



SPAREBANKEN SØR
BOLIGKREDITT AS

Q4 2023

A company in the Sparebanken Sør Group



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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 Q4 2023, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 55 832 million, transferred from Sparebanken Sør, of which NOK 55 459 million was included in the qualified cover pool. Corresponding figures at the end of Q4 2022 were NOK 56 590 million and NOK 56 265 million respectively.

The portfolio of bonds and certificates totalled NOK 2 158 million at the end of Q4 2023, of which NOK 990 million was included in the cover pool. Corresponding figures at the end of Q4 2022 were NOK 6 459 million and NOK 5 950 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 49 732 million, compared to NOK 53 277 million at the same time in 2022. 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 299.1 million at the end of Q4 2023, compared to NOK 258.6 million in 2022.

The company had net interest income of NOK 470.9 million, compared to NOK 446.4 million in 2022.

Net income from financial instruments totalled NOK 7.7 million, compared to minus NOK 32.8 million in 2022. The improvement is related to an increased net income from hedging and positive changes in value from certificates and bonds.

The company has issued covered bonds in Euros under the EMTCN (European Medium Term Covered Note) program. In order to control interest and currency exposure, the company has established swap arrangements (basis swaps), to convert foreign currency into NOK. The impact on earnings related to changes in the value of the basis swap, affected the income from financial instruments by NOK 0 million and other comprehensive income by minus NOK 47.4 million at the end of Q4 2023. 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 106.4 million at the end of Q4 2023, compared to NOK 103.5 million in the same period in 2022.

Tax expenses were NOK 75.3 million at the end of Q4 2023. Corresponding figures at the end of Q4 2022 were NOK 30.9 million respectively. Tax expenses in 2023 were influenced by a refund of too high tax payment in 2018 and 2019.

Total assets as at 31.12.2023 were NOK 60 057 million, of which net loans to customers represented NOK 55 808 million. At the same time in 2022 total assets were NOK 63 664 million, of which net loans to customers were NOK 56 562 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 49 732 million, and by equity and loans from Sparebanken Sør. At the end of Q4 2023, 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 31.12.2023, was drawn down by NOK 4 544 million.

Distribution of profit

Total profit after tax for 2023 is NOK 299.1 million. The Board of Directors proposes to the Annual General Meeting a dividend payment of NOK 250.0 million.

Board of Director's report

Capital strength

At the end of Q4 2023, the net subordinated capital in the company was NOK 4 390 million, compared to NOK 4 445 million at the same time in 2022. This corresponds to a common equity tier 1 capital ratio/tier 1 capital ratio/total capital ratio of 19.0 percent (19.5 percent in 2022), 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 consider the company's solidity and risk-bearing ability to be good. The company's Leverage Ratio was 7.0 percent at the end of Q4 2023.

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 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 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 31.12.2023 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 443 percent. As at 31.12.2023 the mortgages in the cover pool had an average loan-to-value of 53.9 percent. Long term financing was well diversified and the NSFR ratio was reported at 120.1 percent. Over-collateralization was 16.6 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 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 is slow by the end of the year. Still unemployment is low, but the employment growth is weak. The economy is affected by higher interest rates and is cooling down.

Price inflation has declined during 2023, but is still markedly above the targeted level of the Norwegian Central Bank, of 2 percent. The depreciation of the Norwegian krone adds to pressure on inflation levels through imported goods and services. In order to curb inflation, the key policy rate in Norway has been raised to 4.50 percent over a short period of time, from 0 in September 2021. The key policy rate is expected to remain at the same level in the first half of 2024.

Norwegian house price inflation was low in 2023, and the outlook for house prices is considered more uncertain. Still the risk of a severe decline in house prices is dampened by low construction activity and a low level of unemployment.

Financial market-conditions have normalized during 2023, and risk premiums on covered bonds have increased compared to previous years. Sparebanken Sør Boligkreditt AS has ample access to wholesale funding both from the domestic as well as from the bond market abroad.

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 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 Lofthus
Managing Director

Income statement

NOK Thousand	Notes	Q4 2023	Q4 2022	31.12.2023	31.12.2022
Interest income effective interest method	2, 12	763 321	514 163	2 643 220	1 498 771
Other interest income	2, 12	32 149	50 835	169 446	111 230
Interest expenses	2, 12	675 753	468 993	2 341 755	1 163 574
Net interest income	2	119 716	96 005	470 911	446 427
Commission income		47	46	180	164
Commission expenses		-1 214	1 286	2 664	5 140
Net commission income		1 261	-1 240	-2 483	-4 976
Net income from financial instruments	3	-4 574	-21 803	7 683	-32 837
Other income		0	0	80	0
Total other income		-4 574	-21 803	7 763	-32 837
Personnel expenses		86	60	86	60
Other operating expenses	12	28 081	27 248	106 319	103 394
Total expenses		28 166	27 308	106 404	103 453
Profit before loss		88 237	45 655	369 786	305 161
Losses on loans and undrawn credit	9	927	10 089	-4 615	15 645
Profit before taxes		87 310	35 566	374 401	289 516
Tax expenses		19 449	-32 546	75 279	30 942
Profit for the period		67 862	68 111	299 123	258 574

Statement of other comprehensive income

NOK Thousand	Q4 2023	Q4 2022	31.12.2023	31.12.2022
Profit for the period	67 862	68 111	299 123	258 574
Net change in value from basis swaps	-60 814	-156 184	-118 914	98 959
Tax effect	13 379	42 015	26 161	-21 771
Total profit for the period	20 427	-46 058	206 370	335 762

Balance sheet

NOK Thousand	Notes	31.12.2023	31.12.2022
ASSETS			
Loans to and receivables from credit institutions	12	973 207	76 670
Net loans to customers	7,8,9,11	55 807 966	56 561 879
Bonds and certificates	11	2 158 343	6 458 757
Financial derivatives	11	1 071 168	493 132
Deferred tax assets		16 714	0
Other assets		29 879	73 973
TOTAL ASSETS		60 057 278	63 664 411
LIABILITIES AND EQUITY			
Debt to credit institutions	5,12	5 411 372	4 027 018
Debt incurred due to issuance of securities	10,11	49 732 184	53 277 192
Financial derivatives		138 210	1 821 055
Payable taxes		105 259	41 317
Deferred tax liabilities		0	32 171
Other liabilities		10 446	12 221
TOTAL LIABILITIES		55 397 471	59 210 973
EQUITY			
Paid-in equity	6	2 575 000	2 575 000
Retained earnings	6	2 084 807	1 878 438
TOTAL EQUITY CAPITAL	6	4 659 807	4 453 438
TOTAL LIABILITIES AND EQUITY CAPITAL		60 057 278	63 664 411

Kristiansand, 6 February 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 Lofthus
Managing Director

Cash flow statement

NOK Thousand	31.12.2023	31.12.2022
Interest received	2 774 496	1 562 326
Interest paid	-2 341 940	-1 023 757
Operating expenditure	- 108 213	- 108 111
Changes in loans to customers	796 583	-6 861 995
Income tax paid	- 41 343	- 98 421
Net cash flow from operating activities	1 079 583	-6 529 958
Payments received, securities	10 088 748	8 956 716
Payments made, securities	-5 775 719	-10 349 803
Changes in other assets	44 094	- 31 874
Changes in deposits from credit institutions	1 384 354	- 61 550
Changes in other liabilities	- 2 535	835
Net cash flow from current financing activities	5 738 941	-1 485 677
Paid-in share capital	0	700 000
Paid dividend	0	- 314 000
Payments received, bond debt	0	12 144 183
Payments made, bond debt	-5 921 987	-4 694 250
Net cash flow from long-term financing activities	-5 921 987	7 835 933
Net change in liquid funds	896 537	- 179 701
Liquid funds as at 01.01.	76 670	256 371
Liquid funds at the end of the period	973 207	76 669

Statement of changes in Equity

NOK Thousand	Share capital	Share premium reserve	Retained earnings	Total
Balance 31.12.2021	1 375 000	500 000	1 856 676	3 731 676
Dividend	0	0	-314 000	-314 000
Share capital increase	700.000	0	0	700 000
Profit 01.01.2022 - 31.12.2022	0	0	258 574	258 574
Other income/expenses	0	0	77 188	77 188
Balance 31.12.2022	2 075 000	500 000	1 878 438	4 453 438
Profit 01.01.2023 - 31.12.2023	0	0	299 123	299 123
Other income/expenses	0	0	-92 753	-92 753
Balance 31.12.2023	2 075 000	500 000	2 084 807	4 659 807

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 2022 (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 2022 (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. This item was in 2020, 2021 and 2022 particularly challenging to quantify. In 2023, there are again major turmoil and fluctuations in the financial market. At the end of the second half of 2023, 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 economic changes, the current models and parameters must be changed accordingly.

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

2. NET INTEREST INCOME

NOK Thousand	Q4 2023	Q4 2022	31.12.2023	31.12.2022
<i>Interest income recognised at amortized cost</i>				
Interest on loans to customers	762 192	514 087	2 640 354	1 496 712
Interest on loans to and receivables from credit institutions	1 128	76	2 866	2 059
Total interest income recognised at amortized cost	763 321	514 163	2 643 220	1 498 771
Interest income effective interest method	763 321	514 163	2 643 220	1 498 771
<i>Interest income recognised at fair value</i>				
Interest on certificates/bonds/interest-bearing securities	32 149	50 835	169 446	111 230
Total interest income recognised at fair value	32 149	50 835	169 446	111 230
Other interest income	32 149	50 835	169 446	111 230
Total interest income	795 470	564 998	2 812 666	1 610 001
<i>Interest expenses recognised at amortized cost</i>				
Interest on debt to credit institutions	36 507	25 220	130 337	85 862
Interest on issued securities	636 570	441 444	2 200 775	1 068 408
Other interest expenses	2 676	2 329	10 643	9 304
Total interest expenses recognised at amortized cost	675 753	468 993	2 341 755	1 163 574
Total interest expenses	675 753	468 993	2 341 755	1 163 574
Net interest income	119 716	96 005	470 911	446 427

3. NET INCOME FROM FINANCIAL INSTRUMENTS

NOK Thousand	Q4 2023	Q4 2022	31.12.2023	31.12.2022
Profit (loss) and changes in value from certificates and bonds	- 2 340	8 385	- 4 319	- 24 424
Net income from certificates and bonds	- 2 340	8 385	- 4 319	- 24 424
Change in value fixed rate loans - interest	0	0	0	55
Change in value fixed rate loans - margin	0	0	0	- 76
Expected credit loss IFRS9	0	0	0	0
Net change in value fixed rate loans	0	0	0	- 21
Change in value fixed rate bonds - hedge accounting				
Change in value derivatives fixed rate bonds	- 857 557	- 114 504	-2 417 635	1 542 750
- designated as hedging instruments	857 310	84 317	2 431 624	-1 551 142
Net income hedging	- 248	- 30 187	13 989	- 8 391
<i>Whereof effects from basis swaps (1)</i>	0	0	0	5 021
Profit (loss) buyback own bonds - amortised cost	- 1 987	0	- 1 987	0
Currency gains (losses)	0	0	0	0
Net other financial instruments and derivatives	- 1 987	0	- 1 987	0
Net income from financial instruments	- 4 574	- 21 803	7 683	- 32 837

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

	31.12.2023	31.12.2022
Average debt to assets ratio in %	53.9%	53.0%
Portfolio broken down by intervals of debt to assets ratio		
Less than or equal to 40 %	19.6%	19.5%
41 - 50 %	17.8%	18.5%
51 - 60 %	25.4%	27.9%
61 - 70 %	22.5%	24.2%
71 - 75 %	9.1%	6.9%
76 - 80 %	4.2%	2.2%
Above 80 %	1.3 %	1.0 %
Total	100.0 %	100.0 %

5. DEBT TO CREDIT INSTITUTIONS

NOK Thousand	31.12.2023	31.12.2022
Credit facility with Sparebanken Sør	4 544 202	4 013 403
Received collaterals	867 169	13 615
Total debt to credit institutions	5 411 372	4 027 018

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	31.12.2023	31.12.2022
Equity capital		
Share capital	2 075 000	2 075 000
Share premium reserve	500 000	500 000
Other equity capital	2 084 807	1 878 438
Deductions	- 20 082	- 8 773
Dividend	- 250 000	0
Net subordinated capital (common equity tier 1)	4 389 725	4 444 665
Minimum requirements for equity capital		
Credit risk	21 752 321	21 942 354
Market risk	0	0
Operational risk	868 489	882 133
CVA addition	0	0
Deductions	448 605	0
Risk weight balance (calculation basis)	23 069 415	22 824 487
Common equity tier 1 capital ratio	19.0 %	19.5 %
Tier 1 capital ratio	19.0 %	19.5 %
Total capital ratio	19.0 %	19.5 %
Leverage Ratio	7.0 %	6.7 %

Minimum capital requirements:

NOK Thousand	31.12.2023	31.12.2022
Minimum Tier 1 capital requirements	4.50 %	4.50 %
Conservation buffer	2.50 %	2.50 %
Systemic risk buffer	4.50 %	3.00 %
Counter-cyclical buffer	2.50 %	2.00 %
CET1 requirements	14.0 %	12.00 %
Tier1 Capital requirements	15.5 %	13.50 %
Total capital requirements	17.5 %	15.50 %
CET1 requirements	3 229 718	2 738 938
Tier1 Capital requirements	3 575 759	3 081 306
Total capital requirements	4 037 148	3 537 795
Above CET1 requirements	1 160 007	1 705 726
Above Tier1 Capital requirements	813 966	1 363 359
Above total capital requirements	352 577	906 869

7. LOANS TO CUSTOMERS

NOK Thousand	31.12.2023	31.12.2022
Loans assessed to amortised cost		
Flexi-loans	17 734 598	15 499 817
Loans with installments - floating interest	37 970 846	41 002 210
Loans with installments - fixed interest	0	0
Gross loans	55 831 510	56 589 977
Loss allowance	- 23 543	- 28 098
Net loans	55 807 966	56 561 879
Undrawn credit on Flexi-loans	5 886 227	5 349 504

Loans broken down by sectors and industries	31.12.2023	31.12.2022
Retail customers	55 706 526	56 503 164
Accrued interests	124 984	86 813
Gross loans	55 831 510	56 589 977
Loss allowance	- 23 543	- 28 098
Net loans	55 807 966	56 561 879

Loans broken down by geographical areas

NOK Thousand	31.12.2023		31.12.2022	
Agder	36 167 424	64.8 %	36 629 215	64.8 %
Vestfold og Telemark	6 940 570	12.4 %	7 074 798	12.5 %
Oslo	5 319 276	9.5 %	5 313 447	9.4 %
Viken	3 844 537	6.9 %	3 809 776	6.7 %
Rogaland	2 120 215	3.8 %	2 151 928	3.8 %
Other counties	1 415 944	2.5 %	1 582 715	2.8 %
Total	55 807 966	100.0 %	56 561 879	100.0 %

8. NON-PERFORMING LOANS

NOK Thousand	31.12.2023	31.12.2022
Total non-performing loans (stage 3)	166 906	173 159
Stage 3 impairment losses	3 493	4 500
Net non-performing-loans	163 413	168 659
Provision ratio non-performing loans	2.09 %	2.60 %
Total non-performing loans in % of gross loans	0.30 %	0.31 %
Gross loans	55 831 510	56 589 977

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

Unlikeliness 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	31.12.2023	31.12.2022
Changes in impairment losses for the period, stage 1	- 3 489	6 867
+ Changes in impairment losses for the period, stage 2	- 119	6 556
+ Changes in impairments losses for the period, stage 3	- 1 007	2 222
= Total losses for the period	- 4 615	15 645

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	13 249	30 543	51 766	5 439	1 392
Total	13 249	30 543	51 766	5 439	1 392

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
Transfers				
Transferred to stage 1	3 508	-2 896	-612	0
Transferred to stage 2	-726	1 493	-767	0
Transferred to stage 3	-33	-370	403	0
				0
Losses on new loans	3 245	2 585	221	6 051
Losses on deducted loans*	-3 280	-4 125	-870	-8 275
Losses on older loans and other changes	-6 203	3 193	619	-2 391
Loss provisions as at 31.12.2023	8 492	11 939	3 493	23 924
Loss provisions for loans	8 189	11 865	3 490	23 543
Loss provisions for undrawn credit	303	74	4	380
Total loss provisions as at 31.12.2023	8 492	11 939	3 493	23 924

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 01.01.2022	5 114	5 502	2 416	13 032
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
Loss provisions as at 31.12.2022	11 981	12 058	4 500	28 539
Loss provision for loans	11 648	11 961	4 489	28 098
Loss provisions for undrawn credit	333	97	11	441
Total loss provision as at 31.12.2022	11 981	12 058	4 500	28 539

* 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	2023			
Gross loans assessed at amortised cost	Stage 1	Stage 2	Stage 3	Total
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	884 983	- 844 914	- 40 069	0
Transferred to stage 2	-2 083 592	2 110 513	- 26 921	0
Transferred to stage 3	- 55 492	- 44 880	100 372	0
Net change on present loans	-2 386 969	- 104 396	- 5 688	-2 497 052
New loans	14 574 786	546 787	11 484	15 133 057
Derecognised loans	-12 438 209	- 909 409	- 46 854	-13 394 471
Gross loans as at 31.12.2023 assessed at amortised cost	51 986 809	3 677 988	166 712	55 831 510

NOK Thousand	2022			
Gross loans assessed at amortised cost	Stage 1	Stage 2	Stage 3	Total
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
Gross loans as at 31.12.2022 assessed at amortised cost	53 491 301	2 924 288	174 388	56 589 977

10. BONDS AND CERTIFICATES

NOK Thousand	31.12.2023	31.12.2022
Short-term investments designated at fair value through profit		
Certificates and bonds issued by public sector	827 767	2 042 255
Certificates and bonds issued by others	1 314 518	4 387 875
Accrued interests	16 058	28 627
Total	2 158 343	6 458 757

11. DEBT SECURITIES ISSUED AT 31.12.2023

NOK Thousand

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	4 327 468	4 337 238
NO0010832637	SORB28	NOK	5 750 000	Floating 3M Nibor	24.09.2025	5 758 738	5 775 009
XS2555209381		EUR	500 000	Fixed 0.31 %	14.11.2025	5 689 461	5 696 144
XS1947550403		EUR	500 000	Fixed 0.50 %	06.02.2026	5 391 179	5 410 997
XS2069304033		EUR	500 000	Fixed 0.01 %	26.10.2026	5 238 021	5 241 499
NO0012535824	SORB32	NOK	5 500 000	Floating 3M Nibor	31.05.2027	5 520 183	5 550 158
NO0011002529	SORB31	NOK	7 000 000	Floating 3M Nibor	20.09.2027	7 134 297	7 093 882
NO0010670409	SORB08	NOK	500 000	Fixed 4.00 %	24.01.2028	517 830	518 225
XS2291901994		EUR	500 000	Fixed 0.01 %	28.01.2028	5 120 500	5 075 296
XS2389362687		EUR	500 000	Fixed 0.01 %	25.09.2028	5 034 506	4 981 638
TOTAL						49 732 184	49 680 085

12. COVER POOL COMPOSITION AND OC

NOK Thousand	Nominal value	
	31.12.2023	31.12.2022
Loans secured by mortgages on residential properties	55 706 526	56 503 164
Deductions on ineligible loans*	-248 008	-237 935
Pool of eligible loans	55 458 518	56 265 229
Certificates and bonds	990 000	5 950 000
Total cover pool	56 448 518	62 215 229
Debt incurred due to issuance of securities	48 396 750	54 316 750
Total	48 396 750	54 316 750
Collateralisation ratio (OC)	16.6 %	14.5 %

NOK Thousand	Fair value	
	31.12.2023	31.12.2022
Loans secured by mortgages on residential properties	55 807 966	56 561 879
Deductions on ineligible loans*	-248 008	-237 935
Pool of eligible loans	55 559 959	56 323 944
Sertificates and bonds	1 002 797	6 032 542
Financial derivatives (assets)	0	0
Total cover pool	56 562 755	62 356 486
Debt incurred due to issuance of securities	49 680 085	53 242 213
Financial derivates (debt)	-932 958	1 327 922
Total	48 747 126	54 570 136
Collateralisation ratio (OC)	16.0 %	14.3 %

* Loans above 80 % LTV and loans in default.

As of Q4 2022, OC is calculated based on nominal values, and deductions on loans above 80 % LTV.

13. RELATED PARTIES

NOK Thousand	31.12.2023	31.12.2022
Income statement		
Interest income from Sparebanken Sør on deposits	2 836	1 698
Interest expenses/commission from Sparebanken Sør on loans/credit	132 837	90 862
Interest expenses on bond debts to Sparebanken Sør	0	4 088
Paid administration fees to Sparebanken Sør	100 197	98 603
Balance sheet		
Bank deposit in Sparebanken Sør	973 173	76 666
Covered bonds owned by Sparebanken Sør	0	0
Loans/credit in Sparebanken Sør	4 544 202	4 013 403

QUARTERLY PROFIT TREND

NOK Thousand	Q4	Q3	Q2	Q1	Q4
	2023	2023	2023	2023	2022
Net interest income	119 716	111 561	120 546	119 087	96 005
Net other operating income	- 3 313	- 12 847	2 183	19 256	- 23 043
Operating expenses	28 166	25 306	25 463	27 469	27 308
Profit before losses on loans	88 237	73 408	97 266	110 875	45 655
Losses on loans and undrawn credits	927	4 035	- 7 031	- 2 546	10 089
Profit before taxes	87 310	69 374	104 297	113 421	35 566
Tax expenses	19 449	15 214	15 664	24 953	- 32 546
Profit for the period	67 862	54 160	88 633	88 468	68 111
Liquidity coverage ratio (LCR)	443.0 %	291.0 %	209.0 %	302.0 %	578.0 %
Total capital ratio	19.0 %	20.6 %	20.7 %	20.2 %	19.5 %
Leverage Ratio	7.0 %	7.3 %	7.3 %	7.1 %	6.7 %

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

The Board of Directors and CEO of Sparebaken Sør Boligkreditt AS hereby confirm that the Company's financial statements for the second half of 2023 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, 6 February 2024

Geir Bergskaug
Chairman

Seunn Smith-Tønnessen
Member

Svein Ole Holvik
Member

Steinar Vigsnes
Member

Marianne Lofthus
Managing Director



**SPAREBANKEN SØR
BOLIGKREDITT AS**