

QUARTER 3 2014
(UNAUDITED)



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

General

Pluss Boligkreditt AS and Sør Boligkreditt AS merged on 4 March 2014. Pluss Boligkreditt AS was the takeover company, and the company changed its name to Sør Boligkreditt AS. The merger was completed with accounts-related effect from 1 January 2014, and has been carried out with continuity for accounting purposes. As a result of the merger, the comparison figures for this year are not directly comparable, as the figures for the same period in 2013 are figures for Pluss Boligkreditt AS.

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. Sør Boligkreditt AS is part of Sparebanken Sør's long-term financial strategy, according to which the company's main objective is the issuing of covered bonds. All shares are owned by Sparebanken Sør, and the financial statements are consolidated into the consolidated financial statements of Sparebanken Sør.

The cover pool comprises mortgage home loans granted by Sparebanken Sør that have been taken over by Sør Boligkreditt AS. The mortgage loans fulfil the requirements established by the company for inclusion in its 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 third quarter 2014, the company has taken on a home loan portfolio amounting to NOK 21,202 million, transferred from Sparebanken Sør, which is included in the company's cover pool, and Sør Boligkreditt AS had issued covered bonds amounting to NOK 18,175 million.

Income statement/balance sheet development

The financial statements for Sør Boligkreditt AS at the end of the third quarter of 2014 show a profit after tax of NOK 196.4 million. The company has interest income of NOK 682.9 million and interest costs of NOK 358.7 million. Operating expenses amounted to NOK 26.4 million and tax expenses was NOK 72.6 million.

Total assets as at 30 September 2014 are NOK 21,415 million, of which net loans to customers represent NOK 21,202 million. The loan portfolio is financed via bond emission of NOK 18,175 million and drawing rights from Sparebanken Sør. As at 30 September 2014, 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.

Sør Boligkreditt AS has drawing rights of NOK 5,500 million in Sparebanken Sør, that as at 30 September 2014 was drawn down by NOK 1,307 million. In addition, 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 third quarter, the capital base in the company was NOK 1,507.3 million. This corresponds to a total capital ratio/core tier 1 capital ratio of 16.27%. The total capital 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.

Risk

As a licensed mortgage company, 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 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 Sør Boligkreditt AS. The Board of Directors considers the overall quality of the lending portfolio to be very good and the credit risk to be low.

4 Report from the Board of Directors

The mortgage company's loans are in Norwegian kroner at floating rates of interest. Financing is carried out at floating interest rates, with the exception of a minor part that is taken up at a fixed rate of interest, swapped to floating interest. At the end of the 3rd quarter 2014, Sør Boligkreditt AS had no positions in foreign currency. The Board of Directors considers the overall market risk to be low.

Sør Boligkreditt AS 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. The Board of Directors considers the company's operational risk to be low.

Rating

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

Future prospects

The Board of Directors anticipates that the company's operating environment will continue to be satisfactory.

Sør Boligkreditt AS plans further acquisition of loans from Sparebanken Sør, and the Company intends to issue new covered bonds for sale to investors in Norway or abroad.

Kristiansand 28 October 2014

The Board of Directors of Sør Boligkreditt AS

Geir Bergskaug
Chairman

Seunn Smith-Tønnessen
Board member

Rolf H. Søraker
Board member

Bjørn Friestad
Board member

Marianne Lofthus
Managing director

NOK Thousand	Notes	30.09.2014	30.09.2013	2013
Interest income	2,11	682 921	346 512	466 003
Interest expenses	2,11	358 680	191 823	253 380
Net interest income	2	324 241	154 689	212 623
Commission income		195	74	104
Commission expenses		3 750	3 750	5 000
Net commission expenses		3 555	3 676	4 896
Net change in value from financial instruments		-25 272	-9 754	-15 909
Personnel expenses		212	0	0
Depreciation of intangible assets		7	283	377
Other operating expenses		26 175	6 275	8 541
Total expenses		26 393	6 558	8 918
Profit before losses on loans		269 020	134 701	182 900
Losses on loans		0	0	0
Profit before taxes		269 020	134 701	182 900
Tax expenses	3	72 620	37 716	51 212
Profit for the period		196 400	96 985	131 688
Other comprehensive income				
Profit for the period		196 400	96 985	131 688
Other income and expenses		0	0	0
Total comprehensive income for the period		196 400	96 985	131 688

Balance Sheet

NOK Thousand

ASSETS	Notes	30.09.2014	30.09.2013	2013
Loans to and receivables from credit institutions	10	117 513	0	0
Net loans to customers	4,7,8,10	21 202 351	11 531 339	11 319 904
Financial derivatives		94 327	0	0
Deferred tax assets		535	117	149
Other assets		0	1 044	7
TOTAL ASSETS		21 414 726	11 532 500	11 320 060
LIABILITIES AND EQUITY				
Debts to credit institutions	5,11	1 306 903	598 892	529 506
Debt incurred due to issue of securities	9,11	18 295 975	10 159 312	9 969 755
Financial derivatives		3 298	1 728	0
Payable tax	3	94 814	37 716	51 244
Other liabilities		9 985	0	0
Total liabilities		19 710 975	10 797 648	10 550 505
Equity				
Paid-in equity capital		1 025 000	525 000	525 000
Retained earnings		678 751	209 852	244 555
Total equity capital	6	1 703 751	734 852	769 555
TOTAL LIABILITIES AND EQUITY CAPITAL		21 414 726	11 532 500	11 320 060

Kristiansand 28 October 2014

The Board of Directors of Sør Boligkreditt AS

Geir Bergskaug
Chairman

Seunn Smith-Tønnessen
Board member

Rolf H. Søraker
Board member

Bjørn Friestad
Board member

Marianne Lofthus
Managing director

Cash Flow Statement

NOK Thousand	30.09.2014	30.09.2013	2013
Interest payments received	687 879	345 651	464 353
Interest payments made	-336 543	-191 681	-253 940
Operating costs payment	-27 013	-10 234	0
Changes in loans to customers	2 006 692	-968 211	-756 231
Tax payment	-98 186	-33 237	-33 237
Net cash flow from operational activities	2 232 830	-857 712	-579 055
Changes in other assets	-56 966	0	104
Changes in deposits from credit institutions	-422 796	43 989	-25 397
Changes in other liabilities	-619	0	-13 918
Transferred cash through merger	1 164 879	0	0
Net cash flow from current financing activities	684 498	43 989	-39 211
Paid in share capital	0	75 000	75 000
Changes in debt due to issue of securities	2 799 816	738 723	543 266
Net cash flow from long-term financing activities	2 799 816	813 723	618 266
Net change in liquid assets	117 513	0	0
Cash and cash equivalents as at 01.01	0	0	0
Cash and cash equivalents at end of period	117 513	0	0

Equity Statement

	Share capital	Share premium reserve	Other equity	Total
NOK Thousand				
Balance 31.12.2012	450 000	0	112 867	562 867
Profit 01.01-30.09.2013	0	0	96 985	96 985
Share capital increase 27.09.2013	75 000	0	0	75 000
Balance 30.09.2013	525 000	0	209 852	734 852
Profit 01.10-31.12.2013	0	0	34 703	34 703
Balance 31.12.2013 / 01.01.2014	525 000	0	244 555	769 555
Equity added through merger	0	500 000	237 795	737 795
Profit 01.01.-30.09.2014	0	0	196 400	196 400
Balance 30.09.2014	525 000	500 000	678 751	1 703 751

For the statement of changes in equity as at 31.12.13, refer to the financial statement for 2013.

1. ACCOUNTING PRINCIPLES

Pluss Boligkreditt AS and Sør Boligkreditt AS merged in the 1st quarter 2014. Pluss Boligkreditt AS was the takeover company, and the company changed its name to Sør Boligkreditt AS. The merger has been carried out with continuity for accounting purposes.

The quarterly financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as stipulated by the EU. Sør Boligkreditt AS is part of the Sparebanken Sør group and follows the same accounting principles as the group. Please refer to Pluss Boligkreditt AS' annual financial statements for 2013 for further details of accounting principles.

The quarterly financial statements have not been audited.

All sums in the financial statements are stated in NOK 1,000, unless otherwise indicated. The company's financial statements are presented in Norwegian kroner, which is the functional currency.

Comparison figures for previous periods are historical financial figures for Pluss Boligkreditt AS. For a relevant comparison, the financial statements should be viewed in context with previously submitted statements for both Pluss Boligkreditt AS and Sør Boligkreditt AS.

2. NET INTEREST INCOME

NOK Thousand	30.09.2014	30.09.2013	2013
Interest on loans given to and receivables from credit institutions	15 942	4	4
Interest on loans given to and receivables from customers	666 979	346 508	465 999
Total interest income	682 921	346 512	466 003
Interest on debt to credit institutions	29 568	10 150	12 935
Interest on issued securities	329 098	181 673	240 445
Other interest cost	14		
Total interest expenses	358 680	191 823	253 380
Net interest income	324 241	154 689	212 623

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% in 2014.

4. DEBT TO ASSET RATIO

	30.09.2014	30.09.2013	2013
Average debt to asset ratio in %	54.9 %	52.2 %	58.1 %
Portfolio divided into intervals of debt to asset ratio:			
less than or equal to 40%	22.3 %	19.8 %	17.9 %
41 - 50 %	12.2 %	13.3 %	11.6 %
51 - 60 %	17.1 %	18.6 %	16.4 %
61 - 70 %	28.2 %	30.9 %	25.0 %
71 - 75 %	12.9 %	12.1 %	16.3 %
over 75 %	7.3 %	5.4 %	12.8 %
Total	100.0 %	100.00 %	100.0 %

5. DEBTS TO CREDIT INSTITUTIONS

The company has entered into an agreement with Sparebanken Sør for a credit facility of NOK 5,500 million. In addition, 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.

6. CAPITAL ADEQUACY

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 the capital adequacy rules - Basel II.

NOK Thousand	30.09.2014	30.09.2013	2013
Equity capital			
Share capital	525 000	525 000	525 000
Share premium reserve	500 000		
Other equity	482 350	112 868	244 555
Deductions	0	0	0
Net equity capital (core capital)	1 507 350	637 868	769 555
Minimum requirement for equity capital			
Credit risk	691 370	347 000	341 923
Market risk	0	0	0
Operational risk	39 753	11 673	11 567
CVA addition	10 230	-	-
Deductions	-	0	0
Total minimum requirement for equity capital	741 353	358 673	353 490
Risk-weighted balance (calculation basis)	9 266 910	4 483 413	4 418 625
Core tier 1 capital ratio	16.27 %	14.23 %	17.42 %
Core capital ratio	16.27 %	14.23 %	17.42 %
Total capital ratio	16.27 %	14.23 %	17.42 %

7. LENDING TO CUSTOMERS

NOK Thousand	30.09.2014	30.09.2013	2013
Loans assessed at amortised cost			
Flexi-loans (revolving loans)	7 497 364	5 531 568	5 386 007
Repayment loans	13 710 987	5 999 771	5 933 897
Gross loans	21 208 351	11 531 339	11 319 904
Collective write-downs	6 000	0	0
Net loans	21 202 351	11 531 339	11 319 904
Unused credit on Flexi-loans	2 740 863	1 666 947	1 730 440

Loans distributed to sector and industries	30.09.2014	30.09.2013	2013
Retail customers	20 830 753	11 446 954	11 243 902
Corporate customers *)	353 138	75 505	63 153
Accrued interest	24 460	8 880	12 849
Gross loans	21 208 351	11 531 339	11 319 904
Collective write-downs	6 000	0	0
Net loans	21 202 351	11 531 339	11 319 904

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

Loans distributed by geographical areas (in NOK Thousand)

	30.09.2014		30.09.2013		2013	
Vest-Agder	9 483 408	44.7 %	7 505 165	65.1 %	7 410 329	65.5 %
Aust-Agder	6 475 560	30.5 %	2 101 459	18.2 %	2 014 471	17.8 %
Telemark	1 722 052	8.1 %	47 434	0.4 %	47 022	0.4 %
Oslo	1 513 170	7.1 %	742 947	6.4 %	723 667	6.4 %
Akershus	704 206	3.3 %	361 225	3.1 %	344 801	3.0 %
Other counties	1 303 956	6.3 %	773 099	6.7 %	779 614	6.9 %
Total	21 202 351	100.0 %	11 531 339	100.0 %	11 319 904	100.0 %

8. DEFAULTED LOANS

NOK Thousand	30.09.2014	30.09.2013	2013
Gross defaulted loans			
31 - 60 days	0	0	441
61 - 90 days	4 280	0	0
Over 90 days	0	0	0
Total gross defaulted loans	4 280	0	441

9. DEBT INCURRED DUE TO ISSUE OF SECURITIES

ISIN Number	Ticker	Nominal value	Repayment structure	Coupon	Due date
NO0010520406	SORB14	11 000	No instalments	Nibor 3 months	16.03.2015
NO0010633415	SORB05	1 130 000	No instalments	Nibor 3 months	23.03.2015
NO0010572118	SORB11	697 000	No instalments	Nibor 3 months	23.04.2015
NO0010503410	SORB18	6 500	No instalments	Nibor 3 months	28.09.2015
NO0010625841	SORB03	1 200 000	No instalments	Nibor 3 months	05.10.2015
NO0010575210	SORB12	500 000	No instalments	Nibor 3 months	26.11.2015
NO0010593437	SORB13	1 000 000	No instalments	Nibor 3 months	14.12.2015
NO0010512502	SORB17	31 500	No instalments	Nibor 3 months	14.12.2015
NO0010515406	SORB16	249 000	No instalments	Nibor 3 months	16.03.2016
NO0010605801	SORB19	1 000 000	No instalments	Nibor 3 months	30.03.2016
NO0010614688	SORB01	1 200 000	No instalments	Nibor 3 months	29.06.2016
NO0010641624	SORB20	1 000 000	No instalments	Nibor 3 months	28.03.2017
NO0010623945	SORB02	1 200 000	No instalments	Nibor 3 months	24.08.2017
NO0010649056	SORB06	1 250 000	No instalments	Nibor 3 months	20.06.2018
NO0010673296	SORB21	1 500 000	No instalments	Nibor 3 months	14.09.2018
NO0010699341	SORB23	800 000	No instalments	Nibor 3 months	13.03.2019
NO0010679806	SORB10	1 250 000	No instalments	Nibor 3 months	22.05.2019
NO0010689680	SORB22	1 000 000	No instalments	Nibor 3 months	18.09.2019
NO0010664659	SORB07	800 000	No instalments	Nibor 3 months	27.11.2019
NO0010714058	SORB24	1 500 000	No instalments	Nibor 3 months	24.06.2020
NO0010671597	SORB09	350 000	No instalments	Fixed 3.85 %	13.02.2023
NO0010670409	SORB08	500 000	No instalments	Fixed 4.00 %	24.01.2028
Total		18 175 000			

10. COVER POOL

NOK Thousand	30.09.2014	30.09.2013	2013
Gross loans secured with mortgage on dwelling (residential mortgage loans)*	21 122 696	11 503 410	11 319 904
Receivables representing collateral	117 513	0	0
Total cover pool	21 240 209	11 503 410	11 319 904
Collateralisation ratio	117 %	113 %	114 %

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

11. ASSOCIATED PARTIES

NOK Thousand	30.09.2014	30.09.2013	2013
Profit			
Interest from Sparebanken Sør on deposits	15 942	0	0
Interest and credit commissions from Sparebanken Sør in loans/credit	29 568	13 857	17 876
Interest costs on bond debts to Sparebanken Sør	36 760	74 800	90 684
Paid administration fees to Sparebanken Sør	22 336	2 535	3 384
Balance sheet			
Bank deposits in Sparebanken Sør	117 513	0	0
Covered bonds owned by Sparebanken Sør (nominal value)	1 331 000	2 822 000	1 833 000
Loans/credit in Sparebanken Sør	1 306 903	598 892	529 506

QUARTERLY PROFIT TREND

NOK Thousand	3. quarter	2. quarter	1. quarter	4. quarter	3. quarter
	2014	2014	2014	2013	2013
Net interest income	96 154	109 591	118 496	57 932	57 942
Net other operating income	-2 386	-10 463	-15 977	-7 373	-8 348
Expenses	10 908	10 944	4 542	2 360	2 046
Profit before losses on loans	82 860	88 184	97 977	48 199	47 548
Losses on loans	0	0	0	0	0
Profit before taxes	82 860	88 184	97 977	48 199	47 548
Taxes	22 357	23 763	26 500	13 496	13 313
Profit for the period	60 503	64 421	71 477	34 703	34 235

SØR BOLIGKREDITT AS

