



Quarterly report 2021

Q4

SR-Boligkreditt

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## Statement of the Board of Directors

SR-Boligkreditt AS is a wholly owned subsidiary of SpareBank 1 SR-Bank ("SR-Bank"). The company issues covered bonds backed by home mortgages acquired from SR-Bank. Moody's rates SR-Boligkreditt AS's covered bond programme Aaa.

### Income statement as at 31 December 2021

Net income totalled NOK 840.6 million as at 31 December 2021.

(Amounts in NOK millions)	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Total income	840.6	841.6
Net interest income	963.9	830.9
Net commission income	-56.2	-51.0
Net income on financial investments	-67.1	61.7

Operating expenses are kept low due to effective operation and synergies with SR-Bank. Net income on financial investments is volatile due to changes in value of basis swaps.

### Balance sheet

At end of December 2021, total assets stood at NOK 95.0 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 78.5 billion.

### Risk

SR-Boligkreditt AS has established guidelines and limits for management and control of the different types of risk. Currency and interest rate risk is eliminated using derivatives. Liquidity risk is managed in accordance with regulatory requirements and limits approved by the board. The company's overall financial risk is low. The servicing agreement with SR-Bank comprises administration, bank production, IT operations, and financial and liquidity management. Operational risk is assessed as low. Negative developments in the housing market will affect the company. A decline in house prices will reduce the value of the company's cover pool relative to the statutory asset coverage requirement. Quarterly stress tests are carried out to estimate effects of a negative development in house prices. One short-term measure to meet a significant fall in house prices would be to supply SR-Boligkreditt with home mortgages from SR-Bank. The board considers the company's total risk exposure to be low. At the end of December 2021, the company's equity totalled NOK 6.7 billion. The capital adequacy ratio was 25.8%.

### Outlook

The negative effects of the Covid-19 are fading out and the pandemic has had significant lower impact on the economy in 2021 than on the year before. Optimism is back both in the retail and in the corporate market and Statistics Norway forecasts GDP mainland to grow 4.1% in 2021 and 4.1% in 2022. Core inflation in 2021 is expected at 1.8 % and at 2.5% in 2022. The housing market and private consumption is stimulated through low mortgage rates. Credit growth is expected to continue despite increased interest rates from the central bank. The policy rate has been increased to 0.5% and the Central Bank has guided for further hikes.

SR-Boligkreditt will continue to build the company's funding curve and to provide funding diversification for the parent bank. The volume of covered bond issues in 2022 is expected to be approximately NOK 15 billion and to provide a sound basis for SR-Bank's lending activities. Defaults are expected to be low and SR-Boligkreditt AS's activities are expected to generate satisfactory profitability in 2022.

The board would like to emphasise that there is considerable uncertainty associated with all assessments of future conditions.

### Statement pursuant to the Securities Trading Act

Statement pursuant to Section 5-6 of the Securities Trading Act.

These interim financial statements for SR-Boligkreditt AS cover the period 1 January – 31 December 2021. The financial statements were prepared in accordance with IAS 34 Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken. To the best of our knowledge, the third quarter report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the financial statements
- description of the principal risks and uncertainties facing the company over the next accounting period
- description of major transactions with related parties

Stavanger, 8 February 2022

The Board of Directors of SR-Boligkreditt AS

## Income statement

NOK 1 000	Note	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020	Q4 2021	Q4 2020
Interest income		1.667.791	1.795.779	437.091	401.509
Interest expense		703.926	964.897	207.989	143.476
<b>Net interest income</b>		<b>963.865</b>	<b>830.882</b>	<b>229.102</b>	<b>258.033</b>
Commission and fee expenses		56.240	50.968	14.591	13.242
<b>Net commission income</b>		<b>-56.240</b>	<b>-50.968</b>	<b>-14.591</b>	<b>-13.242</b>
Net gains/losses on financial instruments	10	-67.060	61.734	61.440	47.041
<b>Net income on financial investments</b>		<b>-67.060</b>	<b>61.734</b>	<b>61.440</b>	<b>47.041</b>
<b>Total net income</b>		<b>840.566</b>	<b>841.648</b>	<b>275.952</b>	<b>291.831</b>
Other operating costs		3.275	3.376	680	-83
<b>Total operating costs before impairment losses on loans</b>		<b>3.275</b>	<b>3.376</b>	<b>680</b>	<b>-83</b>
<b>Operating profit before impairment losses on loans</b>		<b>837.290</b>	<b>838.272</b>	<b>275.271</b>	<b>291.915</b>
Impairment losses on loans and guarantees	2	-1.454	27.095	1.527	14.819
<b>Pre-tax profit</b>		<b>838.744</b>	<b>811.177</b>	<b>273.744</b>	<b>277.095</b>
Tax expense		184.524	178.488	60.224	60.990
<b>Profit after tax</b>		<b>654.220</b>	<b>632.690</b>	<b>213.520</b>	<b>216.106</b>
<b>Other comprehensive income</b>					
Adjustments		-		-	-
<b>Comprehensive Income</b>		<b>654.220</b>	<b>632.690</b>	<b>213.520</b>	<b>216.106</b>

## Balance sheet

NOK 1 000	Note	31.12.21	31.12.20
<b>Assets</b>			
Balances with credit institutions		726.497	73.744
Loans to customers	2,5	89.618.804	85.534.956
Bonds		2.290.807	3.293.628
Financial derivatives	9	2.291.924	6.290.844
Other assets	3	33.503	8.784
<b>Total assets</b>		<b>94.961.535</b>	<b>95.201.956</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Listed debt securities	7	78.522.596	75.382.829
Balances with credit institutions		7.885.514	12.729.259
Financial derivatives	9	1.660.070	298.273
Other liabilities	4	229.695	152.155
<b>Total liabilities</b>		<b>88.297.875</b>	<b>88.562.517</b>
<b>Equity</b>			
Paid-in equity capital		6.000.150	6.000.150
Retained earnings		663.509	639.289
<b>Total equity</b>		<b>6.663.659</b>	<b>6.639.439</b>
<b>Total liabilities and equity</b>		<b>94.961.535</b>	<b>95.201.956</b>

## Statement of changes in equity

NOK 1 000	Share- capital	Premium reserve	Other equity	Total equity
<b>Equity as of 31 December 2018</b>	<b>4.000.000</b>	<b>150</b>	<b>1.287.094</b>	<b>5.287.244</b>
Capital increase 9 February 2019	1.000.000	-	-1.000.000	-
Dividend 2018, resolved in 2019	-	-	-285.000	-285.000
Capital increase 4 June 2019	1.000.000	-	-	1.000.000
Profit for the period	-	-	454.505	454.505
<b>Equity as of 31 December 2019</b>	<b>6.000.000</b>	<b>150</b>	<b>456.599</b>	<b>6.456.749</b>
Dividend 2019, resolved in 2020			-450.000	-450.000
Profit for the period			632.690	632.690
<b>Equity as of 31 December 2020</b>	<b>6.000.000</b>	<b>150</b>	<b>639.289</b>	<b>6.639.439</b>
Dividend 2020, resolved in 2021			-630.000	-630.000
Profit for the period			654.220	654.220
<b>Equity as of 31 December 2021</b>	<b>6.000.000</b>	<b>150</b>	<b>663.509</b>	<b>6.663.659</b>

## Cash flow statement

<b>NOK 1 000</b>	<b>31.12.21</b>	<b>31.12.20</b>
Interest receipts from lending to customers	1.660.510	1.815.832
Provisions to SR-Bank	-56.240	-50.968
Payments for operations	-1.822	-4.893
Taxes paid	-143.398	-137.131
<b>Net cash flow relating to operations</b>	<b>1.459.051</b>	<b>1.622.842</b>
Net purchase of loan portfolio	-4.064.875	-12.627.769
Net payments on the acquisition of bonds	1.000.056	-1.524.744
<b>Net cash flow relating to investments</b>	<b>-3.064.819</b>	<b>-14.152.513</b>
Debt raised by issuance of securities	15.358.645	22.064.820
Redemption of issued securities	-7.704.450	-12.993.454
Net change in loans from credit institutions	-4.843.745	4.070.195
Paid in capital equity	-	-
Interest payments on debt raised by issuance of securities	-664.495	-1.128.011
Proceeds from settlement of other securities	742.566	757.350
Dividend paid	-630.000	-450.000
<b>Net cash flow relating to funding activities</b>	<b>2.258.521</b>	<b>12.320.899</b>
<b>Net cash flow during the period</b>	<b>652.753</b>	<b>-208.772</b>
Balance of cash and cash equivalents start of period	73.744	282.516
Balance of cash and cash equivalents end of period	726.497	73.744

# Notes to The Financial statements

## Note 1 Accounting policies

### 1.1. Basis of preparation

These interim financial statements for SR-Boligkreditt AS cover the period 1 January – 31 December 2021. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements were also prepared in accordance with the applicable IFRS standards and IFRIC interpretations. The interim financial statements are unaudited. All amounts are stated in NOK thousands unless stated otherwise.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual accounts for 2020.

#### **New Standards that have not been adopted yet**

There are no new standards or interpretations that are not currently in effect and could be expected to have a material effect on the financial statements.

#### **New Standards that have been adopted**

There are no new standards or interpretations as of 31 December 2021.

### 1.2. Critical accounting estimates and judgements

The preparation of financial information pursuant to IFRS entails the executive management making estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognized as assets, liabilities, income and costs. Note 3 of the annual accounts for 2020 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

#### **Losses on loans and guarantees**

Consequences of Covid-19 is assessed in measurement of 12-month and lifetime expected credit losses. There has not been any significant increase in credit losses during the year. Measurement of expected credit losses is described in Note 2 in the Annual Report 2020 and Note 2 and 5 in the interim report.



## Note 2 Amounts arising from ECL

The following table show reconciliations from the opening to the closing balance of the loss allowance. Explanation of the terms 12-month ECL and lifetime ECL (stage 1-3) are included in note 2 in the annual account 2020.

NOK 1 000

ECL on loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	Total
<b>Balance sheet 1 January 2021</b>	<b>9.424</b>	<b>27.895</b>	-	<b>37.319</b>
Transfer to/ from stage 1	-290	290	-	-
Transfer to/ from stage 2	8.113	-8.113	-	-
Transfer to/ from stage 3	-	-	-	-
Net remeasurement of loss allowance	-10.164	11.586	-	1.422
New financial assets originated or purchased	3.389	6.707	-	10.096
Change due to reduced portfolio	-2.954	-9.985	-	-12.939
Change in models/ risk parameters	-	-	-	-
Other movements	-	-	-	-
<b>Balance sheet 31 December 2021</b>	<b>7.518</b>	<b>28.380</b>	-	<b>35.898</b>

NOK 1 000

ECL on remaining credit lines (flexible loans)	Stage 1	Stage 2	Stage 3	Total
<b>Balance sheet 1 January 2021</b>	<b>247</b>	<b>40</b>	-	<b>287</b>
Transfer to/ from stage 1	-1	1	-	-
Transfer to/ from stage 2	21	-21	-	-
Transfer to/ from stage 3	-	-	-	-
Net remeasurement of loss allowance	-30	31	-	1
New financial assets originated or purchased	28	2	-	30
Change due to reduced portfolio	-50	-13	-	-63
Change in models/ risk parameters	-	-	-	-
Other movements	-	-	-	-
<b>Balance sheet 31 December 2021</b>	<b>214</b>	<b>41</b>	-	<b>255</b>

## Note 3 Other assets

NOK 1 000	31.12.21	31.12.20
Deferred tax assets	33.491	7.357
Prepaid expenses	12	1.427
<b>Total other assets</b>	<b>33.503</b>	<b>8.784</b>

## Note 4 Other liabilities

NOK 1 000	31.12.21	31.12.20
Taxes payable	210.657	143.398
Accounts payable	-	-
Expected credit loss on remaining credit lines (flexible loans)	255	287
Accrued expenses and prepaid revenue	18.782	8.471
<b>Total other liabilities</b>	<b>229.695</b>	<b>152.155</b>

## Note 5 Lending to customers

NOK 1 000	31.12.21	31.12.20
Flexible loans - retail market	19.132.897	20.209.255
Amortising loans - retail market	70.458.853	65.307.350
Accrued interest	62.952	55.670
<b>Gross loans</b>	<b>89.654.702</b>	<b>85.572.275</b>
Impairment provisions	-35.898	-37.319
<b>Loans to customers</b>	<b>89.618.804</b>	<b>85.534.956</b>
<b>Liability</b>		
Remaining credit lines (flexible loans)	7.552.937	7.248.641
<b>Total</b>	<b>7.552.937</b>	<b>7.248.641</b>
<b>Expected credit loss on remaining credit lines (flexible loans)</b>	<b>-255</b>	<b>-287</b>

Lending to customers are residential mortgages only. The mortgages generally have a low loan-to-value and losses have been very low. The total amount of lending to customers at the end of the period were NOK 89,6 billion. All mortgages carry a variable interest rate.

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance 01.01.21	82.397.728	3.174.547	-	85.572.275
Transfer to stage 1	-1.296.346	1.296.346	-	-
Transfer to stage 2	1.224.217	-1.224.217	-	-
Transfer to stage 3	-	-	-	-
Net increase/decrease balance existing loans	3.038.906	75.738	-	3.114.644
Originated or purchased during the period	28.458.419	642.753	-	29.101.173
Loans that have been derecognised	-27.003.341	-1.130.049	-	-28.133.390
<b>Balance 31.12.21</b>	<b>86.819.583</b>	<b>2.835.119</b>	<b>-</b>	<b>89.654.702</b>

## Note 6 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU's capital requirements for banks and securities undertakings (CRD IV/ CRR).

SR-Boligkreditt AS has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk. The use of IRB requires the company to comply with extensive requirements relating to organization, expertise, risk models and risk management systems.

SR-Boligkreditt shall at all times maintain a capital adequacy ratio equal to the minimum regulatory requirement, with a buffer of 50 - 100 basis points.

<b>NOK 1 000</b>	<b>31.12.21</b>	<b>31.12.20</b>
Share capital	6.000.000	6.000.000
Premium reserve	150	150
Other equity	663.509	639.289
<b>Book equity</b>	<b>6.663.659</b>	<b>6.639.439</b>
Deduction for proposed dividend	-660.000	-630.000
Deduction for expected losses on IRB, net of write-downs	-112.064	-113.026
Value adjustments due to prudent valuation	-1.788	-2.524
<b>CET 1 capital</b>	<b>5.889.808</b>	<b>5.893.889</b>
Other paid in capital	-	-
<b>Tier 1 capital</b>	<b>5.889.808</b>	<b>5.893.889</b>
<b>Credit risk Basel II **</b>		
SME	9.610	3.417
Specialised enterprises	9.946	10.884
Mass market SME	284.045	263.961
Mass market - mortgage on real estate	16.645.410	16.342.439
Other mass market	78.962	124.286
<b>Total credit and counterparty risk IRB</b>	<b>17.027.973</b>	<b>16.744.987</b>
Institutions	1.693.806	4.710.977
Covered bonds	162.580	243.209
Other assets	115.215	46.251
<b>Total credit and counterparty risk standard method</b>	<b>1.971.602</b>	<b>5.000.437</b>
Operational risk	1.414.040	1.134.865
Other risk exposure amounts *	2.400.918	1.808.074
<b>Risk weighted balance</b>	<b>22.814.533</b>	<b>24.688.362</b>

NOK 1 000	31.12.21	31.12.20
Minimum requirement for CET 1 capital ratio 4,5 %	1.026.654	1.110.976
Buffer requirements:		
Capital conservation buffer 2,5 %	570.363	617.209
Systemic risk buffer 4,5 %	1.026.654	1.110.976
Countercyclical capital buffer 1 %	228.145	246.884
Total buffer requirement to CET 1 capital ratio	1.825.163	1.975.069
Available CET 1 capital ratio after buffer requirement	3.037.991	2.807.844
Capital ratio	25,82 %	23,87 %
Tier 1 Capital ratio	25,82 %	23,87 %
CET 1 capital ratio	25,82 %	23,87 %
Leverage ratio	6,01 %	5,85 %

\* Risk weights for residential mortgages are subject to a regulatory floor of 20%. Without this floor, the risk weight for residential mortgages would have been 17.5% as at 31 December 2021.

\*\* Figures for 31.12.2020 have been revised.

## Note 7 Debt securities issued

NOK 1 000	Total	NOK	Currency
Covered bonds, nominal value	78.012.759	18.018.021	59.994.737
Value adjustments	289.874	-1.165	291.038
Accrued interests	219.964	41.185	178.779
<b>Total securities issued</b>	<b>78.522.596</b>	<b>18.058.042</b>	<b>60.464.555</b>

### Securities issued by maturity date

	Public covered bonds	Total	NOK	Currency
	2022	10.411.514	5.006.252	5.405.262
	2023	11.099.613	5.002.167	6.097.446
	2024	5.074.673	-	5.074.673
	2025	14.192.421	6.006.821	8.185.600
	2026	4.974.112	-	4.974.112
	2027	7.426.514	-	7.426.514
	2028	4.951.042	-	4.951.042
	2029	159.078	-	159.078
	2030	4.888.098	-	4.888.098
	2031	9.831.982	-	9.831.982
	2032	2.042.802	2.042.802	-
	2038	3.244.916	-	3.244.916
	2041	225.831	-	225.831
<b>Total debt</b>		<b>78.522.596</b>	<b>18.058.042</b>	<b>60.464.555</b>

	Balance 31.12.2021	Issued 2021	Matured/ redeemed 2021	Exchange rate and other changes 2021	Balance 31.12.20
Covered bonds	78.012.759	15.358.645	-7.704.450	-2.494.681	72.853.245
Adjustments	289.874	-	-	-2.022.224	2.312.098
Accrued interests	219.963	-	-	2.477	217.486
<b>Debt raised through issuance of sec.</b>	<b>78.522.596</b>	<b>15.358.645</b>	<b>-7.704.450</b>	<b>-4.514.428</b>	<b>75.382.829</b>

## Note 8 Asset coverage

Asset coverage is calculated according to the Act on Financial Institutions, section 11-11. There is a discrepancy between the balance sheet amounts, partly because lending will be reduced due to non-performing loans (no occurrences of non-performance as of 31 December 2021), loans with a loan-to-value ratio in excess of 75 % and the use of market values.

NOK 1 000	31.12.21	31.12.20
Covered bonds	78.522.596	75.382.829
<b>Total covered bonds</b>	<b>78.522.596</b>	<b>75.382.829</b>
Loans to customers	89.940.566	84.988.602
Substitute collateral	2.547.057	7.423.826
<b>Total cover pool</b>	<b>92.487.623</b>	<b>92.412.427</b>
<b>Asset coverage</b>	<b>117,8 %</b>	<b>122,6 %</b>

## Note 9 Financial derivatives

At fair value through profit and loss NOK 1 000	Contract amount 31.12.21	Fair value at 31.12.21	
		Assets	Liabilities
<b>Hedging / Interest and exchange rate instruments</b>			
Interest rate swaps (including cross currency)	121.409.000	2.185.145	1.655.730
<b>Total hedging / Interest and exchange rate instruments</b>	<b>121.409.000</b>	<b>2.185.145</b>	<b>1.655.730</b>
<b>Total currency and interest rate instruments</b>			
Total interest and exchange rate instruments	121.409.000	2.185.145	1.655.730
Total accrued interests	-	106.779	4.341
<b>Total financial derivatives</b>	<b>121.409.000</b>	<b>2.291.924</b>	<b>1.660.070</b>

SR-Boligkreditt AS has an ISDA agreement with a CSA supplement with the counterparty for derivatives. The agreement is one-way, which means only the counterparty has to pledge security when the market value of derivatives fluctuates.

### IBOR reform

The table below shows derivatives that have IBOR reference interest rates and could be affected by changes caused by the IBOR-reform.

	Contract amount	Average maturity
<b>Interest rate swaps</b>		
EURIBOR EUR (3 months)	54.163.200	6,1
LIBOR USD (3 months)	5.286.660	0,3
NIBOR NOK (3 months)	2.060.000	10,5
<b>Total interest rate swaps</b>	<b>61.509.860</b>	
<b>Cross currency swaps</b>		
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	54.386.574	6,1
LIBOR USD (3 months) to NIBOR NOK (3 months)	5.161.200	0,3
<b>Total cross currency swaps</b>	<b>59.547.774</b>	

## Note 10 Net income from financial instruments

NOK 1 000	31.12.21	31.12.20
Net gains for bonds and certificates	-4.034	-2.744
Net change in value, basis swap spread	-70.202	70.906
Net change in value, other financial investments	7.176	-6.428
Net change in value, currency effect	-	-
<b>Net income from financial instruments</b>	<b>-67.060</b>	<b>61.734</b>

## Note 11 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 31 December 2021.

## Contact Information

### Address

Christen Tranes gate 35  
Postboks 250  
N-4066 Stavanger

Tel. (+47) 915 02 002

[www.sr-bank.no/sr-boligkreditt](http://www.sr-bank.no/sr-boligkreditt)

### Chief Executive Officer

Dag A. Hjelle  
Tel. (+47) 51 50 94 37  
(+47) 909 500 88

Email: [dag.hjelle@sr-bank.no](mailto:dag.hjelle@sr-bank.no)