



SPAREBANKEN SØR BOLIGKREDITT AS



Investor presentation Q3 2023



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 as short-term credit facility with a notice of 31 days with the bank

Norwegian residential

The cover pool consists of prime Norwegian residential assets (93.8 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

Rating

Covered bonds issued by Sparebanken Sør Boligkreditt AS in NOK and EUR have been given an Aaa rating by Moody's. Sparebanken Sør Boligkreditt AS has an A1 issuer rating with «Positive Outlook» rated by Moody's, given on June 23, 2023.



**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 158 billions

Employees

635 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,
635 employees



185 000 retail
customers



Financial group with
banking, securities and
real estate brokerage



23 000 corporate
customers



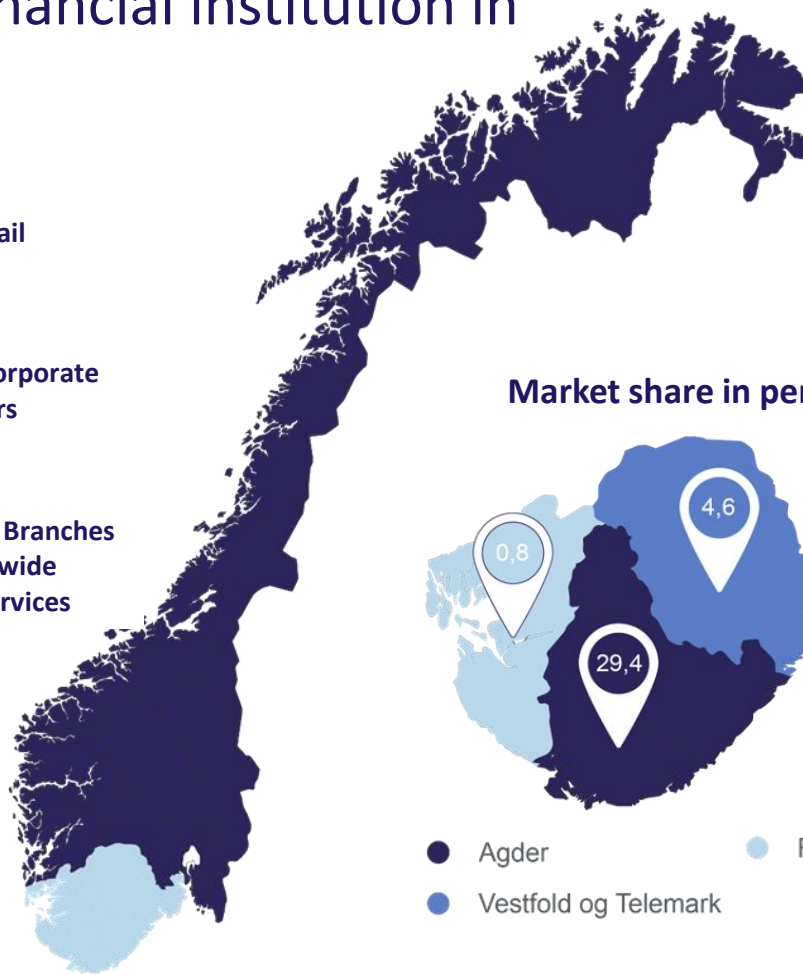
Publicly traded and
Community-owned



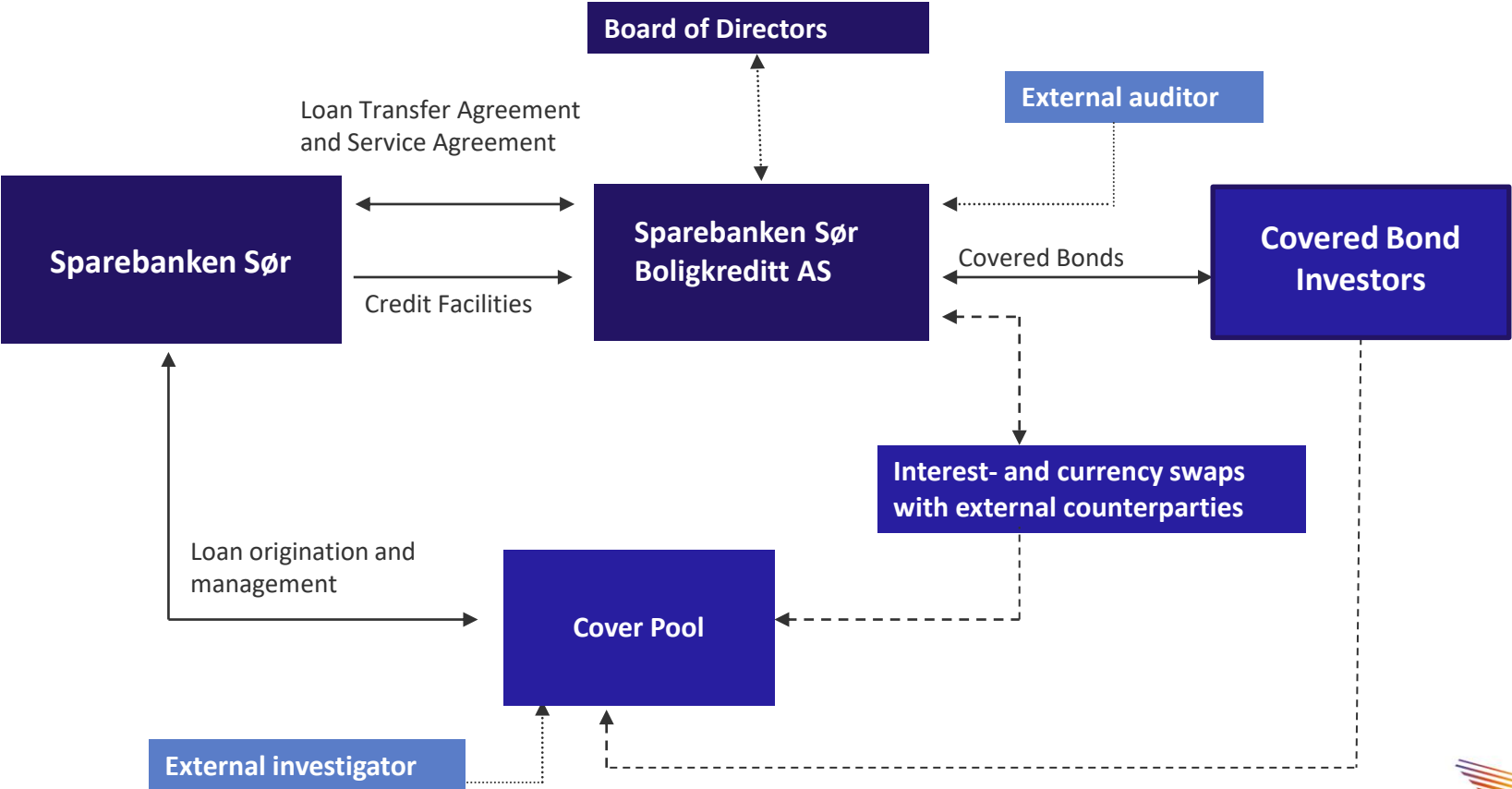
Regional Branches
& nationwide
online services



- Total assets of NOK 158 bn
- Profit after tax amounted to NOK 457 million in Q3 2023
- Cost/income ratio of 31.9 percent.



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

Appr. 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



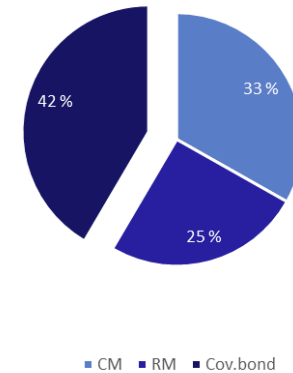
Cover pool composition and OC as at 30.09.2023

Nominal value	NOK Thousand
Loans secured by mortgages on residential properties	52 502 014
Deductions on ineligible loans	-238 230
Pool of eligible loans	52 263 784
Certificates and bonds	3 465 000
Total cover pool	55 728 784
Debt incurred due to issuance of securities	49 096 750
Total liabilities	49 096 750
Collateralisation ratio (OC)	13.5 %
Collateralisation ratio (OC) including ineligibles	14.0 %

Additional cover pool details as at 30.09.2023

Average loan balance	NOK 1 437 707
No. of loans	36 552
WA seasoning (in months)	45.7
WA remaining term (in months)	194
No. of borrowers	30 378
No. of properties	33 037
WA Indexed LTV (Loan balance/indexed valuation)	51.6 %
WA LTV (Loan balance/original valuation)	60.9 %
Total non-performing loans	0.4 %
Committed Over Collateralisation (OC)	5.0 %

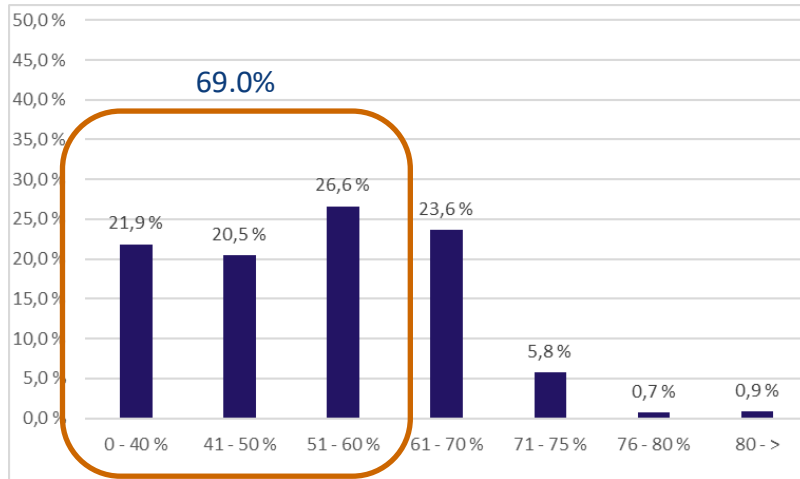
Sparebanken Sør (Group) total loan portfolio



Loans transferred to Sparebanken Sør Boligkreditt AS account for 42 % of Sparebanken Sør's total loan portfolio

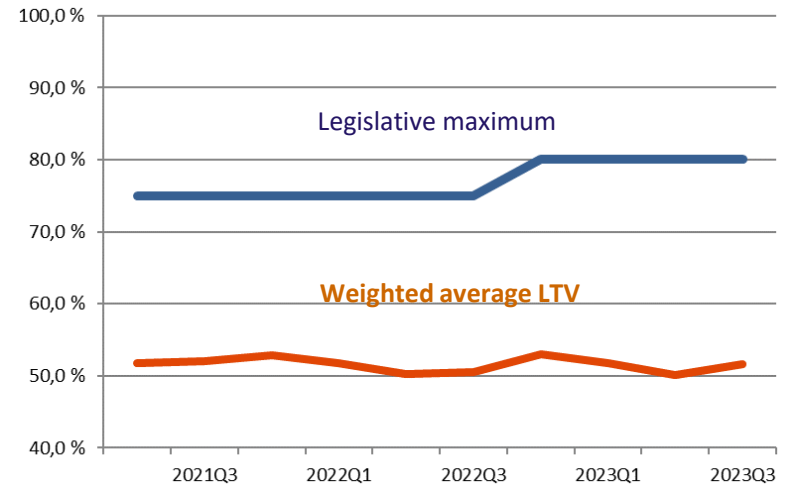
Cover pool characteristics

Current indexed LTV distribution



- The weighted average LTV is 51.6 % on an indexed basis
- 69.0 % of the cover pool has a LTV below 60%

Historical development. Weighted average indexed LTV



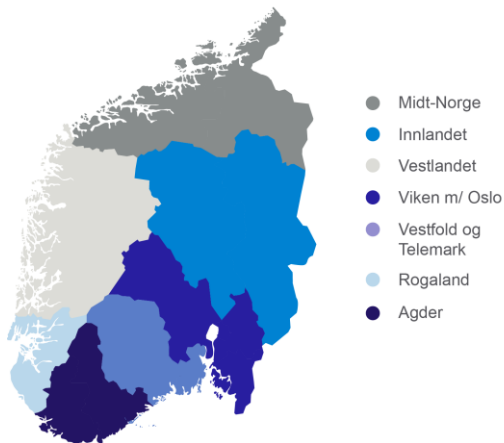
- The weighted average LTV is well below the legislative maximum for residential mortgages. A change in legislative maximum was introduced in 2022 (an increase from 75 to 80 %) and implemented in the company as from Q4 2022.



Cover pool characteristics

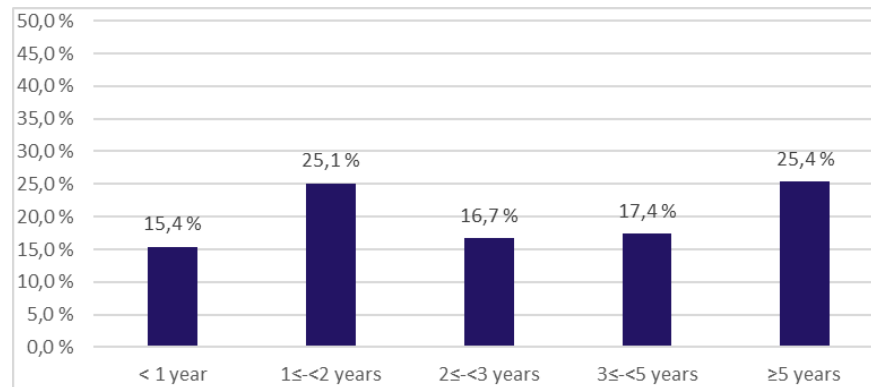
Cover pool broken down by counties

Agder	65,0 %
Vestfold og Telemark	12,3 %
Oslo	9,4 %
Viken	6,8 %
Rogaland	3,9 %
Other counties	2,6 %
Total	100,0 %



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

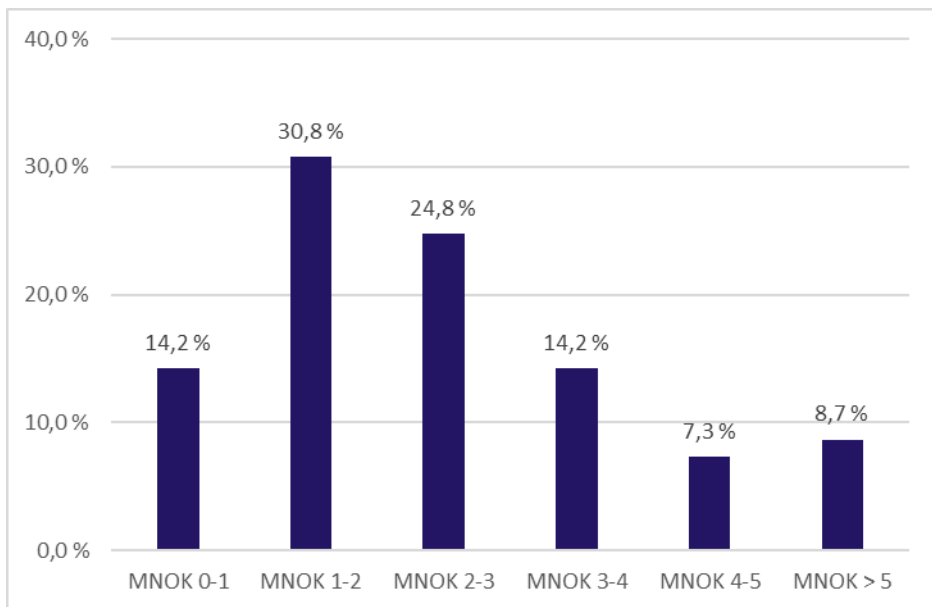
Seasoning of mortgages in the cover pool (in % of total loan balance)



- Weighted average seasoning is 3.8 years
- The cover pool is stable, as 84.6 % of mortgages has been included in the cover pool for at least 1 year

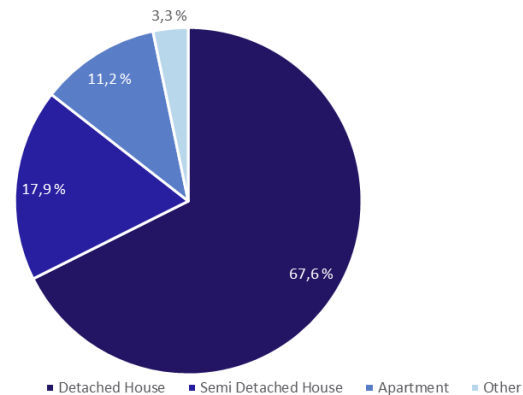
Cover pool characteristics

Cover pool broken down by intervals of loan balance

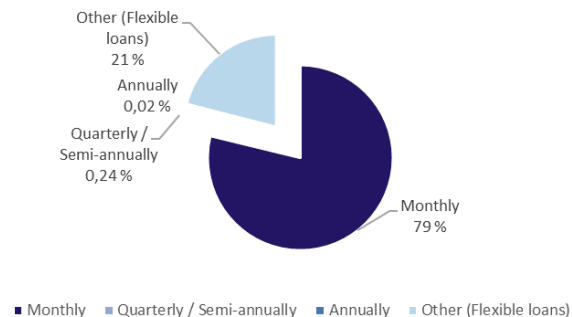


- Average loan value of NOK 1.4 million

Property type



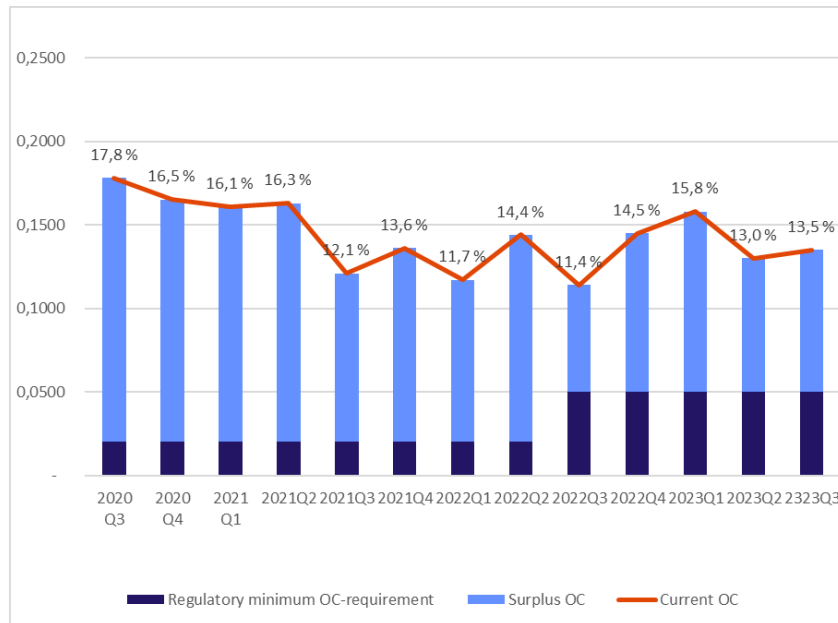
Principal payment frequency



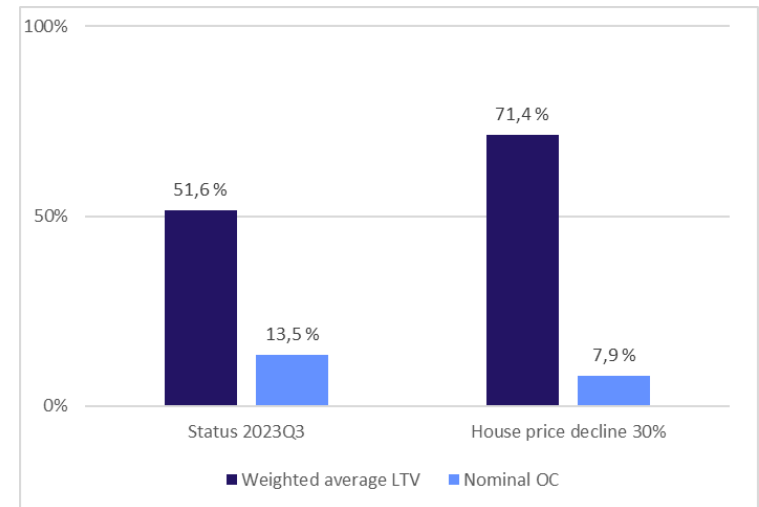
Cover pool characteristics

Regulatory minimum OC-requirement: 5.0 % - Current OC: 13.5 %

Historical development Over Collateralisation



Stress test of the cover pool

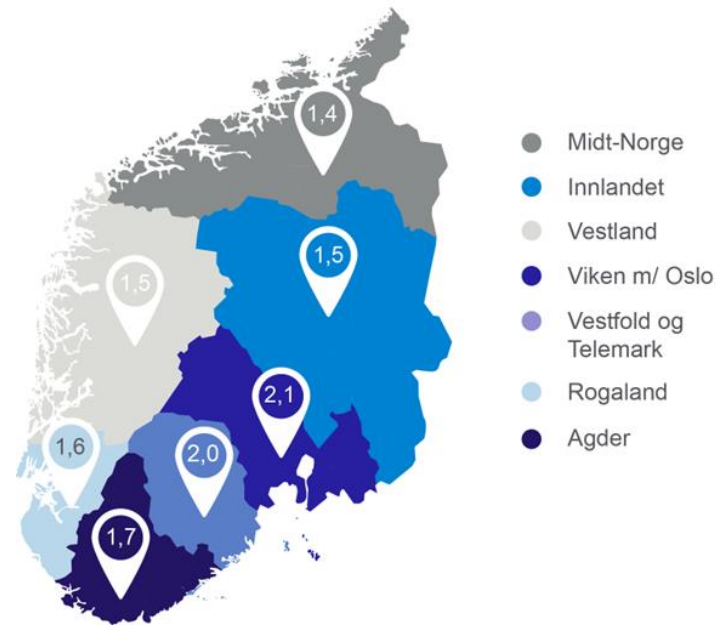


Balanced development in the region

Changes in housing prices (percent), last 12 months

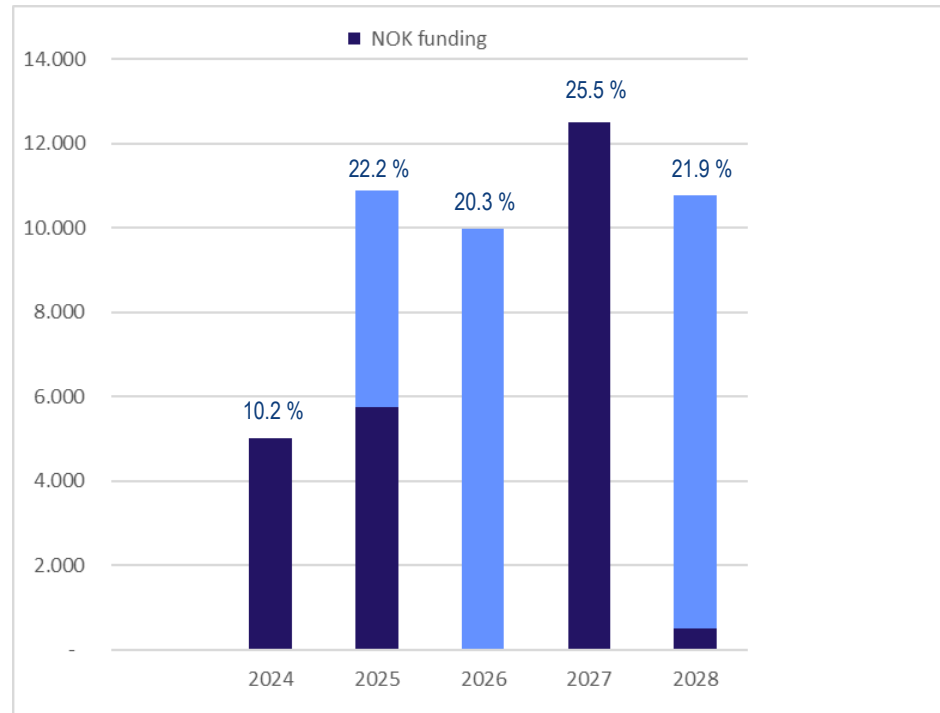


Unemployment (percent)



Funding as at 30.09.2023

Annual expected maturity of wholesale funding



- Total funding amounts to NOK 49.7 bn in issued covered bonds
- The company has a diversified maturity profile
- Funding > 12 months totalled 100.0 %



A well established International CB Issuer

Debt securities issued as at 30.09.2023

ISIN	TICKER	CURRENCY	NOM . VALUE	INTEREST		DUE DATE	BOOK VALUE	FAIR VALUE
NO0010882632	SORB30	NOK	5 000 000	Floating	3M Nibor	19.11.2024	5 030 936	5 043 260
NO0010832637	SORB28	NOK	5 750 000	Floating	3M Nibor	24.09.2025	5 760 215	5 773 650
XS2555209381		EUR	500 000	Fixed	0.313%	14.11.2025	5 741 217	5 751 587
XS1947550403		EUR	500 000	Fixed	0.5%	06.02.2026	5 253 467	5 280 538
XS2069304033		EUR	500 000	Fixed	0.01%	26.10.2026	5 073 348	5 085 034
NO0012535824	SORB32	NOK	5 500 000	Floating	3M Nibor	31.05.2027	5 519 071	5 542 620
NO0011002529	SORB31	NOK	7 000 000	Floating	3M Nibor	20.09.2027	7 141 287	7 082 596
NO0010670409	SORB08	NOK	500 000	Fixed	4.0%	24.01.2028	495 626	495 882
XS2291901994		EUR	500 000	Fixed	0.01%	28.01.2028	4 899 661	4 871 248
XS2389362687		EUR	500 000	Fixed	0.01%	25.09.2028	4 791 082	4 757 807
TOTAL							49 705 910	49 684 222



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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

Activity in the Norwegian economy is high, with little spare capacity. Unemployment is still on a low level, and the labour market is tight. Price inflation is markedly above target according to the Norwegian Central Bank, Norges Bank. In order to curb inflation, the key policy rate in Norway has been raised to 4.25 percent over a short period of time, from 0 in September 2021. There will likely be one additional policy rate hike in December, whereas the key policy rate is expected to remain at the same level during 2024.

Residential property prices in the Bank's main markets have shown positive, though moderate, growth over several years. Activity in the housing market in the region has been high and with inflated house prices during 2021 and 2022. House price inflation is projected to stabilize during 2023, owing to higher lending rates and a lower demand for mortgages. A strong labour market and wage growth will on the other hand have a positive effect on house prices.

Capital requirements

Sparebanken Sør Boligkreditt AS has a common equity tier 1 capital ratio of 20.6 percent and leverage ratio of 7.3 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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