



Quarterly report 2022

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 2022

Net income totalled NOK 904.8 million as at 31 December 2022.

(Amounts in NOK millions)	01.01.22 - 31.12.22	01.01.21 - 31.12.21
Total income	904,9	840,6
Net interest income	640,9	971,6
Net commission cost	60,8	56,2
Net income on financial investments	324,7	-74,8

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 2022, total assets stood at NOK 117.6 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 87.4 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 2022, the company's equity totalled NOK 6.7 billion. The capital adequacy ratio was 23.07%.

Outlook

The macroeconomic picture is tainted by the war in Europe and there is considerable uncertainty about

future economic developments. At the same time, the activity in the Norwegian economy has been good in 2022. The extraordinary savings that built up during the pandemic have contributed to higher demand and consumer growth during the year. Inflation has risen in 2022 and Norges Bank increased its policy rate. Because of higher interest rates, high energy prices and lower real wages lower consumption growth is expected going forward. SpareBank 1 SR-Bank's Business Barometer, which was launched in January 2023, shows that business expects a change from growth to downturn. High inflation and interest rates will curb profitability and investments, although there are major differences between industries.

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 December 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, 7 February 2023

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.22 - 31.12.22	01.01.21 - 31.12.21	Q4 2022	Q4 2021
Interest income		2.709.965	1.667.791	980.624	437.092
Interest expense		2.069.034	696.232	857.377	207.380
Net interest income		640.931	971.560	123.248	229.712
Commision and fee expenses		60.811	56.240	15.975	14.591
Net commission cost		60.811	56.240	15.975	14.591
Net gains/losses on financial instruments	8	324.738	-74.754	-434.692	60.831
Net income on financial investments		324.738	-74.754	-434.692	60.831
Total net income		904.857	840.566	-327.419	275.952
Other operating costs		3.841	3.275	857	681
Total operating costs before impairment losses on loans		3.841	3.275	857	681
Operating profit before impairment losses on loans		901.017	837.290	-328.276	275.271
Impairment losses on loans and guarantees	2	903	-1.454	-2.703	1.527
Pre-tax profit		900.113	838.744	-325.573	273.744
Tax expenses		198.051	184.524	-71.600	60.224
Profit after tax		702.063	654.220	-253.973	213.520
Other comprehensive income					
Adjustments		0	0	0	0
Comprehensive Income		702.063	654.220	-253.973	213.520

Balance sheet

NOK 1 000	Note	31.12.22	31.12.21
Assets			
Balances with credit institutions		6.157.079	726.497
Loans to customers	2, 3	104.514.373	89.618.804
Bonds		2.462.009	2.290.807
Financial derivatives	7	4.452.830	2.291.924
Deferred tax assets		0	33.491
Other assets		-0	12
Total assets		117.586.291	94.961.535
Liabilities and equity			
Liabilities			
Listed debt securities	5	87.356.157	78.522.596
Balances with credit institutions		13.839.538	7.885.514
Financial derivatives	7	9.518.914	1.660.070
Taxes payable		130.971	210.657
Deferred tax		33.589	0
Other liabilities		1.401	19.037
Total liabilities		110.880.569	88.297.875
Equity			
Share capital		6.000.000	6.000.000
Premium reserve		150	150
Retained earnings		705.572	663.509
Total equity		6.705.722	6.663.659
Total liabilities and equity		117.586.291	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			702.063	702.063
Equity as of 31 December 2022	6.000.000	150	705.572	6.705.722

Cash flow statement

NOK 1 000	31.12.22	31.12.21
Interest receipts from lending to customers	2.619.695	1.660.510
Provisions to SR-Bank	-60.811	-56.240
Payments for operations	-3.461	-1.822
Taxes paid	-210.657	-143.398
Net cash flow relating to operations	2.344.766	1.459.051
Net purchase of loan portfolio	-14.824.086	-4.064.875
Net payments on the acquisition of bonds	-166.618	1.000.056
Net cash flow relating to investments	-14.990.704	-3.064.819
Debt raised by issuance of securities	24.445.688	15.358.645
Redemption of issued securities	-10.262.480	-7.704.450
Net change in loans from credit institutions	5.954.024	-4.843.745
Paid in capital equity	0	0
Interest payments on debt raised by issuance of securities	-1.766.934	-664.495
Proceeds from settlement of other securities	366.222	742.566
Dividend paid	-660.000	-630.000
Net cash flow relating to funding activities	18.076.521	2.258.521
Net cash flow during the period	5.430.582	652.753
Balance of cash and cash equivalents start of period	726.497	73.744
Balance of cash and cash equivalents end of period	6.157.079	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 – 31 December 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 31 December 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	0	35.898
Transfer from stage 1	-316	316	0	0
Transfer from stage 2	7.005	-7.005	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	-7.487	6.122	0	-1.365
New financial assets originated or purchased	5.172	9.281	0	14.453
Change due to reduced portfolio	-2.202	-10.051	0	-12.253
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 31 December 2022	9.690	27.043	0	36.733

NOK 1 000

ECL on remaining credit lines (flexible loans)	Stage 1	Stage 2	Stage 3	Total
Balance 1 January 2022	214	41	0	255
Transfer from stage 1	-1	1	0	0
Transfer from stage 2	12	-12	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	-15	61	0	46
New financial assets originated or purchased	44	42	0	86
Change due to reduced portfolio	-59	-4	0	-63
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 31 December 2022	194	128	0	323

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 104.5 billion. All mortgages carry a variable interest rate.

NOK 1 000	31.12.22	31.12.21
Flexible loans - retail market	20.550.971	19.132.897
Amortising loans - retail market	83.846.914	70.458.853
Accrued interest	153.222	62.952
Gross loans	104.551.106	89.654.702
Impairment provisions	-36.733	-35.898
Loans to customers	104.514.373	89.618.804

Liability		
Remaining credit lines (flexible loans)	7.609.589	7.569.843
Total	7.609.589	7.569.843
Expected credit loss on remaining credit lines (flexible loans)	-323	-255

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance 1 January 2022	86.819.583	2.835.119	0	89.654.702
Transfer from stage 1	-1.473.493	1.473.493	0	0
Transfer from stage 2	782.078	-782.078	0	0
Transfer from stage 3	0	0	0	0
Net increase/decrease balance existing loans	2.702.051	59.369	0	2.761.420
Originated or purchased during the period	39.714.223	1.012.199	0	40.726.422
Loans that have been derecognised	-27.598.774	-992.663	0	-28.591.437
Balance 31 December 2022	100.945.668	3.605.438	0	104.551.106

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	31.12.22	31.12.21
Share capital	6.000.000	6.000.000
Premium reserve	150	150
Other equity	705.572	663.509
Book equity	6.705.722	6.663.659
Deduction for proposed dividend	-705.000	-660.000
Deduction for expected losses on IRB, net of write-downs	-129.135	-112.064
Value adjustments due to prudent valuation	-2.187	-1.788
CET 1 Capital	5.869.401	5.889.808
Other paid in capital	0	0
Tier 1 Capital	5.869.401	5.889.808

Credit risk Basel II		
SME	6.612	9.610
Specialised enterprises	12.678	9.946
Mass market SME	393.222	284.045
Mass market - mortgage on real estate	19.593.725	16.645.410
Other mass market	66.234	78.962
Total credit and counterparty risk IRB	20.072.471	17.027.973
Institutions	1.390.400	1.693.806
Covered bonds	150.725	162.580
Other assets	76.611	115.215
Total credit and counterparty risk standard method	1.617.736	1.971.602
Operational risk	1.417.287	1.414.040
Other risk exposure amounts *	2.328.774	2.400.918
Risk weighted balance	25.436.268	22.814.533
Minimum requirement for CET 1 capital ratio 4,5 %	1.144.632	1.026.654
Buffer requirements:		
Capital conservation buffer 2,5 %	635.907	570.363
Systemic risk buffer 4,5 %	1.144.632	1.026.654
Countercyclical capital buffer 2 %	508.725	228.145
Total buffer requirement to CET 1 capital ratio	2.289.264	1.825.163
Available CET 1 capital ratio after buffer requirement	2.435.504	3.037.991
Capital ratio	23,07 %	25,82 %
Tier 1 Capital ratio	23,07 %	25,82 %
CET 1 capital ratio	23,07 %	25,82 %
Leverage ratio	5,14 %	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 17,9 % as at 31 December 2022.

Note 5 Debt securities issued

NOK 1 000	Total	NOK	Currency
Covered bonds	95.961.098	20.343.331	75.617.767
Value adjustments	-8.924.192	-242.998	-8.681.194
Accrued interests	319.251	108.471	210.780
Total securities issued	87.356.157	20.208.803	67.147.353

Securities issued by maturity date

Public covered bonds		Total	NOK	Currency
	2023	11.366.873	5.017.344	6.349.529
	2024	5.002.874	0	5.002.874
	2025	13.880.058	6.031.606	7.848.451
	2026	4.653.204	0	4.653.204
	2027	13.054.399	6.017.543	7.036.856
	2028	14.153.069	0	14.153.069
	2029	7.100.688	0	7.100.688
	2030	4.200.104	0	4.200.104
	2031	8.240.923	0	8.240.923
	2032	3.142.311	3.142.311	0
	2038	2.401.355	0	2.401.355
	2041	160.300	0	160.300
Total debt		87.356.157	20.208.803	67.147.353

Change in debt raised through issuance of securities

	Balance 31.12.22	Issued 2022	Matured/ redeemed 2022	Exchange rate and other changes 2022	Balance 31.12.21
Covered bonds	95.961.098	24.445.688	-10.262.480	3.765.131	78.012.759
Adjustments	8.924.192			-9.214.066	289.874
Accrued interests	319.251			99.287	219.964
Total debt raised through issuance of securities	87.356.157	24.445.688	-10.262.480	-5.349.648	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 31 December 2022), loans with a loan-to-value ratio ¹⁾ in excess of 80 % (60% for holiday homes) and the use of market values.

NOK 1 000	31.12.22	31.12.21 ²⁾
Covered bonds	92.382.935	78.522.596
Total covered bonds	92.382.935	78.522.596
Loans to customers	104.215.118	89.440.566
Substitute collateral	8.590.080	2.547.057
Total cover pool	112.805.198	91.987.623
Asset coverage	122,1 %	117,1 %

1) LTV ratio was 75% at 31.12.21

2) The policy for calculating asset coverage changed during Q4 2022 from market to nominal value. The asset coverage at 31.12.21 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 31.12.22	Fair value at 31.12.22	
		Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	155.070.805	4.595.803	9.548.647
Total hedging / Interest and exchange rate instruments	155.070.805	4.595.803	9.548.647
Total currency and interest rate instruments			
Total interest and exchange rate instruments	155.070.805	4.595.803	9.548.647
Total accrued interests		-142.972	-29.733
Total financial derivatives	155.070.805	4.452.830	9.518.914

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.

Interest rate swaps	Contract amount	Average maturity
EURIBOR EUR (3 months)	75.425.753	5,2
NIBOR NOK (3 months)	3.536.000	9,5
Total interest rate swaps	78.961.753	
Cross currency swaps		
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	71.628.357	5,2
Total cross currency swaps	71.628.357	

Note 8 Net income from financial instruments

NOK 1 000	31.12.22	31.12.21
Net gains for bonds and certificates	-8.816	-6.382
Net change in value, basis swap spread	367.066	-70.202
Net change in value, other financial investments	-33.513	1.830
Net change in value, currency effect	0	0
Net income from financial instruments	324.738	-74.754

Note 9 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 31 December 2022.

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