



Sparebanken Sør

Sparebanken Sør Boligkreditt AS

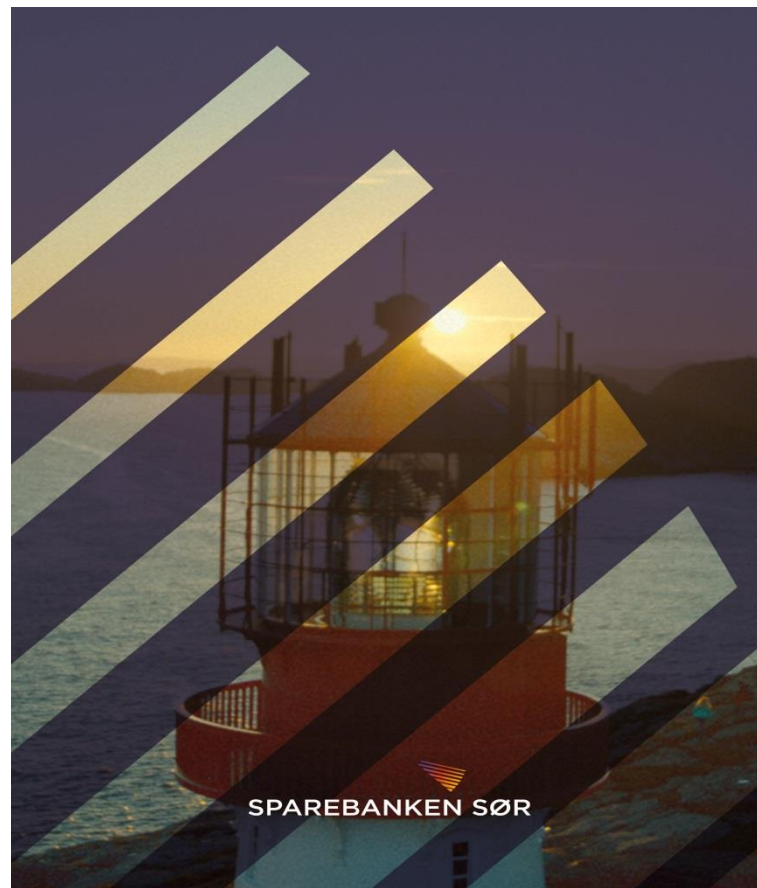
Investor presentation
January 2019

Executive summary

Sparebanken Sør	<ul style="list-style-type: none"> • The fifth largest Norwegian bank with a strong market position in Southern Norway • High capitalization; Core Tier 1 ratio of 14.8 %, and leverage ratio of 9.0% as of September 30th 2018 • Rated A1 (stable outlook) by Moody's • Strong asset quality – 65 % of loan book to retail customers
Sparebanken Sør Boligkreditt	<ul style="list-style-type: none"> • 100 % owned and dedicated covered bond subsidiary of Sparebanken Sør • Cover pool consisting of 96.9 % prime Norwegian residential mortgages • High quality cover pool reflected by the weighted average LTV of 55.5 % • Covered bonds rated Aaa by Moody's with 5 notches of leeway • Strong legal framework for covered bonds in Norway with an LTV limit of 75 % for residential mortgages • Current OC of 20.9 %, of which 2.0 % is provided on a committed basis
Norwegian economy	<ul style="list-style-type: none"> • Economic growth in Norway has picked up and unemployment is falling • Growth is self-sustained and no longer in need of fiscal support • Oil investment is set to increase again after the sharp drop that followed the oil price collapse • Weak NOK support exports, mainland business investments are also on the rise • Improving labour market supports private consumption • The drop in housing investment close to the end
Southern region economy	<ul style="list-style-type: none"> • The Southern region is clearly less exposed to oil production than Western Norway • Registered unemployment in the Southern region remains below 4 % and has decreased at a higher pace than the national average • House price development over the past years has been positive in the region

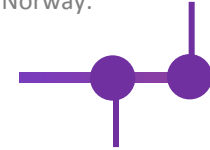
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194 years of development and renewal

Arendal Sparebank was founded in **1825** as one of the first savings banks in Norway.



The bank's history dates back to **1824** when Christianssand Sparebank was established as one of the first savings banks in Norway.

1973

The bank merged with 4 other savings banks in Aust-Agder, and formed Aust-Agder Sparebank.

The bank's more recent history starts in **1984** when Sparebanken Agder was established through a merger between Christianssands Sparebank, Halse and Harkmark Sparebank, Iveland Sparebank, Oddernes Sparebank, Vennesla Sparebank and Øvrebø and Hægeland Sparebank.

Sparebanken Sør was established in **1984** after a merger between Aust-Agder Sparebank, 2 other savings banks in Aust-Agder and 9 from Vest-Agder.

Four savings banks in Telemark and Sparebanken Agder joined forces in **1987**. Through the merger the bank was named Sparebanken Agder and Telemark. In **1988** the name was changed to Sparebanken Pluss.

1985 The bank entered for the first time Telemark, through a merger with Nissedal Sparebank and totals today 7 branches in the county, where the latest was the opening of an office in Skien in the fall of 2012.

In January **1997** Sparebanken Pluss and Sparebanken NOR agreed that Sparebanken NOR was to take over Sparebanken Pluss's branches in Telemark while Sparebanken Pluss was to take over Sparebanken Nor's office in Kristiansand. Through this deal the bank's business was again concentrated in the Agder counties.

2014 Merger between Sparebanken Pluss and Sparebanken Sør and the new bank is named **Sparebanken Sør**.

Sparebanken Sør

Business

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

Balance

The fifth largest Norwegian bank with total assets of NOK 121.7 billions.

Employees

431 FTEs in the parent bank, in branches across the counties of Aust-Agder, Vest-Agder, Telemark and Rogaland.

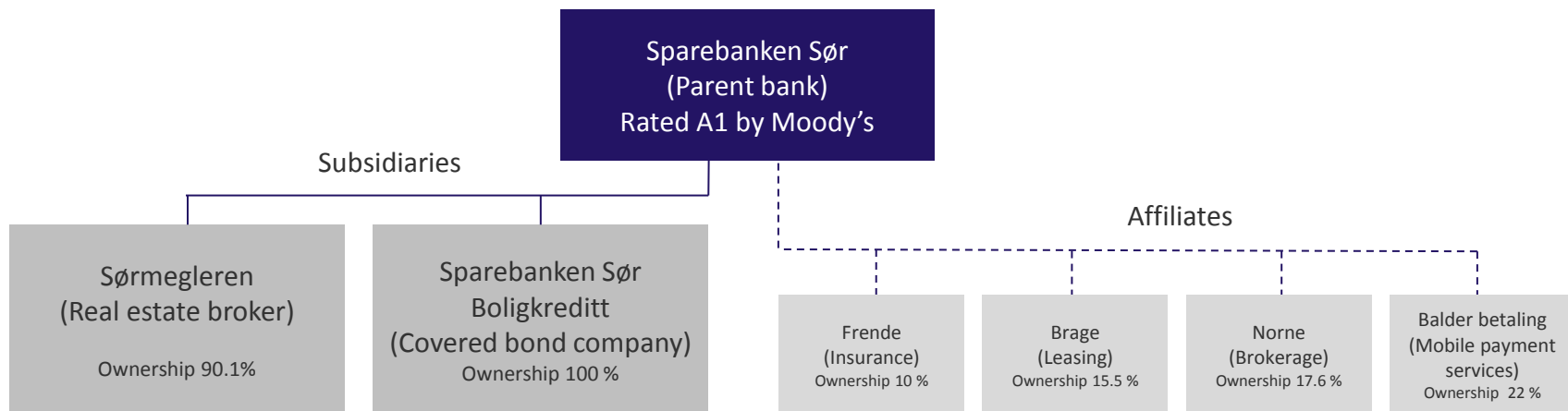
Products and services

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

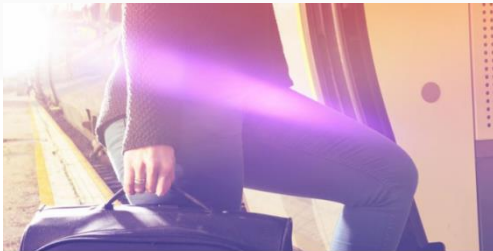
As one of the largest regional banks, Sparebanken Sør is committed to further growth and development in the region.

Company structure



Complete provider of financial services

Considerable product range – still potential for increased product sales



Kjøp forsikring på nett



SPAREBANKEN SØR

Sparebanken Sør

- A leading financial institution in Southern Norway



Established in 1824,
525 employees



178 000 retail
customers



Financial group with
banking, securities and
real estate brokerage



23 000
corporate customers



Publicly traded and
community-owned

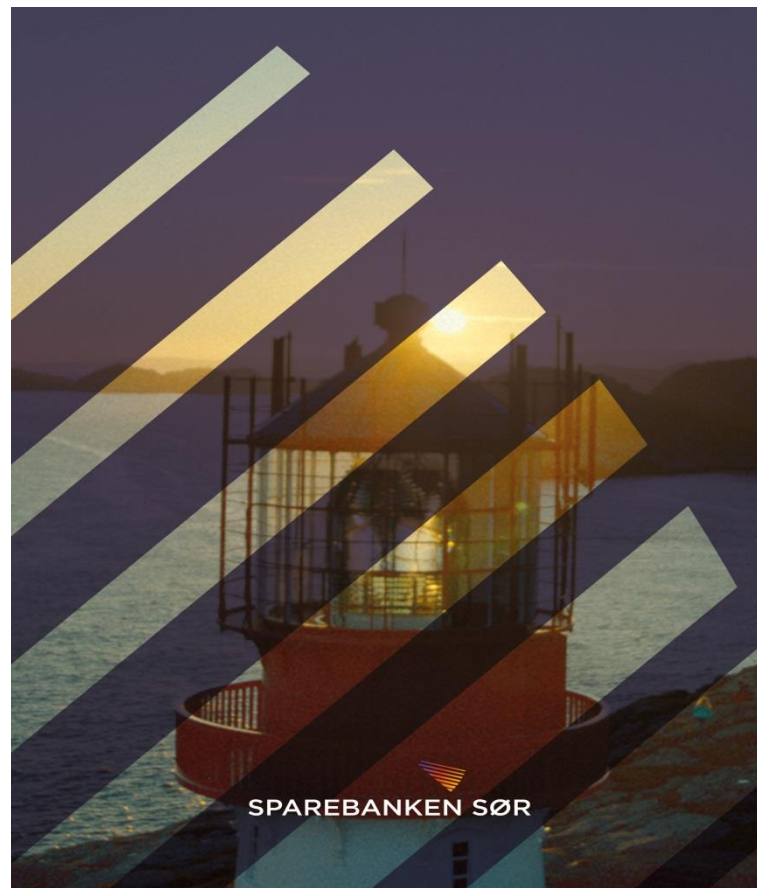


NOK 121.7 bn in total
assets

A market with 470 000 inhabitants. No other bank has as high presence in the region as Sparebanken Sør.

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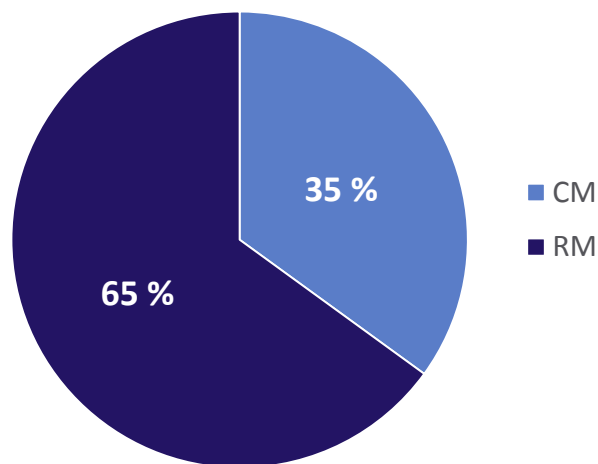
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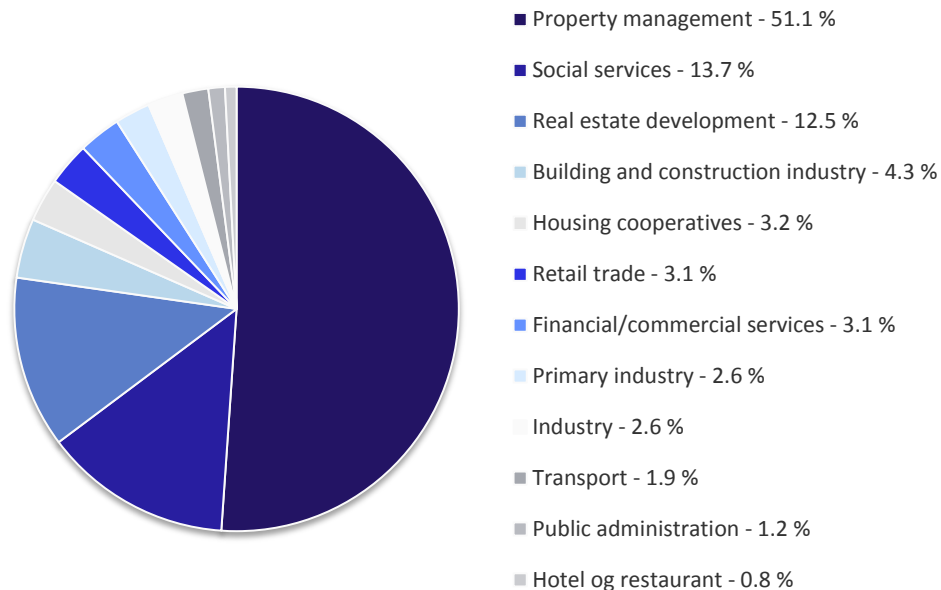
A well diversified loan portfolio

RM / CM distribution

Gross loans



Distribution by sector in CM

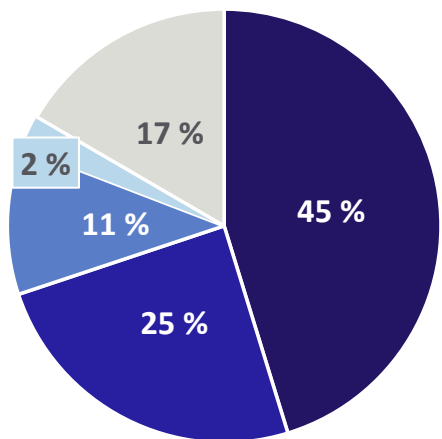


Reflects the corporate market in the region, with low exposure to oil and shipping.

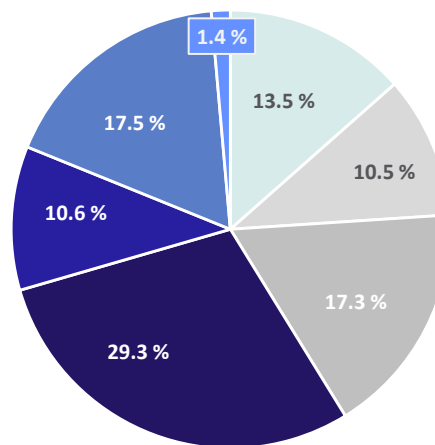
A well diversified loan portfolio

Geographical distribution of loans

Gross loans



Loan to Value (Group)



■ Vest-Agder ■ Aust-Agder ■ Telemark ■ Rogaland ■ Others

■ < 40 % ■ 41 - 50 % ■ 51 - 60 % ■ 61 - 70 %
 ■ 71 - 75 % ■ 76 - 100 % ■ > 100 %

**# 1 position in Vest-Agder and Aust-Agder, # 3 position in Telemark. Positive development in Rogaland.
 81.1 % of mortgages has LTV (Loan To Value) below 75 %.**

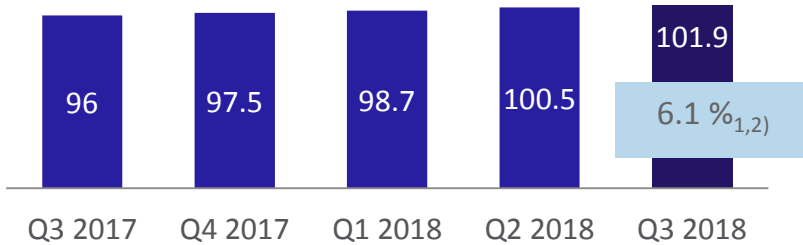


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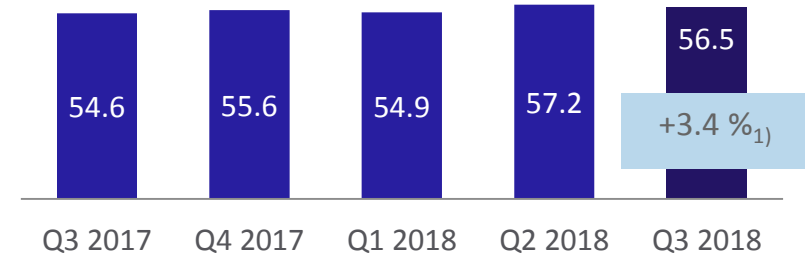
Balance sheet items

NOK billion

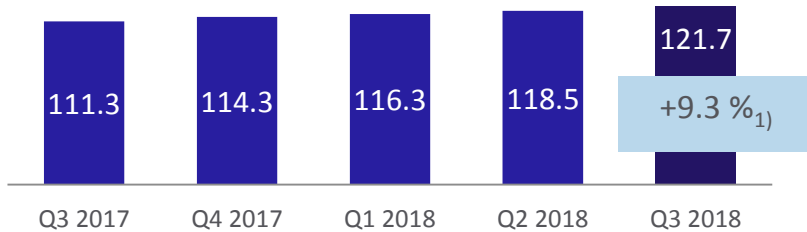
Net loans



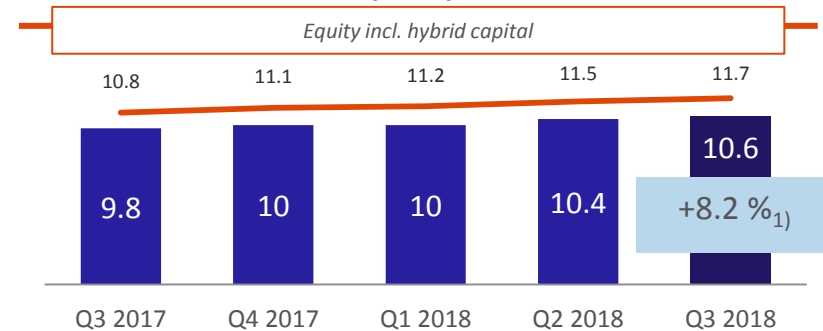
Deposits



Total assets



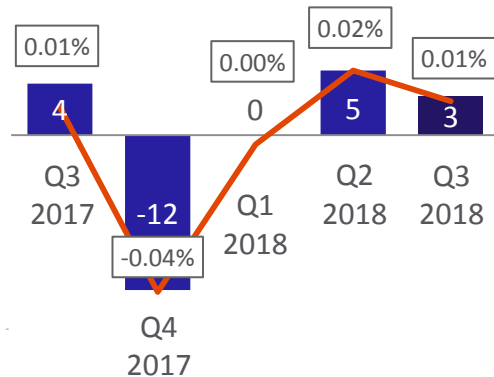
Equity



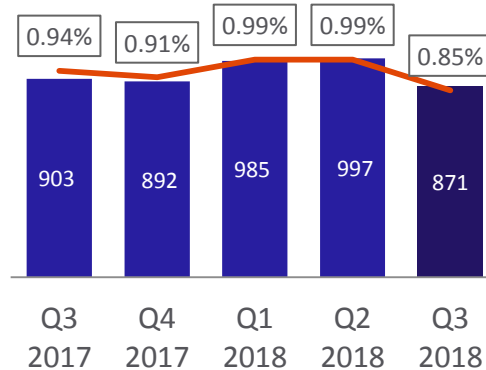
- 1) Changes from the prior-year corresponding period
- 2) Loan growth in Q3 2018 amounted to NOK 5.9 billion, equivalent to 6.1 percent, of which retail customers accounted for 5.6 percent and corporate customers 6.7 percent

Losses and non-performing loans

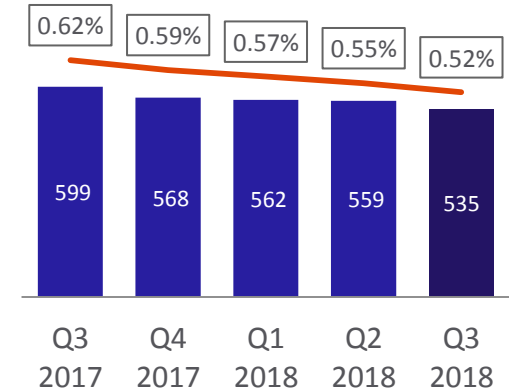
Development in losses in NOK million and as a percentage of gross loans (annualized)



Development in non-performing loans in NOK million and as a percentage of gross loans



Development in loss provisions in NOK million and as a percentage of gross loans¹⁾

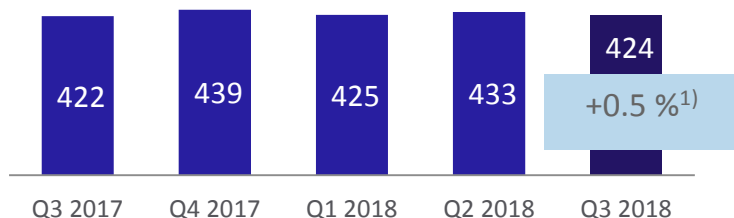


1) As of 1 January 2018, the Group implemented a new model for calculating expected losses on loans according to the new IFRS 9 standard, a standard which replaced IAS 39.

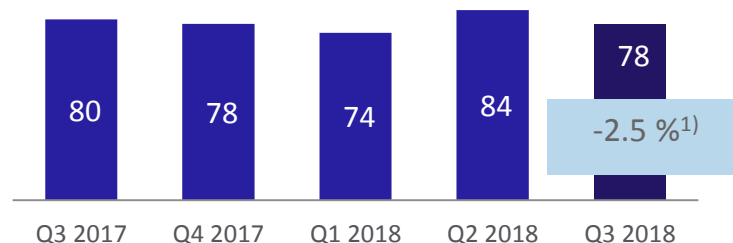
Key figures – quarterly development

NOK million

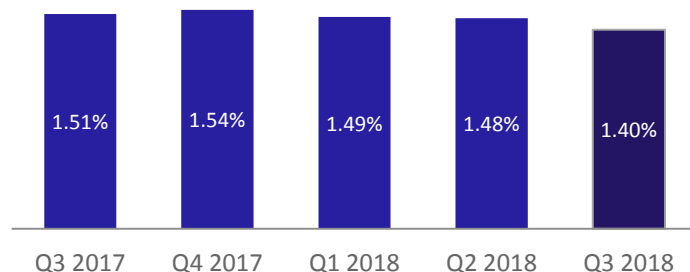
Net interest income



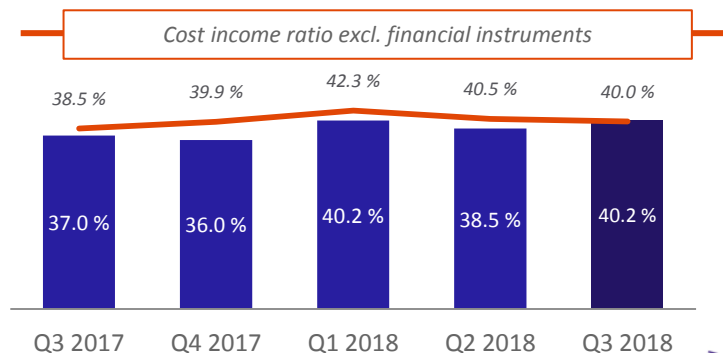
Net commission income



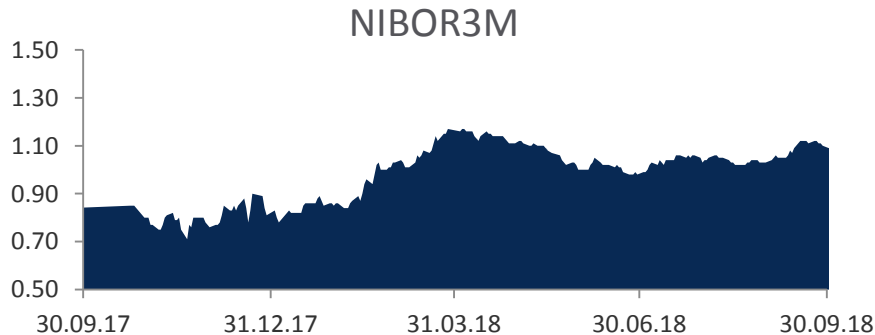
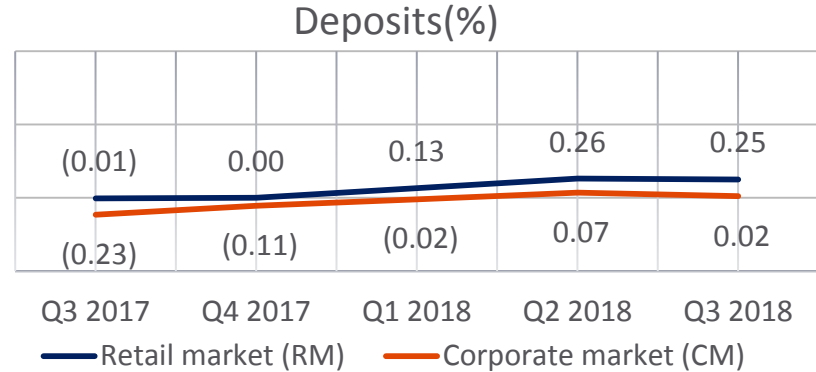
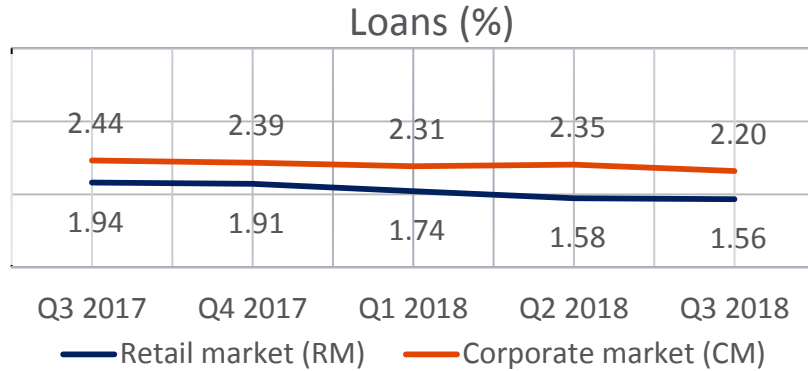
Net interest income to total assets



Cost income ratio



Interest margin and NIBOR3M



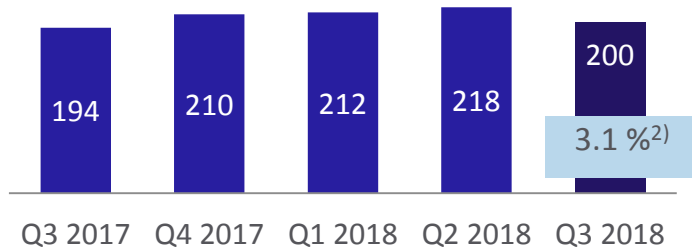
Even with a NIBOR3M which is significantly higher than in the prior-year corresponding period, net interest income has shown a stable development. The stable development is, among others, caused by:

- Growth in total loans
- A CM loan portfolio which accounts for 35 percent of total loans (of which about 80 percent is linked to NIBOR)
- CM deposits linked to NIBOR

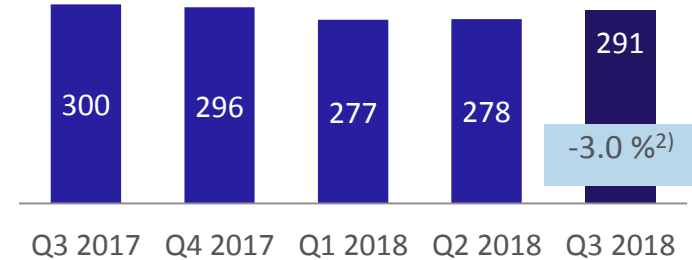
Profit development and return

NOK million

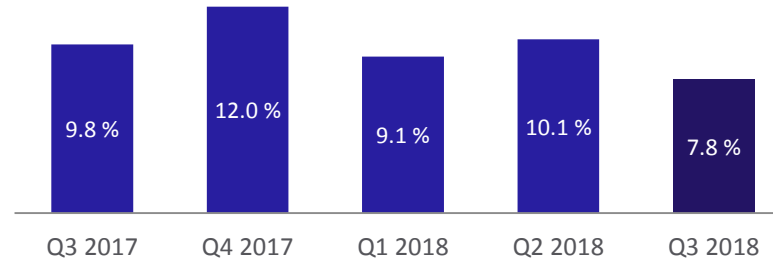
Operational costs



Profit from ordinary operations¹⁾



Return on equity Quarterly development based on profit after tax

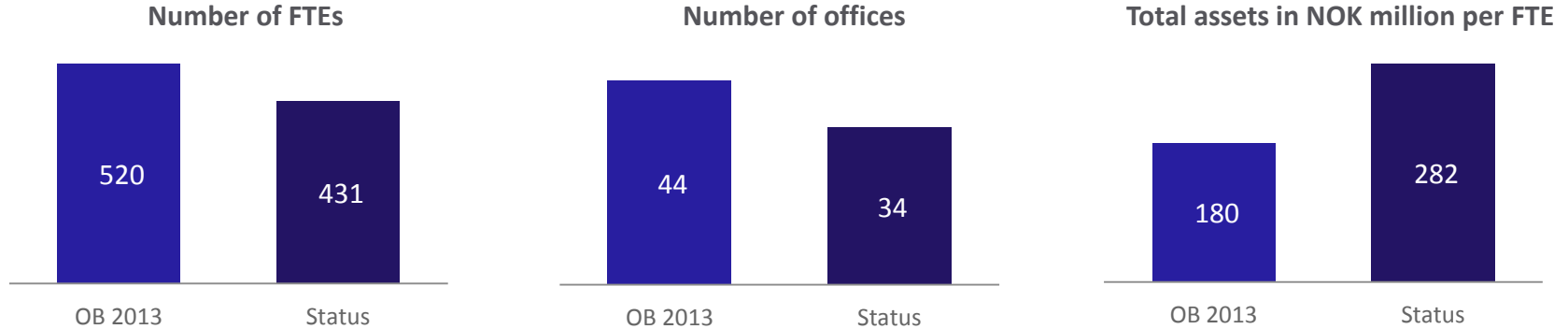


- 1) Net interest income, adjusted for accounting changes + Net commission income + Other operating income – Operating costs, adjusted for the conversion of the pension scheme
- 2) Changes from the prior-year corresponding period



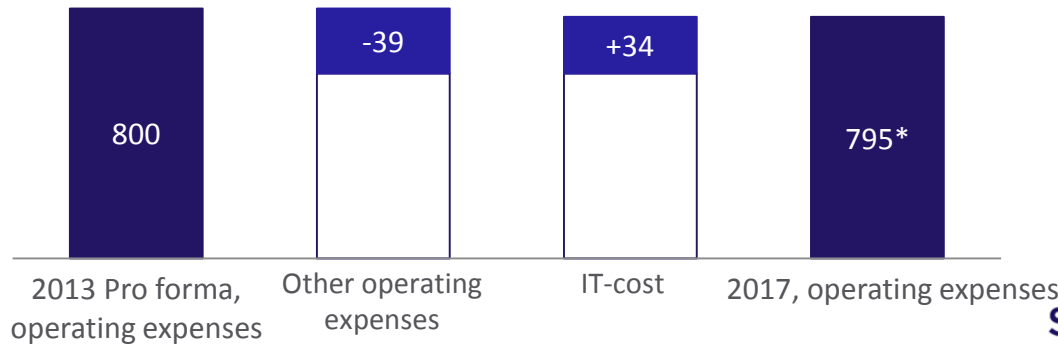
SPAREBANKEN SØR

Restructuring and cost focus



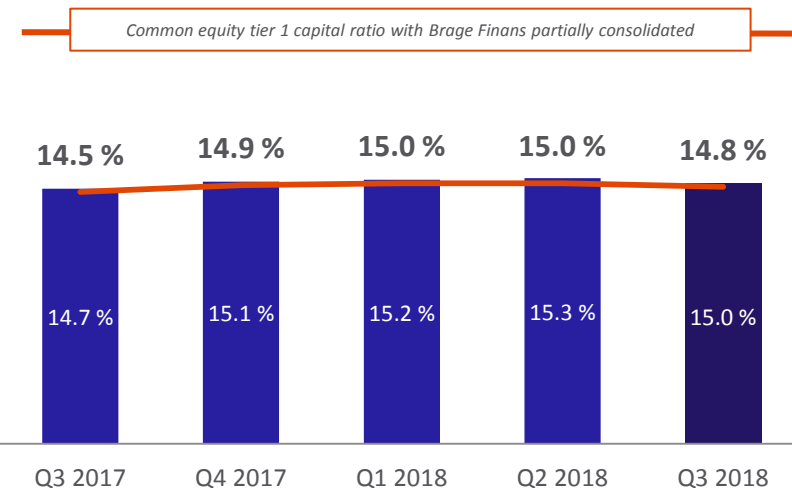
Considerable potential has been realized – further efficiency improvements is part of ongoing operations.

Million NOK

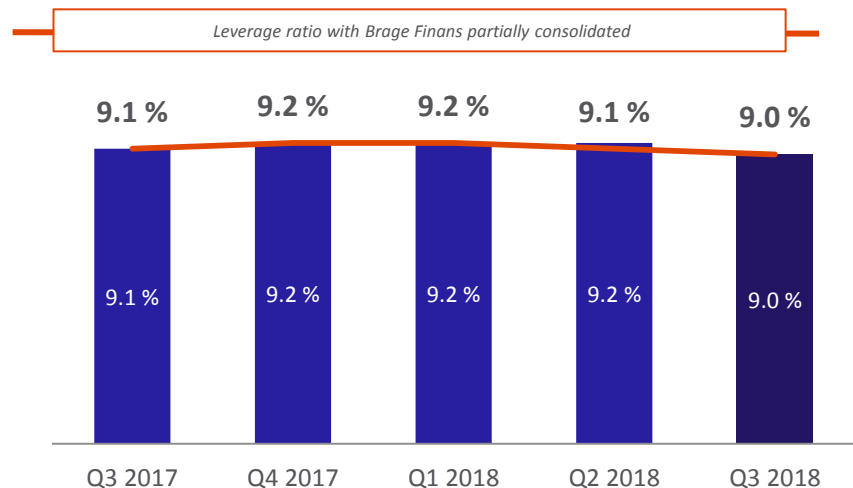


Solid financial base – High capital ratios

Common equity tier 1 capital ratio



Leverage ratio



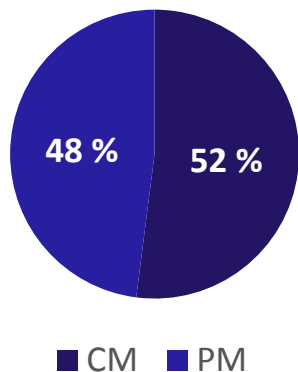
Capital ratio – Leverage ratio

	Method used when calculating capital ratio	CET1	Leverage Ratio
Sør	Standard	14.8	9.0
Regional bank 1	IRB	14.7	7.7
Regional bank 2	IRB	15.0	7.3
Regional bank 3	IRB	14.9	7.5
Regional bank 4	IRB	14.7	7.5
Regional bank 5	IRB	15.9	7.2

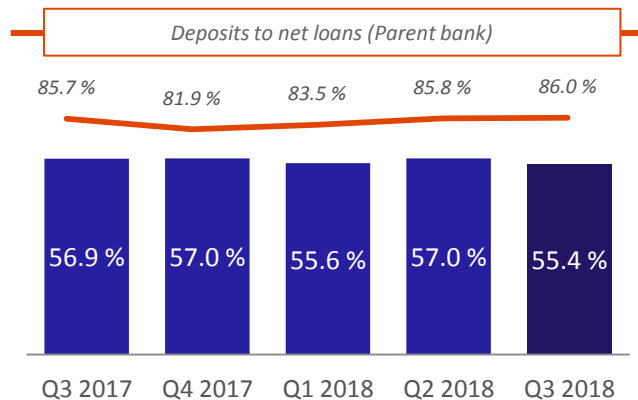
- Sparebanken Sør has fulfilled the Financial Authority's expectations of minimum 14 % in common equity tier 1 (CET1) capital ratio
- Sparebanken Sør is the only large regional bank that use the standard method in the capital adequacy calculations
- Sparebanken Sør is very solid, has a high CET1 capital and a very high Leverage ratio
- With a CET1 capital ratio of 14.8 percent, the bank has a considerable buffer beyond the regulatory requirements
- Norwegian banks are well-capitalized compared to European banks

Deposits

RM/CM distribution



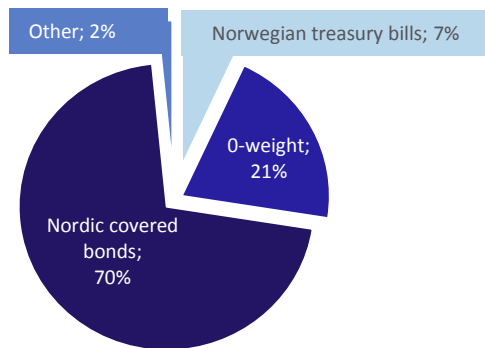
Deposits to net loans (Group)



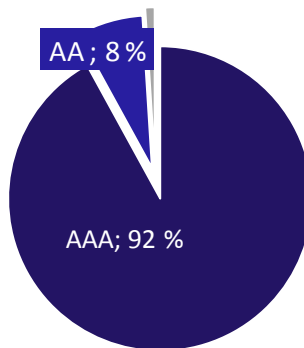
- Stable development in deposits to net loans during the last 12 months, with a deposit growth of 3.4 percent

Liquidity portfolio

Category



Rating



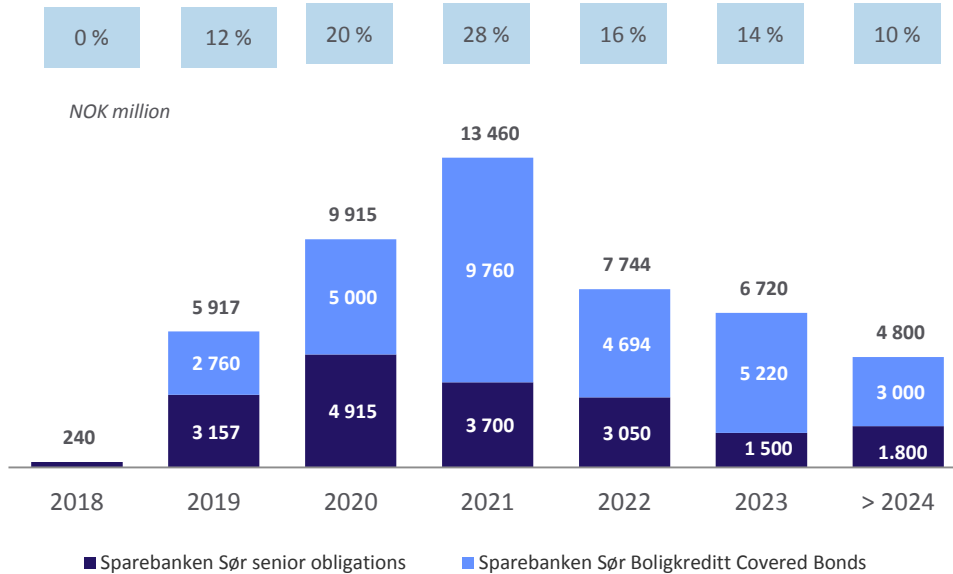
- Total liquidity portfolio of NOK 16.1 bn
- 100 % investment grade and 100 % liquid instruments (LCR eligible)
- Liquidity reserve (LCR) of 177 % for the Group



SPAREBANKEN SØR

Well diversified funding profile

Funding maturity

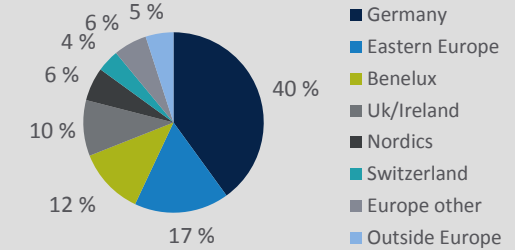


- Long term funding* amounted to 88% of the portfolio
- Liquidity indicator 1 at 108%
- Average maturity on long term funding* at 3.5 years

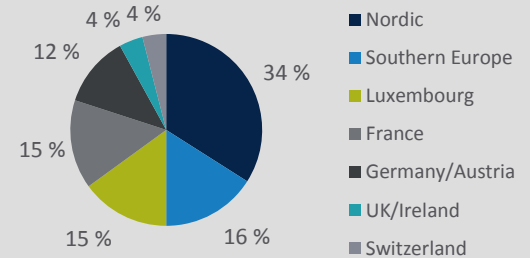
EMTN Program

- 2 successful issuances in 2018

Euro 500 mill. Covered bond



Euro 300 mill. Senior bond



Summary after the first nine months of 2018

Result

Stable profit from ordinary operations, through customized growth, stable commission income, good cost management and very low losses on loans.

Finance

Positive development in net income from financial instruments after the first nine months of 2018. Amongst others, a write-down of shares in Frende Holding AS resulted in a negative net income from financial instruments in Q3.

Capital

Common equity tier 1 capital ratio is 14.8* percent and the leverage ratio is solid 9.0* percent.

Growth

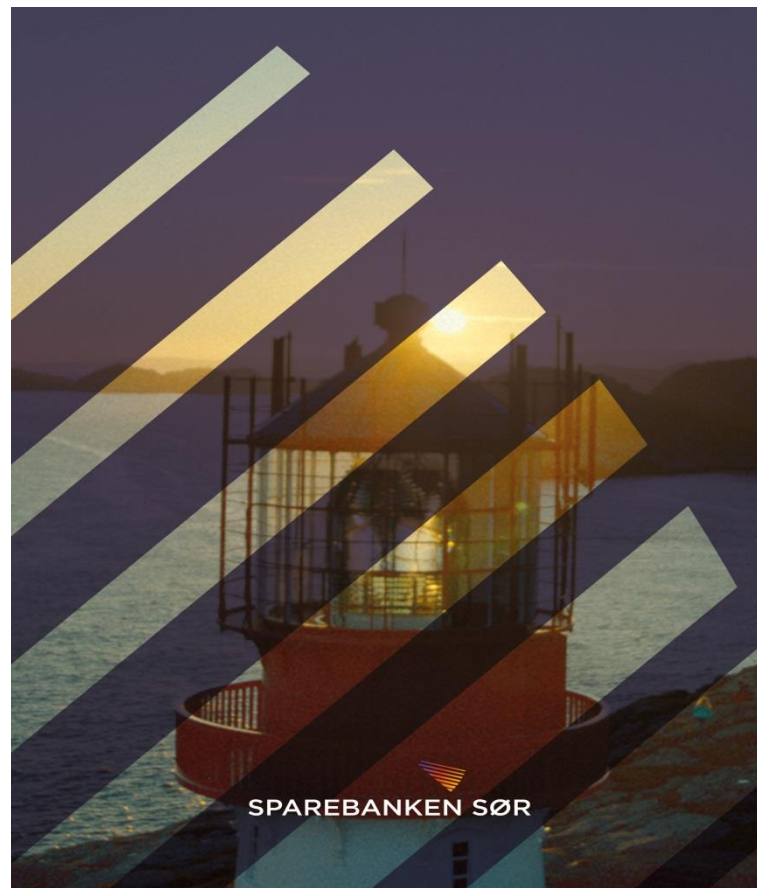
Loan growth of NOK 5.9 billion in the last 12 months, corresponding to a 6.1 percent annual growth. Deposit growth of NOK 1.9 billion, corresponding to 3.4 percent in the last 12 months.

Summary

Sound operations contribute to a pre-tax profit of NOK 952 million after the first nine months of 2018.

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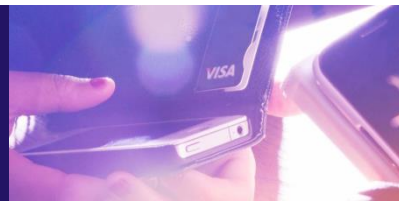


Strategic pillars

Customer relations



Digitalization and channel interaction



Cost efficiency



Priority areas



IT-strategy

Through technology, we shall:

- Improve the customer experience
- Increase sales
- Streamline workflows, and reduce process related costs
- Increase quality



Early adaptor

New technological platform established.
The first product available to our
customers was a payment solution
utilising smart watches, in collaboration
with



We are in a position to take advantage of
all the new payment solutions using
digital payment cards.

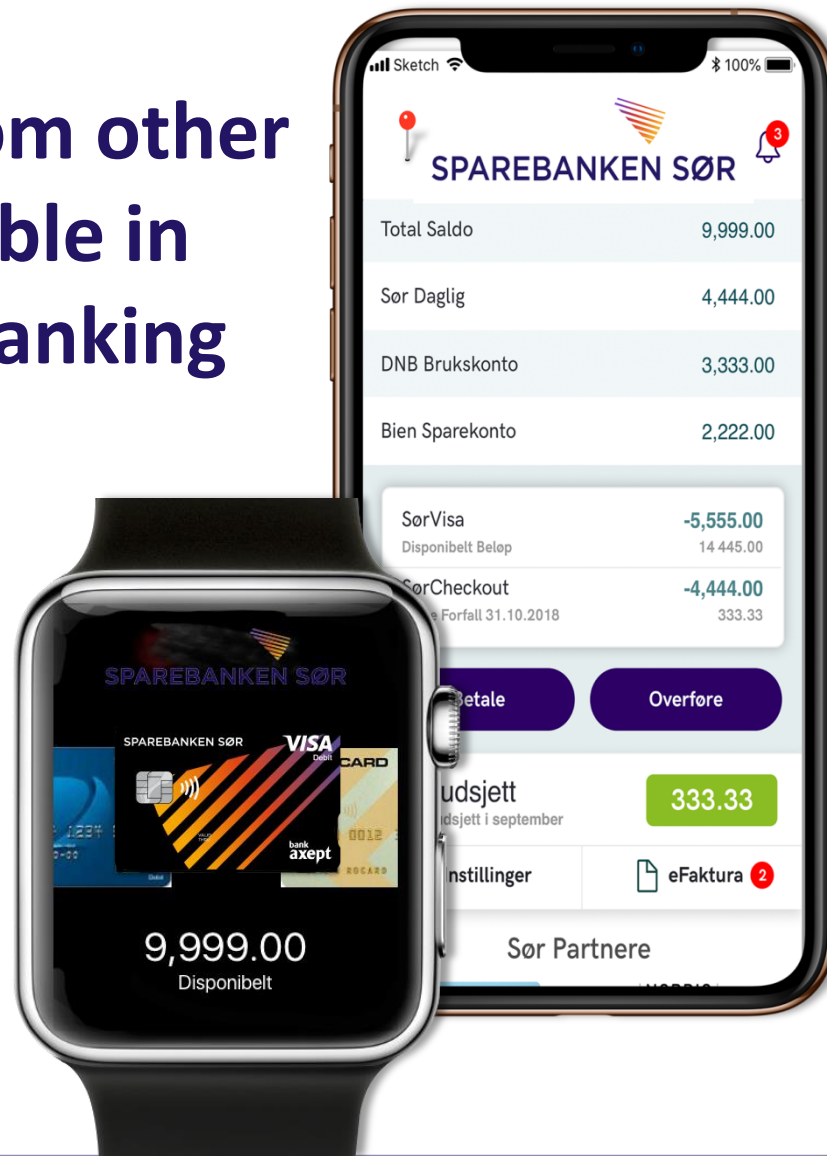




Sparebanken Sør first bank to launch Google Pay in Norway

- Launched 30 October 2018
- All debit and credit cards from Sparebanken Sør are compatible
- Google Pay enables seamless payments through your smartphone on all terminals that are enabled for contactless payments

Accounts from other banks available in our online banking solutions

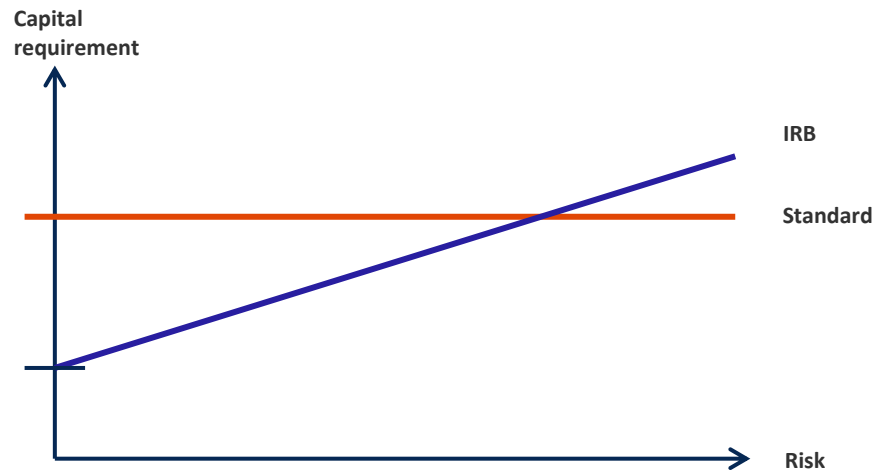


Will be available during 2019

Risk averse adaptation to the capital requirements

- Sparebanken Sør has initiated an IRB-process to further strengthen the bank's risk management
- The transition to IRB is expected to have a positive effect on the capital ratio
- Well functioning tools and risk management is the foundation of a more risk oriented approach
- Stage 1: Application for IRB-F
- An application for IRB-A will be a natural step in stage 2

Fundamental difference between IRB and the standard method



- *The Board of Directors decided in November 2017 to initiate the process of applying for the internal ratings based approach (IRBF).*

Bank Recovery and Resolution Directive (BRRD) - MREL

Minimum Requirement for own funds and Eligible Liabilities

- **The Bank Recovery and Resolution Directive (BRRD)**
 - Will be implemented as of 1st January 2019.
 - The affected entities are expected to be in accordance with MREL as of 31 December 2022.
 - New requirements for convertible/repayable debt (Tier 3)
- **Requirements for MREL will be individually determined**
 - Minimum Requirement for own funds and Eligible Liabilities
 - Scope and extent of the new requirement is yet to be determined
 - MREL debt is expected to amount to NOK 9-10 billion
- **Adaptation by 31 December 2022 within reach**
 - Sparebanken Sør will gradually adapt to the new requirements
 - The bank has a total of NOK 18.4 billion in senior debt, of which NOK 15 billion matures before 31 December 2022

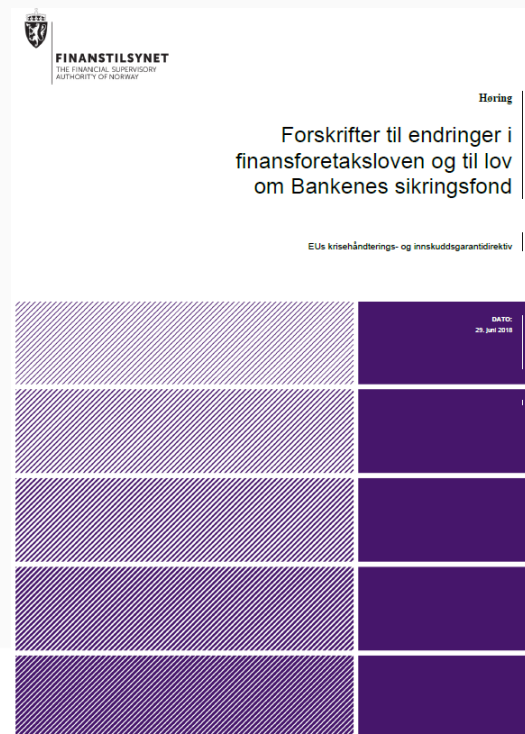
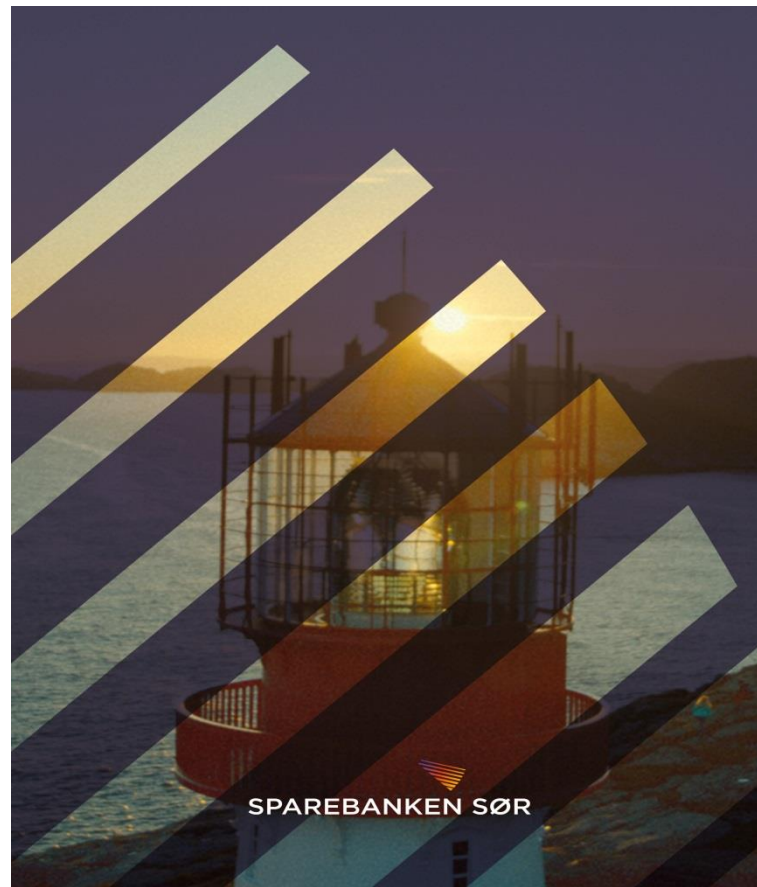
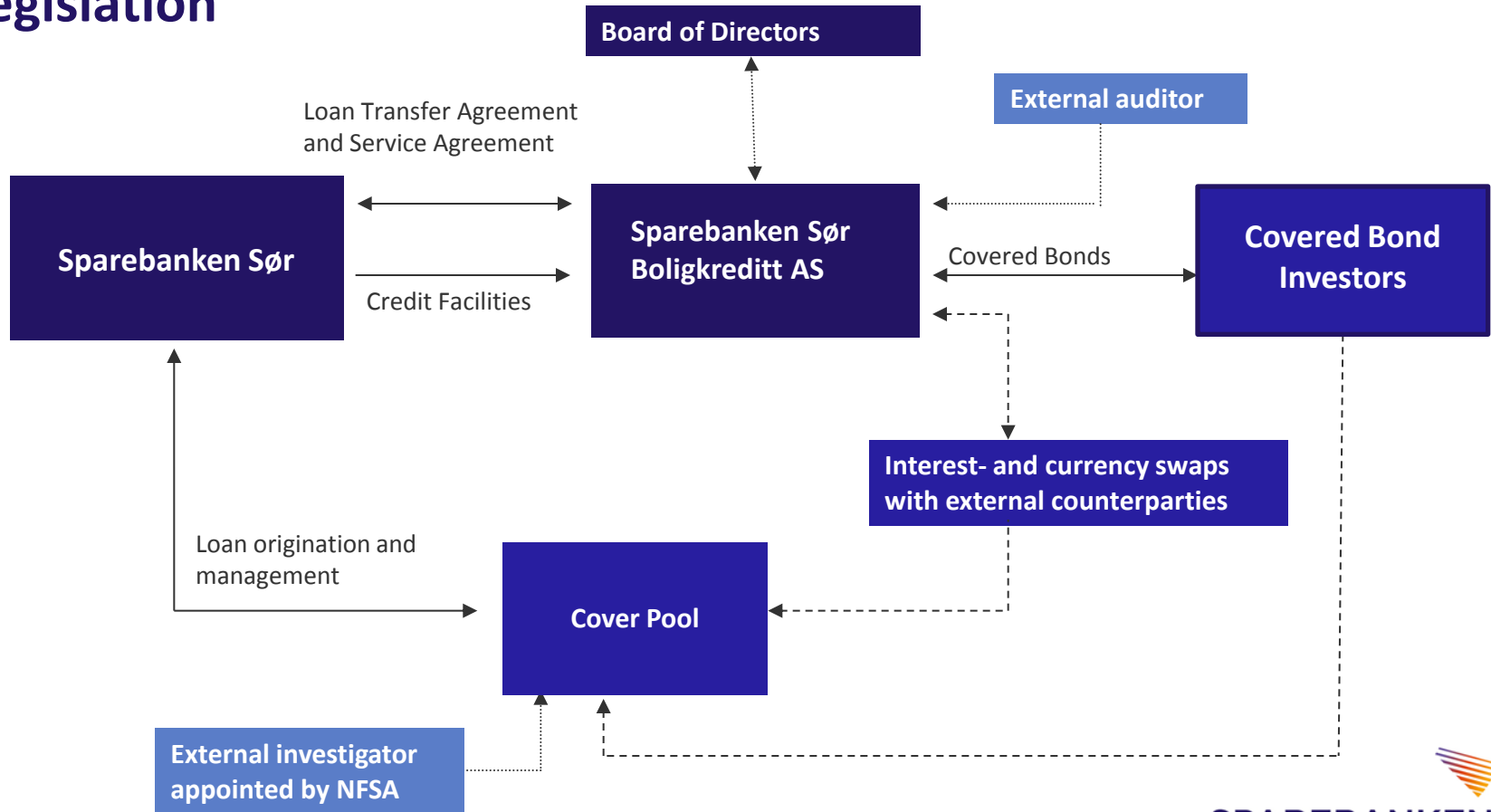


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Business concept - governed by Norwegian covered bond legislation



Sparebanken Sør Boligkreditt AS

- A dedicated and integrated covered bond company wholly owned by Sparebanken Sør
- The covered bonds have full recourse to the issuer Sparebanken Sør Boligkreditt AS
- Sparebanken Sør Boligkreditt AS 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 (96.9 %, nominal value) and interest bearing securities
- No non-performing assets in the cover pool
- Cover pool exposure towards Southern Norway, where price development is comparatively stable
- Covered bonds rated Aaa by Moody's – five notches TPI leeway

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 – currently only floating interest rate•Serial, annuity or non-amortizing loans
Credit criteria	<ul style="list-style-type: none">•No arrears•Borrowers probability of default $\leq 3\%$
Collateral	<ul style="list-style-type: none">•LTV limit of 75 % for residential mortgages•Quarterly valuation from an independent third party (Eiendomsverdi)
Loan volume	<ul style="list-style-type: none">•Maximum loan per borrower of 20 MNOK (Euro 2.1 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
- Soft bullet structure on all covered bonds issued

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
- Currently only floating rate loans and floating funding base incl. swaps

Market risk

- FX risk is fully hedged
- Long term FX funding is swapped into NOK
- Derivative contracts with external counterparties
- No investments/placements in “risky” assets; Norwegian government or high quality fixed income securities (currently only rated Norwegian covered bonds)

Cover pool composition and OC at 30.09.2018

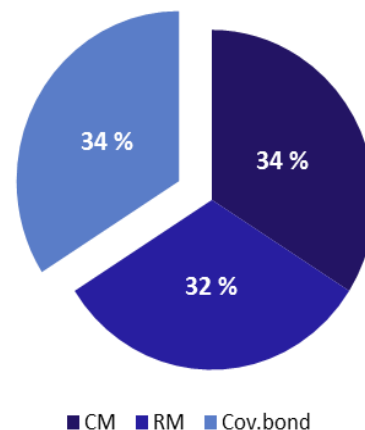
NOK thousands	Fair value	
	30.09.2018	30.09.2017
Loans secured by mortgages on residential properties	35.583.259	29.345.838
Deduction of ineligible loans	-55.572	-92.716
Pool of eligible loans	35.527.687	29.253.122
Certificates and bonds	1.156.014	555.957
Receivables on derivatives	107.346	-54.530
Total cover pool	36.791.046	29.754.550
Debt incurred due to issuance of securities	30.511.163	26.164.923
Commitments on derivatives	169.293	0
Total commitments	30.680.456	26.164.923
Collateralisation ratio (OC)	19.9%	13.7%

	Nominal value	
	30.09.2018	30.09.2017
OC based on nominal value, eligibles only	20.9%	15.0%
OC based on nominal value	21.1%	15.4%

Additional cover pool details at 30.09.2018

Average LOAN BALANCE	1,199,000
NO. OF LOANS	29,672
WA SEASONING (in months)	41
WA REMAINING TERM (in months)	241
NO. OF BORROWERS	26,166
NO. OF PROPERTIES	28,564
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)	60.3 %
Percentage of VARIABLE MORTGAGES	96.6 %
Loans in arrears > 90 days (e.g. 1% or 0.01)	0.0 %
Committed Over Collateralisation (OC):	2.0 %

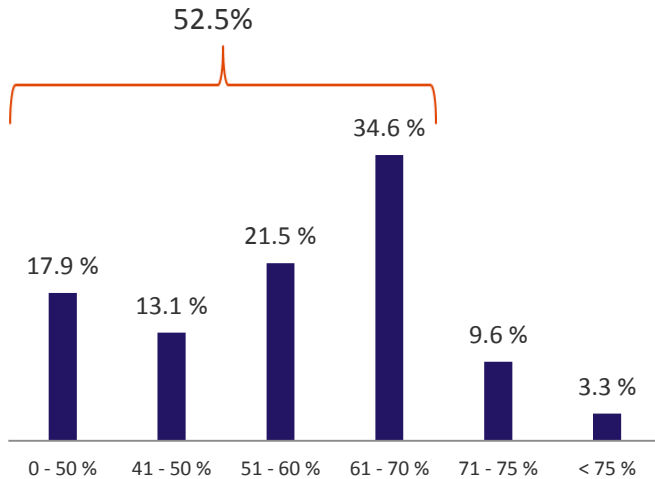
Sparebanken Sør (Group) total loan portfolio



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

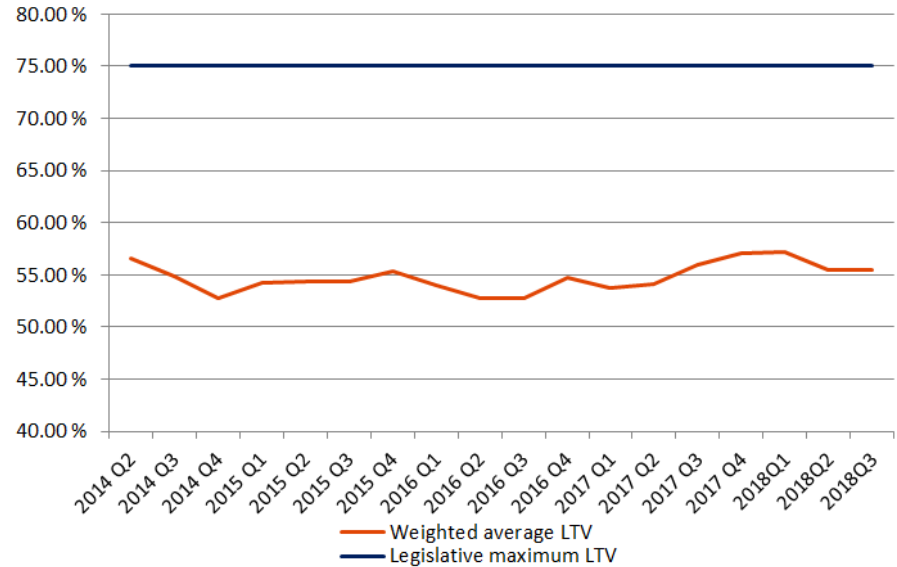
Cover pool characteristics

Current indexed LTV distribution



- The weighted average LTV is 55.5 % on an indexed basis
- 52.5 % of the cover pool has a LTV below 60%

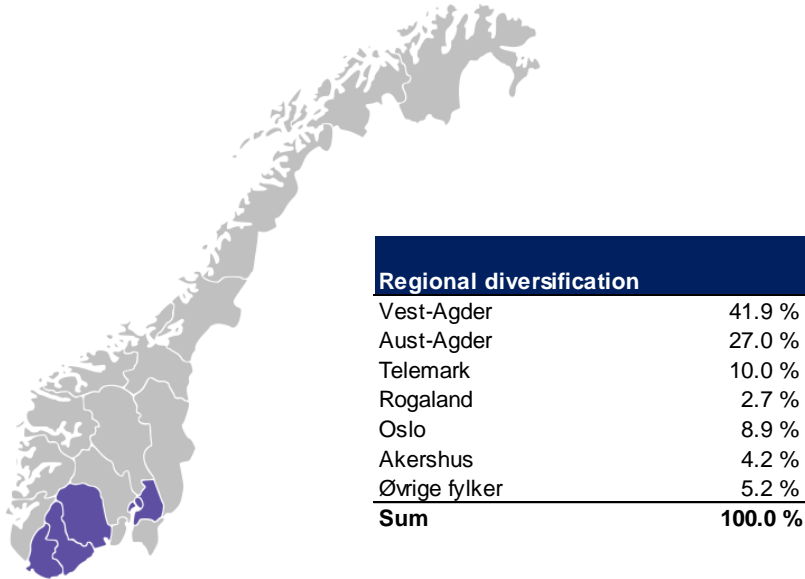
Historical development in weighted average indexed LTV



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

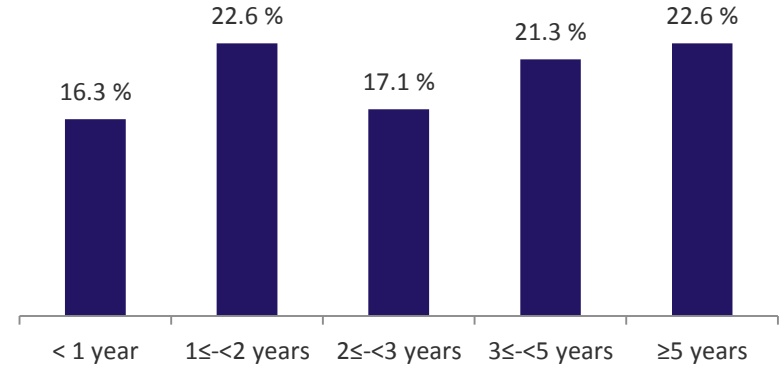
Cover pool characteristics

Cover pool geographic split



- The cover pool is primarily exposed towards Vest-Agder and Aust-Agder and secondly to Telemark and Oslo
- 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)



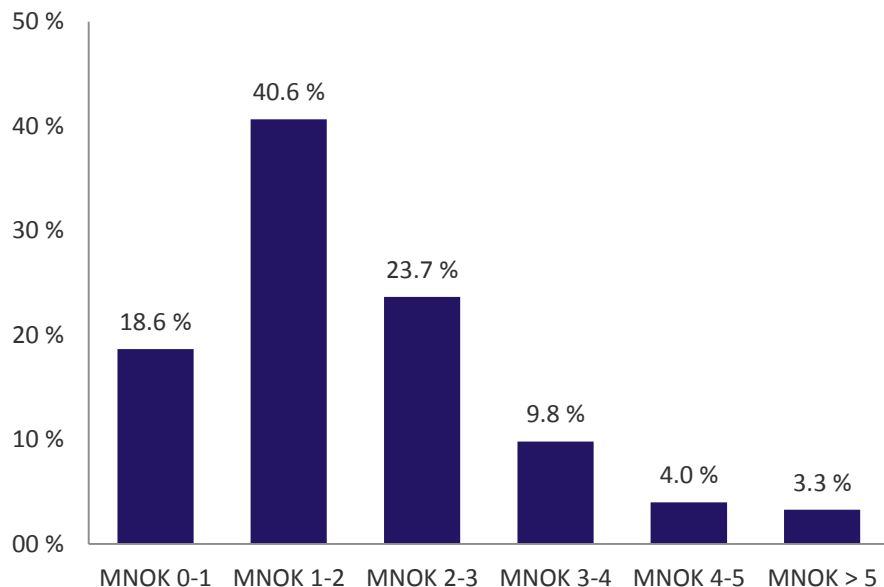
- Weighted average seasoning is 3.4 years
- The cover pool is stable, as 83.7 % of mortgages has been included in the cover pool for at least 1 year



SPAREBANKEN SØR

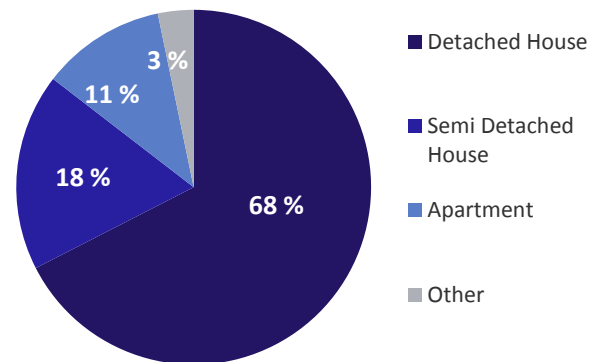
Cover pool characteristics

Pool notional

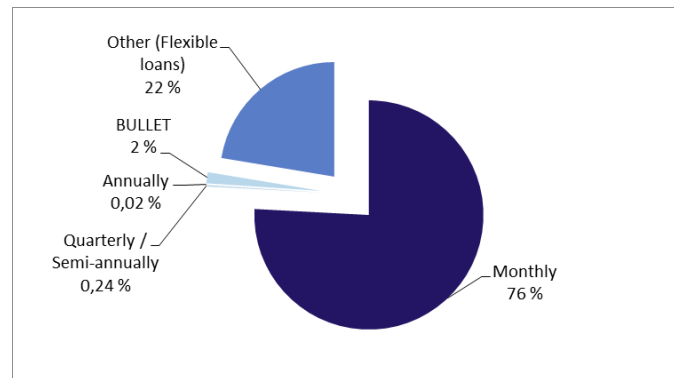


- Average loan value of NOK 1.20 million

Property type



Principal payment frequency

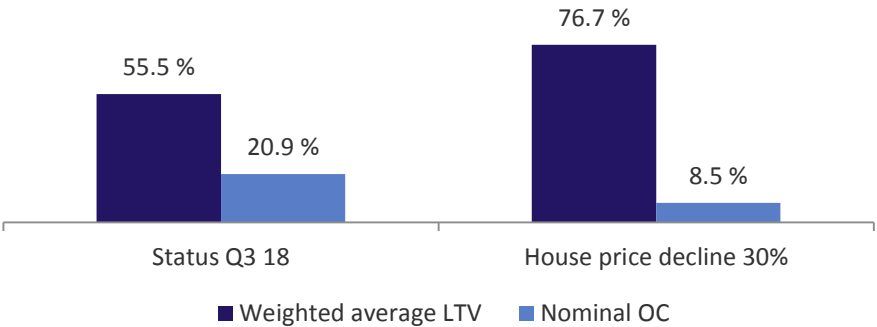


Cover pool characteristics

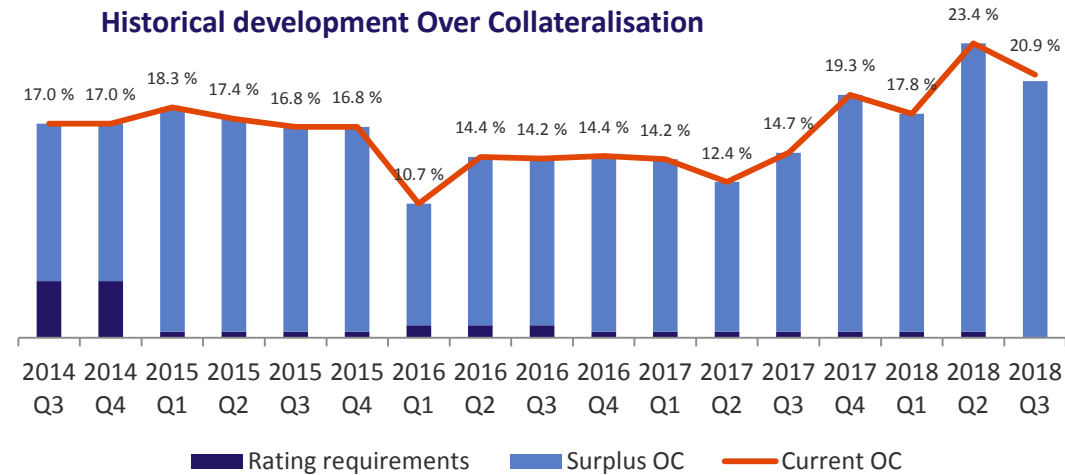
Current situation

- Committed OC: 2.0 %
- OC consistent with current rating: 0.5 %
- Current OC: 20.9 %
- *Committed OC: The minimum level of OC included in Sparebanken Sør Boligkreditt Covered bond program*

Stress test of the cover pool



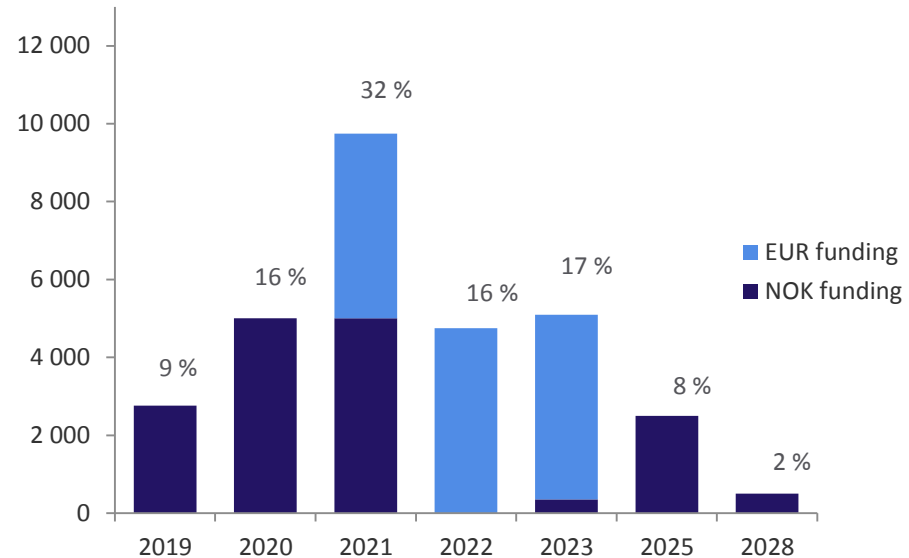
Historical development Over Collateralisation



Funding at 30.09.2018

- Total funding amounts to NOK 30 bn in issued covered bonds
- The company has a diversified maturity profile
- Funding > 12 months totalled 91 %
- Soft bullet structure on all outstanding bonds

Annual maturity of wholesale funding



Debt securities issued at 30.09.2018

ISIN Number	Ticker	Currency	Nominal value, net	Interest		Due date	Book value	Fair value
NO0010679806	SORB10	NOK	2 732 000	FRN	3M Nibor	22.05.2019	2 734 884	2 744 885
NO0010664659	SORB07	NOK	28 000	FRN	3M Nibor	27.11.2019	28 070	28 196
NO0010714058	SORB24	NOK	5 000 000	FRN	3M Nibor	24.06.2020	4 980 698	5 022 901
XS1383921803		EUR	500 000	Fixed	0.250 %	22.03.2021	4 749 476	4 770 736
NO0010778954	SORB27	NOK	5 000 000	FRN	3M Nibor	44522	5 008 566	5 062 542
XS1622285283		EUR	500 000	Fixed	0.125 %	30.05.2022	4 730 600	4 726 559
NO0010671597	SORB09	NOK	350 000	Fixed	0.0385	13.02.2023	379 567	382 649
XS1775786145		EUR	500 000	Fixed	0.375 %	20.02.2023	4 783 436	4 759 842
NO0010832637	SORB28	NOK	2 500 000	FRN	0.0043	45924	2 497 386	2 503 531
NO0010670409	SORB08	NOK	500 000	Fixed	4.00 %	24.01.2028	563 479	565 890
Total							30 456 162	30 567 730

Euro Medium Term Covered Note Programme

SPAREBANKEN SØR

(incorporated as a savings bank with limited liability in Norway)

€3,000,000,000

Euro Medium Term Note Programme

Under the €3,000,000,000 Euro Medium Term Note Programme (the **Programme**) described in this base prospectus (the **Base Prospectus**), Sparebanken Sør (the **Issuer**, **Sparebanken Sør** or the **Bank**) may from time to time issue notes (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, *Verdipapirsentralen ASA* (the **VPS**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,000,000,000 (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 trading as Euronext Dublin (**Euronext Dublin**) or another regulated market for the purposes of Directive 2014/65/EU (**MIFID II**) 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 Euronext Dublin for Notes issued under the Programme to be admitted to the official list of Euronext Dublin (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 **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 (Oslo Børs).

Each of the Main Securities Market and the Oslo Stock Exchange’s Regulated Market is a regulated market for the purposes of MiFID II. 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).

- 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

Credit opinion from Moody's

Sparebanken Sør

- <https://www.sor.no/felles/om-sparebanken-sor/about/investor-relations/rating/>

Sparebanken Sør Boligkreditt

- <https://www.sor.no/felles/om-sparebanken-sor/about/investor-relations/sparebanken-sor-boligkreditt/rating/>



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 19.7 percent and leverage ratio of 7.6 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

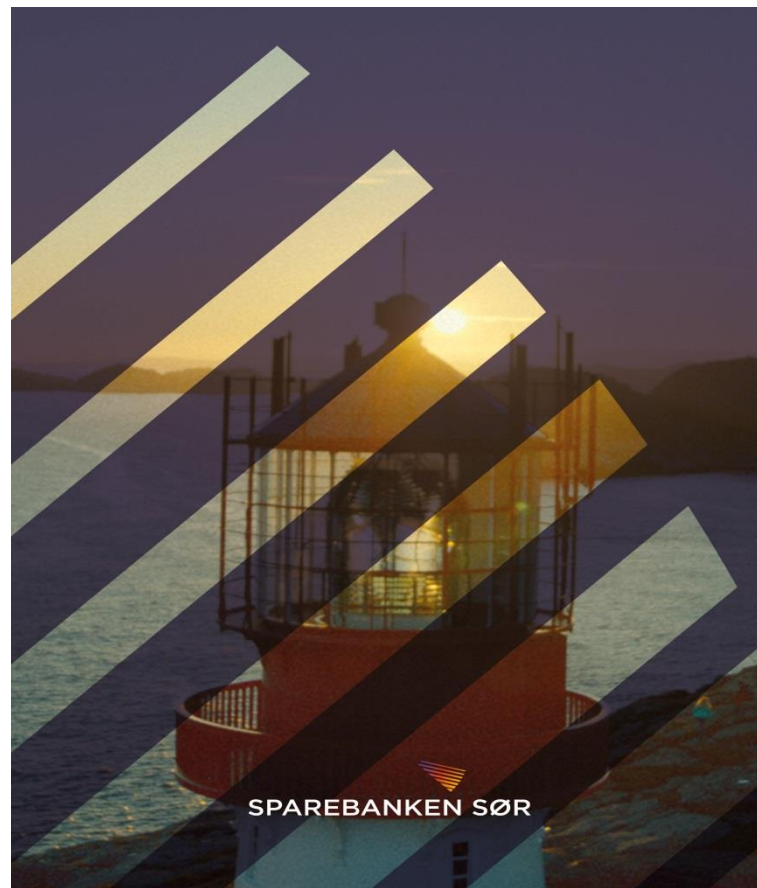
Sparebanken Sør Boligkreditt AS will further acquire mortgages from the bank to issue public covered bonds in Norway and abroad, primarily as benchmark issuances that are eligible to LCR requirements for level 1 assets.



SPAREBANKEN SØR

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Key indicators for the Norwegian economy

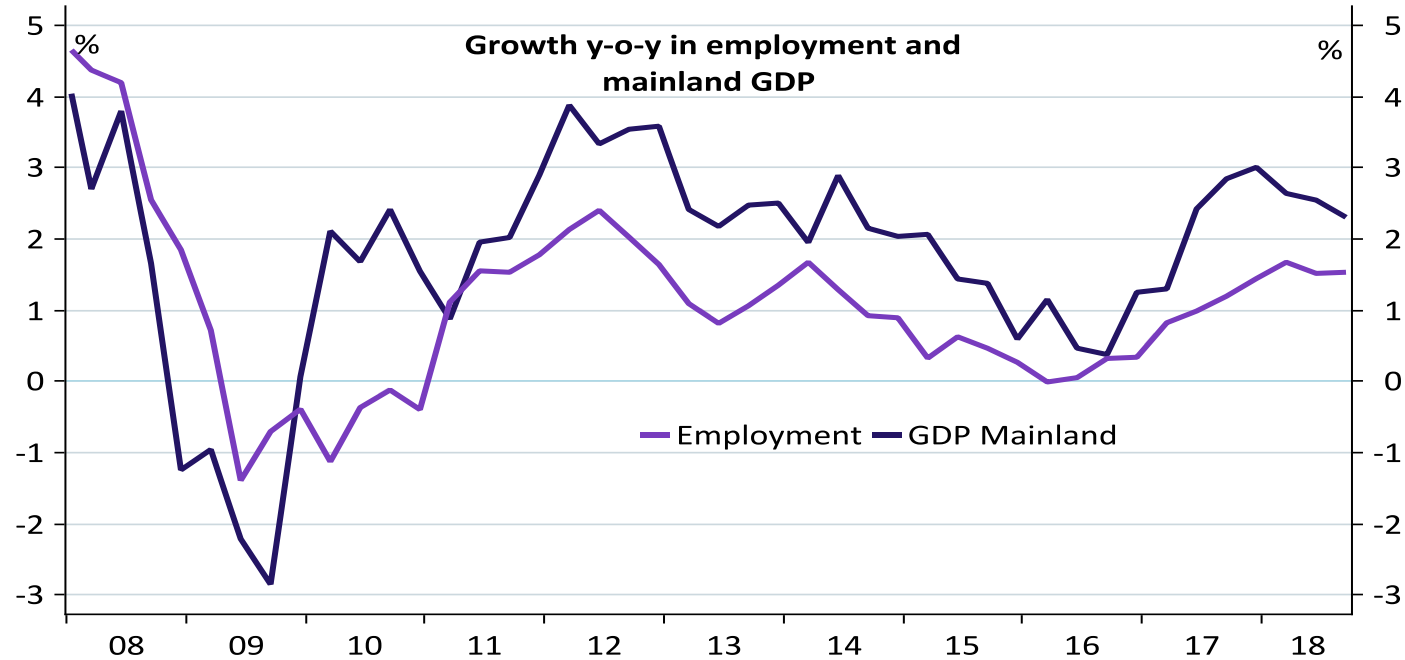
Healthy growth

In %	2015	2016	2017	2018E	2019E
GDP growth, mainland	1.4	1.1	2.0	2.5	2.6
Core inflation	2.7	3.0	1.4	1.5	2.0
Unemployment rate registered	3.0	3.0	2.7	2.4	2.3
Key policy rate (Average)	1.0	0.6	0.5	0.6	1.0
House price growth			5.9	0.7	1.5
Current account surplus / GDP	7.9	4.0	5.7	8.7	6.2
Sovereign wealth fund / GDP	240	241	247	N.A	N.A

- Economic growth in Norway has picked up and unemployment is falling
- Growth is self-sustained and no longer in need of fiscal support, interest rates on their way up
- Oil investment is set to increase again after the sharp drop that followed the oil price collapse
- Weak NOK support exports, mainland business investments are also on the rise
- Improving labour market supports private consumption
- The drop in housing investment close to the end
- Still large surplus on the current account and government budgets despite the drop in oil price

Growth has picked up

Growth in both production and employment



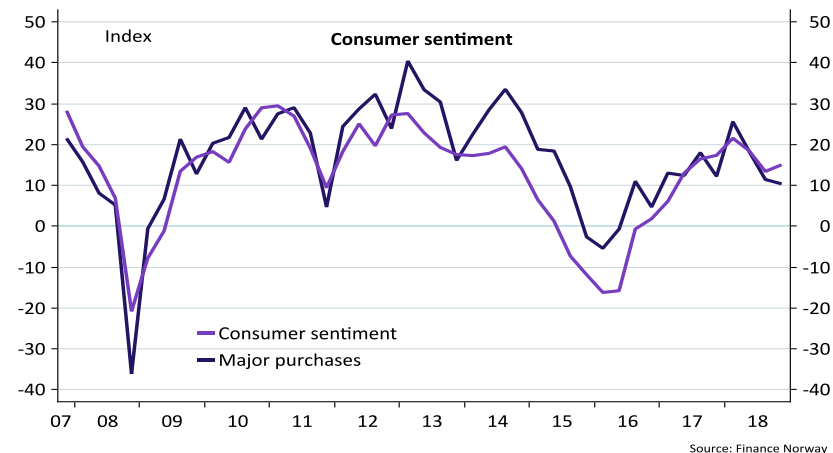
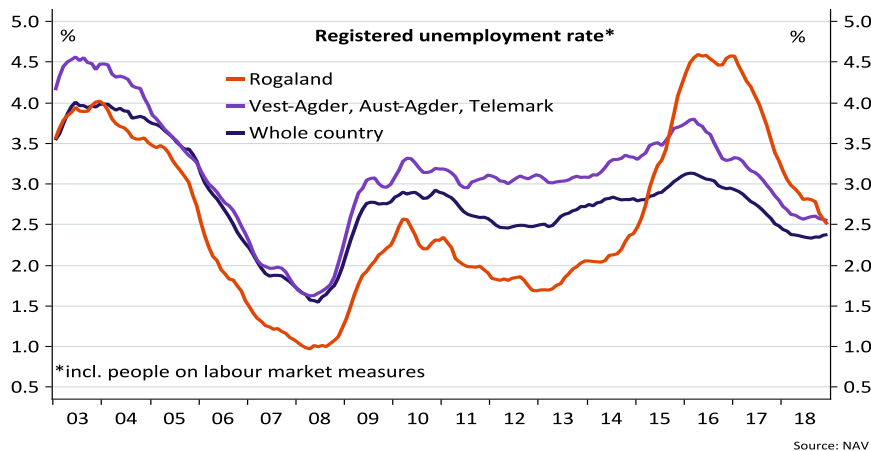
Source: Statistics Norway



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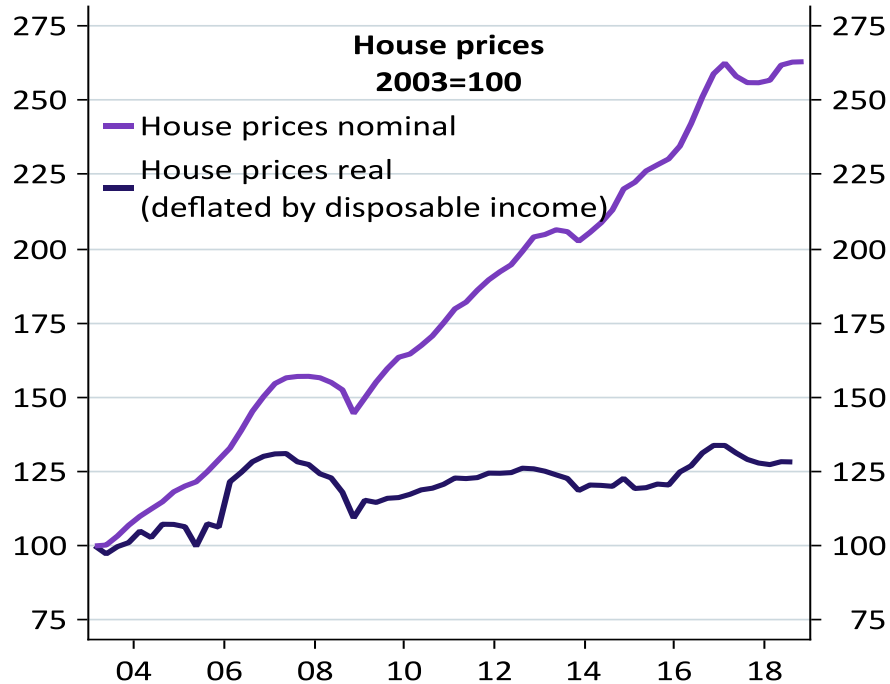
Unemployment is lower and sentiment strong

- Especially in counties hit by the oil downturn



Norwegian housing market

House prices have increased alongside income growth

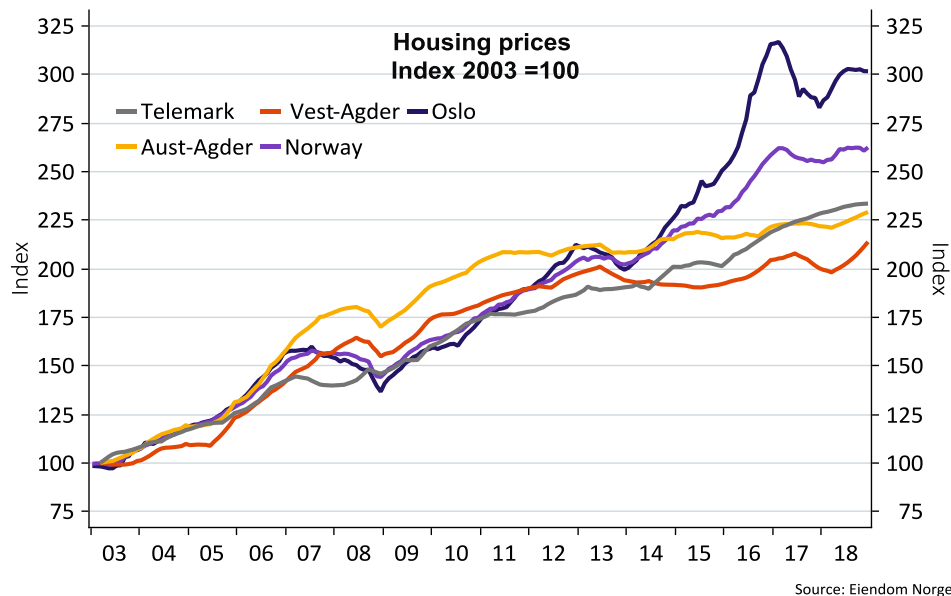


Source: Eiendom Norge and Statistics Norway



SPAREBANKEN SØR

Strong development in the region



Unemployment, December 2018

	Number of unemployed	Percentage of the workforce	Percentage change from last year
Total	63 477	2.3 %	-4 %
Østfold	4 174	2.9 %	5 %
Akershus	6 161	1.9 %	1 %
Oslo	9 751	2.6 %	4 %
Hedmark	2 079	2.1 %	21 %
Oppland	1 746	1.8 %	12 %
Buskerud	3 479	2.4 %	0 %
Vestfold	3 750	2.8 %	0 %
Telemark	2 185	2.6 %	5 %
Aust-Agder	1 287	2.3 %	-23 %
Vest-Agder	2 144	2.3 %	-14 %
Rogaland	6 179	2.5 %	-23 %

House price change

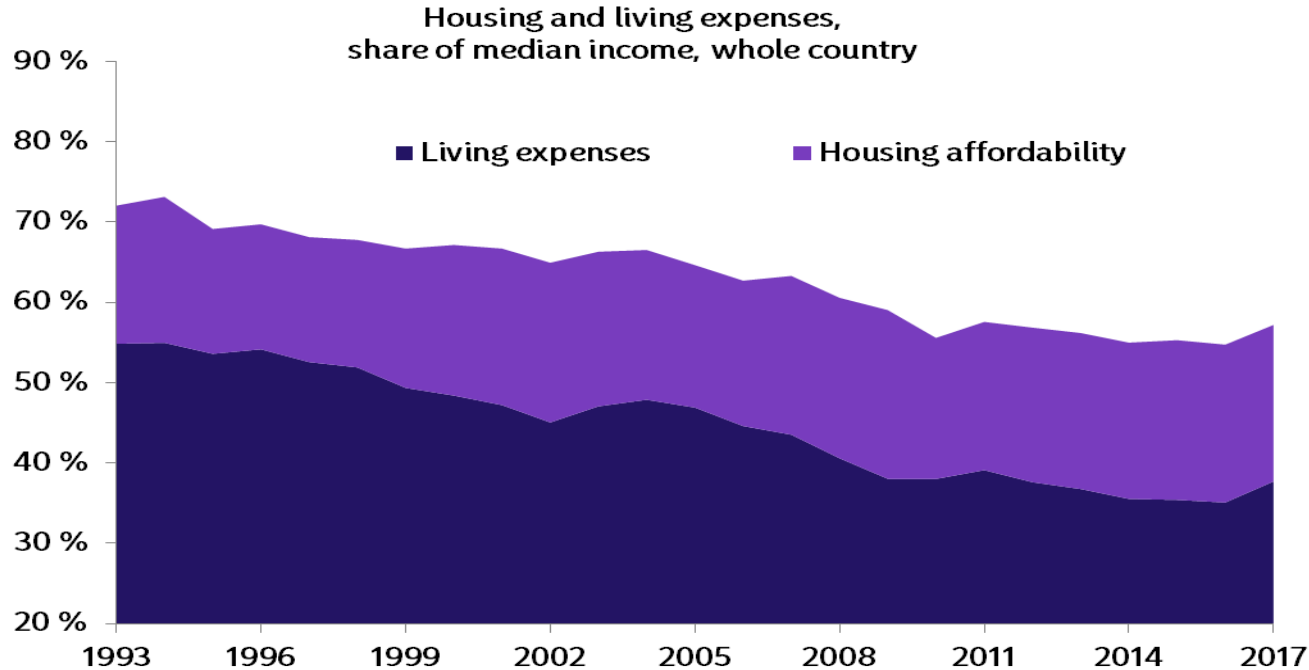
	12 month growth	Growth Sept. to Dec.
Vest-Agder	6.8 %	3.3 %
Aust-Agder	3.3 %	1.2 %
Telemark	2.3 %	0.2 %
Rogaland	0.0 %	0.0 %
Oslo	6.6 %	-0.2 %



SPAREBANKEN SØR

Living and house expenses

Households have a record surplus after covering housing and living expenses



Sources: Statistics Norway, Real Estate Norway and National
Institute for Consumer Research



SPAREBANKEN SØR

Norwegian housing market

Key characteristics

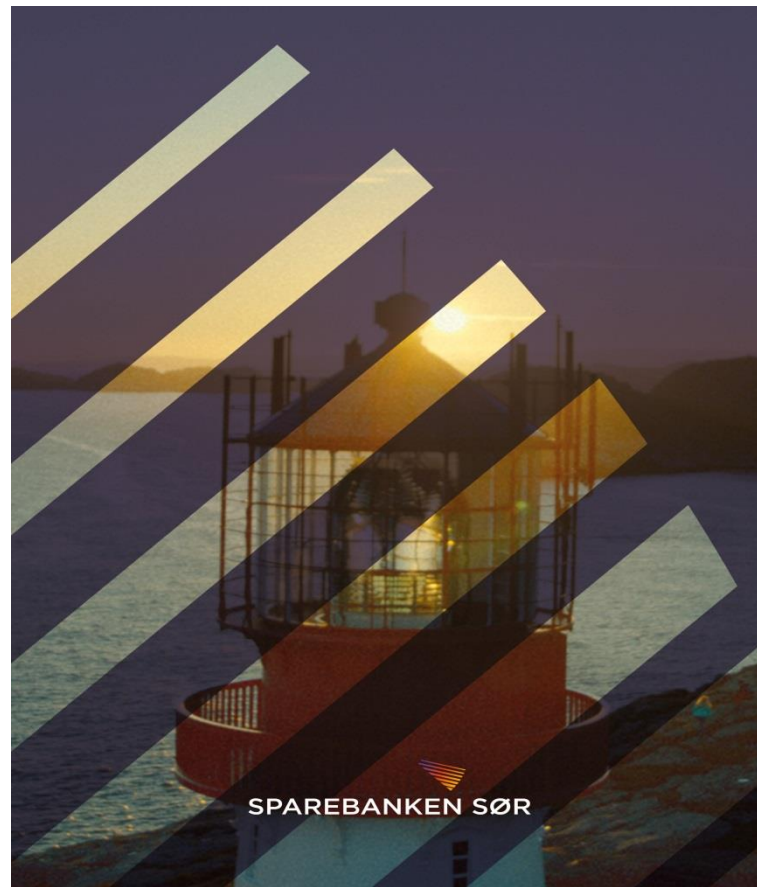
High home ownership	<ul style="list-style-type: none">• Around 80% of Norwegian households own their home which is among the highest home ownership ratios in the world. Hence, buy-to-let market is limited in Norway
Key features of residential mortgage loans in Norway	<ul style="list-style-type: none">• Residential mortgage loans are predominantly granted by banks and mortgage credit institutions (97% as of January 2015)• Lenders have access to wide range of information about borrowers before granting the mortgage (e.g. tax records for the last three years, any debt collection outstanding, any bankruptcies)• Properties are registered in a central register to which banks have direct access• Typical maturity of a new loan is 25 to 30 years• The majority of residential mortgage loans have a floating interest rate meaning that banks are allowed to increase the interest rate with a six weeks' notice• Borrowers are personally liable for their debt also after foreclosure or forced sale
Good tax incentives and supportive social security system	<ul style="list-style-type: none">• Borrowing costs on mortgages are tax deductible (the tax rate applied is 24%)• Tax valuation of dwellings is favourably treated in the wealth tax system• If a dwelling is occupied by the owner for a minimum of one year, capital gain is tax free when the dwelling is sold• Unemployment benefit equals approximately 62% of the previous calendar year's gross income and is paid for up to 104 weeks



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Contact details

and website

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E-mail	Jorgen.brovig@sor.no

Homepage

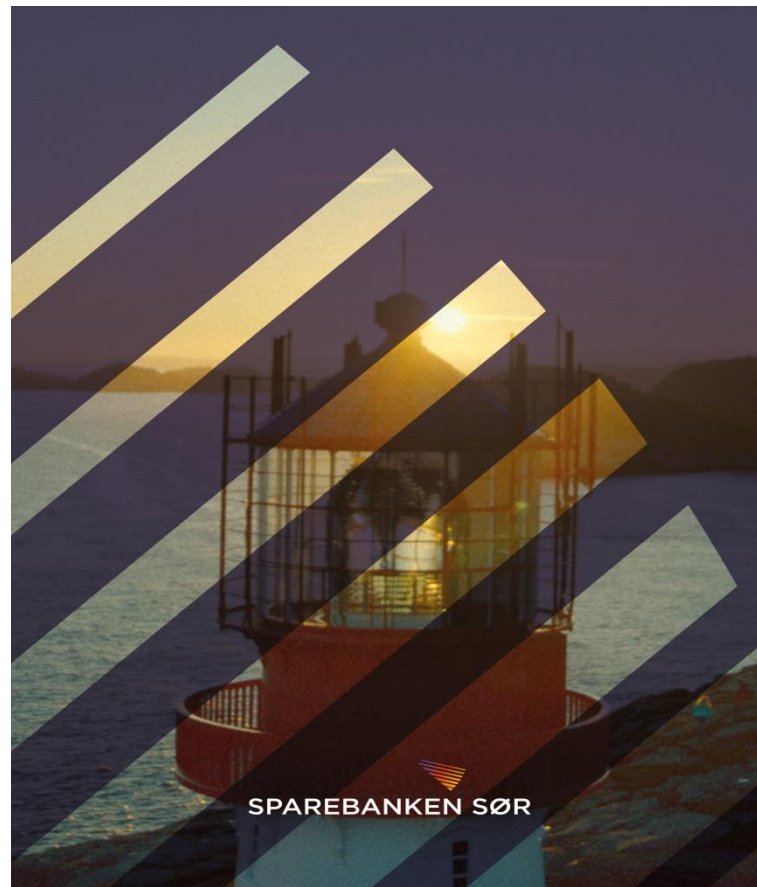
www.sor.no



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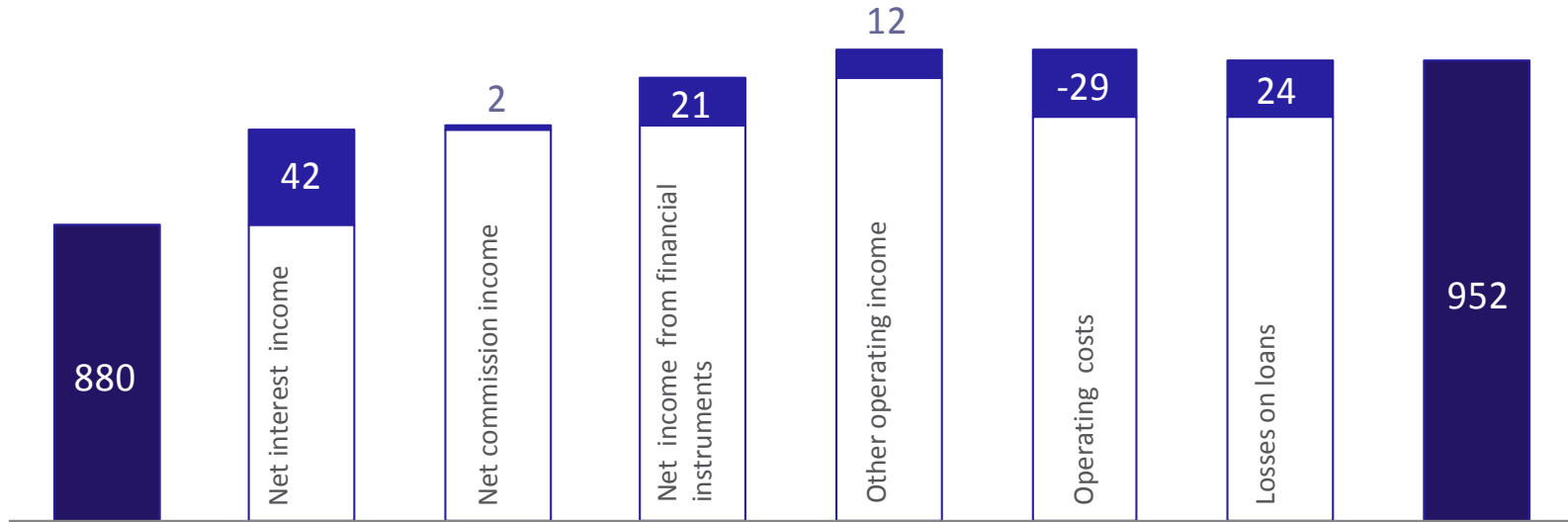
Highlights after 9 months

- Good results from ordinary operations
- Positive development in net interest income
- Positive net income from financial instruments
- Efficient operations and low costs
- New model implemented for calculating impairment losses on loans
- Very low losses on loans
- Return on equity after tax of 9.0 percent

NOK million	30.09.2018	30.09.2017	Change
Net interest income	1,282	1,240	42
Net commission income	236	234	2
Net income from financial instruments	51	30	21
Other operating income	21	9	12
Total income	1,590	1,513	77
Total expenses	630	601	29
Profit before losses on loans	960	912	48
Losses on loans, guarantees	8	32	-24
Profit before taxes	952	880	72
Tax expenses	217	208	9
Profit for the period	735	672	63

Improvement in profit before taxes

NOK million

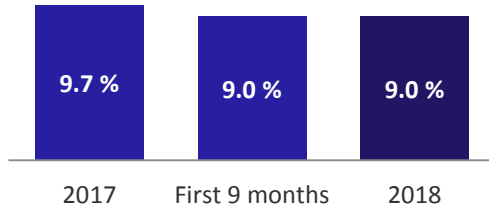


First 9 months, 2017

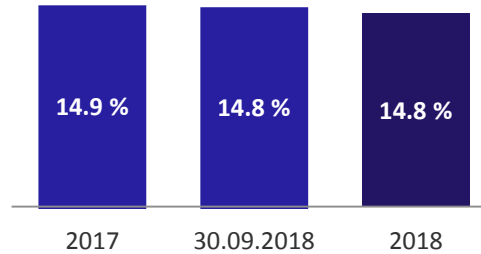
First 9 months, 2018

Financial key variables and ambitions

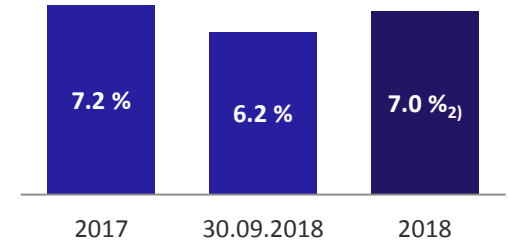
Return on equity



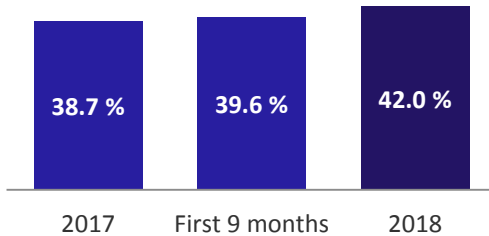
Common equity tier 1 capital
(Group)₁₎



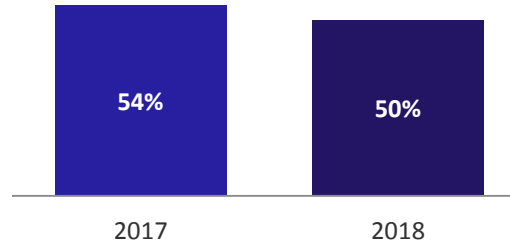
Loan growth



Cost development



Dividend ratio



1) Incl. Share of profit

2) Overall credit growth + 1 percentage point

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