liabilities	8,351,701	8,132,339
Paid-up equity	649,990	649,990
Retained earnings	253,246	172,740
Total equity	903,236	822,730
TOTAL LIABILITIES AND EQUITY	9,254,937	8,955,069

Drammen, 9 February 2016

Kjell Engen
Chairman of the Board

Pål Strand
Deputy chairman

Lars-Runar Groven
Board member

Per-Øyvind Mørk
Board member

Frode Lindbeck
General Manager

Cash flow analysis

(Amounts in NOK 1,000)		31.12.2015	31.12.2014
Operating activities			
Profit/loss before tax costs		110,265	119,963
Adjusted for:			
Change in net accrued interest income and interest costs		630	3,052
Net receipts/payments of loans to customers		-323,197	-1,005,136
Net receipts/disbursement of deposits from financial institutions		-256,775	260,535
Change in other assets		-1,850	-2,905
Change in other liabilities		-21	186
Change in premium/discount on securities issued		1,056	1,576
Net losses from financing activities		1,762	1,617
Taxes paid for the period		-32,396	-31,782
Net cash flow from operating activities	A	-500,526	-652,894
Financing activities			
Payments on repayment of securities		-785,874	-756,651
Proceeds on issuance of securities		1,303,274	1,299,876
Receipts on capital increase		0	200,000
Payment of dividend		0	-50,000
Net cash flow from financing activities	B	517,400	693,225
Net change in cash and cash equivalents	A+B	16,874	40,331
Cash and cash equivalents at the start of the period		250,187	209,856
Cash and cash equivalents at the end of the period		267,061	250,187

Liquid assets consist solely of bank deposits. Unused drawing rights at 31.12.2015 were NOK 1,332.6 million and at 31.12.2014 were NOK 1,076.1.

Changes in equity

(Amounts in NOK 1,000)

2015	Total equity	Share capital	Share premium reserve	Other equity
Equity at 31.12.2014	822,730	319,800	330,190	172,740
Comprehensive income	80,506	0	0	80,506
Equity at 31.12.2015	903,236	319,800	330,190	253,246

Proposed dividend for the year is NOK 0.

2014	Total equity	Share capital	Share premium reserve	Other equity
Equity at 31.12.2013	585,157	266,500	183,490	135,167
Comprehensive income	87,573	0	0	87,573
Capital increase 06.10.2014	200,000	53,300	146,700	0
Dividend 2013 finally adopted	-50,000	0	0	-50,000
Equity at 31.12.2014	822,730	319,800	330,190	172,740

Proposed dividend for the year is NOK 0.

Profit performance

Year to date

(Amounts in NOK 1,000)	31.12.2015	30.09.2015	30.06.2015	31.03.2015	31.12.2014
Interest income	278,285	211,671	142,217	73,385	326,876
Interest costs	149,706	114,755	76,924	39,334	188,518
Net interest income	128,579	96,916	65,293	34,051	138,358
Commission income and income from banking services	14	11	7	4	16
Commission costs and costs from banking services	12,715	9,380	6,125	3,071	12,771
Net value change and gains/losses on financial assets	-1,762	-1,506	-754	-725	-1,617
Administration costs	400	295	190	78	297
Other operating costs	3,451	2,827	2,001	1,203	3,726
PROFIT/LOSS BEFORE LOSSES	110,265	82,919	56,230	28,978	119,963
Losses on loans and guarantees, etc.	0	0	0	0	0
PROFIT/LOSS BEFORE TAX COSTS	110,265	82,919	56,230	28,978	119,963
Tax costs	29,759	22,388	15,182	7,824	32,390
PROFIT/LOSS AFTER TAX	80,506	60,531	41,048	21,154	87,573
Earnings per share	7.55	5.68	3.85	1.98	8.22
Diluted earnings per share	7.55	5.68	3.85	1.98	8.22

Quarter

(Amounts in NOK 1,000)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Interest income	66,614	69,454	68,832	73,385	80,716
Interest costs	34,951	37,831	37,590	39,334	46,574
Net interest income	31,663	31,623	31,242	34,051	34,142
Commission income and income from banking services	3	4	3	4	5
Commission costs and costs from banking services	3,335	3,255	3,054	3,071	3,239
Net value change and gains/losses on financial assets	-256	-752	-29	-725	-1,601
Administration costs	105	105	112	78	72
Other operating costs	624	826	798	1,203	1,030
PROFIT/LOSS BEFORE LOSSES	27,346	26,689	27,252	28,978	28,205
Losses on loans and guarantees, etc.	0	0	0	0	0
PROFIT/LOSS BEFORE TAX COSTS	27,346	26,689	27,252	28,978	28,205
Tax costs (calculated for interim financial statements)	7,371	7,206	7,358	7,824	7,615
PROFIT/LOSS FOR THE PERIOD	19,975	19,483	19,894	21,154	20,590
Earnings per share	1.87	1.83	1.87	1.98	1.94
Diluted earnings per share	1.87	1.83	1.87	1.98	1.94

General information

Sparebanken Øst Boligkreditt AS has its headquarters in Drammen and is a wholly owned subsidiary of Sparebanken Øst. 2015 is the company's seventh year of trading. The company was established on 14 April 2009 and registered in the Norwegian Register of Business Enterprises on 27 April 2009. Its business address is Bragernes Torg 2, N-3017 Drammen, Norway.

The purpose of the company is to acquire mortgage loans from Sparebanken Øst and issue covered bonds in the money market.

The interim accounts for Q4 2015 were approved by the Board of Sparebanken Øst Boligkreditt AS on 9 February 2016.

The company is included in the consolidated financial statements of Sparebanken Øst, business address: Stasjonsgata 14, N-3300 Hokksund.

Accounting policies

The financial statements for Sparebanken Øst Boligkreditt AS for Q4 2015 have been prepared in accordance with IFRS standards as approved by the EU, and IFRIC interpretations.

The financial statements are based on historical cost principles, apart from financial derivatives, which are measured at fair value. Where the company uses hedge accounting, the value of the hedging object is adjusted for the change in value related to the hedged risk.

Interest-bearing balance sheet items are included in accrued interest.

Please refer to the annual accounts for 2015 for a more in-depth description of the accounting policies. The interim financial statements have been prepared in line with the accounting policies and measuring system used in the annual financial statements.

Use of estimates and assumptions

Due to the uncertainty inherent in business activities, accounting items cannot be measured accurately; rather they must be evaluated and estimated. Judgement has been exercised in applying accounting principles, and has used assumptions and expectations regarding future events that are considered likely. Estimates and assessments are evaluated regularly and are based on the most recent reliable data available, as well as experience from similar assessments. There will always be an inherent uncertainty related to accounting items that cannot be measured accurately, and the assessment and best estimates may differ significantly from actual outcomes.

Transactions with close associates

Sparebanken Øst Boligkreditt AS is a wholly owned subsidiary of Sparebanken Øst and is defined as a close associate. The company has entered into agreements with Sparebanken Øst regarding management, the lease of a general manager, controller compliance, and the purchase of residential mortgages. Transactions between the companies are conducted in accordance with normal commercial terms and principles.

EARNINGS (Amounts in NOK 1,000)	31.12.2015	31.12.2014
Interest income, deposits in parent bank	2,850	3,693
Interest costs, loans from parent bank	12,542	19,568
Interest costs, covered bond liabilities to parent bank	1,957	10,232
Commission costs to parent bank	12,715	12,771
Administrative costs to parent bank	384	276
Other operating costs to parent bank	1,251	1,251
BALANCE SHEET (Amounts in NOK 1,000)	31.12.2015	31.12.2014
Deposits in parent bank	267,061	250,187
Other receivables from parent bank	5,855	4,005
Loans from parent bank	667,640	924,436
Other liabilities to parent bank	1,176	1,134

Lending to customers by geographical distribution of collateral

(Amounts in NOK 1,000)	31.12.2015	31.12.2014
Drammen	1,030,953	1,072,138
Øvre Eiker	423,967	435,879
Nedre Eiker	585,406	646,642
Rest of Buskerud	460,470	406,279
Akershus	1,915,079	1,731,810
Oslo	1,914,202	1,893,486
Vestfold	584,825	561,699
Østfold	307,822	276,172
Rest of Norway	1,547,125	1,425,384
Total lending to and receivables from customers	8,769,849	8,449,489

Cover pool

(Amounts in NOK 1,000)	31.12.2015	31.12.2014
Gross lending secured against property	8,750,406	8,427,143
Other substitute assets (bank deposits)	267,061	250,187
Total cover pool	9,017,467	8,677,330
Cover pool occupancy *	121%	125%

*Total cover pool is valued within 75% of the value of the collateral. When calculating the occupancy of the cover pool, bond loans are valued at the total of the discounted value of the nominal value and discounted coupon payments.

Lending by customer groups

(Amounts in NOK 1,000)	31.12.2015	31.12.2014
Employees	8,745,777	8,416,970
Self-employed	24,072	32,519
Total lending to and receivables from customers	8,769,849	8,449,489

Impaired and non-performing commitments

(Amounts in NOK 1,000)	31.12.2015	31.12.2014
Gross non-performing commitments (more than 90 days)		
Business	0	0
+ Retail	0	1,101
= Gross non-performing commitments	0	1,101
- Individual write-downs	0	0
= Net non-performing commitments	0	1,101
Impaired (not non-performing) commitments		
Business	0	0
+ Retail	0	0
= Gross impaired commitments	0	0
- Individual write-downs	0	0
= Net impaired commitments	0	0
Gross impaired and non-performing commitments		
Business	0	0
+ Retail	0	1,101
= Gross impaired and non-performing commitments	0	1,101
- Individual write-downs	0	0
= Net impaired and non-performing commitments	0	1,101

No lending losses were reported on the company's portfolio in Q4 2015. The company found no reason to undertake either individual or group write-downs in the portfolio.

Securities issued

(Amounts in NOK 1,000)	31.12.2015	31.12.2014
Covered bonds, nominal value in NOK	7,423,000	6,655,000
Covered bonds, nominal value in SEK (converted to NOK)	0	287,910
Value adjustment (including conversion/exchange rate)	186,829	187,318
Accrued interest	43,250	44,034
Total securities issued	7,653,079	7,174,262

Change securities issued	31.12.201	Issued	Due/ redeemed	Other changes incl. currency	31.12.2014
--------------------------	-----------	--------	------------------	------------------------------------	------------

5

Covered bonds, nominal value in NOK	7,423,000	1,300,000	532,000	0	6,655,000
Covered bonds, nominal value in SEK (converted to NOK)	0	0	290,729	2,819	287,910
Value adjustment (including conversion/exchange rate)	186,829	0	0	-489	187,318
Accrued interest	43,250	0	0	-784	44,034
Total securities issued	7,653,079	1,300,000	822,729	1,546	7,174,262

Financial derivatives

Interest-rate and currency derivatives to reduce interest-rate and currency risk have been entered into for the company's fixed rate and foreign currency bond loans. The hedge ratio is 1:1 and hedge accounting has been used.

(Amounts in NOK 1,000)

Financial derivatives used for hedge accounting	Contract total	Fair value 31.12.2015	
		Assets	Liabilities
<i>Currency instruments</i>			
Currency swap agreements	0	0	0
Total currency instruments	0	0	0
<i>Interest rate instruments</i>			
Interest rate swaps	1,500,000	212,172	0
Total interest instruments	1,500,000	212,172	0
Total derivatives		212,172	0

No significant inefficiencies have been reported for the hedges.

Financial derivatives used for hedge accounting	Contract total	Fair value 31.12.2014	
		Assets	Liabilities
<i>Currency instruments</i>			
Currency swap agreements	252,101	35,809	0
Total currency instruments	252,101	35,809	0
<i>Interest rate instruments</i>			
Interest rate swaps	1,500,000	215,579	0
Total interest instruments	1,500,000	215,579	0
Total derivatives		251,388	0

No significant inefficiencies have been reported for the hedges.

Financial instruments

Sparebanken Øst Boligkreditt AS's financial instruments in this category at fair value consist of derivatives. Other instruments are measured at amortised cost.

Valuation of financial instruments at fair value

In general

Sparebanken Øst Boligkreditt AS uses the following valuation hierarchy to determine the fair value of financial instruments:

Level 1: Observable market prices.

Level 2: Observable market prices in less active markets, or the use of inputs which are either directly or indirectly observable.

Level 3: Valuation techniques not based on observable market data.

Net lending

The company has only lent at variable interest rates. The fair value of loans at variable interest rates is subject to the influence of changing interest rate levels and credit margins, but can be re-priced on an ongoing basis in the short term. The Norwegian Act on Financial Contracts and Financial Assignments permits re-pricing with six weeks' notice (less in case of major changes to the company's borrowing rate). Sparebanken Øst Boligkreditt AS's assessment of the best estimates for the lending portfolio is that the amortised cost gives a good approximation of fair value.

Derivatives

Sparebanken Øst Boligkreditt AS does not use derivatives that are traded in an active market. The derivatives' fair values are based on observable yield curves and exchange rates. All of the company's derivatives are invested at level 2 of the pricing hierarchy.

31.12.2015	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Net loans to and receivables from financial institutions	0	267,061	0	267,061	267,061
Net loans to and receivables from customers	0	0	8,769,849	8,769,849	8,769,849
Total assets at amortised cost	0	267,061	8,769,849	9,036,910	9,036,910
Liabilities to financial institutions	0	667,640	0	667,640	667,640
Securities issued	0	7,606,672	0	7,606,672	7,653,079
Total liabilities at amortised cost	0	8,274,312	0	8,274,312	8,320,719
Fair value	0				
Financial derivatives	0	212,172	0	212,172	212,172
Total assets at fair value	0	212,172	0	212,172	212,172

31.12.2014	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Net loans to and receivables from financial institutions	0	250,187	0	250,187	250,187

institutions					
Net loans to and receivables from customers	0	0	8,449,489	8,449,489	8,449,489
Total assets at amortised cost	0	250,187	8,449,489	8,699,676	8,699,676
<hr/>					
Liabilities to financial institutions	0	924,436	0	924,436	924,436
Securities issued	0	7,258,035	0	7,258,035	7,174,262
Total liabilities at amortised cost	0	8,182,471	0	8,182,471	8,098,698
<hr/>					
Fair value					
Financial derivatives	0	251,388	0	251,388	251,388
Total assets at fair value	0	251,388	0	251,388	251,388

Offsetting right for financial derivatives

Sparebanken Øst Boligkreditt AS' netting is in accordance with general rules set out in Norwegian legislation.

Sparebanken Øst Boligkreditt AS has entered into standardised and mainly bilateral ISDA agreements with financial institutions entitling the parties to netting in the event of any defaults. Additional agreements have also been entered into concerning provision of security (CSA) for the same counterparts.

At 31.12.2015, the exposure was as follows:	Gross amount	Offset	Capitalised value	Amount subject to net settlement	Amount following any net settlement
Financial derivatives, assets	212,172	0	212,172	0	212,172
Financial derivatives, liabilities	0	0	0	0	0

At 31.12.2014, the exposure was as follows:	Gross amount	Offset	Capitalised value	Amount subject to net settlement	Amount following any net settlement
Financial derivatives, assets	251,388	0	251,388	0	251,388
Financial derivatives, liabilities	0	0	0	0	0

Capital adequacy ratio

(Amounts in NOK 1,000)	31.12.2015	31.12.2014
CET1 capital		
Book equity	903,236	822,730
Deduction items in CET1 capital		
Value adjustments resulting from prudent valuation requirements (AVA)	-212	0
Total CET1 capital	903,024	822,730
Other tier 1 capital	0	0
Total tier 1 capital	903,024	822,730
Net subordinated capital	903,024	822,730
Calculation basis		
Calculation basis for credit and counterparty risk	3,484,985	3,380,791
Calculation basis, currency risk	0	0
Calculation basis, operational risk	192,958	120,273
Calculation basis for weakened counterparty credit value (CVA)	241,961	325,463
Deductions from calculation basis	0	0
Total calculation basis	3,919,904	3,826,527
CET1 capital	23.04%	21.50%
Tier 1 capital ratio	23.04%	21.50%
Capital adequacy ratio	23.04%	21.50%
Buffers		
Capital conservation buffer	97,998	95,663
Countercyclical buffer	39,199	0
Systemic risk buffer	117,597	114,796
Total buffer requirements	254,794	210,459
Available buffer capital	589,432	516,608
Tier 1 leverage ratio*	9.40%	8.90%

*Tier 1 leverage ratio is calculated at the end of the quarter.

Sparebanken Øst Boligkreditt AS uses the standard method for calculating minimum equity and subordinated capital requirements for credit risk. The calculation related to operational risk is calculated based on the basic method. The CVA supplement is calculated using the standardised approach. Commitment amounts for derivatives are calculated using the market value method.

The credit institution's equity and subordinated capital shall comply with minimum capital adequacy requirements at all times, with the addition of a buffer equivalent to the company's accepted risk tolerance.

See also the Group's Pillar III document, which is available on Sparebanken Øst's website.

Operating segments

Sparebanken Øst Boligkreditt AS operates in only one customer-facing segment. This is also how the management have organised the company for operational and management purposes.

Through Boligkreditt.no, Sparebanken Øst Boligkreditt AS only offers residential mortgages up to 75 % of a reasonable valuation. Information regarding the geographical distribution of the lending portfolio is provided on page 11. No customer may be deemed more important to the company than others based on size and similar. The company is not dependent on individual customers. No single customer accounts for more than 10%.

Guarantees, pledged assets and preferential rights - nominal value

(Amounts in NOK 1,000)	31.12.2015	31.12.2014
Guarantees	0	0
Pledged assets	0	0
Preferential rights pursuant to section 11-15 of the Financial Institutions Act	7,423,000	6,942,910

Ownership structure

The share capital of Sparebanken Øst Boligkreditt AS amounts to NOK 319.8 million divided into 10.66 million shares each with a nominal value of NOK 30. All shares in Sparebanken Øst Boligkreditt AS are owned by Sparebanken Øst.

Statement according to the Norwegian Securities Trading Act § 5-5

We certify that the annual accounts for the period 1 January to 31 December 2015, to best of our knowledge, have been prepared in accordance with IFRS and that the accounts give a true and fair view of the company's assets, liabilities, financial position, and profits as a whole, and that the information in the annual report provides a fair overview of the development, performance, and position of the company, together with a description of the principal risks and uncertainties facing the company.

Drammen, 9 February 2016

The Board of Directors of Sparebanken Øst Boligkreditt AS

Kjell Engen
Chairman of the Board

Pål Strand
Deputy Chairman of the Board

Lars-Runar Groven
Board member

Per Øyvind Mørk
Board member

Frode Lindbeck
General Manager



Bragernes Torg 2 • Postboks 67 • 3301 Hokksund
Telefon 03220 • www.oest.no