



**SPAREBANKEN SØR  
BOLIGKREDITT AS**

**Q2 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 Q2 2022, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 54 007 million, transferred from Sparebanken Sør, of which NOK 53 727 million was included in the qualified cover pool. Corresponding figures at the end of Q2 2021 were NOK 48 766 million and NOK 48 632 million respectively.

The portfolio of bonds and certificates totalled NOK 3 751 million at the end of Q2 2022, of which NOK 2 565 million was included in the cover pool. Corresponding figures at the end of Q2 2021 were NOK 1 521 million and NOK 0 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 48 417 million, compared to NOK 43 154 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 Q2 2022 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 135.8 million, compared to NOK 130.3 million in the same period in 2021.

The company had net interest income of NOK 244.3 million, compared to NOK 274.2 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 half of 2022. The Norwegian Central Bank has hiked the policy rate four times from 0 to 1.25 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 6.0 million, compared to minus NOK 51.1 million in 2021. The improvement is related 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 5.0 million and other comprehensive income by NOK 96.8 million at the end of Q2 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 51.3 million and tax expenses were NOK 45.3 million at the end of Q2 2022. Corresponding figures at the end of Q2 2021, were NOK 48.2 million and NOK 43.4 million respectively.

Total assets at 30.06.2022 were NOK 58 855 million, of which net loans to customers represented NOK 53 991 million. At the same time in 2021 total assets were NOK 52 220 million, of which net loans to customers were NOK 48 756 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 48 417 million, and through equity and loans from Sparebanken Sør. At the end of Q2 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 30.06.2022, was drawn down by NOK 4 721 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 Q2 2022, the net subordinated capital in the company was NOK 4 209 million, compared to NOK 3 373 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 19.5 percent (16.9 percent in 2021), while regulatory minimums requirements constitute 11.5 percent, 13.0 percent and 15.0 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 7.0 percent at the end of Q2 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 30.06.2022 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 805 percent. As at 30.06.2022 the mortgages in the cover pool had an average loan-to value of 50.3 percent. Over-collateralization was 14.4 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 is high, with little spare capacity. Unemployment has fallen to a low level, and the labour market is tight. Price and wage inflation is high. The war in Ukraine has created uncertainty about the economic outlook and increased energy and commodity prices. During 2021 the policy rate was raised twice. Another rise was implemented in March and a 50 bp rise was implemented in June this year. The policy rate forecast indicates a gradual rate rise to around 3% at the summer 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 first half of 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 the first half of 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 European Covered Bond Directive was implemented in Norway by 8th July 2022. The Directive is to a large extent in line with previous Norwegian covered bond laws and regulations. The FSA in Norway has approved of Sparebanken Sør Boligkreditt AS' Covered Bonds Premium Program and the company can issue Premium Covered Bonds (OMF Premium) under this program.

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, 10 August 2022

Geir Bergskaug  
Chairman

Seunn Smith-Tønnessen  
Member

Gunnar P. Thomassen  
Member

Steinar Vigsnes  
Member

Marianne Lofthus  
Managing Director

## Income statement

NOK Thousand	Notes	Q2 2022	Q2 2021	30.06.2022	30.06.2021	31.12.2021
Interest income, assets recognised at amortized cost	2, 12	328 717	229 438	611 955	473 595	965 265
Interest income, assets recognised at fair value	2, 12	19 915	5 393	36 271	21 375	40 279
Interest expenses	2, 12	230 823	96 382	403 959	220 818	440 768
<b>Net interest income</b>	<b>2</b>	<b>117 809</b>	<b>138 449</b>	<b>244 267</b>	<b>274 152</b>	<b>564 777</b>
Commission income		42	34	77	67	136
Commission expenses		1 288	1 263	2 581	2 534	5 095
<b>Net commission income</b>		<b>-1 246</b>	<b>-1 230</b>	<b>-2 504</b>	<b>-2 467</b>	<b>-4 959</b>
<b>Net income from financial instruments</b>	<b>3</b>	<b>395</b>	<b>-14 649</b>	<b>-5 970</b>	<b>-51 084</b>	<b>-55 040</b>
Personnel expenses		0	0	0	0	54
Other operating expenses	12	26 917	23 610	51 301	48 164	97 087
<b>Total expenses</b>		<b>26 917</b>	<b>23 610</b>	<b>51 301</b>	<b>48 164</b>	<b>97 141</b>
<b>Profit before loss</b>		<b>90 041</b>	<b>98 961</b>	<b>184 492</b>	<b>172 436</b>	<b>407 638</b>
Losses on loans and undrawn credit	9	5 174	371	3 369	-1 293	1 805
<b>Profit before taxes</b>		<b>84 867</b>	<b>98 590</b>	<b>181 123</b>	<b>173 728</b>	<b>405 833</b>
Tax expenses		21 217	24 649	45 281	43 433	101 458
<b>Profit for the period</b>		<b>63 650</b>	<b>73 941</b>	<b>135 842</b>	<b>130 295</b>	<b>304 375</b>

## Other comprehensive income

NOK Thousand	Q2 2022	Q2 2021	30.06.2022	30.06.2021	31.12.2021
<b>Profit for the period</b>	<b>63 650</b>	<b>73 941</b>	<b>135 842</b>	<b>130 295</b>	<b>304 375</b>
Net change in value from basis swaps	14 429	-21 873	129 040	-54 786	13 844
Tax effect	-3 607	5 468	-32 260	13 697	-3 461
<b>Total profit for the period</b>	<b>74 472</b>	<b>57 536</b>	<b>232 622</b>	<b>89 205</b>	<b>314 758</b>

# Balance sheet

## NOK Thousand

ASSETS	Notes	30.06.2022	30.06.2021	31.12.2021
Loans to and receivables from credit institutions	12	684 903	735 695	256 371
Net loans to customers	7,8,9,11	53 990 669	48 756 141	49 667 562
Bonds and certificates	11	3 751 188	1 520 878	5 075 647
Financial derivatives	11	387 150	1 119 976	737 202
Deferred tax assets		0	46 764	12 991
Other assets		40 908	40 191	42 099
<b>TOTAL ASSETS</b>		<b>58 854 817</b>	<b>52 219 645</b>	<b>55 791 872</b>
<b>LIABILITIES AND EQUITY</b>				
Debt to credit institutions	5,12	4 730 662	5 379 609	4 088 568
Debt incurred due to issuance of securities	10,11	48 417 317	43 154 431	47 340 012
Financial derivatives		1 281 192	83 050	522 221
Payable taxes		5 779	78 727	98 387
Deferred tax liabilities		58 766	0	0
Other liabilities		10 801	17 704	11 008
<b>TOTAL LIABILITIES</b>		<b>54 504 518</b>	<b>48 713 521</b>	<b>52 060 195</b>
<b>EQUITY</b>				
Paid-in equity	6	2 575 000	1 875 000	1 875 000
Retained earnings	6	1 775 299	1 631 124	1 856 676
<b>TOTAL EQUITY CAPITAL</b>	6	<b>4 350 299</b>	<b>3 506 124</b>	<b>3 731 676</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>58 854 817</b>	<b>52 219 645</b>	<b>55 791 872</b>

Kristiansand, 10 August 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>30.06.2022</b>	<b>30.06.2021</b>	<b>31.12.2021</b>
Interest received	640 293	497 977	1 002 111
Interest paid	- 366 607	- 212 121	- 448 719
Operating expenditure	- 54 011	- 43 855	- 102 018
Changes in loans to customers	-4 318 517	140 477	- 767 569
Income tax paid	- 98 397	- 73 492	- 98 387
<b>Net cash flow from operating activities</b>	<b>-4 197 239</b>	<b>308 986</b>	<b>- 414 582</b>
Payments received, securities	8 420 249	8 299 006	9 468 174
Payments made, securities	-7 146 701	-4 727 307	-9 461 832
Changes in other assets	1 191	- 9 917	- 11 825
Changes in deposits from credit institutions	642 094	-5 016 723	-6 307 764
Changes in other liabilities	- 207	6 777	81
<b>Net cash flow from current financing activities</b>	<b>1 916 626</b>	<b>-1 448 165</b>	<b>-6 313 165</b>
Paid-in share capital	700 000	0	0
Paid dividend	- 314 000	- 300 178	- 300 178
Payments received, bond debt	7 017 395	10 967 450	16 828 116
Payments made, bond debt	-4 694 250	-11 044 423	-11 795 845
<b>Net cash flow from long-term financing activities</b>	<b>2 709 145</b>	<b>- 377 151</b>	<b>4 732 094</b>
<b>Net change in liquid funds</b>	<b>428 532</b>	<b>-1 516 329</b>	<b>-1 995 654</b>
Liquid funds as at 01.01.	256 371	2 252 025	2 252 025
<b>Liquid funds at the end of the period</b>	<b>684 903</b>	<b>735 695</b>	<b>256 371</b>

# Statement of changes in Equity

NOK Thousand	Share capital	Share premium reserve	Retained earnings	Total
<b>Balance 31.12.2020</b>	<b>1 375 000</b>	<b>500 000</b>	<b>1 842 097</b>	<b>3 717 097</b>
Dividend	0	0	- 300 178	- 300 178
Profit 01.01.2021 - 30.06.2021	0	0	130 295	130 295
Other income/expenses	0	0	- 41 090	- 41 090
<b>Balance 30.06.2021</b>	<b>1 375 000</b>	<b>500 000</b>	<b>1 631 124</b>	<b>3 506 124</b>
Profit 30.06.2021 - 31.12.2021	0	0	174 080	174 080
Other income/expenses	0	0	51 472	51 472
<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>
Dividend	0	0	- 314 000	- 314 000
Share capital increase	700 000	0	0	700 000
Profit 01.01.2022 - 30.06.2022	0	0	135 842	135 842
Other income/expenses	0	0	96 781	96 781
<b>Balance 30.06.2022</b>	<b>2 075 000</b>	<b>500 000</b>	<b>1 775 299</b>	<b>4 350 299</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 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	Q2 2022	Q2 2021	30.06.2022	30.06.2021	31.12.2021
Interest income recognised at amortized cost					
Interest on loans to customers	328 006	228 694	609 982	470 784	960 620
Interest on loans to and receivables from credit institutions	712	744	1 974	2 811	4 645
<b>Total interest income recognised at amortized cost</b>	<b>328 717</b>	<b>229 438</b>	<b>611 955</b>	<b>473 595</b>	<b>965 265</b>
Interest income recognised at fair value					
Interest on certificates/bonds/interest-bearing securities	19 915	5 393	36 271	21 375	40 279
<b>Total interest income recognised at fair value</b>	<b>19 915</b>	<b>5 393</b>	<b>36 271</b>	<b>21 375</b>	<b>40 279</b>
<b>Total interest income</b>	<b>348 632</b>	<b>234 831</b>	<b>648 226</b>	<b>494 970</b>	<b>1 005 544</b>
Interest expenses recognised at amortized cost					
Interest on debt to credit institutions	25 689	12 603	40 604	31 452	60 161
Interest on issued securities	202 392	81 472	358 708	185 559	372 989
Other interest expenses	2 743	2 307	4 648	3 807	7 618
<b>Total interest expenses recognised at amortized cost</b>	<b>230 823</b>	<b>96 382</b>	<b>403 959</b>	<b>220 818</b>	<b>440 768</b>
<b>Total interest expenses</b>	<b>230 823</b>	<b>96 382</b>	<b>403 959</b>	<b>220 818</b>	<b>440 768</b>
<b>Net interest income</b>	<b>117 809</b>	<b>138 449</b>	<b>244 267</b>	<b>274 152</b>	<b>564 777</b>

### 3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	Q2 2022	Q2 2021	30.06.2022	30.06.2021	31.12.2021
Profit (loss) and changes in value from certificates and bonds	- 13 527	- 3 347	- 21 978	- 9 595	- 25 784
<b>Net income from certificates and bonds</b>	<b>- 13 527</b>	<b>- 3 347</b>	<b>- 21 978</b>	<b>- 9 595</b>	<b>- 25 784</b>
Change in value fixed rate loans - interest	182	0	55	- 71	- 134
Change in value fixed rate loans - margin	- 68	- 8	- 76	- 5	18
Expected credit loss IFRS9	0	0	0	1	2
<b>Net change in value fixed rate loans</b>	<b>115</b>	<b>- 8</b>	<b>- 21</b>	<b>- 75</b>	<b>- 113</b>
Change in value fixed rate bonds - hedge accounting	- 843 347	- 331 115	1 200 985	1 356 450	2 282 967
Change in value derivatives fixed rate bonds					
- designated as hedging instruments	<b>857 154</b>	<b>333 885</b>	-1 184 955	-1 362 216	-2 275 945
<b>Net income hedging</b>	<b>13 807</b>	<b>2 769</b>	<b>16 029</b>	<b>- 5 766</b>	<b>7 021</b>
<i>Whereof effects from basis swaps (1)</i>	<i>1 850</i>	<i>- 1 498</i>	<i>5 021</i>	<i>4 446</i>	<i>15 952</i>
Profit (loss) buyback own bonds - amortised cost	0	- 14 306	0	- 35 892	- 36 314
Currency gains (losses)	0	243	0	243	151
<b>Net other financial instruments and derivatives</b>	<b>0</b>	<b>- 14 063</b>	<b>0</b>	<b>- 35 649</b>	<b>- 36 163</b>
<b>Net income from financial instruments</b>	<b>395</b>	<b>- 14 649</b>	<b>- 5 970</b>	<b>- 51 084</b>	<b>- 55 040</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

	30.06.2022	30.06.2021	31.12.2021
<b>Average debt to assets ratio in %</b>	<b>50.3%</b>	<b>51.8%</b>	<b>52.9%</b>
Portfolio broken down by intervals of debt to assets ratio			
Less than or equal to 40 %	22.1 %	19.9 %	19.0 %
41 - 50 %	21.7 %	18.5 %	17.3 %
51 - 60 %	31.4 %	31.4 %	29.5 %
61 - 70 %	22.1 %	26.3 %	27.2 %
71 - 75 %	1.4 %	2.4 %	5.1 %
More than 75 %	1.2 %	1.4 %	2.0 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

### 5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	30.06.2022	30.06.2021	31.12.2021
Credit facility with Sparebanken Sør	4 720 991	4 730 570	3 855 963
Received collaterals	9 672	649 039	232 605
<b>Total debt to credit institutions</b>	<b>4 730 662</b>	<b>5 379 609</b>	<b>4 088 568</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>30.06.2022</b>	<b>30.06.2021</b>	<b>31.12.2021</b>
<b>Equity capital</b>			
Share capital	2 075 000	1 375 000	1 375 000
Share premium reserve	500 000	500 000	500 000
Other equity capital	1 639 456	1 500 829	1 856 676
Deductions	- 5 420	- 2 728	-6 339
Dividend	0	0	-314 000
<b>Net subordinated capital (common equity tier 1)</b>	<b>4 209 036</b>	<b>3 373 101</b>	<b>3 411 337</b>
<b>Minimum requirements for equity capital</b>			
Credit risk	20 688 644	19 192 150	19 519 952
Market risk	0	0	0
Operational risk	874 094	777 913	874 094
CVA addition	0	0	0
Deductions	0	0	0
<b>Risk weight balance (calculation basis)</b>	<b>21 562 738</b>	<b>19 970 064</b>	<b>20 394 046</b>
<b>Common equity tier 1 capital ratio</b>	<b>19.5 %</b>	<b>16.9 %</b>	<b>16.7 %</b>
<b>Tier 1 capital ratio</b>	<b>19.5 %</b>	<b>16.9 %</b>	<b>16.7 %</b>
<b>Total capital ratio</b>	<b>19.5 %</b>	<b>16.9 %</b>	<b>16.7 %</b>
<b>Leverage Ratio</b>	<b>7.0 %</b>	<b>6.2 %</b>	<b>5.9 %</b>

### Minimum capital requirements:

<b>NOK Thousand</b>	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>31.12.2021</b>
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	1.50 %	1.00 %	1.00 %
CET1 requirements, incl. Pilar 2	11.50 %	11.00 %	11.00 %
Tier1 Capital requirements, incl. Pilar 2	13.00 %	12.50 %	12.50 %
Total capital requirements, incl. Pilar 2	15.00 %	14.50 %	14.50 %
CET1 requirements, incl. Pilar 2	2 479 715	2 196 707	2 243 345
Tier1 Capital requirements, incl. Pilar 2	2 803 156	2 496 258	2 549 256
Total capital requirements, incl. Pilar 2	3 234 411	2 895 659	2 957 137
Above CET1 requirements, incl. Pilar 2	1 729 322	1 176 394	1 167 992
Above Tier1 Capital requirements, incl. Pilar 2	1 405 880	876 843	862 081
Above total capital requirements, incl. Pilar 2	974 626	477 442	454 200

## 7. LOANS TO CUSTOMERS

NOK Thousand	30.06.2022	30.06.2021	31.12.2021
<b>Loans assessed to amortised cost</b>			
Flexi-loans	14 280 182	10 967 312	12 234 931
Loans with installments - floating interest	39 678 367	37 760 486	37 400 796
Loans with installments - fixed interest	0	4 187	4 304
<b>Gross loans</b>	<b>54 006 778</b>	<b>48 766 021</b>	<b>49 680 350</b>
Loss allowance	- 16 109	- 9 880	- 12 788
<b>Net loans</b>	<b>53 990 669</b>	<b>48 756 141</b>	<b>49 667 562</b>
Undrawn credit on Flexi-loans	5 259 453	4 435 540	4 640 260

<b>Loans broken down by sectors and industries</b>	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>31.12.2021</b>
Retail customers	53 959 706	48 733 324	49 641 212
Accrued interests	47 071	32 697	39 138
<b>Gross loans</b>	<b>54 006 778</b>	<b>48 766 021</b>	<b>49 680 350</b>
Loss allowance	- 16 109	- 9 880	- 12 788
<b>Net loans</b>	<b>53 990 669</b>	<b>48 756 141</b>	<b>49 667 562</b>

### Loans broken down by geographical areas\*

NOK Thousand	30.06.2022		30.06.2021		31.12.2021	
Agder	35 139 215	65.1 %	32 219 030	66.1 %	32 997 348	66.4 %
Vestfold og Telemark	6 584 381	12.2 %	5 815 496	11.9 %	5 970 346	12.0 %
Oslo	5 100 892	9.4 %	4 610 397	9.5 %	4 414 675	8.9 %
Viken	3 659 013	6.8 %	3 077 506	6.3 %	3 224 157	6.5 %
Rogaland	2 010 863	3.7 %	1 774 136	3.6 %	1 775 542	3.6 %
Other counties	1 496 304	2.8 %	1 259 577	2.6 %	1 285 494	2.6 %
<b>Total</b>	<b>53 990 669</b>	<b>100.0 %</b>	<b>48 756 141</b>	<b>100.0 %</b>	<b>49 667 562</b>	<b>100.0 %</b>

## 8. NON-PERFORMING LOANS

NOK Thousand	30.06.2022	30.06.2021	31.12.2021
Total non-performing loans (stage 3)	192 708	65 383	91 388
Stage 3 impairment losses	4 532	1 304	2 416
Net non-performing-loans	197 240	66 687	88 972
Provision ratio non-performing loans	2.35 %	1.99 %	2.64 %
<b>Total non-performing loans in % of gross loans</b>	<b>0.36 %</b>	<b>0.13 %</b>	<b>0.18 %</b>
Gross loans	<b>54 006 778</b>	<b>48 766 021</b>	<b>49 680 350</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	30.06.2022	30.06.2021	31.12.2021
Changes in impairment losses for the period, stage 1	1 069	- 1 198	- 1 471
+ Changes in impairment losses for the period, stage 2	184	- 551	1 566
+ Changes in impairments losses for the period, stage 3	2 116	457	1 709
<b>= Total losses for the period</b>	<b>3 369</b>	<b>- 1 293</b>	<b>1 805</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	8 098	18 757	31 818	2 883	2 200
<b>Total</b>	<b>8 098</b>	<b>18 757</b>	<b>31 818</b>	<b>2 883</b>	<b>2 200</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 01.01.2022	5 114	5 502	2 416	13 032
Transfers				
Transferred to stage 1	1 917	- 1 458	- 459	0
Transferred to stage 2	- 241	340	- 99	0
Transferred to stage 3	- 26	- 217	243	0
Losses on new loans	2 149	464	188	2 801
Losses on deducted loans*	- 802	- 905	- 155	- 1 862
Losses on older loans and other changes	- 1 929	1 960	2 399	2 430
<b>Loss provisions as at 30.06.2022</b>	<b>6 183</b>	<b>5 686</b>	<b>4 532</b>	<b>16 401</b>
Loss provisions for loans	5 969	5 628	4 512	16 109
Loss provisions for undrawn credit	214	58	20	292
<b>Total loss provisions as at 30.06.2022</b>	<b>6 183</b>	<b>5 686</b>	<b>4 532</b>	<b>16 401</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 01.01.2021	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
<b>Loss provisions as at 30.06.2021</b>	<b>5 389</b>	<b>3 385</b>	<b>1 303</b>	<b>10 077</b>
Loss provision for loans	5 246	3 346	1 288	9 880
Loss provisions for undrawn credit	143	39	15	197
<b>Total loss provision as at 30.06.2021</b>	<b>5 389</b>	<b>3 385</b>	<b>1 303</b>	<b>10 077</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 01.01.2022 assessed at amortised cost	47 402 143	2 186 818	91 388	49 680 350
Transferred to stage 1	666 471	- 638 937	- 27 534	0
Transferred to stage 2	-1 178 114	1 184 843	- 6 728	0
Transferred to stage 3	- 97 572	- 44 598	142 170	0
Net change on present loans	-1 265 717	- 59 437	- 5 447	-1 330 602
New loans	12 046 071	221 869	9 627	12 277 568
Derecognised loans	-6 258 321	- 351 449	- 10 768	-6 620 538
<b>Gross loans as at 30.06.2022 assessed at amortised cost</b>	<b>51 314 961</b>	<b>2 499 109</b>	<b>192 708</b>	<b>54 006 778</b>

NOK Thousand	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans assessed at amortised cost</b>				
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	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	-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
<b>Gross loans as at 30.06.2021 assessed at amortised cost</b>	<b>46 921 745</b>	<b>1 673 776</b>	<b>62 387</b>	<b>48 766 021</b>

## 10. BONDS AND CERTIFICATES

NOK Thousand	30.06.2022	30.06.2021	31.12.2021
Short-term investments designated at fair value through profit			
Certificates and bonds issued by public sector	1 483 944	715 885	3 555 086
Certificates and bonds issued by others	2 256 010	803 045	1 505 898
Accrued interests	11 235	1 947	14 664
<b>Total</b>	<b>3 751 188</b>	<b>1 520 878</b>	<b>5 075 647</b>

## 11. DEBT SECURITIES ISSUED AT 30.06.2022

NOK Thousand

ISIN Number	Ticker	Currency	Nominal value	Interest	Due date	Book value	Fair value
NO0010671597	SORB09	NOK	350 000	Fixed 3.85 %	13.02.2023	357 227	358 313
XS1775786145		EUR	500 000	Fixed 0.38 %	20.02.2023	5 174 966	5 176 306
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5 014 069	5 023 829
NO0010832637	SORB28	NOK	5 750 000	Floating 3M Nibor	24.09.2025	5 760 750	5 761 174
XS1947550403		EUR	500 000	Fixed 0.50 %	06.02.2026	5 177 137	4 965 542
XS2069304033		EUR	500 000	Fixed 0.01 %	26.10.2026	4 528 556	4 791 235
NO0012535824		NOK	5 500 000	Floating 3M Nibor	31.05.2027	5 500 390	5 503 437
NO0011002529	SORB31	NOK	7 000 000	Floating 3M Nibor	20.09.2027	7 175 085	7 068 594
NO0010670409	SORB08	NOK	500 000	Fixed 4.00 %	24.01.2028	514 324	514 367
XS2291901994		EUR	500 000	Fixed 0.01 %	28.01.2028	4 647 071	4 643 208
XS2389362687		EUR	500 000	Fixed 0.01 %	25.09.2028	4 567 743	4 561 196
<b>TOTAL</b>						<b>48 417 317</b>	<b>48 367 201</b>

## 12. COVER POOL COMPOSITION AND OC

NOK Thousand	30.06.2022	30.06.2021	31.12.2021
Loans secured by mortgages on residential properties	53 990 669	48 756 141	49 667 562
Deductions on ineligible loans	- 264 121	- 124 423	- 169 912
Pool of eligible loans	53 726 548	48 631 718	49 497 650
Certificates and bonds	2 565 178	0	3 794 861
Financial derivatives (assets)	0	1 036 925	214 981
<b>Total cover pool</b>	<b>56 291 726</b>	<b>49 668 644</b>	<b>53 507 492</b>
Debt incurred due to issuance of securities	<b>48 367 201</b>	<b>43 331 907</b>	<b>47 522 354</b>
Financial derivatives (liabilities)	894 043	0	0
<b>Total</b>	<b>49 261 244</b>	<b>43 331 907</b>	<b>47 522 354</b>
<b>Collateralisation ratio (OC)</b>	<b>14.3 %</b>	<b>14.6 %</b>	<b>12.6 %</b>

	30.06.2022	30.06.2021	31.12.2021
OC based on nominal value - eligibles only	14.4 %	16.3 %	13.6 %
OC based on nominal value - total loans	14.9 %	16.6 %	14.0 %

## 13. RELATED PARTIES

NOK Thousand	30.06.2022	30.06.2021	31.12.2021
<b>Income statement</b>			
Interest income from Sparebanken Sør on deposits	1 974	2 811	4 645
Interest expenses/commission from Sparebanken Sør on loans/credit	43 185	33 986	65 256
Interest expenses on bond debts to Sparebanken Sør	4 088	3 520	10 059
Paid administration fees to Sparebanken Sør	48 870	45 311	91 027
<b>Balance sheet</b>			
Bank deposit in Sparebanken Sør	684 903	735 695	256 371
Covered bonds owned by Sparebanken Sør	0	1 548 375	757 500
Loans/credit in Sparebanken Sør	4 720 991	4 728 599	3 855 963

## QUARTERLY PROFIT TREND

NOK Thousand	Q2	Q1	Q4	Q3	Q2
	2022	2022	2021	2021	2021
Net interest income	117 809	126 457	140 361	150 265	138 449
Net other operating income	- 852	- 7 622	- 15 122	8 675	- 15 878
Operating expenses	26 917	24 384	24 412	24 564	23 610
<b>Profit before losses on loans</b>	<b>90 041</b>	<b>94 451</b>	<b>100 826</b>	<b>134 376</b>	<b>98 961</b>
Losses on loans and undrawn credits	5 174	- 1 805	914	2 183	371
<b>Profit before taxes</b>	<b>84 867</b>	<b>96 256</b>	<b>99 912</b>	<b>132 193</b>	<b>98 590</b>
Tax expenses	21 217	24 064	24 978	33 047	24 649
<b>Profit for the period</b>	<b>63 650</b>	<b>72 192</b>	<b>74 934</b>	<b>99 146</b>	<b>73 941</b>
Liquidity coverage ratio (LCR)	805 %	892 %	1 001%	781 %	680 %
Total capital ratio	20.1 %	20.5%	16.7%	16.8%	16.9 %
Leverage Ratio	7.2 %	7.2%	5.9 %	5.8%	6.2 %

## **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 2022 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, 10 August 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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