



Sparebanken Sør Boligkreditt AS

Q2 2018

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 above NOK 118 billions.

Employees

419 full time equivalent in branch offices across the counties of Aust-Agder, Vest-Agder, Telemark and Rogaland.

Products and services

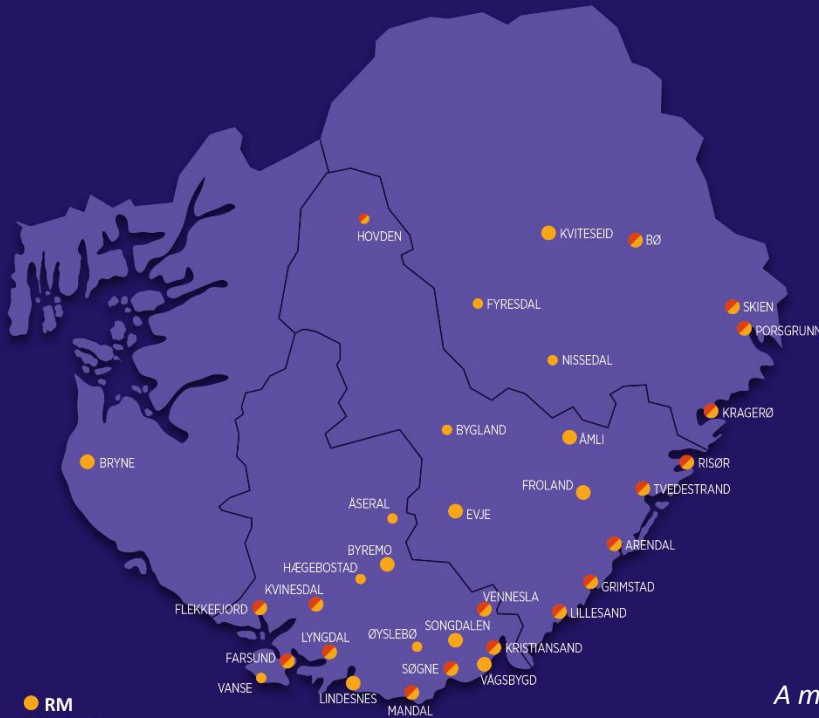
General banking products and services, supplemented by real-estate brokerage, life and non-life insurance, stock brokerage and leasing through wholly and partially owned subsidiaries and companies

Summary

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

Sparebanken Sør

- A leading savings bank in Southern Norway



- RM
- CM/RM
- Consulting office
- By appointment



Established in 1824,
525 employees



175 000 retail
customers



Financial group with
banking, securities and
real estate brokerage



23 000
corporate customers



Publicly traded and
community-owned



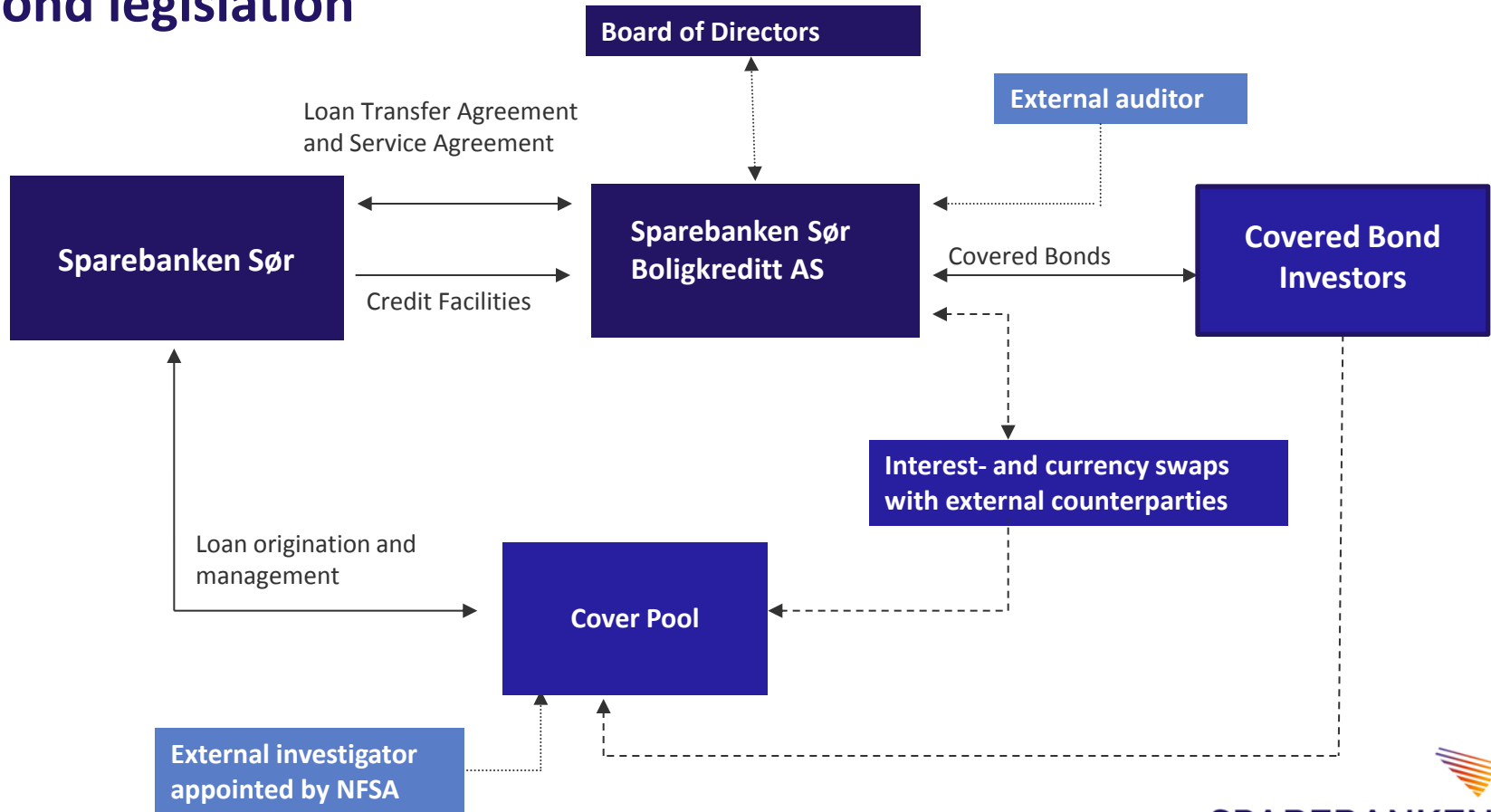
Over NOK 116 bn in
total assets

A market with 470 000 inhabitants. No other bank covers this area as Sparebanken Sør. The bank has approximately 175 000 retail customers and 23 000 corporate customers.

Sparebanken Sør Boligkreditt AS

- Dedicated and integrated covered bond company wholly owned by Sparebanken Sør
- The covered bonds have full recourse to the issuer Sparebanken Sør Boligkreditt
- Sparebanken Sør Boligkreditt has established a revolving credit facility with Sparebanken Sør, which covers refinancing risk
- Overdraft facility with the bank to handle daily operations
- Loans are originated by the bank and transferred to the CB company
- The cover pool consists of prime Norwegian residential assets (95.5 %) and interest bearing securities
- Low LTV of 55.5 % (indexed)
- No non-performing assets in the cover pool
- Current OC of 23.4 %, of which 2.0 % is provided on committed basis
- Cover pool exposure towards Southern Norway, where price development is rather stable
- CB issuances assigned Aaa long term rating by Moody's with a high TPI and 5 notches of TPI leeway, pointing to a significant buffer against potential downgrades

Business concept - governed by Norwegian covered bond legislation



Eligibility criteria for cover pool mortgages

Type of properties	<ul style="list-style-type: none">•Residential Norwegian properties•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•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 payment obligations to the covered bond holders and derivative counterparties
- 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 NOK 100 million
- P.t. only floating rate loans and floating funding base incl. swaps

Foreign exchange risk

- FX risk is fully hedged
- Long term FX funding is swapped into NOK
- Derivative contracts with external counterparties

Cover pool composition and OC as at 30.06.2018

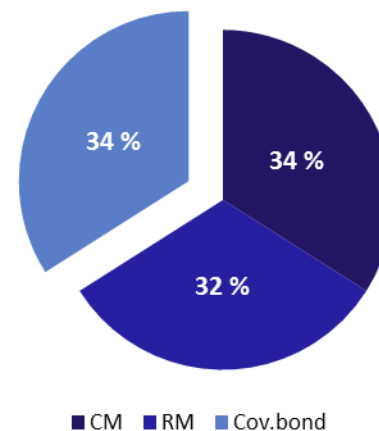
NOK thousands	Fair value	
	30.06.2018	30.06.2017
Loans secured by mortgages on residential properties	34.016.760	29.722.298
Deduction of ineligible loans	-71.353	-42.264
Pool of eligible loans	33.945.407	29.680.034
Certificates and bonds	1.358.222	658.360
Receivables on derivatives	6.055	135.995
Total cover pool	35.309.684	30.474.390
Debt incurred due to issuance of securities	28.883.628	26.681.503
Commitments on derivatives	71.622	0
Total commitments	28.955.250	26.681.503
Collateralisation ratio (OC)	21,9 %	14,2 %

	Nominal value	
	30.06.2018	30.06.2017
OC based on nominal value, eligibles only	23,4 %	14,8 %
OC based on nominal value	23,7 %	14,9 %

Additional cover pool details as at 30.06.2018

Average LOAN BALANCE	1.228.000
NO. OF LOANS	27.678
WA SEASONING (in months)	42
WA REMAINING TERM (in months)	241
NO. OF BORROWERS	24.906
NO. OF PROPERTIES	27.415
WA Indexed LTV (LOAN BALANCE/INDEXED valuation) (e.g. 85% or 0.85)	55,5 %
WA LTV (LOAN BALANCE/original valuation)(e.g. 85% or 0.85)	60,7 %
Percentage of VARIABLE MORTGAGES (S.Def.)	95,5 %
Loans in arrears > 90 days (e.g. 1% or 0.01)	0,0 %
Committed Over Collateralisation (OC):	2,0 %

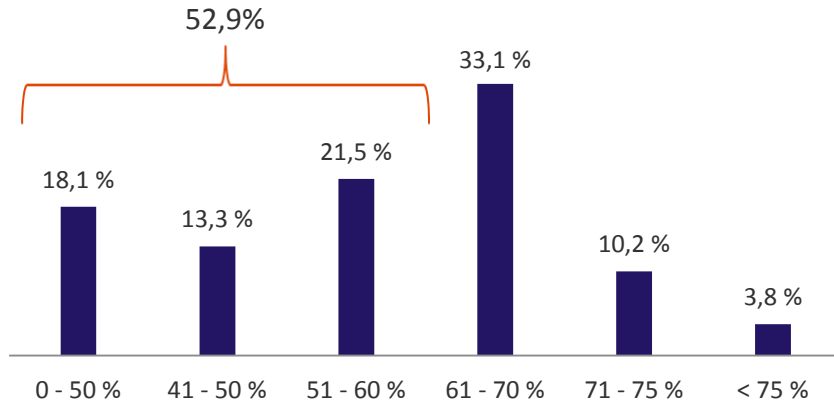
Sparebanken Sør (Group) total loan portfolio



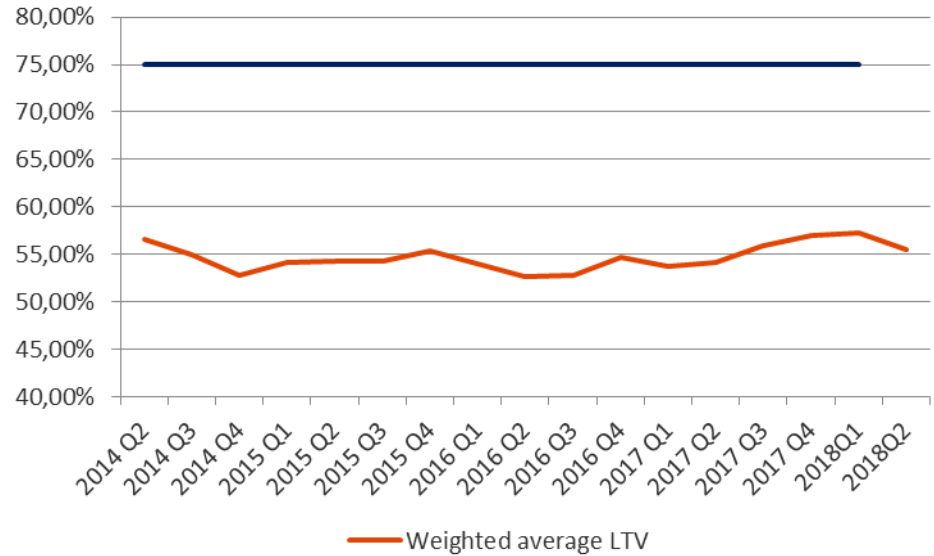
- Loans transferred to Sparebanken Sør Boligkreditt AS account for 34 % of Sparebanken Sør's total loan portfolio

Cover pool characteristics

Current indexed LTV distribution



Historical development in weighted average indexed LTV

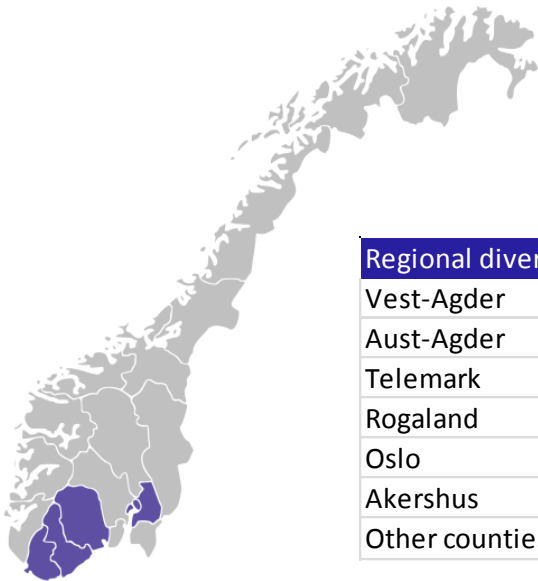


- The weighted average LTV is 55.5 % on an indexed basis
- Approx. 52,9 % of the cover pool has a LTV below 60%

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

Cover pool characteristics

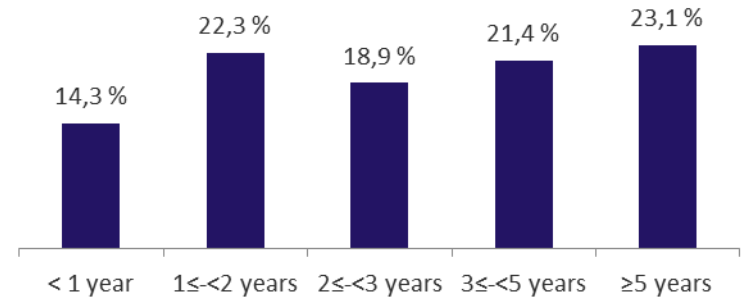
Cover pool geographic split



Regional diversification	
Vest-Agder	42,2 %
Aust-Agder	26,6 %
Telemark	9,8 %
Rogaland	2,4 %
Oslo	9,6 %
Akershus	4,2 %
Other counties	5,2 %

- The cover pool is primarily exposed towards Vest-Agder and Aust-Agder and secondly to Telemark and Oslo
- Property price development in Vest-Agder and Aust-Agder has been modest compared to peer counties

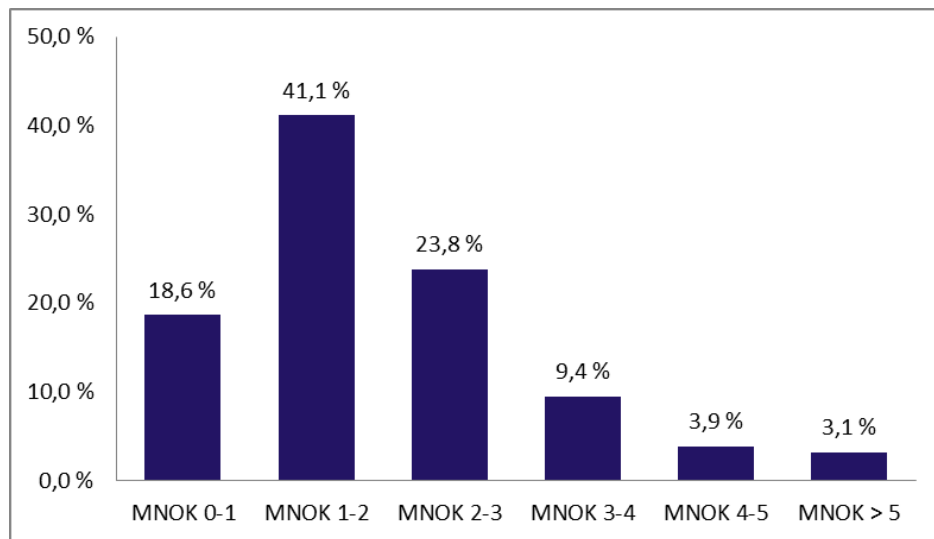
Seasoning of mortgages in the cover pool (in % of total loan balance)



- Weighted average seasoning is 3.5 years
- The cover pool is stable, as 85,7% of mortgages has been included in the cover pool for at least 1 year

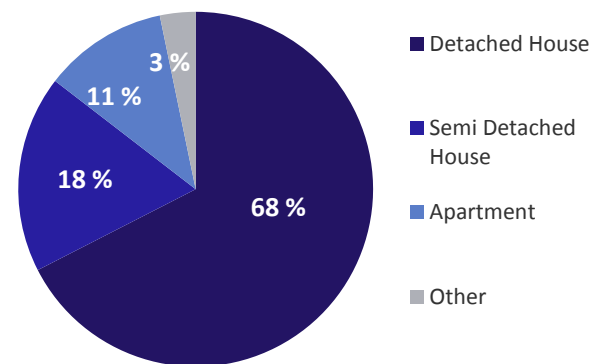
Cover pool characteristics

Pool notional

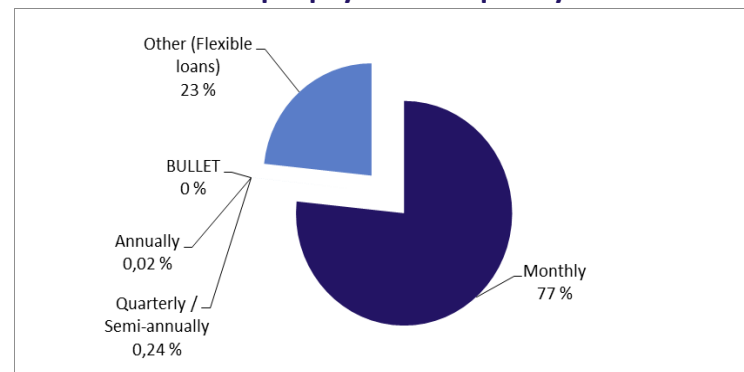


- Average loan value of NOK 1.28 million

Property type

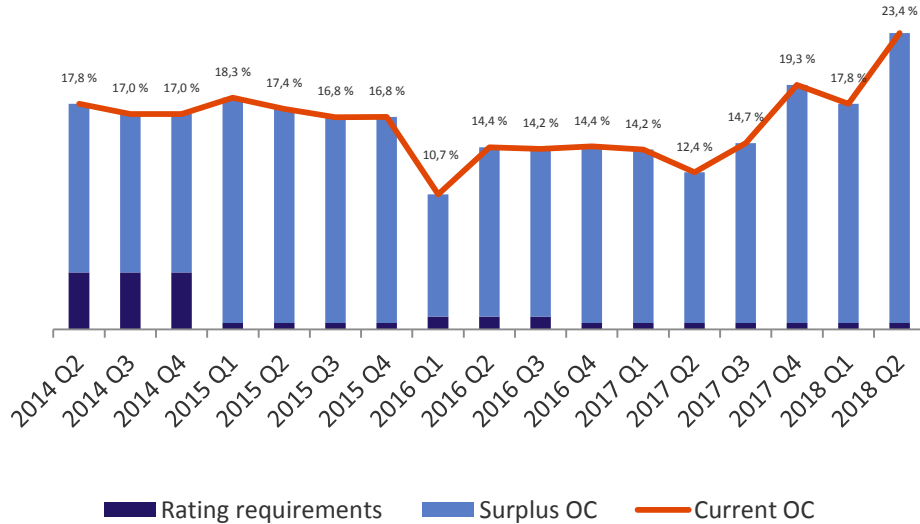


Principal payment frequency



Cover pool characteristics

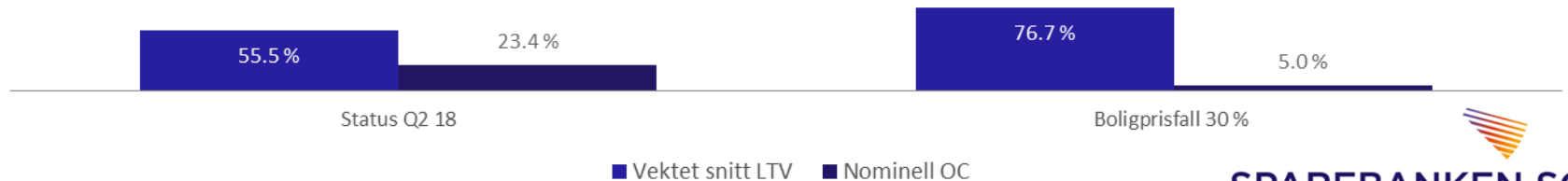
Historical development Over Collateralisation



Current situation

- Committed OC: 2.0%
- OC consistent with current rating: 0.5%
- Current OC: 23,4%
- Committed OC: The minimum level of OC included in Sparebanken Sør Boligkreditt Covered bond program

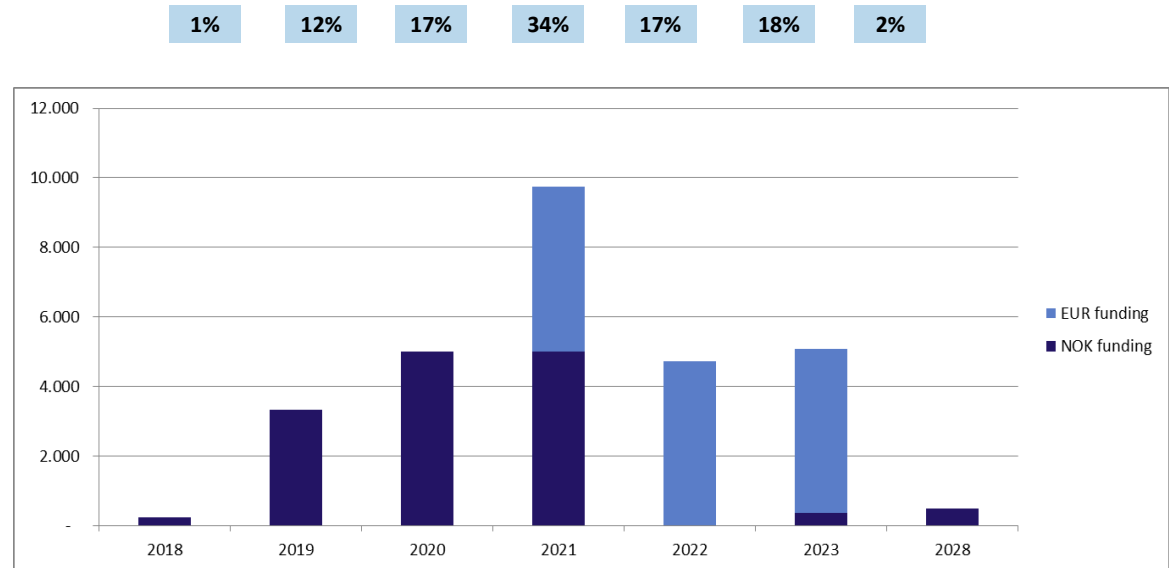
Stress test of the cover pool



Funding as at 30.06.2018

- Total funding amounts to NOK 29 bn in issued covered bonds
- The company has a diversified maturity profile
- Funding > 12 months totalled 87 %
- Soft bullet structure on all outstanding bonds

Annual maturity of wholesale funding



Funding as at 30.06.2018

ISIN Nummer	Ticker	Currency	Outstanding amount	Interest		Due date
NO0010673296	SORB21	NOK	225.000	Floating	3M Nibor	14.09.2018
NO0010679806	SORB10	NOK	3.292.000	Floating	3M Nibor	22.05.2019
NO0010664659	SORB07	NOK	28.000	Floating	3M Nibor	27.11.2019
NO0010714058	SORB24	NOK	5.000.000	Floating	3M Nibor	24.06.2020
XS1383921803		EUR	500.000	Fixed	0,250 %	22.03.2021
NO0010778954	SORB27	NOK	5.000.000	Floating	3M Nibor	22.11.2021
XS1622285283		EUR	500.000	Fixed	0,125 %	30.05.2022
NO0010671597	SORB09	NOK	350.000	Fixed	3,85 %	13.02.2023
XS1775786145		EUR	500.000	Fixed	0,375 %	20.02.2023
NO0010670409	SORB08	NOK	500.000	Fixed	4,00 %	24.01.2028

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 the €4,000,000,000 Euro Medium Term Covered Note Programme (the Programme) described in this base prospectus (the Base Prospectus), 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 terms 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 *Værdipapircentralen ASA* (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 (the EEA).

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 (*Finanstilsynet*) (the NFSÅ) 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 (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated on 29 March 2017).

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
Svebank

- 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
- In the second quarter of 2017, the company issued covered bonds amounting to EUR 500 million under the program
- In the first quarter of 2018, 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



Looking ahead

Macro

Growth in the Norwegian economy has picked up after weak growth in GDP over recent years, with higher growth in exports, increasing investments in the oil sector, lower unemployment and higher private consumption.

The region

The economic outlook for the bank's market area is considered positive. Housing prices in Southern Norway have been fairly stable over a longer period of time, and unemployment is falling.

Capital requirements

Sparebanken Sør Boligkreditt AS has a common equity tier 1 capital ratio of 20.5 percent and leverage ratio of 7.9 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 mortgages 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

Balanced development in the region

Change in housing prices, Year over year

Percentage



Change in unemployment, Year over year

Percentage



- The reduction in unemployed underlines the positive trend in the region



SPAREBANKEN SØR