This is the report for **2021**

SSBboligkreditt

Annual Report 2021

Nature of the business

SSB Boligkreditt AS is a fully owned subsidiary of Sandnes Sparebank, and is the covered bond funding vehicle of the Group. Scope Ratings has rated the bonds issued by SSB Boligkreditt as AAA.

The Board of Directors considers the company's financial strength and liquidity to be satisfactory. In accordance with section 3-3a of the Accounting Act, we hereby confirm that the conditions for considering the institution a going concern exist and that the presentation of the financial statements has been prepared on this basis.

The financial statements are reported pursuant to the International Financial Reporting Standards (IFRS) as approved by the EU. The accounting policies applied are described in note 2 to the financial statements. Figures in parentheses apply to the corresponding period last year.

Profits

2021 profits were NOK 64.0 (45.0) million after tax, which represents a return on equity of 10.2% (7.6%).

The company had a net interest income of NOK 103.4 (76.7) for the year as a whole. At the end of the year, the average interest rate on the company's lending stock was 1.99%, up from 1.83% at the beginning of the year. Interest income has increased compared to last year. The increase is due to a combination of growth of the balance sheet and higher net interest income as a result of lower borrowing costs. Net interest income fell somewhat in the last quarter as a result of increased NIBOR, but looking at the year as a whole net interest income increased significantly. Net interest income was 1.03% (82%) for 2021.

Higher credit premiums in the bond market, and the associated fall in the value of the company's liquidity portfolio in December, contributed to negative developments in other income in 2021. Other income was NOK -6.5 (0.7) million for the year as a whole. In addition to negative value adjustments for the company's liquid assets, the result is negatively affected by the company retiring existing bond debt in the first quarter of 2021.

The retirement was carried out in connection with a major refinancing and associated extension of the enterprise's funding profile. The refinancing resulted in a negative one-off effect of NOK 5 million. The company took advantage of good market sentiment in a transaction that entails reduced refinancing risk and competitive financing going forward.

Operating costs amounted to NOK 13.4 (18.7) million in 2021. Cooperation with Sandnes Sparebank has been formalised through a management agreement, and the management fee has been adjusted downwards compared to last year. The management fee to the parent bank was NOK 12 million in 2021, down from NOK 16.8 million in 2020.

Losses on loans (step 1 and 2 provisions) were NOK 1.4 (1.3) million for the year as a whole.

Balance sheet and asset management

At the end of 2021, SSB Boligkreditt managed assets totalling NOK 10.6 (9.6) billion. Loans to customers constituted NOK 9.8 (8.9) billion. As of 31.12.2021, SSB Boligkreditt had issued covered bonds with a face value of NOK 8.5 (7.6) billion. The company had no holdings of own bonds.

At the end of the year, the overcollateralisation level was 23.7%, which is 19.7 percentage points above the 4% rating requirement. Please refer to Note 22 for more details regarding the calculation.

The other liabilities item includes debt to the parent bank of NOK 1.4 (1.0) million. This is related to bridge financing of SSB Boligkreditt's purchase of a loan portfolio from Sandnes Sparebank.

The financial statements have been prepared on the basis that the Company will continue operating as a going concern, as this assumption is justified. The Board of Directors considers the company's financial strength and liquidity to be satisfactory.

Market conditions

In spite of the challenges associated with the Covid-19 pandemic, Rogaland's economy fared well during the year and the region is again seeing positive development.

The unemployment rate in Rogaland was 3.5% at the beginning of 2021 and 2.0% at the end of the year. The region's unemployment rate has not been as low since 2014. The majority of those still unemployed are the long-term unemployed and the number on occupational rehabilitation benefit is increasing at the same time as there are a record number of positions vacant. This sends signals about a labour market that is characterised by the fact that jobseekers do not have the expertise demanded by employers.

The price of oil rose during the year from USD 52 to USD 80, and the price of gas increased further due to an energy shortage in Europe. Energy prices are an important economic factor in Rogaland's economy. The high price level is expected to last through the winter and means a higher level of activity than normal for many companies involved in the oil and gas sector. At the same time, higher prices for energy, including electricity, present challenges for other industries.

Norges Bank's December regional network survey reports a high level of activity and investment plans among companies in the region, although many companies report capacity problems and labour shortages, which are affecting output. In general, there is an increased focus on restructuring in the region. A steadily growing number of companies are successfully innovating and thinking anew, with new business models in new markets.

The real estate market in Rogaland has developed positively in the past year after several years of stable property prices. In the past year, prices have risen by 7.0%. The average time it takes to sell a home has shortened and the number of unsold homes is falling. This suggests that there is a better ratio between supply and demand for housing.

The market for covered bonds worked well in 2021. For SSB Boligkreditt, the indicated credit premium for 5-year funding has fallen from NIBOR +30 to +25 basis points over 3 months, starting the year at 0.49% and ending it at 0.95%. The increase in NIBOR started cautiously in September and accelerated in November in line with expectations of an interest rate increase from Norges Bank. Norges Bank indeed raised the rate. On average NIBOR was 0.47% in 2021.

Risk issues

Pursuant to laws and regulations stipulated by the authorities, companies with license to issue Covered Bonds (Obligasjoner med Fortrinnsrett - OMF) should have a low risk level. The Board of Directors of SSB Boligkreditt emphasises that the Company shall identify, measure and manage the various risk factors in such a way that confidence in SSB Boligkreditt is maintained in the market

Credit risk
At the end of 2021, the Company had a portfolio of home loans valued at NOK 9.8 billion. The average loan to value (LTV) of the portfolio is 52%. At the end of the quarter, there were no defaults. The Board of Directors considers the quality of the loan portfolio as very good, and the credit risk as low.

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

SSB Boligkreditt shall carry a low level of market risk, and has established exposure limits for both interest rate and currency risk. The company uses financial derivatives in order to keep the above mentioned risks at a low level. All bonds issued with a fixed rate are hedged to a floating rate with interest rate derivatives.

The company has positions in Norwegian Kroner only. With respect to the lending volume, 100% of the loans carries a floating rate. The company uses financial derivatives to hedge interest rate risk, in order to keep it low. The company has no currency risk. The Board of Directors considers the overall market risk to be low.

Liquidity risk
This is the risk of the Company not being able to refinance upon maturity, or not being able to finance its assets at market terms.

As of 31.12.2020, the net debt financing due during the next 12 months, is NOK 430 million. The Company's liquidity reserves were NOK 714 million, of which NOK 559 million are securities of high credit quality and NOK 155 million are deposits with the parent bank. Furthermore, the covered bonds issued by SSB Boligkreditt have a soft-bullet structure with an extended maturity as part of the loan agreement. Such a clause is standard in the Norwegian covered bond market. It provides the issuer with the option of extending the maturity of its funding by 12 months if the company cannot manage to redeem the loan at the original maturity date.

The Board of Directors considers the company's liquidity risk to be low.

Operational risk

This is the risk of loss due to errors or irregularities in the handling of transactions, lack of internal controls or irregularities in the systems used. SSB Boligkreditt has entered a transfer and servicing agreement with Sandnes Sparebank regarding management, production, IT, and financial and risk management.

The Board of Directors considers the operational risk to be low.

The Board of Directors is of the opinion that the overall risk exposure of SSB Boligkreditt is low.

Organisation, employees and environment

The Company has entered an agreement with Sandnes Sparebank regarding the management of the Company's loan portfolio. Prices and terms and conditions are adjusted annually. The Company has no employees.

Formally, the Managing Director is employed by Sandnes Sparebank. There are four board members. The company does not pollute the external environment.

Future prospects

Macro conditions in the region are improving. At the end of the year, the situation is stable for most of the bank's customers , although there are still some imbalances in the global economy, such as international logistics, that may impact developments going forward. During the fourth quarter, Norges Bank raised the key policy rate to 0.50% and has indicated that there are more increases to come. This is a clear sign that the economy is normalising.

The company has solid expertise, satisfied customers, a stable cost base, good earnings and good financial strength.

Going forward, sustainability will be implemented as a larger part of the ordinary business of the Sandnes Sparebank group. SSB Boligkreditt has a loan programme for issuing green bonds to secure green financing for energy-efficient housing. Quarterly reporting to external stakeholders contains detailed information about the green mortgage pool. This has been well received by analysts and investors both nationally and internationally. Digitalisation will also be a priority area going forward.

The company is well rigged for profitable growth and has the capacity to support Sandnes Sparebank's further investment in the private market. Sandnes Sparebank has ambitions to strengthen its position in the local market.

As of 31.12.2021, SSB Boligkreditt had a Common Equity Tier-1 capital ratio (CET-1) of 16.1%. The authorities' requirement for subordinated capital is 14.5%, including 11.0% Common Equity Tier-1 capital ratio and 3.5% additional capital in the form of hybrid capital and subordinated loans. The Board's objective for the Common Equity Tier-1 capital ratio is equal to the authorities' requirements for subordinated capital, i.e. 14.5% as of 31.12.2021. Norges Bank will increase the countercyclical buffer requirement from 1.0% to 1.5% as of 30.06.2022 and onwards to 2.0% as of 31.12.2022. In addition, the Financial Supervisory Authority of Norway has announced that the systemic risk buffer will be increased from 3% to 4.5% for all banks and mortgage credit institutions during 2022. The increase in the capital requirement is taken into account in the enterprise's capital planning.

The Company's covered bonds have a AAA-rating with a stable outlook from Scope Ratings, and this is expected to be maintained.

Events after the balance sheet date

In February 2022, a private placement for the parent bank totalling NOK 120 million was carried out. This is intended to strengthen the company's capital adequacy and to take account of expected lending growth and increased capital requirements in the period ahead.

Otherwise, no material events have occurred after the balance sheet date that have a material effect on the accounts as of 31.12.2021.

Proposal for the allocation of annual profits

Annual profits for 2021 were NOK 64 million. The entire profits for the year are proposed transferred to retained earnings.

March 9 2022 | Board of Directors of SSB Boligkreditt AS

Erik Kvia Hansen	Arild Ollestad	Lene Nevland Sivertsen	Tomas Nordbø Middelthon	Carl Fredrik Hjelle
Chair of the Board	Board member	Board member	Board member	Managing Director

Key figures as at 31.12.2021

Profit summary

amounts in NOK thousands	Full year 2021	Full year 2020
Net interest income	103 396	76 698
Other operating income	-6 575	655
Other operating costs	13 372	18 718
Net loss/impairments	1 359	1 274
Operating profit before tax	**82 091**	**57 363**
Tax expense	18 060	12 397
Operating profit after tax	**64 031**	**44 966**
Other comprehensive income (OCI) (after tax)		
Comprehensive income	**64 031**	**44 966**

Excerpts from balance sheet

amounts in NOK millions	Full year 2021	Full year 2020
Assets under management	10 577	9 577
Average total assets	10 077	9 301
Loans to customers	9 817	8 920
Certificates and bonds	559	473
Equity	641	612

Key figures

	Full year 2021	Full year 2020
PROFITABILITY		
Net interest income as % of average total assets	1,03 %	0,82 %
Total costs as % of average total assets	0,10 %	0,20 %
Return on equity before tax	13,10 %	9,70 %
Return on equity after tax	10,20 %	7,60 %
FINANCIAL STRENGTH		
Capital adequacy ratio	16,10 %	17,10 %
Tier 1 capital ratio	16,10 %	17,10 %
CET1 capital ratio	16,10 %	17,10 %
Risk-weighted capital	3 969 327	3 578 376

Income statement

Amounts in NOK thousands	Note	Full year 2021	Full year 2020
Interest income measured using the effective interest method	13	177 636	193 485
Interest income measured at fair value	13	5 114	7 408
Interest expenses and similar costs	13	79 354	124 194
Net interest and credit commission income		**103 396**	**76 698**
Commission income and income from banking services	14	18	33
Net change in value of financial instruments	15	-6 593	623
Total other operating income		**-6 575**	**655**
Personnel costs	16	43	40
Other operating costs	16	13 328	18 678
Depreciation/impairemants	16		
Total operating costs		**13 372**	**18 718**
Impairments and losses on loans and guarantees	9	1 359	1 274
Operating profit before tax		**82 091**	**57 363**
Tax expense	17	18 060	12 397
Operating profit after tax		**64 031**	**44 966**
Other comprehensive income (OCI) (after tax)			
Comprehensive income		**64 031**	**44 966**
Allocation:			
Transferred to other equity		64 031	44 966

Balance sheet

Amounts in NOK thousands	Notes	31.12.2021	31.12.2020
Bank deposits	18,19	155 725	16 234
Loans to customers at amortised cost	6-9,18,19	9 817 103	8 920 045
Certificates and bonds	18,19,20	558 608	473 292
Financial derivatives	11,18,19	44 537	166 312
Deferred tax asset			
Prepaid costs and accrued income	18,19	692	784
Total assets		**10 576 666**	**9 576 667**
Liabilities to credit institutions	18,19	46 247	137 093
Securities issued	18,19,21	8 455 941	7 766 137
Financial derivatives	11,18,19		16 406
Other liabilities	12,18,19,23	1 414 868	1 032 405
Tax payable	17	18 570	12 051
Deferred tax		32	543
Accrued costs and received not accrued income	18,19	109	163
Total liabilities		**9 935 767**	**8 964 798**
Share capital	24	227 600	227 600
Share premium		122 500	122 500
Other equity		290 799	261 768
Total equity		**640 899**	**611 868**
Total equity and liabilities		**10 576 666**	**9 576 667**

March 9 2022 | Board of Directors of SSB Boligkreditt AS

Erik Kvia Hansen
Chair of the Board

Arild Ollestad
Board member

Lene Nevland Sivertsen
Board member

Tomas Nordbø Middelthon
Board member

Carl Fredrik Hjelle
Managing Director

Equity

Amounts in NOK thousands	Share capital	Share premium	Other equity	Total equity
Equity at 31.12.2019	**227 600**	**122 500**	**216 802**	**566 902**
Annual profit			44 966	44 966
Equity as at 31.12.2020	**227 600**	**122 500**	**261 768**	**611 868**
Annual profit			64 031	64 031
Dividend paid			(35 000)	(35 000)
Equity as at 31.12.2021	**227 600**	**122 500**	**290 799**	**640 899**

Cash flow statement

Amounts in NOK thousands	Full year 2021	Full year 2020
Cash flow from operating activities		
Receipts of interest, commission income and fees from customers	177 654	194 698
Net receipts/payments from trading financial assets	105 369	-122 632
Receipts of interest on securities	5 114	7 408
Payments for operations	-20 492	-17 944
Tax	-11 541	-8 811
Net cash flow from operating activities	**256 105**	**52 719**
Cash flow from investing activities		
Net receipts/payments from trading interest-bearing securities	-85 317	322 103
Net cash flow from investing activities	**-85 317**	**322 103**
Cash flow from financing activities		
Net receipts/payments of instalment loans, lines of credit	-515 580	-931 029
Net deposits/loans from credit institutions	-90 847	109 393
Raising of certificates and bond debt	2 400 000	800 000
Repayment of certificates and bond debt	-1 710 196	-483 648
Payout of dividends	-35 000	
Net interest payments on financing activities	-79 672	-124 335
Net cash flow from financing activities	**-31 296**	**-629 618**
Net cash flow for the period	139 492	-254 797
Cash and cash equivalents at the start of the period	16 234	271 031
Cash and cash equivalents at the end of the period	155 726	16 234

Notes

Contents

1 GENERAL DISCLOSURES

SSB Boligkreditt AS is a fully owned subsidiary of Sandnes Sparebank. The Company was established to be the Parent Bank's company for the issue of covered bonds. SSB Boligkreditt AS offers home mortgage loans when the collateral is within 75 percent of the value of the home. The Company started operations in February 2009.

SSB Boligkreditt has its headquarters in Sandnes Municipality, with office address Rådhusgata 3 Sandnes.

The 2021 Financial Statements were approved by the Board of Directors on March 9, 2022.

2 ACCOUNTING POLICIES

General

SSB Boligkreditt AS is part of the Sandnes Sparebank group, which implemented IFRS for their group financial statements as of January 1, 2005.

The accounts of SSB Boligkreditt AS have been prepared in accordance with § 1-5 of the Norwegian Regulations on simplified application of international accounting standards, hereinafter referred to as simplified IFRS. Simplified IFRS entails the right to declare dividends and group contributions in subsidiaries and to list the Board's proposal for dividends and group contributions as debt on the balance sheet date. According to full IFRS-standards, dividends are to be classified as equity until they are resolved at the general assembly. Otherwise, the regulation entails that the company fully applies the accounting principles that follow from IFRS.

The measurement basis for the financial statements is historical cost, with the exception of financial derivatives and the financial assets and liabilities that are reported at fair value with changes in value through the income statement.

All amounts in the financial statements are presented as thousand amounts unless otherwise specifically stated, and Norwegian Kroner is the Company's presentation currency.

New standards and interpretations adopted from and including the 2021 financial year

There are no new standards or interpretations adopted as of the financial year 2021 that are considered to have a material impact on the company's financial statements.

Change of benchmark interest rate and impact on the accounts

The phase II project in the IBOR reform process was completed in August 2020. This resulted in some changes to IFRS standards due to the changed benchmark interest rate, including new disclosure requirements in the notes in line with IFRS 7. The changes came into effect on 01.01.2021.

The company's hedging arrangements are exclusively based on the NIBOR benchmark interest rate. SSB Boligkreditt believes it is likely that NIBOR will be maintained throughout the remaining lifespan of the bank's existing hedging arrangements. Furthermore, the bank is of the opinion that transitioning to an alternative benchmark rate would not have a significant impact on the hedging effectiveness of the bank's existing hedging arrangements.

Foreign currency

The presentation currency is Norwegian Kroner (NOK), which is also the functional currency for the company.

Income recognition

Interest income and costs are posted to the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of loans and deposits, as well as distributing interest income or interest costs within the expected maturity. The effective interest rate is determined by discounting contractual cash flows within the expected maturity. The method involves the ongoing income recognition of nominal interest rates with the addition of amortisation of establishment fees. If a loan has been impaired as a result of loss of value (included in Stage 3), interest income is recognised as an effective interest rate, calculated on impaired expected cash flows.

Commission income and costs generally accrued as a service are ongoing and classified as "Commission Income" and "Commission Costs", respectively. Fees associated with interest-bearing instruments are included in the calculation of effective interest rates and recorded in the income statement accordingly.

Other fees subject to IFRS 15 are limited in scope for the company. Fees are charged to the customer's account on an ongoing basis and on the date accrued, and are recognised as income on an ongoing basis.

The company has only limited income containing significant elements of separate delivery obligations.

Financial instruments

Classification of financial instruments

Classification of financial instruments is carried out on the basis of the purpose of the acquisition and the characteristics of the instrument.

Financial assets are classified as:
- Financial instruments valued at amortised cost (AC)
- Financial instruments valued at fair value with change in value through profit or loss (FVTPL)
- Financial instruments at fair value with change in value through OCI (FVOCI)

Financial debt is classified as:
- Financial liabilities at fair value with changes in value through the income statement
- Other financial liabilities measured at amortised cost.

The definition of a financial instrument is determined by IAS 32 and has not been changed due to IFRS 9. When determining the measurement category, IFRS 9 distinguishes between ordinary debt instruments and equity instruments, including derivatives. Ordinary debt instruments mean interest instruments where returns constitute compensation for the time value of money, credit risk and other relevant risks resulting from ordinary debt instruments.

Derivatives

All derivatives held by the Company are measured at fair value with valuation changes through the income statement, but derivatives designated as hedging instruments shall be recognised in line with the principles for hedge accounting.

Financial assets that are debt instruments

For ordinary debt instruments, the measurement category is determined according to the purpose of the investment. Debt instruments included in a portfolio for the purpose of receiving contractual cash flows through interest and instalments shall be measured at amortised cost.

Debt instruments included in a portfolio with the aim of both receiving cash flows and making sales shall be measured at fair value through other comprehensive income (FVOCI), with interest income, currency conversion effects and impairments presented through ordinary profit.

Instruments that at the outset should be measured at amortised cost or at fair value with valuation changes through comprehensive income (FVOCI), may be designated to be measured at fair value with valuation changes in value through the income statement if this will eliminate or significantly reduce an accounting mismatch (Fair Value Option/FVO).

Fixed income instruments in other business models shall be measured at fair value through profit and loss.

Financial liabilities

For financial liabilities that have been determined to be recognised at fair value through ordinary profit or loss, changes in value due to the company's own credit risk shall be recognised through comprehensive income (OCI), unless the recognition through comprehensive income (OCI) creates or reinforces an accounting mismatch. The company has a limited scope of liabilities determined at fair value and the effect on the Group is therefore considered immaterial.

Hedge accounting

The company uses hedge accounting for fair value hedging of some fixed rate funding (bond loans, subordinated loans and hybrid Tier 1 securities). Derivatives related to these deposits are earmarked for hedging purposes. IFRS 9 simplifies the requirements for hedge accounting by linking hedging efficiency closer to the management's risk management and provides more room for assessment. The requirement for a hedging efficiency of 80-125 per cent has been removed and replaced with more qualitative requirements, including that there should be an economic relationship between the hedging instrument and hedging object, and that credit risk should not be dominating the value changes of the hedging instrument. According to IFRS 9, a prospective efficiency test is sufficient. Hedging documentation is still required.

Measurement

First posting

All financial instruments are measured at fair value on the trading day at the time it is first posted in the accounts. Transaction costs that are directly attributable to the establishment of the asset/liability are included in the cost price of all financial instruments that are not classified at fair value with changes in value through ordinary profits.

Subsequent measurement

Measuring at fair value

For all financial instruments traded in an active market, the listed price obtained from either a stock exchange, broker or pricing agency is used. Financial instruments that are not traded in an active market are valued according to various valuation techniques, which have been carried out in part by professional agencies. All changes in fair value are incorporated directly in the income statement unless the asset is classified as financial instruments at fair value with a change in value through other comprehensive income (FVOCI).

The company has assessed the fair value of floating-rate loans to match nominal value, adjusted with the corresponding expected credit loss (ECL) of the loan. This is justified by the fact that such loans are reprised almost continuously, and that any deviation from the nominal value in an arm's length transaction between informed and willing parties is considered immaterial.

Measurement at amortised cost

Financial instruments that are not measured at fair value are valued at amortised cost and revenues/costs are calculated according to the effective interest method. The effective interest rate is determined by discounting contractual cash flows within the expected maturity. Amortised cost is the present value of the cash flows discounted at the effective interest rate.

Hedge accounting

The company uses hedge accounting for fair value hedging of some fixed rate funding (bond loans). Derivatives related to these deposits are earmarked for hedging purposes. The hedging effectiveness is evaluated and documented both upon initial classification and upon each closing of accounts. In the case of fair value hedging, the hedging instrument is recognised at fair value and the value of the hedging object is adjusted for the change in value related to the hedging risk. Changes in these values from the opening balance are recognised in the income statement.

This method ensures that the presentation of these instruments in the financial statements complies with the company's policies for managing interest rates and actual economic developments. If the hedging ratio is interrupted or sufficient hedging efficiency cannot be verified, a change in value associated with the hedging object is amortised throughout the remaining term.

Impairment of financial assets

Through IFRS 9, loss provisions shall be recognised based on expected credit losses (ECL). The general model for impairments of financial assets includes financial assets that are measured at amortised cost or at fair value with changes in value through other comprehensive income. In addition, loan receivables, financial guarantee contracts that are not measured at fair value through profit, and receivables on leases are also included.

The measurement of provisions for expected losses in the general model depends on whether the credit risk has increased significantly since the initial balancing. Credit deterioration is measured by developments in probability of default (PD).

In the event of initial balancing and when credit risk has not increased significantly after initial balancing, losses for 12-month expected losses are recognised. 12-month expected loss is the loss that is expected to occur throughout the life of the instrument, but which can be linked to default events that occur within the first 12 months. If credit risk has increased significantly after initial recognition, the provision shall correspond to expected losses over the lifetime.

In line with IFRS 9, the company separates its loans into three stages;

STAGE 1

This is the starting point for all financial assets covered by the general loss model. All assets that do not have significantly higher credit risk than on initial recognition are calculated a loss cost equal to 12 months' expected loss.

STAGE 2

Stage 2 of the loss model are assets that have had a significant increase in credit risk since the initial recognition, but where no credit loss has occurred on the balance sheet date. A provision equal to expected losses over its lifetime is calculated for these assets. This group includes accounts with a significant degree of credit deterioration, but which on the balance sheet date belong to customers without any objective loss event. When it comes to delimitation towards stage 1, the company defines a significant degree of credit deterioration by checking if an engagement's estimated probability of default (PD) has increased significantly or the customer has been granted payment reliefs.

STAGE 3

Stage 3 contains assets which have had a significant increase in credit risk since granting and where there is an objective loss event on the balance sheet date. The company creates an individual loss provision for these assets. On each balance sheet date, it is assessed if there exists objective evidence that the value of individually assessed loans has been reduced. The fall in value must be the result of one or more events occurring after initial balancing (a loss event) and the result of the loss event (or events) must also be reliably measured. Examples of such incidents are significant financial problems with the debtor, payment default or other breach of contract. If there is objective evidence that a reduction in value has occurred, the size of the loss is calculated. For loans recognised at amortised cost, the loss is calculated as the difference between the value recognised in the balance sheet and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The period's changes in the assessed value of loans are recognised in the income statement under "impairments and losses on loans and guarantees".

For further description of loss model please refer to Note 6.

More about other financial instruments

Loans and receivables

Loans and receivables are financial assets that are not listed on the market. Floating-rate loans are valued at amortised cost according to the effective interest method. The Company has no fixed rate funding or loans for any other purpose than to collect the contractual cash flows of its portfolio.

Certificates and bonds

The company's liquidity portfolio of certificates and bonds is assessed at fair value through profit or loss (FVTPL) in line with the business model that governs management of the liquidity portfolio in accordance with IFRS 9. The business model gives a required rate of return for the liquidity portfolio and purchases and sales are made in order to maximise profits.

Financial derivatives

Derivatives are valued at fair value with changes in value through ordinary profit (FVTPL). Fair value is assessed on the basis of listed market prices in an active market, including recent market transactions as well as various valuation techniques. All derivatives are posted as assets if the fair value is positive, and as liabilities if the fair value is negative.

Deposits and other financial liabilities

Securities issued with floating interest are measured at amortised cost. For fixed-rate securities issued, hedge accounting is used where changes in the value of the hedged part of the securities are recognised over ordinary profit and loss.

Other financial debts are measured at amortised cost where differences between the amount received minus transaction costs and redemption value are distributed over the loan period using the effective interest method.

Calculation and derecognition of financial assets and liabilities

Financial assets and liabilities are recognised on the trade date, i.e. the time the bank becomes a party to the contractual terms and conditions of the instruments.

Financial assets are deducted when the contractual rights to the cash flows from the financial assets have expired, or when the rights to the cash flows from the assets have been transferred in such a way that risk and return related to ownership have been transferred.

Financial liabilities are waived when the contractual conditions have been met, expired or cancelled.

Buy-back of securities issued

Any premium or discount in the event of a buy-back of own bonds is recognised in the income statement and recognised under interest costs. Any purchase premium on buy-back of securities before maturity is regarded as a loss/profit and is presented and recognised in the income statement under the item "net change in value of financial instruments". Interest from other financial liabilities is recognised as "interest costs" in the income statement.

Modified assets and liabilities

If modifications or other changes are made to the terms of an existing financial asset or obligation, the instrument shall be treated as a new financial asset or obligation if the renegotiated terms have been significantly changed from the old terms. If the conditions for material change are met, the old asset or liability is waived, and a new asset or obligation is recognised.

If the modified instrument is not considered to have been significantly changed from the existing instrument, the instrument shall be considered to be a continuation of the existing instrument. In such cases, the new cash flows are discounted at the instrument's original effective interest rate and any difference to the existing capitalised amount will be recognised as ordinary profit in the income statement.

Income tax

Tax recognised in the income statement consists of payable tax and deferred tax. Tax payable is calculated tax on taxable income for the year. Deferred tax is recognised in accordance with the debt method in accordance with IAS 12. Liabilities or assets are calculated for deferred tax on temporary differences, which is the difference between the carrying amount and the tax value of assets and liabilities. However, no liability or asset is calculated on the initial recognition items that neither influence accounting nor taxable profits. An asset is estimated in the event of deferred tax on tax-related losses carried forward. Deferred tax benefits are recognised in the balance sheet if it is likely that they may be applied against future taxable earnings.

As of 31.12.21, the tax rate on ordinary income in Norway was 22%, and the tax rate remains unchanged in 2022.

Cash flow

The cash flow statements are prepared according to the direct method, and indicates the cash flows grouped by sources and areas of application. Liquids include cash and receivables from banks.

Approved standards and interpretations with future effective date

Only standards and interpretations that are considered relevant to the company have been included.

Annual improvement projects

In connection with annual improvement projects, the IASB has made minor changes to a number of standards. The changes are considered not to have a material impact on the company.

3 APPLICATION OF ESTIMATES

The preparation of financial statements in compliance with generally accepted accounting policies in some cases requires the management to make assumptions and to rely on estimates and discretionary assessments. Estimates and discretionary assessments are evaluated on an ongoing basis and are based on past experience and assumptions about future events that appear likely on the balance sheet date. Some uncertainty is associated with the assumptions and expectations that are used in estimates and discretionary assessments. Actual results may differ from the estimates and the assumptions.

Impairments of loans and guarantees

In the case of individually assessed loans and groups of loans that have been identified as problem loans, a calculation is made to determine the value of the loan or group of loans. This calculation requires the use of magnitudes that are based on judgements, and these affect the quality of the calculated value. Impairment assessments are conducted each quarter.

Stage 3 impairments (individual impairments)
If objective evidence exists of the impairment of a loan measured at amortised cost, the impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted by the loan's original effective interest rate. Future cash flows are estimated based on experience and discretionary assessments of likely outcomes of, for example, market developments and specific factors regarding each loan, including empirical data regarding the debtor's ability to manage a pressured financial situation. Measuring loan impairment includes an element of uncertainty in relation to identifying loans that have suffered an impairment loss, estimating the timing and amounts of future cash flows, and measuring collateral.

Stage 1 and 2 impairments (statistical impairments)
Loans that are not subject to individual impairment are included in the calculation of statistical impairment (IFRS 9 impairment) for loans and guarantees. The impairment is calculated based on developments in the customers' risk classification (as described in note 6) and loss experience for the respective customer groups (PD and LGD). Besides this, cyclical and market developments (macro conditions) that have yet to have an effect on the aforementioned risk classification are given weight when testing the need for impairment for customer groups as a whole.

The ongoing Covid-19 pandemic also affects the company's estimation of expected losses. At the same time, the situation is now considerably clearer that it was last year and where the year before the situation resulted in a need for increased explicit provisions due to Covid-19, the effects are now easier to identify and estimate and have therefore been incorporated into the general macro adjustments. The effects still result in the company having higher provisions for losses due to Covid-19 than would be the case in its absense, but these provisions are to a greater degree now based on estimated macro effects and not explicit premiums. For more information, please see note 6.

The statistical model for calculating expected credit losses (ECL) on loans is based on several critical assumptions, including probability of default, loss given default, expected lifetime of loans and macro developments. Due to significant estimate uncertainty, sensitivity analyses are required to present the effects of specific changes in various parameter. These are provided in note 9.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using various measurement techniques. Wherever possible, the company strives to base such measurements on market conditions on the balance sheet date. If no empirical market data is available, assumptions are made concerning how the market would price the instrument, for example based on the pricing of similar instruments. Such measurements require the extensive application of judgement, including when measuring credit risk, liquidity risk and volatility. A change in one or more of these factors may affect the value set for the instrument. The fair value of financial instruments is presented in note 19.

4 KAPITALSTYRING OG KAPITALDEKNING

	31.12.2021	31.12.2020
CAPITAL ADEQUACY		
Share capital	227 600	227 600
Share premium	122 500	122 500
Other equity	290 799	261 768
Equity	640 899	611 868
Deduction for goodwill and other intangible assets		
Deduction for prudent valuation	-590	-638
Total Tier 1 capital	640 309	611 231
Subordinated capital	**640 309**	**611 231**
RISK-WEIGHTED CAPITAL		
Credit risk – standard method	3 779 265	3 443 116
Operational risk	152 960	135 259
CVA Risk	37 102	
Risk-weighted assets	**3 969 327**	**3 578 376**
Capital adequacy ratio	**16,1**	**17,1**
Tier 1 capital ratio	**16,1**	**17,1**
CET1 capital ratio	**16,1**	**17,1**
SPECIFICATION OF RISK-WEIGHTED ASSETS		
Standard method		
Institutions	48 717	37 830
Enterprises		
Loans with collateral in real estate	3 680 767	3 358 788
Past due loans		2 653
Covered bonds	49 090	43 062
Others	692	784
Credit risk	3 779 265	3 443 116
Operational risk	152 960	135 259
CVA risk	37 102	
Total risk-weighted assets	**3 969 327**	**3 578 376**

SSB Boligkreditt applies the standardised approach to the capital adequacy measurements

The main objective of SSB Boligkreditt is to ensure the Sandnes Sparebank group access to satisfactory funding. This is effected through the issuance of covered bonds (OMF).

The Company has an internal capitalisation policy which requires a CET-1 ratio above the minimum total capital requirement of the Norwegian FSA, The adopted capitalisation policy shall contribute to the Company having equity capital of a sufficient size to enable effective use of equity relative to the scope and risk profile of the business. Access to liquidity shall be the dominant consideration with respect to the goal of achieving competitive returns on equity. The equity capital shall also ensure that the Company will have sufficient capital buffers to withstand periods with losses.

The capitalisation of the Company is closely tied to the size of the portfolio of loans transferred to the Company. Limits have been set for the size of the portfolio relative to the loan portfolio of Sandnes Sparebank.

The limit is a total loan portfolio equivalent to up to 70% of Sandnes Sparebank's total lending in the retail market.

5 RISK MANAGEMENT

The Board of Directors of SSB Boligkreditt AS puts great emphasis in risk management through the identification, measurement and management of the different risks to which the Company may be exposed. This maintains the confidence in SSB Boligkreditt AS that it is necessary to have in the market. SSB Boligkreditt AS shall have a low risk profile.

Organisation and authorisation structure

The Board of Directors

The Board of Directors of SSB Boligkreditt AS is the Company's highest governing body with respect to risk and control. The Board of Directors is also responsible for ensuring that the Company has adequate equity relative to the risk and scope of the Company's operations, and for ensuring compliance with statutory capital adequacy requirements.

The Board of Directors determines the overall objectives, such as risk profile, required rates of return and capital levels. The Board of Directors also determines the framework and authorisations within the different risk areas. Guidelines for the Company's risk management are also the responsibility of the Board of Directors.

CEO

The CEO has the daily responsibility for risk management. This means that the Managing Director is responsible for implementing effective risk management systems, and ensuring that risk exposures are monitored and reported in a satisfactory manner.

Risk management

SSB Boligkreditt AS does not have a separate risk management unit, but is utilising the resources of Sandnes Sparebank. This also ensures the necessary autonomy.

Credit risk

Credit risk is defined as the risk of loss due to customers and other counterparties becoming unable to pay at the agreed time and according to written agreements, and due to collateral received not covering outstanding claims. The operating framework of the Company has defined limits for which loans that should be included in the loan portfolio of SSB Boligkreditt and sets the requirements for both borrowers and collateral. The Company is using a classification system that only allows the best risk classes to be part of the Company's cover pool.

As of 31.12.21, the Company had a mortgage portfolio amounting to NOK 9.8 (8.9) billion, with an average loan to value ratio of 51.1% (52.9%). The Board of Directors considers the quality of the portfolio to be very good, which also entails low credit risk.

Liquidity and settlement risk

Liquidity risk is defined as the risk of the Company not being able to fulfil its obligations and/or finance an increase in assets without extra costs arising in the form of price reductions for assets that have to be realised, or in the form of increased funding cost. Liquidity risk is managed through limits set by the Board of Directors.

Market risk

Market risk is defined as risk of loss of market values of portfolios of financial instruments, due to fluctuations in share prices, currency exchange rates and interest rates. SSB Boligkreditt AS is not exposed to currency or equity instruments. Limits have been set for interest risk exposure.

Interest rate risk

Interest rate risk is the risk of incurring losses arising due to changes in interest rate levels. The risk arises primarily from funding by fixed income securities. The Company measures interest rate risk as the profit effect of a parallel shift in the yield curve. The risk of non-parallel shifts is covered through limitations on maximum exposure. The main principle of the Company's interest rate risk management is to neutralise the interest rate risk by matching the Company's assets and liabilities. The Company is constantly monitoring its interest rate exposure. Interest rate exposure is measured at 3 month intervals from 0-10 years.

Operational risk

Operational risk is defined as the risk of loss due to insufficient or deficient internal processes, human errors and system faults, or external events. Guidelines are in place to ensure reporting of undesirable events.

6 CREDIT RISK

Maximum exposure to credit risk	31.12.2021	31.12.2020
Bank deposits	155 725	16 234
Loans to customers	9 817 103	8 920 045
Financial derivatives	44 537	166 312
Prepaid costs and accrued income	692	784
Total credit risk exposure in balance sheet items	**10 018 058**	**9 103 375**
Unused credit facilities and loan commitments	1 027 957	1 022 620
Total credit risk exposure	**11 046 015**	**10 125 995**

As of 31.12.21, the company had a mortgage portfolio amounting to NOK 9.8 billion. At the same point in time, no substantial loan amounts were in default (over 90 days). The quality of the loan portfolio is considered to be very good, and the credit risk as low.

Scorecard models are used as part of the quantification of credit risk. These models calculate the customer's probability of default (PD) over the next 12 months.

Measurement of credit risk in the loan portfolio

SSB Boligkreditt AS uses the same models as Sandnes Sparebank. The models vary on the basis of how much and what kind of information is available for each individual customer.

The company measures and monitors credit risk using internal credit risk calculations based on a combination of exposure and models for estimating probability of default and loss given default. In 2021, the bank switched from using self-developed models to using common models developed by Eika Gruppen. While the structure and function of the models are virtually the same, some underlying parameters are different and the resulting effects on the portfolio are due to these model differences producing somewhat different estimates.

Probability of default

In the second quarter, SSB Boligkreditt AS switched to using the same models for estimating the probability of default (PD) as the other Eika banks. These are scorecards that were developed based on the entire Eika portfolio of customers, including SSB Boligkreditt's customers. The large pool of data on which their development was based makes it easier to produce models and validate and maintain them.

Customers are scored monthly using different credit models. The models vary on the basis of how much and what kind of information is available for each individual customer. This means that for new customers, the models use publicly available information, while for existing customers, internal behavioural history is also used. The publicly available information is from Bisnode. The scorecards for brand new customers with no internal history are also from Bisnode. As the Company accumulates more internal information about customers, more and more internal data is weighted into the models over the course of 3 phases that culminate in a situation where eventually the data being used is mainly internal.

The models were developed on the basis of data from 2014-2019 and the old definition of default, which involved just a single absolute limit for default of NOK 1 000 and the fact that the arrears had to be more than 90 days past due. The new definition involves an additional relative limit of at least 1% of the loan. The updated definition of default was used in the Company's own validation processes, which were conducted using data up to June 2021, without this having any significant impact on the quality of the model. As part of Eika, SSB Boligkreditt AS has had access to the model's results for its own customers through common data warehouses that stretch back to January 2020.

The models calculate a score that can be converted into a probability of default and then assigned a risk class. The Company currently uses a scale from 1 to 12, where 1 is the best and 11 and 12 are customers who are in default or have loans with individual impairment. The model is regularly tested both by the Eika Gruppen centrally, but also through validation of Sandnes Sparebank and SSB Boligkreditt AS's portfolio.

The various risk classes and associated upper limit for probability of default are shown in the table below:

Risk class	Upper limit
1	0,10 %
2	0,25 %
3	0,50 %
4	0,75 %
5	1,25 %
6	2,00 %
7	3,00 %
8	5,00 %
9	8,00 %
10	99,99 %
11 og 12	100,00 %

The below table shows the intervals for the different risk classes.

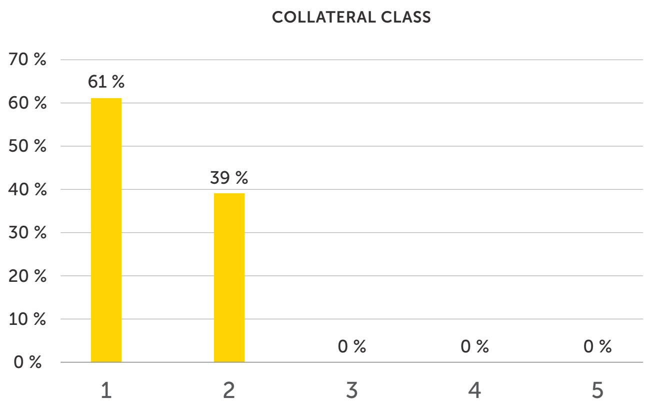
Loss given default

In order to reduce credit risk, all loans are secured on property. A combination of appraisal and statistical valuation based on sales prices from Eiendomsverdi is used to assess the value of the collateral. Valuations are then updated on a quarterly basis based on statistical data from Eiendomsverdi.

The loans are then classified into up to six collateral classes, based on LTV ratios. Next, a loss given default (LGD) value is calculated for each collateral class.

Collateral class	Max collateral coverage	LGD
1	60 %	2,50 %
2	80 %	3,50 %
3	100 %	6,00 %
4	110 %	12,50 %
5	∞	25,00 %

The distribution of the portfolio in the various collateral classes is as follows:



As mentioned, the switch to using the same models as Eika resulted in some changes to assigned collateral classes and adjustments to LGD values based on conducted validations of portfolio losses. The changes to the LGD model resulted in the expected credit losses given default being reduced slightly compared with previous values.

Total risk

The expected credit loss for each loan is calculated based on the probability of default and loss given default. Three risk groups are defined for loans that are not impaired/defaulted based on expected credit loss.

Risk category	Expected losses lower limit	Expected losses upper limit
Lav	0,00 %	0,25 %
Middels	0,25 %	1,00 %
Høy	1,00 %	100,00 %

Further information about the ECL model

Risk classification is also used as a basis for calculating losses in Stage 1 and 2 pursuant to IFRS 9. In Stage 1, the expected credit loss over 12 months is calculated. In the event of a material increase in credit risk, the loan must be transferred to Stage 2 and the expected credit loss for the entire term of the loan calculated. A significant increase in credit risk is defined as one of two events having occurred:

1) **Either that** the original 12-month PD upon loan establishment adjusted for future prospects is < 1% and at the same time the 12-month PD has increased by at least 0.5% since initial recognition and at the same time lifetime PD for the remaining term to maturity has doubled in relation to the original lifetime PD for the remaining term to maturity.
2) **Or that** the original 12-month PD adjusted for future prospects is greater than or equal to 1% and at the same time either the 12-month PD adjusted for future prospects has risen by at least 2% since loan establishment or that lifetime PD over the loan's remaining term to maturity has doubled in relation to its size upon loan establishment.

In addition, an account is defined as Stage 2 if it is flagged with forbearance or has been in default for more than 30 days. Stage 3 is the same as the individual impairments that are evaluated subjectively in each case.

The model SSB Boligkreditt uses for calculating expected credit losses operationalises a low-risk exception by assuming that loans deemed to have a low credit risk on the reporting date can be assumed not to have significantly increased credit risk if the customer has no changes other than a statistically calculated increase in PD of less than 0.5 percentage points and their 12-month PD is less than 1%. Correspondingly, the requirement is 2 percentage points when a 12-month PD of 1% is exceeded. This exception is regarded as appropriate in order to avoid loans with a low PD migrating to Stage 2 due to changes in PD that are small in absolute terms. Not having such absolute limits for how much PD can change before an account migrates a stage would result in significant volatility and constant changes in stage classification given that customers' PD is updated on a monthly basis. In the opinion of the Company, the use of this exception has no material impact on the distribution of loans between the stages or for the total provisions for losses.

In order to determine expected credit losses over a loan's term to maturity in Stage 2, it is assumed that shifts in customers' risk class follow a so-called Markov process. Here, the Company applies a migration matrix based on historical risk class shifts to describe future risk class shifts. The expected changes in risk class one year into the future are a result of historical changes and expected changes. For example, 5 years into the future is the same as five 1-year changes in a row. This enables PD to be calculated for an arbitrary number of years into the future. The lifetime PD matrix specifies the probability for a given risk class a given number of years into the future.

When PD is 5% or less, the expected term to maturity is used. The expected term to maturity is calculated based on empirical data as an average per product type for both retail and corporate loans. When PD is more than 5%, the full term to maturity is used.

SSB Boligkreditt then adjusts provisions for losses by the expected developments in various macro variables that deemed to have an impact on expected credit losses. The basis for the macroeconomic scenarios is received from Eika, although SSB Boligkreditt adapts them to our exposure and how we view the market. Expectations concerning the future are deduced from a macro model that considers three scenarios – a base case, an outcome based on positive expectations, and an outcome based on negative expectations – for macroeconomic developments for 1-3 years into the future.

As of 31.12.2021 the Company has the following expectations regarding the development of the macro variables:

	2022	2023	2024	2025
NORMAL GROWTH AND DEVELOPMENT				
Unemployment rate (level)	4,3 %	4,1 %	3,8 %	4,1 %
Household debt (change)	0,5 %	0,5 %	0,4 %	0,5 %
Average bank loan rate (level)	2,5 %	3,1 %	3,5 %	3,5 %
Oil price (USD per barrel)	80	75	70	67
THE DOWNSIDE SCENARIO				
Unemployment rate (level)	4,9 %	4,7 %	4,4 %	4,4 %
Household debt (change)	-1,9 %	-0,9 %	-0,6 %	-0,5 %
Average bank loan rate (level)	2,0 %	2,6 %	3,0 %	3,0 %
Oil price (USD per barrel)	60	55	50	47
THE HIGH GROWTH SCENARIO				
Unemployment rate (level)	3,7 %	3,5 %	3,2 %	3,2 %
Household debt (change)	0,0 %	1,0 %	1,3 %	1,4 %
Average bank loan rate (level)	3,0 %	3,6 %	4,0 %	4,0 %
Oil price (USD per barrel)	80	75	70	67

The scenario weights are 70% for the base case, 10% for the positive scenario and 20% for the negative scenario. These are then used to generate multipliers for future expectations in the ECL model, which affect the impairments in Stage 1 and Stage 2. Individual values are calculated for the different counties.

Eika's downside scenario is based on the Financial Supervisory Authority of Norway's stress scenario for 2021-2024. This assumes that the Norwegian economy will experience an interest rate shock from abroad. In the Financial Supervisory Authority of Norway's scenario (from June 2021) this comes in the form of a sharp rise in foreign central bank interest rates that Norges Bank follows up with corresponding rate hikes. The new interest rates are expected to reach a painful level for Norwegian loan customers. In addition, property prices fall sharply back.

In the upside scenario, which is designed to be particularly optimistic, it is envisaged that the economic impact of the ravages of the pandemic are minor, both for households and for businesses, either because they do not affect the economy or because the economic measures put in place by the government compensate for all its adverse effects, including reducing unemployment. The generally positive developments in the economy are helping to keep the default rate down, and stable developments in the housing market ensure good security and minor losses for banks.

The base scenario for the Norwegian economy entails a strong recovery within economic activity after the pandemic. This is mainly due to a sharp increase in private consumption next year. At the same time, our trading partners return to more normal capacity utilisation in their economies, which helps our export industries. The problems due to infection pressure are assumed not to be so great that they affect the development of the Norwegian economy. Nevertheless, defaults must be expected to increase somewhat from their current extreme low levels.

As far as the values provided by the macro model are concerned, the Company has also manually increased the multiplier for expectations for the future for some sectors in order to take account of more risk than the model is able to estimate, given the situation one is in, and that models can have problems capturing.

The model is based on the current situation for expected credit losses in the form of current calculated PD and LGD values. When these are low, the impact of the various scenarios will be relatively small. The bank has therefore also looked at expected credit losses in relation to long-term averages, and adjusted the value for future expectations upwards based on this. The adjustment was made based on the combination of the key policy rate and historical household defaults. SSB Boligkreditt thereby manages to capture changes in interest rates that are otherwise not a direct variable included in the Company's models. The adjustments of this macro variable capture this and it replaces what were previously explicit Covid-19 adjustments. These are thus now baked into macro-economic expectations for the future.

Effects on ECL estimates due to model changes

As mentioned above, the company has switched from using our self-developed models for PD and LGD to using common models developed by Eika Gruppen. The effects of the model changes have largely been a reduction in expected credit losses, although the effects on the individual exposures can vary. For example, there are some loans for which the estimate is now higher because the LGD values for some customers have been adjusted upwards, while for others, PD remains unchanged. The table below is designed to show how great an effect the combined model changes have had on ECL in the various stages.

Stage	Provisions for losses as at 31.12.21	Provisions for losses as at 31.12.20	Total changes in loss provisions throughout the year	Changes due to model changes	Changes due to other changes in the portfolio
1	513	2 521	(2 008)	(1 592)	(416)
2	6 012	2 646	3 366	1 633	1 733
3	0	0	0	0	0
Total	**6 525**	**5 167**	**1 358**	**41**	**1 317**

Exposure at default (EAD)

EAD for agreements in Stage 1 consists of outstanding receivables or obligations adjusted for cash flows in the next 12 months, and EAD for agreements in Stage 2 consists of the discounted cash flows for the expected lifetime of the agreement. Unused credit facilities have an EAD equal to the outstanding unused credit at time of reporting.

Andel av eksponering fordelt per risikogruppe og steg

31.12.2021

	Risk category				
Stage	Low	Medium	High	Non-perf/loss	Total
1	87 %	0 %	0 %	0 %	87 %
2	12 %	1 %	0 %	0 %	13 %
3	0 %	0 %	0 %	0 %	0 %
Total	**99 %**	**1 %**	**0 %**	**0 %**	**100 %**

31.12.2020

	Risikogruppe				
Stage	Low	Medium	High	Non-perf/loss	Total
1	88 %	0 %	0 %	0 %	89 %
2	8 %	1 %	2 %	0 %	11 %
3	0 %	0 %	0 %	0 %	0 %
Total	**97 %**	**1 %**	**2 %**	**0 %**	**100 %**

Total exposure by risk groups

31.12.2021

Risk groups	Loans to customers	Guarantees	Unused limit	Total loans and advances	%
Low	9 705 787		1 024 551	10 730 339	98,9 %
Moderate	109 498		3 406	112 904	1,0 %
High	1 818			1 818	0,0 %
Defaults/impairments					0,0 %
Total	**9 817 103**		**1 027 957**	**10 845 060**	**100,0 %**

31.12.2020

Risk groups	Loans to customers	Guarantees	Unused limit	Total loans and advances	%
Low	8 597 259		1 022 279	9 619 538	96,8 %
Moderate	149 242			149 242	1,5 %
High	171 983		341	172 324	1,7 %
Defaults/impairments	1 561			1 561	0,0 %
Total	**8 920 045**		**1 022 620**	**9 942 665**	**100,0 %**

Age distribution, loans due

The table shows overdue amounts on loans and overdrafts of credits/deposits distributed by the number of days overdue.

	31.12.2021	31.12.2020
1-30 days	13 453	50 516
31-60 days	381	14 473
61-90 days		
Over 90 days		
Total	**13 834**	**64 989**

7 LOANS TO CUSTOMERS

Loans to customers

	31.12.2021	31.12.2020
Loans to customers at fair value		
Loans to customers at amortised cost	9 817 103	8 920 045
Net loans to customers	**9 817 103**	**8 920 045**

8 LOANS BY GEOGRAPHIC REGION AND BUSINESS SECTOR

Geographical distribution	Loans		Unused credit facilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Rogaland	8 656 842	7 845 426	932 429	937 742
Oslo/Akershus	515 339	460 649	38 241	36 942
Other counties	637 073	601 175	52 033	47 936
Abroad	14 265	17 800	5 255	
Total	**9 823 520**	**8 925 049**	**1 027 957**	**1 022 620**

Divided by industries	Loans		Unused credit facilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Wholesale and retail trade				
Personal customers and others	9 823 520	8 925 049	1 027 957	1 022 620
Impairments	-6 416	-5 004		
Net loans	**9 817 103**	**8 920 045**	**1 027 957**	**1 022 620**

9 IMPAIRMENTS AND LOSSES ON LOANS

Losses on loans and guarantees	31.12.2021	31.12.2020
Period's changes in provisions for losses, Stage 1	-2 008	242
Period's changes in provisions for losses, Stage 2	3 367	1 031
Period's changes in provisions for losses, Stage 3		
Recognition of earlier impairments		
Recognition without earlier impairments		
Reversals of previously recognised losses		
Losses on loans and guarantees	**1 359**	**1 274**

There are no significant doubtful or defaulted commitments per. 31.12.2021.

31.12.2021

Changes in provisions for losses

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impairments
Provisions for losses as at 01.01.2021	**2 521**	**2 646**		**5 167**
Movements affecting profit:				
Transfers:				
Transfers from Stage 1 to Stage 2	-735	3 032		2 297
Transfers from Stage 2 to Stage 1	48	-1 820		-1 772
Additions of loans and advances during the period	53	1		54
Disposals of loans and advances during the period	-835	-731		-1 566
Changes during the period for loans and advances not migrated	-2 443	402		-2 042
Other adjustments	1 904	2 484		4 388
Provisions for losses as at 31.12.2021	**513**	**6 012**		**6 525**
Recognised as a reduction of loans to/receivables from credit institutions				
Recognised as a reduction of loans to customers				6 416
Recognised as provisions for liability items				109
Totalt tapsavsetninger per 31.12.2021				**6 525**

Gross capitalised loans and advances with impairment for expected credit loss

	Stage 1	Stage 2	Stage 3	Total
Gross capitalised loans and advances as at 01.01.2021	**7 865 908**	**1 074 062**	**1 313**	**8 941 282**
Transfers:				
Transfers from Stage 1 to Stage 2	-652 680	652 680		
Transfers from Stage 2 to Stage 1	443 028	-443 028		
Additions of loans and advances during the period	1 407 425	169 618		1 577 043
Changed provisions for losses during the period for loans and advances not migrated incl. disposals	-502 044	-35 724	-1 313	-539 081
Gross capitalised loans and advances as at 31.12.2021[1]	**8 561 637**	**1 417 608**		**9 979 245**

1 The table above is based on gross loans and advances at the time of reporting, including loans to customers and receivables from credit institutions. The table does not include accrued interest on loans and advances or guarantees/unused credit lines of credit.

31.12.2020

Changes in provisions for losses

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impairments
Provisions for losses as at 01.01.2020	**2 279**	**1 615**		**3 893**
Movements affecting profit:				
Transfers:				
Transfers from Stage 1 to Stage 2	-547	1 253		706
Transfers from Stage 2 to Stage 1	83	-1 029		-946
Additions of loans and advances during the period	282	78		360
Disposals of loans and advances during the period	-963	-381		-1 344
Changes during the period for loans and advances not migrated	-203	-107		-311
Other adjustments	1 591	1 217		2 808
Provisions for losses as at 31.12.2020	**2 521**	**2 646**		**5 167**
Recognised as a reduction of loans to/receivables from credit institutions				
Recognised as a reduction of loans to customers				5 004
Recognised as provisions for liability items				163
Total provisions for losses as at 31.12.2020				**5 167**

Gross capitalised loans and advances with impairment for expected credit loss

	Stage 1	Stage 2	Stage 3	Total
Gross capitalised loans and advances as at 01.01.2020	**7 450 368**	**721 895**		**8 172 263**
Transfers:				
Transfers from Stage 1 to Stage 2	-508 846	508 846		
Transfers from Stage 1 to Stage 3	-450		450	
Transfers from Stage 2 to Stage 1	308 904	-308 904		
Transfers from Stage 2 to Stage 3		-863	863	
Additions of loans and advances during the period	1 327 325	158 046		1 485 371
Changed provisions for losses during the period for loans and advances not migrated incl. disposals	-711 392	-4 959		-716 351
Gross capitalised loans and advances as at 31.12.2020[1]	**7 865 908**	**1 074 062**	**1 313**	**8 941 282**

1 The table above is based on gross loans and advances at the time of reporting, including loans to customers and receivables from credit institutions. The table does not include accrued interest on loans and advances or guarantees/unused credit lines of credit.

Sensitivity analyses

The impairment model for calculating ECL for loans is based on a number of critical assumptions, including probability of default, loss given default, and general macroeconomic developments. The model and the loss estimates are thus vulnerable to changes in the assumptions that have been set.

The development in 2021 proved to be significantly better than one perhaps had reason to fear at the start of the year. This may be due to a combination of house prices rising and defaults and unemployment falling. At the same time, the situation at the start of 2022 is that the high energy prices have also spilled over to electricity prices, which means that Norway is also experiencing record high energy costs, which also affect the liquidity of the general population.

To better understand how the portfolio can be expected to develop in the event of changes in various macroeconomic scenarios, the Company has chosen to conduct sensitivity analyses for the following factors and scenarios;

- The future will remain as today (expectations unchanged)
- The future will be like the negative macroeconomic scenario
- Expected lifetime equal to full term to maturity
- Probability of default (PD) +10%
- Probability of default (PD) -10%
- House prices -10%
- House prices +10%

In the two adjustments of PD, it is assumed that the PD for all customers except those in default will increase or decrease by 10%, respectively.

If customers' credit quality is deteriorating, it will be harder for them to get loans refinanced and they will at the same time have less ability to repay early or make extra payments. The "expected lifetime equal to full term to maturity" scenario assumes that all loans will run to their maturity date and that all undrawn lines of credit will be fully utilised. In the main scenario, the expectations for the future are negative (based on the same weighting of a positive, a negative and a base case). In the "future will remain as today" scenario, the expectation = 1. While this is in theory a neutral scenario, it is at the same time a relatively positive scenario in that for most banks the situation today is that they are experiencing historically low losses and default figures, and relatively low debt collection figures for private individuals. It is thus more optimistic than the bank's base case. Meanwhile, in the negative scenario the negative scenario (presented in note 6) is fully weighted in the calculation of the future. In the simulations here, the extra adjustments the bank made in relation to the macro expectations have been retained. The effect of weighting the negative scenario 100% is added on top of an expectation that has basically already been adjusted upwards and this thereby results in an even higher effect than if SSB Boligkreditt had made its own adjustments. At the same time, it is important to point out that the negative scenario for 2021 is somewhat more moderate than the year before, meaning that the comparable figures are from a scenario that at the time took account of an even worse development than this year.

The last two scenarios are based on changes in house prices and examine the effect of a change of 10% in house prices and impacts loans with collateral in homes. Previously, SSB Boligkreditt has only looked at the downside risk but this year we chose to look at the upside as well. There are therefore no comparable figures from last year for a price rise.

The result of the sensitivity analysis is as follows;

	Unchanged future outlook	Full maturity	PD +10%	PD -10%	Negative macro scenario weighted 100%	House prices -10%	House prices +10%
2021	-26,4 %	41,8 %	9,9 %	-10,4 %	108,6 %	19,2 %	-9,1 %
2020	-5,2 %	11,8 %	9,1 %	-7,7 %	75,8 %	6,2 %	n/a

10 INTEREST RATE RISK

SSB Boligkreditt is not exposed to currency exchange risk or equity instrument risk. Thus, market risk only arises due to open holdings on the fixed income market. The risk is related to loss of earnings due to interest rate fluctuations.

Interest rate risk is related to negative earnings impacts due to market rate fluctuations. Primarily, the balance sheet of SSB Boligkreditt consists of loans to the retail market with a floating rate of interest, and funding in the form of covered bonds. As of 31.12.21, the Company has issued bonds with a nominal value of NOK 8.4 billion, of which NOK 6.1 billion carry a floating rate.

Time to repricing date (gap) for assets and liabilities

31.12.2021	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2021
Bank deposits	155 725						155 725
Loans to customers		9 817 103					9 817 103
Certificates and bonds	226 638	331 970					558 608
Financial derivatives	-309 285	-1 734 838		1 137 316	951 344		44 537
Other assets						692	692
Total assets	**73 078**	**8 414 236**		**1 137 316**	**951 344**	**692**	**10 576 666**
Liabilities to credit institutions	46 247						46 247
Debt established through the issue of securities		6 227 132		1 329 649	899 161		8 455 941
Financial derivatives	3 087	236 271		-239 358			
Other liabilities	1 433 580						1 433 580
Equity						640 899	640 899
Total equity and liabilities	**1 482 913**	**6 463 403**		**1 090 291**	**899 161**	**640 899**	**10 576 666**
Net liquidity exposure, balance sheet items	-1 097 463	3 921 942		-1 329 649	-899 161	-640 207	-44 537
Notional amount, derivatives	-312 372	-1 971 109		1 376 674	951 344		44 537
Net total all items	**-1 409 835**	**1 950 834**		**47 025**	**52 183**	**-640 207**	

31.12.2020	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2020
Bank deposits	16 234						16 234
Loans to customers	15 754	8 904 291					8 920 045
Certificates and bonds	79 292	394 000					473 292
Financial derivatives	-314 172	-1 956 987		954 567	1 482 903		166 312
Other assets	784						784
Total assets	**-202 108**	**7 341 304**		**954 567**	**1 482 903**		**9 576 667**
Liabilities to credit institutions	137 093						137 093
Debt established through the issue of securities		5 396 583		911 850	1 457 704		7 766 136
Financial derivatives		16 406					16 406
Other liabilities	1 045 162						1 045 162
Equity						611 868	611 868
Total equity and liabilities	**1 182 256**	**5 412 989**		**911 850**	**1 457 704**	**611 868**	**9 576 667**
Net liquidity exposure, balance sheet items	-1 070 192	3 901 708		-911 850	-1 457 704	-611 868	-149 906
Notional amount, derivatives	-314 172	-1 973 393		954 567	1 482 903		149 906
Net total all items	**-1 384 364**	**1 928 315**		**42 717**	**25 199**	**-611 868**	

Interest rate sensitivity

The value of on- and off-balance sheet items is affected by changes in interest rates. Interest rate sensitivity is calculated as a potential gain/loss in the event of a parallel positive shift in the interest rate curve of two percentage points. As of 31 December 2021, there were no fixed-rate loans in the company, and a parallel interest rate increase/decrease of two per cent would not have triggered any gains/losses. The Company's interest rate risk is considered to be low.

11 FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

Financial derivatives

Interest-related instruments are used to minimise interest rate risk on the company's loans to customers. The Company uses interest rate swaps to minimise the interest risk on its fixed rate funding. As of 31.12.2021, the Company had no fixed rate loans or deposits.

The Board of Directors has approved limits for the company's exposure to any counterparty in order to reduce the settlement risk related to the use of financial instruments.

The company's right of set-off conforms to ordinary Norwegian law. SSB Boligkreditt uses ISDA agreements with counterparties in relation to financial derivatives. The agreements ensure set-off rights if the counterparties default on their obligations. CSA agreements have also been entered with all important financial counterparties.

	2021	Fair value as at 31.12.2021		2020	Fair value as at 31.12.2020	
	Notional amount	Positive market value [1]	Negative market value [1]	Notional amount	Positive market value [1]	Negative market value [1]
Interest rate agreements [2]	2 225 000	44 537		2 318 000	166 312	16 406
Foreign exchange rate agreements						
Total financial derivatives	**2 225 000**	**44 537**		**2 318 000**	**166 312**	**16 406**
[2] Of which used for hedging purposes	2 225 000	44 537		2 318 000	166 312	16 406

1 Market values of financial derivatives are presented inclusive of accrued (not capitalised) interest as at 31.12.

Hedge accounting

The company uses hedge accounting for fair value hedging of fixed rate funding (bond loans). Only interest rate hedging is used using interest rate swaps. All interest rate swaps are NOK denominated since the company is not exposed to foreign currency debt. Each individual hedging transaction is documented with a reference to the company's risk management strategy, clear identification of the hedging object and hedging instrument, a clear description of the hedged risk, a description of why the hedging is expected to be effective, and a description of when and how the Group will document that the hedging has been effective during the accounting period and is expected to be effective in the next accounting period.

The company has defined the hedged risk as changes in value related to the NIBOR component of the funding. The hedging effectiveness is evaluated and documented both upon initial classification and upon each closing of accounts. In the case of fair value hedging, the hedging instrument is recognised at fair value and the value of the hedging object is adjusted for the change in value related to the hedged risk. Changes in these values from the opening balance are recognised in the income statement as hedging ineffectiveness. This method ensures that the presentation of these instruments in the financial statements complies with the company's policies for managing interest rates and actual economic developments. Ineffectiveness in the Company's hedging can arise due to actual changes in fair value of the floating leg of the hedging instrument. See note 15 for the recognised amounts in the income statement.

As of 31.12.2021, in all hedging arrangements, the hedging object and the hedging instruments have the same principal and the same duration and coupon on the fixed leg (1:1 hedging). The fixed rate is swapped to a floating rate on a 3-month basis.

Opplysninger om sikringsinstrumenter 31.12.2021

Type of hedging instrument	Nominal amount of hedging instrument	Capitalised amount of hedging instrument		Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
		Assets	Liabilities		
Interest rate agreements	2 225 000	44 537		Financial derivatives	-97 212
Total	**2 225 000**	**44 537**			**-97 212**

Information about hedging objects

Type of hedging object	Nominal amount of hedging object	Capitalised amount of hedging object [1]	Accumulated change in value of hedging object due to fair value hedging	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Fair value hedging (interest rate risk)					
Securities issued in NOK	2 225 000	2 272 464	15 486	Verdipapirgjeld	97 212
Total	**2 225 000**	**2 272 464**	**15 486**		**97 212**

Information on ineffectiveness in hedging

Ineffectiveness is recognised through ordinary profit or loss (gain/loss on financial instruments)	-

1 Carrying amount of hedging object includes accrued (not capitalised) interest but is not part of the change in value of the hedging object.

Information about hedging instruments 31.12.2020

Type of hedging instrument	Nominal amount of hedging instrument	Capitalised amount of hedging instrument		Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
		Assets	Liabilities		
Interest rate agreements	2 318 000	166 312	16 406	Financial derivatives	116 292
Total	**2 318 000**	**166 312**	**16 406**		**116 292**

Information about hedging objects

Type of hedging object	Nominal amount of hedging object	Capitalised amount of hedging object [1]	Accumulated change in value of hedging object due to fair value hedging	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Fair value hedging (interest rate risk)					
Securities issued in NOK	2 318 000	2 465 118	112 698	Securities issued	-116 292
Total	**2 318 000**	**2 465 118**	**112 698**		**-116 292**

Information on ineffectiveness in hedging

Ineffectiveness is recognised through ordinary profit or loss (gain/loss on financial instruments)	-

1 Carrying amount of hedging object includes accrued (not capitalised) interest but is not part of the change in value of the hedging object.

12 LIQUIDITY RISK

Liquidity risk entails that the Company is not able to refinance its debt as it matures, or unable to finance increases in its assets. The valuation of the Company's liquidity risk is based on a consideration of the Company's balance sheet structure, including the Company's dependence on funding and the additional cost related to having to obtain long maturity funding in the money market, compared to funding with shorter time to maturity.

The mortgage company is covering its funding needs through the issue of covered bonds (OMF). Other financing needs are covered by short-term debt to the Parent Company.

In the table below, cash flows related to liabilities with an agreed term to maturity are based on nominal contract sizes inclusive of estimated interest payments up to the maturity date.

Remaining period to maturity, main items

31.12.2021	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	2021
Liabilities to credit institutions	46 247						46 247
Securities issued		49 364	430 039	7 077 378	899 161		8 455 941
Other liabilities						1 433 580	1 433 580
Financial derivatives, gross settlement	929	6 523	1 210				8 662
Contractual interest payments		32 364	45 862	172 050	66 720		316 996
Total disbursements	**47 176**	**88 251**	**477 110**	**7 249 428**	**965 881**	**1 433 580**	**10 261 425**

31.12.2020	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	2020
Liabilities to credit institutions	137 093						137 093
Securities issued		93 000		6 200 000	1 325 000		7 618 000
Other liabilities						1 045 162	1 045 162
Financial derivatives, gross settlement	664	23 443	2 226				26 333
Contractual interest payments		26 751	42 450	191 880	101 325		362 406
Total disbursements	**137 757**	**143 194**	**44 676**	**6 391 880**	**1 426 325**	**1 045 162**	**9 188 994**

As of 31.12.2021, the liquidity risk is assumed to be low.

13 NET INTEREST INCOME

	2021	2020
INTEREST INCOME MEASURED USING THE EFFECTIVE INTEREST METHOD:		
Interest income on loans to credit institutions	884	641
Interest income on loans to customers	176 752	192 844
Total interest income measured using the effective interest method	**177 636**	**193 485**
Interest income on securities	5 114	7 408
Total interest income measured at fair value	**5 114**	**7 408**
INTEREST EXPENSES		
Interest expenses on subordinated loan capital, measured using the effective interest method	7 924	13 691
Interest expenses on securities, measured using the effective interest method	103 801	135 201
Interest on financial derivatives as hedging instruments	(33 957)	(26 600)
Other interest expenses	1 586	1 901
Total interest expenses	**79 354**	**124 194**
Net interest income	**103 396**	**76 698**

14 NET COMMISSION INCOME AND INCOME FROM BANKING SERVICES

Other fees

	2021	2020
Commission income and income from banking services	18	33
Commission costs and costs of banking services		
Net commission income and income from banking services	**18**	**33**

15 NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS AT FAIR VALUE

Net change in value of financial instruments

	2021	2020
Net change in the value of certificates and bonds, measured at fair value	-1 720	623
Gain/loss retirement own bonds, measured at amortised cost	-4 873	
Net change in value of financial derivatives, hedging	-97 212	116 292
Net change in value of hedged financial liabilities	97 212	-116 292
Net change in value of hedged items		
Net change in value of financial instruments	**-6 593**	**623**

16 OPERATING COSTS

Operating costs

	2021	2020
Wages	36	35
Social costs	8	5
Wages and general administration costs	**43**	**40**
Audit fee	75	154
Other audit-related services	187	203
Tax assistance		
Other assistance		
Total remuneration to auditor incl. VAT	262	358
Management fees	11 850	16 950
Other administrative costs	100	104
Consultancy fees	347	359
Other operating costs	769	907
Total other operating costs	**13 328**	**18 678**
Depreciation		
Total depreciation and impairments		
Total operating costs	**13 372**	**18 718**

In 2021, there were no employees of SSB Boligkreditt AS. The CEO is paid by the Parent Company and his services charged to the mortgage company through the management fee. NOK 35 500 has been disbursed for the payment of fees.

The management fee is related to an agreement with Sandnes Sparebank regarding the purchase of services for the management of the loan portfolio and other administrative functions.

17 TAX

TAX EXPENSE, ORDINARY PROFIT	2021	2020
Tax payable		
Tax expense for the year	18 570	12 051
Correction of tax in prior years		-221
Change in deferred tax	-510	567
Total tax on ordinary profit	**18 060**	**12 397**

RECONCILIATION OF TAX EXPENSE AGAINST PROFIT BEFORE TAX	2021	2020
Profit before tax expense	82 091	57 363
22% of profit before tax	18 060	12 620
Permanent differences		-2
Change in deferred tax		
Effects of change in tax rules		
Correction of tax in prior years		-221
Total tax on ordinary profit	**18 060**	**12 397**
Effective tax rate	22 %	22 %

Deferred tax asset and deferred tax on the balance sheet distributed across temporary differences

DEFERRED TAX ASSET/DEFERRED TAX	31.12.2021	31.12.2020
Financial instruments	-32	-543
Total deferred tax asset/deferred tax	**-32**	**-543**

RECONCILIATION OF DEFERRED TAX ASSET/DEFERRED TAX	31.12.2021	31.12.2020
Deferred tax asset as at 1.1	-543	24
Change recognised in the income statement	510	-567
Total deferred tax asset/deferred tax as at 31.12	**-32**	**-543**

BASIS FOR TAX PAYABLE IN THE BALANCE SHEET	31.12.2021	31.12.2020
Profit before tax expense	82 091	57 363
Basis for tax payable	**82 091**	**57 354**
22% of the basis for tax payable	18 060	12 618
Change in deferred tax	510	-567
Tax payable on the balance sheet	**18 570**	**12 051**

18 CLASSIFICATION OF FINANCIAL INSTRUMENTS

According to IFRS 9, financial assets shall be classified as:

- Amortised cost
- Fair value with valuation changes through comprehensive income (FVOCI)
- Fair value with valuation changes through profit or loss (FVTPL)

The rules for financial liabilities are essentially the same as in the current IAS 39. For a further description of the classification of financial instruments, please see note 2.

31.12.2021	Financial assets and liabilities assessed at amortised cost	Financial instruments valued at fair value with change in value through profit or loss (FVTPL)	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
ASSETS					
Cash and bank deposits	155 725				155 725
Loans to customers	9 817 103				9 817 103
Certificates and bonds		558 608			558 608
Financial derivatives			44 537		44 537
Accrued income not received				692	692
Other assets					
Total assets	**9 972 829**	**558 608**	**44 537**	**692**	**10 576 666**
LIABILITIES					
Liabilities to credit institutions	46 247				46 247
Debt established through the issue of securities[1]	8 455 941				8 455 941
Financial derivatives					
Accrued costs					
Provisions	109				109
Other liabilities	1 414 868			18 603	1 433 471
Total liabilities	**9 917 164**			**18 603**	**9 935 767**

1 Securities issued are recognised at amortised cost. Hedge accounting is used for the company's fixed rate bonds. As of 31.12.2021, the book value of fixed rate bonds is NOK 2 272 million (2 465).

31.12.2020					
ASSETS					
Cash and bank deposits	16 234				16 234
Loans to customers	8 920 045				8 920 045
Certificates and bonds		473 292			473 292
Financial derivatives			166 312		166 312
Accrued income not received				784	784
Other assets					
Total assets	**8 936 279**	**473 292**	**166 312**	**784**	**9 576 667**
LIABILITIES					
Liabilities to credit institutions	137 093				137 093
Debt established through the issue of securities[1]	7 766 137				7 766 137
Financial derivatives			16 406		16 406
Accrued costs					
Provisions	163				163
Other liabilities	1 032 405			12 594	1 044 999
Total liabilities	**8 935 798**		**16 406**	**12 594**	**8 964 798**

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments measured at amortised cost	31.12.2021		31.12.2020	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and bank deposits	155 725	155 725	16 234	16 234
Loans to customers	9 817 103	9 817 103	8 920 045	8 920 045
Prepaid costs and accrued income				
Total assets	**9 972 829**	**9 972 829**	**8 936 279**	**8 936 279**
LIABILITIES				
Liabilities to credit institutions	46 247	46 247	137 093	137 093
Debt established through the issue of securities	8 455 941	8 466 565	7 766 137	7 785 638
Accrued costs and received not accrued income	109	109	163	163
Other liabilities	1 414 868	1 414 868	1 032 405	1 032 405
Total liabilities	**9 917 164**	**9 927 788**	**8 935 798**	**8 955 300**

With respect to financial instruments of short duration (less than three months), book value is assumed to represent fair value.

Loans to customers valued at amortised cost, include floating rate loans. Floating rate loans are adjusted for changes to the market interest rate and for changes in the credit risk. Consequently, the Company measures the fair value of these loans as being approximately equal to the carrying value. Loans that do not satisfy this ongoing repricing assumption are individually valued at fair value on the balance sheet date. Any excess or inferior values arising within any change of interest rate period are not considered to represent material for the Company.

Financial instruments rated at fair value

The company employs the following valuation hierarchy when calculating fair value for financial instruments:

Level 1 – Noted prices in an active market for the current asset or liability
Level 2 – Noted prices in an active market for similar assets or liabilities, or any other valuation method where all material input is based on observable market data.
Level 3 – Valuation techniques that are essentially not based on observable market data.

Below is a description of how fair value is calculated for the financial instruments of levels 2 and 3, i.e. where a valuation technique has been used.

Financial Instruments classified in Level 2

Financial derivatives
Financial derivatives are valued at market value based on obtained information on exchange rates and swap curves. The category includes interest rate swaps, currency swaps and futures contracts where observable market values are available through Reuters or Bloomberg.

Financial Instruments classified in Level 3
As of 31.12.21, SSB Boligkreditt did not have any financial derivatives under level 3.

Loans to customers
Fixed rate loans to customers are valued on the basis of the agreed cash flow from the loans, discounted by the effective interest rate. The effective interest rate is based on the prevailing market terms for similar fixed rate loans.

Loans to customers subject to impairment are assessed based on probable cash flow for the loans discounted at the effective interest rate adjusted for market conditions for loans that are not impaired.

The year's increase is fully related to the takeover of loans from the Parent Company, Sandnes Sparebank.

20 CERTIFICATES AND BONDS

Certificates and bonds at fair value	31.12.2021	31.12.2020
Government-guaranteed bonds	67 490	42 529
Bonds (covered)	490 384	430 396
Accrued interest	735	367
Total certificates and bonds at fair value	**558 608**	**473 292**
Effective interest rate	0,76 %	1,50 %
Duration	1,65	2,73

21 SECURITIES ISSUED

Securities debt	31.12.2021	31.12.2020
Bond loans, minus share discount/plus share premium	8 418 263	7 729 965
Bond loans, own holdings		
Accrued interest	37 678	36 171
Total Liabilities established by issuance of securities	**8 455 941**	**7 766 137**
Average interest rate, bond loans:	**1,65 %**	**1,32 %**

Change in securities issued	31.12.2020	Issued	Matured/ redeemed	Other changes	31.12.2021
Bond debt, nominal value	7 618 000	2 400 000	1 663 000		8 355 000
Changes in value	111 966			-48 703	63 263
Accrued interest	36 171			1 507	37 678
Total securities issued	**7 766 137**				**8 455 941**

	31.12.2019	Issued	Matured/ redeemed	Other changes	31.12.2020
Bond debt, nominal value	7 415 000	800 000	597 000		7 618 000
Changes in value	-5 841			117 807	111 966
Accrued interest	40 626			-4 455	36 171
Total securities issued	**7 449 785**				**7 766 137**

As of 31.12.21, Statistics Norway has issued 11 bonds.

Bonds

Bonds	Face value	Final due date
NO0010856271	300 000 000	05.06.2023
NO0010822398	600 000 000	08.05.2024
NO0010868706	300 000 000	20.05.2030
NO0010849847	300 000 000	19.06.2029
NO0010834070	300 000 000	10.10.2028
NO0010753320	425 000 000	18.03.2026

Bonds	Face value	Final due date
NO0010731938	430 000 000	15.06.2022
NO0010833254	2 400 000 000	27.09.2024
NO0010871452	1 000 000 000	16.05.2023
NO0010952872	2 000 000 000	18.05.2026
NO0010886237	300 000 000	16.06.2025
Total nominal value of bonds in issue	**8 355 000 000**	

22 OVERCOLLATERALISATION

The overcollateralisation has been calculated in accordance with the requirements of § 11-11 of the Norwegian Financial Institutions Act, for an always current balance.

As a minimum, the Act requires the value of the collateral to at all times to exceed 102% of the value of the covered bonds being covered by the cover pool.

Overcollateralisation - total nominal value issued covered bonds

(NOK 000)	31.12.2021	31.12.2020
Total nominal value issued covered bonds	**8 355 000**	**7 618 000**
Loans to customers	9 791 100	8 877 839
Bank deposits	155 656	16 219
Liquid assets	557 874	473 104
Deduction substitute collateral[1]	-167 711	-140 000
Total cover pool value	**10 336 919**	**9 227 162**
Overcollateralisaion	**123,7 %**	**121,1 %**
Rating agency minimum requirement	104,0 %	104,0 %
Minimum regulatory overcollateralisation requirement	102,0 %	102,0 %

1 The part of the overcollateralisation used for LCR purposes, is removed from the calculation of overcollateralisation in accordance with the instruction from the Financial Supervisory Authority of Norway.

23 OTHER LIABILITIES

	31.12.2021	31.12.2020
Debt to Sandnes Sparebank	1 414 836	1 032 054
Other liabilities	31	351
Other liabilities	**1 414 867**	**1 032 405**

SSB Boligkreditt paid 3 month NIBOR + 0.27% as interest on the debt to the Parent Company.

The debt to the Parent Company of NOK 1 415 (1 032) million is related to temporary financing of SSB Boligkreditt's purchase of the loan portfolio from the Parent Company.

24 EQUITY

The share capital of SSB Boligkreditt AS is NOK 227 600 000 divided into 2 276 000 shares, each with a nominal value of NOK 100. Each share gives the same voting right in the Company. All shares are owned by Sandnes Sparebank.

25 EVENTS AFTER THE BALANCE SHEET DATE

In February 2022, a private placement for the parent bank totalling NOK 120 million was carried out. This is intended to strengthen the company's capital adequacy and to take account of expected lending growth and increased capital requirements in the period ahead.

Otherwise, no material events have occurred after the balance sheet date that have a material effect on the accounts as of 31.12.2021.

26 TRANSACTIONS WITH RELATED PARTIES

SSB Boligkreditt AS is a wholly owned subsidiary of Sandnes Sparebank. Transactions between the Company and the Parent Bank are effected according to normal commercial terms and principles.

Summary of intergroup transactions:

Intercompany transactions

Income statement	Full year 2021	Full year 2020
Deposit interest	884	992
Interest and credit commissions paid	-8 578	-12 642
Management fee	-11 850	-16 950

Balance sheet	31.12.2021	31.12.2020
Loans to and claims on credit institutions	155 718	16 226
Derivatives	3 998	
Other liabilities	1 414 836	1 032 054
Collateral received related to derivatives	7 907	25 200

An additional dividend from SSB Boligkreditt of NOK 35 million has also been paid to the parent bank in 2021.

Statement pursuant to§ 5-5 of the Norwegian Securities Trading Act

SSBboligkreditt

Rådhusgata 3, 4306 Sandnes
Boks 1133, 4391 Sandnes
Telefon 03260
kundeservice@sandnes-sparebank.no
www.sandnes-sparebank.no
Org.nr. 915 691 161
Swiftadr. saskno22

Statement pursuant to § 5-5 of the Norwegian Securities Trading Act

We confirm that the annual financial statements for the period from 1 January to 31 December 2021, to the best of our knowledge, have been prepared in accordance with IFRS, and that the information contained by the financial statements provides a true picture of the company's assets, liabilities, financial position, and overall profits, and that the information in the Annual Report provides a true summary of developments, results and the position of the company, together with the key risk and uncertainty factors facing the company.

March 9 2022 | The Board of Directors of SSB Boligkreditt AS

Erik Kvia Hansen
Chairman of the Board

Arild Ollestad
Director

Lene Nevland Sivertsen
Director

Tomas Nordbø Middelthon
Director

Carl Fredrik Hjelle
Managing Director

Auditor's report

Deloitte AS
Strandsvingen 14 A
NO-4032 Stavanger
Norway

Tel: +47 51 81 56 00
www.deloitte.no

To the General Meeting of SSB Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

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

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

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

Basis for Opinion

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

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

We have been the auditor of the Company for 11 years from the election by the general meeting of the shareholders on 31 March 2011 for the accounting year 2011 with a renewed election on the 23 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How the matter was addressed in the audit**
IT SYSTEMS AND INTERNAL CONTROLS RELEVANT FOR FINANCIAL REPORTING	
The IT systems within SSB Boligkreditt AS are key in the accounting and reporting of completed transactions, in obtaining the basis for key estimates and calculations, and in obtaining relevant information to be disclosed. The IT systems are standardized, and the management and operation of the systems are to a great extent outsourced to external service providers. Proper management and control of these IT systems both from SSB Boligkreditt AS and their service providers are of high importance in order to ensure precise, complete and reliable financial reporting, and this area is therefore considered to be a key audit matter.	SSB Boligkreditt AS has established a general governance model and internal controls on their IT systems. We have obtained an understanding of the IT governance model of SSB Boligkreditt AS relevant for financial reporting. We assessed and tested the design of selected internal control activities relevant for financial reporting, including selected controls related to IT operations, change management and information security. For a sample of these controls, we tested their operating effectiveness in the reporting period. We also considered the third party attestation report (ISAE 3402 Report) on one of SSB Boligkreditt AS' service providers focusing on whether they had adequate internal controls on areas that are of importance for the financial reporting of SSB Boligkreditt AS. In addition, we considered a third party confirmation (Agreed-upon procedures) related to the service provider with regards to the design and implementation of selected automated control activities in the IT-systems, including among others the calculation of interests and fees as well as if system generated reports was adequately designed and implemented. We have engaged our internal IT experts in the work related to understanding the governance model on IT and in assessing and testing the internal control activities related to IT.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

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

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

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

We also provide the Board of Directors 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.

Stavanger, 9 March 2022
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Design: Fasett 2022

SSBboligkreditt

www.sandnes-sparebank.no