



1st Quarter 2013
(unaudited)



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 1st quarter, pre-tax profit was MNOK 34.4, compared with MNOK 10.9 at the same time last year. Return on equity was 19.1 per cent. The increase in profit is due to greater lending volume and improved margins compared with the same period last year.

Interest and related income was MNOK 101.4 and interest and related costs were MNOK 58.1, which gives a net interest at the end of the quarter of MNOK 43.3.

Operating costs were MNOK 8.8. 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 7.9.

There have been no losses on loans in the company in 2013.

Balance sheet / funding/ capital adequacy

At the end of the quarter, total assets amounted to MNOK 10,919 of which net loans were MNOK 10,299 and the average loan-to-value ratio was 53.2 per cent. Defaulted commitments totalled MNOK 2.0.

At the end of the quarter, covered bonds totalling MNOK 8,850 had been issued. The cover pool totalled MNOK 10,558 of which mortgages totalled MNOK 9,957 of this. Over-collateralisation is 120 per cent.

At the end of the 4th quarter, the capital adequacy ratio was 12.4 per cent, all of which is 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 laws, 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 losses 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 losses 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 will be 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 losses due to inadequate or failing 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 2013, the company is planning to take over more loans from Sparebanken Sør.

Arendal, 22 April 2013

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 AND LOSS ACCOUNT

NOK 1 000	Notes	31.03.13	31.03.12	2012
Interest and related income	2,10	101 407	95 516	396 279
Interest and related costs	2,10	58 090	72 650	268 565
Net interest and credit commission income	2	43 317	22 866	127 714
Net commission income		39	35	157
Other operating income		-200	0	-4759
Personnel expenses		143	134	598
Administration costs	10	8 653	7 516	32 393
Amortization of intangible assets			169	172
Total operating costs		8 796	7 819	33 163
Operating profit before losses		34 360	15 082	89 949
Losses on loans		0	0	0
Pre-tax profit		34 360	15 082	89 949
Tax on ordinary profit		9 621	4 224	25 183
Profit on ordinary operations after tax / net profit		24 739	10 858	64 766
Expanded income statement				
Profit for the period		24 739	10 858	64 766
Other income and costs		0	0	0
Total net profit for the period		24 739	10 858	64 766



NOK 1 000

ASSETS	Notes	31.03.13	31.03.12	2012
Loans to and claims on financial institutions	10	600 976	64 874	319 957
Gross loans		10 303 303	9 087 355	8 949 843
Write-downs on groups of loans		-4 000	-4 000	-4 000
Net loans to customers	3,6,7,9	10 299 303	9 083 355	8 945 843
Financial derivatives		3 179	0	0
Intangible assets		0	3	0
Assets through deferred tax		56	0	0
Accrued interest		15 527	13 172	11 886
TOTAL ASSETS		10 919 041	9 161 404	9 277 686
EQUITY AND LIABILITIES				
Liabilities to financial institutions	4,10	1 500 000	1 200 000	800 000
Debt established through issue of securities	8,10	8 808 401	7 544 670	7 901 234
Financial derivatives		504	0	0
Period tax liabilities		31 347	7 154	25 183
Other liabilities		36 968	46 406	34 188
Total liabilities		10 377 220	8 798 230	8 760 605
Share capital		400 000	300 000	400 000
Other reserves		117 082	52 316	52 315
Unallocated profit		24 739	10 858	64 766
Total equity	5	541 821	363 174	517 081
TOTAL EQUITY AND LIABILITIES		10 919 041	9 161 404	9 277 686

Arendal, 22 April 2013

Geir Bergskaug
ChairmanFrode Mathiesen
Deputy Chairman

Dagfinn Vaage

Seunn Smith-Tønnessen

Rolf H. Søraker
Man. Director

6 CASH FLOW STATEMENT

NOK 1 000	31.03.13	31.03.12	2012
Interest received	97 766	94 215	396 263
Interest paid	-55 811	-81 705	-290 208
Operations-related payments	-12 021	-11 717	-44 151
Net cash flow from operations	29 934	793	61 904
Change in loans	-1 353 460	-1 104 281	-966 769
Change in other assets	369	0	0
Change in loans from financial institutions	700 000	200 000	-200 000
Change in other liabilities	813	-576	-680
Net cash flow from current financial activities	-652 278	-904 857	-1 167 449
Paid-up share capital	0	0	100 000
Change in debt established through issue of securities	903 363	848 537	1 205 101
Net cash flow from non-current financial activities	903 363	848 537	1 305 101
Net change in cash and cash equivalents	281 019	-55 527	199 556
Cash and cash equivalents as at 01/01	319 957	120 401	120 401
Cash and cash equivalents at the end of the period	600 976	64 874	319 957

The company has unused drawing rights of MNOK 1,000 in the parent bank as at 31 March 2013, cf. note 5.

EQUITY MOVEMENTS

NOK 1 000	Share capital	Other reserves	Unallocated profit	Total
Equity as at 1 January 2012	300 000	52 316		352 316
Profit as at 31 March 2012			10 858	10 858
Equity as at 31 March 2012	300 000	52 316	10 858	363 174
Equity as at 1 January 2013	400 000	117 082		517 082
Profit as at 31 March 2013			24 739	24 739
Equity as at 31 March 2013	400 000	117 082	24 739	541 821

For a statement of equity movements as at 31 December 2012, refer to the 2012 annual accounts



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 2012 annual accounts, but hedge accounting is used for securities debt established after 1 January 2013.

Note 2 Net interest income

NOK 1 000	31.03.13	31.03.12	2012
Interest on loans and claims on financial institutions	4 574	3 949	16 256
Interest on loans and claims on customers	96 833	91 567	380 023
Total interest income	101 407	95 516	396 279
Interest on liabilities to financial institutions	7 600	10 270	38 301
Interest on issued securities	50 490	62 380	230 264
Total interest costs	58 090	72 650	268 565
Net interest income	43 317	22 866	127 714

Note 3 Loan-to-value ratio

	31.03.13	31.03.12	2012
Average loan-to-value ratio	53.2 %	52.5 %	50.9 %

Portfolio by intervals of loan-to-value ratio:

below or equal to 40%	22.1 %	23.2 %	24.8 %
41 - 50 %	14.7 %	15.8 %	17.2 %
51 - 60 %	20.5 %	20.2 %	22.9 %
61 - 70 %	28.5 %	26.7 %	26.7 %
71 - 75 %	10.8 %	11.6 %	6.6 %
above 75%	3.4 %	2.5 %	1.8 %
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	31.03.13	31.03.12	2012
Equity and related capital			
Share capital	400 000	300 000	400 000
Other reserves	117 082	52 316	117 081
Deductions	56	3	0
Net equity and related capital (core capital)	517 026	352 313	517 081
Minimum capital adequacy requirement			
Credit risk	323 699	280 788	272 769
Market risk	0	0	0
Operational risk	11 325	6 488	6 488
Deductible items	320	320	320
Total minimum capital adequacy requirement	334 704	286 956	278 937
Calculation basis	4 183 800	3 586 950	3 486 438
Capital adequacy	12.4 %	9.8 %	14.8 %

Note 6 Loans according to sectors and industries

NOK 1 000	31.03.13	31.03.12	2012
Retail banking customers	9 984 841	8 793 171	8 658 055
Primary industry	14 117	18 854	15 140
Industry	12 021	15 681	11 803
Building and construction	94 279	96 089	83 523
Transport and communication	41 456	34 173	35 743
Wholesale and retail	20 672	21 722	23 175
Hotel and restaurant	10 264	9 876	5 709
Real estate	9 646	3 330	11 365
Financial / business services	60 708	50 241	57 918
Sundry/ other industries	55 299	44 218	47 412
Total gross loans	10 303 303	9 087 355	8 949 843
Collective write-downs	4 000	4 000	4 000
Net loans	10 299 303	9 083 355	8 945 843

Note 7 Default

NOK 1 000	31.03.13	31.03.12	2012
Defaulted commitments	2 013	0	118
Individual write-downs	0	0	0
Net defaulted commitments	2 013	0	118



Note 8 Bond debt according to maturity

NOK 1 000

ISIN number	Nom. Value	Of which		Fair value	Book value	Coupon	Repayment structure	Maturity
		owned						
NO 0010633415	1 250 000	0		1 246 694	1 251 390	NIBOR 3M + 0.44	Interest only	23.03.2015
NO 0010508443	1 000 000	0		1 005 900	999 966	NIBOR 3M + 0.50	Interest only	08.04.2015
NO 0010625841	1 250 000	0		1 248 945	1 250 766	NIBOR 3M + 0.53	Interest only	05.10.2015
NO 0010614688	1 000 000	0		1 000 435	999 192	NIBOR 3M + 0.50	Interest only	29.06.2016
NO 0010518129	1 000 000	0		1 008 400	999 954	NIBOR 3M + 0.55	Interest only	04.07.2016
NO 0010623945	1 200 000	0		1 199 245	1 196 524	NIBOR 3M + 0.53	Interest only	24.08.2017
NO 0010649056	1 250 000	0		1 266 909	1 258 134	NIBOR 3M + 0.72	Interest only	20.06.2018
NO 0010664659	300 000	0		300 136	299 600	NIBOR 3M + 0.54	Interest only	27.11.2019
NO 0010671597	300 000	50 425		302 550	252 125	Fixed 3.85 %	Interest only	13.02.2023
NO 0010670409	300 000	0		300 750	300 750	Fixed 4 %	Interest only	24.01.2028
Total	8 850 000	50 425		8 879 964	8 808 401			

Note 9 Cover pool

NOK 1 000

	31.03.13	31.03.12	2012
Gross loans secured by residential property mortgages*	9 956 904	8 859 498	8 789 515
Receivables that represent substitute assets	600 976	64 874	319 957
Total cover pool	10 557 880	8 924 372	9 109 472
Cover pool's over-collateralisation	120 %	118 %	115 %

*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

	31.03.13	31.03.12	2012!
Profit			
Interest from Sparebanken Sør on deposits	4 574	3 949	16 256
Interest and credit commission from Sparebanken Sør on loans	7 600	10 269	38 301
Interest costs on bond debts to Sparebanken Sør	12 589	37 240	113 481
Management fees paid to Sparebanken Sør	7 912	7 190	30 111
Balance sheet			
Bank deposits in Sparebanken Sør	600 976	64 874	319 957
Covered bonds owned by Sparebanken Sør (nominal value)	2 050 000	4 100 000	2 130 000
Loans / credit facility in Sparebanken Sør	1 500 000	1 200 000	800 000



QUARTERLY PROFIT TREND

NOK 1 000	1Q 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011
Net interest	43 317	38 810	32 232	33 806	22 866	14 707
Other income	-161	-5 463	779	47	35	35
Operating costs	8 796	8 075	8 152	9 117	7 819	7 232
Oper. profit before losses	34 360	25 272	24 859	24 736	15 082	7 510
Losses on loans	0	0	0	0	0	0
Pre-tax profit	34 360	25 272	24 859	24 736	15 082	7 510
Tax on ordinary profit	9 621	7 074	6 960	6 925	4 224	2 111
Profit after tax	24 739	18 198	17 899	17 811	10 858	5 399



