

Q2

2024



SPAREBANKEN SØR
BOLIGKREDITT AS



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Board of Director's report

General

Sparebanken Sør Boligkreditt AS is a wholly owned subsidiary of Sparebanken Sør. 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.

At the end of Q2 2024, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 59 374 million, transferred from Sparebanken Sør, of which NOK 59 069 million was included in the qualified cover pool. Corresponding figures at the end of Q2 2023 were NOK 52 445 million and NOK 52 130 million respectively.

The portfolio of bonds and certificates totalled NOK 3 068 million at the end of Q2 2024, of which NOK 1 990 million was included in the cover pool. Corresponding figures at the end of Q2 2023 were NOK 3 839 million and NOK 3 365 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 53 769 million, compared to NOK 50 426 million at the same time in 2023. The company has achieved diversified funding by issuing covered bonds outside the Norwegian bond market.

Income statement and balance sheet

The financial statement of Sparebanken Sør Boligkreditt AS shows a profit after tax of NOK 179.0 million at the end of Q2 2024, compared to NOK 177.1 million in 2023.

The company had net interest income of NOK 302.5 million, compared to NOK 239.6 million in 2023.

Net income from financial instruments totalled minus NOK 9.7 million, compared to NOK 23.9 million in 2023. The reduction is mainly related to income from hedging.

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, affected the income from financial instruments by NOK 0 million and other comprehensive income by minus NOK 26.2 million at the end of Q2 2024. 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 57.6 million at the end of Q2 2024, compared to NOK 52.9 million in the same period in 2023.

Tax expenses were NOK 52.1 million at the end of Q2 2024. Corresponding figures at the end of Q2 2023 were NOK 40.6 million respectively.

Total assets as at 30.06.2024 were NOK 65 528 million, of which net loans to customers represented NOK 59 346 million. At the same time in 2023 total assets were NOK 59 055 million, of which net loans to customers were NOK 52 427 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 53 769 million, and by equity and loans from Sparebanken Sør. At the end of Q2 2024, the company had a total paid-in capital of NOK 2 975 million, of which NOK 2 475 million was share capital and NOK 500 million was related to share premiums.

Sparebanken Sør Boligkreditt AS has an overdraft facility of NOK 6 000 million with Sparebanken Sør for operational purposes that, as at 30.06.2024, was drawn down by NOK 5 458 million.

Capital strength

At the end of Q2 2024, the net subordinated capital in the company was NOK 4 779 million, compared to NOK 4 441 million at the same time in 2023. This corresponds to a common equity tier 1 capital ratio/tier 1 capital ratio/total capital ratio of 19.3 percent (20.7 percent in 2023), while regulatory minimums requirements constitute 14.0 percent, 15.5 percent and 17.5 percent respectively. The capital adequacy ratio has been calculated based on the standard method in the Basel II - regulations. The Board of Directors considers the company's solidity and risk-bearing ability to be good. The company's Leverage Ratio was 7.0 percent at the end of Q2 2024.

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 into NOK and liabilities established at fixed rates are swapped into floating rates. Accounting for foreign currency debt and debt at fixed interest rates, complies 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, 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 30.06.2024 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 total ratio of 348.3 percent and LCR EUR ratio > 100 percent. As at 30.06.2024 the mortgages in the cover pool had an average loan-to-value of 52.6 percent. Long term financing was well diversified and the NSFR ratio was reported at 123.4 percent. Over-collateralization was 17.1 percent, and given a stress test on assets prices of 30 percent, the OC was above the legislative OC level of 5 percent. The Board of Directors considers the company's liquidity risk to be low.

A Loan Service Agreement and Management Service Agreement that have been established with Sparebanken Sør, encompass 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 last 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. Sparebanken Sør Boligkreditt AS has since June 2023 been assigned an A1/Prime-1 issuer rating by Moody's, in line with ratings assigned by Moody's on the parent bank.

Future prospects

Growth in the Norwegian economy has been slow by the end of 2023 and into this year. Despite weak economic growth the registered unemployment is low. Growth in household consumption and housing investments are negatively affected by higher interest rates.

In June 2024 the consumer price index was 2.6 percent higher than the price level a year ago, and was affected by somewhat lower import prices. The targeted inflation level of the Norwegian Central Bank, is 2 percent. In order to curb inflation, the key policy rate in Norway has been raised to 4.5 percent over a short period of time, from 0 in September 2021. The key policy rate is now expected to remain at the same level during the autumn this year.

Norwegian house price inflation was low in 2023. A low level of unemployment and low construction activity leading to a limited offer of new buildings to the market, have so far in 2024 dampened the pressure on house prices.

Despite geopolitical turmoil in 2024 Sparebanken Sør Boligkreditt AS has had ample access to wholesale funding both from the domestic as well as from the bond market abroad. A new benchmark covered bond in Norwegian Kroner was issued in April 2024 to favorable conditions.

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, 9 August 2024

The Board of Directors for Sparebanken Sør Boligkreditt AS



Geir Bergskaug
Chairman



Seunn Smith-Tønnessen
Member



Svein Ole Holvik
Member



Steinar Vigsnes
Member



Marianne Lofhus
Managing Director

Income statement

NOK Thousand	Notes	Q2 2024	Q2 2023	30.06.2024	30.06.2023	31.12.2023
Interest income effective interest method	<u>2, 13</u>	883 097	606 936	1 685 984	1 201 588	2 643 220
Other interest income	<u>2, 13</u>	33 623	39 106	60 010	89 923	169 446
Interest expenses	<u>2, 13</u>	758 842	525 496	1 443 455	1 051 879	2 341 755
Net interest income	<u>2</u>	157 878	120 546	302 539	239 633	470 911
Commission income		54	44	106	91	180
Commission expenses		13	1 269	27	2 578	2 664
Net commission income		40	-1 225	79	-2 486	-2 483
Net income from financial instruments	<u>3</u>	-9 541	3 408	-9 721	23 926	7 683
Other income		-	-	-	-	80
Total other income		-9 541	3 408	-9 721	23 926	7 763
Personnel expenses		-	-	-	-	86
Other operating expenses	<u>13</u>	30 205	25 463	57 587	52 932	106 319
Total expenses		30 205	25 463	57 587	52 932	106 404
Profit before loss		118 172	97 266	235 310	208 140	369 786
Losses on loans and undrawn credit	<u>9</u>	430	-7 031	4 215	-9 577	-4 615
Profit before taxes		117 742	104 297	231 094	217 718	374 401
Tax expenses		26 432	15 664	52 112	40 616	75 279
Profit for the period		91 309	88 633	178 982	177 101	299 123

Statement of other comprehensive income

NOK Thousand	Notes	Q2 2024	Q2 2023	30.06.2024	30.06.2023	31.12.2023
Profit for the period		91 309	88 633	178 982	177 101	299 123
Net change in value from basis swaps		-9 428	-6 090	-33 621	-9 478	-118 914
Tax effect		2 074	1 340	7 397	2 085	26 161
Total profit for the period		83 956	83 883	152 757	169 708	206 370

Balance sheet

ASSETS (NOK Thousand)	Notes	30.06.2024	30.06.2023	31.12.2023
Loans to and receivables from credit institutions	<u>13</u>	1 748 699	1 445 833	973 207
	<u>7,8,9,1</u>			
Net loans to customers	<u>1</u>	59 346 240	52 426 974	55 807 966
Bonds and certificates	<u>10</u>	3 068 274	3 838 883	2 158 343
Financial derivatives	<u>12</u>	1 305 851	1 302 636	1 071 168
Deferred tax assets		29 139	-	16 714
Other assets		29 983	40 196	29 879
TOTAL ASSETS		65 528 188	59 054 523	60 057 278
LIABILITIES AND EQUITY				
Debt to credit institutions	<u>5,13</u>	6 602 749	3 697 690	5 411 372
Debt incurred due to issuance of securities	<u>11, 12</u>	53 768 654	50 425 526	49 732 184
Financial derivatives		125 881	225 188	138 210
Payable taxes		57 141	37 267	105 259
Deffered tax liabilities		-	35 050	0
Other liabilities		11 198	10 655	10 446
TOTAL LIABILITIES		60 565 624	54 431 376	55 397 471
EQUITY				
Paid-in equity	<u>6</u>	2 975 000	2 575 000	2 575 000
Retained earnings	<u>6</u>	1 987 564	2 048 146	2 084 807
TOTAL EQUITY CAPITAL	<u>6</u>	4 962 564	4 623 146	4 659 807
TOTAL LIABILITIES AND EQUITY CAPITAL		65 528 188	59 054 523	60 057 278

Kristiansand, 9 August 2024

The Board of Directors for Sparebanken Sør Boligkreditt AS



Geir Bergskaug
Chairman



Seunn Smith-Tønnessen
Member



Svein Ole Holvik
Member



Steinar Vigsnes
Member



Marianne Lofhus
Managing Director

Cash flow statement

NOK Thousand	30.06.2024	30.06.2023	31.12.2023
Interest received	1 745 349	1 291 824	2 774 496
Interest paid	-1 436 636	-1 073 623	-2 341 940
Operating expenditure	-59 039	-56 384	-108 213
Changes in loans to customers	-3 540 630	4 144 161	796 583
Income tax paid	-105 259	-46 984	-41 343
Net cash flow from operating activities	-3 396 215	4 258 995	1 079 583
Payments received, securities	203 205	6 774 210	10 088 748
Payments made, securities	-1 123 653	-4 147 890	-5 775 719
Changes in other assets	-104	33 777	44 094
Changes in deposits from credit institutions	1 191 378	-329 328	1 384 354
Changes in other liabilities	2 125	-600	-2 535
Net cash flow from current financing activities	272 951	2 330 169	5 738 941
Paid-in share capital	400 000	-	-
Paid dividend	-250 000	-	-
Payments received, bond debt	5 994 000	-	-
Payments made, bond debt	-2 245 242	-5 220 000	-5 921 987
Net cash flow from long-term financing activities	3 898 758	-5 220 000	-5 921 987
Net change in liquid funds	775 493	1 369 164	896 537
Liquid funds as at 01.01.	973 207	76 670	76 670
Liquid funds at the end of the period	1 748 699	1 445 833	973 207

Statement of changes in Equity

NOK Thousand	Share capital	Share premium reserve	Retained earnings	Total
Balance 31.12.2022	2 075 000	500 000	1 878 438	4 453 438
Profit 01.01.2023 - 30.06.2023	-	-	177 101	177 101
Other income/expenses	-	-	-7 393	-7 393
Balance 30.06.2023	2 075 000	500 000	2 048 146	4 623 146
Profit 30.06.2023 - 31.12.2023	-	-	122 022	122 022
Other income/expenses	-	-	-85 360	-85 360
Balance 31.12.2023	2 075 000	500 000	2 084 807	4 659 807
Dividend	-	-	-250 000	-250 000
Share capital increase	400 000	-	-	400 000
Profit 01.01.2024 - 30.06.2024	-	-	178 982	178 982
Other income/expenses	-	-	-26 225	-26 225
Balance 30.06.2024	2 475 000	500 000	1 987 564	4 962 564

Notes

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 2023 (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.

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 2023 (Note 2 - Discretionary assessments, estimates and assumptions) for further details

The financial item losses on loans and undrawn credit are subject to a significant degree of discretionary assessments. In 2023, there were major turmoil and fluctuations in the financial market. At the end of Q2 2024, there is still uncertainty in the market resulting from the war in Ukraine, unrest in the Middle East, the election in the US and the tensions between the US and China. High price growth and increased interest rates have suppressed household purchasing power and reduced activity in the Norwegian economy.

The model used to calculate future credit losses contains forward-looking macro data and must take future events into account. In the event of changes in business cycles or macro conditions, relevant parameters in the model must be changed accordingly.

2. Net interest income

NOK Thousand	Q2 2024	Q2 2023	30.06.2024	30.06.2023	31.12.2023
Interest income recognised at amortized cost					
Interest on loans to customers	876 396	606 448	1 675 286	1 200 859	2 640 354
Interest on loans to and receivables from credit institutions	6 701	487	10 698	729	2 866
Total interest income recognised at amortized cost	883 097	606 936	1 685 984	1 201 588	2 643 220
Interest income effective interest method	883 097	606 936	1 685 984	1 201 588	2 643 220
Interest income recognised at fair value					
Interest on certificates/bonds/interest-bearing securities	33 623	39 106	60 010	89 923	169 446
Total interest income recognised at fair value	33 623	39 106	60 010	89 923	169 446
Other interest income	33 623	39 106	60 010	89 923	169 446
Total interest income	916 720	646 041	1 745 994	1 291 512	2 812 666
Interest expenses recognised at amortized cost					
Interest on debt to credit institutions	92 379	30 928	145 104	69 774	130 337
Interest on issued securities	663 835	491 892	1 293 094	976 752	2 200 775
Other interest expenses	2 629	2 676	5 257	5 352	10 643
Total interest expenses recognised at amortized cost	758 842	525 496	1 443 455	1 051 879	2 341 755
Total interest expenses	758 842	525 496	1 443 455	1 051 879	2 341 755
Net interest income	157 878	120 546	302 539	239 633	470 911

3. Net income from financial instruments

NOK Thousand	Q2 2024	Q2 2023	30.06.2024	30.06.2023	31.12.2023
Profit (loss) and changes in value from certificates and bonds	-1 540	-2 964	-3 559	-3 660	-4 319
Net income from certificates and bonds	-1 540	-2 964	-3 559	-3 660	-4 319
Change in value fixed rate bonds - hedge accounting	533 095	-710 068	-215 325	-2 333 452	-2 417 635
Change in value derivatives fixed rate bonds - designated as hedging instruments	-535 854	716 440	214 405	2 361 038	2 431 624
Net income hedging	-2 759	6 372	-920	27 586	13 989
<i>Whereof effects from basis swaps (1)</i>	-	-	-	-	-
Profit (loss) buyback own bonds - amortised cost	-5 242	-	-5 242	-	-1 987
Currency gains (losses)	-	-	-	-	-
Net other financial instruments and derivatives	-5 242	-	-5 242	-	-1 987
Net income from financial instruments	-9 541	3 408	-9 721	23 926	7 683

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

	30.06.2024	30.06.2023	31.12.2023
Average debt to assets ratio in %	52.6 %	50.1 %	53.9 %
Portfolio divided into intervals of debt to assets ratio			
Less than or equal to 40 %	21.7 %	23.3 %	19.6 %
41 - 50 %	19.2 %	22.6 %	17.8 %
51 - 60 %	25.5 %	28.9 %	25.4 %
61 - 70 %	21.2 %	21.2 %	22.5 %
71 - 75 %	9.1 %	2.7 %	9.1 %
76 - 80 %	2.2 %	0.5 %	4.2 %
Above 80 %	1.0 %	0.8 %	1.3 %
Total	100.0 %	100.0 %	100.0 %

5. Debt to credit institutions

NOK Thousand	30.06.2024	30.06.2023	31.12.2023
Credit facility with Sparebanken Sør	5 457 820	2 417 750	4 544 202
Received collaterals	1 144 929	1 279 939	867 169
Total debt to credit institutions	6 602 749	3 697 690	5 411 372

Sparebanken Sør Boligkreditt AS has entered into an agreement with Sparebanken Sør for a credit facility of NOK 6 000 million for operational purposes.

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.

NOK Thousand	30.06.2024	30.06.2023	31.12.2023
Equity capital			
Share capital	2 475 000	2 075 000	2 075 000
Share premium reserve	500 000	500 000	500 000
Other equity capital	1 808 582	1 871 045	2 084 807
Deductions	-4 500	-5 367	-20 082
Dividend	-	-	-250 000
Net subordinated capital (common equity tier 1)	4 779 082	4 440 678	4 389 725
Minimum requirements for equity capital			
Credit risk	23 566 297	20 572 765	21 752 321
Market risk		-	-
Operational risk	868 489	882 123	868 489
CVA addition	337 477		-
Deductions	-		448 605
Risk weight balance (calculation basis)	24 772 263	21 454 888	23 069 415
Common equity tier 1 capital ratio	19.3 %	20.7 %	19.0 %
Tier 1 capital ratio	19.3 %	20.7 %	19.0 %
Total capital ratio	19.3 %	20.7 %	19.0 %
Leverage Ratio	7.0 %	7.3 %	7.0 %

Minimum capital requirements:

NOK Thousand	30.06.2024	30.06.2023	31.12.2023
Minimum Tier 1 capital requirements	4.50 %	4.50 %	4.50 %
Conservation buffer	2.50 %	2.50 %	2.50 %
Systemic risk buffer	4.50 %	3.00 %	4.50 %
Counter-cyclical buffer	2.50 %	2.50 %	2.50 %
CET1 requirements	14.00 %	12.50 %	14.00 %
Tier1 Capital requirements	15.50 %	14.00 %	15.50 %
Total capital requirements	17.50 %	16.00 %	17.50 %
CET1 requirements	3 468 159	2 681 861	3 229 718
Tier1 Capital requirements	3 839 747	3 003 684	3 575 759
Total capital requirements	4 335 199	3 432 782	4 037 148
Above CET1 requirements	1 310 924	1 758 817	1 160 007
Above Tier1 Capital requirements	939 335	1 436 994	813 966
Above total capital requirements	443 884	1 007 896	352 577

7. Loans to customers

Loans assessed to amortised cost (NOK Thousand)	30.06.2024	30.06.2023	31.12.2023
Flexi-loans	19 897 187	15 585 510	17 734 598
Loans with installments - floating interest	39 348 886	36 772 356	37 970 846
Loans with installments - fixed interest	-	-	-
Gross loans	59 373 934	52 445 479	55 831 510
Loss allowance	-27 694	-18 505	-23 543
Net loans	59 346 240	52 426 974	55 807 966
Undrawn credit on Flexi-loans	6 323 468	5 577 029	5 886 227

Loans broken down by sectors and industries	30.06.2024	30.06.2023	31.12.2023
Retail customers	59 248 306	52 358 978	55 706 526
Accrued interests	125 628	86 501	124 984
Gross loans	59 373 934	52 445 479	55 831 510
Loss allowance	-27 694	-18 505	-23 543
Net loans	59 346 240	52 426 974	55 807 966

Loans broken down by geographical areas (NOK Thousand)	30.06.2024		30.06.2023		31.12.2023	
Agder	35 258 521	59.4 %	34 024 246	64.9 %	36 167 424	64.8 %
Telemark	5 746 340	9.7 %	-	0.0 %	-	0.0 %
Vestfold	1 178 457	2.0 %	-	0.0 %	-	0.0 %
Vestfold og Telemark			6 592 427	12.6 %	6 940 570	12.4 %
Oslo	5 329 212	9.0 %	4 941 801	9.4 %	5 319 276	9.5 %
Akershus	2 709 382	4.6 %	-	0.0 %	-	0.0 %
Viken			3 562 756	6.8 %	3 844 537	6.9 %
Rogaland	2 073 064	3.5 %	1 955 253	3.7 %	2 120 215	3.8 %
Other counties	7 051 265	11.9 %	1 350 491	2.6 %	1 415 944	2.5 %
Total	59 346 240	100.0 %	52 426 974	100.0 %	55 807 966	100.0 %

As a result of policy changes in the public sector, some municipalities and counties have been merged and divided. Hence, the 30.06.2024 setup and figures are not comparable to previous periods.

8. Non-performing loans

NOK Thousand	30.06.2024	30.06.2023	31.12.2023
Total non-performing loans (stage 3)	114 207	176 362	166 906
Stage 3 impairment losses	3 879	3 797	3 493
Net non-performing loans	110 328	172 565	163 413
Provision ratio non-performing loans	3.40 %	2.15 %	2.09 %
Total non-performing loans in % of gross loans	0.19 %	0.34 %	0.30 %
Gross loans	59 373 934	52 445 479	55 831 510

NON-PERFORMING LOANS: All commitments in stage 3 are defined as non-performing. 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	30.06.2024	30.06.2023	31.12.2023
Changes in impairment losses for the period, stage 1	712	-2 775	-3 489
+ Changes in impairment losses for the period, stage 2	3 105	-6 099	-119
+ Changes in impairments losses for the period, stage 3	398	-703	-1 007
= Total losses for the period	4 215	-9 577	-4 615

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	14 131	32 646	55 448	5 571	1 806
Total	14 131	32 646	55 448	5 571	1 806

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 01.01.2024	8 492	11 939	3 493	23 924
<i>Transfers</i>				
Transferred to stage 1	3 078	-2 808	-270	-
Transferred to stage 2	-574	1 109	-535	-0
Transferred to stage 3	-6	-171	177	-
Losses on new loans	2 704	1 569	-	4 273
Losses on deducted loans*	-1 213	-1 723	-391	-3 327
Losses on older loans and other changes	-3 277	5 129	1 405	3 258
Loss provisions as at 30.06.2024	9 204	15 044	3 879	28 127
Loss provisions for loans	8 858	14 977	3 860	27 694
Loss provisions for undrawn credit	346	67	19	433
Total loss provisions as at 30.06.2024	9 204	15 044	3 879	28 127

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 01.01.2023	11 981	12 058	4 500	28 539
<i>Transfers</i>	-	-	-	-
Transferred to stage 1	4 384	-3 508	-876	-
Transferred to stage 2	-789	1 220	-431	-
Transferred to stage 3	-31	-390	421	-
Losses on new loans	1 265	282	-	1 546
Losses on deducted loans*	-1 770	-2 189	-608	-4 568
Losses on older loans and other changes	-5 834	-1 513	791	-6 556
Loss provisions as at 30.06.2023	9 206	5 959	3 797	18 962
Loss provisions for loans	8 887	5 821	3 797	18 505
Loss provisions for undrawn credit	319	138	0	457
Total loss provisions as at 30.06.2023	9 206	5 959	3 797	18 962

* Losses on deducted loans are related to losses on fully repaid loans and loans transferred between the company and the parent bank.

Changes in gross loans in the balance sheet

NOK Thousand	Stage 1	Stage 2	Stage 3	Total
Gross loans assessed at amortised cost				
Gross loans as at 01.01.2024 assessed at amortised cost	51 986 809	3 677 988	166 712	55 831 510
Transferred to stage 1	1 043 911	-1 015 193	-28 718	-0
Transferred to stage 2	-1 969 632	2 010 264	-40 633	0
Transferred to stage 3	-18 631	-31 400	50 031	-
Net change on present loans	-860 861	-43 338	-9 172	-913 370
New loans	10 674 352	344 657	-	11 019 009
Derecognised loans	-5 997 719	-541 481	-24 014	-6 563 214
Gross loans as at 30.06.2024 assessed at amortised cost	54 858 230	4 401 498	114 207	59 373 934

NOK Thousand	Stage 1	Stage 2	Stage 3	Total
Gross loans assessed at amortised cost				
Gross loans as at 01.01.2023 assessed at amortised cost	53 491 301	2 924 288	174 388	56 589 977
Transferred to stage 1	1 024 742	-976 768	-47 974	0
Transferred to stage 2	-2 246 267	2 263 877	-17 610	-0
Transferred to stage 3	-52 931	-45 070	98 001	-
Net change on present loans	-1 409 190	-61 977	-3 125	-1 474 293
New loans	4 587 365	74 718	-	4 662 083
Derecognised loans	-6 825 962	-479 007	-27 319	-7 332 288
Gross loans as at 30.06.2023 assessed at amortised cost	48 569 058	3 700 060	176 361	52 445 479

10. Bonds and certificates

NOK Thousand	30.06.2024	30.06.2023	31.12.2023
Short-term investments designated at fair value through profit			
Certificates and bonds issued by public sector	941 204	1 288 855	827 767
Certificates and bonds issued by others	2 107 064	2 533 007	1 314 518
Accrued interests	20 006	17 021	16 058
Total	3 068 274	3 838 883	2 158 343

11. Debt securities issued as at 30.06.2024

ISIN Number	Ticker	Currency	Nominal value	Interest	Due date	Book value	Fair value	
NO0010882632	SORB30	NOK	2 060 000	Floating	3M Nibor	19.11.2024	2 072 770	2 075 287
NO0010832637	SORB28	NOK	5 750 000	Floating	3M Nibor	9/24/2025	5 759 047	5 778 200
XS2555209381		EUR	500 000	Fixed	0.31%	11/14/2025	5 801 145	5 813 058
XS1947550403		EUR	500 000	Fixed	0.50%	2/6/2026	5 458 258	5 479 010
XS2069304033		EUR	500 000	Fixed	0.01%	10/26/2026	5 305 346	5 317 216
NO0012535824	SORB32	NOK	5 500 000	Floating	3M Nibor	5/31/2027	5 520 134	5 566 034
NO0011002529	SORB31	NOK	7 000 000	Floating	3M Nibor	9/20/2027	7 116 837	7 110 071
NO0010670409	SORB08	NOK	500 000	Fixed	4.00%	24.01.2028	498 231	500 935
XS2291901994		EUR	500 000	Fixed	0.01%	1/28/2028	5 150 546	5 120 310
XS2389362687		EUR	500 000	Fixed	0.01%	9/25/2028	5 058 515	5 023 226
NO0013214841	SORB33	NOK	6 000 000	Floating	3M Nibor	5/23/2029	6 027 825	6 044 507
TOTAL							53 768 654	53 827 855

12. Cover pool composition and OC

NOK Thousand	Nominal value		
	30.06.2024	30.06.2023	31.12.2023
Loans secured by mortgages on residential properties	59 248 306	52 358 978	55 706 526
Deductions on ineligible loans *	-179 094	-228 633	-248 008
Pool of eligible loans	59 069 212	52 130 344	55 458 518
Certificates and bonds	1 990 000	3 365 000	990 000
Total cover pool	61 059 212	55 495 344	56 448 518
Debt incurred due to issuance of securities	52 156 750	49 096 750	48 396 750
Total	52 156 750	49 096 750	48 396 750
Collateralisation ratio (OC)	17.1 %	13.0 %	16.6 %

NOK Thousand	Fair value		
	30.06.2024	30.06.2023	31.12.2023
Loans secured by mortgages on residential properties	59 346 240	52 426 974	55 807 966
Deductions on ineligible loans *	-179 094	-228 633	-248 008
Pool of eligible loans	59 167 146	52 198 341	55 559 959
Certificates and bonds	2 016 442	3 401 762	1 002 797
Financial derivatives (assets)	-	-	-
Total cover pool	61 183 587	55 600 103	56 562 755
Debt incurred due to issuance of securities	53 827 855	50 306 320	49 680 085
Financial derivatives (debt)	-1 179 970	-1 077 448	-932 958
Total	52 647 884	49 228 872	48 747 126
Collateralisation ratio (OC)	16.2 %	12.9 %	16.0 %

* Loans above 80 % LTV and loans in default.

13. Related parties

NOK Thousand	30.06.2024	30.06.2023	31.12.2023
Income statement			
Interest income from Sparebanken Sør on deposits	10 698	729	2 836
Interest expenses/commission from Sparebanken Sør on loans/credit	145 104	72 274	132 837
Interest expenses on bond debts to Sparebanken Sør	-	-	-
Paid administration fees to Sparebanken Sør	54 460	50 157	100 197
Balance sheet			
Bank deposit in Sparebanken Sør	1 748 666	1 445 830	973 173
Covered bonds owned by Sparebanken Sør	-	-	-
Loans/credit in Sparebanken Sør	5 457 820	2 417 750	4 544 202
Dividend payment to Sparebanken Sør	250 000	-	-

Quarterly profit trend

NOK Thousand	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Net interest income	157 878	144 661	119 716	111 561	120 546
Net other operating income	-9 501	-141	-3 313	-12 847	2 183
Operating expenses	30 205	27 382	28 166	25 306	25 463
Profit before losses on loans	118 172	117 138	88 237	73 408	97 266
Losses on loans and undrawn credits	430	3 785	927	4 035	-7 031
Profit before taxes	117 742	113 352	87 310	69 374	104 297
Tax expenses	26 432	25 680	19 449	15 214	15 664
Profit for the period	91 309	87 673	67 862	54 160	88 633
Liquidity coverage ratio (LCR)	348.3 %	318.7 %	443.0 %	291.0 %	209.0 %
Net stable funding ratio (NSFR)	123.4 %	122.6 %	120.1 %	125.3 %	127.0 %
Total capital ratio	19.3 %	0.0 %	19.0 %	20.6 %	20.7 %
Leverage Ratio	7.0 %	0.0 %	7.0 %	7.3 %	7.3 %

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 first half of 2024 have been prepared in accordance with applicable accounting standards, and 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, 9 August 2024

The Board of Directors for Sparebanken Sør Boligkreditt AS



Geir Bergskaug
Chairman



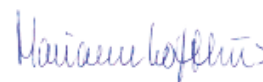
Seunn Smith-Tønnessen
Member



Svein Ole Holvik
Member



Steinar Vigsnes
Member



Marianne Lofhus
Managing Director