



SPAREBANKEN SØR BOLIGKREDITT AS



Investor presentation Q3 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 (92 %) 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
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 151 billion

Employees

589 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 - a leading financial institution in Southern Norway



Established in 1824,
589 employees



184 000 retail
customers



Financial group with
banking, securities and
real estate brokerage



22 000 corporate
customers



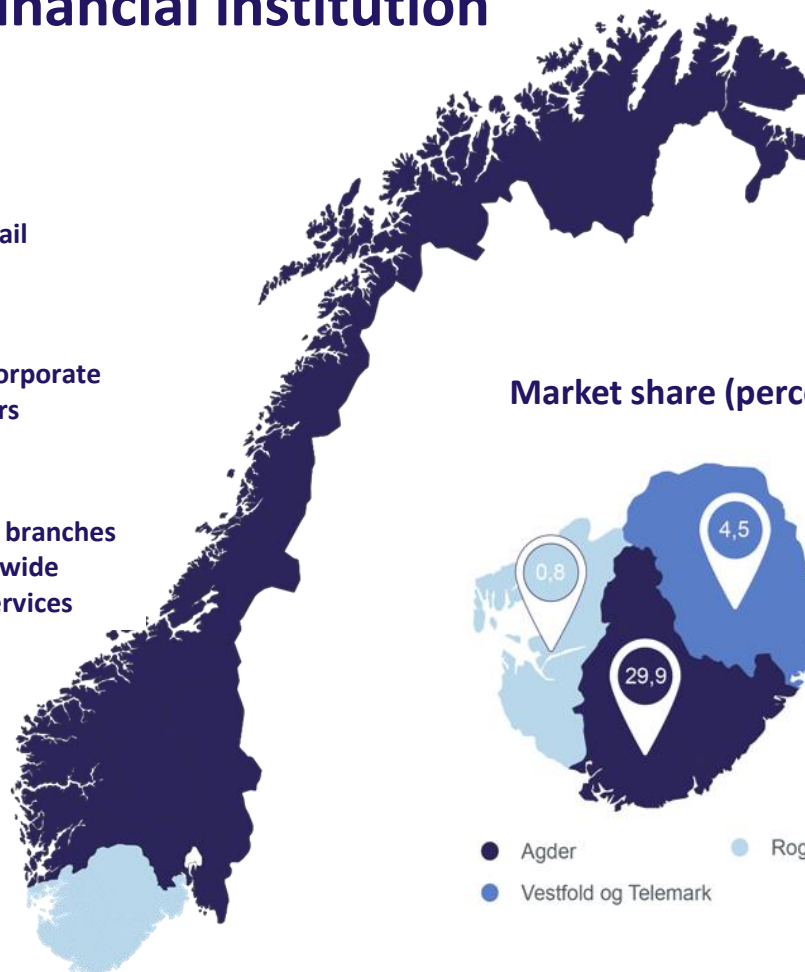
Publicly traded and
community-owned



Regional branches
& nationwide
online services

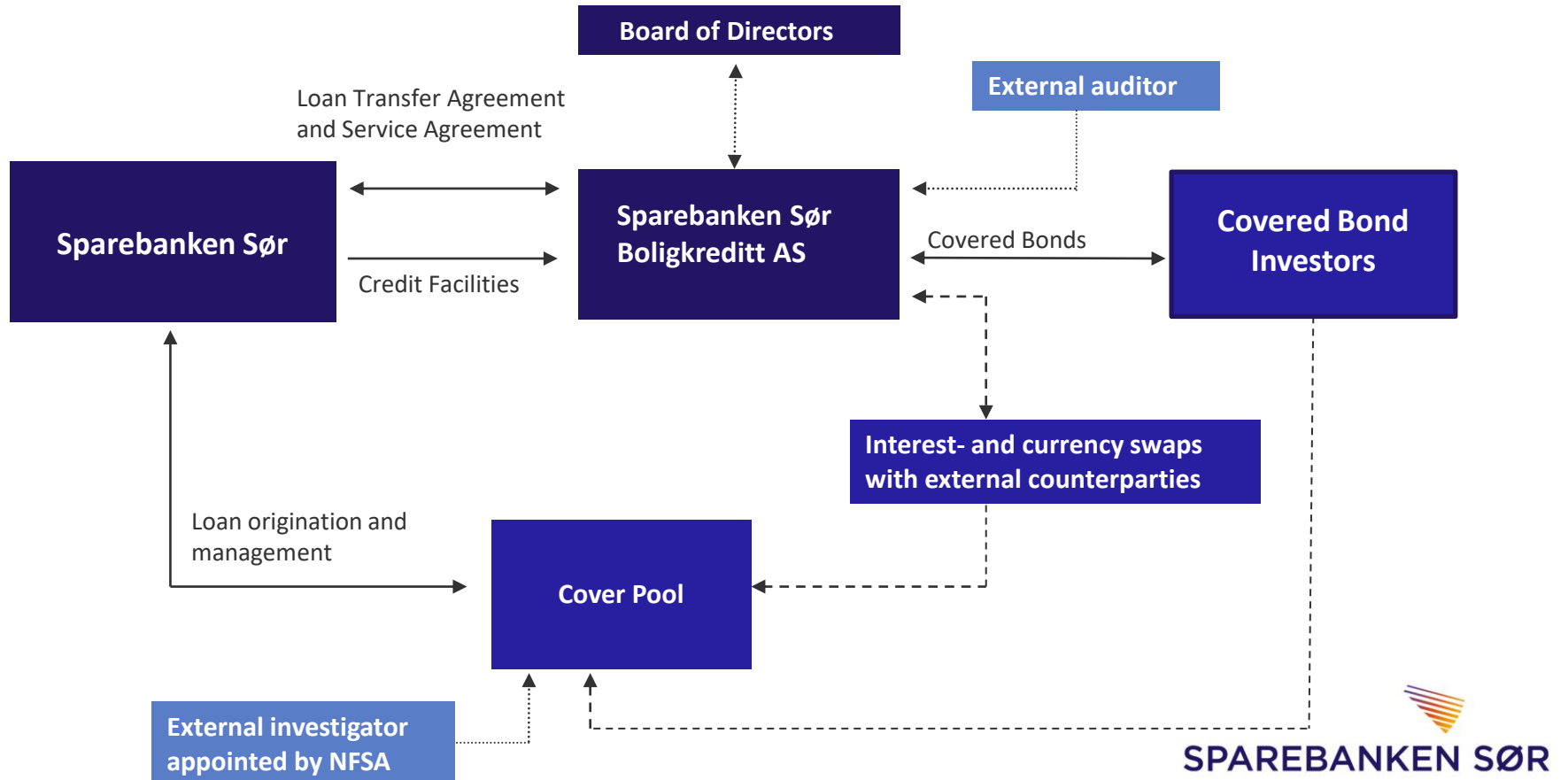


- Total assets of NOK 151 billion
- Profit after tax amounted to NOK 267 million in Q3 2022
- Cost/income ratio of 41.6 percent.



Business concept:

Governed by the Norwegian covered bond legislation



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 million)

Norwegian residential mortgage market

Norwegian residential mortgage market

Approximately 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 22 %

- 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 %

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
- No investments in “risky” assets; Norwegian government or high-quality fixed income securities

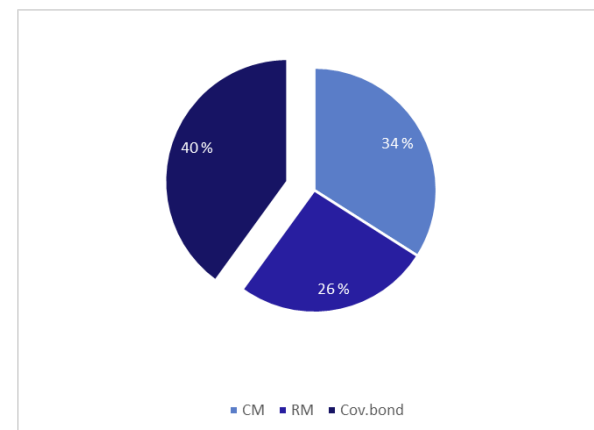
Cover pool composition and OC as at 30.09.2022

Fair value	NOK Thousand
Loans secured by mortgages on residential properties	50 901 273
Deductions on ineligible loans	-226 085
Pool of eligible loans	50 675 188
Certificates and bonds	4 143 676
Financial derivatives	0
Total cover pool	54 818 863
Debt incurred due to issuance of securities	47 911 596
Financial derivatives	1 231 492
Total liabilities	49 143 088
Over-Collateralisation ratio (OC)	11.5 %
Nominal value	
OC based on nominal value – eligibles only	11.4 %
OC based on nominal value – total loans	11.8 %

Additional cover pool details as at 30.09.2022

Average loan balance	NOK 1 382 589
No. of loans	36 781
WA seasoning (in months)	44.3
WA remaining term (in months)	196
No. of borrowers	30 827
No. of properties	33 322
WA Indexed LTV (Loan balance/indexed valuation)	50.5 %
WA LTV (Loan balance/original valuation)	60.8 %
Total non-performing loans	0.4 %
Committed Over-Collateralisation (OC)	5.0 %

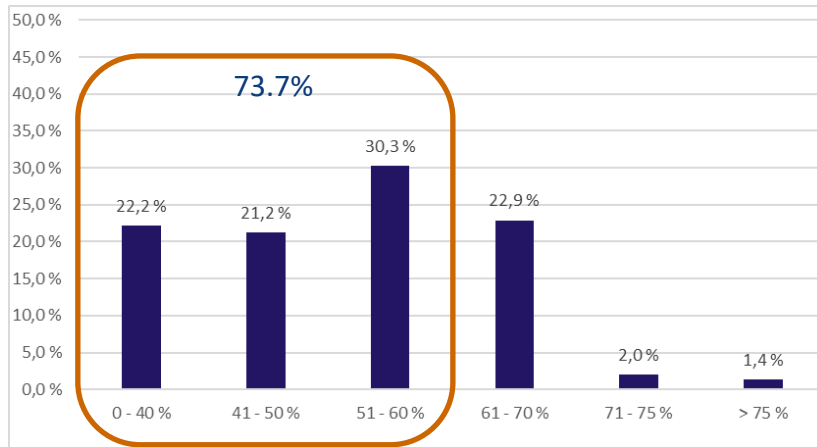
Sparebanken Sør (Group) total loan portfolio



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

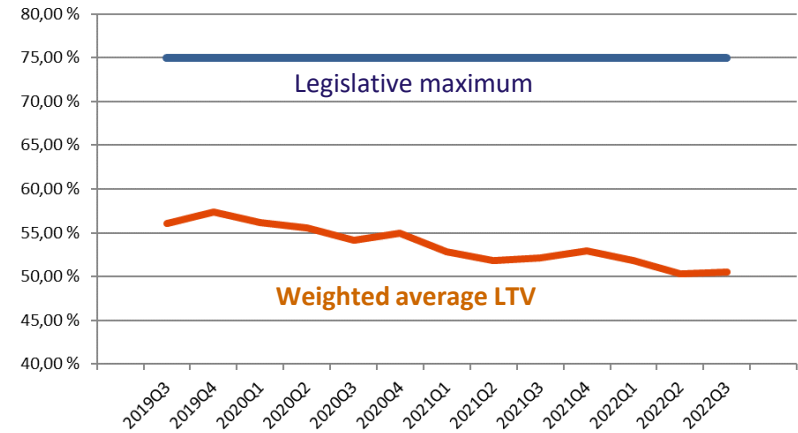
Cover pool characteristics - LTV

Current indexed LTV distribution



- The weighted average LTV is 50.5 % on an indexed basis
- 73.7 % of the cover pool has a LTV below 60%

Historical development in weighted average indexed LTV

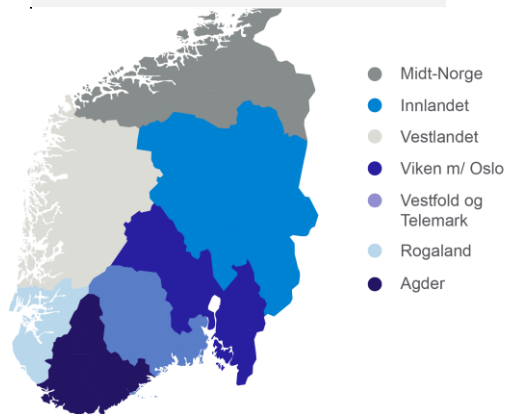


- On a historical level the weighted average LTV is well below the legislative maximum of 75 % for residential mortgages

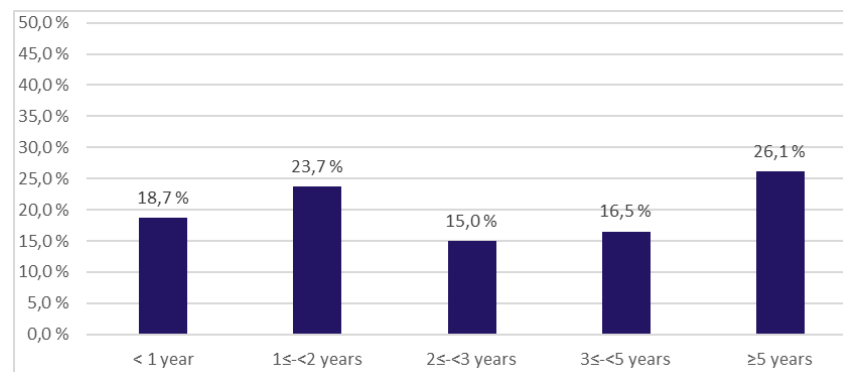
Cover pool – geography and seasoning

Cover pool broken down by counties

Agder	65.0 %
Vestfold og Telemark	12.2 %
Oslo	9.5 %
Viken	6.8 %
Rogaland	3.7 %
Other counties	2.8 %
Total	100.0 %



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

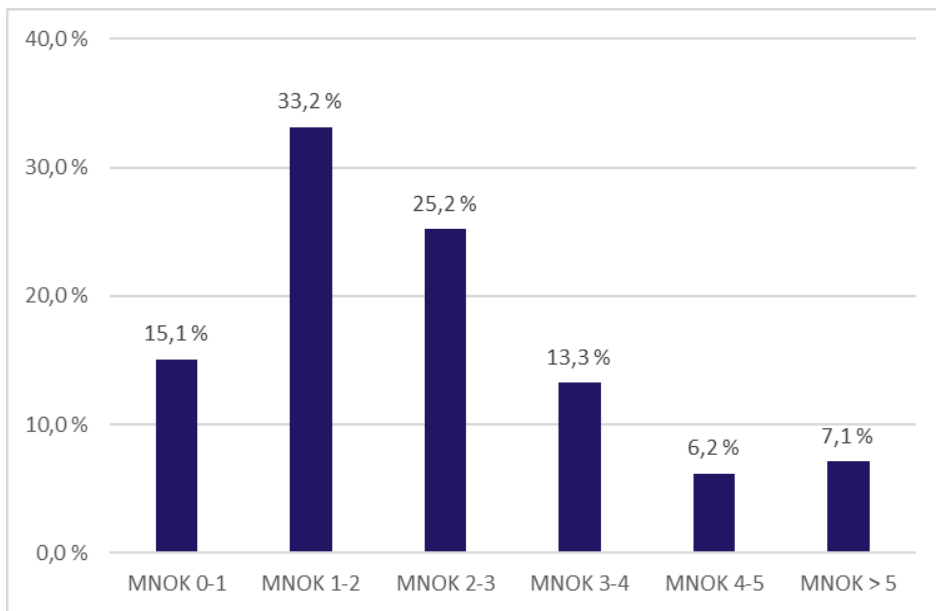


- Weighted average seasoning is 3.7 years
- The cover pool is stable, as 81.3 % of mortgages has been included in the cover pool for at least 1 year

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

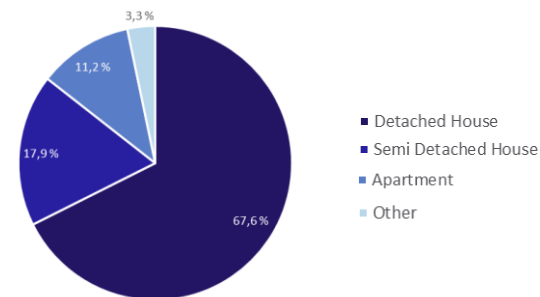
Loan sizes and property types in the pool

Cover pool broken down by intervals of loan balance

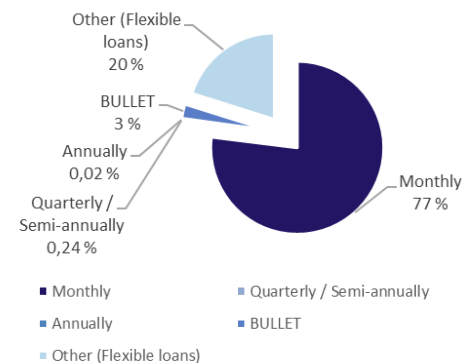


- Average loan value of NOK 1.4 million

Property type

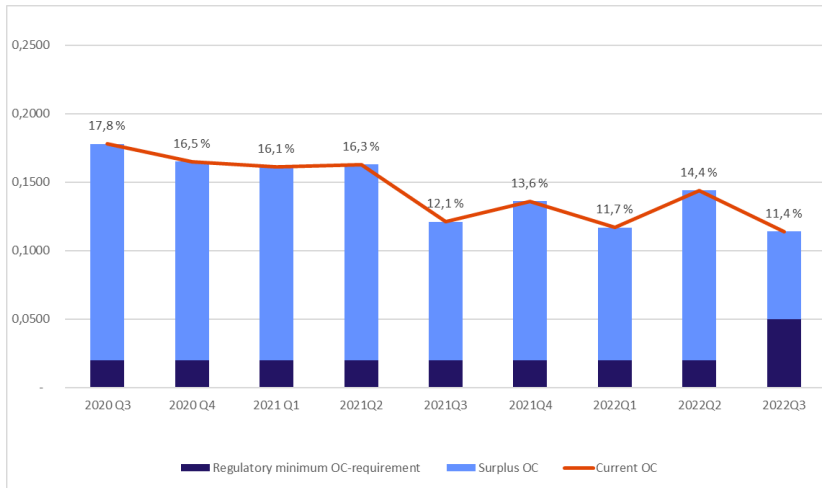


Principal payment frequency

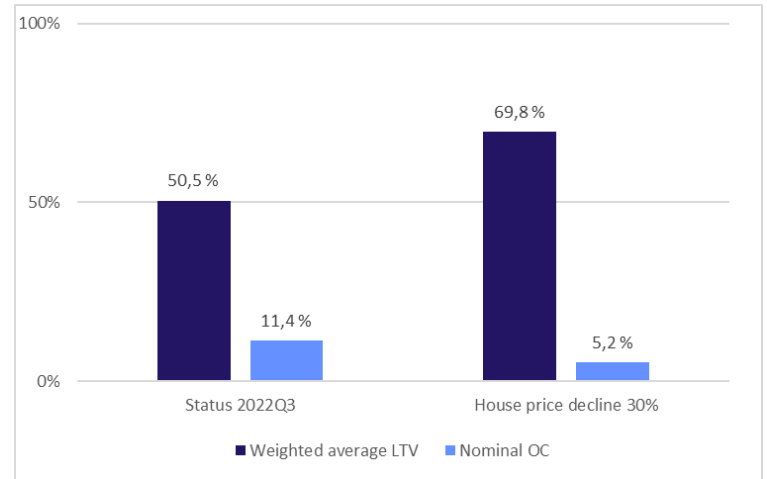


Robust over-collateralisation

Historical development of Over Collateralisation



Stress test of the cover pool



Regulatory minimum OC-requirement: 5.0 % - Current OC: 11.4 %

Balanced development in the region

Changes in housing prices (percent), last 12 months



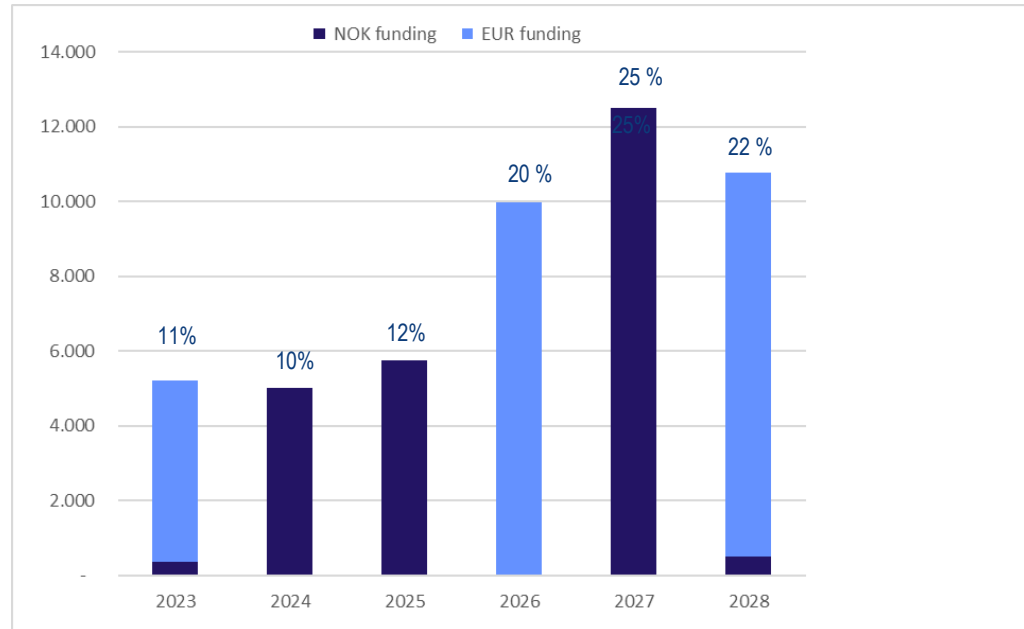
Unemployment (percent)



Funding as at 30.09.2022

- Total funding amounts to NOK 48 billion of outstanding covered bonds
- The company has a diversified maturity profile
- Funding > 12 months totalled 89.4 %
- Soft bullet structure on all outstanding bonds

Annual maturity of wholesale funding



Debt securities issued as at 30.09.2022

Figures stated in NOK Thousand

ISIN	Ticker	Currency	Nominal value	Interest	Due date	Book value	Fair value
NO0010671597	SORB09	NOK	350 000	Fixed 3.85 %	13.02.2023	358 608	359 234
XS1775786145		EUR	500 000	Fixed 0.375 %	20.02.2023	5 246 484	5 252 142
NO0010882632	SORB30	NOK	5 000 000	Floating 3M Nibor	19.11.2024	5 020 327	5 020 198
NO0010832637	SORB28	NOK	5 750 000	Floating 3M Nibor	24.09.2025	5 760 550	5 750 529
XS1947550403		EUR	500 000	Fixed 0.5 %	06.02.2026	5 093 776	4 885 122
XS2069304033		EUR	500 000	Fixed 0.01 %	26.10.2026	4 418 482	4 683 982
NO0012535824	SORB32	NOK	5 500 000	Floating 3M Nibor	31.05.2027	5 507 284	5 497 628
NO0011002529	SORB31	NOK	7 000 000	Floating 3M Nibor	20.09.2027	7 169 756	7 046 345
NO0010670409	SORB08	NOK	500 000	Fixed 4.0 %	24.01.2028	512 581	510 704
XS2291901994		EUR	500 000	Fixed 0.01 %	28.01.2028	4 499 853	4 501 716
XS2389362687		EUR	500 000	Fixed 0.01 %	25.09.2028	4 401 162	4 403 998
TOTAL						47 988 862	47 911 596


Sparebanken Sør Boligkreditt AS

An established issuer in the Euro Covered Bond 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

 Q3 2021
EUR 500mn 5y 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.



**SPAREBANKEN SØR
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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, Ferdigsporsentralen AS (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-CRA/>) (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

EUR Transactions:

- Sparebanken Sør established a €4,000,000,000 Euro Medium Term Covered Note Program (EMTCN) in the third quarter of 2015
- The company has issued **four separate EUR 500m covered bonds** under the programme, in Q1 2016, Q2 2017, Q1 2018 and Q1 2019
- 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 and third quarter of 2021, the company issued covered bonds amounting to EUR 500 million in each transaction under the program



**SPAREBANKEN SØR
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Covered Bonds qualify 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 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 has implemented the common **Harmonised Transparency Template** of the European Covered Bond Council

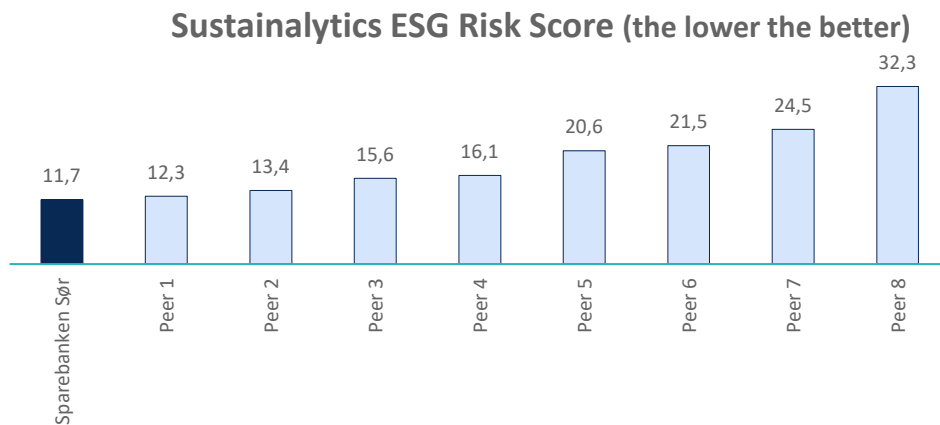
Information about the cover pool of SSBK may be accessed via:

<https://www.sor.no/felles/om-sparebanken-sor/sparebanken-sor-boligkreditt/cover-pool-information/>



SPAREBANKEN SØR
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Sparebanken Sør aims to remain ESG leader and create sustainable development in the region



- First Norwegian bank to receive *Gender Equality and Diversity* certification in 2018
- Financial reporting in line with TCFD (Task Force on Climate-Related Financial Disclosures)
- Transparent investor information through ESG library

Independent and transparent
ESG assessment

Requirements and
expectations from investors

The banks own social
responsibility

Sparebanken Sør aims for zero carbon emissions



Carbon footprint:

55% reduction in climate emissions by 2030
Zero climate emissions by 2050



ESG in the credit process:

ESG as an integral part of the credit process
Improved ESG credit system with TietoEvry



Emissions in loan portfolios:

40% reduction in emissions from lending and investments by 2030



Donations:

Regional donations for sustainable and socially beneficial purposes



Green and social bonds:

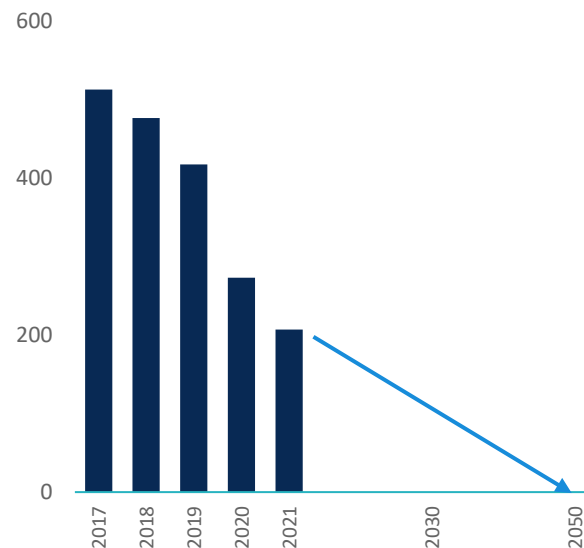
Green & Sustainability Bond Framework (2019/2022)



A global perspective:

Adherence to global initiatives, frameworks and principles

Carbon emissions in tons of CO2



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.”

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



**SPAREBANKEN SØR
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Future prospects

Macro

Activity in the Norwegian economy is high, with little spare capacity. Unemployment has fallen to a low level, and the labour market is tight. Price and wage inflation is high. The war in Ukraine has created uncertainty about the economic outlook and increased energy and commodity prices. Since September 2021 Norges Bank has raised the key policy rate from 0 to 2.5 percent, with the latest 25bp hike on November 3.

Capital requirements

Sparebanken Sør Boligkreditt AS has a common equity tier 1 capital ratio of 20.8 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, primarily as benchmark issuances that are eligible to LCR requirements for level 1 assets.



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