The background of the cover features a close-up, high-angle shot of water with intricate ripples and reflections. In the upper left corner, there are blurred, golden-yellow autumn leaves. The overall color palette is dominated by blues and greys, with a touch of warm yellow from the leaves.

2nd 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 its cover pool to investors. 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 mortgage 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 74.4, compared with MNOK 39.8 the previous year. Return on equity was 19.8%. 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 215.4 and interest and related costs were MNOK 123.2, which gives a net interest at the end of the quarter of MNOK 92.2.

Operating costs totalled MNOK 17.9. 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 were MNOK 16.4.

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 11,701 of which net loans to customers totalled MNOK 10,162 and the average loan-to-value ratio was 53.4%. As at 30 June, there were no defaulted commitments.

At the end of the quarter, covered bonds totalling MNOK 9,900 had been issued. The cover pool totalled MNOK 11,416, of which mortgages totalled MNOK 9,894. Over-collateralisation is 116%.

In the 2nd quarter, the company's share capital was increased by MNOK 100 to MNOK 500.

At the end of the 4th quarter, the capital adequacy ratio was 14.0%, 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 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 of 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.

Liquidity risk

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

As at 30 June 2013, Sør Boligkreditt AS has an approved credit limit of MNOK 2,500 in Sparebanken Sør. Sør Boligkreditt AS also has a revolving credit facility in the parent bank, which may be used to cover issued bonds that reach maturity which may not be refinanced. An annual commission is paid on the credit facility.

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 this situation is expected to continue in the months ahead.

In 2013, the company is planning to take over more loans from Sparebanken Sør.

Arendal, 12 August 2013

Board of Directors of Sør Boligkreditt AS

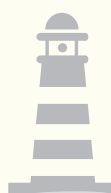
Geir Bergskaug
Chairman

Frode Mathiesen
Deputy Chairman

Dagfinn Vaage

Seunn Smith-Tønnessen

Rolf H. Søraker
Managing Director



4 PROFIT AND LOSS ACCOUNT

NOK 1 000	Notes	30.06.13	30.06.12	2012
Interest and related income	2,10	215 415	200 111	396 279
Interest and related costs	2,10	123 241	143 439	268 565
Net interest and credit commission income	2	92 174	56 672	127 714
Net commission income		86	83	157
Other operating income		0	1	-4759
Personnel costs		327	308	598
Administration costs	10	17 658	16 457	32 393
Amortisation of intangible assets		0	172	172
Total operating costs		17 985	16 937	33 163
Operating profit before losses		74 275	39 819	89 949
Losses on loans		0	0	0
Pre-tax profit		74 275	39 819	89 949
Tax on ordinary profit		20 797	11 149	25 183
Profit on ordinary operations after tax /net profit		53 478	28 670	64 766
Expanded income statement				
Profit for the period		53 478	28 670	64 766
Other income and costs		0	0	0
Total net profit for the period		53 478	28 670	64 766



NOK 1 000

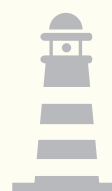
ASSETS	Notes	30.06.13	30.06.12	2012
Loans to and claims on financial institutions	10	1 521 390	335 060	319 957
Gross loans		10 165 537	9 694 704	8 949 843
Write-downs on groups of loans		-4 000	-4 000	-4 000
Net loans to customers	3,6,7,9	10 161 537	9 690 704	8 945 843
Financial derivatives		3 370	0	0
Intangible assets		0	0	0
Assets through deferred tax		0	0	0
Accrued interest		14 765	14 092	11 886
TOTAL ASSETS		11 701 062	10 039 856	9 277 686
EQUITY AND LIABILITIES				
Liabilities to financial institutions	4,10	1 100 000	1 150 000	800 000
Debt established through issue of securities	8,10	9 858 247	8 343 124	7 901 234
Financial derivatives		495	0	0
Period tax liabilities		38 954	9 983	25 183
Other liabilities		32 807	55 765	34 188
Total liabilities		11 030 503	9 558 872	8 760 605
Share capital		500 000	400 000	400 000
Other reserves		117 081	52 315	117 081
Unallocated profit		53 478	28 669	0
Total equity	5	670 559	480 984	517 081
TOTAL EQUITY AND LIABILITIES		11 701 062	10 039 856	9 277 686

Arendal, 12 August 2013

Geir Bergskaug
ChairmanFrode Mathiesen
Deputy Chairman

Dagfinn Vaage

Seunn Smith-Tønnessen

Rolf H. Søraker
Managing Director

6 CASH FLOW STATEMENT

NOK 1 000	30.06.13	30.06.12	2012
Interest received	212 537	197 890	396 263
Interest paid	-125 528	-144 210	-290 208
Operations-related payments	-24 471	-24 872	-44 151
Net cash flow from operations	62 538	28 808	61 904
Change in loans	-1 215 694	-1 711 630	-966 769
Change in other assets	-3 371	0	0
Change in loans from financial institutions	300 000	150 000	-200 000
Change in other liabilities	4 317	490	-680
Net cash flow from current financial activities	-914 748	-1 561 140	-1 167 449
Paid-up share capital	100 000	100 000	100 000
Change in debt established through issue of securities	1 953 643	1 646 991	1 205 101
Net cash flow from non-current financial activities	2 053 643	1 746 991	1 305 101
Net change in cash and cash equivalents	1 201 433	214 659	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	1 521 390	335 060	319 957

As at 30 June 2013, the company has an unused credit facility of MNOK 1,400 in the parent bank, cf. note 5.

EQUITY MOVEMENTS

NOK 1 000	Share capital	Other reserves	Unallocated profit	Total
Equity as at 1 January 2012	300 000	52 315		352 315
Paid-up 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
Equity as at 1 January 2013	400 000	117 081		517 081
Paid-up equity	100 000			100 000
Profit as at 30 June 2013			53 478	53 478
Equity as at 30 June 2013	500 000	117 081	53 478	670 559

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	30.06.13	30.06.12	2012
Interest on loans and claims on financial institutions	10 627	7 885	16 256
Interest on loans and claims on customers	204 787	192 226	380 023
Total interest income	215 414	200 111	396 279
Interest on liabilities to financial institutions	16 611	24 047	38 301
Interest on issued securities	106 629	119 392	230 264
Total interest costs	123 240	143 439	268 565
Net interest income	92 174	56 672	127 714

Note 3 Loan-to-value ratio

	30.06.13	30.06.12	2012
Average loan-to-value ratio	53.4 %	52.3 %	50.9 %

Portfolio by intervals of loan-to-value ratio:

below or equal to 40%	21.8 %	23.5 %	24.8 %
41 - 50 %	14.6 %	15.9 %	17.2 %
51 - 60 %	20.4 %	20.0 %	22.9 %
61 - 70 %	28.7 %	27.2 %	26.7 %
71 - 75 %	11.8 %	11.2 %	6.6 %
above 75%	2.7 %	2.2 %	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.

Sør Boligkreditt also has a revolving credit facility in the parent bank, which may be used to cover issued bonds on maturity, which may not be refinanced. An annual commission is paid on this credit facility.



Note 5 Capital adequacy

NOK 1 000	30.06.13	30.06.12	2012
Equity and related capital			
Share capital	500 000	400 000	400 000
Other reserves	117 081	52 315	117 081
Deductions	0	0	0
Net equity and related capital (core capital)	617 081	452 315	517 081
Minimum capital adequacy requirement			
Credit risk	342 446	313 268	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	353 451	319 436	278 937
Calculation basis	4 418 138	3 992 950	3 486 438
Capital adequacy	14.0 %	11.3 %	14.8 %

Note 6 Loans according to sectors and industries

NOK 1 000	30.06.13	30.06.12	2012
Retail banking customers	9 847 450	9 378 186	8 658 055
Primary industry	15 963	18 079	15 140
Industry	9 558	12 596	11 803
Building and construction	81 363	99 709	83 523
Transport and communication	41 027	32 759	35 743
Whole and retail	27 763	23 756	23 175
Hotel and restaurant	11 505	7 798	5 709
Real estate	15 319	9 072	11 365
Financial/business services	58 495	63 679	57 918
Sundry/other industries	57 094	49 070	47 412
Total gross loans	10 165 537	9 694 704	8 949 843
Collective write-downs	4 000	4 000	4 000
Net loans	10 161 537	9 690 704	8 945 843

Note 7 Default

NOK 1 000	30.06.13	30.06.12	2012
Defaulted commitments	0	0	118
Individual write-downs	0	0	0
Net defaulted commitments	0	0	118



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	1 250 000	0	1 247 463	1 251 215	NIBOR 3M + 0.44	Interest only	23.03.2015
NO 0010508443	1 000 000	0	1 003 900	999 970	NIBOR 3M + 0.50	Interest only	08.04.2015
NO 0010625841	1 250 000	0	1 249 113	1 250 690	NIBOR 3M + 0.53	Interest only	05.10.2015
NO 0010614688	1 000 000	0	1 000 630	999 254	NIBOR 3M + 0.50	Interest only	29.06.2016
NO 0010518129	1 000 000	0	1 008 300	999 957	NIBOR 3M + 0.55	Interest only	04.07.2016
NO 0010623945	1 200 000	0	1 199 701	1 196 721	NIBOR 3M + 0.53	Interest only	24.08.2017
NO 0010649056	1 250 000	0	1 266 658	1 257 746	NIBOR 3M + 0.72	Interest only	20.06.2018
NO 0010679806	600 000	0	599 775	599 529	NIBOR 3M + 0.44	Interest only	22.05.2019
NO 0010664659	750 000	0	753 894	750 290	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	9 900 000	50 425	9 932 734	9 858 247			

Note 9 Cover pool

NOK 1 000	30.06.13	30.06.12	2012
Gross loans secured by residential property mortgages*	9 894 444	9 479 869	8 789 515
Receivables that represent substitute assets	1 521 390	335 060	319 957
Total cover pool	11 415 834	9 814 929	9 109 472
Cover pool's over-collateralisation	116 %	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	30.06.13	30.06.12	2012
Profit			
Interest from Sparebanken Sør on deposits	10 627	7 885	16 256
Interest and credit commission from Sparebanken Sør on loans	16 611	24 047	38 301
Interest costs on bond debts to Sparebanken Sør	24 965	67 522	113 481
Management fees paid to Sparebanken Sør	16 432	15 154	30 111
Balance sheet			
Deposits in Sparebanken Sør	1 521 390	335 060	319 957
Covered bonds owned by Sparebanken Sør (nominal value)	2 100 000	4 280 000	2 130 000
Loans/credit facility in Sparebanken Sør	1 100 000	1 150 000	800 000



QUARTERLY PROFIT TREND

NOK 1 000	2Q	1Q	4Q	3Q	2Q	1Q
	2013	2013	2012	2012	2012	2012
Net interest	48 856	43 317	38 810	32 232	33 806	22 866
Other income	126	-161	-5 463	779	47	35
Operating costs	9 067	8 796	8 075	8 152	9 117	7 819
Oper. Profit before losses	39 915	34 360	25 272	24 859	24 736	15 082
Losses on loans	0	0	0	0	0	0
Pre-tax profit	39 915	34 360	25 272	24 859	24 736	15 082
Tax on ordinary profit	11 176	9 621	7 074	6 960	6 925	4 224
Profit after tax	28 739	24 739	18 198	17 899	17 811	10 858

DECLARATION

Declaration from the Board of Directors and Managing Director

Styret og daglig leder har i dag behandlet og fastsatt 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 2013 and for the 1st half-year 2013, including corresponding figures as at 30 June 2012 and for the 1st half-year 2012.

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 2013 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 2013 and 30 June 2012. 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, 12. August 2013

Geir Bergskaug
Chairman

Frode Mathiesen
Deputy Chairman

Dagfinn Vaage

Seunn Smith-Tønnessen

Rolf H. Søraker
Managing Director



