



SPAREBANKEN SØR  
BOLIGKREDITT AS

Q4 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 Q4 2020 Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 48 910 million, transferred from Sparebanken Sør, of which NOK 48 786 million is included in the qualified cover pool. Corresponding figures at the end of Q4 2019 were NOK 40 210 million and NOK 40 116 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 44 723 million, compared to NOK 36 701 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 Q4 2020 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 305.2 million, compared to NOK 235.3 million in the same period in 2019.

The company had net interest income of NOK 506.4 million, compared to NOK 408.8 million in 2019. The increase in net interest income is due to the increase in gross loans, as well as a decline in NIBOR interest rate leading to reduced funding costs.

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 minus NOK 3.6 million at the end of Q4 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 90.0 million and tax expenses were NOK 101.7 million at the end of Q4 2020. Corresponding figures at the end of Q4 2019 were NOK 78.4 million and NOK 78.5 million respectively.

Total assets at 31.12.2020 were NOK 58 943 million, of which net loans to customers represented NOK 48 899 million. At the same time in 2019 total assets were NOK 44 280 million, of which net loans to customers were NOK 40 200 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 44 723 million, and through equity and loans from Sparebanken Sør. At the end of Q4 2020, the company had at total paid-in capital of NOK 1 875 million, of which NOK 1 375 million was share capital and NOK 500 million was 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 31.12.2020, was drawn down by NOK 3 736 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 4 734 million at 31.12.2020, and a revolving multicurrency loan facility, which can be used to refinance outstanding bonds.

## Capital strength

At the end of Q4 2020, the net subordinated capital in the company was NOK 3 709 million, compared to NOK 3 398 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 18.1 percent (20.2 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 6.3 percent at the end of Q4 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.

The company's credit strategy and policy constitute a framework, which includes lending regulations and loan to value requirements for any loan 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 mortgage lending to customers is in Norwegian kroner (NOK) at both floating and fixed interest rate. Financing is based on 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 for 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 31.12.2020 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 are 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 second half of 2020 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.

Norway has been hit by a second Covid 19 wave this winter, measures taken by the government will affect the economy. In addition lower international economic growth will 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 during 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, 9 February 2021

**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

<b>NOK Thousand</b>	<b>Notes</b>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Interest income, assets recognised at amortized cost	2, 12	241 990	327 605	1 079 331	1 155 596
Interest income, assets recognised at fair value	2, 12	12 504	19 912	57 935	62 785
Interest expenses	2, 12	105 565	235 936	630 823	809 559
<b>Net interest income</b>	<b>2</b>	<b>148 929</b>	<b>111 580</b>	<b>506 443</b>	<b>408 822</b>
Commission income		39	53	197	186
Commission expenses		1 283	1 252	5 036	5 003
<b>Net commission income</b>		<b>-1 243</b>	<b>-1 199</b>	<b>-4 839</b>	<b>-4 817</b>
<b>Net income from financial instruments</b>	<b>3</b>	<b>-1 101</b>	<b>-20 202</b>	<b>-3 600</b>	<b>-8 237</b>
Personnel expenses		54	54	54	54
Other operating expenses	12	23 820	20 384	89 932	78 440
<b>Total expenses</b>		<b>23 874</b>	<b>20 437</b>	<b>89 986</b>	<b>78 494</b>
<b>Profit before loss</b>		<b>122 711</b>	<b>69 742</b>	<b>408 018</b>	<b>317 275</b>
Losses on loans and undrawn credit	9	385	1 997	1 098	3 543
<b>Profit before taxes</b>		<b>122 326</b>	<b>67 744</b>	<b>406 920</b>	<b>313 732</b>
Tax expenses		30 582	16 945	101 730	78 453
<b>Profit for the period</b>		<b>91 745</b>	<b>50 799</b>	<b>305 190</b>	<b>235 279</b>
<b>Other comprehensive income</b>					
<b>Profit for the period</b>		<b>91 745</b>	<b>50 799</b>	<b>305 190</b>	<b>235 279</b>
Net change in value from basis swaps		-2 543	1 329	-6 682	-4 954
Tax effect		636	-332	1 671	1 239
<b>Total profit for the period</b>		<b>89 837</b>	<b>51 796</b>	<b>300 178</b>	<b>231 563</b>

## NOK Thousand

ASSETS	Notes	31.12.2020	31.12.2019
Loans to and receivables from credit institutions	12	2 252 025	399 399
Net loans to customers	4,7	48 898 545	40 199 609
Bonds and certificates		5 233 812	3 108 909
Financial derivatives		2 508 691	505 900
Deferred tax assets		19 518	24 342
Other assets		30 274	41 340
<b>TOTAL ASSETS</b>		<b>58 942 864</b>	<b>44 279 500</b>
<b>LIABILITIES AND EQUITY</b>			
Debt to credit institutions	5,12	10 396 332	3 883 843
Debt incurred due to issuance of securities	10	44 723 272	36 700 771
Financial derivatives	3	0	209 942
Payable taxes		95 236	73 492
Other liabilities		10 927	9 254
<b>TOTAL LIABILITIES</b>		<b>55 225 767</b>	<b>40 877 302</b>
<b>EQUITY</b>			
Paid-in equity		1 875 000	1 625 000
Retained earnings		1 842 096	1 777 197
<b>TOTAL EQUITY CAPITAL</b>		<b>3 717 096</b>	<b>3 402 197</b>
<b>LOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>58 942 864</b>	<b>44 279 500</b>

Kristiansand, 9 February 2021

## 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

<b>NOK Thousand</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Interest received	1 151 299	1 206 935
Interest paid	- 701 519	- 765 568
Operating expenditure	- 93 151	- 82 800
Changes in loans to customers	-8 713 394	-1 464 284
Income tax paid	- 73 492	- 82 279
<b>Net cash flow from operating activities</b>	<b>-8 430 257</b>	<b>-1 187 996</b>
Payments received, securities	9 725 085	3 367 929
Payments made, securities	-11 849 987	-3 851 175
Changes in other assets	11 066	56 577
Changes in deposits from credit institutions	6 147 070	990 050
Changes in other liabilities	1 673	511
<b>Net cash flow from current financing activities</b>	<b>4 034 906</b>	<b>563 892</b>
Paid-in share capital	250 000	0
Paid dividend	- 235 279	0
Payments received, bond debt	12 015 826	9 960 155
Payments made, bond debt	-5 782 570	-9 279 735
<b>Net cash flow from long-term financing activities</b>	<b>6 247 977</b>	<b>680 420</b>
<b>Net change in liquid funds</b>	<b>1 852 626</b>	<b>56 316</b>
Liquid funds as at 01.01.	399 399	343 083
<b>Liquid funds at the end of the period</b>	<b>2 252 025</b>	<b>399 399</b>

# Statement of changes in Equity

	Share capital	Share premium reserve	Retained earnings	Total
<b>NOK Thousand</b>				
<b>Balance 31.12.2016</b>	<b>525 000</b>	<b>500 000</b>	<b>1 165 913</b>	<b>2 190 913</b>
Profit 2017	0	0	185 817	185 817
Balance 31.12.2017	525 000	500 000	1 351 730	2 376 730
Changes according to IFRS 9	0	0	-4 228	-4 228
<b>Tax effect</b>	<b>0</b>	<b>0</b>	<b>1 057</b>	<b>1 057</b>
Balance 01.01.2018	525 000	500 000	1 348 559	2 373 559
Share capital increase	600 000	0	0	600 000
<b>Profit 2018</b>	<b>0</b>	<b>0</b>	<b>211 709</b>	<b>211 709</b>
Other income/expenses	0	0	-14 633	-14 633
Balance 31.12.2018	1 125 000	500 000	1 545 635	3 170 635
<b>Profit 2019</b>	<b>0</b>	<b>0</b>	<b>235 279</b>	<b>235 279</b>
Other income/expenses	0	0	-3 716	-3 716
Balance 31.12.2019	1 125 000	500 000	1 777 197	3 402 197
<b>Dividend</b>			<b>-235 279</b>	<b>-235 279</b>
Share capital increase	250 000	0	0	250 000
Profit 2020	0	0	305 190	305 190
Other income/expenses	0	0	-5 012	-5 012
<b>Balance 31.12.2020</b>	<b>1 375 000</b>	<b>500 000</b>	<b>1 842 096</b>	<b>3 717 096</b>

## 1. ACCOUNTING POLICIES

The quarterly financial statements have been kept 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 thousands of NOK 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.

The financial item 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. 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

<b>NOK Thousand</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Interest income recognised at amortized cost		
Interest on loans to customers	1 068 600	1 155 139
Interest on loans to and receivables from credit institutions	10 730	458
<b>Total interest income recognised at amortized cost</b>	<b>1 079 331</b>	<b>1 155 596</b>
Interest income recognised at fair value		
Interest on certificates/bonds/interest-bearing securities	57 935	62 785
<b>Total interest income recognised at fair value</b>	<b>57 935</b>	<b>62 785</b>
<b>Total interest income</b>	<b>1 137 266</b>	<b>1 218 381</b>
Interest expenses recognised at amortized cost		
Interest on debt to credit institutions	65 228	68 066
Interest on issued securities	559 697	736 920
Other interest expenses	5 898	4 572
<b>Total interest expenses recognised at amortized cost</b>	<b>630 823</b>	<b>809 559</b>
<b>Total interest expenses</b>	<b>630 823</b>	<b>809 559</b>
<b>Net interest income</b>	<b>506 443</b>	<b>408 822</b>

### 3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	31.12.2020	31.12.2019
Profit (loss) and changes in value from covered bonds	-21 526	-6 878
<b>Net income from covered bonds</b>	<b>-21 526</b>	<b>-6 878</b>
Change in value fixed rate loans - interest	-64	0
Change in value fixed rate loans - margin	41	0
Expected credit loss IFRS9	-2	0
<b>Net change in value fixed rate loans</b>	<b>-26</b>	<b>0</b>
Change in value fixed rate bonds - hedge accounting	-1 770 402	42 207
Change in value derivatives fixed rate bonds - designated as hedging instruments	1 806 529	-19 852
<b>Net income hedging</b>	<b>36 127</b>	<b>22 356</b>
<i>Whereof effects from basis swaps (1)</i>	<i>25 687</i>	<i>17 808</i>
Profit (loss) buyback own bonds - amortised cost	-18 175	-23 715
<b>Net other financial instruments and derivatives</b>	<b>-18 175</b>	<b>-23 715</b>
<b>Net income from financial instruments</b>	<b>-3 600</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

	31.12.2020	31.12.2019
<b>Average debt to assets ratio in %</b>	<b>55,0 %</b>	<b>57,4 %</b>
Portfolio broken down by intervals of debt to assets ratio		
Less than or equal to 40 %	16,6 %	16,8 %
41 - 50 %	14,4 %	13,3 %
51 - 60 %	25,9 %	21,9 %
61 - 70 %	34,4 %	35,2 %
71 - 75 %	6,3 %	9,3 %
More than 75 %	2,4 %	3,5 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>

### 5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	31.12.2020	31.12.2019
Credit facility with Sparebanken Sør	8 470 556	3 881 408
Received collaterals	1 925 776	2 436
<b>Total debt to credit institutions</b>	<b>10 396 332</b>	<b>3 883 843</b>

Sparebanken Sør Boligkreditt AS has entered into an agreement with Sparebanken Sør for a credit facility of NOK 5 000 million for operational purposes. In addition, the company has a short-term credit facility with a notice of 31 days with the bank, and 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 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	31.12.2020	31.12.2019
<b>Equity capital</b>		
Share capital	1 375 000	1 125 000
Share premium reserve	500 000	500 000
Other equity capital	1 842 096	1 777 197
Deductions	-7 765	-3 825
<b>Net subordinated capital (common equity tier 1)</b>	<b>3 709 331</b>	<b>3 398 372</b>
<b>Minimum requirements for equity capital</b>		
Credit risk	1 584 105	1 290 307
Market risk	0	0
Operational risk	52 712	55 424
CVA addition	0	0
Deductions	0	0
<b>Total minimum requirements for equity capital</b>	<b>1 636 817</b>	<b>1 345 731</b>
Risk weight balance (calculation basis)	20 460 213	16 821 638
<b>Common equity tier 1 capital ratio</b>	<b>18,1 %</b>	<b>20,2 %</b>
<b>Tier 1 capital ratio</b>	<b>18,1 %</b>	<b>20,2 %</b>
<b>Total capital ratio</b>	<b>18,1 %</b>	<b>20,2 %</b>
<b>Leverage Ratio</b>	<b>6,3 %</b>	<b>7,3 %</b>

## 7. LOANS TO CUSTOMERS

NOK Thousand	31.12.2020	31.12.2019
<b>Loans assessed to amortised cost</b>		
Flexi-loans	11 039 785	8 558 533
Loans with installments - floating interest	37 828 397	31 600 536
Loans with installments - fixed interest	4 281	0
<b>Gross loans</b>	<b>48 909 702</b>	<b>40 209 813</b>
Loss allowance	-11 158	-10 204
<b>Net loans</b>	<b>48 898 545</b>	<b>40 199 609</b>
Undrawn credit on Flexi-loans	4 166 720	3 463 330

Loans broken down by sectors and industries	31.12.2020	31.12.2019
Retail customers	48 873 998	40 160 075
Accrued interests	35 705	49 738
<b>Gross loans</b>	<b>48 909 702</b>	<b>40 209 813</b>
Loss allowance	-11 158	-10 204
<b>Net loans</b>	<b>48 898 545</b>	<b>40 199 609</b>

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

<b>NOK Thousand</b>	<b>31.12.2020</b>	
Agder	32 402 834	66,3 %
Vestfold og Telemark	5 766 529	11,8 %
Oslo	4 581 835	9,4 %
Viken	3 008 852	6,2 %
Rogaland	1 836 024	3,8 %
Other counties	1 302 470	2,7 %
<b>Total</b>	<b>48 898 545</b>	<b>100,0 %</b>

<b>NOK Thousand</b>	<b>31.12.2019</b>	
Vest-Agder	16 528 592	41,1 %
Aust-Agder	10 713 475	26,7 %
Telemark	4 004 896	10,0 %
Rogaland	1 299 637	3,2 %
Oslo	3 779 836	9,4 %
Akershus	1 726 918	4,3 %
Other counties	2 146 255	5,3 %
<b>Total</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 31.12.2020 setup and figures are not comparable to previous periods.

**8. NON-PERFORMING LOANS**

<b>NOK Thousand</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Gross non-performing loans > 90 days	22 798	9 469
Other non-performing loans	25 876	20 428
<b>Total non-performing loans (stage 3)</b>	<b>48 674</b>	<b>29 898</b>
Stage 3 impairment losses	858	958
<b>Net non performing loans</b>	<b>49 532</b>	<b>30 856</b>
Provision ratio impairment losses	1,8 %	3,2 %
Gross non-performing loans in % of gross loans	0,0 %	0,0 %
<b>Gross loans</b>	<b>48 909 702</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 CREDIT

NOK Thousand	31.12.2020	31.12.2019
Changes in impairment losses for the period, stage 1	3 938	769
+ Changes in impairment losses for the period, stage 2	-2 749	1 983
+ Changes in impairments losses for the period, stage 3	-91	790
<b>= Total losses for the period</b>	<b>1 098</b>	<b>3 543</b>

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

NOK Thousand	10 percent collateral decline	20 percent collateral decline	30 percent collateral decline	10 percent increase in unemployment
Loan loss provision	5 634	12 793	21 431	3 741
<b>Total</b>	<b>5 634</b>	<b>12 793</b>	<b>21 431</b>	<b>3 741</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	2 647	6 684	958	10 289
Transfers				
Transferred to stage 1	2 951	-2 858	-93	0
Transferred to stage 2	-106	114	-8	0
Transferred to stage 3	-1	-63	64	0
Losses on new loans	3 609	1 202	153	4 964
Losses on deducted loans*	-703	-1783	-463	-2950
Losses on older loans and other changes	-1 811	639	247	-925
<b>Loss provisions as at 31.12.2020</b>	<b>6 585</b>	<b>3 936</b>	<b>858</b>	<b>11 379</b>
Loss provisions for loans	6 428	3 887	843	11 158
Loss provisions for undrawn credit	156	50	16	222
<b>Total loss provisions as at 31.12.2020</b>	<b>6 585</b>	<b>3 936</b>	<b>858</b>	<b>11 379</b>

	Stage 1	Stage 2	Stage 3	
	Expected losses	Lifetime	Lifetime	
	in the next	expected	expected	
	12 months	credit losses	credit losses	Total
<b>NOK Thousand</b>				
Loss provisions as at 01.01.2019	1 878	4 701	1 212	7 791
Transfers				
Transferred to stage 1	1 542	-1 514	-27	0
Transferred to stage 2	-92	112	-20	0
Transferred to stage 3	-4	-26	30	0
Losses on new loans	1 250	2 406	89	3 745
Losses on deducted loans*	-497	-1 548	-41	-2 086
Losses on older loans and other changes	-1 430	2 553	-284	839
<b>Loss provisions as at 31.12.2019</b>	<b>2 647</b>	<b>6 684</b>	<b>958</b>	<b>10 289</b>
Loss provision for loans	2 592	6 670	942	10 204
Loss provisions for undrawn credit	55	14	16	85
<b>Total loss provision as at 31.12.2019</b>	<b>2 647</b>	<b>6 684</b>	<b>958</b>	<b>10 289</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

	Stage 1	Stage 2	Stage 3	Total
<b>NOK Thousand</b>				
<b>Gross loans assessed at amortised cost</b>				
Gross loans as at 01.01.2020 assessed at amortised cost	38 215 829	1 963 678	30 305	40 209 813
Transferred to stage 1	856 888	-853 005	-3 883	0
Transferred to stage 2	-914 830	916 227	-1 397	0
Transferred to stage 3	-11 192	-10 922	22 114	0
Net change on present loans loans	-1 555 351	-60 327	-1 797	-1 617 475
New loans	19 040 548	398 544	10 033	19 449 124
Derecognised loans	-8 589 728	-533 963	-8 069	-9 131 760
<b>Gross loans as at 31.12.2020 assessed at amortised cost</b>	<b>47 042 164</b>	<b>1 820 231</b>	<b>47 307</b>	<b>48 909 702</b>

	Stage 1	Stage 2	Stage 3	Total
<b>NOK Thousand</b>				
<b>Gross loans assessed at amortised cost</b>				
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	390 110	-389 492	-618	0
Transferred to stage 2	-471 783	472 072	-289	0
Transferred to stage 3	-11 940	147	11 794	0
Net change on present loans loans	-1 442 346	-47 106	-2 542	-1 491 995
New loans	10 223 371	502 136	3 108	10 728 615
Derecognised loans	-7 310 468	-449 334	-3 541	-7 763 342
<b>Gross loans as at 31.12.2019 assessed at amortised cost</b>	<b>38 215 829</b>	<b>1 963 678</b>	<b>30 305</b>	<b>40 209 813</b>

## 10. DEBT SECURITIES ISSUED AT 31.12.2020

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	5 273 361	5 267 670
NO0010778954	SORB27	NOK	5 000 000	Floating 3M Nibor	22.11.2021	5 004 954	5 028 008
XS1622285283		EUR	500 000	Fixed 0,125 %	30.05.2022	5 289 642	5 299 564
NO0010671597	SORB09	NOK	350 000	Fixed 3,85 %	13.02.2023	382 372	385 483
XS1775786145		EUR	500 000	Fixed 0,375 %	20.02.2023	5 363 059	5 358 738
NO0010882632	SORB30	NOK	6 000 000	Floating 3M Nibor	19.11.2024	6 011 853	6 055 204
NO0010832637	SORB28	NOK	6 000 000	Floating 3M Nibor	24.09.2025	6 002 885	6 059 150
XS1947550403		EUR	500 000	Fixed 0,50 %	06.02.2026	5 743 994	5 511 259
XS2069304033		EUR	500 000	Fixed 0,01 %	26.10.2026	5 056 898	5 355 165
NO0010670409	SORB08	NOK	500 000	Fixed 4,00 %	24.01.2028	594 254	604 879
<b>TOTAL</b>						<b>44 723 272</b>	<b>44 925 120</b>

## 11. COVER POOL COMPOSITION AND OC

NOK Thousand	Fair value	
	31.12.2020	31.12.2019
Loans secured by mortgages on residential properties	48 898 545	40 199 609
Deductions on ineligible loans	-112 720	-84 101
Pool of eligible loans	48 785 825	40 115 508
Sertificates and bonds	300 825	2 178 549
Financial derivatives	2 508 691	295 958
<b>Total cover pool</b>	<b>51 595 340</b>	<b>42 590 015</b>
Debt incurred due to issuance of securities	<b>44 925 120</b>	<b>36 814 704</b>
<b>Collateralisation ratio (OC)</b>	<b>14,8 %</b>	<b>15,7 %</b>
	Nominal value	
	31.12.2020	31.12.2019
OC based on nominal value - eligibles only	16,5 %	16,5 %
OC based on nominal value - total loans	16,7 %	16,7 %

## 12. RELATED PARTIES

NOK Thousand	31.12.2020	31.12.2019
<b>Income statement</b>		
Interest income from Sparebanken Sør on deposits	10 730	458
Interest expenses/commission from Sparebanken Sør on loans/credit	70 264	73 068
Interest expenses on bond debts to Sparebanken Sør	29 637	45 955
Paid administration fees to Sparebanken Sør	84 434	73 582
<b>Balance sheet</b>		
Bank deposit in Sparebanken Sør	2 252 025	399 399
Covered bonds owned by Sparebanken Sør	2 018 096	0
Loans/credit in Sparebanken Sør	8 470 556	3 881 408

## QUARTERLY PROFIT TREND

NOK Thousand	Q4	Q3	Q2	Q1	Q4
	2020	2020	2020	2020	2019
Liquidity coverage ratio (LCR)	148 929	145 589	102 810	109 115	111 580
Net other operating income	-2 344	-8 166	11 984	-9 913	-21 401
Operating expenses	23 874	22 394	23 059	20 659	20 437
<b>Profit before losses on loans</b>	<b>122 711</b>	<b>115 029</b>	<b>91 735</b>	<b>78 543</b>	<b>69 742</b>
Losses on loans and undrawn credits	385	-1 506	-1 844	4 064	1 997
<b>Profit before taxes</b>	<b>122 326</b>	<b>116 535</b>	<b>93 579</b>	<b>74 479</b>	<b>67 744</b>
Tax expenses	30 582	29 134	23 395	18 620	16 945
<b>Profit for the period</b>	<b>91 745</b>	<b>87 401</b>	<b>70 184</b>	<b>55 860</b>	<b>50 799</b>
Liquidity coverage ratio (LCR)	5 810%	6 285%	430 %	Net inflows	1 275 %
Total capital ratio	18,1 %	16,4 %	16,5 %	16,6 %	20,2 %
Leverage Ratio	6,3 %	5,4 %	5,6 %	5,6 %	7,3 %

**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 Q4 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, result and position, together with a description of the most significant risks and uncertainty factors facing the Company.

Kristiansand, 9 February 2021

**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



**SPAREBANKEN SØR  
BOLIGKREDITT AS**

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