

Q3 2024

Unaudited



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 Q3 2024, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 56 200 million, transferred from Sparebanken Sør, of which NOK 55 920 million was included in the qualified cover pool. Corresponding figures at the end of Q3 2023 were NOK 52 607 million and NOK 52 264 million respectively.

The portfolio of bonds and certificates totalled NOK 5 619 million at the end of Q3 2024, of which NOK 4 200 million was included in the cover pool. Corresponding figures at the end of Q3 2023 were NOK 3 951 million and NOK 3 465 million respectively.

Sparebanken Sør Boligkreditt AS has issued covered bonds totalling NOK 55 156 million, compared to NOK 49 706 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 274.7 million at the end of Q3 2024, compared to NOK 231.3 million in 2023.

The company had net interest income of NOK 453.3 million, compared to NOK 351.2 million in 2023.

Net income from financial instruments totalled minus NOK 12.7 million, compared to NOK 12.3 million in 2023. The negative effect on net income from financial instruments is related to buyback effects on own bonds in addition to negative 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 42.2 million at the end of Q3 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 85.8 million at the end of Q3 2024, compared to NOK 78.2 million in the same period in 2023.

Tax expenses were NOK 80.0 million at the end of Q3 2024. Corresponding figures at the end of Q3 2023 were NOK 55.8 million respectively.

Total assets as at 30.09.2024 were NOK 67 531 million, of which net loans to customers represented NOK 56 176 million. At the same time in 2023 total assets were NOK 58 158 million, of which net loans to customers were NOK 52 584 million. The loan portfolio has been financed through the issuance of bonds totalling NOK 55 156 million, and by equity and loans from Sparebanken Sør. At the end of Q3 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 30.09.2024, was drawn down by NOK 4 729 million.

Capital strength

At the end of Q3 2024, the net subordinated capital in the company was NOK 4 759 million, compared to NOK 4 403 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 19.8 percent (20.6 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 6.9 percent at the end of Q3 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 30.09.2024 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 342.3 percent and LCR EUR ratio > 100 percent. As at 30.09.2024 the mortgages in the cover pool had an average loan-to-value of 51.4 percent. Long term financing was well diversified and the NSFR ratio was reported at 123.2 percent. Over-collateralization was 15.3 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 was slow during 2023 and has been slow moving this year. Despite weak economic growth the registered unemployment is low and has shown little change in recent months. Growth in household consumption and housing investments are negatively affected by higher interest rates. Going forward the Norwegian Central Bank projects the growth to pick up, but to remain low.

Inflation has slowed considerably since the peak, but is still higher than the targeted inflation level of the Norwegian Central Bank, at 2 percent. The Norwegian Central Bank's assessment of the outlook as at September, is that the policy rate needs to be kept at today's level at 4,5 percent for a period ahead, but that the time to ease monetary policy is approaching. Market expectations are that the key policy rate will be reduced by 25 basis points as of March next 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 downward pressure on house prices.

Despite geopolitical turmoil in 2024 Sparebanken Sør Boligkreditt AS has ample access to wholesale funding both from the domestic as well as from the bond market abroad. Still the political picture constitutes a potential risk for negative market fluctuations.

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

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

The company's capital position was strengthened in October by an equity capital raise from Sparebanken Sør of NOK 600 million.

On August 28, 2024 Sparebanken Sør announced an anticipated merger with Sparebanken Vest. The general assemblies in both banks approved the merger in October.

Kristiansand, 29 October 2024

The Board of Directors for Sparebanken Sør Boligkreditt AS



Geir Bergskaug
Chairman



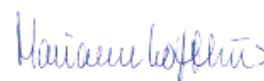
Seunn Smith-Tønnessen
Member



Svein Ole Holvik
Member



Steinar Vigsnes
Member



Marianne Lofhus
Managing Director

Income statement

NOK Thousand	Notes	Q3 2024	Q3 2023	30.09.2024	30.09.2023	31.12.2023
Interest income effective interest method	<u>2, 13</u>	843 367	678 311	2 529 351	1 879 899	2 643 220
Other interest income	<u>2, 13</u>	51 687	47 374	111 697	137 297	169 446
Interest expenses	<u>2, 13</u>	744 296	614 124	2 187 751	1 666 002	2 341 755
Net interest income	<u>2</u>	150 758	111 561	453 297	351 194	470 911
Commission income		48	41	153	133	180
Commission expenses		4	1 300	31	3 877	2 664
Net commission income		43	-1 258	122	-3 745	-2 483
Net income from financial instruments	<u>3</u>	-3 024	-11 669	-12 745	12 257	7 683
Other income		-	80	-	80	80
Total other income		-3 024	-11 589	-12 745	12 337	7 763
Personnel expenses		-	-	-	-	86
Other operating expenses	<u>13</u>	28 214	25 306	85 801	78 238	106 319
Total expenses		28 214	25 306	85 801	78 238	106 404
Profit before loss		119 563	73 408	354 872	281 549	369 786
Losses on loans and undrawn credit	<u>9</u>	-4 032	4 035	183	-5 543	-4 615
Profit before taxes		123 595	69 374	354 689	287 091	374 401
Tax expenses		27 863	15 214	79 975	55 830	75 279
Profit for the period		95 732	54 160	274 714	231 261	299 123

Statement of other comprehensive income

NOK Thousand	Notes	Q3 2024	Q3 2023	30.09.2024	30.09.2023	31.12.2023
Profit for the period		95 732	54 160	274 714	231 261	299 123
Net change in value from basis swaps		-20 474	-48 623	-54 096	-58 100	-118 914
Tax effect		4 504	10 697	11 901	12 782	26 161
Total profit for the period		79 762	16 234	232 520	185 943	206 370

Balance sheet

ASSETS (NOK Thousand)	Notes	30.09.2024	30.09.2023	31.12.2023
Loans to and receivables from credit institutions	<u>13</u>	3 122 711	681 521	973 207
	<u>7,8,9,1</u>			
Net loans to customers	<u>1</u>	56 175 963	52 584 478	55 807 966
Bonds and certificates	<u>10</u>	5 619 280	3 951 258	2 158 343
Financial derivatives	<u>12</u>	2 551 128	905 599	1 071 168
Deferred tax assets		37 616	-	16 714
Other assets		24 765	35 223	29 879
TOTAL ASSETS		67 531 463	58 158 079	60 057 278
LIABILITIES AND EQUITY				
Debt to credit institutions	<u>5,13</u>	7 233 072	3 074 015	5 411 372
Debt incurred due to issuance of securities	<u>11, 12</u>	55 155 962	49 705 910	49 732 184
Financial derivatives		-	645 254	138 210
Payable taxes		88 975	72 434	105 259
Deffered tax liabilities		-	10 042	-
Other liabilities		11 127	11 044	10 446
TOTAL LIABILITIES		62 489 137	53 518 699	55 397 471
EQUITY				
Paid-in equity	<u>6</u>	2 975 000	2 575 000	2 575 000
Retained earnings	<u>6</u>	2 067 327	2 064 380	2 084 807
TOTAL EQUITY CAPITAL	<u>6</u>	5 042 327	4 639 380	4 659 807
TOTAL LIABILITIES AND EQUITY CAPITAL		67 531 463	58 158 079	60 057 278

Kristiansand, 29 October 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	30.09.2024	30.09.2023	31.12.2023
Interest received	2 656 415	1 998 901	2 774 496
Interest paid	-2 174 240	-1 656 070	-2 341 940
Operating expenditure	-86 608	-82 609	-108 213
Changes in loans to customers	-382 478	4 001 125	796 583
Income tax paid	-105 259	-41 343	-41 343
Net cash flow from operating activities	-92 170	4 220 004	1 079 583
Payments received, securities	1 387 171	7 075 313	10 088 748
Payments made, securities	-4 859 582	-4 555 663	-5 775 719
Changes in other assets	-7 736	38 750	44 094
Changes in deposits from credit institutions	1 821 700	-953 002	1 384 354
Changes in other liabilities	1 366	-550	-2 535
Net cash flow from current financing activities	-1 657 082	1 604 847	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	2 149 505	604 851	896 537
Liquid funds as at 01.01.	973 207	76 670	76 670
Liquid funds at the end of the period	3 122 711	681 521	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 - 30.09.2023	-	-	231 261	231 261
Other income/expenses	-	-	-45 318	-45 318
Balance 30.09.2023	2 075 000	500 000	2 064 380	4 639 380
Profit 30.09.2023 - 31.12.2023	-	-	67 862	67 862
Other income/expenses	-	-	-47 435	-47 435
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 - 30.09.2024	-	-	274 714	274 714
Other income/expenses	-	-	-42 195	-42 195
Balance 30.09.2024	2 475 000	500 000	2 067 327	5 042 327

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 Q3 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	Q3 2024	Q3 2023	30.09.2024	30.09.2023	31.12.2023
Interest income recognised at amortized cost					
Interest on loans to customers	836 470	677 302	2 511 757	1 878 161	2 640 354
Interest on loans to and receivables from credit institutions	6 897	1 009	17 595	1 738	2 866
Total interest income recognised at amortized cost	843 367	678 311	2 529 351	1 879 899	2 643 220
Interest income effective interest method	843 367	678 311	2 529 351	1 879 899	2 643 220
Interest income recognised at fair value					
Interest on certificates/bonds/interest-bearing securities	51 687	47 374	111 697	137 297	169 446
Total interest income recognised at fair value	51 687	47 374	111 697	137 297	169 446
Other interest income	51 687	47 374	111 697	137 297	169 446
Total interest income	895 054	725 685	2 641 048	2 017 197	2 812 666
Interest expenses recognised at amortized cost					
Interest on debt to credit institutions	55 122	24 055	200 226	93 830	130 337
Interest on issued securities	686 546	587 453	1 979 640	1 564 205	2 200 775
Other interest expenses	2 629	2 615	7 886	7 967	10 643
Total interest expenses recognised at amortized cost	744 296	614 124	2 187 751	1 666 002	2 341 755
Total interest expenses	744 296	614 124	2 187 751	1 666 002	2 341 755
Net interest income	150 758	111 561	453 297	351 194	470 911

3. Net income from financial instruments

NOK Thousand	Q3 2024	Q3 2023	30.09.2024	30.09.2023	31.12.2023
Profit (loss) and changes in value from certificates and bonds	-3 170	1 681	-6 729	-1 979	-4 319
Net income from certificates and bonds	-3 170	1 681	-6 729	-1 979	-4 319
Change in value fixed rate bonds - hedge accounting	-1 332 646	773 374	-1 547 971	-1 560 078	-2 417 635
Change in value derivatives fixed rate bonds - designated as hedging instruments	1 332 791	-786 724	1 547 196	1 574 314	2 431 624
Net income hedging	146	-13 350	-774	14 236	13 989
Whereof effects from basis swaps (1)	-	-	-	-	-
Profit (loss) buyback own bonds - amortised cost	-	-	-5 242	-	-1 987
Currency gains (losses)	-	-	-	-	-
Net other financial instruments and derivatives	-	-	-5 242	-	-1 987
Net income from financial instruments	-3 024	-11 669	-12 745	12 257	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

	30.09.2024	30.09.2023	31.12.2023
Average debt to assets ratio in %	51.4 %	51.6 %	53.9 %
Portfolio divided into intervals of debt to assets ratio			
Less than or equal to 40 %	22.6 %	21.9 %	19.6 %
41 - 50 %	20.3 %	20.5 %	17.8 %
51 - 60 %	26.7 %	26.6 %	25.4 %
61 - 70 %	23.4 %	23.6 %	22.5 %
71 - 75 %	5.5 %	5.8 %	9.1 %
76 - 80 %	0.7 %	0.7 %	4.2 %
Above 80 %	0.9 %	0.9 %	1.3 %
Total	100.0 %	100.0 %	100.0 %

5. Debt to credit institutions

NOK Thousand	30.09.2024	30.09.2023	31.12.2023
Credit facility with Sparebanken Sør	4 728 584	2 522 603	4 544 202
Received collaterals	2 504 487	551 412	867 169
Total debt to credit institutions	7 233 072	3 074 015	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	30.09.2024	30.09.2023	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	1 792 612	1 833 119	2 084 807
Deductions	-8 170	-5 502	-20 082
Dividend	-	-	-250 000
Net subordinated capital (common equity tier 1)	4 759 442	4 402 617	4 389 725
Minimum requirements for equity capital			
Credit risk	22 893 346	20 484 493	21 752 321
Market risk	-	-	-
Operational risk	868 489	882 123	868 489
CVA addition	322 969	-	-
Deductions	-	-	448 605
Risk weight balance (calculation basis)	24 084 805	21 366 616	23 069 415
Common equity tier 1 capital ratio	19.8 %	20.6 %	19.0 %
Tier 1 capital ratio	19.8 %	20.6 %	19.0 %
Total capital ratio	19.8 %	20.6 %	19.0 %
Leverage Ratio	6.9 %	7.3 %	7.0 %

Minimum capital requirements:

NOK Thousand	30.09.2024	30.09.2023	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	3 371 873	2 670 827	3 229 718
Tier1 Capital requirements	3 733 145	2 991 326	3 575 759
Total capital requirements	4 214 841	3 418 659	4 037 148
Above CET1 requirements	1 387 569	1 731 790	1 160 007
Above Tier1 Capital requirements	1 026 297	1 411 291	813 966
Above total capital requirements	544 601	983 959	352 577

7. Loans to customers

Loans assessed to amortised cost (NOK Thousand)	30.09.2024	30.09.2023	31.12.2023
Flexi-loans	13 799 427	11 032 065	12 513 558
Loans with installments - floating interest	42 288 495	41 468 837	43 191 886
Loans with installments - fixed interest	-	-	-
Gross loans	56 199 716	52 607 123	55 831 510
Loss allowance	-23 753	-22 644	-23 543
Net loans	56 175 963	52 584 478	55 807 966
Undrawn credit on Flexi-loans	6 343 310	5 490 499	5 886 227

Loans broken down by sectors and industries	30.09.2024	30.09.2023	31.12.2023
Retail customers	56 090 099	52 502 014	55 706 526
Accrued interests	109 617	105 108	124 984
Gross loans	56 199 716	52 607 123	55 831 510
Loss allowance	-23 753	-22 644	-23 543
Net loans	56 175 963	52 584 478	55 807 966

Loans broken down by geographical areas (NOK Thousand)	30.09.2024		30.09.2023		31.12.2023	
Agder	35 639 478	63.5 %	34 195 618	65.0 %	36 167 424	64.8 %
Telemark	5 888 356	10.5 %	-	0.0 %	-	0.0 %
Vestfold	1 336 556	2.4 %	-	0.0 %	-	0.0 %
Vestfold og Telemark			6 463 107	12.3 %	6 940 570	12.4 %
Oslo	5 418 662	9.7 %	4 953 366	9.4 %	5 319 276	9.5 %
Akershus	2 890 771	5.2 %	-	0.0 %	-	0.0 %
Viken			3 601 661	6.8 %	3 844 537	6.9 %
Rogaland	2 159 120	3.8 %	2 026 170	3.9 %	2 120 215	3.8 %
Other counties	2 843 020	4.9 %	1 344 557	2.6 %	1 415 944	2.5 %
Total	56 175 963	100.0 %	52 584 478	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 30.09.2024 setup and figures are not comparable to previous periods.

8. Non-performing loans

NOK Thousand	30.09.2024	30.09.2023	31.12.2023
Total non-performing loans (stage 3)	120 249	183 320	166 906
Stage 3 impairment losses	3 723	4 248	3 493
Net non-performing loans	116 526	179 072	163 413
Provision ratio non-performing loans	3.10 %	2.32 %	2.09 %
Total non-performing loans in % of gross loans	0.21 %	0.35 %	0.30 %
Gross loans	56 199 716	52 607 123	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	30.09.2024	30.09.2023	31.12.2023
Changes in impairment losses for the period, stage 1	-1 705	-3 174	-3 489
+ Changes in impairment losses for the period, stage 2	1 646	-2 115	-119
+ Changes in impairments losses for the period, stage 3	242	-253	-1 007
= Total losses for the period	183	-5 543	-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	13 026	30 388	51 888	4 802	1 188
Total	13 026	30 388	51 888	4 802	1 188

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 01.01.2024	8 492	11 939	3 493	23 924
<i>Transfers</i>				
Transferred to stage 1	3 043	(2 520)	(523)	-
Transferred to stage 2	(626)	945	(319)	-
Transferred to stage 3	(5)	(115)	120	-
Losses on new loans	2 039	2 015	25	4 079
Losses on deducted loans*	(1 765)	(2 913)	(496)	(5 174)
Losses on older loans and other changes	(4 391)	4 234	1 423	1 266
Loss provisions as at 30.09.2024	6 787	13 585	3 723	24 094
Loss provisions for loans	6 503	13 533	3 717	23 753
Loss provisions for undrawn credit	284	51	5	341
Total loss provisions as at 30.09.2024	6 787	13 585	3 723	24 094

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	3 976	-3 313	-663	-
Transferred to stage 2	-588	1 199	-610	-
Transferred to stage 3	-32	-534	566	-
Losses on new loans	2 133	865	243	3 241
Losses on deducted loans*	-2 540	-3 198	-782	-6 520
Losses on older loans and other changes	-6 124	2 866	994	-2 263
Loss provisions as at 30.09.2023	8 806	9 943	4 247	22 997
Loss provisions for loans	8 511	9 892	4 241	22 644
Loss provisions for undrawn credit	296	51	6	352
Total loss provisions as at 30.09.2023	8 806	9 943	4 247	22 997

* 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 Gross loans assessed at amortised cost	Stage 1	Stage 2	Stage 3	Total
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	1 037 250	-997 547	-39 703	-
Transferred to stage 2	-2 247 165	2 277 109	-29 944	-
Transferred to stage 3	-19 702	-27 078	46 780	-
Net change on present loans	-1 150 631	-44 500	-7 248	-1 202 380
New loans	11 096 663	462 667	5 612	11 564 943
Derecognised loans	-9 103 098	-862 164	-29 094	-9 994 357
Gross loans as at 30.09.2024 assessed at amortised cost	51 600 125	4 486 475	113 115	56 199 716

NOK Thousand 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	973 046	-930 680	-42 366	-
Transferred to stage 2	-1 664 870	1 687 709	-22 839	-
Transferred to stage 3	-50 771	-61 173	111 944	-
Net change on present loans	-1 899 120	-72 004	-8 317	-1 979 442
New loans	8 420 972	178 004	10 407	8 609 383
Derecognised loans	-9 853 370	-719 322	-40 102	-10 612 795
Gross loans as at 30.09.2023 assessed at amortised cost	49 417 187	3 006 822	183 114	52 607 123

10. Bonds and certificates

NOK Thousand	30.09.2024	30.09.2023	31.12.2023
Short-term investments designated at fair value through profit			
Certificates and bonds issued by public sector	1 715 294	1 390 007	827 767
Certificates and bonds issued by others	3 869 941	2 538 992	1 314 518
Accrued interests	34 045	22 259	16 058
Total	5 619 280	3 951 258	2 158 343

11. Debt securities issued as at 30.09.2024

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	2 072 922	2 073 922
NO0010832637	SORB28	NOK	5 750 000	Floating	3M Nibor	24.09.2025	5 758 379	5 774 089
XS2555209381		EUR	500 000	Fixed	0.31%	14.11.2025	6 049 242	6 059 715
XS1947550403		EUR	500 000	Fixed	0.50%	06.02.2026	5 708 909	5 724 042
XS2069304033		EUR	500 000	Fixed	0.01%	26.10.2026	5 578 740	5 590 688
NO0012535824	SORB32	NOK	5 500 000	Floating	3M Nibor	31.05.2027	5 521 485	5 567 977
NO0011002529	SORB31	NOK	7 000 000	Floating	3M Nibor	20.09.2027	7 108 600	7 110 029
NO0010670409	SORB08	NOK	500 000	Fixed	4.00%	24.01.2028	516 889	513 900
XS2291901994		EUR	500 000	Fixed	0.01%	28.01.2028	5 449 506	5 416 573
XS2389362687		EUR	500 000	Fixed	0.01%	25.09.2028	5 362 909	5 324 045
NO0013214841	SORB33	NOK	6 000 000	Floating	3M Nibor	23.05.2029	6 028 382	6 058 933
TOTAL							55 155 962	55 213 912

12. Cover pool composition and OC

NOK Thousand	Nominal value		
	30.09.2024	30.09.2023	31.12.2023
Loans secured by mortgages on residential properties	56 090 099	52 502 014	55 706 526
Deductions on ineligible loans *	-170 325	-238 230	-248 008
Pool of eligible loans	55 919 775	52 263 784	55 458 518
Certificates and bonds	4 200 000	3 465 000	990 000
Total cover pool	60 119 775	55 728 784	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)	15.3 %	13.5 %	16.6 %

NOK Thousand	Fair value		
	30.09.2024	30.09.2023	31.12.2023
Loans secured by mortgages on residential properties	56 175 963	52 584 478	55 807 966
Deductions on ineligible loans *	-170 325	-238 230	-248 008
Pool of eligible loans	56 005 638	52 346 248	55 559 959
Certificates and bonds	4 268 043	3 513 907	1 002 797
Financial derivatives (assets)	-	-	-
Total cover pool	60 273 681	55 860 155	56 562 755
Debt incurred due to issuance of securities	55 213 912	49 684 222	49 680 085
Financial derivatives (debt)	-2 551 128	-260 345	-932 958
Total	52 662 785	49 423 878	48 747 126
Collateralisation ratio (OC)	14.5 %	13.0 %	16.0 %

* Loans above 80 % LTV and loans in default.

13. Related parties

NOK Thousand	30.09.2024	30.09.2023	31.12.2023
Income statement			
Interest income from Sparebanken Sør on deposits	17 595	1 738	2 836
Interest expenses/commission from Sparebanken Sør on loans/credit	200 226	97 580	132 837
Interest expenses on bond debts to Sparebanken Sør	-	-	-
Paid administration fees to Sparebanken Sør	81 231	74 584	100 197
Balance sheet			
Bank deposit in Sparebanken Sør	3 122 678	681 517	973 173
Covered bonds owned by Sparebanken Sør	-	-	-
Loans/credit in Sparebanken Sør	4 728 584	2 522 603	4 544 202
Dividend payment to Sparebanken Sør	250 000	-	-

Quarterly profit trend

NOK Thousand	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Net interest income	150 758	157 878	144 661	119 716	111 561
Net other operating income	-2 981	-9 501	-141	-3 313	-12 847
Operating expenses	28 214	30 205	27 382	28 166	25 306
Profit before losses on loans	119 563	118 172	117 138	88 237	73 408
Losses on loans and undrawn credits	-4 032	430	3 785	927	4 035
Profit before taxes	123 595	117 742	113 352	87 310	69 374
Tax expenses	27 863	26 432	25 680	19 449	15 214
Profit for the period	95 732	91 309	87 673	67 862	54 160
Liquidity coverage ratio (LCR)	342.3 %	348.3 %	318.7 %	443.0 %	291.0 %
Net stable funding ratio (NSFR)	123.2 %	123.4 %	122.6 %	120.1 %	125.3 %
Total capital ratio	19.8 %	19.3 %	20.5 %	19.0 %	20.6 %
Leverage Ratio	6.9 %	7.0 %	7.5 %	7.0 %	7.3 %