S'banken
boligkreditt

Annual Report 2021

sbanken.no

Content

Key figures 2021

In NOK thousand	Reference	2021	2020
Summary of income statement			
Net interest income		386 982	354 180
Net other income		-21 258	-21 154
Total operating income		**365 724**	**333 026**
Other operating expenses		-10 356	-12 722
Operating profit before loan losses		**355 368**	**320 304**
Loan losses		760	-185
Profit before tax		**356 128**	**320 119**
Tax expense		-76 389	-67 771
Net profit		**279 739**	**252 347**
Balance sheet figures (in million NOK)			
Total loan volume		38 135	35 184
Covered bonds issued (nominal value)		30 405	30 805
Covered bonds issued (carried value)		30 806	31 395
Total assets, end of period		39 890	37 391
Losses and defaults			
Loss rate (%)	1	0,00%	0,00%
Solvency	2		
Common equity Tier 1 ratio		16,1%	17,3%
Tier 1 capital ratio		17,7%	19,0%
Total capital ratio		20,0%	21,4%
Leverage ratio		6,3%	6,8%
Other			
Loan to value	3	49,7%	49,7%
Cover Pool	4	38 682	35 972
Over-collateralisation (OC), (nominal)		27,2%	16,8%

Alternative Performance Measures
Sbanken Boligkreditt AS (the company) discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are commonly used by analysts, investors and other stakeholders to evaluate the performance of the company in isolation or relative to the financial industry. The measures are provided to give an enhanced insight into the operations, financing and future prospects of the company. Some of the measures are presented in detail in notes to the financial statement and not repeated here.

References
1) Loss rate is calculated as the loan losses of the period divided by the average loan volume of the period. The measure is commonly used by banks and industry analysts to indicate the performance and quality of the lending book.

2) Solvency figures figures are presented including profit for the period. Please refer to note 4 and 5 for further detail.

3) Loan-to-Value (LTV) is calculated as the loan amount divided by the estimated value of the property. When calculating a weighted average of LTV for the entire loan book, the credit balance of mortgages is used as weights. The LTV is provided as a measure of lending risk exposure.

4) Cover pool consist of mortgages and supplementary assets eligible according to the covered bonds legislation in Norway. Please refer to note 12 for further detail.

Board of Directors' report

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirm that the financial statements have been prepared on a going concern basis, and that the going concern assumption applies. Pursuant to Section 3-9 of the Norwegian Accounting Act, Sbanken Boligkreditt AS ('Sbanken Boligkreditt' or 'the company') prepares its annual financial statements in accordance with IFRS.

Sbanken Boligkreditt was established in 2015 as a vehicle to fund the Sbanken group ('the group') by issuing covered bonds based on residential mortgages. The company is a wholly owned subsidiary of Sbanken ASA ('the bank'), located in Bergen, Norway.

Operations in 2021

Except for a temporary spike in infection rates in late 2021, the Covid-pandemic gradually receded in 2021, leading to an increase in economic activity and a parallel reduction in unemployment.

The increased economic activity led Norges Bank to increase the key policy rate by 0.25 percentage points 23 September and an additional 0.25 percentage points to 0.5 percent on 16 December.

For the bank the year was dominated by DNB making a recommended voluntary bid on 15 April to acquire all the shares in the parent bank, Sbanken ASA. The subsequent regulatory approval processes went on all year and impacted the bank's operations and priorities. Some groups of customers reacted negatively to the news and mobilised against the acquisition on social media.

In response to the situation, the bank chose to implement numerous measures and adaptions to safeguard the customer portfolio, balance sheet values and stability among the staff. This included introducing an interest rate guarantee for mortgages in 2021, which negatively impacted the profitability of the group, but also reduced churn in the mortgage portfolio.

The three-month Nibor rate increased in 2021, from 0.49 per cent at year-end 2020 to 0.95 per cent at the end of 2021. In 2021, the average three-month Nibor rate was 0.47 per cent, down 23 basis points from the previous year. Credit spreads in the bond markets remained at a low and stable level throughout the year.

At year-end, the company's residential mortgage portfolio amounted to a total of NOK 38.1 (35.2) billion. Outstanding covered bonds amounted to NOK 30.4 (30.8) billion.

Covered bonds issued by Sbanken Boligkreditt have been assigned the highest rating, Aaa, by Moody's Investors Service, last confirmed 17 September 2021.

Financial review

Sbanken Boligkreditt recorded a net profit of 279.7 (252.3) million in 2021.

Operating income
Sbanken Boligkreditt recorded an operating income of NOK 365.7 (333.0) million in 2021. Net interest income amounted to NOK 387.0 (354.2) million. Net other income amounted to a net loss of NOK 21.3 (-21.20) million, primarily ascribed to the repurchase of the company's issued covered bonds.

Operating expenses
Operating expenses amounted to NOK 10.4 (12.7) million and consisted mainly of administrative expenses relating to the company's hire of management and administrative resources from Sbanken ASA.

Impairments and losses
Loan losses were positive with NOK 0.8 (-0.2) million, corresponding to a loan loss ratio of 0.00 (0.00) per cent. At year-end, expected credit losses (ECL) amounted to NOK 5.2 million.

Taxes
The calculated income tax expense amounted to NOK 76.4 (67.8) million, corresponding to an effective tax rate of 21.4 (21.1) per cent.

Loans to customers
At year-end, loans to customers amounted to NOK 38.1 billion, up 2.9 billion from year-end 2020. In 2021, the company acquired (net) NOK 23.4 (22.3) billion in residential mortgages from Sbanken ASA, less refinancing and ordinary repayments from customers during the year.

Capitalisation, liquidity and financial position
Sbanken Boligkreditt had total equity of NOK 2.8 (2.7) billion as of 31 December 2021. Common Equity Tier 1 (CET1) capital ratio was 16.1 per cent against a regulatory requirement of 12.5 per cent. The tier 1 capital ratio was 17.7 per cent and total capital ratio 20.0 per cent. As of year-end, the company had a leverage ratio of 6.3 per cent against a regulatory requirement of 3 per cent. The capital ratios include only 4.0 per cent of retained earnings for 2021, following the Board's proposal to distribute 96.0 per cent of net profit for 2021 as a dividend.

Sbanken Boligkreditt had NOK 30.8 (30.8) billion in outstanding debt issued as covered bonds as of 31 December 2021. A total of NOK 7.0 billion in covered bonds were issued during the year. The covered bonds were at issuance purchased by the parent bank and were partially used as collateral for extraordinary F-loans offered by Norges Bank, primarily due to the F-loans attractiveness as a funding instrument for liquidity portfolio investments. As the F-loans matured, the bank sold the covered bonds in the secondary market. Covered bonds totalling NOK 7.4 billion were redeemed during the year. At year-end, Sbanken Boligkreditt had total liquid assets of NOK 1.5 (1.7) billion.

In accordance with the group's focus on sustainability, and to further diversify funding sources, Sbanken Boligkreditt has established a framework for issuing green bonds. The framework is aligned with the UN Sustainability Development Goals and ICMA's Green Bond Principles. A significant amount of the group's cover pool qualifies under the existing framework. The company has not issued its inaugural green bond as of year-end 2021 but have been planning to do so within the next 12 months.

Allocation of profit and dividend

The Board of Directors proposes to distribute a dividend of NOK 260.0 million to the parent bank, equivalent to 96.0 per cent of net profit attributable to shareholders. The dividend is deemed justifiable given the company's significant headroom to regulatory capital requirements. The dividend proposal has not been recognised in the accounts for 2021 as it does not qualify as a provision pursuant to IFRS.

The Board has proposed the following allocation of profit for 2021:

	in NOK thousands
Net profit for the year	279 739
Attributable to Additional Tier 1 capital holders	8 948
Attributable to Shareholders	270 791
Dividend	260 000
Retained Earnings	10 791
Total	270 791

In the opinion of the Board of Directors, following the proposed allocation, Sbanken Boligkreditt will be in a strong financial position that provides flexibility to support the activities planned in the group.

Strategy

The company is a vehicle for funding residential mortgages at competitive terms for the bank. The issuing of covered bonds secured by the company's cover pool ensures favourable and diversified funding for the group. The bonds are currently offered in NOK and EUR. Bonds denominated in NOK are listed on Oslo Børs, while the bond denominated in EUR is listed on the Irish Stock Exchange.

The company's lending comprises mortgages from retail customers with a maximum loan-to-value (LTV) of 75 per cent. New mortgages are sold through the bank's distribution channels. The bank is responsible for customer relations and customer contact, marketing and product development. Credit underwriting is also performed by the bank pursuant to its credit policy, credit strategy and credit processes.

Sbanken Boligkreditt acquires high-quality, eligible mortgages from the bank. The Board of Sbanken Boligkreditt sets the eligibility criteria. The quality and risk profile of the mortgages included in the cover pool ensures that the company's target rating of Aaa for covered bonds is met.

Corporate governance

Sbanken Boligkreditt's corporate governance principles are based on Sbanken ASA's corporate governance policy. The policy follows the Norwegian Accounting Act and the Norwegian Code of Practice of Corporate Governance.

Sbanken ASA's corporate social responsibility (CSR) and sustainability policy sets the standards for the group's work on both the implementation and the further development of related matters. The policy is based on Norwegian legislation, the UN Global Compact Principles and the UN Principles for Responsible Investments and is reviewed by Sbanken ASA Board of Directors on an annual basis.

The Board reviews the financial reporting process. The company follows the group's policy for financial governance, which includes requirements for quality assurance of financial reporting processes to ensure relevant, timely and uniform reporting to the capital market, regulators and other stakeholders.

Sbanken Boligkreditt's administration reviews the process of internal control over financial reporting and implements adequate and internal processes in accordance with established requirements. Processes include control measures to ensure that the financial reporting is of high quality.

Directors' and officers' liability insurance

Sbanken has taken out directors' and officers' liability insurance for the Group and its subsidiaries. The insurance covers the Board, CEO and members of the management or corresponding governing bodies, and any previous, current or future employee of the Group who takes on an independent management responsibility.

Risk management

Sbanken Boligkreditt's core business is to issue covered bonds secured by residential mortgages and thereby create value by assuming recognised and acceptable risks deriving from this business. The Board of Directors defines risk limits and principles for risk management. These principles include the identification and assessment of material risks and reporting to the Board of Directors of any such risks, conducting risk assessment before any material changes are effectuated and defining limits for each risk category.

The company's risks fall into the following risk categories:

Credit risk

Credit risk is defined as the risk of loss resulting from a customer or counterparty not fulfilling their obligations, at the same time as any collateral pledges fail to cover the outstanding claim. All mortgages owned by the company have been granted by Sbanken ASA pursuant to the bank's credit risk framework. In order to ensure that mortgages acquired by the company comply with regulations and other internal policies, the company has established a set of criteria that must be met before an acquisition is concluded. The company's credit risk is considered low.

Market risk

Market risk is defined as the risk of loss due to unfavourable changes in market variables, such as interest rates, exchange rates and credit spreads. The main source of market risk is interest rate risk, and, to a lesser extent, currency risk and credit spread risk related to the company's liquidity portfolio. Interest rate risk is managed in accordance with regulations and internal limits approved by the Board of Directors. Currency and interest rate risk arising from financing activities in foreign currency is hedged by cross-currency and interest rate swaps. Any residual currency risk is low and within the company's risk limits approved by the Board of Directors. The company's aggregated market risk is considered low.

Liquidity risk

Liquidity risk is defined as refinancing risk, i.e. the risk of the company being unable to refinance its obligations as they mature, and price risk, i.e. the risk of the company being unable to refinance its obligations without a material increase in associated costs. Liquidity risk is managed in accordance with internal limits approved by the Board of Directors that ensure a balanced maturity structure for the company's issued bonds. A stress test assuming a sharp decline in housing prices is performed quarterly and presented to the Board. The company's liquidity risk is considered low.

Operational risk

Operational risk is defined as unexpected losses attributable to inadequacy or failure of internal processes or systems, employees or external events. Operational risk is managed by the same principles as in the parent bank. Compliance risk is defined under operational risk. The risk is considered low.

Capital risk

Capital risk is defined as the risk of the company failing to meet prevailing regulatory capital requirements. The capital risk is considered to be low.

Model risk

Model risk is defined as financial losses for the company resulting from weaknesses or errors in models utilised by the group, including models related to credit risk, market risk, liquidity risk and capital risk. The model risk is considered low.

Regulatory changes

In June, the Norwegian Ministry of Finance decided to increase the countercyclical capital buffer by 0.5 percentage point, to 1.5 percent, effective from 30 June 2022. In December, the central bank (which was given this responsibility in September) decided to increase the countercyclical capital buffer by 0.5 percentage point, to 2 percent, effective from 31 December 2022.

Sbanken's CET1 capital target ratio is set at 0.5 percentage point above the regulatory requirement, and the target follows changes in the requirement dynamically as they become effective.

Subsequent events

17 January the bank raised the interest rates by up to 0.25 percentage points on mortgages and by up to 0.15 percentage points on deposits with effect from 1 March 2022 for existing customers and 17 January 2022 for new customers.

Russia attacked Ukraine on 24 February 2022. This deeply tragic development has created geopolitical uncertainty that may affect the macroeconomic situation in 2022 and beyond.

16 March 2022 the Norwegian Competition Tribunal reversed the Norwegian Competition Authorities decision to intervene in DNB Bank ASAs acquisition of the parent bank. The Sbanken group is then a subsidiary of DNB Bank ASA from 30 March 2022.

On 24 March, Norges Bank raised its key interest rate by 0.25 percentage points. At the same time, the central bank decided to raise the countercyclical capital buffer by 0.5 percentage points to 2.5 per cent, with effect from 31 March 2023.

Outlook

Following a brief period of increased uncertainty linked to the COVID-19 pandemic from mid-December 2021 until mid-January 2022, the outlook for the Norwegian economy is now positive. The percentage of people who have been vaccinated is high and increasing, and, despite the short-term spike in infection rates, the health system looks set to be able to handle the situation.

Growth projections from Norges Bank indicate growth in the mainland economy of 4.1 per cent in 2022 before the growth slows down to 1.6 per cent in 2023 and 1 per cent in 2024. Unemployment is expected to fall to 2.0 per cent in 2022.

Norges Bank's interest rate path indicates that the key policy rate will be raised by 0.25 per cent in June and will continue to gradually rise to 2.50 per cent by the end of 2023.

After several years of high growth in house prices, Norges Bank expects growth to slow 4.4 per cent in 2022, fall by 0.8 per cent in 2023 and increase by 0.9 per cent in 2024. Household credit growth is expected to be just over 5 per cent in 2022 and to decrease to 4.6 per cent in 2024.

The bank's credit losses have been low throughout 2021, emphasising the high quality of the lending portfolio. Overall losses are expected to be below 0.05 per cent throughout 2022.

Bergen, 30 March 2022
The Board of Directors of Sbanken Boligkreditt AS

Mai-Lill Ibsen
(Chair of the Board)

Øyvind Thomassen

Egil Mokleiv

Henning Nordgulen
(CEO)

Income statement

In NOK thousand	Note	2021	2020
Interest income from financial instruments using the effective interest method	25	691 894	816 368
Other interest income	25	0	0
Interest expense	25	-304 913	-462 188
Net interest income		**386 982**	**354 180**
Net gain (loss) on financial instruments	26	-21 258	-21 154
Other income		0	0
Other operating income		**-21 258**	**-21 154**
Total operating income		**365 724**	**333 026**
Personnel expenses	27,28	-376	-366
Administrative expenses	27	-9 980	-12 356
Profit before loan losses		**355 368**	**320 304**
Loan losses	14	760	-185
Profit before tax		**356 128**	**320 119**
Tax expense	29	-76 389	-67 771
Profit for the period		**279 739**	**252 347**
Attributable to			
Shareholders		270 791	240 239
Tier 1 capital holders	20	8 948	12 109
Profit for the period		**279 739**	**252 347**

Earnings per share, see note 34

Statement of comprehensive income

In NOK thousand	Note	2021	2020
Profit for the period		**279 739**	**252 347**
Other comprehensive income			
Other comprehensive income that can be reclassified to profit or loss after tax		2 255	2 355
Other items that can not be reclassified to profit or loss after tax		0	0
Total components of other comprehensive income (after tax)		**2 255**	**2 355**
Total comprehensive income for the period		**281 994**	**254 702**
Attributable to			
Shareholders		273 046	242 593
Tier 1 capital holders	20	8 948	12 109
Total comprehensive income for the period		**281 994**	**254 702**

Balance sheet

In NOK thousand	Note	31.12.21	31.12.20
Assets			
Loans to and receivables from credit institutions	13	1 000 910	1 602 401
Loans to customers	6,7,8,9,10,11	38 129 774	35 177 564
Net loans to customers and credit institutions		**39 130 684**	**36 779 965**
Commercial paper and bonds at fair value through other comprehensive income (OCI)	30,31,32	520 313	76 007
Derivatives	22	234 020	531 772
Deferred tax assets		3 689	3 141
Other assets		1 722	0
Advance payment and accrued income		0	0
Total assets		**39 890 428**	**37 390 885**
Liabilities			
Loans from credit institutions	30,31	5 873 313	2 846 829
Debt securities issued	17,19	30 805 975	31 395 199
Taxes payable	29	76 686	67 592
Other liabilities		30 800	20 957
Subordinated loan	19	325 000	325 000
Total liabilities		**37 111 774**	**34 655 577**
Equity			
Share capital		850 000	850 000
Share premium		849 880	849 880
Additional Tier 1 capital	20	226 136	225 837
Other equity		852 638	809 592
Total equity		**2 778 654**	**2 735 308**
Total liabilities and equity		**39 890 428**	**37 390 885**

Statement of changes in equity

In NOK thousand	Share capital	Share premium	Additional Tier 1 capital	Changes in fair value through other comprehen-sive income	Other equity	Total equity
Balance sheet as at 01.01.20	**850 000**	**849 880**	**226 102**	**-14 095**	**581 092**	**2 492 980**
Profit for the period to other equity (01.01.20 - 31.12.20)					240 239	**240 239**
Profit for the period to Tier 1 capital holders (01.01.20 - 31.12.20)			12 109			**12 109**
Payments to Tier 1 capital holders (01.01.20 - 31.12.20)			-12 374			**-12 374**
Net change of financial instruments at fair value through other comprehensive income (01.01.20 to 31.12.20)				2 355		**2 355**
Balance sheet as at 31.12.20	**850 000**	**849 880**	**225 837**	**-11 740**	**821 331**	**2 735 308**
Profit for the period to other equity (01.01.21 - 31.12.21)					270 791	**270 791**
Profit for the period to Tier 1 capital holders (01.01.21 - 31.12.21)			8 948			**8 948**
Payments to Tier 1 capital holders (01.01.21 - 31.12.21)			-8 649			**-8 649**
Net change of financial instruments at fair value through other comprehensive income (01.01.21 to 31.12.21)				2 255		**2 255**
Paid dividend to shareholder					-230 000	**-230 000**
Balance sheet as at 31.12.21	**850 000**	**849 880**	**226 136**	**-9 485**	**862 122**	**2 778 654**

Sbanken Boligkreditt AS is a wholly owned subsidiary of Sbanken ASA.

The Board of Directors proposes to distribute a dividend of NOK 260.0 million to the parent bank, Sbanken ASA, equivalent to 96.0 per cent of shareholders share of net profits. The dividend proposal has not been recognised in the accounts for 2021 as it does not qualify as a provision pursuant to IFRS.

Statement of cash flows

In NOK thousand	Note	2021	2020
Cash flows from operating activities			
Net payments on loans to customers	9	-2 950 422	-826 311
Interest received on loans to customers	25	684 363	824 818
Interest received on loans to credit institutions		2 755	3 852
Interest paid on loans and deposits from credit institution	25	-32 468	-39 622
Net receipts/payments from buying and selling financial instruments at fair value	33	-447 272	9 927
Receipts of collateral related to derivatives used in hedge accounting		-324 708	320 684
Interest received from commercial paper and bonds	25	2 999	1 694
Other interest cost		-5 053	-5 594
Payments related to administrative expenses	27	-10 072	-12 023
Payments related to personnel expenses		-376	-366
Taxes paid		-67 592	-46 464
Other receipts/payments		-3 990	41
Net cash flows from operating activities		**-3 151 836**	**230 636**
Cash flows from investment activities			
Net cash flows from investment activities		**0**	**0**
Cash flows from financing activities			
Paid dividend to shareholders		-230 000	0
Receipts on issued covered bonds	19	7 000 000	10 000 000
Payments on matured and redeemed covered bonds	19	-7 255 609	-9 224 928
Interest paid on covered bonds	25	-289 226	-488 687
Net receipts on loans and deposits from credit institution	13	3 351 192	-593 293
Receipts on subordinated loan	19	175 000	0
Payments on matured and redeemed subordinated loans	19	-175 000	
Interest paid on subordinated loan	25	-17 363	-10 850
Receipts on share capital and share premium net of issuing cost	EQ	0	0
Receipts on issued additional Tier1 capital	20	0	0
Interest paid on additional Tier 1 capital	EQ	-8 649	-12 374
Net cash flows from financing activities		**2 550 345**	**-330 132**
Total net cash flows		**-601 491**	**-99 496**
Cash at the beginning of the period		1 602 401	1 701 897
Cash at the end of the period		1 000 910	1 602 401
Change in cash		**-601 491**	**-99 496**
Cash			
Loans to credit institutions		1 000 910	1 602 401
Total cash		**1 000 910**	**1 602 401**

EQ=see statement of changes in equity

Notes

Note 1 – Accounting Principles

Sbanken Boligkreditt AS ("Sbanken Boligkreditt" or "the company") is incorporated in Norway. Its registered office is Folke Bernadottesvei 38 in Bergen, Norway. The company's principal activity is to provide and acquire residential mortgages and finance lending activities by issuing covered bonds.

The parent company Sbanken ASA is listed on Oslo Stock Exchange.

2. Basis for preparation of the financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The company has applied all standards and interpretations approved by International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), as endorsed by EU, that are relevant to the business of the company and that are mandatory for accounting periods starting 1 January 2021.

These financial statements have been prepared under the historical cost convention, except for financial instruments measured at fair value through profit or loss.

The financial statements have been prepared on the basis of the going concern assumption, and were approved by the Board of Directors on 30 March 2022.

3. New and revised accounting standards effective from financial year 2021

Sbanken Boligkreditt AS has applied the new accounting standards effective from 1 January 2021, including changes in IAS 1 and IAS 8 regarding materiality and changes in IFRS 9 and IFRS 7 relating to hedge accounting as a result of the IBOR-reform.

4. New and revised standards effective from financial year 2022 or later

Standards and interpretations that will enter into force for the annual periods beginning 1 January 2022 or later have not been used in the preparation of the financial statements. For Sbanken Boligkreditt AS no new standards will have material effect.

5. Recognition of income and expenses

Net interest income

Interest income is recognised using the effective interest rate method. This means that interest is recognised as it accrues, with the addition of amortised front-end fees and any other fees, which are considered an integral part of the effective interest rate. The effective interest rate method is used for both balance sheet items valued at amortised cost and balance sheet items valued at fair value. Interest on written-down loans in Stage 3 is recognised using the effective interest rate based on the written-down value of the loan. In Stage 1 and 2, the interest is calculated before any write-downs.

Interest expenses are also expensed using the effective interest rate method.

Net gain/loss on investments in securities

Realised gains and losses are recognised in profit or loss at the time of realisation. Unrealised gains and losses are recognised in other comprehensive income when the investments are classified as available for sale, and in profit or loss when the investments are related to derivatives or other securities classified at fair value.

Operating expenses

Operating expenses consist of administration expenses. Administration expenses are recognised in the period when the services are received.

Losses on loans

Impairment losses on loans to customers and credit institutions are presented under losses on loans in the income statement. Losses in the period linked to individual commitments are presented net after having taken all pledged collateral and any other guarantees into account. See Note 2 on principles relating to the calculation of impairment losses on loans to customers and credit institutions.

6. Currency

Sbanken Boligkreditt's presentation and functional currency is Norwegian kroner (NOK). Transactions in foreign currency are translated into the functional currency at the exchange rate on the transaction date. Realised currency gains or losses from the settlement of transactions and from the translation of monetary items in foreign currency at the exchange rate on the balance sheet date are recognised in profit or loss.

Note 1 – Accounting Principles (continued)

7. Financial instruments

Recognition and derecognition
Financial assets and liabilities are recognised in the balance sheet when the company becomes a party to the instrument's contractual terms. Normal purchases and sales of financial instruments are recognised on the transaction date. Upon initial recognition of a financial asset or a financial liability (asset/liability that is not valued at fair value through profit or loss), the asset or liability is measured at fair value with the addition of transaction expenses that are directly attributable to the acquisition or issuing of the financial assets or liability.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the financial asset expire, or (b) when the enterprise transfers the financial asset in a transaction where all or nearly all risks and rewards of ownership relating to the asset are transferred.

Under IFRS 9, classification in the correct measurement category will be based on both characteristics of the contractual cash flows and the business model for managing the financial assets.

IFRS 9 has the following measurement categories:

A) Debt instruments at amortised cost
Instruments included in this measurement category are instruments held for the purpose of receiving contractual cash flows, where these cash flows only consist of the payment of interest and principle.

Sbanken Boligkreditt AS uses this category for all loans to customers and credit institutions, and for items included in the accounting item 'Other financial assets'.

B) Debt instruments at fair value through other comprehensive income (FVOCI)
Instruments included in this measurement category are instruments held for the purpose of both receiving contractual cash flows and for sale. The cash flows shall also here consist of the payment of interest and principal only.

Sbanken Boligkreditt AS uses this category for debt instruments in the company's liquidity portfolio.

C) Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
The following instruments will be included in this measurement category:

1) Derivatives shall always be measured at fair value through profit or loss
2) Equity instruments shall as a rule be classified here
3) Debt instruments may be classified here if the criteria for using the fair value option (FVO) are met and if the business model indicates that the instrument is managed and followed up at fair value (trading).

Sbanken Boligkreditt AS use this category for investments in shares.

D) Equity instruments where the OCI option is used, so that the instrument is measured at fair value through other comprehensive income without recycling
The company can choose to recognise equity instruments through other comprehensive income instead of through profit or loss, provided that the instrument is not held for trading purposes. If it chooses to do so, these instruments will not be reclassified to profit or loss upon realisation.

Sbanken Boligkreditt AS do not use this category.

Note 1 – Accounting Principles (continued)

8. Financial liabilities

The company's financial liabilities consist of debt to credit institutions, covered bonds and subordinated loan.

Debt to credit institutions
Debt to credit institutions are recognised at fair value upon establishment, and subsequently at amortised cost in accordance with the effective interest rate method.

Covered bonds
Sbanken Boligkreditt AS has issued covered bonds. Covered bonds are recognised at fair value upon issuing, including any transactions costs, and subsequently at amortised cost in accordance with the effective interest rate method.

Subordinated loans
Subordinated loans are recognised at fair value upon establishment, including any transactions costs, and subsequently at amortised cost in accordance with the effective interest rate method.

9. Hedge accounting

Sbanken Boligkreditt uses derivatives to hedge against interest rate and currency risk in connection with the issuing of debt in EURO. When the company issues securities in currencies other than Norwegian kroner, the bank's market risk policy states that hedging transactions shall be carried out, so that the bank avoids exposure in foreign currency and thereby minimises currency risk. Upon initial recognition, derivatives and borrowings are designated as hedging instruments and recognised as fair value hedges. Formal earmarking and documentation of the hedging relation takes place when the hedging relation is established. There is a direct and documented connection between fluctuations in the value of the hedged item that are due to the hedged risk and the value of the financial derivatives. The hedging is documented with reference to the company's risk management strategy, with a description of the hedged risk and why the hedging is expected to be effective.

The hedging instruments (interest rate and currency swaps) are recognised at fair value, while the hedged items are valued at fair value for the hedged risks (interest rate and currency). Hedge ineffectiveness, defined as the difference between the value adjustment of hedged instruments and the value adjustment of the hedged items, are recognised through profit or loss as it arises. The exemption is the part of the value adjustment caused by a change in basis spreads relating to hedged instruments recognised in other comprehensive income.

10. Hybrid capital

Sbanken Boligkreditt AS has issued hybrid capital instruments. The instruments is perpetual and entitles the issuer to redeem the capital on specific dates, for the first time five years after the date of issue. The terms and conditions of the agreement meet the requirements of the Capital Adequacy Regulations, and the instrument is included in the company's Tier 1 capital for capital adequacy purposes. This means that the company is unilaterally entitled to not pay interest and/or redeem the nominal value of the instrument to the hybrid capital investors. For this reason, the instrument does not meet the definition of debt in IAS 32 and it is classified as equity.

A share of the profit corresponding to accrued interest is allocated to the hybrid capital investors and accumulated as hybrid capital as part of the company's equity. Correspondingly, interest paid will reduce the hybrid capital upon payment. Transaction costs relating to the issue of hybrid capital are charged to other equity, corresponding to the costs relating to share issues.

11. Fair value

Fair value is the price at which an asset can be sold or a liability settled in a voluntary transaction at arm's length between well-informed parties. For financial assets listed on a stock exchange or another regulated market place, the fair value is the purchase price on the last day of trading up to and including the balance sheet date, and the sales price of an asset that can be acquired or a liability held.

Where the price of a financial instrument is not observable in an active market, the fair value is determined using valuation methods. Valuation methods include the use of recent market transactions carried out at arm's length between well-informed parties, if such are available, reference to the fair value on an ongoing basis of another instrument that is practically identical, discounted cash flow calculations and option pricing models.

Reference is made to Note 33 for a description of the fair value hierarchy.

12. Dividend

Dividend from investments is recognised when the company has an unconditional right to receive the dividend.

Proposed dividend
The proposed dividend is recognised as a liability from the time the general meeting adopts a resolution on the distribution of dividend.

Note 1 – Accounting Principles (continued)

13. Accounting provisions for liabilities

Provisions for liabilities are non-financial liabilities with an uncertain settlement date or amount. The company makes a provision for liabilities when a statutory or self-imposed obligation exists as a result of previous events, when there is a preponderance of probability that the liability will have to be settled and a reliable estimate can be prepared.

14. Tax

The tax expense represents the sum of current tax and deferred tax. Current tax is the tax payable for the period based on the taxable profit/loss for the year, plus any changes in the estimated current tax for previous years.

Deferred tax is calculated on the basis of the differences between the book value and tax value of assets and liabilities at the time of reporting. The deferred tax liability is generally recognised for all taxable (tax-increasing) temporary differences, and the deferred tax asset is generally recognised for all deductible (tax-reducing) temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be offset.

Current tax and deferred tax are recognised as expenses or income in profit or loss, except deferred tax on items recognised directly against equity, in which case the tax is recognised directly in equity, or in cases where they arise as a result of the recognition of a business merger.

15. Segment reporting

Sbanken Boligkreditt AS has only one reporting segment, which comprises mortgages to private individuals. Management follows up the company only in relation to this segment.

16. Related parties

Sbanken Boligkreditt AS defines related parties as:

- Shareholders with significant influence
- Other related parties

All transactions with related parties are carried out on the basis of the arm's length principle. See note 34 for further information about related parties.

Note 2 – Critical accounting estimates and judgement in applying accounting policies

The preparation of financial statements in accordance with IFRS and the application of the chosen accounting principles require the management to make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets, liabilities, income and expenses. The estimates and pertaining assumptions are based on previous experience and other factors that are considered to be reasonable under the circumstances. Actual figures may deviate from these estimates. The estimates and the pertaining assumptions are reviewed on a regular basis.

Changes in accounting estimates are recognised in the period when the change occurs if the change only affects this period or in the period when the estimates are changed, and in future periods if the changes affect both current and future periods.

The accounting principles that the company applies when assessments, estimates and assumptions deviate significantly from the actual figures are described below.

A. Fair value of financial assets and liabilities

There is uncertainty attached to the pricing of financial instruments that are not quoted in an active market. This applies in particular to securities that are priced on the basis of unobservable assumptions (Level 3 in the fair value hierarchy), and different valuation techniques are used to determine the fair value of these investments.

Reference is made to Note 32 and 33 for a more detailed description of financial instruments valued at fair value.

B. Losses on financial assets

Calculation of impairment

The principles in IFRS 9 relating to impairment of financial instruments are based on the approach that a provision shall be made for expected credit losses (ECL). This represents a change from the previous standard, IAS 39, which was based on the 'incurred loss' principle. It entailed recognising a loss only when there was objective evidence that a loss event had occurred. The change entails, to a much greater extent than before, estimating future credit losses regardless of whether there is objective evidence of a loss event.

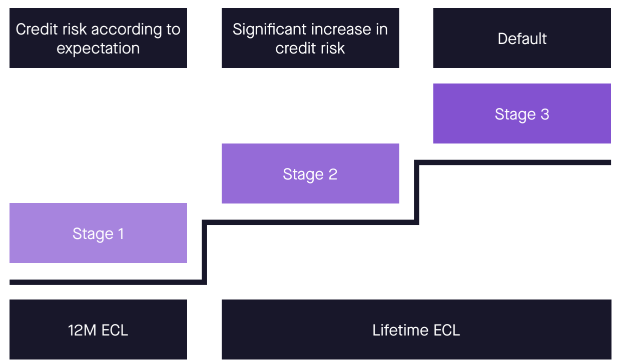
The new principles for impairment in IFRS 9 apply to financial instruments that are debt instruments and that are measured at amortised cost or at fair value through other comprehensive income (OCI). They also include loan commitments.

1. Framework used to estimate the provision for ECL

The company has developed a framework used to estimate the provision for expected credit losses (ECL) in accordance with IFRS 9. The company estimates ECL at account level for the following products:

- Residential mortgages

The ECL calculation is based on a three-stage model as illustrated below. At initial recognition, the exposures are allocated to Stage 1. If the credit risk has increased significantly since initial recognition, the exposure migrates to Stage 2. Defaulted exposures are allocated to Stage 3. The provision for assets in Stage 1 corresponds to 12-month expected credit loss (12M ECL), whereas for assets in Stage 2 and 3, the provision corresponds to lifetime expected credit loss (LT ECL). Provisions for Stage 1 and 2 replace the collective impairment model under IAS 39. For individual impairment (Stage 3 assets), there are no significant changes in the rules compared with IAS 39.



ECL is an unbiased estimate based on a range of possible outcomes/scenarios. The company's approach to macroeconomic scenarios and forward-looking information is described in further detail in section 4 below.

The company estimates ECL as the sum of marginal losses occurring in each time period from the balance sheet date. The marginal losses are derived from parameters that estimate exposure and loss given default (EAD and LGD) and the marginal probability of default for each period.

12M ECL is the portion of LT ECL resulting from default events that may occur within 12 months after the reporting date.

Note 2 – Critical estimates (continued)

Probability of Default (PD)
Sbanken Boligkreditt has developed internal statistical models to estimate 12-month PD based on historical default data. The company has an application model that is used to estimate PD at initial recognition and a portfolio model used to estimate PD for all loans and credits in the portfolio on a monthly basis. All PD models provide point-in-time estimates that are adjusted to reflect forward-looking information before they are used for accounting purposes.

In addition to the PD models that provide 12-month PD on the reporting date, Sbanken Boligkreditt has also developed PD curves consisting of marginal 12-month PD throughout the life of the loan. The PD curves are used both in the stage allocation process and to calculate ECL for exposures in Stage 2.

Loss Given Default (LGD)
The LGD represents the expected loss conditional on a default event. The model is based on two components; the likelihood that a defaulted exposure cures (Cure rate) and the expected loss in the event that the exposure does not cure (Loss Given Loss).

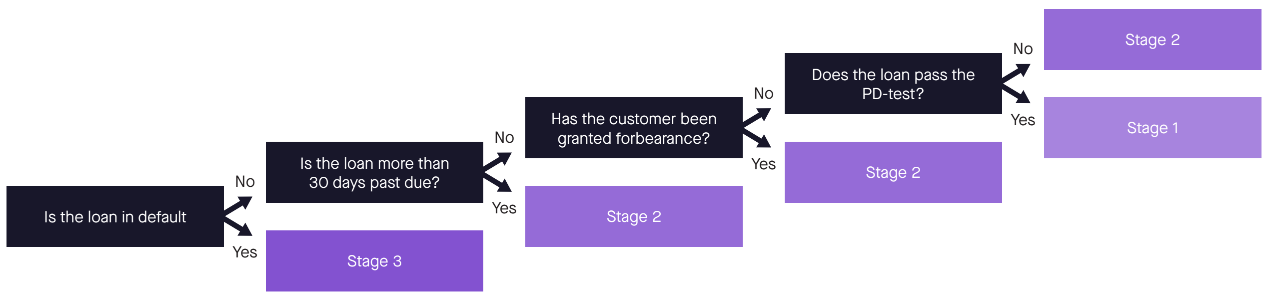
For residential mortgages, the cure rate is calculated on a loan-by-loan basis, taking into account characteristics of the underlying collateral.
For residential mortgages the expected value of the collateral, when it is realised, is included in the loss-given-loss component.

Exposure at Default (EAD)
The EAD represents the expected exposure at the time of default. For residential mortgages EAD is based on the repayment plan for the loan. This is further adjusted by taking into account the probability of early repayment.

Lifetime
For financial assets in Stage 2, the provisions correspond to LT ECL. For loans and credit with a repayment plan, ECL is calculated over the full remaining contractual period.

2. Staging assessment

The staging assessment is illustrated in the flow chart below. All defaulted loans are allocated to Stage 3. Exposures whose credit risk has increased significantly since initial recognition are allocated to Stage 2. The remaining exposures are allocated to Stage 1.



Note 2 – Critical estimates (continued)

2.1 Significant increase in credit risk
Migration from Stage 1 to Stage 2 is determined by the definition of significant increase in credit risk. The company's assessment of changes in credit risk consists of three elements; a quantitative element, a qualitative element and a back-stop.

2.1.1 Quantitative element
The quantitative element is the main driver of significant increase in credit risk. This is determined by comparing the difference between the 12-month PD on the reporting date and the 12-month PD on the reporting date, expected at initial recognition. This is referred to as the PD test. The PD estimates used in the PD test take into account forward-looking information and are probability-weighted estimates based on a range of possible scenarios.

The PD test consists of two criteria that must both be met in order for the increase in credit risk to be regarded as significant. The change in PD must be more than 250% and it must equal at least 1 percentage points.

2.1.2 Qualitative element
Customers who have been granted forbearance are deemed to have had a significant increase in credit risk. Forbearance takes into account contagion between the customer's different products, which is not necessarily reflected in the PD estimates. The company will implement the qualitative element as a back-stop, which means that all exposures with a forbearance flag will be allocated to Stage 2, unless they are in default. Loans with granting of payment holidays and where there are no other indications that the customer has payment problems are not considered to qualify for forbearance as defined in IFRS 9 and are placed in Stage 1.

2.1.3 Back-stop
If an exposure is more than 30 days past due, it will be allocated to Stage 2.

2.2 Migration to lower stage
An exposure that has migrated to Stage 2 can migrate back to Stage 1 if it no longer meets any of the three criteria mentioned above. No explicit quarantine period must be implemented before an exposure can migrate to a lower stage. Exposures in default will migrate to Stage 1 or 2 when they are no longer marked as 'in default'.

3. Definition of default

As of 1 January 2021, a new definition of default applies for Sbanken Boligkreditt AS. The definition is adapted to the European Banking Authority (EBA) guidelines on the definition of default (EBA GL 2016/07), and requirements to materiality thresholds for credit obligations past due in the Norwegian CRR/CRD IV regulation. According to the company's definition of default, an exposure is defaulted if at least one of the following criteria occurs:

- The exposure is overdue more than 90 consecutive days and the overdue amount exceeds the materiality threshold (over NOK 1 000 and over 1 per cent of the exposure amount).
- The overdue amount exceeds four instalment amounts.
- Debt settlement is registered on the exposure, the loan is written down, or the exposure has a debt collection status with a duration of more than 90 days.
- Default occurs on another exposure of the debtor in the same product category. - Defaults occur on at least 20 per cent of the total obligation of the debtor.
- More than one forbearance measure is registered on the exposure or the total grace period exceeds six months of the last two years in combination with an overdue amount of at least two instalment amounts, a forbearance measure is granted for a defaulted exposure in probation, or the exposure is classified in FINREP as forborne non-performing. Payment deferrals the customer itself can initiate within the contract are not relevant in this context.

Before the defaulted exposure can return to a non-defaulted status, the exposure must go through a probation period.
For defaults triggered by the first criterion above, the probation period starts when the overdue amount is zero. For defaults triggered by the last criterion, the probation period starts when the overdue amount is zero and any grace period has expired. For other defaults, the probation period starts when the conditions that triggered the default no longer applies.

The probation period lasts for at least 90 days, or for at least 365 days for defaults triggered by forbearance measures. The exposure is reclassified to a nondefaulted status when certain recovery criteria are met the last 90 or 365 days. Among other things, there can be no overdue amount the last part of the probation period.

Note 2 – Critical estimates (continued)

4. Macroeconomic scenarios

As described earlier, the company includes forward-looking information both in the stage assessment process and in the estimation of ECL. More specifically, a probability-weighted PD is used when assessing whether an exposure has had a significant increase in credit risk. Furthermore, the ECL is a probability-weighted amount based on ECLs determined for each of three scenarios – a base case, a positive scenario and a negative scenario. The forecasts for the different macroeconomic factors in each scenario will be updated on a quarterly basis. The forecast period is set to three years. After this period, the macroeconomic factors will not vary between the three scenarios.

The company will base the macro scenarios on prognoses from Statistics Norway and Norges Bank in addition to the company's annual ICAAP process. This will ensure that the macro view of the company is based on external, independent prognoses and that the assumptions underlying the ECL estimation are subject to periodic stress testing.

The company will use an approach that is largely based on expert credit judgement to identify key macroeconomic drivers and their impact on PD, LGD and EAD, as the company does not have sufficient historical data available to build a statistical model for this purpose. The company will group exposures secured by collateral and unsecured assets separately when carrying out this assessment. The process will result in a set of adjustment factors for each scenario that are applied to the estimated PD for the prognosis period. Forward-looking information is included in the LGD estimates for residential mortgages by adjusting the underlying collateral value in accordance with expected developments in the house price index in each scenario.

5. Governance

The company has established a governance structure for the model that is used to calculate provisions for bad debt with clearly defined responsibilities for maintenance of models and methods, the quality and completion of the data that form the basis for the calculations, as well as the preparation of macroeconomic scenarios.

The macroeconomic scenarios are assessed quarterly by the interdisciplinary committee (extended credit committee).

6. Accounting treatment

The recognition of an impairment loss is always made through the use of an allowance account to write down the carrying amount of the asset. If the amount of the impairment loss decreases in a subsequent period, the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss. Subsequent recoveries of amounts previously written off are credited to the impairment loss account in profit or loss for the year.

Write-off policy
Sbanken writes off and thereby reduces the carrying amount of a financial asset when there is no reasonable expectation of recovery. This may be when a court of law has reached a final decision, a decision has been made to cancel the debt or an agreement has been reached on debt restructuring. The write-off can relate to the entire asset or a portion of the asset and may constitute a derecognition event. Sbanken maintains the legal claim against the customer even though a write-off has been carried out.

Note 3 – Segments

Sbanken Boligkreditt AS has only one reporting segment, which comprises mortgages to private individuals. Management monitors the company only in relation to this segment.

Note 4 – Capital adequacy

The capital adequacy regulations are intended to improve institutions' risk management and achieve closer concordance between risk and capital. The applicable regulations for Norwegian banks are adapted to the EU's capital adequacy regulations for credit institutions and investment firms (CRD IV/CRR).

Sbanken Boligkreditt uses the standard method to establish the risk weighted volume for credit risk and the basic method to establish the risk weighted volume for operational risk. At the balance sheet date no exposure was included in the risk weighted volume for market risk.

In NOK thousand	31.12.21		31.12.20	
	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Central governments	25 223	0	25 606	0
Regional governments	3 689	9 222	3 141	7 852
Multilateral Development Banks	93 521	0	0	0
Institutions	1 064 958	212 992	1 664 770	332 954
Secured by mortgages on immovable property	38 018 708	13 321 577	35 092 857	12 313 772
Exposures in default	111 066	111 066	84 706	84 706
Covered bonds	401 569	40 157	50 401	5 040
Other items	1 721	1 721	0	0
Total credit risk, standardised method [1]	**39 720 455**	**13 696 735**	**36 921 481**	**12 744 324**
Credit value adjustment risk (CVA risk)		18 831		28 301
Operational risk		495 738		432 159
Total risk- weighted volume		**14 211 304**		**13 204 784**
Capital base				
Share capital		850 000		850 000
Share premium		849 880		849 880
Other equity		581 847		569 352
Additional Tier 1 capital		226 136		225 837
Profit for the period		270 791		240 239
Total booked equity		**2 778 654**		**2 735 308**
Additional Tier 1 capital instruments included in total equity		-226 136		-225 837
Common equity Tier 1 capital instruments		**2 552 518**		**2 509 471**
Deductions				
Value adjustment due to the requirements for prudent valuation (AVA)		-520		-76
Profit for the period, not eligible [2]		-260 000		-230 000
Common equity Tier 1 capital		**2 291 998**		**2 279 395**
Additional Tier 1 capital		225 000		225 000
Tier 1 capital		**2 516 998**		**2 504 395**
Tier 2 capital		325 000		325 000
Own funds (primary capital)		**2 841 998**		**2 829 395**
Specification of capital requirements				
Minimum requirements CET1 capital	4,5%	639 509	4,5%	594 215
Capital conservation buffer	2,5%	355 283	2,5%	330 120
Systemic risk buffer	3,0%	426 339	3,0%	396 144
Countercyclical capital buffer	1,0%	142 113	1,0%	132 048
Additional Tier 1 capital	1,5%	213 170	1,5%	198 072
Tier 2 capital	2,0%	284 226	2,0%	264 096
Total minimum and buffer requirements own funds (primary capital)	**14,5%**	**2 060 639**	**14,5%**	**1 914 694**
Available CET1capital after buffer requirements		*728 754*		*826 869*
Available Own funds (primary capital)		*781 358*		*914 702*
Capital ratio %				
Common equity Tier 1 capital		16,1%		17,3%
Additional Tier 1 capital		1,6%		1,7%
Tier 2 capital		2,3%		2,5%
Total capital ratio		**20,0%**		**21,4%**

[1] The specification is according to EBA reporting framework.
[2] Year-end 2021 and 2020 adjusted for proposed dividend.

Note 5 – Leverage Ratio

The leverage ratio requirements is a supplement to the risk-weighted minimum capital requirements and states that the capital base in financial institutions shall also comprise a defined percentage of the value of the company's assets and off-balance-sheet liabilities, calculated without risk weighting. The capital ratio consists of Tier 1 capital and the exposure target follows the rules in the Commission Delegated Regulation (EU) 2015-62. The minimum leverage ratio requirement for Norwegian banks and credit institutions is three per cent and an additional buffer requirement of two per cent for banks.

The table below shows the calculation for the company, on the basis of existing rule proposals and with credit conversion factors based on the current standardised approach, subject to a floor of 10 per cent.

In NOK thousand	Note	31.12.21	31.12.20
Derivatives market value		15 997	14 318
Potential future exposure on derivatives		48 050	48 050
Loans and advances and other assets		39 656 408	36 859 113
Regulatory adjustments included in Tier 1 capital		0	0
Total leverage exposure		**39 720 455**	**36 921 481**
Tier 1 capital1)		**2 516 998**	**2 504 395**
Leverage ratio %		**6,3%**	**6,8%**
Leverage Ratio requirements			
Minimum requirements	3,0%	1 191 614	1 107 644
Buffer requirements credit institutions	0,0%	0	0
Total minimum and buffer requirements (Tier 1 capital)	**3,0%**	**1 191 614**	**1 107 644**
Available Tier 1 capital after minimum and buffer requirements		*1 325 384*	*1 396 751*

1) Year-end 2021 abd 2020 adjusted for proposed dividend.

Note 6 – Financial risk management

Sbanken Boligkreditt's risk strategy comprises a combination of its risk culture, risk appetite and risk management principles.

Risk culture

Sbanken Boligkreditt's core business involves issuing or purchasing residential mortgages, property mortgages and funding of the lending activity, primarily through the issuance of covered bonds. Sbanken Boligkreditt shall not assume any material risk other than that deriving from this core business, i.e. primarily credit risk and liquidity risk.

The company shall have a sound risk culture, based on openness, transparency and competence, and shall constantly challenge its methods, processes and procedures in order to improve its performance.

Risk appetite

Sbanken Boligkreditt defined risk within the following risk categories for 2021:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Capital risk
- Model risk

Sbanken Boligkreditt's Board of Directors determines the risk appetite with respect to each of the above-mentioned categories and Sbanken Boligkreditt has in 2021 operated in accordance with the following risk appetite:

- Credit risk: Low
- Liquidity risk: Low
- Market risk: Low
- Operational risk: Low
- Capital risk: Low
- Model risk: Low

Risk management principles

Sbanken Boligkreditt adopts a holistic approach to risk management. The following principles therefore apply:

- Sbanken Boligkreditt's Board of Directors shall establish specific management frameworks for each risk area.
- Risk management and reporting shall be performed in accordance with applicable frameworks and objectives.
- Risk management shall be an ongoing and continuous process.
- Risk reporting shall be framed in an understandable manner and provide a clear picture of Sbanken Boligkreditt's risk situation to all stakeholders.
- Responsibility for entering into agreements that cause the company to incur risk is delegated through personal authorisations.

Organisation of risk management

Sbanken Boligkreditt's organisation of risk management is designed so as to secure implementation of the Company's risk strategy.

Sbanken Boligkreditt does not currently employ any staff. The CEO's services are hired from the parent bank. Sbanken Boligkreditt's functions for handling risk and capital management include:

- The Board of Directors
- The CEO
- The bank's Risk Management function
- The bank's Finance functions, including CFO, Asset and Liability Committee (ALCO) and Treasury
- Internal Auditor
- External Auditor
- Independent Inspector

The Board of Directors

The Board of Directors has the principal responsibility for ensuring that the company manages risk efficiently. The Board of Directors establishes the company's risk policy and guidelines. The Board of Directors revises and approves the risk policy at least yearly. The Board of Directors secures implementation of and compliance with the provisions of the policy, primarily by reviewing and acting on relevant reports. The Board of Directors is further responsible for ensuring that management has sufficient capacity and competence to comply with Sbanken Boligkreditt's requirements for management of defined risk areas in a satisfactory manner. The Board of Directors is responsible for ensuring that Sbanken Boligkreditt has adequate regulatory capital and liquidity to satisfy regulatory, and internal, requirements.

CEO

The CEO of Sbanken Boligkreditt bears the principal operative responsibility for Sbanken Boligkreditt's aggregate risk management and is responsible for establishing an effective control environment. The CEO is responsible for ensuring that the risk policy is implemented. The CEO is also responsible for ensuring that the Board of Directors receives relevant and timely information about any non-compliance from or required changes to the risk policy. In order to secure proper management of relevant risks and a focus on prioritised areas, the CEO is further responsible for establishing clear targets and frameworks for risk management. The CEO also ensures that Sbanken Boligkreditt has adequate systems for identifying, measuring, reporting and monitoring risk and that the company's risk management is adequately documented.

Note 6 – Financial risk management (continued)

The bank's Risk Management function
The bank's Risk Management function is headed by the Chief Risk Officer (CRO).

The CRO establishes the structure and framework for the risk policy, and develops and maintains systems for identifying, measuring, reporting and monitoring risk. The CRO is further responsible for establishing a control structure that ensures that Sbanken Boligkreditt's guiding documents, including non-conformance reporting, comply with relevant requirements.

Risk Management prepares reports, analyses and proposed measures to secure effective risk management in Sbanken Boligkreditt. Risk Management assists with methodology and systems used in Sbanken Boligkreditt's annual assessment of ICAAP – the Internal Capital Adequacy Assessment Process.

The bank's Finance function, including CFO, ALCO and Treasury
Sbanken Boligkreditt's funding activities are operated in close collaboration with the bank's Treasury function, which reports to the Chief Financial Officer (CFO). The bank's liquidity management is exercised in accordance with the bank's policies for respectively liquidity and market risk.

The bank's Treasury function is responsible for Sbanken Boligkreditt's operative liquidity management. This includes the implementation of liquidity operations (Front Office), and settlement functions (Back Office). Monitoring of frameworks (Middle Office) is organised in the parent bank's accounting and controlling department.

All liquidity operations in Sbanken Boligkreditt are embedded in the bank's financing plan, which is determined by the bank's ALCO. The bank's liquidity risk policy contains guidelines on how changes to the funding plan should be implemented, if required.

Internal Auditor
The Internal Auditor reports directly to Sbanken Boligkreditt's Board of Directors and is responsible for controlling the structure and framework of the risk policy, and that guiding documents, including non-compliance reporting, comply with relevant requirements.

External Auditor
The company's External Auditor reports to the shareholders.

Independent Inspector
The Independent Inspector is appointed by Finanstilsynet and mandated to monitor compliance with legislative and regulatory requirements. The Inspector regularly reports to Finanstilsynet on observations and evaluations. The Inspector also reports to the Board of Directors quarterly whether any non-compliances have been identified.

Note 7 – Maximum exposure to credit risk

Credit risk is defined as the risk of loss resulting from a counterparty not fulfilling its obligations, and any pledged collateral not covering the outstanding claim. The company's maximum credit exposure is the book value of financial assets and any associated off-balance sheet liabilities. The following table shows the company`s maximum credit risk exposure to financial instruments, by measurement categories.

	31.12.21		
In NOK thousand	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Loans to and receivables from credit institutions	1 000 910	0	1 000 910
Loans to and receivables from central bank and credit institutions	**1 000 910**	**0**	**1 000 910**
Loans to customers, secured	38 134 971	0	38 134 971
Loans to and receivables from customers	**38 134 971**	**0**	**38 134 971**
Other financial assets with credit risk	1 722	0	1 722
Financial instruments at amortised cost	**39 137 603**	**0**	**39 137 603**
Commercial paper and bonds	520 313	0	520 313
Financial instruments at fair value through other comprehensive income	**520 313**	**0**	**520 313**
Derivatives	234 020	0	234 020
Financial instruments at fair value through profit and loss	**234 020**	**0**	**234 020**
Gross exposure	**39 891 936**	**0**	**39 891 936**
Other financial assets without credit risk	3 689	0	3 689
Impairment	-5 197	0	-5 197
Total net exposure	**39 890 428**	**0**	**39 890 428**

	31.12.20		
In NOK thousand	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Loans to and receivables from credit institutions	1 602 401	0	1 602 401
Loans to and receivables from central bank and credit institutions	**1 602 401**	**0**	**1 602 401**
Loans to customers, secured	35 183 521	0	35 183 521
Loans to and receivables from customers	**35 183 521**	**0**	**35 183 521**
Other financial assets with credit risk	0	0	0
Financial instruments at amortised cost	**36 785 922**	**0**	**36 785 922**
Commercial paper and bonds	76 007	0	76 007
Financial instruments at fair value through other comprehensive income	**76 007**	**0**	**76 007**
Derivatives	531 772	0	531 772
Financial instruments at fair value through profit and loss	**531 772**	**0**	**531 772**
Gross exposure	**37 393 701**	**0**	**37 393 701**
Other financial assets without credit risk	3 141	0	3 141
Impairment	-5 957	0	-5 957
Total net exposure	**37 390 885**	**0**	**37 390 885**

Note 8 – Credit risk

Credit risk

Credit risk accounts for the bulk of Sbanken Boligkreditt's risk. Credit risk is defined as the risk of loss resulting from a counterparty not fulfilling its obligations, and pledged collateral not covering the outstanding claim.

The company's lending to the public comprises mass-market exposures to individuals, in the form of loans secured against fixed property.

Credit approval and underwriting is performed by Sbanken ASA. Risk attached to mass-market lending for all credit cases is managed by assessing the borrower's ability and willingness to pay, and by valuing any collateral. Account is also taken of the borrower's aggregate exposure, including any exposure attributable to co-borrowers. Credit assessments are essentially performed by applying automated credit rules in which credit scoring represents a key element.

Credit risk models are used to measure credit risk related to mass-market lending. Credit risk is classified and quantified using a number of different systems, processes and methods. Credit scoring models are based on statistical data. These models estimate the probability of defaults, taking into account factors such as payment history, income, assets and the number of borrowers. Losses on collateralised loans are estimated based on defaults, where the extent of losses is based on the value of collateral in relation to the size of the loan.

Counterparty risk, including for derivatives, is included in credit risk. Credit risk also includes concentration risk, including risk relating to material exposure to a specific customer group or geographical area. This risk is mitigated through product and geographical diversification. Rules and tools for credit assessment shall ensure that the bank avoids high-risk credit exposures. Please refer to note 11 for an overview of exposure to credit risk and associated collateral.

Risk classification of lending to the mass market

Risk is measured and monitored by calculating economic capital in the lending portfolio. The main components for this calculation are Probability of Default (PD), Expected Exposure at Default (EAD) and Loss Given Default (LGD).

PD is defined as the probability of a customer defaulting on its exposure during the next 12 months. This could include payment defaults of more than 90 days of a minimum of NOK 800 or other specific matters that affect the customer's ability to service the loan. PD for the mortgage portfolio is calculated using statistical models based on logistic regression of internal data.

The following grouping is used to classify PD:
- Low risk: PD < 1.25%
- Medium risk: PD 1.25%–5%
- High risk: PD > 5%

In NOK thousand	31.12.21	
Gross loans distributed in risk groups	**Mortgages**	**Total**
Low risk	37 138 942	37 138 942
Medium risk	598 507	598 507
High risk	280 530	280 530
Total non-matured or written down	**38 017 979**	**38 017 979**
Non-performing and doubtful loans	116 992	116 992
Total gross loans	**38 134 971**	**38 134 971**
Unutilised credit lines distributed in risk groups	**Mortgages**	**Total**
Low risk	0	0
Medium risk	0	0
High risk	0	0
Total non-matured or written down	**0**	**0**
Non-performing and doubtful loans	**0**	**0**
Total unutilised credit lines	**0**	**0**
Loan- and funding commitments	**0**	**0**
Maximum exposure to credit risk (loans to customers)	**38 134 971**	**38 134 971**

Note 8 – Credit risk (continued)

In NOK thousand	31.12.20	
Gross loans distributed in risk groups	**Mortgages**	**Total**
Low risk	33 820 409	33 820 409
Medium risk	747 968	747 968
High risk	530 438	530 438
Total non-matured or written down	**35 098 815**	**35 098 815**
Non-performing and doubtful loans	84 706	84 706
Total gross loans	**35 183 521**	**35 183 521**
Unutilised credit lines distributed in risk groups	**Mortgages**	**Total**
Low risk	0	0
Medium risk	0	0
High risk	0	0
Total non-matured or written down	**0**	**0**
Non-performing and doubtful loans	**0**	**0**
Total unutilised credit lines	**0**	**0**
Loan- and funding commitments	**0**	**0**
Maximum exposure to credit risk (loans to customers)	**35 183 521**	**35 183 521**

Note 9 – Loans to customers

Gross carrying amount - Loans to customers In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	31.12.21 Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers)	**33 601 597**	**1 497 218**	**84 706**	**35 183 521**
Transfers to Stage 1 (12-months ECL)	626 181	-626 181	0	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-524 533	526 860	-2 327	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-31 392	-59 808	91 200	0
Net new financial assets originated or derecognised	3 169 300	-163 384	-55 454	2 950 462
Changes in interest accrual	2 468	-347	-1 133	988
Other movements	0	0	0	0
Closing balance gross carrying amount 31.12.21	**36 843 621**	**1 174 358**	**116 992**	**38 134 971**

Gross carrying amount - Loans to customers In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	31.12.20 Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers)	**32 726 759**	**1 567 333**	**77 033**	**34 371 125**
Transfers to Stage 1 (12-months ECL)	443 420	-441 909	-1 511	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-706 271	710 043	-3 772	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-17 925	-32 249	50 174	0
Net new financial assets originated or derecognised	1 169 114	-304 883	-37 375	826 856
Changes in interest accrual	-13 500	-1 117	157	-14 460
Other movements	0	0	0	0
Closing balance gross carrying amount 31.12.20	**33 601 597**	**1 497 218**	**84 706**	**35 183 521**

Note 10 – Loans to customers by geographical area

Lending by geographical area* In NOK thousand	31.12.21 Percentage	 Gross lending	31.12.20 Percentage	 Gross lending
Oslo	20,6%	7 871 562	20,9%	7 342 705
Viken	37,5%	14 289 963	37,5%	13 177 793
Innlandet	2,7%	1 014 770	2,6%	909 241
Vestfold og Telemark	5,8%	2 204 035	5,3%	1 875 539
Agder	1,8%	704 617	1,8%	650 129
Rogaland	6,0%	2 279 997	5,9%	2 088 560
Vestland	12,4%	4 732 124	13,1%	4 594 101
Møre og Romsdal	1,4%	516 938	1,4%	500 789
Trøndelag	4,8%	1 813 859	4,5%	1 582 348
Nordland	2,9%	1 089 541	2,8%	985 146
Troms og Finnmark	4,2%	1 617 565	4,2%	1 477 170
Total gross lending per geographical area	**100,0%**	**38 134 971**	**100,0%**	**35 183 521**

* the basis for the geographical distribution is the customer's residential address and based on the new counties from 01.01.20.

Note 11 – Credit risk exposure and collateral

Credit risk or counterparty risk is the risk of loss as a result of the company's customers and counterparties failing to fulfil their payment obligations. The company's maximum credit exposure will be the book value of financial assets and any associated off-balance sheet liabilities.

The company's customer exposures comprises the bulk of the company's total credit exposure. All of the company's lending is collateralised. Collateral in the private retail market essentially comprise fixed property.

The table below shows the relationship between total credit exposure and the associated collateral distributed to exposure class. Lending secured by mortgages includes the percentage distributed of exposure relating to the various loan-to-value levels. For example, the line 0-40% means that the exposures amount to less than 40 percent of the value of the collateral. 100% means that the loan amount exceeds the value of the hedging object or that the loan is unsecured. The entire loan per collateral is placed in the same loan-to-value category.

The property values on which the calculations are based are updated in the last month of each quarter and are therefore representative of the current market value. The calculation of loan-to-value does not take into account any additional collateral.

In NOK thousand	31.12.21			31.12.20		
Loan-to-value, secured loans	**Distribution as percentage**	**Gross carrying amounts**	**Unutilised credit lines**	**Distribution as percentage**	**Gross carrying amounts**	**Unutilised credit lines**
0% - 40%	28,6%	10 903 960	0	27,8%	9 795 268	0
40% - 60%	40,4%	15 404 818	0	42,1%	14 816 853	0
60% - 80%	30,4%	11 601 367	0	29,1%	10 229 873	0
80% - 90%	0,3%	113 049	0	0,6%	226 855	0
90% - 100%	0,2%	67 053	0	0,2%	56 756	0
> 100%	0,1%	44 724	0	0,2%	57 916	0
Residential mortgages	**100,0%**	**38 134 971**	**0**	**100,0%**	**35 183 521**	**0**

The table below shows the percentage allocation of exposures for mortgages for various levels of loan-to-value. Where the entire exposure in the table above is placed at a related loan-to-value level, the relative share of the loan exposure at each level is shown in the table below.

In NOK thousand	31.12.21		31.12.20	
Loan-to-value, residential mortgages (relative distribution)	**Distribution as percentage**	**Gross carrying amounts**	**Distribution as percentage**	**Gross carrying amounts**
0% - 85%	99,94%	38 110 826	99,91%	35 153 554
85% - 100%	0,04%	14 362	0,05%	18 192
> 100%	0,03%	9 783	0,03%	11 775
Residential mortgages	**100,0%**	**38 134 971**	**100,0%**	**35 183 521**

Note 12 – Loan to value (LTV) and cover pool

In NOK thousand	31.12.21	31.12.20
Debt related to securities issued, nominal value	30 405 000	30 805 000
Debt related to securities issued, carried value	30 805 975	31 395 199
Loans to customers (gross)[1]	38 097 706	35 148 061
Average size of loan per customer	1 941	1 871
Number of loans	19 620	18 783
Weighted average since issuing of the loans (months)	55	55
Weighted average remaining maturity (months)	262	258
Average LTV (percent)	49,7	49,7

Cover pool	**31.12.21**	**31.12.20**
Loans secured with mortgages	38 097 706	35 148 061
Not eligible for the over-collateralisation calculation	-198 070	-236 075
Net loans that are in the over-collateralisation	**37 899 635**	**34 911 985**
Supplementary assets	782 779	1 060 225
Total cover pool for the over-collateralisation calculation	**38 682 414**	**35 972 210**

	Nominal value	**Carried value**	**Nominal value**	**Carried value**
Over-collateralisation (percent)	27,2	25,6	16,8	14,6
Amount surpassing legal minimum requirements and requirements as indicated by rating agency	7 669 314	7 260 320	4 551 110	3 949 107

[1] Excluding accrued interest.

Note 13 – Loans to credit institutions – receivables and liabilities

Gross carrying amount - Loans to credit institutions In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	31.12.21 Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers)	**1 602 401**	**0**	**0**	**1 602 401**
Transfers between stages	0	0	0	0
Opening balance gross carrying amount (after transfers)	**1 602 401**	**0**	**0**	**1 602 401**
Net new financial assets originated or derecognised	0	0	0	0
Financial assets that have been derecognised	-601 491	0	0	-601 491
Changes in interest accrual	0	0	0	0
Closing balance gross carrying amount	**1 000 910**	**0**	**0**	**1 000 910**
Maturity:				
Loans with agreed maturity	0	0	0	0
Loans without agreed maturity	1 000 910	0	0	1 000 910
Total	**1 000 910**	**0**	**0**	**1 000 910**

Gross carrying amount - Loans to credit institutions In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	31.12.20 Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers)	**1 701 897**	**0**	**0**	**1 701 897**
Transfers between stages	0	0	0	0
Opening balance gross carrying amount (after transfers)	**1 701 897**	**0**	**0**	**1 701 897**
Net new financial assets originated or derecognised	0	0	0	0
Financial assets that have been derecognised	-99 496	0	0	-99 496
Changes in interest accrual	0	0	0	0
Closing balance gross carrying amount	**1 602 401**	**0**	**0**	**1 602 401**
Maturity:				
Loans with agreed maturity	0	0	0	0
Loans without agreed maturity	1 602 401	0	0	1 602 401
Total	**1 602 401**	**0**	**0**	**1 602 401**

Note 14 – Loan losses

In NOK thousand	Stage 1, 12-months ECL	January - December 2021 Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance ECL 01.01.21	**125**	**984**	**4 848**	**5 957**
Changes in PDs/LGDs/EADs on existing portfolio:				
Transfers to Stage 1	14	-403	0	-389
Transfers to Stage 2	-15	134	0	119
Transfers to Stage 3	-1	-89	552	462
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	-161	-428	-133	-722
Other changes:				
New financial assets originated	342	453	129	924
Financial assets that have been derecognised	-105	-209	-840	-1 154
Write-offs, covered by previous write-downs			0	0
Changes to model assumption and methodologies	0	0	0	0
Other movements	0	0	0	0
Closing balance ECL 31.12.21	**199**	**442**	**4 556**	**5 197**

In NOK thousand	Stage 1, 12-months ECL	January - December 2020 Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance ECL 01.01.20	**219**	**1 290**	**4 263**	**5 772**
Changes in PDs/LGDs/EADs on existing portfolio:				
Transfers to Stage 1	6	-430	0	-424
Transfers to Stage 2	-39	509	-55	415
Transfers to Stage 3	-1	-37	537	499
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	-156	-325	287	-194
Other changes:				
New financial assets originated	352	372	0	724
Financial assets that have been derecognised	-256	-395	-184	-835
Write-offs, covered by previous write-downs			0	0
Changes to model assumption and methodologies	0	0	0	0
Other movements	0	0	0	0
Closing balance ECL 31.12.20	**125**	**984**	**4 848**	**5 957**

Specification of loan losses In NOK thousand	2021	2020
Changes in ECL, stage 1	-75	94
Changes in ECL, stage 2	542	306
Changes in ECL, stage 3	293	-585
Write-offs	0	0
Recoveries of previously written off loans	0	0
Net cost of loan losses in the period	**760**	**-185**

Note 15 – Credit-impaired assets and overdue loans

In NOK thousand				31.12.21			
Credit-impaired assets	Principal type of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
Loans to customers:							
Mortgages	Residential property	116 992	-4 556	112 436	112 436	0	100,0%
Total credit-impaired assets		**116 992**	**-4 556**	**112 436**	**112 436**	**0**	**100,0%**

In NOK thousand	
Credit-impaired loans	**31.12.21**
Overdue loans - more than 90 days	42 218
Other credit-impaired assets	74 774
Total	**116 992**

In NOK thousand				31.12.20			
Credit-impaired assets	Principal type of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
Loans to customers:							
Mortgages	Residential property	84 706	-4 848	79 858	79 858	0	100,0%
Total credit-impaired assets		**84 706**	**-4 848**	**79 858**	**79 858**	**0**	**100,0%**

Overdue loans - age distribution
The table below shows the carrying value of overdue loans and overdrawn amounts on credits allocated by number of days after maturity. The table is intended to provide an analysis of exposure where there is inadequate ability or propensity to pay, rather than overdue amounts attributable to a delay in transferring funds. Based on this and the company's internal routines for monitoring overdue exposure, the default must exceed NOK 800 for more than 6 days to be included in the second table below.

Overdue loans			31.12.20		
In NOK thousand	7-30 days	31-60 days	61-90 days	More than 90 days	Total
Mortgages	223 457	40 775	8 780	84 706	357 718
Total	**223 457**	**40 775**	**8 780**	**84 706**	**357 718**

Note 16 – Forbearance

Loans with forbearance measures
Loans with payment forbearance are defined as loans where relief has been granted asthe customer has payment problems, and that these terms would not have been granted in an ordinary loan issue.

In NOK thousand 31.12.21	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Forbearance loans to customers, gross	87 410	135 333	18 007	240 750
Expected credit loss (ECL)	-1	-59	-2 894	-2 954
Total forbearance loans to customers, gross	**87 409**	**135 274**	**15 113**	**237 796**

In NOK thousand 31.12.20	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Forbearance loans to customers, gross	303 002	174 361	12 855	490 218
Expected credit loss (ECL)	-4	-68	-2 597	-2 669
Total forbearance loans to customers, gross	**302 998**	**174 293**	**10 258**	**487 549**

Note 17 – Liquidity risk

Liquidity risk comprises the following two elements:
- Refinancing risk: The risk of being unable to refinance its obligations as they fall due for payment.
- Price risk: The risk of being unable to refinance its obligations without a material rise in costs.

Liquidity risk shall be managed such that the company minimises its financing costs, at the same time as the refinancing risk is kept within the Board of Directors' specified risk appetite. The company measures liquidity risk over the short and long term.

Management of inherent risk relating to maturity structures
Liquidity transactions in Sbanken Boligkreditt AS are based on the Group's financing plan. The CFO is responsible for ensuring that ongoing forecasts are prepared covering the Group's financing requirements for at least the next 12 months.

Note 18 – Maturity analysis of liabilities

Cash flows, undiscounted In NOK thousand 2021	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Maturity overview							
Loans and deposits from credit institutions			2 873 313	3 000 000			5 873 313
Debt securities issued			1 600 000	28 994 400			30 594 400
Interest disbursement, debt securities issued	5 316	77 413	344 844	1 256 363			1 683 936
Subordinated loan			0	325 000	0		325 000
Interest disbursement, subordinated loan	808	779	5 904	20 394			27 885
Taxes payable		34 240	42 446				76 686
Other financial liabilities (ex. accrued interest)	1 022						1 022
Hybrid capital instrument						225 000	225 000
Interest disbursement, hybrid capital instrument	1 017	1 156	7 295	23 830			33 298
Off-balance sheet commitments							0
Total disbursements	**8 163**	**113 588**	**4 873 802**	**33 619 987**	**0**	**225 000**	**38 480 540**

Cash flows, undiscounted In NOK thousand 2020	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Maturity overview							
Loans and deposits from credit institutions				2 846 829			2 846 829
Debt securities issued			2 000 000	29 246 350			31 246 350
Interest disbursement, debt securities issued	18 827	25 060	133 852	309 939			487 678
Subordinated loan			175 000	150 000	0		325 000
Interest disbursement, subordinated loan	659	1 492	3 687	4 749			10 587
Taxes payable		23 236	44 356				67 592
Other financial liabilities (ex. accrued interest)	810						810
Hybrid capital instrument						225 000	225 000
Interest disbursement, hybrid capital instrument	917	1 784	4 687	6 008			13 396
Off-balance sheet commitments							0
Total disbursements	**21 213**	**51 572**	**2 361 582**	**32 563 875**	**0**	**225 000**	**35 223 242**
Financial derivatives							
Outgoing contractual cash flows	-9 394	0	-29 642	-4 881 015	n/a	n/a	-4 920 051
Incoming contractual cash flows	0	0	18 750	5 302 500	n/a	n/a	5 321 250

Note 19 – Debt securities issued

Carried at amortised cost: In NOK thousand	Currency	31.12.21	31.12.20
Bonds issued	NOK	30 805 975	31 395 199
Subordinated loan	NOK	325 000	325 000
Total debt securities issued		**31 130 975**	**31 720 199**

Specification of covered bonds as at 31.12.21: ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Covered bonds [1]						
NO0010786999	Sbanken Boligkreditt AS	1 600 000	NOK	Nibor + 0.57%	27.04.22	1 600 779
NO0010790603	Sbanken Boligkreditt AS	7 000 000	NOK	Nibor + 0.50%	10.02.23	7 009 063
NO0010887078	Sbanken Boligkreditt AS	5 000 000	NOK	Nibor + 0.28%	17.06.24	5 000 000
NO0010878978	Sbanken Boligkreditt AS	5 000 000	NOK	Nibor + 0.42%	20.06.25	5 000 000
NO0010958093	Sbanken Boligkreditt AS	7 000 000	NOK	Nibor + 0.60%	20.11.26	7 129 586
XS1813051858	Sbanken Boligkreditt AS	500 000	EURO	Fixed 0.375% [2]	26.04.23	5 066 547
Total covered bonds						**30 805 975**

[1] All covered bond loans have "soft bullet" with the possibility of extending the maturity by one year.

[2] Entered into a swap-agreement with Nibor + 0.425%

Subordinated loan	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
NO0010821853	Sbanken Boligkreditt AS	150 000	NOK	Nibor + 1.38%	26.04.2028	150 000
NO0011012536	Sbanken Boligkreditt AS	175 000	NOK	Nibor + 0.95%	28.05.2031	175 000
Total subordinated loan		**325 000**				**325 000**

[1] First possible call date for the issuer is 5 years before date of maturity. The loan agreement has covenants to qualify as Tier 2 capital.

		January - December 2021				
Changes of debt securities:	**31.12.20**	**Issued**	**Matured**	**Redeemed**	**Other adjustments**	**31.12.21**
Covered bonds (nominal)	30 805 000	7 000 000	0	-7 400 000	0	30 405 000
Subordinated loan	325 000	175 000	0	-175 000	0	325 000
Total	**31 130 000**	**7 175 000**	**0**	**-7 575 000**	**0**	**30 730 000**

Note 20 – Additional Tier 1 capital (hybrid capital)

In NOK thousand	Currency	31.12.21	31.12.20
Additional Tier 1 capital	NOK	225 000	225 000
Total Additional Tier 1 capital		**225 000**	**225 000**

Specification of additional Tier 1 capital as at 31.12.21:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity*	Carrying amounts
Additional Tier 1 capital						
NO0010821861	Sbanken Boligkreditt AS	100 000	NOK	3M Nibor + 3.25%	Perpetual	100 000
NO0011012544	Sbanken Boligkreditt AS	125 000	NOK	3M Nibor + 2.6%	Perpetual	125 000
Total additional Tier 1 capital						**225 000**

[1] The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first time being 5 years after issue.

		January - December 2021				
Change of Additional Tier 1 capital	**31.12.20**	**Issued**	**Matured**	**Redeemed**	**Other adjustments**	**31.12.21**
Additional Tier 1 capital	225 000	125 000	0	-125 000	0	225 000
Total	**225 000**	**125 000**	**0**	**-125 000**	**0**	**225 000**

As at 31 December 2021, there is NOK 1.1 million in accrued interest related to additional Tier 1 capital.
This has been recognised against the additional Tier 1 capital and the carried value including accrued interest is 226.1 million NOK.

Note 21 – Market risk and sensitivity

Market risk is the risk of loss due to unfavourable changes in market variables, such as interest rates, exchange rates and credit spreads. Sbanken Boligkreditt is exposed to the following market risks:

- Interest rate risk is the risk of loss resulting from a general change in market rates due to different terms to maturity on the asset and liability sides of the balance sheet.
- Exchange rate risk is the risk of loss resulting from changes in exchange rates.
- Credit spread risk is the risk that interest-bearing securities will fall in value as a result of an increase in the credit spread for corresponding credit instruments in the market.

31.12.21 Interest sencitive balance	Volume (thousand)	Weighted duration	Change in value
Loans to customers	38 129 774	0,12	87 992
Commercial paper and bonds available for sale	520 313	0,15	1 558
Other assets	1 240 341	0,00	0
Total assets	**39 890 428**	**0,12**	**89 550**
Deposits from customers	0	0,12	0
Debt securities issued	30 805 975	0,13	81 187
Additional Tier 1 capital and subordinated loab	551 136	0,12	1 328
Other liabilities	5 980 184	0,00	0
Equity ex. Tier 1 capital	2 551 630	0,00	0
Total liabilities and equity	**39 890 428**	**0,13**	**82 515**
Total			**7 035**

The table below shows six stress scenarios in accordance with EBA/GL/2018/02: "Guidelines on the management of interest rate risk arising from non-trading activities"). As at 31 December 2021 Sbanken Boligkreditt primarily had balance sheet items exposed to interest rate changes for a forward period of three months and less. Consequently, the scenario for terms over 3 - 6 months will have little effect on Sbanken, with the result that Scenario 3 and 6 and Scenario 4 and 5 are nearly identical.

31.12.2021	Over-night	O/N - 1 month	1 - 3 months	3 -6 months	6 - 9 months	9 - 12 months	12 - 18 months	18 - 24 months	2 - 3 years	Total
Scenario 1 : parallel shock up (200bp)	0	-17 274	24 309	0	0	0	0	0	0	7 035
Scenario 2 : parallel shock down (200bp)	0	17 274	-24 309	0	0	0	0	0	0	-7 035
Scenario 3: short term rates down (300bp) long term rates up (150bp)	0	25 912	-36 464	0	0	0	0	0	0	-10 552
Scenario 4: short term rates up (300 bp) long term rates down (150 bp)	0	-25 912	36 464	0	0	0	0	0	0	10 552
Scenario 5: short term rates up (300 bp)	0	-25 912	36 464	0	0	0	0	0	0	10 552
Scenario 6: short term rates down (300 bp)	0	25 912	-36 464	0	0	0	0	0	0	-10 552

Currency
The net currency position (long or short) is measured in each currency. Long and short positions are also summarised. Exposure against limit is the highest absolute value of the long and short position. The exchange rate risk as of 31 December 2021 is NOK 0 million.

31.12.2021	USD	SEK	EUR	JPY	CHF	GBP
Net currency position (NOK thousand)	**0**	**0**	**0**	**0**	**0**	**0**

Credit spread risk
The calculation of credit spread risk is based on Finanstilsynets Circular 12/2016

Rating	Market value 31.12.21 (thousand)	Duration (weighted)	Spread change	Credit spread risk
AAA (sovereign)	118 744	1,89	0,00%	0
AAA (covered bonds)	401 569	0,81	0,70%	2 270
AAA (municipalities)	0	0,00	0,00%	0
AA (covered bonds)	0	0,00	0,00%	0
AA (municipalities)*	0	0,00	0,00%	0
Total	**520 313**	**1,05**	**0,41%**	**2 270**

*Municipalities without rating is placed in category AA (municipalities).

Note 21 – Market risk and sensitivity (continued)

31.12.20 Interest sencitive balance	Volume (thousand)	Weighted duration	Change in value
Loans to customers	35 177 564	0,12	81 179
Commercial paper and bonds available for sale	76 007	0,17	259
Other assets	2 137 315	0,00	0
Total assets	**37 390 885**	**0,12**	**81 438**
Deposits from customers	0	0,12	0
Debt securities issued	31 395 199	0,12	77 543
Additional Tier 1 capital and subordinated loab	550 837	0,15	1 691
Other liabilities	2 935 377	0,00	0
Equity ex. Tier 1 capital	2 509 472	0,00	0
Total liabilities and equity	**37 390 885**	**0,12**	**79 235**
Total			**2 204**

31.12.2020	Over-night	O/N - 1 month	1 - 3 months	3 -6 months	6 - 9 months	9 - 12 months	12 - 18 months	18 - 24 months	2 - 3 years	Total
Scenario 1 : parallel shock up (200bp)	0	-20 435	22 638	0	0	0	0	0	0	2 204
Scenario 2 : parallel shock down (200bp)	0	20 435	-22 638	0	0	0	0	0	0	-2 204
Scenario 3: short term rates down (300bp) long term rates up (150bp)	0	30 652	-33 957	0	0	0	0	0	0	-3 305
Scenario 4: short term rates up (300 bp) long term rates down (150 bp)	0	-30 652	33 957	0	0	0	0	0	0	3 305
Scenario 5: short term rates up (300 bp)	0	-30 652	33 957	0	0	0	0	0	0	3 305
Scenario 6: short term rates down (300 bp)	0	30 652	-33 957	0	0	0	0	0	0	-3 305

31.12.2020	USD	SEK	EUR	JPY	CHF	GBP
Net currency position (NOK thousand)	**0**	**0**	**10 584**	**0**	**0**	**0**

Rating	Market value 31.12.20 (thousand)	Duration (weighted)	Spread change	Credit spread risk
AAA (sovereign)	25 606	1,37	0,00%	0
AAA (covered bonds)	50 401	2,70	0,70%	951
AAA (municipalities)	0	0,00	0,00%	0
AA (covered bonds)	0	0,00	0,00%	0
AA (municipalities)*	0	0,00	0,00%	0
Total	**76 007**	**2,25**	**0,56%**	**951**

*Municipalities without rating is placed in category AA (municipalities).

Note 22 – Derivatives and hedge accounting

Sbanken Boligkreditt AS uses derivatives to hedge against interest rate and currency risk in connection with the issuing of debt in EUR. When the company issues securities in currencies other than Norwegian kroner, the bank's market risk policy states that hedging transactions shall be carried out, so that the bank avoids exposure in foreign currency and thereby minimises currency risk. Derivatives are recognised at fair value (see Note 1 for further information).

In NOK thousand	31.12.21 Nominal value	31.12.21 Positive fair value	31.12.21 Negative fair value	31.12.20 Nominal value	31.12.20 Positive fair value	31.12.20 Negative fair value
Interest and currency derivatives for use in hedge accounting	4 805 000	234 020	0	4 805 000	531 772	0
Total derivatives for use in hedge accounting	**4 805 000**	**234 020**	**0**	**4 805 000**	**531 772**	**0**

The Sbanken Boligkreditt AS uses hedge accounting to ensure an accounting treatment that reflects how interest rate and currency risk is actually managed for loans in foreign currency. The hedged items consist exclusively of debt established by issuing covered bonds and are recognised in accordance with IFRS 9 as a fair value hedge. When debt is issued in foreign currency, separate interest rate and cross currency swaps are entered into, with the same principal and maturity date as the underlying hedged item. So far, a loan of EUR 500 million has been issued with a fixed rate of 0.375 per cent, while the cross currency swap changes principal to NOK and the interest rate to a floating 3-month Nibor plus a margin of 0.425 per cent.

The hedging instruments (interest rate and currency swaps) are recognised at fair value, while the hedged items are valued at fair value for the hedged risks (interest rate and currency).

Hedge ineffectiveness, defined as the difference between the value adjustment of hedged instruments and the value adjustment of the hedged items, are recognised through profit or loss as it arises. The exemption is the part of the value adjustment caused by a change in basis spreads relating to hedged instruments recognised in other comprehensive income. Sources of hedge ineffectiveness can be changes in own credit risk, price changes relating to unilateral collateral, soft bullet structures and minimum rating floors for the issuer.

It is a condition for the derivate agreement that unilateral collateral is furnished, meaning that the bank receives collateral in cases where the derivative has a positive value, but does not have to provide collateral in cases where the derivate has a negative value. The counterparty in the derivative agreement is Nordea Bank.

In NOK thousand	31.12.21 Hedging instrument nominal value	31.12.21 Hedging object nominal value	31.12.21 Inefficiency nominal value	31.12.20 Hedging instrument nominal value	31.12.20 Hedging object nominal value	31.12.20 Inefficiency nominal value
Nominal value loan in Euro (foreign currency loans at fixed interest rates)	500 000	500 000	0	500 000	500 000	0
Total	**500 000**	**500 000**	**0**	**500 000**	**500 000**	**0**

In NOK thousand	31.12.21 Hedging instrument carrying amount	31.12.21 Hedging object carrying amount	31.12.21 Inefficiency carrying amount	31.12.20 Hedging instrument carrying amount	31.12.20 Hedging object carrying amount	31.12.20 Inefficiency carrying amount
Carrying amount assets	234 020	0		531 772	0	
Carrying amount liabilities	0	5 066 547		0	5 365 736	
Total	**234 020**	**5 066 547**		**531 772**	**5 365 736**	

In NOK thousand	31.12.21 Hedging instrument carrying amount	31.12.21 Hedging object carrying amount	31.12.21 Inefficiency carrying amount	31.12.20 Hedging instrument carrying amount	31.12.20 Hedging object carrying amount	31.12.20 Inefficiency carrying amount
Accumulated change in fair value, outgoing balance	234 020	-240 500	-6 480	531 772	-546 303	-14 531
Accumulated change in fair value, ingoing balance	531 772	-546 303	-14 531	201 842	-220 039	-18 197
Total change in fair value	**-297 752**	**305 803**	**8 051**	**329 930**	**-326 264**	**3 666**
Recognised through profit and loss (accumulated)			1 453			9
Recognised through other comprehensive income			-7 933			-14 540
Total change in fair value	**0**	**0**	**-6 480**	**0**	**0**	**-14 531**

Note 23 – Repricing structure

2021 In NOK thousand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Without interest rate exposure	Total
Loans to and receivables from credit institutions	1 000 910						1 000 910
Loans to customers	180 441	37 954 530					38 134 971
Write-downs for collectively assessed impaired loans to customers						-5 197	-5 197
Net loans to customers, central bank and credit institutions	**1 181 351**	**37 954 530**	**0**	**0**	**0**	**-5 197**	**39 130 684**
Commercial paper and bonds at fair value through OCI	93 136	427 177	0				520 313
Derivatives						234 020	234 020
Deferred tax assets						3 689	3 689
Other assets						1 722	1 722
Advance payment and accrued income						0	0
Total assets	**1 274 487**	**38 381 707**	**0**	**0**	**0**	**234 234**	**39 890 428**
Liabilities							
Loans and deposits from credit institutions	5 873 313						5 873 313
Taxes payable						76 686	76 686
Debt securities issued	1 600 779	24 138 649	5 066 547				30 805 975
Other liabilities						30 800	30 800
Subordinated loan	150 000	175 000					325 000
Total liabilities	**7 624 092**	**24 313 649**	**5 066 547**	**0**	**0**	**107 486**	**37 111 774**

2020 In NOK thousand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Without interest rate exposure	Total
Loans to and receivables from credit institutions	1 602 401						1 602 401
Loans to customers	169 809	35 013 712					35 183 521
Write-downs for collectively assessed impaired loans to customers						-5 957	-5 957
Net loans to customers, central bank and credit institutions	**1 772 210**	**35 013 712**	**0**	**0**	**0**	**-5 957**	**36 779 965**
Commercial paper and bonds at fair value through OCI	0	76 007	0				76 007
Derivatives						531 772	531 772
Deferred tax assets						3 141	3 141
Other assets						0	0
Advance payment and accrued income						0	0
Total assets	**1 772 210**	**35 089 719**	**0**	**0**	**0**	**528 956**	**37 390 885**
Liabilities							
Loans and deposits from credit institutions	2 846 829						2 846 829
Taxes payable						67 592	67 592
Debt securities issued	9 012 390	17 017 073	5 365 736				31 395 199
Other liabilities						20 957	20 957
Subordinated loan	150 000	175 000					325 000
Total liabilities	**12 009 219**	**17 192 073**	**5 365 736**	**0**	**0**	**88 549**	**34 655 577**

Note 24 – Operational risk

Operational risk means unexpected fluctuations in results, which are attributable to inadequacies or failures in internal processes and systems, by employees or external events, which oblige the company to retain financial capital in order to safeguard itself against substantial and unexpected operational losses. The definition also includes legal risk, i.e. the risk that an agreement or legal action cannot be performed in line with underlying assumptions; and compliance risk, i.e. the risk of non-compliance with statutory provisions, internal guidelines, industry standards.

The Group's policy for operational risk, including contingency plans, describes preventive and mitigating measures. In addition to policies and instructions, and procedure and job descriptions, Sbanken ASA has a self-evaluation process for operational risk, which includes Sbanken Boligkreditt. This process is intended to identify operational risk and quantify any potential ensuing losses. This work results in action plans whose implementation is subject to ongoing monitoring. The evaluation is performed annually and includes quarterly updates and follow-up.

Sbanken Group including Sbanken Boligkreditt AS has a documented process for conducting risk assessments. The process also includes the area of ICT and determines an acceptable level of risk, performs assessments, and manages risk by delegating responsibility for monitoring. Reviews of risks and conditions relevant to ICT security are conducted and reported on a quarterly basis together with other risk areas related to operational risk.

Note 25 – Net interest income

In NOK thousand	2021	2020
Loans to and receivables from credit institutions	2 755	3 852
Loans to customers	685 391	810 902
Commercial paper and bonds	3 748	1 613
Total interest income	**691 894**	**816 368**
Loans and deposits from credit institutions	-32 468	-39 622
Debt securities issued	-260 500	-406 544
Subordinated loan	-6 622	-10 427
Other interest expense	-5 323	-5 594
Total interest expense	**-304 913**	**-462 188**
Net interest income	**386 982**	**354 180**

All interest income from customers is related to residential mortgages

Note 26 – Net gain (loss) on financial instruments

In NOK thousand	2021	2020
1) Financial instruments at fair value through profit and loss:		
Gain/(loss) on derivatives (used in hedge accounting)	1 444	776
Total gain/(loss) on financial instruments at fair value through profit and loss	**1 444**	**776**
2) Financial instruments at amortised cost:		
Gain (loss) by repurchase of own bonds at amortised cost	-22 457	-21 943
Total gain (loss) on financial instruments at amortised cost	**-22 457**	**-21 943**
3) Currency items:		
Gain (loss) on currency items	28	13
Total gain (loss) on currency items	**28**	**13**
4) Realisation of financial instruments at fair value through other comprehensive income		
Gain/(loss) by realisation of financial instruments:	-274	0
Total gain/(loss) by realisation of financial instruments at fair value through other comprehensive income	**-274**	**0**
Total gain (loss) on financial instruments recognised through profit and loss	**-21 258**	**-21 154**

Note 27 – Operating expenses

Other administrative expenses In NOK thousand	2021	2020
Consultants and other external services	-9 846	-12 148
Other operating expenses	-134	-208
Total other administrative expenses	**-9 980**	**-12 356**
Personnel expenses		
Board remuneration	-330	-323
Payroll tax	-46	-43
Total personnel expenses	**-376**	**-366**
Remuneration to the statutory auditor		
Statutory audit	-181	-181
Other certification services	-20	-155
Tax-related services	0	0
Other services	-200	-200
Total remuneration to the statutory auditor	**-401**	**-536**

Note 28 – Remuneration to the Board of Directors

	2021	2020
Total employees as at 31.12	0	0
Total FTEs as at 31.12	0	0
Average number of employees	0	0

Sbanken Boligkreditt does not have own employees as of 31 December 2021. The company hires management and administrative resources from Sbanken ASA. Reference is made to note 34.

Remuneration to the Board of Directors In NOK thousand **Name and position**	Agreed annual board remuneration 2021	Agreed annual remuneration for board committees 2021	Paid board remuneration 2021	Paid committee remuneration 2021	Paid other compensation 2021	Total remuneration paid/received in 2021
The Board of Directors						
Mai-Lill Ibsen (Chairman of the Board)	209	0	209	0	0	209
Egil Mokleiv	121	0	121	0	0	121
Øyvind Thomassen	0	0	0	0	0	0

Remuneration to the Board of Directors In NOK thousand **Name and position**	Agreed annual board remuneration 2020	Agreed annual remuneration for board committees 2020	Paid board remuneration 2020	Paid committee remuneration 2020	Paid other compensation 2020	Total remuneration paid/received in 2020
The Board of Directors						
Mai-Lill Ibsen (Chairman of the Board)	205	0	205	0	0	205
Petter Skouen (until 30.april 2020)	na	0	39	0	0	39
Egil Mokleiv (from 30.april 2020)	118	0	79	0	0	79
Øyvind Thomassen	0	0	0	0	0	0

Note 29 – Tax expense

In NOK thousand	2021	2020
Taxes payable	**76 686**	**67 592**
Change in deferred tax	-1 185	170
Correction of taxes payable previous year	888	9
Total tax expense	**76 389**	**67 771**
Reconciliation of the tax expense		
Profit before tax	**356 128**	**320 119**
Expected tax expense at nominal rate of 22% (in 2021) and 22% (in 2020)	78 348	70 426
Tax effect from interest to Tier 1 capital holders	-1 969	-2 664
Other differences	-878	0
Correction of taxes payable previous year	888	9
Total tax expense	**76 389**	**67 771**
Effective tax rate	**21,4%**	**21,2%**
Change in deferred tax asset (deferred tax):		
Deferred tax assets as at 1 January	**3 141**	**3 976**
Change recognised through profit and loss	1 184	-170
Change recognised through other comprehensive income	-636	-665
Total deferred tax assets (deferred tax) as at 31 December	**3 689**	**3 141**
Change related to financial instruments	1 184	-170
Total change in deferred tax assets recognised through profit and loss	**1 184**	**-170**
Change related to commercial paper and bonds	-636	-665
Total change in deferred tax asset recognised through other comprehensive income	**-636**	**-665**

In NOK thousand	2020	Profit and loss	Other comprehensive income (OCI)	2021
Change in deferred tax asset (deferred tax)				
Financial instruments	-170	1 184	0	1 014
Commercial paper and bonds	3 311	0	-636	2 675
Total deferred tax assets (deferred tax)	**3 141**	**1 184**	**-636**	**3 689**

Deferred tax assets (deferred tax) related to temporary differences:

In NOK thousand	2021	2020
Specification of deferred tax assets (deferred tax)		
Financial instruments	1 014	-170
Commercial paper and bonds	2 675	3 311
Total deferred tax assets (deferred tax)	**3 689**	**3 141**
Deferred tax assets (deferred tax) recognised through profit and loss	1 014	-170
Deferred tax asset (deferred tax) recognised through other comprehensive income	2 675	3 311
Total deferred tax assets (deferred tax)	**3 689**	**3 141**

Note 30 – Classification of financial instruments

In NOK thousand **31.12.21**	**Financial assets at fair value through profit and loss**	**Financial instruments at fair value through other comprehensive income**	**Financial instruments carried at amortised cost**	**Total**
Financial assets				
Loans to and receivables from credit institutions			1 000 910	1 000 910
Loans to customers			38 129 774	38 129 774
Commercial paper and bonds		520 313		520 313
Derivatives (used in hedge accounting)	234 020			234 020
Other assets			5 411	5 411
Total financial assets	**234 020**	**520 313**	**39 136 095**	**39 890 429**
Financial debt				
Loans and deposits from credit institutions			5 873 313	5 873 313
Debt securities issued			30 805 975	30 805 975
Subordinated loan			325 000	325 000
Other liabilities			30 800	30 800
Total financial liabilities	**0**	**0**	**37 035 088**	**37 035 088**

In NOK thousand **31.12.20**	**Financial assets at fair value through profit and loss**	**Financial instruments at fair value through other comprehensive income**	**Financial instruments carried at amortised cost**	**Total**
Financial assets				
Loans to and receivables from credit institutions			1 602 401	1 602 401
Loans to customers			35 177 564	35 177 564
Commercial paper and bonds		76 007		76 007
Derivatives (used in hedge accounting)	531 772			531 772
Other assets			3 141	3 141
Total financial assets	**531 772**	**76 007**	**36 783 106**	**37 390 885**
Financial debt				
Loans and deposits from credit institutions			2 846 829	2 846 829
Debt securities issued			31 395 199	31 395 199
Subordinated loan			325 000	325 000
Other liabilities			20 957	20 957
Total financial liabilities	**0**	**0**	**34 587 985**	**34 587 985**

Note 31 – Commercial paper and bonds

31.12.21

Commercial paper and bonds classified as fair value through other comprehensive income

In NOK thousand	Nominal value	Cost value	Fair value	Relative share
State- and state guaranteed securities	115 000	121 878	118 288	22,7%
Covered bonds	400 000	401 831	401 194	77,1%
Accrued interest			831	0,2%
Total commercial paper and bonds	**515 000**	**523 709**	**520 313**	**100,0%**
Listed securities			520 313	100,0%
Non-listed securities			0	0,0%
Total commercial paper and bonds			**520 313**	**100,0%**

31.12.20

Commercial paper and bonds classified as available for sale

In NOK thousand	Nominal value	Cost value	Fair value	Relative share
State- and state guaranteed securities	25 000	26 168	25 545	33,6%
Covered bonds	50 000	50 269	50 380	66,3%
Accrued interest			82	0,1%
Total commercial paper and bonds	**75 000**	**76 437**	**76 007**	**100,0%**
Listed securities			76 007	100,0%
Non-listed securities			0	0,0%
Total commercial paper and bonds			**76 007**	**100,0%**

Note 32 – Classification of financial instruments at amortised cost

Recognised at amortised cost	Carrying value 31.12.21	Fair value 31.12.21
Assets		
Loans to and receivables from credit institutions	1 000 910	1 000 910
Loans to customers	38 129 774	38 129 774
Other assets	5 411	5 411
Total financial assets at amortised cost	**39 136 095**	**39 136 095**
Liabilities		
Loans and deposits from credit institutions	5 873 313	5 873 313
Debt securities issued	30 805 975	30 897 494
Subordinated loan	325 000	326 408
Other liabilities	30 800	30 800
Total financial liabilities at amortised cost	**37 035 088**	**37 128 015**

31.12.21	Level 1	Level 2	Level 3	Total
Loans to and receivables from credit institutions			1 000 910	1 000 910
Loans to customers			38 129 774	38 129 774
Other assets			5 411	5 411
Total financial assets at amortised cost		**0**	**39 136 095**	**39 136 095**
Liabilities				
Loans and deposits from credit institutions			5 873 313	5 873 313
Debt securities issued		30 897 494		30 897 494
Subordinated loan		326 408		326 408
Other liabilities			30 800	30 800
Total financial liabilities at amortised cost		**31 223 902**	**5 904 113**	**37 128 015**

Fair value of financial instruments measured at amortised cost

Cash and cash equivalents, loans to credit institutions and loans to customers and debt securities are measured at amortised cost.

Measurement at amortised cost imply that a financial asset or liability is recognised to the present value of the contractual cash flows using effective interest rate method, adjusted for potential impairment. This measurement method will not necessarily provide a carrying value equal to the fair value of the financial instrument due to volatility in the market, changed market conditions, asymmetrical information and changes in investors risk- and return expectations.

Cash and cash equivalents and loans and advances: Fair value is estimated based on amortised cost as all assets are recognised in the accounts based on the contractual cash flow with floating interest rate and that loans with impairment indicators are written down to fair value of expected cash flows. There is no active market for loan portfolios.

Debt to credit institutions are liabilities with floating interest rate and as there have not been any significant changes in the credit spread, amortised cost is assumed to be a reasonable approximation to fair value.

Debt securities are measured at fair value based on prices sourced from Nordic Bond Pricing. Nordic Bond Pricing has estimated the fair value based on available price information from investment banks and brokers trading in the bond markets.

Note 32 – Classification of financial instruments at amortised cost (continued)

Recognised at amortised cost	Carrying value 31.12.20	Fair value 31.12.20
Assets		
Loans to and receivables from credit institutions	1 602 401	1 602 401
Loans to customers	35 177 564	35 177 564
Other assets	3 141	3 141
Total financial assets at amortised cost	**36 783 106**	**36 783 106**
Liabilities		
Loans and deposits from credit institutions	2 846 829	2 846 829
Debt securities issued	31 395 199	31 541 238
Subordinated loan	325 000	326 485
Other liabilities	20 957	20 957
Total financial liabilities at amortised cost	**34 587 985**	**34 735 509**

31.12.20	Level 1	Level 2	Level 3	Total
Loans to and receivables from credit institutions			1 602 401	1 602 401
Loans to customers			35 177 564	35 177 564
Other assets			3 141	3 141
Total financial assets at amortised cost		**0**	**36 783 106**	**36 783 106**
Liabilities				
Loans and deposits from credit institutions			2 846 829	2 846 829
Debt securities issued		31 541 238		31 541 238
Subordinated loan		326 485		326 485
Other liabilities			20 957	20 957
Total financial liabilities at amortised cost		**31 867 723**	**2 867 786**	**34 735 509**

Note 33 – Fair value on financial instruments

	31.12.21		31.12.20	
In NOK thousand	Carrying value	Fair value	Carrying value	Fair value
Assets				
Commercial paper and bonds at fair value through OCI	520 313	520 313	76 007	76 007
Derivatives (used in hedge accounting)	234 020	234 020	531 772	531 772
Total assets financial instruments	**754 333**	**754 333**	**607 779**	**607 779**
Derivatives (used in hedge accounting)	0	0	0	0
Total	**0**	**0**	**0**	**0**

31.12.21	Level 1	Level 2	Level 3	Total
Commercial paper and bonds at fair value through OCI	0	520 313	0	520 313
Derivatives (used in hedge accounting)	0	234 020	0	234 020
Total	**0**	**754 333**	**0**	**754 333**

Financial instruments measured at fair value level 3

In NOK thousand		Total
Opening balance 1 January 2021	**0**	**0**
Net gain/(loss) on financial instruments (unrealised)	0	0
Acquisitions / exits	0	0
Sale	0	0
Settlement	0	0
Transferred from Level 1 or Level 2	0	0
Transferred to Level 1 or Level 2	0	0
Other	0	0
Closing balance at 31 December 2021	**0**	**0**

There has been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2021

Note 33 – Fair value on financial instruments (continued)

31.12.20	Level 1	Level 2	Level 3	Total
Commercial paper and bonds at fair value through OCI	0	76 007	0	76 007
Derivatives (used in hedge accounting)	0	531 772	0	531 772
Total	**0**	**607 779**	**0**	**607 779**

Financial instruments measured at fair value level 3

In NOK thousand		Total
Opening balance 1 January 2020	**0**	**0**
Net gain/(loss) on financial instruments (unrealised)	0	0
Acquisitions / exits	0	0
Sale	0	0
Settlement	0	0
Transferred from Level 1 or Level 2	0	0
Transferred to Level 1 or Level 2	0	0
Other	0	0
Closing balance at 31 December 2020	**0**	**0**

There has been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2020

Fair value hierarchy

Financial assets and debt recognised at fair value, due to these having been classified either as held for trade, designated at fair value through profit or loss on initial recognition (fair value option) or held for sale, shall be classified in a fair value hierarchy depending on the reliability of the fair value estimate. At Level 1, assets or liabilities are priced in an active market, at level 2 prices are determined on the basis of observable input data from similar assets (either directly or indirectly) and at level 3 prices are fair value based on unobservable input data.

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has access to at the reporting date. An active market is a market where quoted prices are easily accessible at a stock exchange or similar trading place, from a broker or other entity that publishes price information. Quoted prices shall represent actual and frequent transactions. For Sbanken Boligkreditt AS, level 1 assets and liabilities comprise listed interest-bearing bonds.

Level 2: Prices other than the quoted prices at level 1 and which are observable either directly or indirectly. Interest-bearing bonds that are valued based on prices sourced from trading places, brokers or other entities that publish price information, but where there is no active market because no official prices are available, are categorised as level 2. When using valuation methods, external data are applied to discounted cash flows (e.g. prices quoted by third parties or prices for similar instruments). The discount rate is implicit in the market interest rate with respect to credit and liquidity risk.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Note 34 – Related party transactions

Liabilities to and receivables from Sbanken ASA

In NOK thousand	31.12.21	31.12.20
Liability related to overdraft facility to Sbanken ASA	5 655 290	2 304 097
Receivables related to deposits in Sbanken ASA	782 646	1 602 401
Sbanken ASAs ownership of covered bonds issued by Sbanken Boligkreditt AS	7 538 556	5 714 265
Sbanken ASAs ownership of subordinated loan issued by Sbanken Boligkreditt AS	325 000	325 000
Sbanken ASAs ownership of additional Tier 1 capital issued by Sbanken Boligkreditt AS	225 000	225 000

Transactions with Sbanken ASA

In NOK thousand	2021	2020
Purchase of services in line with service agreement	8 652	8 249
Interest expense on overdraft facility	32 468	39 508
Interest income on deposits	1 055	1 373
Interest on covered bonds issued by Sbanken Boligkreditt AS	81 018	55 799
Interest on subordinated loan issued by Sbanken Boligkreditt AS	6 622	10 427
Share of result related to Sbanken ASAs ownership of additional Tier 1 capital in Sbanken Boligkreditt AS	8 948	12 109

Sale of mortgages to Sbanken Boligkreditt AS:

Sbanken ASA sells mortgages to its subsidiary, Sbanken Boligkreditt. Only loans with a LTV lower than 75% may be sold to Sbanken Boligkreditt. The sale and transfer of loans is carried out at market terms and conditions. After the loans have been transferred, Sbanken Boligkreditt AS assumes all the risks and benefits associated with the mortgages sold.

Management agreement between Sbanken ASA and Sbanken Boligkreditt AS:

A management agreement has been entered into between Sbanken ASA and Sbanken Boligkreditt, under the terms of which Sbanken Boligkreditt purchases administrative services from Sbanken ASA. These services relate, inter alia, to the CEO, to Treasury, IT, Finance and Accounting, Risk Management and Compliance. The agreement has been entered into at market terms and conditions.

Sbanken Boligkreditt AS's credit facilities:

Sbanken ASA has granted an overdraft facility and a revolving credit facility to Sbanken Boligkreditt. The overdraft is divided in two credit facilities, each in the amount of NOK 3 billion and with a term of 364 days and three years, respectively. The revolving credit facility equals Sbanken Boligkreditt's payment obligations for the next 12 months in respect of issued covered bonds, and with a term extending four months after the last maturity date of issued covered bonds. Both facilities are at floating interest rates, three-month NIBOR plus a margin.

Deposit accounts in Sbanken ASA:

Sbanken Boligkreditt AS has two ordinary deposit accounts with Sbanken ASA with interest at the market rate.

Note 35 – Earnings per share

In NOK thousand	2021	2020
Profit for the period to other equity (shareholders)	270 791 000	240 239 000
Number of shares (weighted average)	100 000 000	100 000 000
Earnings per share (basic)	**2,71**	**2,40**
Earnings per share (diluted)	**2,71**	**2,40**

Note 36 – Subsequent events

16 March 2022 the Norwegian Competition Tribunal reversed the Norwegian Competition Authorities decision to intervene in the acquisition. The Sbanken group is then a subsidiary of DNB Bank ASA from 30 March 2022.

On 24 March, Norges Bank raised its key interest rate by 0.25 percentage points. At the same time, the central bank decided to raise the countercyclical capital buffer by 0.5 percentage points to 2.5 per cent, with effect from 31 March 2023.

Alternative Performance Measures

Sbanken Boligkreditt AS (the company) discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are commonly used by analysts, investors and other stakeholders to evaluate the performance of the company in isolation or relative to the financial industry. The measures are provided to give an enhanced insight into the operations, financing and future prospects of the company. Some of the measures are presented in detail in notes to the financial statement and not repeated here.

1) Loss rate is calculated as the loan losses of the period divided by the average loan volume of the period. The measure is commonly used by banks and industry analysts to indicate the performance and quality of the lending book.

2) LTV (Loan-to-Value) is calculated as the loan amount divided by the estimated value of the property. When calculating a weighted average of LTV for the entire loan book, the credit balance of mortgages is used as weights. The LTV is provided as a measure of lending risk exposure.

3) Cover pool consist of mortgages and supplementary assets eligible according to the covered bonds legislation in Norway. Please refer to note 12 for further detail.

4) Solvency figures are presented including profit for the period. Please refer to note 4 and 5 for further detail.

Statement

Pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that, to the best of our knowledge, the yearly financial statements for the company for the period 1 January through 31 December 2021 have been prepared in accordance with applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

To the best of our knowledge, the yearly report gives a true and fair:

- Overview of important events that occurred during the accounting period and their impact on the yearly financial statements.
- Description of the principal risks and uncertainties facing the Group over the next accounting period.
- Description of major transactions with related parties.

Bergen, 30 March 2022
The Board of Directors of Sbanken Boligkreditt AS

Mai-Lill Ibsen
(Chair of the Board)

Øyvind Thomassen

Egil Mokleiv

Henning Nordgulen
(CEO)

Deloitte AS
Lars Hilles gate 30
Postboks 6013 Postterminalen
NO-5892 Bergen
Norway

Tel: +47 55 21 81 00
www.deloitte.no

To the General Meeting of Sbanken Boligkreditt AS

INDEPENDENT AUDITOR’S REPORT

Opinion
We have audited the financial statements of Sbanken Boligkreditt AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Our opinion is consistent with our additional report to the Board of Directors.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

The Company’s bonds were publicly listed in October 2015. We have been the auditor of the Company since before the Company’s bonds were listed. Subsequent to the listing, when including the year of listing, we have been the auditor of the Company for 7 consecutive years.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IT systems and related controls over financial information

Key audit matters	How the matter was addressed in the audit
The IT systems are important for the capture and processing of the Bank’s financial information. Management depends on the accuracy of information flow between the various loan sub-ledgers, data warehouse and the general ledger, which again, among others, form basis for key estimates such as write-downs. It is therefore key for the Bank that access controls, change management controls and controls over query tools are sufficiently designed and implemented, both internally and externally at the Bank’s various service providers, to enable such controls to operate effectively. We therefore considered this a key audit matter in our audit.	We have evaluated the design and the implementation and tested the operating effectiveness of the Bank’s controls over the information systems that are key to the financial reporting. This includes, among others, the controls over query tools and query scripts used to extract key information used in management’s estimation of write-downs. The completion and accuracy of the financial information within the data warehouse have been audited through a combination of; • evaluation of design and test of implementation of key controls; and • reconciliation of key financial information between the data warehouse and the general ledger. We have obtained and evaluated the ISAE 3402-reports issued by the various independent auditors of the Bank’s service providers, addressing their internal controls in areas applicable to the Bank’s financial reporting. We have also evaluated management’s process for monitoring their service providers. As part of our process to understand and evaluate the IT infrastructure and our testing of relevant IT related controls, we have utilized our internal IT-specialists.

Other Information
The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors’ report. The other information comprises information in the annual report, but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors’ report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors’ report. The purpose is to consider if there is material inconsistency between the Board of Directors’ report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors’ report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors’ report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors’ report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management

Deloitte.

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Bergen, 30 March 2022
Deloitte AS

Helge-Roald Johnsen
State Authorised Public Accountant

Sbanken Boligkreditt AS
P.O. Box 7077, N-5020 Bergen

sbanken.no