

QUARTER 1  
2015  
(UNAUDITED)



SPAREBANKEN SØR  
BOLIGKREDITT AS

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## General

Sparebanken Sør Boligkreditt AS is a wholly-owned subsidiary of Sparebanken Sør, and the company's business is operated from Kristiansand. The company is licensed by the Financial Supervisory Authority of Norway to operate as a mortgage company, and is allowed to issue covered bonds. Sparebanken Sør Boligkreditt AS is part of Sparebanken Sør's long-term financial strategy, according to which the company's main objective is to issue covered bonds. All shares are owned by Sparebanken Sør, and the financial statements are consolidated into the financial statements of Sparebanken Sør Group.

The cover pool comprises mortgage home loans that are granted by Sparebanken Sør and later taken over by Sparebanken Sør Boligkreditt AS. The secured mortgage loans meet the requirements established by the company for inclusion in the company's cover pool. One important requirement is that any outstanding loan balance taken over by the company must not exceed 75% of the mortgaged property's market value.

At the end of the first quarter 2015, the company has taken on a home loan portfolio amounting to NOK 23 995 million, transferred from Sparebanken Sør, of which NOK 23 888 million is included in the cover pool. Sparebanken Sør Boligkreditt AS had issued covered bonds amounting to NOK 20 269 million.

## Income statement/balance sheet development

The financial statement for Sparebanken Sør Boligkreditt AS at the end of the first quarter of 2015 show a profit after tax of NOK 60.2 million. The company has interest income of NOK 191.6 million and interest expenses of NOK 93.6 million. Operating expenses amounted to NOK 11.6 million and tax expenses was NOK 22.3 million.

Total assets as at 31.03.2015 are NOK 24 178 million, of which net loans to customers represent NOK 23 989 million. The loan portfolio has been financed through issue of bonds with a nominal value of NOK 20 269 million and through equity and drawing rights from Sparebanken Sør. As at 31.03.2015, the company had paid-in capital of a total of NOK 1 025 million, of which NOK 525 million is share capital and NOK 500 million is share premiums.

Sparebanken Sør Boligkreditt AS has drawing rights of NOK 5 500 million in Sparebanken Sør that, as at 31.03.2015, was drawn down by NOK 1 826 million. In addition, Sparebanken Sør Boligkreditt AS also has revolving drawing rights with Sparebanken Sør, which can be used to finance liquidity due on bonds issued that may not necessarily be refinanced.

## Capital strength

At the end of the first quarter, the net equity capital in the company was NOK 1 761.5 million. This corresponds to a total capital ratio/core tier 1 capital ratio of 15.75 per cent, while regulatory minimums requirements constitute respectively 13.5 per cent and 10 per cent. The capital adequacy ratio has been calculated based on the standard method in the Basel II - regulations. The Board of Directors considers the company's solidity and risk-bearing ability to be very good.

## Risk conditions

As a licensed mortgage company, Sparebanken Sør Boligkreditt AS is subject to a number of acts, regulations, recommendations and regulatory provisions. The objective of the company is to finance lending activities through the issuing of covered bonds with a good rating. This means that Sparebanken Sør Boligkreditt AS strives to maintain risk at a low level. The company places emphasis on identifying, measuring and controlling risk elements in such a way that the market has high confidence in the company and that the company can achieve a high rating for its bonds.

Therefore, the company's credit strategy and credit policy establishes a framework for requirements imposed on borrowers and collateral requirements for loans that may be taken on by the company. The Board of Directors considers the overall quality of the lending portfolio to be very good and the credit risk to be low.

The company's mortgages to customers are in Norwegian kroner (NOK) at floating interest. Financing is carried out at floating interest, with the exception of a minor part that is taken up at a fixed interest and swapped to floating interest. Sparebanken Sør Boligkreditt AS has no positions in foreign currency at the end of the first quarter of 2015. The Board of Directors considers the overall market risk to be low.

## 4 Report from the Board of Directors

The company issues bonds with the opportunity to extend the maturity period by up to 12 months. In other respects, financing needs are met using equity and drawing rights from Sparebanken Sør. The Board of Directors considers the company's liquidity risk to be low.

A Management Service Agreement has been reached with Sparebanken Sør that encompasses the supply of all necessary services for the operation of the company, and the Board of Directors considers the company's operational risk to be low.

### **Rating**

Covered bonds issued by Sparebanken Sør Boligkreditt AS have been given an Aaa rating by Moody's.

### **Future prospects**

The Board of Directors anticipates that the company's operating business will be very satisfactory.

Sparebanken Sør Boligkreditt AS plans further acquisition of loans from Sparebanken Sør, and the company intends to be able to issue new open covered bonds, aimed at investors in Norway or abroad.

Kristiansand, 28 April 2015

### **The Board of Directors for Sparebanken Sør Boligkreditt AS**

Geir Bergskaug  
Chairman

Seunn Smith-Tønnessen  
Member

Rolf H. Søraker  
Member

Bjørn Friestad  
Member

Marianne Lofthus  
Managing Director

NOK Thousand	Notes	31.03.2015	31.03.2014	31.12.2014
Interest income	2, 11	191 593	243 100	898 765
Interest expenses	2, 11	93 607	124 604	472 997
<b>Net interest income</b>	2	<b>97 985</b>	<b>118 496</b>	<b>425 768</b>
Commission income		38	70	296
Commission expenses		1 250	1 250	5 000
<b>Net commission income</b>		<b>-1 212</b>	<b>-1 180</b>	<b>-4 704</b>
<b>Net change in value from financial instruments</b>		<b>-2 698</b>	<b>-14 798</b>	<b>-35 311</b>
Personnel expenses		0	193	231
Depreciation of intangible assets		0	7	7
Other operating expenses		11 565	4 342	37 383
<b>Total expenses</b>		<b>11 565</b>	<b>4 542</b>	<b>37 621</b>
<b>Profit before losses on loans</b>		<b>82 510</b>	<b>97 975</b>	<b>348 132</b>
Losses on loans		0	0	0
<b>Profit before taxes</b>		<b>82 510</b>	<b>97 975</b>	<b>348 132</b>
Tax expenses	3	22 278	26 500	94 009
<b>Profit for the period</b>		<b>60 232</b>	<b>71 475</b>	<b>254 123</b>
<b>Other comprehensive income</b>				
<b>Profit for the period</b>		<b>60 232</b>	<b>71 475</b>	<b>254 123</b>
Other income and expenses		0	0	0
<b>Total profit for the period</b>		<b>60 232</b>	<b>71 475</b>	<b>254 123</b>

# Balance sheet

NOK Thousand

ASSETS	Notes	31.03.2015	31.03.2014	31.12.2014
Loans to and receivables from credit institutions	10	57 034	85 392	12 588
Net loans to customers	4, 7, 8, 10	23 988 508	22 204 560	20 079 397
Bonds and certificates		0	0	299 466
Financial derivatives		131 692	23 759	155 133
Deferred tax assets		390	100	475
Other assets		337	16	0
<b>TOTAL ASSETS</b>		<b>24 177 960</b>	<b>22 313 827</b>	<b>20 547 060</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>				
Debt to credit institutions	5, 11	1 825 636	1 443 883	1 330 485
Debt incurred due to issue of securities	9, 11	20 429 642	19 190 575	17 352 100
Financial derivatives		2 664	3 125	3 184
Payable tax		91 869	95 476	94 384
Other liabilities		5 518	1 102	5 434
<b>Total liabilities</b>		<b>22 356 256</b>	<b>20 735 001</b>	<b>18 785 587</b>
<b>EQUITY CAPITAL</b>				
Paid-in equity capital		1 025 000	1 025 000	1 025 000
Retained earnings		796 705	553 826	736 473
<b>Total equity capital</b>	6	<b>1 821 705</b>	<b>1 578 826</b>	<b>1 761 473</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>24 177 960</b>	<b>22 313 827</b>	<b>20 547 060</b>

Kristiansand, 28 April 2015

The Board of Directors for Sparebanken Sør Boligkreditt AS

Geir Bergskaug  
Chairman

Seunn Smith-Tønnessen  
Member

Rolf H. Søraker  
Member

Bjørn Friestad  
Member

Marianne Lofthus  
Managing Director

<b>NOK Thousand</b>	<b>31.03.2015</b>	<b>31.03.2014</b>	<b>31.12.2014</b>
Interest payment received	189 506	245 007	903 001
Interest payment made	-95 782	-121 984	-495 049
Operating cost payment	-12 202	-16 980	-43 986
Change in loans to customers	-3 907 024	1 004 484	3 125 410
Tax payment	-24 707	-29 210	-98 186
<b>Net cash flow from operational activities</b>	<b>-3 850 208</b>	<b>1 081 315</b>	<b>3 391 191</b>
Changes in bonds and certificates	299 466	0	-299 466
Changes in other assets	-337	11 681	23
Changes in deposits from credit institutions	495 217	-285 701	-399 165
Changes in other liabilities	-491	-6 618	236
Transferred cash through merger	-	1 164 879	1 164 879
<b>Net cash flow from current financing activities</b>	<b>793 854</b>	<b>884 241</b>	<b>466 507</b>
Paid in share capital	0	-	-
Changes in debt due to issue of securities	3 100 800	-1 880 164	-3 845 110
<b>Net Cash flow from long-term financing activities</b>	<b>3 100 800</b>	<b>-1 880 164</b>	<b>-3 845 110</b>
<b>Net change in liquid assets</b>	<b>44 446</b>	<b>85 392</b>	<b>12 588</b>
Liquid assets as at 01.01.2015	12 588	0	0
<b>Liquid assets at end of period</b>	<b>57 034</b>	<b>85 392</b>	<b>12 588</b>

## Equity statement

	Share capital	Share premium reserve	Other equity capital	Total
<b>NOK THOUSAND</b>				
<b>Balance 31.12.2013</b>	<b>525 000</b>	<b>0</b>	<b>244 555</b>	<b>769 555</b>
Equity added through merger	0	500 000	237 795	737 795
Profit 01.01.2014 - 31.03.2014	0	0	71 475	71 475
<b>Balance 31.03.2014</b>	<b>525 000</b>	<b>500 000</b>	<b>553 826</b>	<b>1 578 826</b>
Profit 01.04.2014 - 31.12.2014	0	0	182 648	182 648
Balance 31.12.2014	525 000	500 000	736 473	1 761 473
Profit 01.01.2015 - 31.03.2015	0	0	60 232	60 232
<b>Balance 31.03.2015</b>	<b>525 000</b>	<b>500 000</b>	<b>796 705</b>	<b>1 821 705</b>



## 1. ACCOUNTING PRINCIPLES

The quarterly financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as stipulated by the EU. Sparebanken Sør Boligkreditt AS is part of the Sparebanken Sør Group and follows the same accounting principles as the Group. Please refer to the annual financial statements for 2014 for further details of accounting principles.

The quarterly financial statements have not been audited.

All sums in the financial statements are stated in NOK Thousand, unless otherwise indicated. The company's financial statements are presented in Norwegian kroner, which is the functional currency.

## 2. NET INTEREST INCOME

NOK THOUSAND	31.03.2015	31.03.2014	31.12.2014
Interest on loans given to and receivables from credit institutions	181	7 755	16 437
Interest on loans given to customers	190 878	235 345	882 163
Interest on certificates/bonds/interest-bearing securities	534	0	165
<b>Total interest income</b>	<b>191 593</b>	<b>243 100</b>	<b>898 765</b>
Interest on debt to credit institutions	5 907	9 843	41 319
Interest on issued securities	87 700	114 761	431 514
Other interest cost	0	0	164
<b>Total interest expenses</b>	<b>93 607</b>	<b>124 604</b>	<b>472 997</b>
<b>Net interest income</b>	<b>97 985</b>	<b>118 496</b>	<b>425 768</b>

## 3. TAXES

Tax expenses for the year are periodised based on an estimate of tax expenses on an annual basis. The company's nominal tax rate is 27 per cent in 2015.

## 4. DEBT TO ASSET RATIO

	31.03.2015	31.03.2014	31.12.2014
<b>Average debt to asset ratio in %</b>	<b>54,2 %</b>	<b>57,7 %</b>	<b>52,8 %</b>
Portfolio divided into intervals of debt to asset ratio			
Less than or equal to 40 %	21,5 %	18,1 %	25,0 %
41 - 50 %	13,5 %	12,1 %	14,5 %
51 - 60 %	18,8 %	16,5 %	18,9 %
61 - 70 %	32,1 %	25,4 %	27,0 %
71 - 75 %	9,3 %	16,1 %	8,6 %
over 75 %	4,8 %	11,8 %	5,9 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>	<b>100,0 %</b>

## 5. DEBT TO CREDIT INSTITUTIONS

Sparebanken Sør Boligkreditt AS has entered into an agreement with Sparebanken Sør for a credit facility of NOK 5 500 million. In addition, the company also has revolving drawing rights with Sparebanken Sør, which can be used to finance liquidity due on bonds issued that may not necessarily be refinanced in the market.

## 6. CAPITAL ADEQUACY

Sparebanken Sør Boligkreditt AS uses the standard method for credit- and market risk and the basic method for operational risk to calculate capital adequacy in accordance with the current capital adequacy rules - Basel II.

NOK THOUSAND	31.03.2015	31.03.2014	31.12.2014
<b>Equity capital</b>			
Share capital	525 000	525 000	525 000
Share premium reserve	500 000	500 000	500 000
Other equity capital	736 473	482 350	736 473
Deductions	0	100	0
<b>Net equity capital (core capital)</b>	<b>1 761 473</b>	<b>1 507 250</b>	<b>1 761 473</b>
<b>Minimum requirement for equity capital</b>			
Credit risk	823 720	712 690	670 079
Market risk	0	0	0
Operational risk	55 247	39 753	39 753
CVA addition	15 997	0	17 289
Deductions	0	480	0
<b>Total minimum requirement for equity capital</b>	<b>894 964</b>	<b>751 963</b>	<b>727 121</b>
Risk-weight balance (calculation basis)	11 187 052	9 399 538	9 089 013
<b>Core tier 1 capital ratio</b>	<b>15,75 %</b>	<b>16,00 %</b>	<b>19,38 %</b>
<b>Core capital ratio</b>	<b>15,75 %</b>	<b>16,00 %</b>	<b>19,38 %</b>
<b>Total capital ratio</b>	<b>15,75 %</b>	<b>16,00 %</b>	<b>19,38 %</b>

## 7. LOANS TO CUSTOMERS

NOK THOUSAND	31.03.2015	31.03.2014	31.12.2014
<b>Loans assessed at amortised cost</b>			
Flexi-loans (revolving loans)	7 438 042	8 764 499	6 208 435
Repayment loans	16 556 466	13 466 061	13 876 962
<b>Gross loans</b>	<b>23 994 508</b>	<b>22 210 560</b>	<b>20 085 397</b>
Collective write-downs	6 000	6 000	6 000
<b>Net loans</b>	<b>23 988 508</b>	<b>22 204 560</b>	<b>20 079 397</b>
Unused credit on Flexi-loans	3 026 434	2 826 849	2 398 489
<b>Loans distributed to sector and industries</b>			
Retail customers	23 826 064	21 714 818	19 808 285
Corporate customers *)	141 175	468 228	251 930
Accrued interests	27 269	27 514	25 182
<b>Gross loans</b>	<b>23 994 508</b>	<b>22 210 560</b>	<b>20 085 397</b>
Collective write-downs	6 000	6 000	6 000
<b>Net loans</b>	<b>23 988 508</b>	<b>22 204 560</b>	<b>20 079 397</b>

\*) Loans to corporate customers are mortgage loans for customers in sector 8200.

### Loans distributed by geographical areas

	31.03.2015		31.03.2014		31.12.2014	
Vest-Agder	10 537 843	43,9 %	10 241 603	46,1 %	8 623 012	42,9 %
Aust-Agder	7 433 570	31,0 %	6 697 717	30,2 %	6 248 037	31,1 %
Telemark	1 971 113	8,2 %	1 718 753	7,7 %	1 771 772	8,8 %
Oslo	1 728 016	7,2 %	1 524 110	6,9 %	1 467 275	7,3 %
Akershus	809 185	3,4 %	704 178	3,2 %	694 479	3,5 %
Other counties	1 508 781	6,3 %	1 318 198	5,9 %	1 274 822	6,3 %
<b>Total</b>	<b>23 988 508</b>	<b>100,0 %</b>	<b>22 204 560</b>	<b>100,0 %</b>	<b>20 079 397</b>	<b>100,0 %</b>

## 8. DEFAULTED LOANS

NOK THOUSAND	31.03.2015	31.03.2014	31.12.2014
Gross defaulted loans			
31 - 60 days	2 274	11 923	0
61 - 90 days	0	0	0
Over 90 days	0	0	0
<b>Total gross defaulted loans</b>	<b>2 274</b>	<b>11 923</b>	<b>0</b>

## 9. DEBT INCURRED DUE TO ISSUE OF SECURITIES AS AT 31.03.2015

ISIN Number	Ticker	Nominal value	Book value	Repayment- structure	Coupon	Due date
NO0010572118	SORB11	249 000	249 900	No instalments	Nibor 3 mths	23.04.2015
NO0010503410	SORB18	6 500	6 502	No instalments	Nibor 3 mths	28.09.2015
NO0010625841	SORB03	279 000	280 728	No instalments	Nibor 3 mths	05.10.2015
NO0010575210	SORB12	306 000	306 512	No instalments	Nibor 3 mths	26.11.2015
NO0010593437	SORB13	425 000	425 344	No instalments	Nibor 3 mths	14.12.2015
NO0010512502	SORB17	1 500	1 502	No instalments	Nibor 3 mths	14.12.2015
NO0010515406	SORB16	142 000	142 122	No instalments	Nibor 3 mths	16.03.2016
NO0010605801	SORB19	760 000	759 935	No instalments	Nibor 3 mths	30.03.2016
NO0010614688	SORB01	1 200 000	1 200 454	No instalments	Nibor 3 mths	29.06.2016
NO0010641624	SORB20	1 000 000	1 000 835	No instalments	Nibor 3 mths	28.03.2017
NO0010623945	SORB02	1 200 000	1 200 412	No instalments	Nibor 3 mths	24.08.2017
NO0010649056	SORB06	1 250 000	1 255 862	No instalments	Nibor 3 mths	20.06.2018
NO0010673296	SORB21	2 000 000	2 006 329	No instalments	Nibor 3 mths	14.09.2018
NO0010699341	SORB23	800 000	800 079	No instalments	Nibor 3 mths	13.03.2019
NO0010679806	SORB10	2 000 000	2 010 534	No instalments	Nibor 3 mths	22.05.2019
NO0010689680	SORB22	1 000 000	999 583	No instalments	Nibor 3 mths	18.09.2019
NO0010664659	SORB07	800 000	802 049	No instalments	Nibor 3 mths	27.11.2019
NO0010714058	SORB24	2 000 000	2 001 091	No instalments	Nibor 3 mths	24.06.2020
NO0010733421	SORB26	2 000 000	1 997 598	No instalments	Nibor 3 mths	24.09.2020
NO0010730146	SORB25	2 000 000	1 999 568	No instalments	Nibor 3 mths	16.06.2021
NO0010671597	SORB09	350 000	394 333	No instalments	fixed 3.85 %	13.02.2023
NO0010670409	SORB08	500 000	588 369	No instalments	fixed 4.00 %	24.01.2028
<b>Total</b>		<b>20 269 000</b>	<b>20 429 642</b>			

# Notes

## 10. COVER POOL

NOK THOUSAND	31.03.2015	31.03.2014	31.12.2014
Gross loans secured with mortgage on dwelling (residential mortgage loans)*	23 888 326	22 098 779	19 980 952
Receivables representing collateral	57 034	85 392	12 588
<b>Total cover pool</b>	<b>23 945 360</b>	<b>22 184 171</b>	<b>19 993 540</b>
Collateralisation ratio	118 %	116 %	116 %

\*Cover pool composition is defined in the Financial Institutions Act section 2-28.

## 11. ASSOCIATED PARTIES

NOK THOUSAND	31.03.2015	31.03.2014	31.12.2014
<b>Profit</b>			
Interest income from Sparebanken Sør on deposits	181	7 755	16 437
Interest cost and credit commission from Sparebanken Sør on loans/credit	7 157	11 093	46 319
Interest cost on bond debts to Sparebanken Sør	538	20 924	44 892
Paid administration fees to Sparebanken Sør	10 559	2 169	32 521
<b>Balance sheet</b>			
Bank deposits in Sparebanken Sør	57 034	0	12 588
Covered bonds owned by Sparebanken Sør (nominal value)	0	2 000 000	0
Loan/credit in Sparebanken Sør	1 825 636	1 443 883	1 330 419

## QUARTERLY PROFIT TREND

NOK THOUSAND	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	97 985	101 527	96 154	109 591	118 496
Net other operating income	-3 910	-11 188	-2 386	-10 463	-15 977
Operating expenses	11 565	11 228	10 908	10 944	4 542
<b>Profit before losses on loans</b>	<b>82 510</b>	<b>79 111</b>	<b>82 860</b>	<b>88 184</b>	<b>97 977</b>
Losses on loans	0	0	0	0	0
<b>Profit before taxes</b>	<b>82 510</b>	<b>79 111</b>	<b>82 860</b>	<b>88 184</b>	<b>97 977</b>
Tax expenses	22 278	21 389	22 357	23 763	26 500
<b>Profit for the period</b>	<b>60 232</b>	<b>57 722</b>	<b>60 503</b>	<b>64 421</b>	<b>71 477</b>

# SPAREBANKEN SØR BOLIGKREDITT AS

