



SPAREBANKEN SØR
BOLIGKREDITT AS

Q3 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 Q3 2021 Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 48 706 million, transferred from Sparebanken Sør, of which NOK 48 541 million was included in the qualified cover pool. Corresponding figures at the end of Q3 2020 were NOK 44 492 million and NOK 44 392 million respectively.

The portfolio of bonds and certificates totalled NOK 5 181 million at the end of Q3 2021, of which NOK 3 900 million was included in the cover pool. Corresponding figures at the end of Q3 2020 were NOK 8 051 million and NOK 2 932 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 47 942 million, compared to NOK 44 202 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 Q3 2021 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 229.4 million, compared to NOK 213.4 million in the same period in 2020.

The company had net interest income of NOK 424.4 million, compared to NOK 357.5 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 9.0 million at the end of Q3 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 72.7 million and tax expenses were NOK 76.5 million at the end of Q3 2021. Corresponding figures at the end of Q3 2020 were NOK 66.1 million and NOK 71.1 million respectively.

Total assets at 30.09.2021 were NOK 55 569 million, of which net loans to customers represented NOK 48 694 million. At the same time in 2020 total assets were NOK 59 772 million, of which net loans to customers were NOK 44 481 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 47 942 million, and through equity and loans from Sparebanken Sør. At the end of Q3 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 30.09.2021, was drawn down by NOK 3 319 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 Q3 2021, the net subordinated capital in the company was NOK 3 388 million, compared to NOK 3 152 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 16.8 percent (16.4 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 5.8 percent at the end of Q3 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 30.09.2021 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 2021 indicates very strong growth in housing prices in the Bank's market area.

At the end of september 2021, Norges Bank increased the policy rate by 0.25 percent. As a result Sparebanken Sør increased lending rates by up to 0.25 percent. According to Norges Banks forecast, additional increases are expected during 2022.

On the basis of the quality of the loan portfolio, the company still expects losses on retail customers 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, 27 October 2021

Geir Bergskaug
Chairman

Seunn Smith-Tønnessen
Member

Gunnar P. Thomassen
Member

Steinar Vigsnes
Member

Marianne Lofthus
Managing Director

Income statement

NOK Thousand	Notes	Q3 2021	Q3 2020	30.09.2021	30.09.2020
Interest income, assets recognised at amortized cost	2, 12	237 139	239 185	710 734	837 341
Interest income, assets recognised at fair value	2, 12	3 622	12 194	24 997	45 431
Interest expenses	2, 12	90 497	105 790	311 315	525 258
Net interest income	2	150 265	145 589	424 416	357 514
Commission income		32	45	99	157
Commission expenses		1 264	1 252	3 799	3 753
Net commission income		-1 232	-1 207	-3 699	-3 596
Net income from financial instruments	3	9 908	-6 959	-41 177	-2 499
Personnel expenses		0	0	0	0
Other operating expenses	12	24 564	22 394	72 728	66 112
Total expenses		24 564	22 394	72 728	66 112
Profit before loss		134 376	115 029	306 812	285 307
Losses on loans and undrawn credit	9	2 183	-1 506	890	714
Profit before taxes		132 193	116 535	305 921	284 594
Tax expenses		33 047	29 134	76 480	71 148
Profit for the period		99 146	87 401	229 441	213 445

Other comprehensive income

NOK Thousand	Notes	Q3 2021	Q3 2020	30.09.2021	30.09.2020
Profit for the period		99 146	87 401	229 441	213 445
Net change in value from basis swaps		24 319	-16 997	-30 466	-4 140
Tax effect		-6 080	4 249	7 617	1 035
Total profit for the period		117 385	74 654	206 592	210 340

Balance sheet

NOK Thousand

ASSETS	Notes	30.09.2021	30.09.2020	31.12.2020
Loans to and receivables from credit institutions	12	530 890	3 165 744	2 252 025
Net loans to customers	7,8,9,11	48 694 283	44 481 059	48 898 545
Bonds and certificates	11	5 181 091	8 051 119	5 233 812
Financial derivatives	11	1 084 018	4 009 104	2 508 691
Deferred tax assets		31 914	29 970	19 518
Other assets		46 994	34 514	30 274
TOTAL ASSETS		55 569 189	59 771 509	58 942 864
LIABILITIES AND EQUITY				
Debt to credit institutions	5,12	3 763 027	12 111 093	10 396 332
Debt incurred due to issuance of securities	10,11	47 941 613	44 202 129	44 723 272
Financial derivatives		127 607	0	0
Payable taxes		103 004	71 459	95 236
Other liabilities		10 429	9 569	10 927
TOTAL LIABILITIES		51 945 680	56 394 250	55 225 767
EQUITY				
Paid-in equity	6	1 875 000	1 625 000	1 875 000
Retained earnings	6	1 748 509	1 752 259	1 842 096
TOTAL EQUITY CAPITAL	6	3 623 509	3 377 259	3 717 096
TOTAL LIABILITIES AND EQUITY CAPITAL		55 569 189	59 771 509	58 942 864

Kristiansand, 27 October 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	30.09.2021	30.09.2020	31.12.2020
Interest received	739 361	901 116	1 151 299
Interest paid	- 328 166	- 593 990	- 701 519
Operating expenditure	- 76 926	- 69 392	- 93 151
Changes in loans to customers	199 606	-4 300 256	-8 713 394
Income tax paid	- 73 492	- 77 775	- 73 492
Net cash flow from operating activities	460 384	-4 140 297	-8 430 257
Payments received, securities	8 520 566	6 456 211	9 725 085
Payments made, securities	-8 611 155	-11 398 421	-11 849 987
Changes in other assets	- 16 720	6 826	11 066
Changes in deposits from credit institutions	-6 633 306	7 861 831	6 147 070
Changes in other liabilities	- 498	315	1 673
Net cash flow from current financing activities	-6 741 112	2 926 762	4 034 906
Paid-in share capital	0	0	250 000
Paid dividend	- 300 178	- 235 279	- 235 279
Payments received, bond debt	16 070 616	9 997 730	12 015 826
Payments made, bond debt	-11 210 845	-5 782 570	-5 782 570
Net cash flow from long-term financing activities	4 559 593	3 979 881	6 247 977
Net change in liquid funds	-1 721 134	2 766 345	1 852 626
Liquid funds as at 01.01.	2 252 025	399 399	399 399
Liquid funds at the end of the period	530 890	3 165 744	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	1 777 198	3 402 197
Dividend	0	0	-235 279	-235 279
Profit 01.01.2020 - 30.09.2020	0	0	213 445	213 445
Other income/expenses	0	0	-3 105	-3 105
Balance 30.09.2020	1 125 000	500 000	1 752 259	3 377 259
Profit 30.09.2020 - 31.12.2020	0	0	91 745	91 745
Other income/expenses	0	0	-1 908	-1 908
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 - 30.09.2021	0	0	229 441	229 441
Other income/expenses	0	0	-22 851	-22 851
Balance 30.09.2020	1 375 000	500 000	1 748 509	3 623 509

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	30.09.2021	30.09.2020	31.12.2020
Interest income recognised at amortized cost			
Interest on loans to customers	706 619	830 755	1 068 600
Interest on loans to and receivables from credit institutions	4 115	6 585	10 730
Total interest income recognised at amortized cost	710 734	837 341	1 079 331
Interest income recognised at fair value			
Interest on certificates/bonds/interest-bearing securities	24 997	45 431	57 935
Total interest income recognised at fair value	24 997	45 431	57 935
Total interest income	735 731	882 772	1 137 266
Interest expenses recognised at amortized cost			
Interest on debt to credit institutions	46 231	49 065	65 228
Interest on issued securities	259 372	471 768	559 697
Other interest expenses	5 713	4 424	5 898
Total interest expenses recognised at amortized cost	311 315	525 258	630 823
Total interest expenses	311 315	525 258	630 823
Net interest income	424 416	357 514	506 443

3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	30.09.2021	30.09.2020	31.12.2020
Profit (loss) and changes in value from certificates and bonds	-12 627	-15 934	-21 526
Net income from certificates and bonds	-12 627	-15 934	-21 526
Change in value fixed rate loans - interest	-111	-5	-64
Change in value fixed rate loans - margin	0	10	41
Expected credit loss IFRS9	2	-1	-2
Net change in value fixed rate loans	-108	4	-26
Change in value fixed rate bonds - hedge accounting	1 493 609	-3 292 395	-1 770 402
Change in value derivatives fixed rate bonds - designated as hedging instruments	-1 485 887	3 324 001	1 806 529
Net income hedging	7 723	31 606	36 127
<i>Whereof effects from basis swaps (1)</i>	<i>9 004</i>	<i>11 403</i>	<i>25 687</i>
Profit (loss) buyback own bonds - amortised cost	-36 314	-18 175	-18 175
Currency gains (losses)	151	0	0
Net other financial instruments and derivatives	-36 163	-18 175	-18 175
Net income from financial instruments	-41 176	-2 499	-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

	30.09.2021	30.09.2020	31.12.2020
Average debt to assets ratio in %	52.1 %	54.1 %	55.0 %
Portfolio broken down by intervals of debt to assets ratio			
Less than or equal to 40 %	19.7 %	17.7 %	16.6 %
41 - 50 %	18.1 %	15.3 %	14.4 %
51 - 60 %	31.5 %	26.7 %	25.9 %
61 - 70 %	25.5 %	33.5 %	34.4 %
71 - 75 %	3.5 %	4.2 %	6.3 %
More than 75 %	1.6 %	2.6 %	2.4 %
Total	100.0 %	100.0 %	100.0 %

5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	30.09.2021	30.09.2020	31.12.2020
Credit facility with Sparebanken Sør	3 319 346	9 048 418	8 470 556
Received collaterals	443 681	3 062 675	1 925 776
Total debt to credit institutions	3 763 027	12 111 093	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	30.09.2021	30.09.2020	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	1 519 068	1 538 814	1 842 096
Deductions	-6 397	-12 065	-7 765
Dividend	0	0	-300 178
Net subordinated capital (common equity tier 1)	3 387 671	3 151 749	3 409 153
Minimum requirements for equity capital			
Credit risk	19 365 849	18 554 563	19 985 560
Market risk	0	0	0
Operational risk	777 918	658 898	658 898
CVA addition	0	0	0
Deductions	0	0	0
Risk weight balance (calculation basis)	20 143 767	19 213 461	20 644 458
Common equity tier 1 capital ratio	16.8 %	16.4 %	16.5 %
Tier 1 capital ratio	16.8 %	16.4 %	16.5 %
Total capital ratio	16.8 %	16.4 %	16.5 %
Leverage Ratio	5.8 %	5.4 %	5.7 %

Minimum capital requirements:

NOK Thousand	30.09.2021	30.09.2020	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	2 215 814	2 113 481	2 270 890
Tier1 Capital requirements, incl. Pilar 2	2 517 971	2 401 683	2 580 557
Total capital requirements, incl. Pilar 2	2 920 846	2 785 952	2 993 446
Above CET1 requirements, incl. Pilar 2	1 171 857	1 038 268	1 138 263
Above Tier1 Capital requirements, incl. Pilar 2	869 701	750 066	828 596
Above total capital requirements, incl. Pilar 2	466 825	365 797	415 707

7. LOANS TO CUSTOMERS

NOK Thousand	30.09.2021	30.09.2020	31.12.2020
Loans assessed to amortised cost			
Flexi-loans	11 829 933	10 062 610	11 039 785
Loans with installments - floating interest	36 838 784	34 392 394	37 828 397
Loans with installments - fixed interest	4 140	4 320	4 281
Gross loans	48 706 325	44 491 897	48 909 702
Loss allowance	-12 042	-10 839	-11 158
Net loans	48 694 283	44 481 059	48 898 545
Undrawn credit on Flexi-loans	4 610 494	3 965 154	4 166 720
Loans broken down by sectors and industries	30.09.2021	30.09.2020	31.12.2020
Retail customers	48 674 251	44 460 504	48 873 998
Accrued interests	32 074	31 394	35 705
Gross loans	48 706 325	44 491 897	48 909 702
Loss allowance	-12 042	-10 839	-11 158
Net loans	48 694 283	44 481 059	48 898 545

Loans broken down by geographical areas*

NOK Thousand	30.09.2021		30.09.2020		31.12.2020	
Agder	32 200 841	66.1 %	29 787 665	67.0 %	32 402 834	66.3 %
Vestfold og Telemark	5 878 100	12.1 %	5 009 611	11.3 %	5 766 529	11.8 %
Oslo	4 490 817	9.2 %	4 166 921	9.4 %	4 581 835	9.4 %
Viken	3 116 082	6.4 %	2 739 064	6.2 %	3 008 852	6.2 %
Rogaland	1 766 526	3.6 %	1 573 638	3.5 %	1 836 024	3.8 %
Other counties	1 241 917	2.6 %	1 204 159	2.7 %	1 302 470	2.7 %
Total	48 694 283	100.0 %	44 481 059	100.0 %	48 898 545	100.0 %

8. NON-PERFORMING LOANS

NOK Thousand	30.09.2021	30.09.2020	31.12.2020
Total non-performing loans (stage 3)	82 899	45 200	48 674
Stage 3 impairment losses	2 446	1 200	858
Net non-performing-loans	80 453	44 000	47 816
Provision ratio non-performing loans	2.95 %	2.65 %	1.76 %
Total non-performing loans in % of gross loans	0.17 %	0.10 %	0.10 %
Gross loans	48 706 325	44 491 897	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	30.09.2021	30.09.2020	31.12.2020
Changes in impairment losses for the period, stage 1	-1 016	1 701	3 938
+ Changes in impairment losses for the period, stage 2	303	-1 236	-2 749
+ Changes in impairments losses for the period, stage 3	1 604	249	-91
= Total losses for the period	890	714	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	5 899	13 413	22 501	2 451	2 194
Total	5 899	13 413	22 501	2 451	2 194

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	6 586	3 938	858	11 381
Transfers				
Transferred to stage 1	1 749	-1 591	-158	0
Transferred to stage 2	-252	278	-26	0
Transferred to stage 3	-11	-127	139	0
				0
Losses on new loans	1 919	562	39	2 521
Losses on deducted loans*	-1 501	-842	-299	-2 642
Losses on older loans and other changes	-2 920	2 021	1 893	994
Loss provisions as at 30.09.2021	5 569	4 239	2 446	12 254
Loss provisions for loans	5 399	4 197	2 446	12 042
Loss provisions for undrawn credit	170	42	0	212
Total loss provisions as at 30.09.2021	5 569	4 239	2 446	12 254

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

* 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	709 380	-696 277	-13 103	0
Transferred to stage 2	-1 054 199	1 057 808	-3 609	0
Transferred to stage 3	-40 689	-20 668	61 357	0
Net change on present loans	-1 687 416	-76 014	-3 142	-1 766 572
New loans	11 054 175	204 209	1 427	11 259 811
Derecognised loans	-9 254 115	-435 003	-7 497	-9 696 615
Gross loans as at 30.09.2021 assessed at amortised cost	46 769 299	1 854 286	82 740	48 706 325

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	867 671	-862 534	-5 137	0
Transferred to stage 2	-842 023	842 166	-144	0
Transferred to stage 3	-7 774	-7 751	15 524	0
Net change on present loans	-1 105 432	-46 586	-1 412	-1 153 429
New loans	12 404 541	270 986	9 819	12 685 346
Derecognised loans	-6 800 511	-442 358	-6 964	-7 249 832
Gross loans as at 30.09.2020 assessed at amortised cost	42 732 311	1 717 603	41 984	44 491 897

13. RELATED PARTIES

NOK Thousand	30.09.2021	30.09.2020	31.12.2020
Income statement			
Interest income from Sparebanken Sør on deposits	870	6 585	10 730
Interest expenses/commission from Sparebanken Sør on loans/credit	49 981	52 818	70 264
Interest expenses on bond debts to Sparebanken Sør	7 299	28 173	29 637
Paid administration fees to Sparebanken Sør	68 049	61 990	84 434
Balance sheet			
Bank deposit in Sparebanken Sør	530 890	3 165 744	2 252 025
Covered bonds owned by Sparebanken Sør	1 548 375	0	2 018 096
Loans/credit in Sparebanken Sør	3 319 346	9 048 418	8 470 556

QUARTERLY PROFIT TREND

NOK Thousand	Q3	Q2	Q1	Q4	Q3
	2021	2021	2021	2020	2020
Net interest income	150 265	138 449	135 703	148 929	145 589
Net other operating income	8 675	-15 878	-37 673	-2 344	-8 166
Operating expenses	24 564	23 610	24 555	23 874	22 394
Profit before losses on loans	134 376	98 961	73 475	122 711	115 029
Losses on loans and undrawn credits	2 183	371	-1 664	385	-1 506
Profit before taxes	132 193	98 590	75 139	122 326	116 535
Tax expenses	33 047	24 649	18 785	30 582	29 134
Profit for the period	99 146	73 941	56 354	91 745	87 401
Liquidity coverage ratio (LCR)	781 %	680 %	577 %	5 810%	6 285%
Total capital ratio	16.8 %	16.9 %	17.9 %	18.1%	16.4%
Leverage Ratio	5.8 %	6.2 %	6.5 %	6.3%	5.4%



**SPAREBANKEN SØR
BOLIGKREDITT AS**

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