

QUARTER 2 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
Declaration in accordance with Section 5-6 of the Norwegian Securities Trading Act	14

## 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 second quarter 2014, the company has taken on a home loan portfolio amounting to NOK 21,141 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 18,205 million.

## Income statement/balance sheet development

The financial statements for Sør Boligkreditt AS for the 2nd quarter 2014 show a profit after tax of NOK 135.9 million. The company has interest income of NOK 469.7 million and interest costs of NOK 241.6 million. Operating expenses amounted to NOK 15.5 million and tax expenses was NOK 50.3 million.

Total assets as of 30 June 2014 are NOK 21,524 million, of which net loans to customers represent NOK 21,141 million. The loan portfolio is financed via bond emission of NOK 18,205 million and drawing rights from Sparebanken Sør. As of 30 June 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 of 30 June 2014 was drawn down by NOK 1,482 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 2nd quarter, the capital base in the company was NOK 1,507.4 million. This corresponds to a total capital ratio/core tier 1 capital ratio of 16.68%. The capital adequacy 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 of 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 2nd 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 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.

30 June 2014

Arendal 13 August 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	30.06.2014	30.06.2013	2013
Interest income	2,11	469 661	224 790	466 003
Interest expenses	2,11	241 574	128 042	253 380
<b>Net interest income</b>	2	<b>228 087</b>	<b>96 748</b>	<b>212 623</b>
Commission income		131	49	104
Commission expenses		1 250	2 500	5 000
<b>Net commission income</b>		<b>1 119</b>	<b>2 451</b>	<b>4 896</b>
<b>Net change in value from financial instruments</b>		<b>-25 322</b>	<b>-2 633</b>	<b>-15 909</b>
Personnel expenses		211	0	0
Depreciation of intangible assets		7	189	377
Other operating expenses		15 267	4 323	8 541
<b>Total expenses</b>		<b>15 485</b>	<b>4 512</b>	<b>8 918</b>
<b>Profit before losses on loans</b>		<b>186 161</b>	<b>87 152</b>	<b>182 900</b>
Losses on loans		0	0	0
<b>Profit before taxes</b>		<b>186 161</b>	<b>87 152</b>	<b>182 900</b>
Tax expenses	3	50 263	24 403	51 212
<b>Profit for the period</b>		<b>135 898</b>	<b>62 750</b>	<b>131 688</b>
<b>Other comprehensive income</b>				
<b>Profit for the period</b>		<b>135 898</b>	<b>62 750</b>	<b>131 688</b>
Other income and expenses		0	0	0
<b>Total comprehensive income for the period</b>		<b>135 898</b>	<b>62 750</b>	<b>131 688</b>

# Balance Sheet

NOK Thousand

ASSETS	Notes	30.06.2014	30.06.2013	2013
Loans to and receivables from credit institutions	10	317 850	0	0
Net loans to customers	4,7,8,10	21 140 933	11 690 277	11 319 904
Financial derivatives		64 678	831	0
Deferred tax assets		100	117	149
Other assets		8	576	7
<b>TOTAL ASSETS</b>		<b>21 523 569</b>	<b>11 691 800</b>	<b>11 320 060</b>
<b>LIABILITIES AND EQUITY</b>				
Debts to credit institutions	5,11	1 482 406	679 304	529 506
Debt incurred due to issue of securities	9,11	18 307 969	10 362 467	9 969 755
Financial derivatives		3 361	-	0
Payable tax	3	72 022	24 403	51 244
Other liabilities		14 563	10	0
<b>Total liabilities</b>		<b>19 880 321</b>	<b>11 066 184</b>	<b>10 550 505</b>
<b>Equity</b>				
Paid-in equity capital		1 025 000	450 000	525 000
Retained earnings		618 248	175 617	244 555
<b>Total equity capital</b>	6	<b>1 643 248</b>	<b>625 617</b>	<b>769 555</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>21 523 569</b>	<b>11 691 800</b>	<b>11 320 060</b>

30 June 2014

Arendal 13 August 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

<b>NOK Thousand</b>	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>2013</b>
Interest payments received	474 641	222 792	464 353
Interest payments made	-222 140	-127 774	-253 940
Operating costs payment	-13 067	0	0
Changes in loans to customers	2 068 110	-1 126 436	-756 231
Tax payment	-98 186	-33 237	-33 237
<b>Net cash flow from operational activities</b>	<b>2 209 358</b>	<b>-1 064 655</b>	<b>-579 055</b>
Changes in other assets	-27 325	49	104
Changes in deposits from credit institutions	-249 090	124 401	-25 397
Changes in other liabilities	-7 697	-7 012	-13 918
Transferred cash through merger	1 164 879	0	0
<b>Net cash flow from current financing activities</b>	<b>880 767</b>	<b>117 438</b>	<b>-39 211</b>
Paid in share capital	0	0	75 000
Changes in debt due to issue of securities	-2 772 276	947 217	543 266
<b>Net cash flow from long-term financing activities</b>	<b>-2 772 276</b>	<b>947 217</b>	<b>618 266</b>
<b>Net change in liquid assets</b>	<b>317 850</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents as at 01.01	0	0	0
<b>Cash and cash equivalents at end of period</b>	<b>317 850</b>	<b>0</b>	<b>0</b>

## Equity Statement

	Share capital	Share premium reserve	Other equity	Total
<b>NOK Thousand</b>				
<b>Balance 31.12.2012</b>	<b>450 000</b>	<b>0</b>	<b>112 867</b>	<b>562 867</b>
Profit for the period	0	0	62 750	62 750
<b>Balance 30.06.2013</b>	<b>450 000</b>	<b>0</b>	<b>175 617</b>	<b>625 617</b>
Share capital increase 27.09.2013	75 000	0	0	75 000
Profit for the period	0	0	68 938	68 938
<b>Balance 31.12.2013 / 01.01.2014</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 for the period	0	0	135 898	135 898
<b>Balance 30.06.2014</b>	<b>525 000</b>	<b>500 000</b>	<b>618 248</b>	<b>1 643 248</b>

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	30.06.2014	30.06.2013	2013
Interest on loans given to and receivables from credit institutions	12 050	4	4
Interest on loans given to and receivables from customers	457 611	224 786	465 999
<b>Total interest income</b>	<b>469 661</b>	<b>224 790</b>	<b>466 003</b>
Interest on debt to credit institutions	19 238	6 884	12 935
Interest on issued securities	222 336	121 158	240 445
<b>Total interest expenses</b>	<b>241 574</b>	<b>128 042</b>	<b>253 380</b>
<b>Net interest income</b>	<b>228 087</b>	<b>96 748</b>	<b>212 623</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% in 2014.

## 4. DEBT TO ASSET RATIO

	30.06.2014	30.06.2013	2013
<b>Average debt to asset ratio in %</b>	<b>56.6 %</b>	<b>52.0 %</b>	<b>58.1 %</b>
Portfolio divided into intervals of debt to asset ratio:			
less than or equal to 40%	19.4 %	26.9 %	17.9 %
41 - 50 %	12.1 %	14.3 %	11.6 %
51 - 60 %	17.5 %	18.7 %	16.4 %
61 - 70 %	28.1 %	24.8 %	25.0 %
71 - 75 %	13.4 %	10.3 %	16.3 %
over 75 %	9.5 %	5.0 %	12.8 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

## 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

NOK Thousand	30.06.2014	30.06.2013	2013
Equity capital			
Share capital	525 000	450 000	525 000
Share premium reserve	500 000		
Other equity	482 350	112 867	244 555
Deductions	0	0	0
<b>Net equity capital (core capital)</b>	<b>1 507 350</b>	<b>562 867</b>	<b>769 555</b>
<b>Minimum requirement for equity capital</b>			
Credit risk	683 564	351 272	341 923
Market risk	0	0	0
Operational risk	39 753	11 667	11 567
Deductions	480	0	0
<b>Total minimum requirement for equity capital</b>	<b>722 837</b>	<b>362 939</b>	<b>353 490</b>
Risk-weighted balance (calculation basis)	9 035 463	4 536 738	4 418 625
<b>Core tier 1 capital ratio</b>	<b>16.68%</b>	<b>12.41%</b>	<b>17.42%</b>
<b>Total capital ratio</b>	<b>16.68%</b>	<b>12.41%</b>	<b>17.42%</b>

## 7. LENDING TO CUSTOMERS

<b>Loans assessed at amortised cost</b>	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>2013</b>
Flexi-loans (revolving loans)	8 105 039	5 596 521	5 386 007
Repayment loans	13 041 894	6 093 756	5 933 897
<b>Gross loans</b>	<b>21 146 933</b>	<b>11 690 277</b>	<b>11 319 904</b>
Collective write-downs	6 000	0	0
<b>Net loans</b>	<b>21 140 933</b>	<b>11 690 277</b>	<b>11 319 904</b>
Unused credit on Flexi-loans	2 854 824	1 658 650	1 730 440

<b>Loans distributed to sector and industries</b>	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>2013</b>
Retail customers	20 748 952	11 592 104	11 243 902
Corporate customers *)	373 543	84 371	63 153
Accrued interest	24 438	13 802	12 849
<b>Gross loans</b>	<b>21 146 933</b>	<b>11 690 277</b>	<b>11 319 904</b>
Collective write-downs	6 000	0	0
<b>Net loans</b>	<b>21 140 933</b>	<b>11 690 277</b>	<b>11 319 904</b>

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

<b>Loans distributed by geographical areas</b>						
<b>NOK Thousand</b>	<b>30.06.2014</b>		<b>30.06.2013</b>		<b>2013</b>	
Vest-Agder	9 723 185	46.00%	7 595 123	65.0 %	7 410 329	65.5 %
Aust-Agder	6 315 615	29.90%	2 108 818	18.0 %	2 014 471	17.8 %
Telemark	1 547 162	7.30%	47 603	0.4 %	47 022	0.4 %
Oslo	1 571 314	7.40%	772 566	6.6 %	723 667	6.4 %
Akershus	706 254	3.30%	363 728	3.1 %	344 801	3.0 %
Other counties	1 277 403	6.1 %	802 439	6.9 %	779 614	6.9 %
<b>Total</b>	<b>21 140 933</b>	<b>100.0 %</b>	<b>11 690 277</b>	<b>100.0 %</b>	<b>11 319 904</b>	<b>100.0 %</b>

## 8. DEFAULTED LOANS

<b>NOK Thousand</b>	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>2013</b>
<b>Gross defaulted loans</b>			
31 - 60 days	8 859	1 298	441
61 - 90 days	0	0	0
Over 90 days	1 696	0	0
<b>Total gross defaulted loans</b>	<b>10 555</b>	<b>1 298</b>	<b>441</b>

Defaulted loans over 90 days amounts to 0.01% of gross loans as at 30.06.2014.

## 9. DEBT INCURRED DUE TO ISSUE OF SECURITIES

ISIN Number	Ticker	Nominal value	Repayment structure	Coupon	Due date
NO0010503428	SORB15	30 000	No instalment	Nibor 3 months	26.09.2014
NO0010520406	SORB14	11 000	No instalment	Nibor 3 months	16.03.2015
NO0010633415	SORB05	1 130 000	No instalment	Nibor 3 months	23.03.2015
NO0010508443		0	No instalment	Nibor 3 months	08.04.2015
NO0010572118	SORB11	697 000	No instalment	Nibor 3 months	23.04.2015
NO0010503410	SORB18	6 500	No instalment	Nibor 3 months	28.09.2015
NO0010625841	SORB03	1 200 000	No instalment	Nibor 3 months	05.10.2015
NO0010575210	SORB12	500 000	No instalment	Nibor 3 months	26.11.2015
NO0010593437	SORB13	1 000 000	No instalment	Nibor 3 months	14.12.2015
NO0010512502	SORB17	31 500	No instalment	Nibor 3 months	14.12.2015
NO0010515406	SORB16	249 000	No instalment	Nibor 3 months	16.03.2016
NO0010605801	SORB19	1 000 000	No instalment	Nibor 3 months	30.03.2016
NO0010614688	SORB01	1 200 000	No instalment	Nibor 3 months	29.06.2016
NO0010518129		0	No instalment	Nibor 3 months	04.07.2016
NO0010641624	SORB20	1 000 000	No instalment	Nibor 3 months	28.03.2017
NO0010623945	SORB02	1 200 000	No instalment	Nibor 3 months	24.08.2017
NO0010649056	SORB06	1 250 000	No instalment	Nibor 3 months	20.06.2018
NO0010673296	SORB21	1 500 000	No instalment	Nibor 3 months	14.09.2018
NO0010699341	SORB23	800 000	No instalment	Nibor 3 months	13.03.2019
NO0010679806	SORB10	1 250 000	No instalment	Nibor 3 months	22.05.2019
NO0010689680	SORB22	1 000 000	No instalment	Nibor 3 months	18.09.2019
NO0010664659	SORB07	800 000	No instalment	Nibor 3 months	27.11.2019
NO0010714058		1 500 000	No instalment	Nibor 3 months	24.06.2020
NO0010671597	SORB09	350 000	No instalment	Fixed 3,85 %	13.02.2023
NO0010670409	SORB08	500 000	No instalment	Fixed 4,00 %	24.01.2028
<b>Total</b>		<b>18 205 000</b>			

## 10. COVER POOL

	30.06.2014	30.06.2013	2013
Gross loans secured with mortgage on dwelling (residential mortgage loans)*	21 019 750	11 690 277	11 319 904
Receivables representing collateral	317 800	0	0
<b>Total cover pool</b>	<b>21 337 550</b>	<b>11 690 277</b>	<b>11 319 904</b>
Collateralisation ratio	117%	113%	114%

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

## 11. ASSOCIATED PARTIES

	30.06.2014	30.06.2013	2013
<b>Profit</b>			
Interest from Sparebanken Sør on deposits	12 050	0	0
Interest and credit commissions from Sparebanken Sør in loans/credit	20 488	9 376	17 876
Interest costs on bond debts to Sparebanken Sør	31 312	51 700	90 684
Paid administration fees to Sparebanken Sør	12 285	1 690	3 384
<b>Balance sheet</b>			
Bank deposits in Sparebanken Sør	317 850	0	0
Covered bonds owned by Sparebanken Sør (nominal value)	599 000	3 862 000	1 833 000
Loans/credit in Sparebanken Sør	1 480 493	679 304	529 506

## QUARTERLY PROFIT TREND

	2. quarter	1. quarter	4. quarter	3. quarter	2. quarter	1. quarter
	2014	2014	2013	2013	2013	2013
Net interest income	109 591	118 496	57 932	57 942	52 433	44 315
Net other operating income	-10 463	-15 977	-7 373	-8 348	-3 881	-1 202
Expenses	10 944	4 542	2 360	2 046	2 196	2 316
<b>Profit before losses</b>	<b>88 184</b>	<b>97 977</b>	<b>48 199</b>	<b>47 548</b>	<b>46 356</b>	<b>40 797</b>
Losses on loans	0	0	0	0	0	0
<b>Profit before taxes</b>	<b>88 184</b>	<b>97 977</b>	<b>48 199</b>	<b>47 548</b>	<b>46 356</b>	<b>40 797</b>
Taxes	23 763	26 500	13 496	13 313	12 980	11 423
<b>Profit for the period</b>	<b>64 421</b>	<b>71 477</b>	<b>34 703</b>	<b>34 235</b>	<b>33 376</b>	<b>29 374</b>

## Declaration in Accordance with Section 5-6 of Norwegian Securities Trading Act

The Board of Directors and managing director of Sør Boligkreditt AS hereby confirm that the company's half-yearly financial statements for 2014 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements provides a true and fair view of the company's assets, liabilities, financial position and overall result.

In addition, we confirm that the half- year report provides a true and fair view of the company's development, result and position, together with a description of the most significant risk and uncertainty factors facing the company.

30 June 2014

Arendal 13 August 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

# SØR BOLIGKREDITT AS

