

Quarterly
report 2023

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 of 31 December 2023

Net income totalled NOK 184.3 million as of 31 December 2023.

(Amounts in NOK millions)	01.01.23 - 31.12.23	01.01.22 - 31.12.22
Total income	184,3	904,9
Net interest income	651,8	640,9
Net commission cost	60,2	60,8
Net income on financial investments	-407,3	324,7

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 2023, total assets stood at NOK 111.8 billion. SR-Boligkreditt AS has issued covered bonds amounting to NOK 84.0 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 2023, the company's equity totalled NOK 6.1 billion. The capital adequacy ratio was 23.06%.

Outlook

Norges Bank increased its policy rate from 4.25 to 4.50 percentage in December and indicated no further changes in the most immediate future.

SpareBank 1 SR-Bank's Business Barometer for December reports that the businesses prepare for a more challenging situation in 2024, with profitability under pressure, lower investment, and decreasing order back-logs. However, there are large differences pending on regions and industries.

House prices decreased further in December and the nominal annual growth in house prices ended at 0.5 percent. Stavanger and Kristiansand had the strongest growth with 5.4 and 5.3 percent, respectively. Eiendom Norge expect the nominal growth in house prices in Norway to end at around 4 percent for 2024.

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 2024 is expected to be approximately NOK 20 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 2024.

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 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, 8 February 2024

The Board of Directors of SR-Boligkreditt AS

Income statement

NOK 1 000	Note	01.01.23 - 31.12.23	01.01.22 - 31.12.22	Q4 2023	Q4 2022
Interest income effective interest method		4.711.059	2.669.849	1.352.049	964.417
Other interest income		90.272	40.115	27.219	16.207
Interest expense		4.149.534	2.069.034	1.215.190	857.377
Net interest income		651.797	640.931	164.077	123.248
Commision and fee expenses		60.174	60.811	14.830	15.975
Net commission expense		60.174	60.811	14.830	15.975
Net gains/losses on financial instruments	8	-407.343	324.738	-215.011	-434.692
Net income on financial investments		-407.343	324.738	-215.011	-434.692
Total net income		184.280	904.857	-65.764	-327.419
Other operating expense		3.756	3.841	716	857
Total operating expense before impairment losses on loans		3.756	3.841	716	857
Operating profit before impairment losses on loans		180.524	901.017	-66.480	-328.276
Impairment losses on loans and guarantees	2	3.239	903	2.364	-2.703
Pre-tax profit		177.286	900.113	-68.844	-325.573
Tax expenses		39.003	198.051	-15.146	-71.600
Profit after tax		138.283	702.063	-53.698	-253.973
Other comprehensive income					
Adjustments		0	0	0	0
Comprehensive Income		138.283	702.063	-53.698	-253.973

Balance sheet

NOK 1 000	Note	31.12.23	31.12.22
Assets			
Balances with credit institutions		371.646	6.157.079
Loans to customers	2, 3	100.221.577	104.514.373
Bonds		2.353.987	2.462.009
Financial derivatives	7	8.778.258	4.452.830
Deferred tax assets		67.598	0
Other assets		0	0
Total assets		111.793.066	117.586.291
Liabilities and equity			
Liabilities			
Listed debt securities	5	83.960.939	87.356.157
Balances with credit institutions		14.519.828	13.839.538
Financial derivatives	7	7.030.988	9.518.914
Taxes payable		140.189	130.971
Deferred tax		0	33.589
Other liabilities		2.116	1.401
Total liabilities		105.654.061	110.880.569
Equity			
Share capital		6.000.000	6.000.000
Premium reserve		150	150
Retained earnings		138.855	705.572
Total equity		6.139.005	6.705.722
Total liabilities and equity		111.793.066	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			138.283	138.283
Equity as of 31 December 2023	6.000.000	150	138.855	6.139.005

Cash flow statement

NOK 1 000	31.12.23	31.12.22
Interest receipts from lending to customers	4.738.664	2.619.695
Provisions to SR-Bank	-60.174	-60.811
Payments for operations	-3.735	-3.461
Taxes paid	-130.971	-210.657
Net cash flow relating to operations	4.543.784	2.344.766
Net purchase of loan portfolio	4.352.926	-14.824.086
Net payments on the acquisition of bonds	109.316	-166.618
Net cash flow relating to investments	4.462.242	-14.990.704
Debt raised by issuance of securities	0	24.445.688
Redemption of issued securities	-11.433.260	-10.262.480
Net change in loans from credit institutions	680.290	5.954.024
Paid in capital equity	0	0
Interest payments on debt raised by issuance of securities	-4.065.339	-1.766.934
Proceeds from settlement of other securities	731.850	366.222
Dividend paid	-705.000	-660.000
Net cash flow relating to funding activities	-14.791.459	18.076.521
Net cash flow during the period	-5.785.433	5.430.582
Balance of cash and cash equivalents start of period	6.157.079	726.497
Balance of cash and cash equivalents end of period	371.646	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 December 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 31 December 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

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	-496	496	0	0
Transfer from stage 2	6.473	-6.473	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	-6.912	12.323	0	5.411
New financial assets originated or purchased	3.059	7.232	0	10.291
Change due to reduced portfolio	-2.936	-9.628	0	-12.563
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 31 December 2023	8.879	30.992	0	39.871

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	79	-79	0	0
Transfer from stage 3	0	0	0	0
Net remeasurement of loss allowance	-16	16	0	0
New financial assets originated or purchased	83	43	0	126
Change due to reduced portfolio	-20	-6	0	-26
Change in models/ risk parameters	0	0	0	0
Other movements	0	0	0	0
Balance 31 December 2023	319	105	0	423

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	31.12.23	31.12.22
Flexible loans - retail market	23.429.433	20.550.971
Amortising loans - retail market	76.616.126	83.846.914
Accrued interest	215.889	153.222
Gross loans	100.261.447	104.551.106
Impairment provisions	-39.871	-36.733
Loans to customers	100.221.577	104.514.373

Liability		
Remaining credit lines (flexible loans)	9.294.395	7.609.589
Total	9.294.395	7.609.589
Expected credit loss on remaining credit lines (flexible loans)	-423	-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	-3.285.771	3.285.771	0	0
Transfer from stage 2	957.626	-957.626	0	0
Transfer from stage 3	0	0	0	0
Net increase/decrease balance existing loans	3.635.024	62.077	0	3.697.101
Originated or purchased during the period	25.572.262	1.060.046	0	26.632.308
Loans that have been derecognised	-33.242.202	-1.376.866	0	-34.619.068
Balance 31 December 2023	94.585.146	5.676.302	0	100.261.447

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	31.12.23	31.12.22
Share capital	6.000.000	6.000.000
Premium reserve	150	150
Other equity	138.855	705.572
Total equity	6.139.005	6.705.722
Deductions		
Proposed dividend	-138.000	-705.000
IRB shortfall of credit risk adjustments to expected losses	-127.510	-129.135
Value adjustment due to requirements concerning proper valuation	-2.227	-2.187
Common equity Tier 1 capital	5.871.268	5.869.401
Other paid in capital	0	0
Net primary capital	5.871.268	5.869.401

Credit risk Basel II		
Corporates - SME	6.567	6.612
Corporates - Specialised Lending	11.496	12.678
Retail - Secured by real estate SME	405.382	393.222
Retail - Secured by real estate non-SME	19.377.112	19.593.725
Retail - Other	55.988	66.234
Total credit risk, IRB approach	19.856.545	20.072.471
Institutions	1.888.138	1.390.400
Covered bonds	125.676	150.725
Other assets	277.393	76.611
Total credit risk, standardised approach	2.291.207	1.617.736
Operational risk	1.299.605	1.417.287
Other risk exposure *	2.011.088	2.328.774
Total risk exposure amount	25.458.445	25.436.268
Minimum requirement for CET 1 capital ratio 4,5 %	1.145.630	1.144.632
Buffer requirements:		
Capital conservation buffer 2,5 %	636.461	635.907
Systemic risk buffer 4,5 %	1.145.630	1.144.632
Countercyclical capital buffer 2,5 %	636.461	508.725
Total buffer requirement to CET 1 capital ratio	2.418.552	2.289.264
Available CET 1 capital ratio after buffer requirement	2.307.085	2.435.504
Capital ratio	23,06 %	23,07 %
Tier 1 Capital ratio	23,06 %	23,07 %
CET 1 capital ratio	23,06 %	23,07 %
Leverage ratio	5,19 %	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 18,16% as at 31 December 2023.

Note 5 Debt securities issued

NOK 1 000	Total	NOK	Currency
Covered bonds	89.354.117	15.362.562	73.991.555
Value adjustments	-5.760.326	-237.544	-5.522.781
Accrued interests	367.148	107.728	259.420
Total securities issued	83.960.939	15.232.745	68.728.194

Securities issued by maturity date

Public covered bonds	Total	NOK	Currency
2024	5.500.927	0	5.500.927
2025	14.697.251	6.045.275	8.651.977
2026	5.231.850	0	5.231.850
2027	13.972.872	6.022.243	7.950.629

	2028	16.007.073	0	16.007.073
	2029	8.041.116	0	8.041.116
	2030	4.841.007	0	4.841.007
	2031	9.553.036	0	9.553.036
	2032	3.165.228	3.165.228	0
	2038	2.766.959	0	2.766.959
	2041	183.620	0	183.620
Total debt		83.960.939	15.232.745	68.728.194

Change in debt raised through issuance of securities

	Balance 31.12.23	Issued 2023	Matured/ redeemed 2023	Exchange rate and other changes 2023	Balance 31.12.22
Covered bonds	89.354.117	0	-11.433.260	4.826.279	95.961.098
Adjustments	-5.760.326			3.163.867	-8.924.192
Accrued interests	367.148			47.897	319.251
Total debt raised through issuance of securities	83.960.939	0	-11.433.260	8.038.042	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 December 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	31.12.23	31.12.22
Covered bonds	81.681.525	92.382.935
Total covered bonds	81.681.525	92.382.935
Loans to customers	99.878.455	104.215.118
Substitute collateral	2.691.646	8.590.080
Total cover pool	102.570.102	112.805.198
Asset coverage	125,6 %	122,1 %

Note 7 Financial derivatives

At fair value through profit and loss NOK 1 000	Contract amount 31.12.23	Fair value at 31.12.23	
		Assets	Liabilities
Hedging / Interest and exchange rate instruments			
Interest rate swaps (including cross currency)	152.241.752	8.801.762	6.893.066
Total hedging / Interest and exchange rate instruments	152.241.752	8.801.762	6.893.066
Total currency and interest rate instruments			
Total interest and exchange rate instruments	152.241.752	8.801.762	6.893.066
Total accrued interests		-23.503	137.923
Total financial derivatives	152.241.752	8.778.258	7.030.988

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)	73.987.160	4,7
NIBOR NOK (3 months)	3.536.000	8,5
Total interest rate swaps	77.523.160	
Cross currency swaps		
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	65.926.947	4,7
Total cross currency swaps	65.926.947	

Note 8 Net income from financial instruments

NOK 1 000	31.12.23	31.12.22
Net gains for bonds and certificates	-4.862	-8.816
Net change in value, basis swap spread	-396.749	367.066
Net change in value, other financial investments	-5.732	-33.513
Net change in value, currency effect	0	0
Net income from financial instruments	-407.343	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 December 2023.

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