



SPAREBANKEN SØR  
BOLIGKREDITT AS

Q4 2021

A company in the Sparebanken Sør Group



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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, substitute assets in interest-bearing securities and financial derivatives. The mortgages are granted by Sparebanken Sør and later taken on 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 on by the company must not exceed 75 % of the mortgaged property's market value at the date of acquisition.

At the end of Q4 2021, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 49 680 million, transferred from Sparebanken Sør, of which NOK 49 498 million was included in the qualified cover pool. Corresponding figures at the end of Q4 2020 were NOK 48 910 million and NOK 48 786 million respectively.

The portfolio of bonds and certificates totalled NOK 5 076 million at the end of Q4 2021, of which NOK 3 795 million was included in the cover pool. Corresponding figures at the end of Q4 2020 were NOK 5 234 million and NOK 301 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 47 340 million, compared to NOK 44 723 million at the same time in 2020. The company has achieved diversified funding by issuing covered bonds outside the Norwegian bond market.

## Income statement and balance sheet

In Q4 2021 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 304.4 million, compared to NOK 305.2 million in the same period in 2020.

The company had net interest income of NOK 564.8 million, compared to NOK 506.4 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. Interest rate had an uplift during the second half of 2021. The Norwegian Central Bank has hiked policy rate twice from 0 to 0.50 per cent, and has announced that a further upswing in the interest rate will most probably take place in 2022. Sparebanken Sør Boligkreditt has implemented a change in lending rates on mortgages, in line with the hikes in the Norwegian rate policy.

Net income from financial instruments totalled minus NOK 55.0 million, compared to minus NOK 3.6 million in 2020. This is related to a negative contribution regarding buyback of own bonds, and changes in value from certificates and bonds.

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 positively affected the income from financial instruments by NOK 16.0 million at the end of Q4 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 97.1 million and tax expenses were NOK 101.5 million at the end of Q4 2021. Corresponding figures at the end of Q4 2020, were NOK 90.0 million and NOK 101.7 million respectively.

Total profit for 2021 were NOK 314.8 million. The board of Director's proposes a dividend payment of NOK 314.0 million.

Total assets at 31.12.2021 were NOK 55 792 million, of which net loans to customers represented NOK 49 668 million. At the same time in 2020 total assets were NOK 58 943 million, of which net loans to customers were NOK 48 899 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 47 340 million, and through equity and loans from Sparebanken Sør. At the end of Q4 2021, the company had a 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 31.12.2021, was drawn down by NOK 3 856 million. In addition, the company has a revolving multicurrency loan facility, which can be used to refinance outstanding bonds.

## Board of Director`s report

### Capital strength

At the end of Q4 2021, the net subordinated capital in the company was NOK 3 411 million, compared to NOK 3 709 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 16.7 percent (16.5 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 5.9 percent at the end of Q4 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 a high rating. This means that Sparebanken Sør Boligkreditt AS strives to maintain risk at a low level. The company emphasizes 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 a 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 is considered low.

The company's mortgage lending to customers is in Norwegian kroner (NOK) at both floating and fixed interest rates. 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. As at 31.12.2021 the company had a liquidity portfolio in addition to substitute assets, and was compliant with the liquidity requirements imposed on financial institutions, with at LCR ratio of 1 001 per cent. As at 31.12.2021 the mortgages in the cover pool had an average loan-to value of 52.9 per cent. Over-collateralization was 13.6 per cent, and given a stresstest on assets prices of 30 per cent, the OC was above the legislative OC level of 2 per cent.

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

As of 2019 Sparebanken Sør Group has a Green and Sustainability Bond Framework in place. The framework is aligned with ICMA's Green Bond Principles. Sparebanken Sør Boligkreditt has issued a green covered bond under the framework, and the proceeds are allocated to a mortgage portfolio, financing 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

During 2021 the Norwegian economy has steadily picked up, even given the extreme measures taken by the authorities to counteract the effect of the covid pandemic. Governmental financial and monetary policy actions have had a positive effect on GDP growth and the national level of unemployment, which is reported at 2.2 per cent.

CPI growth adjusted for tax and energy prices, was reported at 1.8 per cent. 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 recent quarters, and statistics for 2021 indicates very strong growth in housing prices in the Bank's market area.

The growth in Norwegian household debt was 5.0 per cent as at December 2021. Sparebanken Sør expects credit growth to continue, and the bank is positioned to further acquire market shares in its region.

Based on the quality of the loan portfolio, the company still expects losses on retail customers to stay low.

The Board of Director's 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, 8 February 2022

### 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	Q4 2021	Q4 2020	31.12.2021	31.12.2020
Interest income, assets recognised at amortized cost	2, 12	254 531	241 990	965 265	1079 331
Interest income, assets recognised at fair value	2, 12	15 282	12 504	40 279	57 935
Interest expenses	2, 12	129 452	105 565	440 768	630 823
<b>Net interest income</b>	<b>2</b>	<b>140 361</b>	<b>148 929</b>	<b>564 777</b>	<b>506 443</b>
Commission income		37	39	136	197
Commission expenses		1 296	1 283	5 095	5 036
<b>Net commission income</b>		<b>-1 259</b>	<b>-1 243</b>	<b>-4 959</b>	<b>-4 839</b>
<b>Net income from financial instruments</b>	<b>3</b>	<b>-13 863</b>	<b>-1 101</b>	<b>-55 040</b>	<b>-3 600</b>
Personnel expenses		54	54	54	54
Other operating expenses	12	24 359	23 820	97 087	89 932
<b>Total expenses</b>		<b>24 412</b>	<b>23 874</b>	<b>97 141</b>	<b>89 986</b>
<b>Profit before loss</b>		<b>100 826</b>	<b>122 711</b>	<b>407 638</b>	<b>408 018</b>
Losses on loans and undrawn credit	9	914	385	1 805	1 098
<b>Profit before taxes</b>		<b>99 912</b>	<b>122 326</b>	<b>405 833</b>	<b>406 920</b>
Tax expenses		24 978	30 582	101 458	101 730
<b>Profit for the period</b>		<b>74 934</b>	<b>91 745</b>	<b>304 375</b>	<b>305 190</b>

## Other comprehensive income

NOK Thousand	Notes	Q4 2021	Q4 2020	31.12.2021	31.12.2020
<b>Profit for the period</b>		<b>74 934</b>	<b>91 745</b>	<b>304 375</b>	<b>305 190</b>
Net change in value from basis swaps		-44 310	-2 543	13 844	-6 682
Tax effect		11 078	636	-3 461	1 671
<b>Total profit for the period</b>		<b>41 701</b>	<b>89 837</b>	<b>314 758</b>	<b>300 178</b>

# Balance sheet

## NOK Thousand

ASSETS	Notes	31.12.2021	31.12.2020
Loans to and receivables from credit institutions	12	256 371	2 252 025
Net loans to customers	7,8,9,11	49 667 562	48 898 545
Bonds and certificates	11	5 075 647	5 233 812
Financial derivatives	11	737 202	2 508 691
Deferred tax assets		12 991	19 518
Other assets		42 099	30 274
<b>TOTAL ASSETS</b>		<b>55 791 872</b>	<b>58 942 864</b>
<b>LIABILITIES AND EQUITY</b>			
Debt to credit institutions	5,12	4 088 568	10 396 332
Debt incurred due to issuance of securities	10,11	47 340 012	44 723 272
Financial derivatives		522 221	0
Payable taxes		98 387	95 236
Other liabilities		11 008	10 927
<b>TOTAL LIABILITIES</b>		<b>52 060 195</b>	<b>55 225 767</b>
<b>EQUITY</b>			
Paid-in equity	6	1 875 000	1 875 000
Retained earnings	6	1 856 676	1 842 096
<b>TOTAL EQUITY CAPITAL</b>	6	<b>3 731 676</b>	<b>3 717 096</b>
<b>LOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>55 791 872</b>	<b>58 942 864</b>

Kristiansand, 8 February 2022

### 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>31.12.2021</b>	<b>31.12.2020</b>
Interest received	1 002 111	1 151 299
Interest paid	- 448 719	- 701 519
Operating expenditure	- 102 018	- 93 151
Changes in loans to customers	- 767 569	-8 713 394
Income tax paid	- 98 387	- 73 492
<b>Net cash flow from operating activities</b>	<b>- 414 582</b>	<b>-8 430 257</b>
Payments received, securities	9 468 174	9 725 085
Payments made, securities	-9 461 832	-11 849 987
Changes in other assets	- 11 825	11 066
Changes in deposits from credit institutions	-6 307 764	6 147 070
Changes in other liabilities	81	1 673
<b>Net cash flow from current financing activities</b>	<b>-6 313 165</b>	<b>4 034 906</b>
Paid-in share capital	0	250 000
Paid dividend	- 300 178	- 235 279
Payments received, bond debt	16 828 116	12 015 826
Payments made, bond debt	-11 795 845	-5 782 570
<b>Net cash flow from long-term financing activities</b>	<b>4 732 094</b>	<b>6 247 977</b>
<b>Net change in liquid funds</b>	<b>-1 995 654</b>	<b>1 852 626</b>
Liquid funds as at 01.01.	2 252 025	399 399
<b>Liquid funds at the end of the period</b>	<b>256 371</b>	<b>2 252 025</b>

# Statement of changes in Equity

NOK Thousand	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>
Dividend	0	0	- 235 279	- 235 279
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>
Dividend	0	0	- 300 178	- 300 178
Profit 2021	0	0	304 375	304 375
Other income/expenses	0	0	10 383	10 383
<b>Balance 31.12.2021</b>	<b>1 375 000</b>	<b>500 000</b>	<b>1 856 676</b>	<b>3 731 676</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	31.12.2021	31.12.2020
Interest income recognised at amortized cost		
Interest on loans to customers	960 620	1 068 600
Interest on loans to and receivables from credit institutions	4 645	10 730
<b>Total interest income recognised at amortized cost</b>	<b>965 265</b>	<b>1 079 331</b>
Interest income recognised at fair value		
Interest on certificates/bonds/interest-bearing securities	40 279	57 935
<b>Total interest income recognised at fair value</b>	<b>40 279</b>	<b>57 935</b>
<b>Total interest income</b>	<b>1 005 544</b>	<b>1 137 266</b>
Interest expenses recognised at amortized cost		
Interest on debt to credit institutions	60 161	65 228
Interest on issued securities	372 989	559 697
Other interest expenses	7 618	5 898
<b>Total interest expenses recognised at amortized cost</b>	<b>440 768</b>	<b>630 823</b>
<b>Total interest expenses</b>	<b>440 768</b>	<b>630 823</b>
<b>Net interest income</b>	<b>564 777</b>	<b>506 443</b>

### 3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	31.12.2021	31.12.2020
Profit (loss) and changes in value from certificates and bonds	-25 784	-21 526
<b>Net income from certificates and bonds</b>	<b>-25 784</b>	<b>-21 526</b>
Change in value fixed rate loans - interest	-134	-64
Change in value fixed rate loans - margin	18	41
Expected credit loss IFRS9	2	-2
<b>Net change in value fixed rate loans</b>	<b>-113</b>	<b>-26</b>
Change in value fixed rate bonds - hedge accounting	2 282 967	-1 770 402
Change in value derivatives fixed rate bonds - designated as hedging instruments	-2 275 945	1 806 529
<b>Net income hedging</b>	<b>7 021</b>	<b>36 127</b>
<i>Whereof effects from basis swaps (1)</i>	<i>15 952</i>	<i>25 687</i>
Profit (loss) buyback own bonds - amortised cost	-36 314	-18 175
Currency gains (losses)	151	0
<b>Net other financial instruments and derivatives</b>	<b>-36 163</b>	<b>-18 175</b>
<b>Net income from financial instruments</b>	<b>-55 040</b>	<b>-3 600</b>

1) The company has issued covered bonds in Euro that have been hedged by using basis swaps. Changes in the value of the basis swaps as a result of changes in market conditions, are 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

	31.12.2021	31.12.2020
<b>Average debt to assets ratio in %</b>	<b>52.9 %</b>	<b>55.0 %</b>
Portfolio broken down by intervals of debt to assets ratio		
Less than or equal to 40 %	19.0 %	16.6 %
41 - 50 %	17.3 %	14.4 %
51 - 60 %	29.5 %	25.9 %
61 - 70 %	27.2 %	34.4 %
71 - 75 %	5.1 %	6.3 %
More than 75 %	2.0 %	2.4 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

### 5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	31.12.2021	31.12.2020
Credit facility with Sparebanken Sør	3 855 963	8 470 556
Received collaterals	232 605	1 925 776
<b>Total debt to credit institutions</b>	<b>4 088 568</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

<b>NOK Thousand</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>Equity capital</b>		
Share capital	1 375 000	1 375 000
Share premium reserve	500 000	500 000
Other equity capital	1 856 676	1 842 096
Deductions	-6 339	-7 765
Dividend	-314 000	-300 178
<b>Net subordinated capital (common equity tier 1)</b>	<b>3 411 337</b>	<b>3 409 153</b>
<b>Minimum requirements for equity capital</b>		
Credit risk	19 519 952	19 985 560
Market risk	0	0
Operational risk	874 094	658 898
CVA addition	0	0
Deductions	0	0
<b>Risk weight balance (calculation basis)</b>	<b>20 394 046</b>	<b>20 644 458</b>
<b>Common equity tier 1 capital ratio</b>	<b>16.7 %</b>	<b>16.5 %</b>
<b>Tier 1 capital ratio</b>	<b>16.7 %</b>	<b>16.5 %</b>
<b>Total capital ratio</b>	<b>16.7 %</b>	<b>16.5 %</b>
<b>Leverage Ratio</b>	<b>5.9 %</b>	<b>5.7 %</b>

<b>Minimum capital requirements:</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>NOK Thousand</b>		
Minimum Tier 1 capital requirements	4.50 %	4.50 %
Conservation buffer	2.50 %	2.50 %
Systemic risk buffer	3.00 %	3.00 %
Counter-cyclical buffer	1.00 %	1.00 %
CET1 requirements, incl. Pilar 2	11.00 %	11.00 %
Tier1 Capital requirements, incl. Pilar 2	12.50 %	12.50 %
Total capital requirements, incl. Pilar 2	14.50 %	14.50 %
CET1 requirements, incl. Pilar 2	2 243 345	2 270 890
Tier1 Capital requirements, incl. Pilar 2	2 549 256	2 580 557
Total capital requirements, incl. Pilar 2	2 957 137	2 993 446
Above CET1 requirements, incl. Pilar 2	1 167 992	1 138 263
Above Tier1 Capital requirements, incl. Pilar 2	862 081	828 596
Above total capital requirements, incl. Pilar 2	454 200	415 707

## 7. LOANS TO CUSTOMERS

NOK Thousand	31.12.2021	31.12.2020
<b>Loans assessed to amortised cost</b>		
Flexi-loans	12 234 931	11 039 785
Loans with installments - floating interest	37 400 796	37 828 397
Loans with installments - fixed interest	4 304	4 281
<b>Gross loans</b>	<b>49 680 350</b>	<b>48 909 702</b>
Loss allowance	-12 788	-11 158
<b>Net loans</b>	<b>49 667 562</b>	<b>48 898 545</b>
Undrawn credit on Flexi-loans	4 640 260	4 166 720

<b>Loans broken down by sectors and industries</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Retail customers	49 641 212	48 873 998
Accrued interests	39 138	35 705
<b>Gross loans</b>	<b>49 680 350</b>	<b>48 909 702</b>
Loss allowance	-12 788	-11 158
<b>Net loans</b>	<b>49 667 562</b>	<b>48 898 545</b>

### Loans broken down by geographical areas\*

NOK Thousand	31.12.2021		31.12.2020	
Agder	32 997 348	66.4 %	32 402 834	66.3 %
Vestfold og Telemark	5 970 346	12.0 %	5 766 529	11.8 %
Oslo	4 414 675	8.9 %	4 581 835	9.4 %
Viken	3 224 157	6.5 %	3 008 852	6.2 %
Rogaland	1 775 542	3.6 %	1 836 024	3.8 %
Other counties	1 285 494	2.6 %	1 302 470	2.7 %
<b>Total</b>	<b>49 667 562</b>	<b>100.0 %</b>	<b>48 898 545</b>	<b>100.0 %</b>

## 8. NON-PERFORMING LOANS

NOK Thousand	31.12.2021	31.12.2020
Total non-performing loans (stage 3)	91 388	48 674
Stage 3 impairment losses	2 416	858
Net non-performing-loans	88 972	47 816
Provision ratio non-performing loans	2.64 %	1.76 %
<b>Total non-performing loans in % of gross loans</b>	<b>0.18 %</b>	<b>0.10 %</b>
Gross loans	<b>49 680 350</b>	<b>48 909 702</b>

### 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	31.12.2021	31.12.2020
Changes in impairment losses for the period, stage 1	-1 471	3 938
+ Changes in impairment losses for the period, stage 2	1 566	-2 749
+ Changes in impairments losses for the period, stage 3	1 709	-91
<b>= Total losses for the period</b>	<b>1 805</b>	<b>1 098</b>

The sensitivity analyses presented below, is related to 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 PD	10 percent increase in unemployment
Loan loss provision	5 972	13 622	22 958	2 336	650
<b>Total</b>	<b>5 972</b>	<b>13 622</b>	<b>22 958</b>	<b>2 336</b>	<b>650</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	6 586	3 938	858	11 381
Transfers				
Transferred to stage 1	1 468	-1 308	-160	0
Transferred to stage 2	-297	314	-17	0
Transferred to stage 3	-12	-145	157	0
Losses on new loans	2 179	1 300	79	3 559
Losses on deducted loans*	-1 869	-1 069	-301	-3 239
Losses on older loans and other changes	-2 942	2 473	1 801	1 332
<b>Loss provisions as at 31.12.2021</b>	<b>5 114</b>	<b>5 502</b>	<b>2 416</b>	<b>13 033</b>
Loss provisions for loans	4 968	5 405	2 415	12 788
Loss provisions for undrawn credit	146	97	1	245
<b>Total loss provisions as at 31.12.2021</b>	<b>5 114</b>	<b>5 502</b>	<b>2 416</b>	<b>13 033</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	2 951	-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	-1 783	-463	-2 950
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 provision for loans	6 428	3 887	843	11 158
Loss provisions for undrawn credit	156	50	16	222
<b>Total loss provision as at 31.12.2020</b>	<b>6 585</b>	<b>3 936</b>	<b>858</b>	<b>11 379</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	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans assessed at amortised cost</b>				
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	679 933	- 666 574	- 13 358	0
Transferred to stage 2	-1 277 718	1 279 659	- 1 942	0
Transferred to stage 3	- 44 318	- 20 872	65 191	0
Net change on present loans loans	-2 127 237	- 102 096	- 5 272	-2 234 605
New loans	14 573 987	409 659	5 157	14 988 803
Derecognised loans	-11 442 790	- 533 188	- 7 572	-11 983 550
<b>Gross loans as at 31.12.2021 assessed at amortised cost</b>	<b>47 404 021</b>	<b>2 186 818</b>	<b>89 511</b>	<b>49 680 350</b>

NOK Thousand	Stage 1	Stage 2	Stage 3	Total
<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>

## 10. BONDS AND CERTIFICATES

NOK Thousand	31.12.2021	31.12.2020
Short-term investments designated at fair value through profit		
Certificates and bonds issued by public sector	3 555 086	1 877 077
Certificates and bonds issued by others	1 505 898	3 349 817
Accrued interests	14 664	6 918
<b>Total</b>	<b>5 075 647</b>	<b>5 233 812</b>

## 11. DEBT SECURITIES ISSUED AT 31.12.2021

NOK Thousand

ISIN Number	Ticker	Currency	Nominal value	Interest	Due date	Book value	Fair value
XS1622285283		EUR	500 000	Fixed 0,125 %	30.05.2022	5 015 835	5 006 151
NO0010671597	SORB09	NOK	350 000	Fixed 3,85 %	13.02.2023	376 524	371 696
XS1775786145		EUR	500 000	Fixed 0,375 %	20.02.2023	5 058 960	5 052 413
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5 012 111	5 044 737
NO0010832637	SORB28	NOK	5 750 000	Floating 3M Nibor	24.09.2025	5 760 986	5 805 157
XS1947550403		EUR	500 000	Fixed 0,50 %	06.02.2026	5 295 747	5 118 367
XS2069304033		EUR	500 000	Fixed 0,01 %	26.10.2026	4 711 669	4 988 074
NO0011002529	SORB31	NOK	5 500 000	Floating 3M Nibor	20.09.2027	5 663 025	5 653 080
NO0010670409	SORB08	NOK	500 000	Fixed 4,00 %	24.01.2028	547 978	571 457
XS2291901994		EUR	500 000	Fixed 0,01 %	28.01.2028	4 945 248	4 945 971
XS2389362687		EUR	500 000	Fixed 0,01 %	25.09.2028	4 951 930	4 965 253
<b>TOTAL</b>						<b>47 340 011</b>	<b>47 522 354</b>

## 12. COVER POOL COMPOSITION AND OC

NOK Thousand	Fair value 31.12.2021	31.12.2020
Loans secured by mortgages on residential properties	49 667 562	48 898 545
Deductions on ineligible loans	- 169 912	- 112 720
Pool of eligible loans	49 497 650	48 785 825
Certificates and bonds	3 794 692	300 825
Financial derivatives	214 981	2 508 691
<b>Total cover pool</b>	<b>53 507 323</b>	<b>51 595 340</b>
Debt incurred due to issuance of securities	<b>47 522 354</b>	<b>44 925 120</b>
<b>Collateralisation ratio (OC)</b>	<b>12.6 %</b>	<b>14.8 %</b>
	Nominal value	
	31.12.2021	31.12.2020
OC based on nominal value - eligibles only	13.6 %	16.5 %
OC based on nominal value - total loans	14.0 %	16.7 %

### 13. RELATED PARTIES

NOK Thousand	31.12.2021	31.12.2020
<b>Income statement</b>		
Interest income from Sparebanken Sør on deposits	4 645	10 730
Interest expenses/commission from Sparebanken Sør on loans/credit	65 256	70 264
Interest expenses on bond debts to Sparebanken Sør	10 059	29 637
Paid administration fees to Sparebanken Sør	91 027	84 434
<b>Balance sheet</b>		
Bank deposit in Sparebanken Sør	256 371	2 252 025
Covered bonds owned by Sparebanken Sør	757 500	2 018 096
Loans/credit in Sparebanken Sør	3 855 963	8 470 556

### QUARTERLY PROFIT TREND

NOK Thousand	Q4	Q3	Q2	Q1	Q4
	2021	2021	2021	2021	2020
Net interest income	140 361	150 265	138 449	135 703	148 929
Net other operating income	- 15 122	8 675	- 15 878	- 37 673	- 2 344
Operating expenses	24 412	24 564	23 610	24 555	23 874
<b>Profit before losses on loans</b>	<b>100 826</b>	<b>134 376</b>	<b>98 961</b>	<b>73 475</b>	<b>122 711</b>
Losses on loans and undrawn credits	914	2 183	371	- 1 664	385
<b>Profit before taxes</b>	<b>99 912</b>	<b>132 193</b>	<b>98 590</b>	<b>75 139</b>	<b>122 326</b>
Tax expenses	24 978	33 047	24 649	18 785	30 582
<b>Profit for the period</b>	<b>74 934</b>	<b>99 146</b>	<b>73 941</b>	<b>56 354</b>	<b>91 745</b>
Liquidity coverage ratio (LCR)	1 001%	781 %	680 %	577 %	5 810%
Total capital ratio	16.7%	16.8%	16.9 %	17.9 %	16.5%
Leverage Ratio	5.9 %	5.8%	6.2 %	6.5 %	5.7%

## 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 Q4 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, 8 February 2022

*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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