

# Securities Note

## Sør Boligkreditt AS

A part of Sparebanken Sør Group



FRN Sør Boligkreditt AS Covered Bond Issue 2014/2020  
(Extendable to 24 June 2021)  
ISIN NO0010714058

Arrangers:



Kristiansand/Oslo, 1 July 2014

**Important notice**

The Securities Note has been prepared in connection with listing of the securities at Oslo Børs. The Securities Note has been reviewed and approved by the Norwegian FSA in accordance with sections 7-7 and 7-8, cf. section 7-3 of the Norwegian Securities Trading Act. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information given in this Prospectus. The approval given by the Norwegian FSA only relates to the Issuer's descriptions pursuant to a pre-defined check list of requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or otherwise covered by this Prospectus. 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. On no account must the publication or the disclosure of the Securities Note give the impression that the information herein is complete or correct on a given date after the date on the Securities Note, or that the business activities of the Borrower or its subsidiaries may not have been changed.

Only the Borrower and the Arrangers 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 Arrangers 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 to receive copies of the Securities Note.

This Securities Note should be read together with the Registration Document dated 9 October 2013 and Supplement to Registration Document dated 1 July 2014. The three documents together constitute a Prospectus.

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## 1. Risk factors

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. An investment in interest bearing securities is only suitable for investors who understand the risk factors associated with this type of investments and who can afford a loss of all or part of the investment. Please refer to the Registration Document dated 9 October 2013 for a listing of company specific risk factors.

There are four main risk factors that sum 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.

**Interest rate risk** is the risk borne by the Loan 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 6 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.

## 2. Person responsible

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

Kristiansand, 1 July 2014

A handwritten signature in blue ink, reading "Bjørn Thiesdahl Marianne Lofthues".

Sør Boligkreditt AS

**3. Information concerning the securities**

ISIN code:	NO0010714058
The Loan/The Issue/The Bonds:	FRN Sør Boligkreditt AS Covered Bond Issue 2014/2020 (Extendable to 24 June 2021)
Borrower/Issuer:	Sør Boligkreditt AS
Security Type:	Open covered bond issue with floating rate.
Borrowing Limit – Tap Issue:	NOK 2,500,000,000
First Tranche:	NOK 1,500,000,000
Denomination – Face Value – Each Bond:	NOK 1,000,000 - each and among themselves pari passu ranking.
Securities Form:	The Bonds are electronically registered in book-entry form with the Securities Depository.
Disbursement/Settlement/Issue Date:	24 June 2014
Interest Bearing From and Including:	Disbursement/Settlement/Issue Date.
Interest Bearing To:	Maturity Date
Maturity Date:	24 June 2020
Extended Maturity Date:	24 June 2021
NIBOR:	NIBOR 3 months.
Margin:	0.30 percentage points p.a.
Coupon Rate:	NIBOR + Margin.
Current Rate:	2.10%.
Day Count Fraction:	Actual/360
Business Day Convention:	Modified Following Business Day. Convention for adjusting any relevant payment date ("Payment Date") if it would otherwise fall on a day that is not a Business Day;  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.
Coupon Rate Determination Date/ Reset Date:	20 June 2014, and thereafter two Business Days prior to each Coupon Date.
Coupon Date:	24 March, 24 June, 24 September and 24 December each year
#Days first term:	92 days.
Issue Price:	100 % (par value).
Yield:	Dependent on the market price. Yield for the Interest Period (24 June 2014 – 24 September 2014) is 2.116 % p.a. assuming a price of 100 %.

Business Day:	Any day when the Norwegian Central Bank's Settlement System is open and when Norwegian banks can settle foreign currency transactions.
Amortisation:	<p>The bonds will run without installments and be repaid in full at Maturity Date at par.</p> <p>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.</p>
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.
Status of the Bonds:	<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> <p>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.</p>
Cover Pool:	<p>The pool of assets to which:</p> <ul style="list-style-type: none"><li>(i) the Bondholders,</li><li>(ii) any other holders of bonds issued by the Issuer that have been given the same preferential rights in the same cover pool, and</li><li>(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,</li></ul> <p>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</p>

	Cover Pool Register at any time, subject to changes pursuant to Clause 3.5.2 of the Bond Agreement.
Cover Pool Register:	<p>The register of:</p> <ul style="list-style-type: none"><li>(i) the Bonds,</li><li>(ii) any other bonds issued by the Issuer that have been given the same preferential rights to the Cover Pool,</li><li>(iii) the derivative contracts which have been given the same preferential rights as the Bonds, and</li><li>(iv) the assets in the Cover Pool,</li></ul> <p>- 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".</p>
Covenants:	For Covenants see Bond Agreement section 3.5.
Listing:	An application for listing will be sent to Oslo Børs.
Purpose:	The purpose of the Issue is general financing of the Issuer.
NIBOR-definition:	The rate for an interest period will be the rate for deposits in Norwegian Kroner for a period as defined under Reference Rate which appears on the Oslo Børs' webpage at approximately 12.15 Oslo time, on the day that is two Business Days preceding that Interest Payment Date. In the event that such page 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 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.
Reference Rate:	NIBOR rounded to the nearest hundredth of a percentage point on each Reset Date, for the period stated.
Approvals:	The Bonds were issued in accordance with the Borrower's Board approval dated 2 January 2014.
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 bondholders' meeting and the Bondholder's right to vote are described in the Bond Agreement clause 5.</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>
Availability of the Documentation:	<a href="http://www.sor.no">www.sor.no</a>
Trustee:	Nordic Trustee ASA, P.O. Box 1470 Vika, 0116 Oslo, Norway.



Arrangers:	DNB Bank ASA, DNB Markets, Dronning Eufemias gate 30, 0191 Oslo, Norway and Nordea Bank Norge ASA, Nordea Markets, P O Box 1843, Vika, N-0107 Oslo, Norway.
Paying Agent:	DNB Bank ASA, Dronning Eufemias gate 30, 0191 Oslo, Norway.  The Paying Agent is in charge of keeping the records in the Securities Depository.
Calculation Agent:	The Trustee
Listing Agent:	Nordic Trustee ASA, P.O. Box 1470 Vika, 0116 Oslo, Norway.
Securities Depository:	The Securities depository in which the Loan is registered, in accordance with the Norwegian Act of 2002 no. 64 regarding Securities depository.  On Disbursement Date the Securities Depository is Verdpapirregisteret ("VPS"), Postboks 4, 0051 OSLO
Market-Making:	There is no market-making agreement entered into in connection with the Loan.
Legislation under which the Securities have been created:	Norwegian law.
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.
Fees:	Listing fee 2014 NOK 16 791,- Prospectus fee Supplement NOK 6 000,- Prospectus fee Securities Note NOK 13 000,- Registration fee (Oslo Børs) NOK 3 105 Compulsory notification in a newspaper (estimated) NOK 7 000 Listing Agent NOK 10 000,-
Prospectus:	Registration Document dated 9 October 2013, Supplement to Registration Document dated 1 July 2014 and this Securities Note dated 1 July 2014 constitutes the Prospectus.

## 4. Additional information

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

Moody's Investor Service has rated all covered bonds issued by Sør Boligkreditt AS – Aaa. Moody's Investor Service Ltd is established in the EU and have been 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).

Sør Boligkreditt AS has mandated DNB Bank ASA, DNB Markets and Nordea Bank Norge ASA, Nordea Markets as Arrangers for the issuance of the Loan. The Arrangers have acted as advisor to Sør Boligkreditt AS in relation to the pricing of the Loan.

The Arrangers and/or any of their affiliated companies and/or officers, directors and employees may be a market maker or hold a position in any instrument or related instrument discussed in this Securities Note, and may perform or seek to perform financial advisory or banking services related to such instruments. The Arrangers's corporate finance department may act as manager or co-manager for this Borrower in private and/or public placement and/or resale not publicly available or commonly known.

### **Statement from the Arrangers:**

DNB Bank ASA, DNB Markets and Nordea Bank Norge ASA, Nordea Markets have assisted the Borrower in preparing the Securities Note. DNB Bank ASA, DNB Markets and Nordea Bank Norge ASA, Nordea Markets have not verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made, and the Arrangers expressly disclaim any legal or financial liability as to the accuracy or completeness of the information contained in this Securities Note or any other information supplied in connection with bonds issued by the Borrower or their distribution. The statements made in this paragraph are without prejudice to the responsibility of the Borrower. Each person receiving this Securities Note acknowledges that such person has not relied on the Arrangers nor on any person affiliated with them in connection with its investigation of the accuracy of such information or its investment decision.

## 5. Appendix

- Bond Agreement