



Quarterly report 2022

Q3

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 30 September 2022

Net income totalled NOK 675.8 million as at 30 September 2022.

(Amounts in NOK millions)	01.01.22 - 30.09.22	01.01.21 - 30.09.21
Total income	1.232,3	564,6
Net interest income	517,7	741,8
Net commission cost	44,8	41,6
Net income on financial investments	759,4	-135,6

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 2022, total assets stood at NOK 113.5 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 86.7 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 2022, the company's equity totalled NOK 7.0 billion. The capital adequacy ratio was 23.91%.

Outlook

The covid-19 pandemic dominated the news in 2020 and 2021. Based on increased knowledge about the consequences of the pandemic and the full reopening of society, the uncertainty associated with the macroeconomic development as a result of the pandemic has been further reduced into 2022. Statistics Norway forecasts GDP mainland to grow 3.2 % in 2022 and 1.5 % in 2023. Core inflation in 2022 is expected at 5.7 % and at 3.5 % in 2023. The housing market and private consumption is stimulated through low mortgage rates but credit growth is expected to abate due to increased interest rates from the central bank. The policy rate has been increased to 1.75 % 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 – 30 September 2022. 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 2022

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.22 - 30.09.22	01.01.21 - 30.09.21	Q3 2022	Q3 2021	2021
Interest income		1.729.340	1.230.700	683.894	414.089	1.667.791
Interest expense		1.211.657	488.852	534.054	149.287	696.232
Net interest income		517.683	741.848	149.840	264.802	971.560
Commision and fee expenses		44.836	41.649	15.477	14.697	56.240
Net commission cost		44.836	41.649	15.477	14.697	56.240
Net gains/losses on financial instruments	8	759.430	-135.585	422.068	59.161	-74.754
Net income on financial investments		759.430	-135.585	422.068	59.161	-74.754
Total net income		1.232.277	564.614	556.431	309.267	840.566
Other operating costs		2.984	2.595	1.268	816	3.275
Total operating costs before impairment losses on loans		2.984	2.595	1.268	816	3.275
Operating profit before impairment losses on loans		1.229.293	562.019	555.163	308.451	837.290
Impairment losses on loans and guarantees	2	3.607	-2.981	-7.180	-2.560	-1.454
Pre-tax profit		1.225.686	565.001	562.343	311.010	838.744
Tax expenses		269.651	124.300	123.715	68.422	184.524
Profit after tax		956.035	440.700	438.628	242.588	654.220
Other comprehensive income						
Adjustments		-	-	-	-	-
Comprehensive Income		956.035	440.700	438.628	242.588	654.220

Balance sheet

NOK 1 000	Note	30.09.22	30.09.21	31.12.21
Assets				
Balances with credit institutions		455.061	747.020	726.497
Loans to customers	2, 3	105.746.626	91.578.488	89.618.804
Bonds		2.632.356	2.393.970	2.290.807
Financial derivatives	7	4.674.747	3.301.199	2.291.924
Deferred tax assets		33.491	7.357	33.491
Other assets		3.653	2.849	12
Total assets		113.545.933	98.030.883	94.961.535
Liabilities and equity				
Liabilities				
Listed debt securities	5	86.689.109	80.328.880	78.522.596
Balances with credit institutions		10.768.886	10.219.649	7.885.514
Financial derivatives	7	8.857.584	884.770	1.660.070
Taxes payable		269.651	124.300	210.657
Other liabilities		1.008	23.145	19.037
Total liabilities		106.586.239	91.580.743	88.297.875
Equity				
Share capital		6.000.000	6.000.000	6.000.000
Premium reserve		150	150	150
Retained earnings		959.545	449.989	663.509
Total equity		6.959.695	6.450.139	6.663.659
Total liabilities and equity		113.545.933	98.030.883	94.961.535

Statement of changes in equity

NOK 1 000	Share capital	Premium reserve	Other equity	Total equity
Equity as of 31 December 2019	6.000.000	150	456.599	6.456.749
Dividend 2019, resolved in 2020			-450.000	-450.000
Profit for the period			632.690	632.690
Equity as of 31 December 2020	6.000.000	150	639.289	6.639.439
Dividend 2020, resolved in 2021			-630.000	-630.000
Profit for the period			654.220	654.220
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

Cash flow statement

NOK 1 000	30.09.22	30.09.21	31.12.21
Interest receipts from lending to customers	1.688.282	1.231.834	1.660.510
Provisions to SR-Bank	-44.836	-41.649	-56.240
Payments for operations	-6.523	1.411	-1.822
Taxes paid	-210.657	-143.398	-143.398
Net cash flow relating to operations	1.426.264	1.048.198	1.459.051
Net purchase of loan portfolio	-16.108.395	-6.032.719	-4.064.875
Net payments on the acquisition of bonds	-338.537	898.816	1.000.056
Net cash flow relating to investments	-16.446.933	-5.133.904	-3.064.819
Debt raised by issuance of securities	18.448.388	15.358.645	15.358.645
Redemption of issued securities	-5.262.480	-7.704.450	-7.704.450
Net change in loans from credit institutions	2.883.372	-2.509.611	-4.843.745
Paid in capital equity	-	-	-
Interest payments on debt raised by issuance of securities	-1.026.271	-499.087	-664.495
Proceeds from settlement of other securities	366.222	743.484	742.566
Dividend paid	-660.000	-630.000	-630.000
Net cash flow relating to funding activities	14.749.232	4.758.982	2.258.521
Net cash flow during the period	-271.436	673.276	652.753
Balance of cash and cash equivalents start of period	726.497	73.744	73.744
Balance of cash and cash equivalents end of period	455.061	747.020	726.497

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 2022. 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 2021.

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 30 September 2022.

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 2021 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 2021 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 2021.

NOK 1 000				
ECL on loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	Total
Balance 1 January 2022	7.518	28.380	-	35.898
Transfer from stage 1	-271	271	-	-
Transfer from stage 2	7.630	-7.630	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of loss allowance	-8.450	11.034	-	2.583
New financial assets originated or purchased	3.739	6.759	-	10.498
Change due to reduced portfolio	-1.725	-7.820	-	-9.546
Change in models/ risk parameters	-	-	-	-
Other movements	-	-	-	-
Balance 30 September 2022	8.440	30.993	-	39.433

NOK 1 000				
ECL on remaining credit lines (flexible loans)	Stage 1	Stage 2	Stage 3	Total
Balance 1 January 2022	214	41	-	255
Transfer from stage 1	-1	1	-	-
Transfer from stage 2	12	-12	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of loss allowance	-16	75	-	59
New financial assets originated or purchased	37	13	-	50
Change due to reduced portfolio	-35	-3	-	-38
Change in models/ risk parameters	-	-	-	-
Other movements	-	-	-	-
Balance 30 September 2022	210	115	-	325

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 105.8 billion. All mortgages carry a variable interest rate.

NOK 1 000	30.09.22	30.09.21	31.12.21
Flexible loans - retail market	20.865.111	19.820.512	19.132.897
Amortising loans - retail market	84.816.939	71.737.802	70.458.853
Accrued interest	104.010	54.536	62.952
Gross loans	105.786.059	91.612.850	89.654.702

Impairment provisions	-39.433	-34.362	-35.898
Loans to customers	105.746.626	91.578.488	89.618.804
Liability			
Remaining credit lines (flexible loans)	7.421.636	7.569.843	7.552.937
Total	7.421.636	7.569.843	7.552.937
Expected credit loss on remaining credit lines (flexible loans)	-325	-263	-255

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance 1 January 2022	86.819.583	2.835.119	-	89.654.702
Transfer from stage 1	-1.203.409	1.203.409	-	-
Transfer from stage 2	794.537	-794.537	-	-
Transfer from stage 3	-	-	-	-
Net increase/decrease balance existing loans	2.124.390	52.716	-	2.177.106
Originated or purchased during the period	35.957.508	583.038	-	36.540.546
Loans that have been derecognised	-21.794.350	-791.944	-	-22.586.294
Balance 30 September 2022	102.698.260	3.087.799	-	105.786.059

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 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.

NOK 1 000	30.09.22	30.09.21	31.12.21
Share capital	6.000.000	6.000.000	6.000.000
Premium reserve	150	150	150
Other equity	3.509	9.289	663.509
Book equity	6.003.659	6.009.439	6.663.659
Deduction for proposed dividend	-	-	-660.000
Deduction for expected losses on IRB, net of write-downs	-119.157	-109.516	-112.064
Value adjustments due to prudent valuation	-2.473	-1.954	-1.788
CET 1 Capital	5.882.029	5.897.968	5.889.808
Other paid in capital	-	-	-
Tier 1 Capital	5.882.029	5.897.968	5.889.808

Credit risk Basel II **			
SME	5.816	7.784	9.610
Specialised enterprises	9.148	13.926	9.946
Mass market SME	327.309	277.293	284.045
Mass market - mortgage on real estate	19.232.619	16.655.187	16.645.410
Other mass market	75.127	87.155	78.962
Total credit and counterparty risk IRB	19.650.019	17.041.345	17.027.973
Institutions	255.985	3.311.722	1.693.806
Covered bonds	167.615	172.801	162.580
Other assets	139.386	48.510	115.215
Total credit and counterparty risk standard method	562.986	3.533.032	1.971.602
Operational risk	1.414.040	1.134.865	1.414.040
Other risk exposure amounts *	2.970.602	2.784.243	2.400.918
Risk weighted balance	24.597.647	24.493.484	22.814.533
Minimum requirement for CET 1 capital ratio 4,5 %	1.106.894	1.102.207	1.026.654
Buffer requirements:			
Capital conservation buffer 2,5 %	614.941	612.337	570.363
Systemic risk buffer 4,5 %	1.106.894	734.805	1.026.654
Countercyclical capital buffer 1,5 %	368.965	244.935	228.145
Total buffer requirement to CET 1 capital ratio	2.090.800	1.592.076	1.825.163
Available CET 1 capital ratio after buffer requirement	2.684.334	3.203.685	3.037.991
Capital ratio	23,91 %	24,08 %	25,82 %
Tier 1 Capital ratio	23,91 %	24,08 %	25,82 %
CET 1 capital ratio	23,91 %	24,08 %	25,82 %
Leverage ratio	5,35%	5,71 %	6,01 %

* 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 17.4 % as at 30 September 2022.

** Figures for 30.09.2021 have been revised.

Note 5 Debt securities issued

NOK 1 000	Total	NOK	Currency
Covered bonds	95.195.536	19.341.252	75.854.283
Value adjustments	-8.766.258	-309.275	-8.456.983
Accrued interests	259.832	70.605	189.227
Total securities issued	86.689.109	19.102.582	67.586.527

Securities issued by maturity date

Public covered bonds		Total	NOK	Currency
	2022	5.016.247	5.016.247	-
	2023	11.360.235	5.012.712	6.347.523
	2024	5.048.291	-	5.048.291
	2025	13.983.719	6.021.003	7.962.716
	2026	4.686.809	-	4.686.809
	2027	7.083.647	-	7.083.647
	2028	14.244.944	-	14.244.944
	2029	7.142.517	-	7.142.517
	2030	4.221.613	-	4.221.613
	2031	8.280.652	-	8.280.652
	2032	3.052.620	3.052.620	-
	2038	2.404.576	-	2.404.576
	2041	163.239	-	163.239
Total debt		86.689.109	19.102.582	67.586.527

Change in debt raised through issuance of securities

	Balance 30.09.22	Issued 2022	Matured/ redeemed 2022	Exchange rate and other changes 2022	Balance 31.12.21
Covered bonds	95.195.536	18.448.388	-5.262.480	3.996.868	78.012.759
Adjustments	-8.766.258			-9.056.132	289.874
Accrued interests	259.832			39.868	219.964
Total debt raised through issuance of securities	86.689.109	18.448.388	-5.262.480	-5.019.395	78.522.596

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 2022), loans with a loan-to-value ratio in excess of 75 % and the use of market values.

NOK 1 000	30.09.22	30.09.21	31.12.21
Covered bonds	95.546.694	80.328.880	78.522.596
Total covered bonds	95.546.694	80.328.880	78.522.596
Loans to customers	105.540.665	91.234.500	89.440.566
Substitute collateral	7.763.560	4.382.999	2.547.057
Total cover pool	113.304.225	95.617.499	91.987.623
Asset coverage	118,6 %	119,0 %	117,1 %

Note 7 Financial derivatives

At fair value through profit and loss NOK 1 000	Contract amount 30.09.22	Fair value at 30.09.22	
		Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	155.572.447	4.855.528	8.984.955
Total hedging / Interest and exchange rate instruments	155.572.447	4.855.528	8.984.955
Total currency and interest rate instruments			
Total interest and exchange rate instruments	155.572.447	4.855.528	8.984.955
Total accrued interests		-180.781	-127.370
Total financial derivatives	155.572.447	4.674.747	8.857.584

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
Interest rate swaps		
EURIBOR EUR (3 months)	75.675.443	5,5
NIBOR NOK (3 months)	3.536.000	9,7
Total interest rate swaps	79.211.443	
Cross currency swaps		
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	71.628.357	5,5
Total cross currency swaps	71.628.357	

Note 8 Net income from financial instruments

NOK 1 000	30.09.22	30.09.21	31.12.21
Net gains for bonds and certificates	-8.944	-3.532	-6.382
Net change in value, basis swap spread	734.465	-133.677	-70.202
Net change in value, other financial investments	33.908	1.624	1.830
Net change in value, currency effect	-	-	-
Net income from financial instruments	759.430	-135.585	-74.754

Note 9 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 30 September 2022.

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