



2nd QUARTER 2012
(urevidert)

SØR BOLIGKREDITT AS

General information

Sør Boligkreditt AS was established in the autumn of 2008 and is a wholly owned subsidiary of Sparebanken Sør. The company shares the same premises as the Bank's head office in Arendal. The company has a licence as a finance enterprise and may issue covered bonds to investors from the company's cover pool. The cover pool mainly consist of secured mortgages that have been granted by Sparebanken Sør, and that meet the requirements the company sets for loans that may enter the cover pool. One of the main requirements is that the outstanding balance of each loan must not exceed 75 per cent of the market value of the mortgaged property.

Profit and loss account

At the end of the 2nd quarter, pre-tax profit was MNOK 39.8, compared with MNOK 13.0 in the same period in 2011. Return on net capital was 16.3 per cent. The increase in profit is due to a greater lending volume compared with the same period last year.

Interest and related income was MNOK 200.1 and interest and related costs were MNOK 143.4, which gives a net interest at the end of the quarter of MNOK 56.7.

In the 2nd quarter, operating costs were MNOK 16.9. An agreement has been entered into with the parent bank, Sparebanken Sør, which includes loan administration, group support and treasury functions, etc. The costs associated with this agreement are MNOK 15.2.

There have been no losses on loans in the company year-to-date.

Balance sheet/ funding / capital adequacy

At the end of the quarter, total assets amounted to MNOK 10,040, of which net loans were MNOK 9,691 and the average debt-to-asset ratio was 52.3 per cent. As at 30 June 2012, no loans were defaulted.

At the end of the quarter, covered bonds totalling MNOK 8,350 had been issued. The cover pool totalled MNOK 9,815, of which mortgages totalled MNOK 9,480.

In the 2nd quarter, the company's share capital was increased by MNOK 100.

At the end of the quarter, capital adequacy ratio was 11.3 per cent, all of which was core capital.

Rating

Sør Boligkreditt AS has an Aaa rating from Moodys for covered bonds.

Risk and capital management

Risk management ensures that the company's risk exposure is known at any time and helps ensure that the company achieves its strategic objectives, and also that statutes, regulations and regulatory requirements are complied with. Management objectives have been set for the company's total risk level and specific management objectives within each risk area. Systems have been established for measurement, management and control of risk.

Capital management will ensure that the company has good core capital adequacy, financial stability and a satisfactory return in relation to the risk profile.

The company's capital adequacy and risk exposure are followed-up through periodic reports.

Credit risk

Credit risk is defined as the risk of loss due to customers or counterparties not being able to meet their obligations. Credit risk is managed through the company's strategy and policy documents, credit routines and processes, scoring models and lending authority.

Market risk

Market risk is the risk of loss due to unfavourable changes in the market prices for interest and exchange rates and in the stock market. The company's market risk management strategy ensures that the operations are run in accordance with the company's overall strategy plan and that the risk is reflected in the return.

Funding risk

Funding risk is the risk that the company is unable to meet its obligations without increase borrowing costs, or at worst, not being able to meet its obligations at the time of ordinary maturity. The company's funding risk management strategy

ensures prudent liquidity management, which in turn helps to ensure that the company can survive critical situations.

Operational risk

Operational risk is defined as the risk of loss due to inadequate or failing internal processes, routines or systems, human errors, crime or external events.

Operational risk management takes place through human resource development, good systems and routines, good internal control and quality assurance.

The company has entered into a framework agreement with Sparebanken Sør, which includes loan administration, group support and treasury functions, etc. Under the agreement,

the bank bears the risk of any errors within the supplies and services provided.

Future outlook

The company has had stable earnings and risk is low and we expect this situation to continue in the months ahead.

In 2012, the company plans to take over more loans from Sparebanken Sør.

Arendal, 6 August 2012

Board of Directors of Sør Boligkreditt AS

Geir Bergskaug
Chairman

Frode Mathiesen
Deputy Chairman

Dagfinn Vaage

Seunn Smith-Tønnessen

Rolf H. Søraker
Managing Director



4 PROFIT & LOSS ACCOUNT

| NOK 1 000 | Notes | 30.06.12 | 30.06.11 | 2011 |
|---|----------|---------------|---------------|---------------|
| Interest and related income | 2,10 | 200 111 | 113 256 | 277 983 |
| Interest and related costs | 2,10 | 143 439 | 90 170 | 227 147 |
| Net interest and credit commission income | 2 | 56 672 | 23 086 | 50 836 |
| Net commission income | | 83 | 48 | 112 |
| Personnel expenses | | 308 | 264 | 557 |
| Administration costs | 10 | 16 457 | 9 483 | 22 457 |
| Amortization of intangible assets | | 172 | 338 | 676 |
| Total operating costs | | 16 937 | 10 085 | 23 690 |
| Operating profit before losses | | 39 818 | 13 049 | 27 258 |
| Losses on loans | | 0 | 0 | 0 |
| Pre-tax profit | | 39 818 | 13 049 | 27 258 |
| Tax on ordinary profit | | 11 149 | 3 653 | 7 640 |
| Profit on ordinary operations after tax / net profit | | 28 669 | 9 396 | 19 618 |
| Expanded income statement | | | | |
| Profit for the period | | 28 669 | 9 396 | 19 618 |
| Other income and costs | | 0 | 0 | 0 |
| Total net profit for the period | | 28 669 | 9 396 | 19 618 |

NOK 1 000

| ASSETS | Notes | 30.06.12 | 30.06.11 | 2011 |
|---|----------|-------------------|------------------|------------------|
| Loans to and claims on financial institutions | 10 | 335 060 | 200 643 | 120 401 |
| Gross loans | | 9 694 704 | 6 181 838 | 7 983 074 |
| Write-downs on groups of loans | | -4 000 | -4 000 | -4 000 |
| Net loans to customers | 3,6,7,9 | 9 690 704 | 6 177 838 | 7 979 074 |
| Intangible assets | | 0 | 510 | 172 |
| Accrued interest | | 14 092 | 7 841 | 11 870 |
| TOTAL ASSETS | | 10 039 856 | 6 386 832 | 8 111 517 |
| EQUITY AND LIABILITIES | | | | |
| Liabilities to financial institutions | 4,10 | 1 150 000 | 1 106 124 | 1 000 000 |
| Debt established through issue of securities | 8,10 | 8 343 124 | 4 998 515 | 6 696 133 |
| Period tax liabilities | | 9 983 | 6 048 | 7 026 |
| Other liabilities | | 55 765 | 34 052 | 56 043 |
| Total liabilities | | 9 558 872 | 6 144 739 | 7 759 202 |
| Share capital | | 400 000 | 200 000 | 300 000 |
| Other reserves | | 52 315 | 32 697 | 52 315 |
| Unallocated profit | | 28 669 | 9 396 | 0 |
| Total equity | 5 | 480 984 | 242 093 | 352 315 |
| TOTAL EQUITY AND LIABILITIES | | 10 039 856 | 6 386 832 | 8 111 517 |

Arendal, 6 August 2012

Geir Bergskaug
Chairman of the Board

Frode Mathiesen
Deputy Chairman

Dagfinn Vaage

Seunn Smith-Tønnessen

Rolf H. Søraker
Managing Director

6 CASH FLOW STATEMENT

| NOK 1 000 | 30.06.12 | 30.06.11 | 2011 |
|--|-------------------|-----------------|-------------------|
| Interest received | 197 890 | 113 389 | 274 086 |
| Interest paid | -144 210 | -89 497 | -204 879 |
| Operations-related payments | -24 872 | -15 073 | -32 468 |
| Net cash flow from operations | 28 808 | 8 819 | 36 739 |
| Change in loans | -1 711 630 | -322 284 | -2 123 520 |
| Change in other assets | 0 | 615 | 0 |
| Change in loans from financial institutions | 150 000 | -467 641 | -573 765 |
| Change in other liabilities | 490 | -17 714 | -15 519 |
| Net cash flow from current financial activities | -1 561 140 | -807 024 | -2 712 804 |
| Paid-up share capital | 100 000 | 0 | 100 000 |
| Change in debt established through issue of securities | 1 646 991 | 998 848 | 2 696 466 |
| Net cash flow from non-current financial activities | 1 746 991 | 998 848 | 2 796 466 |
| Net change in cash and cash equivalents | 214 659 | 200 643 | 120 401 |
| Cash and cash equivalent as at 01/01 | 120 401 | 0 | 0 |
| Cash and cash equivalents at the end of the period | 335 060 | 200 643 | 120 401 |

The company has unused drawing rights of MNOK 1,350 in the parent bank as at 30 June 2012, cf. note 5

EQUITY MOVEMENTS

| NOK 1 000 | Share capital | Other reserves | Unallocated profit | Total |
|----------------------------------|----------------|----------------|--------------------|----------------|
| Equity as at 1 January 2011 | 200 000 | 32 697 | | 232 697 |
| Profit as at 30 June 2011 | | | 9 396 | 9 396 |
| Equity as at 30 June 2011 | 200 000 | 32 697 | 9 396 | 242 093 |
| Equity as at 1 January 2012 | 300 000 | 52 315 | | 352 315 |
| Payment of equity | 100 000 | | | 100 000 |
| Profit as at 30 June 2012 | | | 28 669 | 28 669 |
| Equity as at 30 June 2012 | 400 000 | 52 315 | 28 669 | 480 984 |

For a statement of equity movements as at 31 December 2011, refer to the 2011 annual account.

Note 1 Accounting principles

The accounts have been prepared in accordance with International Standards for Financial Reporting, IFRS.

The accounting principles are the same as those used in the 2011 accounts, and these have been described therein.

Note 2 Net interest income

NOK 1 000

| | 30.06.12 | 30.06.11 | 2011 |
|---|----------------|----------------|----------------|
| Interest on liabilities to financial institutions | 7 885 | 897 | 11 504 |
| Interest on issued securities | 192 226 | 112 359 | 266 479 |
| Total interest income | 200 111 | 113 256 | 277 983 |
| Interest on liabilities to financial institutions | 24 047 | 25 799 | 61 009 |
| Interest on issued securities | 119 392 | 64 371 | 166 110 |
| Other interest costs | 0 | 0 | 28 |
| Total interest | 143 439 | 90 170 | 227 147 |
| Net interest income | 56 672 | 23 086 | 50 836 |

Note 3 Debt-to-asset ratio

| | 30.06.12 | 30.06.11 | 2011 |
|---|----------------|----------------|----------------|
| Average debt-to-asset ratio as a % | 52.3 % | 49.8 % | 50.4 % |
| Portfolio by intervals of debt-to-asset ratio | | | |
| below or equal to 40% | 23.5 % | 28.9 % | 26.0 % |
| 41 - 50 % | 15.9 % | 19.5 % | 18.0 % |
| 51 - 60 % | 20.0 % | 20.3 % | 21.9 % |
| 61 - 70 % | 27.2 % | 19.8 % | 26.5 % |
| 71 - 75 % | 11.2 % | 8.6 % | 5.2 % |
| > 75% | 2.2 % | 2.9 % | 2.4 % |
| Total | 100.0 % | 100.0 % | 100.0 % |

Note 4 Liabilities to financial institutions

The company has entered into an agreement with Sparebanken Sør regarding a credit facility of BNOK 2.5, which is primarily used for settlement of purchased loans and repayment of covered bonds. The agreement has been entered into in accordance with the arm's length principle.

Note 5 Capital adequacy

| NOK 1 000 | 30.06.12 | 30.06.11 | 2011 |
|--|----------------|----------------|----------------|
| Equity and related capital | | | |
| Share capital | 400 000 | 200 000 | 300 000 |
| Other reserves | 52 315 | 32 697 | 52 315 |
| Deductions | 0 | 510 | 172 |
| Net equity and related capital (core capital) | 452 315 | 232 187 | 352 143 |
| Minimum capital adequacy requirement | | | |
| Credit risk | 313 268 | 195 816 | 240 857 |
| Market risk | 0 | 0 | 0 |
| Operational risk | 6 488 | 4 941 | 4 941 |
| Deductible items | 320 | 320 | 320 |
| Total minimum capital adequacy requirement | 319 436 | 200 437 | 245 478 |
| Calculation basis | 3 992 950 | 2 505 463 | 3 068 475 |
| Capital adequacy | 11.3 % | 9.3 % | 11.5 % |

Note 6 Loans according to sectors and industries

| NOK 1 000 | 30.06.12 | 30.06.11 | 2011 |
|-------------------------------|------------------|------------------|------------------|
| Retail banking customers | 9 378 186 | 6 004 679 | 7 730 695 |
| Primary industry | 18 079 | 7 526 | 16 051 |
| Industry | 12 596 | 7 440 | 13 593 |
| Building and construction | 99 709 | 50 943 | 73 553 |
| Transport and communication | 32 759 | 18 565 | 28 554 |
| Wholesale and retail | 23 756 | 22 288 | 26 541 |
| Hotel and restaurant | 7 798 | 7 376 | 12 239 |
| Real estate | 9 072 | 841 | 4 172 |
| Financial / business services | 63 679 | 38 604 | 41 006 |
| Sundry/ other industries | 49 070 | 23 576 | 36 670 |
| Total gross loans | 9 694 704 | 6 181 838 | 7 983 074 |
| Collective write-downs | 4 000 | 4 000 | 4 000 |
| Net loans | 9 690 704 | 6 177 838 | 7 979 074 |

Note 7 Default

| NOK 1 000 | 30.06.12 | 30.06.11 | 2011 |
|----------------------------------|----------|----------|----------|
| Defaulted commitments | 0 | 0 | 0 |
| Individual write-downs | 0 | 0 | 0 |
| Net defaulted commitments | 0 | 0 | 0 |

Note 8 Bond debt according to maturity

NOK 1 000

| ISIN number | Nom. Value | Of which owned | Fair value | Book value | Coupon | Repayment structure | Maturity |
|---------------|------------------|----------------|------------------|------------------|-----------------|---------------------|------------|
| NO 0010633415 | 1 000 000 | 0 | 996 540 | 1 000 059 | NIBOR 3M + 0.44 | Interest only | 23.03.2015 |
| NO 0010508443 | 1 000 000 | 0 | 1 002 841 | 999 953 | NIBOR 3M + 0.50 | Interest only | 08.04.2015 |
| NO 0010625841 | 1 000 000 | 0 | 999 008 | 998 528 | NIBOR 3M + 0.53 | Interest only | 05.10.2015 |
| NO 0010614688 | 1 000 000 | 0 | 1 000 731 | 999 005 | NIBOR 3M + 0.50 | Interest only | 29.06.2016 |
| NO 0010518129 | 1 000 000 | 0 | 1 000 106 | 999 943 | NIBOR 3M + 0.55 | Interest only | 04.07.2016 |
| NO 0010536162 | 1 000 000 | 0 | 998 104 | 999 940 | NIBOR 3M + 0.55 | Interest only | 06.10.2016 |
| NO 0010623945 | 850 000 | 0 | 849 757 | 846 176 | NIBOR 3M + 0.53 | Interest only | 24.08.2017 |
| NO 0010530744 | 1 000 000 | 0 | 993 705 | 999 936 | NIBOR 3M + 0.60 | Interest only | 06.10.2017 |
| NO 0010649056 | 500 000 | 0 | 497 293 | 499 584 | NIBOR 3M + 0.72 | Interest only | 20.06.2018 |
| Total | 8 350 000 | | 8 338 085 | 8 343 124 | | | |

Note 9 Cover pool

| NOK 1 000 | 30.06.12 | 30.06.11 | 2011 |
|--|------------------|------------------|------------------|
| Gross loans secured by residential property mortgages* | 9 479 869 | 6 000 442 | 7 790 672 |
| Receivables that represent substitute assets | 335 060 | 200 643 | 120 401 |
| Total cover pool | 9 814 929 | 6 201 085 | 7 911 073 |
| Cover pool's filling ratio | 118 % | 124 % | 118 % |

*The composition of the cover pool has been defined in Section 2-28 of the Financial Services Act.

Note 10 Close parties

| NOK 1 000 | 30.06.12 | 30.06.11 | 2011 |
|--|-----------|-----------|-----------|
| Profit | | | |
| Interest from Sparebanken Sør on deposits | 7 885 | 897 | 11 504 |
| Interest and credit commission from Sparebanken Sør on loans | 24 047 | 25 799 | 61 009 |
| Interest costs on bond debts to Sparebanken Sør | 67 522 | 64 183 | 140 388 |
| Management fees paid to Sparebanken Sør | 15 154 | 9 154 | 20 959 |
| Balance sheet | | | |
| Bank deposits in Sparebanken Sør | 335 060 | 200 643 | 120 401 |
| Covered bonds owned by Sparebanken Sør (nominal value) | 4 280 000 | 4 000 000 | 4 400 000 |
| Loans / credit facility in Sparebanken Sør | 1 150 000 | 1 106 124 | 1 000 000 |

| | 2Q | 1Q | 4Q | 3Q | 2Q | 1Q |
|-------------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|
| | 2012 | 2012 | 2011 | 2011 | 2011 | 2011 |
| Net interest | 33 806 | 22 866 | 14 707 | 13 043 | 10 868 | 12 219 |
| Other income | 47 | 35 | 35 | 28 | 27 | 20 |
| Operating costs | 9 117 | 7 819 | 7 232 | 6 371 | 5 165 | 4 920 |
| Operating profit bef. Losses | 24 736 | 15 082 | 7 510 | 6 700 | 5 730 | 7 319 |
| Losses on loans | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 24 736 | 15 082 | 7 510 | 6 700 | 5 730 | 7 319 |
| Tax on ordinary profit | 6 925 | 4 224 | 2 111 | 1 876 | 1 605 | 2 049 |
| Profit after tax | 17 811 | 10 858 | 5 399 | 4 824 | 4 125 | 5 270 |

DECLARATION FROM THE BOARD OF DIRECTORS AND MANAGING DIRECTOR

Today, the Board of Directors and the Managing Director have discussed and adopted the half-yearly report and accounts for Sør Boligkreditt AS as at 30 June 2012 and for the 1st half-year 2012, including corresponding figures as at 30 June 2011 and for the 1st half-year 2011.

The half-yearly accounts have been presented in accordance with the requirements in IAS 34 Interim Reporting as laid down by EU and also supplementary Norwegian requirements in the Securities Trading Act.

To the Board of Directors and the Managing Director's best

capability and conviction, the half-yearly accounts 2012 have been prepared in accordance with the applicable accounting standards and the information in the accounts gives a true view of the company's assets, liabilities, financial situation as profit as a whole as at 30 June 2012 and 30 June 2011. In the view of the Board of Directors and the Managing Director, the half-yearly report gives a true view of important events during the accounting period and their impact on the half-yearly accounts. In the view of the Board of Directors and the Managing Director, the description gives a true view of the key risk and uncertainty factors the business faces in the next accounting period.

Arendal, 06. august 2012

Geir Bergskaug
Chairman

Frode Mathiesen
Deputy Chairman

Dagfinn Vaage

Seunn Smith-Tønnessen

Rolf H. Søraker
Managing Director

