SSB boligkreditt This is the report for **2022**

Annual Report 2022

Nature of the business

SSB Boligkreditt AS is a wholly 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 (simplified 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.

Financial performance

2022 profits were NOK 47.4 (64.0) million after tax, which represents a return on equity of 5.7% (10.2%).

The company had net interest income of NOK 77.9 (103.4) for the year as a whole. Net interest income is still under pressure due to delayed interest adjustment on the lending volume. Norges Bank raised its key policy rate from 0.50% to 2.75% in 2022. This is the eight rate increase since September 2021 and several interest rate increases has been signaled in the first half of 2023. The interest rate hikes in November and December respectively will not have an effect on the lending volume at the end of December and February. At the end of the year, the average interest rate on the company's lending stock was 4.05%, up from 1.99% at the beginning of the year. Net interest income fell significantly from 1.03% in 2021 to 0.66% in 2022. Compared with the same period last year, increased balance sheet growth has compensated for some of the reduced net interest income.

Higher credit premiums in the bond market, and the associated fall in the value of the company's liquidity portfolio contributed to negative developments in other income in 2022. Other income amounted to NOK -4.7 (-6.5) million for the year as a whole.

Operating costs amounted to NOK 13.6 (13.4) million in 2022. Cooperation with Sandnes Sparebank has been formalised through a management agreement, and the management fee CPI is adjusted annually.

For the full year, recognised provisions for losses were reduced by NOK 1.1 (increased by NOK 1.4) million.

Balance sheet and asset management

At the end of 2022, SSB Boligkreditt managed assets totalling NOK 13.0 (10.6) billion. Loans to customers constituted NOK 11.9 (9.8) billion. As of 31.12.2022, SSB Boligkreditt had issued bonds with a net carrying amount of NOK 10.6 (8.5) billion. The company had no holdings of own bonds.

The over-collateralization level was 22.6% as at 31.12.2022, 17.6 percentage points above the regulatory requirement of 5%. Please refer to Note 22 for more details regarding the calculation.

The Other liabilities item includes debt to the parent bank of NOK 1.3 (1.4) 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 international challenges with the war in Ukraine and the domestic ones with higher interest rates and high inflation, the economy in Rogaland did well during the period and the region saw positive growth. A large proportion of energy related industry in the region has resulted in higher activity than in the rest of the country.

The unemployment rate in Rogaland was 2.0% at the start of 2022 and had fallen to 1.6% at the end of the year, identical to the national average. Jobs have been advertised within most occupational groups and some sectors are struggling to attract qualified labour. At the same time, many vacancies provide opportunities for those who have been out of the labour market for a long time.

The price of oil has risen from USD 80 to USD 86 this year but was volatile during the year. Gas and electricity prices rose further due to the war in Ukraine and Europe's dependence on Russian gas, but prices for these commodities have also been volatile during the year. Energy prices are an important economic factor in Rogaland's economy. The high prices mean 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 regional network survey for December showed a high level of activity among enterprises in the region, although their expectations for the coming period were lower. Many companies were reporting capacity problems and labour shortages, although this decreased somewhat towards the end of the year. A greater focus on transition in the region is producing results. A steadily growing number of companies are successfully innovating and thinking anew, with new business models in new markets.

The housing market in Rogaland has developed positively in the last couple of years after several years of stable property prices. In the past year, prices rose by 3.75%, compared with 1.5% on a national basis.

The market for covered bonds started the year well, but has had a weaker development in the last two quarters in particular. For SSB Boligkreditt, the indicated credit premium for 5-year funding throughout the year has increased from NIBOR +25 to +70 at its peak, to then end at 56 basis points over 3 months at the end of 2022. On average NIBOR was 2.07% 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 2022, the Company had a portfolio of home loans valued at NOK 11.9 (9.8) billion. The average loan to value (LTV) of the portfolio is 51.1% (52.0%). 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 carried 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 year end, the net debt financing becoming due during the next 12 months, is NOK 850 million. The Company's liquidity reserves were NOK 1 061 million, of which NOK 874 million are securities of high credit quality and NOK 187 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 extend the maturity of its funding by 12 months if the company cannot manage to redeem the loan at the original maturity date. For bonds issued before 8.7.2022, it is the company itself that decides whether the term of the loan should be extended, while for bonds issued after 8.7.2022 Covered Bond (Premium), an application with the Norwegian FSA determine whether the soft bullet can be triggered.

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 directors. The company does not pollute the external environment.

The company has the same board liability insurance as Sandnes Sparebank. The insurance sum amounts to NOK 250 million per insurance claim.

Future prospects

Macro conditions in the region have been improving, although there are some challenges in relation to the availability of labour, inflation and higher rates. The region has little direct exposure to the situation in Ukraine and is not impacted by the restrictions on trading with Russia. At the end of the year, the situation was stable for most of the company's customers, although there was some uncertainty about how higher interest rates and electricity prices would affect some customers. Generally lower house prices have resulted in less household debt than in other major cities. This means that the interest rate increases have had less impact on personal finances than is the case for people in other cities.

During the year, Norges Bank raised the key policy rate to 2.75% and expects one or two more rate hikes in the period before the summer. This is a clear indication of pressure in the economy and a desire to reduce those inflationary pressures. The company is well-positioned in the market and expects increased growth in lending going forward.

The company has solid expertise, steadily more satisfied customers, a stable cost base, good earnings and good financial strength. The company is well-equipped for profitable growth, and the Sandnes Sparebank Group has, among other things, intensified its focus on the retail market in order to take a stronger position in the local market.

Another priority area in the Sandnes Sparebank Group's strategy is to contribute to a more sustainable society. SSB Boligkreditt has recently updated its 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.

The regulatory requirements are constantly increasing and the company is committed to complying with these requirements. As of 31.12.2022, SSB Boligkreditt had a Common Equity Tier-1 capital ratio (CET-1) of 20.3%. The regulatory requirement for subordinated capital was 15.5% at year-end. The Board's objective for Common Equity Tier-1 capital ratio is equal to the authorities' requirements for subordinated capital. Norges Bank will increase the countercyclical buffer requirement from 2.0% to 2.5% as of 31.03.2023. On the other hand, the expected increase in the systemic risk buffer requirement for smaller banks from 3.0% to 4.5% was postponed by another year, so that it will apply from the end of 2023. The increase in the capital requirement is taken into account in the enterprise's capital planning.

The company is well-prepared for the future with respect to operations, growth, profitability, liquidity and financial strength. Nevertheless, the Board of Directors would like to stress that all future estimates contain an element of uncertainty.

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

Proposal for the allocation of annual profits

Annual profits for 2022 were NOK 47.4 million. The entire profits for the year are proposed transferred to retained earnings.

March 14 2023 | Board of Directors of SSB Boligkreditt AS

Tomas Nordbø	Arild Ollestad	Lene Nevland Sivertsen	Erik Kvia Hansen	Elisabeth Rosbach
Chair of the Board	Board member	Board member	Board member	Managing Director

Key figures as at 31.12.2022

Profit summary

Amounts in NOK thousands	Full year 2022	Full year 2021
Net interest income	77 945	103 396
Other operating income	-4 652	-6 575
Other operating costs	13 600	13 372
Net loss/impairments	-1 056	1 359
Operating profit before tax	**60 749**	**82 091**
Tax expense	13 368	18 060
Operating profit after tax	**47 381**	**64 031**
Other comprehensive income (OCI) (after tax)		
Comprehensive income	**47 381**	**64 031**

Excerpts from balance sheet

Amounts in NOK millions	Full year 2022	Full year 2021
Assets under management	12 988	10 577
Average total assets	11 783	10 077
Loans to customers	11 911	9 817
Certificates and bonds	874	559
Equity	1 008	641

Key figures

	Full year 2022	Full year 2021
PROFITABILITY		
Net interest income as % of average total assets	0.66 %	1.03 %
Total costs as % of average total assets	0.1 %	0.1 %
Return on equity before tax	7.4 %	13.1 %
Return on equity after tax	5.7 %	10.2 %
FINANCIAL STRENGTH		
Capital adequacy ratio	20.3 %	16.1 %
Tier 1 capital ratio	20.3 %	16.1 %
CET1 capital ratio	20.3 %	16.1 %
Risk-weighted capital	4 945 397	3 969 327

Income statement

Amounts in NOK thousands	Note	Full year 2022	Full year 2021
Interest income measured using the effective interest method	13	307 397	177 636
Interest income measured at fair value	13	15 842	5 114
Interest expenses and similar costs	13	245 294	79 354
Net interest and credit commission income		**77 945**	**103 396**
Commission income and income from banking services	14	28	18
Net change in value of financial instruments	15	-4 680	-6 593
Total other operating income		**-4 652**	**-6 575**
Personnel costs	16	42	43
Other operating costs	16	13 558	13 328
Depreciation/impairemants	16		
Total operating costs		**13 600**	**13 372**
Impairments and losses on loans and guarantees	9	-1 056	1 359
Operating profit before tax		**60 749**	**82 091**
Tax expense	17	13 368	18 060
Operating profit after tax		**47 381**	**64 031**
Other comprehensive income (OCI) (after tax)			
Comprehensive income		**47 381**	**64 031**
Allocation:			
Transferred to other equity		47 381	64 031

Balance sheet

Amounts in NOK thousands	Note	31.12.2022	31.12.2021
Bank deposits	18,19	187 309	155 725
Loans to customers at amortised cost	6-9,18,19	11 911 405	9 817 103
Certificates and bonds	18,19,20	874 099	558 608
Financial derivatives	11,18,19	7 809	44 537
Deferred tax asset	17	958	
Prepaid costs and accrued income	18,19	6 843	692
Total assets		**12 988 422**	**10 576 666**
Liabilities to credit institutions	18,19		46 247
Securities issued	18,19,21	10 580 727	8 455 941
Financial derivatives	11,18,19	70 828	
Other liabilities	12,18,19,23	1 314 116	1 414 868
Tax payable	17	14 358	18 570
Deferred tax			32
Accrued costs and received not accrued income	18,19	114	109
Total liabilities		**11 980 142**	**9 935 767**
Share capital	24	427 600	227 600
Share premium		242 500	122 500
Other equity		338 180	290 799
Total equity		**1 008 280**	**640 899**
Total equity and liabilities		**12 988 422**	**10 576 666**

March 14 2023 | Board of Directors of SSB Boligkreditt AS

Tomas Nordbø
Chair of the Board

Arild Ollestad
Board member

Lene Nevland Sivertsen
Board member

Erik Kvia Hansen
Board member

Elisabeth Rosbach
Managing Director

Equity

Amounts in NOK thousands	Share capital	Share premium	Other equity	Total equity
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**
Capital increase/equity issue	200 000	120 000		320 000
Annual profit			47 381	47 381
Equity as at 31.12.2022	**427 600**	**242 500**	**338 180**	**1 008 280**

Cash flow statement [1]

Amounts in NOK thousands	Full year 2022	Full year 2021
Cash flow from operating activities		
Net receipts/payments of instalment loans, lines of credit	3 516 535	3 288 015
Receipts of interest, commission income and fees from customers	307 425	177 654
Net receipts/payments from trading interest-bearing securities	-315 490	-85 317
Receipts of interest on securities	15 842	5 114
Net receipts/payments from trading of other financial assets	102 875	105 369
Payments for operations	-20 732	-20 492
Tax	-17 580	-11 541
Net cash flow from operating activities	**3 588 875**	**3 458 803**
Cash flow from investing activities		
Payments on purchase of loan portfolio from parent bank	-5 811 230	-3 844 086
Receipts on sale of loan portfolio to parent bank	99 721	40 490
Net cash flow from investing activities	**-5 711 510**	**-3 803 595**
Cash flow from financing activities		
Net deposits/loans from credit institutions	-46 247	-90 847
Raising of certificates and bond debt	3 100 000	2 400 000
Repayment of certificates and bond debt	-975 214	-1 710 196
Payout of dividends		-35 000
Net receipts from equity issue/capital increase	320 000	
Net interest payments on financing activities	-244 321	-79 672
Net cash flow from financing activities	**2 154 218**	**484 285**
Net cash flow for the period	31 583	139 492
Cash and cash equivalents at the start of the period	155 726	16 234
Cash and cash equivalents at the end of the period	187 309	155 726

1 In 2022, the Company has chosen to reclassify cash flows from lending activities and trading of interest-bearing securities in line with IAS 7 and observable accounting practice. See further information in **Note 2**. Comparable figures for 2021 are changed accordingly in the cash flow statement.

Notes

Contents

1 GENERAL DISCLOSURES

SSB Boligkreditt AS is a wholly 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 80 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 2022 Financial Statements were approved by the Board of Directors on March 14, 2023.

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 2022 financial year

There are no new standards or interpretations adopted as of the financial year 2022 that are considered to have a material impact on the company's financial statements.

Applied accounting policies are consistent with the principles applied in the 2021 annual report, with the exception of a voluntary change of accounting policies for presentation in the cash flow statement.

Presentation in the cash flow statement

Following a renewed assessment of the classification and presentation of the company's cash flows on the basis of IAS 7 and observed accounting practices, the company has, as of the 2022 financial statements, made a voluntary change in policy for the classification and presentation of cash flows related to the purchase and sale of loans from/to the parent bank as well as the receipts/payments on loans and interest-bearing securities.

As of 2022, payments and receipts arising from the purchase and sale of a loan portfolio from/to the parent bank are presented as investment activity. Prior to the change, these cash flows were presented as financing activities and included in the line "Net receipts/payments of instalment loans, lines of credit".

Comparative figures for 2021 have been revised and NOK 3 804 million in net disbursement in 2021 under financing activity has been similarly reclassified as investment activity with payments of NOK 3 844 million and receipts of NOK 40 million respectively. The reason for the change is to provide users of the accounts with more relevant information about the resources that have been used to buy and sell loans during the year and that the change is in line with the requirements of IAS 7.16.

As of 2022, the net receipts/payments on the sale of the company's liquidity portfolio, presented as "Net receipts/payments on the sale of interest-bearing securities", has been presented as operational activity. Comparative figures have been revised and net payments of NOK 85 million in 2021 have been similarly reclassified from investment activity to operational activity. The reason for the change is that trading in interest-bearing securities is part of the company's ongoing liquidity management and thus an operational activity, and that, after a renewed assessment, it provides more reliable and relevant information for users of the accounts to present as operational activity.

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 are generally accrued as a service is 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 recognized 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 recognized 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). Derivatives related to these deposits are earmarked for hedging purposes. IFRS 9 requires that there should be a financial relationship between the hedging instrument and the hedging object, and that credit risk should not dominate the value changes of the hedging instrument. A prospective (forward-looking) efficiency test and the preparation of hedging documentation are also 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 OCI. 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 31.12.22, the tax rate on ordinary income in Norway was 22%, and the tax rate remains unchanged in 2023.

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). During the year, the company made some minor adjustments to the definition of when a need for migration between Stage 1 and Stage 2 arises. The purpose of the changes was primarily to reduce noise due to loans in a grey zone that move back and forth multiple times a year.

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. Therefore, in addition to the model-calculated supplements for greater uncertainty in the future, the company has taken into account special factors related to the portfolio that slightly increase the provisions for losses. 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 CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

	31.12.2022	31.12.2021
CAPITAL ADEQUACY		
Share capital	427 600	227 600
Share premium	242 500	122 500
Other equity	338 180	290 799
Equity	1 008 280	640 899
Deduction for goodwill and other intangible assets	-958	
Deduction for prudent valuation	-972	-590
Total Tier 1 capital	1 006 350	640 309
Subordinated capital	**1 006 350**	**640 309**
RISK-WEIGHTED CAPITAL		
Credit risk – standard method	4 778 515	3 779 265
Operational risk	161 275	152 960
CVA Risk	5 608	37 102
Risk-weighted assets	**4 945 397**	**3 969 327**
Capital adequacy ratio	**20,3**	**16,1**
Tier 1 capital ratio	**20,3**	**16,1**
CET1 capital ratio	**20,3**	**16,1**
SPECIFICATION OF RISK-WEIGHTED ASSETS		
Standard method		
Institutions	47 558	48 717
Enterprises		
Loans with collateral in real estate	4 630 632	3 680 767
Past due loans		
Covered bonds	79 042	49 090
Others	21 283	692
Credit risk	4 778 515	3 779 265
Operational risk	161 275	152 960
CVA risk	5 608	37 102
Total risk-weighted assets	**4 945 397**	**3 969 327**

The company 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 issue 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 the parent bank.

The limit is a total loan portfolio corresponding to 70% of total retail loans of Sandnes Sparebank.

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.

Kredittrisiko

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 31.12.22, the Company had a loan portfolio amounting to NOK 11.9 (9.8) billion, with an average loan to value ratio of 51.1% (52.0%). 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 0-15 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	31.12.2022	31.12.2021
Bank deposits	187 309	155 725
Loans to customers	11 911 405	9 817 103
Financial derivatives	7 809	44 537
Prepaid costs and accrued income	6 843	692
Total credit risk exposure in balance sheet items	**12 113 366**	**10 018 058**
Unused credit facilities and loan commitments	1 184 339	1 027 957
Total credit risk exposure	**13 297 705**	**11 046 015**

As of 31.12.22, the company had a mortgage portfolio amounting to NOK 11.9 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.

Score card 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.

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.

Probability of default

SSB Boligkreditt AS uses the same models for estimating probability of default (PD) as the other Eika banks. These are scorecards that were developed based on the entire Eika portfolio of customers, including Sandnes Sparebank's customers. The large pool of data on which their development was based makes it easier to produce models and, not least, 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, behavioural history in the company is also used. The publicly available information is from an external credit information agency. Scorecards for completely new customers, those without a history with us, are also based on data from, and the methods of, an external credit information agency. As the company accumulates more internal information about customers, more and more internal data is weighted into the models over the course of up to four 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. This 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, as well as manual assessments where the customer is not in default but where the company believes that the customer is likely to have problems meeting their obligations.

The updated definition of default, which was formulated in line with the European Banking Authority's guidelines, was used in the validation processes, which were conducted using data up to June 2022, without this having any significant impact on the quality of the model. The difference in the definitions primarily affects when defaults occur, which is somewhat later with the new definition than with the old definition. In other words, there is no significant difference in which customers default. 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.

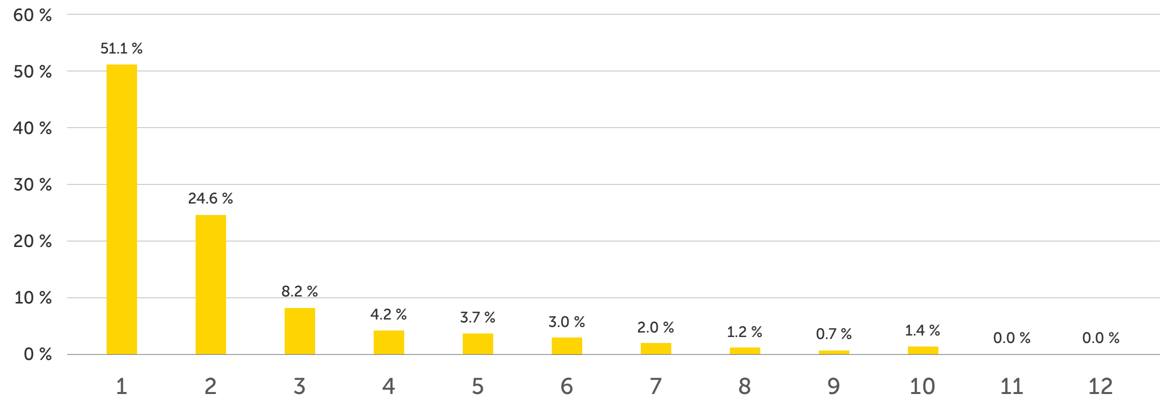
The models calculate a score that can be converted into a probability of default and then assigned a risk class. The company currently uses a scale from 1 to 12, where 1 is the best and 11 and 12 are customers who are in default or have loans with individual impairment. The model is regularly tested both by the Eika Gruppen centrally, but also through own validation of Sandnes Sparebank which also includes SSB Boligkreditt AS. The results of the tests show that the model generally manages to distinguish good from bad customers, and also estimates the level of default within what is considered an acceptable range. The last two years' validation processes have produced estimated levels that are somewhat above the realised ones.

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.

RISK CLASS AS OF 31.12.2021



Loss given default

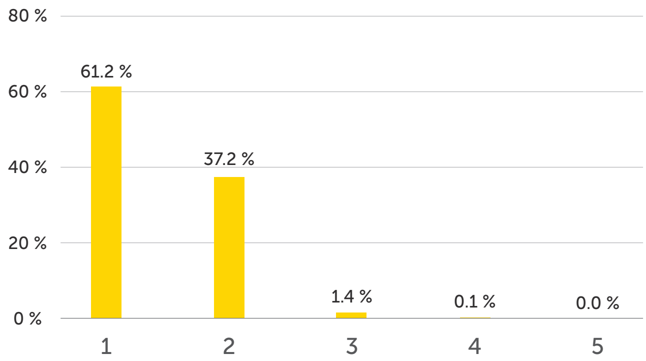
In order to reduce credit risk, all loans are secured on property. A combination of appraisal and statistical valuation based on sales prices from Eiendomsverdi is used to assess the value of the collateral. Valuations are then updated on a quarterly basis based on statistical data from Eiendomsverdi.

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:

COLLATERAL CLASS



The changes to the LGD model resulted in the expected credit losses given default are 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
Low	0.00 %	0.25 %
Moderate	0.25 %	1.00 %
High	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. The definition of a significant increase in credit risk was changed during the course of the year. The change was designed to reduce the number of customers jumping back and forth between Stage 1 and Stage 2 due to small changes in PD. The new rules mean that customers must have an increase in PD in the next 12 months of more than 0.6%. This limit used to be differentiated, with 0.5% for customers who, at the time of entering into the loan, had an estimated PD of less than 1%, and a requirement to increase this to 2% for customers with an estimated PD of more than 1% at the time of entering into the loan. This entails a stricter requirement for customers with a higher risk at the time of entering into the loan, and the opposite for customers with a lower risk at the time of entering into the loan.

In addition, an account is defined as Stage 2 if it is flagged with forbearance or there have been arrears for, or the account has been overdrawn by, more than NOK 1 000 for more than 30 days.

Stage 3 is the same as the individual impairments that are evaluated subjectively in each case.

Since a change in PD of at least 0.6% is now required to constitute a significant risk, this can be viewed as the introduction of a low risk exception. 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, before migrating back fairly soon afterwards. 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, although nor does it provide a more correct stabile impression of risk developments. The effect of this limit for minimum change is a reduction in the company's calculated ECL of NOK 1.5 million.

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. When PD is more than 5%, the full term to maturity is used. SSB Boligkreditt AS 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 the company 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 going forward.

As of 31.12.2022 the Company has the following expectations regarding the development of the macro variables:

	2023	2024	2025	2026	2027
MAIN SCENARIO					
GDP mainland	1,2 %	1,6 %	1,2 %	1,5 %	1,5 %
Change in number of employed	0,0 %	0,2 %	-0,2 %	0,5 %	0,5 %
Unemployment	3,7 %	3,7 %	4,1 %	4,0 %	4,0 %
Level money market rate	3,3 %	2,7 %	2,4 %	2,3 %	2,3 %
NEGATIVE SCENARIO					
GDP mainland	-3,3 %	-1,1 %	0,3 %	1,1 %	1,5 %
Change in number of employed	-3,4 %	-1,8 %	-0,9 %	0,2 %	0,5 %
Unemployment	5,3 %	4,7 %	4,4 %	4,3 %	4,0 %
Level money market rate	7,0 %	5,9 %	3,5 %	2,6 %	2,3 %
POSITIVE SCENARIO					
GDP mainland	5,7 %	4,3 %	2,1 %	2,0 %	1,5 %
Change in number of employed	3,4 %	2,2 %	0,5 %	0,8 %	0,5 %
Unemployment	2,1 %	2,8 %	3,8 %	3,8 %	4,0 %
Level money market rate	0,5 %	0,5 %	1,3 %	2,1 %	2,3 %

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.

All of the scenarios are now based on Statistics Norway's forecasts regarding the development of mainland GDP, employment numbers, money market rates and unemployment rates. Eika has developed regression models that examine the relationship between these variables and bank defaults based on time series spanning the 2000s. The base case here is the level the model produces based on the expected values of Statistics Norway's aforementioned indicators. Next a factor is calculated for adjusting existing PD to a given level.

The positive and negative scenarios are still based on Statistics Norway's expectations, although these are adjusted by 2.5 standard deviations in the first year, and then 1.5, 0.5, 0.25 and finally 0. In other words, the expectations in both the positive and negative scenarios will gradually reconverge with the expected pathway and a shock away from the pathway will not last more than 4 years.

The company has also followed the adjustment recommended by Sandnes Sparebank of the level towards its own expectations based on local knowledge and expertise in its own portfolio. A differentiation between different geographical areas has thus been made. Basically, the adjustments from last year have been kept. The adjustment locally in Rogaland entails somewhat reduced risk in relation to the main expectation in the first year, and then catches up with the main expectation. This is based on a situation where high activity in the oil and gas industry in the company's main market area results in high activity, little unemployment and relatively good pay terms and conditions, which result in few defaults and a low loss ratio despite higher interest rates and prices rises in at least the short 1-year time horizon.

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.

Share of exposure at default by risk group and stage

31.12.2022

	Risk category				
Stage	Low	Medium	High	Non-perf/loss	Total
1	90 %	0 %	0 %	0 %	91 %
2	8 %	1 %	0 %	0 %	9 %
3	0 %	0 %	0 %	0 %	0 %
SUM	**99 %**	**1 %**	**0 %**	**0 %**	**100 %**

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 %
SUM	**99 %**	**1 %**	**0 %**	**0 %**	**100 %**

Total exposure by risk groups

31.12.2022

Risk groups	Loans to customers	Guarantees	Unused limit	Total loans and advances	%
Low	11 762 109		1 181 258	12 943 367	98,8 %
Moderate	142 553		3 102	145 655	1,1 %
High	5 577		-21	5 556	0,0 %
Defaults/impairments	1 166			1 166	0,0 %
Total	**11 911 405**		**1 184 339**	**13 095 744**	**100,0 %**

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 %**

Age distribution, loans due

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

Age distribution of defaulted loans	31.12.2022	31.12.2021
1-30 days	26 773	13 453
31-60 days	3 205	381
61-90 days		
> 90 days		
Total	**29 978**	**13 834**

7 LOANS TO CUSTOMERS

Loans to customers

	31.12.2022	31.12.2021
Loans to customers at fair value		
Loans to customers at amortised cost	11 911 405	9 817 103
Net loans to customers	**11 911 405**	**9 817 103**

8 LOANS BY GEOGRAPHIC REGION AND BUSINESS SECTOR

Geographical distribution	Loans		Unused credit facilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Rogaland	10 592 082	8 656 842	1 079 431	932 429
Oslo/Akershus	595 319	515 339	52 644	38 241
Other counties	717 930	637 073	50 144	52 033
Abroad	11 429	14 265	2 119	5 255
Total	**11 916 761**	**9 823 520**	**1 184 339**	**1 027 957**

Divided by industries	Loans		Unused credit facilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Wholesale and retail trade				
Personal customers and others	11 916 761	9 823 520	1 184 339	1 027 957
Impairments	-5 356	-6 416		
Net loans	**11 911 405**	**9 817 103**	**1 184 339**	**1 027 957**

9 IMPAIRMENTS AND LOSSES ON LOANS

Losses on loans and guarantees	31.12.2022	31.12.2021
Period's changes in provisions for losses, Stage 1	523	-2 008
Period's changes in provisions for losses, Stage 2	-1 580	3 367
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	**-1 056**	**1 359**

There are no significant doubtful or defaulted commitments as at 31.12.2022.

31.12.2022

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 01.01.2022	**513**	**6 012**		**6 525**
Movements affecting profit:				
Transfers:				
Transfers from Stage 1 to Stage 2	-51	1 482		1 431
Transfers from Stage 2 to Stage 1	93	-2 284		-2 192
Additions of loans and advances during the period	144	109		253
Disposals of loans and advances during the period	-239	-2 428		-2 667
Changes during the period for loans and advances not migrated	34	-319		-286
Other adjustments	544	1 861		2 405
Provisions for losses as at 31.12.2022	**1 036**	**4 433**		**5 469**
Recognised as a reduction of loans to/receivables from credit institutions				
Recognised as a reduction of loans to customers				5 356
Recognised as provisions for liability items				114
Total provisions for losses as at 31.12.2022				**5 469**

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 01.01.2022	**8 561 637**	**1 417 608**		**9 979 245**
Transfers:				
Transfers from Stage 1 to Stage 2	-409 803	409 803		
Transfers from Stage 2 to Stage 1	607 179	-607 179		
Additions of loans and advances during the period	2 447 682	158 883		2 606 565
Changed provisions for losses during the period for loans and advances not migrated incl. disposals	-248 283	-233 458		-481 740
Gross capitalised loans and advances as at 31.12.2022[1]	**10 958 413**	**1 145 657**		**12 104 070**

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.

31.12.2021

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
Total provisions for losses as at 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.

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.

In many ways, the bank's customers fared better in 2022 than there was perhaps reason to believe they would have had one foreseen the combination of high energy prices, higher interest rates and generally high inflation. The portfolio has, nevertheless, seen a relatively positive development in risk.

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

- The future that the ECL model estimated – i.e. that does not include the bank's own considered adjustments.
- 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, which is also reflected in the low number of bankruptcies among enterprises 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 is fully weighted in the calculation of the future. The effect of weighting the negative scenario 100% is based on the unadjusted scenario – that is, the base case before the bank's own adjustment.

The last two scenarios are based on changes in house prices and examine the effect of a change of 10% in house prices.

The result of the sensitivity analysis is as follows;

	Unadjusted future outlook	Unchanged future outlook	Negative macro scenario	Full maturity	PD -10%	PD +10%	House prices +10%	House prices -10%
2022	-11,0 %	-29,5 %	12,2 %	21,6 %	-12,1 %	7,8 %	-7,1 %	14,0 %
2021		-26,4 %	108,6 %	41,8 %	-10,4 %	9,9 %	-9,1 %	19,2 %

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 31.12.22, the Company has issued bonds with a nominal value of NOK 10.6 billion, of which NOK 8.0 billion carry a floating rate.

Time to repricing date (gap) for assets and liabilities

31.12.2022

31.12.2022	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2022
Bank deposits	187 309						187 309
Loans to customers		11 911 405					11 911 405
Certificates and bonds	160 587	713 511					874 099
Financial derivatives	-413 768			421 577			7 809
Other assets						7 800	7 800
Total assets	**-65 872**	**12 624 917**		**421 577**		**7 800**	**12 988 422**
Liabilities to credit institutions							
Debt established through the issue of securities	2 239 702	5 713 269	299 987	1 428 491	899 278		10 580 727
Financial derivatives	312 468	1 965 135	-301 695	-1 029 685	-875 396		70 828
Other liabilities	1 328 588						1 328 588
Equity						1 008 280	1 008 280
Total equity and liabilities	**1 482 913**	**6 463 403**		**1 090 291**	**899 161**	**640 899**	**12 988 422**
Net liquidity exposure, balance sheet items	-3 220 393	6 911 648	-299 987	-1 428 491	-899 278	-1 000 480	63 019
Notional amount, derivatives	-726 236	-1 965 135	301 695	1 451 262	875 396		-63 019
Net total all items	**-3 946 629**	**4 946 513**	**1 707**	**22 771**	**-23 882**	**-1 000 480**	

31.12.2021

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**	

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 2022, 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 beyond 3 months. 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 31.12.2022, 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.

	2022	Fair value as at 31.12.2022		2021	Fair value as at 31.12.2021	
	Notional amount	Positive market value [1]	Negative market value [1]	Notional amount	Positive market value [1]	Negative market value [1]
Interest rate agreements [2]	2 625 000	7 809	70 828	2 225 000	44 537	
Foreign exchange rate agreements						
Total financial derivatives	**2 625 000**	**7 809**	**70 828**	**2 225 000**	**44 537**	
[2] Of which used for hedging purposes	2 625 000	7 809	70 828	2 225 000	44 537	

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 bank'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 31.12.2022, 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.

Information about hedging instruments 31.12.2022

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	2 625 000	7 809	70 828	Financial derivatives	-101 696
Total	**2 625 000**	**7 809**	**70 828**		**-101 696**

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	2 625 000	2 574 036	-86 210	Securities issued	101 696
Total	**2 625 000**	**2 574 036**	**-86 210**		**101 696**

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 31.12.2021

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	Securities issued	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.

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 maturity

31.12.2022	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	2022
Securities issued							
Other liabilities		52 248	849 932	8 779 268	899 278		10 580 727
Financial derivatives, gross settlement						1 328 588	1 328 588
Contractual interest payments	6 928	18 865	6 728				32 521
Total disbursements	20 757	64 275	83 155	207 435	44 100		419 722
Total disbursements	**27 685**	**135 389**	**939 815**	**8 986 703**	**943 378**	**1 328 588**	**12 361 558**

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**

As of 31.12.2022, the liquidity risk is assumed to be low.

13 NET INTEREST INCOME

	2022	2021
INTEREST INCOME MEASURED USING THE EFFECTIVE INTEREST METHOD:		
Interest income on loans to credit institutions	7 497	884
Interest income on loans to customers	299 901	176 752
Total interest income measured using the effective interest method	**307 397**	**177 636**
Interest income on securities	15 842	5 114
Total interest income measured at fair value	**15 842**	**5 114**
INTEREST EXPENSES		
Interest expenses on subordinated loan capital, measured using the effective interest method	28 636	7 924
Interest expenses on securities, measured using the effective interest method	219 056	103 801
Interest on financial derivatives as hedging instruments	(4 263)	(33 957)
Other interest expenses	1 865	1 586
Total interest expenses	**245 294**	**79 354**
Net interest income	**77 945**	**103 396**

14 NET COMMISSION INCOME AND INCOME FROM BANKING SERVICES

Other fees

	2022	2021
Commission income and income from banking services	28	18
Commission costs and costs of banking services		
Net commission income and income from banking services	**28**	**18**

15 NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS AT FAIR VALUE

Net change in value of financial instruments

	2022	2021
Net change in the value of certificates and bonds, measured at fair value	-4 250	-1 720
Gain/loss retirement own bonds, measured at amortised cost	-430	-4 873
Net change in value of financial derivatives, hedging	-101 696	-97 212
Net change in value of hedged financial liabilities	101 696	97 212
Net change in value of hedged items		
Net change in value of financial instruments	**-4 680**	**-6 593**

16 OPERATING COSTS

Driftskostnader	2022	2021
Wages	37	36
Social costs	5	8
Wages and general administration costs	**42**	**43**
Agreed audit	165	75
Other services	17	187
Other audit-related services	158	
Total remuneration to auditor incl. VAT	340	262
Management fees	12 072	11 850
Other administrative costs	53	100
Consultancy fees	333	347
Other operating costs	759	769
Total other operating costs	**13 558**	**13 328**
Depreciation		
Total depreciation and impairments		
Total operating costs	**13 600**	**13 372**

In 2022, 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 36,700 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	2022	2021
Tax payable		
Tax expense for the year	14 358	18 570
Correction of tax in prior years		
Change in deferred tax	-990	-510
Total tax on ordinary profit	**13 368**	**18 060**

RECONCILIATION OF TAX EXPENSE AGAINST PROFIT BEFORE TAX	2022	2021
Profit before tax expense	60 749	82 091
22% of profit before tax	13 365	18 060
Permanent differences	3	
Change in deferred tax		
Effects of change in tax rules		
Correction of tax in prior years		
Total tax on ordinary profit	**13 368**	**18 060**
Effective tax rate	22 %	22 %

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

DEFERRED TAX ASSET/DEFERRED TAX	31.12.2022	31.12.2021
Financial instruments	958	-32
Total deferred tax asset/deferred tax	**958**	**-32**

RECONCILIATION OF DEFERRED TAX ASSET/DEFERRED TAX	31.12.2022	31.12.2021
Deferred tax asset as at 1.1	-32	-543
Change recognised in the income statement	990	510
Total deferred tax asset/deferred tax as at 31.12	**958**	**-32**

BASIS FOR TAX PAYABLE IN THE BALANCE SHEET	31.12.2022	31.12.2021
Profit before tax expense	60 749	82 091
Basis for tax payable	**60 764**	**82 091**
22% of the basis for tax payable	13 368	18 060
Change in deferred tax	990	510
Tax payable on the balance sheet	**14 358**	**18 570**

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.

31.12.2022

	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	187 309				187 309
Loans to customers	11 911 405				11 911 405
Certificates and bonds			874 099		874 099
Financial derivatives				7 809	7 809
Accrued income not received					6 843
Other assets					958
Total assets	**12 098 714**		**874 099**	**7 809**	**12 988 422**
LIABILITIES					
Liabilities to credit institutions					
Debt established through the issue of securities[1]	10 580 727				10 580 727
Financial derivatives				70 828	70 828
Accrued costs					
Provisions	114				114
Other liabilities	1 314 116			14 358	1 328 474
Total liabilities	**11 894 956**			**85 186**	**11 980 142**

1 Securities issued are recognised at amortised cost. Hedge accounting is used for the company's fixed rate bonds. As of 31.12.2022, the book value of fixed rate bonds is NOK 2,574 million (2,272).

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	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**

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments measured at amortised cost	31.12.2022		31.12.2021	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and bank deposits	187 309	187 309	155 725	155 725
Loans to customers	11 911 405	11 911 405	9 817 103	9 817 103
Prepaid costs and accrued income				
Total assets	**12 098 714**	**12 098 714**	**9 972 829**	**9 972 829**
LIABILITIES				
Liabilities to credit institutions			46 247	46 247
Debt established through the issue of securities	10 580 727	10 551 443	8 455 941	8 466 565
Accrued costs and received not accrued income	114	114	109	109
Other liabilities	1 314 116	1 314 116	1 414 868	1 414 868
Total liabilities	**11 894 956**	**11 865 672**	**9 917 164**	**9 927 788**

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 amortized 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 31.12.22, 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 wholly related to the takeover of loans from the Parent Company, Sandnes Sparebank.

20 CERTIFICATES AND BONDS

Certificates and bonds at fair value	31.12.2022	31.12.2021
Government-guaranteed bonds	83 679	67 490
Bonds (covered)	787 799	490 384
Accrued interest	2 621	735
Total certificates and bonds at fair value	**874 099**	**558 608**
Effective interest rate	2,43 %	0,76 %
Duration	1,69	1,65

21 SECURITIES ISSUED

Securities debt	31.12.2022	31.12.2021
Bond loans, minus share discount/plus share premium	10 514 500	8 418 263
Bond loans, own holdings		
Accrued interest	66 226	37 678
Total Liabilities established by issuance of securities	**10 580 727**	**8 455 941**
Average interest rate, bond loans:	**3,51 %**	**1,65 %**

Change in securities issued	31.12.2021	Issued	Matured/ redeemed	Other changes	31.12.2022
Bond debt, nominal value	8 355 000	3 100 000	880 000		10 575 000
Changes in value	63 263			-123 762	-60 499
Accrued interest	37 678			28 548	66 226
Total securities issued	**8 455 941**				**10 580 727**

	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**

As of 31.12.22, Statistics Norway has issued 13 bonds.

Bonds

Bonds	Face value	Final due date
NO0010886237	300 000 000	16.06.2025
NO0010753320	425 000 000	18.03.2026
NO0010822398	600 000 000	08.05.2024
NO0010833254	2 400 000 000	27.09.2024
NO0010834070	300 000 000	10.10.2028
NO0010856271	300 000 000	05.06.2023
NO0010871452	550 000 000	16.05.2023

Bonds	Face value	Final due date
NO0010849847	300 000 000	19.06.2029
NO0010868706	300 000 000	20.05.2030
NO0010952872	2 000 000 000	18.05.2026
NO0012748658	450 000 000	16.06.2025
NO0012699042	400 000 000	16.06.2026
NO0012422908	2 250 000 000	16.06.2027
Total nominal value of bonds in issue	**10 575 000 000**	

22 OVERCOLLATERALISATION

The overcollateralization 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 105% of the value of the covered bonds being covered by the cover pool.

Overcollateralisation - total nominal value issued covered bonds

(tall i NOK 1000)	31.12.2022	31.12.2021
Total nominal value issued covered bonds	**10 575 000**	**8 355 000**
Loans to customers	11 901 415	9 791 100
Bank deposits	187 268	155 656
Liquid assets	874 099	557 874
Deduction substitute collateral[1]		-167 711
Total cover pool value	**12 962 782**	**10 336 919**
Overcollateralisaion	**122,6 %**	**123,7 %**
Rating agency minimum requirement	104,0 %	104,0 %
Minimum regulatory overcollateralisation requirement	105,0 %	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

	31.12.2022	31.12.2021
Debt to Sandnes Sparebank	1 313 461	1 414 836
Other liabilities	655	31
Other liabilities	**1 314 116**	**1 414 867**

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 1 313 (1 415) 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 427 600 000 divided into 4 276 000 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

No events of material significance for the prepared annual financial statements have taken place after the balance sheet date of 31.12.2022

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 2022	Full year 2021
Deposit interest	7 497	884
Interest and credit commissions paid	-28 584	-8 578
Management fee	-12 072	-11 850

Balance sheet	31.12.2022	31.12.2021
Loans to and claims on credit institutions	187 309	155 718
Derivatives	-13 401	3 998
Other liabilities	1 313 461	1 414 836
Debt established through the issue of securities		7 907

SSB Boligkreditt did not pay dividends to the parent bank in 2022, while in 2021 it paid an additional dividend to the parent bank of NOK 35.0 million. Capital was also raised through share issues in 2022. In total, the parent bank's offerings raised NOK 320 million, NOK 200 million of which was in increased share capital and NOK 120 million in share premium.

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

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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 2022, 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 14 2023 | Styret i SSB Boligkreditt AS

Tomas Nordbø
Chairman of the Board

Arild Ollestad
Director

Lene Nevland Sivertsen
Director

Erik Kvia Hansen
Director

Elisabeth Rosbach
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 2022, 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 2022, 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 12 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.

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Independent Auditor's Report -
SSB Boligkreditt AS

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 access management. 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 SSB Boligkreditt AS' service provider of the core banking system 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.

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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, 14 March 2023
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant

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

Design: Fasett 2023

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