

QUARTER 3
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 third quarter 2015, Sparebanken Sør Boligkreditt AS has taken on a mortgage loan portfolio amounting to NOK 24 402 million, transferred from Sparebanken Sør, of which NOK 24 335 million is included in the cover pool. Corresponding figures at the end of the third quarter 2014 was respectively NOK 21 208 million and NOK 21 123 million. Sparebanken Sør Boligkreditt AS has issued covered bonds amounting to NOK 20 843 million, against NOK 18 175 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 third quarter of 2015 shows a profit after tax of NOK 175.2 million, against NOK 196.4 million in the same period in 2014. The company has interest income of NOK 575.1 million (682.9 in 2014) and interest expenses of NOK 286.6 million (358.7). Operating expenses amounted to NOK 36.8 million (26.4) and tax expenses was NOK 64.8 million (72.6).

Total assets as at 30.09.2015 are NOK 24 679 million, of which net loans to customers represent NOK 24 396 million. At the same time in 2014 total assets were NOK 21 415 million, of which net loans to customers were NOK 21 202 million. The loan portfolio has been financed through issue of bonds with a nominal value of NOK 20 843 million and through equity and drawing rights from Sparebanken Sør. As at 30.09.2015, 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 30.09.2015, was drawn down by NOK 1 614 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 third quarter, the net equity capital in the company was NOK 1 761.5 million, against NOK 1 507.4 million at the same time in 2014. This corresponds to a total capital ratio/core tier 1 capital ratio of 15.28 per cent (16.27 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) 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. Sparebanken Sør Boligkreditt AS has no positions in foreign currency at the end of the third 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 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 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, 3rd November 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 | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|---|-------|----------------|----------------|----------------|
| Interest income | 2, 11 | 575 112 | 682 921 | 898 765 |
| Interest expenses | 2, 11 | 286 595 | 358 680 | 472 997 |
| Net interest income | 2 | 288 517 | 324 241 | 425 768 |
| Commission income | | 123 | 195 | 296 |
| Commission expenses | | 3 750 | 3 750 | 5 000 |
| Net commission income | | -3 627 | -3 555 | -4 704 |
| Net change in value from financial instruments | | -8 123 | -25 272 | -35 311 |
| Personnel expenses | | 0 | 212 | 231 |
| Depreciation of intangible assets | | 0 | 7 | 7 |
| Other operating expenses | | 36 834 | 26 174 | 37 383 |
| Total expenses | | 36 834 | 26 393 | 37 621 |
| Profit before losses on loans | | 239 933 | 269 020 | 348 132 |
| Losses on loans | | 0 | 0 | 0 |
| Profit before taxes | | 239 933 | 269 020 | 348 132 |
| Tax expenses | 3 | 64 782 | 72 620 | 94 009 |
| Profit for the period | | 175 151 | 196 400 | 254 123 |
| Other comprehensive income | | | | |
| Profit for the period | | 175 151 | 196 400 | 254 123 |
| Other income and expenses | | 0 | 0 | 0 |
| Total profit for the period | | 175 151 | 196 400 | 254 123 |

Balance sheet

NOK Thousand

| ASSETS | Notes | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|---|-------------|-------------------|-------------------|-------------------|
| Loans to and receivables from credit institutions | 10 | 40 702 | 117 513 | 12 588 |
| Net loans to customers | 4, 7, 8, 10 | 24 395 869 | 21 202 351 | 20 079 397 |
| Bonds and certificates | | 100 269 | 0 | 299 466 |
| Financial derivatives | | 141 512 | 94 327 | 155 133 |
| Deferred tax assets | | 462 | 535 | 475 |
| Other assets | | 134 | - | 0 |
| TOTAL ASSETS | | 24 678 947 | 21 414 727 | 20 547 060 |
| LIABILITIES AND EQUITY CAPITAL | | | | |
| Debt to credit institutions | 5, 11 | 1 614 049 | 1 306 903 | 1 330 485 |
| Debt incurred due to issue of securities | 9, 11 | 21 009 829 | 18 295 975 | 17 352 100 |
| Financial derivatives | | 2 634 | 3 298 | 3 184 |
| Payable tax | | 109 738 | 94 814 | 94 384 |
| Other liabilities | | 6 073 | 9 985 | 5 434 |
| TOTAL LIABILITIES | | 22 742 323 | 19 710 976 | 18 785 587 |
| EQUITY CAPITAL | | | | |
| Paid-in equity capital | | 1 025 000 | 1 025 000 | 1 025 000 |
| Retained earnings | | 911 624 | 678 751 | 736 473 |
| TOTAL EQUITY CAPITAL | 6 | 1 936 624 | 1 703 751 | 1 761 473 |
| TOTAL LIABILITIES AND EQUITY CAPITAL | | 24 678 947 | 21 414 727 | 20 547 060 |

Kristiansand, 3rd November 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 | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|--|-------------------|-------------------|-------------------|
| Interest payment received | 576 684 | 687 879 | 903 001 |
| Interest payment made | -291 274 | -336 543 | -495 049 |
| Operating cost payment | -39 825 | -27 013 | -43 986 |
| Change in loans to customers | -4 318 043 | 2 006 692 | 3 125 410 |
| Tax payment | -49 416 | -98 186 | -98 186 |
| Net cash flow from operational activities | -4 121 876 | 2 232 830 | 3 391 191 |
| Changes in bonds and certificates | 199 197 | 0 | -299 466 |
| Changes in other assets | -134 | -56 966 | 23 |
| Changes in deposits from credit institutions | 283 268 | -422 796 | -399 165 |
| Changes in other liabilities | 3 | -619 | 236 |
| Transferred cash through merger | 0 | 1 164 879 | 1 164 879 |
| Net cash flow from current financing activities | 482 335 | 684 498 | 466 507 |
| Paid in share capital | 0 | 0 | 0 |
| Changes in debt due to issue of securities | 3 667 655 | -2 799 816 | -3 845 110 |
| Net Cash flow from long-term financing activities | 3 667 655 | -2 799 816 | -3 845 110 |
| Net change in liquid assets | 28 114 | 117 513 | 12 588 |
| Liquid assets as at 01.01. | 12 588 | 0 | 0 |
| Liquid assets at end of period | 40 702 | 117 513 | 12 588 |

Equity statement

| | Share capital | Share premium reserve | Other equity capital | Total |
|--------------------------------|----------------|-----------------------|----------------------|------------------|
| 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 01.01.2014 - 30.09.2014 | 0 | 0 | 196 400 | 196 400 |
| Balance 30.09.2014 | 525 000 | 500 000 | 678 751 | 1 703 751 |
| Profit 01.10.2014 - 31.12.2014 | 0 | 0 | 57 722 | 57 722 |
| Balance 31.12.2014 | 525 000 | 500 000 | 736 473 | 1 761 473 |
| Profit 01.01.2015 - 30.09.2015 | 0 | 0 | 175 151 | 175 151 |
| Balance 30.09.2015 | 525 000 | 500 000 | 911 624 | 1 936 624 |

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 | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|---|----------------|----------------|----------------|
| Interest on loans given to and receivables from credit institutions | 297 | 15 942 | 16 437 |
| Interest on loans given to customers | 573 684 | 666 979 | 882 163 |
| Interest on certificates/bonds/interest-bearing securities | 1 131 | 0 | 165 |
| Total interest income | 575 112 | 682 921 | 898 765 |
| Interest on debt to credit institutions | 22 832 | 29 569 | 41 319 |
| Interest on issued securities | 263 762 | 329 099 | 431 514 |
| Other interest cost | 1 | 12 | 164 |
| Total interest expenses | 286 595 | 358 680 | 472 997 |
| Net interest income | 288 517 | 324 241 | 425 768 |

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

| | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|--|----------------|----------------|----------------|
| Average debt to asset ratio in % | 54,3 % | 54,9 % | 52,8 % |
| Portfolio divided into intervals of debt to asset ratio | | | |
| Less than or equal to 40 % | 20,9 % | 22,3 % | 25,0 % |
| 41 - 50 % | 13,5 % | 12,2 % | 14,5 % |
| 51 - 60 % | 20,2 % | 17,1 % | 18,9 % |
| 61 - 70 % | 32,4 % | 28,2 % | 27,0 % |
| 71 - 75 % | 9,5 % | 12,9 % | 8,6 % |
| over 75 % | 3,5 % | 7,3 % | 5,9 % |
| Total | 100,0 % | 100,0 % | 100,0 % |

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 a 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 | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|---|------------------|------------------|------------------|
| Equity capital | | | |
| 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 | 0 | 0 |
| Net equity capital (core capital) | 1 761 473 | 1 507 350 | 1 761 473 |
| Minimum requirement for equity capital | | | |
| Credit risk | 850 909 | 691 370 | 670 079 |
| Market risk | 0 | 0 | 0 |
| Operational risk | 55 274 | 39 753 | 39 753 |
| CVA addition | 16 109 | 10 230 | 17 289 |
| Deductions | 0 | 0 | 0 |
| Total minimum requirement for equity capital | 922 292 | 741 353 | 727 121 |
| Risk-weight balance (calculation basis) | 11 528 312 | 9 266 910 | 9 089 013 |
| Core tier 1 capital ratio | 15,28 % | 16,27 % | 19,38 % |
| Core capital ratio | 15,28 % | 16,27 % | 19,38 % |
| Total capital ratio | 15,28 % | 16,27 % | 19,38 % |

7. LOANS TO CUSTOMERS

| NOK Thousand | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|---|-------------------|-------------------|-------------------|
| Loans assessed at amortised cost | | | |
| Flexi-loans (revolving loans) | 7 575 125 | 7 497 364 | 6 208 435 |
| Repayment loans | 16 826 744 | 13 710 987 | 13 876 962 |
| Gross loans | 24 401 869 | 21 208 351 | 20 085 397 |
| Collective write-downs | 6 000 | 6 000 | 6 000 |
| Net loans | 24 395 869 | 21 202 351 | 20 079 397 |
| Unused credit on Flexi-loans | 3 135 613 | 2 740 863 | 2 398 489 |

| Loans distributed to sector and industries | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|--|-------------------|-------------------|-------------------|
| Retail customers | 24 223 329 | 20 830 753 | 19 808 285 |
| Corporate customers *) | 154 929 | 353 138 | 251 930 |
| Accrued interests | 23 611 | 24 460 | 25 182 |
| Gross loans | 24 401 869 | 21 208 351 | 20 085 397 |
| Collective write-downs | 6 000 | 6 000 | 6 000 |
| Net loans | 24 395 869 | 21 202 351 | 20 079 397 |

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

Loans distributed by geographical areas

| | 30.09.2015 | | 30.09.2014 | | 31.12.2014 | |
|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| Vest-Agder | 10 839 165 | 44,4 % | 9 483 408 | 44,7 % | 8 623 012 | 42,9 % |
| Aust-Agder | 7 314 729 | 30,0 % | 6 475 560 | 30,5 % | 6 248 037 | 31,1 % |
| Telemark | 1 996 251 | 8,2 % | 1 722 052 | 8,1 % | 1 771 772 | 8,8 % |
| Oslo | 1 802 284 | 7,4 % | 1 513 170 | 7,1 % | 1 467 275 | 7,3 % |
| Akershus | 840 991 | 3,4 % | 704 206 | 3,3 % | 694 479 | 3,5 % |
| Other counties | 1 602 449 | 6,6 % | 1 303 956 | 6,3 % | 1 274 822 | 6,3 % |
| Total | 24 395 869 | 100,0 % | 21 202 351 | 100,0 % | 20 079 397 | 100,0 % |

8. DEFAULTED LOANS

| NOK Thousand | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|------------------------------------|--------------|--------------|------------|
| Gross defaulted loans | | | |
| 31 - 60 days | 3 431 | 0 | 0 |
| 61 - 90 days | 0 | 4 280 | 0 |
| Over 90 days | 0 | 0 | 0 |
| Total gross defaulted loans | 3 431 | 4 280 | 0 |

9. DEBT INCURRED DUE TO ISSUE OF SECURITIES AS AT 30.09.2015

| ISIN Number | Ticker | Nominal value | Book value | Repayment-structure | Coupon | Due date |
|--------------|--------|-------------------|-------------------|---------------------|--------------|------------|
| NO0010625841 | SORB03 | 194 000 | 194 861 | No instalments | Nibor 3 mths | 05.10.2015 |
| NO0010575210 | SORB12 | 122 000 | 122 220 | No instalments | Nibor 3 mths | 26.11.2015 |
| NO0010593437 | SORB13 | 236 000 | 236 183 | No instalments | Nibor 3 mths | 14.12.2015 |
| NO0010515406 | SORB16 | 100 000 | 100 077 | No instalments | Nibor 3 mths | 16.03.2016 |
| NO0010605801 | SORB19 | 592 000 | 591 968 | No instalments | Nibor 3 mths | 30.03.2016 |
| NO0010614688 | SORB01 | 698 500 | 698 843 | No instalments | Nibor 3 mths | 29.06.2016 |
| NO0010641624 | SORB20 | 1 000 000 | 1 000 678 | No instalments | Nibor 3 mths | 28.03.2017 |
| NO0010623945 | SORB02 | 1 200 000 | 1 200 682 | No instalments | Nibor 3 mths | 24.08.2017 |
| NO0010649056 | SORB06 | 1 250 000 | 1 254 938 | No instalments | Nibor 3 mths | 20.06.2018 |
| NO0010673296 | SORB21 | 4 000 000 | 4 007 520 | No instalments | Nibor 3 mths | 14.09.2018 |
| NO0010699341 | SORB23 | 800 000 | 800 032 | No instalments | Nibor 3 mths | 13.03.2019 |
| NO0010679806 | SORB10 | 2 000 000 | 2 009 394 | No instalments | Nibor 3 mths | 22.05.2019 |
| NO0010689680 | SORB22 | 1 000 000 | 999 618 | No instalments | Nibor 3 mths | 18.09.2019 |
| NO0010664659 | SORB07 | 800 000 | 801 922 | No instalments | Nibor 3 mths | 27.11.2019 |
| NO0010714058 | SORB24 | 2 000 000 | 2 000 866 | No instalments | Nibor 3 mths | 24.06.2020 |
| NO0010733421 | SORB26 | 2 000 000 | 1 997 693 | No instalments | Nibor 3 mths | 24.09.2020 |
| NO0010730146 | SORB25 | 2 000 000 | 1 999 545 | No instalments | Nibor 3 mths | 16.06.2021 |
| NO0010671597 | SORB09 | 350 000 | 402 090 | No instalments | fixed 3.85 % | 13.02.2023 |
| NO0010670409 | SORB08 | 500 000 | 590 699 | No instalments | fixed 4.00 % | 24.01.2028 |
| Total | | 20 842 500 | 21 009 829 | | | |

Notes

10. COVER POOL

| NOK Thousand | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|---|-------------------|-------------------|-------------------|
| Gross loans secured with mortgage on dwelling (residential mortgage loans)* | 24 334 532 | 21 122 696 | 19 980 952 |
| Receivables representing collateral | 11 610 | 117 513 | 12 588 |
| Total cover pool | 24 346 142 | 21 240 209 | 19 993 540 |
| Collateralisation ratio | 117 % | 117 % | 116 % |

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

11. ASSOCIATED PARTIES

| NOK Thousand | 30.09.2015 | 30.09.2014 | 31.12.2014 |
|--|------------|------------|------------|
| Income statement | | | |
| Interest income from Sparebanken Sør on deposits | 297 | 15 942 | 16 437 |
| Interest cost and credit commission from Sparebanken Sør on loans/credit | 26 582 | 33 319 | 46 319 |
| Interest cost on bond debts to Sparebanken Sør | 1 850 | 36 760 | 44 892 |
| Paid administration fees to Sparebanken Sør | 32 421 | 22 336 | 32 521 |
| Balance sheet | | | |
| Bank deposits in Sparebanken Sør | 40 702 | 117 513 | 12 588 |
| Covered bonds owned by Sparebanken Sør (nominal value) | 265 202 | 1 331 000 | 0 |
| Loan/credit in Sparebanken Sør | 1 613 688 | 1 306 904 | 1 330 485 |

QUARTERLY PROFIT TREND

| NOK THOUSAND | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net interest income | 92 536 | 97 996 | 97 985 | 101 527 | 96 154 |
| Net other operating income | -1 438 | -6 402 | -3 910 | -11 188 | -2 386 |
| Operating expenses | 13 107 | 12 162 | 11 565 | 11 228 | 10 908 |
| Profit before losses on loans | 77 991 | 79 432 | 82 510 | 79 111 | 82 860 |
| Losses on loans | 0 | 0 | 0 | 0 | 0 |
| Profit before taxes | 77 991 | 79 432 | 82 510 | 79 111 | 82 860 |
| Tax expenses | 21 058 | 21 446 | 22 278 | 21 389 | 22 357 |
| Profit for the period | 56 933 | 57 986 | 60 232 | 57 722 | 60 503 |

SPAREBANKEN SØR BOLIGKREDITT AS

