



4TH QUARTER 2011
(unaudited)

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 to operate as a finance enterprise and may issue covered bonds to investors from the company's cover pool. The cover pool mainly consists of secured mortgage loans 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 on 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 4th quarter, pre-tax profit was MNOK 27.3, compared with MNOK 25.2 in the same period in 2010. Return on net capital was 6.9 per cent.

Interest and related income was MNOK 278.0 and interest costs were MNOK 227.1, which gives a net interest at the end of the quarter of MNOK 50.8.

In the 4th quarter, operating costs totalled MNOK 23.7. 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 21.0.

There have been no losses in the company in 2011.

Balance sheet/ funding/capital adequacy

At year-end, total assets amounted to MNOK 8,112, of which net loans to customers were MNOK 7,979 and the average debt-to-asset ratio was 50.4 per cent. As at 31 December 2012 no loans were defaulted.

The loan portfolio has been funded through issue of covered bonds with a total nominal value of MNOK 6,700 and also short-term funding from Sparebanken Sør of MNOK 1,000.

At year-end, capital adequacy ratio was 11.5 per cent, all of which was core capital.

Risk and capital management

Risk management ensures that the company's exposure to risk is known at any time and helps ensure that the company achieves its strategic objectives, and also that Acts, 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 to measure, management and benchmark risk.

Capital management will ensure that the company has good core capital adequacy, financial stability and a satisfactory return in relation to 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 being unable 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 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 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, 7 February 2012

Board of Directors of Sør Boligkreditt AS

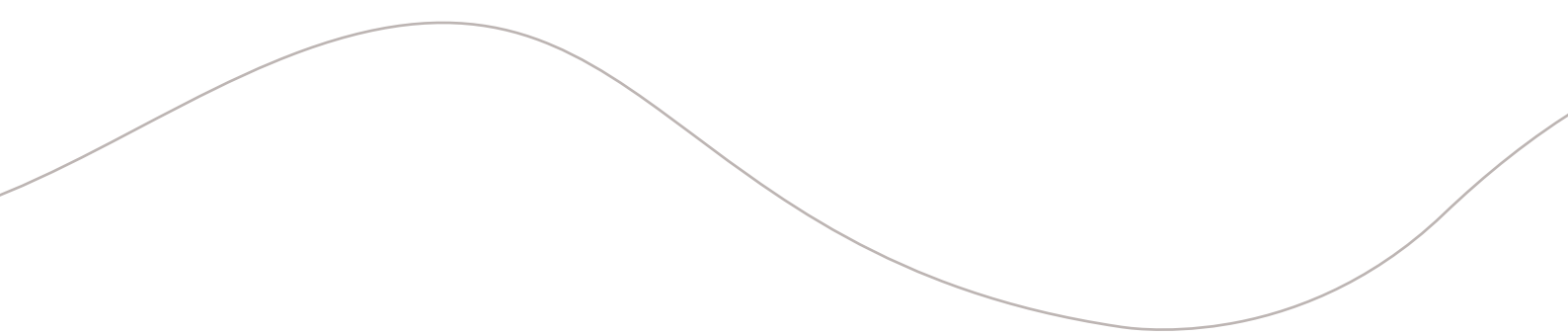
Geir Bergskaug
Chairman

Frode Mathiesen
Deputy Chairman

Seunn Smith-Tønnessen

Birte Helgesen

Rolf H. Søraker
Managing Director



4 PROFIT AND LOSS ACCOUNT

Amounts in NOK 1 000	Notes	2011	2010	2009
Interest and related income	2,11	277 983	216 571	97 048
Interest and related costs	2,11	227 147	168 975	65 945
Net interest and credit commission income	2	50 836	47 596	31 103
Net commission income		112	86	34
Income from financial instruments	3	0	-4 351	1 692
Personnel expenses		557	205	11
Administration costs	11	22 457	17 207	7 924
Amortization of intangible assets		676	676	676
Total operating costs		23 690	18 088	8 611
Operating profit before losses		27 258	25 243	24 218
Losses on loans		0	0	4 000
Pre-tax profit		27 258	25 243	20 218
Tax on ordinary profit		7 640	7 102	5 658
Profit on ordinary operations after tax / net profit		19 618	18 141	14 560
Allocation				
Transferred to other reserves			-18 141	-14 560
Total allocated		0	-18 141	-14 560
Expanded income statement				
Profit for the period		19 618	18 141	14 560
Other income and costs		0	0	0
Total net profit for the period		19 618	18 141	14 560

Amounts in NOK 1 000

ASSETS	Notes	2011	2010	2009
Loans to and claims on financial institutions	11	120 401	0	173 525
Net loans to customers	4,7,8,10	7 979 074	5 855 554	5 340 990
Intangible assets		172	848	1 524
Assets relating to deferred tax		0	615	0
Accrued interest on loans / other assets		11 870	7 974	7 227
TOTAL ASSETS		8 111 517	5 864 991	5 523 266
EQUITY AND LIABILITIES				
Liabilities to financial institutions	5,11	1 000 000	1 573 765	1 271 213
Securitized debt	9,11	6 696 133	3 999 667	3 999 629
Financial derivatives		0	5 227	532
Period tax liabilities		7 026	8 192	5 183
Deferred tax		0	0	474
Other liabilities		56 043	45 443	31 679
Total liabilities		7 759 202	5 632 294	5 308 710
Share capital		300 000	200 000	200 000
Other reserves		32 697	32 697	14 556
Unallocated profit		19 618	0	0
Total equity	6	352 315	232 697	214 556
TOTAL EQUITY AND LIABILITIES		8 111 517	5 864 991	5 523 266

Arendal 31 December 2011 / 7 February 2012Geir Bergskaug
ChairmanFrode Mathiesen
Deputy Chairman

Seunn Smith-Tønnessen

Birte Helgesen

Rolf H. Søraker
Managing Director

6 CASH FLOW STATEMENT

Amounts in NOK 1 000	2011	2010	2009
Interest received	274 086	215 824	89 821
Interest paid	-204 879	-154 079	-38 343
Operations-related payments	-32 468	-21 531	-3 839
Net cash flow from operations	36 739	40 214	47 639
Change in loans	-2 123 520	-514 564	-5 333 919
Change in other assets	0	0	0
Change in loans from financial institutions	-573 765	302 545	1 262 400
Change in other liabilities	-15 519	-1 720	-1 161
Net cash flow from current financial activities	-2 712 804	-213 739	-4 072 680
Paid-up share capital	100 000	0	100 000
Securitized debt	2 696 466	0	3 999 629
Net cash flow from non-current financial activities	2 796 466	0	4 099 629
Net change in cash and cash equivalents	120 401	-173 525	74 588
Cash and cash equivalents as at 1 January		173 525	98 937
Cash and cash equivalents at the end of the period	120 401	0	173 525

The company has unused drawing rights of MNOK 1,00 in the parent bank as at 31 December 2011, cf. note 5

EQUITY MOVEMENTS

Amounts in NOK 1 000	Share capital	Other reserves	Unallocated profit	Total
Equity as at 1 January 2010	200 000	14 556		214 556
Profit 2010		18 141		18 141
Equity as at 31 December 2010	200 000	32 697		232 697
Capital increase	100 000			100 000
Profit 2011			19 618	19 618
Equity as at 31 December 2011	300 000	32 697	19 618	352 315

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 2010 annual accounts and these have been described therein.

Note 2 Net interest income

Amounts in NOK 1 000	2011	2010	2009
Interest on loans and claims on financial institutions	11 504	1 411	4 633
Interest on loans and claims on customers	266 479	215 160	92 415
Total interest income	277 983	216 571	97 048
Interest on liabilities to financial institutions	61 009	46 223	12 497
Interest on issued securities	166 110	122 627	53 448
Other interest costs	28	125	0
Total interest costs	227 147	168 975	65 945
Net interest costs	50 836	47 596	31 103

Note 3 Income from financial instruments

Amounts in NOK 1 000	2011	2010	2009
Valuation of fixed interest loans	0	808	2 225
Valuation of financial derivatives	0	-5 159	-533
Total income from financial instruments	0	-4 351	1 692

Note 4 Debt/asset ratio

	2011	2010
Average debt-asset ratio as a %	50.4 %	52.9 %
Portfolio by intervals of debt-asset ratio		
≤ 40 %	26.0 %	23.6 %
41 - 50 %	18.0 %	15.0 %
51 - 60 %	21.9 %	20.3 %
61 - 70 %	26.5 %	27.0 %
71 - 75 %	5.2 %	12.2 %
> 75 %	2.4 %	1.9 %
Total	100.0 %	100.0 %

Note 5 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 6 Capital adequacy

Amounts in NOK 1 000	2011	2010	2009
Equity and related capital			
Share capital	300 000	200 000	200 000
Retained earnings	52 315	32 697	14 556
Deductions in core capital	172	1 463	1 524
Net equity and related capital (core capital)	352 143	231 234	213 032
Minimum capital adequacy requirement			
Credit risk	240 857	176 523	165 279
Market risk	0	0	0
Operational risk	4 941	3 557	3 000
Deductible items	320	320	320
Total minimum capital adequacy requirement	245 478	179 760	167 959
Calculation basis	3 068 475	2 247 000	2 099 487
Capital adequacy	11.5 %	10.3 %	10.1 %

Note 7 Loans according to sectors, industries and geography

Amounts in NOK 1 000	2011	2010	2009
Retail banking customers	7 730 695	5 721 103	5 195 452
Primary industries	16 051	7 802	4 803
Industry	13 593	6 783	6 793
Building and construction	73 553	38 873	45 325
Transport and communication	28 554	10 729	16 190
Wholesale and retail	26 541	21 250	20 678
Hotel and restaurant	12 239	2 667	3 075
Real estate	4 172	0	544
Financial / business services	41 006	24 579	29 725
Sundry/ other industries	36 670	25 768	22 405
Total gross loans	7 983 074	5 859 554	5 344 990
Collective write-downs	4 000	4 000	4 000
Net loans	7 979 074	5 855 554	5 340 990

Note 8 Defaulted and doubtful commitments

Amounts in NOK 1 000	2011	2010	2009
Defaulted commitments	0	0	2 662
Individual write-downs	0	0	0
Net defaulted commitments	0	0	2 662

Note 9 Bond debt distributed according to maturity

ISIN number	Amounts in NOK 1 000 Value	Nom. Of which owned	Fair value	Book value	Coupon	Repayment structure	Maturity
NO 0010633415	400 000	0	399 877	399 877	NIBOR 3M + 0.44	Interest only	23.03.2015
NO 0010508443	1 000 000	0	999 263	999 945	NIBOR 3M + 0.50	Interest only	08.04.2015
NO 0010625841	750 000	0	748 656	748 656	NIBOR 3M + 0.53	Interest only	05.10.2015
NO 0010614688	1 000 000	0	998 901	998 901	NIBOR 3M + 0.50	Interest only	29.06.2016
NO 0010518129	1 000 000	0	993 711	999 936	NIBOR 3M + 0.55	Interest only	04.07.2016
NO 0010536162	1 000 000	0	991 409	999 933	NIBOR 3M + 0.55	Interest only	06.10.2016
NO 0010623945	550 000	0	548 955	548 956	NIBOR 3M + 0.53	Interest only	24.08.2017
NO 0010530744	1 000 000	0	988 531	999 929	NIBOR 3M + 0.60	Interest only	06.10.2017
Total	6 700 000		6 669 303	6 696 133			

Note 10 Cover pool**Amounts in NOK 1 000**

	2011	2010
Gross loans secured by residential property mortgages *	7 790 672	5 742 792
Receivables that represent substitute assets	120 401	0
Total cover pool	7 911 073	5 742 792
Cover pool's filling ratio	118 %	144 %

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

Note 11 Close parties**Amounts in NOK 1 000**

	2011	2010	2009
Profit			
Interest from Sparebanken Sør on deposits	11 504	1 411	4 633
Interest and credit commission from Sparebanken Sør on loans	61 009	46 223	12 497
Interest costs on bond debt to Sparebanken Sør	140 388	122 627	53 448
Management fee paid to Sparebanken Sør	20 959	15 010	7 440
Balance sheet			
Bank deposits in Sparebanken Sør	120 401	0	173 525
Covered bonds owned by Sparebanken Sør (nominal value)	4 400 000	4 000 000	4 000 000
Loan/credit facility in Sparebanken Sør	1 000 000	1 573 765	1 271 213

QUARTRLY PROFIT TREND

Amounts in NOK 1 000	4Q 2011	3Q 2011	2Q 2011	1Q 2011	4Q 2010	3Q 2010
Net interest	14 707	13 043	10 868	12 219	12 528	9 713
Other income	35	28	27	20	-1 643	22
Operating costs	7 232	6 371	5 165	4 920	6 177	3 850
Operating profit bef. losses	7 510	6 700	5 730	7 319	4 708	5 885
Losses on loans	0	0	0	0	0	0
Pre-tax profit	7 510	6 700	5 730	7 319	4 708	5 885
Tax on ordinary profit	2 111	1 876	1 605	2 049	1 352	1 647
Profit after tax	5 399	4 824	4 125	5 270	3 356	4 238

