

Q1

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 Q1 2024, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 54 948 million, transferred from Sparebanken Sør, of which NOK 54 605 million was included in the qualified cover pool. Corresponding figures at the end of Q1 2023 were NOK 53 843 million and NOK 53 506 million respectively.

The portfolio of bonds and certificates totalled NOK 2 837 million at the end of Q1 2024, of which NOK 1 850 million was included in the cover pool. Corresponding figures at the end of Q1 2023 were NOK 3 839 million and NOK 3 365 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 50 483 million, compared to NOK 49 657 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 87.7 million at the end of Q1 2024, compared to NOK 88.5 million in 2023.

The company had net interest income of NOK 144.7 million, compared to NOK 119.1 million in 2023.

Net income from financial instruments totalled minus NOK 0.2 million, compared to NOK 20.5 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 18.9 million at the end of Q1 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 27.4 million at the end of Q1 2024, compared to NOK 27.5 million in the same period in 2023.

Tax expenses were NOK 25.7 million at the end of Q1 2024. Corresponding figures at the end of Q1 2023 were NOK 25.0 million respectively.

Total assets as at 31.03.2024 were NOK 61 499 million, of which net loans to customers represented NOK 54 921 million. At the same time in 2023 total assets were NOK 59 228 million, of which net loans to customers were NOK 53 818 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 50 483 million, and by equity and loans from Sparebanken Sør. At the end of Q1 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 5 000 million with Sparebanken Sør for operational purposes that, as at 31.03.2024, was drawn down by NOK 4 278 million.

Capital strength

At the end of Q1 2024, the net subordinated capital in the company was NOK 4 786 million, compared to NOK 4 446 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 20.5 percent (20.4 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 7.5 percent at the end of Q1 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 31.03.2024 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 319 percent and LCR EUR ratio > 100 percent. As at 31.03.2024 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 122.6 percent. Over-collateralization was 16.7 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 March 2024 the consumer price index was 3.9 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 until late 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, 30 April 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	31.03.2024	31.03.2023	31.12.2023
Interest income effective interest method	<u>2, 13</u>	802 887	594 653	2 643 220
Other interest income	<u>2, 13</u>	26 387	50 818	169 446
Interest expenses	<u>2, 13</u>	684 613	526 383	2 341 755
Net interest income	<u>2</u>	144 661	119 087	470 911
Commission income		52	47	180
Commission expenses		13	1 308	2 664
Net commission income		39	-1 261	-2 483
Net income from financial instruments	<u>3</u>	-180	20 518	7 683
Other income		-	-	80
Total other income		-180	20 518	7 763
Personnel expenses		-	-	86
Other operating expenses	<u>13</u>	27 382	27 469	106 319
Total expenses		27 382	27 469	106 404
Profit before loss		117 138	110 875	369 786
Losses on loans and undrawn credit	<u>9</u>	3 785	-2 546	-4 615
Profit before taxes		113 352	113 421	374 401
Tax expenses		25 680	24 953	75 279
Profit for the period		87 673	88 468	299 123

Statement of other comprehensive income

NOK Thousand	Notes	31.03.2024	31.03.2023	31.12.2023
Profit for the period		87 673	88 468	299 123
Net change in value from basis swaps		-24 194	-3 388	-118 914
Tax effect		5 323	745	26 161
Total profit for the period		68 801	85 825	206 370

Balance sheet

ASSETS (NOK Thousand)	Notes	31.03.2024	31.03.2023	31.12.2023
Loans to and receivables from credit institutions	<u>13</u>	1 996 999	602 027	973 207
	<u>7,8,9,1</u>			
Net loans to customers	<u>1</u>	54 920 741	53 817 519	55 807 966
Bonds and certificates	<u>10</u>	2 836 773	3 839 467	2 158 343
Financial derivatives	<u>12</u>	1 682 284	889 600	1 071 168
Deferred tax assets		25 919	-	16 714
Other assets		36 363	79 233	29 879
TOTAL ASSETS		61 499 079	59 227 846	60 057 278
LIABILITIES AND EQUITY				
Debt to credit institutions	<u>5,13</u>	5 751 357	4 405 425	5 411 372
Debt incurred due to issuance of securities	<u>11, 12</u>	50 482 834	49 656 761	49 732 184
Financial derivatives		10 947	564 686	138 210
Payable taxes		114 149	15 442	105 259
Deffered tax liabilities		-	35 269	0
Other liabilities		261 182	10 998	10 446
TOTAL LIABILITIES		56 620 470	54 688 583	55 397 471
EQUITY				
Paid-in equity	<u>6</u>	2 975 000	2 575 000	2 575 000
Retained earnings	<u>6</u>	1 903 609	1 964 263	2 084 807
TOTAL EQUITY CAPITAL	<u>6</u>	4 878 609	4 539 263	4 659 807
TOTAL LIABILITIES AND EQUITY CAPITAL		61 499 079	59 227 846	60 057 278

Kristiansand, 30 April 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	31.03.2024	31.03.2023	31.12.2023
Interest received	826 956	645 388	2 774 496
Interest paid	-695 086	-569 491	-2 341 940
Operating expenditure	222 215	-29 681	-108 213
Changes in loans to customers	886 772	2 746 930	796 583
Income tax paid	-20 672	-46 984	-41 343
Net cash flow from operating activities	1 220 186	2 746 162	1 079 583
Payments received, securities	203 205	6 774 210	10 088 748
Payments made, securities	-884 199	-4 147 890	-5 775 719
Changes in other assets	-6 484	-5 260	44 094
Changes in deposits from credit institutions	339 985	378 408	1 384 354
Changes in other liabilities	1 100	-272	-2 535
Net cash flow from current financing activities	-346 393	2 999 195	5 738 941
Paid-in share capital	400 000	-	-
Paid dividend	-250 000	-	-
Payments received, bond debt	-	-	-
Payments made, bond debt	-	-5 220 000	-5 921 987
Net cash flow from long-term financing activities	150 000	-5 220 000	-5 921 987
Net change in liquid funds	1 023 792	525 357	896 537
Liquid funds as at 01.01.	973 207	76 670	76 670
Liquid funds at the end of the period	1 996 999	602 027	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 - 31.03.2023	-	-	88 468	88 468
Other income/expenses	-	-	-2 643	-2 643
Balance 31.03.2023	2 075 000	500 000	1 964 263	4 539 263
Profit 01.04.2023 - 31.12.2023	-	-	210 655	210 655
Other income/expenses	-	-	-90 110	-90 110
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 01.01.2024-31.03.2024	-	-	87 673	87 673
Other income/expenses	-	-	-18 871	-18 871
Balance 31.03.2024	2 475 000	500 000	1 903 609	4 878 609

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 Q1 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	31.03.2024	31.03.2023	31.12.2023
Interest income recognised at amortized cost			
Interest on loans to customers	798 891	594 411	2 640 354
Interest on loans to and receivables from credit institutions	3 997	242	2 866
Total interest income recognised at amortized cost	802 887	594 653	2 643 220
Interest income effective interest method	802 887	594 653	2 643 220
Interest income recognised at fair value			
Interest on certificates/bonds/interest-bearing securities	26 387	50 818	169 446
Total interest income recognised at fair value	26 387	50 818	169 446
Other interest income	26 387	50 818	169 446
Total interest income	829 274	645 470	2 812 666
Interest expenses recognised at amortized cost			
Interest on debt to credit institutions	52 725	38 847	130 337
Interest on issued securities	629 259	484 861	2 200 775
Other interest expenses	2 629	2 676	10 643
Total interest expenses recognised at amortized cost	684 613	526 383	2 341 755
Total interest expenses	684 613	526 383	2 341 755
Net interest income	144 661	119 087	470 911

3. Net income from financial instruments

NOK Thousand	31.03.2024	31.03.2023	31.12.2023
Profit (loss) and changes in value from certificates and bonds	-2 019	-697	-4 319
Net income from certificates and bonds	-2 019	-697	-4 319
Change in value fixed rate bonds - hedge accounting	-748 421	-1 623 383	-2 417 635
Change in value derivatives fixed rate bonds - designated as hedging instruments	750 259	1 644 598	2 431 624
Net income hedging	1 839	21 214	13 989
<i>Whereof effects from basis swaps (1)</i>	-	-	-
Profit (loss) buyback own bonds - amortised cost	-	-	-1 987
Currency gains (losses)	-	-	-
Net other financial instruments and derivatives	-	-	-1 987
Net income from financial instruments	-180	20 518	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

	31.03.2024	31.03.2023	31.12.2023
Average debt to assets ratio in %	52.6 %	51.8 %	53.9 %
Portfolio divided into intervals of debt to assets ratio			
Less than or equal to 40 %	20.9 %	20.9 %	19.6 %
41 - 50 %	19.2 %	19.9 %	17.8 %
51 - 60 %	26.8 %	28.9 %	25.4 %
61 - 70 %	23.0 %	23.2 %	22.5 %
71 - 75 %	7.3 %	5.1 %	9.1 %
76 - 80 %	1.6 %	1.1 %	4.2 %
Above 80 %	1.2 %	0.9 %	1.3 %
Total	100.0 %	100.0 %	100.0 %

5. Debt to credit institutions

NOK Thousand	31.03.2024	31.03.2023	31.12.2023
Credit facility with Sparebanken Sør	4 278 160	3 922 544	4 544 202
Received collaterals	1 473 197	482 882	867 169
Total debt to credit institutions	5 751 357	4 405 425	5 411 372

Sparebanken Sør Boligkreditt AS has entered into an agreement with Sparebanken Sør for a credit facility of NOK 5 000 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	31.03.2024	31.03.2023	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	1 815 936	1 875 795	2 084 807
Deductions	-4 530	-5 294	-20 082
Dividend	-	-	-250 000
Net subordinated capital (common equity tier 1)	4 786 406	4 445 501	4 389 725
Minimum requirements for equity capital			
Credit risk	21 901 669	20 925 736	21 752 321
Market risk	-	-	-
Operational risk	868 489	882 123	868 489
CVA addition	543 131	-	-
Deductions	-	-	448 605
Risk weight balance (calculation basis)	23 313 289	21 807 859	23 069 415
Common equity tier 1 capital ratio	20.5 %	20.4 %	19.0 %
Tier 1 capital ratio	20.5 %	20.4 %	19.0 %
Total capital ratio	20.5 %	20.4 %	19.0 %
Leverage Ratio	7.5 %	7.2 %	7.0 %

Minimum capital requirements:

NOK Thousand	31.03.2024	31.03.2023	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	3 263 860	2 725 982	3 229 718
Tier1 Capital requirements	3 613 560	3 053 100	3 575 759
Total capital requirements	4 079 826	3 489 257	4 037 148
Above CET1 requirements	1 522 545	1 719 519	1 160 007
Above Tier1 Capital requirements	1 172 846	1 392 401	813 966
Above total capital requirements	706 580	956 244	352 577

7. Loans to customers

Loans assessed to amortised cost (NOK Thousand)	31.03.2024	31.03.2023	31.12.2023
Flexi-loans	18 172 316	15 746 803	17 734 598
Loans with installments - floating interest	36 646 356	38 008 294	37 970 846
Loans with installments - fixed interest	-	-	-
Gross loans	54 948 026	53 843 105	55 831 510
Loss allowance	-27 286	-25 586	-23 543
Net loans	54 920 741	53 817 519	55 807 966
Undrawn credit on Flexi-loans	6 043 017	5 544 110	5 886 227

Loans broken down by sectors and industries	31.03.2024	31.03.2023	31.12.2023
Retail customers	54 820 725	53 756 209	55 706 526
Accrued interests	127 301	86 896	124 984
Gross loans	54 948 026	53 843 105	55 831 510
Loss allowance	-27 286	-25 586	-23 543
Net loans	54 920 741	53 817 519	55 807 966

Loans broken down by geographical areas (NOK Thousand)	31.03.2024		31.03.2023		31.12.2023	
Agder	35 258 521	64.2 %	34 715 144	64.5 %	36 167 424	64.8 %
Telemark	5 746 340	10.5 %	-	0.0 %	-	0.0 %
Vestfold	1 178 457	2.1 %	-	0.0 %	-	0.0 %
Vestfold og Telemark	-	0.0 %	6 764 562	12.6 %	6 940 570	12.4 %
Oslo	5 329 212	9.7 %	5 045 119	9.4 %	5 319 276	9.5 %
Akershus	2 709 382	4.9 %	-	0.0 %	-	0.0 %
Viken	-	0.0 %	3 746 556	7.0 %	3 844 537	6.9 %
Rogaland	2 073 064	3.8 %	2 022 360	3.8 %	2 120 215	3.8 %
Other counties	2 625 765	4.8 %	1 523 777	2.8 %	1 415 944	2.5 %
Total	54 920 741	100.0 %	53 817 519	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 31.03.2024 setup and figures are not comparable to previous periods.

8. Non-performing loans

NOK Thousand	31.03.2024	31.03.2023	31.12.2023
Total non-performing loans (stage 3)	131 797	196 063	166 906
Stage 3 impairment losses	4 134	4 909	3 493
Net non-performing loans	127 663	191 154	163 413
Provision ratio non-performing loans	3.14 %	2.50 %	2.09 %
Total non-performing loans in % of gross loans	0.24 %	0.36 %	0.30 %
Gross loans	54 948 026	53 843 105	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	31.03.2024	31.03.2023	31.12.2023
Changes in impairment losses for the period, stage 1	233	-2 109	-3 489
+ Changes in impairment losses for the period, stage 2	2 906	-845	-119
+ Changes in impairments losses for the period, stage 3	646	408	-1 007
= Total losses for the period	3 785	-2 546	-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	13 431	30 850	52 208	5 381	2 231
Total	13 431	30 850	52 208	5 381	2 231

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	2 901	-2 721	-180	0
Transferred to stage 2	-472	1 017	-545	-
Transferred to stage 3	-6	-151	157	-
Losses on new loans	597	311	-	908
Losses on deducted loans*	-606	-771	-283	-1 659
Losses on older loans and other changes	-2 180	5 220	1 491	4 531
Loss provisions as at 31.03.2024	8 724	14 845	4 134	27 703
Loss provisions for loans	8 402	14 753	4 131	27 286
Loss provisions for undrawn credit	322	92	3	417
Total loss provisions as at 31.03.2024	8 724	14 845	4 134	27 703

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 01.01.2023	11 981	12 058	4 500	28 539
<i>Transfers</i>				
Transferred to stage 1	3 432	-2 929	-502	-
Transferred to stage 2	-543	692	-148	-
Transferred to stage 3	-25	-247	272	0
Losses on new loans	506	12	-	518
Losses on deducted loans*	-939	-1 240	-119	-2 298
Losses on older loans and other changes	-4 539	2 868	905	-765
Loss provisions as at 31.03.2023	9 872	11 213	4 909	25 993
Loss provisions for loans	9 548	11 133	4 906	25 586
Loss provisions for undrawn credit	324	80	3	407
Total loss provisions as at 31.03.2023	9 872	11 213	4 909	25 993

* 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	977 105	-955 848	-21 257	0
Transferred to stage 2	-1 584 697	1 627 592	-42 895	0
Transferred to stage 3	-19 683	-24 088	43 772	0
Net change on present loans	-468 078	-18 298	-263	-486 639
New loans	2 571 279	63 238	-	2 634 517
Derecognised loans	-2 758 136	-258 798	-14 426	-3 031 361
Gross loans as at 31.03.2024 assessed at amortised cost	50 704 599	4 111 786	131 642	54 948 027

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	807 439	-782 468	-24 971	0
Transferred to stage 2	-1 283 787	1 295 765	-11 979	-0
Transferred to stage 3	-43 755	-28 082	71 837	0
Net change on present loans	-757 152	-21 927	-4 679	-783 758
New loans	1 765 381	4 927	-	1 770 308
Derecognised loans	-3 450 927	-273 879	-8 616	-3 733 421
Gross loans as at 31.03.2023 assessed at amortised cost	50 528 501	3 118 624	195 980	53 843 105

10. Bonds and certificates

NOK Thousand	31.03.2024	31.03.2023	31.12.2023
Short-term investments designated at fair value through profit			
Certificates and bonds issued by public sector	1 027 622	1 291 462	827 767
Certificates and bonds issued by others	1 790 234	2 533 364	1 314 518
Accrued interests	18 917	14 641	16 058
Total	2 836 773	3 839 467	2 158 343

11. Debt securities issued as at 31.03.2024

ISIN Number	Ticker	Currency	Nominal value	Interest	Due date	Book value	Fair value	
NO0010882632	SORB30	NOK	4 300 000	Floating	3M Nibor	19.11.2024	4 326 823	4 335 571
NO0010832637	SORB28	NOK	5 750 000	Floating	3M Nibor	24.09.2025	5 759 676	5 778 431
XS2555209381		EUR	500 000	Fixed	0.31%	14.11.2025	5 883 825	5 892 125
XS1947550403		EUR	500 000	Fixed	0.50%	06.02.2026	5 538 908	5 558 476
XS2069304033		EUR	500 000	Fixed	0.01%	26.10.2026	5 396 872	5 399 826
NO0012535824	SORB32	NOK	5 500 000	Floating	3M Nibor	31.05.2027	5 520 583	5 559 761
NO0011002529	SORB31	NOK	7 000 000	Floating	3M Nibor	20.09.2027	7 125 936	7 102 636
NO0010670409	SORB08	NOK	500 000	Fixed	4.00%	24.01.2028	494 490	496 486
XS2291901994		EUR	500 000	Fixed	0.01%	28.01.2028	5 261 527	5 217 245
XS2389362687		EUR	500 000	Fixed	0.01%	25.09.2028	5 174 194	5 127 787
TOTAL							50 482 834	50 468 345

12. Cover pool composition and OC

NOK Thousand	Nominal value		
	31.03.2024	31.03.2023	31.12.2023
Loans secured by mortgages on residential properties	54 820 725	53 756 209	55 706 526
Deductions on ineligible loans *	-215 522	-250 512	-248 008
Pool of eligible loans	54 605 203	53 505 697	55 458 518
Certificates and bonds	1 850 000	3 365 000	990 000
Total cover pool	56 455 203	56 870 697	56 448 518
Debt incurred due to issuance of securities	48 396 750	49 096 750	48 396 750
Total	48 396 750	49 096 750	48 396 750
Collateralisation ratio (OC)	16.7 %	15.8 %	16.6 %

NOK Thousand	Fair value		
	31.03.2024	31.03.2023	31.12.2023
Loans secured by mortgages on residential properties	54 920 741	53 817 519	55 807 966
Deductions on ineligible loans *	-215 522	-250 512	-248 008
Pool of eligible loans	54 705 219	53 567 007	55 559 959
Certificates and bonds	1 884 730	3 401 760	1 002 797
Financial derivatives (assets)	-	-	-
Total cover pool	56 589 948	56 968 767	56 562 755
Debt incurred due to issuance of securities	50 468 345	49 534 335	49 680 085
Financial derivatives (debt)	-1 671 337	-324 914	-932 958
Total	48 797 008	49 209 421	48 747 126
Collateralisation ratio (OC)	16.0 %	15.8 %	16.0 %

* Loans above 80 % LTV and loans in default.

As of Q1 2024, OC is calculated based on nominal values, and deductions on loans above 80 % LTV.

13. Related parties

NOK Thousand	31.03.2024	31.03.2023	31.12.2023
Income statement			
Interest income from Sparebanken Sør on deposits	3 997	242	2 836
Interest expenses/commission from Sparebanken Sør on loans/credit	52 725	40 097	132 837
Interest expenses on bond debts to Sparebanken Sør	-	-	-
Paid administration fees to Sparebanken Sør	25 894	25 670	100 197
Balance sheet			
Bank deposit in Sparebanken Sør	1 996 966	602 024	973 173
Covered bonds owned by Sparebanken Sør	-	-	-
Loans/credit in Sparebanken Sør	4 278 160	3 922 544	4 544 202
Dividend payment to Sparebanken Sør	250 000	-	-

Quarterly profit trend

NOK Thousand	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Net interest income	144 661	119 716	111 561	120 546	119 087
Net other operating income	-141	-3 313	-12 847	2 183	19 256
Operating expenses	27 382	28 166	25 306	25 463	27 469
Profit before losses on loans	117 138	88 237	73 408	97 266	110 875
Losses on loans and undrawn credits	3 785	927	4 035	-7 031	-2 546
Profit before taxes	113 352	87 310	69 374	104 297	113 421
Tax expenses	25 680	19 449	15 214	15 664	24 953
Profit for the period	87 673	67 862	54 160	88 633	88 468
Liquidity coverage ratio (LCR)	318.7 %	443.0 %	291.0 %	209.0 %	302.0 %
Net stable funding ratio (NSFR)	122.6 %	120.1 %	125.3 %	127.0 %	126.0 %
Total capital ratio	20.5 %	19.0 %	20.6 %	20.7 %	20.4 %
Leverage Ratio	7.5 %	7.0 %	7.3 %	7.3 %	7.2 %