

Sparebanken Sør Boligkreditt AS

1st quarter 2017





SPAREBANKEN SØR

Sparebanken Sør

Business

Sparebanken Sør is an independent financial group with activities within banking, securities and real estate.

Balance

The sixth largest Norwegian bank with total assets of more than NOK 100 billions.

Employees

431 employees in branch offices across the counties of Aust-Agder, Vest-Agder and Telemark.

Products and services

General banking services- and products, in addition to real-estate brokerage, life- and non-life insurance, stock brokerage and leasing through wholly- and partially owned subsidiaries and companies.

Summary

As one of the largest regional banks, Sparebanken Sør is committed to further growth and development in the region.



Agder & Telemark

NUMBER OF RESIDENTS

470 000



*A market with 470 000 people.
No other bank covers this area as
Sparebanken Sør. The bank has
approximately 150 000 retail customers
and 14 000 corporate customers.*

Sparebanken Sør Boligkreditt AS

- Dedicated and integrated covered bond company of Sparebanken Sør
- The covered bonds are full recourse to the issuer (Sparebanken Sør Boligkreditt), which is a wholly-owned subsidiary of Sparebanken Sør
- Sparebanken Sør Boligkreditt has established a revolving credit facility with Sparebanken Sør which secures the refinancing risk
- Overdraft facility in place with the bank to handle daily operations
- The cover pool consists of 100 % prime Norwegian residential assets
- Low LTV of 53,7 % (indexed)
- There are no non-performing assets in the cover pool
- Current OC of 14.2 %, of which 2.0 % is provided on committed basis
- Cover pool exposure is towards Southern Norway, where price developments have been relatively stable
- CB issuances assigned Aaa rating by Moody's with 5 notches of leeway, pointing to a significant buffer against potential downgrades

Eligibility criteria for cover pool mortgages

Type of properties	<ul style="list-style-type: none">• Residential Norwegian properties• Holiday homes – p.t. none according to internal guidelines• Minor volumes of buy to let
Type of products	<ul style="list-style-type: none">• Mortgages with floating or fixed interest rates – p.t. only floating interest rate• Serial, annuity or non-amortizing loans
Credit criteria	<ul style="list-style-type: none">• No arrears• Borrowers probability of default $\leq 2\%$
Collateral	<ul style="list-style-type: none">• LTV limit of 75 % for residential mortgages• (LTV limit of 60 % for holiday homes)• Quarterly valuation from independent third party (Eiendomsverdi)
Loan volume	<ul style="list-style-type: none">• Maximum loan per borrower of 12 MNOK (Euro 1,3 mill)

Risk management

Liquidity risk

- Payment flow from the cover pool is to meet the obligations to covered bonds holders and derivative counterparties
- Credit facility and revolving credit facility in place with the mother company

Interest rate risk

- Interest rate risk measured on a 2 basis points parallel shift in the interest rate curve, alternatively including the effects of non parallel shifts, should not exceed MNOK 100.
- P.t. only floating rate loans and floating funding base incl. swaps

Foreign exchange risk

- Very limited FX risk is allowed
- Long term FX funding is swapped back into NOK; external counterparties



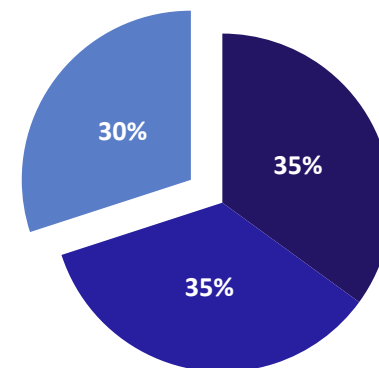
Cover pool characteristics

Cover pool composition

Cover Pool Composition	31.03.2017
Type of Collateral:	100% residential
Total LOAN BALANCE:	27.369.275.176
Average LOAN BALANCE:	1.188.522
NO. OF LOANS	23.028
WA SEASONING (in months):	39
WA REMAINING TERM (in months):	203
NO. OF BORROWERS	20.999
NO. OF PROPERTIES	23.077
WA Indexed LTV (LOAN BALANCE/INDEXED valuation) (e.g. 85% or 0.85):	53,70 %
WA LTV(LOAN BALANCE/original valuation)(e.g. 85% or 0.85):	60,20 %
Percentage of VARIABLE MORTGAGES (S.Def.):	100,00 %
Loans in arrears > 90 days (e.g. 1% or 0.01):	0,00 %
Substitute assets:	-
Committed over collateralisation:	2,00 %
Over Collateralisation:	14,20 %

- 100 % prime Norwegian residential mortgages
- Current OC level of 14.2 % and commitment to maintain level above 2.0 %

Sparebanken Sør total loan portfolio

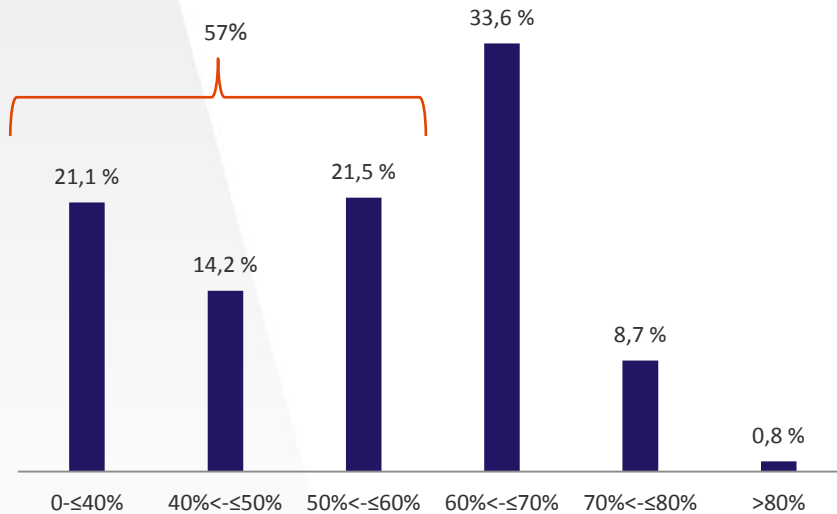


■ CM ■ RM ■ Cov.bond

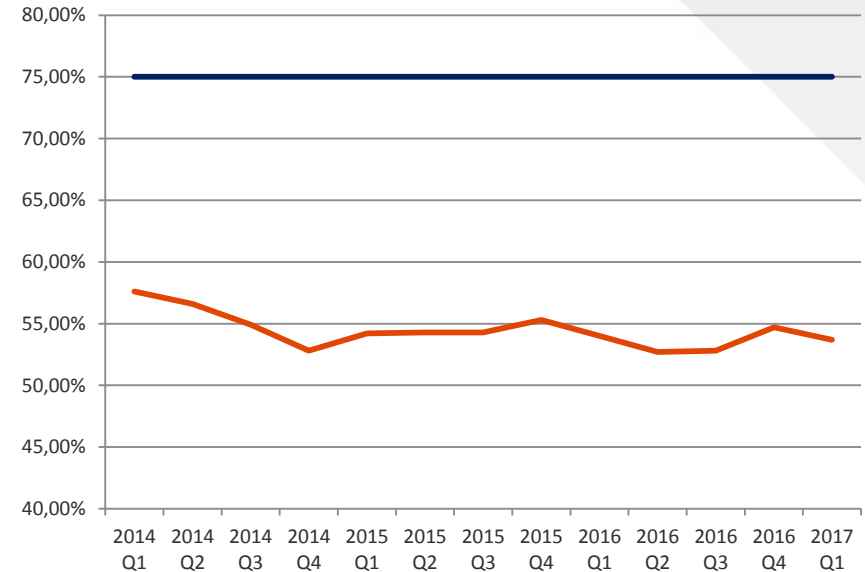
- Loans transferred to S.B. Sør Boligkreditt account for 30% of Sparebanken Sør total loan portfolio.

Cover pool characteristics

Current indexed LTV distribution



Historical development in weighted average indexed LTV

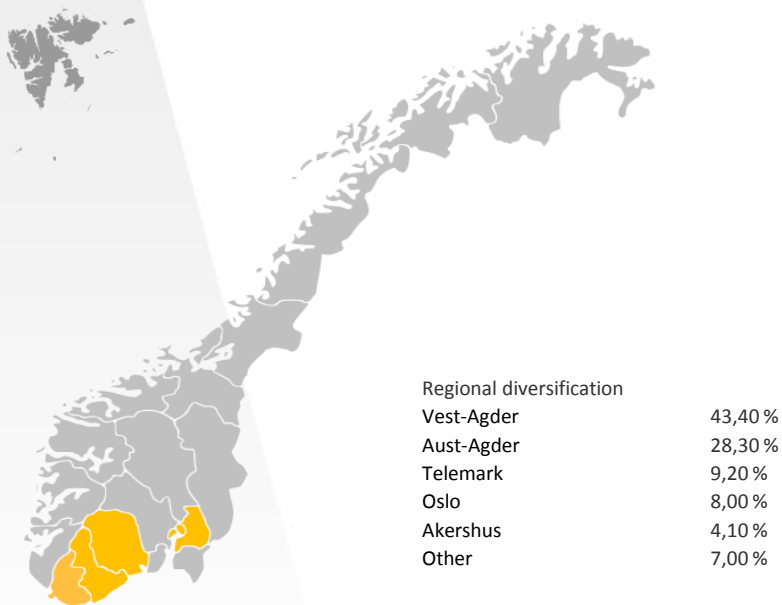


- The weighted average LTV is 53,7 % on an indexed basis
- Approx. 57% of the cover pool has an LTV below 60%

- On a historical level the weighted average LTV is well below the legislative maximum of 75 % for residential mortgages

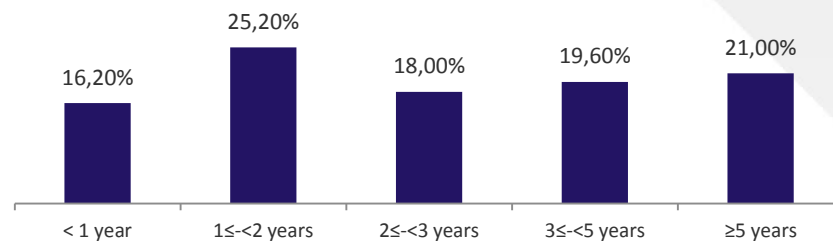
Cover pool characteristics

Cover pool geographic split



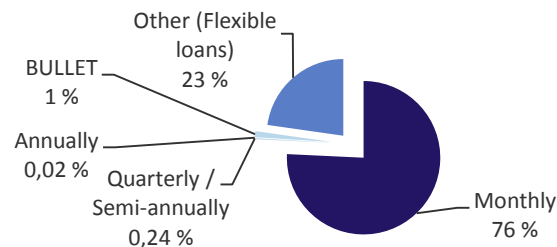
- The cover pool is primarily exposed towards Vest-Agder and Aust-Agder, and secondly to Telemark and Oslo/Akershus
- Property price development in Vest-Agder and Aust-Agder has been more modest than in the rest of the country

Seasoning of mortgages in the cover pool (in % of total loan balance)



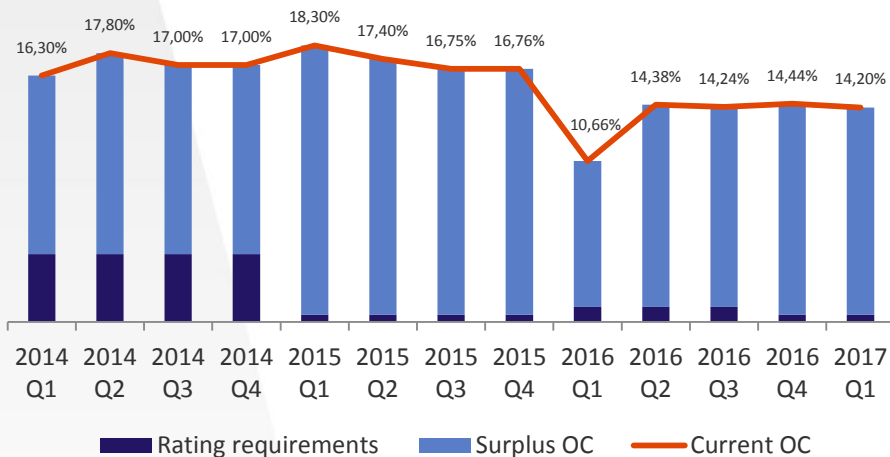
- Weighted average seasoning is 3 years
- 84% of the cover pool consists of mortgages with longer age than 1 year

Principal payment frequency



Cover pool characteristics

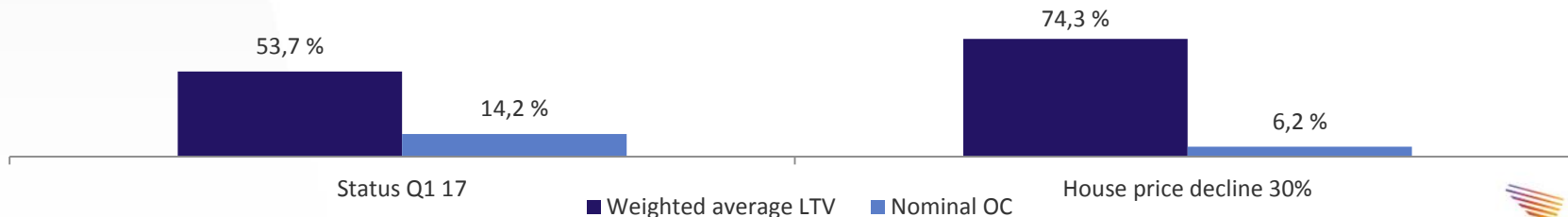
Historical development in over collateralisation



Current situation

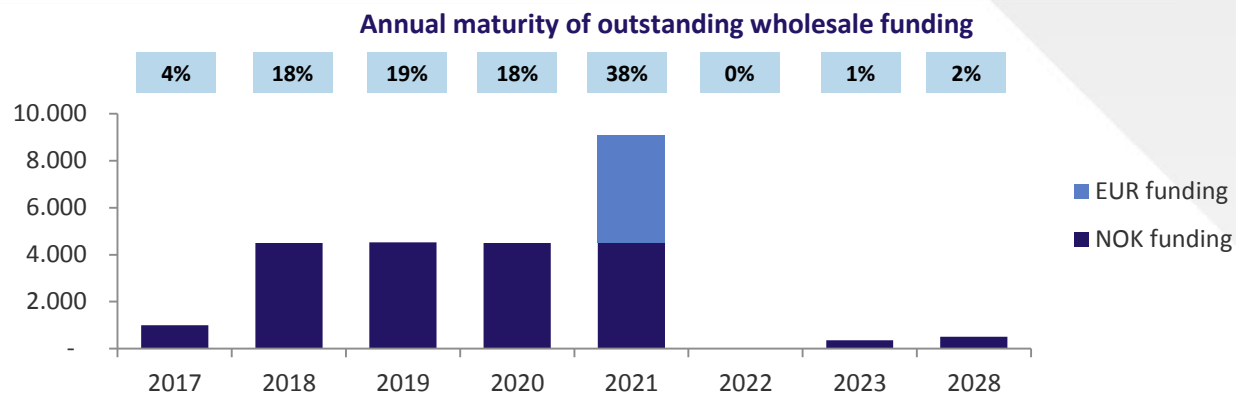
- Committed OC: 2,0%
 - OC consistent with current rating: 0,5%
 - Current OC: 14,2%
- *Committed OC: The minimum level of OC included in Sparebanken Sør Boligkreditt Covered bond program*

Stress test of the cover pool



Funding as of 31.03.2017

- Total funding amounts to NOK 24 bn in issued covered bonds
- The company has a diversified maturity profile and few expiring bonds in 2017
- Funding > 12 months totalled 96%



Ticker	ISIN	Outstanding Amount	Issuance Date	Expected Maturity	Interest Rate Type	Coupon
SORB02	NO0010623945	NOK 1000 million	24.08.2011	24.08.2017	Floating rate	Nibor 3 mnd + 53 bps
SORB21	NO0010673296	NOK 4500 million	14.03.2013	14.09.2018	Floating rate	Nibor 3 mnd + 46 bps
SORB10	NO0010679806	NOK 4500 million	22.05.2013	22.05.2019	Floating rate	Nibor 3 mnd + 44 bps
SORB07	NO0010664659	NOK 28 million	27.11.2012	27.11.2019	Floating rate	Nibor 3 mnd + 54 bps
SORB24	NO0010714058	NOK 4500 million	24.06.2014	24.06.2020	Floating rate	Nibor 3 mnd + 30 bps
SORB27	NO0010778954	NOK 4500 million	22.11.2016	22.11.2021	Floating rate	Nibor 3 mnd + 54 bps
SORB09	NO0010671597	NOK 350 million	13.02.2013	13.02.2023	Fixed rate	3,850 %
SORB08	NO0010670409	NOK 500 million	24.01.2013	24.01.2028	Fixed rate	4,000 %
-	XS1383921803	EUR 500 million	22.03.2016	22.03.2021	Fixed rate	0.250%

Euro Medium Term Covered Note Programme



SPAREBANKEN SØR BOLIGKREDITT AS

(incorporated with limited liability in Norway)

€4,000,000,000

Euro Medium Term Covered Note Programme

Under this €4,000,000,000 Euro Medium Term Covered Note Programme (the **Programme**), Sparebanken Sør Boligkreditt AS (the **Issuer**) may from time to time issue covered bonds issued in accordance with the Act (as defined in "Terms and Conditions of the Notes other than VPS Notes" or "Terms and Conditions of the VPS Notes", as the case may be) (the **Notes** which term shall include, so far as the context permits, VPS Notes (as defined below)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes may be issued in bearer form or in uncertificated book entry form (the **VPS Notes**) settled through the Norwegian Central Securities Depository, the *Foreoplysningsregisteret AS* (the **VPS**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive (as defined below). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market (the **Main Securities Market**) of the Irish Stock Exchange plc (the **Irish Stock Exchange**) or another regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive or MiFID**) and/or which are to be offered to the public in any Member State of the European Economic Area.

Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the official list of the Irish Stock Exchange (the **Official List**) and to trading on the Main Securities Market. The Issuer has further requested that the Central Bank of Ireland send to the Norwegian Financial Supervisory Authority (*Finansinspektoratet*) (the **NFSA**) in its capacity as the competent authority in Norway (i) a copy of this Base Prospectus and (ii) a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that the Base Prospectus has been drawn up in accordance with national law implementing the Prospectus Directive, for purposes of listing Notes on the Oslo Stock Exchange's Regulated Market.

Each of the Main Securities Market and the Oslo Stock Exchange's Regulated Market is a regulated market for the purposes of MiFID. References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been either admitted (i) to the Official List and to trading on the Main Securities Market or (ii) to trading on the Oslo Stock Exchange's Regulated Market, as may be agreed between the Issuer and the relevant Dealer in relation to the relevant Series (as defined below).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined in "Terms and Conditions of the Notes other than VPS Notes" or "Terms and Conditions of the VPS Notes", as the case may be) of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the Central Bank of Ireland and the Irish Stock Exchange (if listed on the Irish Stock Exchange). Copies of the Final Terms in relation to the Notes to be listed on the Irish Stock Exchange will also be published on the website of the Irish Stock Exchange.

The Notes are expected to be assigned a "Aaa" rating by Moody's Investors Service Limited (Moody's). Moody's is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) and is included in the list of credit rating agencies registered under the CRA Regulation, which is available on the ESMA website (<https://www.esma.europa.eu/press-page/infographic/credit-rating-agencies>) (last updated on 1 December 2015).

Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Arranger
Nordea
Dealers**

Danske Bank
Landesbank Baden-Württemberg
SEB

UniCredit Bank

DNB Bank
Nordea
Swedbank

The date of this Base Prospectus is 9 June 2016

- Sparebanken Sør established a €4,000,000,000 Euro Medium Term Covered Note Program (EMTN) in the third quarter of 2015
- In the first quarter of 2016 the company issued covered bonds amounting to EUR 500 million under the program
- Sparebanken Sør Boligkreditt AS plans to further acquire loans from Sparebanken Sør, and the company intends to issue new covered bonds towards investors in Norway and abroad



SPAREBANKEN SØR

Looking ahead

Macro

The Norwegian economy was affected by low growth in 2016. The outlook is considered positive, but the pace of the change in growth is uncertain
Government finances are rock solid, Oil fund EUR 850 bn, positive net financial position of 250 % of GDP

The region

The economic outlook for the bank's market area is considered positive. Housing prices show moderate positive development and unemployment is falling.

Capital requirements

The Group has a common equity tier 1 capital ratio of 14.6 percent and leverage ratio of 8.6 percent. Along with a positive profit from ordinary operations, the opportunities for further loan growth are positive.

Funding and liquidity

The Group is well positioned to establish long-term funding from the Norwegian and the international financial market.

Sparebanken Sør Boligkreditt

Sparebanken Sør Boligkreditt AS will further acquire loans from the bank to issue public covered bonds in Norway and abroad, primarily as benchmark issuances that are eligible to LCR requirements for level 1 assets



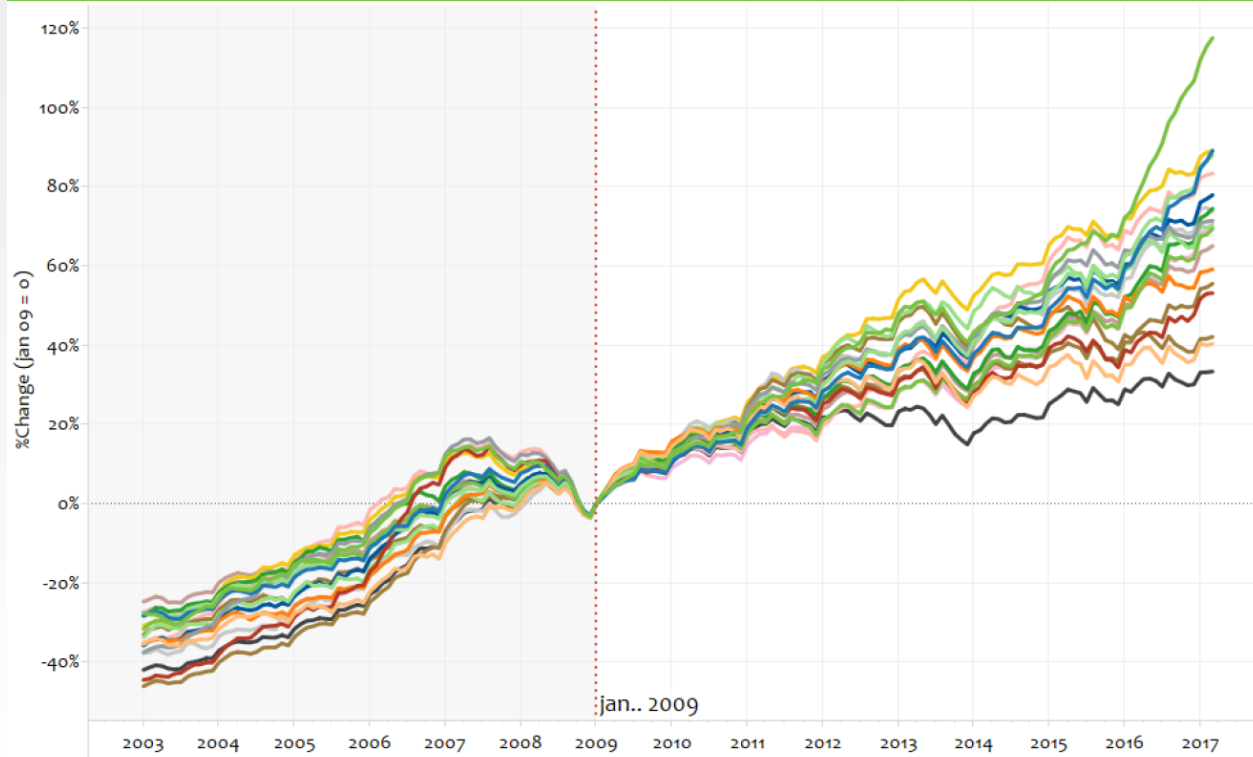
Unemployment is now decreasing

Key figures from the Norwegian labour market, April 2017

	Number of unemployd	As a percentage of the work force	Change from last year	Percentage change from last year	As a percentage of the work force, last year
Total	78 212	2,8 %	-7 259	-8 %	3,1 %
Østfold	4 405	3,1 %	- 274	-6 %	3,3 %
Akershus	6 973	2,2 %	- 780	-10 %	2,5 %
Oslo	10 708	2,9 %	-1 663	-13 %	3,3 %
Hedmark	2 065	2,1 %	- 293	-12 %	2,4 %
Oppland	1 756	1,8 %	- 263	-13 %	2,1 %
Buskerud	3 804	2,6 %	- 331	-8 %	2,8 %
Vestfold	4 039	3,2 %	176	5 %	3,1 %
Telemark	2 641	3,0 %	- 331	-11 %	3,4 %
Aust-Agder	1 833	3,2 %	- 339	-16 %	3,8 %
Vest-Agder	3 153	3,3 %	- 399	-11 %	3,7 %
Rogaland	10 865	4,2 %	- 898	-8 %	4,5 %

House price development March 2017

The Norwegian Housing Price Statistics by county



County						
Oslo	Buskerud	Hordaland	Nordland	Sogn & Fjordane	Troms	Østfold
Akershus	Finnmark	Møre & Romsdal	Oppland	Sør-Trøndelag	Vest-Agder	
Aust-Agder	Hedmark	Nord-Trøndelag	Rogaland	Telemark	Vestfold	

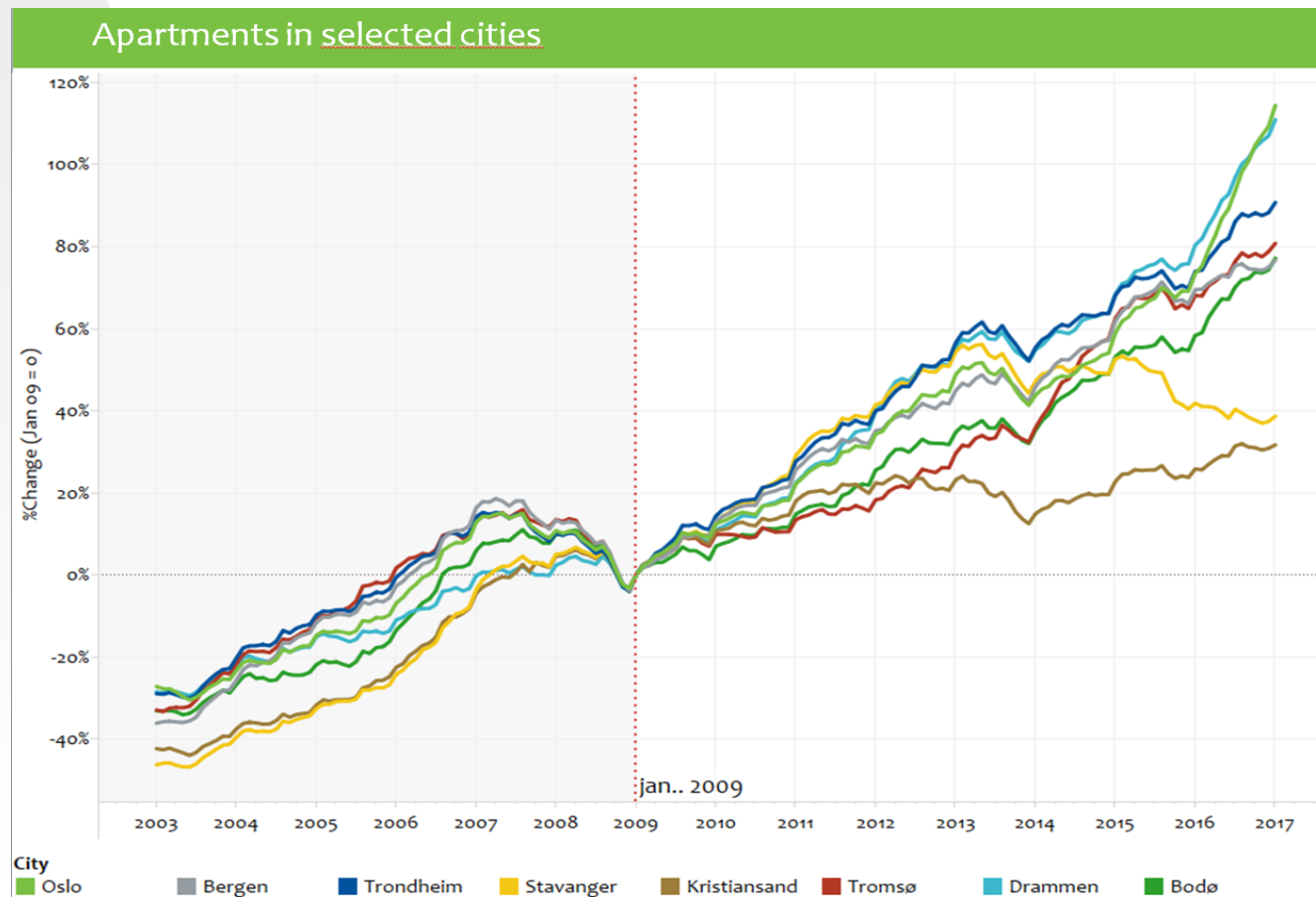
Year over year :

Vest-Agder	+ 2,7 %
Aust-Agder	+ 2,1 %
Telemark	+ 8,4 %
Rogaland	- 0,6 %
Oslo	+ 22,4 %

February - March:

Vest-Agder	+ 0,1 %
Aust-Agder	+ 0,3 %
Telemark	+ 0,6 %
Rogaland	+ 0,3 %
Oslo	+ 1,0 %

Apartment price development March 2017



Year over year:

Kristiansand	+ 3,6 %
Stavanger	- 1,5 %
Oslo	+ 22,7 %

February - March:

Kristiansand	- 0,5 %
Stavanger	- 0,2 %
Oslo	+ 0,9 %



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