



Sparebanken Sør Boligkreditt AS

Investor presentation

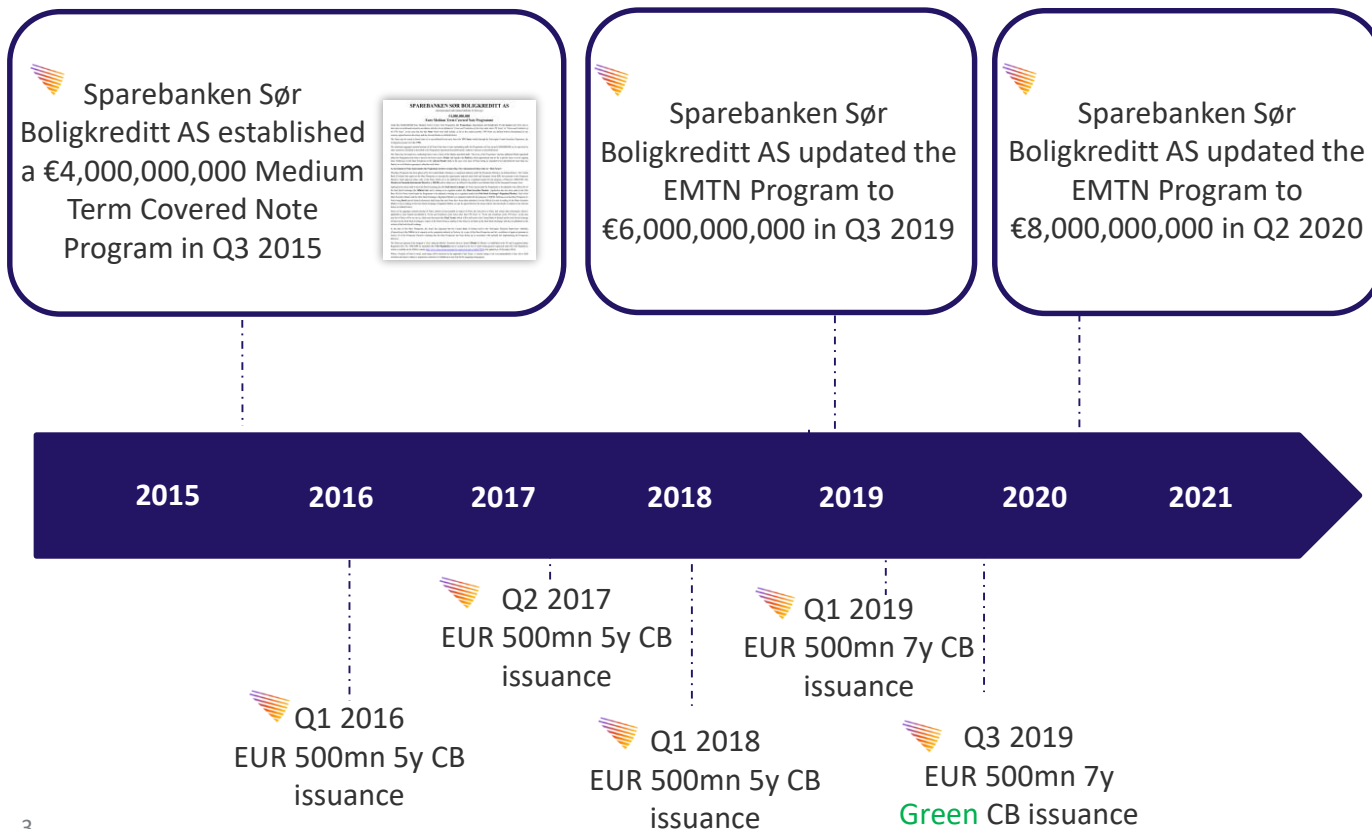
Covered bond transaction - January 2021

Executive summary

Norwegian Covered Bond Issuance	<ul style="list-style-type: none"> ▪ Sparebanken sør is exploring the possibility of a conventional covered bond, subject to market conditions ▪ €8 bln. EMTN Programme ▪ Cover pool consisting of Norwegian residential mortgages ▪ Expected to be rated Aaa by Moody's ▪ Tenor 7 years ▪ Eur 500 mill. no-grow ▪ Joint lead managers: Commerzbank, Danske Bank, LBBW, SEB and Unicredit
Sparebanken Sør	<ul style="list-style-type: none"> ▪ The fifth largest savings bank in Norway with a strong market position in Southern Norway ▪ High capitalization; Core Tier 1 ratio of 15.7 % and leverage ratio of 8.8 % as at September 30th 2020 ▪ Rated A1 (stable outlook) by Moody's ▪ Strong asset quality – 66 per cent of loan book to retail customers ▪ Publicly listed on Oslo Stock Exchange and Irish Stock Exchange
Sparebanken Sør Boligkreditt	<ul style="list-style-type: none"> ▪ 100 % owned and dedicated covered bond subsidiary of Sparebanken Sør ▪ Cover pool consisting of 86.5 % prime Norwegian residential mortgages and LCR-compliant interest bearing securities ▪ High quality cover pool reflected by the weighted average LTV of 54.1 % ▪ Covered bonds rated Aaa by Moody's with 4 notches of "leeway" ▪ Strong legal framework for covered bonds in Norway, with LTV limit of 75 % for residential mortgages
Investor Information	<ul style="list-style-type: none"> ▪ https://www.sor.no/felles/om-sparebanken-sor/about/investor-relations/sparebanken-sor-boligkreditt/

Sparebanken Sør Boligkreditt

- An established issuer in the Euro CB Market



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 VPS Notes" or "Terms and Conditions of the VPS 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 VPS Notes" or "Terms and Conditions of the VPS 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/press/fat-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

- 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
- 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

RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

- The legislation fulfils and is in compliance with the relevant EU legislation, i.e. the Capital Requirements Regulation (CRR) and in particular Article 52 (4) UCITS
- Norwegian covered bonds are eligible for reduced (10%) risk-weighting under the standard method for capital adequacy requirement
- They are also eligible as collateral in the ECB and qualify as liquid assets under the Liquidity Coverage Ratio (LCR) given fulfilment of the specific criteria defined in the Delegated Act
- <http://www.ecbc.eu/uploads/attachements/75/64/Norway%202018.pdf>

Information on the cover pool

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

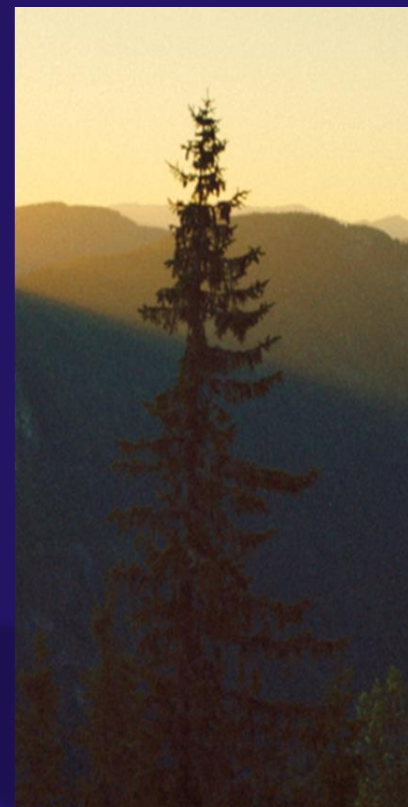
Information about the cover pool of SSBK may be accessed via:

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



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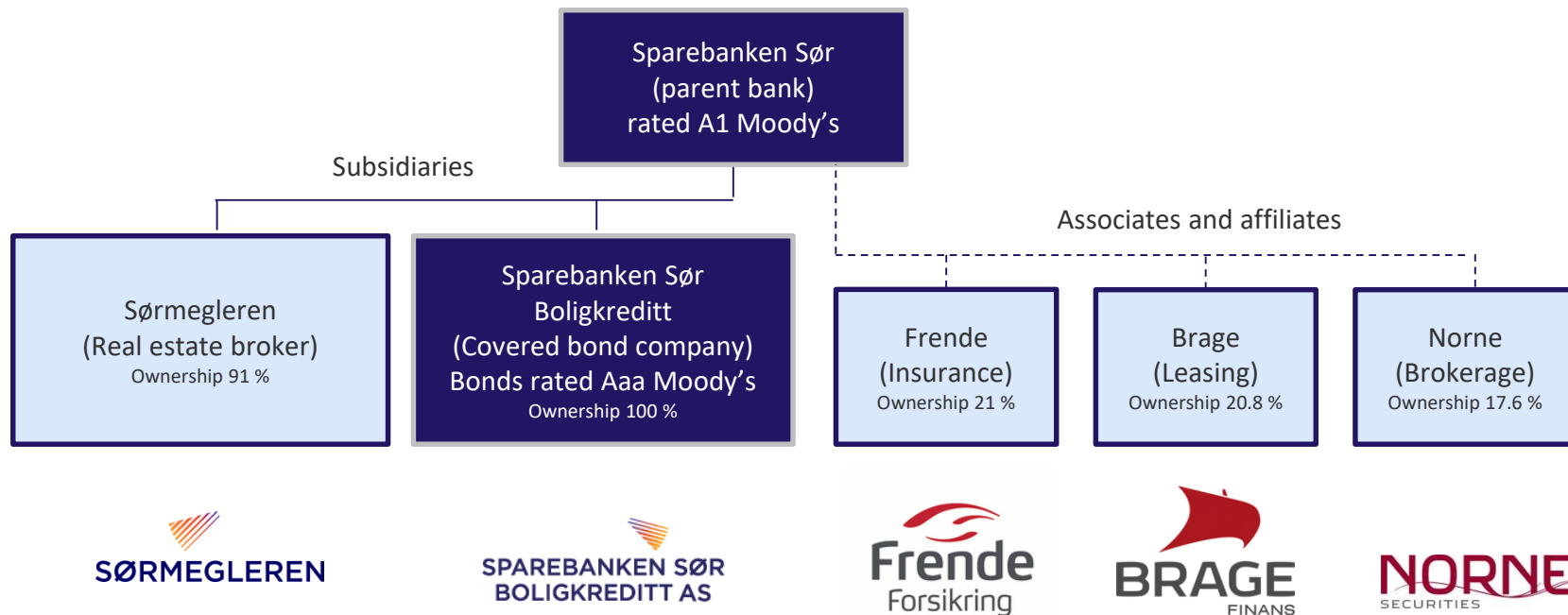


SPAREBANKEN SØR

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 146.2 billions
Employees	550 FTEs in the parent bank, in branches across the counties of Agder, Vestfold og Telemark and Rogaland (Southern Norway)
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
SSBK AS	Sparebanken Sør Boligkreditt AS is a dedicated and integrated covered bond company, wholly owned by Sparebanken Sør

Company structure



Sparebanken Sør

- a leading financial institution in Southern Norway



Established in 1824,
550 employees



178 000 retail
customers



Financial Group with
banking, securities and
real estate brokerage



21 000 corporate
customers



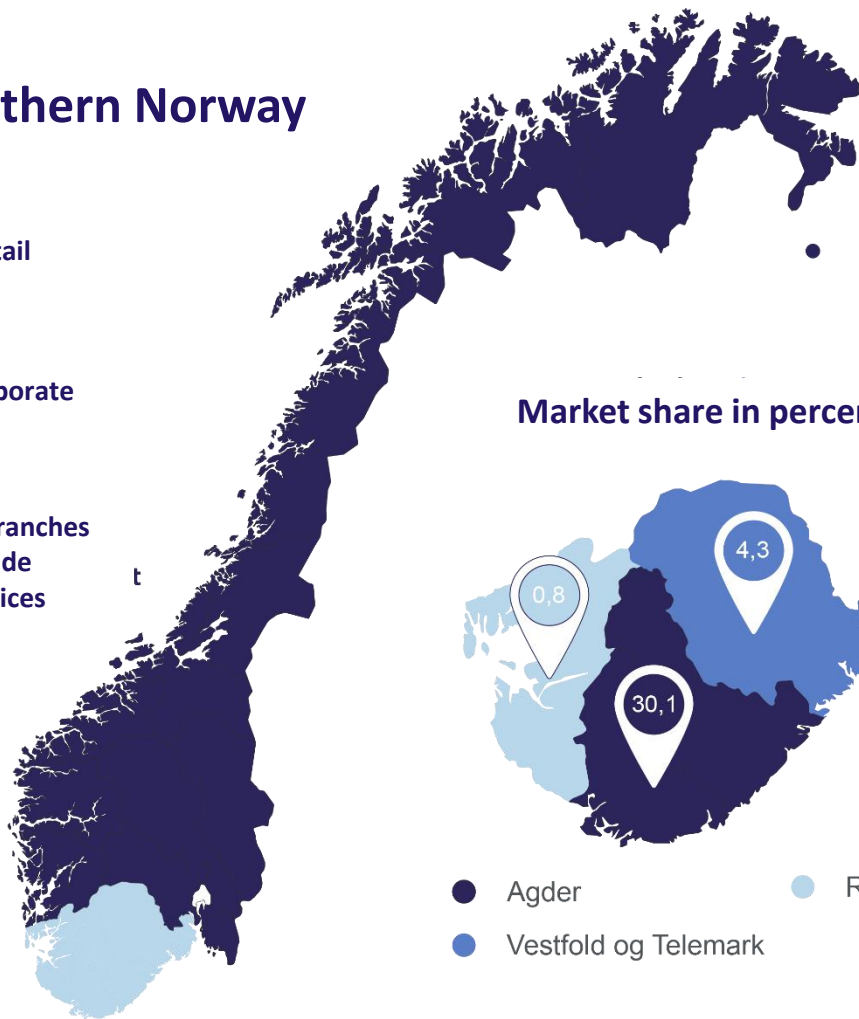
Publicly traded and
Community-owned



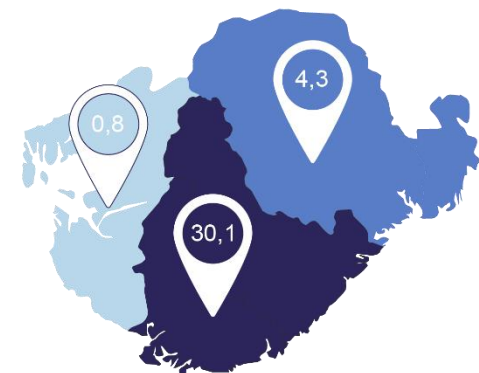
Regional Branches
& nationwide
online services



- Total assets of NOK 146 bn
- YTD profit after tax amounted to NOK 756 million after Q3 in 2020
- Cost/income ratio of 39.1 percent.



Market share in percent*



● Agder

● Rogaland

● Vestfold og Telemark

* Marketshare retail customers

Strong position in the housing market

Maintaining a strong market position

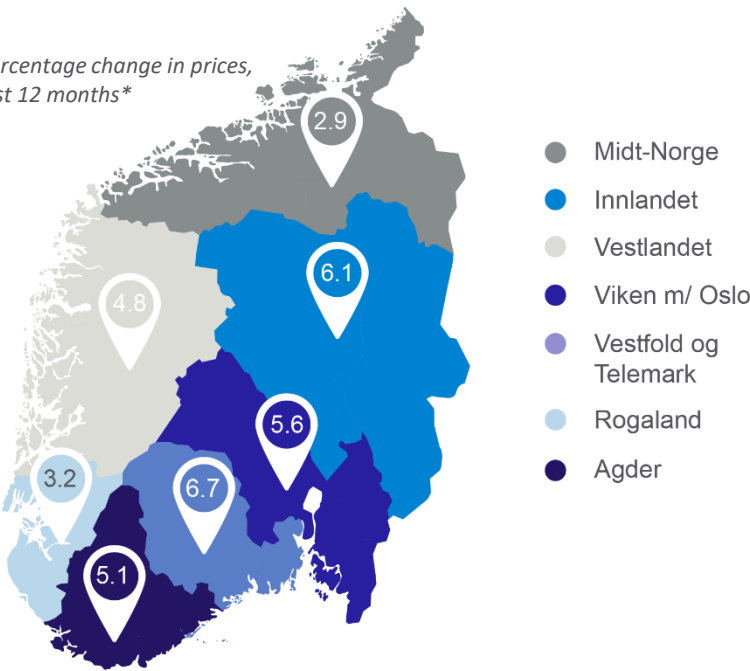
Percentage market share



1 position in Vest-Agder and Aust-Agder, # 3 position in Telemark. Positive development in Rogaland.

Positive development in housing prices

Percentage change in prices, last 12 months*



**3 month moving average of 12 month change*

Nationwide footprint through digital initiative

Focus on improving customer experiences in the digital customer solutions:

- Improved solutions for sales of insurance and funds will increase digital sales through mobile bank applications
- Improved digital advisory solution for funds savings
- Positive development in the digital mortgage application



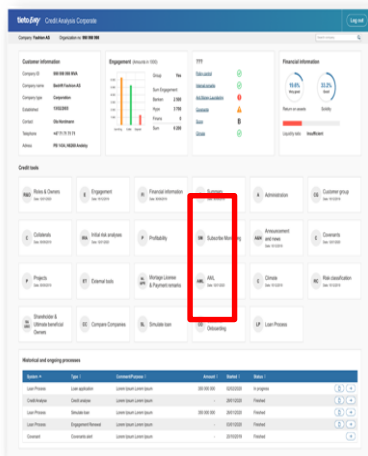
21% of our customers live outside our main market area

Areas of Sustainability focus

✓ ESG in credit processes in CM

✓ Green products

✓ TCFD reporting



An integrated ESG module in the bank's mortgage process. Measuring CO₂-emissions on the mortgage and real estate loan portfolio.

Establishing a framework for green loans and other green products. Issuer of green bonds.

Developing a framework for TCFD reporting, based on EU taxonomy.



Highlights from the quarterly report



SPAREBANKEN SØR

Highlights in Q3 2020

- Good result from ordinary operations
- Efficient operations and low costs
- Very good results from Frende and Brage
- Solid result from Sørmeqleren
- Very low loan losses
- Return on equity after tax of 9.6 percent
- Annualised growth in lending of 5.5 percent (RM 5.6 and CM 5.3)
- Annualised growth in deposits of 2.9 percent
- Common equity tier 1 capital ratio of 15.7 percent and Leverage Ratio of 8.8 percent

NOK million	2020 Q3	2019 Q3	Change
Net interest income	472	499	-27
Net commission income	91	93	-2
Net income from financial instruments	14	31	-17
Associated companies	40	16	24
Other operating income	-1	1	-2
Total income	617	640	-23
Total expenses	226	226	0
Profit before losses on loans	391	414	-23
Losses on loans, guarantees	6	-19	25
Profit before tax	384	433	-49
Tax expense	80	102	-22
Profit for the period	304	331	-27

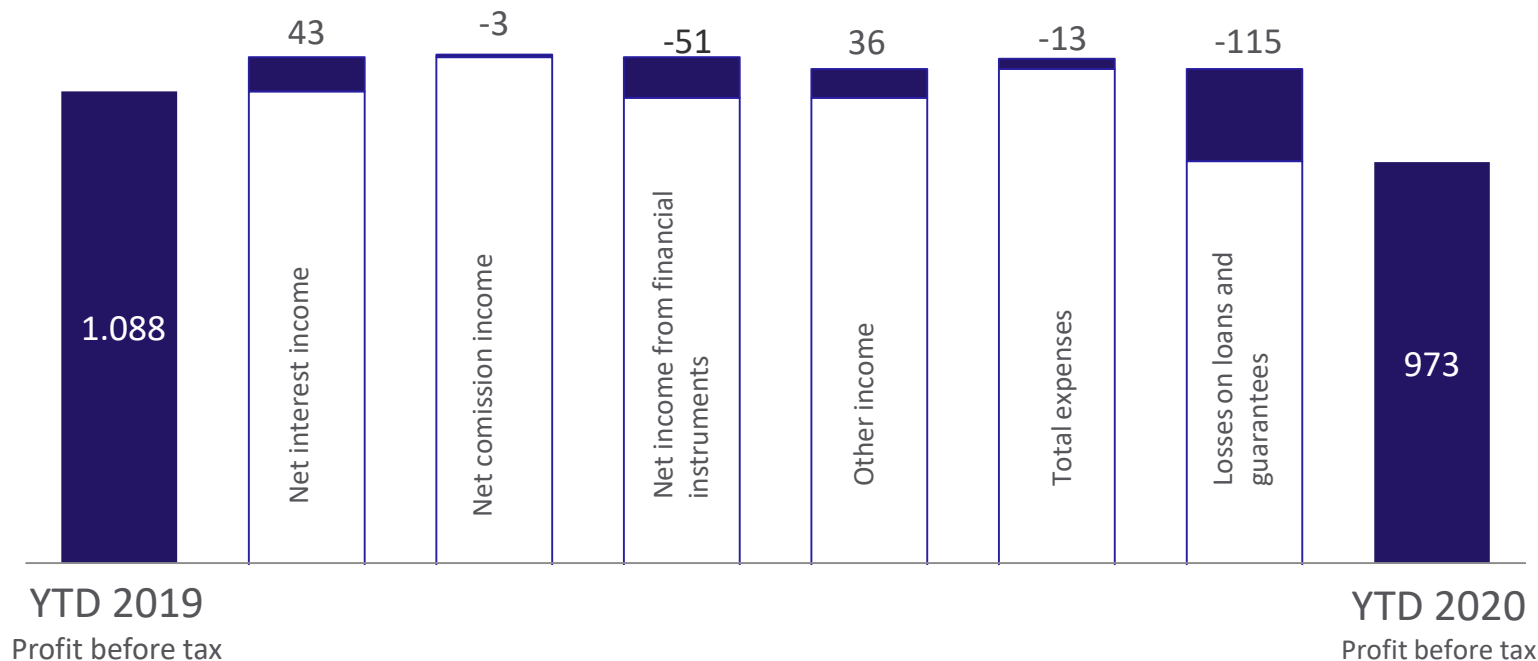
Highlights after 9 months

- Good result from ordinary operations
- Efficient operations and low costs
- Positive development in net interest income
- Good results from Frende, Brage and Sørmeqleren
- Increased model based losses on loans as a result of the Covid-19 pandemic
- 12-month lending growth of 4.6 percent
- 12-month deposit growth of 2.7 percent
- Return on equity after tax of 7.8 percent

NOK million	30.09.2020	30.09.2019	Change
Net interest income	1446	1403	43
Net commission income	250	253	-3
Net income from financial instruments	4	55	--51
Associated companies	79	43	36
Other operating income	5	5	0
Total income	1.785	1.759	26
Total expenses	698	685	13
Profit before losses on loans	1.087	1.074	13
Losses on loans, guarantees	114	-14	128
Profit before tax	973	1.088	-115
Tax expense	217	256	-39
Profit for the period	755	832	-77

Development in profit before tax

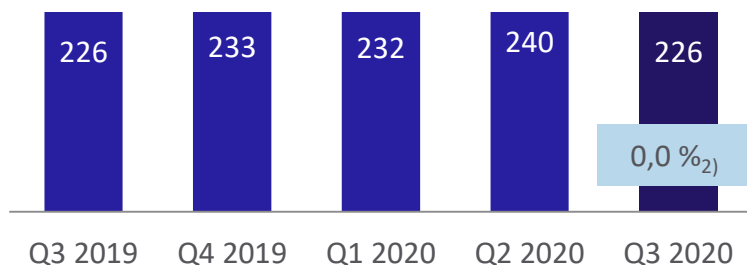
NOK million



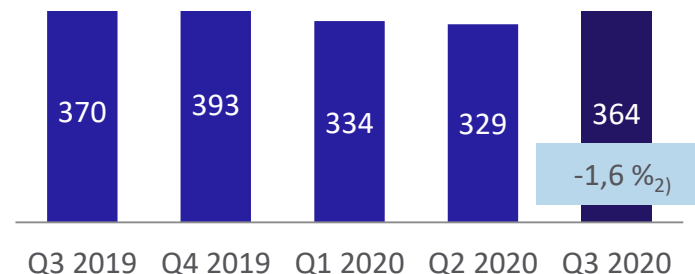
Profit and returns

NOK millions

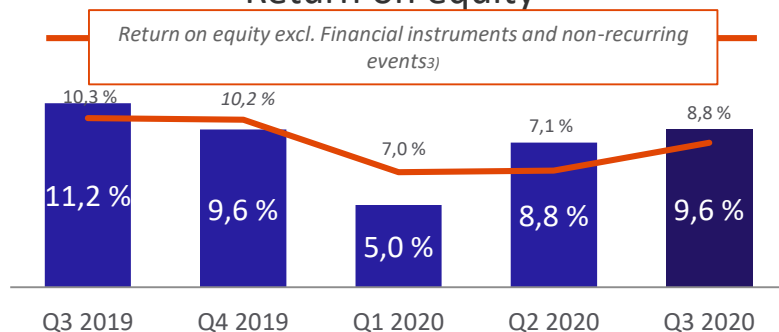
Operating expenses



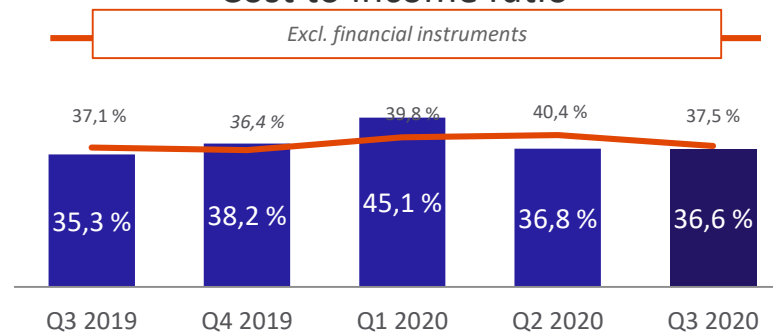
Profit from ordinary operations¹⁾



Return on equity



Cost to income ratio

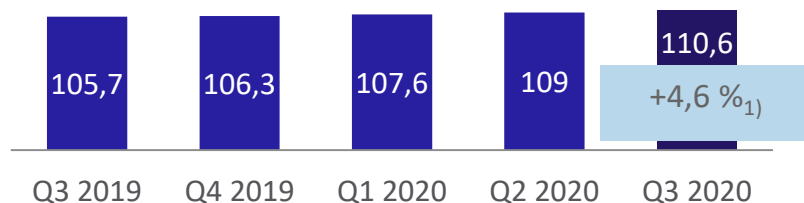


- 1) Net interest income, adjusted for accounting changes + Net commission income + Other operating income – Operating expenses
- 2) Changes from the corresponding prior-year period
- 3) Return on equity excl. accounting effects from financial instruments and interest on hybrid capital.

Good growth in the quarter

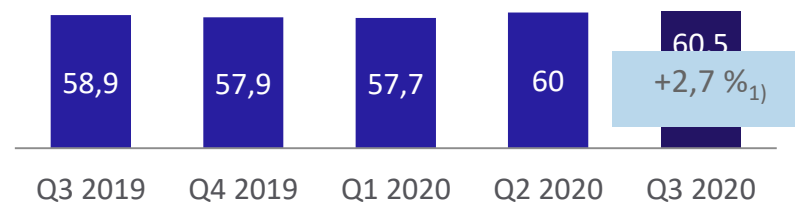
NOK billion

Net loans



- 12-month growth of 4.6%, of which retail customers accounts for 4.2% and corporate customers 5.7%
- Annualized growth of 5.6% for retail customers and 5.3% for corporate customers

Deposits

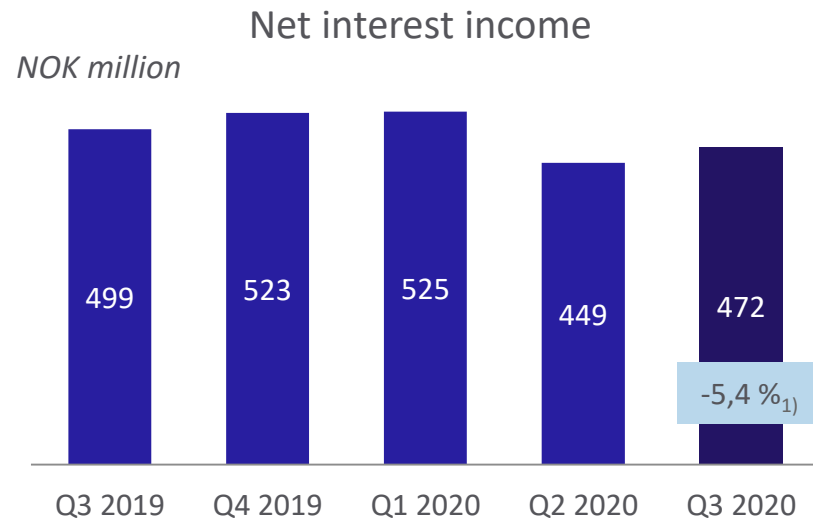


- 12-month growth of 2.7%, of which retail customers accounts for 6.5% and corporate customers -0.4%
- Change in the deposit composition
- Growth in deposits from corporate customers excl. larger capital market deposits of 8.3%

1) Changes from the corresponding prior-year period

Development of net interest income

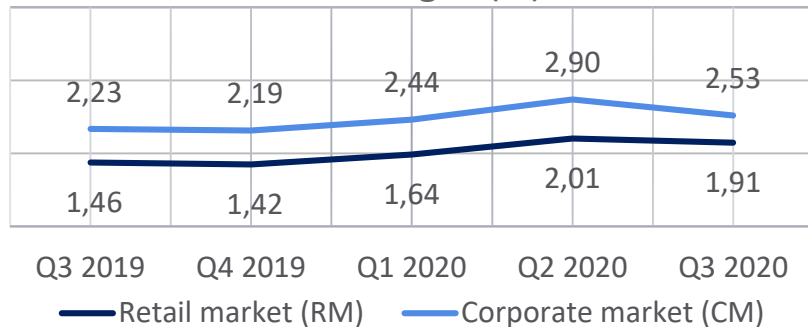
- Negative development in net interest income
- Shortened notice period led to reduced net interest income by approx. NOK 56 million in Q2.
- The interest margin (lending rate minus deposit rate) fell in Q3 2020.
- Strong competitive pressure on lending rates, especially in the retail market



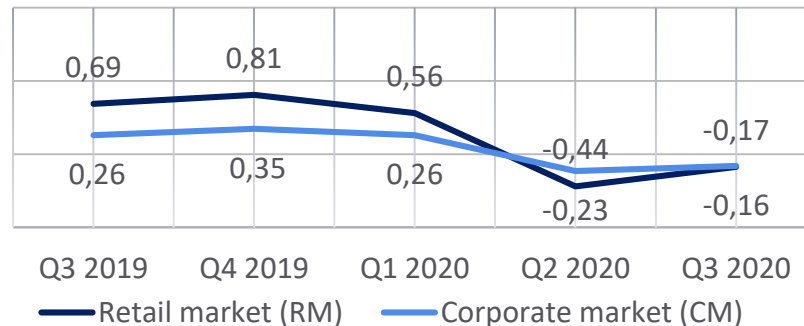
1) Changes from the corresponding prior-year period

Interest margin and NIBOR3M

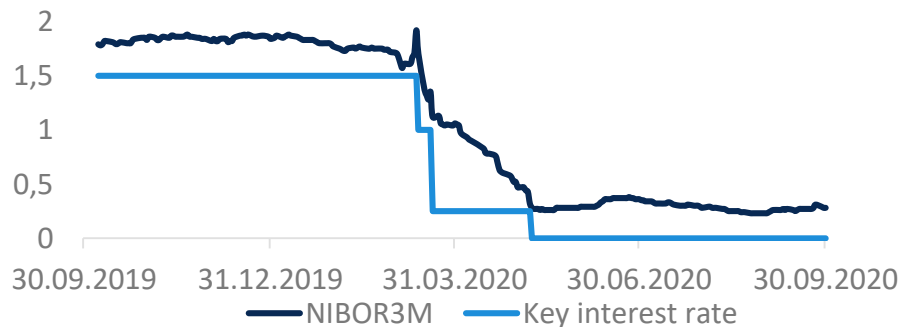
Loan margins(%)



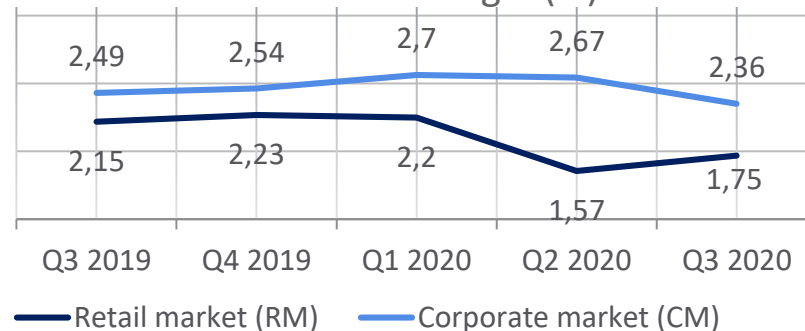
Deposit margins (%)



NIBOR3M



Interest margin (%)



Associated companies

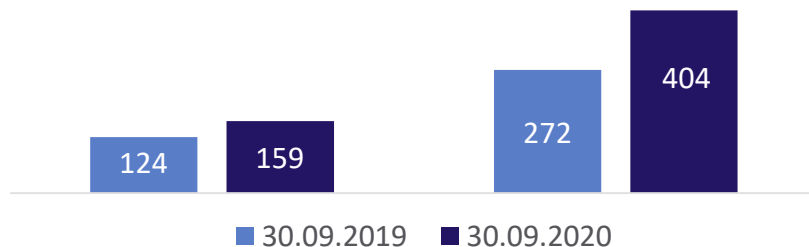


Profit before tax

NOK million

Brage Finans AS

Frende Holding AS



Effect on results after consolidation

NOK million		Q3 2020	Q3 2019	30.09.2020	30.09.2019
Frende forsikring* (21,0 %)	Res.andel	36,5	14,5	63,8	39,1
	Amort.	-5,4	-5,0	-15,4	-15
Brage finans (20,8 %)	Res.andel	9,3	6,8	22,9	19,2

Sparebanken Sør increased its ownership interest in Frende from 20.2 percent to 21.0 percent in the second quarter. The transaction had no effect on the result in the second quarter, as accounting was according to the equity method.

In the transaction, the company was valued at NOK 3.5 billion and Sparebanken Sør's ownership interest (21.0 percent) is valued at NOK 737 million. Book value after Q2 2020 was NOK 486 million. The excess value in relation to book values amounts to NOK 251 million, corresponding to NOK 2.8 per ECs.

Very good profit contribution from Sørmeglernen

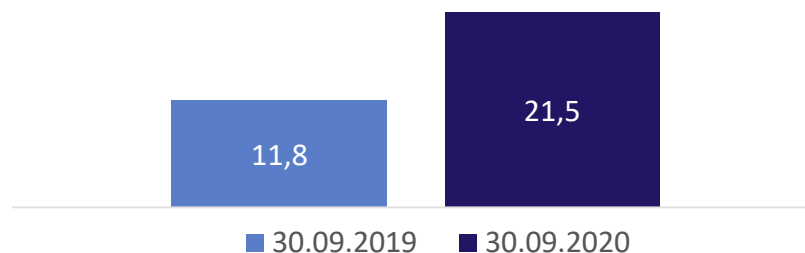
- The leading real estate agency in Southern Norway
- 33 % of house sales in Southern Norway is handled by Sørmeglernen
- Strengthened position in Vestfold and Telemark, with new offices in Kragerø and Sandefjord
- Focus on further developing a commercial property brokerage going forward



SØRMEGLEREN

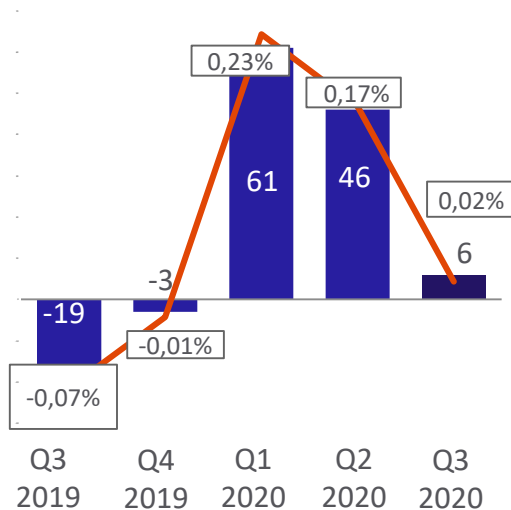
Profit before tax

NOK million

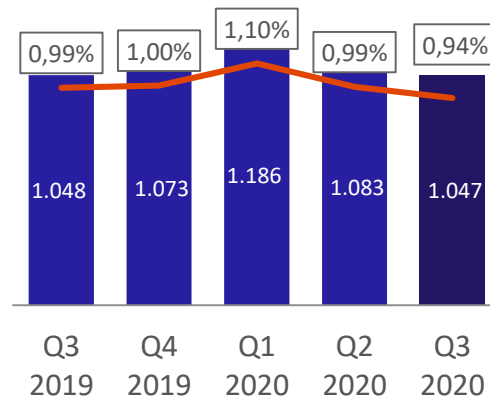


Non-performing loans

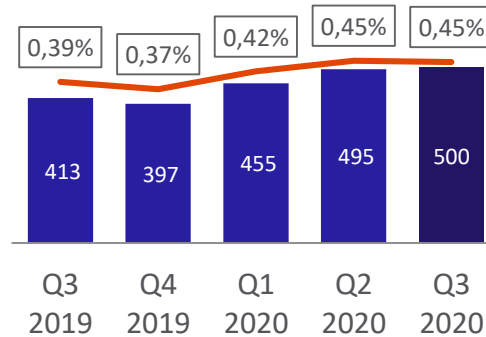
Development in losses in NOK million
and as a percentage of gross loans
(annualised)



Development in non-performing loans (IFRS
9 stage 3) in NOK million and as a
percentage of gross loans

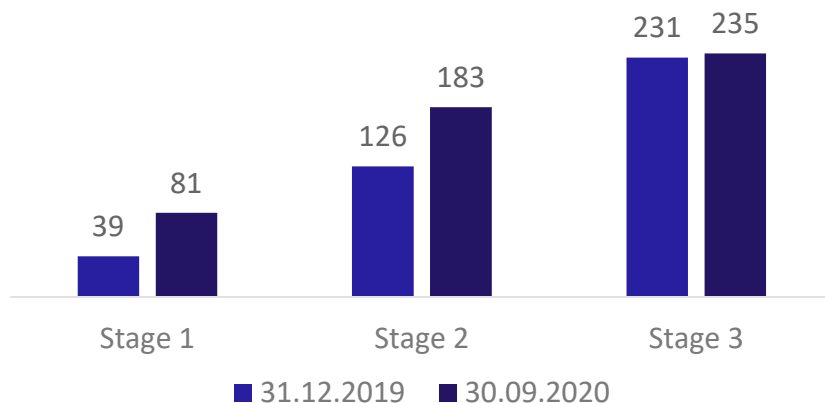


Development in loss provisions in NOK
million and as a percentage of gross loans



Loss provision affected by COVID-19

Distribution of loss provision
(NOK million)

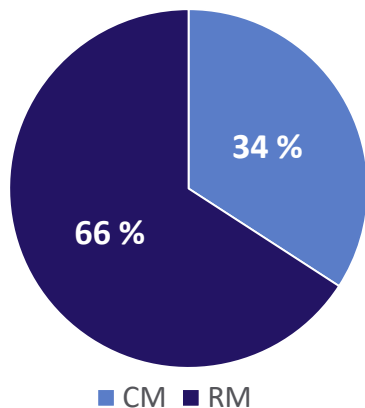


- Macro variables in the IFRS9 model have been adjusted*
- The effect of the crisis on model-calculated provisions amounts to approximately NOK 111 million
- Still low levels of defaults, bankruptcies and realised losses

A diversified loan portfolio

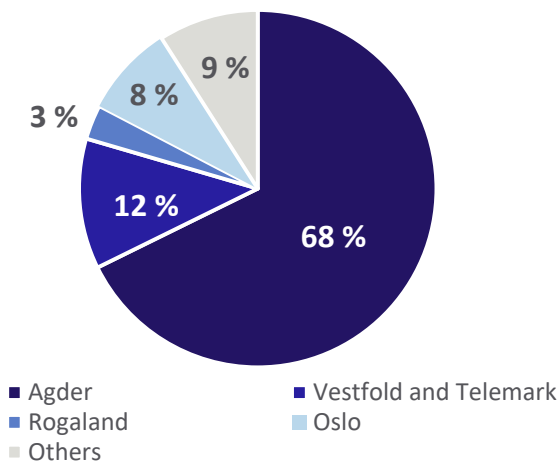
RM/CM distribution

Gross loans

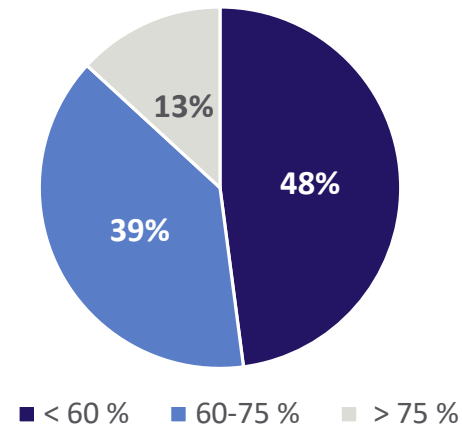


Geographical distributions of loans

Gross loans



Loan-to-Value (Group)

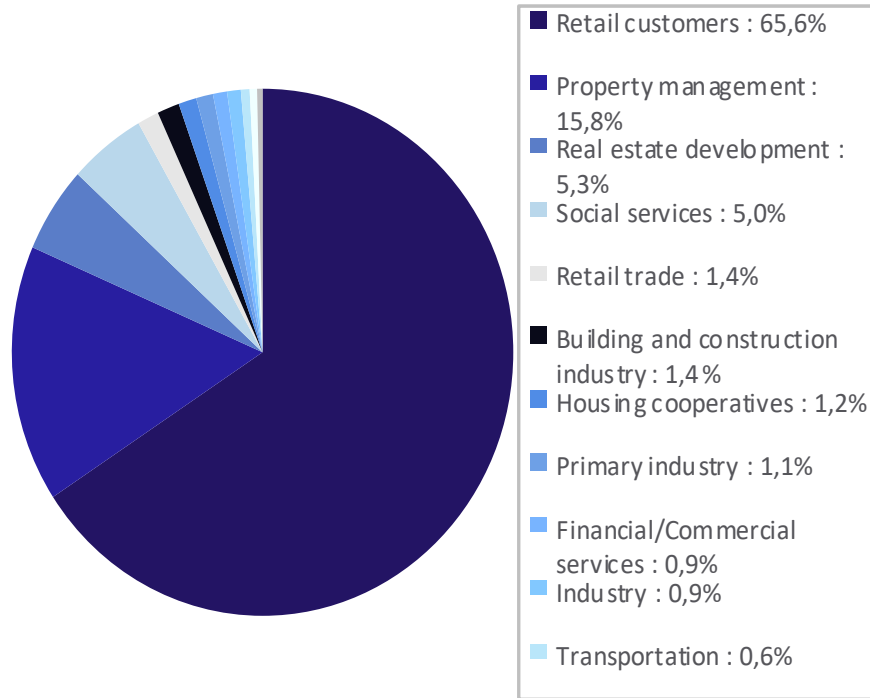


Average loan-to-value of approximately 57 percent for mortgages (group).

87 percent of mortgages within 75 percent of loan-to-value.

NOK 44,5 billion transferred to Sparebanken Sør Boligkreditt AS, equivalent to 60 percent of total loans to retail market.

Retail bank with a well-diversified corporate loan portfolio

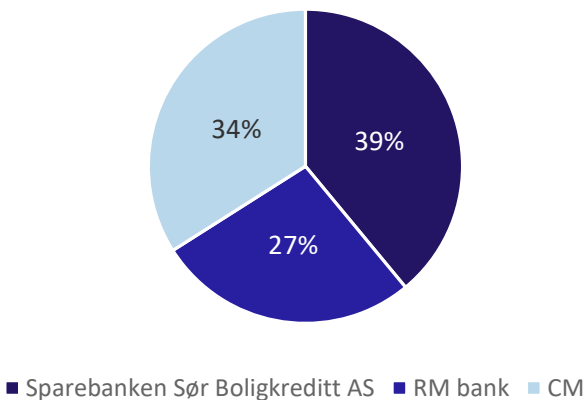


- A well diversified portfolio
- Hardly any direct exposure to oil and oil service
- Very low indirect exposure (tenants) to oil and oil service

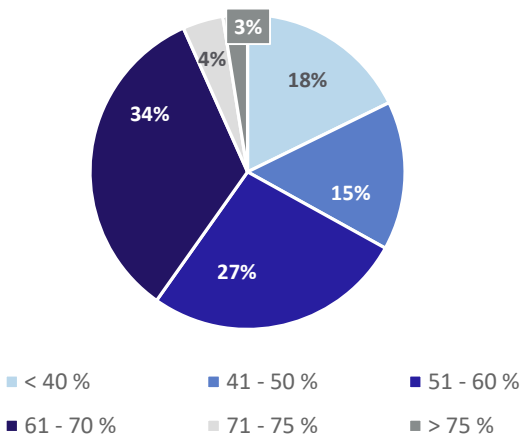
Sparebanken Sør Boligkreditt

- Wholly owned by Sparebanken Sør

Sparebanken Sør Loan portfolio



Sparebanken Sør Boligkreditt LTV distribution



Summary after Q3 2020

Results

Pressure on net interest income, very good profit contributions from Frende, Brage and Sørmeqleren. Low operating costs and low loan losses.

Funding and capital

Common equity tier 1 capital ratio of 15.7 percent and a solid leverage ratio of 8.8 percent.
Solid financial structure with high liquidity buffers.

Growth

Annualised growth in lending of 5.5 percent (RM 5.6 and CM 5.3)
Annualised growth in deposits of 2.9 percent

Summary

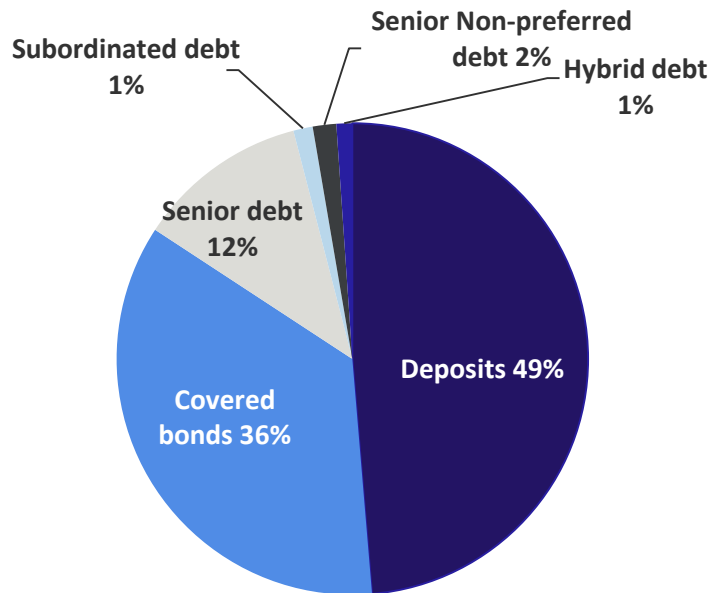
The Group achieves a profit before tax of NOK 384 million in Q3 2020.

Funding status



SPAREBANKEN SØR

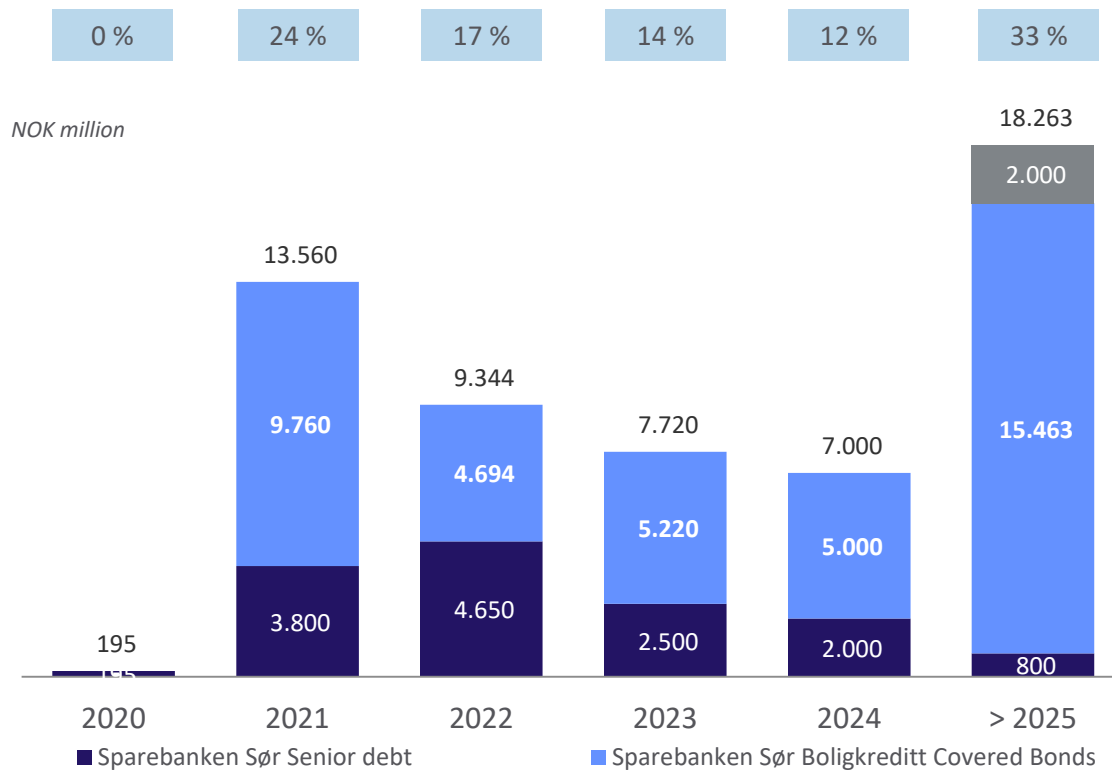
Funding structure 30.09.20



Deposits are a valuable source of funding

- Deposits as a percentage of net loans at 54.5%
- The decrease in deposit to loan ratio is caused by a reduction in large corporate deposits. There has been a positive development in deposits from retail customers and small and medium sized enterprises.
- Good access to funding from both the domestic as well as from the bond market abroad
- At the end of Q3 Sparebanken Sør Boligkreditt AS had issued EUR 2.5 bln. in Euro covered bonds
- Sparebanken Sør has a A1 rating
- Bonds issued by Sparebanken Sør Boligkreditt AS, are rated Aaa

Funding maturities 30.09.20



- The Group's total funding amounted to NOK 60,8 Bln
- Covered bonds amounted to NOK 44.2 Bln.
- Long-term funding* amounted to 86 percent
- Average remaining maturity on long-term funding * amounted to 3.6 years

* Long-term funding: maturity > 1 year

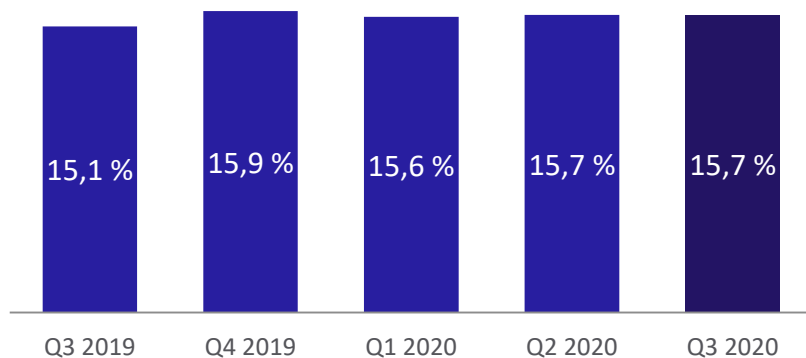
Capital



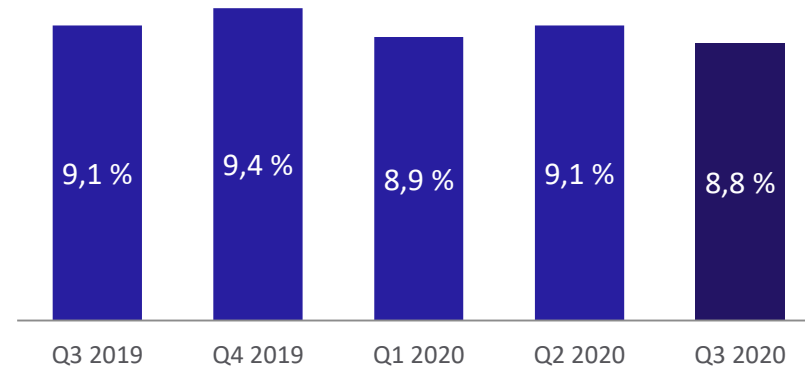
SPAREBANKEN SØR

Capital adequacy 30.09.20

Common equity tier 1 capital ratio



Leverage ratio



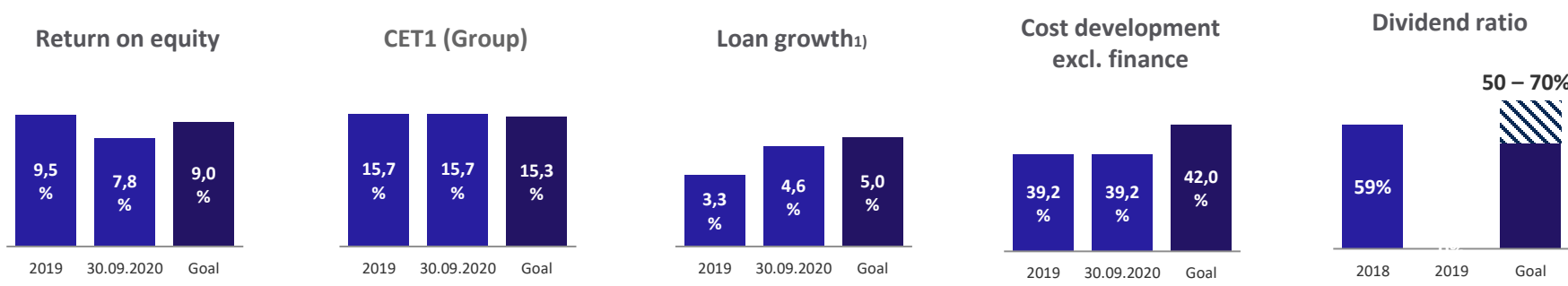
- Reduced requirement for countercyclical capital buffer from 2.5 to 1 percent.
- Well above the current capital requirement (CET1) of 13 percent.
- The SME- discount resulted in a reduced RWA by NOK 1.9 billion, which improved CET1 by 0.4 percentage points.

MREL Requirement

- According to regulations Sparebanken Sør is required to hold a minimum 32% of adjusted RWA of MREL eligible debt. MREL requirement will vary over time based on the development in RWA and capital regulations.
- Senior preferred debt with a minimum remaining tenor of 12 months, will qualify until 1 January 2024.
- Sparebanken Sør has during 2020 issued NOK 2 Bln. Senior Non-Preferred bonds in the domestic bond market.
- Sparebanken Sør will replace maturing senior debt with the required volume of non-preferred senior debt during the transitional period and at a pace given by the Norwegian regulations.



Financial key variables and ambitions



1) The group has a long-term ambition of lending growth in excess of credit growth (Q2). K2 August 2020 was 4.6 for retail customers and 3.9 for non-financial corporations. The group's lending growth in the last quarter was 5.6 for retail customers and 5.3 for corporate customers.

Outlook

Macro

Extensive measures have been implemented by the authorities, both internationally and nationally, to prevent the spread of infection. This has had a negative effect on the economy in Norway and our trading partners. The Government's monetary policy instruments appear to have a good effect, and the situation in the financial markets has improved in Q2. The uncertainty in both the international and Norwegian economies remains significant.

The region

The economic outlook for the bank's market area is considered uncertain for the rest of Norway. House prices in the bank's main markets have had a positive but moderate development over several years. The statistics for the third quarter showed a positive growth in house prices, but there is considerable uncertainty regarding future developments.

Funding and capital

Common equity tier 1 capital ratio of 15.7 percent and a solid leverage ratio of 8.8 percent. The Bank is well positioned to establish long-term funding from the Norwegian and international financial markets.

Digital adjustment

Investments in digitization and new technological solutions has made the bank able to handle crises such as COVID-19, and provides the bank with opportunities for further improvements in customer experiences, market position and cost efficiency.

Sustainability

Sustainability is a focus area for the bank and ESG is integrated in our business strategy.

Summary

Sparebanken Sør is well positioned to further develop its role as a leading customer relation-oriented bank, with high cost efficiency, growth and profitability.

Sparebanken Sør Boligkreditt AS



SPAREBANKEN SØR

Sparebanken Sør Boligkreditt AS

Mother company 100% owner

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

Dual 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.

Revolving credit & overdraft facility

Sparebanken Sør Boligkreditt AS has established an overdraft facility with Sparebanken Sør in order to handle daily operations. In addition, the company has as short-term credit facility with a notice period of 31 days with the bank, as well as a multi-currency loan facility, which covers refinancing risks.

Norwegian residential

The cover pool consists of prime Norwegian residential assets (86.5 %) and substitute assets (LCR-compliant interest bearing securities). Cover pool exposure towards Southern Norway where price development is rather stable.

No non-performing assets

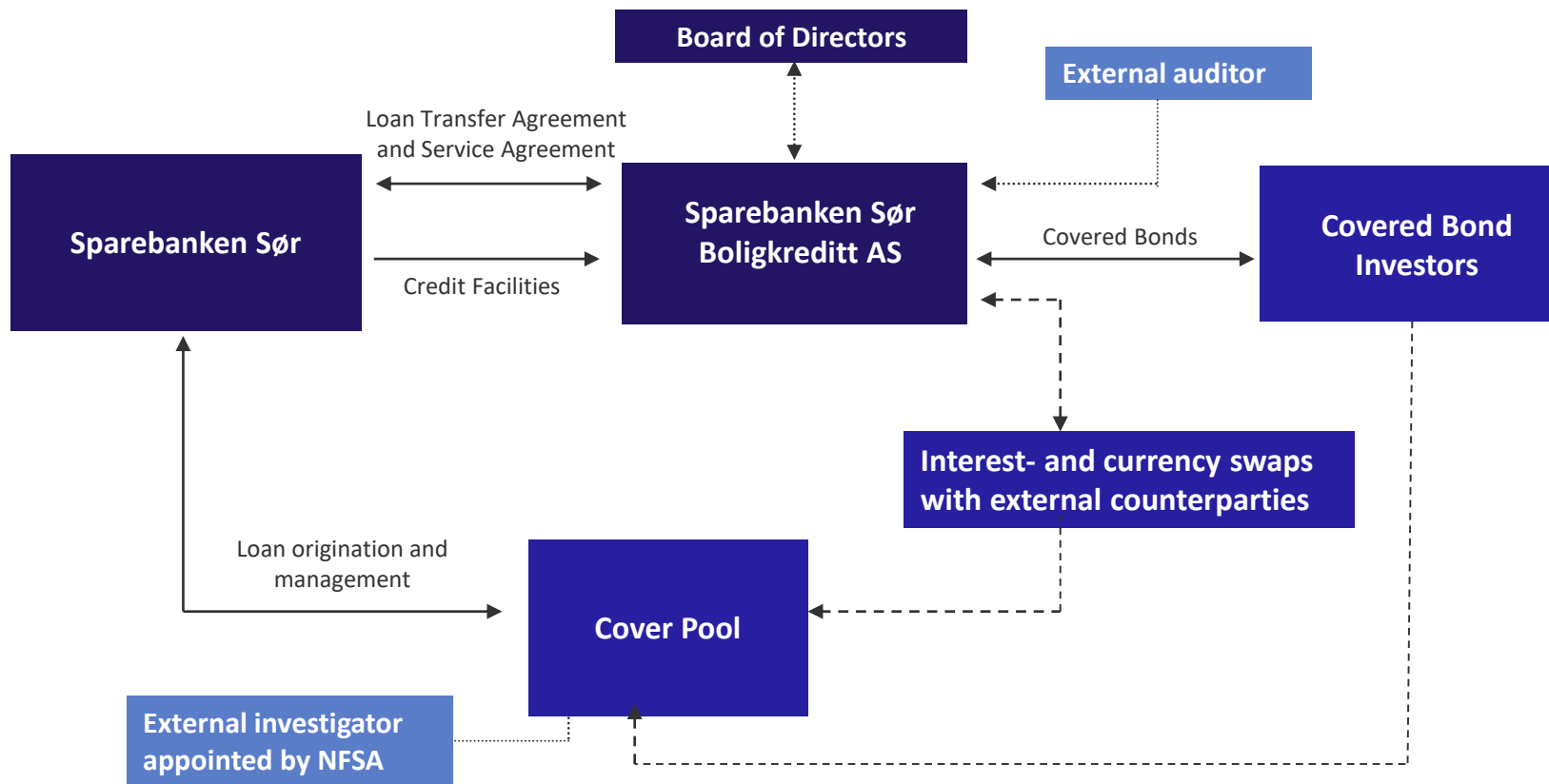
No non-performing assets in the cover pool

Moody's Aaa

Covered Bonds rated Aaa by Moody's – four notches TPI leeway

Business concept

- Governed by 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 2,1 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 and 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

Tightened regulation from January 2017 has impacted house price growth

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

Cover pool composition and OC as at 30.09.2020

Fair value

Loans secured by mortgages on residential properties	44 491 484
Deductions on ineligible loans	-99 615
Pool of eligible loans	44 391 869
Certificates and bonds	2 931 946
Financial derivatives	4 009 104
Total cover pool	51 332 918
Debt incurred due to issuance of securities	44 398 113
Collateralisation ratio (OC)	15.6 %

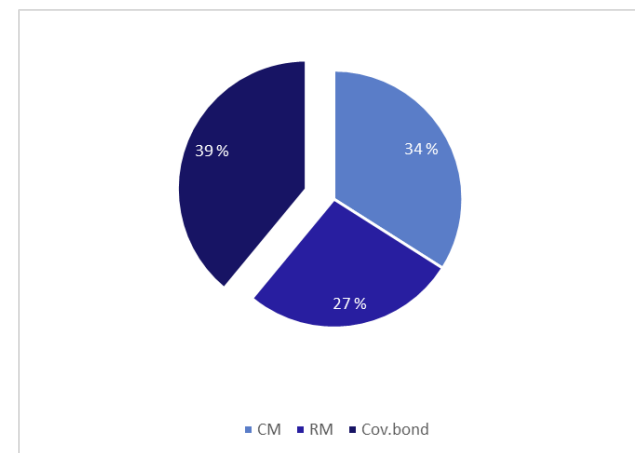
Nominal value

OC based on nominal value – eligible only	17.8 %
OC based on nominal value – total loans	18.1 %

Additional cover pool details as at 30.09.2020

Average loan balance	1 317 857
No. of loans	33 738
WA seasoning (in months)	43
WA remaining term (in months)	198
No. of borrowers	29 454
No. of properties	32 247
WA Indexed LTV (Loan balance/Indexed valuation)	54.1 %
WA LTV (Loan balance/Original valuation)	61.0 %
Loans in arrears > 90 days	0.0 %
Committed Over Collateralisation (OC)	2.0 %

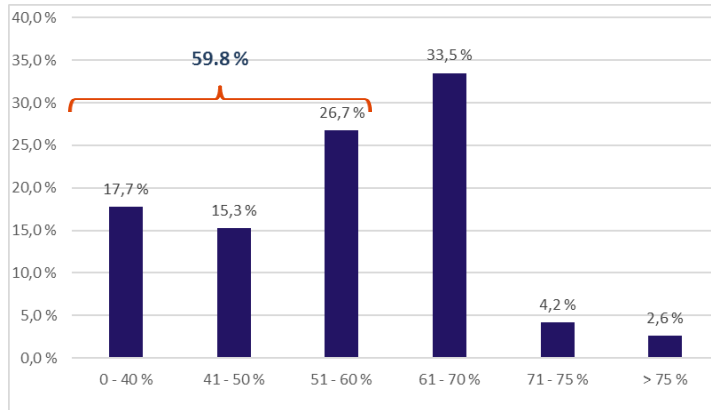
Sparebanken Sør (Group) total loan portfolio



Loans transferred to Sparebanken Sør Boligkreditt AS account for 39 % of Sparebanken Sør's total loan portfolio

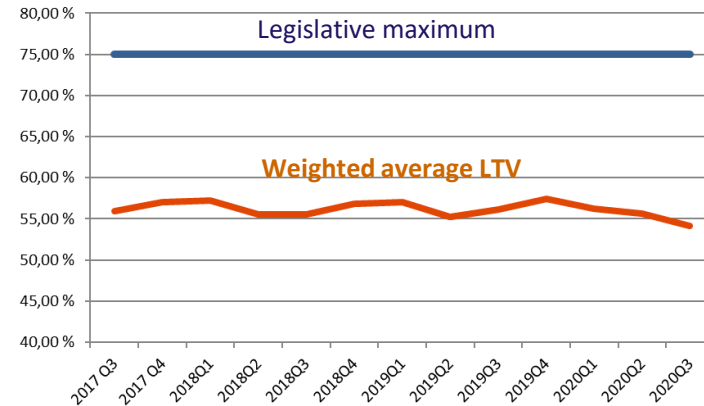
Cover pool characteristics

Current indexed LTV distribution



- The weighted average LTV is 54.1 % on an indexed basis
- 60 % of the cover pool has a LTV below 60%

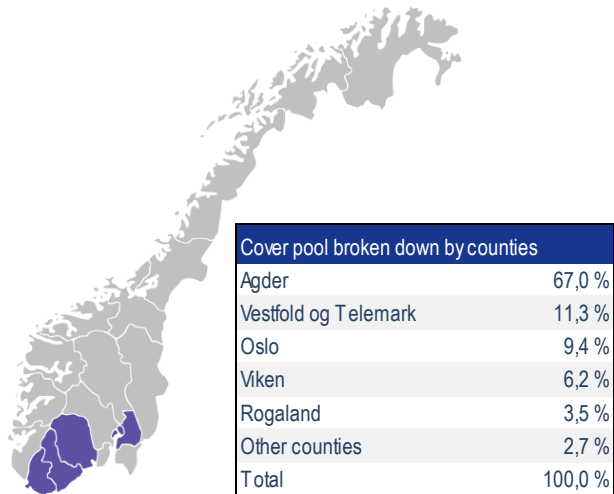
Historical development in weighted average indexed LTV



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

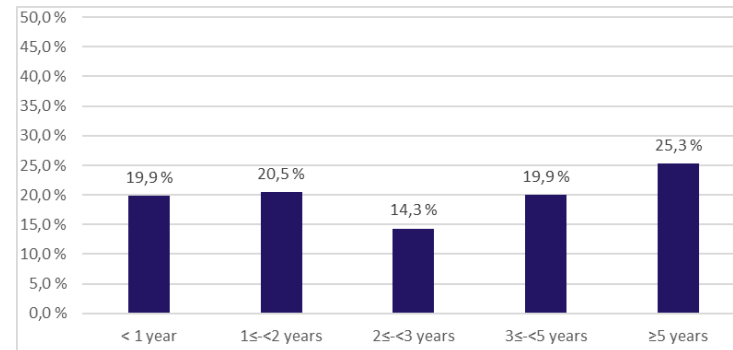
Cover pool characteristics

Cover pool geographic split



- The cover pool is primarily exposed towards Agder and secondly to Vestfold and Telemark.
- As a result of a public sector reform introduced in 2019, a number of municipalities and counties have been merged. Hence, the 30.09.2020 setup and figures are not comparable to previous periods.

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 80.1 % of mortgages has been included in the cover pool for at least 1 year

Balanced development in the region

Changes in housing prices (percent), last 12 months

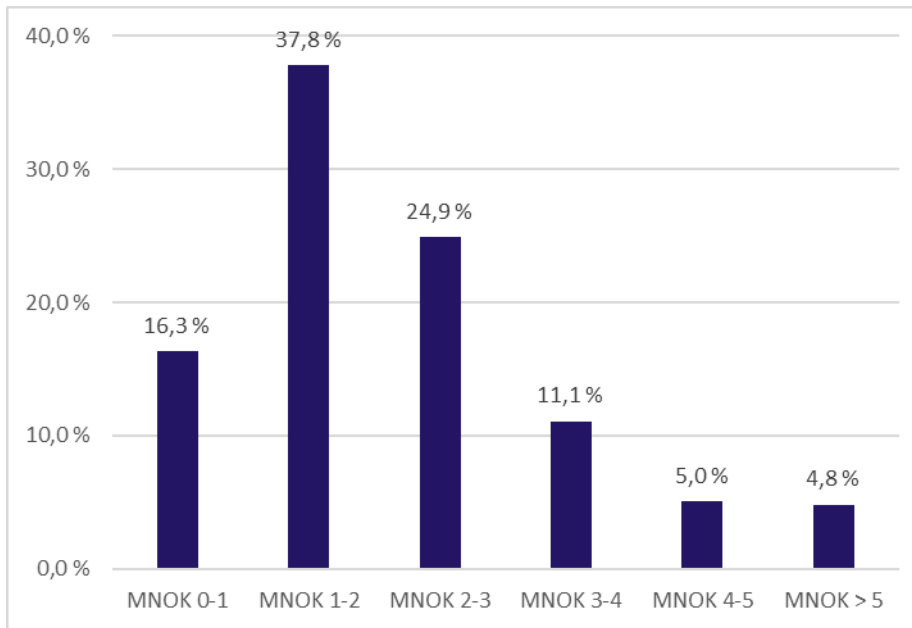


Change in unemployment (percent), last 12 months



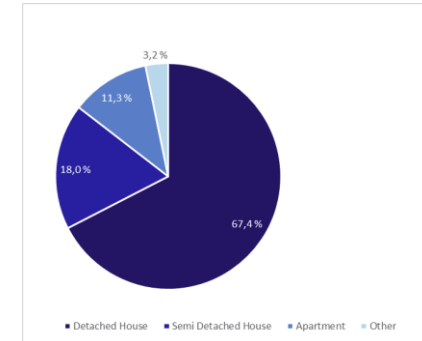
Cover pool characteristics

Cover pool broken down by intervals of loan balance

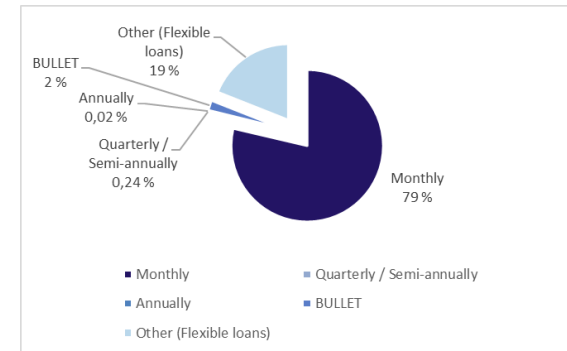


- Average loan value of NOK 1.3 million

Property type



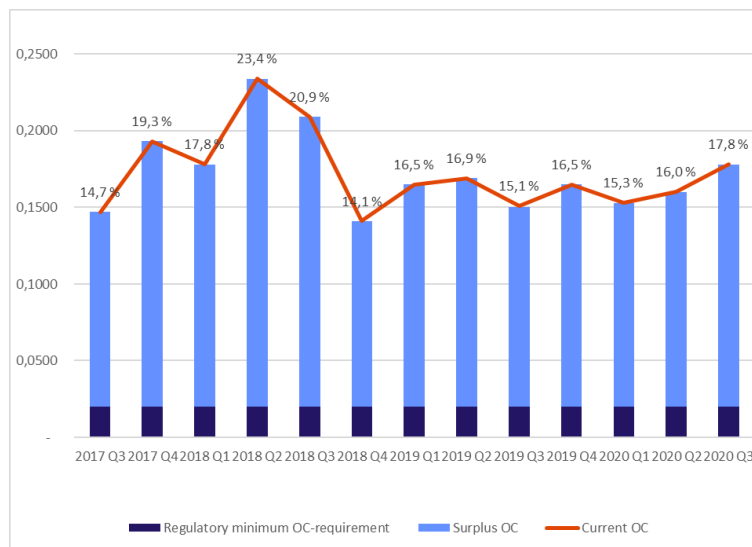
Principal payment frequency



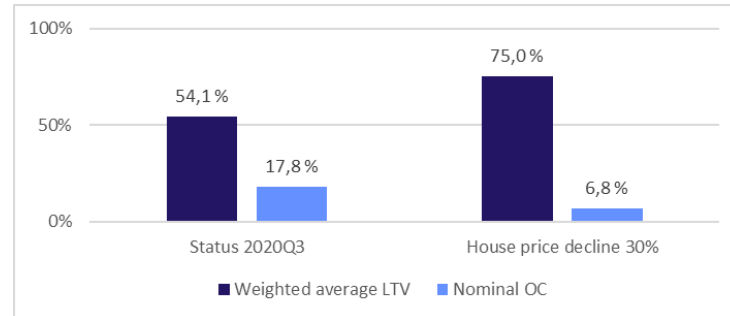
Cover pool characteristics

Regulatory minimum OC-requirement: 2.0 % - Current OC (nominal): 17.8 %

Historical development Over Collateralisation



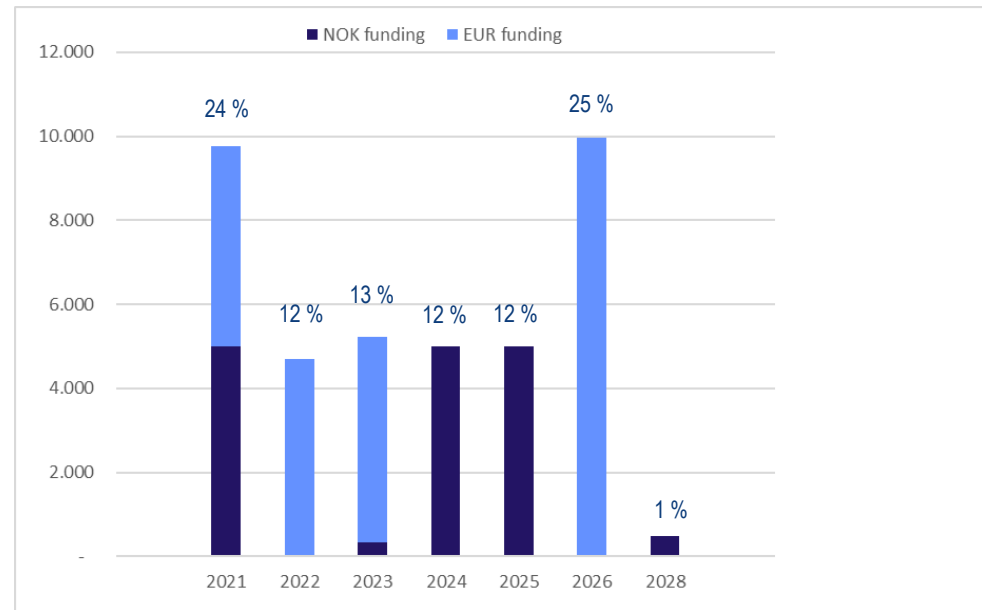
Stress test of the cover pool



Funding as at 30.09.2020

Annual maturity of wholesale funding

- Total funding amounts to NOK 44.4 bn in issued covered bonds
- The company has a diversified maturity profile
- Funding > 12 months totalled 87.3 %
- Soft bullet structure on all outstanding bonds



Debt securities issued as at 30.09.2020

Figures stated in NOK Thousand

ISIN Number	Ticker	Currency	Nominal value	Interest		Due date	Book value	Fair value
XS1383921803		EUR	500.000	Fixed	0,250 %	22.03.2021	5.567.443	5.568.679
NO0010778954	SORB27	NOK	5.000.000	Floating	3M Nibor	22.11.2021	5.004.080	5.033.352
XS1622285283		EUR	500.000	Fixed	0,125 %	30.05.2022	5.587.903	5.601.123
NO0010671597	SORB09	NOK	350.000	Fixed	3,85 %	13.02.2023	382.512	385.750
XS1775786145		EUR	500.000	Fixed	0,375 %	20.02.2023	5.666.076	5.659.824
NO0010882632	SORB30	NOK	5.000.000	Floating	3M Nibor	19.11.2024	5.001.797	5.037.792
NO0010832637	SORB28	NOK	5.000.000	Floating	3M Nibor	24.09.2025	4.993.003	5.037.171
XS1947550403		EUR	500.000	Fixed	0,50 %	06.02.2026	5.803.592	5.809.817
XS2069304033		EUR	500.000	Fixed	0,01 %	26.10.2026	5.589.618	5.649.185
NO0010670409	SORB08	NOK	500.000	Fixed	4,00 %	24.01.2028	606.105	615.422
TOTAL							44.202.129	44.398.113

Green & Sustainable

Green & Sustainability Bond Framework established autumn 2019

Eligible Green Loan Portfolio in Sparebanken Sør Boligkreditt AS NOK 8,6 billion as at 30.09.2020 (NOK 11,0 bln. in Group)

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



Use of Proceeds: Green Covered Bond

Sparebanken Sør Boligkreditt

Green Covered Bond

Eligible green residential buildings



Criterion 1: New & existing residential buildings (built from 2009)*

- Top 15% most energy efficient apartments (TEK10 & TEK17) & residential dwellings (TEK07, TEK10 & TEK17)

Criterion 2: Existing residential buildings (built before 2009)*

- Top 15% most energy efficient apartments & residential dwellings with EPC-labels A, B & C

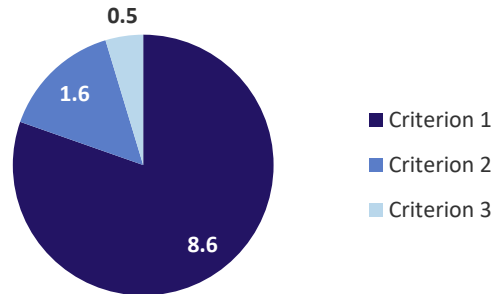
Criterion 3: Refurbished residential buildings

- ≥30% improvements in energy efficiency
- 2 step improvement in EPC label. Only labels of 'D' or better will be considered.

Eligible Residential Green Buildings within Cover Pool

Eligible Project Category	Eligible portfolio	Share of Total Financing	Eligibility for Green Bonds	Reduced energy compared to baseline	Reduced CO2-emissions compared to baseline
Green Residential Buildings	~11NOKbn	100%	100%	111 GWh/year	13,763 tons CO2/year

Green Loan Book (NOKbn): top 15% energy efficient residential mortgages, mostly in Southern Norway



Eiendomsverdi®

Multiconsult



External Review

Pre Green & Sustainability Bond Framework

Sparebanken Sør has received a **second opinion review** from **Sustainalytics** and **CBI certification** for the Green & Sustainability Framework.

Use of
proceeds



Project
Selection &
Evaluation



Management
of proceeds



Reporting



Post Green & Sustainability Bond Framework

Sparebanken Sør will, on an annual basis, request a **external verification concerning the allocation of the bond proceeds to eligible assets** from an external verifier.

One year after
issuance

Until maturity or
full allocation

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 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)

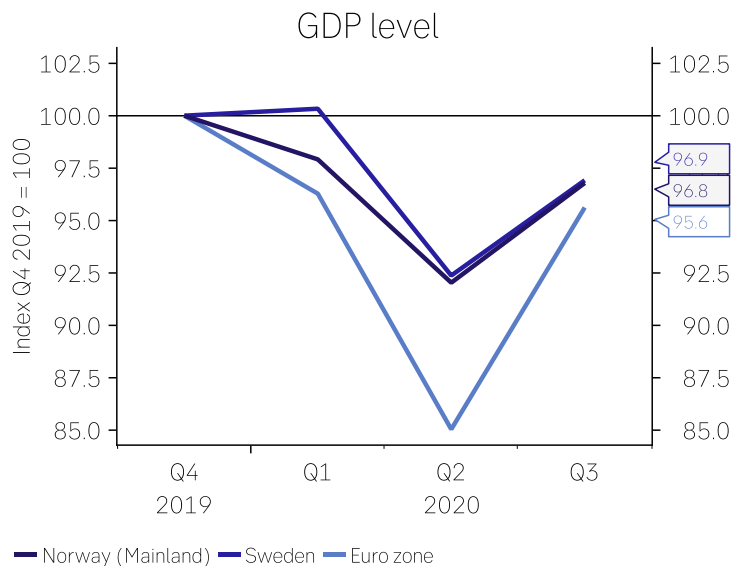
The Norwegian economy



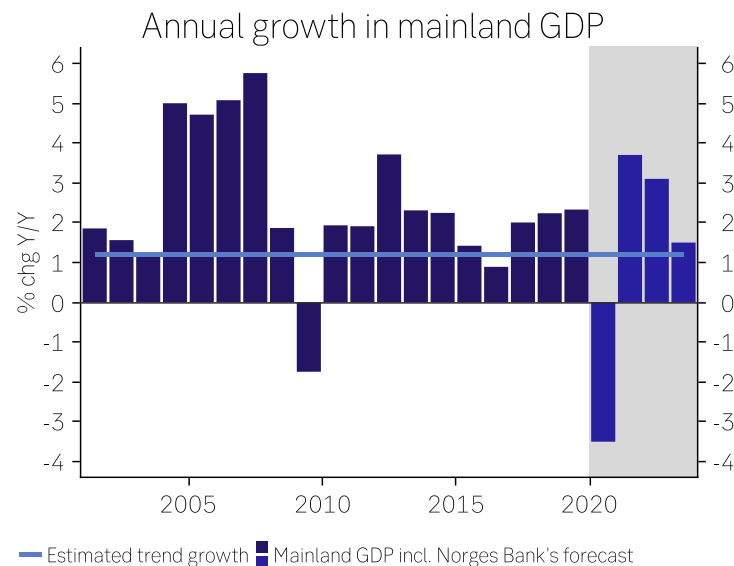
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Better than feared

Norway has outperformed the euro area so far in the pandemic crisis



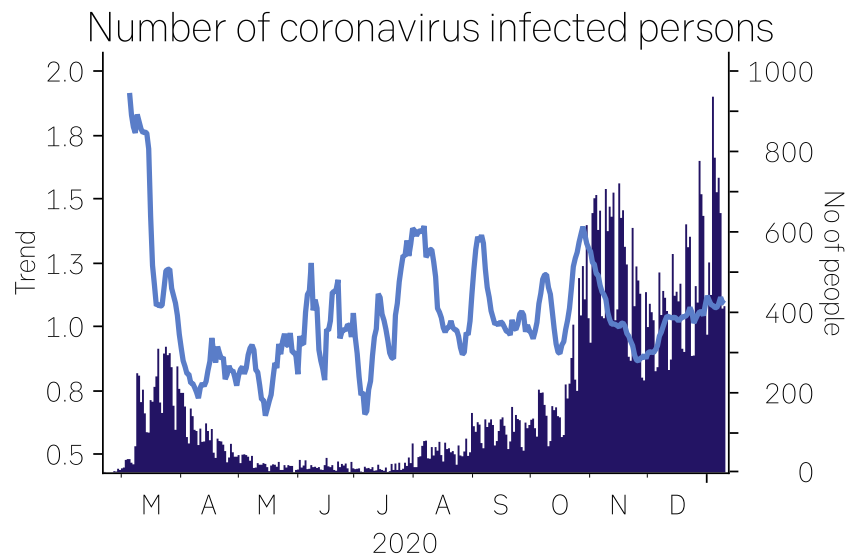
Source: Eurostat, Statistics Sweden (SCB), Statistics Norway, Macrobond, SEB



Source: Statistics Norway, Macrobond, SEB

Economy is coping with the 2nd wave

Containment measures in place, but less extensive than in spring

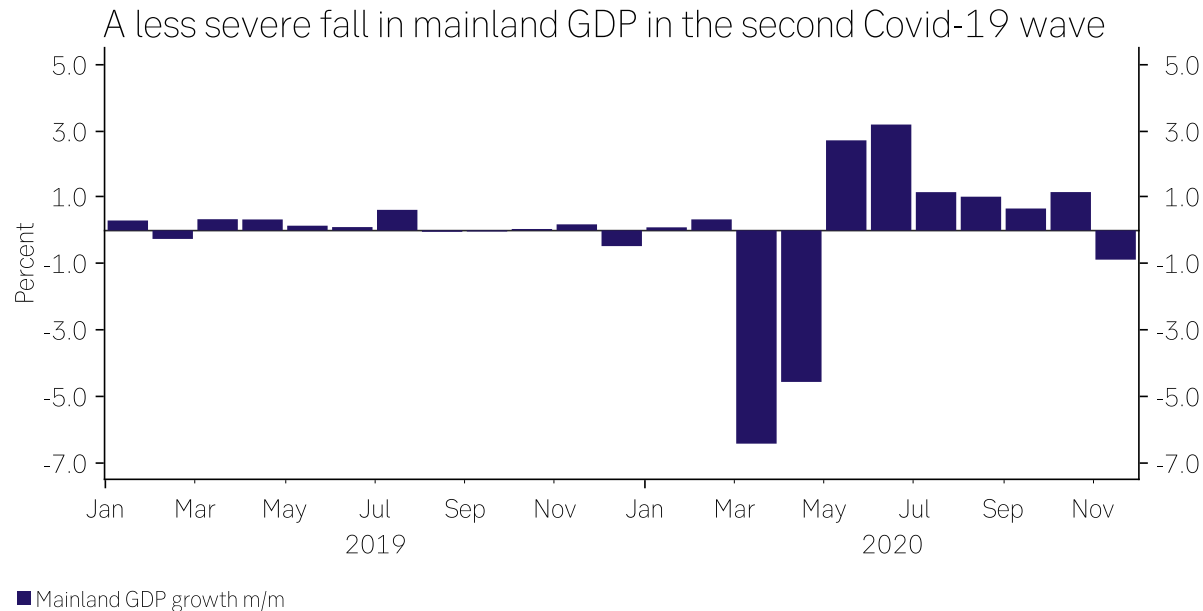


Source: FHI, Macrobond, SEB

- **Restrictions:** Aiming at restricting social contacts and reducing import infections.
- **Vaccination:** Norway is receiving vaccines through participation in the EU's procurement scheme and via close cooperation with Sweden.

A mild slowdown in late 2020

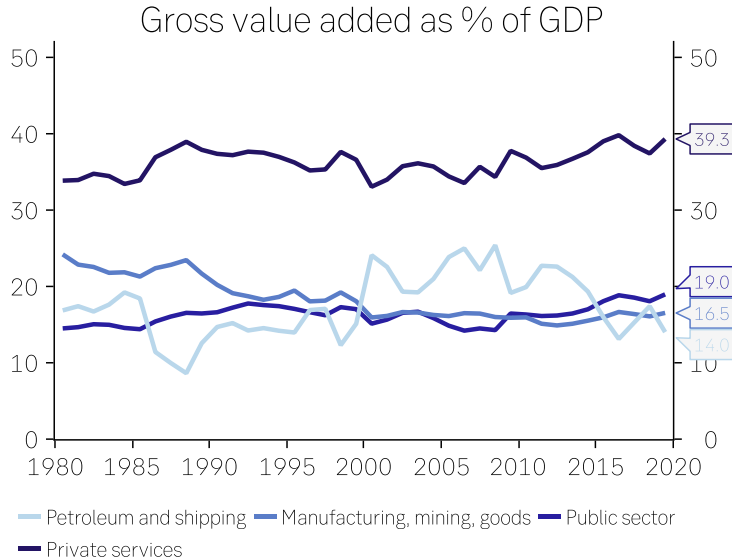
Mainland GDP will avoid negative sequential growth in Q4 2020



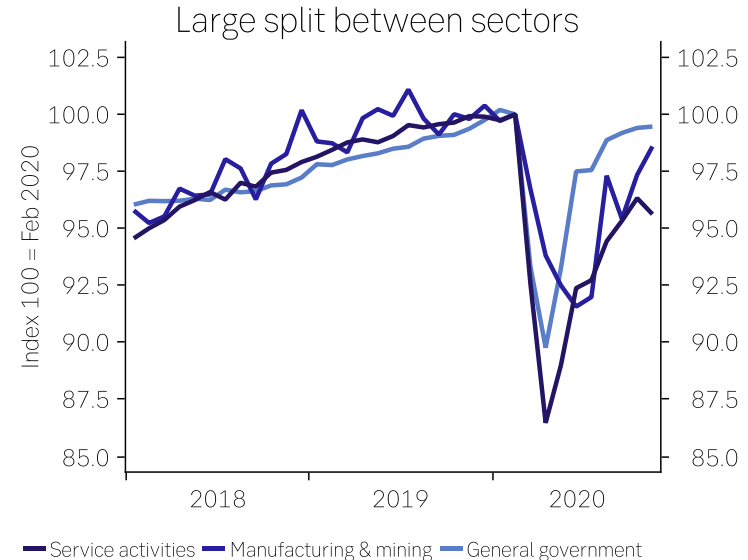
Source: Statistics Norway, Macrobond, SEB

The vast service sector is hardest hit

Accounts for roughly 40% of output and employment



Source: Statistics Norway, Macrobond, SEB

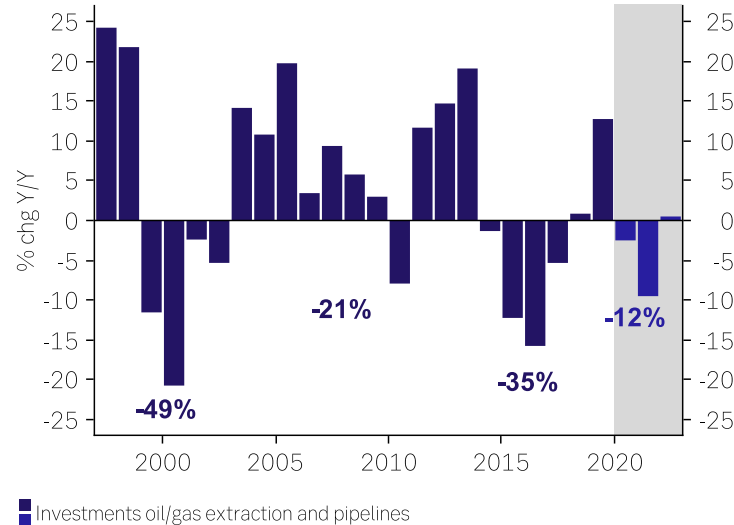


Source: Statistics Norway, Macrobond, SEB

Oil sector to hamper the recovery

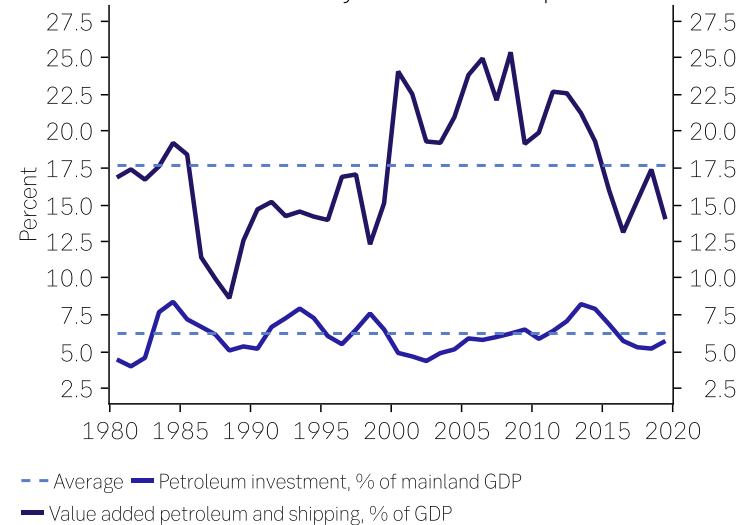
But the downturn will be less severe than in the 2014-2015 oil shock

A smaller decline than in 2014-2016 downturn...



Source: Statistics Norway, Macrobond, SEB

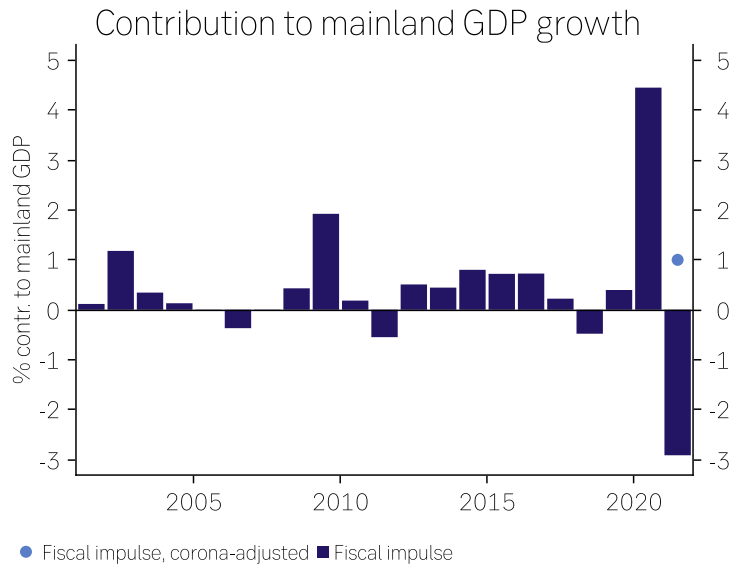
...and the economy is less oil-dependent



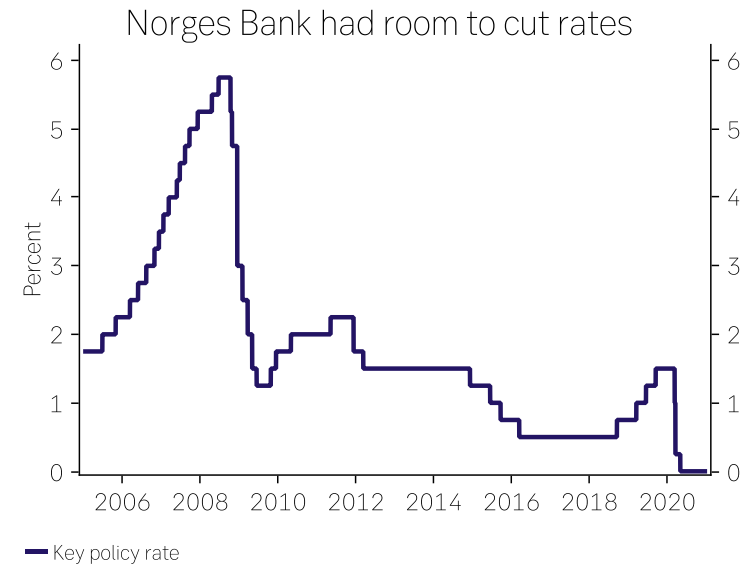
Source: Statistics Norway, Macrobond, SEB

An unprecedented policy response

The government has utilized the flexibility offered by the policy rule



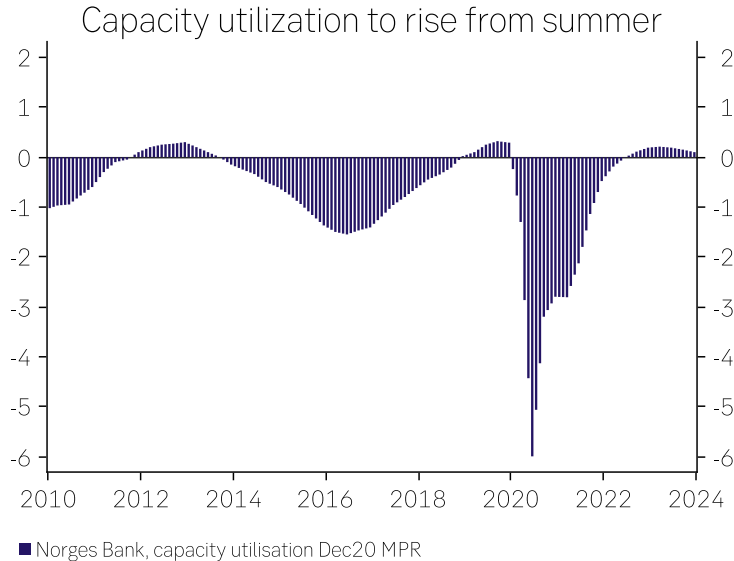
Source: Government budget, Macrobond, SEB



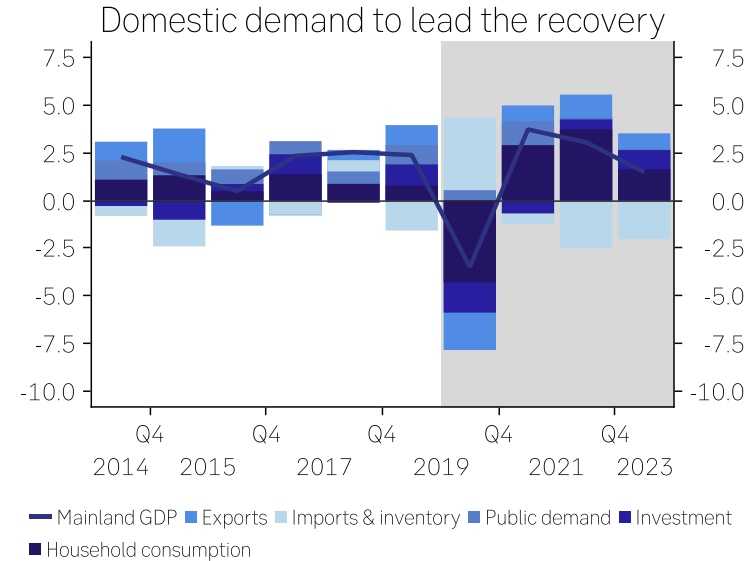
Source: Norges Bank, Macrobond, SEB

Prospects of a strong recovery in 2021

Normal output and employment levels expected by mid-2022



Source: Norges Bank, Macrobond, SEB



Source: Statistics Norway, Norges Bank, Macrobond, SEB

The Southern region to outperform

The regional network expects stronger output growth in the south

Output growth past 3m and expected next 6m



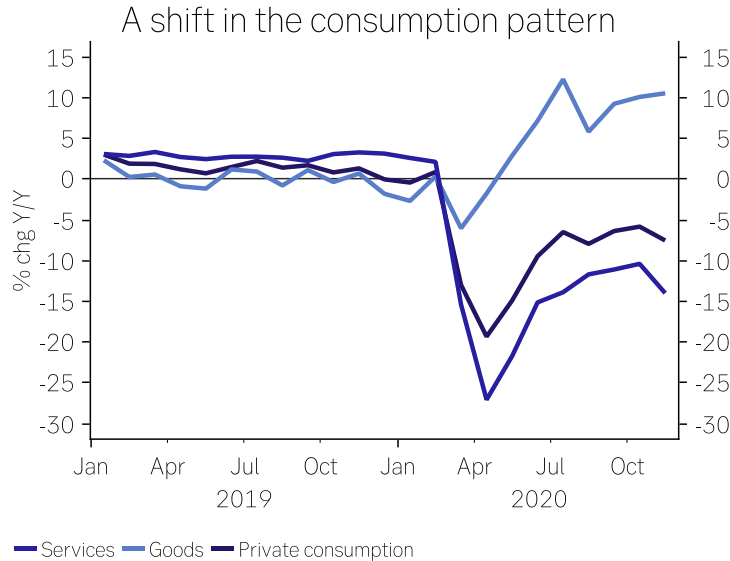
The index ranges from -5 to +5, where -5 indicates a large fall and +5 indicates strong growth.

The index is compiled quarterly by Norges Bank through a regional network and shows the development in the Southern region, which consists of Aust-Agder, Vest-Agder, Telemark and Vestfold.

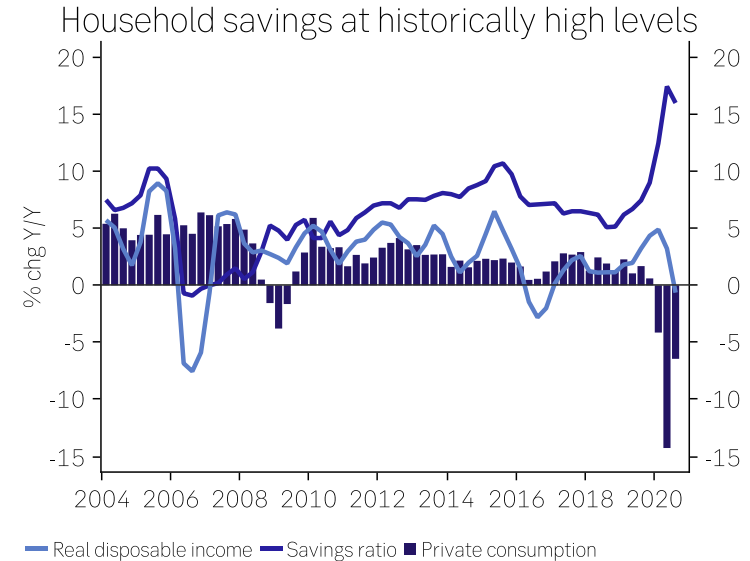
Source: Bank of Norway (Norges Bank), Macrobond, SEB

Recovery led by household demand

Very high savings, low mortgage rates and increased jobless benefits



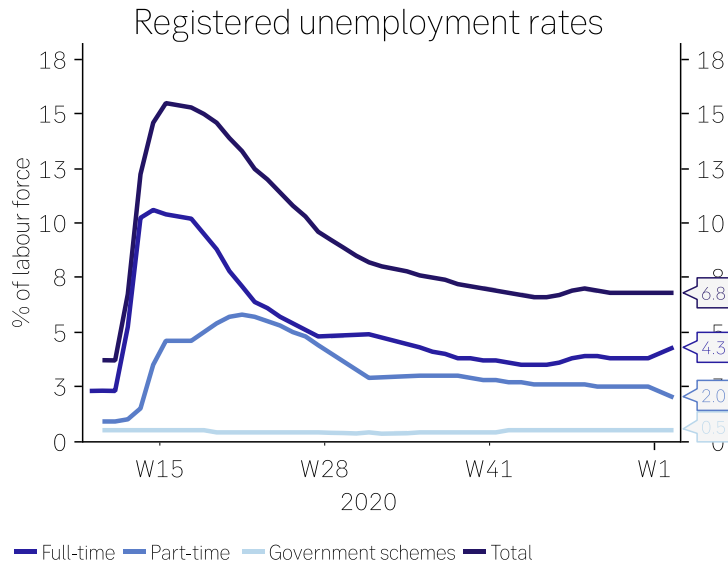
Source: Statistics Norway, Macrobond, SEB



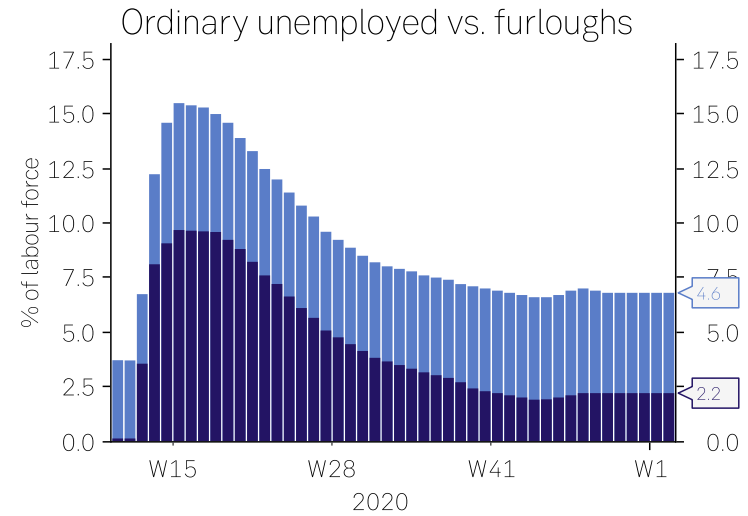
Source: Statistics Norway, Macrobond, SEB

Unemployment trending lower

A short-lived rise in the total number of jobseekers in late 2020



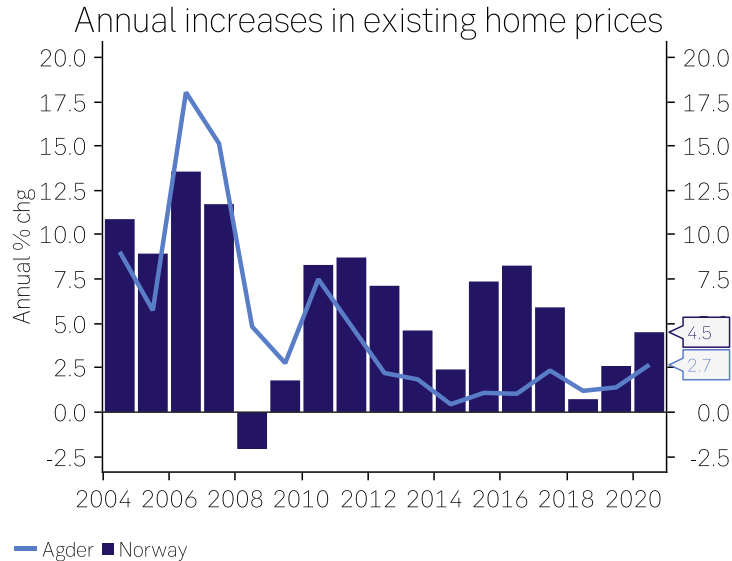
Source: NAV, Macrobond, SEB



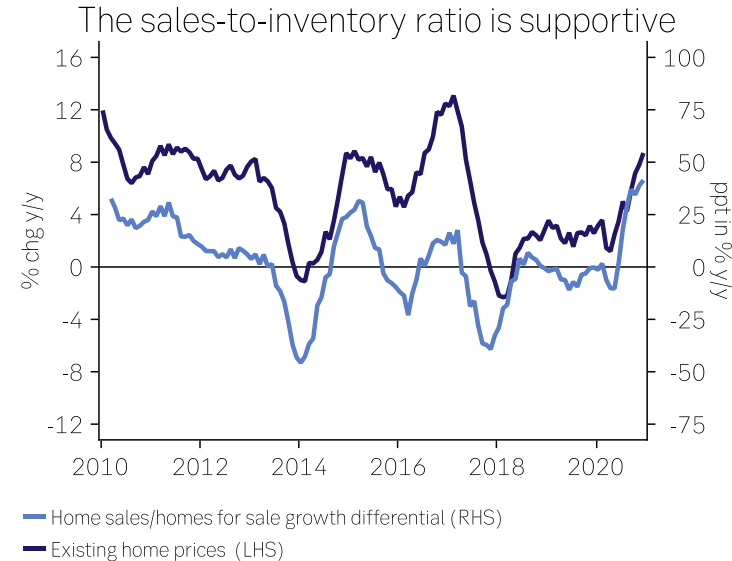
Source: NAV, Macrobond, SEB

A reacceleration in home prices

Record-low mortgage rates and a favorable supply-demand balance



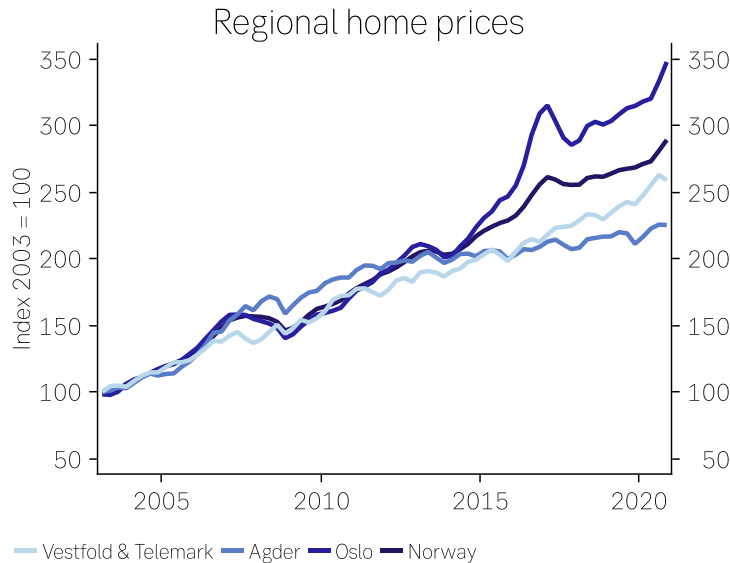
Source: Real Estate Norway (Eiendom Norge), Macrobond, SEB



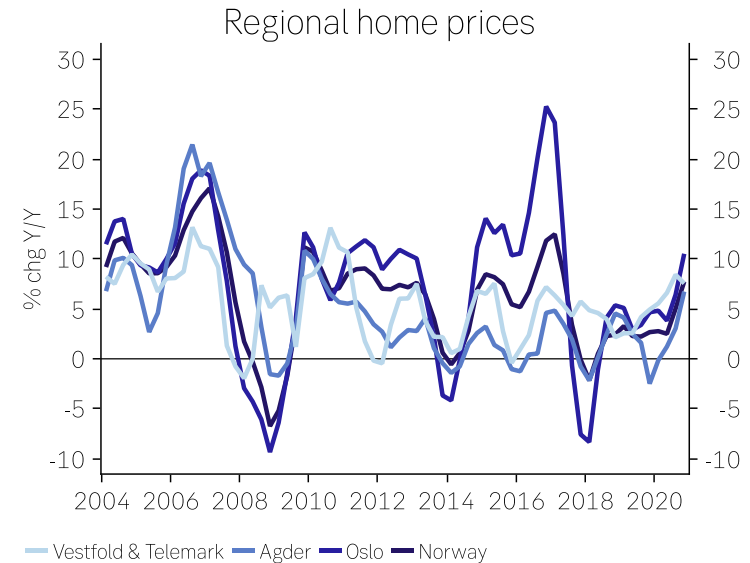
Source: Real Estate Norway (Eiendom Norge), Macrobond, SEB

A similar increase in the region

Positive house price developments in the Southern region



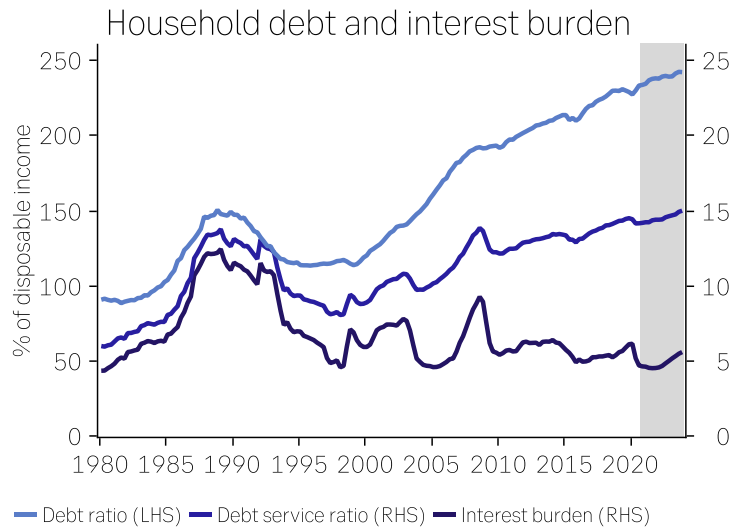
Source: Real Estate Norway (Eiendom Norge), Macrobond, SEB



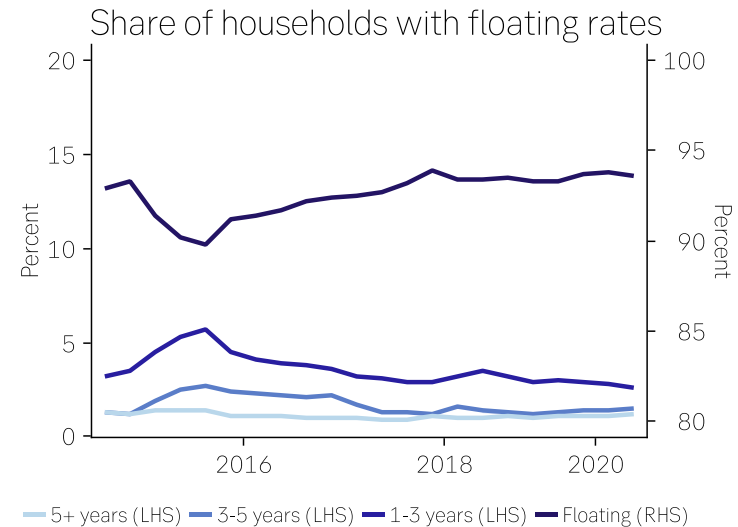
Source: Real Estate Norway (Eiendom Norge), Macrobond, SEB

Households can service their debt

A strong transmission mechanism, but households' interest rate burden will remain low despite expected rate hikes in coming years



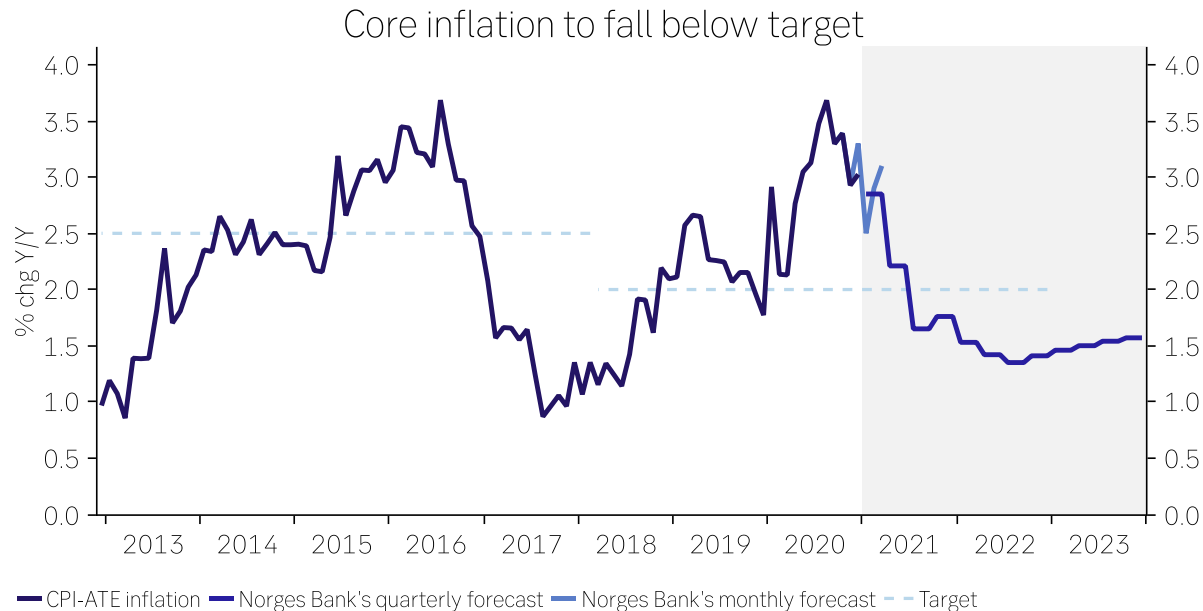
Source: Norges Bank, Macrobond, SEB



Source: Statistics Norway, Macrobond, SEB

Inflation below the target

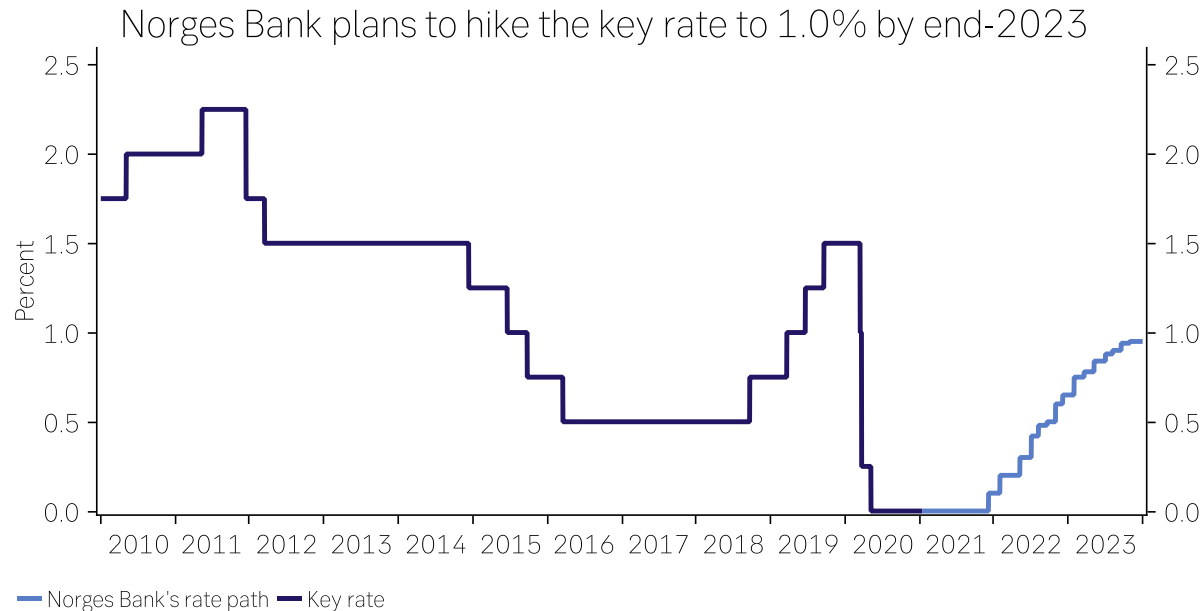
Rising capacity utilization limits the risk of inflation becoming too low



Source: Norges Bank, Macrobond, SEB

Norges Bank will be the odd man out

Hiking rates in 2022-2023 as the economy normalizes



Source: Norges Bank, Macrobond, SEB

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