



SPAREBANKEN SØR
BOLIGKREDITT AS

Q3 2020



Contents

Board of Director's report	3
Income statement	6
Balance sheet	7
Cash flow statement	8
Statement of changes in Equity	9
Notes	10
Quarterly profit trend	17

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 Q3 2020 Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 44 492 million, transferred from Sparebanken Sør, of which NOK 44 392 million is included in the qualified cover pool. Corresponding figures at the end of Q3 2019 were NOK 39 013 million and NOK 38 901 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 44 202 million, compared to NOK 36 317 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 Q3 2020 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 213.4 million, compared to NOK 184.5 million in the same period in 2019.

The company had net interest income of NOK 357.5 million, compared to NOK 297.2 million in 2019. The increase in net interest income is due to the increase in gross loans, combined with a decline in NIBOR interest rate resulting in reduced funding costs.

Net income from financial instruments totalled NOK -2.5 million at the end of Q3 2020, compared to NOK 12.0 million at the same period in 2019.

Operating expenses were NOK 66.1 million and tax expenses were NOK 71.1 million at the end of Q3 2020. Corresponding figures at the end of Q3 2019 were NOK 58.0 million and NOK 61.5 million respectively.

Total assets at 30.09.2020 were NOK 59 771 million, of which net loans to customers represented NOK 44 481 million. At the same time in 2019 total assets were NOK 43 143 million, of which net loans to customers were NOK 39 005 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 44 202 million, and through equity and drawing rights from Sparebanken Sør. At the end of Q3 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 regarding operational purposes that, at 30.09.2020, was drawn down by NOK 4 319 million.

In addition, the company has a short-term credit facility with a notice period of 31 days with the bank, which was draw down by NOK 4 729 million at 30.09.2020, as well as a revolving multicurrency loan facility, which can be used to refinance outstanding bonds.

Capital strength

At the end of Q3 2020, the net subordinated capital in the company was NOK 3 152 million, compared to NOK 3 163 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 16.4 percent (19.3 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 5.4 percent at the end of Q3 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 30.09.2020 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 Norwegian economy has to a certain extent improved in the 2nd and 3rd 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.

Subsequent events

Events of major significance to the accounts have not occurred after the balance sheet date.

Kristiansand, 28 October 2020

The Board of Directors for Sparebanken Sør Boligkreditt AS

Geir Bergskaug
Chairman

Seunn Smith-Tønnessen
Member

Gunnar P. Thomassen
Member

Steinar Vigsnes
Member

Marianne Lofthus
Managing Director

Income statement

NOK Thousand	Notes	Q3 2020	Q3 2019	30.09.2020	30.09.2019	31.12.2019
Interest income, assets recognised at amortized cost	2, 12	239 185	293 502	837 341	827 992	1 155 596
Interest income, assets recognised at fair value	2, 12	12 194	17 457	45 431	42 873	62 785
Interest expenses	2, 12	105 790	212 404	525 258	573 622	809 559
Net interest income	2	145 589	98 555	357 514	297 243	408 822
Commission income		45	45	157	133	186
Commission expenses		1 252	1 250	3 753	3 751	5 003
Net commission income		-1 207	-1 205	-3 596	-3 618	-4 817
Net income from financial instruments	3	-6 959	2 855	-2 499	11 965	-8 237
Personnel expenses		0	0	0	0	54
Other operating expenses	12	22 394	19 484	66 112	58 037	78 440
Total expenses		22 394	19 484	66 112	58 037	78 494
Profit before loss		115 029	80 720	285 307	247 552	317 275
Losses on loans and undrawn credit	9	-1 506	1 145	714	1 545	3 543
Profit before taxes		116 535	79 576	284 594	246 007	313 732
Tax expenses		29 134	19 900	71 148	61 508	78 453
Profit for the period		87 401	59 676	213 445	184 499	235 279
Other comprehensive income						
Profit for the period		87 401	59 676	213 445	184 499	235 279
Net change in value from basis swaps		-16 997	-6 662	-4 140	-6 283	-4 954
Tax effect		4 249	1 666	1 035	1 571	1 239
Total profit for the period		74 654	54 679	210 340	179 787	231 563

NOK Thousand

	Notes	30.09.2020	30.09.2019	31.12.2019
ASSETS				
Loans to and receivables from credit institutions	12	3 165 744	714 228	399 399
Net loans to customers	4,7	44 481 059	39 004 692	40 199 609
Bonds and certificates		8 051 119	2 824 728	3 108 909
Financial derivatives		4 009 104	543 593	505 900
Deferred tax assets		29 970	25 372	24 342
Other assets		34 514	29 912	41 340
TOTAL ASSETS		59 771 509	43 142 526	44 279 500
LIABILITIES AND EQUITY				
Debt to credit institutions	5,12	12 111 093	3 390 948	3 883 843
Debt incurred due to issuance of securities	10	44 202 129	36 316 903	36 700 771
Financial derivatives	3	0	0	209 942
Payable taxes		71 459	72 415	73 492
Other liabilities		9 569	11 838	9 254
TOTAL LIABILITIES		56 394 250	39 792 105	40 877 302
EQUITY				
Paid-in equity		1 625 000	1 625 000	1 625 000
Retained earnings		1 752 259	1 725 421	1 777 197
TOTAL EQUITY CAPITAL		3 377 259	3 350 421	3 402 197
TOTAL LIABILITIES AND EQUITY CAPITAL		59 771 509	43 142 526	44 279 500

Kristiansand, 28 October 2020

The Board of Directors for Sparebanken Sør Boligkreditt AS

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

Cash flow statement

NOK Thousand	30.09.2020	30.09.2019	31.12.2019
Interest received	901 116	866 166	1 206 935
Interest paid	-593 990	-554 343	-765 568
Operating expenditure	-69 392	-61 909	-82 800
Changes in loans to customers	-4 300 256	-275 132	-1 464 284
Income tax paid	-77 775	-62 604	-82 279
Net cash flow from operating activities	-4 140 297	-87 823	-1 187 996
Payments received, securities	6 456 211	444 737	3 367 929
Payments made, securities	-11 398 421	-1 913 607	-3 851 175
Changes in other assets	6 826	336 200	56 577
Changes in deposits from credit institutions	7 861 831	498 023	990 050
Changes in other liabilities	315	-254	511
Net cash flow from current financing activities	2 926 762	634 902	563 892
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	-5 782 570	-5 035 935	-9 279 735
Net cash flow from long-term financing activities	3 979 881	-175 935	680 420
Net change in liquid funds	2 766 345	371 145	56 316
Liquid funds as at 01.01.	399 399	343 083	343 083
Liquid funds at the end of the period	3 165 744	714 228	399 399

Statement of changes in Equity

	Share capital	Share premium reserve	Retained earnings	Total
NOK Thousand				
Balance 01.01.2018	525 000	500 000	1 348 558	2 373 558
Share capital increase	600 000	0	0	600 000
Profit 01.01.2018 - 30.09.2018	0	0	157 201	157 201
Other income/expenses	0	0	-10 165	-10 165
Balance 30.09.2018	1 125 000	500 000	1 495 595	3 120 595
Profit 30.09.2018 - 31.12.2018	0	0	54 508	54 508
Other income/expenses	0	0	-4 468	-4 468
Balance 31.12.2018	1 125 000	500 000	1 545 635	3 170 635
Profit 01.01.2019 - 30.09.2019	0	0	184 499	184 499
Other income/expenses	0	0	-4 712	-4 712
Balance 30.09.2019	1 125 000	500 000	1 725 422	3 350 421
Profit 30.09.2019 - 31.12.2019	0	0	50 799	50 799
Other income/expenses	0	0	977	977
Balance 31.12.2019	1 125 000	500 000	1 777 198	3 402 197
Dividend	0	0	-235 279	-235 279
Profit 01.01.2020 - 30.09.2020	0	0	213 445	213 445
Other income/expenses	0	0	-3 105	-3 105
Balance 30.09.2020	1 125 000	500 000	1 752 259	3 377 259

1. ACCOUNTING POLICIES

The quarterly financial statements have been drawn up in accordance with the 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.

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

A tax rate of 25 percent is assumed.

Discretionary assessments, estimates and assumptions:

With the preparation of the financial statements, the management makes discretionary assessment, estimates and assumptions that affects the accounting policies and financial records. Please refer to the annual financial statements for 2019 (Note 2 – Discretionary assessments, estimates and assumptions) for further details.

Losses on loans and undrawn credit is subject to a significant degree of discretionary assessments. In 2020, this has been a particularly challenging item due to the ongoing Covid 19 situation, leading to turmoil and fluctuations in the financial market. Models used to calculate future credit losses contains forward-looking macro data, and in events of major changes to the economy, the current models and parameters must be changed accordingly.

The quarterly financial statements have not been audited.

2. NET INTEREST INCOME

NOK Thousand	30.09.2020	30.09.2019	31.12.2019
Interest income recognised at amortized cost			
Interest on loans to customers	830 755	827 634	1 155 139
Interest on loans to and receivables from credit institutions	6 585	357	458
Total interest income recognised at amortized cost	837 341	827 992	1 155 596
Interest income recognised at fair value			
Interest on certificates/bonds/interest-bearing securities	45 431	42 873	62 785
Total interest income recognised at fair value	45 431	42 873	62 785
Total interest income	882 772	870 865	1 218 381
Interest expenses recognised at amortized cost			
Interest on debt to credit institutions	49 065	51 708	68 066
Interest on issued securities	471 768	518 542	736 920
Other interest expenses	4 424	3 373	4 572
Total interest expenses recognised at amortized cost	525 258	573 622	809 559
Total interest expenses	525 258	573 622	809 559
Net interest income	357 514	297 243	408 822

3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	30.09.2020	30.09.2019	31.12.2019
Profit (loss) and changes in value from covered bonds	-15 934	-1 516	-6 878
Net income from covered bonds	-15 934	-1 516	-6 878
Change in value fixed rate loans - interest	-5	0	0
Change in value fixed rate loans - margin	10	0	0
Expected credit loss IFRS9	-1	0	0
Net change in value fixed rate loans	4	0	0
Change in value fixed rate bonds - hedge accounting	-3 292 395	-473 283	42 207
Change in value derivatives fixed rate bonds - designated as hedging instruments	3 324 001	494 698	-19 852
Net income hedging	31 606	21 415	22 356
<i>Whereof effects from basis swaps (1)</i>	<i>11 403</i>	<i>14 098</i>	<i>17 808</i>
Profit (loss) buyback own bonds - amortised cost	-18 175	-7 935	-23 715
Net other financial instruments and derivatives	-18 175	-7 935	-23 715
Net income from financial instruments	-2 499	11 965	-8 237

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

	30.09.2020	30.09.2019	31.12.2019
Average debt to assets ratio in %	54.1 %	56.1 %	57.4 %
Portfolio broken down by intervals of debt to assets ratio			
Less than or equal to 40 %	17.7 %	16.6 %	16.8 %
41 - 50 %	15.3 %	13.0 %	13.3 %
51 - 60 %	26.7 %	21.8 %	21.9 %
61 - 70 %	33.5 %	35.2 %	35.2 %
71 - 75 %	4.2 %	9.1 %	9.3 %
More than 75 %	2.6 %	4.1 %	3.5 %
Total	100.0 %	100.0 %	100.0 %

5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	30.09.2020	30.09.2019	31.12.2019
Credit facility with Sparebanken Sør	9 048 418	3 389 381	3 881 408
Received collaterals	3 062 675	1 567	2 436
Total debt to credit institutions	12 111 093	3 390 948	3 883 843

Sparebanken Sør Boligkreditt AS has entered into an agreement with Sparebanken Sør for a credit facility of NOK 5 000 million regarding operational purposes. In addition, the company has a short-term credit facility with a notice of 31 days with the bank, as well as a revolving multicurrency loan facility, 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	30.09.2020	30.09.2019	31.12.2019
Equity capital			
Share capital	1 125 000	1 125 000	1 125 000
Share premium reserve	500 000	500 000	500 000
Other equity capital	1 538 814	1 540 922	1 777 197
Deductions	-12 065	-3 368	-3 825
Net subordinated capital (common equity tier 1)	3 151 749	3 162 554	3 398 372
Minimum requirements for equity capital			
Credit risk	1 484 365	1 257 249	1 290 307
Market risk	0	0	0
Operational risk	52 712	55 424	55 424
CVA addition		0	0
Deductions		0	0
Total minimum requirements for equity capital	1 537 077	1 312 673	1 345 731
Risk weight balance (calculation basis)	19 213 463	16 408 413	16 821 638
Common equity tier 1 capital ratio	16.4 %	19.3 %	20.2 %
Tier 1 capital ratio	16.4 %	19.3 %	20.2 %
Total capital ratio	16.4 %	19.3 %	20.2 %
Leverage Ratio	5.4 %	7.0 %	7.3 %

7. LOANS TO CUSTOMERS

NOK Thousand	30.09.2020	30.09.2019	31.12.2019
Loans assessed to amortised cost			
Flexi-loans	10 062 610	7 753 777	8 558 533
Loans with installments - floating interest	34 392 394	31 259 130	31 600 536
Loans with installments - fixed interest	4 320	0	0
Gross loans	44 491 897	39 012 908	40 209 813
Loss allowance	-10 839	-8 216	-10 204
Net loans	44 481 059	39 004 692	40 199 609
Undrawn credit on Flexi-loans	3 956 154	3 306 444	3 463 330
Loans broken down by sectors and industries			
Retail customers	44 460 504	38 969 916	40 160 075
Accrued interests	31 394	42 991	49 738
Gross loans	44 491 897	39 012 908	40 209 813
Loss allowance	-10 839	-8 216	-10 204
Net loans	44 481 059	39 004 692	40 199 609

Loans broken down by geographical areas *

NOK Thousand	30.09.2020	
Agder	29 787 665	67.0 %
Vestfold og Telemark	5 009 611	11.3 %
Oslo	4 166 921	9.4 %
Viken	2 739 064	6.2 %
Rogaland	1 573 638	3.5 %
Other counties	1 204 159	2.7 %
Total	44 481 059	100.0 %

NOK Thousand	30.09.2019		31.12.2019	
Vest-Agder	16 039 136	41.1 %	16 528 592	41.1 %
Aust-Agder	10 396 220	26.7 %	10 713 475	26.7 %
Telemark	3 886 300	10.0 %	4 004 896	10.0 %
Rogaland	1 261 151	3.2 %	1 299 637	3.2 %
Oslo	3 667 905	9.4 %	3 779 836	9.4 %
Akershus	1 675 779	4.3 %	1 726 918	4.3 %
Other counties	2 078 200	5.3 %	2 146 255	5.3 %
Total	39 004 692	100.0 %	40 199 609	100.0 %

*As a result of a public sector reform introduced in 2019, a number of municipalities and counties have been merged. Hence, the 30.09.2020 setup and figures are not comparable to previous periods.

8. NON-PERFORMING LOANS

NOK Thousand	30.09.2020	30.09.2019	31.12.2019
Gross non-performing loans > 90 days	14 575	10 767	9 469
Other non-performing loans	25 199	22 523	20 428
Total non-performing loans (stage 3)	39 774	33 290	29 898
Stage 3 impairment losses	780	418	958
Net non performing loans	40 554	33 708	30 856
Provision ratio impairment losses	2.0 %	1.3 %	3.2 %
Gross non-performing loans in % of gross loans	0.0 %	0.0 %	0.0 %
Gross loans	44 491 897	39 012 908	40 209 813

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 CREDIT

NOK Thousand	30.09.2020	30.09.2019	31.12.2019
Changes in impairment losses for the period, stage 1	1 701	587	769
+ Changes in impairment losses for the period, stage 2	-1 236	713	1 983
+ Changes in impairments losses for the period, stage 3	249	246	790
= Total losses for the period	714	1 545	3 543

The sensitivity analyses presented below, is related to the parameters the company consider to have the most significant effects on LGD (loss given default) in the current situation.

NOK Thousand	10 percent collateral decline	20 percent collateral decline	30 percent collateral decline	1 percent increase in unemployment
Loan loss provisions	5 291	12 083	20 381	3 687
Total	5 291	12 083	20 381	3 687

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	3 033	-2 933	-100	0
Transferred to stage 2	-107	107	-1	0
Transferred to stage 3	-2	-35	37	0
				0
Losses on new loans	1 762	1 207	197	3 166
Tap på fraregnet utlån	-554	-1 508	-203	-2 265
Losses on deducted loans*	-2 433	1 925	313	-195
Loss provisions as at 30.09.2020	4 347	5 449	1 200	10 996
Loss provisions for loans	4 240	5 418	1 180	10 839
Loss provisions for undrawn credit	107	31	20	157
Total loss provisions as at 30.09.2020	4 347	5 449	1 200	10 996

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	4 701	1 212	7 791
Transfers				
Transferred to stage 1	1 518	-1 492	-26	0
Transferred to stage 2	-84	91	-7	0
Transferred to stage 3	-2	-6	8	0
Losses on new loans	965	1 208	51	2 224
Tap på fraregnet utlån	-401	-1 277	-28	-1 706
Losses on deducted loans*	-1 409	2 188	-792	-13
Loss provisions as at 30.09.2020	2 465	5 414	418	8 297
Loss provisions for loans	2 414	5 401	401	8 216
Loss provisions for undrawn credit	51	13	17	81
Total loss provisions as at 30.09.2019	2 465	5 414	418	8 297

* 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	Stage 1	Stage 2	Stage 3	Total
Gross loans assessed at amortised cost				
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	867 671	-862 534	-5 137	0
Transferred to stage 2	-842 023	842 166	-144	0
Transferred to stage 3	-7 774	-7 751	15 524	0
Net change on present loans loans	-1 105 432	-46 586	-1 412	-1 153 429
New loans	12 404 541	270 986	9819	12 685 346
Derecognised loans	-6 800 511	-442 358	-6 964	-7 249 832
Gross loans as at 30.09.2020 assessed at amortised cost	42 732 311	1 717 603	41 984	44 491 897

NOK Thousand	Stage 1	Stage 2	Stage 3	Total
Gross loans assessed at amortised cost				
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	399 780	-397 271	-2 509	0
Transferred to stage 2	-420 931	420 568	362	0
Transferred to stage 3	-1 238	1 668	-429	0
Net change on present loans loans	-1 135 600	-58 763	-155	-1 194 518
New loans	7 201 134	322 324	1819	7 525 277
Derecognised loans	-5 707 387	-345 604	-1 394	-6 054 385
Gross loans as at 30.09.2019 assessed at amortised cost	37 174 646	1 818 177	20 087	39 012 908

10. DEBT SECURITIES ISSUED AT 30.09.2020

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	5.567.443	5 568 679
NO0010778954	SORB27	NOK	5 000 000	Floating 3M Nibor	22.11.2021	5.004.080	5 033 352
XS1622285283		EUR	500 000	Fixed 0,125 %	30.05.2022	5.587.903	5 601 123
NO0010671597	SORB09	NOK	350 000	Fixed 3,85 %	13.02.2023	382.512	385 750
XS1775786145		EUR	500 000	Fixed 0,375 %	20.02.2023	5.666.076	5 659 824
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5.001.797	5 037 792
NO0010832637	SORB28	NOK	5 000 000	Floating 3M Nibor	24.09.2025	4.993.003	5 037 171
XS1947550403		EUR	500 000	Fixed 0,50 %	06.02.2026	5.803.592	5 809 817
XS2069304033		EUR	500 000	Fixed 0,01 %	26.10.2026	5.589.618	5 649 185
NO0010670409	SORB08	NOK	500 000	Fixed 4,00 %	24.01.2028	606.105	615 422
TOTAL						44 202 129	44 398 113

11. COVER POOL COMPOSITION AND OC

NOK Thousand	Fair value		
	30.09.2020	30.09.2019	31.12.2019
Loans secured by mortgages on residential properties	44 491 484	39 004 692	40 199 609
Deductions on ineligible loans	-99 615	-103 643	-84 101
Pool of eligible loans	44 391 869	38 901 049	40 115 508
Sertificates and bonds	2 931 946	2 209 484	2 178 549
Financial derivatives	4 009 104	543 593	295 958
Total cover pool	51 332 918	41 654 126	42 590 015
Debt incurred due to issuance of securities	44 398 113	36 476 599	36 814 704
Collateralisation ratio (OC)	15.6 %	14.2 %	15.7 %
	Nominal value		
	30.09.2020	30.09.2019	31.12.2019
OC based on nominal value - eligibles only	17.8 %	15.0 %	16.5 %
OC based on nominal value - total loans	18.1 %	15.4 %	16.7 %

12. RELATED PARTIES

NOK Thousand	30.09.2020	30.09.2019	31.12.2019
Income statement			
Interest income from Sparebanken Sør on deposits	6 585	357	458
Interest expenses/commission from Sparebanken Sør on loans/credit	52 818	55 458	73 068
Interest expenses on bond debts to Sparebanken Sør	28 173	37 638	45 955
Paid administration fees to Sparebanken Sør	61 990	54 530	73 582
Balance sheet			
Bank deposit in Sparebanken Sør	3 165 744	714 228	399 399
Covered bonds owned by Sparebanken Sør	0	1 000 000	0
Loans/credit in Sparebanken Sør	9 048 418	3 389 381	3 881 408

QUARTERLY PROFIT TREND

NOK Thousand	Q3	Q2	Q1	Q4	Q3
	2020	2020	2020	2019	2019
Liquidity coverage ratio (LCR)	145 589	102 810	109 115	111 580	98 555
Net other operating income	-8 166	11 984	-9 913	-21 401	1 649
Operating expenses	22 394	23 059	20 659	20 437	19 484
Profit before losses on loans	115 029	91 735	78 543	69 742	80 720
Losses on loans and undrawn credits	-1 506	-1 844	4 064	1 997	1 145
Profit before taxes	116 535	93 579	74 479	67 744	79 576
Tax expenses	29 134	23 395	18 620	16 945	19 900
Profit for the period	87 401	70 184	55 860	50 799	59 676
Liquidity coverage ratio (LCR)	6 285%	430 %	Net inflows	1 275 %	1 575 %
Total capital ratio	16.4 %	16.5 %	16.6 %	20.2 %	19.3 %
Leverage Ratio	5.4 %	5.6 %	5.6 %	7.3 %	7.0 %



**SPAREBANKEN SØR
BOLIGKREDITT AS**

Sparebanken Sør Pb. 200, 4662 Kristiansand | www.sor.no | tlf. 38 10 92 00