



SPAREBANKEN SØR  
BOLIGKREDITT AS

Q2 2020



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## General

Sparebanken Sør Boligkreditt AS is a wholly-owned subsidiary of Sparebanken Sør, and the company's business is operated from Kristiansand. The company is licensed by the Financial Supervisory Authority of Norway to operate as a mortgage company and issue covered bonds, and is a part of Sparebanken Sør's long-term financial strategy. All shares are owned by Sparebanken Sør and the financial statements are consolidated into the financial statements of the Sparebanken Sør Group.

The cover pool consists of secured mortgages, interest bearing securities and financial derivatives. The mortgages are granted by Sparebanken Sør and later taken over by Sparebanken Sør Boligkreditt AS. The secured mortgages meet the requirements established by the company for inclusion in the company's cover pool. One important requirement is that any outstanding loan balance taken over by the company must not exceed 75 % of the mortgaged property's market value at the date of acquisition.

At the end of Q2 2020 Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 46 025 million, transferred from Sparebanken Sør, of which NOK 45 898 million is included in the qualified cover pool. Corresponding figures at the end of Q2 2019 were NOK 38 283 million and NOK 38 225 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 48 676 million, compared to NOK 35 679 million at the same time in 2019. The company has achieved a diversified funding by issuing covered bonds outside the Norwegian bond market.

## Income statement and balance sheet

In Q2 2020 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 126.0 million, compared to NOK 124.8 million in the same period in 2019.

The company had net interest income of NOK 211.9 million, compared to NOK 198.7 million in 2019. The increase in net interest income is mainly due to the increase in the mortgage portfolio.

The company has issued covered bonds in Euros under the EMTCN (European Medium Term Covered Note) program. In order to control interest and currency exposure, the company has established swap arrangements (basis swaps), to convert foreign currency into NOK. The impact on earnings related to changes in the value of the basis swap, affected the income from financial instruments by NOK 4.4 million at the end of Q2 2020. Assuming that the covered bonds in foreign currency are held to maturity, the total change in fair value is equal to zero. The accounting effects will therefore be reversed over time.

Operating expenses were NOK 43.7 million and tax expenses were NOK 42.0 million at the end of Q2 2020. Corresponding figures at the end of Q2 2019 were NOK 38.6 million and NOK 41.6 million respectively.

Total assets at 30.06.2020 were NOK 59 171 million, of which net loans to customers represented NOK 46 013 million. At the same time in 2019 total assets were NOK 42 544 million, of which net loans to customers were NOK 38 277 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 48 676 million, and through equity and drawing rights from Sparebanken Sør. At the end of Q2 2020, the company had at total paid-in capital of NOK 1 625 million, of which NOK 1 125 million was share capital and NOK 500 million related to share premiums.

Sparebanken Sør Boligkreditt AS has an overdraft facility of NOK 5 000 million with Sparebanken Sør that, at 30.06.2020, was drawn down by NOK 4 457 million. In addition, the company has a revolving credit facility with Sparebanken Sør, which can be used to refinance outstanding bonds.

## Board of Director's report

### Capital strength

At the end of Q2 2020, the net subordinated capital in the company was NOK 3 166 million, compared to NOK 3 171 million at the same time in 2019. This corresponds to a common equity tier 1 capital ratio / tier 1 capital ratio / total capital ratio of 16.5 percent (19.2 percent in 2019), while regulatory minimums requirements constitute 11.0 percent, 12.5 percent and 14.5 percent respectively. The capital adequacy ratio has been calculated based on the standard method in the Basel II - regulations. The Board of Directors considers the company's solidity and risk-bearing ability to be good. The company's Leverage Ratio was 5.6 percent at the end of Q2 2020.

### Risks

As a licensed mortgage company, Sparebanken Sør Boligkreditt AS is subject to a number of acts, regulations, recommendations and regulatory provisions. The objective of the company is to finance lending activities through the issuance of covered bonds with high rating. This means that Sparebanken Sør Boligkreditt AS strives to maintain risk at a low level. The company places emphasis on identifying, measuring and controlling risk elements in such a way that the market has high confidence in the company and that bonds issued by the company have high rating.

Therefore, the company's credit strategy and credit policy establish a framework of requirements imposed on borrowers, and collateral requirements for loans that may be taken on by the company. The Board of Directors considers the overall quality of the lending portfolio to be very good and the credit risk to be low.

The company's mortgages to customers are in Norwegian kroner (NOK) at both floating and fixed interest rate. Financing is done by issuance of both floating and fixed interest rate bonds in NOK and EUR. Foreign currency debt is swapped to NOK and liabilities established at fixed rates are swapped to floating rates. Accounting of foreign currency debt and debt at fixed interest rates comply with the rules for hedge accounting. The Board of Directors considers the overall market risk to be low.

The company issues covered bonds with the opportunity to extend the maturities by up to 12 months. In addition, financing needs are met by using equity and credit facilities with Sparebanken Sør. The Board of Directors considers the company's liquidity risk to be low. At 30.06.2020 the company satisfies the liquidity requirements imposed on European banks and finance companies (LCR - Liquidity Coverage Ratio).

A Management Service Agreement has been established with Sparebanken Sør that encompasses the supply of all necessary services for the operation of the company, and the Board of Directors considers the company's operational risk to be low.

### Green Covered Bond

In October 2019 Sparebanken Sør Boligkreditt AS issued an inaugural euro benchmark covered bond with a seven years maturity. The deal was the fourth green covered bond issued out of Norway. The bond was issued under a Green and Sustainable Framework aligned with ICMA's Green Bond Principles. The proceeds of the first issuance were allocated to finance a portfolio of mortgages for energy efficient residential buildings in Norway.

### Rating

Covered bonds issued by Sparebanken Sør Boligkreditt AS in NOK and EUR have been given an Aaa rating by Moody's.

## Future prospects

Following the necessary measures taken by the authorities to combat the Covid 19 epidemic, the Norwegian economy was hit negatively by lower international economic growth and falling oil prices. The economy has to a certain extent improved in the 2nd quarter and the financial markets have normalized. Following the cut in the Norwegian policy rate to 0 %, mortgage rates have been reduced. As a consequence, house prices have developed positively and private consumption has improved.

Lower international economic growth expects to affect the Norwegian economy negatively going forward. The uncertainty related to further economic growth and house price development is considerable. Still Norway's strong financial position and the sovereign wealth fund, will enable the government to implement measures to mitigate the effect of the epidemic. The policy rate will most likely stay stable until 2021, and in line with the monetary policies implemented internationally. Loan losses on retail customers are expected to stay low despite the negative economic development.

The Board of Directors anticipates the company's business to continue to be very satisfactory going forward. Sparebanken Sør Boligkreditt AS is well positioned to further acquire loans from Sparebanken Sør, and issue covered bonds towards investors in Norway and abroad.

Kristiansand, 13 August 2020

### The Board of Directors of Sparebanken Sør Boligkreditt AS

Geir Bergskaug  
Chairman

Seunn Smith-Tønnessen  
Member

Gunnar P. Thomassen  
Member

Steinar Vigsnes  
Member

Marianne Lofthus  
Managing Director

## Income statement

<b>NOK Thousand</b>	<b>Notes</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>31.12.2019</b>
Interest income, assets recognised at amortized cost	2. 12	598 156	534 489	1 155 596
Interest income, assets recognised at fair value	2. 12	33 237	25 416	62 785
Interest expenses	2. 12	419 468	361 218	809 559
<b>Net interest income</b>	<b>2</b>	<b>211 925</b>	<b>198 688</b>	<b>408 822</b>
Commission income		113	88	186
Commission expenses		2 501	2 501	5 003
<b>Net commission income</b>		<b>-2 389</b>	<b>-2 412</b>	<b>-4 817</b>
<b>Net income from financial instruments</b>	<b>3</b>	<b>4 460</b>	<b>9 110</b>	<b>-8 237</b>
Personnel expenses		0		54
Other operating expenses		43 717	38 573	78 440
<b>Total expenses</b>		<b>43 717</b>	<b>38 573</b>	<b>78 494</b>
<b>Profit before loss</b>		<b>170 278</b>	<b>166 812</b>	<b>317 275</b>
Losses on loans and undrawn credit		2 220	401	3 543
<b>Profit before taxes</b>		<b>168 058</b>	<b>166 411</b>	<b>313 732</b>
Tax expenses	9	42 015	41 608	78 453
<b>Profit for the period</b>		<b>126 044</b>	<b>124 803</b>	<b>235 279</b>
<b>Other comprehensive income</b>				
<b>Profit for the period</b>		<b>126 044</b>	<b>124 803</b>	<b>235 279</b>
Net change in value from basis swaps		12 857	379	-4 954
Tax effect		-3 214	-95	1 239
<b>Total profit for the period</b>		<b>135 687</b>	<b>125 087</b>	<b>231 563</b>

## NOK Thousand

	Notes	30.06.2020	30.06.2019	31.12.2019
<b>ASSETS</b>				
Loans to and receivables from credit institutions	12	2 773 596	273 680	399 399
Net loans to customers	4.7	46 013 023	38 276 640	40 199 609
Bonds and certificates		6 850 081	3 591 110	3 108 909
Financial derivatives		3 482 060	347 513	505 900
Deferred tax assets		16 517	23 214	24 342
Other assets		35 807	32 177	41 340
<b>TOTAL ASSETS</b>		<b>59 171 083</b>	<b>42 544 335</b>	<b>44 279 500</b>
<b>LIABILITIES AND EQUITY</b>				
Debt to credit institutions	5.12	7 108 084	3 509 568	3 883 843
Debt incurred due to issuance of securities	10	48 676 036	35 679 048	36 700 771
Financial derivatives	3	0	0	209 942
Payable taxes		72 008	52 022	73 492
Other liabilities		12 349	7 974	9 254
<b>TOTAL LIABILITIES</b>		<b>55 868 478</b>	<b>39 248 613</b>	<b>40 877 302</b>
<b>EQUITY</b>				
Paid-in equity		1 625 000	1 625 000	1 625 000
Retained earnings		1 677 605	1 670 722	1 777 197
<b>TOTAL EQUITY CAPITAL</b>		<b>3 302 605</b>	<b>3 295 722</b>	<b>3 402 197</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>59 171 083</b>	<b>42 544 334</b>	<b>44 279 499</b>

Kristiansand, 13 August 2020

## The Board of Directors of Sparebanken Sør Boligkreditt AS

Geir Bergskaug  
ChairmanSeunn Smith-Tønnessen  
MemberGunnar P. Thomassen  
MemberSteinar Vigsnes  
MemberMarianne Lofthus  
Managing Director

## Cash flow statement

<b>NOK Thousand</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>31.12.2019</b>
Interest received	647 914	556 331	1 206 935
Interest paid	-483 032	-352 374	-765 568
Operating expenditure	-43 010	-36 929	-82 800
Changes in loans to customers	-5 831 896	452 947	-1 464 284
Income tax paid	-38 887	-62 604	-82 279
<b>Net cash flow from operating activities</b>	<b>-5 748 912</b>	<b>557 371</b>	<b>-1 187 996</b>
Payments received, securities	1 922 042	297 653	3 367 929
Payments made, securities	-5 663 213	-1 263 100	-3 851 175
Changes in other assets	5 533	-99 705	56 577
Changes in deposits from credit institutions	2 858 821	615 081	990 050
Changes in other liabilities	3 096	-768	511
<b>Net cash flow from current financing activities</b>	<b>-873 722</b>	<b>-450 839</b>	<b>563 892</b>
Paid-in share capital	0	0	0
Paid dividend	-235 279	0	0
Payments received, bond debt	9 997 730	4 860 000	9 960 155
Payments made, bond debt	-765 620	-5 035 935	-9 279 735
<b>Net cash flow from long-term financing activities</b>	<b>8 996 831</b>	<b>-175 935</b>	<b>680 420</b>
<b>Net change in liquid funds</b>	<b>2 374 197</b>	<b>-69 403</b>	<b>56 316</b>
Liquid funds as at 01.01.	399 399	343 083	343 083
<b>Liquid funds at the end of the period</b>	<b>2 773 596</b>	<b>273 681</b>	<b>399 399</b>

# Statement of changes in Equity

	Share capital	Share premium reserve	Retained earnings	Total
<b>NOK Thousand</b>				
<b>Balance 31.12.2018</b>	<b>1 125 000</b>	<b>500 000</b>	<b>1 545 635</b>	<b>3 170 635</b>
Profit 01.01.2019 - 30.06.2019	0	0	124 803	124 803
Other income/expenses	0	0	284	284
<b>Balance 30.06.2019</b>	<b>1 125 000</b>	<b>500 000</b>	<b>1 670 722</b>	<b>3 295 722</b>
Profit 30.06.2019 - 31.12.2019	0	0	110 475	110 475
Other income/expenses	0	0	-4 000	-4 000
<b>Balance 31.12.2019</b>	<b>1 125 000</b>	<b>500 000</b>	<b>1 777 197</b>	<b>3 402 197</b>
Dividende	0	0	-235 279	-235 279
Profit 01.01.2020 - 30.06.2020	0	0	126 044	126 044
Other income/expenses	0	0	9 643	9 643
<b>Balance 30.06.2020</b>	<b>1 125 000</b>	<b>500 000</b>	<b>1 677 605</b>	<b>3 302 605</b>

## 1. ACCOUNTING POLICIES

The quarterly financial statements have been drawn up in accordance with International Financial Reporting Standards, IFRS, including IAS 34. Sparebanken Sør Boligkreditt AS is a part of the Sparebanken Sør Group and follows the same accounting principles as the Group. Please refer to the annual financial statements for 2019 (Note 1 – Accounting policies) for further details.

All totals in the financial statements are stated in thousands of NOK unless indicated otherwise. The company's financial statements are presented in Norwegian kroner, which is the functional currency.

A tax rate of 25 percent is assumed.

The quarterly financial statements have not been audited.

## 2. NET INTEREST INCOME

NOK Thousand	30.06.2020	30.06.2019	31.12.2019
Interest income recognised at amortized cost			
Interest on loans to customers	594 173	534 221	1 155 139
Interest on loans to and receivables from credit institutions	3 983	269	458
<b>Total interest income recognised at amortized cost</b>	<b>598 156</b>	<b>534 489</b>	<b>1 155 596</b>
Interest income recognised at fair value			
Interest on certificates/bonds/interest-bearing securities	33 237	25 416	62 785
<b>Total interest income recognised at fair value</b>	<b>33 237</b>	<b>25 416</b>	<b>62 785</b>
<b>Total interest income</b>	<b>631 393</b>	<b>559 905</b>	<b>1 218 381</b>
Interest expenses recognised at amortized cost			
Interest on debt to credit institutions	36 959	32 325	68 066
Interest on issued securities	379 659	328 871	736 920
Other interest expenses	2 850	22	4 572
<b>Total interest expenses recognised at amortized cost</b>	<b>419 468</b>	<b>361 218</b>	<b>809 559</b>
<b>Total interest expenses</b>	<b>419 468</b>	<b>361 218</b>	<b>809 559</b>
<b>Net interest income</b>	<b>211 925</b>	<b>198 688</b>	<b>408 822</b>

### 3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	30.06.2020	30.06.2019	31.12.2019
Profit (loss) and changes in value from covered bonds	-13 398	2 359	-6 878
<b>Net income from covered bonds</b>	<b>-13 398</b>	<b>2 359</b>	<b>-6 878</b>
Change in value fixed rate loans - interest	-5	0	0
Change in value fixed rate loans - margin	16	0	0
Expected credit loss IFRS9	-1	0	0
<b>Net change in value fixed rate loans</b>	<b>11</b>	<b>0</b>	<b>0</b>
Change in value fixed rate bonds - hedge accounting	-2 792 225	135 508	42 207
Change in value derivatives fixed rate bonds - designated as hedging instruments	2 811 297	-120 823	-19 852
<b>Net income hedging</b>	<b>19 072</b>	<b>14 685</b>	<b>22 356</b>
<i>Whereof effects from basis swaps (1)</i>	<i>4 412</i>	<i>9 666</i>	<i>17 808</i>
Profit (loss) buyback own bonds - amortised cost	-1 225	-7 935	-23 715
<b>Net other financial instruments and derivatives</b>	<b>-1 225</b>	<b>-7 935</b>	<b>-23 715</b>
<b>Net income from financial instruments</b>	<b>4 460</b>	<b>9 110</b>	<b>-8 237</b>

1) The company has issued covered bonds in Euro that have been hedged using basis swaps. Change in the value of the basis swaps as a result of changes in market conditions, is presented as hedging-inefficiency. This ineffective portion is recognized in the income statement.

Basis swaps are derivative contracts used to convert obligations in foreign currency into NOK. Basis swaps are used when the company has entered into long term funding in international capital markets. These are hedging instruments, and assuming the underlying bond is held to maturity, the change in market value over the instruments duration equals zero. Accounting effects are therefore reversed over time.

### 4. DEBT TO ASSETS RATIO

	30.06.2020	30.06.2019	31.12.2019
<b>Average debt to assets ratio in %</b>	<b>55.6 %</b>	<b>55.2 %</b>	<b>57.4 %</b>
Portfolio broken down by intervals of debt to assets ratio			
Less than or equal to 40 %	16.3 %	17.4 %	16.8 %
41 - 50 %	13.7 %	13.7 %	13.3 %
51 - 60 %	24.0 %	23.0 %	21.9 %
61 - 70 %	36.0 %	35.5 %	35.2 %
71 - 75 %	7.0 %	7.7 %	9.3 %
More than 75 %	3.0 %	2.7 %	3.5 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

### 5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	30.06.2020	30.06.2019	31.12.2019
Credit facility with Sparebanken Sør	4 457 345	3 506 439	3 881 408
Received collaterals	2 650 739	0	0
<b>Total debt to credit institutions</b>	<b>7 108 084</b>	<b>3 506 439</b>	<b>3 881 408</b>

Sparebanken Sør Boligkreditt AS has entered into an agreement with Sparebanken Sør for a credit facility of NOK 5 000 million. In addition, the company has revolving drawing rights with the parent bank, which can be used to refinance outstanding bonds.

In order to control risks related to counterparties and derivatives, the company has established ISDA-agreements. As a part of ISDA, the company has entered into credit supplementary agreements (CSA) with 5 institutional counterparties. The company has reclassified the recognition of received collaterals. These were presented in the context of financial derivatives in the balance sheet originally, but with effect from 01.01.2020, received collaterals are presented as debt to credit institutions. Comparative figures for 2019 have not been changed.

## 6. CAPITAL ADEQUACY

Sparebanken Sør Boligkreditt AS implements the standard method for credit and market risk and the basic method for operational risk to calculate capital adequacy in accordance with the current capital adequacy rules - Basel II.

NOK Thousand	30.06.2020	30.06.2019	31.12.2019
<b>Equity capital</b>			
Share capital	1 125 000	1 125 000	1 125 000
Share premium reserve	500 000	500 000	500 000
Other equity capital	1 551 561	1 545 918	1 777 197
Deductions	-10 336	0	-3 825
<b>Net subordinated capital (common equity tier 1)</b>	<b>3 166 225</b>	<b>3 170 918</b>	<b>3 398 372</b>
<b>Minimum requirements for equity capital</b>			
Credit risk	1 486 204	1 266 898	1 290 307
Market risk		0	0
Operational risk	52 712	55 424	55 424
CVA addition		0	0
Deductions		0	0
<b>Total minimum requirements for equity capital</b>	<b>1 538 916</b>	<b>1 322 322</b>	<b>1 345 731</b>
Risk weight balance (calculation basis)	19 236 450	16 529 025	16 821 638
<b>Common equity tier 1 capital ratio</b>	<b>16.5 %</b>	<b>19.2 %</b>	<b>20.2 %</b>
<b>Tier 1 capital ratio</b>	<b>16.5 %</b>	<b>19.2 %</b>	<b>20.2 %</b>
<b>Total capital ratio</b>	<b>16.5 %</b>	<b>19.2 %</b>	<b>20.2 %</b>
<b>Leverage Ratio</b>	<b>5.6 %</b>	<b>7.1 %</b>	<b>7.3 %</b>

## 7. LOANS TO CUSTOMERS

NOK Thousand	30.06.2020	30.06.2019	31.12.2019
<b>Loans assessed to amortised cost</b>			
Flexi-loans	10 266 080	7 954 291	8 558 533
Loans with installments - floating interest	35 721 485	30 287 547	31 600 536
Loans with installments - fixed interest	3 399	0	0
<b>Gross loans</b>	<b>46 025 360</b>	<b>38 283 703</b>	<b>40 209 813</b>
Loss allowance	-12 337	-7 063	-10 204
<b>Net loans</b>	<b>46 013 023</b>	<b>38 276 640</b>	<b>40 199 609</b>
Undrawn credit on Flexi-loans	3 791 645	3 303 389	3 463 330

Loans broken down by sectors and industries	31.03.2020	31.03.2019	31.12.2019
Retail customers	45 992 143	38 241 837	40 160 075
Accrued interests	33 217	41 867	49 738
<b>Gross loans</b>	<b>46 025 360</b>	<b>38 283 703</b>	<b>40 209 813</b>
Loss allowance	-12 337	-7 063	-10 204
<b>Net loans</b>	<b>46 013 023</b>	<b>38 276 640</b>	<b>40 199 609</b>

**Loans broken down by geographical areas \***

<b>NOK Thousand</b>	<b>30.06.2020</b>	
Agder	30 721 831	66.8 %
Vestfold og Telemark	5 200 765	11.3 %
Oslo	4 419 894	9.6 %
Viken	2 808 959	6.1 %
Rogaland	1 610 095	3.5 %
Other counties	1 251 479	2.7 %
<b>Total</b>	<b>46 013 023</b>	<b>100.0 %</b>

<b>NOK Thousand</b>	<b>30.06.2019</b>		<b>31.12.2019</b>	
Vest-Agder	15 625 719	40.8 %	16 528 592	41.1 %
Aust-Agder	10 253 371	26.8 %	10 713 475	26.7 %
Telemark	3 766 763	9.8 %	4 004 896	10.0 %
Rogaland	1 188 742	3.1 %	1 299 637	3.2 %
Oslo	3 742 134	9.8 %	3 779 836	9.4 %
Akershus	1 629 475	4.3 %	1 726 918	4.3 %
Other counties	2 070 436	5.4 %	2 146 255	5.3 %
<b>Total</b>	<b>38 276 640</b>	<b>100.0 %</b>	<b>40 199 609</b>	<b>100.0 %</b>

\*As a result of a public sector reform introduced in 2019, a number of municipalities and counties have been merged. Hence, the 30.06.2020 setup and figures are not comparable to previous periods.

**8. NON-PERFORMING LOANS**

<b>NOK Thousand</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>31.12.2019</b>
Gross non-performing loans > 90 days	31 589	-	9 469
Other non-performing loans	21 197	14 031	20 428
<b>Total non-performing loans (stage 3)</b>	<b>52 786</b>	<b>14 031</b>	<b>29 898</b>
Stage 3 impairment losses	1 639	243	958
<b>Net non performing loans</b>	<b>54 425</b>	<b>14 274</b>	<b>30 856</b>
Provision ratio impairment losses	3.1 %	1.7 %	3.2 %
Gross non-performing loans in % of gross loans	0.1 %	0.0 %	0.0 %
<b>Gross loans</b>	<b>46 025 360</b>	<b>38 283 703</b>	<b>40 209 813</b>

A non-performing loan is defined as the sum of a customer's total loan amount, if part of the loan has been overdrawn or has arrears exceeding NOK 1,000 for more than 90 days.

## 9. LOSSES ON LOANS AND UNDRAWN CREDITS

NOK Thousand	30.06.2020	30.06.2019	31.12.2019
Changes in impairment losses for the period, stage 1	2 120	322	769
+ Changes in impairment losses for the period, stage 2	-589	8	1 983
+ Changes in impairments losses for the period, stage 3	689	71	790
<b>= Total losses for the period</b>	<b>2 220</b>	<b>401</b>	<b>3 543</b>

NOK Thousand	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Loss provisions as at 01.01.2020	2 646	6 685	958	10 289
Transfers				
Transferred to stage 1	2 702	-2 609	-93	0
Transferred to stage 2	-116	165	-49	0
Transferred to stage 3	-1	-183	183	0
				0
Losses on new loans	1 778	720	169	2 667
Tap på fraregnet utlån	-376	-1 040	-200	-1 616
Losses on deducted loans*	-1 867	2 357	671	1 162
<b>Loss provisions as at 30.06.2020</b>	<b>4 767</b>	<b>6 096</b>	<b>1 639</b>	<b>12 503</b>
Loss provisions for loans	4 656	6 057	1 624	12 337
Loss provisions for undrawn credit	111	39	16	166
<b>Total loss provisions as at 30.06.2020</b>	<b>4 767</b>	<b>6 096</b>	<b>1 639</b>	<b>12 503</b>

NOK Thousand	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Loss provisions as at 01.01.2019	1 878	4 702	1 212	7 792
Transfers				
Transferred to stage 1	1 674	-1 674	0	0
Transferred to stage 2	-96	116	-20	0
Transferred to stage 3	0	-5	5	0
Losses on new loans	647	682	53	1 381
Tap på fraregnet utlån	-299	-1 083	-28	-1 409
Losses on deducted loans*	-1 605	1 972	-938	571
<b>Loss provisions as at 30.06.2019</b>	<b>2 199</b>	<b>4 710</b>	<b>283</b>	<b>7 192</b>
Loss provisions for loans	2 145	4 695	263	7 103
Loss provisions for undrawn credit	54	15	20	89
<b>Total loss provisions as at 30.06.2019</b>	<b>2 199</b>	<b>4 710</b>	<b>283</b>	<b>7 192</b>

\* Losses on deducted loans are related to losses on fully repaid loans and loans transferred between the company and the parent bank.

## Changes in gross loans in the balance sheet

NOK Thousand				
Gross loans assessed at amortised cost	Stage 1	Stage 2	Stage 3	Total
Gross loans as at 01.01.2020 assessed at amortised cost	38 215 838	1 963 678	30 296	40 209 813
Transferred to stage 1	744 354	-740 470	-3 883	0
Transferred to stage 2	-848 827	850 773	-1 946	0
Transferred to stage 3	-7 182	-18 363	25 544	0
Net change on present loans	-659 835	-27 781	-618	-688 234
New loans	11 307 101	137 332	9 238	11 453 672
Derecognised loans	-4 628 863	-314 599	-6 429	-4 949 891
<b>Gross loans as at 30.06.2020 assessed at amortised cost</b>	<b>44 122 586</b>	<b>1 850 571</b>	<b>52 203</b>	<b>46 025 360</b>

NOK Thousand				
Gross loans assessed at amortised cost	Stage 1	Stage 2	Stage 3	Total
Gross loans as at 01.01.2019 assessed at amortised cost	36 838 888	1 875 256	22 394	38 736 534
Transferred to stage 1	399 684	-399 973	289	0
Transferred to stage 2	-368 643	368 932	-289	0
Transferred to stage 3	9 418	1 837	-11 255	0
Net change on present loans	-782 957	-37 214	-199	-820 370
New loans	4 449 169	186 929	1 820	4 637 918
Derecognised loans	-4 001 454	-267 530	-1 394	-4 270 378
<b>Gross loans as at 30.06.2019 assessed at amortised cost</b>	<b>36 544 104</b>	<b>1 728 236</b>	<b>11 366</b>	<b>38 283 703</b>

## 10. DEBT SECURITIES ISSUED AS AT 30.06.2020

NOK Thousand

ISIN Number	Ticker	Currency	Nominal value	Interest	Due date	Book value	Fair value
XS1383921803		EUR	500 000	Fixed 0.250 %	22.03.2021	5 502 587	5 476 220
NO0010778954	SORB27	NOK	5 000 000	Floating 3M Nibor	22.11.2021	5 004 399	5 035 854
NO0010877970	SORB29	NOK	5 000 000	Floating 3M Nibor	25.03.2022	5 000 533	5 013 178
XS1622285283		EUR	500 000	Fixed 0.125 %	30.05.2022	5 514 054	5 490 694
NO0010671597	SORB09	NOK	350 000	Fixed 3.85 %	13.02.2023	355 140	384 381
XS1775786145		EUR	500 000	Fixed 0.375 %	20.02.2023	5 571 479	5 541 261
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5 001 730	5 023 782
NO0010832637	SORB28	NOK	5 000 000	Floating 3M Nibor	24.09.2025	4 992 723	5 019 213
XS1947550403		EUR	500 000	Fixed 0.50 %	06.02.2026	5 578 475	5 664 928
XS2069304033		EUR	500 000	Fixed 0.01 %	26.10.2026	5 623 616	5 503 961
NO0010670409	SORB08	NOK	500 000	Fixed 4.00 %	24.01.2028	531 299	608 511
<b>TOTAL</b>						<b>48 676 036</b>	<b>48 761 983</b>

## 11. COVER POOL COMPOSITION AND OC

NOK Thousand	Fair value		
	30.06.2020	30.06.2019	31.12.2019
Loans secured by mortgages on residential properties	46 013 023	38 276 640	40 199 609
Deductions on ineligible loans	-114 527	-51 334	-84 101
Pool of eligible loans	45 898 496	38 225 306	40 115 508
Sertificates and bonds	6 487 100	2 968 092	2 178 549
Financial derivatives	3 482 060	347 513	295 958
<b>Total cover pool</b>	<b>55 867 656</b>	<b>41 540 911</b>	<b>42 590 015</b>
<b>Debt incurred due to issuance of securities</b>	<b>48 761 983</b>	<b>35 844 688</b>	<b>36 814 704</b>
<b>Collateralisation ratio (OC)</b>	<b>14.6 %</b>	<b>15.9 %</b>	<b>15.7 %</b>
	Nominal value		
	30.06.2020	30.06.2019	31.12.2019
OC based on nominal value - eligibles only	16.0 %	16.9 %	16.5 %
OC based on nominal value - total loans	16.2 %	17.1 %	16.7 %

## 12. RELATED PARTIES

NOK Thousand	30.06.2020	30.06.2019	31.12.2019
<b>Income statement</b>			
Interest income from Sparebanken Sør on deposits	3 983	269	458
Interest expenses/commission from Sparebanken Sør on loans/credit	39 460	34 825	73 068
Interest expenses on bond debts to Sparebanken Sør	19 379	28 907	45 955
Paid administration fees to Sparebanken Sør	40 898	36 451	73 582
<b>Balance sheet</b>			
Bank deposit in Sparebanken Sør	2 773 596	273 680	399 399
Covered bonds owned by Sparebanken Sør	7 500 000	2 500 000	0
Loans/credit in Sparebanken Sør	4 457 345	3 506 439	3 881 408

## QUARTERLY PROFIT TREND

NOK Thousand	Q2	Q1	Q4	Q3	Q2
	2020	2020	2019	2019	2019
Net interest income	102 810	109 115	111 580	98 555	96 634
Net other operating income	11 984	-9 913	-21 401	1 649	12 762
Operating expenses	23 059	20 659	20 437	19 484	18 733
<b>Profit before losses on loans</b>	<b>91 735</b>	<b>78 543</b>	<b>69 742</b>	<b>80 720</b>	<b>90 663</b>
Losses on loans and undrawn credits	-1 844	4 064	1 997	1 145	-244
<b>Profit before taxes</b>	<b>93 579</b>	<b>74 479</b>	<b>67 744</b>	<b>79 576</b>	<b>90 908</b>
Tax expenses	23 395	18 620	16 945	19 900	22 727
<b>Profit for the period</b>	<b>70 184</b>	<b>55 860</b>	<b>50 799</b>	<b>59 676</b>	<b>68 181</b>
Liquidity coverage ratio (LCR)	430 %	Net inflows	1 275 %	1 575 %	1 363 %
Total capital ratio	16.5 %	16.6 %	20.2 %	19.3 %	19.2 %
Leverage Ratio	5.6 %	5.6 %	7.3 %	7.0 %	7.1 %

**DECLARATION IN ACCORDANCE WITH SECTION 5-6 OF THE NORWEGIAN SECURITIES TRADING ACT**

The Board of Directors and CEO of Sparebanken Sør Boligkreditt AS hereby confirm that the Company's Q2 2020 financial statements have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements provides a true and fair view of the Company's assets, liabilities, financial position and overall result.

In addition, we confirm that the report provides a true and fair view of the Company's development, results and position, together with a description of the most significant risks and uncertainty factors facing the Company.

Kristiansand, 13 August 2020

**The Board of Directors of Sparebanken Sør Boligkreditt AS**

Geir Bergskaug  
Chairman

Seunn Smith-Tønnessen  
Member

Gunnar P. Thomassen  
Member

Steinar Vigsnes  
Member

Marianne Lofthus  
Managing Director



**SPAREBANKEN SØR  
BOLIGKREDITT AS**

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