Annual report 2024

A company in the Sparebanken Sør Group

SPAREBANKEN SØR BOLIGKREDITT AS

Table of Contents

Board of Director's report

General

Sparebanken Sør Boligkreditt AS is a wholly owned subsidiary of Sparebanken Sør. The company is licensed by and subject to supervision from 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. Sparebanken Sør Boligkreditt AS' operations are subject to supervision by the Financial Supervisory Authority of Norway. An investigator has been specially appointed for the mortgage company to attend to the quarterly analysis of the company's cover pool.

The cover pool consists of secured mortgages, substitute assets in interest-bearing securities and financial derivatives. The mortgages are granted by Sparebanken Sør and later taken on by Sparebanken Sør Boligkreditt AS. The secured mortgages meet the requirements established by the company for inclusion in the company's cover pool. One important requirement is that any outstanding loan balance taken on by the company must not exceed 80 percent of the mortgaged property's market value at the date of acquisition.

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

The Norwegian Financial Supervisory Authority has approved Sparebanken Sør Boligkreditt AS' European Covered Bond Premium Program. Covered bonds issued by Sparebanken Sør Boligkreditt AS that complied under existing legislation before 8 July 2022, will be grandfathered and eligible for preferential treatment to maturity.

The new regulation restricts funding coverage for mortgage covered bonds to the asset's loan-to-value threshold of 80 percent (from previously 75) for residential mortgages.

At the end of 2024, Sparebanken Sør Boligkreditt AS had taken on a mortgage loan portfolio totalling NOK 60 652 million, from Sparebanken Sør, of which NOK 60 354 million was included in the qualified cover pool.

The portfolio of bonds and certificates totalled NOK 5 606 million at the end of 2024, of which NOK 4 500 million was included in the cover pool. Corresponding figures at the end of 2023 were NOK 2 158 million and NOK 990 million respectively.

Sparebanken Sør Boligkreditt AS had issued covered bonds totalling NOK 59 573 million, compared to NOK 49 732 million at the same time in 2023.

The company had established an EMTCN (European Medium Term Covered Note) Programme, which enables the company to diversify funding by issuing covered bonds outside the Norwegian bond market.

Income statement and balance sheet

The financial statement of Sparebanken Sør Boligkreditt AS showed a profit after tax of NOK 362.3 million at the end of 2024, compared to NOK 299.1 million in the same period in 2023.

The company had net interest income of NOK 615.2 million, compared to NOK 470.9 million in 2023.

Net income from financial instruments totalled minus NOK 28.3 million, compared to NOK 7.7 million in 2023. The negative effect on net income from financial instruments is related to hedging, buyback effects on own bonds in addition to negative changes in value from certificates and bonds.

The company had issued covered bonds in Euros under the EMTCN (European Medium Term Covered Note) program. In order to control interest and currency exposure, the company had 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 50.0 million in 2024. Assuming that the covered bonds in foreign currency are held to maturity, the total change in fair value will be equal to zero. The accounting effects will therefore be reversed over time.

Operating expenses were NOK 116.8 million in 2024, compared to NOK 106.4 million in the same period in 2023.

Tax expenses were NOK 104.6 million in 2024. Corresponding figures in 2023 were NOK 75.3 million. In 2023, NOK 7,3 million was recognised as income as a result of changed tax rate in the company for the period 2017-2018.

Total assets as at 31 December 2024 were NOK 72 358 million, of which net loans to customers represented NOK 60 625 million. At the same time in 2023 total assets were NOK 60 057 million, of which net loans to customers were NOK 55 808 million. As at 31 December 2024, the loan portfolio was financed through the issuance of bonds amounting to NOK 59 573 million and through equity and drawing rights from Sparebanken Sør. At 31 December 2024, the company had paid-in capital totalling NOK 3 975 million, of which NOK 3 475 million was share capital and NOK 500 million was share premium.

Sparebanken Sør Boligkreditt AS had an overdraft facility of NOK 6 000 million with Sparebanken Sør for operational purposes that, as at 31 December 2024, was drawn down by NOK 3 749 million.

In accordance with Norwegian accounting legislation, the Board of Directors confirms that the conditions for presenting the financial statements on a going- concern basis are met.

Capital strength

At the end of 2024, the net subordinated capital in the company was NOK 5 757 million, compared to NOK 4 390 million at the same time in 2023. This corresponded to a common equity tier 1 capital ratio/tier 1 capital ratio/total capital ratio of 22.1 percent (19.0 percent in 2023), while regulatory minimums requirements constitute 14.0 percent, 15.5 percent and 17.5 percent respectively. The capital adequacy ratio was 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 7.8 percent at 31 December 2024.

Corporate Governance

Sparebanken Sør Boligkreditt AS' corporate governance principles are based on the Norwegian Code of Practice for Corporate Governance (NUES). The company has adapted this framework, and Sparebanken Sør Boligkreditt AS`s principles and policy intend to ensure that its corporate governance is in accordance with generally accepted and recognised perceptions and standards, and in compliance with laws and regulations.

The company's corporate governance shall ensure good interaction between different stakeholders such as shareholders, lenders, customers, employees, governing bodies, management and society. The corporate governance principles have been specified in various documents governing the company's operations. This includes the company's articles of association, strategies and governance framework. In the Board of Directors' opinion, the corporate governance of Sparebanken Sør Boligkreditt AS is satisfactory and in compliance with applicable principles and policies.

Sparebanken Sør Boligkreditt AS' mission follows from the company's articles of association. The company's mission is to acquire mortgages and fund lending activities primarily by issuing covered bonds. Operations will be run at satisfactory profitability and low risk.

The Board of Directors of Sparebanken Sør Boligkreditt AS has an annual meeting and conducts an annual review of the company's business strategy. 10 board meetings took place in 2024. Follow-up on operations, strategy, risk, and capital management and monitoring of the markets and framework conditions have been the areas of focus for the Board of Directors. The company's risk strategy has been adopted by the Board of Directors, which conducts an annual review of the company's risk management and internal control. Identified areas of risk and any material deviations are followed up and reported on a regular basis.

Sparebanken Sør Boligkreditt AS has signed operating agreements with Sparebanken Sør. These agreements cover capital management, risk management, internal audit, financial reporting, internal financial control and internal financial reporting. In addition to reviewing the accounts and risk reporting, the company`s management provides regular operational reports in relation to the company's financial objectives to the Board, at each Board meeting.

The company's ethical guidelines include a duty to report matters that warrant criticism, including breaches of internal guidelines, laws and regulations, and a procedure for how such information is to be given. In 2024, parent companies in large corporate groups shall include a sustainability statement for the Group in the annual report. The sustainability statement shall be reported according to the EU's Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS). The sustainability reporting for Sparebanken Sør, including its subsidiaries, is referenced in Sparebanken Sør's annual report for 2024. The company is also obligated under Section 5 of the Norwegian Transparency Act to provide a reporting of due diligence assessments with respect to fundamental human rights and decent working conditions. The report will be updated and published by June 30, 2025 on Sparebanken Sør's website (sor.no). This is a joint report for Sparebanken Sør and Sparebanken Sør Boligkreditt, both of which have independent reporting obligations.

Sparebanken Sør Boligkreditt AS is a wholly-owned subsidiary of Sparebanken Sør and is exempt from the requirement for a separate audit committee. The Compliance function is taken care of through the company's agreement with Sparebanken Sør. The company has an independent external auditor (PWC) and an internal audit function (EY). BDO has been appointed as an investigator as of Q1 2023. Sparebanken Sør Boligkreditt AS's operations are subject to supervision by the Financial Supervisory Authority of Norway. The Board of Directors and management endeavour to maintain an open and constructive dialogue with the Financial Supervisory Authorities.

Risks

As a licensed mortgage company, Sparebanken Sør Boligkreditt AS is under the regulation of The Act on the Supervision of Financial Institutions and is subject to a number of regulations, recommendations and regulatory provisions. The objective of the company is to finance lending activities through the issuing of covered bonds with a high public rating. This means that Sparebanken Sør Boligkreditt AS strives to maintain a low risk level. The company has established board approved guidelines and limits for management and control of various areas of risk, which meet regulatory, rating agency and investor requirements. The company places emphasis on identifying, measuring and controlling elements of risks in such a way that the market has high confidence in the company and that the company can achieve a high rating on issued bonds.

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.

In accordance with Board-approved requirements, stress testing of the value of the cover pool was conducted in 2024 by simulation of a sharp fall in house prices. The Board of Directors found the result of the stress tests to be satisfactory.

The company's mortgage lending to customers is in Norwegian kroner (NOK) at floating 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 December 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 287.3 percent and LCR EUR ratio above the requirement of 100 percent.

As of 31.12.2024 the mortgages in the cover pool had an average loan-to-value of 53.5 percent. Over-collateralization was 15.1 percent and given a stress-test on asset prices of 30 percent, the OC was above the legislative OC level of 5 percent.

A Loan Service Agreement and Management Service Agreement are in place with Sparebanken Sør encompassing the supply of all services necessary for operating the company, and the Board of Directors considers the company's operational risk to be low.

Employees and working Environment

At 31 December 2024, the company had no employees and there are no relevant comments regarding the internal working environment. The Board is composed of three persons, one of whom is female.

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 October 2024.

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 as of June 2023 been assigned an A1/Prime-1 issuer rating by Moody`s, in line with ratings assigned on the parent bank.

Social responsibility

The company requires social responsibility work to take place in close cooperation with and according to the same guidelines as in Sparebanken Sør. The company does not carry out any activities that pollute the external environment.

Distribution of profit

Total profit after tax for 2024 is NOK 362.3 million. The Board of Directors proposes to the Annual General Meeting a dividend payment of NOK 310.0 million.

Future prospects

Growth in the Norwegian economy picked up in 2024 and is back to a normal pace. Economic activity was driven by high public demand and petroleum investment.

Unemployment is low and has shown little change but with a somewhat negative trend in recent months. As a consequence of an expected higher activity in the construction market in 2025, the development in the labour market is expected to be positive going forward.

Growth in household consumption and housing investments was negatively affected by the high interest rates. In 2025 consumer behaviour might change as a consequence of lower interest rates and a positive real wage growth. This will underpin a strong development in house prices, especially in the larger cities.

Inflation has fallen markedly since the peak, and stood at 2.2 percent at year's end. This is close to the targeted inflation level of the Norwegian Central Bank, at 2 percent, but was to a large extent driven by lower energy prices in December compared to previous year. International inflation has declined and moved closer to inflation targets. As a consequence, several central banks have reduced the key policy rates. Markets participants expect further rate cuts going forward, but the expectations are somewhat dampened compared to the situation earlier in 2024.

The Norwegian Central Bank's assessment of the outlook as at December, is that the key policy rate will probably be reduced by 25 basis points from 4.5 percent as of March. A further easing of the monetary policy with one additional cut, is expected to take place during the pace of 2025.

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.

Proposed merger with Sparebanken Vest Boligkreditt AS

In August 2024 it was announced that the Boards of Directors of Sparebanken Sør and Sparebanken Vest had approved a plan for merging the two banks. Sparebanken Vest will be the overtaking entity and will thus assume all rights and liabilities upon the completion of the proposed merger. The aim is to complete the proposed merger in the early part of May 2025, upon which the new bank will be rebranded to Sparebanken Norge.

Following the completion of the bank merger it is proposed that Sparebanken Sør Boligkreditt AS will merge with Sparebanken Vest Boligkreditt AS, and the new boligkreditt company will be rebranded to Sparebanken Norge Boligkreditt AS. The boligkreditt merger has been approved by an extraordinary general meeting of each of Sparebanken Sør Boligkreditt AS and Sparebanken Vest Boligkreditt AS. The boligkreditt merger is conditional on the completion of the merger between Sparebanken Sør and Sparebanken Vest and will be completed immediately after this. Sparebanken Vest Boligkreditt AS (Sparebanken Norge Boligkreditt AS) will assume all rights and liabilities upon the proposed merger.

Kristiansand, 3 March 2025

The Board of Directors for Sparebanken Sør Boligkreditt AS

Geir Bergskaug
Chairman

Seunn Smith-Tønnessen
Member

Steinar Vigsnes
Member

Marianne Lofhus
Managing Director

Income statement

NOK Thousand	Notes	31.12.2024	31.12.2023
Interest income effective interest method	14, 24	3 402 933	2 643 220
Other interest income	14, 24	189 362	169 446
Interest expenses	14, 24	2 977 049	2 341 755
Net interest income	**14, 24**	**615 246**	**470 911**
Commission income		206	180
Commission expenses		59	2 664
Net commission income		**146**	**-2 483**
Net income from financial instruments	12, 15	-28 310	7 683
Other income		-	80
Total other income		**-28 310**	**7 763**
Personnel expenses	25	89	86
Other operating expenses	16, 24	116 726	106 319
Total expenses		**116 816**	**106 404**
Profit before loss		**470 266**	**369 786**
Losses on loans and undrawn credit	2, 7, 8	3 328	-4 615
Profit before taxes		**466 938**	**374 401**
Tax expenses		104 602	75 279
Profit for the period		**362 337**	**299 123**

Statement of other comprehensive income

NOK Thousand	Notes	31.12.2024	31.12.2023
Profit for the period		**362 337**	**299 123**
Net change in value from basis swaps		-64 039	-118 914
Tax effect	17	14 089	26 161
Total profit for the period		**312 386**	**206 370**

Notes 1 to 27 are an integral part of the financial statements.

Balance sheet

ASSETS (NOK Thousand)	Notes	31.12.2024	31.12.2023
Loans to and receivables from credit institutions	18, 19, 24	3 308 704	973 207
Net loans to customers	5, 6, 7, 8, 9, 10, 11, 18, 19, 22	60 624 841	55 807 966
Bonds and certificates	18, 19, 20	5 605 847	2 158 343
Financial derivatives	18, 19, 23	2 752 872	1 071 168
Deferred tax assets	17	46 675	16 714
Other assets		19 490	29 879
TOTAL ASSETS		**72 358 429**	**60 057 278**
LIABILITIES AND EQUITY			
Debt to credit institutions	12, 14, 18, 19, 23, 24	6 530 493	5 411 372
Debt incurred due to issuance of securities	12, 13, 14, 18, 19, 21, 24	59 572 945	49 732 184
Financial derivatives	18, 19, 23	0	138 210
Payable taxes	17	120 833	105 259
Deffered tax liabilities		-	-
Other liabilities		11 965	10 446
TOTAL LIABILITIES		**66 236 236**	**55 397 471**
EQUITY			
Paid-in equity	4, 26	3 975 000	2 575 000
Retained earnings	4	2 147 193	2 084 807
TOTAL EQUITY CAPITAL	4	**6 122 193**	**4 659 807**
TOTAL LIABILITIES AND EQUITY CAPITAL		**72 358 429**	**60 057 278**

Notes 1 to 27 are an integral part of the financial statements.

Kristiansand, 3 March 2025

The Board of Directors for Sparebanken Sør Boligkreditt AS

Geir Bergskaug
Chairman

Seunn Smith-Tønnessen
Member

Steinar Vigsnes
Member

Marianne Lofhus
Managing Director

Cash flow statement

NOK Thousand	31.12.2024	31.12.2023
Interest received	3 592 693	2 774 496
Interest paid	-2 959 633	-2 341 940
Operating expenditure	-117 388	-108 213
Changes in loans to customers	-4 819 539	796 583
Income tax paid	-104 899	-41 343
Net cash flow from operating activities	**-4 408 767**	**1 079 583**
Payments received, securities	2 289 362	10 088 748
Payments made, securities	-5 759 316	-5 775 719
Changes in other assets	10 389	44 094
Changes in deposits from credit institutions	1 119 121	1 384 354
Changes in other liabilities	2 035	-2 535
Net cash flow from current financing activities	**-2 338 409**	**5 738 941**
Paid-in share capital	1 400 000	-
Paid dividend	-250 000	-
Payments received, bond debt	12 238 000	-
Payments made, bond debt	-4 305 325	-5 921 987
Net cash flow from long-term financing activities	**9 082 675**	**-5 921 987**
Net change in liquid funds	**2 335 498**	**896 537**
Liquid funds as at 01.01.	973 207	76 670
Liquid funds at the end of the period	**3 308 704**	**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 - 31.12.2023	-	-	299 123	299 123
Other income/expenses *			-92 753	-92 753
Balance 31.12.2023	**2 075 000**	**500 000**	**2 084 807**	**4 659 807**
Dividend	-	-	-250 000	-250 000
Share capital increase	1 400 000	-	-	1 400 000
Profit 01.01.2024 - 31.12.2024	-	-	362 337	362 337
Other income/expenses *	-	-	-49 951	-49 951
Balance 31.12.2024	**3 475 000**	**500 000**	**2 147 193**	**6 122 193**

* Basis adjustments to interest and currency swaps were minus NOK 50.0 million as of 31.12.2024 and minus NOK 92.8 million as of 31.12.2023. The adjustment is included as a part of other equity.

Notes

1. Accounting policies

1. GENERAL INFORMATION
2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENT
3. REVENUE
4. FINANCIAL INSTRUMENTS
5. HEDGE ACCOUNTING
6. ACCOUNTING OF EXCHANGE EFFECTS
7. INCOME TAX
8. EQUITY
9. CASH FLOW STATEMENT
10. CHANGES IN ACCOUNTING POLICIES AND NOTES
11. STANDARDS AND INTERPRETATIONS THAT HAVE BEEN APPROVED, BUT NOT YET ADOPTED

1. GENERAL INFORMATION
Sparebanken Sør Boligkreditt AS is a wholly owned subsidiary of Sparebanken Sør and has its registered office in Kristiansand. The company is licensed to operate as a mortgage company with the right to issue covered bonds.

The main object of Sparebanken Sør Boligkreditt AS is to acquire loans secured through mortgages on residential property within 80 percent of the property value, and to issue covered bonds to national and international investors.

All amounts in the financial statements are stated in NOK thousand, unless otherwise indicated. The company's financial statements are presented in Norwegian kroner, which is the functional currency.

The financial statements for 2024 were presented by the Board of Directors on 3 March 2025, and will be adopted with final effect at the General Meeting on 3 March 2025. The General Meeting is the company's supreme body.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENT
The company`s financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as adopted by the EU, in addition to the Norwegian disclosure requirements pursuant to the Norwegian Accounting Act.

The measurement basis for the financial statement is historical cost with the exception of financial assets and liabilities, including derivatives that are assessed at fair value with change in value through profit or loss.

3. REVENUE
Interest income and expenses related to assets and liabilities, which are measured at amortised cost, are

recognised in income on an ongoing basis using the effective interest method. All charges related to interest-bearing loans and borrowings are included in the calculation of the effective interest rate and amortised over the expected term. Interest income is calculated based on gross loan for loan to customers in stage 1 and 2 and net loans for loans to customers in stage 3.

Commission income and expenses which are a direct payment for services provided are recognised when the services have been delivered. Directly attributable transaction costs associated with financial instruments valued at amortised cost, are amortised over the anticipated lifetime of the instrument.

4. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset for one enterprise and a financial liability or an equity instrument for another enterprise.

Financial instruments are measured and classified in accordance with IFRS 9. Note disclosures have been prepared in accordance with IFRS 7.

Recognition and deductions

Financial assets and liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or the company transfers the financial asset in such a way that the risk and profit potential of the asset concerned is essentially transferred.

A financial liability is derecognised when the liability has been discharged, cancelled or has matured. When an existing financial liability is replaced by a new liability from the same lender under terms that have been materially changed, or the terms of an existing liability have been materially modified, the original liability is derecognized, and a new liability is recognised. The difference in capitalised value is recognised through profit or loss.

Classification and measurement

Measurement of the financial asset is determined on initial recognition of the asset.

Financial assets are to be measured by the following three categories in IFRS 9:

- Fair value with changes in value recognised through profit or loss.
- Amortized cost.
- Derivatives designated as hedging instruments recognised at fair value.

Classification on initial recognition is based on the instruments being held in a business model both to receive contractual cash flows and for sale, and whether contractual cash flows solely consist of payments of interest and principal on given dates.

Financial instruments that are held to receive contractual cash flows, are to be measured at amortised cost.

Instruments with cash flows that are not only payments of interest and principal or if the purpose of possessing the instrument is not to receive contractual cash flows, are to be measured at fair value with changes in value recognised through profit or loss.

Derivatives used in connection with hedge accounting are measured according to the principles for hedge accounting. See separate section.

Fair value with changes in value recognised through profit or loss
All derivatives are measured at fair value with changes in value recognised through profit or loss. However, derivatives designated as hedging instruments are recognised in accordance with the principles of hedge accounting.

The company has chosen to recognise holdings of interest-bearing bonds and certificates at fair value through profit and loss. These are assets and liabilities that are managed, measured, and reported to management at fair value.

This category additionally covers interest rate swaps and currency swaps used as instruments for the fair value hedging of bonds issued at fixed interest rates. Hedge accounting is discussed further in a separate section below.

Amortised cost
The company measures financial assets at amortised cost if the following conditions are met:

- The financial asset is held in a business model, whose purpose is to receive contractual cash flows, and
- the contractual terms for the financial asset lead to cash flows which consist exclusively of payments of principal and interest on given dates.

Debt instruments which sole purpose is to hold the instrument to collect contractual cash flows are to be recognised at amortised cost. All borrowings and lendings at variable interest rates are classified at amortised cost.

Derivatives designated as hedging instruments recognised at fair value
Interest rate swaps and currency swaps used as instruments for the fair-value hedging of bonds issued at fixed interest rates. Hedge accounting is discussed further in a separate section.

Subsequent measurement
Measurement at fair value with changes in value recognised through profit or loss
Fair value is the price that would be obtained upon the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the time of valuation.

Measurement of financial instruments traded on an active market
Financial instruments traded on an active market are valued at observed market prices.

Measurement of financial instruments not traded on an active market
The fair value of financial instruments not traded on an active market is determined using a suitable valuation method. Valuation techniques are based on recent transactions between independent parties, by reference to instruments with approximately the same content or by discounted cash flows. As far as possible, valuations are based on externally observed parameters.

Fair value of interest-bearing securities is determined based on established market values, reported by leading external market players, or at fair value calculated on the basis of the prevailing market yield and credit spread curves.

In calculating the fair value of interest rate swaps, the prevailing market value of the relevant inter-bank interest rate curve is used.

Measurement at amortised cost
Subsequent measurement of financial instruments measured at amortised cost, is performed using the effective interest method and is subject to loss provisions. Gains and losses are recognised through profit or loss when the asset is derecognised, modified or impaired.

Financial assets at amortised cost, include receivables from customers and loans to customers.

Amortized cost is defined as the carrying amount on initial recognition, less received/paid interest and instalments, including accrued effective interest, adjusted for net impairment losses and the net recognised effect of any hedging.

The effective interest method is a method that calculates amortised cost and accrues interest income/ expenses for the relevant period. Interest income is recognised using the effective interest method. The effective interest rate is the interest rate that by discounting the loan’s cash flows over the anticipated term, gives a value equal to the loan’s amortised cost on the date of its establishment.

Derivatives designated as hedging instruments recognised at fair value
Interest rate and currency swaps are measured at fair value in the balance sheet. Changes in value due to changes in spreads will be recognised in comprehensive income as a hedging effect.

Offsetting
Financial assets and financial liabilities are offset and presented net in the balance sheet, when the company has a legally enforceable right to offset and intends to realise the asset and settle the liability simultaneously as a whole.

Modification
When the contractual cash flows from a financial asset are renegotiated or altered in some other way, and the renegotiation or change does not lead to derecognition of the financial asset, the gross recognised value of the financial asset is recalculated and any gain or loss on the change is recognised in profit or loss.

The gross recognised value of the financial asset is recalculated as the present value of the renegotiated or changed cash flows, discounted at the original effective interest rate of the financial asset. Any incurred expenses and fees adjust the recognised value of the changed financial asset and are depreciated over the remaining life of the changed financial asset.

Impairment of financial assets
Provision is made for expected credit losses (ECL) based on relevant information available at the time of reporting, including historical, current, and future information.

Loss allowances are calculated based on probability of default (PD), loss given default (LGD) and exposure at default (EAD). The model used to calculate provisions for expected losses depends on whether there has been a significantly increased in credit risk since initial recognition. On initial recognition and in cases where the credit risk has not significantly increased since initial recognition, a provision is recognised for expected losses over the next 12 months. Expected losses over the next 12 months are losses that are expected to incur over the lifetime of the instrument, of which can be linked to events occurring during the next 12 months. Expected credit losses over the whole term are calculated for assets where the credit risk has increased materially since initial recognition, except for assets which are nevertheless assessed as having a low absolute credit risk on the reporting date.

The expected credit loss for exposures that have been qualitatively assessed is calculated based on the present value of all cash flows over the expected residual lifetime. In effect, this is the difference between the contractual cash flows in accordance with the agreement and the cash flow that the company expects to receive, discounted at the effective interest rate of the instrument. The expected cash flows shall cover cash flows from the sale of collateral or other credit enhancements that are embedded in the contract terms.

In the balance sheet, loan impairments reduce the carrying amounts of the exposures. In the income statement, losses on loans consist of realised losses, changes in loss allowance, income on loans and provisions for guarantees and unused credit facilities, as well as income relating to recovery of previously realised losses. Losses on loans are based on a qualitative assessment of the company's loan portfolio in accordance with IFRS 9.

For a further description, please refer to Note 7.

Loans with low credit risk
The company does not utilize the low credit risk exemption for loans to customers. The simplification rules are applied for lending to credit institutions and central banks. This means that the company assesses whether the instruments that had a low credit risk on initial recognition still have a low credit risk at the balance sheet date. This assessment is made using relevant available information that can be obtained without undue cost or effort.

Reduction in the value on loans as a result of qualitative assessments
Loss allowance based on qualitative assessments is recognised when there are objective and observable indications that a loan is impaired as a result of a credit loss. Loss allowance is reversed when the loss is reduced, and the reduction is objectively attributable to an event occurring after the date on which loss allowance was recognised. All loans regarded as significant will be assessed to see whether there is objective evidence of weakened creditworthiness, and the objective indication is highly likely to result in reduced future cash flows for the servicing of the exposure.

A customer's commitment is defined as default if the contractual payments have been overdue for more than 90 days, and the amount exceeds NOK 1 000 and 1 percent of the customer's obligations (payment default).

A customer's commitment is defined as default if it is probable that the borrower will not fulfil its obligations due to objective requirements:

- Loss write-downs have been registered on the customer's obligation
- Incurred losses have been recognised for the customer
- A bankruptcy petition has been filed or the customer has been declared bankrupt
- The customer has applied for or is in a debt settlement
- Sale of credits due to deteriorating credit quality

A customer's commitment is defined as default if qualitative assessments are made that indicate that the borrower is not fulfilling its obligations. Qualitative assessments are made when observable data is available relating to the exposure, for example significant financial difficulties at the issuer or borrower. When the borrower's lender, due to financial or contractual grounds relating to the borrowers' financial difficulties, has granted the borrower concessions that the lender would not otherwise have considered and when it becomes probable that the borrower will enter bankruptcy or undergo another form of financial reorganization.

Reduction in the value of loans and unused credit facilities as a result of model-based calculations
Loans that have not been subject to qualitative impairment assessments are included in the basis of calculation for model-based impairments. The same applies to guarantees and unused credit facilities.

The model assessing the impairment of financial assets under IFRS 9 applies to financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income. The standard also contains requirements for loss provisions on new loans, by stipulating that an impairment must be recognised for expected credit losses resulting from expected defaults in the next 12 months. The model calculates losses for all customers at account level. The model also includes loan approvals, guarantees and unused lines of credit. For loans where the credit risk has increased materially after initial recognition, an impairment loss corresponding to the expected credit loss over the term of the loan is recognised.

Realised losses
When it is highly probable that a loss is final, it is recognised as a realised loss. Some realised losses will be covered by previously recognised, qualitatively assessed loss allowance, and will therefore be recognised against the existing provision. Realised losses not covered by qualitatively assessed loss allowance, as well as any surplus or deficit in relation to previously recognised loss allowance are recognised through profit or loss.

Presentation in the balance sheet and income statement
Loans
Loans are recorded as either loans to and receivables from credit institutions or as net loans to customers. Interest is included in the income statement under interest income from assets valued at amortised cost. Changes in value due to loss allowance are included in the income statement under losses on loans, guarantees and unused credit facilities.

Bonds and certificates
This balance sheet item includes the company's certificate and bond portfolio. Interest is included in the income statement under interest income from assets at fair value. All changes in value are recognised in the income statement under net income from financial instruments.

Financial derivatives (assets and liabilities)
This balance sheet item includes financial derivatives. Changes in value related to the derivatives are recognised in the income statement under net income from financial instruments.

Liabilities to credit institutions
Balance sheet items include liabilities to credit institutions. Interests is recognised in the income statement under interest expenses.

Liabilities incurred due to issue of securities
This balance sheet item includes issued securities debt. Interest is recognised in the income statement under interest expenses. In case of early redemption or repurchase of issued bonds, any gains and losses are recognised under net change in the value of financial instruments.

Provisions
A provision is recognised when the company has an obligation (legal or self-imposed) due to a previous event, where it is likely (more likely than not) that there will be a financial settlement as a result of this liability,

and the size of the amount can be reliably determined. If the effect is significant, the provision is calculated by discounting the expected future cash flow with a discounted interest rate before tax that reflects the market's pricing of the time value of money, and if relevant, the specific risks associated with this obligation.

5. HEDGE ACCOUNTING
Sparebanken Sør Boligkreditt AS uses hedge accounting in relation to the company's funding at fixed interest rate terms and in foreign currencies. Hedging instruments are used to counteract the interest risk and foreign exchange risk of the bonds.

The criteria for classification of a derivative as a hedging instrument are:

- The hedge accounting is anticipated to be very effective, in that it counteracts changes in the fair value of the bond issued.
- There must be an economic relationship between the hedging instrument and the hedged object, and the effect of credit risk must not dominate any changes in value in the hedging relationship.
- It must be possible to measure the effectiveness of hedging reliably.
- Satisfactory documentation has been established prior to hedging which shows, among other things, that the hedging is effective and is expected to remain effective throughout the period.

Sparebanken Sør Boligkreditt AS uses fair value hedging. Hedging is measured and documented every quarter to ensure that it is effective. The dollar-offset method is used to measure the effectiveness of hedging. When the hedging is established and effective, interest rate swaps and currency swaps will be recognised in the balance sheet at fair value and in the income statement under net income from financial instruments.

The hedged item is recognised in the balance sheet at amortised cost. Changes in fair value associated with the hedged risk are accounted for as a supplement or deduction in the book value of the bond debt and are recognised in income under net income from financial instruments.

IFRS 9 applies qualitative requirements for hedge effectiveness, where a prospective effectiveness test is regarded as adequate.

Ineffectiveness in hedge accounting, defined as the difference between the value adjustment of hedging instruments compared to the value adjustment of the hedged risks in the objects, is recognised in the profit and loss. However, the part of the value adjustment due to a change in spreads of the hedging instruments is the exception. For interest rate and currency swaps, changes in value due to changes in spreads will be recognised through other comprehensive income as a hedging effect.

If circumstances should occur which render hedging ineffective, the company will amortise the change in value associated with the hedged item over the residual period. The associated hedging instrument will continue to be measured at fair value with changes in value through profit or loss.

6. ACCOUNTING OF EXCHANGE EFFECTS
Income and expenses in foreign currencies are translated into Norwegian kroner (NOK) at the exchange rates prevailing on the transaction date.

Balance sheet items denominated in foreign currencies are hedged by corresponding items on the opposite side of the balance sheet, or through hedging transactions. Currency derivatives (currency futures) traded with customers are hedged in a similar manner against another external party. Assets and liabilities in foreign currencies are translated into Norwegian kroner at the banks' median rates on the balance sheet date. Foreign exchange gains and losses are recognised in the income statement under net income from other financial instruments.

7. INCOME TAX

Income tax is accrued as a cost, irrespective of when payment is made. The tax expense reflects this years and future taxes payable as a result of the year's activity. The tax is expected to offset net income included in this year's tax expense and in the balance sheet and is designated as tax payable.

Deferred tax is calculated based on differences between the reported results for tax and accounting purposes that will be offset in the future. Tax-increasing and tax-reducing temporary differences within the same accounting period, are offset against each other.

Any net deferred tax assets are recognised as an asset in the balance sheet when it is probable that the tax-reducing differences will be realised. The company will likewise reduce the deferred tax asset to the extent that the company no longer considers it probable that it can make use of the deferred tax asset.

8. EQUITY

The equity in Sparebanken Sør Boligkreditt AS consists of share capital, share premium reserve and retained earnings.

Proposed dividend is presented as equity in the balance sheet until a final decision is made in the general assembly.

9. CASH FLOW STATEMENT

The cash flow statement shows receipts and payments of cash and cash equivalents during the year. Cash and cash equivalents are defined as loans to and receivables from credit institutions.

10. CHANGES IN ACCOUNTING POLICIES AND NOTES

Applied accounting policies are consistent with the standards used for the previous accounting period.

There are no changes in IFRS with effect for the 2024 accounts that have been relevant this year.

11. STANDARDS AND INTERPRETATIONS THAT HAVE BEEN APPROVED, BUT NOT YET ADOPTED

The following new standards and interpretations of existing standards have been published and will be mandatory for company and consolidated accounts in future accounting periods, although management has not decided on early applications:

Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments

The IASB has completed the post implementation review of the classification and measurement changes in IFRS 9. The review clarifies financial liability derecognition, ESG-linked financial asset assessment, and introduces new disclosure requirements.

The amendments clarify derecognition of financial liabilities on the settlement date and introduces an option for early derecognition via electronic payment systems. Guidance on assessing contractual cash flow characteristics of ESG-linked financial assets and evaluating contingent features is also clarified. Further explanations for non-recourse loans and contractually linked instruments are provided, along with additional disclosure requirements in IFRS 7 for financial instruments with contingent features and equity instruments classified fair value through OCI.

The amendments will take effect for annual periods starting on or after 1. January 2026.

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, ISAB issued IFRS 18 Presentation and disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements and is a response to investors demand for IFRS 18 builds upon the foundation laid by IAS 1, keeping many sections with minimal revisions. However, it introduces new requirements on presentation within the statement of profit or loss, which includes the introduction of specified required totals and subtotals, and new categories of profit or loss. Additionally, it requires disclosure of management-defined performance measures and new principles for determining the location of information with aggregation and disaggregation to reference similar and dissimilar characteristics in the financial statement. better information about the financial performance of companies.

IFRS 18 is effective for reporting periods beginning on or after 1 January 2027.

2. Discretionary assessments, estimates and assumptions

With the preparation of the financial statements, the management makes estimates and discretionary assessments. Areas that are largely comprised of discretionary estimates have a high degree of complexity, and assumptions and estimates are significant for the company's financial statements, which are presented below.

GENERAL
In applying the accounting policies, the company's management have exercised discretion in some areas and made assumptions about future events. There will naturally be an inherent uncertainty related to accounting items based on the use of discretion and assumptions about future events. When exercising discretion and making assumptions about future events, management will use information available at the balance-sheet date, previous experience with similar assessments, as well as market and third-party assessments of current conditions. Although management exercises its best judgment and bases itself on the best estimates available, it must be anticipated that the actual outcome may, in some cases, differ materially from the accounting estimates.

Estimates, assumptions and conditions that represent a significant risk of material changes in the carrying value of assets and liabilities within the next financial year are discussed below.

PROVISIONS FOR LOAN LOSSES
The determination of impairment losses is subject to a significant degree of judgment. The global turmoil caused by the aftermath of the pandemic and Russia's aggressive warfare is gradually coming under control. In most countries, central bank interest rates were reduced several times in 2024. Norway stands out as an exception, with interest rates still at their peak.

Housing prices in the Group's main markets have shown a positive but moderate development over several years. As of the fourth quarter of 2024, statistics indicated developments in the bank's primary region that were approximately in line with the national average over the past 12 months.

By the end of 2024, these factors have been considered in the assessment of the macroeconomic parameters used as inputs in the impairment evaluations.

Models used to calculate future credit losses contains forward-looking macro data, and in events of major changes to the economy, the current models and parameters must be changed accordingly. Macro-data used in the model for calculating future credit losses is shown in note 7 in the financial statements.

All loans to customers classified at amortised cost have loss allowances based according to IFRS 9. Loss allowances are to be recognized on all commitments based on expected credit losses (ECL). Each month, all commitments are calculated for future expected losses.

At initial recognition, future expected losses are calculated for the next 12 months and all commitment receive an application score.

For subsequent periods, commitments where there has been no significant increase in credit risk, expected loss for the next 12 months will be calculated and allocated. If there has been a significant increase in credit risk, the expected loss for the entire lifetime will be calculated and allocated.

In cases when there is observable data related to commitments which, for example, relate to significant financial difficulties of the borrower, the loans will be assessed qualitatively. In such cases, an individual assessment of model-calculated losses will be made and, if needed, model-calculated losses will be overdrawn. For qualitative assessments, write-downs will be calculated as a difference between the loan's book value and the present value of future cash flows based on the effective interest rate at the time of initial calculation of qualitative impairment.

Provisions for loan losses are mostly based on the Group's risk classification models. The group has models for application scores and portfolio scores that form the basis for the risk classification. Any weaknesses in these models affect the loss provisions calculated in the model.

Assessment of loss allowances, where there is objective evidence of impairment, will always be based on a significant degree of discretion. Predictions based on historical information may prove to be incorrect because it can never be known with certainty what relevance historical data has as a basis for making decisions. When collateral values are linked to particular objects or industries in crisis, collateral will have to be realized in low-liquid markets, and assessment of collateral values will be subject to significant uncertainty in such situations.

The loss model contains data for macroeconomic conditions, and relevant parameters must be adjusted to take account of any changes in the economic climate or macroeconomic conditions. The Group largely uses input from the Monetary Policy Report from Norges Bank and statistics from Statistics Norway as a basis for macro conditions. The timing and selection of parameters to be updated depends on discretionary assessments and may vary between the different banks.

The quality of the Group's score and risk classification models also has a direct impact on calculated losses allowances.

3. Risk management

The objective of Sparebanken Sør Boligkreditt AS is to be a funding instrument for Sparebanken Sør to secure the long-term value creation for the Group. With this objective, it is essential that risk is subject to active and satisfactory management.

The objective of Sparebanken Sør Boligkreditt AS is to utilize high-quality residential mortgage portfolios to issue covered bonds. Part of the Sparebanken Sør Group's business strategy is to keep a low to moderate risk profile for all enterprises. Taking on risks is a basic feature of banking, and risk management is therefore a key area in both daily operations and the Board's ongoing work. Reference is also made to the Group's Pilar 3 document, which is available on the website of the Parent Bank (www.sor.no).

ORGANISATION

Board of Directors

The Board has overall responsibility for the company's total risk management and aims to ensure that the company has appropriate systems in place for risk management and internal control. The Board determines risk strategies, framework for risk appetite, risk profile and tolerance. The Board also determines the guidelines for the capital plan and composition of the capital and approves the process to ensure an acceptably adequate capital level at all times.

The company's management

The management and day-to-day operation of Sparebanken Sør Boligkreditt AS is based on a Management Service Agreement between the company and the parent company, Sparebanken Sør.

The Managing Director has overall responsibility for the implementation of the company's credit strategy and credit policy within general mandates and limits adopted by the Board.

Responsibility for implementation of the annual assessment of the risk situation and the capital adequacy requirement is handeled by Sparebanken Sør and is regulated by an agreement between the Mortgage Company and Sparebanken Sør. Plans and analyses are integrated with the strategies and plans at Group level.

Risk management in Sparebanken Sør takes place at Group level and includes Sparebanken Sør Boligkreditt AS. The bank`s department for monitoring risks will identify, measure and evaluate the overall risk and is in addition handling compliance measures.

Internal auditor

EY handle internal auditing of Sparebanken Sør Boligkreditt AS, as regulated in a separate agreement. This is a monitoring function independent of the administration in general, designed to perform risk assessments, controls and investigations of the company's internal control and governance processes to assess whether they are appropriate and proper.

Risk management process

The Group has expedient and appropriate strategies and processes for risk management, the assessment of its capital requirement and how this can be maintained. The collective term for this is ICAAP.

RISK CATEGORIES

All risks are managed through a framework for risk appetite and risk tolerance. Targets for the different risk parameters are in place, and these are:

Credit risk
Credit risk is defined as the risk of losses due to customers or counterparties being unable to meet their obligations to the company, and the value of underlying security not being sufficient to cover the receivables if the security must be realised. Credit risk is the company's greatest risk, and the risk that requires most capital. Credit risk concerns all claims on counterparties/customers. This means loans and credits, securities and counterparty risk arising from derivatives and foreign exchange contracts.

Credit risk is a function of two factors (events): ability and willingness to pay, and the value of underlying collateral. Both factors must occur for losses to take place. The first is the lack of ability to pay or willingness to pay of the debtor, and the other is the value of the underlying collateral not being sufficient to cover the Company's requirements for any default and subsequent realization of security.

Credit risk is defined as a significant risk, and the Company's policy is that credit risk exposure should be low. The Board approves the Company's credit strategy and credit policy, and credit risk is controlled by adopted limits and measures linked to the risk profile and exposure on portfolio levels.

The Board receives regular reports on credit risk. The development of lending by the various risk classes and migration between these classes are vital in this respect.

Counterpart risk
Counterparty risk is the risk of the Company's business partners in the financial field not being able to fulfil their contractual obligations towards the Bank. Derivative contracts must be established with reputable counterparties with a good rating and must be regulated by an underlying ISDA agreement. Derivative contracts must be spread across various counterparties to avoid counterparty concentration.

The Company follows the regulations for derivatives trading under EMIR (European Market Infrastructure Regulation) regarding settlement, confirmations, documentation and reporting to authorities. The Company's counterparty risk is regulated through the establishment of agreements on the furnishing of collateral (Collateral Support Annex) between the parties. Under CSA settlement, the value of derivatives is reconciled with the derivative counterparty, and settlement of collateral takes place. In entering into an agreement for collateral settlement for changes in the value of derivatives, the Company maintains the lowest possible counterparty risk.

Settlement risk
Settlement risk is a form of credit risk where a contracting party fails to fulfil its obligations regarding settlements in the form of cash or securities, upon the Company has given notice of the payment or transfer of a security. Settlement risk that the Company is exposed to is considered to be low.

Liquidity risk
Liquidity risk is defined as the risk of Sparebanken Sør Boligkreditt AS being unable to meet its obligations or unable to fund its assets, but also not being able to achieve funding without incurring significant additional costs, impairment in value of assets that must be realized, or funding costs above a normal cost level. Liquidity risk can arise when events in the financial market mean mean that ordinary financing can not be established.

Liquidity risk is managed through the Group's liquidity strategy, overarching and Board-approved guidelines, routines, risk tolerance levels and limits. Key operational management parameters are the requirement for the deposit-to-loan ratio, the long-term funding indicator, and the stress indicator for liquidity disposals within 30 days (LCR), as well as the guidelines for survivability in situations where there is no access to market funding. Liquidity risk is also managed by ensuring that funding from the capital market is distributed across various terms to maturity, sources of funding and instruments. Liquidity risk is periodically stress tested, and contingency and recovery plans have been established for the Group.

In addition to the LCR, the company analyses liquidity risk using stress tests. According to these analyses, the company would be able to continue operating normally for 24 months in a stress alternative, where new market funding is assumed to be unavailable and the regulatory liquidity reserves can be used.

Sparebanken Sør Boligkreditt shall have a moderate to low liquidity risk. Liquidity risk should be on par with comparable companies, but be reconciled with the Bank's overall risk profile and the Board's approved capital requirements. The risk profile should be adapted to the current market situation and outlook.

Market risk
Market risk is the risk of changes in value as a result of changes in market prices. Market risk is divided into interest rate risk, credit spread risk and exchange rate risk. Sparebanken Sør Boligkreditt AS has a low market risk.

Interest rate risk
Interest rate risk is defined as the risk of financial losses arising from changes in interest rates if the interest period for the Bank's liabilities and assets on and off the balance sheet does not coincide. The interest rate risk limit is determined as an upper limit for losses on unsecured interest rate positions, given shifts or distortions in the interest rate curve.

Exchange rate risk
Foreign exchange risk is defined as the risk of financial (earnings-related) losses arising from an unfavorable change in the value of asset and liability items (on and off the balance sheet) measured in the base currency (NOK) due to changes in exchange rates. Exposure is measured as the size of the potential losses in a stress scenario, given a change in foreign exchange rate of 25 percent.

Spread risk
Spread risk is defined as the risk of changes in the market value of interest-bearing securities due to a general change in credit spreads. A general increase in credit spreads would lead to a reduction in value of a portfolio of interest-bearing securities. Changes in credit spread are a consequence of changes in investors' requirement for risk premium given an anticipated credit risk and / or changes in other market conditions. The company's credit spread exposure is related to the liquidity portfolio.

Business risk
Business risk is defined as the risk of unexpected revenue fluctuations from other factors than credit risk, market risk and operational risk. The risk can occur in various business and product segments and is linked to cyclical fluctuations and changes in customer behavior. Business risk can also arise as a result of government regulations. The risk also includes the reputational risk, which is associated with increased losses, reduced income and/or increased costs as a result of a deterioration of the company's reputation.

Strategic risk
Strategic risks are defined as internal matters related to the strategy, plans and changes that the Company either has or has proposed.

Operational risk
Operational risk is the company`s exposure to financial losses or loss of reputation due to inadequate or failing internal processes or systems, human errors or external events.

The Group has identified seven main risks within operational risk: supplier and outsourcing risk, financial crime, ICT risk, behavioral risk, process risk, compliance risk, risk due to changes and risk related to resources, expertise, and human error. The various main risks have their own qualitative description of risk appetite which is also supplemented with the measurement of quantitative key risk indicators.

The group's overall risk appetite for operational risk is moderate, but for certain subgroups of operational risk, such as financial crime, behavioral risk and compliance risk, the bank has a low risk appetite. The bank has zero tolerance for losses that could threaten strategic goals and the bank's independence.

Operational risk is monitored by regular qualitative assessments. The estimated capital requirements for operational risk are carried out under the basic method. The operational business in Sparebanken Sør Boligkreditt AS has been secured through agreements with Sparebanken Sør. Sparebanken Sør Boligkreditt AS's operational risk is considered to be low.

Concentration risk
Concentration risk is defined as credit risk arising from high overall exposure to a single counterparty or issuer of security, associated groups of counterparties, Counterparties with operations in the same sector or geographical area and enterprises that use the same kind of security, trade in the same goods or have the same type of operations.

With regards to credit risk, it is an objective to avoid major risk concentrations, including large exposure to individual customers or customer groups and groups of commitments in classes within high-risk industries or geographic areas.

The company's view is that Sparebanken Sør Boligkreditt AS is not exposed to any additional risk as a result of debtor concentration. This is a result of low credit exposure taken into account the quality of the pledged security.

Compliance risk
The company is interested in having good processes to ensure compliance with current regulations and industry standards. Compliance risk is the risk that the company incurs legal or regulatory sanctions, financial losses, or loss of reputation as a result of non-compliance with laws, regulations or governing documents. Efforts are continuously made to assess the best adaptation to new regulations and new regulations in order to ensure both compliance and efficiency in the organisation. New regulations are implemented in the group's management documents and routines.

Compliance risk is monitored by regular qualitative assessments. The compliance division in Sparebanken Sør Boligkreditt AS has been secured through agreements with Sparebanken Sør. Sparebanken Sør Boligkreditt AS's compliance risk is considered to be low.

HEDGING INSTRUMENTS
The Company uses the following hedging instruments:

- Interest rate swaps - agreements to exchange interest rates for a particular nominal amount over a specified number of periods
- Basis swaps – agreements to exchange both interest rates and foreign currencies

The purpose of using these instruments is to hedge interest rate and foreign exchange exposure.

4. Capital adequacy

The Sparebanken Sør Group has an objective of maximising long-term value creation. In addition the Group has an objective that the risk profile should be moderate to low. This means that effective risk and capital management is a key strategic element. Sparebanken Sør Boligkreditt AS is an instrument to underpin this objective.

The Group has established a strategy and process for risk measurement, -management and -control that provide an overview of the risks the company is exposed to. The setup provides the basis for the assessment and calculation of the Group's total capital needs, and how this can be maintained to cover the specific risks in an adequate manner. This is referred to as ICAAP (Internal Capital Adequacy Assessment Process). The assessment of capital needs includes the evaluation of size, composition and capital distribution according to each risk to which the Group is or will be exposed to. ICAAP includes stresstesting of relevant macroeconomic variables, which could inflict significant losses on the company.

Sparebanken Sør Boligkreditt AS uses the standard method for credit- and market risk and applies basic method for operational risk to calculate capital adequacy in accordance with the capital adequacy rules – CRR/CRD.

Capital adequacy has to ensure that the company has the necessary buffer capital for events that arise in addition to ordinary loss provisions. In order to have greater flexibility in terms of strategic choices and business opportunities, the Sparebanken Sør Group has higher equity and subordinated loan capital above the requirements given by ICAAP.

The minimum requirement for common equity tier 1 ratio was 14.0 percent, tier 1 capital ratio 15.5 percent and total capital ratio 17.5 percent.

NOK Thousand	31.12.2024	31.12.2023
EQUITY CAPITAL		
Share capital	3 475 000	2 075 000
Share premium reserve	500 000	500 000
Other equity capital	2 147 193	2 084 807
Deductions	-8 359	-20 082
Deferred tax liabilities	-46 675	-
Dividend	-310 000	-250 000
Net subordinated capital (common equity tier 1)	**5 757 159**	**4 389 725**
Minimum requirements for equity capital		
Credit risk	24 784 910	21 752 321
Market risk	-	-
Operational risk	919 929	868 489
CVA addition	-	-
Deductions	344 942	448 605
Risk weighted balance (calculation basis)	**26 049 781**	**23 069 415**
Common equity tier 1 capital ratio	22.1 %	19.0 %
Tier 1 capital ratio	22.1 %	19.0 %
Total capital ratio	22.1 %	19.0 %
Leverage Ratio	7.8 %	7.0 %

MINIMUM CAPITAL REQUIREMENTS

NOK Thousand	31.12.2024	31.12.2023
Minimum Tier 1 capital requirements	4.50 %	4.50 %
Conservation buffer	2.50 %	2.50 %
Systemic risk buffer	4.50 %	4.50 %
Counter-cyclical buffer	2.50 %	2.50 %
CET1 requirements, incl. Pilar 2	14.00 %	14.00 %
Tier1 Capital requirements, incl. Pilar 2	15.50 %	15.50 %
Total capital requirements, incl. Pilar 2	17.50 %	17.50 %
CET1 requirements, incl. Pilar 2	3 646 969	3 229 718
Tier1 Capital requirements, incl. Pilar 2	4 037 716	3 575 759
Total capital requirements, incl. Pilar 2	4 558 712	4 037 148
Above CET1 requirements, incl. Pilar 2	2 110 190	1 160 007
Above Tier1 Capital requirements, incl. Pilar 2	1 719 443	813 966
Above total capital requirements, incl. Pilar 2	1 198 448	352 577

5. Segment reporting

The company consists of one segment only, lending to consumers in Norway. Please refer to note 10 regarding geographical break down of loans. The company`s activity consists of residential mortgages up to 80 percent of the property`s market value. None of the company`s customers individually account for more than 10 percent of the turnover. This applies to both 2024 and 2023.

6. Credit area and credit risk

Credit risk represents the greatest area of risk for the company. The Board of the Group sets the credit strategy, which together with credit policies and guidelines for credit processes ensure that the customer portfolio has an acceptable risk profile and contribute to maximise the long-term value creation of the Group.

Loans broken down by risk classes
The models used have been based on internal and external data for calculation of probability of default (PD) in the next 12 months and expected credit losses (ECL) at customers and portfolio level. Customers are scored each month, and are divided into 11 classes (A – K) based on the probability of default. Class K consists of defaulted loans and commitments with individual write-downs. The table below shows the intervals for the different risk classes based on the probability of default.

All customers must be classified in terms of risk before the loan is transferred from Sparebanken Sør to Sparebanken Sør Boligkreditt AS. Loans that are taken on by Sparebanken Sør Boligkreditt AS must have a probability of default (PD value) not exceeding 3.00 percent.

The company’s risk categories are as follows:

Risk classes	Lower limit of default (PD-values)	Upper limit of default (PD-values)
A	0.00%	0.10
B	0.10%	0.25
C	0.25%	0.50
D	0.50%	0.75
E	0.75%	1.25
F	1.25%	2.00
G	2.00%	3.00
H	3.00%	5.00
I	5.00%	8.00
J	8.00%	99.99
K	100.00%	

Probability of default	
Low risk (A-D)	0.00 - 0.75 %
Medium risk (E-G)	0.76 - 3.00 %
High risk (H-J)	3.01 - 99.99 %
Default (K)	100%

Specification within risk categories at 31.12.2024

NOK Thousand	Commitments	In %	Gross loans	Potensial exposure
Low risk	56 339 226	83.9 %	50 042 586	6 296 640
Medium risk	9 278 663	13.8 %	9 095 245	183 418
High risk	895 909	1.3 %	889 073	6 836
Non performance and write downs	118 880	0.2 %	115 294	3 586
Unclassified	549 694	0.8 %	509 507	40 187
Total	**67 182 371**	100.0 %	**60 651 704**	**6 530 668**

Commitments include gross loans and potential exposure. Potential exposure consists of undrawn credit facilities on flexi-loans.

Specification within risk categories at 31.12.2023

NOK Thousand	Commitments	In %	Gross loans	Potensial exposure
Low risk	52 042 951	84.3 %	46 372 214	5 670 737
Medium risk	8 119 272	13.2 %	7 938 733	180 539
High risk	1 131 971	1.8 %	1 132 504	-533
Non performance and write downs	166 906	0.3 %	166 712	194
Unclassified	256 637	0.4 %	221 347	35 290
Total	**61 717 737**	100.0 %	**55 831 510**	**5 886 227**

Commitments include gross loans and potential exposure. Potential exposure consists of undrawn credit facilities on flexi-loans.

Maximum credit exposure

Maximum exposure towards credit risk in balance items, including derivatives. The exposure appears as gross before eventual pledges and offsettings.

NOK Thousand	31.12.2024	31.12.2023
Assets		
Loans to credit institutions	3 308 704	973 207
Net loans to customers	60 624 841	55 807 966
Bonds and certficates	5 605 847	2 158 343
Financial derivatives	2 752 872	1 071 168
Total credit exposure balace items	**72 292 264**	**60 010 684**
Potensial exposure		
Undrawn credits	6 530 668	5 886 227
Total potensial exposure off balance	**6 530 668**	**5 886 227**
Total credit exposure	**78 822 932**	**65 896 911**

7. Description of the loss model under IFRS 9

Impairment model

The model assessing the impairment of financial assets under IFRS 9 applies to financial assets measured at amortised cost. The new standard was implemented on 1 January 2018. See Note 1 for a discussion of accounting policies implemented to comply with this standard. The same calculation model is used for Sparebanken Sør Boligkreditt AS, the Parent Bank and the Group, but with different dates being defined for initial recognition.

Provision must be made for expected losses, based on relevant information available at the time of reporting, including historical, current and future information. The loss is shown in the accounts before a loss event has occurred, and future expectations are included in the calculations.

Loss allowances are calculated on the basis of probability of default (PD), loss given default (LGD) and exposure at default (EAD). The principal rule is that the loss provision is calculated on the basis of expected credit loss over the next 12 months or expected credit loss over the whole term. Expected credit loss over the whole term is calculated for assets where the credit risk has increased significantly since initial recognition, except for assets which are nevertheless assessed as having a low absolute credit risk on the reporting date. If there has not been a significant increase in credit risk since initial recognition, loss provision will be calculated for expected credit loss in the next 12 months. IFRS 9 also introduces requirements for loss provisions on new loans, by recognising loss allowance for expected credit losses as a result of expected default over the next 12 months.

Assessment of a significant increase in credit risk

The company uses the PD-level as the main criteria to assess a significant increase in credit risk. A significant increase in credit risk is assessed based on both the relative increase in PD and the absolute change. It requires the relative change to be material and the level of risk itself to be not insignificant compared with the low-risk consideration. In addition, any large absolute change must be, under any circumstances, regarded as a significant increase.

The limits for significant increase and PD checks are summarised in the table below.

Parameter	RM
Absolute limit (a)	0.625 %
Relative change (b)	2
Absolute change (c)	5 %

Relative change (b) corresponds to PD having doubled from approval to the time of calculation to be defined as significantly worsened. Absolute limit corresponds to risk class D.

If the economic cycle or national/regional development trends indicate that there is a higher risk in individual sectors/industries, this is considered by changing the PD level of customers in the sectors/industries concerned.

PD as basis for expected loss
The PD model gives PD at customer level, 12 months ahead. At the end of 2024, there is no lifetime PD model.

When calculating the expected credit loss over the lifetime of the commitment, it is the probability of default over the same lifetime that should be used. A methodology has been developed to estimate PD over a commitment's lifetime. This is based on breaking lifetime down into separate years and estimating PD for each year ahead of time.

Validations show that the models overestimate. Since the loss model is expected oriented, the PD is calibrated to an expectation-based estimate before being used in the loss model.

Population
The model is intended to calculate expected loss for all customers, at account level and on not already recognised losses. Loss is calculated based on situation statement at the end of the month. For loans where the credit risk has increased significantly after initial recognition, an impairment loss must be recognised for expected credit losses over the term of the loans. All model calculations are made at account level. Data that exists only at customer level is linked to individual accounts. For example, risk class is allocated at the customer level so that all the customers' accounts have the same score. The most important variables in the extract are risk class and PD with associated interest, balance, approval and collateral at the time of calculation.

Loans approved but not discounted at the calculation date, must also be included in the basis of calculation.

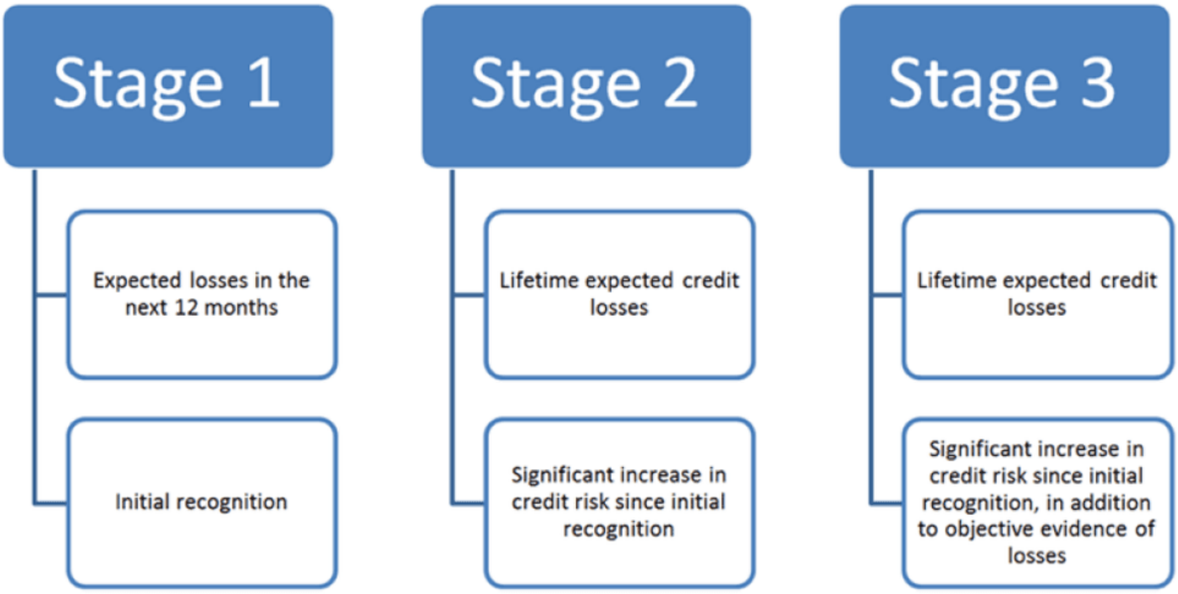
Under IFRS 9, an expected loss must also be calculated on receivables from central banks and credit institutions. The Group has no loss provisions with respect to these receivables for the financial year 2024. The low-risk exemption in IFRS 9 is used because the main emphasis on lending to credit institutions is linked to Norwegian banks. These have an assignment in risk class B and a PD of 0.175 percent. LGDs are low as they have a good rating from external rating agencies. The Group considers that the condition of low credit risk is met on the balance sheet date and that the expected loss will be completely insignificant.

After the dataset has been defined, the various account commitments are noted and allocated to different stages. Allocation to one of the three "stages" in the model is based on their change in risk since initial recognition (change of credit risk). For a description of the individual "stages", see the subsequent explanations. All commitments are placed in stage 1 upon initial recognition and are subsequently moved to stage 2 or 3 if there has been a significant increase in credit risk. Commitments for which qualitatively assessed loss allowance have been recognised are excluded from the model-based calculation of loss allowance. Qualitatively assessed loss allowances are added to those in stage 3.

Non-performing account commitments are defined in the model as all account commitments where the customer has risk class K. Default is defined at the customer level. For an overview of the Bank's risk classes, refer to Note 6 – Credit area and credit risk.

From 01.01.2021 non performing has been assessed according to a new definition. A customer's engagement is defined as in default if a claim is overdue by more than 90 days and the amount exceeds 1 percent of exposure on the balance sheet and NOK 1 000 for the mass market. A customer's commitment is defined as non performing if it is likely that the borrower will not fulfill its obligations due to objective requirements. See note 1 for a description of when qualitative assessments are made.

When a customer has one or several defaulted loans, it is the customer's total commitment which is reported as default and not the individual loan. See also Note 11.



Stage 1
In most cases, this is the starting point for all financial assets that come under the general impairment model. Financial instruments that have the same credit risk as at initial recognition and which have not been classified under stages 2 and 3 are covered by this stage. The estimated expected losses recognised in the balance sheet are equivalent to the expected losses over the next 12 months.

Stage 2
The financial assets that have had a significant increase in credit risk since initial recognition are placed in stage 2. Whether an account commitment has been significantly deteriorated or not, is defined as a function of the probability of default (PD) at the measurement date and the probability of default on the date of initial recognition (loan approval). Expected losses on assets in stage 2 are calculated over the remaining term of the asset.

The model has the following additional indicators and overriding rules for customer commitments (loans to customers):

- For commitments that qualify for a one-year loss calculation (stage 1), a check will be made of whether there is a 30-day default/account overdrawn. If so, the commitment will be transferred to lifetime calculation (stage 2). This applies to overdrawn accounts from the first Norwegian krone, but older than 30 days.

- For commitments that qualify for a one-year loss calculation (stage 1), a check will be made of whether there is a larger overdraft. If so, the commitment will be transferred to lifetime calculation (stage 2). This applies to overdrawn amounts that are relatively larger than the credit limit, starting from the first day.
- Commitments with changed payment obligations (ex. instalment deferral) or refinancing resulting from payment issues (forbearance) are automatically moved to stage 2 (if initially under stage 1).
- The commitments are also checked against an internal watch list that will detect commitment-specific forward-looking risk.

Stage 3
Stage 3 includes assets that have had a significant change in credit risk since initial recognition and where there is objective evidence of loss at the time of reporting. In this stage, the model calculates an expected loss over the remaining term of the asset. If qualitative loss allowances have been recognised, these override the model-based calculation.

Qualitative assessments are made when observable data related to significant financial issues are present. If the bank, based on economic and contractual matters related to the customers' financial issues, has provided any forbearances, it is likely that the customer will go bankrupt or be exposed to a financial reorganization. If observable data related to impairment are present, a future reduction in cash flow will be evaluated.

The same model is used in Sparebanken Sør Boligkreditt AS, the Parent bank and the Group, but with different dates being defined for initial recognition. At the Group level, the account's approval date is used, while the transfer date is used in Sparebanken Sør Boligkreditt AS. As a rule, the approval date will be used for the Parent Bank, unless the account has been registered in the mortgage company. If so, the date of transfer to the Parent Bank is used.

Estimated losses will be calculated based on 12 months' probability of default (PD), loss given default (LGD) and exposure at default (EAD). The dataset contains historical data about the observed PD and LGD. This will form the basis for producing estimates of future PD and LGD values. The patent bank's PD model gives PD at an individual customer level, one year ahead. The Parent Bank does not have a lifetime PD model. When calculating the expected credit loss over the lifetime of the commitment, it is the probability of default over the same lifetime that should be used.

Migration to a lower stage
A commitment that has migrated to stage 2 can migrate back to stage 1 if it no longer fulfils the criteria for migration stated above. Migration to a lower stage is not subject to any explicit quarantine period, except for the loans market with forbearance. For migration from step 3 to step 1 or step 2 the quarantine rules after default, will apply. All the customer accounts are in step 3 of the quarantine period. Commitments that have defaulted will migrate to step 1 or 2 when they are no longer in default.

Forbearance and probation
Commitments with forbearance are debt contracts where forbearance is granted to a debtor who has, or is in the process of getting, difficulties in meeting their financial obligations.

Commitments provided with forbearance may be performing or initially non-performing. The commitments are listed as forbearance in the data warehouse. Factors causing forbearance will be changes in repayments, e.g. installments postponements and refinancing as a result of payment issues.

When a commitment is listed forbearance, a transfer to stage 2 automatically will take place from stage 1. If the commitment is in stage 2 or 3 initially, no transfers will take place. In case of forbearance, PD may be adjusted.

If a commitment is listed forbearance there is a probation period, before the commitment is regarded as performing and transferring back to stage 1.

Macroeconomic conditions and scenarios
The group adopted a macro model that calculates estimated changes in PD. The PD values from the macro model are used further into the IFRS9 model.

The model contains data for macroeconomic conditions, and relevant parameters must be adjusted to take account of any changes in economic climate or macro conditions before the model can be run. Primary, the parameters are set based on monetary policy and financial stability obtained from Norges Bank, in addition to the latest updated figures for unemployment and house prices.

The following macro parameters are used in the model:

1. Level of Key policy rate
2. Growth in unemployment
3. Growth in house price
4. National growth in GDP
5. Exchange rate related to import
6. Oil price (USD)

Macroeconomic variables as a basis of scenarios:

	2024	2025	2026	2027	2028
Housing price %	2.7	5.4	6.6	5.3	5.3
Housing price region %	5.0	5.4	6.6	5.3	5.3
Unemployment %	4.0	4.1	4.1	4.0	4.0
Oil prices, $	81.0	73.0	71.0	69.0	69.0
Key policy rate, $	4.5	4.1	3.4	3.0	3.0
Import-weighted exchange rate	120.2	121.0	121.0	121.0	121.0
USD	11.1	11.2	11.2	11.2	11.2
GDP %	3.2	2.6	2.8	2.4	2.4

Sparebanken Sør has largely secured loans in real estate, and setting parameters for house prices (including real estate) is considered to be a parameter that has a major impact on LGD (Loss Given Default).

In addition, there is a great deal of uncertainty associated with future unemployment, and the determination of this parameter is also of significant importance for the group's model-calculated loss impairments.

Three scenarios are defined in the model; realistic (base) scenario, optimistic scenario and pessimistic scenario. All scenarios are applicable with effect from the date of calculation. This means that the first scenario period is in progress at the time of calculation. This is done so that the scenarios will have an impact on the whole calculation, including stages 1 and 3. The background to the assessments is an overall assessment of all the central elements affecting the development of the Norwegian and regional economy, and whether these factors suggest that changes should be made to the PD and/or LGD level in individual sectors, product and market segments or the whole portfolio.

The realistic (base) scenario is a macroeconomic scenario that represents expected future economic growth over the next 5 years. The realistic scenario is comparable to the ICAAP scenario Base Case. The scenario is based on an expectation of stable and moderate global economic growth, as well as stable growth in the Norwegian economy over the next 5 years. It is further expected that regional economic growth over the next 5 years will be on a par with the rest of the country.

The optimistic scenario is a macroeconomic scenario that represents an economic upturn with strong economic growth. Positive development and strong economic growth over the next 5 years are expected in this scenario. Oil prices will rise, and the Norwegian economy will experience strong economic growth. Regional economic growth is expected to be on a par with the rest of the country.

The pessimistic scenario represents a downturn, with weak economic growth. The pessimistic scenario may represent an economic downturn based on a 25-year cycle, but one that will be considerably milder than the credit crisis in the early 1990s. In this scenario, it is expected that growth in emerging markets will decline. Increased protectionism will create barriers to trade and global economic growth will stall. Oil prices fall and taken together with weak economic growth among our most important trading partners, this will lead to weak development and growth in the Norwegian economy. Regional economic growth is expected to be on a par with the rest of the country.

The Bank has further assessed the scenarios described above and weighted them to determine ECL. Weighting was performed based on an expectation that a realistic scenario will occur in 3 out of 5 years (60 percent probability), while the other two scenarios will occur in 1 out of 5 years (20 percent probability each).

Parameter	RM
Weighted optimistic scenario	20.00 %
Weighted realistic scenario	60.00 %
Weighted pessimistic scenario	20.00 %

Sensitivities

Loans to customers in the company are secured by real estate. This is one of the parameters that affect LGD mostly. Another important parameter that significantly affects the loss expense relates to the probability of default (PD).

A sensitivity analysis relating to changes in the portfolio’s collateral was therefore performed as of 31 December 2024. The analysis has been carried out over the coming year by assuming a fall in collateral of 10, 20 and 30 percent respectively. Analysis has also been performed with a 1 percent increase in unemployment. The changes have the following impact on the company’s loss expense:

				31.12.2024
NOK Thousand	Collateral reduction of 10%	Collateral reduction of 20%	Collateral reduction of 30%	Double increase of PD
Provisions on loans	13 627	31 458	52 229	4 562
Total	**13 627**	**31 458**	**52 229**	**4 562**

NOK Thousand	Collateral reduction of 10%	Collateral reduction of 20%	Collateral reduction of 30%	31.12.2023 Double increase of PD
Provisions on loans	13 249	30 543	51 766	5 439
Total	**13 249**	**30 543**	**51 766**	**5 439**

Validation
The purpose of validating the IFRS 9-system is to confirm that, both the model and the process, are working as intended and provide the best estimates. The system should provide the best estimate for expected credit loss (ECL), based on access to information and knowledge at the reporting date. Calculations and assumptions are subjected to annual validation. The validation provides a report investigated by the Validation Committee. Based on the results there will be an assessment related to the satisfaction of the model and process – and any needs for adjustments.

Changes in the loss model in 2024
Only PD scenarios have been modified according to macro size forecasts. No other significant changes have been made as of 2024.

The various elements contained in losses and loss allowances, guarantees and undrawn credit facilities are discussed under note 1 Accounting Policies. Reference is also made to note 3 regarding Risk Management and to note 6 regarding credit and credit risk.

8. Losses and impairments on loans, guarantees and undrawn credit facilities

Provisions on loan losses and total losses for the period, are calculated according to the IFRS 9 standard based on expected credit loss by using a 3 stage model described in note 7 in the annual report.

The various elements contained in losses and loss allowances, guarantees and undrawn credit facilities are discussed under note 1 Accounting Policies. Reference is also made to note 3 regarding Risk Management and to note 6 regarding credit and credit risk.

NOK Thousand	31.12.2024	31.12.2023
Changes in impairment losses for the period, stage 1	122	-3 489
+ Changes in impairment losses for the period, stage 2	2 796	-119
+ Changes in impairments losses for the period, stage 3	410	-1 007
= Total losses for the period	**3 328**	**-4 615**

2023								2024
Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total	NOK Thousand	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
11 981	**12 058**	**4 500**	**28 539**	**Loss provisions as at 01.01.2024**	**8 492**	**11 939**	**3 493**	**23 924**
				Transfers				
3 508	-2 896	-612	0	Transferred to stage 1	2 816	-2 596	-220	0
-726	1 493	-767	0	Transferred to stage 2	-649	1 166	-517	0
-33	-370	403	0	Transferred to stage 3	-1	-126	127	0
			0					0
3 245	2 585	221	6 051	Losses on new loans	3 989	3 535	24	7 548
-3 280	-4 125	-870	-8 275	Losses on deducted loans*	-2 262	-3 790	-526	-6 578
-6 203	3 193	619	-2 391	Losses on older loans and other changes	-3 770	4 606	1 509	2 345
8 492	**11 939**	**3 493**	**23 924**	**Loss provisions as at 31.12.2024**	**8 614**	**14 734**	**3 890**	**27 239**
8 189	11 865	3 490	23 543	Loss provisions for loans	8 303	14 670	3 890	26 863
303	74	4	380	Loss provisions for undrawn credit	311	65	0	376
8 492	**11 939**	**3 493**	**23 924**	**Total loss provisions as at 31.12.2024**	**8 614**	**14 734**	**3 890**	**27 239**

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

9. Distribution of loans between stages

Changes in gross loans in the balance sheet

NOK Thousand Gross loans assessed at amortised cost	Stage 1	Stage 2	Stage 3	2024 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	972 843	-950 735	-22 108	-0
Transferred to stage 2	-2 407 115	2 443 119	-36 004	-0
Transferred to stage 3	-12 223	-30 640	42 864	-0
Net change on present loans loans	-1 406 472	-89 114	-15 053	-1 510 639
New loans	18 519 947	855 081	2 137	19 377 164
Derecognised loans	-11 882 263	-1 131 621	-32 447	-13 046 331
Gross loans as at 31.12.2024 assessed at amortised cost	**55 771 525**	**4 774 078**	**106 101**	**60 651 704**

NOK Thousand Gross loans assessed at amortised cost	Stage 1	Stage 2	Stage 3	2023 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	-
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 Undrawn credits (off balance)	Stage 1	Stage 2	Stage 3	2024 Total
Undrawn credits as at 01.01.2024	**5 821 475**	**64 558**	**194**	**5 886 227**
Transferred to stage 1	19 389	-19 337	-52	-0
Transferred to stage 2	-42 369	42 391	-22	0
Transferred to stage 3	-	-	-	-
Net change on undrawn credits	294 535	2 693	-89	297 139
New undrawn credits	744 967	7 975	-	752 941
Derecognised undrawn credits	-379 887	-25 753	-	-405 640
Undrawn credits as at 31.12.2024	**6 458 111**	**72 526**	**31**	**6 530 668**

NOK Thousand Undrawn credits (off balance)	Stage 1	Stage 2	Stage 3	2023 Total
Undrawn credits as at 01.01.2023	**5 298 163**	**50 541**	**800**	**5 349 504**
Transferred to stage 1	13 949	-13 149	-800	0
Transferred to stage 2	-48 007	48 007	0	0
Transferred to stage 3	-143	-98	242	0
Net change on undrawn credits	145 444	-20 945	-48	124 451
New undrawn credits	498 185	3 445	0	501 630
Derecognised undrawn credits	-86 115	-3 242	0	-89 358
Undrawn credits as at 31.12.2023	**5 821 475**	**64 558**	**194**	**5 886 227**

10. Loans

Loans assessed to amortised cost (NOK Thousand)	31.12.2024	31.12.2023
Flexi-loans	14 712 988	12 513 558
Loans with installments - floating interest	45 811 995	43 191 886
Loans with installments - fixed interest	-	-
Gross loans	**60 651 704**	**55 831 510**
Loss allowance	-26 863	-23 543
Net loans	**60 624 841**	**55 807 966**
Undrawn credit on Flexi-loans	6 530 668	5 886 227

Loans broken down by sectors and industries	31.12.2024	31.12.2023
Retail customers	60 527 118	55 706 526
Accrued interests	124 586	124 984
Gross loans	**60 651 704**	**55 831 510**
Loss allowance	-26 863	-23 543
Net loans	**60 624 841**	**55 807 966**

Loans broken down by geographical areas (NOK Thousand)	31.12.2024		31.12.2023	
Agder	38 355 854	63.4 %	36 167 424	64.8 %
Telemark	6 358 783	10.5 %		
Vestfold	1 442 190	2.4 %		
Vestfold og Telemark			6 940 570	12.4 %
Oslo	5 858 029	9.7 %	5 319 276	9.5 %
Akershus	3 093 079	5.1 %		
Viken			3 844 537	6.9 %
Rogaland	2 420 547	4.0 %	2 120 215	3.8 %
Other counties	3 096 359	5.0 %	1 415 944	2.5 %
Total	**60 624 841**	**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 31.12.2024 setup and figures are not comparable to previous period.

11. Non-performing loans

The Group assesses a financial asset as non-performing if the contractual payments have been overdue for more than 90 days, and the amount exceeds NOK 1 000 and 1 percent of the customer's obligations (payment default).

A customer's commitment is defined as default if it is probable that the borrower will not fulfill its obligations due to objective requirements:

- The contractual payments have been overdue for more than 90 days, and the amount exceeds NOK 1 000 and 1 percent of the customer's obligations
- Loss write-downs have been registered on the customer's obligation
- Incurred losses have been recognised for the customer
- Bankruptcy petition has been filed or the customer has been declared bankrupt
- The customer has applied for or is in a debt settlement

- A company has been requested to be dissolved, or a forced dissolution has been decided
- Sale of credits due to deteriorating credit quality
- Qualitative assessments and default notices have been made

Qualitative assessments are made when observable data is available relating to the exposure, for example significant financial difficulties at the issuer or borrower. When the borrower's lender, due to financial or contractual grounds relating to the borrowers' financial difficulties, has granted the borrower concessions that the lender would not otherwise have considered and when it becomes probable that the borrower will enter bankruptcy or undergo another form of financial re-organisation.

NOK Thousand	31.12.2024	31.12.2023
Total non-performing loans (stage 3)	**106 101**	**166 906**
Stage 3 impairement losses	3 890	3 493
Net non-performing loans	**102 211**	**163 413**
Provision ratio non-performing loans	3.67 %	2.09 %
Total non-performing loans in % of gross loans	**0.17 %**	**0.30 %**
Gross loans	**60 651 704**	**55 831 510**

Forbearance

NOK Thousand	31.12.2024	31.12.2023
Step 2	1 412 553	438 189
Step 3	29 369	40 647
Total exposures with forbearance measures	**1 441 921**	**478 836**

Commitments provided with forbearance, may be performing or initially non-performing. The commitments are listed as forbearance in the data warehouse. Factors causing forbearance will be changes in repayments, e.g. installments postponements and refinancing as result of payment issues. When a commitment is listed forbearance, a transfer to stage 2 automatically will take place. If the commitment is in stage 3 already, no transfers will take place. If a commitment is listed forbearance and later regarded as performing, there is a quarantine before transferring back to stage 1.

In 2024, new routines have been implemented for advisors regarding the labeling of commitments with forbearance or non-performing status. This has led to increased competence and more accurate labeling of commitments. Combined with rising costs and high interest rates, this has resulted in an increase in total exposure with forbearance measures.

12. Interest rate and exchange rate risk

Exchange rate risk
According to the company`s internal rules, the total accounting effect by a 25 percent exchange rate movement should not exceed NOK 10 million. The currency exposure was NOK 0 million as at 31.12.2024 (NOK 0 million as at 31.12.2023).

Interest rate risk
Interest rate risk occurs in connection with the company's ordinary lending activities, and in relation to activity in the Norwegian and international money and capital markets. Interest rate risk is a result of the fixed-interest period for the company's assets and liabilities, as well as for off-balance sheet items, not coinciding. Interest rate risk must be assessed on the basis of a stress test scenario where there is a 2-percentage point parallel shift in the yield curve. An assessment must also be made on how stress test scenarios (six scenarios) with various distortions in the yield curve affect the company's positions. The scenario with the greatest loss potential is taken as a basis for measuring interest rate risk. The interest rate risk framework also includes interest rate risk in foreign currency.

Calculation of interest rate risk follows guidelines from The Financial Supervisory Authority of Norway. The company's Board of Directors has adopted limits for interest rate risk, and receives quarterly reports thereon.

Interest rate sensitivity
The tables below show the financial consequences in the value of the total balance sheet in the company of a given change in interest rate. From 2020, the company has measured and managed interest rate risk based on six different shock scenarios across 19 time bands, cf. EBA Guideline 2018/02 and the Financial Supervisory Authority's guidelines. The six interest rate shock scenarios are as follows:

1. parallel shock up
2. parallel shock down
3. steepener shock – short rates down, long rates up
4. flattener shock – short rates up, long rates down
5. short rates shock up
6. short rates shock down

NOK Thousand	31.12.2024	31.12.2023
Parallel shock up 2 %	-30 130	-42 006
Parallel shock down 2 %	30 130	42 006
Steepener shock	64 005	36 235
Flattener shock	-64 005	-36 235
Short rates shock up 3 %	-64 005	-36 235
Short rates shock down 3 %	64 005	36 235

13. Liquidity risk

Liquidity risk is defined as the risk of the company failing to fulfill its obligations as they fall due. The company's liquidity risk was generally low in 2024, as illustrated by the fact that most of the company's loans were financed on a long-term basis through covered bonds. Long-term financing is defined as funding with maturities exceeding one year, as well as unutilised committed drawing rights. The company has to have sufficient liquid funds in order to fulfill its obligations at all times. In 2024, the company's funding structure complied with requirements imposed by law and instructions by the Board of Directors.

As of 31 December 2024, Sparebanken Sør Boligkreditt AS has an overdraft facility amounting to NOK 6 000 million for operational purposes, and a short-term credit facility with a notice period of 31 days with Sparebanken Sør.

The company issues covered bonds with the opportunity to extend the maturities by up to 12 months, given an approval by the FSA.

LIQUIDITY RISK

The table shows cash flows including contractual interest payments. The figures therefore cannot be reconciled with the balance sheet.

						31.12.2024
NOK Thousand	**Total**	**1 mth.**	**3 mth.**	**1 year**	**5 years**	**Over 5 years**
Liabilities / non derivative obligations	-	-	-	-	-	-
Debt to credit institutions	6 526 037	6 526 037	-	-	-	-
Debt incurred due to issuance of securities	65 490 723	20 590	424 958	12 874 015	52 171 160	-
Other liabilities	132 798	5 983	5 983	120 833	-	-
Loans commitments and undrawn facilities	6 530 668	6 530 668	-	-	-	-
Total liabilities	**78 680 226**	**13 083 277**	**430 941**	**12 994 848**	**52 171 160**	**-**
Derivative commitments						
Financial derivative gross payments						
Payments made	-25 846 750	-	-	-5 129 250	-20 717 500	-
Payments recieved	29 985 000	-	-	5 897 000	24 088 000	-
Total derivative commitments	**4 138 250**	**-**	**-**	**767 750**	**3 370 500**	**-**

						31.12.2023
NOK Thousand	**Total**	**1 mth.**	**3 mth.**	**1 year**	**5 years**	**Over 5 years**
Liabilities / non derivative obligations						
Debt to credit institutions	5 411 372	5 411 372	-	-	-	-
Debt incurred due to issuance of securities	54 343 923	20 564	328 958	5 299 314	48 695 086	-
Other liabilities	271 860	66 449	87 138	118 274	-	-
Loans commitments and undrawn facilities	5 886 227	5 886 227	-	-	-	-
Total liabilities	**65 913 382**	**11 384 612**	**416 096**	**5 417 587**	**48 695 086**	**-**
Derivative commitments						
Financial derivative gross payments						
Payments made	-25 846 750	-	-	-	-25 846 750	-
Payments recieved	28 720 000	-	-	-	28 720 000	-
Total derivative commitments	**2 873 250**	**-**	**-**	**-**	**2 873 250**	**-**

Debt securities issued as at 31.12.2024

ISIN Number	Ticker	Currency	Nominal value		Interest	Due date	Book value	Fair value
NO0010832637	SORB28	NOK	5 750 000	Floating	3M Nibor	24.09.2025	5 755 938	5 765 865
XS2555209381		EUR	500 000	Fixed	0.31%	14.11.2025	5 955 998	5 957 441
XS1947550403		EUR	500 000	Fixed	0.50%	06.02.2026	5 797 765	5 806 188
XS2069304033		EUR	500 000	Fixed	0.01%	26.10.2026	5 658 671	5 659 013
NO0012535824	SORB32	NOK	5 500 000	Floating	3M Nibor	31.05.2027	5 522 494	5 556 392
NO0011002529	SORB31	NOK	7 000 000	Floating	3M Nibor	20.09.2027	7 101 330	7 090 655
NO0010670409	SORB08	NOK	500 000	Fixed	4.00%	24.01.2028	507 725	509 926
XS2291901994		EUR	500 000	Fixed	0.01%	28.01.2028	5 521 974	5 472 989
XS2389362687		EUR	500 000	Fixed	0.01%	25.09.2028	5 430 492	5 374 940
NO0013214841	SORB33	NOK	6 000 000	Floating	3M Nibor	23.05.2029	6 026 696	6 043 066
NO0013388454	SORB34	NOK	6 250 000	Floating	3M Nibor	06.11.2029	6 293 862	6 287 818
TOTAL							**59 572 945**	**59 524 292**

14. Interest income and interest expenses

NOK Thousand	31.12.2024	31.12.2023
Interest income recognised at amortized cost		
Interest on loans to customers	3 380 838	2 640 354
Interest on loans to and receivables from credit institutions	22 095	2 866
Total interest income recognised at amortized cost	3 402 933	2 643 220
Interest income effective interest method	**3 402 933**	**2 643 220**
Interest income recognised at fair value		
Interest on certificates/bonds/interest-bearing securities	189 362	169 446
Total interest income recognised at fair value	189 362	169 446
Other interest income	**189 362**	**169 446**
Total interest income	**3 592 295**	**2 812 666**
Interest expenses recognised at amortized cost		
Interest on debt to credit institutions	265 007	130 337
Interest on issued securities	2 701 022	2 200 775
Other interest expenses	11 021	10 643
Total interest expenses recognised at amortized cost	2 977 049	2 341 755
Total interest expenses	**2 977 049**	**2 341 755**
Net interest income	**615 246**	**470 911**

AVERAGE INTEREST EXPENSES

	Average interest rates		Average volume in NOK Thousand	
NOK Thousand	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Assets				
Loans to credit institutions	0.92 %	0.29 %	2 401 952	983 207
Loans to customers	5.82 %	4.95 %	57 946 729	53 168 728
Bonds and certificates	4.96 %	4.50 %	3 815 219	3 768 378
Liabilities				
Liabilities to credit institutions	3.83 %	3.33 %	6 923 115	3 916 990
Liabilities related to issue of securities	5.01 %	4.37 %	53 793 906	50 348 725

15. Income from financial instruments

NOK Thousand	31.12.2024	31.12.2023
Profit (loss) and changes in value from certificates and bonds	-21 532	-4 319
Net income from certificates and bonds	**-21 532**	**-4 319**
Change in value fixed rate bonds - hedge accounting	-1 878 854	-2 417 635
Change in value derivatives fixed rate bonds - designated as hedging instruments	1 877 401	2 431 624
Net income hedging	**-1 453**	**13 989**
Whereof effects from basis swaps (1)	-	-
Profit (loss) buyback own bonds - amortised cost	-5 325	-1 987
Currency gains (losses)	-	-
Net other financial instruments and derivatives	**-5 325**	**-1 987**
Net income from financial instruments	**-28 310**	**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.

16. Other operating expenses

NOK Thousand	2024	2023
External fees	1 671	2 776
management of loans / services purchased	110 084	100 367
Other operating expenses*	4 971	3 175
Total other operating expenses	**116 726**	**106 319**

*Remuneration to auditors is included in other operating expenses.

NOK Thousand	2024	2023
Ordinary audit fees, statutory audit	263	116
Other attestation services	142	163
Fees on other services	-	-
Total remuneration of elected auditor (Incl. VAT)	**405**	**279**

17. Tax

NOK Thousand	31.12.2024	31.12.2023
Tax-increasing temporary differences		
Fixed assets	-46	-58
Financial derivatives	-	-
Change in value from basis swaps recognised over OCI	-101 304	-37 265
Bond assets	-21 688	-7 920
Bond debt - adjustment of hedge accounting	-2 948 172	-1 074 176
Other changes	-7 805	-
Total tax-increasing temporary differences	**-3 079 016**	**-1 119 418**
Tax-reducing temporary differences		
Loans	-	115
Financial derivatives	2 859 046	1 045 684
Change in value from basis swaps recognised over OCI	-	-
Bond debt - adjustment of hedge accounting	-	-
Total tax-reducing temporary differences	**2 859 046**	**1 045 799**
Basis for deferred tax (+) / deferred tax assets (-)	**-219 970**	**-73 620**
Calculated deferred tax (+) / deferred tax assets (-) 22%	**-48 393**	**-16 196**
Deferred tax / deferred tax assets as at 01.01.	-16 714	32 171
Change in deferred tax in the profit	-16 391	-22 724
Change in deferred tax in the total profit	-14 089	-26 161
Deferred tax from previous years **	519	-
Deferred tax / deferred tax assets as at 31.12.	**-46 675**	**-16 714**
Profit before tax expenses	466 938	374 401
Permanent differences	-8	757
Change in temporary differences	82 311	103 292
Taxable income	**549 241**	**478 450**
Tax payable 22%/22%	**120 833**	**105 259**
Tax not settled, previous years	-	-
Prepaid tax	-	-
Other changes	-	-
Tax payable in the balance sheet	**120 833**	**105 259**
Tax payable	120 833	105 259
Changes in deferred tax	-16 391	-22 724
Tax returns from previous years*	160	-7 256
Tax cost for the year	**104 602**	**75 279**
Effective tax rate*	22.4 %	20.1 %

Deferred tax assets are recognised and justified based on expected future earnings.

*In 2023, NOK 7.3 million was recognized as income due to a change in the tax rate for the years 2017–2018.

**In 2024, NOK 0,5 million was recognized as an adjustment in deferred tax due to changed in tax rate for the years 2018-2021

18. Financial instruments by category

Amortised cost

Debt instruments, which sole purpose is to hold the instrument in order to collect contractual cash flows will be recognised at amortised cost. All borrowing and lending instruments with floating interest rates, are classified at amortised cost.

Fair value through profit and loss

All derivatives will be measured at fair value, with the changes in value through profit and loss. Sparebanken Sør Boligkreditt AS has chosen to keep holdings of interest-bearing securities at fair value through profit and loss. These are assets that are managed, measured and reported to the management at fair value.

Hedge accounting

Sparebanken Sør Boligkreditt AS employs hedge accounting in relation to the company's funding at fixed interest rate terms and in foreign currencies. Hedging instruments are used to counteract the interest risk and foreign exchange risk of the bonds.

NOK Thousand	Fair value	Hedge accounting	Amortised cost	31.12.2024 Total
Loans to credit institutions			3 308 704	3 308 704
Net loans to customers			60 624 841	60 624 841
Bonds and certificates	5 605 847			5 605 847
Financial derivatives		2 752 872		2 752 872
Total financial assets	**5 605 847**	**2 752 872**	**63 933 545**	**72 292 264**
Debt to credit institutions			6 526 037	6 526 037
Debt incurred due to issuance of securities *		28 872 626	30 700 319	59 572 945
Financial derivatives		0		0
Total financial liabilities	**-**	**28 872 626**	**37 226 356**	**66 098 983**

* Debt included in hedge accounting is presented as financial assets and liabilities at amortised cost.

NOK Thousand	Fair value	Hedge accounting	Amortised cost	31.12.2023 Total
Loans to credit institutions			973 207	973 207
Net loans to customers			55 807 966	55 807 966
Bonds and certificates	2 158 343			2 158 343
Financial derivatives		1 071 168		1 071 168
Total financial assets	**2 158 343**	**1 071 168**	**56 781 173**	**60 010 684**
Debt to credit institutions			5 404 574	5 404 574
Debt incurred due to issuance of securities *		26 991 498	22 740 686	49 732 184
Financial derivatives		138 210		138 210
Total financial liabilities	**-**	**27 129 708**	**28 145 260**	**55 274 968**

* Debt included in hedge accounting is presented as financial assets and liabilities at amortised cost.

19. Fair values of financial instruments

METHODS TO DETERMINE FAIR VALUE

General

For financial instruments, for which the booked value is a reasonable approximation of fair value, valuation methods to calculate fair value are not used. This relates mainly to assets and liabilities that mature within three months or when interest is due or fixed within three months.

Interest rate swaps

Valuation of interest rate swaps at fair value is done through the use of valuation techniques, in which the expected future cash flows are discounted to the present value. The calculation of expected cash flows and the discounting of these are carried out by the use of observable market rates for different currencies and observable exchange rates.

The estimated present value is reconciled against the corresponding estimates from the counterparties in the contracts.

Certificates and bonds
The valuation of certificates and bonds is through the use of valuation techniques based on future cash flows and credit risk, assessed on the balance sheet date. The valuation is based on interest rates, which can be observed in the market.

Loans
For loans with a floating interest rate, fair value is considered to be equal to the nominal value.

Debt
For debt the valuation is made through the use of valuation techniques and the discounting of expected future cash flows. The interest rate on loans between credit-worthy banks is regarded as the risk free interest rate. The mark-up is made on the basis of the assessments made by market players of the Company's creditworthiness.

Deposits
For floating rate deposits, the fair value is considered to be equal to the nominal value.

Classification of financial instruments
Financial instruments are classified in different levels.

Level 1: Includes financial assets and liabilities valued using the unadjusted observable market values. This includes listed shares, derivatives traded on the market place and other securities with quoted market values.

Level 2: Instruments valued by valuation techniques and assumptions on directly or indirectly observable market data. Values can be obtained from external market players or reconciled with the external markets players that offer these types of services.

Level 3: Instruments valued by valuation techniques and of which at least one essential valuation factor can not be supported by observable market values. This category includes investments in unlisted companies and fixed rate loans, for which no market information exists.

				31.12.2024
			Fair value	
NOK Thousand	Recognised value	Level 1	Level 2	Level 3
Assets recognised at amortised cost				
Loans to and receivables from credit institutions	3 308 704		3 308 704	
Net loans to customers (floating interest rate)	60 624 841			60 624 841
Assets recognised at fair value				
Bonds and certificates	5 605 847		5 605 847	
Financial derivatives	2 752 872		2 752 872	
Total financial assets	**72 292 264**	**-**	**11 667 423**	**60 624 841**
Liabilities recognised at amortised cost				
Debt to credit institutions	6 526 037		6 526 037	
Debt incurred due to issuance of securities	59 572 945		59 524 292	
Liabilities recognised at fair value				
Financial derivatives	0		0	
Total financial liabilities	**66 098 983**	**-**	**66 050 330**	**-**

NOK Thousand	Recognised value	Level 1	Fair value Level 2	31.12.2023 Level 3
Assets recognised at amortised cost				
Loans to and receivables from credit institutions	973 207		973 207	
Net loans to customers (floating interest rate)	55 807 966			55 807 966
Assets recognised at fair value				
Bonds and certificates	2 158 343		2 158 343	
Financial derivatives	1 071 168		1 071 168	
Total financial assets	**60 010 684**	**-**	**4 202 718**	**55 807 966**
Liabilities recognised at amortised cost				
Debt to credit institutions	5 404 574		5 404 574	
Debt incurred due to issuance of securities	49 732 184		49 680 085	
Liabilities recognised at fair value				
Financial derivatives	138 210		138 210	
Total financial liabilities	**55 274 968**	**-**	**55 222 868**	**-**

Hedge accounting

Sparebanken Sør Boligkreditt AS has implemented hedge accounting for debt issued at fixed interest rate and for bonds issued in foreign currency. The bonds included in hedge accounting are initially recognised at cost. Subsequent measurements are at amortised cost, with the change in fair value related to the hedged risk. Derivative instruments are used as a hedge of interest rate and foreign exchange risk.

Sparebanken Sør Boligkreditt AS uses fair value hedge accounting.

Result of hedge accounting

NOK Thousand	2024	2023
Result / ineffectiveness in hedge accounting:		
Net income from other financial instruments	-1 453	13 989
Total	**-1 453**	**13 989**
Whereof effects from basis swaps	-	-
Change in value from basis swaps before tax - recognised in other comprehensive income	**-64 039**	**-118 914**

Inefficiency in hedge accounting is recognised as a change in value and appears in Note 15 as well.

Hedge accounting in the balance sheet

The hedging instrument is recognised as financial derivatives. Value related to the hedged risk is recognised as debt incurred due to issuance of securities.

NOK Thousand	2024	2023
Recognitions concerning hedge accounting		
Financial derivatives (clean value)	2 870 371	1 132 872
Total financial assets	**2 870 371**	**1 132 872**
Nominal hedge items	25 846 750	25 846 750
Adjustments of hedge items - hedged risk	2 948 172	1 074 176
Financial derivatives (clean value)	11 325	87 188
Total financial liabilities	**28 806 247**	**27 008 114**

The table shows changes in value of the hedging instrument during the financial year.
The change in fair value of the hedged item that relates to the hedged risk is recognised as an adjustment of the hedged item in the balance sheet.

20. Bonds and certificates

NOK Thousand	31.12.2024	31.12.2023
Short-term investments designated at fair value through profit		
Certificates and bonds issued by public sector	1 708 307	827 767
Certificates and bonds issued by others	3 862 968	1 314 518
Accrued interests	34 572	16 058
Total	**5 605 847**	**2 158 343**

Classification of financial investments

Certificates and bonds are rated externally. For securities with an official rating this will be used, and in cases where an official rating does not exist an external broker will provide a credit assessment as a basis for risk classification.

Sparebanken Sør Boligkreditt AS owns only instruments with the lowest credit risk (Aaa rated) as at 31 December 2024.

21. Debt due to issuance of securities

NOK Thousand	31.12.2023	Issued	Matured/ redeemed	Other changes in the period	31.12.2024
Bonds, nominal value	51 270 000	12 238 000	-4 305 325	1 282 325	60 485 000
Value adjustments	-1 674 517			567 421	-1 107 095
Accrued interest	136 701			58 340	195 041
Total debt due to issuance of securities	**49 732 184**	**12 238 000**	**-4 305 325**	**1 908 086**	**59 572 945**

NOK Thousand	31.12.2022	Issued	Matured/ redeemed	Other changes in the period	31.12.2023
Bonds, nominal value	55 737 400	-	-5 921 987	1 454 587	51 270 000
Value adjustments	-2 607 556			933 040	-1 674 517
Accrued interest	147 349			-10 648	136 701
Total debt due to issuance of securities	**53 277 192**	**-**	**-5 921 987**	**2 376 978**	**49 732 184**

22. Cover pool composition and debt to value of assets ratio (LTV)

	Nominal value	
NOK Thousand	**31.12.2024**	**31.12.2023**
Loans secured by mortgages on residential properties	60 527 118	55 706 526
Deductions on ineligible loans *	-173 278	-248 008
Pool of eligible loans	**60 353 840**	**55 458 518**
Certificates and bonds	4 500 000	990 000
Total cover pool	**64 853 840**	**56 448 518**
Debt incurred due to issuance of securities	56 346 750	48 396 750
Total	**56 346 750**	**48 396 750**
Collateralisation ratio (OC)	**15.1 %**	**16.6 %**

	Fair value	
NOK Thousand	**31.12.2024**	**31.12.2023**
Loans secured by mortgages on residential properties	60 624 841	55 807 966
Deductions on ineligible loans *	-173 278	-248 008
Pool of eligible loans	**60 451 563**	**55 559 959**
Certificates and bonds	4 558 879	1 002 797
Financial derivatives (assets)	-	-
Total cover pool	**65 010 442**	**56 562 755**
Debt incurred due to issuance of securities	59 524 292	49 680 085
Financial derivatives (debt)	-2 752 872	-932 958
Total	**56 771 421**	**48 747 126**
Collateralisation ratio (OC)	**14.5 %**	**16.0 %**

* Loans above 80 % LTV and loans in default.

	31.12.2024	31.12.2023
Average debt to value of assets ratio in %	**53.5 %**	**53.9 %**
Portfolio divided into intervals of debt to value of assets ratio		
Less than or equal to 40 %	20.1 %	19.6 %
41 - 50 %	18.0 %	17.8 %
51 - 60 %	25.1 %	25.4 %
61 - 70 %	23.3 %	22.5 %
71 - 75 %	10.4 %	9.1 %
76 - 80 %	2.0 %	4.2 %
Above 80 %	1.2 %	1.3 %
Total	**100.0 %**	**100.0 %**

23. Financial derivatives

Sparebanken Sør Boligkreditt AS has in place agreements that regulate counterparty risk and netting of derivatives.

ISDA agreements have been concluded with financial counterparties, whith a supplementary agreement regulating collateral requirements (CSA). Sparebanken Sør Boligkreditt AS has the right to offset balances if certain events occur. The amounts are not offset in the balance sheet due to the fact that the transactions are normally a gross settlement. The assets and liabilities are presented in the table below.

31.12.2024				Related amounts not presented net		
	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Financial instruments (net settlements)	Other collateral, received/pledged	Net amount
Derivatives - assets	2 752 872	-	2 752 872	-	2 776 661	-23 790
Derivatives - liabilities	-0	-	-0	-0	-	-
Net	**2 752 872**	**-**	**2 752 872**	**-0**	**2 776 661**	**-23 790**

Received collateral is presented as debt to credit institutions and paid collateral area is presented as deposits from credit institutions.

* Netting agreements are not offset in the balance sheet because the transactions are normally not settled on a net basis.

31.12.2023				Related amounts not presented net		
	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Financial instruments (net settlements)	Other collateral, received/pledged	Net amount
Derivatives - assets	1 071 168	-	1 071 168	69 066	860 371	141 731
Derivatives - liabilities	-138 210	-	-138 210	-69 066	-	-69 144
Net	**932 958**	**-**	**932 958**	**-**	**860 371**	**72 587**

Received collateral is presented as debt to credit institutions and paid collateral area is presented as deposits from credit institutions.

* Netting agreements are not offset in the balance sheet because the transactions are normally not settled on a net basis.

24. Related parties

NOK Thousand	31.12.2024	31.12.2023
Income statement		
Interest income from Sparebanken Sør on deposits	22 095	2 836
Interest expenses/commission from Sparebanken Sør on loans/credit	265 007	132 837
Interest expenses on bond debts to Sparebanken Sør	1 987	-
Paid administration fees to Sparebanken Sør	109 832	100 197
Balance sheet		
Bank deposit with Sparebanken Sør	3 308 675	973 173
Covered bonds owned by Sparebanken Sør	251 987	-
Loans/credit with Sparebanken Sør	3 749 376	4 544 202
Dividend payment to Sparebanken Sør	250 000	-

25. Employees, management and representatives

The company had no employees at 31 December 2024.
External board members receive a fixed annual fee determined by the General Meeting.

26. Share capital and share owners

NOK Thousand						2024
Shareholders	Number of shares	Nominal value per share	Share capital (1)	Dividend (1)	Profit for the period (1)	Profit per share (1)
Sparebanken Sør	100 000	34 750	3 475 000	250 000	362 337	3 623.37

1) Refer to the equity statement for equity movements and allocations.

NOK Thousand						2023
Shareholders	Number of shares	Nominal value per share	Share capital (1)	Dividend (1)	Profit for the period (1)	Profit per share (1)
Sparebanken Sør	100 000	20 750	2 075 000	-	299 123	2 991.23

1) Refer to the equity statement for equity movements and allocations.

27. Subsequent events

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

Alternative performance measures

Sparebanken Sør Boligkreditt AS presents alternative performance measures (APMs) which provide useful information to supplement the financial statements. These performance measures are not defined in IFRS (International Financial Reporting Standards) and by necessity are not directly comparable with the performance measures of other companies. Alternative performance measures are not intended to replace or overshadow accounting figures under IFRS, but are included in our reports to better highlight the underlying operation.

Key figures regulated in IFRS or other legislation are not regarded as alternative performance measures. The same applies to non-financial information. Sparebanken Sør Boligkreditt AS's alternative performance measures are presented in the overviews of key figures, calculations and the Board of Directors' report. All APMs are presented with comparative figures. The APMs mentioned below have been used consistently over time.

Sparebanken Sør's alternative performance measures and definitions:

MEASURE	DEFINITION
Loan to value (LTV)	The key figure provides information on the loan-to-value ratio in the loan portfolio and is relevant for assessing risk of loss. Calculated as the loans to customers divided by the market value of secured assets.

Declaration from the Board of Directors and Managing Director

Declaration in accordance with section 5-6 of the Norwegian securities trading act

The Board of Directors and Managing Director of Sparebanken Sør Boligkreditt AS hereby confirm that the Company's 2024 financial statements have been prepared in accordance with applicable accounting standards and that the information provided in the financial statements gives a true and fair view of the Company's assets, liabilities, financial position and overall result of operation.

In addition, we confirm that the Report of the Board of Directors gives a true and fair view of the Company's development, results and financial position, together with a description of the most central risks and uncertainties facing the Company.

Kristiansand, 3 March 2025

The Board of Directors for Sparebanken Sør Boligkreditt AS

Geir Bergskaug
Chairman

Seunn Smith-Tønnessen
Member

Steinar Vigsnes
Member

Marianne Lofhus
Managing Director

To the General Meeting of Sparebanken Sør Boligkreditt AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sparebanken Sør Boligkreditt AS (the Company), which comprise the balance sheet as at 31 December 2024, the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion the financial statements comply with applicable statutory requirements, and the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of Sparebanken Sør Boligkreditt AS for 11 years from the election by the general meeting of the shareholders in 2014 for the accounting year 2014, with a renewed election in March 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the

Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Directors' report applies correspondingly to the statement on Corporate Governance.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Sparebanken Sør Boligkreditt AS, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Sparebanken Sør Boligkreditt AS - Annual Report 2024, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Kristiansand, 3 March 2025
PricewaterhouseCoopers AS

Fredrik Botha
State Authorised Public Accountant