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Næringskreditt

Annual Report 2020

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Statement of the Board of Directors in SpareBank 1 Næringskreditt AS 2020

SpareBank 1 Næringskreditt's purpose

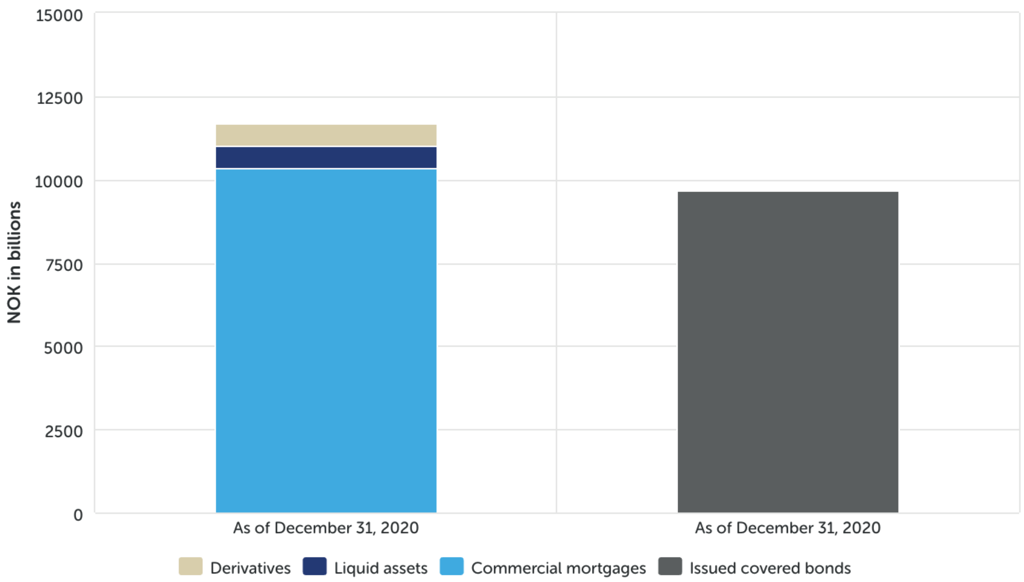
SpareBank 1 Næringskreditt AS ('Næringskreditt', 'SpaCom', or 'The Company') is a credit institution licensed by the Norwegian Financial Supervisory Authority (Finanstilsynet) and is operated according to the legislation for covered bond issuers in Norway which is included in the Financial Institutions Act ("Finansforetaksloven") chapter 11, section II and the detailed regulations thereof.

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 60 per cent and financing these through the issuance of covered bonds.

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 net interest margin earned to its owner banks, with deductions for estimated operating and additional financial expenses. This margin is accounted for as commissions to owner banks. BN Bank is a bank which transfers commercial mortgages to the Company, but is itself owned by the banks in the SpareBank 1 Alliance. BN Bank is not an owner bank in Næringskreditt. The SpareBank 1 banks pay in equity capital for BN Bank, in the form of B-shares, and BN Bank's commissions from the Company are consequently reduced with the amount that the B-shareholders receive as an addition dividend on this share capital.

Cover pool and outstanding bonds

SpareBank 1 Næringskreditts cover pool and issued covered bonds have the following composition[1].



[1] The source is the balance sheet figures as of 31 December 2020 and the cover pool asset liability test for overcollateralization (see notes to the financial statements) as of 31.12.2020

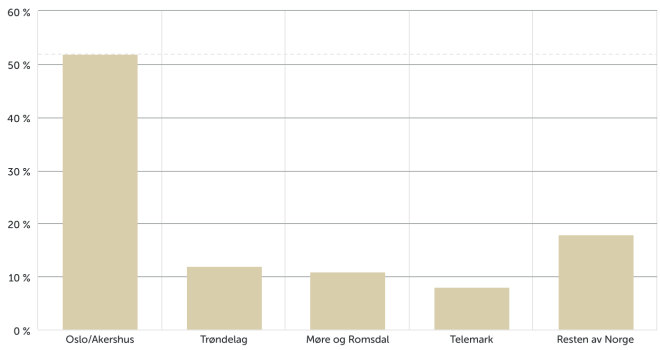
The amount of liquid assets varies over time and the variation is a result of the Issuer's liquidity risk management (and regulatory requirements), whereby upcoming redemptions are refinanced prior to the maturity of outstanding bonds (minimum 180 days) with bond proceeds invested as liquid assets. Liquid 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.

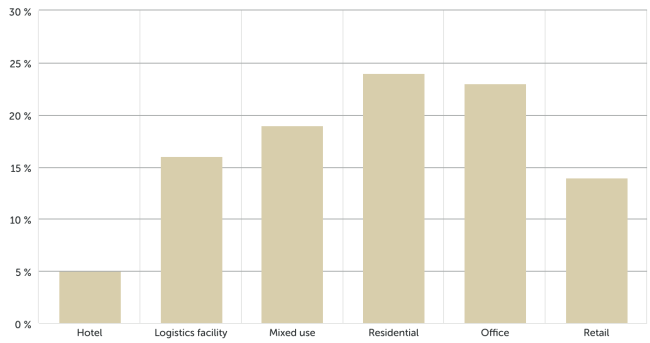
Derivatives are used solely to hedge currency and interest rate risk. They are tailored to exactly match the cash flows related to the bonds they hedge, for the full duration of the bond. Swap counterparties are subject to certain rating criteria and are in all cases banks other than the Company's owner banks.

The table below provide an overview of the commercial mortgages in the cover pool, as well as the overcollaterali-zation.

Commercial cover pool mortgages key figures

	4. kv. 2020	3. kv. 2020	2. kv. 2020	1. kv. 2020	4. kv. 19
Number of mortgages	241	241	233	245	252
Average size mortgages (NOK mill.)	43.1	42.5	43.1	40.9	40.6
Number of debtors	203	204	201	206	212
Average LTV for the portfolio	43.9 %	43.3 %	44.2 %	43.9 %	44.8 %
Overcollateralization cover pool	20.7 %	21.7 %	21.2 %	21.7 %	22.5 %





As shown in the charts above, a significant portion of the commercial mortgages are in the county of Oslo area while more than 20 per cent of mortgages are related to residential housing. These residential loans are the com-mon debt in cooperative buildings which is serviced by all flats in such a building, via the tenants' monthly services charges.

Key developments in 2020

The Company issued a new covered bond in September 2020, with a 2024 maturity. The bond was tapped in Octo-ber and sized then at NOK 1.35 billion. The volume of commercial mortgages has been stable throughout the year, increasing 0.8 per cent over the year as a whole.

Næringskreditt's capital consist solely of core equity capital and the capital coverage is 20.3 per cent, which is above the total capital requirement, inclusive of all buffers (and Pillar 2) at 16.4 per cent. A management buffer at 0.4 per cent means that the operational target is 16.8 per cent. The systematic buffer included in the capital requirement was increased to 4.5 per cent, from 3 per cent (a decision made by the Ministry of Finance in 2019), and became effective on December 31, 2020.

Moodys' has reduced its requirement for overcollateralization in the cover pool to 20 per cent (from 21.5 per cent previously), related to the Aaa rating that covered bonds from Næringskreditt have. This change took place due to a change of model inputs regarding a recognition that the share of residential sector related lending is significant (shown in the charts above). Moody's requirements for the o/c level may change over time, depending on the nature of the cover pool, including average loan to value. In Moody's presentation and calculation of o/c, the derivatives are netted with the bonds they hedge, which produces a slightly different fraction than when the derivatives are counted as a cover pool asset in the chart further above.

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 Næringskreditt's operations and financial position as of the end of 2020. Numbers in brackets refer to the corresponding period last year for comparison.

The total balance sheet at the end of 2020 was NOK 12 (11.4) billion. The Company has in 2020 net interest income of NOK 174.5 (185.2) million. Commissions to the banks which have sold commercial mortgages to the Company was NOK 77.1 (94.9) million, which is the net interest margin after certain deductions. Included in net interest income is also an amount reserved for the B-shareholders' dividend payments. These amounts reduce the commissions otherwise payable to BN Bank, a bank which is not an owner in the Company. The result from changes in the valuation for financial instruments was NOK -0.4 (-1.6) million. Operational costs were NOK 14.2 (12.2) million, including amortisation and depreciation. Expected IFRS 9 loan losses on commercial mortgages have increased by NOK 6.6 (increased by NOK 3.1) million in the accounts for 2020. No actual losses or defaults have been recorded since the Company commenced operations. The net profit before tax was NOK 82.7 (76.5) million for 2020.

Gross lending in the Company was NOK 10.4 (10.3) billion at the end of 2020. The amount of cash and other liquid assets were NOK 0.9 (0.7) billion.

Risk Aspects

SpareBank 1 Næringskreditt, 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 that customers and others not having the ability or willingness to meet their obligations to SpareBank 1 Næringskreditt. Because the Company buys commercial mortgages within 60% of the value of the buildings 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 year SpareBank 1 Næringskreditt had issued bonds for approximately 7.7 billion kroner in NOK, 1 billion kroner in SEK 0.9 billion kroner in EUR, based on exchange rates at December 31, 2020. 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 Company had as of December 31, 2020 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 Næringskreditt 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 21 and 22 in the 2020 annual accounts provide further information.

Employees and the working environment

Næringskreditt has identical staffing to that of SpareBank 1 Boligkreditt., its sister Company issuing covered bonds based on residential mortgages. The Company had seven employees as of 31.12.2020. The Company employs five males and two females. SpareBank 1 Næringskreditt AS 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.

The working environment is characterised as good, and there is no pollution of the physical environment. There has been zero per cent employee absence recorded in 2020 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 seven persons of which five 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. At the end of 2020, a new Board member joined, Heidi Aas Larsen, who replaces Inger Eriksen. Ms. Larsen was in previous years also a Board member.

Of the seven full time employees employed at year-end in both SpareBank 1 Boligkreditt and Naeringskreditt, 1.4 full time equivalents have been allocated to SpareBank 1 Naeringskreditt. The Boards of the two companies have an almost identical composition, but reflects that SpareBank 1 SR Bank is an owner in Næringskreditt, but not in Boligkreditt.

Shareholders and Corporate Governance

According to the Articles of Association §2 "The shares can only be owned by banks under contract with the Company for managing the Company's mortgage lending." Entering into such agreements is decided by the Board or the General Meeting. Neither the Company nor employees own shares in the Company.

The shareholders agreement determines that there are A and B shares. The former are subscribed to by banks which transfer commercial mortgages to the Company, while the latter are subscribed to by SpareBank 1 banks that are also owners in BN Bank, which is a bank that transfers commercial mortgages to the Company, but not equity capital. In case of a rights issue, the shareholders are obliged to subscribe shares according to its current ownership share. The Company is not party to agreements which come into force, are amended, or are terminated as a result of a takeover bid.

SpareBank 1 Næringskreditt's principles for corporate governance are based on the Norwegian accounting law and regulations and the Norwegian practice for corporate governance. The Board of Directors has appointed an audit committee which evaluates the Accounts inclusive of the Notes to the Accounts. The Board of Directors reviews the financial reporting processes in order to contribute to a culture which maintains a focus on quality and accuracy of this work. Through its financial accounting, Næringskreditt 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.

Næringskreditt 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.

Social Responsibility

SpareBank 1 Næringskreditt is a specialized issuer of covered bonds, set up according to Norwegian law requirements for issuers of covered bonds. The Company has strict limitations on its activities and has only seven full time employees (shared with Boligkreditt). The nature of the business consists solely of buying commercial mortgage loans from its shareholder banks in the SpareBank 1 Alliance and BN Bank, 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 its own liquid assets, follow from this single business purpose.

The SpareBank 1 Alliance banks are universal banks, and are handling customer relationships on behalf of the Company. A reference is therefore made to the owner banks' annual reports and websites for a presentation of the social responsibilities which these banks are taking. The company has on this background chosen not to have its own special guidelines or policies for social responsibilities. There is a possibility that the Company could also issue green covered bonds in the future.

Macroeconomic development and outlook[2]

With the outbreak of the pandemic, Norway will record a recession in 2020, like most other countries. The downturn in GDP is estimated to be 3 per cent, which is nearly one per cent better than anticipated mid-year. Looking ahead, it is private consumption that will provide a boost to growth once the pandemic ends, while aggregate investment will return to growth, but is expected to be somewhat slower. Investment within the oil and gas sector is seen as continuing to shrink into 2022.

Both the unemployment rate and trade contributions to GDP in 2020, show the effects of the pandemic. Unemployment increased in the travel and services sectors, and is expected to remain somewhat elevated, even for 2021, on average.

[3] Macroeconomic projections have been sourced from Statistics Norway as of December 11, 2020.

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

Recent data and forecast (per cent)	2018	2019	2020	2021	2022
Mainland BNP growth	2.2	2.3	-3.0	3.7	3.6
Private consumption growth	1.6	1.4	-8.0	8.1	5.9
Mainland investments growth	1.5	4.0	-5.6	1.3	2.4
Employment rate	3.8	3.7	4.8	4.5	3.9
CPI growth	2.7	2.2	1.3	2.5	2.4
Annual wage growth	2.8	3.5	2.4	2.1	3.6
Current account surplus to GDP	8.0	2.5	0.9	2.6	3.5

Source: Statistics Norway, December 11, 2020

Future Prospects of the Company

The Company has as portfolio of commercial mortgage loans with a geographical footprint which reflects that the capital of Oslo is the largest market for office buildings in Norway. More than 50 per cent of the commercial mortgage loans are against buildings in this market. The average loan to value in the Company's portfolio is below 45 per vent. This is well below the maximum limit in the covered bond legislation of 60 per cent. There are no realised losses and there are no loans with payments in arrears in the portfolio.

The economical difficult time which the Covid-19 crisis caused from the spring of 2020 leads to a somewhat increased credit risk in the portfolio related to tenants in commercial properties. Based on the pandemic, 7.6 per cent of lending in Næringskreditt, or NOK 789 million of lending, were granted a hold (postponements) on mortgage loan repayments at year-end 2020. This however means that postponements halved during the 4th quarter 2020, compared with the level in the 3rd quarter. The Board of Directors in Næringskreditt assesses that the Company is stable and with a low level of risk, including significant capitalization buffers and low loan to values for mortgages in the portfolio. The Company's owner banks are well capitalized., and maintain reserves of commercial mortgages which would qualify for use in the Company's cover pool.

The volume of commercial mortgage lending has been stable for 2020, but is expected to increase moderately in the medium term.

* * *

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 2020. 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 for 2020.

Of the after-tax result for 2020 of 59.4 million kroner, a dividend of 1.13 kroner per A-share (total of NOK 10.2 million) and a dividend of 6.79 kroner per B-share (total of NOK 49.2 million) is proposed to shareholders as of December 31, 2020.

Stavanger, 9. februar 2021
The Board of Directors of SpareBank 1 Næringskreditt AS

/s/ Kjell Fordal
Chairperson

/s/ Bengt Olsen

/s/ Geir-Egil Bolstad

/s/ Heidi C Aas Larsen

/s/ Merete N. Kristiansen

/s/ Knut Oscar Fleten

/s/ Inge Reinertsen

/s/ Arve Austestad
CEO

SpareBank 1 Næringskreditt 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 for 2020 for SpareBank 1 Næringskreditt 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 31.12.2020.

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, 9. februar 2021
The Board of Directors of SpareBank 1 Næringskreditt AS

/s/ Kjell Fordal
Chairperson

/s/ Bengt Olsen

/s/ Geir-Egil Bolstad

/s/ Heidi C Aas Larsen

/s/ Merete N. Kristiansen

/s/ Knut Oscar Fleten

/s/ Inge Reinertsen

/s/ Arve Austestad
CEO

Profit and Loss Statement 2020

NOK 1 000	Note	4. kv 2020	4. kv 2019	2020	2019
Total interest income	5	63 019	101 583	309 771	395 440
Total interest expenses	5	-19 867	-52 827	-135 266	-210 204
Net interest income		**43 152**	**48 757**	**174 505**	**185 236**
Commission to owner banks	6	-19 295	-17 585	-77 154	-94 899
Net Commissions		**-19 295**	**-17 585**	**-77 154**	**-94 899**
Net gains/losses from financial instruments	7	-272	-4 688	-375	-1 649
Net other operating income		**-272**	**-4 688**	**-375**	**-1 649**
Total operating income		**23 586**	**26 484**	**96 976**	**88 687**
Salaries and other personnel expenses	8, 9	-1 012	-926	-3 949	-3 590
Administrative expenses	10,12	-2 658	-2 227	-10 281	-8 643
Total operating expenses		**-3 670**	**-3 153**	**-14 230**	**-12 232**
Operating result before losses		**19 916**	**23 331**	**82 746**	**76 455**
Write-downs on loans (IFRS 9)	13	-830	124	-6 619	-3 115
Pre-tax operating result		**19 086**	**23 455**	**76 127**	**79 570**
Tax expense	11	-4 217	-5 160	-16 766	-17 505
Profit/loss for the year		**14 869**	**18 295**	**59 361**	**62 065**

Statement of Comprehensive Income

NOK 1 000	2020	2019
Profit/loss for the year	59 361	62 065
Total income	**59 361**	**62 065**
Dispositions:		
Declared dividend	59 364	65 077
Other equity	-3	-3 012
Total dispositions	**59 361**	**62 065**

Balance Sheet 2020

NOK 1 000	Note	2020	2019
Eiendeler			
Lending to and deposits with credit institutions	21	354 798	88 732
Bonds and certificates	18	552 895	645 165
Commercial mortgage lending	13	10 438 975	10 297 333
Financial derivatives	17	652 538	379 024
Other assets	12	350	761
Sum eiendeler		**11 999 555**	**11 411 016**
Egenkapital og gjeld			
Gjeld			
Debt incurred by issuing securities	16	9 663 917	9 214 531
Collateral received	16, 17	189 844	55 825
Financial derivatives	17	15 620	(0)
Deferred tax	11	13 308	15 538
Tax payable	11	18 996	22 798
Other liabilities	20	8 981	7 717
Total Liabilities		**9 910 665**	**9 316 409**
Equity			
Contributed equity	14	2 029 445	2 029 445
Accrued equity		81	84
Declared dividends		59 364	65 077
Total equity		**2 088 890**	**2 094 606**
Total liabilities and equity		**11 999 555**	**11 411 016**

Stavanger, February 9, 2021

/s/ Kjell Fordal
Chairperson

/s/ Bengt Olsen

/s/ Geir-Egil Bolstad

/s/ Heidi C Aas Larsen

/s/ Merete N. Kristiansen

/s/ Knut Oscar Fleten

/s/ Inge Reinertsen

/s/ Arve Austestad
CEO

Statement of Changes in Equity

NOK 1 000	Share capital	Premium reserve	Paid, not yet registered capital	Declared dividend	Other equity	Hybrid capital	Interest paid on hybrid capital	Total equity
Balance sheet as of 31. December 2018	**1 460 000**	**365 000**	**204 445**	**45 422**	**3 097**	**0**	**0**	**2 077 964**
Capital increase 31.03.2019	163 556	40 889	-204 445					0
Dividend paid 25.04.2019				-45 422				-45 422
Profit for the period				65 077	-3,012			62 065
Balance sheet as of 31. December 2019	**1 623 556**	**405 889**	**0**	**65 077**	**84**	**0**	**0**	**2 094 606**
Dividend paid 15.04.2020				-65 077				-65 077
Profit for the period				59 364	-3			59 361
Balance sheet as of 31. December 2020	**1 623 556**	**405 889**	**0**	**59 364**	**81**	**0**	**0**	**2 088 890**

Cash flow statement

NOK 1 000	**2020**	**2019**
Cash flows from operations		
Interest received	261 317	292 023
Payments for operations	-15 933	-12 172
Paid tax	-22 798	-12 843
Net cash flow relating to operations	**222 585**	**267 008**
Cash flows from investments		
Net purchase of loan portfolio	-176 170	805 763
Net payments on the acquisition of government certificates	-26 198	0
Net payments on the acquisition of bonds	117 295	744 764
Net investments in intangible assets	0	-486
Net cash flows relating to investments	**-85 073**	**1 550 041**
Cash flows from funding activities		
Net receipt/payment from the issuance of bonds	461 101	-1 811 560
Net receipt/payment from the issuance of subordinated debt	0	0
Net receipt/payment from the issuance of loans to credit institutions	134 019	-29 160
Equity capital subscription	0	0
Paid dividend	-65 077	-45 422
Net interest payments on funding activity	-401 489	-208 834
Net cash flow relating to funding activities	**128 553**	**-2 094 976**
Net cash flow in the period	**266 066**	**-277 927**
Balance of cash and cash equivalents beginning of period	**88 732**	**366 659**
Net receipt/payments on cash	266 066	-277 927
Exchange rate difference		
Balance of cash and cash equivalents end of period	**354 798**	**88 732**

Quarterly income statement and balance sheets

Quarterly statements are not audited but included as additional information

Profit and Loss statements

NOK 1 000	4. kvartal 2020	3. kvartal 2020	2. kvartal 2020	1. kvartal 2020	4. kvartal 2019
Total interest income	63 019	63 443	79 468	103 840	101 583
Total interest expenses	-19 867	-18 807	-42 021	-54 570	-52 827
Net interest income	**43 152**	**44 636**	**37 447**	**49 270**	**48 757**
Commission to owner banks	-19 295	-22 163	-13 652	-22 043	-17 585
Net Commissions	**-19 295**	**-22 163**	**-13 652**	**-22 043**	**-17 585**
Net gains/losses from financial instru-ments	-272	-5	6 951	-7 050	-4 688
Net other operating income	**23 586**	**22 468**	**30 746**	**20 177**	**26 484**
Salaries and other personnel expenses	-1 012	-537	-1 346	-1 054	-926
Administrative expenses	-2 658	-2 584	-2 338	-2 700	-2 227
Total operating expenses	**-3 670**	**-3 122**	**-3 684**	**-3 754**	**-3 153**
Operating result before losses	**19 916**	**19 347**	**27 062**	**16 422**	**23 331**
Write-downs on loans (IFRS 9)	-830	-62	896	-6 624	124
Pre-tax operating result	**19 086**	**19 285**	**27 958**	**9 799**	**23 455**
Tax expense	-4 217	-4 243	-6 151	-2 156	-5 160
Profit/loss for the period	**14 869**	**15 042**	**21 807**	**7 643**	**18 295**

Balance sheet

NOK 1 000	4. kvartal 2020	3. kvartal 2020	2. kvartal 2020	1. kvartal 2020	4. kvartal 2019
Assets					
Lending to and deposits with credit institutions	354 798	330 821	342 448	470 065	88 732
Certificates and bonds	552 895	300 386	107 897	591 866	645 165
Commercial mortgage lending	10 438 975	10 331 981	10 073 106	10 084 444	10 297 333
Financial derivatives	652 538	771 665	732 327	827 805	379 024
Other assets	350	1 342	913	1 084	761
Total assets	**11 999 555**	**11 736 194**	**11 256 692**	**11 975 264**	**11 411 016**

Liabilities					
Debt incurred by issuing securities	9 663 917	9 378 332	8 927 592	9 609 509	9 214 531
Collateral received	189 844	237 522	223 495	217 420	55 825
Subordinated debt	0	0	0	0	0
Financial derivatives	15 620	0	0	0	0
Deferred tax	13 308	15 538	15 538	15 538	15 538
Tax payable	18 996	23 063	18 821	12 670	22 798
Other Liabilities	8 981	7 718	12 266	82 955	7 717
Total Liabilities	**9 910 665**	**9 662 173**	**9 197 712**	**9 938 091**	**9 316 409**
Equity					
Contributed equity	2 029 445	2 029 445	2 029 445	2 029 445	2 029 445
Hybrid capital	0	0	0	0	0
Accrued equity	81	84	84	84	84
Declared dividends	59 364	0	0	0	65 077
Profit for the period	0	44 492	29 450	7 643	0
Total equity	**0**	**2 074 021**	**2 058 979**	**2 037 172**	**2 094 606**
Total liabilities and equity	**11 999 555**	**11 736 194**	**11 256 692**	**11 975 264**	**11 411 016**

To the General Meeting of Sparebank 1 Næringskreditt AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sparebank 1 Næringskreditt AS, which comprise the balance sheet as at 31 December 2020, 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 accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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.

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 2019.

Key Audit Matter	How our audit addressed the Key Audit Matter
Compliance with regulation for loans to customers	
The mortgage company has loans to amounting to NOK 10 439 million with collateral in commercial real estate 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.	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.

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 60 % of the loan value. 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 13 in the annual report for a description of the company's loans to customers.

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.

Other information

Management is responsible for the other information. The other information comprises information ir the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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, wheth 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 opinior 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 express opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of acco estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of acco and, based on the audit evidence obtained, whether a material uncertainty exists related events or conditions that may cast significant doubt on the Company's ability to continu 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, such disclosures are inadequate, to modify our opinion. Our conclusions are based on th 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, inclu the disclosures, and whether the financial statements represent the underlying transacti 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 scop timing of the audit and significant audit findings, including any significant deficiencies in intern control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant eth requirements regarding independence, and to communicate with them all relationships and othe matters that may reasonably be thought to bear on our independence, and where applicable, rela safeguards.

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the goi concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we ha considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and cle set out registration and documentation of the Company's accounting information in accordance the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 9 February 2021
PricewaterhouseCoopers AS

Arne Birkeland
State Authorised Public Accountant

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

Notes to the accounts 2020
Note 1 General information

1.1 Genererell informasjon
The accounts for SpareBank 1 Næringskreditt AS includes the period 01.01.-31.12.20. The accounts are in accordance with the «International Financial Reporting Standards» (IFRS), as determined by the EU. They are also created in accordance with interpretations of the International Financial Reporting Interpretations Committe (IFRIC).

SpareBank 1 Næringskreditt has the management as SpareBank 1 Boligkreditt and common costs are divided with a share of 20 prosent for Næringskreditt, which reflects the approximate use of resources. As for Boligkreditt, the Company is located in Stavanger with the visiting adress Børehaugen 1.

The Financial Statements for 2020 is approved by the Board of Directors on 09.02.2021.

SpareBank 1 Næringskreditt AS 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 commercial mortgages from its ownership banks organised in the SpareBank 1 Alliance and finance these by issuing covered bonds.

Note 2 Summary of Significant Accounting Policies

Presentasjonsvaluta
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 recognised 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 a liabilities.

Assets are de-recognised 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-recognised when they have been effectively discharged.

Lending
Lending is measured at amortised cost. Amortised cost is the cost of acquisition less interest and repayments received plus cumulative effective interest recognized, adjusted for possible loan losses and recognized losses. All lending is made at variable interest rates.

Evaluation of impairments (write downs) on mortgage loans
IFRS 9 was implemented on 01.01.2018. According to IFRS 9 all loans are accounted for net of estimated loan losses. For loans which there has been a significant increase in credit risk (i.e. loans in Stage 2 or 3), a lifetime estiamated loss ofr the remaining tenor of the loan is calculated. Stage 3 is used for loans that are in or near payment default. An increase in credit risk is evaluated based on the increase in the probability of payment default beyond 90 days.

For loans which have not had, or no longer has, a signifiacant increase in credit risk (Stage 1) an expected loss is calculated which is based upon the estimated probability of default and loss given default within a 12 months horizon from the balance sheet date

The limits which determine when a loan is transferred from Stage 1 to Stage 2 are as follows:

- Payment delays minimum 30 days
- The probability of default (PD) has increased by 150 per cent (or two PD categories on the SpareBank 1 Alliance's PD-model)
- The minimum 12-month PD is after the negative PD migration at least 0.6 per cent.

The Company has no lending in Stage 3, and has since commencement of operations no realised loan losses.

The model which is used to calculated expected loan losses has been developed internally and centrally in the SpareBAnk 1 Alliance. Because the Company does not have a history of loan defaults and loan losses at default, the calculations in the model are based on Alliance wide data for such loans which the Company finances.

In order to evaluate the macroeconomic development within the IFRS 9 model, three cases are developed; a base case, doesndie case and upside case. Three cases are sufficiient to express the different paths of economic development the Company is projecting for the folowing 5 years. Weighting of the three secnerioes may change from tyime to time, but will reflect that the base is what the Company mainly expects, while the downside and upside casess are alternative paths. The alternative paths will then have their own PD and LGD scenarios for the loans, which can be observed and monitored, but will be associated with a smaller probability and thus have a smaller effect on the overall expected cumulative loss. The total expected loss is added up for each of the three macroeconomic scenarios and for each stage of loans , and the weighted average is the expected cumulative loss which is used in the financial accounst as the period's estimated loan loss.

The models base case is using macroeconomic variables from Statistics Norway's outlook and prognosis, while the downside case is determined or influenced by the evaluation which the Financial Services Authority of Norway is considering in its annual review of the downside or risk case for the Norwegian economy, annually, in its report on the Norwegian financial outlook. The connection between the macroeconomc variables (interest rate level, unemployment, and market price development of commercial real estate) and forward looking PD and LGD estimates are determined by the same model which the Company uses in its annual ICAAP process. Næringskreditt may only lend, or acquire commercial mortgages, within defined categories of such lending, including the common debt associated with residential apartment blocks, all within 60 per cent of loan to value. Because of this, LGD is naturally at a lower rate than for banks in general.

The IFRS 9 model is run each quarter in order to update the level of expected cumulative losses (ECL) in the Company's loan portfolio. A change in the ECL is reflected in the result for the period and in the balance sheet as a deduction against gross lending amounts.

According to the agreement between the Company and the banks which transfer commercial mortgages to it, it is possible for the Company to offset credit losses against the commission which is payable to the banks for the calendar year. In practice it's nearly the whole net interest margin which is paid out as commissions . No such commission reduction has taken place since commencement of operations. The IFRS 9 calculatons of the expected loan losses are not adjusted for this possibility of offsetting losses against commissions.

Segment
The Company has one business segment, which is lending secured against commercial buidlings (commercial mortgages). All loans have been originated by banks in the SpareBank 1 Alliance.

Securities
Securities consist of certificates and bonds. These are valued at fair market value. The Company has a portfolio of securities (and bank deposits) in order to meet requirements for its own liquidity, as described in regulations and in the Company's policies. The Company may also hold securities (and bank deposits) because swap counterparties have posted collateral to the Company.

Hedge Accounting
The company has implemented fair value hedge accounting for bonds with fixed rates and bonds in foreign currencies. These bonds are entered into a hedging relationship with individually tailored interest swaps and currency

swaps. The company values and documents the efficacy of the hedge both at first entry and consecutively. In fair value hedging both the hedging instrument and the hedged object are entered into the accounts at fair value with respect to the relevant interest rate curve and currency, and changes in these values from the opening balance are recorded in net income. The cash flow is therefore known for the entire contractual duration after the hedging relationship has been established. Because the hedging relationship is intended to remain in place throughout the life of the hedged instrument, only those changes which the interest rate and currency swap agreements are intended to hedge have an influence on the valuation of the hedging instrument.

Valuation of Derivatives and Other Financial Instruments
The Issuer 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.

While hedging all fixed interest rate and currency exposure, unrealised profit (loss) in hedging relationships may arise for the following reasons:

- Temporary valuation changes in an interest rate swap may occur as a consequence of changes in the short term interest rate level or term structure from the point in time when the instruments interest rate was last reset and and the balance sheet date.
- Hedged securities valuation contain a market credit pricing element. This is absent in the derivatives which hedge the position.
- In currency natural hedges the nominal values are matched, but coupons paid and received may differ slightly in timing and size between hedged and hedging instrument.

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 assumed to amortise on a linear basis over the expected life span of the asset. Expenses related to development or maintenance are expensed as incurred.

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

Tax
Tax expense consist of the period's expense and deferred tax. The period's expense is calculated based on the period's taxable income. Deferred tax is accounted for in accordance with the debt method (IAS 12) . A liability or asset is calculated when temporary differences arise between financial and tax accounting, and when it is likely that there will be a future taxable income, and that temporary differences may be deducted from this income. The change in deferred tax is included in the period's tax expense. A tax asset from a deferred tax calculation is only recorded in the accounts when there are future expected taxable income which wil make it possible to utilize the tax benefit of the asset. In evaluating this probability, historical income and exepected margins are considered.

Pensions
Pension expense arise mostly through direct contribution plans, which is calculated in SpareBank 1 Boligkreditt and which Naeringskreditt covers its pro rata share of, as the administration and employees in the companies are the same. Any other pension obligations are maintained in SpareBank 1 Boligkreditt AS through participation in SpareBank 1 SR-Bank ASA's pension scheme.

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.

Reserves
The Company will create reserves when there is a legal or self-determined liability following previous events, it is likely that this liability will be of a financial character, and it can be estimated sufficiently accurately. Reserves will be

assessed on every accounting day and subsequently adjusted to reflect the most accurate estimate. Reserves 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.

Debt to suppliers and other Short Term Liabilities
Supplier debt is initially booked at fair value. Any subsequent calculations will be at amortised 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 measured at amortised cost, are recorded according to the effective rate of interest method. Any fees in connection with interest bearing deposits and loans will enter into 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 owner banks for loans transferred and financed by the Company. Commissions represent most of the net interest margin earned in Næringskreditt.

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
The annual accounts are deemed to be approved for publication when the Board of Directors have discussed and approved them. The General Meeting and any regulatory authorities may subsequently refuse to approve the annual accounts, but they cannot change them. Events up until the annual accounts are deemed to be approved for publication and that concern issues already known on the accounting day, will be part of the information that the determination of accounting estimates have been based on, and as such will be fully reflected in the accounts. Events that concern issues not known on the accounting day, will be commented upon, provided that they are of relevance. The annual accounts have been presented under the assumption of continuing operations. This assumption was, in the opinion of the Board of Directors, justified at the time when the accounts were presented to the Board of Directors for approval.

Share capital and additional paid-in capital
The company has two ordinary share classes, A og B. A shares are owned by banks who transfers commercial mortgages to the Company. B shares are owned by banks in the SpareBank 1 Alliance which contribute equity on behalf of BN Bank, i.e. share capital for the commercial mortgages which BN Bank has transferred to the Company. BN Bank is not an owner bank in the Company, but is itself owned by the SpareBank 1 Alliance banks.

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, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purpose of measuring inventories or value in use for impairment assessment purposes).

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.

IFRS 13 requires prospective application from 1 January 2013. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated statements.

Adoption of New and Revised International Financial Reporting Standards (IFRSs)
For the previous year, no new or revised IFRS have been incorporated into the Company's accounts.

Changes in standards and interpretations with a future effective date
The standards and interpretations which have been approved by the time these accounts were approved, but where the effective date is in the future, are listed below. The Company's intention is to implement the relevant changes at their effective dates, under the conditon that the EU has approved the changes prior to the accounts reporting date.

Changes in IFRS 9, IAS 39, IFRS 7, IFRS 4 og IFRS 16 - The referenece interest rate reform - Phase 2
The International Accounting Standards Board (IASB) approved in August 2020 the second phase of the project related to the reference interest rate reform, which will change IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Information, IFRS 4: Insurance Contracts and IFRS 16 Leasing. Phase 2 completes IASB's respoense to the ongoing reform of interbank interest rates (IBORs) and other reference interest rates.

The changes are complementing phase 1 of the project, which was approved in 2019 and is focusing on the financial accounting effects which can occur when an entity implements the new reference interest rates as a result of the reform.

The changes in phase 2 are mainly:

- Practical solution for particular changes in contarctual cash flows
- The easing of specific demands tied to hedge accountng
- Informaton requirements

The changes in phase 2 are only relevenat if an entity has financial instruments eor hedge relationships which include a reference interest rate which will change as a result of the reform.

The changes are valid for accouting eriods which starts on or after Januar 1, 2021. Early adption is permissable.

Changes in IAS 1 - classification of obligations as short- or long-term
The IASB approved in January 2020 changes in IAS 1 Presentation of financial accounting, with the intenton of clearifying the conditions for classifying an obligation as short or long-term.

The intention of the changes is to promote a consistency in the use of the requirements by helping entities in determining whether obligations and debt with an uncertain maturity date should be classified as short-term (the maturity date or potential maturity date is within 12 months) or long term. The changes also clarify the classificaton requirements of debt which an entity can settle by converting it to equity.

The changes make the following clear:

- The meaning of the right to extend a settlement
- The right to extend a settlement must exist at the end of the current accounting period
- That classificaton is not affected bty th eprobability for that an entity will exercise its right to postpone
- If an associated built-in derivate fulfills the definiton of an equity instrument, the conditions of the obligaton will not affect its classification

The changes are effective for accounting periods which start on or after January 1, 2023, and early adoption is permissable. The changes must be applied retrospectively. The Company is not planning to adopt these changes early.

Note 3 Risk Management

SpareBank 1 Næringskreditt AS is an institution which acquires commercial 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 a high credit 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 Næringskreditt 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 to 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 Næringskreditt AS is focused on maintaining a strong and alert organisational culture characterised by high awareness about risk management. The Company is focused on independent management and control functions and reponsibilities are divided between different parts and roles in the orrganisation:

- 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 directly to the Board. The risk manager is tasked with developing the framework for risk managament including risk models and risk management systems. The poistion is further responsible for the independent evaluation and reporting of risk exposure in addition to maintaing all relevant laws and regulations.
- The balance sheet committee is an advisory council for the operational management of the Company's balance sheet within the framework determined by the Board of Directors. The committee is a an important component of Næringskreditt's operative management of liquidity risks. 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 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.
- Operational Risks: The risk of loss as a result of insufficient or weak internal processes or systems, human errors or external events.

Further details about risk categories are discussed in later Notes. Further information about these risks are found in the notes 21 and 22 of this annual report.

Note 4 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.

Estimates for loan losses
Please refer to the descriptoins of the evaluaton of loan losses / impairments of lending in note 2. The calculations of expected losses are tied to estimates and uncertainties. The Company shall, for lending in Stage 1 and 2, estimate annual future probabilities of default and loss given default for the loans in the portfolio over a 5 year period (there are no loans in Stage 3). These estimates are built upon actually oberved defaults for the type of lending which could be transferred to SpareBank 1 Næringskreditt's portfolio from the SpareBank 1 Alliance banks, as well as projected scenarios of the future economic development.

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 uses methods and conditions and assumptions which as far as possible are based on obervable market data and which represent the market conditions on the balance sheet date.

Taxation
The calculation of the income tax also incorporates material estimates. For many transactions and calculations there will be a degree of uncertainty related to the final tax obligation. SpareBank 1 Næringskreditt AS records tax obligations in tax matters based upon whether future income tax obligations are expected to materialise. If the final outcome of a particular case deviate from the original accrued amount for tax, the difference will affect the profit and loss account for tax expense. The recognised amounts for deferred taxation in the period where the difference is established will also be affected. The Company is not subject to the Financial Companies tax, because it has no direct employees. Th expected tax rate for 2020 is therefore 22 per cent.

Note 5 Net Interest Income

NOK 1 000	2020	2019
Renteinntekter		
Interest income and similar income from loans to and balances with credit institutions	6 649	29 584
Interest income and similar income from loans to and balances with customers	303 121	365 856
Total interest income	**309 771**	**395 440**
Interest expense		
Interest expense to credit institutions	242	5 826
Interest expense on issued bonds	132 726	202 504
Bank resolution fund expense *	2 297	1 875
Other interest expense	-	-
Total interest rate expense	**135 266**	**210 204**
Net interest income	**174 505**	**185 236**

* From 2019 SpareBank 1 Næringskreditt is required to contribute to the Norwegian Bank Recovery and Resolution Fund

Note 6 Commission expense

NOK 1 000	2020	2019
Commission expense		
Commission expense paid to SpareBank 1 banks	77 154	94 899
Total commission expense	**77 154**	**94 899**

The Company's owner banks which transfer commercial mortgages to the Company are paid a commission expense. Amounts are calculated by deducting the Company's average financing costs from each loans interest rate for the period. The Company's costs are also estimated as a basis point add-on to th funding costs and deducted before commissions are paid. Commissions are paid monthly to the banks.

The Company has two share classes, A and B, where B shares are allocated to those SpareBank 1 banks which pay in equity capital on behalf of BN Bank, which transfers loans to the Company, but is itself not an owner bank (BN Bank is owned by the SpareBank 1 Alliance banks). Total commissions paid by Næringskreditt is therefore also subject to an amount deducted which represent the commissions BN Bank would otherwise have been due, but is paid instead to the B shareholders as an additional annual dividend

Note 7 Net Gains from Financial Instruments

NOK 1 000	2020	2019
Net gain (loss) from financial debt at fair value	-275 812	106 792
Net gains (loss) from financial derivatives at fair value, hedging bonds (debt)	275 094	-107 566
Net profit (loss) from financial assets at fair value	344	-875
Net profit (loss)	**-375**	**-1 649**

The Company hedges issued fixed rate bonds and bonds in foreign currency to a floating interest rate in Norwegian kroner (3 months NIBOR). The hedge accounting is applied to the bonds which are valued at fair market value and reflect changes in interest rates and currency exchange rates, while the derivatives are accouted for at fair value. A valuation difference may occur because issued bonds have a cost amortisation element over the tenor of the bonds (i.e. the issuance costs of the bonds such as rating costs) which is absent in the derivatives. Valuation differences may also occur if the level of interest rates have changed from the last interest setting date in a hedge relationship to the balance sheet date, where the valuation of the floating leg in the interest obligation has changed. Floating rate bonds issued over NIBOR in Norwegian Kroner are not related to hedging derivatives and are accounted for at amortised costs.

Note 8 Salaries and Remuneration

NOK 1 000	2020	2019
Salaries and other personell expense*:	3 132	2 915
Board of Directors members remuneration	817	675
Sum lønn og honorarer	**3 949**	**3 590**

* All emloyees are formally employed by SpareBank 1 Boligkreditt, but a share of the expenses are billed to Næringskreditt from Boligkreditt. This is set at 20 per cent, and approximates the resource use.

Note 9 Salaries and other Remuneration of Management

Paid in 2020 (totalts for Bolig- and Næringskreditt)

NOK 1 000	Total compensation	Bonus	Other compensation	Pension cost	Accrued Pensions	Employee mortgage loan
Management						
Chief Executive Office - Arve Austestad	2 366	-	158	644	7 440	1 917
Director - Henning Nilsen	1 635	-	38	168	970	7 070
Director - Eivind Hegelstad	1 613	-	25	174		3 941
Total for Management	**5 613**	**0**	**221**	**986**	**8 410**	**12 927**

Paid in 2019 (totalts for Bolig- and Næringskreditt)

NOK 1 000	Total compensation	Bonus	Other compensation	Pension cost	Accrued Pensions	Employee mortgage loan
Management						
Chief Executive Office - Arve Austestad	2 309	-	181	628	6 189	2 519
Director - Henning Nilsen	1 593	-	92	162	863	7 276
Director - Eivind Hegelstad	1 575	-	62	165	-	4 025
Total for Management	**5 477**	**-**	**335**	**955**	**7 052**	**13 820**

All employees have an offer of an employee mortgage loan.

Board of Directors	Paid in 2020	Paid in 2019
Kjell Fordal (Board chairperson)	114	111
Bengt Olsen	91	
Knut Oscar Fleten	91	89
Inge Reinertsen	91	89
Geir-Egil Bolstad	91	89
Merete N. Kristiansen	91	89
Inger Marie Stordal Eriksen (member until 01.12.20))	91	89
Trond Sørås (Observer)	25	24
Heidi C. Aas Larsen (member from 01.12.20)	-	-
Rolf Eigil Bygdnes (member until 31.03.2019)	-	89
Sum styret	**685**	**669**

Payments to the Board of Directors take place in the year following the year of service. Amounts paid and the composition of the Board reflect the period prior to the period noted in the columns "Paid in".

Note 10 Administration Expenses

NOK 1 000	2020	2019
Operational service costs	4 676	3 412
IT related operational costs	4 734	4 632
Other operational costs	460	245
Depreciaton and amortization	411	355
Total	**10 281**	**8 643**

Auditor

Contractually agreed auditing fees and other amounts paid to PWC AS and connected companies, included in operational costs, are:

NOK 1 000	2020	2019
Legally required audit	268	100
Other attestation services, including examination, test sampling of loan documentation, comfort letter	28	40
Other services	150	
Total	**445**	**140**

Note 11 Taxes

NOK 1 000	2020	2019
Profit before tax	76 127	79 570
Permanent differences	83	
Permnant difference related to Hybrid capital	-	-
Change in temporary differences in financial instruments	10 136	20 182
Taxable inome	**86 346**	**99 752**
Tax payable	18 996	21 946
Payable tax directly against equity (related to interest on hybrid capital)	-	-
Change in deferred tax*	-2 230	-4 440
Excess reserved tax payable		
Tax expense in profit and loss	**16 766**	**17 505**
Payable tax on the balance sheet	**18 996**	**22 798**
*Change in deferred tax contains:		
Effect of implementing IFRS9**	-	-853
Change in deferred tax due to a lower tax rate on earlier deferred tax	-	-4 440
Total change in deferred tax	**-2 230**	**-5 293**
Temporary differences as of 31.12.		
Net unrealized profit/loss	60 491	70 627
Effect of implementing IFRS9**		
Total temporary differences which affect tax payable	**60 491**	**70 627**
Net tax reducing temporary differences		
Net tax increasing temporary differences	60 491	70 627
Net temporary differences	60 491	70 627
Net deferred tax asset (-) / deferred tax (+)	**13 308**	**15 538**

** Tax due to the implementation effect of IFRS 9 is accounted for under deferred tax

Carry forward taxable loss	-	-
Total other differences	**-**	**-**
Asset at deferred tax		
Expected income tax according to the statutory tax rate (22%)	16 766	17 505
To little / excess reserved from previous years		
The effect of changes in taxation rukes and taxation rates		
Tax expense in profit and loss	**16 766**	**17 505**
Effective tax rate	**22,00 %**	**22,0 %**

Note 12 Intangible Assets

NOK 1 000	**Datasystemer og programvare**
Acquisition cost 01.01.2019	1 407
Acquisitions	486
Disposals	-
Acquisition cost 31.12.2019	**1 893**
Accumulated depreciation and write-downs 01.01.2019	1 487
Periodical depreciation	355
Periodical write-down	-
Disposal ordinary depreciation	-
Accumulated depreciation and write-downs 31.12.2019	1 132
Book value as of 31.12.2019	**761**
Acquisition cost 01.01.2020	1 893
Acquisitions	-
Disposals	-
Acquisition cost 31.12.2020	**1 893**
Accumulated depreciation and write-downs 01.01.2020	1 132
Periodical depreciation	411
Periodical write-down	-
Disposal ordinary depreciation	-
Accumulated depreciation and write-downs 31.12.2020	1 543
Book value as of 31.12.2020	**350**
Financial lifespan	3 years
Depreciation schedule	linear

Note 13 Commercial Mortgage Lending

NOK 1 000	2020	2019
Amortising loans	10 409 944	10 233 773
Accrued interest	39 830	67 740
Total loans before specified and unspecified loss provisions	**10 449 774**	**10 301 513**
Expected losses (IFRS 9) Level 1	4 881	3 104
Expected losses (IFRS 9) Level 2	5 918	1 076
Sum netto utlån og fordringer på kunder	**10 438 975**	**10 297 333**
Defaulted loans		
Defaulted *	0,00 %	0,00 %
Specified loan write down	0,00 %	0,00 %
Net defaulted loans	**0,00 %**	**0,00 %**
Loans at risk of loss		
Loans at risk not in default	0,00 %	0,00 %
individual loan losses for loans at risk of default	0,00 %	0,00 %
Net loans at risk of loss	**0,00 %**	**0,00 %**

* 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.

Chnage in loan loss provisions 2020

	2020			
Lending at amortized costs	Level 1	Level 2	Level 3	Total
Balance January 1	**3 104**	**1 076**	**0**	**4 180**
Transferred to (from) Stage 1	-2 541	2 541	0	0
Transferred to (from) Stage 2	34	-34	0	0
Transferred to (from) Stage 3	0	0	0	0
New commercial mortgages	1 480	2 553	0	4 033
Repaid commercial mortgages	556	230	0	785
Net new loan loss provisions	2 248	-447	0	1 801
Net change	-1 776	-4 843	0	-6 619
Balance December 31	**4 881**	**5 918**	**0**	**10 799**

Chnage in loan loss provisions 2019

	2019			
Lending at amortized costs	Level 1	Level 2	Level 3	Total
Balance January 1	**4 054**	**3 241**	**0**	**7 295**
Transferred to (from) Stage 1	-1 114	1 114	0	0
Transferred to (from) Stage 2	6	-6	0	0
Transferred to (from) Stage 3	0	0	0	0
New commercial mortgages	2 316	-1 144	0	1 172
Repaid commercial mortgages	-1 272	-2 114	0	-3 386
Net new loan loss provisions	-886	-15	0	-901
Net change	-950	-2 165	0	-3 115
Balance December 31	**3 104**	**1 076**	**0**	**4 180**

Konsentrasjon i låneporteføljen

The single largest loan exposure was as of 31.12.2020 3.6 per cent of the cover pool, while the 10 largest loan exposures were 23.9 per cent of the cover pool.

Loans sorted according to geography
(Norwegian counties) *

NOK 1 000		**Lending 2020***	**2020 in %**	**Lending 2019***	**2019 in %**
NO03	**Oslo**	3 115 551	29.85%	3 765 067	36.79%
NO30	**Viken**	2 745 544	26.30%	2 015 536	19.69%
NO38	**Vestfold og Telemark**	1 406 298	13.47%	1 183 223	10.26%
NO50	**Trøndelag**	1 311 083	12.56%	1 093 328	10.68%
NO15	**Møre og Romsdal**	640 367	6.13%	773 173	7.56%
NO34	**Innlandet**	861 614	8.25%	718 439	8.32%
NO54	**Troms og Finnmark**	167 987	1.61%	271 515	2.65%
NO18	**Nordland**	100 279	0.96%	226 491	2.21%
NO42	**Agder**	90 251	0.86%	97 000	0.95%
NO11	**Rogaland**	-	0.00%	90 000	0.88%
NO46	**Vestlandet**				
SUM		**10 438 975**	**100.0 %**	**10 233 773**	**100.0 %**

* Presented exclduing accrued interest and prior to loan loss provisions

Note 14 Share Capital and Shareholder Information

Overview of shareholders as of 31.12.2020

	No of Shares	A-Shares	B-Shares	Ownership	Share of votes
SpareBank 1 SMN	5 034 161	2 496 504	2 537 657	31,01 %	31,01 %
SpareBank 1 SR-BANK	2 537 657	0	2 537 657	15,63 %	15,63 %
SpareBank 1 Østlandet	2 458 952	1 734 977	723 975	15,15 %	15,15 %
SpareBank 1 BV	1 896 005	1 533 656	362 349	11,68 %	11,68 %
SpareBank 1 Nord-Norge	1 396 849	672 874	723 975	8,60 %	8,60 %
SpareBank 1 Østfold Akershus	1 265 195	1 082 364	182 831	7,79 %	7,79 %
SpareBank 1 Telemark	719 855	541 306	178 549	4,43 %	4,43 %
SpareBank 1 Nordvest	504 672	504 672	0	3,11 %	3,11 %
Sparebank 1 Søre Sunnmøre	289 959	289 959	0	1,79 %	1,79 %
SpareBank 1 Ringerike Hadeland	67 513	67 513	0	0,42 %	0,42 %
SpareBank 1 Hallingdal Valdres	64 742	64 742	0	0,40 %	0,40 %
Sum	**16 235 560**	**8 988 567**	**7 246 993**	**100 %**	**100 %**

The share capital consists of 8,988,567 A-shares and 7,246,993 B-shares each with a nominal value of NOK 100. The A-shares reflect mortgage loans transferred from SpareBank 1 banks. The B-shares reflect that part of the loan portfolio which BN Bank has transferred, a bank owned collectively by the SpareBank 1 banks. The B-shares are allocated to a bank's ownership in BN Bank. The A- and B-shares have equal rights in every aspect, except dividend, with higher amounts reserved for the B shares (while BN Bank receives less commisions accordingly).

Note 15 Liabilities incurred by issuing Securities

NOK 1 000	Nominal amounts* 2020	Nominal amounts* 2019
Covered bonds	8 985 730	8 820 730
Repurchased covered bonds	-	-
Total liabilities incurred by issuing securities	8 985 730	8 820 730

* Nominal value is incurred debt at exchange rates at the time of issuance

NOK 1 000	Book value 2020	Book value 2019
Covered bonds	9 606 266	9 145 228
Repurchased covered bonds	-	-
Activated costs of issuance	-103	-231
Accrued interest	57 754	69 534
Total liabilities incurred by issuing securities	**9 663 917**	**9 214 531**

Liabilities categorized by debt instrument and year of maturity (nominal value*) NOK 1,000:

Issued covered bonds	Nominal amounts*	Nominal amounts*
År	**2020**	**2019**
2020	-	632 000
2021	560 000	1 113 000
2022	2 916 250	2 916 250
2023	1 800 000	1 800 000
2024	1 449 480	99 480
2025	200 000	200 000
2026		0
2027		0
2028	1 650 000	1 650 000
2029	410 000	410 000
Total	**8 985 730**	**8 820 730**

* Nominal value is incurred debt at exchange rates at the time of issuance

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

NOK 1 000	2020	2019
NOK	7 742 158	7 447 758
SEK	1 046 750	942 977
EUR	875 008	823 795
Total	**9 663 917**	**9 214 531**

Note 16 Changes in liabilities due to repayment and valuation changes

The table shows changes in financial obligations

NOK 1 000	2019	Repayments	Valuation adjustments	Other changes	2020
Debt					
Liabilities incurred by issuing Securities	9 214 531	488 787	-27 749	-11 653	9 663 917
Debt to credit institutions	55 825	134 019	0	0	189 844
	9 270 356	**622 806**	**-27 749**	**-11 653**	**9 853 760**

Note 17 Financial Derivatives

NOK 1 000	2020	2019
Interest rate contracts		
Interest rate swaps		
Nominal Amount	2 797 000	3 350 000
Asset	321 216	204 682
Liability	-	-
Currency Contracts		
Currency swap		
Nominal Amount	1 588 730	1 751 187
Asset	331 322	174 342
Liability	-	-
Total for financial derivatives		
Nominal Amount	4 385 730	5 101 187
Asset	652 538	379 024
Liability	-	-

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

SpareBank 1 Næringskreditt may make use of derivatives which are inccluded in the reform of reference rates. This reform has as its goal to make these interest rates more objective, based on market transactions. The reforms are generally effective from 2021.

IBOR reference rates are used the follwoing of the Company's constellations:
1. Fixed rate NOK bonds issued and hedged to a 3-month NIBOR rate exposure
2. Fixed rate EUR bonds issued and hedged to a 3-month NIBOR rate exposure
3. Fixed rate SEK bonds issued and hedged to a 3-month NIBOR rate exposure
4. EUR denominated bonds at a 3-month Euribor rate issued and hedged to a 3-month NIBOR rate exposure

The Comany will follow the market practice, including signing ISDA protocols that are necessary in order to effectuate the reforms.

Financial hedging derivatives, with an IBOR interest rate, excluding NIBOR contracts*	2020	2019
Euribor contracts uner point 4 above	525 000	492 980
Total	525 000	492 980

*nominal amounts

Collateral received

Collateral received may be used to cover costs to replace swaps with defaulting parties. Generally collateral is posted from a swap counterpart with a zero threshold. Næringskreditt posts no collateral that has not previously been received from a counterparty.

NOK 1 000	2020	2019
Collateral received	189 844	55 825

Note 18 Classification of Financial Instruments

NOK 1 000	Financial instruments oaccounted for at fair value*	Financial assets and debt accounted for at amortised cost	2020
Assets			
Deposits at and receivables from financial institutions	-	354 798	354 798
Certificates and bonds	552 895	-	552 895
Commercial mortgages	-	10 438 975	10 438 975
Financial derivatives	652 538	-	652 538
Total Assets	**1 205 433**	**10 793 773**	**11 999 206**
Liabilities			
Debt incurred by issuing securities**		9 663 917	9 663 917
Derivatives	15 620		15 620
Debt to credit institutions	-	189 844	189 844
Total liabilities	**15 620**	**9 853 760**	**9 869 380**
Total equity			**2 088 890**
Total liabilities and equity	**15 620**	**9 853 760**	**11 958 271**

* Fair value according changes in interest rates and FX rates
** Of issued securities, 5,027 million are hedged and valued at fair value. The hedged instrument is adjusted for changes in fair value, reflected simoultanoulsy in the hedging instrument. Hedged outstanding debt (covered bonds) at a fixed interest rate or issued in a foreign currency is efffectively converted to NOK and three-months NIBOR through swaps.

NOK 1 000	Financial instruments oaccounted for at fair value*	Financial assets and debt accounted for at amortised cost	2019
Assets			
Deposits at and receivables from financial institutions	-	88 732	88 732
Certificates and bonds	645 165	-	645 165
Commercial mortgages	-	10 297 333	10 297 333
Financial derivatives	379 024	-	379 024
Total Assets	**1 024 189**	**10 386 065**	**11 410 254**
Gjeld			
Debt incurred by issuing securities	-	9 214 531	9 214 531
Debt to credit institutions	-	55 825	55 825
Total liabilities	**0**	**3 940 728**	**9 270 356**
Total equity	**0**	**0**	**2 094 606**
Total liabilities and equity	**0**	**3 940 728**	**11 364 962**

* Beregning av virkelig verdi ihht endringer i markedsrenter og valutakurser

Note 19 Financial Instruments at Fair Value

Methods 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 swaps
Valuation of interest rate swaps at fair value is done through discounting future cash flows to their present values, at obervable market interest rates.

Issued bonds
For issued debt the fair value is established through discounting future cash flow to find the present value.

Certificates and bonds (asset)
Fair value is accoring to observable market values

The presentation of fair value measurement is according to three levels:

- Valuation based on quoted price in an actively traded market for the asset or liability (level 1)
- Valuation based on other observable factors than a drirect price quote or indirect prices (level 2)
- Valuaton based on factors that are not obseved in tradable markets (level 3)

The following numbers present the company's assets and liabilities at fair value as of 31.12.2020

NOK 1 000	Level 1	Level 2	Level 3	Total
Certificates and bonds	552 895	-	-	552 895
Financial derivatives	-	652 538	-	652 538
Total Assets	**552 895**	**652 538**	**-**	**1 205 433**
Financial derivatives	-	15 620	-	15 620
Total Liabilities	**-**	**15 620**	**-**	**15 620**

The following numbers present 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	645 165	-	-	645 165
Financial derivatives	-	379 024	-	379 024
Total Assets	**645 165**	**379 024**	**-**	**1 024 189**
Financial derivatives	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**

Note 20 Other Liabilities

NOK 1 000	2020	2019
Commission expense to SpareBank 1 banks	6 342	5 552
Due to SpareBank 1 Boligkreditt AS	391	391
Other liabilities	2 248	1 774
Total Other Liabilities	**8 981**	**7 717**

The Company does not have an overdraft facility or a revolving credit facility as of 31.12.2020

Note 21 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 Næringskreditt as and when agreed. Credit risk mainly includes loans to customers which are collateralised by commercial property, but also includes credit risk in the derivatives contracts (counterparty credit risk) and investment in bonds within the Company's liquidity portfolio.

According to the Transfer and Services Agreement SpareBank 1 Næringskreditt 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. .

The Company purchases commercial mortgage loans, secured by commercial properties, with an LTV of maximum 60 %. Næringskreditt will only puchase loans to customers that have a high servicing capacity. The purpose of the Credit Policy is to keep the risk profile of the mortgage portfolio at a very low level.

SpareBank 1 Næringskreditt AS utilizes the IT platform of the SpareBank 1 Alliance in addition to customized systems which assist in analysing and managing the acquisition of commercial mortgage loans from its shareholder banks in the SpareBank 1 Alliance. Credit risk is monitored by measuring the development of the mortgage portfolio, details regarding late payments, defaults and overdrafts. Risk reporting to the Board is conducted on a monthly basis.

Credit Exposure

NOK 1 000	2020	2019
Commercial mortgage loans	10 438 975	10 297 333
Loans to and deposits with credit institutions	354 798	88 732
Certificates and bonds	552 895	645 165
Financial derivatives	652 538	379 024
Other assets	350	
Total assets	**11 999 556**	**11 410 254**
Collateral received		
Total Credit Exposure	**11 999 556**	**11 410 254**

Loans to and deposits with credit institutions
SpareBank 1 Næringskreditt AS only has deposits with SpareBank 1 SR-Bank ASA, SpareBank 1 SMN.

Lending to customers
The risk classificatoi of lending exposure is built upn the SpareBank 1 credit risk model where these factors are included:

- Rental agreements and cash flow analyses,
- financial status and ability to pay,
- qualitative factors concerning the commercial building

The Company utilizes the same risk classifications systems 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 probability of default.

Distribution of lending by risk group - based on probability of default

Risk group	Share in % 2020	Total exposure* 2020	2019
Lowest	82.5 %	8 613 648	8 520 605
Lowest	16.4 %	1 714 081	1 283 860
Medium	1.1 %	111 246	453 790
High			39 079
Very high			-
Defaulted **			-
Total	**100%**	**10 438 975**	**10 297 333**

* Total exposure is before accrued interest and before group loan loss provisions

** Default is defined as missed payment by more than 90 days

Lending to and receivables from credit institutions

SpareBank 1 Næringskreditt AS only maintains deposits with financial institutions with a minimum rating of A-/A2

Bonds and certificates

Rating		2020	2019
AAA/Aaa	Covered bonds	485 079	604 656
AA1/AA+	Covered bonds		
AAA/Aaa	Government or gov't g. bonds	67 815	14 454
AAA/Aaa	Certificates Norw. Gov.		26 055
Sum		**552 895**	**645 165**

Fitch and Moody's ratings have been used. The lowest rating is used in case of a split rating. All the bonds are listed on an exchange.

Finansielle derivater
Derivative contracts are only entered into with counterparties with an required credit rating. If the value of the derivative exceeds the credit limits held by SpareBank 1 Næringskreditt for counterparty risk in derivative contracts the counterparty must post cash collateral. SpareBank 1 Næringskreditt is not required to post collateral if the value of the contract should be in favour of the counterparty. Collateral received is included in the balance sheet under receivables with and debt to credit institutions.

Note 22 Financial Risk

Likviditetsrisiko:
Liquidity risk is defined as the risk that the business is not able to meet its obligations at maturity. SpareBank 1 Næringskreditt AS issues covered bonds at shorter maturities than the commercial 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 Næringskreditt AS maintains a liquidity reserve which will cover at a minium all scheduled outflows over the next 6 monts. Liquidity risk is monitored on a regular basis and weekly reports are presented to the management and monthly reports to the Board.

Næringskreditt'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 of maturities amongst the Company's outstanding bonds, less what the Company holds as it 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.

Liquidity - all amounts in NOK 1000

	31.12.2020	No set term	Maturity 0 to 1 month	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	354 798	354 798					
Commercial mortgages	12 012 513			60 982	169 811	3 877 532	7 904 188
Derivatives	652 538				75 478	237 668	339 391
Certificates and bonds	552 894			26 198	0	526 696	0
Other	350	350					
Total Assets	13 573 092	355 148		87 179	245 290	4 641 896	8 243 580
Debt to credit nstitutions	-189 844			-189 844			
Liabilities issued securities	-9 550 379			0	386 618	-7 243 767	-2 693 231
Other	0						
Derivatives	-15 620				-15 620		
Other w/o maturity	-41 285	-41 285					
Subordinated bonds	0						0
Equity	-2 088 890	-2 088 890					
Total Liabilities and Equity	-11 886 018	-2 130 175	0	-189 844	370 998	-7 243 767	-2 693 231
Net Total		-1 775 027	0	-102 664	616 288	-2 601 871	5 550 349

Interest Rate Risk

The interest rate risk is the risk of a negative profit effect due to rate changes. In accordance with the Norwegian legislation applicable to Covered Bonds and internal guidelines, SpareBank 1 Næringskreditt hedges all interest rate risk by utilising interest rate swaps. The interest rate sensitivity shows expected effect on revenues from a one per cent (100 basis points) parallel shift in the interest rate curve. SpareBank 1 Næringskreditt's balance sheet consists mainly of loans secured by commercial real estate with a floating interest rate which can be reset with a two week notice. The Company's borrowings consist mainly of covered bonds and borrowings from related banks in addition to senior unsecured bonds and certificates. The interest rate on all of these are hedged by interest swaps and are reset every three months.

Interest rate risk - all amounts in NOK 1000

	31.12.2020	No set term	Maturity 0 to 1 month	Maturity 1 to 3 months	Maturity 3 to 12 months	Maturity 1 to 5 years	Maturity more than 5 years
Loans to credit institutions	354 798	354 798					
Commercial mortgages	12 012 512			12 012 512			
Derivatives	652 538		-1 161 704	-2 634 792	1 613 960	957 473	1 877 601
Certificates and bonds	552 895			552 895			
Other	350	350					
Total Assets	13 573 093	355 148	-1 161 704	9 930 615	1 613 960	957 473	1 877 601
Debt to credit nstitutions	-189 844			-189 844			
Liabilities issued securities	-9 550 379			-5 683 533	-138 778	-1 560 234	-2 167 835
Other							
Derivatives	-15 620			453 008	-468 628		
Other w/o maturity	-41 285	-41 285					
Subordinated bonds							
Equity	-2 088 890	-2 088 890					
Total Liabilities and Equity	-11 886 018	-2 130 175		-5 420 369	-607 406	-1 560 234	-2 167 835
Net interest rate exposure before derivatives	1 687 075	-1 775 027	-1 161 704	4 510 247	1 006 554	-602 761	-290 234
Derivatives	636 918			-3 343 488	1 145 332	957 473	1 877 601
Net interest rate exposure		-1 775 027	-1 161 704	1 166 759	2 151 886	354 712	1 587 367
As a per cent of assets		13 %	9 %	9 %	16 %	3 %	12 %

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

		Sensitivity to net interest expense in NOK 1 000	
Currency	**Change in basis points**	**2020**	**2019**
NOK	100	5 768	3 439

Valutarisiko:

SpareBank 1 Næringskreditt AS balance sheet consists mainly of lending to customers (commercial mortgages) solely in Norwegian kroner and bonds issued in the Norwegian or international bond markets. In accordance with the Norwegian covered bond legislation and its internal guidelines the Company hedges all currency risk, either by the utilisation of currency swaps or by way of matching asset with liability positions so that currency net positions are eliminated. Weekly risk reports are monitored by the management team and reports to the Board of Directors have a monthly frequency. The currency risk (sensitivity) is 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.

Currency	Net currency risk in NOK 1 000 2020	2019
SEK	0	0
- Bank Deposits	44	82
- Issued Bonds	-1 046 750	-943 209
- Derivatives	1 046 750	943 209
- Bond investments	0	0
EUR	**-176**	**-87**
- Bank Deposits	114	223
- Issued Bonds	-875 008	-823 795
- Derivatives	874 718	823 485
- Bond investments	0	0
Total	**-176**	**-87**

Currency	Change in the exchange rate, per cent	Net result effect before taxes in NOK 1 000 2020	2019
SEK	+10	4	0
EUR	+10	-18	-31
SUM		**-13**	**-31**

Operational Risk:

The operational risk in SpareBank 1 Næringskreditt AS is limited due to the low complexity of operations. The Company is only engaged in commercial mortgage lending, the investment of liquid assets in high qulity debt instruments and the funding of these activities. In addition the majority of the operational risk is associated with the management of the mortgage loans in the individual SpareBank 1 banks which also act as servicers of the mortgage loans. This relationship between Næringskreditt and the shareholder banks is regulated in the Transfer and Service Agreement which the Company has signed with each bank individually.

The Company has a contious focus on the evolution of the Company's own structure, systems and processes. Many of the daily operational tasks have been outsourced to SpareBank 1 SMN, which by the nature of being a larger and more complex financial institution than the Company have many overlaps between its operational activities and those activities outsourced to it from the Company. In addition there is a close working relationship between SpareBank 1 Næringskreditt AS and several of its larger shareholder banks.

In connection with changes in the operations of the Company, a specialist banking vehicle such as SpareBank 1 Næringskreditt is faced with the fact that for example the expansion of operations, introduction of new products or replacement of IT systems will represent such a large and significant change that it will nearly always be necessary with heightened scrutiny risk assessment and analysis. The Company has established a practice whereby annually all areas of risk or identified as carrying risk are evaluated. The Company's management of operational risk is considered to be satisfactory.

Based on the aspects discussed above, Management is of the opinion that the utilisation of the standard approach to measuring operational risks provides for more than adequate equity coverage for the actual operational risks that the business carries.The Company therefore employs the standard appraoch with the capital adequacy framework as the effective method for calculation the necessary amount of capital to cover operational risks. This method uses a level of statistical confidence of 99.9%.

The capital requirement as calculated on 31.12.2020 is approximately NOK 13,9 milion (see also the note regarding capital adequacy) and is seen as adequate.

Note 23 Asset Coverage Requirement

The asset coverage reqiurement presentation below is in accordance with the covered bond legislation (Norwegian: finansforetaksloven) § 11-11.

There may be a difference between the information in this note and the amouts included in the balance sheet. There reasons are that commercial mortgages with an LTV above 60 per cent are not coverage assets and are excluded in the table below (the debt representing LTV above 60 per cent). In the coverage asset presentation and calculation, the market value of properties is regularly updated, which is a legal requirement. Any mortgage loans in default are also not included in the coverage assets requirement, as they can not be counted as cover assets (there are no incidences of mortgage defaults in the cover pool)

NOK 1 000	12/31/2020	12/31/2019
Covered Bonds	9 664 020	9 215 377
Repurchased Bonds		
Derivatives		
Total Covered Bonds	**9 664 020**	**9 215 377**
Commercial mortgages	10 357 558	10 272 796
Lending to the public sector	0	26 055
Reverse repos / depos with maturity less than 100 days	193 772	35 156
Substitute assets (liquidity)	485 078	578 601
Financial deriavtives	636 918	379 024
Total cover pool	**11 673 326**	**11 291 632**
Cover pool overcollateralization	**120,8 %**	**122,5 %**
Total cover pool included amounts allocated to LCR	**11 773 326**	
Asset-coverage including amounts allocated to LCR	**121,8 %**	

Liquidity Coverage Ratio (LCR)	12/31/2020	12/31/2019
Likviditetsreserve	66 820	40 532
Netto utbetalinger neste 30 dager	46 614	17 118
LCR (%)	143%	237%

Net Stable Funding Ratio (NSFR)	12/31/2020	12/31/2019
Poster som gir stabil finansiering	10 450 686	10 612 148
Poster som krever stabil finansiering	11 172 754	10 553 334
NSFR	106.9 %	100.6 %

Note 24 Capital Adequacy

The primary goal for the Company's management of capital reserves is to ensure compliance with laws and regulatory requirements and maintain solid financial ratios and a high quality credit assessment in order to best support its business.

The captal requirement as of December 31, 2020 is 16 % capital coverage in Pillar 1, in additoin to a self calculated 0.4 per cent addition in Pillar 2.

The Company's owner banks have committted themselves to supporting a minimum level for the Company's capital coverage (tier 1) of 11 per cent, pro rata in accordance with their ownership shares, but the commitment is also joint and several up to a maximum level of an amount corresponding to two times a bank's current ownership share.

Capital, NOK 1 000	CRD IV 2020	CRD IV 2019
Equity capital	1 623 556	1 623 556
Additional paid-in equity	405 889	405 889
Other equity	59 445	65 161
Declared dividends	-59 364	-65 077
Adjustments in equity (AVA)	-511	-631
Intangible assets	-350	-761
Sum ren kjernekapital	**2 028 665**	**2 028 138**
Hybrid bonds	-	-
Total CET 1 Equity	**2 028 665**	**2 028 138**
Subordinated debt	-	-
Total subordinated debt	**-**	**-**
Total equity capital	**2 028 665**	**2 028 138**

Minimum requirements for capital NOK 1 000	2020	2019
Credit risk	748 239	748 840
Market risk	-	-
Operational risk	13 946	12 830
CVA adjustment derivatives	38 888	27 482
IFRS 9 loan loss provisions (ECL)		-4
Minimum (8%) capital requirement	**801 073**	**789 147**

Capital coverage

	2020	2019
Risk-weighted assets	10 013 411	9 864 342
Total Capital coverage (minimum 16.4%)	20.26%	20.56%
CET 1 capital coverage (minimum 14.4%)	20.26%	20.56%
Core capital coverage (minimum 12.9%)	20.26%	20.56%
Leverage ratio (krav 3%)	17.07%	17.69%

Note 25 Related Parties

The Company has acquired commercial mortgage loans from SpareBank 1 SMN, SpareBank 1 Østlandet, SpareBank 1 BV, SpareBank 1 Nord-Norge, SpareBank 1 Østfold Akershus, SpareBank 1 Telemark, SpareBanken 1 Nordvest, SpareBank 1 Søre Sunnmøre, SpareBank 1 Ringerike Hadeland og SpareBank 1 Hallingdal Valdres. There is a contractual agreement betwen the Company and each of the banks regarding the sale and transfer of mortgage loans.

The company acquires a significant part of support services from SpareBank 1 SMN. A service level agreement exists between thes parties. In addition the Company purchases services from BN Bank and the SpareBank 1 Alliance's central IT servicing unit SpareBank 1 Utvikling AS.

Management and employees in Næringskreditt are all employed in SpareBank 1 Boligkreditt; all remuneration is billed at a rate of 20% to Næringskreditt from Boligkreditt, corresponding to the estimated resource use.

SpareBank 1 Næringskreditt has for 2020 calculated commissions payment to itsowner banks of NOK 77.2 million kroner and amounts owed thereof are NOK 6.3 million at December 31, 2020.

Note 26 Contingencies and events after the balance sheet date

Contingencies
SpareBank 1 Næringskreditt As is not a party to any ongoing legal proceedings.

Events after the Balance Sheet Date
No events have taken place subsequently to the date of these financial statements, December 31, 2020, which would affect these accounts in any material way.

Dividends are propsoed at NOK 1.13 for each A-share and NOK 6.79 for each B-share, and sums in total to NOK 59 million.

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