



SPAREBANKEN SØR BOLIGKREDITT AS



Investor presentation Q4 2022



SPAREBANKEN SØR

Sparebanken Sør Boligkreditt AS

Mother company 100% owner

A dedicated and integrated covered bond company wholly owned by Sparebanken Sør

Full recourse

Norwegian law is fully compliant with dual recourse requirement. CB investors and derivative CPs have an exclusive, equal and preferential claim on the assets in the cover pool. Claims not covered by cover pool assets are unsecured claims ranking pari passu with all other unsecured unsubordinated claims against the issuer

Transfer of loans

Loans are originated by the bank and transferred to the CB company

Credit & overdraft facilities

Sparebanken Sør Boligkreditt AS has established an overdraft facility with Sparebanken Sør in order to handle operations on a daily basis. In addition, the company has a short-term credit facility with a notice of 31 days with the bank, and a revolving multicurrency loan facility, which covers refinancing risk

Norwegian residential

The cover pool consists of prime Norwegian residential assets (90.8 percent) and substitute assets (LCR-compliant interest bearing securities). Cover pool exposure towards Southern Norway where price development is rather stable

No non-performing assets

No non-performing assets in the cover pool

Moody's Aaa

Covered Bonds rated Aaa by Moody's – 4 notches TPI leeway
Covered Bond anchor: Sparebanken Sør rated A1 Positive outlook



**SPAREBANKEN SØR
BOLIGKREDITT AS**

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 157 billions

Employees

626 employees in branches across the counties of Agder, Rogaland, Vestfold and Telemark

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 in Norway, Sparebanken Sør is committed to further sustainable growth and development in the region



SPAREBANKEN SØR

Sparebanken Sør - a leading financial institution in Southern Norway



Established in 1824,
626 employees



184 000 retail
customers



Financial group with
banking, securities and
real estate brokerage



22 000 corporate
customers



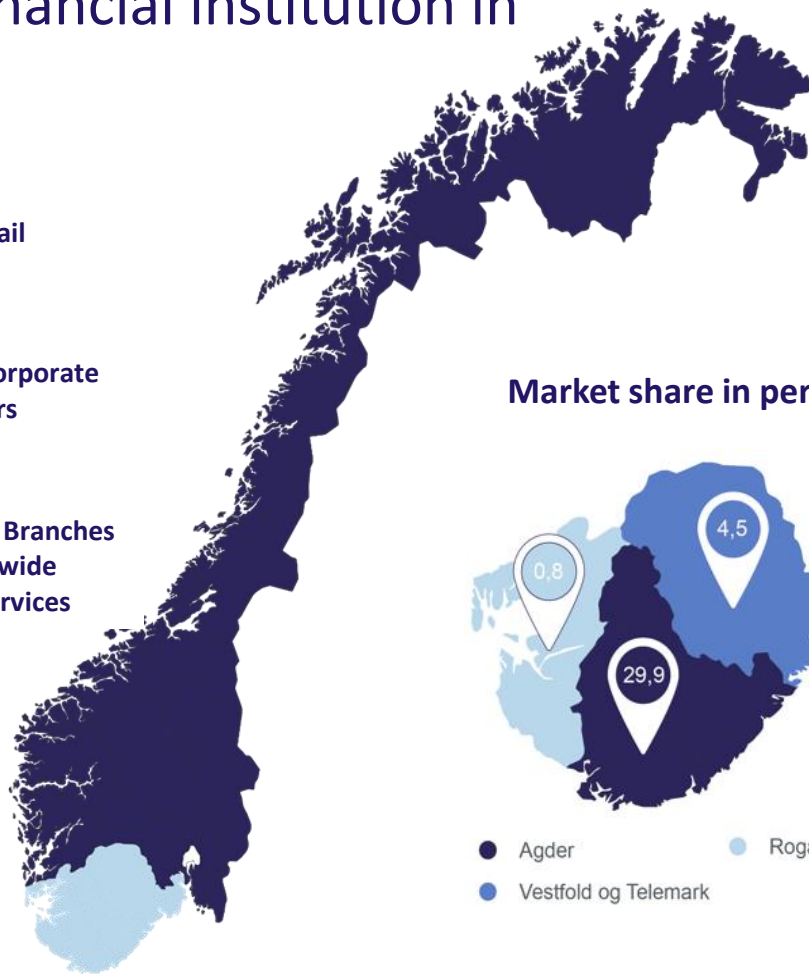
Publicly traded and
Community-owned



Regional Branches
& nationwide
online services

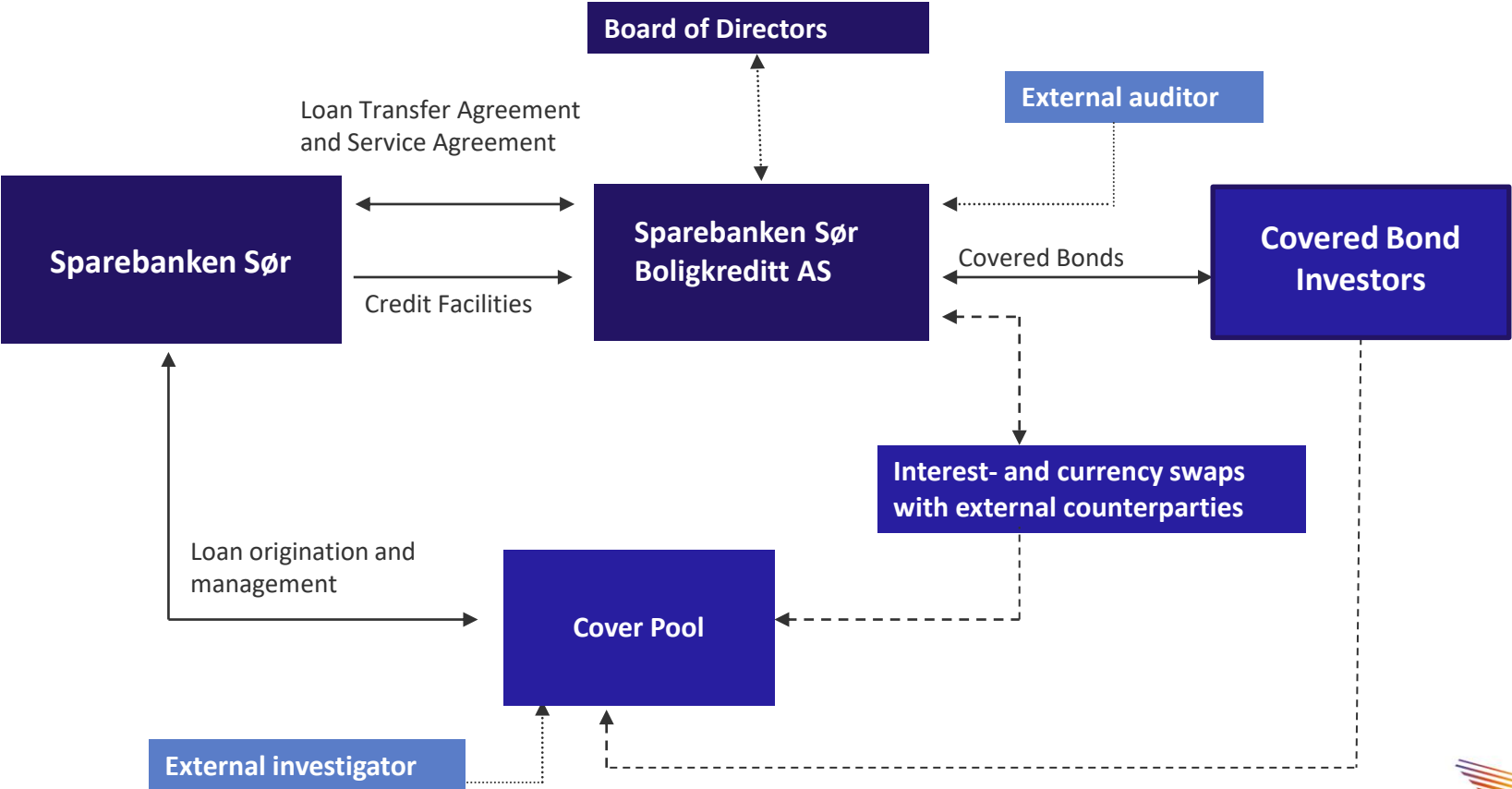


- Total assets of NOK 157 bn
- Profit after tax amounted to NOK 468 million in Q4 2022
- Cost/income ratio of 34.8 percent.



● Agder ● Rogaland
● Vestfold og Telemark

Business concept



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•Serial, annuity or non-amortising 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 80 % for residential mortgages (changed from 75 % in Q4 2022)•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 mill)

The Norwegian Residential Mortgage Market

Apr. 80 % of Norwegians own their home

- Few mortgages are buy-to-let

Norway is primarily a floating interest rate market

- The large majority of mortgages originated by Sparebanken Sør are floating rate
- Rates on floating rate mortgages can be reset at any time at the bank's own discretion, by giving debtors 8 weeks' notice

Loans are normally underwritten with a term of 15-25 years

In Norway, all borrowing costs are deductible from taxable income at the current rate of 22 %

- Households are therefore better able to withstand an increase in interest rates

Mortgage lending regulation

Max 5x gross income

Max 85 % LTV

Debt servicing capacity

- Stress test of 3 percentage points interest rate increase, stress test floor 7 percent

Amortization requirement above 60 % LTV

- 2.5 % of approved loan or principal payment as for 30 year annuity

Banks have some flexibility

- Banks can deviate in 10 % of mortgage applications each quarter

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 facilities in place with the parent bank
- 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, and include the effects of non parallel shifts
- Limited to NOK 100 million
- Currently only floating rate loans and floating funding base incl. swaps

Market risk

- FX risk is hedged
- Long term FX funding is swapped into NOK
- Derivative contracts with external counterparties
- Highly liquid liquidity portfolio



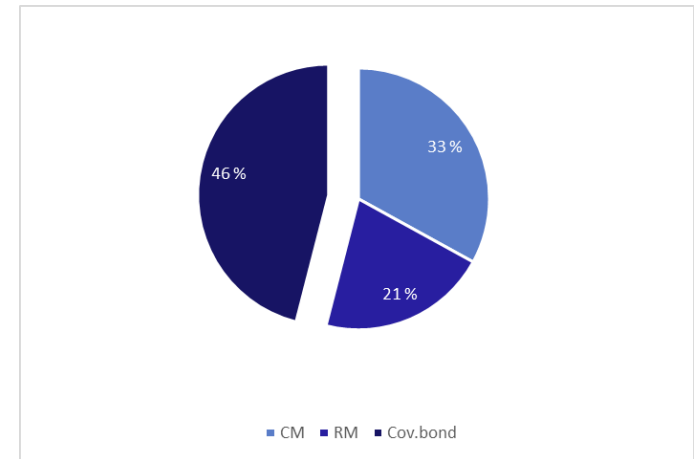
Cover pool composition and OC as at 31.12.2022

Nominal value	NOK Thousand
Loans secured by mortgages on residential properties	56 503 164
Deductions on ineligible loans	-237 935
Pool of eligible loans	56 265 229
Certificates and bonds	5 950 000
Total cover pool	62 215 229
Debt incurred due to issuance of securities	54 316 750
Total liabilities	54 316 750
Collateralisation ratio (OC)	14.5 %
Collateralisation ratio (OC) including ineligibles	15.0 %

Additional cover pool details as at 31.12.2022

Average loan balance	NOK 1 424 731
No. of loans	39 660
WA seasoning (in months)	41.4
WA remaining term (in months)	199
No. of borrowers	32 604
No. of properties	35 275
WA Indexed LTV (Loan balance/indexed valuation)	53.0 %
WA LTV (Loan balance/original valuation)	61.1 %
Total non-performing loans	0.3 %
Committed Over Collateralisation (OC)	5.0 %

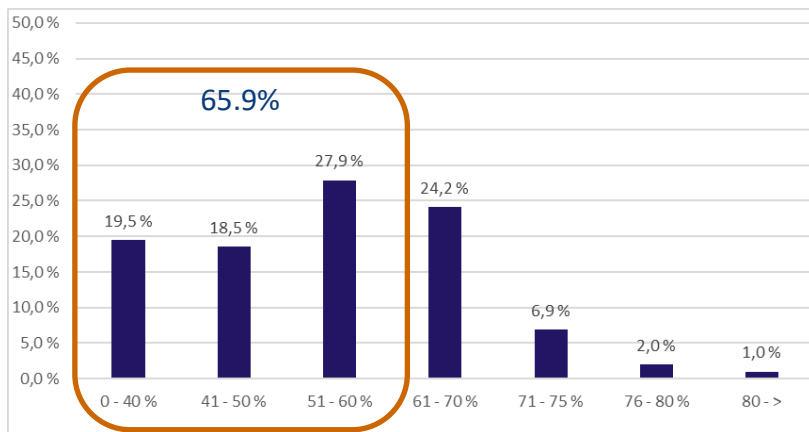
Sparebanken Sør (Group) total loan portfolio



Loans transferred to Sparebanken Sør Boligkreditt AS account for 46 % of Sparebanken Sør's total loan portfolio

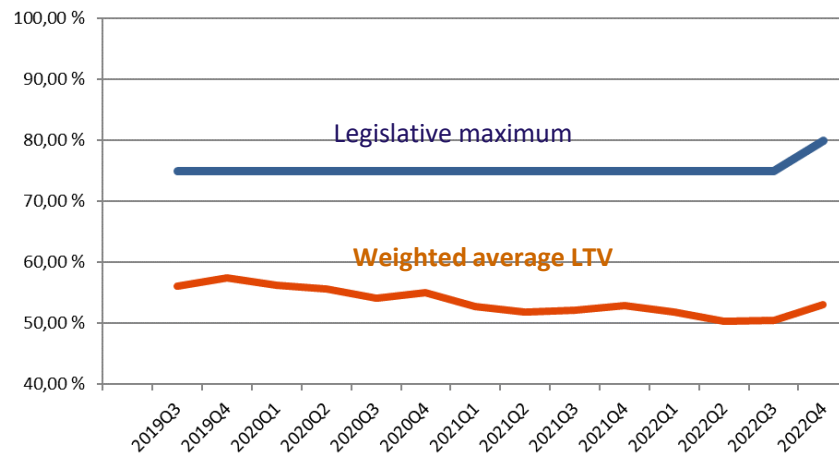
Cover pool characteristics

Current indexed LTV distribution



- The weighted average LTV is 53.0 % on an indexed basis
- 65.9 % of the cover pool has a LTV below 60%

Historical development. Weighted average indexed LTV

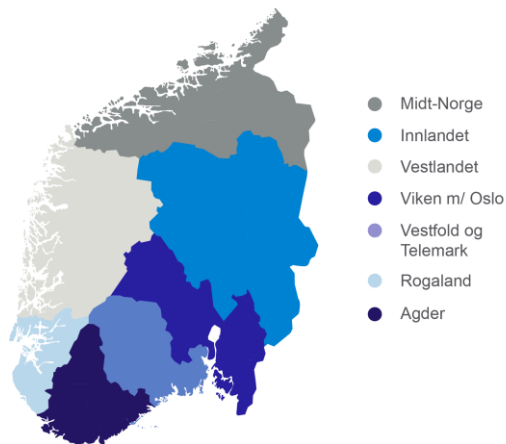


- The weighted average LTV is well below the legislative maximum for residential mortgages. A change in legislative maximum was introduced in 2022 (an increase from 75 to 80 %) and a new policy was implemented in the company as from Q4 2022.

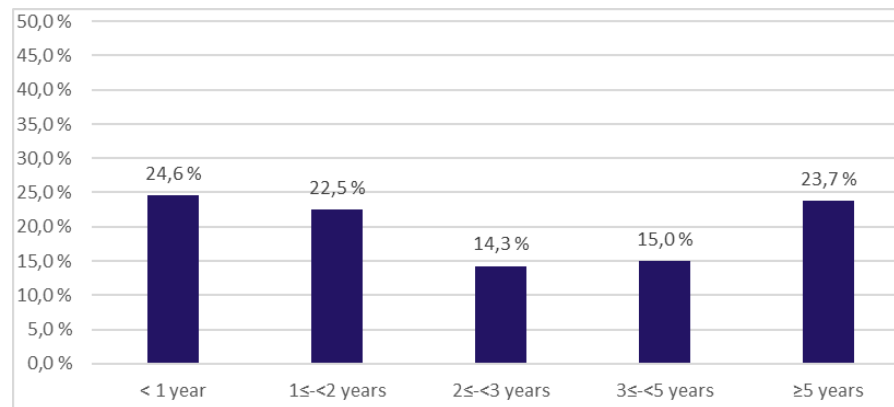
Cover pool characteristics

Cover pool broken down by counties

Agder	64.8%
Vestfold og Telemark	12.5%
Oslo	9.4%
Viken	6.7%
Rogaland	3.8%
Other counties	2.8%
Total	100.0%



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



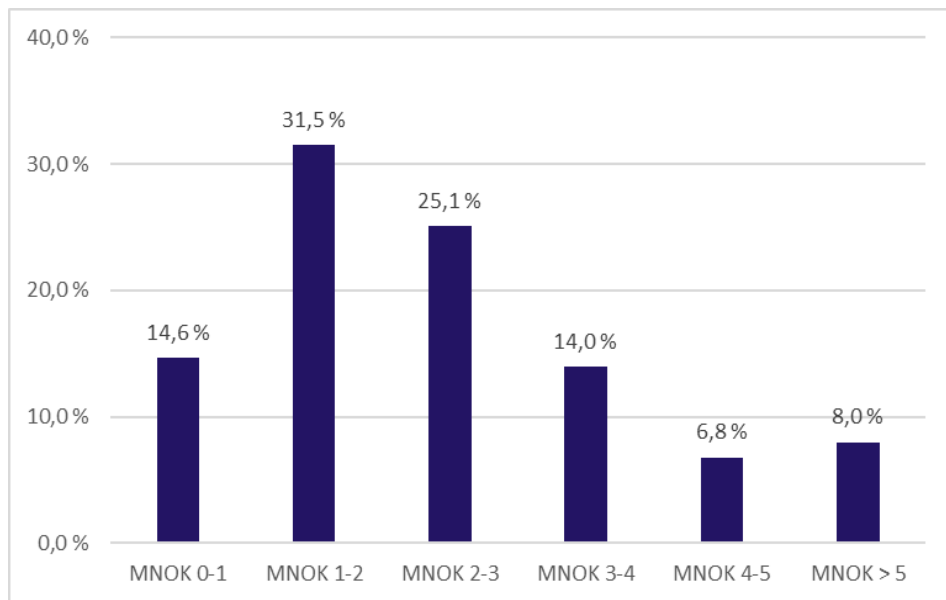
- Weighted average seasoning is 3.7 years
- The cover pool is stable, as 75.4 % of mortgages has been included in the cover pool for at least 1 year

- The cover pool is primarily exposed towards Agder and secondly to Vestfold and Telemark.



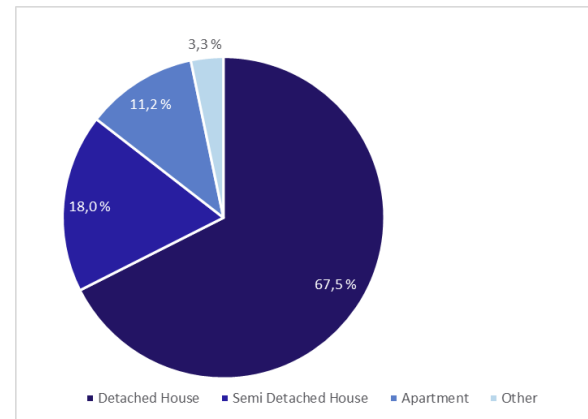
Cover pool characteristics

Cover pool broken down by intervals of loan balance

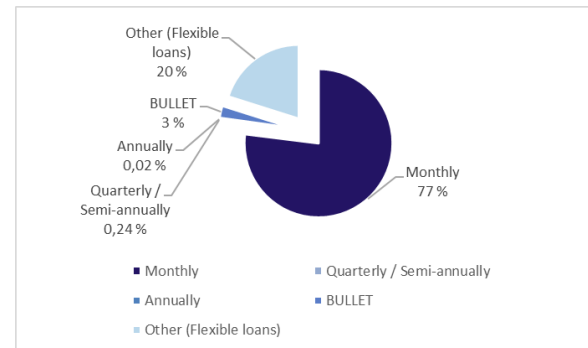


- Average loan value of NOK 1.4 million

Property type



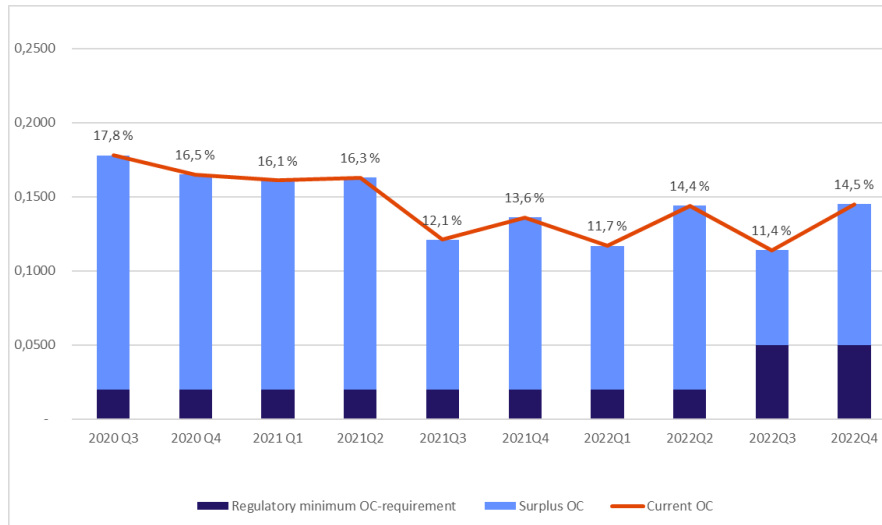
Principal payment frequency



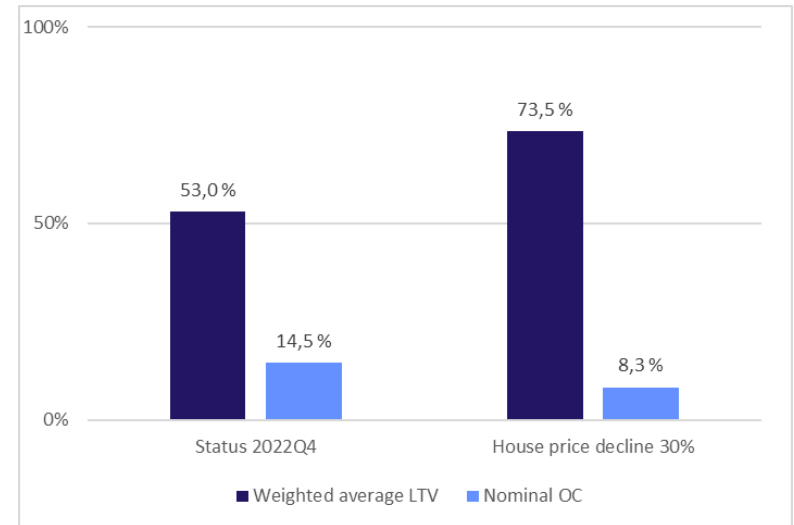
Cover pool characteristics

Regulatory minimum OC-requirement: 5.0 % - Current OC: 14.5 %

Historical development Over Collateralisation



Stress test of the cover pool



Balanced development in the region

Changes in housing prices (percent), last 12 months



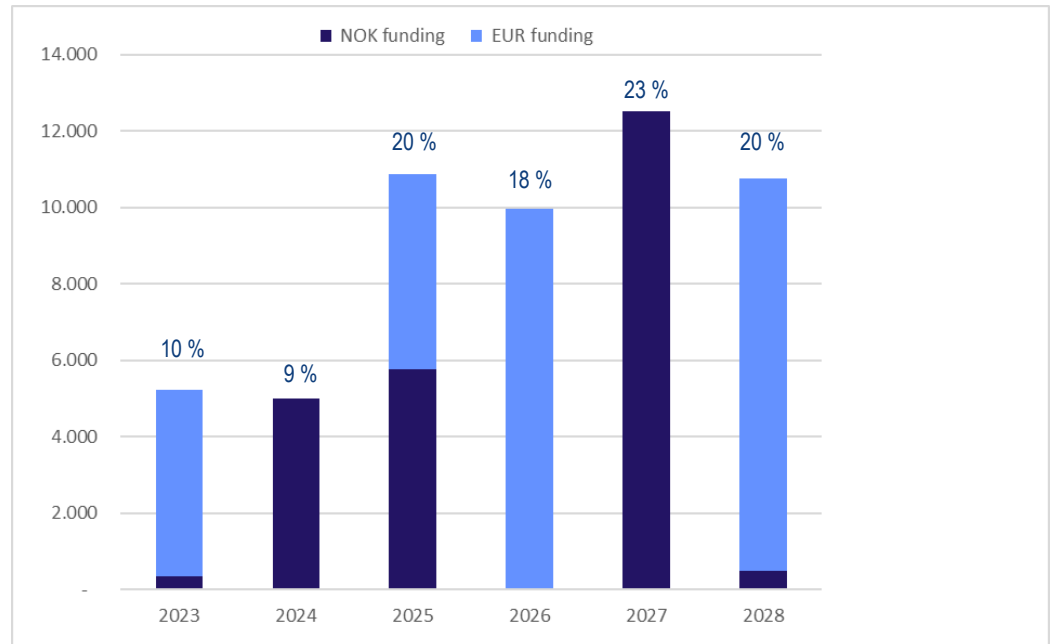
Unemployment (percent)



Funding as at 31.12.2022

- Total funding amounts to NOK 53.3 bn in issued covered bonds
- The company has a diversified maturity profile
- Funding > 12 months totalled 80.9 %

Annual expected maturity of wholesale funding



A well established International CB Issuer

Debt securities issued as at 31.12.2022

Figures stated in NOK Thousand

ISIN Nummer	Ticker	Currency	Nominal value	Interest		Due date	Book value	Fair value
NO0010671597	SORB09	NOK	350.000	Fixed	3,850 %	13.02.2023	361.894	362.097
XS1775786145		EUR	500.000	Fixed	0,38 %	20.02.2023	5.277.006	5.279.646
NO0010882632	SORB30	NOK	5.000.000	Floating	3M Nibor	19.11.2024	5.024.472	5.038.695
NO0010832637	SORB28	NOK	5.750.000	Floating	3M Nibor	24.09.2025	5.760.177	5.770.276
XS2555209381	Green	EUR	500.000	Fixed	0,313 %	14.11.2025	5.265.313	5.263.769
XS1947550403		EUR	500.000	Fixed	0,500 %	06.02.2026	5.085.183	4.866.156
XS2069304033	Green	EUR	500.000	Fixed	0,01 %	26.10.2026	4.408.713	4.660.557
NO0012535824	SORB32	NOK	5.500.000	Floating	3M Nibor	31.05.2027	5.513.004	5.538.650
NO0011002529	SORB31	NOK	7.000.000	Floating	3M Nibor	20.09.2027	7.163.208	7.088.249
NO0010670409	SORB08	NOK	500.000	Fixed	4,00 %	24.01.2028	523.980	524.775
XS2291901994		EUR	500.000	Fixed	0,01 %	28.01.2028	4.495.001	4.474.413
XS2389362687		EUR	500.000	Fixed	0,01 %	25.09.2028	4.399.240	4.374.929
TOTAL							53.277.192	53.242.213



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(Incorporated with limited liability in Norway)

€8,000,000,000

Euro Medium Term Covered Note Programme



With reference to Article 10(1)(f) of the LCR-regulation, Sparebanken Sør Boligkreditt AS (SSBK) confirms the following:

- SSBK gives the information required in Article 129(7) of CRR to its investors
- Covered bonds issued by SSBK are assigned a credit assessment by a nominated ECAI which is at least credit quality step 1 in accordance with Article 129(4) of CRR, and the equivalent credit quality step in the event of short term credit assessment
- The cover pool does at all times meet an asset coverage requirement of at least 5 % in excess of the amount required to meet the claims attaching to the covered bonds issued by SSBK
- Covered bonds issued by Sparebanken Sør Boligkredit after 8 July 2022 are "covered bonds", as defined in point (1) of Article 3 of Directive (EU) 2019/2162, and are entitled to use the label "European Covered Bond (Premium)". Covered bonds issued by Sparebanken Sør Boligkredit before 8 July 2022 fulfill the requirements set out set out in Article 52(4) of Directive 2009/65/EC and are eligible for preferential treatment under CRR article 129(4) and (5) until their maturity, cf. article 129(7)

Information on the cover pool

Sparebanken Sør Boligkreditt AS has implemented the common Harmonised Transparency Template of the European Covered Bond Council

Information about the cover pool of SSBK may be accessed via <https://www.sor.no/felles/om-sparebanken-sor/sparebanken-sor-boligkreditt/cover-pool-information//>

Sparebanken Sør Boligkreditt AS is a member of the ECBC Covered Bond Label initiative
<https://www.coveredbondlabel.com/issuer/122-sparebanken-sor-boligkreditt-as>



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Green & Sustainability Bond Framework 2022

- Update from the 2019 framework (for new issues):
 - Tightening of green criteria in line with best market practice
 - EU Taxonomy alignment
- Well established Green and Social project categories: Green buildings, healthcare and education
- Following the 2021 ICMA Green Bond Principles, Social Bond Principles and the Sustainability Bond Guideline

Positive Second Party Opinion from Sustainalytics:

“Sustainalytics is of the opinion that the Sparebanken Sør Green & Sustainability Bond Framework is credible and impactful, and aligns with the four core components of the GBP, SBP and SBG”.

“Sustainalytics has assessed the Sparebanken Sør Green & Sustainability Bond Framework for alignment with the EU Taxonomy, and is of the opinion that the Framework’s green eligibility category (which maps to one EU activity) aligns with the applicable technical screening criteria (TSC) in the EU Taxonomy, and aligns with the do no significant harm (DNSH) criteria.”

<https://www.sor.no/felles/om-sparebanken-sor/about/investor-relations/green-and-sustainability-bond-framework/>

Green & Sustainability Bond Framework

Through issuing Green & Sustainability Bonds, Sparebanken Sør intends to contribute to the development of the green & sustainability bond market while highlighting its Sustainability Strategy to capital markets participants. In addition, Green/Sustainability Bonds will help to diversify Sparebanken Sør’s investor base and to broaden dialogue to existing investors.

This Green & Sustainability Bond Framework is based on the Green Bond Principles, Social Bond Principles as well as Sustainability Bond Guidelines, all published by the International Capital Markets Association in their most recent iteration (2021). The framework enables Sparebanken Sør and the independent covered bond institute Sparebanken Sør Boligkreditt to issue a variety of bond formats, including, but not limited to Senior Preferred Bonds, Senior Non-Preferred Bonds and Covered Bonds. These and other formats can be issued as different bond types, such as Green or Sustainability Bonds. The variety of different formats and types will be referred to as Green & Sustainability Bonds throughout this document.

EU taxonomy alignment

Sparebanken Sør welcomes the increased clarity and structure which the EU taxonomy and related regulations bring to the sustainable finance market. Appreciating the comprehensive scope of current and upcoming EU regulation within the space of sustainable finance, the bank has decided to be an early adopter and to align this framework with the EU Taxonomy to the degree feasible.

The alignment of the framework with the EU taxonomy has been assessed by Sustainalytics. The framework is found to be:

- ✓ Aligned with relevant Technical Screening Criteria
- ✓ Aligned with relevant Do No Significant Harm criteria
- ✓ Aligned with Minimum Social Safeguards



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Future prospects

Macro

The activity in the Norwegian economy is high, with little spare capacity and unemployment is on a low level. Going forward economic growth and activity will be affected by an elevated inflation level, further interest rate hikes and geopolitical uncertainty. Norges Bank raised the key policy rate both in their November and December meetings in 2022, to a rate of 2.75 percent at year-end. The key policy rate forecast indicates a rise to around 3 percent during the first quarter of 2023. Residential property prices in the Bank's main markets have shown positive, though moderate, growth over several years.

Capital requirements

Sparebanken Sør Boligkreditt AS has a common equity tier 1 capital ratio of 19.5 percent and leverage ratio of 6.7 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 AS

Sparebanken Sør Boligkreditt AS will further acquire mortgages from the parent Bank to issue public covered bonds in Norway and abroad.



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