



SPAREBANKEN SØR
BOLIGKREDITT AS

Q2 2021



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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 2021 Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 48 766 million, transferred from Sparebanken Sør, of which NOK 48 632 million is included in the qualified cover pool. Corresponding figures at the end of Q2 2020 were NOK 46 025 million and NOK 45 898 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 43 154 million, compared to NOK 48 676 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 Q2 2021 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 130.3 million, compared to NOK 126.0 million in the same period in 2020.

The company had net interest income of NOK 274.2 million, compared to NOK 211.9 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 4.4 million at the end of Q2 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 48.2 million and tax expenses were NOK 43.4 million at the end of Q2 2021. Corresponding figures at the end of Q2 2020 were NOK 43.7 million and NOK 42.0 million respectively.

Total assets at 30.06.2021 were NOK 52 220 million, of which net loans to customers represented NOK 48 756 million. At the same time in 2020 total assets were NOK 59 171 million, of which net loans to customers were NOK 46 013 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 43 154 million, and through equity and loans from Sparebanken Sør. At the end of Q2 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 30.06.2021, was drawn down by NOK 4 729 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 Q2 2021, the net subordinated capital in the company was NOK 3 373 million, compared to NOK 3 166 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 16.9 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 6.2 percent at the end of Q2 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 30.06.2021 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

The Covid-19 pandemic has had a major impact on society since March 2020. Extreme measures have been taken by the authorities, both nationally and internationally, to prevent the spread of infection. This has negatively affected the economies of Norway and our trading partners, although the government's use of monetary policy initiatives seems to have positively counteracted the effects of covid-19 on the economy. The Norwegian economy has picked up, and the financial markets have stabilized.

Residential property prices in the Bank's main markets have shown positive, though moderate, growth over several years. Activity in the housing market has been high in the recent quarters, and statistics for the first half of 2021 indicate very strong growth in housing prices in the Bank's market area.

The policy rate is expected to be lifted during 2021, and in line with the monetary policies implemented internationally. Loan losses on retail customers are expected to stay low.

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, 11 August 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	Q2 2021	Q2 2020	30.06.2021	30.06.2020
Interest income, assets recognised at amortized cost	2, 12	229 438	269 124	473 595	598 156
Interest income, assets recognised at fair value	2, 12	5 393	15 079	21 375	33 237
Interest expenses	2, 12	96 382	181 393	220 818	419 468
Net interest income	2	138 449	102 810	274 152	211 925
Commission income		34	55	67	113
Commission expenses		1 263	1 251	2 534	2 501
Net commission income		-1 230	-1 196	-2 467	-2 389
Net income from financial instruments	3	-14 649	13 180	-51 084	4 460
Personnel expenses		0	0	0	0
Other operating expenses	12	23 610	23 059	48 164	43 717
Total expenses		23 610	23 059	48 164	43 717
Profit before loss		98 961	91 735	172 436	170 278
Losses on loans and undrawn credit	9	371	-1 844	-1 293	2 220
Profit before taxes		98 590	93 579	173 728	168 058
Tax expenses		24 649	23 395	43 433	42 015
Profit for the period		73 941	70 184	130 295	126 044

Other comprehensive income

NOK Thousand	Notes	Q2 2021	Q2 2020	30.06.2021	30.06.2020
Profit for the period		73 941	70 184	130 295	126 044
Net change in value from basis swaps		-21 873	-3 038	-54 786	12 857
Tax effect		5 468	760	13 697	-3 214
Total profit for the period		57 536	67 906	89 205	135 687

Balance sheet

NOK Thousand

ASSETS	Notes	30.06.2021	30.06.2020	31.12.2020
Loans to and receivables from credit institutions	12	735 695	2 773 596	2 252 025
Net loans to customers	7,8,9,11	48 756 141	46 013 023	48 898 545
Bonds and certificates	11	1 520 878	6 850 081	5 233 812
Financial derivatives	11	1 119 976	3 482 060	2 508 691
Deferred tax assets		46 764	16 517	19 518
Other assets		40 191	35 807	30 274
TOTAL ASSETS		52 219 645	59 171 083	58 942 864
LIABILITIES AND EQUITY				
Debt to credit institutions	5,12	5 379 609	7 108 084	10 396 332
Debt incurred due to issuance of securities	10,11	43 154 431	48 676 036	44 723 272
Financial derivatives		83 050	0	0
Payable taxes		78 727	72 008	95 236
Other liabilities		17 704	12 349	10 927
TOTAL LIABILITIES		48 713 521	55 868 478	55 225 767
EQUITY				
Paid-in equity	6	1 875 000	1 625 000	1 875 000
Retained earnings	6	1 631 124	1 677 605	1 842 096
TOTAL EQUITY CAPITAL	6	3 506 124	3 302 605	3 717 096
LOTAL LIABILITIES AND EQUITY CAPITAL		52 219 645	59 171 083	58 942 864

Kristiansand, 11 August 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

NOK Thousand	30.06.2021	30.06.2020	31.12.2020
Interest received	497 977	647 914	1 151 299
Interest paid	- 212 121	- 483 032	- 701 519
Operating expenditure	- 43 855	- 43 010	- 93 151
Changes in loans to customers	140 477	-5 831 896	-8 713 394
Income tax paid	- 73 492	- 38 887	- 73 492
Net cash flow from operating activities	308 986	-5 748 912	-8 430 257
Payments received, securities	8 299 006	1 922 042	9 725 085
Payments made, securities	-4 727 307	-5 663 213	-11 849 987
Changes in other assets	- 9 917	5 533	11 066
Changes in deposits from credit institutions	-5 016 723	2 858 821	6 147 070
Changes in other liabilities	6 777	3 096	1 673
Net cash flow from current financing activities	-1 448 165	- 873 722	4 034 906
Paid-in share capital	0	0	250 000
Paid dividend	- 300 178	- 235 279	- 235 279
Payments received, bond debt	10 967 450	9 997 730	12 015 826
Payments made, bond debt	-11 044 423	- 765 620	-5 782 570
Net cash flow from long-term financing activities	- 377 151	8 996 831	6 247 977
Net change in liquid funds	-1 516 329	2 374 197	1 852 626
Liquid funds as at 01.01.	2 252 025	399 399	399 399
Liquid funds at the end of the period	735 695	2 773 596	2 252 025

Statement of changes in Equity

NOK Thousand	Share premium		Retained earnings	Total
	Share capital	reserve		
Balance 31.12.2019	1 125 000	500 000	1 777 197	3 402 197
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
Balance 30.06.2020	1 125 000	500 000	1 677 605	3 302 605
Profit 30.06.2020 - 31.12.2020	0	0	179 146	179 146
Other income/expenses	0	0	-14 655	-14 655
Share capital increase	250 000	0	0	250 000
Balance 31.12.2020	1 375 000	500 000	1 842 096	3 717 096
Dividend	0	0	-300 178	-300 178
Profit 01.01.2021 - 30.06.2021	0	0	130 295	130 295
Other income/expenses	0	0	-41 090	-41 090
Balance 30.06.2021	1 375 000	500 000	1 631 124	3 506 124

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	30.06.2021	30.06.2020	31.12.2020
Interest income recognised at amortized cost			
Interest on loans to customers	470 784	594 173	1 068 600
Interest on loans to and receivables from credit institutions	2 811	3 983	10 730
Total interest income recognised at amortized cost	473 595	598 156	1 079 331
Interest income recognised at fair value			
Interest on certificates/bonds/interest-bearing securities	21 375	33 237	57 935
Total interest income recognised at fair value	21 375	33 237	57 935
Total interest income	494 970	631 393	1 137 266
Interest expenses recognised at amortized cost			
Interest on debt to credit institutions	31 452	36 959	65 228
Interest on issued securities	185 559	379 659	559 697
Other interest expenses	3 807	2 850	5 898
Total interest expenses recognised at amortized cost	220 818	419 468	630 823
Total interest expenses	220 818	419 468	630 823
Net interest income	274 152	211 925	506 443

3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	30.06.2021	30.06.2020	31.12.2020
Profit (loss) and changes in value from covered bonds	-9 595	-13 398	-21 526
Net income from covered bonds	-9 595	-13 398	-21 526
Change in value fixed rate loans - interest	-71	-5	-64
Change in value fixed rate loans - margin	-5	16	41
Expected credit loss IFRS9	1	-1	-2
Net change in value fixed rate loans	-75	11	-26
Change in value fixed rate bonds - hedge accounting	1 356 450	-2 792 225	-1 770 402
Change in value derivatives fixed rate bonds - designated as hedging instruments	-1 362 216	2 811 297	1 806 529
Net income hedging	-5 766	19 072	36 127
<i>Whereof effects from basis swaps (1)</i>	<i>4 446</i>	<i>4 412</i>	<i>25 687</i>
Profit (loss) buyback own bonds - amortised cost	-35 892	-1 225	-18 175
Currency gains (losses)	243	0	0
Net other financial instruments and derivatives	-35 649	-1 225	-18 175
Net income from financial instruments	-51 084	4 460	-3 600

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

	30.06.2021	30.06.2020	31.12.2020
Average debt to assets ratio in %	51,8 %	55,6 %	55,0 %
Portfolio broken down by intervals of debt to assets ratio			
Less than or equal to 40 %	19,9 %	16,3 %	16,6 %
41 - 50 %	18,5 %	13,7 %	14,4 %
51 - 60 %	31,4 %	24,0 %	25,9 %
61 - 70 %	26,3 %	36,0 %	34,4 %
71 - 75 %	2,4 %	7,0 %	6,3 %
More than 75 %	1,4 %	3,0 %	2,4 %
Total	100,0 %	100,0 %	100,0 %

5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	30.06.2021	30.06.2020	31.12.2020
Credit facility with Sparebanken Sør	4 728 599	4 457 345	8 470 556
Received collaterals	649 039	2 650 739	1 925 776
Total debt to credit institutions	5 377 638	7 108 084	10 396 332

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	30.06.2021	30.06.2020	31.12.2020
Equity capital			
Share capital	1 375 000	1 125 000	1 375 000
Share premium reserve	500 000	500 000	500 000
Other equity capital	1 500 829	1 551 561	1 842 096
Deductions	-2 728	-10 336	-7 765
Dividend	0	0	-300 178
Net subordinated capital (common equity tier 1)	3 373 101	3 166 225	3 409 153
Minimum requirements for equity capital			
Credit risk	19 192 150	18 577 550	19 985 560
Market risk	0	0	0
Operational risk	777 913	658 898	658 898
CVA addition	0	0	0
Deductions	0	0	0
Risk weight balance (calculation basis)	19 970 064	19 236 450	20 644 458
Common equity tier 1 capital ratio	16,9 %	16,5 %	16,5 %
Tier 1 capital ratio	16,9 %	16,5 %	16,5 %
Total capital ratio	16,9 %	16,5 %	16,5 %
Leverage Ratio	6,2 %	5,6 %	5,7 %

Minimum capital requirements:

NOK Thousand	30.06.2021	30.06.2020	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	2 196 707	2 096 901	2 270 890
Tier1 Capital requirements, incl. Pilar 2	2 496 258	2 382 842	2 580 557
Total capital requirements, incl. Pilar 2	2 895 659	2 764 097	2 993 446
Above CET1 requirements, incl. Pilar 2	1 176 394	1 069 324	1 138 263
Above Tier1 Capital requirements, incl. Pilar 2	876 843	783 383	828 596
Above total capital requirements, incl. Pilar 2	477 442	402 128	415 707

7. LOANS TO CUSTOMERS

NOK Thousand	30.06.2021	30.06.2020	31.12.2020
Loans assessed to amortised cost			
Flexi-loans	10 967 312	10 266 080	11 039 785
Loans with installments - floating interest	37 760 486	35 721 485	37 828 397
Loans with installments - fixed interest	4 187	3 399	4 281
Gross loans	48 766 021	46 025 360	48 909 702
Loss allowance	-9 880	-12 337	-11 158
Net loans	48 756 141	46 013 023	48 898 545
Undrawn credit on Flexi-loans	4 435 540	3 988 546	4 166 720
Loans broken down by sectors and industries	30.06.2021	30.06.2020	31.12.2020
Retail customers	48 733 324	45 971 889	48 873 998
Accrued interests	32 697	53 471	35 705
Gross loans	48 766 021	46 025 360	48 909 702
Loss allowance	-9 880	-12 337	-11 158
Net loans	48 756 141	46 013 023	48 898 545

Loans broken down by geographical areas*

NOK Thousand	30.06.2021		30.06.2020		31.12.2020	
Agder	32 219 030	66,1 %	30 721 831	66,8 %	32 402 834	66,3 %
Vestfold og Telemark	5 815 496	11,9 %	5 200 765	11,3 %	5 766 529	11,8 %
Oslo	4 610 397	9,5 %	4 419 894	9,6 %	4 581 835	9,4 %
Viken	3 077 506	6,3 %	2 808 959	6,1 %	3 008 852	6,2 %
Rogaland	1 774 136	3,6 %	1 610 095	3,5 %	1 836 024	3,8 %
Other counties	1 259 577	2,6 %	1 251 479	2,7 %	1 302 470	2,7 %
Total	48 756 141	100,0 %	46 013 023	100,0 %	48 898 545	100,0 %

8. NON-PERFORMING LOANS

NOK Thousand	30.06.2021	30.06.2020	31.12.2020
Total non-performing loans (stage 3)	65 383	55 234	48 674
Stage 3 impairment losses	1 304	1 640	858
Net non-performing-loans	64 079	53 594	47 816
Provision ratio non-performing loans	1,99 %	2,97 %	1,76 %
Total non-performing loans in % of gross loans	0,13 %	0,12 %	0,10 %
Gross loans	48 766 021	46 025 360	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	30.06.2021	30.06.2020	31.12.2020
Changes in impairment losses for the period, stage 1	-1 198	2 120	3 938
+ Changes in impairment losses for the period, stage 2	-551	-589	-2 749
+ Changes in impairments losses for the period, stage 3	457	689	-91
= Total losses for the period	-1 293	2 220	1 098

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	5.181	11.855	19.956	2.129	2.437
Total	5.181	11.855	19.956	2.129	2.437

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	1 647	-1 472	-175	0
Transferred to stage 2	-264	297	-33	0
Transferred to stage 3	-2	-241	243	0
Losses on new loans	1 502	209	27	1 739
Losses on deducted loans*	-1 100	-682	-276	-2 057
Losses on older loans and other changes	-2 978	1 336	658	-983
Loss provisions as at 30.06.2021	5 389	3 385	1 303	10 077
Loss provisions for loans	5 246	3 346	1 288	9 880
Loss provisions for undrawn credit	143	39	15	197
Total loss provisions as at 30.06.2021	5 389	3 385	1 303	10 077

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	2 702	-2 609	-93	0
Transferred to stage 2	-116	165	-49	0
Transferred to stage 3	-1	-183	183	0
Losses on new loans	1 778	720	169	2 667
Losses on deducted loans*	-376	-1 040	-200	-1 616
Losses on older loans and other changes	-1 867	2 357	671	1162
Loss provisions as at 30.06.2020	4 767	6 096	1 639	12 503
Loss provision for loans	4 656	6 057	1 624	12 337
Loss provisions for undrawn credit	111	39	16	166
Total loss provision as at 30.06.2020	4 767	6 096	1 639	12 503

* 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	47 042 164	1 820 231	47 307	48 909 702
Transferred to stage 1	684 390	-669 345	-15 045	0
Transferred to stage 2	-979 069	981 755	-2 686	0
Transferred to stage 3	-15 700	-27 707	43 407	0
Net change on present loans loans	-1 228 757	-59 397	-5 261	-1 293 416
New loans	8 199 590	80 649	1 120	8 281 359
Derecognised loans	-6 780 873	-344 297	-6 455	-7 131 625
Gross loans as at 30.06.2021 assessed at amortised cost	46 921 745	1 781 890	62 387	48 766 021

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 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
Gross loans as at 30.06.2020 assessed at amortised cost	44 122 586	1 850 571	52 203	46 025 360

10. DEBT SECURITIES ISSUED AT 30.06.2021

NOK Thousand

ISIN Number	Ticker	Currency	Nominal value	Interest	Due date	Book value	Fair value
NO0010778954	SORB27	NOK	751 000	Floating 3M Nibor	22.11.2021	751 942	753 553
XS1622285283		EUR	500 000	Fixed 0,125 %	30.05.2022	5 120 950	5 127 151
NO0010671597	SORB09	NOK	350 000	Fixed 3,85 %	13.02.2023	368 804	371 609
XS1775786145		EUR	500 000	Fixed 0,375 %	20.02.2023	5 173 853	5 174 196
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5 009 749	5 050 267
NO0010832637	SORB28	NOK	5 000 000	Floating 3M Nibor	24.09.2025	5 003 398	5 055 298
XS1947550403		EUR	500 000	Fixed 0,50 %	06.02.2026	5 479 899	5 277 580
XS2069304033		EUR	500 000	Fixed 0,01 %	26.10.2026	4 879 342	5 146 794
NO0011002529	SORB31	NOK	5 500 000	Floating 3M Nibor	20.09.2027	5 675 683	5 671 093
NO0010670409	SORB08	NOK	500 000	Fixed 4,00 %	24.01.2028	567 907	577 599
XS2291901994		EUR	500 000	Fixed 0,01 %	28.01.2028	5 122 904	5 126 767
TOTAL						43 154 431	43 331 907

11. COVER POOL COMPOSITION AND OC

NOK Thousand	Fair value		
	30.06.2021	30.06.2020	31.12.2020
Loans secured by mortgages on residential properties	48 756 141	46 013 023	48 898 545
Deductions on ineligible loans	-124 423	-114 527	-112 720
Pool of eligible loans	48 631 718	45 898 496	48 785 825
Certificates and bonds	0	6 487 100	300 825
Financial derivatives	1 036 925	3 482 060	2 508 691
Total cover pool	49 668 644	55 867 656	51 595 340
Debt incurred due to issuance of securities	43 331 907	48 761 983	44 925 120
Collateralisation ratio (OC)	14,6 %	14,6 %	14,8 %
	Nominal value		
	30.06.2021	30.06.2020	31.12.2020
OC based on nominal value - eligibles only	16,3 %	16,0 %	16,5 %
OC based on nominal value - total loans	16,6 %	16,2 %	16,7 %

12. RELATED PARTIES

NOK Thousand	30.06.2021	30.06.2020	31.12.2020
Income statement			
Interest income from Sparebanken Sør on deposits	2 811	3 983	10 730
Interest expenses/commission from Sparebanken Sør on loans/credit	33 986	39 460	70 264
Interest expenses on bond debts to Sparebanken Sør	3 520	19 379	29 637
Paid administration fees to Sparebanken Sør	45 311	40 898	84 434
Balance sheet			
Bank deposit in Sparebanken Sør	735 695	2 773 596	2 252 025
Covered bonds owned by Sparebanken Sør	1 548 375	7 500 000	2 018 096
Loans/credit in Sparebanken Sør	4 728 599	4 457 345	8 470 556

QUARTERLY PROFIT TREND

NOK Thousand	Q2	Q1	Q4	Q3	Q2
	2021	2021	2020	2020	2020
Net interest income	138 449	135 703	148 929	145 589	102 810
Net other operating income	-15 878	-37 673	-2 344	-8 166	11 984
Operating expenses	23 610	24 555	23 874	22 394	23 059
Profit before losses on loans	98 961	73 475	122 711	115 029	91 735
Losses on loans and undrawn credits	371	-1 664	385	-1 506	-1 844
Profit before taxes	98 590	75 139	122 326	116 535	93 579
Tax expenses	24 649	18 785	30 582	29 134	23 395
Profit for the period	73 941	56 354	91 745	87 401	70 184
Liquidity coverage ratio (LCR)	680 %	577 %	5 810%	6 285%	430 %
Total capital ratio	16.9 %	17.9 %	18.1%	16.4%	16.5%
Leverage Ratio	6.2 %	6.5 %	6.3%	5.4%	5.6%

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

The Board of Directors and CEO of Sparebaken Sør Boligkreditt AS hereby confirm that the Company's Q2 2021 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, 11 August 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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