



Quarterly report 2023

Q3

SR-Boligkreditt

Statement of the Board of Directors.....	3
<i>Statement of changes in equity.....</i>	6
<i>Cash flow statement</i>	7
<i>Notes to The Financial statements</i>	8
<i>Note 1 Accounting policies</i>	8
<i>Note 2 Amounts arising from ECL</i>	9
<i>Note 3 Lending to customers</i>	9
<i>Note 4 Capital adequacy</i>	9
<i>Note 6 Asset coverage</i>	12
<i>Note 7 Financial derivatives</i>	13
<i>Note 8 Net income from financial instruments</i>	13
<i>Note 9 Events after the balance sheet date.....</i>	13

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 September 2023

Net income totalled NOK 250 million as of 30 September 2023.

(Amounts in NOK millions)	01.01.23 - 30.09.23	01.01.22 - 30.09.22
Total income	250,0	1.232,3
Net interest income	487,7	517,7
Net commission cost	45,3	44,8
Net income on financial investments	-192,3	759,4

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 September 2023, total assets stood at NOK 111.7 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 80.5 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 September 2023, the company's equity totalled NOK 6.2 billion. The capital adequacy ratio was 24.85%.

Outlook

Norges Bank increased its policy rate from 4.00 to 4.25 percentage in September and indicated a further hike to 4.50 percentage in December.

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

SpareBank 1 SR-Bank's Business Barometer for September reports a muted optimism amongst the businesses, although there are large differences pending on regions and industries.

House prices decreased in September and Eiendom Norge expect the increasing interest rate to further affect the house prices in the time to come. They expect the nominal growth in house prices to end at around zero for 2023.

SR-Boligkreditt will continue to build the company's funding curve and to provide funding diversification for the parent bank. 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 – 30 September 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, 26 October 2023

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.23 - 30.09.23	01.01.22 - 30.09.22	Q3 2023	Q3 2022	2022
Interest income effective interest method		3.359.010	1.705.432	1.203.058	673.775	2.669.849
Other interest income		63.053	23.908	24.845	10.119	40.115
Interest expense		2.934.344	1.211.657	1.086.190	534.054	2.069.034
Net interest income		487.720	517.683	141.712	149.840	640.931
Commision and fee expenses		45.344	44.836	14.508	15.477	60.811
Net commission expense		45.344	44.836	14.508	15.477	60.811
Net gains/losses on financial instruments	8	-192.332	759.430	-157.113	422.068	324.738
Net income on financial investments		-192.332	759.430	-157.113	422.068	324.738
Total net income		250.045	1.232.277	-29.908	556.431	904.857
Other operating expense		3.040	2.984	1.363	1.268	3.841
Total operating expense before impairment losses on loans		3.040	2.984	1.363	1.268	3.841
Operating profit before impairment losses on loans		247.005	1.229.293	-31.271	555.163	901.017
Impairment losses on loans and guarantees	2	875	3.607	-4.232	-7.180	903
Pre-tax profit		246.130	1.225.686	-27.039	562.343	900.113
Tax expenses		54.149	269.651	-5.949	123.715	198.051
Profit after tax		191.981	956.035	-21.091	438.628	702.063
Other comprehensive income						
Adjustments		0	0	0	0	0
Comprehensive Income		191.981	956.035	-21.091	438.628	702.063

Balance sheet

NOK 1 000	Note	30.09.23	30.09.22	31.12.22
Assets				
Balances with credit institutions		388.438	455.061	6.157.079
Loans to customers	2, 3	100.194.570	105.746.626	104.514.373
Bonds		2.355.784	2.632.356	2.462.009
Financial derivatives	7	8.803.227	4.674.747	4.452.830
Deferred tax assets		0	33.491	0
Other assets		4.112	3.653	0
Total assets		111.746.130	113.545.933	117.586.291
Liabilities and equity				
Liabilities				
Listed debt securities	5	80.506.741	86.689.109	87.356.157
Balances with credit institutions		14.672.953	10.768.886	13.839.538
Financial derivatives	7	10.274.857	8.857.584	9.518.914
Taxes payable		54.149	269.651	130.971
Deferred tax		33.589	0	33.589
Other liabilities		11.138	1.008	1.401
Total liabilities		105.553.427	106.586.239	110.880.569
Equity				
Share capital		6.000.000	6.000.000	6.000.000
Premium reserve		150	150	150
Retained earnings		192.553	959.545	705.572
Total equity		6.192.703	6.959.695	6.705.722
Total liabilities and equity		111.746.130	113.545.933	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			956.035	956.035
Equity as of 30 September 2022	6.000.000	150	959.545	6.959.695
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			191.981	191.981
Equity as of 30 September 2023	6.000.000	150	192.553	6.192.703

Cash flow statement

NOK 1 000	30.09.23	30.09.22	31.12.22
Interest receipts from lending to customers	3.384.610	1.688.282	2.619.695
Provisions to SR-Bank	-45.344	-44.836	-60.811
Payments for operations	-2.217	-6.523	-3.461
Taxes paid	-130.971	-210.657	-210.657
Net cash flow relating to operations	3.206.079	1.426.264	2.344.766
Net purchase of loan portfolio	4.361.192	-16.108.395	-14.824.086
Net payments on the acquisition of bonds	107.938	-338.537	-166.618
Net cash flow relating to investments	4.469.130	-16.446.933	-14.990.704
Debt raised by issuance of securities	0	18.448.388	24.445.688
Redemption of issued securities	-11.433.260	-5.262.480	-10.262.480
Net change in loans from credit institutions	833.415	2.883.372	5.954.024
Paid in capital equity	0	0	0
Interest payments on debt raised by issuance of securities	-2.870.855	-1.026.271	-1.766.934
Proceeds from settlement of other securities	731.850	366.222	366.222
Dividend paid	-705.000	-660.000	-660.000
Net cash flow relating to funding activities	-13.443.850	14.749.232	18.076.521
Net cash flow during the period	-5.768.641	-271.436	5.430.582
Balance of cash and cash equivalents start of period	6.157.079	726.497	726.497
Balance of cash and cash equivalents end of period	388.438	455.061	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 September 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 September 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 the extraordinary circumstances that have arisen with respect to the Covid-19 outbreak and the war in Ukraine 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	-488	488	0	0
Transfer from stage 2	6.487	-6.487	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	-6.819	12.229	0	5.410
New financial assets originated or purchased	1.659	3.578	0	5.237
Change due to reduced portfolio	-2.266	-7.569	0	-9.835
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 30 September 2023	8.263	29.282	0	37.545

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	-2	2	0	0
Transfer from stage 2	77	-77	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	-11	12	0	1
New financial assets originated or purchased	42	41	0	83
Change due to reduced portfolio	-16	-5	0	-20
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 30 September 2023	284	102	0	386

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 100.2 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.09.23	30.09.22	31.12.22
Flexible loans - retail market	21.319.029	20.865.111	20.550.971
Amortising loans - retail market	78.722.410	84.816.939	83.846.914
Accrued interest	190.675	104.010	153.222
Gross loans	100.232.115	105.786.059	104.551.106
Impairment provisions	-37.545	-39.433	-36.733
Loans to customers	100.194.570	105.746.626	104.514.373

Liability			
Remaining credit lines (flexible loans)	8.589.420	7.421.636	7.609.589
Total	8.589.420	7.421.636	7.609.589
Expected credit loss on remaining credit lines (flexible loans)	-386	-325	-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	-3.138.546	3.138.546	0	0
Transfer from stage 2	977.351	-977.351	0	0
Transfer from stage 3	0	0	0	0
Net increase/decrease balance existing loans	3.174.413	66.142	0	3.240.555
Originated or purchased during the period	19.883.896	466.561	0	20.350.457
Loans that have been derecognised	-26.821.997	-1.088.007	0	-27.910.004
Balance 30 September 2023	95.023.325	5.208.790	0	100.232.115

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	30.09.23	30.09.22	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	-130.499	-11.157	-129.135
Value adjustments due to prudent valuation	-2.047	-2.473	-2.187
CET 1 Capital	5.868.176	5.882.029	5.869.401
Other paid in capital	0	0	0
Tier 1 Capital	5.868.176	5.882.029	5.869.401

Credit risk Basel II			
SME	6.393	5.816	6.612
Specialised enterprises	12.602	9.148	12.678
Mass market SME	417.251	327.309	393.222
Mass market - mortgage on real estate	19.013.068	19.232.619	19.593.725
Other mass market	70.323	75.127	66.234
Total credit and counterparty risk IRB	19.519.638	19.650.019	20.072.471
Institutions	243.089	255.985	1.390.400
Covered bonds	125.580	167.615	150.725
Other assets	99.904	139.386	76.611
Total credit and counterparty risk standard method	468.573	562.986	1.617.736
Operational risk	1.417.287	1.414.040	1.417.287
Other risk exposure amounts *	2.206.052	2.970.602	2.328.774
Risk weighted balance	23.611.551	24.597.647	25.436.268
Minimum requirement for CET 1 capital ratio 4,5 %	1.062.520	1.106.894	1.144.632
Buffer requirements:			
Capital conservation buffer 2,5 %	590.289	614.941	635.907
Systemic risk buffer 4,5 %	1.062.520	1.106.894	1.144.632
Countercyclical capital buffer 2,5 %	590.289	368.965	508.725
Total buffer requirement to CET 1 capital ratio	2.243.097	2.090.800	2.289.264
Available CET 1 capital ratio after buffer requirement	2.562.559	2.684.334	2.435.504
Capital ratio	24,85 %	23,91 %	23,07 %
Tier 1 Capital ratio	24,85 %	23,91 %	23,07 %
CET 1 capital ratio	24,85 %	23,91 %	23,07 %
Leverage ratio	5,63 %	5,35 %	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 17,97 % as at 30 September 2023.

Note 5 Debt securities issued

NOK 1 000	Total	NOK	Currency
Covered bonds	89.019.185	15.357.820	73.661.365
Value adjustments	-8.849.982	-458.009	-8.391.973
Accrued interests	337.538	87.463	250.076
Total securities issued	80.506.741	14.987.274	65.519.467

Securities issued by maturity date

Public covered bonds		Total	NOK	Currency
	2024	5.454.287	0	5.454.287
	2025	14.565.224	6.044.673	8.520.551
	2026	5.051.882	0	5.051.882
	2027	13.651.825	6.021.372	7.630.453
	2028	15.235.496	0	15.235.496
	2029	7.597.275	0	7.597.275
	2030	4.533.897	0	4.533.897
	2031	8.870.604	0	8.870.604
	2032	2.921.229	2.921.229	0
	2038	2.462.231	0	2.462.231
	2041	162.791	0	162.791
Total debt		80.506.741	14.987.274	65.519.467

Change in debt raised through issuance of securities

	Balance 30.09.23	Issued 2023	Matured/ redeemed 2023	Exchange rate and other changes 2023	Balance 31.12.22
Covered bonds	89.019.185	0	-11.433.260	4.491.347	95.961.098
Adjustments	-8.849.982			74.210	-8.924.192
Accrued interests	337.538			18.288	319.251
Total debt raised through issuance of securities	80.506.741	0	-11.433.260	4.583.844	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 September 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	30.09.23	30.09.22 ¹⁾	31.12.22
Covered bonds	81.681.525	95.546.694	92.382.935
Total covered bonds	81.681.525	95.546.694	92.382.935
Loans to customers	99.813.442	105.540.665	104.215.118
Substitute collateral	2.708.438	7.763.560	8.590.080
Total cover pool	102.521.879	113.304.225	112.805.198
Asset coverage	125,5 %	118,6 %	122,1 %

¹⁾ LTV ratio was 75 percent at 30.09.22 and the policy for calculating asset coverage changed during Q4 2022 from market to nominal value. The asset coverage at 30.09.22 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 30.09.23	Fair value at 30.09.23	
		Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	152.340.865	8.837.312	10.141.564
Total hedging / Interest and exchange rate instruments	152.340.865	8.837.312	10.141.564
Total currency and interest rate instruments			
Total interest and exchange rate instruments	152.340.865	8.837.312	10.141.564
Total accrued interests		-34.085	133.293
Total financial derivatives	152.340.865	8.803.227	10.274.857

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)	74.036.473	5,0
NIBOR NOK (3 months)	3.536.000	8,8
Total interest rate swaps	77.572.473	
Cross currency swaps		
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	65.926.947	4,9
Total cross currency swaps	65.926.947	

Note 8 Net income from financial instruments

NOK 1 000	30.09.23	30.09.22	31.12.22
Net gains for bonds and certificates	-2.755	-8.944	-8.816
Net change in value, basis swap spread	-192.553	734.465	367.066
Net change in value, other financial investments	2.976	33.908	-33.513
Net change in value, currency effect	0	0	0
Net income from financial instruments	-192.332	759.430	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 September 2023.

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