



SPAREBANKEN SØR  
BOLIGKREDITT AS

Q1 2021



## 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 Q1 2021 Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 45 866 million, transferred from Sparebanken Sør, of which NOK 45 720 million is included in the qualified cover pool. Corresponding figures at the end of Q1 2020 were NOK 44 642 million and NOK 44 483 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 41 388 million, compared to NOK 45 522 million at the same time in 2020. The company has achieved a diversified funding by issuing covered bonds outside the Norwegian bond market.

## Income statement and balance sheet

In Q1 2021 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 56.4 million, compared to NOK 55.9 million in the same period in 2020.

The company had net interest income of NOK 135.7 million, compared to NOK 109.1 million in 2020. 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 NOK 5.9 million at the end of Q1 2021. 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 24.6 million and tax expenses were NOK 18.8 million at the end of Q1 2021. Corresponding figures at the end of Q1 2020 were NOK 20.7 million and NOK 18.6 million respectively.

Total assets at 31.03.2021 were NOK 49 849 million, of which net loans to customers represented NOK 45 856 million. At the same time in 2020 total assets were NOK 56 866 million, of which net loans to customers were NOK 44 628 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 41 388 million, and through equity and loans from Sparebanken Sør. At the end of Q1 2021, 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 31.03.2021, was drawn down by NOK 4 217 million. In addition, the company has a revolving multicurrency loan facility, which can be used to refinance outstanding bonds.

## Capital strength

At the end of Q1 2021, the net subordinated capital in the company was NOK 3 389 million, compared to NOK 3 171 million at the same time in 2020. This corresponds to a common equity tier 1 capital ratio / tier 1 capital ratio / total capital ratio of 17.9 percent (16.6 percent in 2020), 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 6.5 percent at the end of Q1 2021.

## 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 31.03.2021 the company satisfies the liquidity requirements imposed on European banks and finance institutions (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 first quarter of 2021, and 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, and measures taken by the Government to restrict social interaction has affected parts of the economy negatively. 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 National vaccination program is expected to have positive effects on the Norwegian economy in the second part of 2021.

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, 5 May 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

NOK Thousand	Notes	31.03.2021	31.03.2020	31.12.2020
Interest income, assets recognised at amortized cost	2, 12	244 157	329 032	1 079 331
Interest income, assets recognised at fair value	2, 12	15 982	18 158	57 935
Interest expenses	2, 12	124 436	238 075	630 823
<b>Net interest income</b>	<b>2</b>	<b>135 703</b>	<b>109 115</b>	<b>506 443</b>
Commission income		34	57	197
Commission expenses		1 271	1 250	5 036
<b>Net commission income</b>		<b>-1 237</b>	<b>-1 193</b>	<b>-4 839</b>
<b>Net income from financial instruments</b>	<b>3</b>	<b>-36 436</b>	<b>-8 720</b>	<b>-3 600</b>
Personnel expenses		0	0	54
Other operating expenses	12	24 555	20 659	89 932
<b>Total expenses</b>		<b>24 555</b>	<b>20 659</b>	<b>89 986</b>
<b>Profit before loss</b>		<b>73 475</b>	<b>78 543</b>	<b>408 018</b>
Losses on loans and undrawn credit	9	-1 664	4 064	1 098
<b>Profit before taxes</b>		<b>75 139</b>	<b>74 479</b>	<b>406 920</b>
Tax expenses		18 785	18 620	101 730
<b>Profit for the period</b>		<b>56 354</b>	<b>55 860</b>	<b>305 190</b>

## Other comprehensive income

NOK Thousand	Notes	31.03.2021	31.03.2020	31.12.2020
<b>Profit for the period</b>		<b>56 354</b>	<b>55 860</b>	<b>305 190</b>
Net change in value from basis swaps		-32 913	15 895	-6 682
Tax effect		8 228	-3 974	1 671
<b>Total profit for the period</b>		<b>31 669</b>	<b>67 781</b>	<b>300 178</b>

## Balance sheet

<b>NOK Thousand</b>				
<b>ASSETS</b>	<b>Notes</b>	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.12.2020</b>
Loans to and receivables from credit institutions	12	555 829	4 362 799	2 252 025
Net loans to customers	7,8,9,11	45 856 360	44 627 661	48 898 545
Bonds and certificates	11	2 456 406	2 949 215	5 233 812
Financial derivatives	11	903 166	4 868 446	2 508 691
Deferred tax assets		38 718	19 686	19 518
Other assets		38 912	38 574	30 274
<b>TOTAL ASSETS</b>		<b>49 849 391</b>	<b>56 866 381</b>	<b>58 942 864</b>
<b>LIABILITIES AND EQUITY</b>				
Debt to credit institutions	5,12	4 714 270	8 044 615	10 396 332
Debt incurred due to issuance of securities	10,11	41 387 685	45 521 949	44 723 272
Financial derivatives		199 632	0	0
Payable taxes		88 246	52 543	95 236
Other liabilities		10 971	12 575	10 927
<b>TOTAL LIABILITIES</b>		<b>46 400 803</b>	<b>53 631 682</b>	<b>55 225 767</b>
<b>EQUITY</b>				
Paid-in equity	6	1 875 000	1 875 000	1 875 000
Retained earnings	6	1 573 588	1 359 699	1 842 096
<b>TOTAL EQUITY CAPITAL</b>	6	<b>3 448 588</b>	<b>3 234 699</b>	<b>3 717 096</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>49 849 391</b>	<b>56 866 381</b>	<b>58 942 864</b>

Kristiansand, 5 May 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

## Cash flow statement

<b>NOK Thousand</b>	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.12.2020</b>
Interest received	262 970	343 457	1 151 299
Interest paid	- 92 338	- 257 581	- 701 519
Operating expenditure	- 25 748	- 18 530	- 93 151
Changes in loans to customers	3 040 545	-4 428 293	-8 713 394
Income tax paid	- 36 746	- 38 887	- 73 492
<b>Net cash flow from operating activities</b>	<b>3 148 683</b>	<b>-4 399 835</b>	<b>-8 430 257</b>
Payments received, securities	7 093 393	411 307	9 725 085
Payments made, securities	-4 455 925	- 251 613	-11 849 987
Changes in other assets	- 8 638	2 766	11 066
Changes in deposits from credit institutions	-5 682 063	3 795 352	6 147 070
Changes in other liabilities	44	3 322	1 673
<b>Net cash flow from current financing activities</b>	<b>-3 053 190</b>	<b>3 961 134</b>	<b>4 034 906</b>
Paid-in share capital	0	0	250 000
Paid dividend	- 300 178	- 235 279	- 235 279
Payments received, bond debt	5 290 075	5 000 000	12 015 826
Payments made, bond debt	-6 781 586	- 362 620	-5 782 570
<b>Net cash flow from long-term financing activities</b>	<b>-1 791 689</b>	<b>4 402 101</b>	<b>6 247 977</b>
<b>Net change in liquid funds</b>	<b>-1 696 195</b>	<b>3 963 400</b>	<b>1 852 626</b>
Liquid funds as at 01.01.	2 252 025	399 399	399 399
<b>Liquid funds at the end of the period</b>	<b>555 829</b>	<b>4 362 799</b>	<b>2 252 025</b>

# Statement of changes in Equity

	Share capital	Share premium reserve	Retained earnings	Total
<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>
Profit 01.01.2020 - 31.03.2020	0	0	55 860	55 860
Other income/expenses	0	0	11 921	11 921
Dividend	0	0	-235 279	-235 279
<b>Balance 31.03.2020</b>	<b>1 125 000</b>	<b>500 000</b>	<b>1 609 699</b>	<b>3 234 699</b>
Profit 01.04.2020 - 31.12.2020	0	0	249 331	249 331
Other income/expenses	0	0	-16 933	-16 933
Share capital increase	250 000	0	0	250 000
<b>Balance 31.12.2020</b>	<b>1 375 000</b>	<b>500 000</b>	<b>1 842 097</b>	<b>3 717 097</b>
Dividend	0	0	-300 178	-300 178
Profit 01.01.2021 - 31.03.2021	0	0	56 354	56 354
Other income/expenses	0	0	-24 685	-24 685
<b>Balance 31.03.2021</b>	<b>1 375 000</b>	<b>500 000</b>	<b>1 873 766</b>	<b>3 448 588</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 2020 (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 2020 (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 2021, 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

NOK Thousand	31.03.2021	31.03.2020	31.12.2020
Interest income recognised at amortized cost			
Interest on loans to customers	242 090	328 870	1 068 600
Interest on loans to and receivables from credit institutions	2 067	163	10 730
<b>Total interest income recognised at amortized cost</b>	<b>244 157</b>	<b>329 032</b>	<b>1 079 331</b>
Interest income recognised at fair value			
Interest on certificates/bonds/interest-bearing securities	15 982	18 158	57 935
<b>Total interest income recognised at fair value</b>	<b>15 982</b>	<b>18 158</b>	<b>57 935</b>
<b>Total interest income</b>	<b>260 139</b>	<b>347 190</b>	<b>1 137 266</b>
Interest expenses recognised at amortized cost			
Interest on debt to credit institutions	18 849	23 582	65 228
Interest on issued securities	104 087	213 068	559 697
Other interest expenses	1 500	1 425	5 898
<b>Total interest expenses recognised at amortized cost</b>	<b>124 436</b>	<b>238 075</b>	<b>630 823</b>
<b>Total interest expenses</b>	<b>124 436</b>	<b>238 075</b>	<b>630 823</b>
<b>Net interest income</b>	<b>135 703</b>	<b>109 115</b>	<b>506 443</b>

### 3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	31.03.2021	31.03.2020	31.12.2020
Profit (loss) and changes in value from covered bonds	-6 248	-11 431	-21 526
<b>Net income from covered bonds</b>	<b>-6 248</b>	<b>-11 431</b>	<b>-21 526</b>
Change in value fixed rate loans - interest	-71	0	-64
Change in value fixed rate loans - margin	3	0	41
Expected credit loss IFRS9	0	0	-2
<b>Net change in value fixed rate loans</b>	<b>-67</b>	<b>0</b>	<b>-26</b>
Change in value fixed rate bonds - hedge accounting	1 687 566	-4 246 299	-1 770 402
Change in value derivatives fixed rate bonds - designated as hedging instruments	-1 696 100	4 250 235	1 806 529
<b>Net income hedging</b>	<b>-8 535</b>	<b>3 936</b>	<b>36 127</b>
<i>Whereof effects from basis swaps (1)</i>	<i>5 944</i>	<i>838</i>	<i>25 687</i>
Profit (loss) buyback own bonds - amortised cost	-21 586	-1 225	-18 175
<b>Net other financial instruments and derivatives</b>	<b>-21 586</b>	<b>-1 225</b>	<b>-18 175</b>
<b>Net income from financial instruments</b>	<b>-36 436</b>	<b>-8 720</b>	<b>-3 600</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

	31.03.2021	31.03.2020	31.12.2020
<b>Average debt to assets ratio in %</b>	<b>52,8 %</b>	<b>56,2 %</b>	<b>55,0 %</b>
Portfolio broken down by intervals of debt to assets ratio			
Less than or equal to 40 %	19,5 %	16,0 %	16,6 %
41 - 50 %	16,9 %	13,0 %	14,4 %
51 - 60 %	29,3 %	22,9 %	25,9 %
61 - 70 %	27,3 %	36,2 %	34,4 %
71 - 75 %	4,8 %	8,4 %	6,3 %
More than 75 %	2,2 %	3,5 %	2,4 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>	<b>100,0 %</b>

### 5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	31.03.2021	31.03.2020	31.12.2020
Credit facility with Sparebanken Sør	4 217 047	3 771 030	8 470 556
Received collaterals	497 223	4 273 585	1 925 776
<b>Total debt to credit institutions</b>	<b>4 714 270</b>	<b>8 044 615</b>	<b>10 396 332</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 revolving multicurrency loan facility, which can be used to refinance outstanding bonds.

## 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	31.03.2021	31.03.2020	31.12.2020
<b>Equity capital</b>			
Share capital	1 375 000	1 125 000	1 375 000
Share premium reserve	500 000	500 000	500 000
Other equity capital	1 517 234	1 553 840	1 842 096
Deductions	-3 563	-7 818	-7 765
Dividend	0	0	-300 178
<b>Net subordinated capital (common equity tier 1)</b>	<b>3 388 670</b>	<b>3 171 022</b>	<b>3 409 153</b>
<b>Minimum requirements for equity capital</b>			
Credit risk	18 150 440	18 403 838	19 985 560
Market risk	0	0	0
Operational risk	777 918	658 900	658 898
CVA addition	0	0	0
Deductions	0	0	0
<b>Risk weight balance (calculation basis)</b>	<b>18 928 359</b>	<b>19 062 738</b>	<b>20 644 458</b>
<b>Common equity tier 1 capital ratio</b>	<b>17,9 %</b>	<b>16,6 %</b>	<b>16,5 %</b>
<b>Tier 1 capital ratio</b>	<b>17,9 %</b>	<b>16,6 %</b>	<b>16,5 %</b>
<b>Total capital ratio</b>	<b>17,9 %</b>	<b>16,6 %</b>	<b>16,5 %</b>
<b>Leverage Ratio</b>	<b>6,5 %</b>	<b>5,9 %</b>	<b>5,7 %</b>

### Minimum capital requirements:

NOK Thousand	31.03.2021	31.03.2020	31.12.2020
Minimum Tier 1 capital requirements	4,50 %	4,50 %	4,50 %
Conservation buffer	2,50 %	2,50 %	2,50 %
Systemic risk buffer	3,00 %	3,00 %	3,00 %
Counter-cyclical buffer	1,00 %	1,00 %	1,00 %
CET1 requirements, incl. Pilar 2	11,00 %	11,00 %	11,00 %
Tier1 Capital requirements, incl. Pilar 2	12,50 %	12,50 %	12,50 %
Total capital requirements, incl. Pilar 2	14,50 %	14,50 %	14,50 %
CET1 requirements, incl. Pilar 2	2 082 119	2 096 901	2 270 890
Tier1 Capital requirements, incl. Pilar 2	2 366 045	2 382 842	2 580 557
Total capital requirements, incl. Pilar 2	2 744 612	2 764 097	2 993 446
Above CET1 requirements, incl. Pilar 2	1 306 550	1 074 121	1 138 263
Above Tier1 Capital requirements, incl. Pilar 2	1 022 625	788 179	828 596
Above total capital requirements, incl. Pilar 2	644 057	406 925	415 707

## 7. LOANS TO CUSTOMERS

NOK Thousand	31.03.2021	31.03.2020	31.12.2020
<b>Loans assessed to amortised cost</b>			
Flexi-loans	10 729 638	9 673 968	11 039 785
Loans with installments - floating interest	35 098 075	34 913 394	37 828 397
Loans with installments - fixed interest	4 204	0	4 281
<b>Gross loans</b>	<b>45 865 891</b>	<b>44 641 840</b>	<b>48 909 702</b>
Loss allowance	-9 531	-14 178	-11 158
<b>Net loans</b>	<b>45 856 360</b>	<b>44 627 661</b>	<b>48 898 545</b>
Undrawn credit on Flexi-loans	3 558 712	3 791 645	4 166 720
<b>Loans broken down by sectors and industries</b>	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.12.2020</b>
Retail customers	45 833 018	44 588 369	48 873 998
Accrued interests	32 873	53 471	35 705
<b>Gross loans</b>	<b>45 865 891</b>	<b>44 641 840</b>	<b>48 909 702</b>
Loss allowance	-9 531	-14 178	-11 158
<b>Net loans</b>	<b>45 856 360</b>	<b>44 627 661</b>	<b>48 898 545</b>

## Loans broken down by geographical areas\*

NOK Thousand	31.03.2021		31.03.2020		31.12.2020	
Agder	30 289 029	66,1 %	29 924 872	67,1 %	32 402 834	66,3 %
Vestfold og Telemark	5 513 991	12,0 %	4 977 171	11,2 %	5 766 529	11,8 %
Oslo	4 493 040	9,8 %	4 281 310	9,6 %	4 581 835	9,4 %
Viken	2 837 998	6,2 %	2 678 748	6,0 %	3 008 852	6,2 %
Rogaland	1 506 460	3,3 %	1 528 625	3,4 %	1 836 024	3,8 %
Other counties	1 215 841	2,7 %	1 236 935	2,8 %	1 302 470	2,7 %
<b>Total</b>	<b>45 856 360</b>	<b>100,0 %</b>	<b>44 627 661</b>	<b>100,0 %</b>	<b>48 898 545</b>	<b>100,0 %</b>

## 8. NON-PERFORMING LOANS

NOK Thousand	31.03.2021	31.03.2020	31.12.2020
Total non-performing loans (stage 3)	55 375	56 771	48 674
Stage 3 impairment losses	1 114	1 747	858
Net non-performing-loans	56 489	58 518	49 532
Provision ratio non-performing loans	2,01 %	3,08 %	1,76 %
<b>Total non-performing loans in % of gross loans</b>	<b>0,12 %</b>	<b>0,13 %</b>	<b>0,10 %</b>
Gross loans	44 865 891	44 641 840	48 909 702

## NON-PERFORMING LOANS

All commitments in stage 3 are defined as non-performing. In a new definition made effective from 1 January 2021, non-performing loans are based on a minimum amount of NOK 1 000 for retail customers, and NOK 2 000 for corporate customers respectively. There is also introduced a relative limit of 1 percent of the customers total commitment. Both claims must be met in order to a non-performing loan to occur.

In addition to the requirements mentioned above, a non-performing loan may occur as well if causes of objective nature, qualitative assessments and loss allowances are available.

The following may also lead to a non-performing loan:

Forbearance – a combination of financial problems and concessions from the bank

Unlikelihood to pay – breach of covenants or other information relevant to non-performing assessments

There is also introduced rules related to *infections and quarantine*, which implies an *infected* co-borrower if a loan is defaulted. A quarantine period of 3 to 12 months will be applied until the situation is clarified and the customer is declared performing.

## 9. LOSSES ON LOANS AND UNDRAWN CREDIT

NOK Thousand	31.03.2021	31.03.2020	31.12.2020
Changes in impairment losses for the period, stage 1	-1 604	2 474	3 938
+ Changes in impairment losses for the period, stage 2	-321	793	-2 749
+ Changes in impairments losses for the period, stage 3	262	796	-91
<b>= Total losses for the period</b>	<b>-1 664</b>	<b>4 064</b>	<b>1 098</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	100 percent increase of PDF	10 percent increase in unemployment
Loan loss provision	4 843	11 144	18 840	1 799	2 604
<b>Total</b>	<b>4 843</b>	<b>11 144</b>	<b>18 840</b>	<b>1 799</b>	<b>2 604</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 01.01.2021	6 585	3 936	858	11 379
Transfers				
Transferred to stage 1	1 352	-1 205	-147	0
Transferred to stage 2	-208	241	-33	0
Transferred to stage 3	-2	-87	89	0
	0	0	0	0
Losses on new loans	704	150	74	928
Losses on deducted loans*	-1 058	-584	-39	-1 681
Losses on older loans and other changes	-2 390	1163	311	-917
<b>Loss provisions as at 31.03.2021</b>	<b>4 982</b>	<b>3 614</b>	<b>1 114</b>	<b>9 709</b>
Loss provisions for loans	4 836	3 583	1 113	9 531
Loss provisions for undrawn credit	147	31	1	178
<b>Total loss provisions as at 31.03.2021</b>	<b>4 982</b>	<b>3 614</b>	<b>1 114</b>	<b>9 709</b>

NOK Thousand	Stage 1	Stage 2	Stage 3	Total
	Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	
Loss provisions as at 01.01.2020	2 646	6 685	958	10 289
Transfers				
Transferred to stage 1	2 365	-2 312	-53	0
Transferred to stage 2	-103	103	-1	0
Transferred to stage 3	-1	-273	274	0
Losses on new loans	1 336	146	0	1 482
Losses on deducted loans*	-188	-617	-186	-990
Losses on older loans and other changes	-936	3745	755	3 564
<b>Loss provisions as at 31.03.2020</b>	<b>5 121</b>	<b>7 478</b>	<b>1 747</b>	<b>14 346</b>
Loss provision for loans	5 008	7 445	1 726	14 178
Loss provisions for undrawn credit	113	33	21	168
<b>Total loss provision as at 31.03.2020</b>	<b>5 121</b>	<b>7 478</b>	<b>1 747</b>	<b>14 346</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 01.01.2021 assessed at amortised cost	47 042 164	1 820 231	47 307	48 909 702
Transferred to stage 1	569 127	-557 458	-11 669	0
Transferred to stage 2	-702 886	705 572	-2 686	0
Transferred to stage 3	-11 260	-11 433	22 693	0
Net change on present loans loans	-645 328	-29 704	-1 783	-676 815
New loans	3 758 030	39 287	3153	3 800 470
Derecognised loans	-5 871 726	-292 719	-3 020	-6 167 465
<b>Gross loans as at 31.03.2021 assessed at amortised cost</b>	<b>44 138 120</b>	<b>1 673 776</b>	<b>53 995</b>	<b>45 865 891</b>

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	676 847	-674 201	-2 646	0
Transferred to stage 2	-718 140	718 284	-144	0
Transferred to stage 3	-8 445	-25 188	33 633	0
Net change on present loans loans	-193 786	-18 462	-299	-212 547
New loans	7 009 616	40 564	0	7 050 181
Derecognised loans	-2 236 208	-165 329	-4 070	-2 405 607
<b>Gross loans as at 31.03.2020 assessed at amortised cost</b>	<b>42 745 723</b>	<b>1 839 347</b>	<b>56 771</b>	<b>44 641 840</b>

## 10. DEBT SECURITIES ISSUED AT 31.03.2021

NOK Thousand

ISIN Number	Ticker	Currency	Nominal value	Interest	Due date	Book value	Fair value
NO0010778954	SORB27	NOK	5 000 000	Floating 3M Nibor	22.11.2021	5 005 204	5 025 660
XS1622285283		EUR	500 000	Fixed 0,125 %	30.05.2022	5 049 678	5 095 471
NO0010671597	SORB09	NOK	350 000	Fixed 3,85 %	13.02.2023	368 272	371 297
XS1775786145		EUR	500 000	Fixed 0,375 %	20.02.2023	5 099 677	5 206 393
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5 011 188	5 053 779
NO0010832637	SORB28	NOK	5 000 000	Floating 3M Nibor	24.09.2025	5 003 881	5 057 767
XS1947550403		EUR	500 000	Fixed 0,50 %	06.02.2026	5 412 304	5 077 100
XS2069304033		EUR	500 000	Fixed 0,01 %	26.10.2026	4 814 821	5 056 473
NO0010670409	SORB08	NOK	500 000	Fixed 4,00 %	24.01.2028	562 882	572 383
XS2291901994		EUR	500 000	Fixed 0,01 %	28.01.2028	5 059 778	5 055 851
<b>TOTAL</b>						<b>41 387 685</b>	<b>41 572 174</b>

## 11. COVER POOL COMPOSITION AND OC

NOK Thousand	Fair value		
	31.03.2021	31.03.2020	31.12.2020
Loans secured by mortgages on residential properties	45 856 360	44 627 661	48 898 545
Deductions on ineligible loans	-136 138	-158 464	-112 720
Pool of eligible loans	45 720 222	44 483 140	48 785 825
Sertificates and bonds	1 376 387	2 275 758	300 825
Financial derivatives	703 533	4 868 446	2 508 691
<b>Total cover pool</b>	<b>47 800 142</b>	<b>51 627 344</b>	<b>51 595 340</b>
Debt incurred due to issuance of securities	<b>41 572 174</b>	<b>45 504 976</b>	<b>44 925 120</b>
<b>Collateralisation ratio (OC)</b>	<b>15,0 %</b>	<b>13,5 %</b>	<b>14,8 %</b>
	Nominal value		
	31.03.2021	31.03.2020	31.12.2020
OC based on nominal value - eligibles only	16,1 %	15,3 %	16,5 %
OC based on nominal value - total loans	16,5 %	15,7 %	16,7 %

## 12. RELATED PARTIES

NOK Thousand	31.03.2021	31.03.2020	31.12.2020
<b>Income statement</b>			
Interest income from Sparebanken Sør on deposits	2 067	163	10 730
Interest expenses/commission from Sparebanken Sør on loans/credit	20 120	24 833	70 264
Interest expenses on bond debts to Sparebanken Sør	1 140	950	29 637
Paid administration fees to Sparebanken Sør	23 028	19 430	84 434
<b>Balance sheet</b>			
Bank deposit in Sparebanken Sør	555 829	4 362 799	2 252 025
Covered bonds owned by Sparebanken Sør	0	5 103 000	2 018 096
Loans/credit in Sparebanken Sør	4 217 047	3 771 030	8 470 556

## QUARTERLY PROFIT TREND

NOK Thousand	Q1	Q4	Q3	Q2	Q1
	2021	2020	2020	2020	2020
Liquidity coverage ratio (LCR)	135 703	148 929	145 589	102 810	109 115
Net other operating income	-37 673	-2 344	-8 166	11 984	-9 913
Operating expenses	24 555	23 874	22 394	23 059	20 659
<b>Profit before losses on loans</b>	<b>73 475</b>	<b>122 711</b>	<b>115 029</b>	<b>91 735</b>	<b>78 543</b>
Losses on loans and undrawn credits	-1 664	385	-1 506	-1 844	4 064
<b>Profit before taxes</b>	<b>75 139</b>	<b>122 326</b>	<b>116 535</b>	<b>93 579</b>	<b>74 479</b>
Tax expenses	18 785	30 582	29 134	23 395	18 620
<b>Profit for the period</b>	<b>56 354</b>	<b>91 745</b>	<b>87 401</b>	<b>70 184</b>	<b>55 860</b>
Liquidity coverage ratio (LCR)	577 %	5 810%	6 285%	430 %	Net inflows
Total capital ratio	17,9 %	18,1 %	16,4 %	16,5 %	16,6 %
Leverage Ratio	6,5 %	6,3 %	5,4 %	5,6 %	5,6 %



**SPAREBANKEN SØR  
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