



**SPAREBANKEN SØR
BOLIGKREDITT AS**

Q1 2022

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 Q1 2022, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 50 504 million, transferred from Sparebanken Sør, of which NOK 50 276 million was included in the qualified cover pool. Corresponding figures at the end of Q1 2021 were NOK 45 866 million and NOK 45 720 million respectively.

The portfolio of bonds and certificates totalled NOK 5 004 million at the end of Q1 2022, of which NOK 3 804 million was included in the cover pool. Corresponding figures at the end of Q1 2021 were NOK 2 456 million and NOK 1 376 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 46 760 million, compared to NOK 41 388 million at the same time in 2021. The company has achieved diversified funding by issuing covered bonds outside the Norwegian bond market.

Income statement and balance sheet

In Q1 2022 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 72.2 million, compared to NOK 56.4 million in the same period in 2021.

The company had net interest income of NOK 126.5 million, compared to NOK 135.7 million in 2021. The decrease is mainly due to the fact that the increase in average rates on debt securities, exceeds the increase in average rates on loans to customers. Interest rate had an uplift during the second half of 2021 and first quarter of 2022. The Norwegian Central Bank has hiked the policy rate three times from 0 to 0.75 percent since September 2021, and has announced that a further upswing in the interest rate will most probably take place during 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 6.4 million, compared to minus NOK 36.4 million in 2021. The improvement is related both to a positive development regarding hedging and buyback of own 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 3.2 million and other comprehensive income by NOK 86.0 million at the end of Q1 2022. 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 24.4 million and tax expenses were NOK 24.1 million at the end of Q1 2022. Corresponding figures at the end of Q1 2021, were NOK 24.6 million and NOK 18.8 million respectively.

Total assets at 31.03.2022 were NOK 56 233 million, of which net loans to customers represented NOK 50 493 million. At the same time in 2021 total assets were NOK 49 849 million, of which net loans to customers were NOK 45 856 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 46 760 million, and through equity and loans from Sparebanken Sør. At the end of Q1 2022, the company had a total paid-in capital of NOK 2 575 million, of which NOK 2 075 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 31.03.2022, was drawn down by NOK 3 104 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 Q1 2022, the net subordinated capital in the company was NOK 4 197 million, compared to NOK 3 389 million at the same time in 2021. This corresponds to a common equity tier 1 capital ratio/tier 1 capital ratio/total capital ratio of 20.5 percent (17.9 percent in 2021), 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 7.2 percent at the end of Q1 2022.

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 31.03.2022 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 892 percent. As at 31.03.2022 the mortgages in the cover pool had an average loan-to value of 51.8 percent. Over-collateralization was 11.7 percent, and given a stresstest on assets prices of 30 percent, the OC was above the legislative OC level of 2 percent.

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, under which Sparebanken Sør Boligkreditt AS has issued green covered bonds. The proceeds are allocated to a mortgage portfolio, financing energy-efficient residential buildings in Norway. The bond framework, which is aligned with ICMA Green Bond Principles, was updated in Q1 2022.

Rating

Covered bonds issued by Sparebanken Sør Boligkreditt AS in NOK and EUR have been given an Aaa rating by Moody's.

Future prospects

Activity in the Norwegian economy has continued to rise after Covid-19 containment measures were removed in winter. Unemployment has fallen to a low level, and price and wage inflation is high. The war in Ukraine has created uncertainty about the economic outlook, but continued upturn in the Norwegian economy is expected. Capacity utilisation is reported to be above a normal level, and the underlying inflation has risen to 2.1 %. During 2021 the policy rate was raised twice. Another raise was implemented in March this year, and the policy rate forecast indicates a gradual rate rise to around 2.5% at the end of 2023.

Residential property prices in the Bank's main markets have shown positive, though moderate, growth over several years. Activity in the housing market in the region has been high and with inflated house prices during 2021 and in Q1 2022. House price inflation is projected to fall through 2022 and into 2023, owing to higher lending rates and because more homes are expected to be listed for sale. In addition the uplift in house prices can decline if residential construction increases as expected. A strong labour market and wage growth will have a positive effect on house prices.

The risk premiums on covered bonds have increased in Q1 2022, a reflection of the volatility associated with the war in Ukraine. Sparebanken Sør Boligkreditt AS has ample access to wholesale funding and sufficient liquidity reserves to handle financial market volatility.

The Norwegian Ministry of Finance has proposed to implement the European Covered Bonds Directive in Norway, in parallel with the European implementation plan. The Directive is to a large extent in line with Norwegian covered bonds laws and framework.

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, 4 May 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	31.03.2022	31.03.2021	31.12.2021
Interest income, assets recognised at amortized cost	2, 12	283 238	244 157	965 265
Interest income, assets recognised at fair value	2, 12	16 356	15 982	40 279
Interest expenses	2, 12	173 136	124 436	440 768
Net interest income	2	126 457	135 703	564 777
Commission income		35	34	136
Commission expenses		1 293	1 271	5 095
Net commission income		-1 257	-1 237	-4 959
Net income from financial instruments	3	-6 365	-36 436	-55 040
Personnel expenses		0	0	54
Other operating expenses	12	24 384	24 555	97 087
Total expenses		24 384	24 555	97 141
Profit before loss		94 451	73 475	407 638
Losses on loans and undrawn credit	9	-1 805	-1 664	1 805
Profit before taxes		96 256	75 139	405 833
Tax expenses		24 064	18 785	101 458
Profit for the period		72 192	56 354	304 375

Other comprehensive income

NOK Thousand	Notes	31.03.2022	31.03.2021	31.12.2021
Profit for the period		72 192	56 354	304 375
Net change in value from basis swaps		114 612	-32 913	13 844
Tax effect		-28 653	8 228	-3 461
Total profit for the period		158 151	31 669	314 758

Balance sheet

NOK Thousand

ASSETS	Notes	31.03.2022	31.03.2021	31.12.2021
Loans to and receivables from credit institutions	12	552 906	555 829	256 371
Net loans to customers	7,8,9,11	50 493 124	45 856 360	49 667 562
Bonds and certificates	11	5 003 609	2 456 406	5 075 647
Financial derivatives	11	144 334	903 166	737 202
Deferred tax assets		0	38 718	12 991
Other assets		39 054	38 912	42 099
TOTAL ASSETS		56 233 028	49 849 391	55 791 872
LIABILITIES AND EQUITY				
Debt to credit institutions	5,12	3 171 444	4 714 270	4 088 568
Debt incurred due to issuance of securities	10,11	46 759 844	41 387 685	47 340 012
Financial derivatives		1 925 167	199 632	522 221
Payable taxes		- 5	88 246	98 387
Deferred tax liabilities		39 726	0	0
Other liabilities		61 025	10 971	11 008
TOTAL LIABILITIES		51 957 201	46 400 803	52 060 195
EQUITY				
Paid-in equity	6	2 575 000	1 875 000	1 875 000
Retained earnings	6	1 700 827	1 573 588	1 856 676
TOTAL EQUITY CAPITAL	6	4 275 827	3 448 588	3 731 676
TOTAL LIABILITIES AND EQUITY CAPITAL		56 233 028	49 849 391	55 791 872

Kristiansand, 4 May 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

NOK Thousand	31.03.2022	31.03.2021	31.12.2021
Interest received	295 740	262 970	1 002 111
Interest paid	- 219 158	- 92 338	- 448 719
Operating expenditure	24 375	- 25 748	- 102 018
Changes in loans to customers	- 819 988	3 040 545	- 767 569
Income tax paid	- 98 392	- 36 746	- 98 387
Net cash flow from operating activities	- 817 422	3 148 683	- 414 582
Payments received, securities	1 785 524	7 093 393	9 468 174
Payments made, securities	-1 718 929	-4 455 925	-9 461 832
Changes in other assets	3 044	- 8 638	- 11 825
Changes in deposits from credit institutions	- 917 124	-5 682 063	-6 307 764
Changes in other liabilities	50 017	44	81
Net cash flow from current financing activities	- 797 468	-3 053 190	-6 313 165
Paid-in share capital	700 000	0	0
Paid dividend	- 314 000	- 300 178	- 300 178
Payments received, bond debt	1 525 425	5 290 075	16 828 116
Payments made, bond debt	0	-6 781 586	-11 795 845
Net cash flow from long-term financing activities	1 911 426	-1 791 689	4 732 094
Net change in liquid funds	296 536	-1 696 195	-1 995 654
Liquid funds as at 01.01.	256 371	2 252 025	2 252 025
Liquid funds at the end of the period	552 906	555 829	256 371

Statement of changes in Equity

NOK Thousand	Share premium		Retained earnings	Total
	Share capital	reserve		
Balance 31.12.2020	1 375 000	500 000	1 842 097	3 717 097
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
Balance 31.03.2021	1 375 000	500 000	1 573 588	3 448 588
Profit 01.04.2021 - 31.12.2021	0	0	248 021	248 021
Other income/expenses	0	0	35 068	35 068
Balance 31.12.2021	1 375 000	500 000	1 856 676	3 731 676
Dividend	0	0	- 314 000	- 314 000
Share capital increase	700 000	0	0	700 000
Profit 01.01.2022 - 31.03.2022	0	0	72 192	72 192
Other income/expenses	0	0	85 959	85 959
Balance 31.03.2022	2 075 000	500 000	1 700 828	4 275 827

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 2021 (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 2021 (Note 2 – Discretionary assessments, estimates and assumptions) for further details.

The quarterly financial statements have not been audited.

2. NET INTEREST INCOME

NOK Thousand	31.03.2022	31.03.2021	31.12.2021
Interest income recognised at amortized cost			
Interest on loans to customers	281 976	242 090	960 620
Interest on loans to and receivables from credit institutions	1 262	2 067	4 645
Total interest income recognised at amortized cost	283 238	244 157	965 265
Interest income recognised at fair value			
Interest on certificates/bonds/interest-bearing securities	16 356	15 982	40 279
Total interest income recognised at fair value	16 356	15 982	40 279
Total interest income	299 594	260 139	1 005 544
Interest expenses recognised at amortized cost			
Interest on debt to credit institutions	14 915	18 849	60 161
Interest on issued securities	156 316	104 087	372 989
Other interest expenses	1 905	1 500	7 618
Total interest expenses recognised at amortized cost	173 136	124 436	440 768
Total interest expenses	173 136	124 436	440 768
Net interest income	126 457	135 703	564 777

3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	31.03.2022	31.03.2021	31.12.2021
Profit (loss) and changes in value from certificates and bonds	- 8 451	- 6 248	- 25 784
Net income from certificates and bonds	- 8 451	- 6 248	- 25 784
Change in value fixed rate loans - interest	- 128	- 71	- 134
Change in value fixed rate loans - margin	- 8	3	18
Expected credit loss IFRS9	0	0	2
Net change in value fixed rate loans	- 136	- 67	- 113
Change in value fixed rate bonds - hedge accounting	2 044 332	1 687 566	2 282 967
Change in value derivatives fixed rate bonds - designated as hedging instruments	-2 042 110	-1 696 100	-2 275 945
Net income hedging	2 222	- 8 535	7 021
<i>Whereof effects from basis swaps (1)</i>	<i>3 171</i>	<i>5 944</i>	<i>15 952</i>
Profit (loss) buyback own bonds - amortised cost	0	- 21 586	- 36 314
Currency gains (losses)	0	0	151
Net other financial instruments and derivatives	0	- 21 586	- 36 163
Net income from financial instruments	- 6 365	- 36 436	- 55 040

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

	31.03.2022	31.03.2021	31.12.2021
Average debt to assets ratio in %	51.8%	52.8%	52.9%
Portfolio broken down by intervals of debt to assets ratio			
Less than or equal to 40 %	20.6 %	19.5 %	19.0 %
41 - 50 %	19.0 %	16.9 %	17.3 %
51 - 60 %	30.8 %	29.3 %	29.5 %
61 - 70 %	25.4 %	27.3 %	27.2 %
71 - 75 %	2.6 %	4.8 %	5.1 %
More than 75 %	1.6 %	2.2 %	2.0 %
Total	100.0 %	100.0 %	100.0 %

5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	31.03.2022	31.03.2021	31.12.2021
Credit facility with Sparebanken Sør	3 103 759	4 217 047	3 855 963
Received collaterals	67 685	497 223	232 605
Total debt to credit institutions	3 171 444	4 714 270	4 088 568

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

NOK Thousand	31.03.2022	31.03.2021	31.12.2021
Equity capital			
Share capital	2 075 000	1 375 000	1 375 000
Share premium reserve	500 000	500 000	500 000
Other equity capital	1 628 635	1 517 234	1 856 676
Deductions	-7 078	-3 563	-6 339
Dividend	0	0	-314 000
Net subordinated capital (common equity tier 1)	4 196 557	3 388 670	3 411 337
Minimum requirements for equity capital			
Credit risk	19 555 528	18 150 440	19 519 952
Market risk	0	0	0
Operational risk	874 094	777 918	874 094
CVA addition	0	0	0
Deductions	0	0	0
Risk weight balance (calculation basis)	20 429 622	18 928 359	20 394 046
Common equity tier 1 capital ratio	20.5 %	17.9 %	16.7 %
Tier 1 capital ratio	20.5 %	17.9 %	16.7 %
Total capital ratio	20.5 %	17.9 %	16.7 %
Leverage Ratio	7.2 %	6.5 %	5.9 %

Minimum capital requirements:	31.03.2022	31.03.2021	31.12.2021
NOK Thousand			
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	2 247 258	2 082 119	2 243 345
Tier1 Capital requirements, incl. Pilar 2	2 553 703	2 366 045	2 549 256
Total capital requirements, incl. Pilar 2	2 962 295	2 744 612	2 957 137
Above CET1 requirements, incl. Pilar 2	1 949 299	1 306 550	1 167 992
Above Tier1 Capital requirements, incl. Pilar 2	1 642 854	1 022 625	862 081
Above total capital requirements, incl. Pilar 2	1 234 262	644 057	454 200

7. LOANS TO CUSTOMERS

NOK Thousand	31.03.2022	31.03.2021	31.12.2021
Loans assessed to amortised cost			
Flexi-loans	13 047 271	10 729 638	12 234 931
Loans with installments - floating interest	37 407 790	35 098 075	37 400 796
Loans with installments - fixed interest	4 959	4 204	4 304
Gross loans	50 504 169	45 865 891	49 680 350
Loss allowance	- 11 045	- 9 531	- 12 788
Net loans	50 493 124	45 856 360	49 667 562
Undrawn credit on Flexi-loans	4 943 014	3 558 712	4 640 260

Loans broken down by sectors and industries	31.03.2022	31.03.2021	31.12.2021
Retail customers	50 461 177	45 833 018	49 641 212
Accrued interests	42 992	32 873	39 138
Gross loans	50 504 169	45 865 891	49 680 350
Loss allowance	- 11 045	- 9 531	- 12 788
Net loans	50 493 124	45 856 360	49 667 562

Loans broken down by geographical areas*

NOK Thousand	31.03.2022		31.03.2021		31.12.2021	
Agder	33 002 526	65.4 %	30 289 029	66.1 %	32 997 348	66.4 %
Vestfold og Telemark	5 998 766	11.9 %	5 513 991	12.0 %	5 970 346	12.0 %
Oslo	4 773 852	9.5 %	4 493 040	9.8 %	4 414 675	8.9 %
Viken	3 467 022	6.9 %	2 837 998	6.2 %	3 224 157	6.5 %
Rogaland	1 871 053	3.7 %	1 506 460	3.3 %	1 775 542	3.6 %
Other counties	1 379 905	2.7 %	1 215 841	2.7 %	1 285 494	2.6 %
Total	50 493 124	100.0 %	45 856 360	100.0 %	49 667 562	100.0 %

8. NON-PERFORMING LOANS

NOK Thousand	31.03.2022	31.03.2021	31.12.2021
Total non-performing loans (stage 3)	137 324	55 375	91 388
Stage 3 impairment losses	3 039	1 114	2 416
Net non-performing-loans	134 285	54 261	88 972
Provision ratio non-performing loans	2.21 %	2.01 %	2.64 %
Total non-performing loans in % of gross loans	0.27 %	0.12 %	0.18 %
Gross loans	50 504 169	45 865 891	49 680 350

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	31.03.2022	31.03.2021	31.12.2021
Changes in impairment losses for the period, stage 1	- 1 426	- 1 604	- 1 471
+ Changes in impairment losses for the period, stage 2	- 1 001	- 321	1 566
+ Changes in impairments losses for the period, stage 3	622	262	1 709
= Total losses for the period	- 1 805	- 1 664	1 805

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	5 535	12 698	21 494	2 316	2 726
Total	5 535	12 698	21 494	2 316	2 726

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 01.01.2022	5 114	5 502	2 416	13 032
Transfers				
Transferred to stage 1	1 671	-1 365	-305	0
Transferred to stage 2	-207	280	-73	0
Transferred to stage 3	-4	-201	206	0
Losses on new loans	592	51	6	649
Losses on deducted loans*	-364	-490	-22	-876
Losses on older loans and other changes	-3 114	725	811	-1 578
Loss provisions as at 31.03.2022	3 687	4 502	3 038	11 227
Loss provisions for loans	3 569	4 443	3 032	11 045
Loss provisions for undrawn credit	118	58	6	182
Total loss provisions as at 31.03.2022	3 687	4 502	3 038	11 227

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 01.01.2021	6 585	3 936	858	11 379
Transfers	0	0	0	0
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	1 163	311	-917
Loss provisions as at 31.03.2021	4 982	3 614	1 114	9 709
Loss provision for loans	4 836	3 583	1 113	9 531
Loss provisions for undrawn credit	147	31	1	178
Total loss provision as at 31.03.2021	4 982	3 614	1 114	9 709

* 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
Gross loans assessed at amortised cost				
Gross loans as at 01.01.2022 assessed at amortised cost	47 402 143	2 186 818	91 388	49 680 350
Transferred to stage 1	657 080	- 642 377	- 14 703	0
Transferred to stage 2	- 982 012	986 188	- 4 176	0
Transferred to stage 3	- 34 482	- 33 815	68 297	0
Net change on present loans	- 664 386	- 31 691	- 1 605	- 697 682
New loans	4 680 323	23 393	1 311	4 705 027
Derecognised loans	-2 975 897	- 204 441	- 3 188	-3 183 526
Gross loans as at 31.03.2022 assessed at amortised cost	48 082 770	2 284 074	137 324	50 504 169

NOK Thousand	Stage 1	Stage 2	Stage 3	Total
Gross loans assessed at amortised cost				
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	- 646 708	- 29 704	- 403	- 676 815
New loans	3 758 030	39 287	3 153	3 800 470
Derecognised loans	-5 871 726	- 292 719	- 3 020	-6 167 465
Gross loans as at 31.03.2021 assessed at amortised cost	44 138 120	1 673 776	53 995	45 865 891

10. BONDS AND CERTIFICATES

NOK Thousand	31.03.2022	31.03.2021	31.12.2021
Short-term investments designated at fair value through profit			
Certificates and bonds issued by public sector	3 483 469	716 644	3 555 086
Certificates and bonds issued by others	1 504 760	1 727 608	1 505 898
Accrued interests	15 381	12 154	14 664
Total	5 003 609	2 456 406	5 075 647

11. DEBT SECURITIES ISSUED AT 31.03.2022

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	4 819 594	4 822 900
NO0010671597	SORB09	NOK	350 000	Fixed 3.85 %	13.02.2023	356 605	358 192
XS1775786145		EUR	500 000	Fixed 0.375 %	20.02.2023	4 840 934	4 837 410
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5 009 163	5 036 671
NO0010832637	SORB28	NOK	5 750 000	Floating 3M Nibor	24.09.2025	5 767 324	5 789 620
XS1947550403		EUR	500 000	Fixed 0.50 %	06.02.2026	4 940 617	4 730 121
XS2069304033		EUR	500 000	Fixed 0.01 %	26.10.2026	4 333 113	4 597 438
NO0011002529	SORB31	NOK	7 000 000	Floating 3M Nibor	20.09.2027	7 180 854	7 141 890
NO0010670409	SORB08	NOK	500 000	Fixed 4.00 %	24.01.2028	520 875	525 348
XS2291901994		EUR	500 000	Fixed 0.01 %	28.01.2028	4 512 951	4 516 156
XS2389362687		EUR	500 000	Fixed 0.01 %	25.09.2028	4 477 815	4 472 175
TOTAL						46 759 844	46 827 921

12. COVER POOL COMPOSITION AND OC

NOK Thousand	Fair value		
	31.03.2022	31.03.2021	31.12.2021
Loans secured by mortgages on residential properties	50 493 124	45 856 360	49 667 562
Deductions on ineligible loans	- 216 750	- 136 138	- 169 912
Pool of eligible loans	50 276 374	45 720 222	49 497 650
Certificates and bonds	3 804 113	1 376 387	3 794 861
Financial derivatives (assets)	58 855	703 533	214 981
Total cover pool	54 139 343	47 800 142	53 507 492
Debt incurred due to issuance of securities	46 827 921	41 572 174	47 522 354
Financial derivatives (liabilities)	1 839 688	0	0
Total	48 667 609	41 572 174	47 522 354
Collateralisation ratio (OC)	11.2 %	15.0 %	12.6 %

	Nominal value		
	31.03.2022	31.03.2021	31.12.2021
OC based on nominal value - eligibles only	11.7 %	16.1 %	13.6 %
OC based on nominal value - total loans	12.1 %	16.5 %	14.0 %

13. RELATED PARTIES

NOK Thousand	31.03.2022	31.03.2021	31.12.2021
Income statement			
Interest income from Sparebanken Sør on deposits	1 262	2 067	938
Interest expenses/commission from Sparebanken Sør on loans/credit	16 208	20 120	65 256
Interest expenses on bond debts to Sparebanken Sør	26 096	1 140	10 059
Paid administration fees to Sparebanken Sør	23 374	23 028	91 027
Balance sheet			
Bank deposit in Sparebanken Sør	552 906	555 829	255 887
Covered bonds owned by Sparebanken Sør	757 500	0	757 500
Loans/credit in Sparebanken Sør	3 103 759	4 217 047	3 855 963

QUARTERLY PROFIT TREND

NOK Thousand	Q1	Q4	Q3	Q2	Q1
	2022	2021	2021	2021	2021
Net interest income	126 457	140 361	150 265	138 449	135 703
Net other operating income	- 7 622	- 15 122	8 675	- 15 878	- 37 673
Operating expenses	24 384	24 412	24 564	23 610	24 555
Profit before losses on loans	94 451	100 826	134 376	98 961	73 475
Losses on loans and undrawn credits	- 1 805	914	2 183	371	- 1 664
Profit before taxes	96 256	99 912	132 193	98 590	75 139
Tax expenses	24 064	24 978	33 047	24 649	18 785
Profit for the period	72 192	74 934	99 146	73 941	56 354
Liquidity coverage ratio (LCR)	892 %	1 001 %	781 %	680 %	577 %
Total capital ratio	20.5 %	16.7 %	16.8 %	16.9 %	17.9 %
Leverage Ratio	7.2 %	5.9 %	5.8 %	6.2 %	6.5 %



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