



**3rd 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 consists 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 3rd quarter, pre-tax profit was MNOK 64.7, compared with MNOK 19.7 at the same time last year. Return on equity was 16.1 per cent. The increase in profit is due to greater lending volume compared with the same period last year.

Interest and related income was MNOK 299.3 and interest and related costs were MNOK 210.4, which gives a net interest at the end of the quarter of MNOK 88.9

Operating costs were MNOK 25.1. 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 were MNOK 22.7.

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 9,145m of which net loans were MNOK 9,035 and the average debt-to-asset ratio was 50.3 per cent. Defaulted commitments totalled MNOK 2.4.

At the end of the quarter, covered bonds totalling MNOK 7,700 had been issued. The cover pool totalled MNOK 8,991, of which mortgages totalled MNOK 8,894.

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

At the end of the quarter, capital adequacy is 12.1 per cent, all of which was core capital.

### Rating

Sør Boligkreditt AS has an Aaa rating from Moody's 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 have been set 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 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 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 increasing 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 expected this situation to continue in the months ahead.

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

## **Arendal, 29 October 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	30.09.12	30.09.11	2011
Interest and related income	2,10	299 310	186 844	277 983
Interest and related costs	2,10	210 406	150 715	227 147
<b>Net interest and credit commission income</b>	<b>2</b>	<b>88 904</b>	<b>36 129</b>	<b>50 836</b>
<b>Net commission income</b>		<b>120</b>	<b>76</b>	<b>112</b>
Other operating income		741	0	0
Personnel expenses		451	407	557
Administration costs	10	24 464	15 542	22 457
Amortization of intangible assets		172	507	676
<b>Total operating costs</b>		<b>25 087</b>	<b>16 456</b>	<b>23 690</b>
<b>Operating profit before losses</b>		<b>64 678</b>	<b>19 749</b>	<b>27 258</b>
Losses on loans		0	0	0
<b>Pre-tax profit</b>		<b>64 678</b>	<b>19 749</b>	<b>27 258</b>
Tax on ordinary profit		18 109	5 530	7 640
<b>Profit on ordinary operations after tax / net profit</b>		<b>46 569</b>	<b>14 219</b>	<b>19 618</b>
<b>Expanded income statement</b>				
<b>Profit for the period</b>		<b>46 569</b>	<b>14 219</b>	<b>19 618</b>
Other income and costs		0	0	0
<b>Total net profit for the period</b>		<b>46 569</b>	<b>14 219</b>	<b>19 618</b>

NOK 1 000

ASSETS	Notes	30.09.12	30.09.11	2011
Loans to and claims on financial institutions	10	97 459	150 389	120 401
Gross loans		9 038 617	7 929 419	7 983 074
Write-downs on groups of loans		-4 000	-4 000	-4 000
Net loans to customers	3,6,7,9	9 034 617	7 925 419	7 979 074
Intangible assets		0	341	172
Accrued interest		13 072	10 640	11 870
<b>TOTAL ASSETS</b>		<b>9 145 148</b>	<b>8 086 789</b>	<b>8 111 517</b>
<b>EQUITY AND LIABILITIES</b>				
Liabilities to financial institutions	4,10	900 000	2 186 875	1 000 000
Debt established through issue of securities	8,10	7 694 410	5 497 892	6 696 133
Period tax liabilities		16 943	7 924	7 026
Other liabilities		34 911	47 182	56 043
<b>Total liabilities</b>		<b>8 646 264</b>	<b>7 739 873</b>	<b>7 759 202</b>
Share capital		400 000	300 000	300 000
Other reserves		52 315	32 697	52 315
Unallocated profit		46 569	14 219	0
<b>Total equity</b>	<b>5</b>	<b>498 884</b>	<b>346 916</b>	<b>352 315</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9 145 148</b>	<b>8 086 789</b>	<b>8 111 517</b>

Arendal, 29 October 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	30.09.12	30.09.11	2011
Interest received	298 109	184 191	274 086
Interest paid	-231 288	-136 790	-204 879
Operations-related payments	-31 985	-21 010	-32 468
<b>Net cash flow from operations</b>	<b>34 836</b>	<b>26 391</b>	<b>36 739</b>
Change in loans	-1 055 543	-2 069 865	-2 123 520
Change in other assets	0	602	0
Change in loans from financial institutions	-100 000	613 110	-573 765
Change in other liabilities	-512	-18 074	-15 519
<b>Net cash flow from current financial activities</b>	<b>-1 156 055</b>	<b>-1 474 227</b>	<b>-2 712 804</b>
Paid-up share capital	100 000	100 000	100 000
Change in debt established through issue of securities	998 277	1 498 225	2 696 466
<b>Net cash flow from non-current financial activities</b>	<b>1 098 277</b>	<b>1 598 225</b>	<b>2 796 466</b>
Net change in cash and cash equivalents	-22 942	150 389	120 401
Cash and cash equivalents as at 01/01	120 401	0	0
<b>Cash and cash equivalents at the end of the period</b>	<b>97 459</b>	<b>150 389</b>	<b>120 401</b>

The company has unused drawing rights of MNOK 1,600 in the parent bank as at 30 September 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
Paid-up equity	100 000			100 000
Profit as at 30 September 2011			14 219	14 219
<b>Equity as at 30 September 2011</b>	<b>300 000</b>	<b>32 697</b>	<b>14 219</b>	<b>346 916</b>
Equity as at 1 January 2012	300 000	52 315		352 315
Paid-up equity	100 000			100 000
Profit as at 30 September 2012			46 569	46 569
<b>Equity as at 30 September 2012</b>	<b>400 000</b>	<b>52 315</b>	<b>46 569</b>	<b>498 884</b>

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

	30.09.12	30.09.11	2011
Interest on loans and claims on financial institutions	11 820	4 681	11 504
Interest on loans and claims on customers	287 490	182 163	266 479
<b>Total interest income</b>	<b>299 310</b>	<b>186 844</b>	<b>277 983</b>
Interest on liabilities to financial institutions	32 178	40 470	61 009
Interest on issued securities	178 228	110 245	166 110
Other interest costs	0	0	28
<b>Total interest costs</b>	<b>210 406</b>	<b>150 715</b>	<b>227 147</b>
<b>Net interest income</b>	<b>88 904</b>	<b>36 129</b>	<b>50 836</b>

**Note 3 Debt-to-asset ratio**

	30.09.12	30.09.11	2011
Average debt-to-asset ratio as a %	50.3 %	51.1 %	50.4 %

**Portfolio by intervals of debt-to-asset ratio**

below or equal to 40%	26.5 %	25.9 %	26.0 %
41 - 50 %	17.9 %	17.7 %	18.0 %
51 - 60 %	21.0 %	21.9 %	21.9 %
61 - 70 %	26.4 %	25.4 %	26.5 %
71 - 75 %	6.6 %	9.1 %	5.2 %
above 75%	1.6 %	0.0 %	2.4 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

**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	30.09.12	30.09.11	2011
<b>Equity and related capital</b>			
Share capital	400 000	300 000	300 000
Other reserves	52 315	32 697	52 315
Deductions	0	341	172
<b>Net equity and related capital (core capital)</b>	<b>452 315</b>	<b>332 356</b>	<b>352 143</b>
<b>Minimum capital adequacy requirement</b>			
Credit risk	291 762	265 094	240 857
Market risk	0		0
Operational risk	6 488	4 941	4 941
Deductible items	320	320	320
<b>Total minimum capital adequacy requirement</b>	<b>297 930</b>	<b>269 715</b>	<b>245 478</b>
Calculation basis	3 724 125	3 371 438	3 068 475
<b>Capital adequacy</b>	<b>12.1 %</b>	<b>9.9 %</b>	<b>11.5 %</b>

**Note 6 Loans according to sectors and industries**

NOK 1 000	30.09.12	30.09.11	2011
Retail banking customers	8 741 558	7 664 792	7 730 695
Primary industry	15 712	12 672	16 051
Industry	11 806	19 989	13 593
Building and Construction	92 968	78 418	73 553
Transport and communication	31 023	25 579	28 554
Wholesale and retail	21 252	25 892	26 541
Hotel and restaurant	5 659	15 354	12 239
Real estate	9 037	831	4 172
Financial/ business services	62 804	42 403	41 006
Sundry/ other industries	46 798	43 489	36 670
<b>Total gross loans</b>	<b>9 038 617</b>	<b>7 929 419</b>	<b>7 983 074</b>
Collective write-downs	4 000	4 000	4 000
<b>Net loans</b>	<b>9 034 617</b>	<b>7 925 419</b>	<b>7 979 074</b>

**Note 7 Default**

NOK 1 000	30.09.12	30.09.11	2011
Defaulted commitments	2 445	0	0
Individual write-downs	0	0	0
<b>Net defaulted commitments</b>	<b>2 445</b>	<b>0</b>	<b>0</b>



**Note 8 Bond debt according to maturity**

NOK 1 000

ISIN number	No. Value	Of which owned	Fair value	Book value	Coupon	Repayment structure	Maturity
NO 0010633415	1 000 000	0	996 628	1 000 053	NIBOR 3M + 0.44	Interest only	23.03.2015
NO 0010508443	1 000 000	0	1 004 546	999 958	NIBOR 3M + 0.50	Interest only	08.04.2015
NO 0010625841	1 000 000	0	999 089	998 642	NIBOR 3M + 0.53	Interest only	05.10.2015
NO 0010614688	1 000 000	0	1 000 430	999 068	NIBOR 3M + 0.50	Interest only	29.06.2016
NO 0010518129	1 000 000	0	1 005 552	999 947	NIBOR 3M + 0.55	Interest only	04.07.2016
NO 0010623945	1 000 000	0	999 578	995 251	NIBOR 3M + 0.53	Interest only	24.08.2017
NO 0010530744	1 000 000	0	1 002 857	999 938	NIBOR 3M + 0.60	Interest only	06.10.2017
NO 0010649056	700 000	0	706 080	701 553	NIBOR 3M + 0.72	Interest only	20.06.2018
<b>Total</b>	<b>7 700 000</b>		<b>7 714 760</b>	<b>7 694 410</b>			

**Note 9 Cover pool**

NOK 1 000	30.09.12	30.09.11	2011
Gross loans secured by residential property mortgages*	8 893 542	7 672 541	7 790 672
Receivables that represent substitute assets	97 459	150 389	120 401
<b>Total cover pool</b>	<b>8 991 001</b>	<b>7 822 930</b>	<b>7 911 073</b>
Cover pool's filling ratio	117 %	142 %	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	30.09.12	30.09.11	2011
<b>Profit</b>			
Interest from Sparebanken Sør on deposits	11 820	4 681	11 504
Interest and credit commission from Sparebanken Sør on loans	32 178	40 470	61 009
Interest costs on bond debts to Sparebanken Sør	94 385	102 415	140 388
Management fees paid to Sparebanken Sør	22 671	14 497	20 959
<b>Balance sheet</b>			
Bank deposits in Sparebanken Sør	97 459	150 389	120 401
Covered bonds owned by Sparebanken Sør (nominal value)	3 080 000	4 000 000	4 400 000
Loans / credit facility in Sparebanken Sør	900 000	2 186 875	1 000 000

## QUARTERLY PROFIT TREND

	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011	2Q 2011
Net interest	32 232	33 806	22 866	14 707	13 043	10 868
Other income	779	47	35	35	28	27
Operating costs	8 152	9 117	7 819	7 232	6 371	5 165
<b>Oper. profit before losses</b>	<b>24 859</b>	<b>24 736</b>	<b>15 082</b>	<b>7 510</b>	<b>6 700</b>	<b>5 730</b>
Losses on loans		0	0	0	0	0
<b>Pre-tax profit</b>	<b>24 859</b>	<b>24 736</b>	<b>15 082</b>	<b>7 510</b>	<b>6 700</b>	<b>5 730</b>
Tax on ordinary profit	6 960	6 925	4 224	2 111	1 876	1 605
<b>Profit after tax</b>	<b>17 899</b>	<b>17 811</b>	<b>10 858</b>	<b>5 399</b>	<b>4 824</b>	<b>4 125</b>

