

QUARTER 1
2016
(UNAUDITED)



**SPAREBANKEN SØR
BOLIGKREDITT AS**

Contents

Report from the Board of Directors	3
Income statement	5
Balance sheet	6
Cash flow statement	7
Equity statement	8
Notes	9
Quarterly profit trend	12

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 2016, Sparebanken Sør Boligkreditt AS has taken on a mortgage loan portfolio amounting to NOK 28 623 million, transferred from Sparebanken Sør, of which NOK 28 547 million is included in the cover pool. Corresponding figures at the end of the first quarter 2015 was respectively NOK 23 995 million and NOK 23 888 million. Sparebanken Sør Boligkreditt AS has issued covered bonds amounting to NOK 25 921 million, against NOK 22 027 million at the same time in 2015.

In the third quarter an EMTCN (European Medium Term Covered Note) program was established with a limit of Euro 4 000 million for Sparebanken Sør Boligkreditt AS. The program allows the company to diversify funding by issuing covered bonds outside the Norwegian bond market. In the first quarter of 2016 the company issued covered bonds amounted to EUR 500 million as a part of the program.

Income statement and balance sheet

The financial statement of Sparebanken Sør Boligkreditt AS in Q1 2016 shows a profit after tax of NOK 40.1 million, against NOK 60.2 million in the same period in 2015. The company has interest income of NOK 183.9 million (191.6 in 2015) and interest expenses of NOK 101.2 million (93.6 in 2015).

In March 2016 the company issued its first covered bonds in Euro under the EMTCN program. The earnings impact related to changes in the value of the basis swaps, affected net income from financial instruments by minus NOK 14.1 million in Q1.

Basis swaps are long term contracts, where the currency is converted to NOK, entered to hedge long term funding in international capital markets. These are hedging instruments, and assuming the underlying bond is held to maturity, the change in market value over the instruments duration equals zero. Accounting effects are therefore reversed over time.

Operating expenses amounted to NOK 13.7 million (11.6) and tax expenses was NOK 13.3 million (22.3).

Total assets as at 31.03.2016 are NOK 28 832 million, of which net loans to customers represent NOK 28 617 million. At the same time in 2015 total assets were NOK 24 178 million, of which net loans to customers were NOK 23 989 million. The loan portfolio has been financed through issue of bonds with a value of NOK 25 921 million and through equity and drawing rights from Sparebanken Sør. As at 31.03.2016, 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 an overdraft facility of NOK 5 500 million with Sparebanken Sør that, as at 31.03.2016, was drawn down by NOK 733 million. In addition, the company has a revolving credit facility with Sparebanken Sør, which can be used to refinance outstanding bonds.

Capital strength

At the end of Q1 2016, the net equity capital in the company was NOK 2 003 million, against NOK 1 761 million at the same time in 2015. This corresponds to a total capital ratio/core tier 1 capital ratio of 16.9 percent (15.8 percent in 2015), while regulatory minimums requirements constitute respectively 14.5 percent and 11 percent. 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 good. The company's leverage ratio was 6.4 percent at the end of Q1 2016.

Risks

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 high 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 bonds issued by the company have high rating.

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) in floating interest rate. Financing is done by issuance of both floating and fixed rate bonds in NOK and EUR. Foreign currency debt is swapped to NOK and liabilities established at fixed rates are swapped to floating rates. Accounting of foreign currency debt and debt at fixed interest rates comply with the rules on hedge accounting.

The Board of Directors considers the overall market risk to be low.

The company issues bonds with the opportunity to extend the maturity period by up to 12 months. In other respects, financing needs are met by using equity and credit facilities with 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 in NOK and EUR have been given a Aaa rating by Moody's.

Future prospects

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

Sparebanken Sør Boligkreditt AS plans to further acquire loans from Sparebanken Sør, and the company intends to be able to issue new public covered bonds towards investors in Norway or abroad.

Kristiansand, 26th April 2016

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	31.03.2016	31.03.2015	31.12.2015
Interest income	2, 12	183 883	191 593	762 485
Interest expenses	2, 12	101 152	93 607	381 456
Net interest income	2	82 731	97 985	381 029
Commission income		40	38	162
Commission expenses		1 250	1 250	5 000
Net commission income		-1 210	-1 212	-4 838
Net change in value from financial instruments	3	-14 137	-2 698	5 048
Personnel expenses		0	0	46
Depreciation of intangible assets		0	0	0
Other operating expenses		13 698	11 565	50 036
Total expenses		13 698	11 565	50 082
Profit before losses on loans		53 686	82 510	331 157
Losses on loans		232	0	0
Profit before taxes		53 454	82 510	331 157
Tax expenses	4	13 327	22 278	89 545
Profit for the period		40 127	60 232	241 612
Other comprehensive income				
Profit for the period		40 127	60 232	241 612
Other income and expenses		0	0	0
Total profit for the period		40 127	60 232	241 612

Balance sheet

NOK Thousand				
ASSETS	Notes	31.03.2016	31.03.2015	31.12.2015
Loans to and receivables from credit institutions	10,12	32 696	57 034	50 081
Net loans to customers	5,8,9,11	28 616 712	23 988 508	25 686 328
Bonds and certificates		0	0	100 268
Financial derivatives		167 111	131 692	154 124
Deferred tax assets		3 862	390	360
Other assets		12 114	337	13
TOTAL ASSETS		28 832 495	24 177 960	25 991 175
LIABILITIES AND EQUITY CAPITAL				
Debt to credit institutions	6,12	732 961	1 825 636	1 862 491
Debt incurred due to issue of securities	10,12	25 920 673	20 429 642	22 027 073
Financial derivatives	3	70 413	2 664	2 418
Payable tax		59 019	91 869	89 398
Other liabilities		6 218	5 518	6 710
TOTAL LIABILITIES		26 789 283	22 356 256	23 988 090
EQUITY CAPITAL				
Paid-in equity capital		1 025 000	1 025 000	1 025 000
Retained earnings		1 018 212	796 705	978 085
TOTAL EQUITY CAPITAL	7	2 043 212	1 821 705	2 003 085
TOTAL LIABILITIES AND EQUITY CAPITAL		28 832 495	24 177 960	25 991 175

Kristiansand, 26th April 2016

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

Cash flow statement

NOK Thousand	31.03.2016	31.03.2015	31.12.2015
Interest payment received	182 532	189 506	762 720
Interest payment made	-88 914	-95 782	-382 015
Operating cost payment	-14 538	-12 202	-55 767
Change in loans to customers	-2 928 607	-3 907 024	-5 607 166
Tax payment	-47 209	-24 706	-94 384
Net cash flow from operational activities	-2 896 736	-3 850 208	-5 376 612
Changes in bonds and certificates	100 268	299 466	199 198
Changes in other assets	-12 101	-337	-13
Changes in deposits from credit institutions	-1 127 657	495 217	530 072
Changes in other liabilities	-862	-492	-428
Net cash flow from current financing activities	-1 040 352	793 854	728 829
Paid in share capital	-	-	-
Payments received, bond debt	4 760 000	3 994 940	11 423 230
Payments made, bond debt	-840 298	-894 140	-6 737 954
Net Cash flow from long-term financing activities	3 919 702	3 100 800	4 685 276
Net change in liquid assets	-17 385	44 446	37 493
Liquid assets as at 01.01.	50 081	12 588	12 588
Liquid assets at end of period	32 696	57 034	50 081

Equity statement

	Equity			Total
	Equity capital	premium reserve	Other equity capital	
NOK Thousand				
Balance 31.12.2013	525 000	0	244 555	769 555
Equity added through merger	0	500 000	237 795	737 795
Profit 2014	0	0	254 123	254 123
Balance 31.12.2014	525 000	500 000	736 473	1 761 473
Profit 2015	0	0	241 612	241 612
Balance 31.12.2015	525 000	500 000	978 085	2 003 085
Profit 01.01.2016 - 31.03.2016	0	0	40 127	40 127
Balance 31.03.2016	525 000	500 000	1 018 212	2 043 212

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 it follows the same accounting principles as the Group. Please refer to the annual financial statements for 2015 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	31.03.2016	31.03.2015	31.12.2015
Interest on loans given to and receivables from credit institutions	58	181	374
Interest on loans given to customers	183 647	190 878	760 666
Interest on certificates/bonds/interest-bearing securities	177	534	1 445
Total interest income	183 882	191 593	762 485
Interest on debt to credit institutions	8 192	5 907	30 641
Interest on issued securities	92 959	87 700	350 545
Other interest cost	0	0	270
Total interest expenses	101 151	93 607	381 456
Net interest income	82 731	97 985	381 029

3. NET CHANGE IN VALUE FROM FINANCIAL INSTRUMENTS

NOK Thousand	31.03.16	31.03.15	31.12.15
Profit (loss) and change in value from covered bonds	-120	0	0
Net income from covered bonds	-120	0	0
Change in value fixed rate bonds - hedge accounting	476	-1 466	1 240
Change in value derivatives fixed rate bonds - designated as hedging instrument	-14 338	1 779	-1 009
Net income hedging	-13 862	313	231
Whereof effects from basis swaps (1)	-15 400	0	
Profit (loss) buyback of own bonds - amortized cost	-155	-3 011	4 817
Net other financial instruments and derivatives	-155	-3 011	4 817
Net income from financial instruments	-14 137	-2 698	5 048

1) The company issued covered bonds in Euro, secured by basis swaps. Change in value of basis swaps is a result of changes in capital markets, and emerges as hedging-inefficiency. This effect is recognized in the income statement.

Basis swaps are long term contracts, where the currency is converted to NOK, entered to long term funding in international markets. These are hedging instruments, and assuming the underlying bond is held to maturity, the change in market value over the instruments duration equals zero. Accounting effects are therefore reversed over time.

4. TAXES

A tax rate of 25 percent is assumed.

5. DEBT TO ASSET RATIO

	31.03.2016	31.03.2015	31.12.2015
Average debt to asset ratio in %	54.0	54.2 %	55.3 %
Portfolio divided into intervals of debt to asset ratio			
Less than or equal to 40 %	21.0 %	21.5 %	19.9 %
41 - 50 %	13.4 %	13.5 %	13.1 %
51 - 60 %	20.8 %	18.8 %	19.6 %
61 - 70 %	34.4 %	32.1 %	30.4 %
71 - 75 %	7.4 %	9.3 %	11.7 %
over 75 %	2.9 %	4.8 %	5.3 %
Total	100.0 %	100.0 %	100.0 %

6. 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 refinance outstanding bonds.

7. 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	31.03.2016	31.03.2015	31.12.2015
Equity capital			
Equity capital	525 000	525 000	525 000
Equity premium reserve	500 000	500 000	500 000
Other equity capital	978 085	736 473	978 085
Deductions	0	0	0
Net equity capital (core capital)	2 003 085	1 761 473	2 003 085
Minimum requirement for equity capital			
Credit risk	869 456	823 720	788 144
Market risk	0	0	0
Operational risk	50 727	55 247	55 247
CVA addition	29 008	15 997	18 125
Deductions	0	0	0
Total minimum requirement for equity capital	949 192	894 964	861 516
Risk-weight balance (calculation basis)	11 864 896	11 187 052	10 768 850
Core tier 1 capital ratio	16.88 %	15.75 %	18.60 %
Core capital ratio	16.88 %	15.75 %	18.60 %
Total capital ratio	16.88 %	15.75 %	18.60 %

8. LOANS TO CUSTOMERS

NOK Thousand	31.03.2016	31.03.2015	31.12.2015
Loans assessed at amortized cost			
Flexi-loans (revolving loans)	8 208 269	7 438 042	7 006 813
Repayment loans	20 414 674	16 556 466	18 685 515
Gross loans	28 622 943	23 994 508	25 692 328
Collective write-downs	6 231	6 000	6 000
Net loans	28 616 712	23 988 508	25 686 328
Unused credit on Flexi-loans	2 434 809	3 026 434	3 058 316

Loans distributed to sectors and industries	31.03.2016	31.03.2015	31.12.2015
Retail customers	28 434 456	23 826 064	25 511 406
Corporate customers *)	162 190	141 175	155 975
Accrued interests	26 297	27 269	24 947
Gross loans	28 622 943	23 994 508	25 692 328
Collective write-downs	6 231	6 000	6 000
Net loans	28 616 712	23 988 508	25 686 328

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

Loans distributed by geographical areas	31.03.2016		31.03.2015		31.12.2015	
Vest-Agder	12 716 867	44.4 %	10 537 843	43.9 %	11 371 489	44.3 %
Aust-Agder	8 078 456	28.2 %	7 433 570	31.0 %	7 362 269	28.7 %
Telemark	2 378 929	8.3 %	1 971 113	8.2 %	2 120 368	8.3 %
Oslo	2 450 181	8.6 %	1 728 016	7.2 %	2 188 032	8.5 %
Akershus	1 075 735	3.8 %	809 185	3.4 %	916 137	3.6 %
Øvrige fylker	1 916 544	6.7 %	1 508 781	6.3 %	1 728 033	6.7 %
Total	28 616 712	100.0 %	23 988 508	100.0 %	25 686 328	100.0 %

9. DEFAULTED LOANS

NOK Thousands	31.03.2016	31.03.2015	31.12.2015
Gross defaulted loans			
31 - 60 days	11 631	2 274	1 443
61 - 90 days			
Over 90 days			
Total gross defaulted loans	11 631	2 274	1 443

10. DEBT SECURITIES ISSUED AS AT 31.03.2016

ISIN Number	Ticker	Currency	Nominal value	Interest rate type	Coupon	Due date	Book value
NO0010614688	SORB01	NOK	513 500	Floating	3M Nibor	29.06.2016	513 670
NO0010641624	SORB20	NOK	1 000 000	Floating	3M Nibor	28.03.2017	1 000 495
NO0010623945	SORB02	NOK	1 200 000	Floating	3M Nibor	24.08.2017	1 200 870
NO0010673296	SORB21	NOK	4 500 000	Floating	3M Nibor	14.09.2018	4 505 346
NO0010679806	SORB10	NOK	4 500 000	Floating	3M Nibor	22.05.2019	4 498 948
NO0010664659	SORB07	NOK	28 000	Floating	3M Nibor	27.11.2019	28 128
NO0010714058	SORB24	NOK	4 500 000	Floating	3M Nibor	24.06.2020	4 449 214
NO0010733421	SORB26	NOK	2 000 000	Floating	3M Nibor	24.09.2020	1 997 617
XS1383921803		EUR	500 000	Fixed	0.25 %	22.03.2021	4 722 044
NO0010730146	SORB25	NOK	2 000 000	Floating	3M Nibor	16.06.2021	1 999 622
NO0010671597	SORB09	NOK	350 000	Fixed	3.85 %	13.02.2023	405 180
NO0010670409	SORB08	NOK	500 000	Fixed	4.00 %	24.01.2028	599 539
TOTAL							25 920 673

11. COVER POOL

NOK Thousands	31.03.2016	31.03.2015	31.12.2015
Gross loans secured by mortgages on residential property *	28 547 180	23 888 326	25 595 452
Total cover pool	28 547 180	23 888 326	25 595 452
Collateralisation ratio	113 %	118 %	117 %

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

12. ASSOCIATED PARTIES

NOK Thousands	31.03.2016	31.03.2015	31.12.2015
Income statement			
Interest income from Sparebanken Sør on deposits	58	181	374
Interest cost and credit commission from Sparebanken Sør on loans/credit	9 442	7 157	35 642
Interest cost on security debts to Sparebanken Sør	7	538	2 573
Paid administration fees to Sparebanken Sør	12 586	10 559	44 228
Balance sheet			
Bank deposits with Sparebanken Sør	32 696	57 034	50 081
Covered bonds owned by Sparebanken Sør	0	0	0
Loan/credit in Sparebanken Sør	732 835	1 825 636	1 860 492

QUARTERLY PROFIT TREND

NOK Thousands	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	82 731	92 512	92 536	97 996	97 985
Net other operating income	-15 347	11 960	-1 438	-6 402	-3 910
Operating expenses	13 698	13 248	13 107	12 162	11 565
Profit before losses on loans	53 686	91 224	77 991	79 432	82 510
Losses on loans	232	0	0	0	0
Profit before taxes	53 454	91 224	77 991	79 432	82 510
Tax expenses	13 327	24 763	21 058	21 446	22 278
Profit for the period	40 127	66 461	56 933	57 986	60 232



SPAREBANKEN SØR BOLIGKREDITT AS

Sparebanken Sør Pb. 200, 4662 Kristiansand | www.sor.no | tlf. 09200