

QUARTER 4  
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 fourth quarter 2015, Sparebanken Sør Boligkreditt AS has taken on a mortgage loan portfolio amounting to NOK 25 692 million, transferred from Sparebanken Sør, of which NOK 25 595 million is included in the cover pool. Corresponding figures at the end of the fourth quarter 2014 was respectively NOK 20 085 million and NOK 19 981 million. Sparebanken Sør Boligkreditt AS has issued covered bonds amounting to NOK 21 922 million, against NOK 17 161 million at the same time in 2014.

In the third quarter an EMTCN (European Medium Term Covered Note) Programme 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.

## Income statement and balance sheet

The financial statement for Sparebanken Sør Boligkreditt AS at the end of the fourth quarter of 2015 shows a profit after tax of NOK 241.6 million, against NOK 254.1 million in the same period in 2014. The company has interest income of NOK 762.5 million (898.8 in 2014) and interest expenses of NOK 381.5 million (473.0). Operating expenses amounted to NOK 50.0 million (37.4) and tax expenses were NOK 89.5 million (94.0).

Total assets as at 31.12.2015 are NOK 25 991 million, of which net loans to customers represent NOK 25 686 million. At the same time in 2014 total assets were NOK 20 547 million, of which net loans to customers were NOK 20 079 million. The loan portfolio has been financed through issue of bonds with a nominal value of NOK 21 922 million and through equity and drawing rights from Sparebanken Sør. As at 31.12.2015, 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 an overdraft facility of NOK 5 500 million with Sparebanken Sør that, as at 31.12.2015, was drawn down by NOK 1 860 million. In addition, Sparebanken Sør Boligkreditt AS has a revolving credit facility with Sparebanken Sør, which can be used to refinance outstanding bonds.

## Capital strength

At the end of the fourth quarter, the net equity capital in the company was NOK 2 003.1 million, against NOK 1 761.5 million at the same time in 2014. This corresponds to a total capital ratio/core tier 1 capital ratio of 18.60 per cent (19.38 per cent in 2014), while regulatory minimums requirements constitute respectively 14.5 per cent and 11 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 good.

## 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.

## 4 Report from the Board of Directors

The company's mortgages to customers are in Norwegian kroner (NOK) and in floating interest rate. Financing is in floating interest rates, with the exception of a minor part that is financed in fixed interest rate and swapped to floating interest rate. Sparebanken Sør Boligkreditt AS has no positions in foreign currency at the end of the fourth quarter of 2015. 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 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 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, 9th February 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

<b>NOK Thousand</b>	<b>Notes</b>	<b>2015</b>	<b>2014</b>
Interest income	2, 11	762 485	898 765
Interest expenses	2, 11	381 456	472 997
<b>Net interest income</b>	<b>2</b>	<b>381 029</b>	<b>425 768</b>
Commission income		162	296
Commission expenses		5 000	5 000
<b>Net commission income</b>		<b>-4 838</b>	<b>-4 704</b>
<b>Net change in value from financial instruments</b>		<b>5 048</b>	<b>-35 311</b>
Personnel expenses		46	231
Depreciation of intangible assets		0	7
Other operating expenses		50 036	37 383
<b>Total expenses</b>		<b>50 082</b>	<b>37 621</b>
<b>Profit before losses on loans</b>		<b>331 157</b>	<b>348 132</b>
Losses on loans		0	0
<b>Profit before taxes</b>		<b>331 157</b>	<b>348 132</b>
Tax expenses	3	89 545	94 009
<b>Profit for the period</b>		<b>241 612</b>	<b>254 123</b>
<b>Other comprehensive income</b>			
<b>Profit for the period</b>		<b>241 612</b>	<b>254 123</b>
Other income and expenses		0	0
<b>Total profit for the period</b>		<b>241 612</b>	<b>254 123</b>

# Balance sheet

**NOK Thousand**

<b>ASSETS</b>	<b>Notes</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Loans to and receivables from credit institutions	10, 11	50 081	12 588
Net loans to customers	4, 7, 8, 10	25 686 328	20 079 397
Bonds and certificates		100 268	299 466
Financial derivatives		154 124	155 133
Deferred tax assets		360	475
Other assets		13	0
<b>TOTAL ASSETS</b>		<b>25 991 175</b>	<b>20 547 060</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>			
Debt to credit institutions	5, 11	1 862 491	1 330 485
Debt incurred due to issue of securities	9, 11	22 027 073	17 352 100
Financial derivatives		2 418	3 184
Payable tax		89 398	94 384
Other liabilities		6 710	5 434
<b>TOTAL LIABILITIES</b>		<b>23 988 090</b>	<b>18 785 587</b>
<b>EQUITY CAPITAL</b>			
Paid-in equity capital		1 025 000	1 025 000
Retained earnings		978 085	736 473
<b>TOTAL EQUITY CAPITAL</b>	6	<b>2 003 085</b>	<b>1 761 473</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>25 991 175</b>	<b>20 547 060</b>

Kristiansand, 9th February 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

<b>NOK Thousand</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Interest payment received	762 720	903 001
Interest payment made	-382 015	-495 049
Operating cost payment	-55 767	-43 986
Change in loans to customers	-5 607 166	3 125 410
Tax payment	-94 384	-98 186
<b>Net cash flow from operational activities</b>	<b>-5 376 612</b>	<b>3 391 191</b>
Changes in bonds and certificates	199 198	-299 466
Changes in other assets	-13	23
Changes in deposits from credit institutions	530 072	-399 165
Changes in other liabilities	-428	236
Transferred cash through merger	0	1 164 879
<b>Net cash flow from current financing activities</b>	<b>728 829</b>	<b>466 507</b>
Paid in share capital	0	0
Payments received, bond debt	11 423 230	3 250 000
Payments made, bond debt	-6 737 953	-7 095 110
<b>Net cash flow from long-term financing activities</b>	<b>4 685 277</b>	<b>-3 845 110</b>
<b>Net change in liquid assets</b>	<b>37 493</b>	<b>12 588</b>
Liquid assets as at 01.01.	12 588	0
<b>Liquid assets at end of period</b>	<b>50 081</b>	<b>12 588</b>

## Equity statement

	Equity capital	Equity 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 2014	0	0	254 123	254 123
<b>Balance 31.12.2014</b>	<b>525 000</b>	<b>500 000</b>	<b>736 473</b>	<b>1 761 473</b>
Profit 2015	0	0	241 612	241 612
<b>Balance 31.12.2015</b>	<b>525 000</b>	<b>500 000</b>	<b>978 085</b>	<b>2 003 085</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 it 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	2015	2014
Interest on loans given to and receivables from credit institutions	374	16 437
Interest on loans given to customers	760 666	882 163
Interest on certificates/bonds/interest-bearing securities	1 445	165
<b>Total interest income</b>	<b>762 485</b>	<b>898 765</b>
Interest on debt to credit institutions	30 641	41 319
Interest on issued securities	350 545	431 514
Other interest cost	270	164
<b>Total interest expenses</b>	<b>381 456</b>	<b>472 997</b>
<b>Net interest income</b>	<b>381 029</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

	31.12.2015	31.12.2014
<b>Average debt to asset ratio in %</b>	<b>55,3 %</b>	<b>52,8 %</b>
<b>Portfolio divided into intervals of debt to asset ratio</b>		
Less than or equal to 40 %	19,9 %	25,0 %
41 - 50 %	13,1 %	14,5 %
51 - 60 %	19,6 %	18,9 %
61 - 70 %	30,4 %	27,0 %
71 - 75 %	11,7 %	8,6 %
over 75 %	5,3 %	5,9 %
<b>Total</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 has revolving credit facility with Sparebanken Sør, which can be used to refinance outstanding bonds.

## 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	31.12.2015	31.12.2014
<b>Equity capital</b>		
Equity capital	525 000	525 000
Equity premium reserve	500 000	500 000
Other equity capital	978 085	736 473
Deductions	0	0
<b>Net equity capital (core capital)</b>	<b>2 003 085</b>	<b>1 761 473</b>
<b>Minimum requirement for equity capital</b>		
Credit risk	788 144	670 079
Market risk	0	0
Operational risk	55 247	39 753
CVA addition	18 125	17 289
Deductions	0	0
<b>Total minimum requirement for equity capital</b>	<b>861 516</b>	<b>727 121</b>
Risk-weight balance (calculation basis)	10 768 950	9 089 013
<b>Core tier 1 capital ratio</b>	<b>18,60 %</b>	<b>19,38 %</b>
<b>Core capital ratio</b>	<b>18,60 %</b>	<b>19,38 %</b>
<b>Total capital ratio</b>	<b>18,60 %</b>	<b>19,38 %</b>

## 7. LOANS TO CUSTOMERS

NOK Thousand	31.12.2015	31.12.2014
<b>Loans assessed at amortised cost</b>		
Flexi-loans (revolving loans)	7 006 813	6 208 435
Repayment loans	18 685 515	13 876 962
<b>Gross loans</b>	<b>25 692 328</b>	<b>20 085 397</b>
Collective write-downs	6 000	6 000
<b>Net loans</b>	<b>25 686 328</b>	<b>20 079 397</b>
Unused credit on Flexi-loans	3 058 316	2 398 489

Loans distributed by sector and industries	31.12.2015	31.12.2014
Retail customers	25 511 406	19 808 285
Corporate customers *)	155 975	251 930
Accrued interests	24 947	25 182
<b>Gross loans</b>	<b>25 692 328</b>	<b>20 085 397</b>
Collective write-downs	6 000	6 000
<b>Net loans</b>	<b>25 686 328</b>	<b>20 079 397</b>

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

Loans distributed by geographical areas	31.12.2015		31.12.2014	
Vest-Agder	11 371 489	44,3 %	8 623 012	42,9 %
Aust-Agder	7 362 269	28,7 %	6 248 037	31,1 %
Telemark	2 120 368	8,3 %	1 771 772	8,8 %
Oslo	2 188 032	8,5 %	1 467 275	7,3 %
Akershus	916 137	3,6 %	694 479	3,5 %
Other counties	1 728 033	6,7 %	1 274 822	6,3 %
<b>Total</b>	<b>25 686 328</b>	<b>100,0 %</b>	<b>20 079 397</b>	<b>100,0 %</b>

## 8. DEFAULTED LOANS

NOK Thousand	31.12.2015	31.12.2014
<b>Gross defaulted loans</b>		
31 - 60 days	1 443	0
61 - 90 days	0	0
Over 90 days	0	0
<b>Total gross defaulted loans</b>	<b>1 443</b>	<b>0</b>

## 9. DEBT SECURITIES ISSUED AS AT 31.12.2015

ISIN Number	Ticker	Nominal value	Book value	Repayment-structure	Coupon	Due date
NO0010515406	SORB16	100 000	100 078	No installments	Nibor 3 mths	16.03.2016
NO0010605801	SORB19	550 000	550 027	No installments	Nibor 3 mths	30.03.2016
NO0010614688	SORB01	663 500	663 787	No installments	Nibor 3 mths	29.06.2016
NO0010641624	SORB20	1 000 000	1 000 654	No installments	Nibor 3 mths	28.03.2017
NO0010623945	SORB02	1 200 000	1 200 892	No installments	Nibor 3 mths	24.08.2017
NO0010649056	SORB06	15 000	15 097	No installments	Nibor 3 mths	20.06.2018
NO0010673296	SORB21	4 500 000	4 505 686	No installments	Nibor 3 mths	14.09.2018
NO0010679806	SORB10	4 500 000	4 498 820	No installments	Nibor 3 mths	22.05.2019
NO0010689680	SORB22	15 000	14 994	No installments	Nibor 3 mths	18.09.2019
NO0010664659	SORB07	28 000	28 141	No installments	Nibor 3 mths	27.11.2019
NO0010714058	SORB24	4 500 000	4 446 465	No installments	Nibor 3 mths	24.06.2020
NO0010733421	SORB26	2 000 000	1 997 593	No installments	Nibor 3 mths	24.09.2020
NO0010730146	SORB25	2 000 000	1 999 620	No installments	Nibor 3 mths	16.06.2021
NO0010671597	SORB09	350 000	405 382	No installments	fixed 3.85 %	13.02.2023
NO0010670409	SORB08	500 000	599 837	No installments	fixed 4.00 %	24.01.2028
<b>Total</b>		<b>21 921 500</b>	<b>22 027 073</b>			

# Notes

## 10. COVER POOL

NOK Thousand	31.12.2015	31.12.2014
Gross loans secured by mortgages on residential property (residential mortgage loans)*	25 595 452	19 980 952
Receivables representing collateral	2 151	12 588
<b>Total cover pool</b>	<b>25 597 603</b>	<b>19 993 540</b>
Collateralisation ratio	117 %	116 %

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

## 11. ASSOCIATED PARTIES

NOK Thousand	31.12.2015	31.12.2014
<b>Income statement</b>		
Interest income from Sparebanken Sør on deposits	374	16 437
Interest cost and credit commission from Sparebanken Sør on loans/credit	35 641	46 319
Interest cost on security debts to Sparebanken Sør	2 573	44 892
Paid administration fees to Sparebanken Sør	44 228	32 521
<b>Balance sheet</b>		
Bank deposits with Sparebanken Sør	50 081	12 588
Covered bonds owned by Sparebanken Sør (nominal value)	0	0
Loan/credit in Sparebanken Sør	1 862 491	1 330 485

## QUARTERLY PROFIT TREND

NOK THOUSAND	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net interest income	92 512	92 536	97 996	97 985	101 527
Net other operating income	11 960	-1 438	-6 402	-3 910	-11 188
Operating expenses	13 248	13 107	12 162	11 565	11 228
<b>Profit before losses on loans</b>	<b>91 224</b>	<b>77 991</b>	<b>79 432</b>	<b>82 510</b>	<b>79 111</b>
Losses on loans	0	0	0	0	0
<b>Profit before taxes</b>	<b>91 224</b>	<b>77 991</b>	<b>79 432</b>	<b>82 510</b>	<b>79 111</b>
Tax expenses	24 763	21 058	21 446	22 278	21 389
<b>Profit for the period</b>	<b>66 461</b>	<b>56 933</b>	<b>57 986</b>	<b>60 232</b>	<b>57 722</b>

# SPAREBANKEN SØR BOLIGKREDITT AS

