

QUARTER 1 2014
(UNAUDITED)



SØR BOLIGKREDITT AS

Contents

Report of the Board of Directors	3
Profit and Loss Account	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. 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 first quarter 2014, the company has taken on a home loan portfolio amounting to NOK 22,205 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 19,128 million.

Income statement/balance sheet development

The financial statements for Sør Boligkreditt AS for the first quarter 2014 show a profit after tax of NOK 71.5 million, against NOK 29.3 million for the first quarter 2013. The company has interest income of NOK 243.1 million (NOK 106.6 million) and interest costs of NOK 124.6 million (NOK 62.3 million). Operating expenses amounted to NOK 4.5 million (NOK 2.3 million) and tax expenses was NOK 26.5 million (NOK 11.4 million).

Total assets as at 31 March 2014 are NOK 22,314 million (NOK 11,552 million), of which net loans to customers represent NOK 22,205 million (NOK 11,541 million). The loan portfolio is financed via bond issue of NOK 19,128 million and drawing rights from Sparebanken Sør. As of 31 March 2014, the company had paid-in equity capital of a total of NOK 1,025 million.

Sør Boligkreditt AS has drawing rights of NOK 6,000 million in Sparebanken Sør, that as at 31 March 2014 was drawn down by NOK 1,444 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 first quarter, the capital base in the company was NOK 1,507.2 million. This corresponds to a total capital ratio/core tier 1 capital ratio of 16.0%. 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 satisfactory.

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 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 which loans may be granted and 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 of the Board of Directors

The mortgage company's investments and loans are in Norwegian kroner at floating rates of interest. Financing is also 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 first 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 administration, production, IT operations, financial management and risk management of the company, and 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 in 2014.

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.

31 March 2014

Kristiansand, 07 May 2014

The Board of Directors of Sør Boligkreditt AS

Stein A. Hannevik
Chairman

Lasse Kvinlaug
Board member

Marianne Lofthus
Board member

Tone Solheim Grøsle
Board member

Bjørn A. Friestad
Managing director

NOK Thousand	Notes	31.03.2014	31.03.2013	2013
Interest income	2,11	243 100	106 567	466 003
Interest expenses	2,11	124 604	62 252	253 380
Net interest income	2	118 496	44 315	212 623
Commission income		70	24	104
Commission expenses		1 250	1 250	5 000
Net commission income		1 180	1 226	4 896
Net change in value from financial instruments		-14 798	24	-15 909
Personnel expenses		193	0	0
Depreciation of intangible assets		7	737	377
Other operating expenses		4 342	1 579	8 541
Total expenses		4 542	2 316	8 918
Profit before losses on loans		97 976	40 797	182 900
Losses on loans		0	0	0
Profit before taxes		97 976	40 797	182 900
Tax expenses	3	26 500	11 423	51 212
Profit for the period		71 476	29 374	131 688
Other comprehensive income				
Profit for the period		71 476	29 374	131 688
Other income and expenses		0	0	0
Total income for the period		71 476	29 374	131 688

Balance Sheet

NOK Thousand

ASSETS	Notes	31.03.2014	31.03.2013	2013
Loans to and receivables from credit institutions	10	85 392	0	0
Net loans to customers	4,7,8,10	22 204 560	11 550 517	11 319 904
Financial derivatives		23 759	920	0
Deferred tax assets		100	117	149
Other assets		16	860	7
TOTAL ASSETS		22 313 827	11 552 414	11 320 060
LIABILITIES AND EQUITY				
Debts to credit institutions	5,11	1 443 883	506 611	529 506
Debt incurred due to issue of securities	9,10,11	19 190 575	10 410 594	9 969 755
Financial derivatives		3 125	1 857	0
Payable tax	3	95 476	41 110	51 244
Other liabilities		1 942	0	0
Total liabilities		20 735 001	10 960 172	10 550 505
Equity				
Paid-in equity capital		1 025 000	450 000	525 000
Retained earnings		553 826	142 242	244 555
Total equity capital	6	1 578 826	592 242	769 555
TOTAL LIABILITIES AND EQUITY CAPITAL		22 313 827	11 552 414	11 320 060

31 March 2014

Kristiansand, 07 May 2014

The Board of Directors of Sør Boligkreditt AS

Stein A. Hannevik
Chairman

Lasse Kvinlaug
Board member

Marianne Lofthus
Board member

Tone Solheim Grøse
Board member

Bjørn A. Friestad
Managing director

Cash Flow Statement

NOK Thousand	31.03.2014	31.03.2013	2013
Interest payments received	245 005	104 391	464 353
Interest payments made	-121 984	-61 420	-253 940
Operating costs payment	-16 980	0	0
Changes in loans to customers	1 004 484	-986 683	-756 231
Tax payment	-29 210	-3 551	-33 237
Net cash flow from operational activities	1 081 315	-947 263	-579 055
Changes in other assets	11 681	24	104
Changes in deposits from credit institutions	-285 701	0	-25 397
Changes in other liabilities	-6 618	-3 565	-13 918
Transferred cash through merger	1 164 879	0	0
Net cash flow from current financing activities	884 241	-3 541	-39 211
Paid-in share capital	0	0	75 000
Changes in debt due to issue of securities	-1 880 164	999 096	543 266
Net cash flow from long-term financing activities	-1 880 164	999 096	618 266
Net change in liquid assets	85 392	48 292	0
Cash and cash equivalents as at 01.01	0	-554 903	0
Cash and cash equivalents at end of period	85 392	-506 611	0

The Company has unused drawing rights of NOK 4 556 million at the Parent Bank as at 31.03.2014, ref. note 5.

Equity Statement

	Share capital	Other equity	Total
NOK Thousand			
Balance 31.12.2012	450 000	112 867	562 867
Profit for the 1 quarter 2013	0	29 374	29 374
Balance 31.03.2013	450 000	142 241	592 241
Share capital increase 27.09.2013	75 000	0	75 000
Profit 1.4-31.12	0	102 314	102 314
Balance 31.12.2013 / 01.01.2014	525 000	244 555	769 555
Equity added through merger	500 000	237 795	737 795
Profit for the 1 quarter 2014	0	71 476	71 476
Balance 31.03.2014	1 025 000	553 826	1 578 826

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.

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.

As a result of the merger, the figures for this year are not directly comparable with earlier periods.

2. NET INTEREST INCOME

NOK Thousand	31.03.2014	31.03.2013	2013
Interest on loans given to and receivables from credit institutions	7 755	0	4
Interest on loans given to and receivables from customers	235 345	106 567	465 999
Total interest income	243 100	106 567	466 003
Interest on debt to credit institutions	9 843	3 778	12 935
Interest on issued securities	114 761	58 474	240 445
Total interest expenses	124 604	62 252	253 380
Net interest income	118 496	44 315	212 623

3. TAXES

Tax expenses for the year are periodised based on an estimate of tax expenses on an annual basis.

4. DEBT TO ASSET RATIO

	31.03.2014	31.03.2013	2013
Average debt to asset ratio in %	57.7 %	51.8 %	58.1 %
Portfolio divided into intervals of debt to asset ratio:			
less than or equal to 40%	18.1 %	26.9 %	17.9 %
41 - 50 %	12.1 %	14.3 %	11.6 %
51 - 60 %	16.5 %	18.7 %	16.4 %
61 - 70 %	25.4 %	24.8 %	25.0 %
71 - 75 %	16.1 %	10.3 %	16.3 %
over 75 %	11.8 %	5.0 %	12.8 %
Total	100.0 %	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 6,000 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

NOK Thousand	31 03 2014	31 03 2013	2013
Equity capital			
Share capital	1 025 000	450 000	525 000
Other equity	482 350	112 868	244 555
Deductions	100	0	0
Net equity capital (core capital)	1 507 250	562 868	769 555
Minimum requirement for equity capital			
Credit risk	712 690	346 893	341 923
Market risk	0	0	0
Operational risk	39 753	11 667	11 567
Deductions	480	0	0
Total minimum requirement for equity capital	751 963	358 560	353 490
Risk-weighted balance (calculation basis)	9 399 538	4 482 000	4 418 625
Total capital ratio	16.0 %	12.6 %	17.4 %

7. LENDING TO CUSTOMERS

Loans distributed to sector and industries			
NOK Thousand	31.03.2014	31.03.2013	2013
Retail customers	21 714 818	11 451 043	11 243 902
Primary industries	37 083	19 525	10 562
Industry	18 608	800	1 931
Building and construction	118 728	26 205	14 737
Transport and communication	60 922	3 368	740
Wholesale and retail trade	46 596	10 582	8 421
Hotel and restaurant	14 091	1 231	0
Property management	17 648	839	770
Financial/business services	72 247	9 276	9 466
Other industries	82 305	14 090	16 526
Accrued interest	27 514	13 558	12 849
Total gross loans	22 210 560	11 550 517	11 319 904
Collective write-downs	6 000	0	0
Net loans	22 204 560	11 550 517	11 319 904

Loans assessed at amortised cost			
	31.03.2014	31.03.2013	2013
Flexi-loans (revolving loans)	8 764 499	5 628 635	5 386 007
Repayment loans	13 446 061	5 921 882	5 933 897
Gross loans	22 210 560	11 550 517	11 319 904
Unused credit on Flexi-loans	2 826 849	1 627 342	1 730 440

Loans distributed by geographical areas						
	31.03.2014		31.03.2013		2013	
Vest-Agder	10 241 603	46.1 %	7 603 401	65.8 %	7 410 329	65.5 %
Aust-Agder	6 697 717	30.2 %	2 026 949	17.5 %	2 014 471	17.8 %
Telemark	1 718 753	7.7 %	47 733	0.4 %	47 022	0.4 %
Oslo	1 524 110	6.9 %	759 487	6.6 %	723 667	6.4 %
Akershus	704 178	3.2 %	360 503	3.1 %	344 801	3.0 %
Other counties	1 324 198	6.0 %	752 444	6.5 %	779 614	6.9 %
Total	22 210 560	100.0 %	11 550 517	100.0 %	11 319 904	100.0 %

8. DEFAULTED LOANS

NOK Thousand	31.03.2014	31.03.2013	2013
Gross defaulted loans			
31 - 60 days	11 923	4 911	441
61 - 90 days	0	0	0
Over 90 days	0	0	0
Total gross defaulted loans	11 923	4 911	441

9. BOUND DEBT BY MATURITY

ISIN Number	Ticker	Nominal value	Repayment structure	Coupon	Due date
NO0010503428	PLBK06	30 000	No instalments	Nibor 3 months	26.09.2014
NO0010520406	PLBK05	11 000	No instalments	Nibor 3 months	16.03.2015
NO0010633415	SORB05	1 200 000	No instalments	Nibor 3 months	23.03.2015
NO0010508443		1 000 000	No instalments	Nibor 3 months	08.04.2015
NO0010572118	PLBK01	1 000 000	No instalments	Nibor 3 months	23.04.2015
NO0010503410	PLBK09	6 500	No instalments	Nibor 3 months	28.09.2015
NO0010625841	SORB03	1 250 000	No instalments	Nibor 3 months	05.10.2015
NO0010575210	PLBK02	500 000	No instalments	Nibor 3 months	26.11.2015
NO0010593437	PLBK03	1 000 000	No instalments	Nibor 3 months	14.12.2015
NO0010512502	PLBK08	31 500	No instalments	Nibor 3 months	14.12.2015
NO0010515406	PLBK07	249 000	No instalments	Nibor 3 months	16.03.2016
NO0010605801	PLBK10	1 000 000	No instalments	Nibor 3 months	30.03.2016
NO0010614688	SORB01	1 200 000	No instalments	Nibor 3 months	29.06.2016
NO0010518129		1 000 000	No instalments	Nibor 3 months	04.07.2016
NO0010641624	PLBK11	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	PLBK12	1 500 000	No instalments	Nibor 3 months	14.09.2018
NO0010699341	PLBK14	800 000	No instalments	Nibor 3 months	13.03.2019
NO0010679806	SORB10	1 250 000	No instalments	Nibor 3 months	22.05.2019
NO0010689680	PLBK13	1 000 000	No instalments	Nibor 3 months	18.09.2019
NO0010664659	SORB07	800 000	No instalments	Nibor 3 months	27.11.2019
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		19 128 000			

10. COVER POOL

	31.03.2014	31.03.2013	2013
Gross loans secured with mortgage on dwelling (residential mortgage loans)*	22 098 779	11 520 106	11 319 904
Receivables representing collateral	85 392	0	0
Total cover pool	22 184 171	11 520 106	11 319 904
Collateralisation ratio	116%	111%	114%

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

11. ASSOCIATED PARTIES

	31.03.2014	31.03.2013	2013
Profit			
Interest from Sparebanken Sør on deposits	7 755	0	0
Interest and credit commissions from Sparebanken Sør in loans/credit	9 843	5 017	17 876
Interest costs on bond debts to Sparebanken Sør	20 924	26 000	90 684
Paid administration fees to Sparebanken Sør	2 169	845	3 384
Balance sheet			
Bank deposits in Sparebanken Sør	0	0	0
Covered bonds owned by Sparebanken Sør (nominal value)	2 000 000	4 326 000	1 833 000
Loans/credit in Sparebanken Sør	1 443 883	506 611	529 506

QUARTERLY PROFIT TREND

	1. quarter	4. quarter	3. quarter	2. quarter	1. quarter
	2014	2013	2013	2013	2013
Net interest income	118 496	57 932	57 942	52 433	44 315
Net other operating income	-15 977	-7 373	-8 348	-3 881	-1 202
Expenses	4 542	2 360	2 046	2 196	2 316
Profit before losses	97 976	48 199	47 548	46 356	40 797
Losses on loans	0	0	0	0	0
Profit before taxes	97 976	48 199	47 548	46 356	40 797
Taxes	26 500	13 496	13 313	12 980	11 423
Profit for the period	71 476	34 703	34 235	33 376	29 374

SØR BOLIGKREDITT AS

