

Annual Report 2022





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Key figures 2022

In NOK thousand	Reference	2022	2021
Summary of income statement			
Net interest income		109 582	386 982
Net other income		-6 443	-21 258
Total operating income		103 139	365 724
Other operating expenses		-10 369	-10 356
Operating profit before loan losses		92 771	355 368
Loan losses		-397	760
Profit before tax		92 374	356 128
Tax expense		-18 008	-76 389
Net profit		74 366	279 739
Balance sheet figures (in million NOK)			
Total loan volume		32 885	38 135
Covered bonds issued (nominal value)		31 255	30 405
Covered bonds issued (carried value)		31 771	30 806
Total assets, end of period		38 762	39 890
Losses and defaults			
Loss rate (%)	1	0,00%	0,00%
Solvency			
Common equity Tier 1 ratio	2	18,2%	16,1%
Tier 1 capital ratio		19,9%	17,7%
Total capital ratio		22,4%	20,0%
Leverage ratio		6,7%	6,3%
Other			
Loan to value	3	52,1%	49,7%
Cover Pool	4	36 188	38 682
Over-collateralisation (OC), (nominal)		15,8%	27,2%

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 2022

After a process that lasted more than a year, Sbanken ASA became a fully owned subsidiary of DNB Bank ASA on 30 March 2022.

The merger plan between DNB Bank ASA and Sbanken ASA was approved by the boards in November 2022. The merger will be carried out by Sbanken ASA transferring all its business, including all assets, rights and obligations, (including the subsidiary Sbanken Boligkreditt AS) to DNB Bank ASA as the acquiring company in the merger on 2 May 2023.

In 2022 the Pandemic which started in February 2020 receded. As the pandemic receded, economic activity returned to pre-pandemic level, but with some disruptions.

Financial and monetary stimuli used to counter the negative effects of the pandemic, the strong economic growth following the receding pandemic, associated logistical disruptions and the aforementioned energy crisis, all contributed to a material rise in inflation starting late 2021 and continuing throughout 2022.

The high inflation caused Norges Bank to raise the key policy rate six times in 2022 from 0.5 per cent at the start of the year to 2.75 percent by the end of the year.

Sbanken Boligkreditt's capital market funding leads to rapid increases in the cost of funding in a market with increasing interest rates. The lending rates are however increased with a time lag, due to mandatory notice periods. Hence, when interest rates increase significantly and quickly, this has a significantly negative impact on financial results.

At year-end, the company's residential mortgage portfolio amounted to a total of NOK 32.9 (38.1) billion. Outstanding covered bonds amounted to NOK 31.8 (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 2022.

Financial review

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the going concern assumption applies.

Sbanken Boligkreditt recorded a net profit of 74.4 (279.7) million in 2022.

Operating income

Sbanken Boligkreditt recorded an operating income of NOK 103.1 (365.7) million in 2022. Net interest income amounted to NOK 109.6 (387.0) million. Net other income amounted to a net loss of NOK 6.4 (net loss of 21.3) million, primarily ascribed to the repurchase of the company's issued covered bonds.

Operating expenses

Operating expenses amounted to NOK 10.4 (10.4) 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 NOK 0.4 (positive 0.8) million, corresponding to a loan loss ratio of 0.00 (0.00) per cent. At year-end, expected credit losses (ECL) amounted to NOK 5.6 million.

Taxes

The calculated income tax expense amounted to NOK 18.0 (76.4) million, corresponding to an effective tax rate of 19.5 (21.4) per cent.

Loans to customers

At year-end, loans to customers amounted to NOK 32.9 billion, down 5.2 billion from year-end 2021. In 2022, the company acquired NOK 9.9 (23.4) 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 2.6 (2.8) billion as of 31 December 2022. Common Equity Tier 1 (CET1) capital ratio was 18.2 per cent against a regulatory requirement of 13.5 per cent. The tier 1 capital ratio was 19.9 per cent and total capital ratio 22.4 per cent. As of year-end, the company had a leverage ratio of 6.7 per cent against a regulatory requirement of 3 per cent.

Sbanken Boligkreditt had NOK 31.3 (30.4) billion in outstanding debt issued as covered bonds as of 31 December 2022. A total of NOK 6.5 billion in covered bonds were issued during the year. The covered bonds were at issuance purchased by the parent bank and the bank later sold the covered bonds in the secondary market and to DNB Bank ASA. Covered bonds totalling NOK 5.7 billion were redeemed during the year. At year-end, Sbanken Boligkreditt had total liquid assets of NOK 5.5 (1.5) 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 2022.

Allocation of profit

The Board has proposed the following allocation of profit for 2022:

	in NOK thousands
Net profit for the year	74 366
Attributable to Additional Tier 1 capital holders	10 476
Attributable to Shareholders	63 890
Dividend	0
Retained Earnings	63 890
Total	63 890

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 denominated 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 the DNB Group's corporate governance policy. The Group's policy follows the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance.

DNB's governing principles for corporate responsibility set the standards for all of the Group's work on both the observance and the further development of corporate responsibility. In addition, the Group has guidelines, business models and fora that aim to ensure that corporate responsibility is an integral part of daily operations. Read more about DNB's corporate responsibility in the document "Implementation of and reporting on corporate governance" on ir.dnb.no/about-dnb, and in the Board of Director's report on corporate governance in DNB's annual report for 2022.

The Board of Directors of Sbanken Boligkreditt reviews the financial reporting process. The company follows the DNB Group's policy for financial management and reporting, which includes requirements for quality assurance of financial reporting processes to ensure relevant, timely and uniform reporting to internal stakeholders, regulators and capital market participants.

Sbanken Boligkreditt has hired a management team from Sbanken ASA. The team reviews the process of internal control over financial reporting and implements adequate and effective internal processes in accordance with established requirements. Processes include control measures to ensure that the financial reporting is of high quality. Every year, the team makes an evaluation of compliance with external and internal regulations and prepares a plan to implement any required improvements.

The Board of Directors approves management's proposed annual accounts for Sbanken Boligkreditt.

The Board of Directors consists of at least three and at most six members elected by the general meeting, and the number of deputies is decided by the general meeting. Board members are elected for two years at a time, unless otherwise decided by the general meeting. The board members can be re-elected. The general meeting elects the chair of the board.

Sbanken Boligkreditt AS has carried out a due diligence according to the Transparency act. The account is accessible, in Norwegian, on the bank's website: <https://sbanken.no/om-oss/om-sbanken/samfunnsansvar/slik-jobber-vi-med-apenhetsloven/>

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 March, Norges Bank decided to increase the countercyclical capital buffer by 0.5 percentage point, to 2.5 percent, effective from 31 March 2023. 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

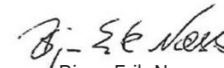
No significant events have occurred after 31 December 2022 that affect the financial statements for 2022.

Bergen, 8 March 2023
The Board of Directors of Sbanken Boligkreditt AS


Henrik Lidman
(Chair of the Board)


Jørgen Gudmunsson


Sindre Espenes


Bjørn Erik Næss


Øyvind Telle
(CEO)

Income statement

In NOK thousand	Note	2022	2021
Interest income from financial instruments using the effective interest method	25	867 997	691 894
Other interest income	25	0	0
Interest expense	25	-758 415	-304 913
Net interest income		109 582	386 982
Net gain (loss) on financial instruments	26	-6 443	-21 258
Other income		0	0
Other operating income		-6 443	-21 258
Total operating income		103 139	365 724
Personnel expenses	27,28	-219	-376
Administrative expenses	27	-10 150	-9 980
Profit before loan losses		92 771	355 368
Loan losses	14	-397	760
Profit before tax		92 374	356 128
Tax expense	29	-18 008	-76 389
Profit for the period		74 366	279 739
Attributable to			
Shareholders		63 890	270 791
Tier 1 capital holders	20	10 476	8 948
Profit for the period		74 366	279 739

Earnings per share, see note 34

Statement of comprehensive income

In NOK thousand	Note	2022	2021
Profit for the period		74 366	279 739
Other comprehensive income			
Other comprehensive income that can be reclassified to profit or loss after tax		7 895	2 255
Other items that can not be reclassified to profit or loss after tax		0	0
Total components of other comprehensive income (after tax)		7 895	2 255
Total comprehensive income for the period		82 261	281 994
Attributable to			
Shareholders		71 785	273 046
Tier 1 capital holders	20	10 476	8 948
Total comprehensive income for the period		82 261	281 994

Balance sheet

In NOK thousand	Note	31.12.22	31.12.21
Assets			
Loans to and receivables from credit institutions	13	3 975 372	1 000 910
Loans to customers	6,7,8,9,10,11	32 879 091	38 129 774
Net loans to customers and credit institutions		36 854 463	39 130 684
Commercial paper and bonds at fair value through other comprehensive income (OCI)	30,31,32	1 496 918	520 313
Derivatives	22	408 670	234 020
Deferred tax assets		2 052	3 689
Other assets		0	1 722
Advance payment and accrued income		0	0
Total assets		38 762 104	39 890 428
Liabilities			
Loans from credit institutions	30,31	3 973 326	5 873 313
Debt securities issued	17,19	31 771 486	30 805 975
Taxes payable	29	18 608	76 686
Other liabilities		82 472	30 800
Subordinated loan	19	325 000	325 000
Total liabilities		36 170 892	37 111 774
Equity			
Share capital		850 000	850 000
Share premium		849 880	849 880
Additional Tier 1 capital	20	226 909	226 136
Other equity		664 423	852 638
Total equity		2 591 212	2 778 654
Total liabilities and equity		38 762 104	39 890 428

Statement of changes in equity

In NOK thousand	Share capital	Share premium	Additional Tier 1 capital	Changes in fair value through other comprehensive income	Other equity	Total equity
Balance sheet as at 01.01.21	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 - 31.12.21)				2 255		2 255
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
Profit for the period to other equity (01.01.22 - 31.12.22)					63 890	63 890
Profit for the period to Tier 1 capital holders (01.01.22 - 31.12.22)			10 476			10 476
Payments to Tier 1 capital holders (01.01.22 - 31.12.22)			-9 703			-9 703
Net change of financial instruments at fair value through other comprehensive income (01.01.22 - 31.12.22)				7 895		7 895
Dividend to shareholder					-260 000	-260 000
Balance sheet as at 31.12.22	850 000	849 880	226 909	-1 590	666 012	2 591 212

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

Statement of cash flows

In NOK thousand	Note	2022	2021
Cash flows from operating activities			
Net payments on loans to customers	9	5 273 922	-2 950 422
Interest received on loans to customers	25	823 561	684 363
Interest received on loans to credit institutions		2 941	2 755
Interest paid on loans and deposits from credit institution	25	-87 799	-32 468
Net receipts/payments from buying and selling financial instruments at fair value	33	-968 240	-447 272
Receipts of collateral related to derivatives used in hedge accounting		145 295	-324 708
Interest received from commercial paper and bonds	25	13 831	2 999
Other interest cost		-7 531	-5 053
Payments related to administrative expenses	27	-9 994	-10 072
Payments related to personnel expenses		-224	-376
Taxes paid		-76 685	-67 592
Other receipts/payments		1 918	-3 990
Net cash flows from operating activities		5 110 995	-3 151 836
Cash flows from investment activities			
Net cash flows from investment activities		0	0
Cash flows from financing activities			
Paid dividend to shareholders		-260 000	-230 000
Receipts on issued covered bonds	19	6 500 000	7 000 000
Payments on matured and redeemed covered bonds	19	-5 654 610	-7 255 609
Interest paid on covered bonds	25	-657 496	-289 226
Net receipts on loans and deposits from credit institution	13	-2 045 281	3 351 192
Receipts on subordinated loan	19	0	175 000
Payments on matured and redeemed subordinated loans	19	0	-175 000
Interest paid on subordinated loan	25	-9 443	-17 363
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	-9 703	-8 649
Net cash flows from financing activities		-2 136 533	2 550 345
Total net cash flows		2 974 462	-601 491
Cash at the beginning of the period		1 000 910	1 602 401
Cash at the end of the period		3 975 372	1 000 910
Change in cash		2 974 462	-601 491
Cash			
Loans to credit institutions		3 975 372	1 000 910
Total cash		3 975 372	1 000 910

EQ=see statement of changes in equity



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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 for Sbanken Boligkreditt AS is Sbanken ASA. Sbanken ASA is a subsidiary of DnB Bank ASA.

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 2022.

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 8 March 2023.

3. New and revised standards effective from 1 January 2022

Sbanken Boligkreditt AS has not applied any new accounting standards in 2022.

4. New and revised standards effective from 1 January 2023 or later

Standards and interpretations that will enter into force for the annual periods beginning 1 January 2023 or later have not been used in the preparation of the accounts. The new standards will not materially affect Sbanken Boligkreditt AS.

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 (DnB Bank ASA)

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.

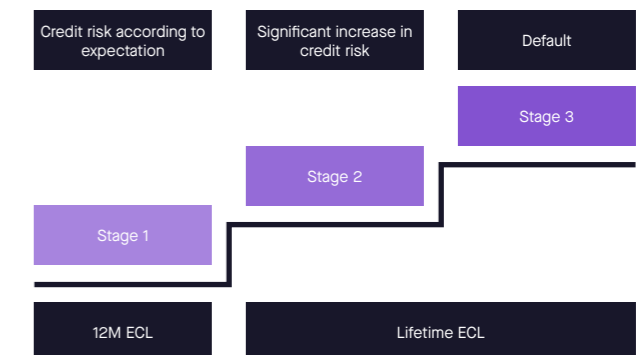
The new principles for impairment in IFRS 9 apply to financial instruments that are debt instruments and that are measured at amortised cost or at fair value through other comprehensive income (OCI). They also include loan commitments.

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 macro-economic 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)

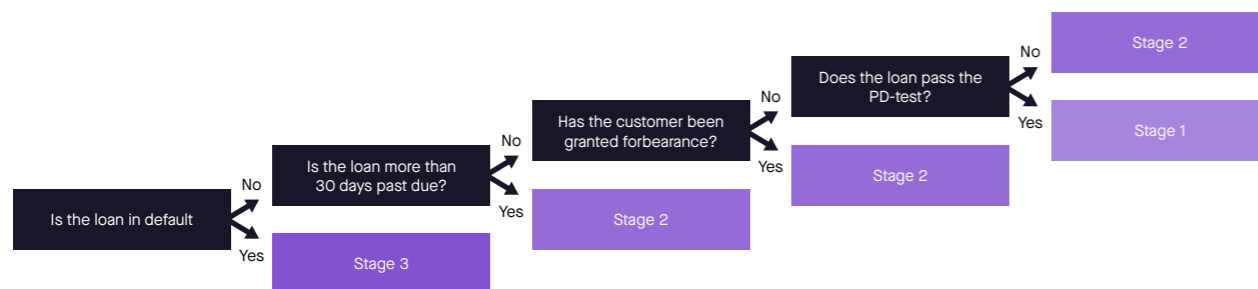
The EAD represents the expected exposure at the time of default. For residential mortgages EAD is based on the repayment plan for the loan. This is further adjusted by taking into account the probability of early repayment.

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.

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.

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 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/CRR).

Sbanken Boligkreditt uses the standard method to establish the risk weighted volume for credit risk and the standard 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	31.12.22		31.12.21	
	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Central governments	0	0	25 223	0
Regional governments	2 052	5 131	3 689	9 222
Institutions	4 106 374	821 275	1 064 958	212 992
Secured by mortgages on immovable property	32 772 925	11 491 412	38 018 708	13 321 577
Exposures in default	106 166	106 166	111 066	111 066
Covered bonds	1 343 811	134 381	401 569	40 157
Other items	0	0	1 721	1 721
Total credit risk, standardised method ¹	38 484 436	12 558 365	39 720 455	13 696 735
Credit value adjustment risk (CVA risk)		8 555		18 831
Operational risk		425 123		495 738
Total risk-weighted volume		12 992 043		14 211 304
Capital base				
Share capital		850 000		850 000
Share premium		849 880		849 880
Other equity		600 533		581 847
Additional Tier 1 capital		226 909		226 136
Profit for the period		63 890		270 791
Total booked equity		2 591 212		2 778 654
Additional Tier 1 capital instruments included in total equity		-226 909		-226 136
Common equity Tier 1 capital instruments		2 364 303		2 552 518
<i>Deductions</i>				
Value adjustment due to the requirements for prudent valuation (AVA)		-1 497		-520
Profit for the period, not eligible ²		0		-260 000
Common equity Tier 1 capital		2 362 806		2 291 998
Additional Tier 1 capital		225 000		225 000
Tier 1 capital		2 587 806		2 516 998
Tier 2 capital		325 000		325 000
Own funds (primary capital)		2 912 806		2 841 998
Specification of capital requirements				
Minimum requirements CET1 capital	4,5%	584 642	4,5%	639 509
Capital conservation buffer	2,5%	324 801	2,5%	355 283
Systemic risk buffer	3,0%	389 761	3,0%	426 339
Countercyclical capital buffer	2,0%	259 841	1,0%	142 113
Additional Tier 1 capital	1,5%	194 881	1,5%	213 170
Tier 2 capital	2,0%	259 841	2,0%	284 226
Total minimum and buffer requirements own funds (primary capital)	15,5%	2 013 767	14,5%	2 060 639
Available CET1 capital after buffer requirements		803 761		728 754
Available Own funds (primary capital)		899 040		781 358
Capital ratio %				
Common equity Tier 1 capital		18,2%		16,1%
Additional Tier 1 capital		1,7%		1,6%
Tier 2 capital		2,5%		2,3%
Total capital ratio		22,4%		20,0%

¹ The specification is according to EBA reporting framework.

² Including 100 per cent of the profit for the year 2022 and 2021. Year-end 2021 is 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.

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	31.12.22	31.12.21
Exposure value on derivatives		131 002	64 047
Loans and advances and other assets		38 353 434	39 656 408
Regulatory adjustments included in Tier 1 capital		0	0
Total leverage exposure		38 484 436	39 720 455
Tier 1 capital		2 587 806	2 516 998
Leverage ratio % ¹⁾		6,7 %	6,3 %
Leverage Ratio requirements			
Minimum requirements	3,0%	1 154 533	1 191 614
Buffer requirements credit institutions	0,0%	0	0
Total minimum and buffer requirements (Tier 1 capital)	3,0%	1 154 533	1 191 614
Available Tier 1 capital after minimum and buffer requirements		1 433 273	1 325 384

¹⁾ Including 100 per cent of the profit for the year 2022 and 2021. Year-end 2021 is 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.

- Responsibility for entering into agreements that cause the company to incur risk is delegated through personal authorisations.

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 2022:

- 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 2022 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.

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.

In NOK thousand	31.12.22		
	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Loans to and receivables from credit institutions	3 975 372	0	3 975 372
Loans to and receivables from central bank and credit institutions	3 975 372	0	3 975 372
Loans to customers, secured	32 884 685	0	32 884 685
Loans to and receivables from customers	32 884 685	0	32 884 685
Other financial assets with credit risk	0	0	0
Financial instruments at amortised cost	36 860 057	0	36 860 057
Commercial paper and bonds	1 496 918	0	1 496 918
Financial instruments at fair value through other comprehensive income	1 496 918	0	1 496 918
Derivatives	408 670	0	408 670
Financial instruments at fair value through profit and loss	408 670	0	408 670
Gross exposure	38 765 645	0	38 765 645
Other financial assets without credit risk	2 052	0	2 052
Impairment	-5 594	0	-5 594
Total net exposure	38 762 104	0	38 762 104

In NOK thousand	31.12.21		
	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

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%

Note 8 – Credit risk (continued)

31.12.21		
In NOK thousand		
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

31.12.22		
In NOK thousand		
Gross loans distributed in risk groups	Mortgages	Total
Low risk	31 582 848	31 582 848
Medium risk	739 339	739 339
High risk	450 003	450 003
Total non-matured or written down	32 772 190	32 772 190
Non-performing and doubtful loans	112 495	112 495
Total gross loans	32 884 685	32 884 685
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)	32 884 685	32 884 685

Note 9 – Loans to customers

Gross carrying amount - Loans to customers In NOK thousand	31.12.22			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Opening balance gross carrying amount (before transfers)	36 843 621	1 174 358	116 992	38 134 971
Transfers to Stage 1 (12-months ECL)	203 565	-196 801	-6 764	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-798 021	811 445	-13 424	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-40 856	-27 563	68 419	0
Net new financial assets originated or derecognised	-5 043 632	-177 293	-53 282	-5 274 207
Changes in interest accrual	21 214	2 153	554	23 921
Other movements	0	0	0	0
Closing balance gross carrying amount 31.12.22	31 185 891	1 586 299	112 495	32 884 685

Gross carrying amount - Loans to customers In NOK thousand	31.12.21			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
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

Note 10 – Loans to customers by geographical area

Lending by geographical area ¹⁾ In NOK thousand	31.12.22		31.12.21	
	Percentage	Gross lending	Percentage	Gross lending
Oslo	19,5%	6 398 647	20,6%	7 871 562
Viken	37,1%	12 196 196	37,5%	14 289 963
Innlandet	2,6%	864 930	2,7%	1 014 770
Vestfold og Telemark	5,8%	1 918 086	5,8%	2 204 035
Agder	2,1%	675 788	1,8%	704 617
Rogaland	6,5%	2 136 676	6,0%	2 279 997
Vestland	12,9%	4 257 055	12,4%	4 732 124
Møre og Romsdal	1,4%	469 202	1,4%	516 938
Trøndelag	5,0%	1 635 536	4,8%	1 813 859
Nordland	2,7%	872 801	2,9%	1 089 541
Troms og Finnmark	4,4%	1 459 768	4,2%	1 617 565
Total gross lending per geographical area	100,0%	32 884 685	100,0%	38 134 971

¹⁾ the basis for the geographical distribution is the customer's residential address.

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	31.12.22			31.12.21		
	Distribution as percentage	Gross carrying amounts	Unutilised credit lines	Distribution as percentage	Gross carrying amounts	Unutilised credit lines
Loan-to-value, secured loans						
0% - 40%	26,3%	8 663 564	0	28,6%	10 903 960	0
40% - 60%	34,3%	11 282 178	0	40,4%	15 404 818	0
60% - 80%	37,8%	12 444 459	0	30,4%	11 601 367	0
80% - 90%	1,3%	413 023	0	0,3%	113 049	0
90% - 100%	0,1%	39 359	0	0,2%	67 053	0
> 100%	0,1%	42 102	0	0,1%	44 724	0
Residential mortgages	100,0%	32 884 685	0	100,0%	38 134 971	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	31.12.22		31.12.21	
	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts
Loan-to-value, residential mortgages (relative distribution)				
0% - 85%	99,94%	32 863 626	99,94%	38 110 826
85% - 100%	0,04%	11 942	0,04%	14 362
> 100%	0,03%	9 117	0,03%	9 783
Residential mortgages	100,0%	32 884 685	100,0%	38 134 971

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

In NOK thousand	31.12.22		31.12.21		
Debt related to securities issued, nominal value		31 255 000		30 405 000	
Debt related to securities issued, carried value		31 771 486		30 805 975	
Loans to customers (gross) ¹		32 823 160		38 097 706	
Average size of loan per customer		2 000		1 941	
Number of loans		16 414		19 620	
Weighted average since issuing of the loans (months)		59		55	
Weighted average remaining maturity (months)		263		262	
Average LTV (percent)		52,1		49,7	
Cover pool		31.12.22		31.12.21	
Loans secured with mortgages		32 823 160		38 097 706	
Not eligible for the over-collateralisation calculation		-247 342		-198 070	
Net loans that are in the over-collateralisation		32 575 818		37 899 635	
Supplementary assets		3 611 899		782 779	
Total cover pool for the over-collateralisation calculation		36 187 717		38 682 414	
		Nominal value	Carried value	Nominal value	Carried value
Over-collateralisation (percent)		15,8	13,9	27,2	25,6
Amount surpassing legal minimum requirements and requirements as indicated by rating agency		4 307 617	3 780 801	7 669 314	7 260 320

¹ Excluding accrued interest.

Note 13 – Loans to credit institutions – receivables and liabilities

Gross carrying amount - Loans to credit institutions In NOK thousand	31.12.22			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Opening balance gross carrying amount (before transfers)	1 000 910	0	0	1 000 910
Transfers between stages	0	0	0	0
Opening balance gross carrying amount (after transfers)	1 000 910	0	0	1 000 910
Net new financial assets originated or derecognised	2 974 462	0	0	2 974 462
Changes in interest accrual	0	0	0	0
Closing balance gross carrying amount	3 975 372	0	0	3 975 372
Maturity:				
Loans with agreed maturity	0	0	0	0
Loans without agreed maturity	3 975 372	0	0	3 975 372
Total	3 975 372	0	0	3 975 372

Gross carrying amount - Loans to credit institutions In NOK thousand	31.12.21			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
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

Note 14 – Loan losses

Expected credit loss (ECL) In NOK thousand	January - December 2022			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Opening balance ECL 01.01.22	199	442	4 556	5 197
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
Transfers to Stage 1	12	-238	-24	-250
Transfers to Stage 2	-42	452	-29	381
Transfers to Stage 3	-2	-24	790	764
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	-23	8	206	191
<i>Other changes:</i>				
New financial assets originated	317	266	0	583
Financial assets that have been derecognised	-87	-90	-1 095	-1 272
Write-offs, covered by previous write-downs	0	0	0	0
Changes to model assumption and methodologies	0	0	0	0
Other movements	0	0	0	0
Closing balance ECL 31.12.22	374	816	4 404	5 594

Expected credit loss (ECL) In NOK thousand	January - December 2021			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Opening balance ECL 01.01.21	125	984	4 848	5 957
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
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
<i>Other changes:</i>				
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	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

Specification of loan losses In NOK thousand	2022		2021	
Changes in ECL, stage 1		-175		-75
Changes in ECL, stage 2		-374		542
Changes in ECL, stage 3		152		293
Write-offs		0		0
Recoveries of previously written off loans		0		0
Net cost of loan losses in the period		-397		760

Note 15 – Credit-impaired assets and overdue loans

In NOK thousand		31.12.22					
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	112 495	-4 404	108 091	108 091	0	100,0%
Total credit-impaired assets		112 495	-4 404	108 091	108 091	0	100,0%

In NOK thousand		31.12.22
Credit-impaired loans		
Overdue loans - more than 90 days		38 349
Other credit-impaired assets		74 146
Total		112 495

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

Note 16 – Forbearance

Loans with forbearance measures

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

In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
31.12.22				
Forbearance loans to customers, gross	119 988	158 882	14 845	293 715
Expected credit loss (ECL)	-4	-48	-2 489	-2 541
Total forbearance loans to customers, gross	119 984	158 834	12 356	291 174

In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
31.12.21				
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

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 2022	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	973 326		0	3 000 000			3 973 326
Debt securities issued		2 950 000	5 256 900	23 400 000			31 606 900
Interest disbursement, debt securities issued	0	245 605	705 146	1 903 790			2 854 541
Subordinated loan			150 000	175 000	0		325 000
Interest disbursement, subordinated loan	1 817	1 981	7 607	18 182			29 587
Taxes payable		38 338	-19 730				18 608
Other financial liabilities (ex. accrued interest)	689						689
Hybrid capital instrument						225 000	225 000
Interest disbursement, hybrid capital instrument	1 689	1 942	7 380	18 212			29 223
Off-balance sheet commitments							0
Total disbursements	977 521	3 237 866	6 107 303	28 515 184	0	225 000	39 062 874
Financial derivatives							
Outgoing contractual cash flows	0	0	-4 805 000	0	0	n/a	-4 805 000
Incoming contractual cash flows	0	0	5 229 706	0	0	n/a	5 229 706

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	38 840 540
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	31.12.22	31.12.21
Bonds issued	NOK	31 771 486	30 805 975
Subordinated loan	NOK	325 000	325 000
Total debt securities issued		32 096 486	31 130 975

Specification of covered bonds as at 31.12.22:						
ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Covered bonds ¹						
N00010790603	Sbanken Boligkreditt AS	2 950 000	NOK	Nibor + 0.50 %	10.02.23	2 950 381
N00010887078	Sbanken Boligkreditt AS	5 000 000	NOK	Nibor + 0.28 %	17.06.24	5 000 000
N00010878978	Sbanken Boligkreditt AS	5 000 000	NOK	Nibor + 0.42 %	20.06.25	5 000 000
N00010958093	Sbanken Boligkreditt AS	7 000 000	NOK	Nibor + 0.60 %	20.11.26	7 103 385
N00012483835	Sbanken Boligkreditt AS	6 500 000	NOK	Nibor + 0.35 %	29.03.27	6 488 014
XS1813051858	Sbanken Boligkreditt AS	500 000	EURO	Fixed 0.375 % 2	26.04.23	5 229 706
Total covered bonds						31 771 486

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
N00010821853	Sbanken Boligkreditt AS	150 000	NOK	Nibor + 1.38 %	26.04.2028	150 000
N00011012536	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.

Changes of debt securities:	January - December 2022					31.12.22
	31.12.21	Issued	Matured	Redeemed	Other adjustments	
Covered bonds (nominal)	30 405 000	6 500 000	0	-5 650 000	0	31 255 000
Subordinated loan	325 000	0	0	0	0	325 000
Total	30 730 000	6 500 000	0	-5 650 000	0	31 580 000

Note 20 – Additional Tier 1 capital (hybrid capital)

In NOK thousand	Currency	31.12.22	31.12.21
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 31.12.22:

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

* 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.

Change of Additional Tier 1 capital	31.12.21	January - December 2022				31.12.22
		Issued	Matured	Redeemed	Other adjustments	
Additional Tier 1 capital	225 000	0	0	0	0	225 000
Total	225 000	0	0	0	0	225 000

As at 31 December 2022, there is NOK 1.9 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 226.9 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.

31.12.22 Interest sensitive balance	Volume (thousand)	Weighted duration	Change in value
Loans to customers	32 879 091	0,12	75 875
Commercial paper and bonds available for sale	1 496 918	0,16	4 827
Other assets	4 386 095	0,00	0
Total assets	38 762 104	0,12	80 702
Deposits from customers	0	0,12	0
Debt securities issued	31 771 486	0,16	101 680
Additional Tier 1 capital and subordinated loan	551 909	0,12	1 329
Other liabilities	4 074 406	0,00	0
Equity ex. Tier 1 capital	2 364 303	0,00	0
Total liabilities and equity	38 762 104	0,16	103 009
Total			-22 307

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 2022 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.

31.12.2022	Over-night	0/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	-14 953	-7 354	0	0	0	0	0	0	-22 307
Scenario 2 : parallel shock down (200bp)	0	14 953	7 354	0	0	0	0	0	0	22 307
Scenario 3: short term rates down (300bp) long term rates up (150bp)	0	22 429	11 031	0	0	0	0	0	0	33 460
Scenario 4: short term rates up (300 bp) long term rates down (150 bp)	0	-22 429	-11 031	0	0	0	0	0	0	-33 460
Scenario 5: short term rates up (300 bp)	0	-22 429	-11 031	0	0	0	0	0	0	-33 460
Scenario 6: short term rates down (300 bp)	0	22 429	11 031	0	0	0	0	0	0	33 460

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 2022 is NOK 0 million.

31.12.2022	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 31.12.22 (thousand)	Duration (weighted)	Spread change	Credit spread risk
AAA (sovereign)	153 108	1,08	0,00%	0
AAA (covered bonds)	1 343 810	1,82	0,70%	17 116
AAA (municipalities)	0	0,00	0,00%	0
AA (covered bonds)	0	0,00	0,00%	0
AA (municipalities) ¹	0	0,00	0,00%	0
Total	1 496 918	1,74	0,66%	17 116

¹ Municipalities without rating is placed in category AA (municipalities).

Note 21 – Market risk and sensitivity (continued)

31.12.21 Interest sensitive 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 loan	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

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

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

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 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	31.12.22			31.12.21		
	Nominal value	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value
Interest and currency derivatives for use in hedge accounting	4 805 000	408 670	0	4 805 000	234 020	0
Total derivatives for use in hedge accounting	4 805 000	408 670	0	4 805 000	234 020	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.

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.

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).

In NOK thousand	31.12.22			31.12.21		
	Hedging instrument nominal value	Hedging object nominal value	Inefficiency nominal value	Hedging instrument nominal value	Hedging object nominal value	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	31.12.22			31.12.21		
	Hedging instrument carrying amount	Hedging object carrying amount	Inefficiency carrying amount	Hedging instrument carrying amount	Hedging object carrying amount	Inefficiency carrying amount
Carrying amount assets	408 670	0		234 020	0	
Carrying amount liabilities	0	5 229 706		0	5 066 547	
Total	408 670	5 229 706		234 020	5 066 547	

In NOK thousand	31.12.22			31.12.21		
	Hedging instrument carrying amount	Hedging object carrying amount	Inefficiency carrying amount	Hedging instrument carrying amount	Hedging object carrying amount	Inefficiency carrying amount
Accumulated change in fair value, outgoing balance	408 670	-412 048	-3 378	234 020	-240 500	-6 480
Accumulated change in fair value, ingoing balance	234 020	-240 500	-6 480	531 772	-546 303	-14 531
Total change in fair value	174 650	-171 548	3 102	-297 752	305 803	8 051
Recognised through profit and loss (accumulated)			-1 230			1 453
Recognised through other comprehensive income			-2 148			-7 933
Total change in fair value	0	0	-3 378	0	0	-6 480

Note 23 – Repricing structure

2022 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	3 975 372						3 975 372
Loans to customers	191 487	32 693 198					32 884 685
Write-downs for collectively assessed impaired loans to customers						-5 594	-5 594
Net loans to customers, central bank and credit institutions	4 166 859	32 693 198	0	0	0	-5 594	36 854 463
Commercial paper and bonds at fair value through OCI	52 451	1 444 467	0				1 496 918
Derivatives						408 670	408 670
Deferred tax assets						2 052	2 052
Other assets						0	0
Advance payment and accrued income						0	0
Total assets	4 219 310	34 137 665	0	0	0	405 128	38 762 104
Liabilities							
Loans and deposits from credit institutions	3 973 326						3 973 326
Taxes payable						18 608	18 608
Debt securities issued	5 229 706	26 541 780	0				31 771 486
Other liabilities						82 472	82 472
Subordinated loan	150 000	175 000					325 000
Total liabilities	9 353 032	26 716 780	0	0	0	101 080	36 170 892

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

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	2022	2021
Loans to and receivables from credit institutions	2 941	2 755
Loans to customers	847 197	685 391
Commercial paper and bonds	17 859	3 748
Total interest income	867 997	691 894
Loans and deposits from credit institutions	-87 799	-32 468
Debt securities issued	-653 913	-260 500
Subordinated loan	-9 443	-6 622
Other interest expense	-7 261	-5 323
Total interest expense	-758 415	-304 913
Net interest income	109 582	386 982

All interest income from customers is related to residential mortgages

Note 26 – Net gain (loss) on financial instruments

In NOK thousand	2022	2021
1) Financial instruments at fair value through profit and loss:		
Gain/(loss) on derivatives (used in hedge accounting)	-2 683	1 444
Total gain/(loss) on financial instruments at fair value through profit and loss	-2 683	1 444
2) Financial instruments at amortised cost:		
Gain (loss) by repurchase of own bonds at amortised cost	-9 998	-22 457
Total gain (loss) on financial instruments at amortised cost	-9 998	-22 457
3) Currency items:		
Gain (loss) on currency items	-24	28
Total gain (loss) on currency items	-24	28
4) Realisation of financial instruments at fair value through other comprehensive income		
Gain/(loss) by realisation of financial instruments:	6 262	-274
Total gain/(loss) by realisation of financial instruments at fair value through other comprehensive income	6 262	-274
Total gain (loss) on financial instruments recognised through profit and loss	-6 443	-21 258

Note 27 – Operating expenses

In NOK thousand	2022	2021
Other administrative expenses		
Consultants and other external services	-10 014	-9 846
Other operating expenses	-136	-134
Total other administrative expenses	-10 150	-9 980
Personnel expenses		
Board remuneration	-192	-330
Payroll tax	-27	-46
Total personnel expenses	-219	-376
Remuneration to the statutory auditor		
Statutory audit	-88	-181
Other certification services	0	-20
Tax-related services	0	0
Other services	-215	-200
Total remuneration to the statutory auditor	-303	-401

Remuneration to the statutory auditor is presented including VAT.

Until April 2022, the statutory auditor for the Sbanken Boligkreditt AS has been Deloitte AS. From April 2022, the statutory auditor for Sbanken Boligkreditt AS has been Ernst & Young AS (EY).

In 2022 the audit fee to Ernst & Young AS (EY) is 88 000 NOK relating to the statutory audit and 125 000 NOK relating to other services.

Note 28 – Remuneration to the Board of Directors

	2022	2021
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 2022. 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	Agreed annual board remuneration 2022	Agreed annual remuneration for board committees 2022	Paid board remuneration 2022	Paid committee remuneration 2022	Paid other compensation 2022	Total remuneration paid/received in 2022
Name and position						
The Board of Directors						
Henrik Lidman (Chairman of the Board)	0	0	0	0	0	0
Bjørn Erik Næss	121	0	81	0	0	81
Sindre Espenes	0	0	0	0	0	0
Jørgen Gudmundsson	0	0	0	0	0	0
Mai-Lill Ibsen (Chairman of the Board until 30 april 2022)	n/a	0	70	0	0	70
Egil Mogleiv (until 30. april 2022)	n/a	0	40	0	0	40

Remuneration to the Board of Directors						
In NOK thousand	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
Name and position						
The Board of Directors						
Mai-Lill Ibsen (Chairman of the Board)	209	0	209	0	0	209
Egil Mogleiv	121	0	121	0	0	121
Øyvind Thomassen	0	0	0	0	0	0

Note 29 – Tax expense

In NOK thousand	2022	2021		
Taxes payable	18 608	76 686		
Change in deferred tax	-590	-1 185		
Correction of taxes payable previous year	-10	888		
Total tax expense	18 008	76 389		
Reconciliation of the tax expense				
Profit before tax	92 374	356 128		
Expected tax expense at nominal rate of 22 % (in 2022) and 22 % (in 2021)	20 322	78 348		
Tax effect from interest to Tier 1 capital holders	-2 304	-1 969		
Other differences	0	-878		
Correction of taxes payable previous year	-10	888		
Total tax expense	18 008	76 389		
Effective tax rate	19,5%	21,4%		
Change in deferred tax asset (deferred tax):				
Deferred tax assets as at 1 January	3 689	3 141		
Change recognised through profit and loss	590	1 184		
Change recognised through other comprehensive income	-2 227	-636		
Total deferred tax assets (deferred tax) as at 31 December	2 052	3 689		
Change related to financial instruments	590	1 184		
Total change in deferred tax assets recognised through profit and loss	590	1 184		
Change related to commercial paper and bonds	-2 227	-636		
Total change in deferred tax asset recognised through other comprehensive income	-2 227	-636		
Deferred tax assets (deferred tax) related to temporary differences:				
In NOK thousand	2021	Profit and loss	Other comprehensive income (OCI)	2022
Change in deferred tax asset (deferred tax)				
Financial instruments	1 014	590	0	1 604
Commercial paper and bonds	2 675	0	-2 227	448
Total deferred tax assets (deferred tax)	3 689	590	-2 227	2 052
Deferred tax assets (deferred tax) related to temporary differences:				
In NOK thousand	2022	2021		
Specification of deferred tax assets (deferred tax)				
Financial instruments	1 604	1 014		
Commercial paper and bonds	448	2 675		
Total deferred tax assets (deferred tax)	2 052	3 689		
Deferred tax assets (deferred tax) recognised through profit and loss	1 604	1 014		
Deferred tax asset (deferred tax) recognised through other comprehensive income	448	2 675		
Total deferred tax assets (deferred tax)	2 052	3 689		

Note 30 – Classification of financial instruments

In NOK thousand	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
31.12.22				
Financial assets				
Loans to and receivables from credit institutions			3 975 372	3 975 372
Loans to customers			32 879 091	32 879 091
Commercial paper and bonds		1 496 918		1 496 918
Derivatives (used in hedge accounting)	408 670			408 670
Other assets			2 052	2 052
Total financial assets	408 670	1 496 918	36 856 515	38 762 104
Financial debt				
Loans and deposits from credit institutions			3 973 326	3 973 326
Debt securities issued			31 771 486	31 771 486
Subordinated loan			325 000	325 000
Other liabilities			82 472	82 472
Total financial liabilities	0	0	36 152 284	36 152 284

Assets recognised as amortised cost are classified in the category "loans and receivables".

In NOK thousand	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
31.12.21				
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

Assets recognised as amortised cost are classified in the category "loans and receivables".

Note 31 – Commercial paper and bonds

31.12.22				
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	150 000	155 200	152 307	10,2%
Covered bonds	1 339 000	1 336 749	1 339 752	89,5%
Accrued interest			4 859	0,3%
Total commercial paper and bonds	1 489 000	1 491 949	1 496 918	100,0%
Listed securities			1 496 918	100,0%
Non-listed securities			0	0,0%
Total commercial paper and bonds			1 496 918	100,0%

31.12.21				
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	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%

Note 32 – Classification of financial instruments at amortised cost

	Carrying value	Fair value
	31.12.22	31.12.22
Recognised at amortised cost		
Assets		
Loans to and receivables from credit institutions	3 975 372	3 975 372
Loans to customers	32 879 091	32 879 091
Other assets	2 052	2 052
Total financial assets at amortised cost	36 856 515	36 856 515
Liabilities		
Loans and deposits from credit institutions	3 973 326	3 973 326
Debt securities issued	31 771 486	31 746 910
Subordinated loan	325 000	318 777
Other liabilities	82 472	82 472
Total financial liabilities at amortised cost	36 152 284	36 121 485

31.12.22	Level 1	Level 2	Level 3	Total
Loans to and receivables from credit institutions			3 975 372	3 975 372
Loans to customers			32 879 091	32 879 091
Other assets			2 052	2 052
Total financial assets at amortised cost		0	36 856 515	36 856 515
Liabilities				
Loans and deposits from credit institutions			3 973 326	3 973 326
Debt securities issued		31 746 910		31 746 910
Subordinated loan		318 777		318 777
Other liabilities			82 472	82 472
Total financial liabilities at amortised cost		32 065 687	4 055 798	36 121 485

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)

	Carrying value	Fair value
	31.12.21	31.12.21
Recognised at amortised cost		
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	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	5 904 113	37 128 015

Note 33 – Fair value on financial instruments

In NOK thousand	31.12.22		31.12.21	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Commercial paper and bonds at fair value through OCI	1 496 918	1 496 918	520 313	520 313
Derivatives (used in hedge accounting)	408 670	408 670	234 020	234 020
Total assets financial instruments	1 905 588	1 905 588	754 333	754 333
Derivatives (used in hedge accounting)	0	0	0	0
Total	0	0	0	0

31.12.22	Level 1	Level 2	Level 3	Total
Commercial paper and bonds at fair value through OCI	0	1 496 918	0	1 496 918
Derivatives (used in hedge accounting)	0	408 670	0	408 670
Total	0	1 905 588	0	1 905 588

Financial instruments measured at fair value level 3				
In NOK thousand				Total
Opening balance 1 January 2022				0
Net gain/(loss) on financial instruments (unrealised)				0
Acquisitions / exits				0
Sale				0
Settlement				0
Transferred from Level 1 or Level 2				0
Transferred to Level 1 or Level 2				0
Other				0
Closing balance at 31 December 2022				0

There has been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2022

Note 33 – Fair value on financial instruments (continued)

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				Total
In NOK thousand				
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

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	31.12.22	31.12.21
Liability related to overdraft facility to Sbanken ASA	3 610 008	5 655 290
Receivables related to deposits in Sbanken ASA	3 975 216	782 646
Sbanken ASAs ownership of covered bonds issued by Sbanken Boligkreditt AS	1 695 634	7 538 556
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	2022	2021
Purchase of services in line with service agreement	8 496	8 652
Interest expense on overdraft facility	87 799	32 468
Interest income on deposits	2 880	1 055
Interest on covered bonds issued by Sbanken Boligkreditt AS	124 825	81 018
Interest on subordinated loan issued by Sbanken Boligkreditt AS	9 443	6 622
Share of result related to Sbanken ASAs ownership of additional Tier 1 capital in Sbanken Boligkreditt AS	10 476	8 948

Sale of mortgages to Sbanken Boligkreditt AS:

Sbanken ASA sells home loans 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, and Risk Management. 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	2022	2021
Profit for the period to other equity (shareholders)	63 890 000	270 791 000
Number of shares (weighted average)	100 000 000	100 000 000
Earnings per share (basic)	0,64	2,71
Earnings per share (diluted)	0,64	2,71

Note 36 – Subsequent events

There have not been any significant events subsequent to 31.12.22 that affect the financial statements for 2022.

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 2022 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, 8 March 2023
The Board of Directors of Sbanken Boligkreditt AS


Henrik Lidman
(Chair of the Board)


Jørgen Gudmunsson


Sindre A. Espenes
Sindre Espenes


Bjørn Erik Næss
(Bjørn Erik Næss)


Øyvind Telle
(CEO)



Statsautoriserte revisorer
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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Sbanken Boligkreditt AS

Opinion

We have audited the financial statements of Sbanken Boligkreditt AS (the Company), which comprise the balance sheet as at 31 December 2022, 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 legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

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 in accordance with the requirements of the relevant laws and regulations in Norway 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.

We have been the auditor of the Company for 1 year from the election by the general meeting in 2022 for the accounting year 2022.

Other matters

The financial statements for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2022.

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 for 2022. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.



Issued covered bonds – compliance with regulation

Basis for the key audit matter

The company issues covered bonds as their prime source of funding and is therefore subject to detailed requirements of the Norwegian Financial Institutions Act and related regulation (the "Regulation"). The covered bonds represent total liabilities, measured at amortized cost, of NOK 31 771 million, which are collateralized against a pool of assets, the cover pool. The cover pool consists of assets deemed eligible by management in accordance with the Regulation referred to above, in all material aspects mortgage loans within certain loan-to-value ratios and other explicit thresholds. In addition, the cover pool may hold derivatives for financial hedging purposes and other supplementary assets, also within the thresholds defined in the Regulation. At all times, the Company is required to be compliant with the Regulation and align its operations with the requirements of the Regulation. Since such compliance is significant for the operations of as the Company, we considered this a key audit matter.

Covered bonds are disclosed in note 12 and note 19 in the financial statements.

Our audit response

We obtained an understanding of the Company's process for complying with the Regulation. We have tested controls over amortized cost measurement of issued cover bonds presented as debt securities issued in the balance sheet. We have performed procedures on the cover pool as set out the Regulation with respect to loan-to-value (LTV) ratios as well as the valuation of financial instruments held as supplementary assets. We have also tested the calculation of collateralization in percent, as described in note 12 of the entity's financial statements.

IT environment supporting financial reporting

Basis for the key audit matter

The Company has a complex and automated IT environment and is dependent on IT processes for reporting of financial information. The operation of the IT environment is partly outsourced to various service providers. To ensure complete and accurate presentation of financial information, it is important that controls over transaction processing and measurement are designed and operate effectively. Likewise controls to ensure appropriate access rights and system changes also need to be designed and operate effectively both within the Company's organization as well as within the service provider's organization. The IT environment supporting financial reporting is considered a key audit matter as the IT environment is critical to ensure accurate, complete and reliable financial reporting.

Our audit response

We obtained an understanding of the Company's IT environment relevant for financial reporting. We tested IT general controls over access management, change management and IT operations. For the IT environment outsourced to service providers we evaluated third party attestation reports (ISAE 3402 reports) and assessed and tested the effectiveness of key controls. Further we tested key automated controls in the IT environment supporting financial reporting related to amongst others, effective interest rate and amortization including subsequent recoding to the general ledger. We involved specialists on our team in understanding the IT environment and in assessing and testing the operative effectiveness of controls.



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Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that the other information is materially inconsistent with the financial statement, there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management 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 the 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, 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.

Independent auditor's report - Sbanken Boligkreditt AS 2022

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- 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 fair presentation.

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.

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.

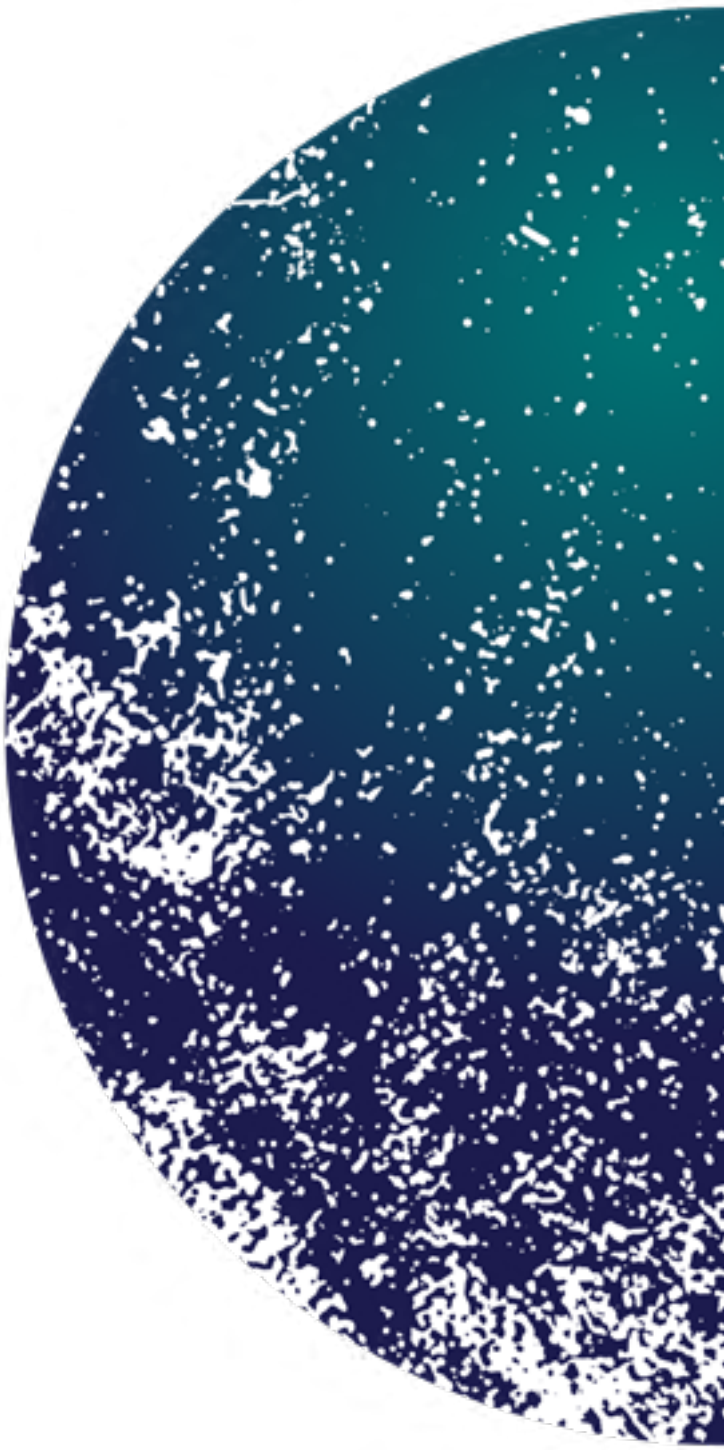
Oslo, 8 March 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan-Herman Stene
State Authorised Public Accountant (Norway)

Independent auditor's report - Sbanken Boligkreditt AS 2022

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