

Securities Note



FRN Sør Boligkreditt AS Covered Bond Issue 2011/2015
(Extendable to 23 March 2016)
ISIN NO0010633415

Arranger:
Pareto Securities

Arendal, 08.02.2012

Important notice

The Securities Note has been prepared in connection with listing of the securities at Oslo Børs. Finanstilsynet (The Financial Supervisory Authority of Norway) has controlled and approved the Securities Note pursuant to Section 7-7 of the Norwegian Securities Trading Act. New information that is significant for the Borrower or its subsidiaries may be disclosed after the Securities Note has been made public, but prior to the expiry of the subscription period. Such information will be published as a supplement to the Securities Note pursuant to Section 7-15 of the Norwegian Securities Trading Act.

Only the Borrower and the Arranger are entitled to procure information about conditions described in the Securities Note. Information procured by any other person is of no relevance in relation to the Securities Note and cannot be relied on.

Unless otherwise stated, the Securities Note is subject to Norwegian law. In the event of any dispute regarding the Securities Note, Norwegian law will apply.

In certain jurisdictions, the distribution of the Securities Note may be limited by law, for example in the United States of America or in the United Kingdom. Verification and approval of the Securities Note by Finanstilsynet implies that the Securities Note may be used in any EEA country. No other measures have been taken to obtain authorisation to distribute the Securities Note in any jurisdiction where such action is required. Persons that receive the Securities Note are ordered by the Borrower and the Arranger to obtain information on and comply with such restrictions.

This Securities Note is not an offer to sell or a request to buy bonds.

The content of the Securities Note does not constitute legal, financial or tax advice and bond owners should seek legal, financial and/or tax advice.

Contact the Borrower or the Arranger to receive copies of the Securities Note.

This Securities Note should be read together with the Registration Document dated 01.08.2011, the Supplement to Registration Document dated 05.10.2011, and the Supplement to Registration Document dated 08.02.2012. The four documents together constitute a prospectus.

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1. Risk factors

The Issuer believes that the factors described below represent the principal market risks inherent in investing in the Loan, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may occur for other reasons. Prospective investors should also read the detailed information set out in the Registration Document dated 01.08.2011, the Supplement to Registration Document dated 05.10.2011, and the Supplement to Registration Document dated 08.02.2012 and reach their own views prior to making any investment decision.

Risk related to the market in general

All investments in interest bearing securities have risk associated with such investment. The risk is related to the general volatility in the market for such securities, varying liquidity in a single bond issue as well as company specific risk factors. There are four main risk factors that sums up the investors total risk exposure when investing in interest bearing securities: liquidity risk, interest rate risk, settlement risk and market risk (both in general and issuer specific).

Liquidity risk is the risk that a party interested in trading bonds in the Loan cannot do it because nobody in the market wants to trade the bonds. Missing demand of the bonds may incur a loss on the bondholder.

The price of a single bond issue will fluctuate in accordance with the interest rate and credit markets in general, the market view of the credit risk of that particular bond issue, and the liquidity of this bond issue in the market. In spite of an underlying positive development in the Issuers business activities, the price of a bond may fall independent of this fact.

The interest rate risk is due to variability of the NIBOR interest rate. The coupon payments, which depend on the NIBOR interest rate and the Margin, will vary in accordance with the variability of the NIBOR interest rate. The interest rate risk related to this bond issue will be limited, since the coupon rate will be adjusted quarterly according to the change in the reference interest rate (NIBOR 3 months) over the 4 year tenor. The primary price risk for a floating rate bond issue will be related to the market view of the correct trading level for the credit spread related to the bond issue at a certain time during the tenor, compared with the credit margin the bond issue is carrying. A possible increase in the credit spread trading level relative to the coupon defined credit margin may relate to general changes in the market conditions and/or Issuer specific circumstances. However, under normal market circumstances the anticipated tradable credit spread will fall as the duration of the bond issue becomes shorter. In general, the price of bonds will fall when the credit spread in the market increases, and conversely the bond price will increase when the market spread decreases.

Settlement risk is the risk that the settlement of bonds in the Loan does not take place as agreed. The settlement risk consists of the failure to pay or the failure to deliver the bonds.

Market risk is the risk that the value of the Loan will decrease due to the change in value of the market risk factors. The price of a single bond issue will fluctuate in accordance with the interest rate and credit markets in general, the market view of the credit risk of that particular bond issue, and the liquidity of this bond issue in the market. In spite of an underlying positive development in the Issuers business activities, the price of a bond may fall independent of this fact. Bond issues with a relatively short tenor and a floating rate coupon rate do however in general carry a lower price risk compared to loans with a longer tenor and/or with a fixed coupon rate.

No market-maker agreement is entered into in relation to this bond issue, and the liquidity of bonds will at all times depend on the market participants view of the credit quality of the Issuer as well as established and available credit lines.

Factors which are material for the purpose of assessing the market risks associated with Bond

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Securities Note and/or Registration Document or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Risks related to Bonds in general

Set out below is a brief description of certain risks relating to the Bonds generally:

Modification and Waiver

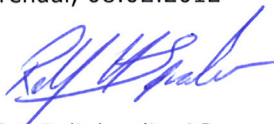
The conditions of the Bonds contain provisions for calling meetings of bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all bondholders including bondholders who did not attend and vote at the relevant meeting and bondholders who voted in a manner contrary to the majority.

The conditions of the Bonds also provide that the Trustee may, without the consent of bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or (ii) determine without the consent of the bondholders that any event of default or potential event of default shall not be treated as such.

2. Person responsible

Sør Boligkreditt AS having taken all reasonable care to ensure that such is the case, the information contained in the prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Arendal, 08.02.2012



Sør Boligkreditt AS
Rolf H. Søraker
Managing Director

3. Information concerning the securities

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| Amortisation: | The bonds will run without installments and be repaid in full at Maturity Date at par. |
| Approvals: | <p>The Bonds will be issued in accordance with the Borrower's Board approval dated 14.03.2011.</p> <p>The prospectus will be sent Finanstilsynet for control and approval in relation to a listing application of the Loan.</p> |
| Arranger: | Pareto Securities AS, Dronning Mauds gt. 3, NO-0115 Oslo, Norway |
| Availability of the Documentation: | www.sor.no |
| Bond Agreement: | <p>The Bond Agreement has been entered into between the Borrower and the Trustee. The Bond Agreement regulates the Bondholder's rights and obligations in relations with the issue. The Trustee enters into this agreement on behalf of the Bondholders and is granted authority to act on behalf of the Bondholders to the extent provided for in the Bond Agreement.</p> <p>When bonds are subscribed / purchased, the Bondholder has accepted the Bond Agreement and is bound by the terms of the Bond Agreement.</p> <p>Information regarding the role of the Trustee, see Bond Agreement clause 6.</p> <p>The Bond Agreement is attached to this Securities Note.</p> |
| Bondholders' meeting: | <p>At the Bondholders' meeting each Bondholder may cast one vote for each Voting Bond owned at close of business on the day prior to the date of the Bondholder's Meeting in accordance with the records registered in the Securities Register. Whoever opens the Bondholders Meeting shall adjudicate any question concerning which Bonds shall count as the Issuer's Bonds. The Issuer's Bonds shall not have any voting rights.</p> <p>For further description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights, see clause 5 in the Bond Agreement</p> |
| Borrower/Issuer: | Sør Boligkreditt AS |
| Borrowing Limit – Tap Issue: | NOK 1,000,000,000 |
| Business Day Convention: | <p>Modified following. Convention for adjusting any relevant payment date ("Payment Date") if it would otherwise fall on a day that is not a Business Day;</p> <p>If the Coupon Date is not a Business Day, the applicable Payment Date shall be the first following Business Day unless that day falls in the next calendar month, in which case the date shall be the first preceding Business Day.</p> |
| Business Day: | Any day when the Norwegian Central Bank's Settlement |

System is open and when Norwegian banks can settle foreign currency transactions.

Calculation Agent:

The Trustee.

Covenants:

The Issuer undertakes not to (either in one action or as several actions, voluntarily or involuntarily):

- (a) sell or otherwise dispose of all or parts of its assets or business,
- (b) change the nature of its business, or
- (c) merge, demerge or in any other way restructure its business,

if such action will materially and adversely affect the Issuer's ability to fulfil its obligations under the Bond Agreement.

Notwithstanding Clause 3.5.1 in the Bond Agreement and as mentioned over, the Issuer shall be entitled to:

- (a) acquire, sell or dispose of and/or replace assets covered by the Cover Pool at any time (including to terminate and/or enter into new derivative contracts pursuant to Section 2-28 (e) of the Financial Institutions Act), and
- (b) issue new bonds with the same preferred rights to settlement against the Cover Pool as the Bonds,

provided always that the Cover Pool subsequent to such transaction(s) complies with the requirements in clause 3.5.3 in the Bond Agreement and as mentioned under.

Notwithstanding Clause 3.5.1 and 3.5.2 in the Bond Agreement and as mentioned over, the Issuer undertakes to keep an over-collateralisation in the Cover Pool of at least 11.5% while the Bonds are outstanding. If the parent bank's rating is changed to A2 or better, the Issuer's commitment of over-collateralisation will lapse.

Coupon Date:

22 March, 22 June, 22 September, 22 December, each year.

Coupon Rate Determination Date/ Reset Date:

20 December 2011, and thereafter two Business Days prior to each Coupon Date.

Coupon Rate:

NIBOR + Margin.

Cover Pool Register:

The register of:

- (i) the Bonds,
- (ii) any other bonds issued by the Issuer that have been given the same preferential rights to the Cover Pool,
- (iii) the derivative contracts which have been given the same preferential rights as the Bonds, and
- (iv) the assets in the Cover Pool,

- to be established and maintained by the Issuer in accordance with the Financial Institutions Act and regulations given pursuant thereto, and which is named as the "Cover Pool Register No. 1/2009".

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| Cover Pool: | The pool of assets to which: | |
| | (i) | the Bondholders, |
| | (ii) | any other holders of bonds issued by the Issuer that have been given the same preferential rights in the same cover pool, and |
| | (iii) | counterparties to derivative contracts that have been given the same preferential rights in the same cover pool, if any, as referred to in Section 2-28 (e) of the Financial Institutions Act, |
| | have a preferential right in accordance with the Financial Institutions Act Chapter 2, Sub-chapter IV and regulations given pursuant thereto, and which are registered in the designated Cover Pool Register at any time, subject to changes pursuant to Clause 3.5.2 of this Bond Agreement. | |
| Current Coupon Rate | 3.35% (according to Stamdata as of 27 January 2012) | |
| Day Count Fraction - Coupon: | Act/360 – in arrears. | |
| #Days first term: | 91 days. | |
| Denomination – Face Value – Each Bond: | NOK 500,000 | - each and among themselves pari passu ranking. |
| Disbursement/Settlement/Issue Date: | 22 December 2011. | |
| Extended Maturity: | If the amount due is not paid in full on the Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Maturity Date, provided that any amount representing the amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Coupon Date occurring thereafter up to (and including) the relevant Extended Maturity Date. | |
| Extended Maturity Date: | 23 March 2016. | |
| Fees and Expenses: | The Borrower shall pay any stamp duty and other public fees in connection with the loan. Any public fees or taxes on sales of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise decided by law or regulation. The Borrower is responsible for withholding any withholding tax imposed by Norwegian law. | |
| Financial Institution: | Entity with authorization according to the Norwegian Financial Institution Act (1988/40). | |
| Financial Institutions Act: | The Norwegian Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions. | |
| First Tranche: | NOK 400,000,000 | |
| Interest Bearing From and Including: | Disbursement/Settlement/Issue Date. | |
| Interest Bearing To: | Maturity Date. | |
| ISIN code: | NO0010633415. | |
| Issue Price: | 100 % (par value). | |

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| Legislation under which the Securities have been created: | Norwegian law. |
| Listing fee: | Listing fee for the Bond Issue is NOK 4 219. Prospectus fee for the Securities Note is NOK 13 000 and for the Supplement to Registration Document NOK 6 000. |
| Listing: | At Oslo Børs. An application for listing will be sent to Oslo Børs shortly after the approval of this Securities Note by Finanstilsynet. The prospectus will be published in Norway. |
| Margin: | 0.44 percentage points p.a. |
| Market-Making: | There is no market-making agreement entered into in connection with the Loan. |
| Maturity Date: | 23 March 2015. |
| NIBOR: | NIBOR 3 months. (Norwegian Interbank Offered Rate) Interest rate fixed for a defined period on Reuters page NIBR at 12.00 noon Oslo time. In the event that Reuters page NIBR is not available, has been removed or changed such that the quoted interest rate no longer represents, in the opinion of the Bond Trustee, a correct expression of the Reference Rate, an alternative Reuters page or other electronic source which in the opinion of the Bond Trustee and the Issuer gives the same interest rate as the initial Reference Rate shall be used. If this is not possible, the Bond Trustee shall calculate the Reference Rate based on comparable quotes from major banks in Oslo. |
| Paying Agent: | Sparebanken Sør, Vesterveien 1, 4836 Arendal, Norway. |
| Payments: | On each Coupon Date the Issuer shall in arrears pay the accrued Coupon amount to the Bondholders. On the Maturity Date the Issuer shall pay in respect of each Bond the Face Value multiplied by the Redemption Price to the Bondholders. On the Maturity Date the Issuer shall pay any Additional Return (if applicable) to the Bondholders. The Issuer may not apply any counterclaims in set-off against its payment obligations pursuant to this Bond Agreement. If the amount due is not paid in full on the Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Maturity Date, provided that any amount representing the amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Coupon Date occurring thereafter |

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| | <p>up to (and including) the relevant Extended Maturity Date.</p> <p>Amounts payable to the Bondholders by the Issuer shall be available to the Bondholders on the date the amount is due pursuant to this Bond Agreement.</p> <p>In the event that the Issuer has not fulfilled its payment obligations pursuant to this Bond Agreement, interest shall accrue on the amount due at the higher of:</p> <p>(a) the seven day NIBOR plus 3.0 percentage points (to be fixed two Business Days before due date and thereafter weekly), and</p> <p>(b) the applicable Coupon at the due date plus 3.0 percentage points.</p> <p>Default interest shall be added to the amount due on a monthly basis and accrue interest together with this (compound interest).</p> |
| Prospectus: | Securities Note and Registration Document with Supplement. |
| Purpose: | The purpose of the Issue is general financing of the Issuer. |
| Redemption: | Matured interest and matured principal will be credited each Bondholder directly from the Securities Registry. Claims for interest and principal shall be limited in time pursuant the Norwegian Act relating to the Limitation Period Claims of May 18 1979 no 18, p.t. 3 years for interest rates and 10 years for principal. |
| Redemption Price: | 100% of Face Value. |
| Reference Rate: | NIBOR rounded to the nearest hundredth of a percentage point on each Reset Date, for the period stated. |
| Reuters: | Financial information electronically transmitted by the news agency Reuters Norge AS. |
| Securities Depository: | <p>The Securities depository in which the Loan is registered, in accordance with the Norwegian Act of 2002 no. 64 regarding Securities depository.</p> <p>On Disbursement Date the Securities Depository is Verdipapirregisteret ("VPS"), Postboks 4, 0051 OSLO.</p> |
| Securities Form: | The Bonds are electronically registered in book-entry form with the Securities Depository. |
| Security: | The Bonds are unsecured. In accordance with the Financial Institutions Act, the Bonds, together with (i) other covered bonds issued by the Issuer and registered in the Cover Pool Register at any time and (ii) any derivative contracts, as referred to in Section 2-28 (e) of the Financial Institutions Act and registered in the Cover Pool Register at any time, shall in the event of bankruptcy, negotiation of debt under the Bankruptcy Act, winding up of the Issuer or public administration of the Issuer, have an exclusive, equal and proportional preferential claim over the Cover Pool. |

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| Security Type: | Covered bond issue with floating rate. |
| Settlement in VPS: | Settlement through VPS will take place on the third Business Day after the trade date (S = T + 3). |
| Status of the Loan: | <p>The Bonds are unsubordinated obligations issued as covered bonds (obligasjoner med fortrinnsrett) in accordance with Chapter 2, Sub-chapter IV and appurtenant regulations of the Financial Institutions Act and rank pari passu among (i) themselves, (ii) any other bonds issued by the Issuer that have been given the same preferential rights to the Cover Pool and (iii) any obligations of the Issuer to counterparties under derivative contracts, if any, as referred to in Section 2-28 (e) of the Financial Institutions Act that have been provided the same preferred rights to settlement against the Cover Pool.</p> <p>To the extent that claims in relation to the Bonds, other covered bonds and relating derivative agreements (both as registered in the Cover Pool Register) are not met out of the Cover Pool, the residual claims will rank pari passu with the unsecured and unsubordinated obligations of the Issuer, save for those preferred by law.</p> <p>The Bonds are issued as covered bonds with preferential rights in the Issuer's first established pool of covered bonds, the Cover Pool Register No 1/2009.</p> |
| The Loan/The Issue/The Bonds: | FRN Sør Boligkreditt AS Covered Bond Issue 2011/2015 (Extendable to 23 March 2016). |
| Trustee: | <p>Norsk Tillitsmann ASA, P.O. Box 1470 Vika, 0116 Oslo, Norway.</p> <p>Please see the loan agreement for the Loan (clause 6) for a complete overview of the Trustee's responsibilities. The loan agreement can be obtained at www.sor.no or at www.stamdata.no.</p> |
| Yield: | <p>Dependent on the market price. Yield for the first interest period will be notified in 2 Banking Days prior to Disbursement Date.</p> <p>For future Yield, the Coupon rate will be set two Banking Days prior to each interest Payment Date.</p> |

4. Additional information

The involved persons in this Issue have no interest, nor conflicting interests that is material to the Issue.

Rating:

The Covered Bonds have been assigned the following ratings:

Moody's Investor Service ("**Moody's**"): Aaa

Moody's is established in the EU and is registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**Credit Rating Agencies Regulation**"). The conduct of Moody's in its EU offices is regulated by the Credit Rating Agencies Regulation. Further information is available at www.moodys.com.

The list of registered and certified credit rating agencies (including Moody's) can be found in the link below:

<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>

Arranger:

Pareto Securities has acted as Arranger for the issuance of the Loan.

Listing of the Loan:

The prospectus will be published in Norway.

An application for listing at Oslo Børs will be sent as soon as possible after the Issue Date. Each bond is negotiable.

5. Appendix

- Bond Agreement