



**SPAREBANKEN SØR  
BOLIGKREDITT AS**

**Q4 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 80 percent 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 percent (from previously 75) for residential mortgages.

At the end of Q4 2022, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 56 590 million, transferred from Sparebanken Sør, of which NOK 56 265 million was included in the qualified cover pool. Corresponding figures at the end of Q4 2021 were NOK 49 680 million and NOK 49 510 million respectively.

The portfolio of bonds and certificates totalled NOK 6 459 million at the end of Q4 2022. Corresponding figures at the end of Q4 2021 were NOK 5 076 million.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 53 277 million, compared to NOK 47 340 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 Q4 2022 the financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 258.6 million, compared to NOK 304.4 million in the same period in 2021.

The company had net interest income of NOK 446.4 million, compared to NOK 564.8 million in 2021. The decrease is mainly due to the increase in market rates (Nibor) on issued covered bonds. Sparebanken Sør Boligkreditt has changed lending rates on mortgages in line with hikes in the Norwegian key policy rate, which has been lifted from 0 percent in Q3 2021 to 2.75 percent at year-end 2022.

Net income from financial instruments totalled minus NOK 32.8 million, compared to minus NOK 55.0 million in 2021. The improvement is mainly related to a loss on repurchases of own bonds in 2021.

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 77.2 million at the end of Q4 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 103.5 million at the end of Q4 2022, compared to NOK 97.1 million in the same period in 2021.

Tax expenses were NOK 30.9 million at the end of Q4 2022. Corresponding figures at the end of Q4 2021 were NOK 101.5 million respectively. Tax expenses in Q4 2022 were influenced by a refund of a too high tax payment in 2020, 2021 and 9 months of 2022.

Total assets as at 31.12.2022 were NOK 63 664 million, of which net loans to customers represented NOK 56 562 million. At the same time in 2021 total assets were NOK 55 792 million, of which net loans to customers were NOK 49 668 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 53 277 million, and by equity and loans from Sparebanken Sør. At the end of Q4 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 31.12.2022, was drawn down by NOK 4 013 million. In addition, the company has a revolving multicurrency loan facility, which can be used to refinance outstanding bonds.

## Board of Director's report

### Capital strength

At the end of Q4 2022, the net subordinated capital in the company was NOK 4 444 million, compared to NOK 3 411 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 (16.7 percent in 2021), while regulatory minimums requirements constitute 12.0 percent, 13.5 percent and 15.5 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 6.7 percent at the end of Q4 2022.

### Regulatory changes

The EU directive 2019/2162 (The Covered Bonds Directive) came into force 8 July 2022. Only Premium European covered bonds that satisfy the guidelines and meet the requirement of Article 129 of the CRR, will benefit from preferential regulatory treatment.

The Norwegian Financial Supervisory Authority has approved Sparebanken Sør Boligkreditt AS' European Covered Bond Premium Program.

Covered bonds issued by Sparebanken Sør Boligkreditt AS that complied under existing legislation before 8 July 2022, will be grandfathered and eligible for preferential treatment to maturity.

### 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 31.12.2022 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 578 percent.

As at 31.12.2022 the mortgages in the cover pool had an average loan-to-value of 53.0 percent. Over-collateralization, calculated as the nominal value of the cover pool relative to the nominal value of outstanding bonds, was 14.5 percent. 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

The activity in the Norwegian economy is high, with little spare capacity and unemployment is on a low level. Going forward economic growth and activity will be affected by an elevated inflation level, further interest rate hikes and geopolitical uncertainty.

Norges Bank raised the key policy rate both in their November and December meetings in 2022, to a rate of 2.75 percent at year-end. The key policy rate forecast indicates a rise to around 3 percent during the first quarter 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 was weaker in the fourth quarter of 2022 and house price inflation is expected to be negatively affected by higher lending rates and lower demand of mortgages going forward. A strong labour market and wage growth will on the other hand, have a supportive effect on house prices.

The risk premiums on covered bonds have increased in 2022, a reflection of economic and geopolitical uncertainty. Sparebanken Sør Boligkreditt AS has ample access to wholesale funding and sufficient liquidity reserves to handle financial market volatility.

Despite the increase in interest rates and higher household cost, the Board of Directors anticipates the company's business to continue to be 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, 6 February 2023

### The Board of Directors for Sparebanken Sør Boligkreditt AS

Geir Bergskaug  
Chairman

Seunn Smith-Tønnessen  
Member

Gunnar P. Thomassen  
Member

Steinar Vigsnes  
Member

Marianne Lofthus  
Managing Director

## Income statement

NOK Thousand	Notes	Q4 2022	Q4 2021	31.12.2022	31.12.2021
Interest income, assets recognised at amortized cost	2, 12	514 163	254 531	1498 771	965 265
Interest income, assets recognised at fair value	2, 12	50 835	15 282	111 230	40 279
Interest expenses	2, 12	468 993	129 452	1163 574	440 768
<b>Net interest income</b>	<b>2</b>	<b>96 005</b>	<b>140 361</b>	<b>446 427</b>	<b>564 777</b>
Commission income		46	37	164	136
Commission expenses		1 286	1 296	5 140	5 095
<b>Net commission income</b>		<b>-1 240</b>	<b>-1 259</b>	<b>-4 976</b>	<b>-4 959</b>
<b>Net income from financial instruments</b>	<b>3</b>	<b>-21 803</b>	<b>-13 863</b>	<b>-32 837</b>	<b>-55 040</b>
Personnel expenses		60	54	60	54
Other operating expenses	12	27 248	24 359	103 394	97 087
<b>Total expenses</b>		<b>27 308</b>	<b>24 412</b>	<b>103 453</b>	<b>97 141</b>
<b>Profit before loss</b>		<b>45 655</b>	<b>100 826</b>	<b>305 161</b>	<b>407 638</b>
Losses on loans and undrawn credit	9	10 089	914	15 645	1 805
<b>Profit before taxes</b>		<b>35 566</b>	<b>99 912</b>	<b>289 516</b>	<b>405 833</b>
Tax expenses		-32 546	24 978	30 942	101 458
<b>Profit for the period</b>		<b>68 111</b>	<b>74 934</b>	<b>258 574</b>	<b>304 375</b>

## Other comprehensive income

NOK Thousand	Q4 2022	Q4 2021	31.12.2022	31.12.2021
<b>Profit for the period</b>	<b>68 111</b>	<b>74 934</b>	<b>258 574</b>	<b>304 375</b>
Net change in value from basis swaps	-156 184	-44 310	98 959	13 844
Tax effect	42 015	11 078	-21 771	-3 461
<b>Total profit for the period</b>	<b>-46 058</b>	<b>41 701</b>	<b>335 762</b>	<b>314 758</b>

# Balance sheet

## NOK Thousand

ASSETS	Notes	31.12.2022	31.12.2021
Loans to and receivables from credit institutions	12	76 670	256 371
Net loans to customers	7,8,9,11	56 561 879	49 667 562
Bonds and certificates	11	6 458 757	5 075 647
Financial derivatives	11	493 132	737 202
Deferred tax assets		0	12 991
Other assets		73 973	42 099
<b>TOTAL ASSETS</b>		<b>63 664 411</b>	<b>55 791 872</b>
<b>LIABILITIES AND EQUITY</b>			
Debt to credit institutions	5,12	4 027 018	4 088 568
Debt incurred due to issuance of securities	10,11	53 277 192	47 340 012
Financial derivatives		1 821 055	522 221
Payable taxes		41 317	98 387
Deferred tax liabilities		32 171	0
Other liabilities		12 221	11 008
<b>TOTAL LIABILITIES</b>		<b>59 210 973</b>	<b>52 060 195</b>
<b>EQUITY</b>			
Paid-in equity	6	2 575 000	1 875 000
Retained earnings	6	1 878 438	1 856 676
<b>TOTAL EQUITY CAPITAL</b>	6	<b>4 453 438</b>	<b>3 731 676</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>63 664 411</b>	<b>55 791 872</b>

Kristiansand, 6 February 2023

### The Board of Directors for Sparebanken Sør Boligkreditt AS

Geir Bergskaug  
Chairman

Seunn Smith-Tønnessen  
Member

Gunnar P. Thomassen  
Member

Steinar Vigsnes  
Member

Marianne Lofthus  
Managing Director

## Cash flow statement

<b>NOK Thousand</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Interest received	1 562 326	1 002 111
Interest paid	-1 023 757	- 448 719
Operating expenditure	- 108 111	- 102 018
Changes in loans to customers	-6 861 995	- 767 569
Income tax paid	- 98 421	- 98 387
<b>Net cash flow from operating activities</b>	<b>-6 529 958</b>	<b>- 414 582</b>
Payments received, securities	8 956 716	9 468 174
Payments made, securities	-10 349 803	-9 461 832
Changes in other assets	- 31 874	- 11 825
Changes in deposits from credit institutions	- 61 550	-6 307 764
Changes in other liabilities	835	81
<b>Net cash flow from current financing activities</b>	<b>-1 485 677</b>	<b>-6 313 165</b>
Paid-in share capital	700 000	0
Paid dividend	- 314 000	- 300 178
Payments received, bond debt	12 144 183	16 828 116
Payments made, bond debt	-4 694 250	-11 795 845
<b>Net cash flow from long-term financing activities</b>	<b>7 835 933</b>	<b>4 732 094</b>
<b>Net change in liquid funds</b>	<b>- 179 701</b>	<b>-1 995 654</b>
Liquid funds as at 01.01.	256 371	2 252 025
<b>Liquid funds at the end of the period</b>	<b>76 670</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>1 842 096</b>	<b>3 717 096</b>
Dividend	0	0	-300 178	-300 178
Profit 2021	0	0	304 375	304 375
Other income/expenses	0	0	10 383	10 383
<b>Balance 31.12.2021</b>	<b>1 375 000</b>	<b>500 000</b>	<b>1 856 676</b>	<b>3 731 676</b>
Dividend	0	0	-314 000	-314 000
Share capital increase	700 000	0	0	700 000
Profit 2022	0	0	258 574	258 574
Other income/expenses	0	0	77 188	77 188
<b>Balance 31.12.2022</b>	<b>2 075 000</b>	<b>500 000</b>	<b>1 878 438</b>	<b>4 453 438</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 22 percent is assumed. This is a change compared to previous quarterly and annual accounts, where a rate of 25 percent was used. As a result NOK 33.8 million was recognised as income in Q4 2022, for the period 2019-2021.

### 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 2022. At the end of the 4th 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.

## 2. NET INTEREST INCOME

NOK Thousand	Q4 2022	Q4 2021	31.12.2022	31.12.2021
Interest income recognised at amortized cost				
Interest on loans to customers	514 087	254 001	1 496 712	960 620
Interest on loans to and receivables from credit institutions	76	529	2 059	4 645
<b>Total interest income recognised at amortized cost</b>	<b>514 163</b>	<b>254 531</b>	<b>1 498 771</b>	<b>965 265</b>
Interest income recognised at fair value				
Interest on certificates/bonds/interest-bearing securities	50 835	15 282	111 230	40 279
<b>Total interest income recognised at fair value</b>	<b>50 835</b>	<b>15 282</b>	<b>111 230</b>	<b>40 279</b>
<b>Total interest income</b>	<b>564 998</b>	<b>269 813</b>	<b>1 610 001</b>	<b>1 005 544</b>
Interest expenses recognised at amortized cost				
Interest on debt to credit institutions	25 220	13 930	85 862	60 161
Interest on issued securities	441 444	113 617	1 068 408	372 989
Other interest expenses	2 329	1 905	9 304	7 618
<b>Total interest expenses recognised at amortized cost</b>	<b>468 993</b>	<b>129 452</b>	<b>1 163 574</b>	<b>440 768</b>
<b>Total interest expenses</b>	<b>468 993</b>	<b>129 452</b>	<b>1 163 574</b>	<b>440 768</b>
<b>Net interest income</b>	<b>96 005</b>	<b>140 361</b>	<b>446 427</b>	<b>564 777</b>

### 3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	Q4 2022	Q4 2021	31.12.2022	31.12.2021
Profit (loss) and changes in value from certificates and bonds	8 385	- 13 157	- 24 424	- 25 784
<b>Net income from certificates and bonds</b>	<b>8 385</b>	<b>- 13 157</b>	<b>- 24 424</b>	<b>- 25 784</b>
Change in value fixed rate loans - interest	0	- 23	55	- 134
Change in value fixed rate loans - margin	0	18	- 76	18
Expected credit loss IFRS9	0	0	0	2
<b>Net change in value fixed rate loans</b>	<b>0</b>	<b>- 4</b>	<b>- 21</b>	<b>- 113</b>
Change in value fixed rate bonds - hedge accounting				
Change in value derivatives fixed rate bonds	- 114 504	789 357	1 542 750	2 282 967
- designated as hedging instruments	84 317	- 790 059	- 1 551 142	- 2 275 945
<b>Net income hedging</b>	<b>- 30 187</b>	<b>- 702</b>	<b>- 8 391</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>15 952</i>
Profit (loss) buyback own bonds - amortised cost	0	0	0	- 36 314
Currency gains (losses)	0	0	0	151
<b>Net other financial instruments and derivatives</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>- 36 163</b>
<b>Net income from financial instruments</b>	<b>- 21 803</b>	<b>- 13 863</b>	<b>- 32 837</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

	31.12.2022	31.12.2021
<b>Average debt to assets ratio in %</b>	<b>53.0 %</b>	<b>52.9 %</b>
<b>Portfolio broken down by intervals of debt to assets ratio</b>		
Less than or equal to 40 %	19.5 %	19.0 %
41 - 50 %	18.5 %	17.3 %
51 - 60 %	27.9 %	29.5 %
61 - 70 %	24.2 %	27.2 %
71 - 75 %	6.9 %	5.1 %
76 - 80 %	2.2 %	1.0 %
Above 80 %	1.0 %	1.0 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

### 5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	31.12.2022	31.12.2021
Credit facility with Sparebanken Sør	4 013 403	3 855 963
Received collaterals	13 615	232 605
<b>Total debt to credit institutions</b>	<b>4 027 018</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>31.12.2022</b>	<b>31.12.2021</b>
<b>Equity capital</b>		
Share capital	2 075 000	1 375 000
Share premium reserve	500 000	500 000
Other equity capital	1 878 438	1 856 676
Deductions	- 8 773	-6 339
Dividend	0	-314 000
<b>Net subordinated capital (common equity tier 1)</b>	<b>4 444 665</b>	<b>3 411 337</b>
<b>Minimum requirements for equity capital</b>		
Credit risk	21 942 354	19 519 952
Market risk	0	0
Operational risk	882 133	874 094
CVA addition	0	0
Deductions	0	0
<b>Risk weight balance (calculation basis)</b>	<b>22 824 487</b>	<b>20 394 046</b>
<b>Common equity tier 1 capital ratio</b>	<b>19.5 %</b>	<b>16.7 %</b>
<b>Tier 1 capital ratio</b>	<b>19.5 %</b>	<b>16.7 %</b>
<b>Total capital ratio</b>	<b>19.5 %</b>	<b>16.7 %</b>
<b>Leverage Ratio</b>	<b>6.7 %</b>	<b>5.9 %</b>

### Minimum capital requirements:

<b>NOK Thousand</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Minimum Tier 1 capital requirements	4.50 %	4.50 %
Conservation buffer	2.50 %	2.50 %
Systemic risk buffer	3.00 %	3.00 %
Counter-cyclical buffer	2.00 %	1.50 %
CET1 requirements	12.00 %	11.50 %
Tier1 Capital requirements	13.50 %	13.00 %
Total capital requirements	15.50 %	15.00 %
CET1 requirements	2 738 938	2 345 315
Tier1 Capital requirements	3 081 306	2 651 226
Total capital requirements	3 537 795	3 059 107
Above CET1 requirements	1 705 726	1 066 022
Above Tier1 Capital requirements	1 363 359	760 111
Above total capital requirements	906 869	352 230

## 7. LOANS TO CUSTOMERS

NOK Thousand	31.12.2022	31.12.2021
<b>Loans assessed to amortised cost</b>		
Flexi-loans	15 499 817	12 234 931
Loans with installments - floating interest	41 002 210	37 400 796
Loans with installments - fixed interest	0	4 304
<b>Gross loans</b>	<b>56 589 977</b>	<b>49 680 350</b>
Loss allowance	- 28 098	- 12 788
<b>Net loans</b>	<b>56 561 879</b>	<b>49 667 562</b>
Undrawn credit on Flexi-loans	5 349 504	4 640 260

<b>Loans broken down by sectors and industries</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Retail customers	56 503 164	49 641 212
Accrued interests	86 813	39 138
<b>Gross loans</b>	<b>56 589 977</b>	<b>49 680 350</b>
Loss allowance	- 28 098	- 12 788
<b>Net loans</b>	<b>56 561 879</b>	<b>49 667 562</b>

### Loans broken down by geographical areas

NOK Thousand	31.12.2022		31.12.2021	
Agder	36 629 215	64.8 %	32 997 348	66.4 %
Vestfold og Telemark	7 074 798	12.5 %	5 970 346	12.0 %
Oslo	5 313 447	9.4 %	4 414 675	8.9 %
Viken	3 809 776	6.7 %	3 224 157	6.5 %
Rogaland	2 151 928	3.8 %	1 775 542	3.6 %
Other counties	1 582 715	2.8 %	1 285 494	2.6 %
<b>Total</b>	<b>56 561 879</b>	<b>100.0 %</b>	<b>49 667 562</b>	<b>100.0 %</b>

## 8. NON-PERFORMING LOANS

NOK Thousand	31.12.2022	31.12.2021
Total non-performing loans (stage 3)	173 159	91 388
Stage 3 impairment losses	4 500	2 416
Net non-performing-loans	168 659	88 972
Provision ratio non-performing loans	2.60 %	2.64 %
<b>Total non-performing loans in % of gross loans</b>	<b>0.31 %</b>	<b>0.18 %</b>
Gross loans	<b>56 589 977</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	31.12.2022	31.12.2021
Changes in impairment losses for the period, stage 1	6 867	- 1 471
+ Changes in impairment losses for the period, stage 2	6 556	1 566
+ Changes in impairments losses for the period, stage 3	2 222	1 709
<b>= Total losses for the period</b>	<b>15 645</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	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	
<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	1 748	-1 516	-232	0
Transferred to stage 2	-267	578	-311	0
Transferred to stage 3	-23	-225	248	0
Losses on new loans	6 592	4 253	501	11 345
Losses on deducted loans*	-1 512	-1 567	-388	-3 467
Losses on older loans and other changes	330	5 033	2 266	7 629
<b>Loss provisions as at 31.12.2022</b>	<b>11 981</b>	<b>12 058</b>	<b>4 500</b>	<b>28 539</b>
Loss provisions for loans	11 648	11 961	4 489	28 098
Loss provisions for undrawn credit	333	97	11	441
<b>Total loss provisions as at 31.12.2022</b>	<b>11 981</b>	<b>12 058</b>	<b>4 500</b>	<b>28 539</b>

NOK Thousand	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Loss provisions as at 01.01.2021	6 586	3 938	858	11 381
Transfers				
Transferred to stage 1	1 468	-1 308	- 160	0
Transferred to stage 2	- 297	314	- 17	0
Transferred to stage 3	- 12	- 145	157	0
Losses on new loans	2 179	1 300	79	3 559
Losses on deducted loans*	-1 869	-1 069	- 301	-3 239
Losses on older loans and other changes	-2 942	2 473	1 801	1 332
<b>Loss provisions as at 31.12.2021</b>	<b>5 114</b>	<b>5 502</b>	<b>2 416</b>	<b>13 033</b>
Loss provision for loans	4 968	5 405	2 415	12 788
Loss provisions for undrawn credit	146	97	1	245
<b>Total loss provision as at 31.12.2021</b>	<b>5 114</b>	<b>5 502</b>	<b>2 416</b>	<b>13 033</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	688 896	- 668 669	- 20 227	0
Transferred to stage 2	-1 481 199	1 498 045	- 16 846	0
Transferred to stage 3	- 77 675	- 51 687	129 362	0
Net change on present loans	-2 137 485	- 104 501	- 6 705	-2 248 690
New loans	20 759 812	699 956	19 774	21 479 542
Derecognised loans	-11 663 192	- 635 673	- 22 359	-12 321 224
<b>Gross loans as at 31.12.2022 assessed at amortised cost</b>	<b>53 491 301</b>	<b>2 924 288</b>	<b>174 388</b>	<b>56 589 977</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	679 933	- 666 574	- 13 358	0
Transferred to stage 2	-1 277 718	1 279 659	- 1 942	0
Transferred to stage 3	- 44 318	- 20 872	65 191	0
Net change on present loans	-2 127 237	- 102 096	- 5 272	-2 234 605
New loans	14 573 987	409 659	5 157	14 988 803
Derecognised loans	-11 444 667	- 533 188	- 5 695	-11 983 550
<b>Gross loans as at 31.12.2021 assessed at amortised cost</b>	<b>47 402 143</b>	<b>2 186 818</b>	<b>91 388</b>	<b>49 680 350</b>

## 10. BONDS AND CERTIFICATES

NOK Thousand	31.12.2022	31.12.2021
Short-term investments designated at fair value through profit		
Certificates and bonds issued by public sector	2 042 255	3 555 086
Certificates and bonds issued by others	4 387 875	1 505 898
Accrued interests	28 627	14 664
<b>Total</b>	<b>6 458 757</b>	<b>5 075 647</b>

## 11. DEBT SECURITIES ISSUED AT 31.12.2022

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	361 894	362 097
XS1775786145		EUR	500 000	Fixed 0.38 %	20.02.2023	5 277 006	5 279 646
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5 024 472	5 038 695
NO0010832637	SORB28	NOK	5 750 000	Floating 3M Nibor	24.09.2025	5 760 177	5 770 276
XS2555209381		EUR	500 000	Fixed 0.31 %	14.11.2025	5 265 313	5 263 769
XS1947550403		EUR	500 000	Fixed 0.50%	06.02.2026	5 085 183	4 866 156
XS2069304033		EUR	500 000	Fixed 0.01%	26.10.2026	4 408 713	4 660 557
NO0012535824	SORB32	NOK	5 500 000	Floating 3M Nibor	31.05.2027	5 513 004	5 538 650
NO0011002529	SORB31	NOK	7 000 000	Floating 3M Nibor	20.09.2027	7 163 208	7 088 249
NO0010670409	SORB08	NOK	500 000	Fixed 4.00%	24.01.2028	523 980	524 775
XS2291901994		EUR	500 000	Fixed 0.01%	28.01.2028	4 495 001	4 474 413
XS2389362687		EUR	500 000	Fixed 0.01%	25.09.2028	4 399 240	4 374 929
<b>TOTAL</b>						<b>53 277 192</b>	<b>53 242 213</b>

## 12. COVER POOL COMPOSITION AND OC

NOK Thousand	Nominal value	
	31.12.2022	31.12.2021
Loans secured by mortgages on residential properties	56 503 164	49 680 350
Deductions on ineligible loans*	-237 935	-169 912
<b>Pool of eligible loans</b>	<b>56 265 229</b>	<b>49 510 438</b>
Sertificates and bonds	5 950 000	3 745 000
<b>Total cover pool</b>	<b>62 215 229</b>	<b>53 255 438</b>
Debt incurred due to issuance of securities	54 316 750	46 881 750
<b>Total</b>	<b>54 316 750</b>	<b>46 881 750</b>
<b>Collateralisation ratio (OC)</b>	<b>14.5 %</b>	<b>13.6 %</b>

NOK Thousand	Fair value	
	31.12.2022	31.12.2021
Loans secured by mortgages on residential properties	56 561 879	49 667 562
Deductions on ineligible loans*	-237 935	-169 912
<b>Pool of eligible loans</b>	<b>56 323 944</b>	<b>49 497 650</b>
Sertificates and bonds	6 032 542	3 794 861
Financial derivatives (assets)	0	214 981
<b>Total cover pool</b>	<b>62 356 486</b>	<b>53 507 492</b>
Debt incurred due to issuance of securities	53 242 213	47 522 354
Financial derivatives (debt)	1 327 922	0
<b>Total</b>	<b>54 570 136</b>	<b>47 522 354</b>
<b>Collateralisation ratio (OC)</b>	<b>14.3 %</b>	<b>12.6 %</b>

\* Non-performing loans and loans above 80 percent LTV (changed from 75 in Q4 2022).

## 13. RELATED PARTIES

NOK Thousand	31.12.2022	31.12.2021
<b>Income statement</b>		
Interest income from Sparebanken Sør on deposits	1 698	4 645
Interest expenses/commission from Sparebanken Sør on loans/credit	90 862	65 256
Interest expenses on bond debts to Sparebanken Sør	4 088	10 059
Paid administration fees to Sparebanken Sør	98 603	91 027
<b>Balance sheet</b>		
Bank deposit in Sparebanken Sør	76 666	256 371
Covered bonds owned by Sparebanken Sør	0	757 500
Loans/credit in Sparebanken Sør	4 013 403	3 855 963

## QUARTERLY PROFIT TREND

NOK Thousand	Q4	Q3	Q2	Q1	Q4
	2022	2022	2022	2022	2021
Net interest income	96 005	106 155	117 809	126 457	140 361
Net other operating income	- 23 043	- 6 296	- 852	- 7 622	- 15 122
Operating expenses	27 308	24 845	26 917	24 384	24 412
<b>Profit before losses on loans</b>	<b>45 655</b>	<b>75 014</b>	<b>90 041</b>	<b>94 451</b>	<b>100 826</b>
Losses on loans and undrawn credits	10 089	2 187	5 174	- 1 805	914
<b>Profit before taxes</b>	<b>35 566</b>	<b>72 827</b>	<b>84 867</b>	<b>96 256</b>	<b>99 912</b>
Tax expenses	- 32 546	18 207	21 217	24 064	24 978
<b>Profit for the period</b>	<b>68 111</b>	<b>54 620</b>	<b>63 650</b>	<b>72 192</b>	<b>74 934</b>
Liquidity coverage ratio (LCR)	578 %	1 413 %	805 %	892 %	1 001%
Total capital ratio	19.5 %	20.8 %	19.5 %	20.5 %	16.7 %
Leverage Ratio	6.7 %	7.3 %	7.0 %	7.2 %	5.9 %

## **DECLARATION IN ACCORDANCE WITH SECTION 5-6 OF THE NORWEGIAN SECURITIES TRADING ACT**

The Board of Directors and CEO of Sparebanken Sør Boligkreditt AS, hereby confirm that the Company's financial statements for the second half of 2022 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, 6 February 2023

Geir Bergskaug  
Chairman

Seunn Smith-Tønnessen  
Member

Gunnar P. Thomassen  
Member

Steinar Vigsnes  
Member

Marianne Lofthus  
Managing Director



**SPAREBANKEN SØR  
BOLIGKREDITT AS**

Sparebanken Sør Pb. 200, 4662 Kristiansand | [www.sor.no](http://www.sor.no) | tlf. 38 10 92 00