

The image is a cover for a report. It features a background photograph of a modern, multi-story building with a large glass facade, likely a concert hall or opera house, with people sitting on the steps in front. The image is overlaid with a pattern of large, overlapping, semi-transparent geometric shapes in shades of green and teal. The DNB logo is positioned in the upper right corner. The title and subtitle are located in the lower left quadrant, separated by horizontal lines.

DNB

DNB MARKETS CREDIT RESEARCH

COVERED BOND REPORT 2012

NORWEGIAN COVERED BOND PROGRAMS – 22 MAY 2012

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Sør Boligkreditt AS

Official Ratings

Owner Bank

| | |
|---------|-----------|
| S&P | Not rated |
| Moody's | A3 (Sta) |
| Fitch | Not rated |

CB Program

| | |
|------------|-----------|
| S&P | Not rated |
| Moody's | Aaa |
| TPI Leeway | 1 |
| TPI | High |

| | |
|-------|-----------|
| Fitch | Not rated |
|-------|-----------|

DNB Markets' Ratings*

| | |
|------------|-----------|
| Owner Bank | A |
| CB Program | Not rated |
| TPI Leeway | |
| TPI | |

* Note that the credit ratings are not official ratings, but ratings assigned by DNB Markets Credit Research with the purpose of indicating the credit risk on a scale comparable to what the official rating agencies use

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Sør Boligkreditt AS ('SORB', 'the company', or 'the issuer') was established in 2008, issued its first covered bond in 2009 and conducts the majority of its activities in Aust Agder county. SORB is a wholly owned subsidiary of the regional savings bank Sparebanken Sør which is rated A3 by Moody's, A by DNB Markets and the covered bond program is rated Aaa by Moody's. The rating, the TPI and TPI Leeway assigned reflect the high quality of the cover pool and the low market risk.

Strengths

- Backed by cover pool with 98% residential mortgages
- Covered bonds backed by a full, unconditional and irrevocable guarantee from the owner bank
- Committed minimum level of OC of 11.5% as long as the owner bank is rated A3 or lower by Moody's

Weaknesses

- Risks that apply to all the programs in the report and described in Chapter 4

Credit quality of the cover pool

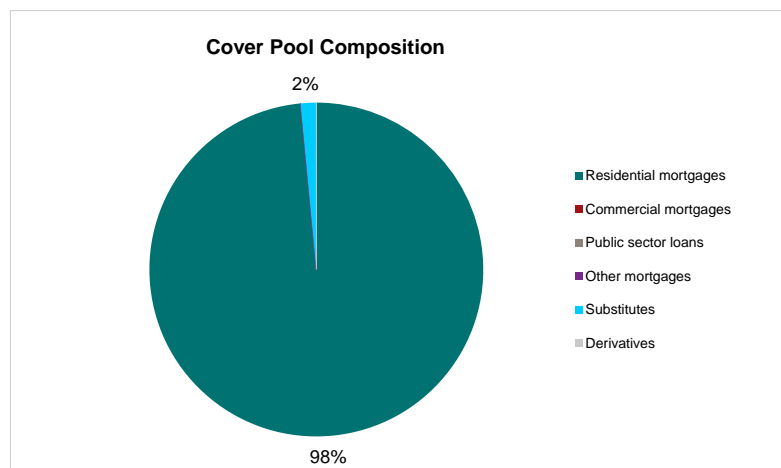
The cover pool value is NOK 7.9 billion, and outstanding covered bonds under the program is NOK 6.7 billion. The cover pool has seen an increase in comparison with last years figures, from 5.8 to 7.9 billion. The level of over-collateralisation has decreased from last year and is now at 18%. SORB has not guided towards a minimum level of over-collateralisation.

The weighted average indexed loan to value (LTV) of 49% is considered to be moderate to low. The share of mortgages with LTV > 60% has decreased to 34%, down from 41% in 2010.

All of the mortgages in the cover pool have floating rate interest payments, this means the issuer has the option of resetting the loans rates on a six weeks notice.

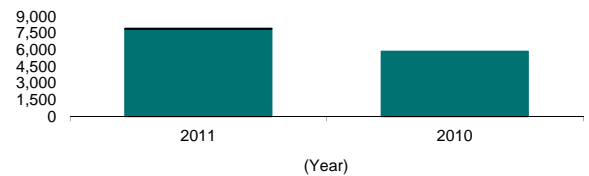
Market Risk

No large interest rate- or currency mismatch is expected to arise between assets and liabilities in the near future, as the loans are of appropriate match to the outstanding covered bonds. All loans and covered bonds are denominated in NOK and have floating rate interest payments. SORB is expected to hedge any future interest rate- and currency risk.

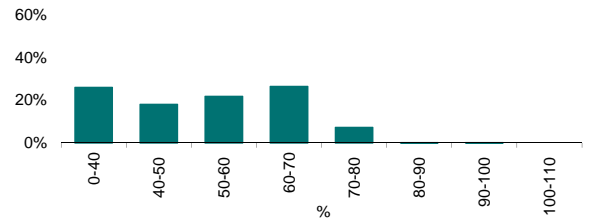


| Overview Cover Pool | 2011 | 2010 |
|--|------------|------------|
| Data per (date) | 31/12/2011 | 31/12/2010 |
| Asset balance (MNOK) | 7,911 | 5,856 |
| Number of loans | 9,306 | 6,587 |
| Average loan balance (MNOK) | 0.84 | 0.89 |
| WA remaining term (months) | 222 | 220 |
| WA seasoning (months) | 31 | 26 |
| Losses on loans (MNOK YTD) | | |
| Loans in arrears > 90 days | | |
| Fixed rate loans (MNOK) | | 311 |
| Interest only loans (MNOK) | 1,362 | |
| WA Indexed LTV | 49% | 53% |
| Share of loans with LTV > 60% | 34% | |
| LTV threshold | 75%/60% | 75% / 60% |
| Current OC level | 18% | 46% |
| Committed OC | | |
| Total volume, 5 largest borrowers (MNOK) | 57.5 | 33 |

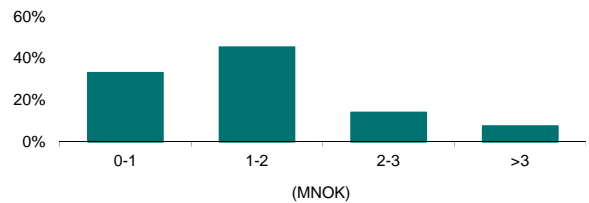
Asset Balance Cover Pool (MNOK)



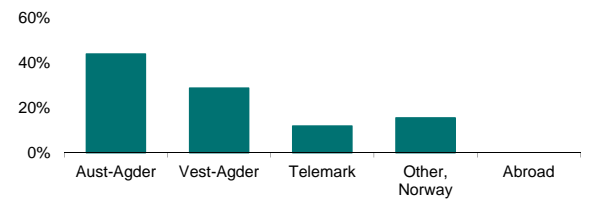
Indexed LTV Distribution - Loan Value Weighted



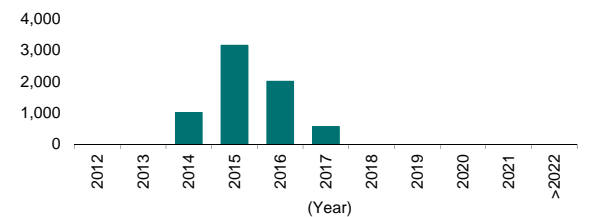
Loan Size Distribution - Loan Value Weighted



Regional Distribution - Loan Value Weighted



Maturity Profile (MNOK)



| Income Statement - MNOK | 2011 | 2010 | 2009 |
|--------------------------------------|------------|------------|-----------|
| Interest income | 278 | 217 | 97 |
| Interest expenses | -227 | -169 | -66 |
| Net interest income | 51 | 48 | 31 |
| Other income | 0 | -4 | 2 |
| Total income | 51 | 44 | 33 |
| Salaries, general and admin expenses | -1 | -17 | -8 |
| Other operating expenses | -23 | -1 | -1 |
| Total operating expenses | -24 | -18 | -9 |
| Write downs | | | -4 |
| Other Expenses | | | |
| Pre tax operating profit | 27 | 26 | 20 |
| Taxes | -8 | -7 | -6 |
| Comprehensive income | 20 | 19 | 14 |

| Balance Sheet - MNOK | 2011 | 2010 | 2009 |
|--|--------------|--------------|--------------|
| Lending/deposits w credit institutions | 120 | | 174 |
| Lending to customers | 7,983 | 5,860 | 5,345 |
| Lending to public institutions | | | |
| Financial derivatives | | | |
| Other assets | 8 | 8 | 7 |
| Total assets | 8,112 | 5,868 | 5,526 |
| Loans/deposits w credit institutions | 1,000 | 1,574 | 1,271 |
| Financial derivatives | | 5 | 1 |
| Debt securities issued | 6,696 | 4,000 | 4,000 |
| Subordinated loan capital | 1 | | |
| Other liabilities | 62 | 54 | 37 |
| Total liabilities | 7,759 | 5,633 | 5,309 |
| Share capital | 300 | 200 | 200 |
| Other equity | | | |
| Reserves/retained earnings | 52 | 33 | 15 |
| Total Equity | 352 | 233 | 215 |
| Total liabilities and equity | 8,112 | 5,866 | 5,524 |

| Capital | 2011 | 2010 | 2009 |
|----------------------|--------|--------|--------|
| Equity/Assets | 4.3 % | 4.0 % | 3.9 % |
| Core capital ratio | 11.5 % | 10.0 % | 10.0 % |
| Core capital - MNOK | 352 | 231 | 213 |
| Total capital ratio | 11.5 % | 10.0 % | 10.0 % |
| Total capital - MNOK | 352 | 231 | 213 |

| List of covered bonds outstanding | ISIN | Ticker | Currency | Coupon | Issued | Maturity | Extended Maturity | Volume MNOK |
|-----------------------------------|--------------|--------|----------|-----------------|------------|------------|-------------------|-------------|
| | NO0010508443 | | NOK | 3M Nibor + 0.50 | 24/04/2009 | 08/04/2014 | 08/04/2015 | 1000 |
| | NO0010536162 | | NOK | 3M Nibor + 0.55 | 01/09/2009 | 06/10/2015 | 06/10/2016 | 1000 |
| | NO0010518129 | | NOK | 3M Nibor + 0.55 | 09/06/2009 | 02/07/2015 | 04/07/2016 | 1000 |
| | NO0010530744 | | NOK | 3M Nibor + 0.60 | 05/08/2009 | 06/10/2016 | 06/10/2017 | 1000 |
| | NO0010625841 | SORB03 | NOK | 3M Nibor + 0.53 | 05/10/2011 | 05/10/2015 | 05/10/2016 | 750 |
| | NO0010633415 | | NOK | 3M Nibor + 0.44 | 22/12/2011 | 23/03/2015 | 23/03/2016 | 400 |
| | NO0010623945 | SORB02 | NOK | 3M Nibor + 0.53 | 24/08/2011 | 24/08/2017 | 24/08/2018 | 550 |
| | NO0010614688 | SORB01 | NOK | 3M Nibor + 0.50 | 29/06/2011 | 29/06/2016 | 29/06/2017 | 1000 |

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