



Quarterly report 2023

Q2

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 of 30 June 2023

Net income totalled NOK 280 million as of 30 June 2023.

(Amounts in NOK millions)	01.01.23 - 30.06.23	01.01.22 - 30.06.22
Total income	280,0	675,8
Net interest income	346,0	367,8
Net commission cost	30,8	29,4
Net income on financial investments	-35,2	337,4

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 June 2023, total assets stood at NOK 108.6 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 83.2 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 June 2023, the company's equity totalled NOK 6.2 billion. The capital adequacy ratio was 22,16%.

Outlook

Inflation rose in 2022 and has been higher than expected during 2023. High inflation, weak Norwegian krone, and higher international interest rate levels resulted in Norges Bank increasing its

policy rate to 3.75 percentage in June. Further hikes are expected, with the policy rate reaching a peak at the end of the year.

The growth in the Norwegian economy has slowed down and the household consumption has declined during the year. The employment has however continued to rise, and the labour market is still tight.

SpareBank 1 SR-Bank's Business Survey for June reports that the businesses have adapted well to the challenging times, although there are large differences pending on regions and industries.

House prices decreased in June and Eiendom Norge expect the increasing interest rate to further affect house prices in the time to come. Presumably, a large part of the growth seen during the first half of 2023 will be corrected during the second half.

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 2023 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 2023.

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 March 2023. 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, 9 August 2023

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.23 - 30.06.23	01.01.22 - 30.06.22	Q2 2023	Q2 2022	2022
Interest income effective interest method		2.155.953	1.031.657	1.094.021	554.479	2.669.849
Other interest income		38.209	13.789	19.876	7.773	40.115
Interest expense		1.848.154	677.603	948.522	382.301	2.069.034
Net interest income		346.007	367.843	165.375	179.951	640.931
Commission and fee expenses		30.836	29.359	15.174	15.124	60.811
Net commission cost		30.836	29.359	15.174	15.124	60.811
Net gains/losses on financial instruments	8	-35.218	337.362	30.369	55.728	324.738
Net income on financial investments		-35.218	337.362	30.369	55.728	324.738
Total net income		279.953	675.846	180.570	220.556	904.857
Other operating costs		1.677	1.715	665	983	3.841
Total operating costs before impairment losses on loans		1.677	1.715	665	983	3.841
Operating profit before impairment losses on loans		278.276	674.130	179.905	219.573	901.017
Impairment losses on loans and guarantees	2	5.107	10.787	6.073	9.567	903
Pre-tax profit		273.169	663.343	173.832	210.006	900.113
Tax expenses		60.097	145.936	38.243	46.201	198.051
Profit after tax		213.072	517.408	135.589	163.804	702.063
Other comprehensive income						
Adjustments		0	0	0	0	0
Comprehensive Income		213.072	517.408	135.589	163.804	702.063

Balance sheet

NOK 1 000	Note	30.06.23	30.06.22	31.12.22
Assets				
Balances with credit institutions		396.920	472.379	6.157.079
Loans to customers	2, 3	94.265.874	99.781.719	104.514.373
Bonds		2.354.691	2.708.013	2.462.009
Financial derivatives	7	11.616.641	2.915.126	4.452.830
Deferred tax assets		0	33.491	0
Other assets		8.223	7.307	0
Total assets		108.642.349	105.918.034	117.586.291
Liabilities and equity				
Liabilities				
Listed debt securities	5	83.196.214	78.046.670	87.356.157
Balances with credit institutions		8.972.180	15.215.981	13.839.538
Financial derivatives	7	10.160.987	5.967.171	9.518.914
Taxes payable		60.097	145.936	130.971
Deferred tax		33.589	0	33.589
Other liabilities		5.488	21.209	1.401
Total liabilities		102.428.555	99.396.967	110.880.569
Equity				
Share capital		6.000.000	6.000.000	6.000.000
Premium reserve		150	150	150
Retained earnings		213.644	520.917	705.572
Total equity		6.213.794	6.521.067	6.705.722
Total liabilities and equity		108.642.349	105.918.034	117.586.291

Statement of changes in equity

NOK 1 000	Share capital	Premium reserve	Other equity	Total equity
Equity as of 31 December 2021	6.000.000	150	663.509	6.663.659
Dividend 2021, resolved in 2022			-660.000	-660.000
Profit for the period			702.063	702.063
Equity as of 31 December 2022	6.000.000	150	705.572	6.705.722
Dividend 2022, resolved in 2023			-705.000	-705.000
Profit for the period			213.072	213.072
Equity as of 30 June 2023	6.000.000	150	213.644	6.213.794

Cash flow statement

NOK 1 000	30.06.23	30.06.22	31.12.22
Interest receipts from lending to customers	2.202.141	1.027.451	2.619.695
Provisions to SR-Bank	-30.836	-29.359	-60.811
Payments for operations	-10.253	-8.050	-3.461
Taxes paid	-130.971	-210.657	-210.657
Net cash flow relating to operations	2.030.081	779.385	2.344.766
Net purchase of loan portfolio	10.239.871	-10.154.462	-14.824.086
Net payments on the acquisition of bonds	107.093	-412.909	-166.618
Net cash flow relating to investments	10.346.963	-10.567.371	-14.990.704
Debt raised by issuance of securities	0	8.416.905	24.445.688
Redemption of issued securities	-11.433.260	-5.262.480	-10.262.480
Net change in loans from credit institutions	-4.867.358	7.330.467	5.954.024
Paid in capital equity	0	0	0
Interest payments on debt raised by issuance of securities	-1.863.436	-602.063	-1.766.934
Proceeds from settlement of other securities	731.850	311.039	366.222
Dividend paid	-705.000	-660.000	-660.000
Net cash flow relating to funding activities	-18.137.203	9.533.868	18.076.521
Net cash flow during the period	-5.760.159	-254.118	5.430.582
Balance of cash and cash equivalents start of period	6.157.079	6.157.079	726.497
Balance of cash and cash equivalents end of period	396.920	472.379	6.157.079

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 – 30 June 2023. 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 2022.

New Standards that have not yet been adopted

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 30 June 2023.

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 2022 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 2022 and Note 2 and 3 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 2022.

NOK 1 000

ECL on loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	Total
Balance 1 January 2023	9.690	27.043	0	36.733
Transfer from stage 1	-510	510	0	0
Transfer from stage 2	6.625	-6.625	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	-6.730	15.739	0	9.009
New financial assets originated or purchased	962	2.011	0	2.972
Change due to reduced portfolio	-1.581	-5.332	0	-6.913
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 30 June 2023	8.456	33.346	0	41.802

NOK 1 000

ECL on remaining credit lines (flexible loans)	Stage 1	Stage 2	Stage 3	Total
Balance 1 January 2023	194	128	0	323
Transfer from stage 1	-3	3	0	0
Transfer from stage 2	52	-52	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	14	-20	0	-7
New financial assets originated or purchased	45	11	0	56
Change due to reduced portfolio	-10	-2	0	-11
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 30 June 2023	293	67	0	360

Note 3 Lending to customers

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 94.3 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.06.23	30.06.22	31.12.22
Flexible loans - retail market	21.197.895	19.947.889	20.550.971
Amortising loans - retail market	72.964.540	79.799.449	83.846.914
Accrued interest	145.242	80.946	153.222
Gross loans	94.307.676	99.828.284	104.551.106
Impairment provisions	-41.802	-46.565	-36.733
Loans to customers	94.265.874	99.781.719	104.514.373

Liability			
Remaining credit lines (flexible loans)	8.413.548	8.440.953	7.609.589
Total	8.413.548	8.440.953	7.609.589
Expected credit loss on remaining credit lines (flexible loans)	-360	-374	-323

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance 1 January 2023	100.948.208	3.602.898	0	104.551.106
Transfer from stage 1	-3.145.061	3.145.061	0	0
Transfer from stage 2	912.741	-912.741	0	0
Transfer from stage 3	0	0	0	0
Net increase/decrease balance existing loans	2.576.931	58.359	0	2.635.290
Originated or purchased during the period	7.194.969	232.591	0	7.427.560
Loans that have been derecognised	-19.522.682	-783.598	0	-20.306.280
Balance 30 June 2023	88.965.106	5.342.570	0	94.307.676

Note 4 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 organisation, 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.

NOK 1 000	30.06.23	30.06.22	31.12.22
Share capital	6.000.000	6.000.000	6.000.000
Premium reserve	150	150	150
Other equity	572	3.509	705.572
Book equity	6.000.722	6.003.659	6.705.722
Deduction for proposed dividend	0	0	-705.000
Deduction for expected losses on IRB, net of write-downs	-104.532	-104.457	-129.135
Value adjustments due to prudent valuation	-2.183	-2.145	-2.187
CET 1 Capital	5.894.008	5.897.058	5.869.401
Other paid in capital	0	0	0
Tier 1 Capital	5.894.008	5.897.058	5.869.401

Credit risk Basel II			
SME	7.032	7.280	6.612
Specialised enterprises	11.016	9.506	12.678
Mass market SME	364.194	297.369	393.222
Mass market - mortgage on real estate	17.490.590	17.977.245	19.593.725
Other mass market	74.633	86.196	66.234
Total credit and counterparty risk IRB	17.947.465	18.377.595	20.072.471
Institutions	4.461.041	236.452	1.390.400
Covered bonds	125.470	172.408	150.725
Other assets	81.143	131.507	76.611
Total credit and counterparty risk standard method	4.667.654	540.367	1.617.736
Operational risk	1.417.287	1.414.040	1.417.287
Other risk exposure amounts *	2.567.682	3.259.993	2.328.774
Risk weighted balance	26.600.088	23.591.996	25.436.268
Minimum requirement for CET 1 capital ratio 4.5%	1.197.004	1.061.640	1.144.632
Buffer requirements:			
Capital conservation buffer 2.5%	665.002	589.800	635.907
Systemic risk buffer 4.5%	1.197.004	1.061.640	1.144.632
Countercyclical capital buffer 2.5%	665.002	353.880	508.725
Total buffer requirement to CET 1 capital ratio	2.527.008	2.005.320	2.289.264
Available CET 1 capital ratio after buffer requirement	2.169.635	2.830.098	2.435.504
Capital ratio	22,16 %	25,00 %	23,07 %
Tier 1 Capital ratio	22,16 %	25,00 %	23,07 %
CET 1 capital ratio	22,16 %	25,00 %	23,07 %
Leverage ratio	5,52 %	5,66 %	5,14 %

* 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 of 30 June 2023.

Note 5 Debt securities issued

NOK 1 000	Total	NOK	Currency
Covered bonds	91.466.423	15.353.201	76.113.222
Value adjustments	-8.582.082	-383.906	-8.198.176
Accrued interests	311.873	134.569	177.303
Total securities issued	83.196.214	15.103.864	68.092.350

Securities issued by maturity date

Public covered bonds		Total	NOK	Currency
	2024	5.606.735	0	5.606.735
	2025	14.798.142	6.036.705	8.761.437
	2026	5.199.373	0	5.199.373
	2027	13.896.894	6.019.216	7.877.678
	2028	15.779.854	0	15.779.854
	2029	7.902.162	0	7.902.162
	2030	4.741.263	0	4.741.263
	2031	9.332.323	0	9.332.323
	2032	3.047.944	3.047.944	0
	2038	2.710.740	0	2.710.740
	2041	180.784	0	180.784
Total debt		83.196.214	15.103.864	68.092.350

Change in debt raised through issuance of securities

	Balance 30.06.23	Issued 2023	Matured/ redeemed 2023	Exchange rate and other changes 2023	Balance 31.12.22
Covered bonds	91.466.423		-11.433.260	6.938.585	95.961.098
Adjustments	-8.582.082			342.110	-8.924.192
Accrued interests	311.873			-7.378	319.251
Total debt raised through issuance of securities	83.196.214		-11.433.260	7.273.317	87.356.157

Note 6 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 30 June 2023), loans with a loan-to-value ratio in excess of 80 percent (60 percent for holiday homes) and the use of market values.

NOK 1 000	30.06.23	30.06.22 ¹⁾	31.12.22
Covered bonds	81.681.525	84.013.841	92.382.935
Total covered bonds	81.681.525	84.013.841	92.382.935
Loans to customers	94.124.481	99.553.355	104.215.118
Substitute collateral	2.716.921	5.112.356	8.590.080
Total cover pool	96.841.402	104.665.711	112.805.198
Asset coverage	118,6 %	124,6 %	122,1 %

¹⁾ LTV ratio was 75 percent at 30.06.22 and the policy for calculating asset coverage changed during Q4 2022 from market to nominal value.

The asset coverage at 30.06.22 is presented in accordance with the principles valid at that time.

Note 7 Financial derivatives

At fair value through profit and loss NOK 1 000	Contract amount 30.06.23	Fair value at 30.06.23	
		Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	157.854.163	11.625.563	10.057.598
Total hedging / Interest and exchange rate instruments	157.854.163	11.625.563	10.057.598
Total currency and interest rate instruments			
Total interest and exchange rate instruments	157.854.163	11.625.563	10.057.598
Total accrued interests		-8.923	103.389
Total financial derivatives	157.854.163	11.616.641	10.160.987

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 must 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.

Interest rate swaps	Contract amount	Average maturity
EURIBOR EUR (3 months)	76.779.563	5,2
NIBOR NOK (3 months)	3.536.000	9,0
Total interest rate swaps	80.315.563	
Cross currency swaps		
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	65.926.947	5,2
Total cross currency swaps	65.926.947	

Note 8 Net income from financial instruments

NOK 1 000	30.06.23	30.06.22	31.12.22
Net gains for bonds and certificates	-3.348	-5.682	-8.816
Net change in value, basis swap spread	-56.217	329.865	367.066
Net change in value, other financial investments	24.346	13.179	-33.513
Net change in value, currency effect	0	0	0
Net income from financial instruments	-35.218	337.362	324.738

Note 9 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 30 June 2023.

Contact Information

Address

Christen Tranes gate 35
Postboks 250
N-4066 Stavanger

Tel. (+47) 915 02 002

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