



Sparebanken Sør Boligkreditt AS

Investor presentation Q4 2021

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 (92.5 %) 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 – four notches TPI leeway

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 144 billions

Employees

579 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 growth and development in the region



SPAREBANKEN SØR

Sparebanken Sør - a leading financial institution in Southern Norway



Established in 1824,
579 employees



180 000 retail
customers



Financial group with
banking, securities and
real estate brokerage



22 000 corporate
customers



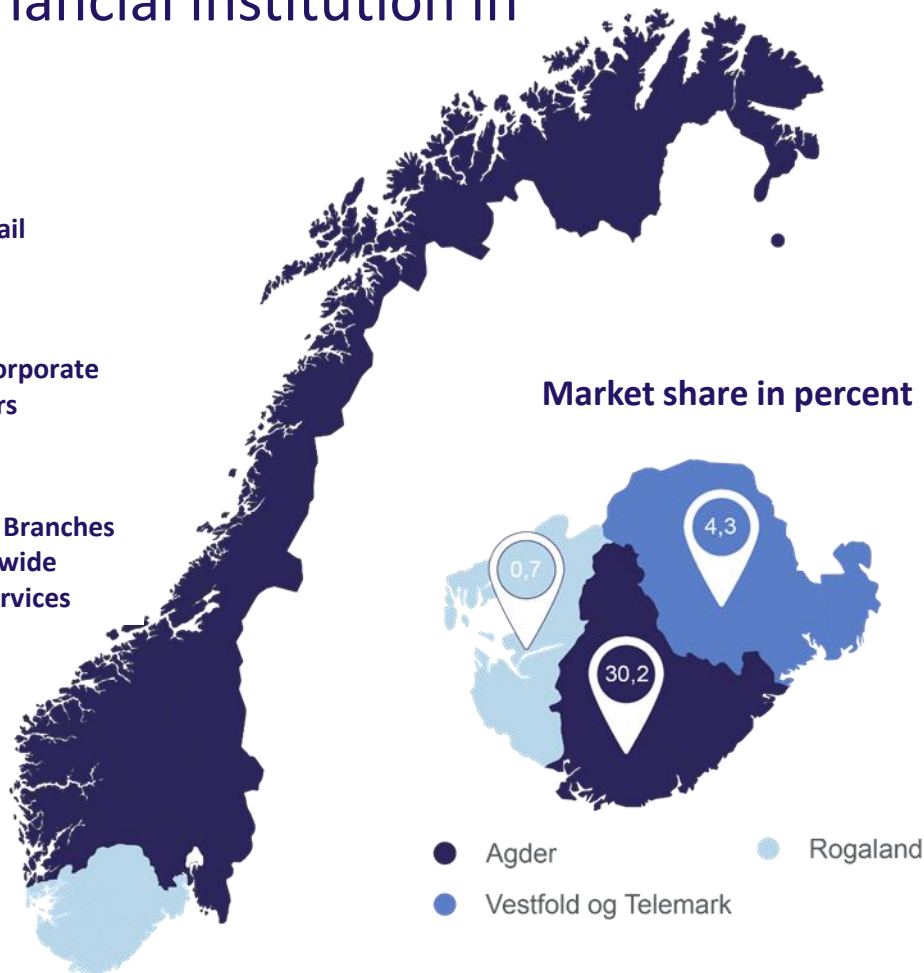
Publicly traded and
Community-owned



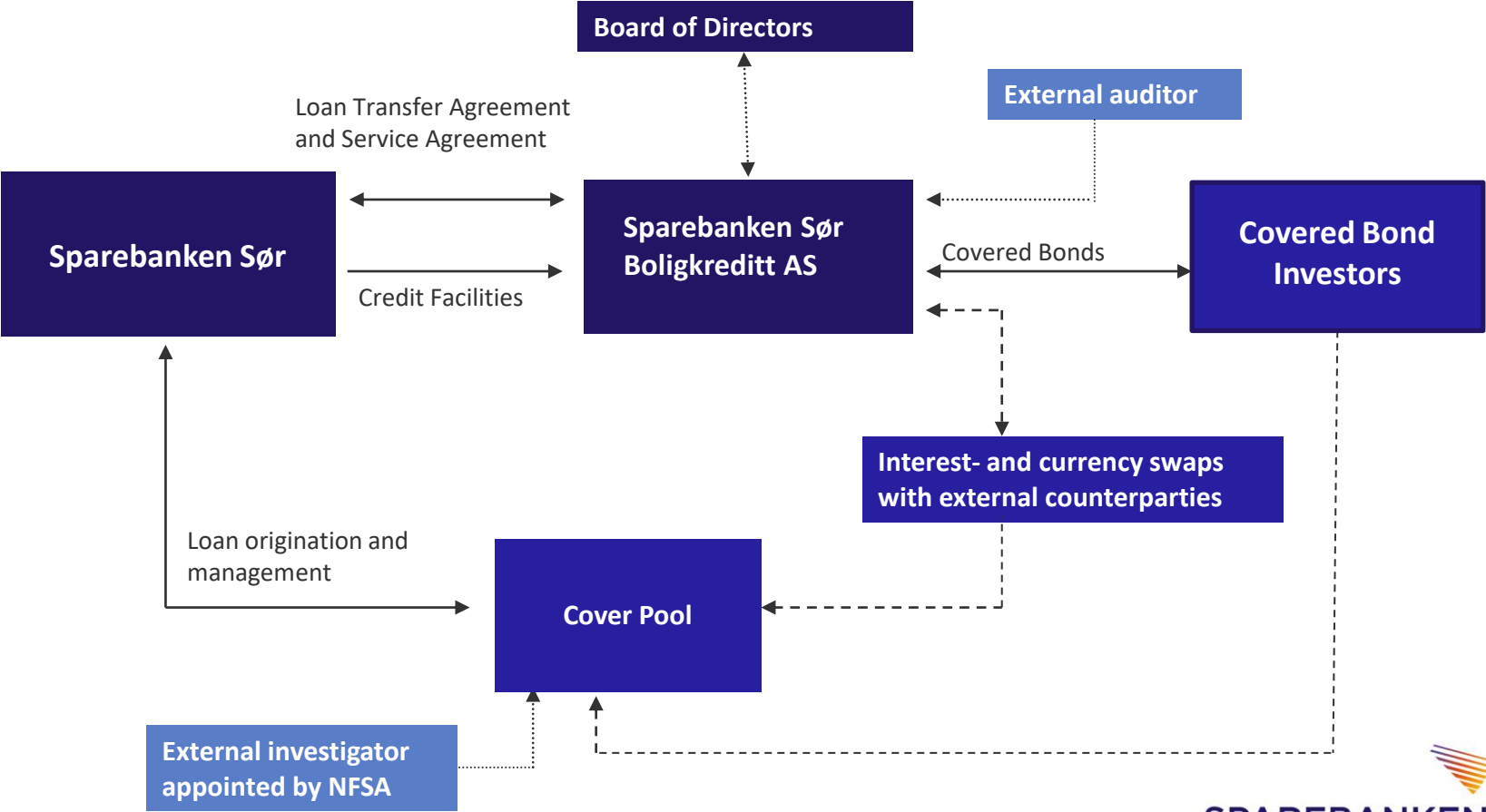
Regional Branches
& nationwide
online services



- Total assets of NOK 144 bn
- Profit after tax amounted to NOK 328 million in Q3 2021
- Cost/income ratio of 39.3 percent.



Business concept - governed by the Norwegian covered bond legislation



Green & Sustainable



Green & Sustainability Bond Framework established autumn 2019

Eligible Green Loan Portfolio NOK 11.3 billion in June 2021

Green Covered Funding EUR 500 million



Benefits of a green mortgage

- The bank's best rate
- Also applies when refinancing or increasing the mortgage
- New product as of March 2019



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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 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 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 six 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 23 %

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

Mortgage lending regulation

Max 5x gross income

Max 85 % LTV

- 60 % for secondary home in Oslo

Debt servicing capacity

- 5 percentage points interest rate increase

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
- In Oslo this flexibility is limited to 8 %
- Flexibility has been further improved during the corona crisis

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, 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 hedged
- Long term FX funding is swapped into NOK
- Derivative contracts with external counterparties
- No investments in “risky” assets; Norwegian government or high quality fixed income securities



Cover pool composition and OC as at 31.12.2021

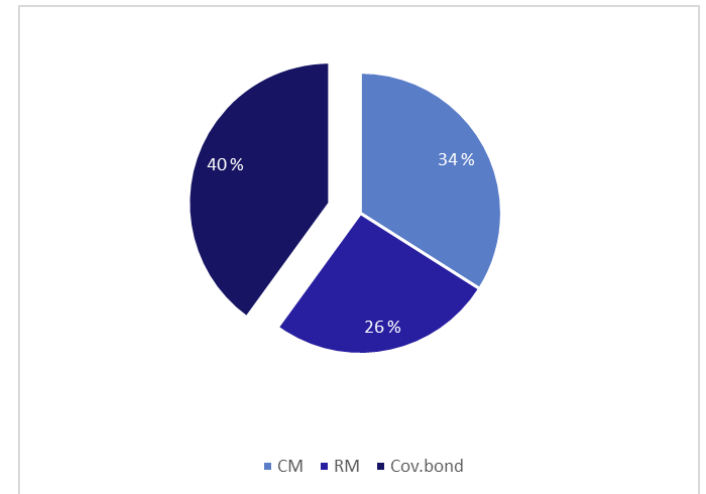
| | Fair value |
|--|------------|
| Loans secured by mortgages on residential properties | 49 667 562 |
| Deductions on ineligible loans | -169 912 |
| Pool of eligible loans | 49 497 650 |
| Certificates and bonds | 3 794 692 |
| Financial derivatives | 214 981 |
| Total cover pool | 53 507 323 |
| Debt incurred due to issuance of securities | 47 522 354 |
| Collateralisation ratio (OC) | 12.6 % |

| | Nominal value |
|---|---------------|
| OC based on nominal value – eligible only | 13.6 % |
| OC based on nominal value – total loans | 14.0 % |

Additional cover pool details as at 31.12.2021

| | |
|--|-----------|
| Average loan balance | 1 335 223 |
| No. of loans | 37 181 |
| WA seasoning (in months) | 43.2 |
| WA remaining term (in months) | 197 |
| No. of borrowers | 30 849 |
| No. of properties | 33 433 |
| WA Indexed LTV (Loan balance/Indexe d valuation) | 52.9 % |
| WA LTV (Loan balance/Original valuation) | 60.3 % |
| Loans in arrears > 90 days | 0.2 % |
| Committed Over Collateralisation (OC) | 2.0 % |

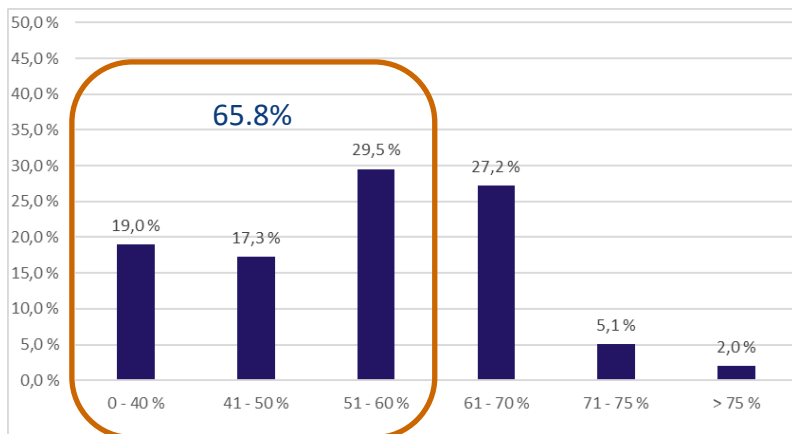
Sparebanken Sør (Group) total loan portfolio



Loans transferred to Sparebanken Sør Boligkreditt AS account for 40 % of Sparebanken Sør's total loan portfolio

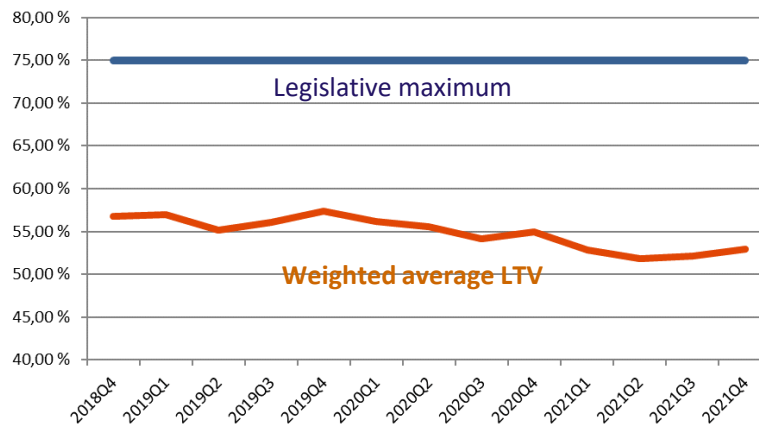
Cover pool characteristics

Current indexed LTV distribution



- The weighted average LTV is 52.9 % on an indexed basis
- 65.8 % of the cover pool has a LTV below 60%

Historical development in weighted average indexed LTV

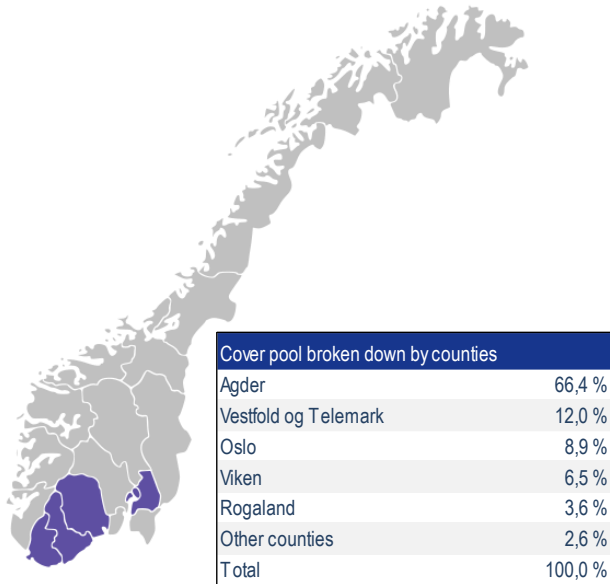


- On a historical level the weighted average LTV is well below the legislative maximum of 75 % for residential mortgages



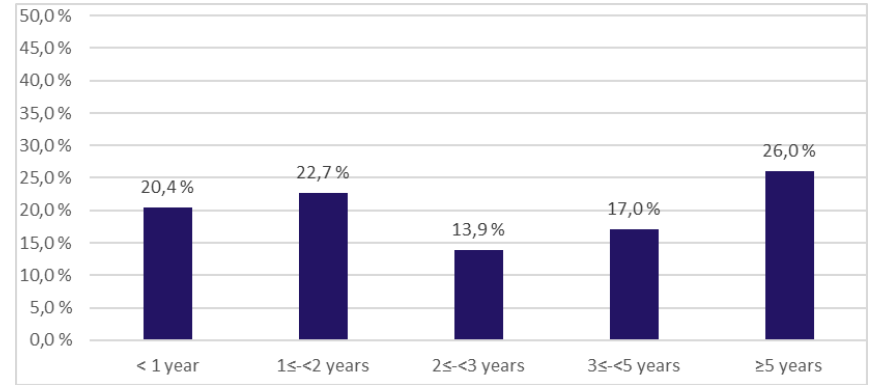
Cover pool characteristics

Cover pool geographic split



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

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

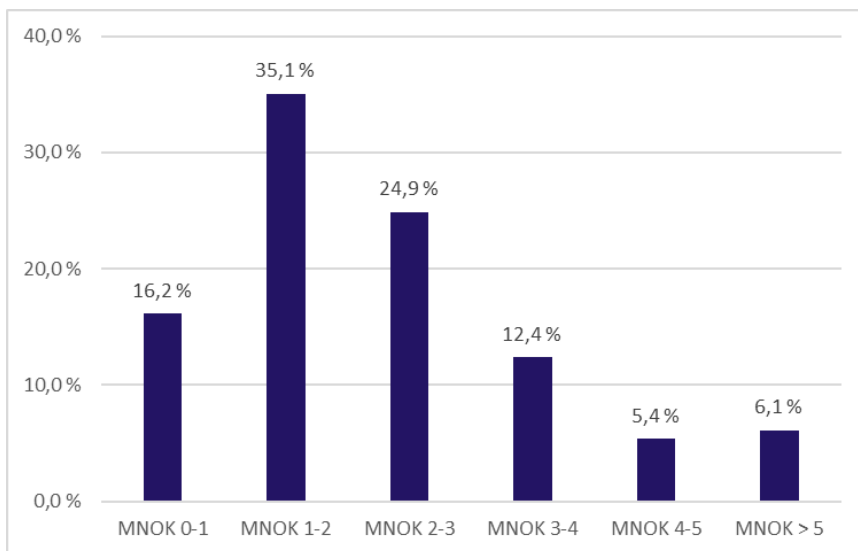


- Weighted average seasoning is 3.6 years
- The cover pool is stable, as 79.6 % of mortgages has been included in the cover pool for at least 1 year



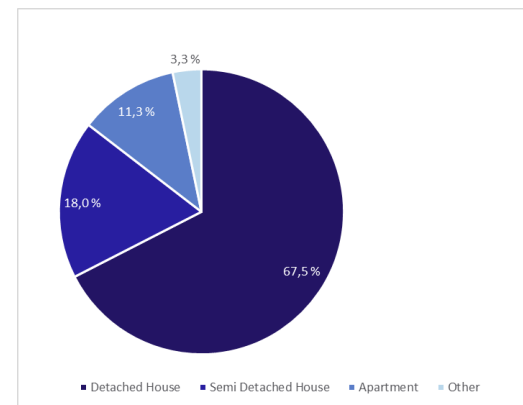
Cover pool characteristics

Cover pool broken down by intervals of loan balance

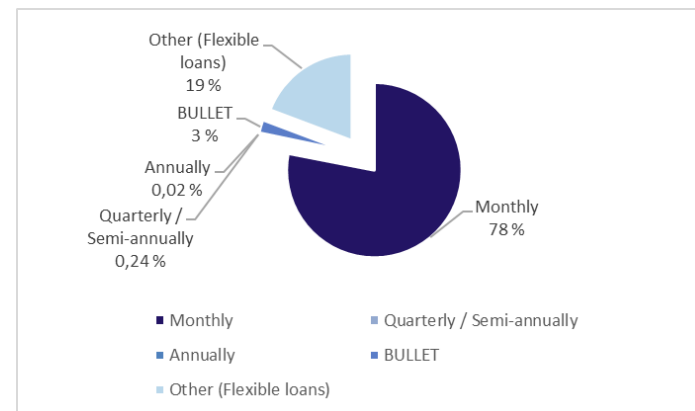


- Average loan value of NOK 1.3 million

Property type



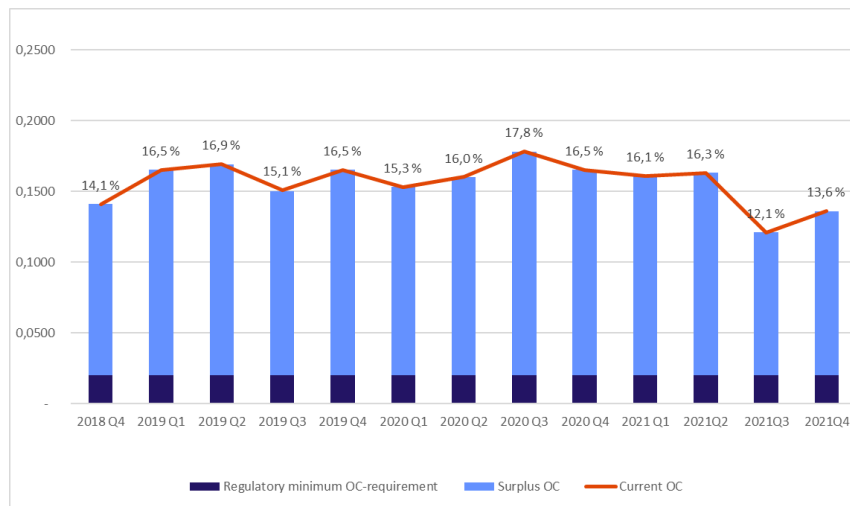
Principal payment frequency



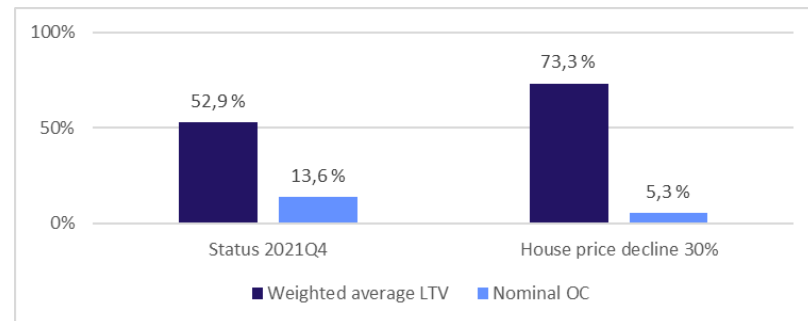
Cover pool characteristics

Regulatory minimum OC-requirement: 2.0 % - Current OC: 13.6 %

Historical development Over Collateralisation



Stress test of the cover pool

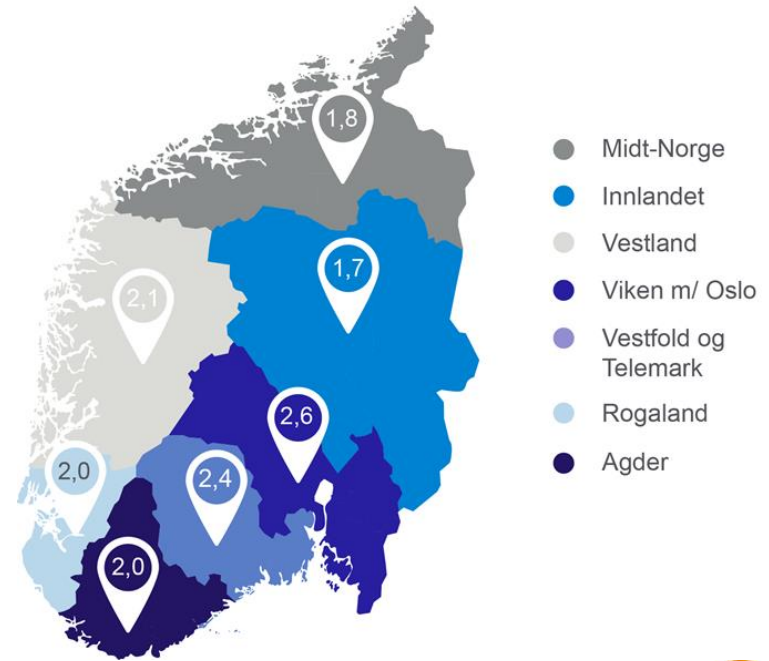


Balanced development in the region

Changes in housing prices (percent), last 12 months



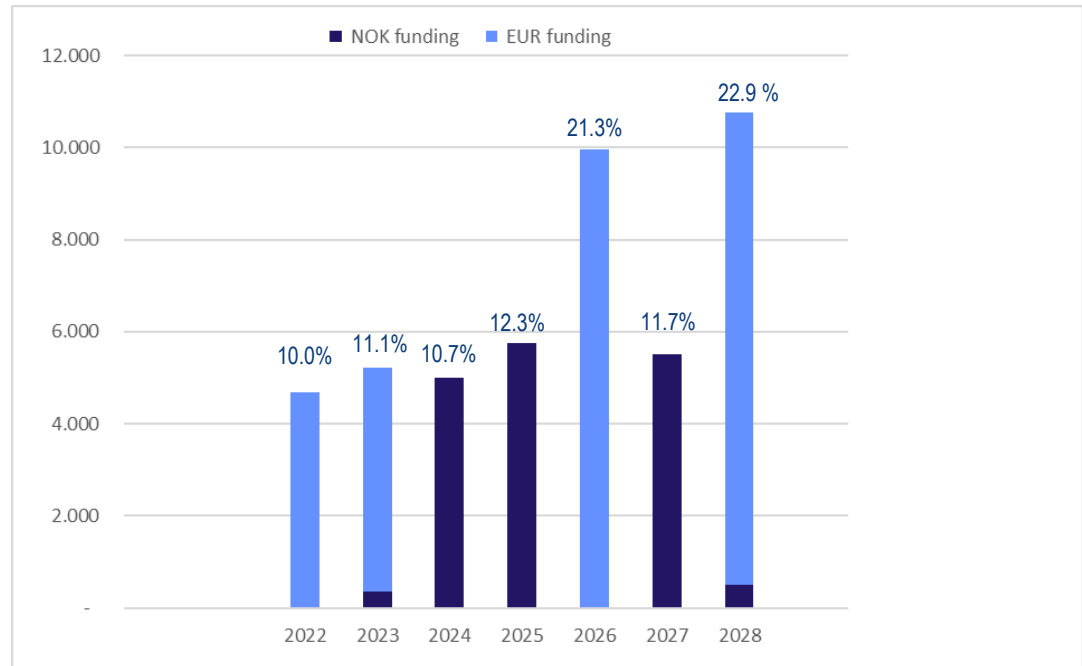
Unemployment (percent)



Funding as at 31.12.2021

- Total funding amounts to NOK 47.3 bn in issued covered bonds
- The company has a diversified maturity profile
- Funding > 12 months totalled 90.0 %
- Soft bullet structure on all outstanding bonds

Annual maturity of wholesale funding



Debt securities issued as at 31.12.2021

Figures stated in NOK Thousand

| ISIN | Ticker | Currency | Nominal value | Interest | Due date | Book value | Fair value | |
|--------------|--------|----------|---------------|----------|----------|-------------------|-------------------|-----------|
| XS1622285283 | | EUR | 500 000 | Fixed | 0,125 % | 30.05.2022 | 5 015 835 | 5 006 151 |
| NO0010671597 | SORB09 | NOK | 350 000 | Fixed | 3,85 % | 13.02.2023 | 376 524 | 371 696 |
| XS1775786145 | | EUR | 500 000 | Fixed | 0,375 % | 20.02.2023 | 5 058 960 | 5 052 413 |
| NO0010882632 | SORB30 | NOK | 5 000 000 | Floating | 3M Nibor | 19.11.2024 | 5 012 111 | 5 044 737 |
| NO0010832637 | SORB28 | NOK | 5 750 000 | Floating | 3M Nibor | 24.09.2025 | 5 760 986 | 5 805 157 |
| XS1947550403 | | EUR | 500 000 | Fixed | 0,50 % | 06.02.2026 | 5 295 747 | 5 118 367 |
| XS2069304033 | | EUR | 500 000 | Fixed | 0,01 % | 26.10.2026 | 4 711 669 | 4 988 074 |
| NO0011002529 | SORB31 | NOK | 5 500 000 | Floating | 3M Nibor | 20.09.2027 | 5 663 025 | 5 653 080 |
| NO0010670409 | SORB08 | NOK | 500 000 | Fixed | 4,00 % | 24.01.2028 | 547 978 | 571 457 |
| XS2291901994 | | EUR | 500 000 | Fixed | 0,01 % | 28.01.2028 | 4 945 248 | 4 945 971 |
| XS2389362687 | | EUR | 500 000 | Fixed | 0,01 % | 25.09.2028 | 4 951 930 | 4 965 253 |
| TOTAL | | | | | | 47 340 011 | 47 522 354 | |



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Sparebanken Sør Boligkreditt AS

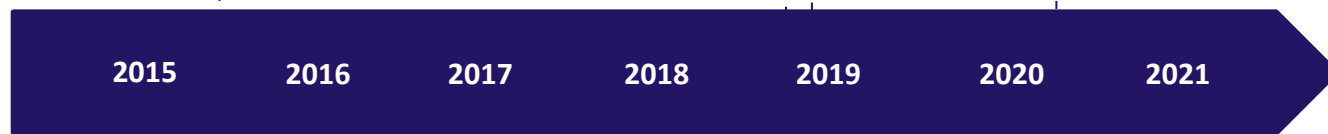
- An established issuer in the Euro CB Market

Sparebanken Sør Boligkreditt AS established a €4,000,000,000 Medium Term Covered Note Program in Q3 2015



Sparebanken Sør Boligkreditt AS updated the EMTN Program to €6,000,000,000 in Q3 2019

Sparebanken Sør Boligkreditt AS updated the EMTN Program to €8,000,000,000 in Q2 2020



- Q1 2016
EUR 500mn 5y CB
issuance
- Q2 2017
EUR 500mn 5y CB
issuance
- Q1 2018
EUR 500mn 5y CB
issuance
- Q1 2019
EUR 500mn 7y CB
issuance
- Q3 2019
EUR 500mn 7y
Green CB issuance
- Q1 2021
EUR 500mn 7y CB
issuance

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.

Euro Medium Term Covered Note Programme

SPAREBANKEN SØR BOLIGKREDITT AS

(incorporated with limited liability in Norway)

€8,000,000,000

Euro Medium Term Covered Note Programme

Under the €8,000,000,000 Euro Medium Term Covered Note Programme (the **Programme**) described in this base prospectus (the **Base Prospectus**), Sparebanken Sør Boligkreditt AS (the **Issuer**) may from time to time issue covered bonds issued in accordance with the Act and the Regulations (as defined in "Terms and Conditions of the Notes other than FPS Notes" or "Terms and Conditions of the FPS Notes", as the case may be) (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, Ferdigporsentralen AS4 (the **VPS**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €8,000,000,000 (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 (the **Central Bank**), as competent authority under the Prospectus Regulation (as defined below). The Central Bank only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

Such approval relates only to the Notes which are to be admitted to trading on the regulated market (the **Regulated Market of Euronext Dublin**) of the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) or another regulated market in the European Economic Area (the **EEA**) or the United Kingdom (the **UK**) for the purposes of Directive 2014/65/EU (as amended) (**MiFID II**) and/or which are to be offered to the public in any Member State of the EEA or the UK, in circumstances that require the publication of a prospectus.

Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the **Official List**) and to trading on the Regulated Market of Euronext Dublin. The Issuer has further requested that the Central Bank 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 25 of the Prospectus Regulation attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation, for purposes of listing Notes on the Oslo Børs ASA's regulated market (the **Oslo Stock Exchange Regulated Market**).

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the EEA or the UK for the purposes of MiFID II. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Each of the Regulated Market of Euronext Dublin and the Oslo Stock Exchange 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 Regulated Market of Euronext Dublin or (ii) to trading on the Oslo Stock Exchange Regulated Market, as may be agreed between the Issuer and the relevant Dealer in relation to the relevant Series (as defined below).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined in "Terms and Conditions of the Notes other than FPS Notes" or "Terms and Conditions of the FPS Notes", as the case may be) of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the Central Bank and Euronext Dublin (if listed on Euronext Dublin). Copies of the Final Terms in relation to the Notes to be listed on Euronext Dublin will also be published on the website of Euronext Dublin.

The Notes are expected to be assigned a "Aaa" rating by Moody's Investors Service Limited (**Moody's**). Moody's is established in the UK and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) and is included in the list of credit rating agencies registered under the CRA Regulation, which is available on the ESMA website (<http://www.esma.europa.eu/presskit/registered-and-certified-CRAs>) (last updated on 14 November 2019).

Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Interest and/or other amounts payable under Floating Rate Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Final Terms. The registration status of any administrator under the

- Sparebanken Sør established a €4,000,000,000 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
- In the first quarter of 2019, the company issued covered bonds amounting to EUR 500 million under the program
- Sparebanken Sør Boligkreditt AS updated the EMTN Program to €6,000,000,000 in the third quarter of 2019
- In the third quarter of 2019, a Green & Sustainability Bond Framework was established. In the fourth quarter the company issued a Green Covered Bond amounting to EUR 500 million under the program.
- Sparebanken Sør Boligkreditt AS updated the EMTN Program to €8,000,000,000 in the second quarter of 2020
- In the first quarter of 2021, 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



Covered Bonds issues qualifies as Level 1 assets pursuant to LCR-regulation

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 an asset coverage requirement of at least 2 % in excess of the amount required to meet the claims attaching to the covered bonds issued by SSBK

Information on the cover pool

Sparebanken Sør 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

Future prospects

Macro

The Covid-19 pandemic has had a major impact on society and damaged the economy. The government's use of monetary policy initiatives seems to have had a positive effect, the Norwegian economy has picked up and the financial markets have become more stable. Residential property prices in the Bank's main markets have shown positive, though moderate, growth. Statistics for 2021 indicate very strong growth in housing prices in the Bank's market area. Activity in the housing market has been high in the recent quarters.

Capital requirements

Sparebanken Sør Boligkreditt AS has a common equity tier 1 capital ratio of 16.7 percent and leverage ratio of 5.9 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, primarily as benchmark issuances that are eligible to LCR requirements for level 1 assets.



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