



SPAREBANKEN SØR  
BOLIGKREDITT AS

Q3 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.

The European Covered Bond Directive came into force in Norwegian law as of 8 July 2022. The new regulation restricts funding coverage for mortgage covered bonds to the asset's loan-to-value threshold of 80 % (from previously 75 %) for residential mortgages.

At the end of Q3 2022, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 50 902 million, transferred from Sparebanken Sør, of which NOK 50 675 million was included in the qualified cover pool. Corresponding figures at the end of Q3 2021 were NOK 48 706 million and NOK 48 541 million respectively.

The portfolio of bonds and certificates totalled NOK 5 192 million at the end of Q3 2022, of which NOK 4 144 million was included in the cover pool. Corresponding figures at the end of Q3 2021 were NOK 5 181 million and NOK 3 900 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 47 989 million, compared to NOK 47 942 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 Q3 2022 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 190.5 million, compared to NOK 229.4 million in the same period in 2021.

The company had net interest income of NOK 350.4 million, compared to NOK 424.4 million in 2021. The decrease is mainly due to the increase in market rates (NIBOR) on issued covered bonds. Interest rates had an uplift during the second half of 2021 and first 9 months of 2022. The Norwegian Central Bank, Norges Bank, has hiked the key policy rate from 0 to 2.25 percent as of September 2021. Sparebanken Sør Boligkreditt has changed lending rates on mortgages, in line with hikes in the Norwegian key policy rate.

Net income from financial instruments totalled minus NOK 11.0 million, compared to minus NOK 41.2 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 191.4 million at the end of Q3 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 76.1 million and tax expenses were NOK 63.5 million at the end of Q3 2022. Corresponding figures at the end of Q3 2021, were NOK 72.7 million and NOK 76.5 million respectively.

Total assets as at 30.09.2022 were NOK 56 590 million, of which net loans to customers represented NOK 50 884 million. At the same time in 2021 total assets were NOK 55 569 million, of which net loans to customers were NOK 48 694 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 47 989 million, and by equity and loans from Sparebanken Sør. At the end of Q3 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 for operational purposes that, as at 30.09.2022, was drawn down by NOK 2 334 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 Q3 2022, the net subordinated capital in the company was NOK 4 302 million, compared to NOK 3 388 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 20.8 percent (16.8 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 consider the company's solidity and risk-bearing ability to be good. The company's Leverage Ratio was 7.3 percent at the end of Q3 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 consider 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 consider the overall market risk to be low.

The company issues covered bonds with the opportunity to extend the maturities by up to 12 months, given an approval by the FSA. 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 30.09.2022 the company had a liquidity portfolio in addition to substitute assets, and was compliant with the liquidity requirements imposed on financial institutions, with a LCR ratio of 1 413 percent. As at 30.09.2022 the mortgages in the cover pool had an average loan-to-value of 50.5 percent. Over-collateralization was 11.4 percent, and given a stress test on assets prices of 30 percent, the OC was above the legislative OC level of 5 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

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 very high. The war in Ukraine has created uncertainty about the economic outlook and increased energy and commodity prices. As of September 2021 the key policy rate was raised from 0 to 2.25 percent. The key policy rate forecast indicates that a further upswing will take place in November 2022, followed by a gradual rate rise to around 3 percent during the winter.

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 the first 9 months 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 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 Directors anticipates the company's business to continue to be very satisfactory going forward. Sparebanken Sør Boligkreditt AS is well-positioned to further acquire loans from Sparebanken Sør, and issue covered bonds towards investors in Norway and abroad.

## Subsequent events

Events of major significance to the accounts have not occurred after the balance sheet date.

Kristiansand, 26 October 2022

Geir Bergskaug  
Chairman

Seunn Smith-Tønnessen  
Member

Gunnar P. Thomassen  
Member

Steinar Vigsnes  
Member

Marianne Lofthus  
Managing Director

## Income statement

NOK Thousand	Notes	Q3 2022	Q3 2021	30.09.2022	30.09.2021	31.12.2021
Interest income, assets recognised at amortized cost	2, 12	372 653	237 139	984 608	710 734	965 265
Interest income, assets recognised at fair value	2, 12	24 124	3 622	60 395	24 997	40 279
Interest expenses	2, 12	290 622	90 497	694 582	311 315	440 768
<b>Net interest income</b>	<b>2</b>	<b>106 155</b>	<b>150 265</b>	<b>350 421</b>	<b>424 416</b>	<b>564 777</b>
Commission income		41	32	118	99	136
Commission expenses		1 273	1 264	3 854	3 799	5 095
<b>Net commission income</b>		<b>-1 232</b>	<b>-1 232</b>	<b>-3 736</b>	<b>-3 699</b>	<b>-4 959</b>
<b>Net income from financial instruments</b>	<b>3</b>	<b>-5 064</b>	<b>9 908</b>	<b>-11 034</b>	<b>-41 177</b>	<b>-55 040</b>
Personnel expenses		0	0	0	0	54
Other operating expenses	12	24 845	24 564	76 145	72 728	97 087
<b>Total expenses</b>		<b>24 845</b>	<b>24 564</b>	<b>76 145</b>	<b>72 728</b>	<b>97 141</b>
<b>Profit before loss</b>		<b>75 014</b>	<b>134 376</b>	<b>259 506</b>	<b>306 812</b>	<b>407 638</b>
Losses on loans and undrawn credit	9	2 187	2 183	5 556	890	1 805
<b>Profit before taxes</b>		<b>72 827</b>	<b>132 193</b>	<b>253 950</b>	<b>305 921</b>	<b>405 833</b>
Tax expenses		18 207	33 047	63 487	76 480	101 458
<b>Profit for the period</b>		<b>54 620</b>	<b>99 146</b>	<b>190 462</b>	<b>229 441</b>	<b>304 375</b>

## Other comprehensive income

NOK Thousand	Q3 2022	Q3 2021	30.09.2022	30.09.2021	31.12.2021
<b>Profit for the period</b>	<b>54 620</b>	<b>99 146</b>	<b>190 462</b>	<b>229 441</b>	<b>304 375</b>
Net change in value from basis swaps	126 102	24 319	255 142	-30 466	13 844
Tax effect	-31 526	-6 080	-63 786	7 617	-3 461
<b>Total profit for the period</b>	<b>149 196</b>	<b>117 385</b>	<b>381 819</b>	<b>206 592</b>	<b>314 758</b>

# Balance sheet

## NOK Thousand

ASSETS	Notes	30.09.2022	30.09.2021	31.12.2021
Loans to and receivables from credit institutions	12	86 858	530 890	256 371
Net loans to customers	7,8,9,11	50 884 196	48 694 283	49 667 562
Bonds and certificates	11	5 191 853	5 181 091	5 075 647
Financial derivatives	11	390 938	1 084 018	737 202
Deferred tax assets		0	31 914	12 991
Other assets		36 183	46 994	42 099
<b>TOTAL ASSETS</b>		<b>56 590 028</b>	<b>55 569 189</b>	<b>55 791 872</b>
<b>LIABILITIES AND EQUITY</b>				
Debt to credit institutions	5,12	2 342 359	3 763 027	4 088 568
Debt incurred due to issuance of securities	10,11	47 988 862	47 941 613	47 340 012
Financial derivatives		1 622 430	127 607	522 221
Payable taxes		- 5	103 004	98 387
Deferred tax liabilities		114 282	0	0
Other liabilities		22 604	10 429	11 008
<b>TOTAL LIABILITIES</b>		<b>52 090 533</b>	<b>51 945 680</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	1 924 495	1 748 509	1 856 676
<b>TOTAL EQUITY CAPITAL</b>	<b>6</b>	<b>4 499 495</b>	<b>3 623 509</b>	<b>3 731 676</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>56 590 028</b>	<b>55 569 189</b>	<b>55 791 872</b>

Kristiansand, 26 October 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>30.09.2022</b>	<b>30.09.2021</b>	<b>31.12.2021</b>
Interest received	1 031 451	739 361	1 002 111
Interest paid	- 665 230	- 328 166	- 448 719
Operating expenditure	- 68 285	- 76 926	- 102 018
Changes in loans to customers	-1 208 570	199 606	- 767 569
Income tax paid	- 98 397	- 73 492	- 98 387
<b>Net cash flow from operating activities</b>	<b>-1 009 031</b>	<b>460 384</b>	<b>- 414 582</b>
Payments received, securities	8 695 414	8 520 566	9 468 174
Payments made, securities	-8 836 343	-8 611 155	-9 461 832
Changes in other assets	5 915	- 16 720	- 11 825
Changes in deposits from credit institutions	-1 746 209	-6 633 306	-6 307 764
Changes in other liabilities	11 596	- 498	81
<b>Net cash flow from current financing activities</b>	<b>-1 869 627</b>	<b>-6 741 112</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	16 070 616	16 828 116
Payments made, bond debt	-4 694 250	-11 210 845	-11 795 845
<b>Net cash flow from long-term financing activities</b>	<b>2 709 145</b>	<b>4 559 594</b>	<b>4 732 094</b>
<b>Net change in liquid funds</b>	<b>- 169 513</b>	<b>-1 721 134</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>86 858</b>	<b>530 890</b>	<b>256 371</b>

# Statement of changes in Equity

NOK Thousand	Share premium		Retained earnings	Total
	Share capital	reserve		
<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 - 30.09.2021	0	0	130 295	130 295
Other income/expenses	0	0	- 41 090	- 41 090
<b>Balance 30.09.2021</b>	<b>1 375 000</b>	<b>500 000</b>	<b>1 631 124</b>	<b>3 506 124</b>
Profit 30.09.2021 - 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 - 30.09.2022	0	0	190 462	190 462
Other income/expenses	0	0	191 356	191 356
<b>Balance 30.09.2022</b>	<b>2 075 000</b>	<b>500 000</b>	<b>1 924 495</b>	<b>4 499 495</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 assessments, estimates and assumptions that affect 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 financial item losses on loans and undrawn credit, is subject to a significant degree of discretionary assessments. This item was in 2020 and 2021 particularly challenging to quantify, due to the ongoing pandemic. In 2022, there are again major turmoil and fluctuations in the financial market. Many macro parameters pointed upwards from the last six months of 2021 and the first six months of 2022. At the end of the 3rd quarter 2022, there is a significant increase in pessimism in the market with increased raw material prices, an increasing key policy rate, an expected future fall in the property market and an expected future increase in unemployment. 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.

Macro parameters and measures that have been used as input in the loss model is presented in note 9.

## 2. NET INTEREST INCOME

NOK Thousand	Q3 2022	Q3 2021	30.09.2022	30.09.2021	31.12.2021
Interest income recognised at amortized cost					
Interest on loans to customers	372 644	235 835	982 625	706 619	960 620
Interest on loans to and receivables from credit institutions	10	1 305	1 983	4 115	4 645
<b>Total interest income recognised at amortized cost</b>	<b>372 653</b>	<b>237 139</b>	<b>984 608</b>	<b>710 734</b>	<b>965 265</b>
Interest income recognised at fair value					
Interest on certificates/bonds/interest-bearing securities	24 124	3 622	60 395	24 997	40 279
<b>Total interest income recognised at fair value</b>	<b>24 124</b>	<b>3 622</b>	<b>60 395</b>	<b>24 997</b>	<b>40 279</b>
<b>Total interest income</b>	<b>396 777</b>	<b>240 762</b>	<b>1 045 003</b>	<b>735 731</b>	<b>1 005 544</b>
Interest expenses recognised at amortized cost					
Interest on debt to credit institutions	20 038	14 779	60 642	46 231	60 161
Interest on issued securities	268 256	73 813	626 964	259 372	372 989
Other interest expenses	2 328	1 906	6 976	5 713	7 618
<b>Total interest expenses recognised at amortized cost</b>	<b>290 622</b>	<b>90 497</b>	<b>694 582</b>	<b>311 315</b>	<b>440 768</b>
<b>Total interest expenses</b>	<b>290 622</b>	<b>90 497</b>	<b>694 582</b>	<b>311 315</b>	<b>440 768</b>
<b>Net interest income</b>	<b>106 155</b>	<b>150 265</b>	<b>350 421</b>	<b>424 416</b>	<b>564 777</b>

### 3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	Q3 2022	Q3 2021	30.09.2022	30.09.2021	31.12.2021
Profit (loss) and changes in value from certificates and bonds	- 10 831	- 3 032	- 32 809	- 12 627	25 784
<b>Net income from certificates and bonds</b>	<b>- 10 831</b>	<b>- 3 032</b>	<b>- 32 809</b>	<b>- 12 627</b>	<b>25 784</b>
Change in value fixed rate loans - interest	0	- 40	55	- 111	134
Change in value fixed rate loans - margin	0	5	- 76	0	- 18
Expected credit loss IFRS9	0	1	0	2	- 2
<b>Net change in value fixed rate loans</b>	<b>0</b>	<b>- 34</b>	<b>- 21</b>	<b>- 109</b>	<b>113</b>
Change in value fixed rate bonds - hedge accounting	456 270	137 159	1 657 255	1 493 609	-2 282 967
Change in value derivatives fixed rate bonds					
- designated as hedging instruments	- 450 503	- 123 671	-1 635 458	-1 485 887	2 275 945
<b>Net income hedging</b>	<b>5 767</b>	<b>13 488</b>	<b>21 796</b>	<b>7 723</b>	<b>7 021</b>
<i>Whereof effects from basis swaps (1)</i>	<i>0</i>	<i>4 558</i>	<i>5 021</i>	<i>9 004</i>	<i>15 952</i>
Profit (loss) buyback own bonds - amortised cost	0	- 423	0	- 36 314	- 36 314
Currency gains (losses)	0	- 92	0	151	151
<b>Net other financial instruments and derivatives</b>	<b>0</b>	<b>- 514</b>	<b>0</b>	<b>- 36 163</b>	<b>- 36 163</b>
<b>Net income from financial instruments</b>	<b>- 5 064</b>	<b>9 908</b>	<b>- 11 034</b>	<b>- 41 177</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 instrument's duration equals zero. Accounting effects are therefore reversed over time.

### 4. DEBT TO ASSETS RATIO

	30.09.2022	30.09.2021	31.12.2021
<b>Average debt to assets ratio in %</b>	<b>50.5 %</b>	<b>52.1 %</b>	<b>52.9 %</b>
Portfolio broken down by intervals of debt to assets ratio			
Less than or equal to 40 %	22.2 %	19.7 %	19.0 %
41 - 50 %	21.2 %	18.1 %	17.3 %
51 - 60 %	30.3 %	31.5 %	29.5 %
61 - 70 %	22.9 %	25.5 %	27.2 %
71 - 75 %	2.0 %	3.5 %	5.1 %
More than 75 %	1.4 %	1.6 %	2.0 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

### 5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	30.09.2022	30.09.2021	31.12.2021
Credit facility with Sparebanken Sør	2 334 303	3 319 346	3 855 963
Received collaterals	8 056	443 681	232 605
<b>Total debt to credit institutions</b>	<b>2 342 359</b>	<b>3 763 027</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 operational risk to calculate capital adequacy in accordance with the current capital adequacy rules - Basel II.

<b>NOK Thousand</b>	<b>30.09.2022</b>	<b>30.09.2021</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	1 734 033	1 519 068	1 856 676
Deductions	- 7 205	- 6 397	-6 339
Dividend	0	0	-314 000
<b>Net subordinated capital (common equity tier 1)</b>	<b>4 301 828</b>	<b>3 387 671</b>	<b>3 411 337</b>
<b>Minimum requirements for equity capital</b>			
Credit risk	19 775 706	19 365 849	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
<b>Risk weight balance (calculation basis)</b>	<b>20 649 800</b>	<b>20 143 767</b>	<b>20 394 046</b>
<b>Common equity tier 1 capital ratio</b>	<b>20,8 %</b>	<b>16,8 %</b>	<b>16,7 %</b>
<b>Tier 1 capital ratio</b>	<b>20,8 %</b>	<b>16,8 %</b>	<b>16,7 %</b>
<b>Total capital ratio</b>	<b>20,8 %</b>	<b>16,8 %</b>	<b>16,7 %</b>
<b>Leverage Ratio</b>	<b>7,3 %</b>	<b>5,8 %</b>	<b>5,9 %</b>
<b>Minimum capital requirements:</b>			
<b>NOK Thousand</b>	<b>30.09.2022</b>	<b>30.09.2021</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	11.50 %	11.00 %	11.00 %
Tier1 Capital requirements	13.00 %	12.50 %	12.50 %
Total capital requirements	15.00 %	14.50 %	14.50 %
CET1 requirements	2 479 715	2 215 814	2 243 345
Tier1 Capital requirements	2 803 156	2 517 971	2 549 256
Total capital requirements	3 234 411	2 920 846	2 957 137
Above CET1 requirements	1 729 322	1 171 857	1 167 992
Above Tier1 Capital requirements	1 405 880	869 701	862 081
Above total capital requirements	974 626	466 825	454 200

## 7. LOANS TO CUSTOMERS

NOK Thousand	30.09.2022	30.09.2021	31.12.2021
<b>Loans assessed to amortised cost</b>			
Flexi-loans	14 012 705	11 829 933	12 234 931
Loans with installments - floating interest	36 835 897	36 838 784	37 400 796
Loans with installments - fixed interest	0	4 140	4 304
<b>Gross loans</b>	<b>50 902 442</b>	<b>48 706 325</b>	<b>49 680 350</b>
Loss allowance	- 18 246	- 12 042	- 12 788
<b>Net loans</b>	<b>50 884 196</b>	<b>48 694 283</b>	<b>49 667 562</b>
Undrawn credit on Flexi-loans	5 206 945	4 610 494	4 640 260

<b>Loans broken down by sectors and industries</b>	<b>30.09.2022</b>	<b>30.09.2021</b>	<b>31.12.2021</b>
Retail customers	50 849 752	48 674 251	49 641 212
Accrued interests	52 690	32 074	39 138
<b>Gross loans</b>	<b>50 902 442</b>	<b>48 706 325</b>	<b>49 680 350</b>
Loss allowance	- 18 246	- 12 042	- 12 788
<b>Net loans</b>	<b>50 884 196</b>	<b>48 694 283</b>	<b>49 667 562</b>

### Loans broken down by geographical areas\*

NOK Thousand	30.09.2022		30.09.2021		31.12.2021	
Agder	33 075 200	65.0 %	32 200 841	66.1 %	32 997 348	66.4 %
Vestfold og Telemark	6 207 987	12.2 %	5 878 100	12.1 %	5 970 346	12.0 %
Oslo	4 818 527	9.5 %	4 490 817	9.2 %	4 414 675	8.9 %
Viken	3 475 309	6.8 %	3 116 082	6.4 %	3 224 157	6.5 %
Rogaland	1 884 672	3.7 %	1 766 526	3.6 %	1 775 542	3.6 %
Other counties	1 422 502	2.8 %	1 241 917	2.6 %	1 285 494	2.6 %
<b>Total</b>	<b>50 884 196</b>	<b>100.0 %</b>	<b>48 694 283</b>	<b>100.0 %</b>	<b>49 667 562</b>	<b>100.0 %</b>

## 8. NON-PERFORMING LOANS

NOK Thousand	30.09.2022	30.09.2021	31.12.2021
Total non-performing loans (stage 3)	155 466	82 899	91 388
Stage 3 impairment losses	3 418	2 446	2 416
Net non-performing-loans	152 048	80 453	88 972
Provision ratio non-performing loans	2.20 %	2.95 %	2.64 %
<b>Total non-performing loans in % of gross loans</b>	<b>0.31 %</b>	<b>0.17 %</b>	<b>0.18 %</b>
Gross loans	<b>50 902 442</b>	<b>48 706 325</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 customer's 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 are also introduced rules related to *infections and quarantine*, which implies an *infected* co-borrower if a loan is defaulted. A quarantine period of 3 to 12 months will be applied until the situation is clarified and the customer is declared performing.

## 9. LOSSES ON LOANS AND UNDRAWN CREDIT

NOK Thousand	30.09.2022	30.09.2021	31.12.2021
Changes in impairment losses for the period, stage 1	2 540	- 1 016	- 1 471
+ Changes in impairment losses for the period, stage 2	2 013	303	1 566
+ Changes in impairments losses for the period, stage 3	1 003	1 604	1 709
<b>= Total losses for the period</b>	<b>5 556</b>	<b>890</b>	<b>1 805</b>

The sensitivity analyses presented below, are 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	9 387	21 337	35 891	4 315	2 555
<b>Total</b>	<b>9 387</b>	<b>21 337</b>	<b>35 891</b>	<b>4 315</b>	<b>2 555</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	
<b>Loss provisions as at 01.01.2022</b>	<b>5 114</b>	<b>5 502</b>	<b>2 416</b>	<b>13 032</b>
Transfers				
Transferred to stage 1	1 942	-1 500	-442	0
Transferred to stage 2	-251	425	-173	0
Transferred to stage 3	-13	-202	216	0
Losses on new loans	2 825	1 311	202	4 338
Losses on deducted loans*	-1 169	-1 250	-191	-2 609
Losses on older loans and other changes	-794	3 230	1 392	3 827
<b>Loss provisions as at 30.09.2022</b>	<b>7 654</b>	<b>7 515</b>	<b>3 419</b>	<b>18 588</b>
Loss provisions for loans	7 392	7 435	3 419	18 246
Loss provisions for undrawn credit	262	80	0	342
<b>Total loss provisions as at 30.09.2022</b>	<b>7 654</b>	<b>7 515</b>	<b>3 419</b>	<b>18 588</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	6586	3938	858	11 381
Transfers				
Transferred to stage 1	1 749	-1 591	-158	0
Transferred to stage 2	-252	278	-26	0
Transferred to stage 3	-11	-127	139	0
				0
Losses on new loans	1 919	562	39	2 521
Losses on deducted loans*	-1 501	-842	-299	-2 642
Losses on older loans and other changes	-2 920	2 021	1 893	994
<b>Loss provisions as at 30.09.2021</b>	<b>5 569</b>	<b>4 239</b>	<b>2 446</b>	<b>12 254</b>
Loss provision for loans				
Loss provision for loans	5 399	4 197	2 446	12 042
Loss provisions for undrawn credit	170	42	0	212
<b>Total loss provision as at 30.09.2021</b>	<b>5 569</b>	<b>4 239</b>	<b>2 446</b>	<b>12 254</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	728 335	- 704 034	- 24 301	0
Transferred to stage 2	-1 282 697	1 296 871	- 14 175	0
Transferred to stage 3	- 71 793	- 43 751	115 544	0
Net change on present loans	-1 766 594	- 87 492	- 3 883	-1 857 970
New loans	12 313 221	357 230	7 641	12 678 092
Derecognised loans	-9 072 163	- 509 118	- 16 748	-9 598 030
<b>Gross loans as at 30.09.2022 assessed at amortised cost</b>	<b>48 250 452</b>	<b>2 496 523</b>	<b>155 466</b>	<b>50 902 442</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	709 380	- 696 277	- 13 103	0
Transferred to stage 2	-1 054 199	1 057 808	- 3 609	0
Transferred to stage 3	- 40 689	- 20 668	61 357	0
Net change on present loans	-1 687 416	- 76 014	- 3 142	-1 766 572
New loans	11 054 175	204 209	1 427	11 259 811
Derecognised loans	-9 254 115	- 435 003	- 7 497	-9 696 615
<b>Gross loans as at 30.09.2021 assessed at amortised cost</b>	<b>46 769 299</b>	<b>1 854 286</b>	<b>82 740</b>	<b>48 706 325</b>

## 10. BONDS AND CERTIFICATES

NOK Thousand	30.09.2022	30.09.2021	31.12.2021
Short-term investments designated at fair value through profit			
Certificates and bonds issued by public sector	1 850 807	3 661 416	3 555 086
Certificates and bonds issued by others	3 324 860	1 507 056	1 505 898
Accrued interests	16 186	12 620	14 664
<b>Total</b>	<b>5 191 853</b>	<b>5 181 091</b>	<b>5 075 647</b>

## 11. DEBT SECURITIES ISSUED AT 30.09.2022

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	358 608	359 234
XS1775786145		EUR	500 000	Fixed 0.38 %	20.02.2023	5 246 484	5 252 142
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5 020 327	5 020 198
NO0010832637	SORB28	NOK	5 750 000	Floating 3M Nibor	24.09.2025	5 760 550	5 750 529
XS1947550403		EUR	500 000	Fixed 0.50 %	06.02.2026	5 093 776	4 885 122
XS2069304033		EUR	500 000	Fixed 0.01 %	26.10.2026	4 418 482	4 683 982
NO0012535824	SORB32	NOK	5 500 000	Floating 3M Nibor	31.05.2027	5 507 284	5 497 628
NO0011002529	SORB31	NOK	7 000 000	Floating 3M Nibor	20.09.2027	7 169 756	7 046 345
NO0010670409	SORB08	NOK	500 000	Fixed 4.00 %	24.01.2028	512 581	510 704
XS2291901994		EUR	500 000	Fixed 0.01 %	28.01.2028	4 499 853	4 501 716
XS2389362687		EUR	500 000	Fixed 0.01 %	25.09.2028	4 401 162	4 403 998
<b>TOTAL</b>						<b>47 988 862</b>	<b>47 911 596</b>

## 12. COVER POOL COMPOSITION AND OC

NOK Thousand	30.09.2022	30.09.2021	31.12.2021
Loans secured by mortgages on residential properties	50 901 273	48 694 283	49 667 562
Deductions on ineligible loans	- 226 085	- 153 710	- 169 912
Pool of eligible loans	50 675 188	48 540 573	49 497 650
Certificates and bonds	4 143 676	3 900 032	3 794 861
Financial derivatives (assets)	0	956 410	214 981
<b>Total cover pool</b>	<b>54 818 863</b>	<b>53 397 015</b>	<b>53 507 492</b>
Debt incurred due to issuance of securities	<b>47 911 596</b>	<b>48 352 583</b>	<b>47 522 354</b>
Financial derivatives (liabilities)	1 231 492	0	0
<b>Total</b>	<b>49 143 088</b>	<b>48 352 583</b>	<b>47 522 354</b>
<b>Collateralisation ratio (OC)</b>	<b>11.5 %</b>	<b>10.4 %</b>	<b>12.6 %</b>

	30.09.2022	30.09.2021	31.12.2021
OC based on nominal value - eligibles only	11.4 %	12.1 %	13.6 %
OC based on nominal value - total loans	11.8 %	12.5 %	14.0 %

## 13. RELATED PARTIES

NOK Thousand	30.09.2022	30.09.2021	31.12.2021
<b>Income statement</b>			
Interest income from Sparebanken Sør on deposits	1 572	4 115	4 645
Interest expenses/commission from Sparebanken Sør on loans/credit	64 496	50 029	65 256
Interest expenses on bond debts to Sparebanken Sør	4 088	3 520	10 059
Paid administration fees to Sparebanken Sør	73 120	68 049	91 027
<b>Balance sheet</b>			
Bank deposit in Sparebanken Sør	86 858	530 890	256 371
Covered bonds owned by Sparebanken Sør	0	1 548 375	757 500
Loans/credit in Sparebanken Sør	2 334 303	4 728 599	3 855 963

## QUARTERLY PROFIT TREND

NOK Thousand	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Net interest income	106 155	117 809	126 457	140 361	150 265
Net other operating income	- 6 296	- 852	- 7 622	- 15 122	8 675
Operating expenses	24 845	26 917	24 384	24 412	24 564
<b>Profit before losses on loans</b>	<b>75 014</b>	<b>90 041</b>	<b>94 451</b>	<b>100 826</b>	<b>134 376</b>
Losses on loans and undrawn credits	2 187	5 174	- 1 805	914	2 183
<b>Profit before taxes</b>	<b>72 827</b>	<b>84 867</b>	<b>96 256</b>	<b>99 912</b>	<b>132 193</b>
Tax expenses	18 207	21 217	24 064	24 978	33 047
<b>Profit for the period</b>	<b>54 620</b>	<b>63 650</b>	<b>72 192</b>	<b>74 934</b>	<b>99 146</b>
Liquidity coverage ratio (LCR)	1 413 %	805 %	892 %	1 001%	781 %
Total capital ratio	20.8 %	19.5 %	20.5 %	16.7 %	16.8 %
Leverage Ratio	7.3 %	7.0 %	7.2 %	5.9 %	5.8 %



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