

QUARTER 4 2014
(UNAUDITED)



SPAREBANKEN SØR
BOLIGKREDITT AS

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General

Pluss Boligkreditt AS and Sør Boligkreditt AS merged on 4 March 2014. Pluss Boligkreditt AS was the acquiring company. The new company changed its name to Sør Boligkreditt AS at the time of the merger, and later in 2014 the name was changed to Sparebanken 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.

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 consolidated financial statements of Sparebanken Sør.

The cover pool comprises mortgage home loans granted by Sparebanken Sør that have been taken over by Sparebanken 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 4th quarter 2014, the company has taken on a home loan portfolio amounting to NOK 20,085 million, transferred from Sparebanken Sør, which is included in the company's cover pool, and Sparebanken Sør Boligkreditt AS had issued covered bonds amounting to NOK 17,161 million.

Income statement / balance sheet development

The financial statement for Sparebanken Sør Boligkreditt AS at the end of the 4th quarter of 2014 show a profit after tax of NOK 254.1 million. The company has interest income of NOK 898.8 million and interest expenses of NOK 473.0 million. Operating expenses amounted to NOK 37.6 million and tax expenses was NOK 94.0 million.

Total assets as at 31 December 2014 are NOK 20,547 million, of which net loans to customers represent NOK 20,079 million. The loan portfolio has been financed through issue of bonds with a nominal value of NOK 17,161 million, and equity and drawing rights from Sparebanken Sør. As at 31 December 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.

Sparebanken Sør Boligkreditt AS has drawing rights of NOK 5,500 million in Sparebanken Sør, that as at 31 December 2014 was drawn down by NOK 1,330 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 fourth quarter, the capital base in the company was NOK 1,761.5 million. This corresponds to a total capital ratio/core tier 1 capital ratio of 19.38%, while regulatory minimums requirements constitute respectively 13.5% and 10%. 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, 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 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 fourth quarter 2014, Sparebanken Sør Boligkreditt AS had no positions in foreign currency. 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 environment will continue to be satisfactory.

Sparebanken 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, 09. February 2015

The Board of Directors of Sparebanken 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	2014	2013
Interest income	2,11	898 765	466 003
Interest expenses	2,11	472 997	253 380
Net interest income	2	425 768	212 623
Commission income		296	104
Commission expenses		5 000	5 000
Net commission expenses		4 704	4 896
Net change in value from financial instruments		-35 311	-15 909
Personnel expenses		231	0
Depreciation of intangible assets		7	377
Other operating expenses		37 383	8 541
Total expenses		37 621	8 918
Profit before losses on loans		348 132	182 900
Losses on loans		0	0
Profit before taxes		348 132	182 900
Tax expenses	3	94 009	51 212
Profit for the period		254 123	131 688
Other comprehensive income			
Profit for the period		254 123	131 688
Other income and expenses		0	0
Total profit for the period		254 123	131 688

Balance sheet

NOK thousand			
ASSETS	Notes	31.12.2014	31.12.2013
Loans to and receivables from credit institutions	10	12 588	0
Net loans to customers	4,7,8,10	20 079 397	11 319 904
Bonds and certificates		299 466	
Financial derivatives		155 133	0
Deferred tax assets		475	149
Other assets		0	7
TOTAL ASSETS		20 547 060	11 320 060
LIABILITIES AND EQUITY			
Debts to credit institutions	5,11	1 330 485	529 506
Debt incurred due to issue of securities	9,11	17 352 100	9 969 755
Financial derivatives		3 184	0
Payable tax	3	94 384	51 244
Other liabilities		5 434	0
Total liabilities		18 785 587	10 550 505
Equity			
Paid-in equity capital		1 025 000	525 000
Retained earnings		736 473	244 555
Total equity capital	6	1 761 473	769 555
TOTAL LIABILITIES AND EQUITY CAPITAL		20 547 060	11 320 060

Kristiansand, 9. February 2015

The Board of Directors of Sparebanken 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	2014	2013
Interest payments received	903 001	464 353
Interest payments made	-495 049	-253 940
Operating costs payment	-43 986	0
Changes in loans to customers	3 125 410	-756 231
Tax payment	-98 186	-33 237
Net cash flow from operational activities	3 391 190	-579 055
Changes in bonds and certificates	-299 466	
Changes in other assets	23	104
Changes in deposits from credit institutions	-399 165	-25 397
Changes in other liabilities	236	-13 918
Transferred cash through merger	1 164 879	0
Net cash flow from current financing activities	466 507	-39 211
Paid in share capital	0	75 000
Changes in debt due to issue of securities	-3 845 110	543 266
Net cash flow from long-term financing activities	-3 845 110	618 266
Net change in liquid assets	12 588	0
Cash and cash equivalents as at 01.01	0	0
Cash and cash equivalents at end of period	12 588	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 2013			131 688	131 688
Share capital increase 27.09.2013	75 000	0	0	75 000
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 2014	0	0	254 123	254 123
Balance 31.12.2014	525 000	500 000	736 473	1 761 473

1. ACCOUNTING PRINCIPLES

Pluss Boligkreditt AS and Sør Boligkreditt AS merged in the 1st quarter 2014. Pluss Boligkreditt AS was the acquiring company. The new company changed its name to Sør Boligkreditt AS at the time of the merger, and later in 2014 the name was changed to Sparebanken 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. Sparebanken 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	2014	2013
Interest on loans given to and receivables from credit institutions	16 437	4
Interest on loans given to customers	882 163	465 999
Interest on certificates/bonds/interest-bearing securities	165	
Total interest income	898 765	466 003
Interest on debt to credit institutions	41 319	12 935
Interest on issued securities	431 514	240 445
Other interest expenses	164	
Total interest expenses	472 997	253 380
Net interest income	425 768	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

	31.12.2014	31.12.2013
Average debt to asset ratio in %	52,8 %	58,1 %
Portfolio divided into intervals of debt to asset ratio:		
less than or equal to 40%	25,0 %	17,9 %
41 - 50 %	14,5 %	11,6 %
51 - 60 %	18,9 %	16,4 %
61 - 70 %	27,0 %	25,0 %
71 - 75 %	8,6 %	16,3 %
over 75 %	5,9 %	12,8 %
Total	100,0 %	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, 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 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	31.12.2014	31.12.2013
Equity capital		
Share capital	525 000	525 000
Share premium reserve	500 000	
Other equity	736 473	244 555
Deductions	0	0
Net equity capital (core capital)	1 761 473	769 555
Minimum requirement for equity capital		
Credit risk	670 079	341 923
Market risk	0	0
Operational risk	39 753	11 567
CVA addition	17 289	-
Deductions	-	0
Total minimum requirement for equity capital	727 121	353 490
Risk-weighted balance (calculation basis)	9 089 013	4 418 625
Core tier 1 capital ratio	19,38 %	17,42 %
Core capital ratio	19,38 %	17,42 %
Total capital ratio	19,38 %	17,42 %

7. LENDING TO CUSTOMERS

NOK thousand		
Loans assessed at amortised cost		
	31.12.2014	31.12.2013
Flexi-loans (revolving loans)	6 208 435	5 386 007
Repayment loans	13 876 962	5 933 897
Gross loans	20 085 397	11 319 904
Collective write-downs	6 000	0
Net loans	20 079 397	11 319 904
Unused credit on Flexi-loans	2 398 489	1 730 440

NOK thousand		
Loans distributed to sector and industries		
	31.12.2014	31.12.2013
Retail customers	19 808 285	11 243 902
Corporate customers *)	251 930	63 153
Accrued interest	25 182	12 849
Gross loans	20 085 397	11 319 904
Collective write-downs	6 000	0
Net loans	20 079 397	11 319 904

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

NOK thousand				
Loans distributed by geographical areas				
	31.12.2014		31.12.2013	
Vest-Agder	8 623 011	44,7 %	7 410 329	65,5 %
Aust-Agder	6 248 035	30,5 %	2 014 471	17,8 %
Telemark	1 771 777	8,1 %	47 022	0,4 %
Oslo	1 467 274	7,1 %	723 667	6,4 %
Akershus	694 478	3,3 %	344 801	3,0 %
Other counties	1 274 822	6,3 %	779 614	6,9 %
Total	20 079 397	100,0 %	11 319 904	100,0 %

8. DEFAULTED LOANS

NOK thousand		
Gross defaulted loans		
	31.12.2014	31.12.2013
31 - 60 days	0	441
61 - 90 days	0	0
Over 90 days	0	0
Total gross defaulted loans	0	441

9. DEBT INCURRED DUE TO ISSUE OF SECURITIES AS AT 31.12.2014

ISIN Number	Ticker	Nominal value	Book value	Repayment structure	Coupon	Due date
NO0010520406	SORB14	11 000	11 010	No installments	Nibor 3 mths	16.03.2015
NO0010633415	SORB05	356 000	356 277	No installments	Nibor 3 mths	23.03.2015
NO0010572118	SORB11	249 000	250 020	No installments	Nibor 3 mths	23.04.2015
NO0010503410	SORB18	6 500	6 501	No installments	Nibor 3 mths	28.09.2015
NO0010625841	SORB03	356 000	358 422	No installments	Nibor 3 mths	05.10.2015
NO0010575210	SORB12	327 000	327 657	No installments	Nibor 3 mths	26.11.2015
NO0010593437	SORB13	612 000	612 557	No installments	Nibor 3 mths	14.12.2015
NO0010512502	SORB17	1 500	1 502	No installments	Nibor 3 mths	14.12.2015
NO0010515406	SORB16	142 000	142 133	No installments	Nibor 3 mths	16.03.2016
NO0010605801	SORB19	1 000 000	999 865	No installments	Nibor 3 mths	30.03.2016
NO0010614688	SORB01	1 200 000	1 200 584	No installments	Nibor 3 mths	29.06.2016
NO0010641624	SORB20	1 000 000	1 000 984	No installments	Nibor 3 mths	28.03.2017
NO0010623945	SORB02	1 200 000	1 200 700	No installments	Nibor 3 mths	24.08.2017
NO0010649056	SORB06	1 250 000	1 256 215	No installments	Nibor 3 mths	20.06.2018
NO0010673296	SORB21	2 000 000	2 006 936	No installments	Nibor 3 mths	14.09.2018
NO0010699341	SORB23	800 000	801 424	No installments	Nibor 3 mths	13.03.2019
NO0010679806	SORB10	2 000 000	2 011 630	No installments	Nibor 3 mths	22.05.2019
NO0010689680	SORB22	1 000 000	999 593	No installments	Nibor 3 mths	18.09.2019
NO0010664659	SORB07	800 000	801 006	No installments	Nibor 3 mths	27.11.2019
NO0010714058	SORB24	2 000 000	2 000 628	No installments	Nibor 3 mths	24.06.2020
NO0010671597	SORB09	350 000	406 056	No installments	fixed 3,85 %	13.02.2023
NO0010670409	SORB08	500 000	600 403	No installments	fixed 4,00 %	24.01.2028
Total		17 161 000	17 352 100			

10. COVER POOL

NOK thousand	31.12.2014	31.12.2013
Gross loans secured with mortgage on dwelling (residential mortgage loans)*	19 980 952	11 319 904
Receivables representing collateral	12 588	0
Total cover pool	19 993 540	11 319 904
Collateralisation ratio	116 %	114 %

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

11. ASSOCIATED PARTIES

NOK thousand	2014	2013
Profit		
Interest from Sparebanken Sør on deposits	16 437	0
Interest and credit commissions from Sparebanken Sør in loans/credit	41 319	17 876
Interest costs on bond debts to Sparebanken Sør	44 892	90 684
Paid administration fees to Sparebanken Sør	32 521	3 384
Balance sheet		
Bank deposits in Sparebanken Sør	12 588	0
Covered bonds owned by Sparebanken Sør (nominal value)	0	1 833 000
Loans/credit in Sparebanken Sør	1 330 419	529 506

QUARTERLY PROFIT TREND

NOK thousand	Q4.2014	Q3.2014	Q2.2014	Q1.2014	Q4.2013
Net interest income	101 527	96 154	109 591	118 496	57 932
Net other operating income	-11 188	-2 386	-10 463	-15 977	-7 373
Expenses	11 228	10 908	10 944	4 542	2 360
Profit before losses on loans	79 111	82 860	88 184	97 977	48 199
Losses on loans	0	0	0	0	0
Profit before taxes	79 111	82 860	88 184	97 977	48 199
Taxes	21 389	22 357	23 763	26 500	13 496
Profit for the period	57 722	60 503	64 421	71 477	34 703

SPAREBANKEN SØR BOLIGKREDITT AS

