Annual Report 2021

SpareBank 1 Boligkreditt

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14 BANKS. HUNDREDS OF YEARS OF EXPERIENCE:

The SpareBank Alliance

Early in the 19th century the savings banks were started all across Norway, by the communities themselves, to have a savings vehicle and to help grow local economies and infrastructure.

Our history begins in 1823, when SpareBank 1 SMN opened its doors in Trondhjem.

More than 170 years later, in 1996, The SpareBank 1 Alliance was formed. The goal was to make the banks stronger by working together. Later, several opportunities for offering the public other financial services than lending were integrated. At the same time the SpareBank 1 brand was born. Today it is a household brand name all over Norway.

The Alliance strengthens each of the 14 local bank’s competitiveness and profitability and it ensures each bank’s future independence and regional ties. The shares of SpareBank 1 banks listed on the Oslo stock exchange have provided strong investment returns since the Alliance was formed, through the financial crisis and the corona pandemic, as well as business cycles in between.

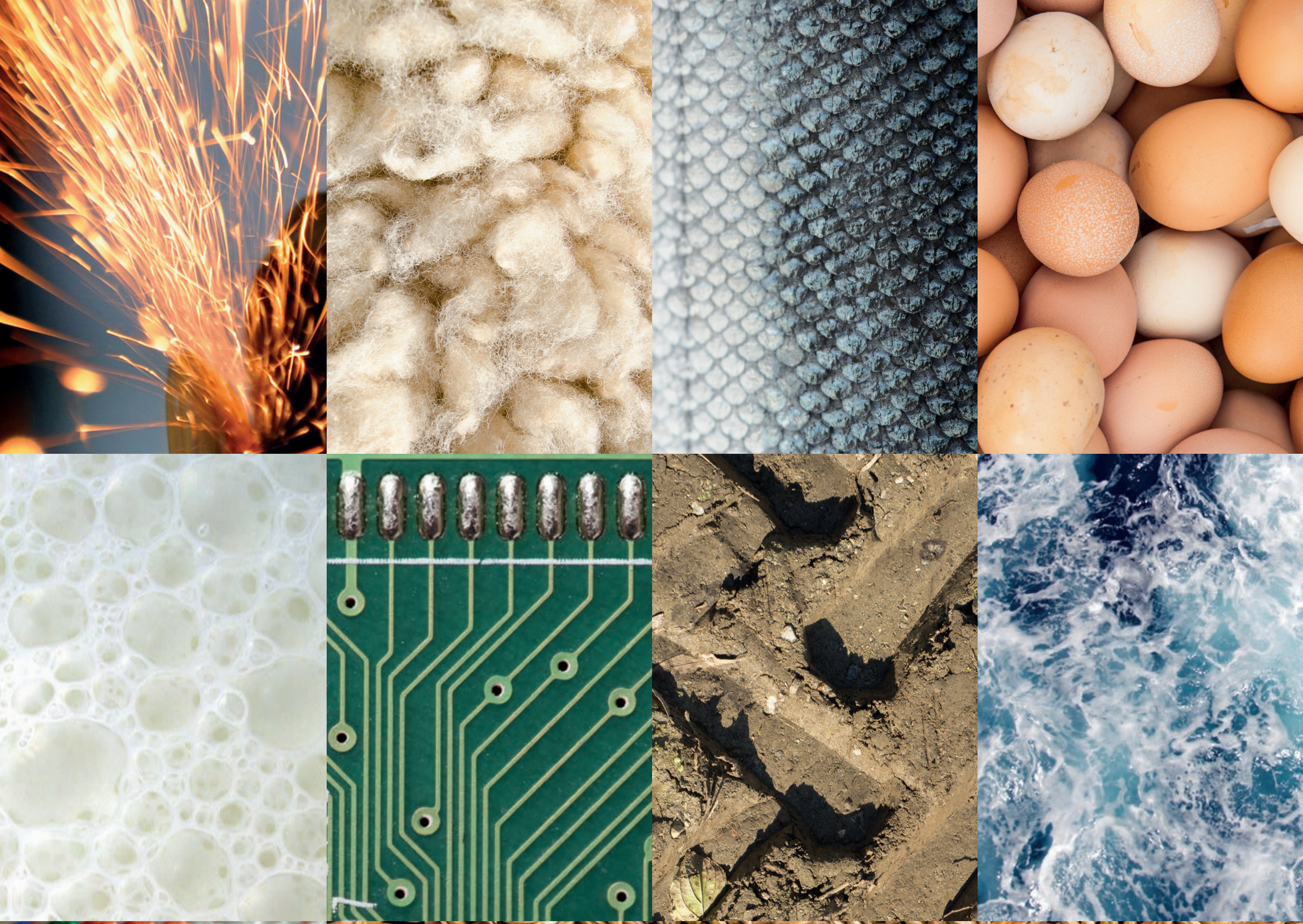
A key contributing reason is sound lending. Part of the core strategy for the banks is a regional banking principle, intimate knowledge of the customer base and in the last couple of years a strong focus on sustainability.

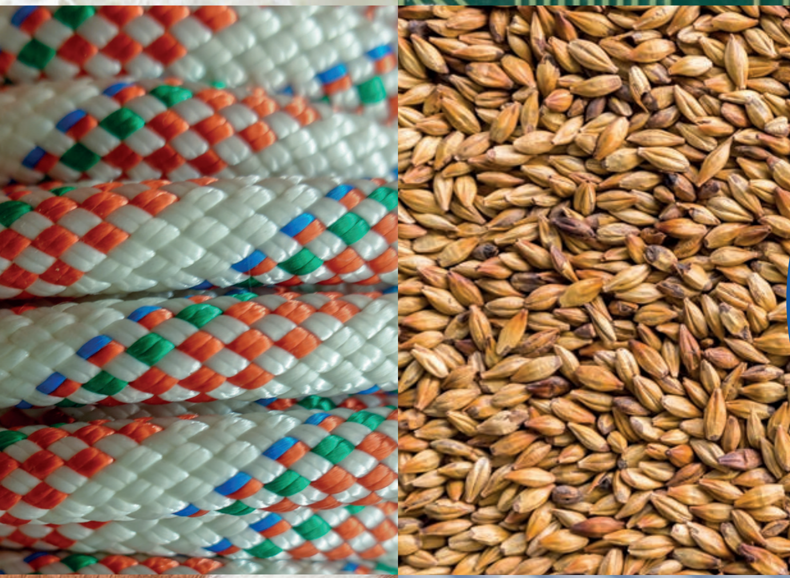
SpareBank 1 is Norway’s second largest finance group in terms of assets. It plays a key role in the country's residential mortgage market.

Big or small, two hundred years old or established in the 20th century: All the banks in the SpareBank 1 Alliance have made a difference for Norwegians and their daily lives, businesses and local initiatives all over the country – and they still do. Today the old saving bank of the 19th century is, as a SpareBank 1 Alliance member, a fully fledged universal bank which shares a part of its profits with the society in which it operates.

We will give the banks some extra attention in our annual reports – starting with SpareBank 1 Østlandet. This is the biggest bank measured in share capital in Boligkreditt. SpareBank 1 Østlandet has 36 branches and approximately 370 000 customers in the regions of Innlandet, Oslo and Akershus.

And today approximately 80 000 Norwegian homes and recreational properties are financed by Sparebank 1 Østlandet.





The banks in the SpareBank 1 Alliance have made a difference for Norwegians and their daily lives, businesses and local initiatives all over the country – and they still do.

Statement of the Board of Directors of SpareBank 1 Boligkreditt AS, 2021

SpareBank 1 Boligkreditt's purpose

SpareBank 1 Boligkreditt AS ('Boligkreditt', 'SpaBol', or 'The Company') is a specialized covered bond issuer. It is regulated as a credit institution and licensed by the Norwegian Financial Supervisory Authority (Finanstilsynet) and is operated according to the legislation for covered bonds in Norway[1].

The purpose of the Company is solely to provide funding for its owner banks by buying qualifying residential mortgage loans from them with a loan-to-value ("LTV") of up to 75 percent and financing these through the issuance of covered bonds[2].

The Company, which is based in Stavanger, Norway, is owned by banks which are all members of the SpareBank 1 Alliance. A comprehensive agreement with each of these banks regulates the mortgage purchasing process and the obligations which the banks owe the Company and its mortgage customers ("Transfer and Servicing Agreement"). The Company pays out the interest margin earned to its owner banks, with deductions for estimated operating and financial expenses. This margin is accounted for as commissions to owner banks, which are obligated to maintain the Company's equity capitalization above regulatory requirements.

The Company's issuances of covered bonds mainly take place under the EUR 35 billion Global Medium Term Covered Note Programme (GMTCN Programme). This Programme was updated on April 20, 2021 and is available on the Company's home page: https://spabol.sparebank1.no.

Moody's Ratings Service evaluate the credit quality of the issuances under the GMTCN Programme. The covered bonds are rated Aaa.

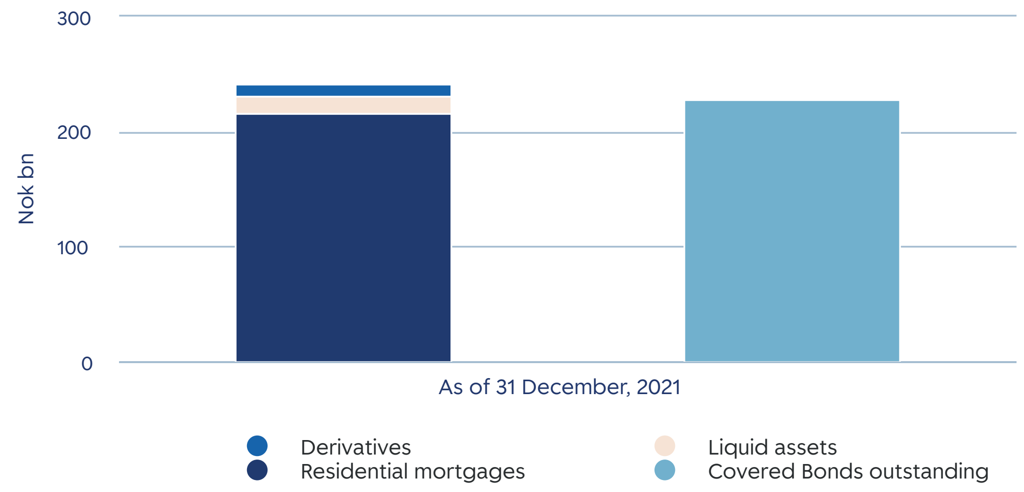
Cover pool and outstanding covered bonds[3]

SpareBank 1 Boligkreditt's cover pool consists of residential mortgages and liquid, highly rated assets as well as derivatives hedging liabilities in a foreign currency and/or at fixed rates. The chart below illustrates the balances as of December 31, 2021:

[1] The covered bond legislation is included in the Financial Institutions Act ("Finansforetaksloven") chapter 11, section II and the detailed regulations thereof.

[2] The limit for installment mortgages is 75 percent, while mortgages which have no scheduled repayment structure are limited to 60 percent. There is a regulatory minimum amortization requirement of 2.5 percent annually for new mortgages with a LTV at 60 percent or above.

[3] The source is the cover pool asset liability test for overcollateralization as of Dec. 31, 2021 (see notes to the financial statements). Norwegian covered bond issuers are required by law to group derivatives as part of cover pool assets, and not together with the issued covered bonds that they hedge (liability side). This is reflected in the chart.



The amount of **liquid assets** varies over time and the variation is solely a result of the Issuer's liquidity risk management (and regulatory requirements), whereby upcoming redemptions are refinanced prior to the maturity of outstanding bonds (minimum 180 days) with bond proceeds invested as liquid assets. Liquid assets are covered bonds with a triple-A rating, SSA or government bonds with a triple-A rating or short-term cash deposits and repos (please see the cover pool statistical reports for details on the composition of liquid assets).

Derivatives are used solely to hedge currency and interest rate risk. They are tailored to exactly match the cash flows related to the bonds they hedge, for the full duration of the bond. Swap counterparties are subject to certain rating criteria and are in all cases banks other than the Company's owner banks. Counterparties post collateral to Boligkreditt for its swap exposures, and this is included as a liability and an asset, amongst liquid assets, on the balance sheet.

The table below provides an overview of the **residential mortgages** in the cover pool, as well as the overcollateralization.

Residential mortgages key figures[4]

	Q4 2021	Q3 2021	Q2 2020	Q1 2020	Q4 2020
Weighted Average Current LTV (%)	51.0 %	48.3 %	49.2 %	51.2 %	51.4 %
Weighted Average Original LTV (%)	59.9 %	59.9 %	59.9 %	59.8 %	59.7 %
Average Loan Balance (NOK)	1,593,078	1,564,121	1,539,309	1,521,007	1,507,205
Number of Mortgages in Pool	139,495	138,755	137,453	138,595	132,298
Pct. of non first-lien mortgages	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Overcollateralization	5.7 %	6.0 %	5.7 %	4.5 %	4.4 %

[4] Overcollateralization in the table is calculated inclusive of LCR amounts within the cover pool.

Key developments in 2021

A record amount of NOK 26.8 billion was issued in 2021, with a larger amount in the 4th quarter, taking advantage of cost-effective and receptive markets in domestic denominated covered bonds. There was no pandemic related extraordinary central bank financial support in Norway during the year, apart from a low policy interest rate, leading to normal market issuance volumes. SpaBol also issued EUR 2 bn in two transactions, in May and late October. This pattern in the EUR market is normal, though the relatively high volume of NOK issuance replaced issuance in other currencies during the year.

The residential mortgage lending volume which SpaBol finances grew by 6.8 percent during 2021. The financed mortgage volume stands at NOK 223 billion at the end of the year. This follows 9.3 percent growth of financed mortgage volume during 2020, when the growth was larger due to the pandemic's initial impact on capital markets and lower market interest rates and higher mortgage demand.

The Norwegian government is implementing the EU's harmonization directive for covered bonds, as well as changes to Article 129 in CRR (Capital Requirement Regulation). This is expected to take place by the deadline in July 2022, and will probably cause that the required regulatory overcollateralization in the cover pool increases to 5 percent from 2 percent. These and other changes in the covered bond legal framework, due to the EU harmonization, are not expected to represent any difficulty for the Company.

The SpareBank 1 Alliance expanded with one bank – SpareBank 1 Helgeland - joining and rebranding to The Alliance in 2021. There was also Alliance growth through consolidation with SpareBank 1 Nordvest merging with Surnadal Sparebank in 2021 (from outside the Alliance), and rebranding to SpareBank 1 Nordmøre. Finally, internal SpareBank 1 consolidation created another larger shareholder in SpareBank Boligkreditt when three existing SpareBank 1 banks merged and SpareBank 1 Sørøst Norge was formed.

Annual accounts

The accounts have been prepared in accordance with the International Reporting Standards (IFRS) as adopted by the EU and published by the International Reporting Standards Board (IASB).

The Board views the accounts as presented to be a true representation of SpareBank 1 Boligkreditt's operations and financial position as of the end of 2021. Numbers in brackets refer to the corresponding period last year for comparison.

The total balance sheet at 31.12.21 amounted to 258 (271) billion kroner. While the financed volume of mortgages continued to increase (NOK 223 billion vs. 209 billion on December 31 the prior year), the balance sheet decreased primarily due to a reduced value of financial derivatives (swaps) and also associated collateral received from counterparties, due to a stronger NOK exchange rate against EUR, and repayment of maturing debt and expiration of related older swaps.

The Company had in 2021 net interest income of 2,344 (2,139) million kroner. The increase is due to a higher volume of financed mortgages and a higher margin compared to the same period last year when variable mortgage interest rates reduced quickly due to the pandemic. Commission expenses, which are amounts paid to Boligkreditt's owner banks, were 2,098 (1,770) million. These amounts represent most of the margin between mortgage interest rates and the Company's funding costs.

The cost of operations for 2021 was 39 (41) million kroner. The majority of operating costs are for expenses related to the Company's bond issuances, IT operations as well as personnel related expenses.

IFRS 9 expected loan losses decreased by 15 (increased by 18) million to 15 (30) million. No actual loan losses have occurred. This produces an operating result of 131.5 (168.4) million kroner before tax. The operating result includes scheduled payments to Additional Tier 1 bondholders, which are classified as distribution to equity capital.

The result after tax is NOK 98.6 million and 25.1 million, after tax, was distributed to additional Tier 1 bondholders. The remainder, 73.4 million is proposed to be paid out to common shareholders, which is 0.94 NOK per share. A small residual amount is added to other equity.

The Company's own liquid assets were approximately 24 (24) billion kroner as of the end of the fourth quarter. The volume of Boligkreditt's liquid assets is rules driven. Liquid assets are cash and highly rated, highly liquid bonds being held as a function of refinancing early the Company's upcoming bond maturities at least six months ahead of expected maturities. The volume of liquid assets is, at a minimum, managed to meet the 180-day minimum liquidity rule in the EU covered bond harmonization directive.

Risk aspects

SpareBank 1 Boligkreditt, as a licensed and regulated covered bond issuer, is subject to strict rules regarding its exposure to credit, market, and liquidity risks. This fact, and the aim of the maintenance of the Moody's Aaa rating, means that the Company is subject to low levels of risk and places strong emphasis on risk control.

Credit Risk is defined as the risk that losses can occur as a consequence of customers and others not having the ability or willingness to meet their obligations to SpareBank 1 Boligkreditt. Because the Company buys residential mortgages within 75% of the value of the objects on which the mortgages are secured, the Board of Directors concludes that the credit risk is lower than for Norwegian banks in general.

Market risk is defined as the risk of losses due to changes in market rates, i.e. interest rates, exchange rates and the prices of financial instruments. At the end of the fourth quarter SpareBank 1 Boligkreditt had issued bonds for approximately 137 billion kroner in EUR, 9 billion kroner in GBP and 8.6 billion kroner in Swedish kroner, based on exchange rates on December 31, 2021. However, all borrowing and investments with a fixed rate, and all borrowing and investments in a foreign currency, have been hedged by financial currency- and/or interest rate swap agreements or through natural hedges. The collective cash flow therefore matches borrowing in Norwegian kroner with floating rate conditions (NIBOR 3 months). The Company receives collateral from its counterparties in derivative agreements according to certain criteria.

The bonds held in the Company's liquidity portfolio are mainly Nordic covered bonds and German supra sovereign and agencies (agencies guaranteed by the German government) with a triple-A rating from Fitch, Moody's or S&P. Deposits are placed in banks with a minimum rating of A/A2. Cash is also placed in reverse repos with approved counterparty banks, with AAA rated securities as collateral.

The Company had as of December 31, 2021 only moderate interest rate risk, and immaterial amounts of currency risk.

Liquidity risk is defined as the risk that the Company is not able to meet its obligations at maturity or to finance the purchase of loans at normal terms and conditions. Liquidity risk is managed based upon a liquidity strategy approved by the Board of Directors. According to the strategy, SpareBank 1 Boligkreditt AS shall maintain a material liquidity reserve with a minimum size equal to or more than all debt maturities within the next 6 months, or to comply with the NSFR requirement as proposed, whichever is higher. The Board of Directors views SpareBank 1 Boligkreditt AS's liquidity situation as good.

Operational risk is defined as risk of loss due to error or neglect in transaction execution, weakness in the internal control, or information technology systems breakdowns or malfunction. Reputational, legal, ethical and competency risks are also elements of operational risk. The risk is assessed by the Board of Directors to be moderate.

The Company spends much time identifying, measuring, managing and following up on central areas of risk in such a way that this contributes to meeting its strategic goals. The notes 24 through 28 in the 2021 annual accounts provide further information.

Employees and the working environment

SpareBank 1 Boligkreditt had seven direct employees as of 31.12.2021, of which six are male and one female. The Company has a Transfer and Servicing Agreement with each shareholder bank which is handling the customer contact and servicing the mortgage portfolio on behalf of the Company. In addition, the Company purchases a significant amount of its support functions from SpareBank 1 SMN, e.g. accounting, HR and finance related back-office functions. Boligkreditt is served by a central SpareBank 1 Alliance unit for IT specific needs and further operational activities.

The Company has moved into new offices in early 2020, which are energy efficient with a BREEAM-NOR certification of very good. The EPC label is B, while energy use is 85 kWh/m2 and running Co2 emissions are 12.9 kg Co2/m2. About half of the employees walk and cycle to work. The company provides no car parking spaces. Working from home has been smooth and efficient during the pandemic. There has been zero percent employee absence recorded in 2021 due to sickness. No workplace accidents which might have resulted in property and/or damage to any persons have occurred or been reported during the year.

The Board consists of six persons of which four are male and two are female. SpareBank 1 Boligkreditt AS strives to achieve an even distribution between the genders in recruiting for the staff and the Board.

SpareBank 1 Naeringskreditt AS, which is smaller and finances commercial property lending, but also is a covered bond issuer, has identical staffing to Boligkreditt. Of the seven full time employees employed at year-end in both SpareBank 1 Boligkreditt and Naeringskreditt AS, 1.4 full time equivalents have been allocated to SpareBank 1 Naeringskreditt AS. The Boards of the two companies have almost an identical composition at year-end 2021.

Corporate Governance

SpareBank 1 Boligkreditt's principles for corporate governance are based on the Norwegian accounting law and regulations and the Norwegian practice for corporate governance. Through its financial accounting, Boligkreditt seeks to deliver relevant and timely information for its owner banks, regulatory authorities and participants in the capital markets. The Board evaluates and approves Management's proposed annual and quarterly financial accounts.

Boligkreditt maintains an administration which is suitable for the purposes, activities and extent of the business. The Management routinely evaluates internal procedures and policies for risk and financial reporting, including measuring the results and effectiveness of the procedures and policies. Any breaches in the policy and procedures are reported continuously to the Board of Directors. Management is also responsible for following up and implementing actions, recommendations and new rules from the regulatory authorities.

The Company has insurance in place for professional responsibility for the board of director and its employees, as well as insurance coverage regarding cyber related claims (hacking, ransom etc.) and for losses due to criminal acts towards the company. All insurance policies are held jointly within the SpareBank 1 Alliance.

The Company publishes its Corporate Governance policies in a document available on the Company's website **www.spabol.no.**

Shareholders

The Company's shareholders are solely banks in the SpareBank 1 Alliance (or banks owned by these banks) which have sold and transferred mortgages to the Company. The shareholder's agreement includes a clause that the Shareholders must maintain a minimum equity capitalization of Boligkreditt consistent with minimum regulatory requirements. In case of a rights issue, the shareholders are obliged to subscribe shares according to its current share of the shareholdings. The Company is not party to agreements which come into force, are amended, or are terminated as a result of a takeover bid.

Social responsibility

SpareBank 1 Boligkreditt is a specialized issuer of covered bonds, set up according to Norwegian law requirements for issuers of covered bonds. Despite the relatively large size of its balance sheet, Boligkreditt has strict limitations on its activities and has only seven full time employees. The nature of the business consists solely of buying residential mortgage loans from its shareholder banks in the SpareBank 1 Alliance, and to finance these by issuing covered bonds. Every other activity, such as entering into derivatives agreements, receiving collateral related to those and maintaining and investing own liquid assets, follow from this single business purpose.

The banks in the SpareBank 1 Alliance operate as universal banks in the Norwegian market with an array of activities, including lending to businesses and households. These banks in total have around 6,000 employees and are together Norway's second largest financial group. Boligkreditt's parent banks set lending policies, service and handle all mortgage customer activity (including the customers whose mortgage loans have qualified for and been sold to the Company). Because of this, the ESG policy of the Company is aligned with its owner banks within the relevant areas for the Company. The SpareBank 1 banks present their ESG reports and further material on their websites and/or annual reports. The ESG reports, including GHG emissions reporting, of the main Boligkreditt shareholder banks can be found here:

- **For SpareBank 1 Ostlande**t; https://www.sparebank1.no/en/ostlandet/about-us/sustainability/sustainability-in-everything-we-do.html#par_title
- **For SpareBank 1 SMN:** https://www.sparebank1.no/en/smn/about-us/sustainability.html
- **For SpareBank 1 Nord-Norge**: https://www.sparebank1.no/en/nord-norge/about-us/about-us/sustainability.html

SpareBank 1 Boligkreditt supports, encourages and to some extent coordinates increased ESG disclosures and initiatives within SpareBank 1. Through the issuing of green covered bonds, where proceeds are earmarked for mortgages financing energy efficient housing, the ESG policies of the mortgage originating banks come into focus. The Company adopts the same set of ESG values and goals as the owner banks (see in particular the document "ESG policy in SpareBank 1 Boligkreditt" under the Green Bonds section of the spabol.no website).

Several of the owner banks offer 'environmental mortgages', where a discounted rate is offered to consumers planning to build energy efficient houses or for substantial energy efficiency upgrades. These loans will also, included in a broader set based on the top 15 percent of energy efficient housing, qualify for green bond issuance at SpareBank 1 Boligkreditt.

In the area of mortgage finance the originating banks are obligated by Norwegian mortgage market regulation to analyse the sustainability of mortgage debt that borrowers are seeking. They are also obligated to not approve and provide advice to customers who are seeking debt levels which may be or become unsustainable.

Macroeconomic development and outlook[5]

With the outbreak of the pandemic, Norway saw a recession in 2020, like most other countries, with GDP contracting 2.3 percent (recently revised up from -2.5 percent). The GDP recovery in 2021 (recently upgraded to 4.1 percent from 3.6 percent), is led by a return of private consumption, and also government expenditure, while investments are now not expected to contribute more materially until 2022. High European energy prices, in particular for natural gas, have brought back a high current account surplus, as projected for 2021 and 2022 (and lately revised upwards).

Housing investment has delivered negative GDP contributions from 2018 through 2020 but is seen to be turning clearly positive in 2021 and 2022. The reason for that can be found in the housing market, where there has been a high level of transactions and relatively low levels of inventory. Furthermore prices are 5.2 percent higher over 2021, after 8.7 percent growth in 2020. However, the level of new construction is now relatively high compared to the population change, which has reduced, and may imply that investment growth will be less ahead. Market mortgages rates have lately increased from record low levels, following two increases in the central bank's monetary policy rate in 2021. This will probably keep the residential real estate price development moderate. The trend during the second half of 2021 has been lower prices for residential property.

Unemployment in 2021 is a little elevated because the figures represent average levels for the year, while the forecast for 2022 was recently reduced to 3.7 percent (annual averaged) from 4.4 percent. The labour market is strong, though new Omicron related corona restrictions in December 2021 did move the unemployment rate marginally higher, but this is expected to revert with easing of restrictions. Mortgage market risks are not expected to materialise from the labour market situation going into 2022.

Summarised for a few macroeconomic indicators, the recent data and forecast for the next few years are as follows:

Recent data and forecast (percent)	2018	2019	2020	2021	2022
Mainland GDP growth	2.2	2.0	-2.3	4.1	4.1
Private consumption growth	1.6	1.1	-6.6	4.2	8.5
Mainland investments growth	1.5	6.3	-3.6	0.8	4.6
Unemployment rate	3.8	3.7	4.6	4.6	3.7
CPI growth	2.7	2.2	1.3	3.4	2.6
Annual wage growth	2.8	3.5	3.1	3.3	3.3
Current account surplus to GDP	8.0	2.9	2.0	12.3	13.5

Source: Statistics Norway (SSB) December 3, 2021

[5] Macroeconomic projections have been sourced from Statistics Norway as of December 3, 2021.

Future prospects of the Company

The Company has a portfolio of residential mortgage loans with an average loan to value (LTV) around 50 percent, and no loans are in default. The maximum allowable level for a mortgage in a cover pool is 75 percent LTV, with amounts above that level not being eligible as a cover pool asset.

SpareBank 1 Boligkreditt's residential mortgage portfolio is well diversified, albeit weighted towards the eastern, central and northern regions in Norway (with little exposure in the southwest oil-industry dominated area of Norway). Mortgage loans in the cover pool are very granular (average size of 1.5 million kroner). The banks in the SpareBank 1 Alliance are required to keep reserves of eligible (i.e. cover pool pre-qualified) mortgages in order to provide replacement assets should this become necessary (i.e. if residential price declines increase LTVs above the eligibility limit for mortgages in the pool). Such reserves in the banks are tested regularly to verify that a 30 percent decline in real estate prices leaves each member bank with sufficient qualifying reserves for replenishing the cover pool.

The Board of Directors views Boligkreditt as well capitalised with a capital coverage ratio of 23.7 percentagainst a total requirement, including all buffers, of 16.0 percent(Pillar 1) plus 0.9 percent(Pillar 2). The countercyclical buffer capital requirement was lowered from 2.5 to 1 percentin March 2020, but will increase to 1.5 percentas of June 30, 2022.

Total equity Tier 1 capital is 21.2 percentagainst a requirement, including buffers, of 14.9 percent. Common equity capital was 19.6 percent against a requirement, including all buffers, of 13.4 percent. It is the Company's policy to maintain capital ratios slightly above the regulatory requirements (a management buffer). When required, additional common equity is paid in by the owner banks in the regular course of business, usually in connection with increases in transferred mortgage volume. Additional Tier 1 and Tier 2 capital is raised in the Norwegian domestic capital market

The Board of Directors views prospects for the Company to continue to be good and stable. This is based on several elements: a strict qualifying process for loans to become part of the cover pool (bank lending practises, mortgage regulations and cover pool qualification requirements), a high degree of diversification of the mortgages in the pool, as well as the robustness of the Norwegian economy, both during the pandemic and the future outlook, including the strong financial resources available to the Norwegian state to support the economy at large. The Board also bases this conclusion on the low average LTV of the mortgage portfolio, no defaults or loans in arrears, and a strong history and institutional framework in Norway for mortgage loan performance.

It all started with granaries

Hof Sparebank was the first of the banks that today forms SpareBank 1 Østlandet. It was established in 1845 by a socially engaged clergyman and mayor, Haagen Ludvig Bergh. The bank's primary capital came from funds from the sale of granaries belonging jointly to the communities in Hof, Våler and Åsnes.

* * *

The Board of Directors affirms its conviction that the financial accounts present a correct and complete picture of the Company's operations and financial position at the end of 2021. The financial accounts including notes are produced under the assumption of a going concern.

There have been no incidents of a material nature after year-end which are expected to impact the accounts as of December 31, 2021

Stavanger, February 11, 2022
The Board of Directors of SpareBank 1 Boligkreditt AS

/s/ Kjell Fordal
Chairman of the board

/s/ Bengt Olsen

/s/ Geir-Egil Bolstad

/s/ Heidi Aas Larsen

/s/ Merete N Kristiansen

/s/ Knut Oscar Fleten

SpareBank 1 Boligkreditt AS
- Statement of the members of the board and the chief executive officer

The Board and the chief executive officer have today reviewed and approved the financial accounts as of December 31, 2021 for SpareBank 1 Boligkreditt AS. The accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

To the best knowledge of the Board and the chief executive officer the accounts have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole as of December 31, 2021.

The Board of Directors and the chief executive officer declare to the best of their knowledge that the annual report gives a true and fair view of the development and performance of the business of the Company, as well as a description of the principal risks and uncertainties facing the Company.

Stavanger, February 11, 2022
The Board of Directors of SpareBank 1 Boligkreditt AS

/s/ Kjell Fordal Chair	**/s/ Bengt Olsen**	**/s/ Geir-Egil Bolstad**	**/s/ Heidi Aas Larsen**
/s/ Merete N Kristiansen	**/s/ Knut Oscar Fleten**	**/s/Arve Austestad** CEO	

From the elite to the working class

SpareBank 1 Østlandet´s three first banks were all established by the elite. It was not until 1851 that this changed when the working class started the fourth bank in Løten.

Management Statement Annual Report 2021

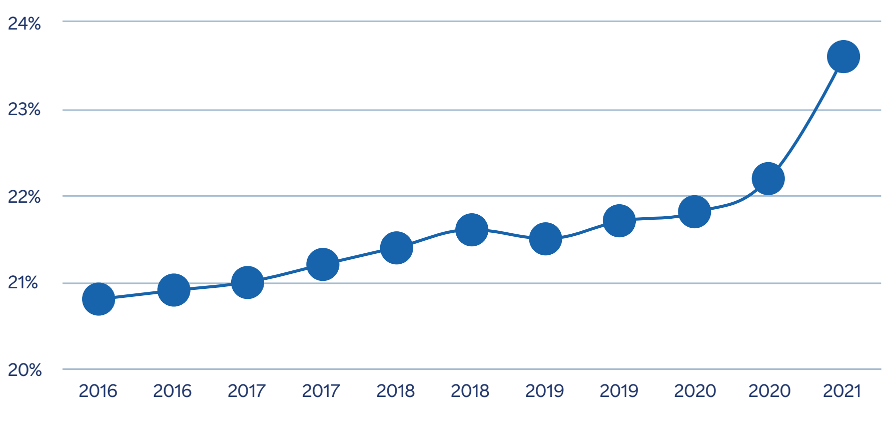
SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt (SpaBol or the Company) is a Norwegian specialised issuer of covered bonds. The Company was set up in 2005 and issued an inaugural EUR denominated covered bond once the covered bond legislation was passed by parliament in 2007. SpaBol issues covered bonds based solely on Norwegian residential mortgage collateral[1].

The uniqueness of SpaBol is that it is owned by the group of savings banks working closely together and organised under the SpareBank 1 Alliance and common brand. The Alliance consists of a group of banks, 14 at the beginning of 2022. These operate in different regions with a high degree of operational integration. The banks are together Norway's second largest financial institution by lending, and SpaBol therefore an issuer of covered bonds of size and regularity.

The SpareBank 1 banks' market share in Norwegian residential mortgages is shown in the chart below. The source for the data is the real estate valuation firm Eiendomsverdi, which plays an important role in the automatic valuation of residential structures for all lenders in Norway. The data is based on the number of residential mortgages, rather than each loan's size. The data shows an increasing SpareBank 1 market share over time, and a strong increase in 2021. The latter is also influenced by additional constituent banks joining the SpareBank 1 Alliance in 2021, which is now the country's largest lending group in the Norwegian residential mortgage market.

Chart 1: Relative market share SpareBank 1 Alliance banks in the aggregate



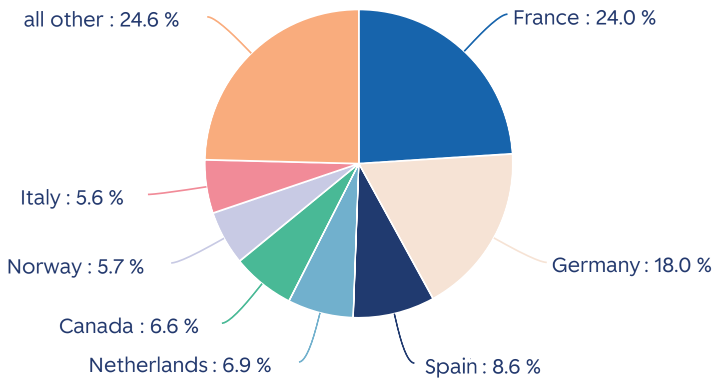
Source: Eiendomsverdi

[1] Liquidity is also part of cover assets

Covered Bond issuance in 2021

Following on from the year of the pandemic outbreak, there were no longer any extraordinary measures in place from the Norwegian central bank in 2021 to accommodate access to funding for the country's banks. A facility for obtaining 12 months central bank funding against collateral (covered bonds) expired towards year-end 2020. Market funding has been regular from the third quarter of 2020 onwards. Norway has 5.5 million inhabitants, but is nevertheless in 6th place regarding overall EUR covered bond benchmark bonds outstanding at year-end 2021, as the chart below shows:

Chart 2: Relative shares of outstanding EUR benchmark covered bonds by country



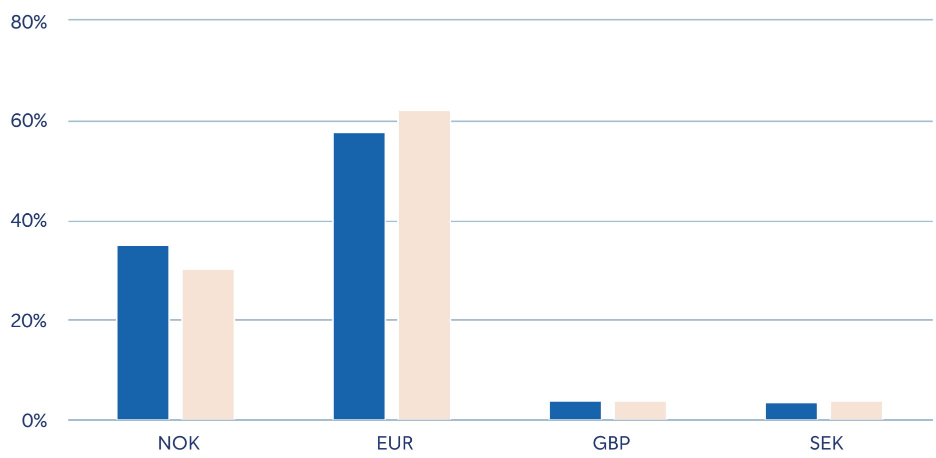
Source: Unicredit research

The regular market funding of Norwegian banks play a crucial role in this, as does the high homeownership rate and thus higher mortgage volumes in Norway. Of the approximately EUR 51 bn of EUR covered benchmark bonds outstanding at year-end, SpaBol had placed approximately 29 percent.

SpaBol bond issuances in EUR were 2.0 bn in 2021: a 1.0 bn EUR, 10-year covered bond in May 2021 and a 7-year in late October. No further green covered bond issuances followed in 2021, which should likely make for further such issuances in 2022 (green collateral takes time to build).

Domestically the covered bond bid was strong and spreads competitive, so SpaBol used the domestic market to a high degree during 2021. NOK 26.8 billion of covered bonds were placed (approximately equivalent to 2 1/2 EUR 1 bn bonds), making SpaBol the largest issuer domestically. The issuance was spread evenly throughout the year. The domestic market is characterised by tapping existing series, with new series starting according to demand and are built to the LCR Level 1 size.

Chart 3: Residential real estate price index for Norway



Source: Unicredit research

All foreign currency issuance is fully hedged to NOK, and there is a policy in place to use only external swap counterparties with a minimum credit rating, as well as collateral requirements. This is cover pool positive for investors as it represents a sound and full mitigation of both market and counterparty risk. It also explains the presence of collateral assets (liquidity) and swaps on the Issuer's balance sheet.

Green bonds

Green bonds were issued first in 2018 and again in 2020, and further green issuance will follow.

The EU green taxonomy as it relates to residential mortgages determines that EPC A labelled mortgages are green, or that alternatively the best 15 percent of a residential market in terms of energy efficiency qualifies as green. For houses constructed from 2021, the Near Zero Energy (NZEB) building standard should apply, and green residential units must be 10 percent better than required by that standard. SpaBol has been issuing green covered bonds under the top 15 percent of energy efficiency approach since 2018 and will continue to deploy such mortgage collateral as the green part of the pool. The NZEB is not established yet in Norway and there are uncertainties with how 10 percent better performance on energy efficiency can be calculated. SpaBol's green bonds are verified and issued according to the Climate Bond Initiative's criteria and assessment.

Regulations in the Norwegian mortgage market

The tightening of the mortgage market regulatory framework, which took effect from January 2017, was seen as a key driver for the housing market approximate flat real price appreciation during the years 2017 - 2019. The regulatory conditions continue to apply and are regularly evaluated by the government, the next assessment is due in the autumn of 2022.

The mortgage lending rules for a bank are:

- Loan to value: maximum 85 percent for all mortgages and maximum 60 percent for loans without instalments (revolving credit line mortgage loans); for a property located in Oslo, which is not a borrower's primary residence, the maximum is 60 percent.
- Repayment: minimum 2.5 percent per annum for loan to value mortgages at or above 60 percent LTV.
- Income limitation: total debt maximum is 5x a borrower's before-tax income.
- Stress test: applications must pass an affordability test of a 5 percent increase in the prevailing (offered) mortgage rate.
- Flexibility: 10 percent of each lender's mortgage lending contracts per quarter may be exempted (8 pct in Oslo).

For a cover pool for covered bonds, the restriction of LTV is 75 percent at the time of transfer. The Norwegian parliament is expected to legislate by July 8, 2022 to harmonize the covered bond legislation and regulations to the European regulations for covered bonds (the EU Covered Bonds Directive and changes in Article 129 of the CRR), and this is likely to mean that the LTV for a mortgage in a cover pool may increase to 80 percent, as is contained within the new EU regulatory context.

The Norwegian residential real estate market

With the lowering of the policy rate to zero and corresponding decreases in the mortgage interest rates, house prices increased in 2020 and in 2021. The central bank started increasing its policy rate again in September 2021, and the rate now stands at 0.5 percent after two increases. This change comes as the economy is growing strongly, there is again full or near-full employment (after unemployment rose at the outbreak of the pandemic) as well as inflationary pressures.

As a result of the run up in house prices as well as these interest rate increases, with expectations of further such increases, 2021 was a year of two halves in the Norwegian housing market. Overall, the national price index increased by 5.2 percent, but the second half of 2021 represented a correction from the previous 18 months. The charts below illustrate the latest development.

Chart 4: Residential real estate nominal price index changes, per month in 2021

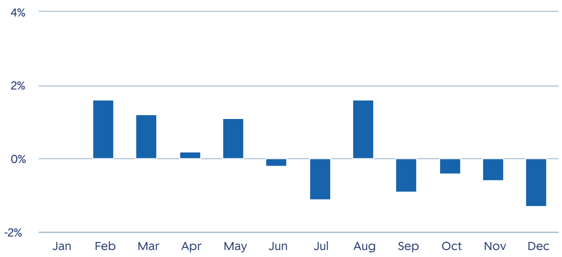
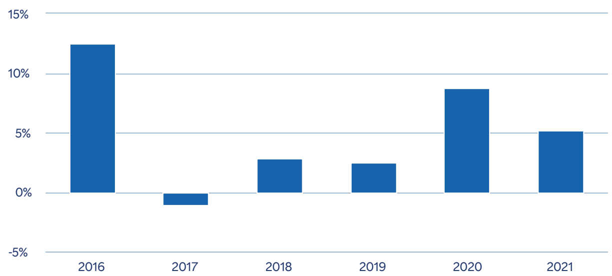


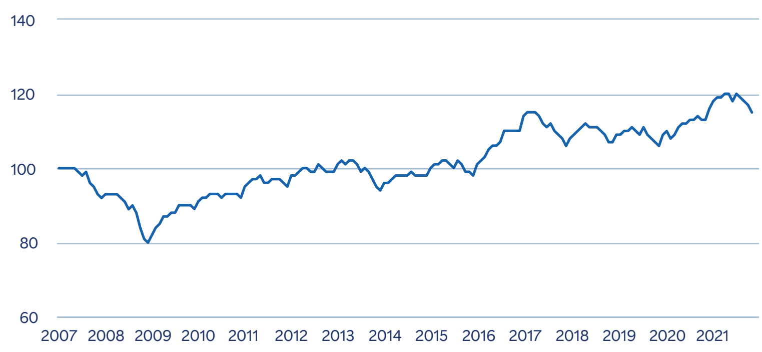
Chart 4: Residential real estate nominal price index changes, last few years



Source: Unicredit research

The chart below shows the result of dividing the house price index by an index of after-tax household income, as calculated by Statistics Norway (SSB) (including an estimate for 2020 and 2021 pertaining to income). This view of real house prices illustrates that residential real estate became materially less expensive in Norway during and after the financial crisis (2008 and 2009) as house prices fell, but incomes continued to grow. The high level came during the run up in prices post pandemic outbreak and has since been corrected. Overall, the increase in the national index is driven by the residential market in the capital Oslo, but it's likely that also new standards of the building code for construction of new residences play a role (revisions with higher energy efficiency standard in 2007, 2010 and 2017).

Chart 5: National house price index adjusted for after-tax household income (Index, Jan. 2007=100)

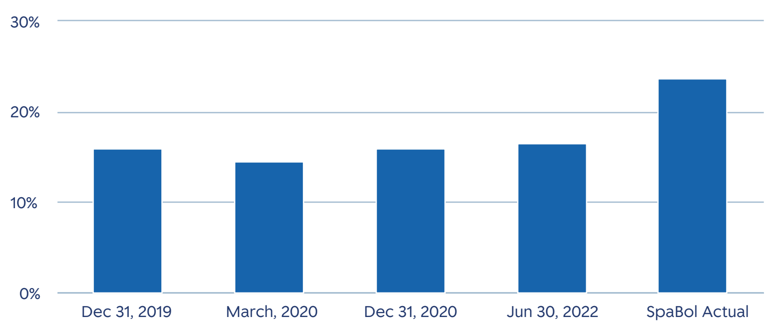


Source: SSB, Eiendomsverdi

Capital requirements

Norwegian bank capital requirements have been adjusted through the pandemic and are increasing in 2022. The countercyclical buffer requirement was reduced to 1 percent from 2.5 percent after the pandemic outbreak in March 2020. At the end of 2020 however, the systemic buffer in Pilar 1 increased to 4.5 from 3 percent. The countercyclical buffer becomes effective at the 1.5 percent level on June 30, 2022.

Chart 6: Capital requirements for banks (Pillar 1 regulatory requirement) and SpareBank 1 Boligkreditt actual capitalization level at year-end 2021



SpaBol operates with a considerable buffer in its capital requirement, as illustrated above. Some of the excess capitalization illustrated represents Pillar 2 requirements (0.9 percent of risk weighted assets) and a management buffer. Capital is important and provides flexibility also when calculating maximum exposure limits against swap counterparties, which are extensively used and part of every non-NOK covered bond issuance.

Boligkreditt calls on its owner banks for capital contributions as and when needed, and in connection with larger transfers of mortgages from the banks (mortgage loan growth). Capital ownership levels are reset minimum annually to reflect the relative shares of mortgages transferred by each one of the SpareBank 1 Alliance banks. During the year, Boligkreditt pays out commissions to its owner banks, which is most of its net interest margin. Surpluses at the end of a year are paid out as dividends.

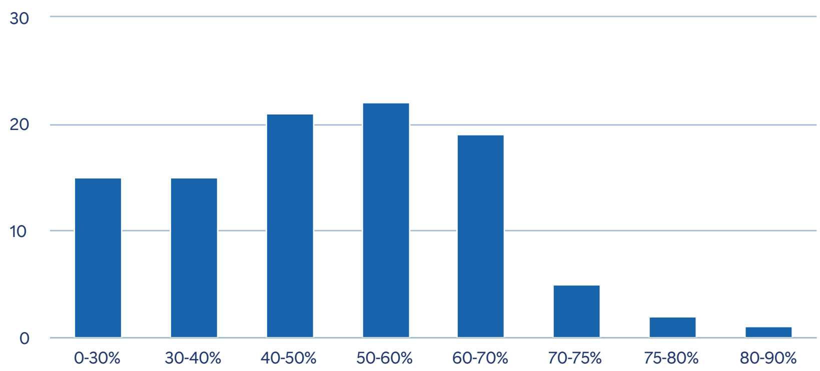
There is a shareholder's agreement in place between Boligkreditt and its SpareBank 1 owner banks, whereby the banks are required to maintain Boligkreditt's equity capitalization at the regulatory requirement as a minimum. Specialized covered bond issuers in Norway are not subject to MREL requirements and have to meet a Leverage Ratio of 3 percent, rather than 5 percent for banks in general.

Cover Pool

The cover pool metrics continue to exhibit a robust pool profile with an average weighted loan to value (LTV) in the cover pool of approximately 50 percent as of December 31, 2021. LTV has been largely stable for the cover pool through the years.

The real estate values are updated for the entire cover pool each quarter based on an automated valuation model (AVM) from the Norwegian company Eiendomsverdi, used by most Norwegian banks. The model is independently tested and validated and has certain parameters built into its valuation settings which allow for a cautious treatment of potential upside valuation outcomes for individual houses. The chart below shows the mortgage loans in the cover pool by LTV interval at year-end 2021.

Chart 7: SpareBank 1 Boligkreditt cover pool: number of loans by LTV interval



Mortgage loans in the pool at over 75 percent LTV (illustrated by the three columns to the right in Chart 6) means that some negative price migration has taken place since the transfer of such mortgages to the cover pool. The parts of these loans representing higher than 75 percent LTV can not be counted as cover assets. SpareBank 1 Boligkreditt continues to have no arrears beyond 90 days in the cover pool and has never experienced a realized credit loss with regards to any of the mortgage loans in the pool. We stress test the portfolio regularly for potential sharp house price declines, which provides comfort with regards to the robustness of the pool. Each bank must have a certain minimum amount of mortgage reserves that are qualified and can be added to the cover pool if necessary.

According to the IFRS 9 rules for mortgage loans, expected cumulative modelled losses in the SpaBol mortgage pool at year-end 2021 are approximately 15 million kroner. This is a decrease from a year ago, and is small as a share of the mortgage volume financed (0.7 bps).

Liquid assets in the cover pool

Liquid assets are also included in the cover pool along with residential mortgages. These are cash deposits, government or government guaranteed bonds (Nordic and German) and covered bonds from Nordic issuers. Repos and reverse repos are also tools deployed for liquidity. The minimum level of liquid assets is 180 days coverage for upcoming redemptions (corresponding to the EU covered bond harmonized regulation). The actual level of liquid assets may also be higher than the minimum, depending mainly on the timing of new bond issuances. A complete list of liquid assets is presented in every quarterly cover pool reporting on the SpaBol website (www.spabol.no). There are requirements for the rating of bonds held in the portfolio (Aaa/AAA), issuer requirements, and concentration limits in internal policies, and more broadly in the Norwegian covered bond law.

Outlook 2022

The mortgage volume that Boligkreditt funds is expected to increase in 2022. In addition to upcoming maturities, financed at least six months ahead of time, robust planned growth in transferred mortgages determines the funding frequency and volume. We issued a EUR 1.25 billion bond on January 13, 2022, and further issuance in EUR, and also in other currencies are expected during the year.

The SpaBol cover pool is very granular and geographically well diversified across the country, with originating banks distributed throughout the country. Credit quality of mortgages will remain strong, with very low expected modelled mortgage loan losses in the cover pool, but also very low levels of arrears and mortgage losses for the residential mortgages remaining on the SpareBank 1 banks' balance sheets. Both post-pandemic robust economic growth and full or near-full employment support this.

A wave of bank mergers in the 1970s

The big wave of bank mergers really gathered pace in the 1970s when the small savings banks merged with the slightly larger regional banks. Vangs Sparebank and later Hedemarken Sparebank and Sparebanken Hedmark became the driving forces behind the establishment of the county bank in Hedmark. This bank later became SpareBank 1 Østlandet.

Financial statements 2021

Income Statement 2021

NOK 1 000	Note	4. quarter 2021	4. quarter 2020	2021	2020
Total interest income	5	1,151,894	1,125,288	4,360,791	5,119,553
Total interest expenses	5	-597,236	-482,915	-2,016,385	-2,980,079
Net interest income		**554,658**	**642,373**	**2,344,406**	**2,139,474**
Commissions to SpareBank 1 banks	6	-491,099	-600,887	-2,097,594	-1,769,898
Net commission income		**-491,099**	**-600,887**	**-2,097,594**	**-1,769,898**
Net gains/(losses) from financial instruments	7	-60,177	-36,041	-91,327	-142,200
Net other operating income		**-60,177**	**-36,041**	**-91,327**	**-142,200**
Total operating income		**3,383**	**5,445**	**155,485**	**227,376**
Salaries and other ordinary personnel expenses	8, 9, 10	-1,149	-3,532	-10,701	-12,465
Other operating expenses	11	-6,198	-7,985	-28,205	-28,065
Operating expenses before loan loss provisions		-7,346	-11,517	-38,906	-40,530
Operating result before loan loss provisions		-3,964	-6,072	116,579	186,846
Loan loss provisions	15	1,646	-7,614	14,960	-18,429
Pre-tax operating result		**-2,317**	**-13,687**	**131,539**	**168,417**
Taxes	**12**	**2,521**	**5,197**	**-24,514**	**-29,239**
Profit/(loss) for the period		**204**	**-8,490**	**107,026**	**139,178**
Portion attributable to shareholders		-7,564	-17,307	73,541	86,001
Portion attributable to additional Tier 1 capital holders		7,767	8,816	33,484	53,177
Profit/(loss) for the period		**204**	**-8,490**	**107,026**	**139,178**

Overview of Comprehensive Income

NOK 1 000	4. quarter 2021	4. quarter 2020	2021	2020
Profit/loss for the year	204	-8,490	107,026	139,178
Items which will not impact the income statement in future periods:				
Change due to basis swap spread adjustment	220,372	42,676	85,082	120,478
Tax effect of basis swap spread adjust- ment	-55,093	-10,669	-21,271	-30,120
Estimate deviation for pensions	-459	1,537	-459	1,537
Tax effect of the estimate deviation	115	-384	115	-384
Other comprehensive income for the period	**164,934**	**33,160**	**63,467**	**91,512**
Comprehensive income for the period	**165,138**	**24,670**	**170,493**	**230,690**

Balance sheet 2021

NOK 1 000	Note	2021	2020
Assets			
Lending to and deposits with credit institutions	21,24	1,434,091	6,473,876
Certificates and bonds	21,22,24	26,195,602	34,515,412
Residential mortage loans	14,21,24	222,812,873	208,613,697
Financial derivatives	20,21,22,24	7,586,258	21,396,448
Defered tax asset		205,886	281,880
Other assets	13,21,24	4,111	5,018
Total assets		**258,238,820**	**271,286,332**
Liabilities and equity			
Liabilities			
Debt incurred by issuing securities	17,19,21,22	237,522,824	239,372,170
Collateral received under derivatives contracts	19,20,21,24,32	3,892,723	16,838,423
Financial derivatives	19,20,21,22	2,766,866	915,540
Deferred tax	12,21	-	30,120
Tax payable	12,21	30,081	123,196
Subordinated debt	18,19,21	1,430,860	1,429,990
Other Liabilities	10,21,23	176,618	209,078
Total Liabilities		**245,819,972**	**258,918,517**
Equity			
Share capital	16	7,797,215	7,797,215
Share premiuml	16	3,901,255	3,901,255
Hybrid capital	16,19	900,000	900,000
Other equity		-252,916	-316,425
Declared dividends		73,294	85,769
Total equity		**12,418,848**	**12,367,815**
Total liabilities and equity		**258,238,820**	**271,286,332**

Stavanger,11.02.2022

/s/ Kjell Fordal
Styrets leder

/s/ Bengt Olsen

/s/ Geir-Egil Bolstad

/s/ Heidi Aas Larsen

/s/ Merete N Kristiansen

/s/ Knut Oscar Fleten

/s/Arve Austestad
CEO

Changes in Equity

NOK 1 000	Share capital	Share premium	Dividend	Other Equity	Hybrid capital	Total Equity
Balance as of 31 December 2019	**7,610,548**	**3,807,922**	**90,566**	**-408,168**	**1,180,000**	**12,280,868**
Share increase 22 May 2020	186,667	93,333	-	-	-	280,000
Profit/(loss) for the period	-	-	85,769	231	53,177	139,177
Paid interest on hybrid capital - directly against equity	-	-	-	-	-53,177	-53,177
OCI -basisswapspread	-	-	-	90,359	-	90,359
Dividend 2019	-	-	-90,566	-	-	-90,566
OCI - pension - annual estimate deviation	-	-	-	1,153	-	1,153
Other	-	-	-	-	-280,000	-280,000
Balance as of 31 December, 2020	**7,797,215**	**3,901,255**	**85,769**	**-316,425**	**900,000**	**12,367,815**
Dividend 2020	-	-	-85,769	-	-	-85,769
Profit/(loss) for the period	-	-	73,294	248	33,484	107,026
Paid interest on hybrid capital - directly against equity	-	-	-	-	-33,484	-33,484
OCI -basisswapspread	-	-	-	63,812	-	63,812
OCI - pension - annual estimate deviation	-	-	-	-345	-	-345
Other	-	-	-	-205	-	-205
Balance as of 31 December 2021	**7,797,215**	**3,901,255**	**73,294**	**-252,916**	**900,000**	**12,418,848**

Equity is paid in by the Company's parent banks when a requirement arises. The requirement arises regularly when the Company acquires larger portfolios of mortgage loans, and otherwise according to changes in capitalization rules because SpareBank 1 Boligkreditt is subject to the same capital adequacy rules under Pillar 1 as banks in general. Each parent bank has also signed a Shareholders agreement with the Company, which amongst other things, stipulates when additional capital must be contributed.

Cash Flow Statement

NOK 1 000	2021	2020
Cash flows from operations		
Interest received	4,364,213	5,189,270
Paid commissions to SpareBank 1 banks	-2,124,745	-1,712,682
Paid expenses, operations	-42,105	-34,661
Paid tax	-93,081	-251,521
Net cash flow relating to operations	**2,104,283**	**3,190,406**
Cash flows from investments		
Net purchase of loan portfolio	-14,162,127	-17,395,999
Net payments on the acquisition of government certificates	-1,420,376	-2,099,005
Net payments on the acquisition of bonds	8,597,611	-5,146,575
Net investments in intangible assets	0	0
Net investments in fixed assets	0	-5,040
Net cash flows relating to investments	**-6,984,891**	**-24,646,618**
Cash flows from funding activities		
Net receipt/payment from the issuance of securities	14,106,168	16,016,622
Net receipt/payment from the issuance of subordinated debt	0	0
Net receipt/payment of loans to credit institutions	-12,312,780	5,157,620
Equity capital subscription	-550	281,153
Paid additional Tier 1 capital	-33,484	-53,177
Paid dividend	-85,769	-90,566
Net interest payments on funding activity	-1,832,760	-3,235,991
Net cash flow relating to funding activities	**-159,176**	**18,128,839**
Net cash flow in the period	**-5,039,785**	**-3,327,374**
Balance of cash and cash equivalents at beginning of period	**6,473,877**	**9,801,251**
Net receipt/payments on cash	-5,039,785	-3,327,374
Balance of cash and cash equivalents at end of period	**1,434,092**	**6,473,877**

Quarterly Financial Statements

These quarterly statements are not individually audited and are included as additional information to these accounts.

Income Statement

NOK 1 000	4. quarter 2021	3. quarter 2021	2. quarter 2021	1. quarter 2021	4. quarter 2020
Total interest income	1,151,894	1,065,145	1,065,641	1,078,111	1,125,288
Total interest expenses	-597,236	-433,250	-480,759	-505,139	-482,915
Net interest income	**554,658**	**631,895**	**584,882**	**572,972**	**642,373**
Commissions to SpareBank 1 banks	-491,099	-584,100	-521,979	-500,416	-600,887
Net commission income	**-491,099**	**-584,100**	**-521,979**	**-500,416**	**-600,887**
Net gains/losses from financial instruments	-60,177	36,470	-24,038	-43,583	-36,041
Net other operating income	**-60,177**	**36,470**	**-24,038**	**-43,583**	**-36,041**
Total operating income	**3,383**	**84,265**	**38,864**	**28,972**	**5,445**
Salaries and other ordinary personnel expenses	-1,149	-3,738	-2,709	-3,105	-3,532
Other operating expenses	-6,198	-6,329	-8,782	-6,896	-7,985
Total operating expenses	**-7,346**	**-10,067**	**-11,492**	**-10,001**	**-11,517**
Operating result before losses	**-3,964**	**74,198**	**27,373**	**18,971**	**-6,072**
Mortages IFRS 9 ECL	1,646	106	826	12,382	-7,614
Pre-tax operating result	**-2,317**	**74,304**	**28,199**	**31,354**	**-13,687**
Taxes	2,521	-16,682	-4,769	-5,584	5,197
Profit/loss for the year	**204**	**57,622**	**23,430**	**25,770**	**-8,490**
Other income and expense	164,934	102,464	-59,171	-144,760	33,160
Total Profit/Loss	**165,138**	**160,086**	**-35,741**	**-118,990**	**24,670**

Balance sheet

NOK 1 000	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
Assets					
Lending to and deposits with credit institutions	1,434,091	3,119,248	3,184,594	1,977,185	6,473,876
Certificates and bonds	26,195,602	22,504,403	28,690,918	25,297,614	34,515,412
Residential mortage loans	222,812,873	217,216,218	211,797,941	210,994,595	208,613,697
Financial derivatives	7,586,258	11,275,359	13,893,022	11,937,811	21,396,448
Defered tax asset	205,886	285,583	319,738	300,014	281,880
Other assets	4,111	4,084,584	412,906	4,009,951	5,018
Total assets	**258,238,820**	**258,485,395**	**258,299,120**	**254,517,170**	**271,286,332**
Liabilities and equity					
Liabilities					
Debt incurred by issuing securities	237,522,824	227,144,279	234,550,251	225,652,744	239,372,170
Collateral received under derivatives contracts	3,892,723	5,206,247	7,570,606	7,190,519	16,838,423
Repurchase agreement	0	9,568,306	0	2,610,725	-
Financial derivatives	2,766,866	1,772,856	1,919,437	2,389,366	915,540
Deferred tax	0	0	0	0	30,120
Tax payable	30,081	100,231	83,549	3,685	123,196
Subordinated debt	1,430,860	1,429,845	1,429,879	1,430,181	1,429,990
Other Liabilities	176,618	1,001,948	636,226	3,085,914	209,078
Total Liabilities	**245,819,972**	**246,223,712**	**246,189,947**	**242,363,133**	**258,918,517**
Equity					
Contributed equity	11,698,470	11,698,470	11,698,470	11,698,470	11,698,470
Other paid in equity (not yet registered)				-	-
Hybrid capital	900,000	900,000	900,000	900,000	900,000
Accrued equity	-252,916	-443,609	-538,497	-470,203	-316,424
Net profit	0	106,822	49,200	25,770	-
Declared dividends	73,294	0	0	-	85,769
Total equity	**12,418,848**	**12,261,683**	**12,109,173**	**12,154,037**	**12,367,815**
Total liabilities and equity	**258,238,820**	**258,485,395**	**258,299,120**	**254,517,170**	**271,286,332**

Europe’s first online bank

In 1996, Sparebanken Hedmark launched Europe’s first online bank just a few days before Landsbanken, who actually became a merger partner later on.

To the General Meeting of Sparebank 1 Boligkreditt AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Sparebank 1 Boligkreditt AS (the Company), which comprise the balance sheet as of 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

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

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 3 years from the election by the general meeting of the shareholders on 29. March 2019 for the accounting year 2019.

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.

The company's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or events that qualified as new Key Audit Matters. Our areas of focus are therefore unchanged from 2020.

Key Audit Matter	How our audit addressed the Key Audit Matter
Compliance with regulation for loans to customers The mortgage company has loans to private individuals amounting to NOK 222 813 million with collateral in residential and vacation property and has issued covered bonds. Processes and controls have been established to ensure that the entity complies with the various requirements mortgage companies are subject to. Management have considered how the Covid-19 Pandemic will affect the relationship between value of loans and collateral. The value of the collateral at any time should be above 75 % of the loan value for residential property, and above 60 % of the loan value for vacation property. As compliance with these requirements and the established processes and controls are fundamental to the company's operation, we have focused our attention on this subject. We also refer to note 14 and 21 in the annual report for a description of the company's loans to customers.	In order to comply with the requirements in the regulations applicable to issuing covered bonds, the company had established controls in the process of granting and transferring loans. The process included formal controls and segregation of duties, directed at ensuring that the controls were performed before loan approval or transfer of loans from the owner banks to the mortgage company. Further, in accordance with applicable regulations the company had engaged us as Independent Inspector to control, on a quarterly basis whether the company complied with the various requirements. Our work as independent inspector includes procedures directed at checking whether the value of collateral exceeds the value of loans with the required limits. Our work included obtaining documentation and examining whether the controls were conducted appropriately and timely. Our examination included an assessment of whether the underlying documentation the company had collected supported the conclusions drawn by the company regarding compliance with the requirements in legislation and regulation. We also discussed with management how the Covid-19 pandemic may affect the relationship between value of loans and collateral and the appropriateness of the information provided in the annual report about the pandemic. We observed controls management had put in place to take account for the added risks resulting from the ongoing pandemic. Further, our work included testing of the mortgage company's IT systems, supporting processes over financial reporting. The mortgage company used external service providers to operate the core IT systems. The auditor at the relevant service organisation evaluated the design and efficiency of the established control systems, and tested the controls designed to ensure the integrity of the IT system and cash handling that were relevant to financial reporting. The auditor issued an ISAE 3402 type 2 audit opinion over the core IT system which explained the testing that was performed and the results thereof. The auditor tested whether significant calculations modules within the core system was performed in accordance with expectations, hereunder interest calculation and amortization of loans.

	We satisfied ourselves regarding the auditor's objectivity and competence and examined the reports and evaluated possible misstatement and improvements. Furthermore, our own IT specialists tested access controls to the IT systems and the segregation of duties where necessary for our audit. Our work gave us sufficient evidence to enable us to rely on the operation of the Group's IT systems relevant for our audit. Our work substantiated that the company's inspection and processes supported that the laws and regulations in this area were followed. We evaluated the appropriateness of the related disclosures in the notes and found that they satisfied the requirements in IFRS.
Financial instruments – valuation of cross currency basis swaps The carrying amount of the Company's financial derivatives liability amounts to NOK 2 766 million as per December 31, 2021, whereof net loss on valuation adjustment of cross currency basis swaps amounts to NOK 340 million as per December 31, 2021. These instruments are valued using valuation models where some of the assumptions (basis spread and credit charge) cannot be obtained from other comparable instruments. Thus, managements judgement is a necessary part of valuing these instruments. Our focus on these instruments is due to the inherent risk of error present when judgement is used in valuations. These cross-currency basis swaps are used for hedging the currency and interest risk on funding. Net gain and loss of the basis swap are charged to the comprehensive income as there is no corresponding change in the fair value of the hedged underlying object. The estimates and judgmental assessments related to the valuation of these financial instruments are described in note 19,20 and 21.	The Company has established processes and controls to ensure accurate registration and measurement of the cross-currency basis swap contracts. We tested the Company's controls over the entering into and closing of derivative contracts, including the registration in the Company's systems. Our audit also includes tests to ensure that the Company reconciles transactions with counterparties. Furthermore, we tested the Company's methodology and controls regarding pricing models. We concluded that we could rely on these controls in our audit. Interest and exchange curves were on a daily basis fed into the Company's portfolio system as basis for pricing of derivatives. We tested the pricing by recalculating the pricing of different derivatives by using the same interest and exchange curves as the Company. We compared these prices to external sources. We challenged the assumptions used by management in the valuation of the cross-currency basis swaps. The result of our testing show that management used reasonable assumptions when calculating the fair value of the derivatives. We also tested the mathematically accuracy of the model We satisfied ourselves that disclosures regarding derivatives were appropriate.

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 presented with 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 and the other information presented with 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 presented with the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information presented with 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 presented with 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 and the other information presented with the financial statements. We have nothing to report in this regard.

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

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

Our opinion on the Board of Director's report applies correspondingly for 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 International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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.

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.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name sb1bk-2021-12-31AR have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation and publication of the financial statements.

Auditor's Responsibilities
For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Stavanger, 11 February 2022
PricewaterhouseCoopers AS

Arne Birkeland
State Authorised Public Accountant

Notes to the Accounts

Note 1 General information

SpareBank 1 Boligkreditt AS (the Company or Boligkreditt) is the SpareBank 1 Alliance's separate legal vehicle established according to the specialist banking principle within the Norwegian legislation for covered bonds. The Company's purpose is to acquire residential mortgages from its ownership banks organised in the SpareBank 1 Alliance and finance these by issuing covered bonds.

SpareBank1 Boligkreditt's office is located in Stavanger, Norway. Most of the supporting services and operations, such as trading back-office and settlement solutions, accounting and HR is located in SpareBank 1 SMN in Trondheim, Norway. All IT services are located centrally within the SpareBank 1 Group in Oslo, Norway.

The accounts are prepared in accordance with "International Financial Reporting Standards" (IFRS), as determined by the EU and published by "International Accounting Standards Board" (IASB).

The Financial Statements for 2021 is approved by the Board of Directors on February 11, 2022.

Note 2 Summary of significant accounting policies

Presentation Currency

The presentation currency is Norwegian Kroner (NOK), which is also the Company's functional currency. All amounts are given in NOK thousand unless otherwise stated.

Recognition and De-recognition of Assets and Liabilities on the Balance Sheet

Assets and liabilities are recognized on the balance sheet at the point in time when the Company establishes real control over the rights of ownership to assets and becomes effectively responsible for the discharge of liabilities. Assets are de-recognized at the point in time when the real risk of the assets has been transferred and control over the rights to the assets has been terminated or expired. Liabilities are de-recognized when they have been effectively discharged.

Residential mortgage loans

Loans are measured at amortized cost. Amortized cost is the acquisition cost minus the principal payments, plus the cumulative amortization using the effective interest rate method, adjusted for any loss allowance less write-off. Each of the Company's mortgage loans is made at a variable rate, which may be changed by the Company at any time, with a regulatory mandated notification time of six weeks before such changes can become effective. Fixed rate mortgage loans are originated by the SpareBank 1 and can also be transferred to the cover pool, though this has not happened to date. Expected credit loss (ECL) is calculated according to IFRS 9, which was implemented January 1, 2018 (see below for a description of the application of IFRS 9).

Expected credit loss on mortgage loans; evaluation of impairments (write downs)

IFRS 9 was implemented effective January 1, 2018. Loans for which there have not been a significant increase in credit risk since initial recognition (loans in stage 1) ECL is measured as 12-month expected credit losses. Loans for which there have been a significant increase in credit risk since initial recognition (loans in stage 2 or 3) ECL is measured at lifetime expected credit losses. Loans in stage 3 are loans that are credit impaired.

The limits which determine when a mortgage loan is moved from Stage 1 to Stage 2 are:

- Payment delayed by 30 days or more
- Probability of default has increased by 150% (or two classes in the internal model estimating PD)
- A minimum PD of above 0.6%

The Company has no mortgage loans in Stage 3, which contains loans in default (90 days or more of missed payments).

Model for loan loss provisioning

To consider the uncertainty of the future the model applied in estimating ECL develops three scenarios. A base scenario, an upside scenario, and a downside scenario and these are intended to reflect different states of the economic cycle. The scenarios are weighted, with the most weight assigned to the base scenario. The base scenario input variables are mostly derived from forecasts from Statistics Norway, while the downside scenario input variables are sourced from, but may not exactly replicate, the Financial Services Authority of Norway's stress case scenario included in its annual risk outlook reports.

Within IFRS 9 it is the point-in-time probability of default (PD) which is critical for the estimates. The cases will reflect as a starting point the actual observed PD. This may be the average seen over the last period, which may be several years if the data is stable. Each scenario then develops, based on the macroeconomic input considerations (unemployment rate and interest rate level), a point-in-time PD for each year over a five-year future period. From five-years and out to the end of the mortgage maturity date, a terminal value is calculated for the loan's expected cumulative loss (ECL), which is PD x LGD (loss given default). The LGD rates are produced in each scenario, under the scenario specific assumptions. As defined in IFRS 9, loans that remain in Stage 1 are not evaluated for an ECL beyond 12 months, while loans with an observed negative risk migration since origination enter Stage 2 or 3 and are then assessed for ECL based on their contractual maturities.

Historically there has not been any mortgages in default in the Company's portfolio. LGDs are set to reflect the fact that for a cover bond issuer the law stipulates a maximum loan to value criteria of 75 percent. The low loan to value ratio results in low expected loan losses if loans where to default. ECLs are updated quarterly based on a rescoring of the entire mortgage portfolio. Changes in the ECL is a charge or an income in the income statement for that period and is reflected on the balance sheet against the portfolio of mortgage loans.

According to the Transfer and Servicing Agreement which the SpareBank 1 banks each have entered with the Company, SpareBank 1 Boligkreditt has the right to off-set any losses incurred on individual mortgage loans against the commissions due to all banks for the remainder of the calendar year. The Company has not since the commencement of its operations had any instances of off-sets against the commissions due to its owner banks. Mortgage loans which are renegotiated, where the terms are materially changed, are always removed from the Company's cover pool, and transferred back the originating lender. All renegotiation of loans is outsourced to the banks from which the loans have been purchased.

Segment

Segments are organized by business activities and the Company has only one segment, mortgage lending to private individuals. All the mortgages have been acquired from the SpareBank 1 Alliance banks. The Company's results therefore largely represent the result of the mortgage lending to private customers segment, in addition to the income effects from the liquidity portfolio. Nearly all of the net interest income margin (customer interest income less funding costs) for the mortgages are paid out to the SpareBank 1 Alliance banks. The net result of the Company is therefore small in comparison to the overall portfolio of mortgage loans.

Securities

Securities consists of certificates and bonds. These are carried at fair value. Securities will either be part of a liquidity portfolio with a narrow mandate (highly rated, highly liquid securities and cash, including repos) or a collateral portfolio, which reflect the funds received from counterparties in swaps. All securities classified and recorded at fair value will have changes in value from the opening balance recorded in the income statement as net gains/losses from financial instruments.

Hedge Accounting

The company has implemented fair value hedge accounting for fixed rate bonds in NOK and in foreign currencies. These bonds are designated as hedged items in hedging relationships with individually tailored interest rate swaps and cross currency interest rate swaps. The company values and documents the hedge effectiveness of the hedge both at first entry and consecutively. The cash flow is known for the entire contractual duration after the hedging relationship has been established. During the hedge relationship the measurement of the hedged item is adjusted for the change in fair value of the hedged risk which at the same time is recognized in profit or loss. The derivative hedging instruments is measured at fair value with changes in fair value recognized in profit or loss except for the change in fair value of the currency basis spread, which is recognized in other comprehensive income.

All hedges are deployed to exactly offset a cash flow for the duration of the hedged instrument, thus bringing financial liabilities (bonds outstanding) in fixed rate and/or foreign currency into a NOK 3 month NIBOR basis, while financial assets at fixed rates and/or foreign currency are transformed to a floating rate 3 month NIBOR asset through the derivative. Derivatives used are swap contracts only.

Valuation of Derivatives and Other Financial Instruments

The Company uses financial derivatives to manage essentially all market risk on balance-sheet items. Interest rate risk is hedged to a NIBOR 3 months floating rate basis and currency risk is hedged mostly by derivatives and in some cases by natural asset liabilities hedges.

Liabilities

- The Company applies fair value hedge accounting for fixed rate issued debt (covered bonds) utilizing derivatives (swaps) which hedge the fixed interest rate and currency elements of the issued bonds.
- There is also an element of amortized costs in issued fixed rate debt; where the issue price is different to par or 100 percent, this difference is amortized over the life of the bond which is repayable at 100 percent of par.
- The interest rate curve used to discount cash flows in NOK is determined by NIBOR for various maturities less than 12 months and the swap rate curve in NOK for longer maturities.
- The interest rate curve used to discount cash flows in EUR is determined by EURIBOR for various maturities less than 12 months and the swap rate curve in EUR for longer maturities.
- Issued floating rate debt in NOK (which do not have any associated hedging swaps) are accounted for at amortized cost.

Assets:

- For liquidity management purposes the issuer maintains a portfolio of liquid assets (including bonds) which is valued at fair value at observable market prices.
- Funds received for the purpose of collateralization of swap exposures which counterparties have to the Company may also be invested in bonds of a high rating, high liquidity and short maturities, in addition to cash and reverse repos. Such bond investments are held at fair value according to observable market prices.
- Swaps which hedge liquidity assets denominated in foreign currencies or hedge interest rates from fixed to floating are valued at fair value according to changes in foreign currency rates and interest rates.

Though the Company hedges all material interest rate and currency risk on its balance sheet, net unrealized gains (losses) from financial instruments may occur for the following reasons:

- Temporary mark-to-market differences in the value of an interest rate swap may occur depending on the level at which the 3 months floating rate leg in the swap was last fixed, and the discounting of the remainder of this 3 month term using the rate level at the balance sheet date.
- There is a credit risk element which forms a part of the fair value of the assets in the trading portfolio, which is not reflected in the value of the associated interest and/or currency swaps hedging the trading portfolio assets.
- There may be floating rate assets (bonds) denominated in foreign currency which are hedged via a corresponding foreign exchange liability (issued debt) also on an effective floating rate basis. In such natural asset liability hedges, there may be a small element of foreign currency risk which may impact the P&L in that the floating rate coupons on the asset and the liability are not reset on the same dates and/or may be of different magnitude. Also, a change in a market credit spread element would impact the price of some of the foreign currency assets held (bonds), though not the liability.

Temporary differences will result from changes in basis spread in cross currency swaps. Boligkreditt uses cross currency swaps in order to swap cash flows from floating interest rate foreign currency liabilities and assets into floating interest rate in NOK. The valuation change will only occur for the derivatives and not for the hedged instruments (which typically an issued foreign currency covered bond) and thus cannot be mitigated. The valuation change of basis swaps will only affect other comprehensive income and equity, and not the period's net income. All gains and losses from changes in foreign currencies basis spread reverse over time and reaches zero at the derivatives maturity date.

Intangible Assets

Purchased IT-systems and software are carried on the balance sheet at acquisition cost (including expenses incurred by making the systems operational) and will be amortized on a linear basis over the expected life of the asset. Expenses related to development or maintenance are expensed as incurred.

IFRS 16

The Company uses IFRS 16 to account for its leased office space, which is on a multi-year renewable contract. The cost of which is reflected in note 11, within other operating expenses and with the calculated asset balance in note 13.

Cash and Cash Equivalents

Cash and cash equivalents include cash and deposits, other short term available funds and investments with a maturity of less than three months.

Taxes

Tax in the income statement consists of tax payable on the annual taxable result before tax and deferred tax. Deferred tax is calculated in accordance with the liability method complying with IAS 12. With deferred taxes the liability or asset is calculated based on temporary differences, which is the difference between tax due according to the statutory tax calculations and tax calculated according to the financial accounts, as long as it is probable that there will be a future reversal. The statutory tax rate for financial services companies is 25 percent.

Pensions

SpareBank 1 Boligkreditt AS has a defined contribution pension plan for all employees. In addition to the defined contribution plan, the Company has other uncovered pension obligations accounted for directly in the profit and loss statement. These obligations exist for early pensions according to AFP ("avtalefestet pensjon") and other family pension benefits in conjunction with a previous Chief Executive Officer. For the current Chief Executive Officer of SpareBank 1 Boligkreditt, future pension benefits for remuneration above the defined contribution plan regulatory limit (12G) are also accounted for in the Company's accounts.

Defined Contribution Plan

In a defined contribution plan the company pays a defined contribution into the pension scheme. The Company has no further obligations beyond the defined contributions. The contributions are recorded as salary expense in the accounts. Any prepaid contributions are recorded as assets in the balance sheet (pension assets) to the extent that the asset will reduce future payments when due.

Cash Flow Statement

The cash flow statement has been presented according to the direct method, the cash flows are grouped by sources and uses. The cash flow statement is divided into cash flow from operational, investment and finance activities.

Contingencies

The Company will create contingent liabilities when there is a legal or self-administered liability following previous events, and it is likely that this liability will be of a financial character, and it can be estimated sufficiently accurately. Such contingent liabilities will be assessed on every accounting day and subsequently adjusted to reflect the most accurate estimate. Contingent liabilities are measured at the present value of the expected future payments required to meet the obligation. An estimated interest rate which reflects the risk-free rate of interest in addition to a specific risk element associated with this obligation will be used as the pre-tax rate of discount.

Supplier Debt and other Short Term Liabilities

Supplier debt is initially booked at fair value. Any subsequent calculations will be at amortized cost, determined by using the effective rate of interest method. Supplier debt and other short-term liabilities where the effect of amortising is negligible, will be recorded at cost.

Interest Income and Expense

Interest income and expense associated with assets and liabilities are recorded according to the effective rate of interest method. Any fees in connection with interest bearing deposits and loans will enter the calculation of an effective rate of interest, and as such will be amortised over the expected maturity.

Commission Expense

Commissions are paid by the Company to its parent's banks and represent most of the net interest margin earned in Boligkreditt.

Dividends

Proposed dividends are recorded as equity during the period up until they have been approved for distribution by the Company's general assembly.

Events after the Balance Sheet Date

Events that take place before the date on which the financial statements are approved for publication, and which affect conditions that were already known on the balance sheet date, will be incorporated into the pool of information that is used when making accounting estimates and are thereby fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are material.

Share Capital and Premium

Ordinary shares are classified as equity capital. Expenses directly related to the issuing of new shares will be recorded in the accounts as a reduction in the proceeds received.

Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2

In August 2020, the IASB issued Phase 2 of its project which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. Phase 2 finalizes the Board’s response to the ongoing reform of interbank offer rates (IBOR) and other interest rate benchmarks.

The amendments complement Phase 1 issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

The Phase 2 amendments mainly consist of the following:

- Practical expedient for particular changes to contractual cash flows
- Relief from specific hedge accounting requirements
- Disclosure requirements

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

The amendments are effective for annual reporting periods beginning on or after 1 January 2021.

New and amended standards effective for future periods
No standards or interpretations that have yet to enter into force are expected to have a material impact on the bank's financial statements.

Note 3 Risk management

SpareBank 1 Boligkreditt AS is an institution which acquires residential mortgages from banks in the SpareBank 1 Alliance. This activity is predominantly financed by the issuance of covered bonds. The Company is therefore subject to the Norwegian legislation for covered bonds and the demands this imply for exposure to risk. In addition, the Company wishes to maintain the Aaa rating from Moody's, with regards to the covered bonds, which also requires a high degree of attention to risk management and a low risk exposure profile.

The purpose with the risk and capital adequacy management within SpareBank 1 Boligkreditt AS is to ensure a satisfactory level of capital and a responsible management of assets in accordance with the Company's statutes and risk profile. This is ensured through an adequate process for risk management and planning and implementation of the Company's equity capital funding and capital adequacy.

The Company's risk- and capital management are aiming to be in accordance with best practices - and this is ensured through:

- A risk culture characterised through high awareness about types of risk and the management thereof
- A competent risk analysis and control environment
- A good understanding of which material risks the Company is exposed to

Organisation and organisational culture
SpareBank 1 Boligkreditt AS is focused on maintaining a strong and alert organisational culture characterised by high awareness about risk management.

SpareBank 1 Boligkreditt AS is focused on independence and control, and the responsibilities are divided between different roles within the organisation:

- The Board of Directors determines the main principles for risk management, including determining the risk profile, limits, and guidelines. The Board also carries the responsibility to review capital levels in accordance with the risk profile and the requirements of the regulatory authorities.
- The Chief Executive Officer is responsible for the day-to-day administration of the Company's business and operations according to laws, statutes, powers of attorney and instructions from the Board. Strategic items or operational items of an unusual nature or importance are discussed with and presented to the

Board of Directors. The CEO may however decide a matter in accordance with a power of attorney from the Board. The CEO is responsible for implementing the Company's strategy and in cooperation with the Board to also develop and evolve the strategy.

- The risk manager reports both to both the CEO and to the Board, but is employed directly by the board and not the CEO. The risk manager is tasked with developing the framework for risk management including risk models and risk management systems. The position is further responsible for the independent evaluation and reporting of risk exposure in addition to maintain all relevant laws and regulations.
- The balance sheet committee is headed by the CEO and consists of the CFOs of the largest banks in the SpareBank 1 Alliance in addition to one representative from the smaller Alliance banks (Samspar). The balance sheet committee is an advisory group for the operational management of the Company's balance sheet within the framework determined by the Board of Directors. The committee is an important component of Boligkreditt's operative management of liquidity risks. The investment committee is an advisory council for the evaluation of counterparty exposure limits and for the composition of the liquidity portfolio. The committee is headed by the CEO and consists of Boligkreditt's financial director and director for asset liability management. The committee advises on credit limits for counterparties and the composition of the liquidity portfolio. The CEO has been tasked by the Board to make decisions regarding credit limits for counterparties and individual investments.

Risk Categories:
In its risk management the Company's differentiates amongst the following categories of risk:

- **Credit Risk:** The risk of loss as a result of that counterparties are unwilling and/or unable to meet their obligations to the Company. Credit risk management is detailed in the Company's credit risk policy and this policy is approved by the Board of Directors annually.
- **Liquidity Risk**: The risk that the Company is unable to meet its obligations and/or finance its assets.
- **Market Risks**: The risk of loss as a result of changes in observable market variables such as interest rates, foreign exchange rates and securities.
- **Climate risk:** is the risk of loss as a result of assets becoming stranded, following regulatory changes or market practice. In order to mitigate global warming, assets which are contributing to emissions of carbon dioxide may be in an exposed position with regards to valuation losses in the future. Residential homes have a certain carbon footprint from the materials that to go into making the house and from the heating and other sources of energy after construction. Regulation for construction in Norway has materially changed to require much more energy efficient construction and heating requirements of houses compared today compared to earlier years. There have been revisions to the building code in 2007, 2010, 2017 and another one is expected in 2022. There is a risk that older properties may lose value as the building requirements change. SpareBank 1 Boligkreditt continually evaluates the valuation of its mortgage book's underlying security and report on the loan to value metrics every quarter. The SpareBank 1 Alliance banks are also engaged in incentivizing mortgage loan customers to upgrade to greener solutions, with interest rate discounts. The climate risks of the country's housing stock is also carried by the society at large and its government, and it is unlikely that legislation or regulation would suddenly render part of the housing stock uninhabitable and thus making it a stranded asset, but that change processes take time. The Company also issues green covered bonds according to its definition for green mortgages, which are mortgages for residences which are amongst the country's top 15 percent energy efficient homes. There is a risk of loss of certain market access to funding if no further green covered bonds could be issued due to a lack of green mortgage collateral, but this risk is benign. SpareBank 1 Boligkreditt continues to source green mortgage loans from its owner banks, for which it is a financing unit.

Interest rate benchmark reform

The reform of interest rate benchmarks such as interbank offered rates (IBORs) caused changes to financial reporting requirements under IFRS Standards. The International Accounting Standards Board implemented the changes in two phases. Phase 1 amended specific hedge accounting requirements. Phase 2 addressed financial reporting issues that may arise when IBORs are either reformed or replaced. The amendments are effective for annual reporting periods beginning on or after 1 January 2021.

The benchmark reform does affect SpareBank 1 Boligkreditt's operations because the Company issues bonds with a benchmark that was replaced and others which may be reformed and /or replaced. NIBOR is very central to the Company's operations and a reform or replacement of this rate, should it happen, would probably lead to a larger implementation change, though it is not expected that this would have either material nor adverse consequences.

An interest rate in a foreign currency which may be or was replaced or reformed, is always hedged into the Norwegian interbank rate NIBOR. The basis for this hedging policy is enshrined both in the Norwegian covered bond legislation and in the Company's Board approved risk management policy.

When a rate is replaced or amended, the Company will in a timely manner follow the new regulation and market practice with regards to the timing of replacements, amendments and / or grandfathering of existing benchmarks as appropriate and possible. This means that the interest rate on the bond in question will most likely be attempted to be replaced in the Company's agreements, in agreement with investors in the bond, and the same interest rate will be attempted to be replaced with the swap hedge counterparties at the same time. There are therefore no material changes to valuation of the instruments in a hedge relationship which are expected. There are also no material financial reporting issues or hedging accounting issues which are expected to arise.

So far, Sterling LIBOR has been replaced with SONIA. The Company has successfully completed the process as outlined above during 2021.

Note 4 Important estimates and considerations regarding application of accounting policies

The presentation of financial information in accordance with IFRS results in that management uses estimates and makes assumptions which affect the outcome of certain accounting principles, including the amounts accounted for assets, liabilities, income, and cost.

Loan losses

Estimates are made regarding the future path of probability of default rates and loss given default rates under different economic scenarios. Each quarter the entire portfolio of mortgage loans are run through the Company's IFRS 9 loan loss model and the cumulative expected loss is a function of the current portfolio's risk classification, migration of the mortgage loans on the Company's risk scale since granting the loans and these scenarios for the future. See also the description above under Note 2 "Expected credit loss on mortgage loans; evaluation of impairments (write downs)" and note 14 and 15 for the expected loss details and figures.

Fair value of financial instruments

The fair value of financial instruments which are not traded in a liquid market are determined using valuation techniques. The Company utilises methods and assumptions which are as far as possible based on observable market data and which represent market conditions as of the date of the financial accounts. When valuing financial instruments where no observable market data are available, the Company estimates values based on what it is reasonable to expect that market participants would use as a basis for valuation of financial instruments. One element of estimates being deployed is for the calculation of basis swap valuations, see below.

Basis swaps

Basis swaps refer in general to the foreign currency swaps in which the Company engages to hedge its foreign exchange risk exposure. Currency swaps carry a basis swap cost or spread, which is the current market price in basis points to swap one reference rate for another, in the Company's case usually the reference rate of the currency in which a covered bond is issued (for example EURIBOR) and into NIBOR. This basis pricing element is valued at each balance sheet date, and its aggregate value is either an asset or a liability for the Company. The valuation change is recorded in other comprehensive income and other equity under IFRS 9.

Note 5 Net interest income

NOK 1 000	2021	2020
Interest income		
Interest income from liquid assets (bonds, deposits, repo)	146,460	222,810
Interest income from residential mortgage loans	4,214,331	4,896,743
Total interest income	**4,360,791**	**5,119,553**
Interest expense		
Interest expense to credit institutions	2,920	38,007
Interest expense issued bonds	1,925,289	2,842,413
Interest expense subordinated debt	31,078	37,900
Recovery and Resolution Fund *	48,195	51,385
Other interest expenses	8,903	10,374
Total interest expense	**2,016,385**	**2,980,079**
Net interest income	**2,344,405**	**2,139,473**

* From 2019, SPB1 Boligkreditt has been included in the cost sharing for the Norwegian bank resolution fund.

Note 6 Commission expence

NOK 1 000	2021	2020
Commission expense		
Commission expense to SpareBank 1 banks	2 097 594	1 769 898
Total commission expense	**2 097 594**	**1 769 898**

These amounts represent Boligkreditt's expenses in form of commissions to its owner banks, which originate the mortgage loans transferred to the Company. The amounts are calculated by subtracting all of the Company's funding costs and estimated operational costs, including costs for additional Tier 1 bonds outstanding, as a percent rate, from the interest rate on each mortgage loan the Company finances.

Note 7 Net Gains from Financial Instruments

NOK 100	2021	2020
Net gains (losses) from financial liabilities	11,065,296	-10,229,238
Net gains (losses) from financial derivatives at fair value, hedging liabilities (hedging instrument)	-10,762,189	9,797,996
Net gains (losses) from financial assets	-498,643	213,747
Net gains (losses) from financial derivatives at fair value, hedging assets (hedging instrument)	104,209	75,295
Net gains (losses)	-91,327	-142,200

The Company utilizes hedge accounting as defined in IFRS for issued fixed rate bonds (covered bonds) with derivatives (swaps) which hedges fixed rates to floating and foreign currencies to Norwegian kroner. The hedges are individually tailored to each issued bond and exactly matches the cash flows and duration of the issued bonds. Some liabilities in foreign currency are hedged with natural hedges (corresponding assets in the same currency) and this may cause the valuation differences between assets and liabilities. There may also be valuation differences between liabilities and hedges due to the amortization of issuance costs and bonds issued at or below par value.

SpareBank 1 Boligkreditt AS manages its liquidity risk by refinancing its outstanding bonds ahead of expected maturities and keeping proceeds as a liquidity portfolio. Fixed rate bonds and bonds in other currencies than Norwegian kroner are hedged using swaps, unless forming part of a natural hedge. These positions are valued at fair value though differences may occur because the valuation of the bonds include a credit risk/spread element which the swaps do not contain. Included in assets in the table are also investments in short term, highly rated bonds from funds received from swap counterparties for collateral purposes, with a corresponding collateral liability. Such investments do not have swap hedges.

All derivatives are valued at fair value according to changes in market interest rates and foreign exchange rates. Changes in valuations from the previous period is accounted for in profit and loss.

Note 8 - Salaries and Remuneration

NOK 1 000	2021	2020
Salaries	10,650	10,922
Salaries reinvoiced to SpareBank1 Næringskreditt*	-2,524	-3,275
Pension expenses	-1,219	1,977
Social insurance fees	3,379	2,332
Other personnel expenses	415	510
Total salary expenses	**10,701**	**12,465**
Average number of full time equivalents (FTEs)	**7**	**7**

* The company's employees have shared employment between SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. All remuneration is effectuated through SpareBank 1 Boligkreditt and a portion is reinvoiced to SpareBank 1 Næringskreditt. The company also buys administrative services from SpareBank 1 SMN and SpareBank 1 Gruppen.

Note 9 Salaries and other Remuneration of Management

Paid in 2021

NOK 1 000	Wage compensation	Bonus	Other compensa-tion	Pension cost	Accrued Pensions	Employee mortgage loan
Management						
Chief Executive Officer - Arve Austestad	2,431	-	4,192	182	-	1,027
Total for Management	2,431	-	4,192	182	-	1,027

Other compensation includes a settlement payment for closing the defined benefit pension plan. Refer to note 10 for further information about the pension arrangement.

Paid in 2020

NOK 1 000	Wage compensation	Bonus	Other compensa-tion	Pension cost	Accrued Pensions	Employee mortgage loan
Management						
Chief Executive Officer - Arve Austestad	2,366	-	158	644	7,440	1,917
Total for Management	2,366	-	158	644	7,440	1,917

All employees have an offer of an employee mortgage loan.

Board of Directors	Paid in 2021	Paid in 2020
Kjell Fordal (styreleder)	116	114
Geir-Egil Bolstad (nestleder)	93	91
Merete N. Kristiansen (styremedlem)	93	91
Inger Marie Stordal Eriksen (styremedlem, til 01.12.20)	62	91
Knut Oscar Fleten (styremedlem)	93	25
Trond Sørås (styremedlem)	26	91
Bengt Olsen (styremedlem)	93	91
Heidi Aas Larsen (styremedlem fra.01.12.20)	31	
Total for the Board of Directors	**607**	**594**

Payments for the Board of Directors take place in the year following their year of service. The amount paid and the composition of the Board reflects that of the period prior to the periods listed under the column headings “Paid in”.

Note 10 Pensions

SpareBank 1 Boligkreditt employees (seven in total) are all at a defined contribution pension scheme. The Company pays the agreed contribution into the pension scheme and has no further obligations. Prior to 2021, the Company's CEO also had a defined benefit pension plan, which has been settled during the year, resulting in a settlement gain. The remaining pension obligation in the balance sheet relates to survivor's pension, which has been accounted for as a defined benefit obligation.

	2021	2020
Net pension obligations on the balance sheet		
Present value pension obligation as of Dec 31	9,344	15,037
Pension assets as of Dec 31	5,951	6,451
Net pension obligation as of Dec 31	3,393	8,586
Employer payroll tax	788	1,862
Net pension obligation recorded as of Dec 31	**4,181**	**10,448**
Pension expense in the period		
Defined benefit pension accrued in the period	-1,710	820
Defined contribution plan pension costs including AFP	1,261	1,192
Pension expense accounted for in the income statement	**-450**	**2,012**

The following economic assumptions have been made when calculating the value of the pension obligations which are not related to the defined contribution plan:

	2021	2020
Discount rate	1,50 %	1,50 %
Expected return on pension assets	1,50 %	1,50 %
Future annual compensation increases	2,00 %	2,00 %
Regulatory cap change	2,00 %	2,00 %
Pensions regulation amount	0,00 %	0,00 %
Employer payroll taxes	14,10 %	14,10 %
Finance tax	5,00 %	5,00 %

Note 11 Other Operating Expenses

NOK 1 000	2021	2020
IT and IT operations	12,545	12,704
Purchased services other than IT	13,676	13,282
Other Operating Expenses	1,821	1,721
Depreciation on fixed assets and other intangible assets	163	359
Total	**28,205**	**28,065**

Auditing

Remuneration to PWC and cooperating companies is allocated as follows:

NOK 1 000	2021	2020
Legally required audit	717	600
Other attestation services and documentational testing	194	194
Other services outside auditing	354	284
Total (incl VAT)	**1,265**	**1,078**

Proud Eco-Lighthouse

Eco-Lighthouse is Norway's most widely used certification scheme for enterprises seeking to document their environmental efforts and demonstrate social responsibility. SpareBank 1 Østlandet is Eco-Lighthouse certified and continuously works with improvements concerning work environment, purchasing, waste management, transport, energy consumption, emission and aesthetics.

Note 12 Taxes

NOK 1 000	2021	2020
Profit before tax	131,539	168,417
Permanent differences	-33,427	-51,460
Change in temporary differences	-234,451	253,966
Temporary differences from basis swap spread adjustment, shown in other comprehensive income	85,082	120,478
Temporary differences from pension estimate deviation, shown in other comprehensive income	459	1,537
Change in temporary differences due to use of previously tax deficit	0	0
Tax base/taxable income for the year	**-50,797**	**492,938**
Tax payable for the year	0	123,502
Change in deferred tax	45,913	-63,759
Tax expense for the year	**45,913**	**59,743**

The charge for the year can be reconciled to the profit before tax as follows:

25 % of profit before tax	32,885	42,104
25% of Non-taxable profit and loss items (permanent differences)	-8,357	-12,865
Tax expense in income statement	**24,528**	**29,239**
Tax expense on basis swap adjustment, recorded in OCI	21,271	30,120
Tax expense of estimate deviation, recorded in OCI	115	384
Total Tax expense for the year	**45,913**	**59,743**

Deferred tax		
Financial instruments	85,918	249,183
Basisswap	84,965	2,612
Pension liability	1,045	-34
Other assets	-12	0
Tax losses to be carried forward	33,970	0
Net deferred tax benefit (-) / deferred tax (+)	205,886	251,761
Taxrate applied	25 %	25 %
Taxrate applied for temporary differences	25 %	25 %

Note 13 Other Assets

NOK 1 000	2021	2020
Leases	2,947	3,879
Fixed assets	241	320
Intangible assets	0	85
Accounts receivable from SpareBank 1 Næringskreditt AS	602	515
Accounts receivable, securities	0	212
Other	321	7
Total	**4,111**	**5,018**

2021

NOK 1 000	Leases	Fixed assets	Intangible assets	Total
Acquisition cost 01.01.	4,655	385	1,755	6,794
Acquisitions	-	-	-	-
Disposals	-	-	-	-
Acquisition cost 31.12.	**4,655**	**385**	**1,755**	**6,794**
Accumulated depreciation and write-downs 01.01.	776	65	1,670	2,510
Periodical depreciation	933	78	85	1,096
Periodical write-down			-	-
Disposal ordinary depreciation			-	-
Accumulated depreciation and write-downs 31.12.	1,708	143	1,755	3,606
Book value as of 31.12.	**2,947**	**241**	**-**	**3,188**
Financial lifespan	5 years	5 years	3 years	
Depreciation schedule	linear	linear	linear	

2020

NOK 1 000	Leases	Fixed assets	Intangible assets	Total
Acquisition cost 01.01.	-	-	1,755	1,755
Acquisitions	4,655	385	-	5,040
Disposals	-	-	-	-
Acquisition cost 31.12.	**4,655**	**385**	**1,755**	**6,794**
Accumulated depreciation and write-downs 01.01.	-	-	1,376	1,376
Periodical depreciation	776	65	294	1,134
Periodical write-down			-	-
Disposal ordinary depreciation			-	-
Accumulated depreciation and write-downs 31.12.	776	65	1,670	2,510
Book value as of 31.12.	**3,879**	**320**	**85**	**4,284**
Financial lifespan	5 years	5 years	3 years	
Depreciation schedule	linear	linear	linear	

Note 14 Residential mortage loans

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value. All mortgages carry a variable interest rate.

NOK 1 000	2021	2020
Revolving mortgage loans	38,368,426	40,078,412
Amortising mortgage loans	184,281,403	168,409,290
Accrued interest	178,226	156,170
Total loans before specified and unspecified loss provisions	**222,828,055**	**208,643,872**
		-
Stage 1	214,879,504	199,787,000
Stage 2	7,948,551	8,856,872
Stage 3	-	-
Gross loans	**222,828,055**	**208,643,872**
Impairments on groups of loans		
Expected credit loss, stage 1	3,726	1,207
Expected credit loss, stage 2, no objective proof of loss	11,456	28,968
Expected credit loss, stage 3, objective proof of loss	-	-
Total net loans and claims with customers	**222,812,873**	**208,613,697**
Liability		
Unused balances under customer revolving credit lines (flexible loans)	12,829,529	12,328,559
Total	**12,829,529**	**12,328,559**
Defaulted loans		
Defaults*	0.0 %	0.0 %
Specified loan loss provisions	0.0 %	0.0 %
Net defaulted loans	**0.0 %**	**0.0 %**
Loans at risk of loss		
Loans not defaulted but at risk of loss	0.0 %	0.0 %
- Write downs on loans at risk of loss	0.0 %	0.0 %
Net other loans at risk of loss	**0.0 %**	**0.0 %**

*The entire customer loan balance is considered to be in default and will be included in overviews of defaulted loans when overdue instalments and interest payments are not received within 90 days or if credit limits on revolving loans are exceeded for 90 days or more.

Loans sorted according to geography (Norwegian counties)

NOK 1 000		Lending 2021	Lending 2021 %	Lending 2020	Lending 2020 %
NO03	Oslo	29,424,945	13,20 %	26,846,389	12,87 %
NO11	Rogaland	1,400,749	1,20 %	1,178,820	0,57 %
NO15	Møre og Romsdal	14,614,238	6,60 %	12,844,051	6,16 %
NO18	Nordland	16,538,154	7,40 %	15,207,213	7,29 %
NO21	Svalbard	168,416	0,10 %	160,465	0,08 %
NO30	Viken	60,389,044	27,10 %	54,803,072	26,27 %
NO34	Innlandet	23,087,323	10,40 %	21,326,800	10,22 %
NO38	Vestfold og Telemark	18,732,694	8,40 %	17,711,474	8,49 %
NO42	Agder	538,111	0,20 %	462,754	0,22 %
NO46	Vestland	2,673,857	0,60 %	2,228,581	1,07 %
NO50	Trøndelag	33,979,202	15,30 %	35,484,994	17,01 %
NO54	Troms og Finnmark	21,266,141	9,50 %	20,359,083	9,76 %
Total		**222,812,873**	**100,0 %**	**208,613,697**	**100,0 %**

Loans sorted according to Risk Class: 12 months probability of default (NOK 1000)

Risk Class	*Classification*	2021	% share 2021	2020	% share 2020
A	1: Lowest	48,335,996	21,71 %	45,937,594	22,04 %
B	1: Lowest	80,217,226	36,03 %	76,672,747	36,78 %
C	1: Lowest	63,862,969	28,68 %	57,497,217	27,58 %
D	2: Low	16,963,571	7,62 %	15,277,200	7,33 %
E	2: Low	6,048,296	2,72 %	5,995,908	2,88 %
F	3: Medium	2,632,575	1,18 %	2,647,985	1,27 %
G	3: Medium	2,107,925	0,95 %	1,916,185	0,92 %
H	4: High	1,199,580	0,54 %	1,318,737	0,63 %
I	5: Highest	1,179,534	0,53 %	1,122,497	0,54 %
J	5: Highest	75,639	0,03 %	75,183	0,04 %
K	5: Highest	16,560	0,01 %	7,347	0,00 %
*	9: Missing	-120	0,00 %	-77	0,00 %
Total		**222,639,750**	**100,0 %**	**208,468,523**	**100,0 %**

Contributing to a better world

The United Nations Sustainable Development Goals is a common global roadmap for a sustainable future. In order to reach the goals by the 2030 target, governments and business communities everywhere needs to act. SpareBank 1 Østlandet has identified seven sustainable development goals which they believe is relevant for their business, areas where they believe they can make a difference.

Note 15 Provision for expected credit losses

The following table show reconciliations from the opening to the closing balance of the loss allowance.

NOK 1 000	2021			
Accrual for losses on loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	1,207	28,968	-	30,175
Originations or purchases	1,669	3,529	-	5,197
Transfer from stage 1 to stage 2	-3,015	3,015	-	-
Transfer form stage 2 to stage 1	172	-172	-	-
Derecognitions	425	10,630	-	11,055
Changes due to changed input assumptions	3,268	-34,513	-	-31,245
Closing balance	**3,726**	**11,456**	**-**	**15,182**
Total loans after specified loss provisions	**214,879,503**	**7,948,551**	**-**	**222,828,055**

Boligkreditt has no mortgages i Stage 3, which are mortgages in default or problematic and anticipated to default (payment arrears of at least 90 days).

The change in expected credit losses is entirely the result of modelled IFRS 9 expected cumulative losses (ECL). As describe in note 2, three scenarios are developed to illustrate paths of the future macroeconomic development. The result of each scenario is a PD (probability of default) and LGD (loss given default) applicable on the portfolio of mortgage loans. Each scenario reaches five years into the future, after which a terminal value for the remainder of the mortgage loan is determined. The PDs used are the assessed point in time PDs. They are not the same as the regulatory requirements for PD, which includes certain buffers, they represent economic estimates. Two types of PDs are generated and used in the model's ECL calculation:

- A 12-month PD is the probability of default occurring within the next 12 months (or over the remaining life of the mortgage loan if that is shorter). This is used to calculate the 12-month ECL.

- A lifetime PD is the annualized probability of a default occurring over the remaining life of the mortgage loan. This is used to calculate lifetime ECL. Stage 2 and 3 mortgage loans have this PD assigned, and such loans have a material negative credit migration since origination, according to the limits described in Note 2.

The economic scenarios are a base case, a downside, and an upside case. The macroeconomic variables that go into the scenarios include:

- GDP growth
- Unemployment rate
- Inflation and NIBOR interest rate level

• House prices

The base case uses the projections from Statistics Norway and / or from Norway's central bank. This scenario shows a continued recovery from the pandemic with robust GDP growth dropping off towards 2 percent p.a. at the end of the projection horizon, and an unemployment rate returning to around 3 percent. The result of the base case is equal to the long-term PD observed historically on mortgages that may have been financed in Boligkreditt of around 12 to 13 bps. LGD is between 1 and 2 percent in this scenario, reflecting the stringent rules for which mortgages can be transferred to Boligkreditt. The base case has the highest weight with 75 percent.

The downside or stress case considers a negative development for unemployment and GDP growth, similar to the downturn in the early 1990ies. Household debt weigh on consumers, who consolidate and save and house prices decline along with aggregate demand. The PD is now 3 times as high as in the base case in year 2 and over 6 times as high in year 3, after which it starts to subside. LGD is twice what it is in the base case, reflecting low LTVs for mortgages transferred to Boligkreditt. The scenario is weighted with 15 percent.

The ECL of the scenarios are (NOK in 1000):	
Base case:	9,878
Downside case	59,264
Upside case:	-
Weighted ECL	15,182

Note 16 Share Capital and Shareholder Information

	List of shareholders as of 2021		List of shareholders as of 2020	
	No of Shares	Percent and votes	No of Shares	Percent and votes
SpareBank 1 Østlandet	18,048,408	23,15 %	17,506,879	22.45%
SpareBank 1 SMN	16,325,637	20,94 %	17,431,133	22.36%
SpareBank 1 Nord-Norge	12,414,801	15,92 %	14,146,598	18.14%
SpareBank 1 Sørøst-Norge	8,325,220	10,68 %	8,629,054	11.07%
BN Bank ASA	5,612,985	7,20 %	5,436,118	6.97%
SpareBank 1 Ringerike Hadeland	3,800,946	4,87 %	3,698,165	4.74%
SpareBank 1 Østfold Akershus	3,877,452	4,97 %	3,694,453	4.74%
SpareBank 1 Modum	1,738,768	2,23 %	1,856,509	2.38%
SpareBank1 Helgeland	1,599,666	2,05 %		
SpareBank 1 Nordmøre	2,086,521	2,68 %	1,633,728	2.10%
SpareBank 1 Søre Sunnmøre	1,236,264	1,59 %	1,171,457	1.50%
SpareBank 1 Gudbrandsdal	1,243,219	1,59 %	1,141,753	1.46%
SpareBank 1 Hallingdal Valdres	991,098	1,27 %	983,950	1.26%
SpareBank 1 Lom og Skjåk	671,164	0,86 %	642,352	0.82%
Total	**77,972,149**	**100%**	**77,972,149**	**100%**

The share capital consists of 77.972.149 shares with a nominal value of NOK 100. The percent share allocation and share of vote are identical.

Hybrid capital

NOK 1000	ISIN	Interest rate	Issued year	Call option	2021	2020
Perpetual						
Hybrid (Tier 1 capital instrument)	NO0010767643	3M Nibor + 360 bp	2016	22.06.2021		250,000
Hybrid (Tier 1 capital instrument)	NO0010811318	3M Nibor + 310 bp	2017	01.12.2022	100,000	100,000
Hybrid (Tier 1 capital instrument)	NO0010850621	3M Nibor + 340 bp	2019	30.04.2024	350,000	350,000
Hybrid (Tier 1 capital instrument)	NO0010890825	3M Nibor + 300 bp	2020	26.08.2025	200,000	200,000
Hybrid (Tier 1 capital instrument)	NO0010993009	3M Nibor + 250 bp	2021	06.05.2026	250,000	
Book value					**900,000**	**900,000**

The issued bonds listed in the table abowe have status as Tier 1 capital instruments in the Company's capital coverage ratio.

Note 17 Liabilities incurred by issuing securities

	Nominal value*	Nominal value*
NOK 1 000	**2021**	**2020**
Senior unsecured bonds	-	-
Repurchased senior unsecured bonds	-	-
Covered bonds	231,799,097	220,831,875
Repurchased Covered bonds	-	-2,500,000
Total debt incurred by issuing securities	231,799,097	218,331,875

* Nominal value is incurred debt at exchange rates (EUR/NOK and USD/NOK) at the time of issuance

	Book value	Book value
NOK 1 000	**2021**	**2020**
Senior unsecured bonds	-	-
Repurchased senior unsecured bonds	-	-
Covered bonds	237,100,545	240,993,020
Repurchased covered bonds	-	-2,500,013
Activated costs incurred by issuing debt	-201,573	-201,926
Accrued interest	623,851	1,081,090
Total debt incurred by issuing securities	**237,522,824**	**239,372,170**

Covered bonds

Due in	2021	2020
2021		24,779,600
2022	33,760,002	41,749,200
2023	30,525,750	30,606,750
2024	28,068,195	28,158,375
2025	37,713,750	31,713,750
2026	26,010,000	22,710,000
2027	28,041,050	11,551,850
2028	12,462,800	2,712,800
2029	23,972,050	24,107,050
2031	10,003,000	
2032	1,000,000	-
2038	242,500	242,500
Total	**231,799,097**	**218,331,875**
Total	**231,799,097**	**218,331,875**

* Nominal value is incurred debt at exchange rates (EUR/NOK, USD/NOK, SEK/NOK and GBP/NOK) at the time of issuance

Debt incurred by currency (book values at the end of the period)

NOK 1 000	2021	2020
NOK	83,164,332	72,469,545
EUR	136,864,324	148,882,707
GBP	8,934,297	8,845,102
SEK	8,559,871	9,174,816
Total	**237,522,824**	**239,372,170**

Note 18 Subordinated debt

NOK 1000	ISIN	Interest rate	Issued year	Call option from	Maturity	Nominal amount	2021	2020
With maturity								
Subordinated debt (Tier 2 capital instrument)	NO0010826696	3M Nibor + 153 bp	2018	22.06.2023	22.06.2028	250,000	250,000	250,000
Subordinated debt (Tier 2 capital instrument)	NO0010833908	3M Nibor + 180 bp	2018	08.10.2025	08.10.2030	400,000	400,000	400,000
Subordinated debt (Tier 2 capital instrument)	NO0010835408	3M Nibor + 167 bp	2018	02.11.2023	02.11.2028	475,000	475,000	475,000
Subordinated debt (Tier 2 capital instrument)	NO0010842222	3M Nibor + 192 bp	2019	24.01.2024	24.01.2029	300,000	300,000	300,000
Accrued interest							5,860	4,990
Book value							**1,430,860**	**1,429,990**

The issued bonds listed in the table above have status as Tier 2 capital instruments in the Company's capital coverage ratio.

Note 19 Reconciliation of liabilities arising from financing activities

The table below details changes in liabilities arising from financing activities, including both cash and non-cash changes.

NOK 1 000	2020	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	2021
Liabilities						
Debt incurred by issuing securities and financial derivatives	240,287,711	14,106,168	-10,607,326	-3,691,358	194,496	240,289,690
Collateral received in relation to financial derivatives	16,838,423	-12,312,780	-	-	-632,919	3,892,723
Subordinated debt	1,429,990	-	-	-	869	1,430,860
	258,556,124	1,793,388	-10,607,326	-3,691,358	-437,553	245,613,273

Note 20 Financial Derivatives

NOK 1 000	2021	2020
Interest rate derivative contracts		
Interest rate swaps		
Nominal amount	33,293,120	54,965,589
Asset	803,181	2,427,317
Liability	-90,305	-192,716
Currency derivative contracts		
Currency swaps		
Nominal amount	143,520,577	139,210,375
Asset	6,783,076	18,969,131
Liability	-2,336,702	-297,883
Total financial derivative contracts		
Nominal amount	176,813,697	194,175,964
Asset	7,586,258	21,396,448
Liability*	-2,427,007	-490,599

All derivative contracts exist for the purpose of hedging changes in interest rates and currency exchange rates.

* Change due to basis swap spread adjustment	2021	2020
Total liability derivates	-2,427,007	-490,599
Net gain (loss) on valuation adjustment of basis swap spreads	-339,859	-424,941
Net liability derivatives	-2,766,866	-915,540

Basis swaps are currency swaps and are entered into at a certain cost (basis swap spread) between SpareBank 1 Boligkreditt and banks which offer such swaps and which have signed an ISDA agreement with the Company. Changes in the cost are valued each quarter across all of the Company's swaps in accordance with the IFRS rules. The effect may be material from quarter to quarter because the Company's portfolio of swaps is extensive. All basisswap value changes will reverse over time towards the point of termination of the swaps. Changes in basis swap valuations are not included in net income, but is included in other comprehensive income and in equity.

Derivates include one or more referance rates which will be reformed. SpareBank 1 Boligkreditt will follow market standards and regulation. Sterling Libor on an outstanding GBP covered bond was changed to SONIA in 2021.

The Company used the following hedging instruments for issued debt:

1. Fixed rate NOK bonds issued and swapped to 3 months NIBOR exposure
2. Three month EURIBOR bonds issued swapped to a 3 month NIBOR exposure
3. Fixed rate EUR bonds issued and swapped to 3 months EURIBOR exposure
4. Fixed rate EUR bonds issued and swapped to 3 months NIBOR exposure
5. Three months SONIA bonds issued and swapped to 3 months NIBOR exposure (effective Feb 15, 2021)
6. Fixed rate GBP bonds issued and swapped to 3 months NIBOR exposure

Hedging instruments used in debt issued, excluding NIBOR contracts, nominal values	2021	2020
EURIBOR contracts under point 2 and 3 above	5,846,520	7,675,500
SONIA contracts under point 5 above (effective Feb 15, 2021)	5,955,000	5,835,000
Total	**11,801,520**	**13,510,500**

Collateral received is a contractual feature in the Company’s ISDA contracts. For derivative (swap) contracts dated on or after March 1, 2017, all exposure that the Company has to counterparties is collateralized in cash from a threshold of zero. Contracts with a start date prior to 1 March 2017 may be subject to higher thresholds. The Company is entitled to offset all costs and other amounts it incurs with the collateral received if the counterparty should not perform under the contract. The Company does not post out collateral it has not first received from counterparties.

NOK 1 000	2021	2020
Collateral received under derivatives contracts	3,892,723	16,838,423

Note 21 Classification of Financial Instruments

NOK 1 000	Financial instruments accounted for at fair value	Financial assets and debt accounted for at amortised cost	2021
Assets			
Lending to and deposits with credit institutions	-	1,434,091	1,434,091
Certificates and bonds	26,195,602	-	26,195,602
Residential mortgage loans	-	222,812,873	222,812,873
Financial derivatives	7,586,258	-	7,586,258
Total Assets	**33,781,859**	**224,246,964**	**258,028,824**
Liabilities			
Debt incurred by issuing securities*		237,522,824	237,522,824
Collateral received in relation to financial derivatives	-	3,892,723	3,892,723
Financial derivatives	2,766,866	-	2,766,866
Subordinated dept	-	1,430,860	1,430,860
Total Liabilities	**2,766,866**	**242,846,407**	**245,613,273**
Total Equity	**-**	**900,000**	**900,000**
Total Liabilities and Equity	**2,766,866**	**243,746,407**	**246,513,273**

*For issued securities, 176 billion are hedged with swaps. This means that foreign currency and fixed rate exposure is effectively converted to a 3 month NIBOR exposure in Norwegian kroner.

NOK 1 000	Financial instruments accounted for at fair value	Financial assets and debt accounted for at amortised cost	2020
Assets			
Lending to and deposits with credit institutions	-	6,473,876	6,473,876
Certificates and bonds	34,515,412	-	34,515,412
Residential mortage loans	-	208,613,697	208,613,697
Financial derivatives	21,396,448	-	21,396,448
Total Assets	**55,911,860**	**215,087,573**	**270,999,434**

Liabilities			
Debt incurred by issuing securities*		239,372,170	239,372,170
Collateral received in relation to financial derivatives	-	16,838,423	16,838,423
Financial derivatives	915,540	-	915,540
Subordinated dept	-	1,429,990	1,429,990
Total Liabilities	**915,540**	**257,640,583**	**258,556,124**
Total Equity	**-**	**900,000**	**900,000**
Total Liabilities and Equity	**915,540**	**258,540,583**	**259,456,124**

*For issued securities, 187 billion are hedged with swaps. This means that foreign currency and fixed rate exposure is effectively converted to a 3 month NIBOR exposure in Norwegian kroner.

Note 22 Financial Instruments at Fair Value

Methods in order to determine fair value

General

The interest rate curve that is used as input for fair value valuations of hedging instruments and hedging objects consists of the NIBOR-curve for maturities less than one year. The swap-curve is used for maturities exceeding one year.

Interest rate and currency swaps

Valuation of interest rate swaps at fair value is done through discounting future cash flows to their present values. Valuation of currency swaps will also include the element of foreign exchange rates.

Bonds

Valuation of bonds at fair value is done through discounting future cash flows to present value.

With effect from 2009 SpareBank 1 Boligkreditt AS has implemented the changes in IFRS 7 in relation to the valuation of financial instruments as of the date of the financial accounts. The changes require a presentation of the fair value measurement for each Level. We have the following three Levels for the fair value measurement:

Level 1: Quoted price in an active market. Fair value of financial instruments which are traded in active markets are based on the market price at the balance sheet date. A market is considered to be active if the market prices are easily and readily available from an exchange, dealer, broker, industry group, pricing service or regulating authority and that these prices represent actual and regular market transactions on an arm's length basis.

Level 2: Valuation based on observable factors. Level 2 consist of instruments which are not valued based on listed prices, but where prices are indirectly observable for assets or liabilities, but also includes listed prices in not active markets.

Level 3: The valuation is based on factors that are not found in observable markets (non-observable assumptions). If valuations according to Level 1 or Level 2 are not available, valuations are based on not-observable information. The Company has a matter of principle neither assets nor liabilities which are valued at this level.

The following table presents the company's assets and liabilities at fair value as of 31.12.2021

NOK 1 000	Level 1	Level 2	Level 3	Total
Certificates and bonds	26,195,602	-	-	26,195,602
Financial Derivatives	-	7,586,258	-	7,586,258
Total Assets	**26,195,602**	**7,586,258**	**-**	**33,781,859**
Financial Derivatives	-	2,766,866	-	2,766,866
Total Liabilities	**-**	**2,766,866**	**-**	**2,766,866**

Issued debt is formally accounted for at amortized cost, and is therefore not listed in the table above. However, when issued debt is hedged with derivatives it is in effect accounted for using hedge accounting and fair value option. This means that approximately NOK 176 billion of issued debt are also accounted for according to Level 2 above, while the remaining debt are accounted for at amortized cost.

The following table presents the company's assets and liabilities at fair value as of 31.12.2019

NOK 1 000	Level 1	Level 2	Level 3	Total
Certificates and bonds	34,515,412		-	34,515,412
Financial Derivatives	-	21,396,448	-	21,396,448
Total Assets	**34,515,412**	**21,396,448**	**-**	**55,911,860**
Financial Derivatives	-	915,540	-	915,540
Total Liabilities	**-**	**915,540**	**-**	**915,540**

Issued debt is formally accounted for at amortized cost, and is therefore not listed in the table above. However, when issued debt is hedged with derivatives it is in effect accounted for using hedge accounting and fair value option. This means that approximately NOK 176 billion of issued debt are also accounted for according to Level 2 above, while the remaining debt are accounted for at amortized cost.

Note 23 Other Liabilities

NOK 1 000	2021	2020
Employees tax deductions and other deductions	2,475	627
Employers national insurance contribution	1,617	702
Accrued holiday allowance	1,120	1,082
Commission payable to shareholder banks	156,877	184,028
Deposits*	2,134	4,361
Pension liabilities	4,181	10,448
Expected credit loss unused credit lines (flexible loans)	84	51
Accounts payable, secutities	2,387	0
Other accrued costs	5,744	7,779
Total	**176,618**	**209,078**

The Company does not have an overdraft facility or a revolving credit facility as of 31.12.2021
* Deposits represents temporary balances paid in by customers in excess of the original loan amount.a

Accounts payable, securities, are such amounts that have been transacted, but not yet settled.

Climate neutral by 2050

SpareBank 1 Østlandet is committed to become climate neutral by 2050, both with respect to its own operating activities and with respect to its loan portfolio. Consequently, The Bank has joined the international banking initiative, The Net Zero Banking Alliance (NZBA), led by UNEP FI. The latter has previously launched the initiatives Principles for Responsible Banking and Collective Commitment on Climate Action, both of which The Bank has signed up to.

Note 24 Credit Risk

Credit risk is defined as the risk that losses can occur as a consequence of that customers and others do not have the ability or willingness to meet their obligations to SpareBank 1 Boligkreditt as and when agreed. Credit risk mainly includes loans to customers which are collateralised by private residences (residential mortgage loans), but also includes credit risk in hedging swaps (though any exposure must always be collateralized by the swap counterparty) and investment in bonds within the Company's liquidity portfolio. SpareBank 1 Boligkreditt AS maintains a credit policy and limits in order to manage and closely monitor all credit risk the company is exposed to.

According to the Transfer and Servicing agreement between SpareBank 1 Boligkreditt and each parent bank, the Company has the right to reduce commissions payable for the remainder of the current calendar year to all of its parents banks by an amount equal to any incurred losses on individual mortgage loans. The Company has not since the commencement of its operations had any instances of off-set against the commissions due to its parent banks.

Credit Exposure

NOK 1 000	2021	2020
Loans to customers	222,812,873	208,613,697
Loans to and deposits with credit institutions	1,434,091	6,473,876
Certificates and bonds	26,195,602	34,515,412
Financial derivatives	7,586,258	21,396,448
Other assets	209,997	286,898
Total assets	**258,238,821**	**271,286,332**
Unused credit on flexible loans	12,829,529	12,333,850
Received collateral in relation to derivative contracts	-3,892,723	-16,838,423
Total credit exposure	**267,175,627**	**266,781,759**

Lending to customers (residential mortgage loans)

The risk classification of the Company's lending is conducted on the basis of an evaluation of the exposures. The evaluation is based on the following main criteria:

- Ability of the customer to pay (income and debt).
- Willingness to pay (payment remarks).
- Size of the loan.
- Loan to value (maximum loan to collateral value is 75% and the collateral must be valued by an indepenent source, valuations are updated quarterly for the whole loan portfolio).
- Location

SpareBank 1 Boligkreditt AS utilizes the SpareBank 1 Alliance's IT platform and custom developed IT systems for the acquisition of loans from the banks in the SpareBank 1 Alliance. Credit risk is monitored by measuring the development of the mortgage portfolio's credit quality, details about missed payments, defaults and over the limit withdrawals. For defaults and losses in the portfolio the Company has set the following limits:

- Expected loss in the portfolio: < 0.05 % of the loan volume
- Unexpected loss in the portfolio (at a 99.97% confidence level): < 0,5 % of the loan volume

The following risk classification, step 1 to 3 is executed monthly based on objective data

1. Probability of default (PD): The customers are classified in PD classes depending on the likelihood for default within the next 12 months based on a long average (through cycle). The PD is calculated on the basis of historical dataseries for financial key numbers tied to income and source of income, as well as on the basis of non-financial criteria such as age and behaviour. In order to group the customers according to PD, nine classes of probability of default are used (A to I). In addition the Company has to default classes (J and K) for customers with defaulted and/or written down exposures.

2. Exposure at default: This is a calculated number which provides the exposure with a customer at the point of default. This exposure is usually of lending volume and the approved but not utilized credit lines. Customers approved but not utilized credit lines are multiplied with a 100 percent conversion factor.

3. Loss given default (LGD): This is a calculated number which expresses how much the Company potentially stands to lose if a customer defaults on his or her obligations. The assessment takes into consideration the collateral and the cost the Company could incur by foreclosing and collecting on the defaulted exposure. The Company determines the realizable value on the collateral based on the experience of the SpareBank 1 banks over time, and so that the values reflect a cautious assessment in the lower point of an economic cycle. Seven classes (1 to 7) are used to classify the exposures according to LGD.

SpareBank 1 Boligkreditt AS will only purchase loans from the shareholder banks that have a high servicing capacity and low loan to value. This implies that the loans bought by the Company are in lower risk groups. The Company utilizes the same risk classification as the other banks in the SpareBank 1 Alliance. Presented below is an overview that shows how loans are allocated over the risk groups. The allocation in risk groups is based on expected loss (PD multiplied by LGD for each individual loan).

Definition of risk groups - based on probability of default

			Distribution in %		Total lending *	
Risk group	**Lower limit**	**Upper limit**	**2021**	**2020**	**2021**	**2020**
Lowest	0,00 %	0,01 %	86,4 %	86,4 %	192,565,692	180,232,905
Low	0,01 %	0,05 %	10,3 %	10,2 %	23,029,760	21,287,922
Medium	0,05 %	0,20 %	2,1 %	2,2 %	4,744,187	4,567,348
High	0,20 %	0,50 %	0,5 %	0,6 %	1,200,513	1,319,655
Highest	0,50 %	100 %	0,6 %	0,6 %	1,272,722	1,205,867
Total			**100,0 %**	**100,0 %**	**222,812,874**	**208,613,697**

* Total lending are presented as lend at default exclusive of accrued interest and before group loan loss provisions.

Bonds and deposits with credit intitutions

Rating class		2021	2020
AAA/Aaa	Covered Bonds	14,664,991	21,297,528
	Norw. Government certificates	1,097,449	499,945
	Other government or gov guaranteed bonds	9,060,408	10,359,131
	Financial institutions	-	-
	Total	**24,822,848**	**32,156,604**
AA+/Aa1 to AA-/Aa3	Other government bonds*	1,361,254	2,358,809
	Covered Bonds	-	-
	Financial institutions	623,071	5,680,463
	Total	**1,984,325**	**8,039,271**
A+/A1 - A/A2	Financial institutions	811,020	793,414
	Total	**811,020**	**793,414**
Total		**27,618,193**	**40,989,289**

Fitch/Moody's/S&P rating classes are used. If the ratings differ, the lowest counts. All bonds are publicly listed.

Financial derivatives
Derivative contracts are only entered into with counterparties with a certain minimum rating by Moody's Ratings Service. Counterparties must post cash collateral. SpareBank 1 Boligkreditt does not post collateral to a counterparty which has previously not been received.

Note 25 Liquidity Risk

Liquidity risk is defined as the risk that the business is not able to meet its obligations at maturity. SpareBank 1 Boligkreditt AS issues covered bonds at shorter maturities than the residential mortgages which make up the largest portion of assets on the Company's balance sheet. The Liquidity risk which arises is closely monitored and is in compliance with the Norwegian covered bond legislation which amongst other things requires that the cash flow from the cover pool is sufficient to cover outgoing cash flows for holders of preferential claims on the cover pool (holders of covered bonds and counterparties in associated hedging contracts (swaps). In order to manage the liquidity risk certain limits and liquidity reserves have been approved by the Board of Directors. SpareBank 1 Boligkreditt AS maintains a liquidity reserve which will cover bond maturities for the next six months according to the proposed Harmonized Legislation for Cover Bonds. Liquidity risk is monitored on a regular basis and weekly reports are presented to the management and monthly reports to the Board.

Boligkreditt's shareholder banks have committed themselves to buying covered bonds in a situation where the primary market for issuance of covered bonds is not functioning. This commitment has no liquidity effects on the SpareBank 1 banks because the covered bonds can be deposited with the central bank at any time. The Company may require its shareholder banks to acquire covered bonds from it in an amount which is capped at the amount of the next 12 months upcoming maturities less what the Company holds as its own liquidity reserve. Each shareholder bank's responsibility is pro rata in accordance with its ownership stake in the Company and secondary up to a level of twice its pro rata stake if other banks are unable or unwilling to meet their commitment. Each bank may make a deduction in its commitment for bonds already purchased under this commitment. The table below include expected interest payments, which makes the figures higher than the correspondnig numbers in the balance sheet. .

Liquidity Risk - all amounts in 1000 NOK

	31.12.2021	No set term	Maturity 0 to 1 months	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Certificates and bonds	26,195,602			7,208,791	3,656,240	13,909,418	1,421,153
Lending to and deposits with credit institutions	1,434,091	1,434,091		0	0	0	0
Residential mortgage loans	284,703,032			3,125,844	9,327,224	48,517,639	223,732,325
Derivatives	7,586,258			796,745	1,422,188	4,207,619	1,159,707
Other assets with no set term	209,997	209,997					
Total Assets	320,128,980	1,644,088	0	11,131,379	14,405,652	66,634,677	226,313,184
Debt incurred when issuing securities	-271,123,607			-9,568,393	-29,023,825	-157,461,981	-75,069,407
Other liabilities with a set term	-3,892,723			-3,892,723			
Derivatives	-2,766,866			-2,101	-3,132	-852,261	-1,909,373
Liabilities with no set term	-1,430,860						-1,430,860
Subordinated debt	-206,699	-206,699					
Equity	-12,418,848	-12,418,848					
Total liabilities and equity	-291,839,603	-12,625,547	0	-13,463,217	-29,026,957	-158,314,242	-78,409,640
Net total all items		**-10,981,459**	**0**	**-2,331,838**	**-14,621,305**	**-91,679,565**	**147,903,544**

Liquidity Risk - all amounts in 1000 NOK

	31.12.2020	No set term	Maturity 0 to 1 months	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Certificates and bonds	34,515,412			13,468,832	6,402,677	13,907,889	736,014
Lending to and deposits with credit institutions	6,473,876	6,473,876		0	0	0	0
Residential mortgage loans	263,996,624			1,053,109	3,130,301	16,524,426	243,288,788
Derivatives	21,396,448			3,018,071	2,471,648	9,678,632	6,228,097
Other assets with no set term	286,898	286,898					
Total Assets	326,669,258	6,760,774	0	17,540,012	12,004,626	40,110,947	250,252,899

Debt incurred when issuing securities	-265,039,389			-12,634,660	-19,298,562	-145,733,486	-87,372,680
Other liabilities with a set term	-16,838,423			-16,838,423			
Derivatives	-915,540			-9,821	-57,165	-251,594	-596,961
Liabilities with no set term	-1,429,990						-1,429,990
Subordinated debt	-362,394	-362,394					
Equity	-12,367,815	-12,367,815					
Total liabilities and equity	-296,953,551	-12,730,209	0	-29,482,903	-19,355,727	-145,985,080	-89,399,632
Net total all items		**-5,969,435**	**0**	**-11,942,891**	**-7,351,101**	**105,874,133**	**160,853,267**

Note 26 Interest Rate Risk

The interest rate risk is the risk of a negative profit effect due to rate changes. The balance sheet of SpareBank 1 Boligkreditt consists in all essence of loans to retail clients with a variable interest rate that can be changed after a 6 week notice period, floating rate current deposits, bonds and certificates in the Company's liquidity portfolio and of issued bonds and certificates. In accordance with the Norwegian legislation applicable to Covered Bonds and internal guidelines, SpareBank 1 Boligkreditt hedges all interest rate risk by utilising interest rate swaps. The Board approves limits for interest rate risk for different terms. Reports to the Board are presented on a monthly basis. The table below reports the effect on market value in NOK for one percent change in interest rates for the Company's portfolios of mortgages, derivatives and issued bonds. The interest rate sensitivity shows the expected effect from a 100 basis points parallel shift in the interest rate curve:

The table below include expected interest payments, which makes the figures higher than the correspondnig numbers in the balance sheet.

Interest rate risk - all amounts in 1 000 NOK

	31.12.2021	No set term	Maturity 0 to 1 months	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	26,195,602			18,589,949	2,681,509	4,083,215	840,927
Lending to customers	1,434,091	1,434,091		0	0	0	0
Treasury Bills	284,703,032			284,703,032			
Other assets with no set term	209,997	209,997					
Total Assets	**312,542,722**	**1,644,088**	**0**	**303,292,982**	**2,681,509**	**4,083,215**	**840,927**
Liabilities incurred when issuing securities	-271,123,607			-85,480,495	-17,567,139	-107,112,985	-60,962,988
Other liabilities with a set term	-3,892,723	-3,892,723					
Liabilities with no set term	-206,699	-206,699					
Subordinated debt	-1,430,860						-1,430,860
Equity	-12,418,848	-12,418,848					
Total liabilities and equity	-289,072,737	-16,518,270	0	-85,480,495	-17,567,139	-107,112,985	-62,393,847
Net interest rate risk							

before derivatives	**23,469,985**	**-14,874,182**	**0**	**217,812,487**	**-14,885,630**	**-103,029,769**	**-61,552,920**
Derivatives	**4,819,391**	**0**		**-142,018,948**	**15,008,798**	**74,521,762**	**57,307,779**
Net interest rate risk		**-14,874,182**	**0**	**75,793,539**	**123,168**	**-28,508,007**	**-4,245,141**
% of total assets		**5 %**	**0 %**	**24 %**	**0 %**	**9 %**	**1 %**

Interest Rate Risk - all amounts in 1000 NOK

	31.12.2020	**No set term**	**Maturity 0 to 1 months**	**Maturity 1 to 3 months**	**Maturity 3 to 12 months**	**Maturity 1 to 5 years**	**Maturity more than 5 years**
Certificates and bonds	34,515,412			24,236,769	5,030,717	4,611,722	636,204
Lending to and deposits with credit institutions	6,473,876	6,473,876		0	0	0	0
Residential mortgage loans	263,996,624			263,996,624			
Other assets with no set term	286,898	286,898					
Total Assets	**305,272,811**	**6,760,774**	**0**	**288,233,393**	**5,030,717**	**4,611,722**	**636,204**
Debt incurred when issuing securities	-265,039,389			-79,881,530	-12,495,761	-85,511,143	-87,150,955
Other liabilities with a set term	-16,838,423	-16,838,423					
Liabilities with no set term	-362,394	-362,394					
Subordinated debt	-1,429,990						-1,429,990
Equity	-12,367,815	-12,367,815					
Total liabilities and equity	-296,038,010	-29,568,631	0	-79,881,530	-12,495,761	-85,511,143	-88,580,946
Net interest rate risk							
before derivatives	**9,234,800**	**-22,807,857**	**0**	**208,351,864**	**-7,465,044**	**-80,899,421**	**-87,944,742**
Derivatives	**20,480,907**	**-**		**-133,473,399**	**10,739,596**	**77,159,921**	**66,054,790**
Net interest rate risk		**-22,807,857**	**0**	**74,878,464**	**3,274,552**	**-3,739,500**	**-21,889,952**
% of total assets		**7 %**	**0 %**	**23 %**	**1 %**	**1 %**	**7 %**

The table below presents a net change in market value in NOK for all the Company's asset and liabilities given a one per-centparallel move of the interest rate curve.

		Sensitivity of net interest rate expense in NOK 1000	
Currency	**Change in basis points**	**2021**	**2020**
NOK	100	11,924	38,166

Mortgage rates (variable) are set by SpareBank 1 Boligkreditt AS, but for all practical purposes follow the recommendations from the local originating banks. The mortgage interest rates are set dependent on collateral and LTV, customer risk category and the competitive mortgage lending landscape.

Note 27 Currency risk

The foreign exchange risk is the risk of a negative P&L impact as a result of changes in foreign currencies. SpareBank 1 Boligkreditt AS's balance sheet consists mainly of lending to private individuals in Norway and in NOK, current deposits in NOK and liabilities issued in the Norwegian or international capital markets. In accordance with the Norwegian covered bond legislation and its internal guidelines the Company hedges all currency risk, either by the utilisation of swaps or by way of asset liability management, i.e. maintaining exposures in assets and liabilities of the same currency. Weekly risk reports are created by the management team and reports to the Board of Directors have a monthly frequency. The currency risk (sensitivity to currency movements) are calculated by adding the exposure in the various currencies. No other currencies than the NOK had a material net position on the Company's balance sheet at the end of the year.

Net currency exposure in NOK 1000

Currency	2021	2020
EUR	**-136,346**	**-108,808**
- Bank Deposits	10,821	430,906
- Issued Bonds	-136,864,324	-148,882,707
- Derivatives	130,959,994	141,069,376
- Bond investments	5,757,164	7,273,617
USD	**1,005**	
- Bank Deposits	1,005	
- Issued Bonds	-	
- Derivatives	-	
- Bond investments	-	
SEK	**36**	**40**
- Bank Deposits	36	40
- Issued Bonds	-8,559,871	-9,174,816
- Derivatives	8,559,871	9,174,816
- Bond investments		
GBP	**2,265**	**188**
- Bank Deposits	2,180	117
- Issued Bonds	-8,934,297	-8,845,102
- Derivatives	8,934,382	8,845,173
- Bond investments		
Total	**-133,040**	**-108,580**

P&L effect before tax, in NOK 1000

Currency	Change in Exchange Rate (per cent)	2021	2020
EUR	+10	-18,740	-21,387
USD	+10	100	
SEK	+10	4	4
GBP	+10	226	19
Total		**-18,409**	**-21,364**

Note 28 Operational Risk

Operational risk is defined as the risk of loss due to error or neglect in transaction execution, weakness in the internal control or information technology systems breakdowns. Reputational, legal, ethical and competency risks are also elements of operational risk.

The operational risk in SpareBank 1 Boligkreditt AS is limited. The Company is only involved in lending for residential real estate purposes, the placement of liquid assets in highly rated and liquid bonds and the financing of these activities.

Several of the operational processes and systems are supplied by third parties and the Company uses standardized systems for its own operations, such as Simcorp Dimension, for portfolio registration and valuation functions for liquid assets and debt issuances. Several tasks have been outsourced to SpareBank 1 SMN, which is a larger organization with overlaps with the systems and tasks of the Company within several treasury functions. The Company also cooperates closely with its other larger parent banks. Evry is the provider of basic bank IT functions, as it is for most banks in Norway and all banks within the SpareBank 1 Alliance. The Evry systems manage the informational data with regards to each individual loan and calculates interest rate payments, instalments due and in SpareBank 1 Boligkreditt's case also provisions due to parent banks on mortgage loans sold and transferred to the Company. Any potential changes and/or additions in the operations of the Company will be vetted thoroughly before implementation. The Company annually holds a risk-works shop to discuss and look for risks and improvements in any aspects of the operational systems. The Company's management and control of operational risks are satisfactory.

Based on these facts there are no reasons which would lead to a different conclusion than that the standard method for the calculation of capital for operational risks are required. The Company therefore applies the standard method under the capital adequacy rules (CRD IV, Pillar 1) as method to calculate the operational risk capital requirement. The capital so calculated amounts to 56 million for 31.12.2021 (see also note for capital adequacy).

Note 29 Asset Coverage Test

The asset coverage is calculated according to the Financial Services Act § 2-31 (Covered Bond Legislation). The asset coverage test excludes as a cover pool asset any shares of mortgages representing loan to value above the legal maximum of 75 percent.

In addition any defaulted loans, i.e. loans in arrears at or beyond 90 days, are excluded from the asset coverage. Substitute (liquid) assets are included at market values.

NOK 1 000	2021	2020
Covered Bonds	237,717,451	242,074,324
Total Covered Bonds	237,717,451	242,074,324
Residential mortgage loans	222,306,176	207,697,380
Public sector, SSA bond exposure	8,485,011	3,858,900
-of which allocated to LCR	8,485,011	1,245,478
Reverse repo/ depo less than 100 days	540,495	4,402,964
-of which allocated to LCR	-	-

Exposure to credit institutions (covered bonds)	14,664,991	15,852,466
-of which allocated to LCR	-	1,948,134
Derivatives	5,156,863	20,905,849
Total Cover Pool	242,668,525	249,523,946
Asset-coverage	102,1 %	103,1 %
Cover pool including amounts allocated to LCR	251,153,537	252,717,558
Assets-coverage including amounts allocated to LCR	105,7 %	104,4 %

Liquidity Coverage Ratio (LCR)	2021	2020
Liquid assets	11,528,387	17,332,393
Cash outflow next 30 days	11,244,655	12,783,956
LCR ratio	102,5 %	135,6 %

Net Stable Funding Ratio (NSFR)	2021	2020
Available amount of stable funding	224,551,972	227,169,644
Required amount of stable funding	228,545,479	217,574,186
NSFR ratio	98,3 %	104,4 %

Note 30 Capital Adequacy

The primary goal for the Company's management of capital reserves is to ensure compliance with laws and regulatory requirements. The company's owner banks pay in additional core capital on an as-needed basis, according to the covered bond funding function that Boligkreditt delivers to its banks.

As of December 31, 2020, the Norwegian national implementation of the EU's CRR/CRD IV was amended, which means that the average risk weight on lending secured by residential property in Norway cannot be lower than 20 percent.

The European Union has approved new regulatory requirements, CRD IV, which is implemented in Norway. The requirement of 16.0 percent total capital for SpareBank 1 Boligkreditt includes:

- Minimum core equity Pillar 1: 4.5 percent.
- Additional Tier 1 equity capital 1.5 percent and additional Tier 2 capital 2.0 percent (can be held as Tier 1 and Tier 2, alternatively as core equity capital).
- Conservation buffer: 2.5 percent core capital.
- Systemic risk buffer: 4.5 percent core equity for exposures in Norway.
- Countercyclical buffer: 1.0 percent core equity.

The Issuer has an additional Pillar 2 requirement which is 0.9 percent core equity capital. The total requirement for the Issuer is therefore to have capital of minimum 16.9 percent of risk weighted assets. With a management buffer added, the target for capital coverage is 17.3 percent as of December 31, 2021.

The Company's parent banks have committed themselves to keep the Company's Equity Tier 1 capital at the minimum regulatory level (in the Shareholders Agreement). Primarily this commitment is pro rata according to the ownership stakes in the Company, but it is a joint undertaking if one or more ownership banks are unable to comply up to the maximum of twice the initial pro rata amount.

Capital. NOK 1 000	2021	2020
Share capital	7,797,215	7,797,215
Premium share fund	3,901,255	3,901,255
Other equity capital	-179,622	-282,363
Common equity	11,518,848	11,416,107
Intangible assets	-	-85
Declared share dividend	-73,294	-85,769
100% deduction of expected losses exceeding loss provisions IRB (CRD IV)	-427,206	-409,225
Prudent valuation adjustment (AVA)	-23,150	-19,711
Deferred taxes	-33,970	-
Core equity capital	**10,961,228**	**10,901,316**
Hybrid bond	900,000	900,000
Tier 1 equity capital	**11,861,228**	**11,801,316**
Supplementary capital (Tier 2)	1,425,000	1,425,000
Total capital	**13,286,228**	**13,226,316**

Minimum requirements for capital. NOK 1 000	2021	2020
Credit risk	4,172,408	4,040,496
Market risk	-	-
Operational risk	52,755	56,724
CVA Risk	258,497	334,910
Minimum requirement for capital	**4,483,660**	**4,432,130**

Capital Coverage	2021	2020
Risk-weighted assets	56,045,754	55,401,623
Capital coverage (requirement w/all buffers, 16.9%)	23,71 %	23,87 %
Tier 1 capital coverage (requirement w/all buffers, 14.9%)	21,16 %	21,30 %
Core capital coverage (requirement w/all buffers, 13.4%)	19,56 %	19,68 %
Leverage ratio (requirement 3.0%)	4,57 %	4,53 %

Note 31 Related parties

The Company has 222.813 MNOK loans to customers. These are loans acquired from shareholder banks at market values (i.e. nominal value).

SpareBank 1 SMN
The Company acquires significant support services, including accounting services, back-office and other banking services from SpareBank 1 SMN. A complete SLA is established between the Company and SpareBank 1 SMN.

SpareBank 1 - Alliance
In addition the Company has a Transfer and Servicing agreement in place with each individual shareholder bank regulating amongst other things the servicing of mortgage loans.

SpareBank 1 Næringskreditt AS
All employees within SpareBank 1 Boligkreditt AS are also to various degrees working for SpareBank 1 Næringskreditt AS. Twenty percent of the applicable common administrative expenses in SpareBank 1 Boligkreditt AS is to be charged to SpareBank 1 Næringskreditt AS. This division of administrative expenses between the two companies reflect the actual resources utilisation in SpareBank 1 Boligkreditt AS.

Note 32 Collateral received

NOK 1 000	2021	2020
Collateral	3,892,723	16,838,423
Total	**3,892,723**	**16,838,423**

SpareBank 1 Boligkreditt has signed ISDA-agreements including CSAs (Credit Support Annexes) with a number of financial institutions that are counterparties in interest rate and currency swaps. These institutions post collateral in the form of cash deposits to SpareBank 1 Boligkreditt. The amount is included in the balance sheet, but represents restricted cash.

Note 33 Contingencies and events after balance sheet date

SpareBank 1 Boligkreditt AS is not a party to any ongoing legal proceedings.

No events have taken place after the balance sheet date which are expected to have any material impact on the financial statements as of the end of the period 31.12.2021.

The people you meet

Today, approximately 1150 people are working in SpareBank 1 Østlandet.

Energy and climate report 2021 for SpareBank 1 Boligkreditt

The purpose of this report is to show the overview of the covered bond issuer SpareBank 1 Boligkreditt's (the Company) greenhouse gas emissions (GHG emissions) on an annual basis. A climate account is an important tool in the work of identifying specific measures to reduce its energy consumption and associated GHG emissions. This annual report enables the Company to measure key figures and thus evaluate itself over time.

The report aims to cover all greenhouse gas emissions from SpareBank 1 Boligkreditt's activities, directly and indirectly, in 2021.

The information used in the report comes from both external and internal sources and is converted to CO2 equivalents measured in metric tons. The analysis is based on the international standard "A Corporate Accounting and Reporting Standard", which has been developed by "the Greenhouse Gas Protocol Initiative" - the GHG protocol. This is the most widely used method worldwide for measuring their greenhouse gas emissions. ISO standard 14064-I is based on this.

Emission from own activities (*)

Source	Consumption	Unit	Emissions (tCO2e)	Share of emissions
Transportation total			**0**	**0.0 %**
Gasoline		liter		0.0 %
Diesel (NO)				0.0 %
Scope 1 total			**0**	**0.0 %**
Electrisity total			**2.9**	**28.8 %**
Electricity	21,628	kWh	2.9	28.8 %
District heating				0.0 %
Scope 2 total			**2.9**	**28.8 %**
Waste total			**0.4**	**3.9 %**
Residual waste, incineration	477	kilo	0.3	2.8 %
Paper, recycled	187	kilo	0.1	1.1 %
Metal, recycled				0.0 %
Plastic, recycled				0.0 %
Electrical, recycled				0.0 %

Emission from own activities (*)

Business travel total			**6.7**	**67.3 %**
Fligths continental/Europe			2.6	26.6 %
Fligths intercontinental				0.0 %
Fligths domestic			4.0	40.6 %
Milage allowance (NO)				0.0 %
Purchased goods and services total			**0.0**	**0.1 %**
Paper	10	kilo	0.0	0.1 %
Scope 3 total			**7.1**	**71.2 %**
Total			**9.9**	**100.0 %**

* CO_2-emissions from flights undertaken in 2021 are sourced from https://www.sas.no/barekraft/klimakalkulator/
* Electricity and waste-numbers from DSD Front (landlord for our office)
* SpareBank 1 Boligkreditt has 7 employees and a Board of Directors of 6 persons (who are included in the table above for travel related to their Board engagements)

The analysis shows that most of the CO2-emissions arises from business travel (67%). However, the C02 emissions from travels in 2021 are significantly less than in a normal year due to Covid 19-restrictions. The emissions from travelling will increase as more and more restrictions are lifted. Still, we believe that business travel will not reach the same level as before Covid 19 due to that more business is conducted on digital platforms.

Almost 30% of the CO2-emissions comes from the electricity consumption in our office building. The building is newly built and was finished in 2020. It has a BREEAM-NOR-certification of Very Good and the electricity consumption is thus low compared to standard office buildings.

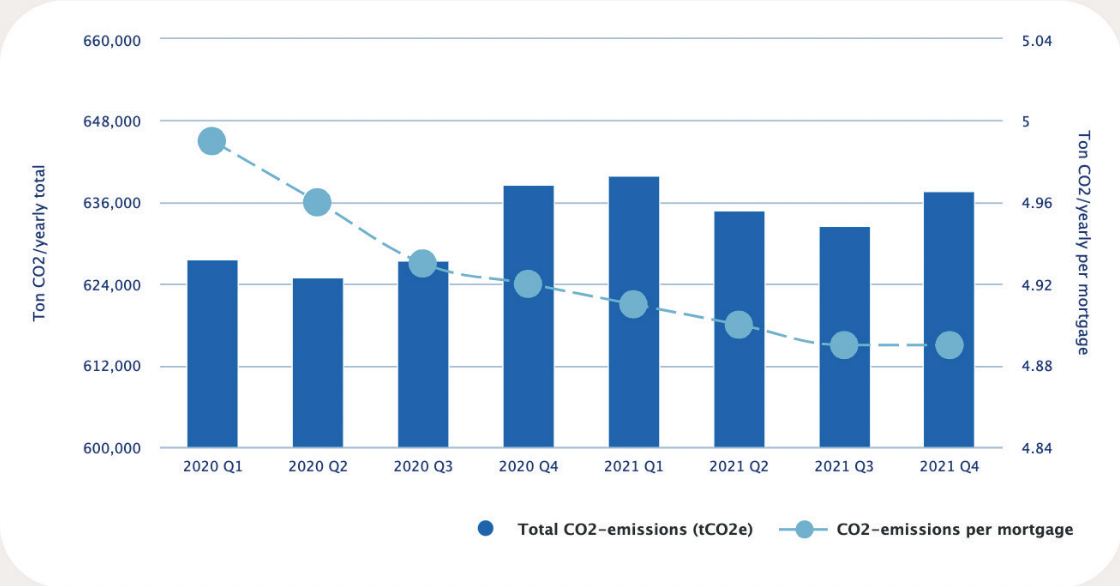
Emissions from residential mortgages on the balance sheet of SpareBank 1 Boligkreditt

The emissions from the residential mortgages on the balance sheet of SpareBank 1 Boligkreditt are far greater than the emissions caused by the operations of the company itself.

One of the main drivers of energy demand (and thereby carbon footprint) is housing. Therefore, energy efficiency in residential housing is of key importance to reduce the energy demand in Norway. To follow up on the development in the mortgage portfolio energy efficiency, we do our own calculations of emissions per property, taking energy label, building year and building size into consideration.

By using the principles found in Multiconsult's report, https://spabol.sparebank1.no/green-bonds?hsLang=en (on the left hand side of the screen under reports) one is able to estimate the CO2-emissions stemming from the electricity-consumption on an annual basis for the total building stock securing the mortgages. Norway's renewable electricity production covers approximately 100 per cent of the electricity demand from households and industry. However, Norway both exports and imports electricity over cables connecting the Norwegian grid to the countries in north-western Europe, including Germany and the UK. Therefore, a European electricity producing mix is assumed in the emissions calculations presented below.

Based on a building's year of construction, and/or the EPC-label, as well as the size of the building in square meters, we have estimated the total CO2-emissions of the portfolio:



The estimated CO2-emissions from all the residential properties securing the mortgages are approximately 635.000 tCO2e, and per mortgage approximately 4,89 tCO2e *

The indirect emissions from the lending portfolio are considerably higher than the emissions arising from the operations of the company. To meet the goals of the Paris agreement it will be crucial to increase the energy efficiency of the building stock. SpareBank 1 Boligkreditt will continue to measure and report on the development of the estimated energy consumption and CO2-emissions and will at a later stage set a target for CO2-emissions per mortgage for the entire loan book. Such a target is dependent on and must be developed in conjunction with the Company's owner banks which are the originators of all mortgages in SpareBank 1 Boligkreditt's cover pool.

(* Calculations done by SpareBank 1 Boligkreditt, and are based on assumptions and appoximations)

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