



Quarterly report 2023

Q1

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 31 March 2023

Net income totalled NOK 99.4 million as of 31 March 2023.

(Amounts in NOK millions)	01.01.23 - 31.03.23	01.01.22 - 31.03.22
Total income	99,4	455,3
Net interest income	180,6	187,9
Net commission cost	15,7	14,2
Net income on financial investments	-65,6	281,6

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 March 2023, total assets stood at NOK 112.8 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 86.6 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 March 2022, the company's equity totalled NOK 6.8 billion. The capital adequacy ratio was 24,80%.

Outlook

The macroeconomic picture remains tainted by the war in Europe, and uncertainty regarding future economic development is still present. At the same

time, the activity in the Norwegian economy has been good with an increase in employment and a very low unemployment rate. Inflation rose in 2022, and Norges Bank increased its policy rate. Because of the higher interest rates, higher energy prices, lower real wages, and great uncertainty in the world, lower consumption growth is expected going forward. The companies in the regional network are reporting slightly better prospects than towards the end of last year, and they expect activity to be stable towards the summer. However, there are major differences between industries.

House prices rose significantly in March and most of the decrease in prices during autumn 2022 has now been recouped. This increase can be explained by the easing of the lending regulations and the fact that the Norwegian economy is doing better than expected.

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, 3 May 2023

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.23 - 31.03.23	01.01.22 - 31.03.22	2022
Interest income effective interest method		1.061.932	477.178	2.669.849
Other interest income		18.332	6.016	40.115
Interest expense		899.632	295.302	2.069.034
Net interest income		180.632	187.891	640.931
Commission and fee expenses		15.662	14.235	60.811
Net commission cost		15.662	14.235	60.811
Net gains/losses on financial instruments	8	-65.588	281.634	324.738
Net income on financial investments		-65.588	281.634	324.738
Total net income		99.383	455.290	904.857
Other operating costs		1.012	733	3.841
Total operating costs before impairment losses on loans		1.012	733	3.841
Operating profit before impairment losses on loans		98.371	454.557	901.017
Impairment losses on loans and guarantees	2	-966	1.220	903
Pre-tax profit		99.337	453.338	900.113
Tax expenses		21.854	99.734	198.051
Profit after tax		77.483	353.603	702.063
Other comprehensive income				
Adjustments		0	0	0
Comprehensive Income		77.483	353.603	702.063

Balance sheet

NOK 1 000	Note	31.03.23	31.03.22	31.12.22
Assets				
Balances with credit institutions		368.499	5.642.022	6.157.079
Loans to customers	2, 3	100.655.736	94.376.234	104.514.373
Bonds		2.298.879	3.013.176	2.462.009
Financial derivatives	7	9.488.262	939.686	4.452.830
Deferred tax assets		0	33.491	0
Other assets		12.098	0	0
Total assets		112.823.474	104.004.609	117.586.291
Liabilities and equity				
Liabilities				
Listed debt securities	5	86.639.963	81.238.253	87.356.157
Balances with credit institutions		9.683.010	10.928.410	13.839.538
Financial derivatives	7	9.590.489	4.508.260	9.518.914
Taxes payable		87.339	238.693	130.971
Deferred tax		33.589	0	33.589
Other liabilities		5.879	73.731	1.401
Total liabilities		106.040.269	96.987.346	110.880.569
Equity				
Share capital		6.000.000	6.000.000	6.000.000
Premium reserve		150	150	150
Retained earnings		783.055	1.017.113	705.572
Total equity		6.783.205	7.017.263	6.705.722
Total liabilities and equity		112.823.474	104.004.609	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
Profit for the period			77.483	77.483
Equity as of 31 March 2023	6.000.000	150	783.055	6.783.205

Cash flow statement

NOK 1 000	31.03.23	31.03.22	31.12.22
Interest receipts from lending to customers	1.080.746	472.703	2.619.695
Provisions to SR-Bank	-15.662	-14.235	-60.811
Payments for operations	-12.873	55.256	-3.461
Taxes paid	-65.485	-71.699	-210.657
Net cash flow relating to operations	986.726	442.025	2.344.766
Net purchase of loan portfolio	3.863.371	-4.749.446	-14.824.086
Net payments on the acquisition of bonds	161.262	-722.295	-166.618
Net cash flow relating to investments	4.024.632	-5.471.741	-14.990.704
Debt raised by issuance of securities	0	7.103.192	24.445.688
Redemption of issued securities	-6.433.260	0	-10.262.480
Net change in loans from credit institutions	-4.156.528	3.042.896	5.954.024
Paid in capital equity	0	0	0
Interest payments on debt raised by issuance of securities	-941.999	-260.081	-1.766.934
Proceeds from settlement of other securities	731.850	59.233	366.222
Dividend paid	0	0	-660.000
Net cash flow relating to funding activities	-10.799.938	9.945.240	18.076.521
Net cash flow during the period	-5.788.580	4.915.524	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	368.499	5.642.022	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 – 31 March 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 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 March 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	-242	242	0	0
Transfer from stage 2	5.260	-5.260	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	-5.234	6.899	0	1.665
New financial assets originated or purchased	638	645	0	1.283
Change due to reduced portfolio	-845	-3.013	0	-3.858
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 31 March 2023	9.268	26.555	0	35.823

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	-1	1	0	0
Transfer from stage 2	49	-49	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	-45	-12	0	-56
New financial assets originated or purchased	7	0	0	7
Change due to reduced portfolio	-6	-1	0	-7
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 31 March 2023	199	67	0	267

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 100.7 billion. All mortgages carry a variable interest rate.

NOK 1 000	31.03.23	31.03.22	31.12.22
Flexible loans - retail market	22.057.251	19.585.123	20.550.971
Amortising loans - retail market	78.481.568	74.754.800	83.846.914
Accrued interest	152.740	73.441	153.222
Gross loans	100.691.559	94.413.364	104.551.106
Impairment provisions	-35.823	-37.130	-36.733
Loans to customers	100.655.736	94.376.234	104.514.373

Liability			
Remaining credit lines (flexible loans)	8.388.723	7.552.937	7.552.937
Total	8.388.723	7.552.937	7.552.937
Expected credit loss on remaining credit lines (flexible loans)	-267	-242	-323

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	31.03.23	31.03.22	31.12.22
Share capital	6.000.000	6.000.000	6.000.000
Premium reserve	150	150	150
Other equity	705.572	663.509	705.572
Book equity	6.705.722	6.663.659	6.705.722
Deduction for proposed dividend	-705.000	-660.000	-705.000
Deduction for expected losses on IRB, net of write-downs	-126.421	-112.756	-129.135
Value adjustments due to prudent valuation	-2.100	-2.171	-2.187
CET 1 Capital	5.872.200	5.888.732	5.869.401
Other paid in capital	0	0	0
Tier 1 Capital	5.872.200	5.888.732	5.869.401
Credit risk Basel II			
SME	7.471	10.108	6.612
Specialised enterprises	13.926	13.291	12.678
Mass market SME	371.490	284.471	393.222
Mass market - mortgage on real estate	19.047.934	17.459.898	19.593.725
Other mass market	68.121	84.778	66.234
Total credit and counterparty risk IRB	19.508.942	17.852.545	20.072.471
Institutions	240.249	2.113.708	1.390.400
Covered bonds	150.658	182.607	150.725
Other assets	88.468	120.448	76.611
Total credit and counterparty risk standard method	479.375	2.416.763	1.617.736

Operational risk	1.417.287	1.414.040	1.417.287
Other risk exposure amounts *	2.276.484	2.605.021	2.328.774
Risk weighted balance	23.682.088	24.288.369	25.436.268
Minimum requirement for CET 1 capital ratio 4,5 %	1.065.694	1.092.977	1.144.632
Buffer requirements:			
Capital conservation buffer 2,5 %	592.052	607.209	635.907
Systemic risk buffer 4,5 %	1.065.694	1.092.977	1.144.632
Countercyclical capital buffer 2,5 %	592.052	242.884	508.725
Total buffer requirement to CET 1 capital ratio	2.249.798	1.943.069	2.289.264
Available CET 1 capital ratio after buffer requirement	2.556.708	2.852.686	2.435.504
Capital ratio	24,80 %	24,25 %	23,07 %
Tier 1 Capital ratio	24,80 %	24,25 %	23,07 %
CET 1 capital ratio	24,80 %	24,25 %	23,07 %
Leverage ratio	5,62 %	5,56 %	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 17,9 % as of 31 March 2023.

Note 5 Debt securities issued

NOK 1 000	Total	NOK	Currency
Covered bonds	94.652.094	20.348.192	74.303.902
Value adjustments	-8.310.034	-206.385	-8.103.649
Accrued interests	297.903	122.971	174.932
Total securities issued	86.639.963	20.264.778	66.375.185

Securities issued by maturity date

Public covered bonds	Total	NOK	Currency
2023	5.016.992	5.016.992	0
2024	5.441.210	0	5.441.210
2025	14.566.661	6.029.424	8.537.237
2026	5.072.546	0	5.072.546
2027	13.698.620	6.016.376	7.682.244
2028	15.378.110	0	15.378.110
2029	7.779.105	0	7.779.105
2030	4.611.274	0	4.611.274
2031	9.066.297	0	9.066.297
2032	3.201.987	3.201.987	0
2038	2.632.488	0	2.632.488
2041	174.674	0	174.674
Total debt	86.639.963	20.264.778	66.375.185

Change in debt raised through issuance of securities

	Balance 31.03.23	Issued 2023	Matured/ redeemed 2023	Exchange rate and other changes 2023	Balance 31.12.22
Covered bonds	94.652.094	0	-6.433.260	5.124.256	95.961.098
Adjustments	-8.310.034			614.158	-8.924.192
Accrued interests	297.903			-21.347	319.251
Total debt raised through issuance of securities	86.639.963	0	-6.433.260	5.717.066	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 31 March 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	31.03.23	31.03.22 ¹⁾	31.12.22
Covered bonds	86.681.525	85.818.176	92.382.935
Total covered bonds	86.681.525	85.818.176	92.382.935
Loans to customers	100.333.262	94.158.339	104.215.118
Substitute collateral	2.641.499	2.708.331	8.590.080
Total cover pool	102.974.761	96.866.670	112.805.198
Asset coverage	118,8 %	112,9 %	122,1 %

¹⁾ LTV ratio was 75 percent at 31.03.22 and the policy for calculating asset coverage changed during Q4 2022 from market to nominal value. The asset coverage at 31.03.22 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 31.03.23	Fair value at 31.03.23 Assets Liabilities	
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	153.713.903	9.543.034	9.551.081
Total hedging / Interest and exchange rate instruments	153.713.903	9.543.034	9.551.081
Total currency and interest rate instruments			
Total interest and exchange rate instruments	153.713.903	9.543.034	9.551.081
Total accrued interests		-54.772	39.408
Total financial derivatives	153.713.903	9.488.262	9.590.489

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.

	Contract amount	Average maturity
Interest rate swaps		
EURIBOR EUR (3 months)	74.719.615	5,4
NIBOR NOK (3 months)	3.536.000	9,2
Total interest rate swaps	78.255.615	
Cross currency swaps		
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	65.926.947	5,4
Total cross currency swaps	65.926.947	

Note 8 Net income from financial instruments

NOK 1 000	31.03.23	31.03.22	31.12.22
Net gains for bonds and certificates	-1.666	-1.859	-8.816
Net change in value, basis swap spread	-84.863	304.507	367.066
Net change in value, other financial investments	20.941	-21.014	-33.513
Net change in value, currency effect	0	0	0
Net income from financial instruments	-65.588	281.634	324.738

Note 9 Events after the balance sheet date

No material events that affect the prepared interim financial statements have been recorded after 31 March 2023.

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