

QUARTER 2
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 second quarter 2015, the company has taken on a home loan portfolio amounting to NOK 22 234 million, transferred from Sparebanken Sør, of which NOK 22 152 million is included in the cover pool. Sparebanken Sør Boligkreditt AS had issued covered bonds amounting to NOK 18 923 million.

Income statement and balance sheet

The financial statement for Sparebanken Sør Boligkreditt AS at the end of the second quarter of 2015 show a profit after tax of NOK 118.2 million. The company has interest income of NOK 389.4 million and interest expenses of NOK 193.5 million. Operating expenses amounted to NOK 23.7 million and tax expenses was NOK 43.7 million.

Total assets as at 30.06.2015 are NOK 22 669 million, of which net loans to customers represent NOK 22 228 million. The loan portfolio has been financed through issue of bonds with a nominal value of NOK 18 923 million and through equity and drawing rights from Sparebanken Sør. As at 30.06.2015, 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 drawing rights of NOK 5 500 million in Sparebanken Sør that, as at 30.06.2015, was drawn down by NOK 1 647 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 second quarter, the net equity capital in the company was NOK 1 879.7 million. This corresponds to a total capital ratio/core tier 1 capital ratio of 16.96 per cent, while regulatory minimums requirements constitute respectively 14.5 per cent and 11 per cent (including countercyclical capital buffer of 1 per cent, with effect from 30 June 2015). 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.

Risk conditions

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 company's mortgages to customers are in Norwegian kroner (NOK) at floating interest rate. Financing is carried out at floating interest rates, with the exception of a minor part that is taken up at a fixed interest rate and swapped to floating interest. Sparebanken Sør Boligkreditt AS has no positions in foreign currency at the end of the second quarter of 2015. 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 business will be very satisfactory.

Sparebanken Sør Boligkreditt AS plans further acquisition of loans from Sparebanken Sør, and the company intends to be able to issue new covered bonds aimed at investors in Norway or abroad.

Kristiansand, 10 August 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	30.06.2015	30.06.2014	31.12.2014
Interest income	2, 11	389 434	469 662	898 765
Interest expenses	2, 11	193 453	241 574	472 997
Net interest income	2	195 981	228 087	425 768
Commission income		85	131	296
Commission expenses		2 500	1 250	5 000
Net commission income		-2 415	-1 119	-4 704
Net change in value from financial instruments		-7 897	-25 322	-35 311
Personnel expenses		0	212	231
Depreciation of intangible assets		0	7	7
Other operating expenses		23 727	15 267	37 383
Total expenses		23 727	15 486	37 621
Profit before losses on loans		161 942	186 161	348 132
Losses on loans		0	0	0
Profit before taxes		161 942	186 161	348 132
Tax expenses	3	43 724	50 263	94 009
Profit for the period		118 218	135 898	254 123
Other comprehensive income				
Profit for the period		118 218	135 898	254 123
Other income and expenses		0	0	0
Total profit for the period		118 218	135 898	254 123

Balance sheet

NOK Thousand

ASSETS	Notes	30.06.2015	30.06.2014	31.12.2014
Loans to and receivables from credit institutions	10	44 825	317 850	12 588
Net loans to customers	4, 7, 8, 10	22 227 609	21 140 933	20 079 397
Bonds and certificates		300 850	0	299 466
Financial derivatives		95 432	64 678	155 133
Deferred tax assets		479	100	475
Other assets		254	8	0
TOTAL ASSETS		22 669 449	21 523 569	20 547 060
LIABILITIES AND EQUITY CAPITAL				
Debt to credit institutions	5, 11	1 647 971	1 482 406	1 330 485
Debt incurred due to issue of securities	9, 11	19 044 906	18 307 969	17 352 100
Financial derivatives		2 916	3 361	3 184
Payable tax		88 697	72 022	94 384
Other liabilities		5 268	14 563	5 434
TOTAL LIABILITIES		20 789 758	19 880 321	18 785 587
EQUITY CAPITAL				
Paid-in equity capital		1 025 000	1 025 000	1 025 000
Retained earnings		854 691	618 248	736 473
TOTAL EQUITY CAPITAL	6	1 879 691	1 643 248	1 761 473
TOTAL LIABILITIES AND EQUITY CAPITAL		22 669 449	21 523 569	20 547 060

Kristiansand, 10 August 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	30.06.2015	30.06.2014	31.12.2014
Interest payment received	391 193	474 641	903 001
Interest payment made	-196 959	-222 140	-495 049
Operating cost payment	-25 808	-13 067	-43 986
Change in loans to customers	-2 149 971	2 068 110	3 125 410
Tax payment	-49 410	-98 186	-98 186
Net cash flow from operational activities	-2 030 955	2 209 358	3 391 191
Changes in bonds and certificates	-1 384	0	-299 466
Changes in other assets	-254	-27 325	23
Changes in deposits from credit institutions	316 944	-249 090	-399 165
Changes in other liabilities	-500	-7 697	236
Transferred cash through merger	0	1 164 879	1 164 879
Net cash flow from current financing activities	314 806	880 767	466 507
Paid in share capital	0	0	0
Changes in debt due to issue of securities	1 748 387	-2 772 276	-3 845 110
Net Cash flow from long-term financing activities	1 748 387	-2 772 276	-3 845 110
Net change in liquid assets	32 237	317 850	12 588
Liquid assets as at 01.01.2015	12 588	0	0
Liquid assets at end of period	44 825	317 850	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 - 30.06.2014	0	0	135 898	135 898
Balance 30.06.2014	525 000	500 000	618 248	1 643 248
Profit 01.07.2014 - 31.12.2014	0	0	118 225	118 225
Balance 31.12.2014	525 000	500 000	736 473	1 761 473
Profit 01.01.2015 - 30.06.2015	0	0	118 218	118 218
Balance 30.06.2015	525 000	500 000	854 691	1 879 691

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	30.06.2015	30.06.2014	31.12.2014
Interest on loans given to and receivables from credit institutions	251	12 050	16 437
Interest on loans to customers	388 625	457 611	882 163
Interest on certificates/bonds/interest-bearing securities	558	0	165
Total interest income	389 434	469 662	898 765
Interest on debt to credit institutions	15 235	19 238	41 319
Interest on issued securities	178 218	222 336	431 514
Other interest cost	0	0	164
Total interest expenses	193 453	241 574	472 997
Net interest income	195 981	228 088	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

	30.06.2015	30.06.2014	31.12.2014
Average debt to asset ratio in %	54,3 %	56,6 %	52,8 %
Portfolio divided into intervals of debt to asset ratio			
Less than or equal to 40 %	20,5 %	19,4 %	25,0 %
41 - 50 %	14,0 %	12,1 %	14,5 %
51 - 60 %	20,6 %	17,5 %	18,9 %
61 - 70 %	32,2 %	28,1 %	27,0 %
71 - 75 %	8,5 %	13,4 %	8,6 %
over 75 %	4,2 %	9,5 %	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 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	30.06.2015	30.06.2014	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 tier 1 capital)	1 761 473	1 507 350	1 761 473
Minimum requirement for equity capital			
Credit risk	762 513	683 564	670 079
Market risk	0	0	0
Operational risk	55 247	39 753	39 753
CVA addition	13 263	0	17 289
Deductions	0	480	0
Total minimum requirement for equity capital	831 023	722 837	727 121
Risk-weight balance (calculation basis)	10 387 788	9 035 463	9 089 013
Core tier 1 capital ratio	16,96 %	16,68 %	19,38 %
Core capital ratio	16,96 %	16,68 %	19,38 %
Total capital ratio	16,96 %	16,68 %	19,38 %

7. LOANS TO CUSTOMERS

NOK Thousand	30.06.2015	30.06.2014	31.12.2014
Loans assessed at amortised cost			
Flexi-loans (revolving loans)	6 816 375	8 105 039	6 208 435
Repayment loans	15 417 234	13 041 894	13 876 962
Gross loans	22 233 609	21 146 933	20 085 397
Collective write-downs	6 000	6 000	6 000
Net loans	22 227 609	21 140 933	20 079 397
Unused credit on Flexi-loans	2 920 584	2 854 824	2 398 489

Loans distributed to sector and industries	30.06.2015	30.06.2014	31.12.2014
Retail customers	22 057 919	20 748 952	19 808 285
Corporate customers *)	152 267	373 543	251 930
Accrued interests	23 423	24 438	25 182
Gross loans	22 233 609	21 146 933	20 085 397
Collective write-downs	6 000	6 000	6 000
Net loans	22 227 609	21 140 933	20 079 397

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

Loans distributed by geographical areas	30.06.2015		30.06.2014		31.12.2014	
Vest-Agder	9 820 212	44,2 %	9 723 185	46,0 %	8 623 012	42,9 %
Aust-Agder	6 800 500	30,6 %	6 315 615	29,9 %	6 248 037	31,1 %
Telemark	1 786 073	8,0 %	1 547 162	7,3 %	1 771 772	8,8 %
Oslo	1 630 071	7,3 %	1 571 314	7,4 %	1 467 275	7,3 %
Akershus	753 523	3,4 %	706 254	3,3 %	694 479	3,5 %
Other counties	1 437 230	6,5 %	1 277 403	6,1 %	1 274 822	6,3 %
Total	22 227 609	100,0 %	21 140 933	100,0 %	20 079 397	100,0 %

8. DEFAULTED LOANS

NOK Thousand	30.06.2015	30.06.2014	31.12.2014
Gross defaulted loans			
31 - 60 days	3 569	8 859	0
61 - 90 days	1 455	0	0
Over 90 days	0	1 696	0
Total gross defaulted loans	5 024	10 555	0

9. DEBT INCURRED DUE TO ISSUE OF SECURITIES AS AT 30.06.2015

ISIN Number	Ticker	Nominal value	Book value	Repayment- structure	Coupon	Due date
NO0010625841	SORB03	209 000	210 157	No installments	Nibor 3 mths	05.10.2015
NO0010575210	SORB12	122 000	122 247	No installments	Nibor 3 mths	26.11.2015
NO0010593437	SORB13	236 000	236 198	No installments	Nibor 3 mths	14.12.2015
NO0010515406	SORB16	100 000	100 085	No installments	Nibor 3 mths	16.03.2016
NO0010605801	SORB19	617 000	616 939	No installments	Nibor 3 mths	30.03.2016
NO0010614688	SORB01	738 500	738 941	No installments	Nibor 3 mths	29.06.2016
NO0010641624	SORB20	1 000 000	1 000 734	No installments	Nibor 3 mths	28.03.2017
NO0010623945	SORB02	1 200 000	1 200 776	No installments	Nibor 3 mths	24.08.2017
NO0010649056	SORB06	1 250 000	1 255 305	No installments	Nibor 3 mths	20.06.2018
NO0010673296	SORB21	2 000 000	2 006 047	No installments	Nibor 3 mths	14.09.2018
NO0010699341	SORB23	800 000	800 022	No installments	Nibor 3 mths	13.03.2019
NO0010679806	SORB10	2 000 000	2 010 698	No installments	Nibor 3 mths	22.05.2019
NO0010689680	SORB22	1 000 000	999 621	No installments	Nibor 3 mths	18.09.2019
NO0010664659	SORB07	800 000	802 215	No installments	Nibor 3 mths	27.11.2019
NO0010714058	SORB24	2 000 000	2 000 928	No installments	Nibor 3 mths	24.06.2020
NO0010733421	SORB26	2 000 000	1 997 594	No installments	Nibor 3 mths	24.09.2020
NO0010730146	SORB25	2 000 000	1 999 630	No installments	Nibor 3 mths	16.06.2021
NO0010671597	SORB09	350 000	385 366	No installments	Fixed 3.85 %	13.02.2023
NO0010670409	SORB08	500 000	561 403	No installments	Fixed 4.00 %	24.01.2028
Total		18 922 500	19 044 906			

10. COVER POOL

NOK Thousand	30.06.2015	30.06.2014	31.12.2014
Gross loans secured with mortgage on dwelling (residential mortgage loans)*	22 151 809	21 019 750	19 980 952
Receivables representing collateral	10 039	317 800	12 588
Total cover pool	22 161 848	21 337 550	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	30.06.2015	30.06.2014	31.12.2014
Income statement			
Interest income from Sparebanken Sør on deposits	251	12 050	16 437
Interest cost and credit commission from Sparebanken Sør on loans/credit	17 735	20 488	46 319
Interest cost on bond debts to Sparebanken Sør	1 572	31 312	44 892
Paid administration fees to Sparebanken Sør	21 516	12 285	32 521
Balance sheet			
Bank deposits in Sparebanken Sør	44 825	317 850	12 588
Covered bonds owned by Sparebanken Sør (nominal value)	0	599 000	0
Loan/credit in Sparebanken Sør	1 647 364	1 480 493	1 330 419

QUARTERLY PROFIT TREND

NOK THOUSAND	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Net interest income	97 996	97 985	101 527	96 154	109 591
Net other operating income	-6 402	-3 910	-11 188	-2 386	-10 463
Operating expenses	12 162	11 565	11 228	10 908	10 944
Profit before losses on loans	79 432	82 510	79 111	82 860	88 184
Losses on loans	0	0	0	0	0
Profit before taxes	79 432	82 510	79 111	82 860	88 184
Tax expenses	21 446	22 278	21 389	22 357	23 763
Profit for the period	57 986	60 232	57 722	60 503	64 421

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

The Board of Directors and managing director of Sparebanken Sør Boligkreditt AS hereby confirm that the company's half-yearly financial statements for 2015 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.

Kristiansand, 10 August 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

SPAREBANKEN SØR BOLIGKREDITT AS

