



Sparebanken Sør Boligkreditt AS

Investor presentation

EUR Covered Bond Transaction

September 2021

Executive summary

Norwegian Covered Bond Issuance	<ul style="list-style-type: none"> • Sparebanken Sør Boligkreditt AS is exploring the possibility of a conventional covered bond, subject to market conditions • €8 bn EMTN Programme • Cover pool consisting of Norwegian residential mortgages • Expected to be rated Aaa by Moody's • Tenor 7 years • EUR 500 mn no-grow • Joint lead managers: Commerzbank, Credit Agricole, Danske Bank, Natixis and Swedbank
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 16% and leverage ratio of 9.2% as at 30 June 2021 • Rated A1 (stable outlook) by Moody's • Strong asset quality – 66% 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 97.9 % prime Norwegian residential mortgages and LCR-compliant interest bearing securities • High quality cover pool reflected by the weighted average LTV of 51.8 % • 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

Sparebanken Sør Boligkreditt AS is fully owned by Sparebanken Sør



SPAREBANKEN SØR

Sparebanken Sør

- a leading financial institution in Southern Norway



- Established in 1824
- 549 employees



- 178 000 personal customers



- Financial group with banking, securities brokerage and real estate brokerage



- 22 000 corporate customers



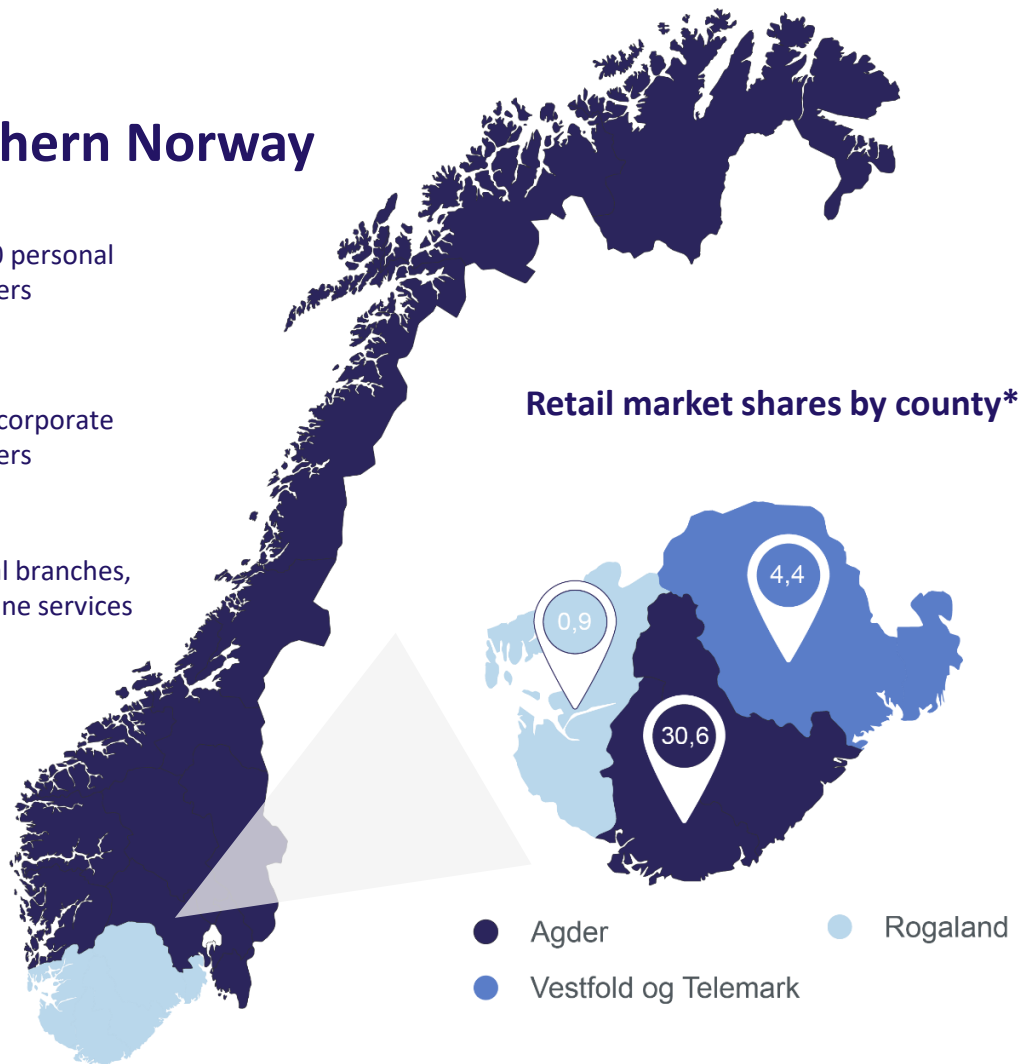
- Publicly traded and community-owned



- Regional branches, and online services



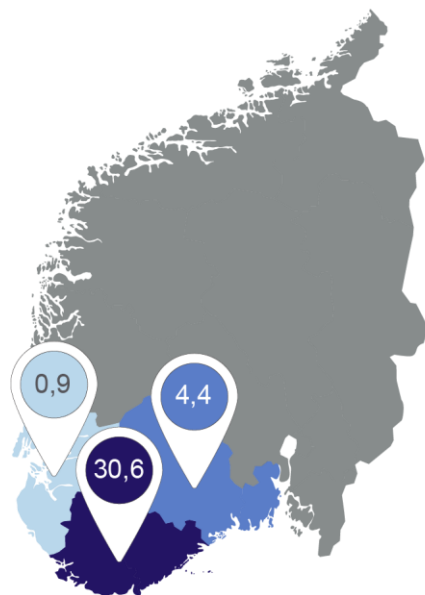
- Total assets of NOK 140 billion
- Q2-2021 profit after tax of NOK 308 million
- Cost-income ratio of 40.9%



A leading mortgage lender in Southern Norway

The bank maintains its high market share

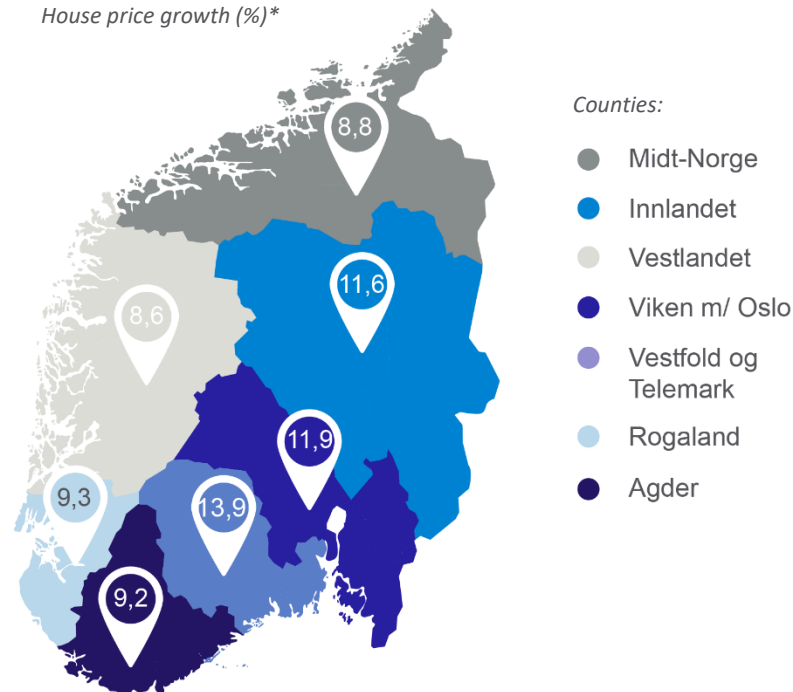
Market share by county (%)



The bank has maintained its # 1 position in Agder, and a strong position in Vestfold og Telemark. Market shares in Rogaland are increasing.

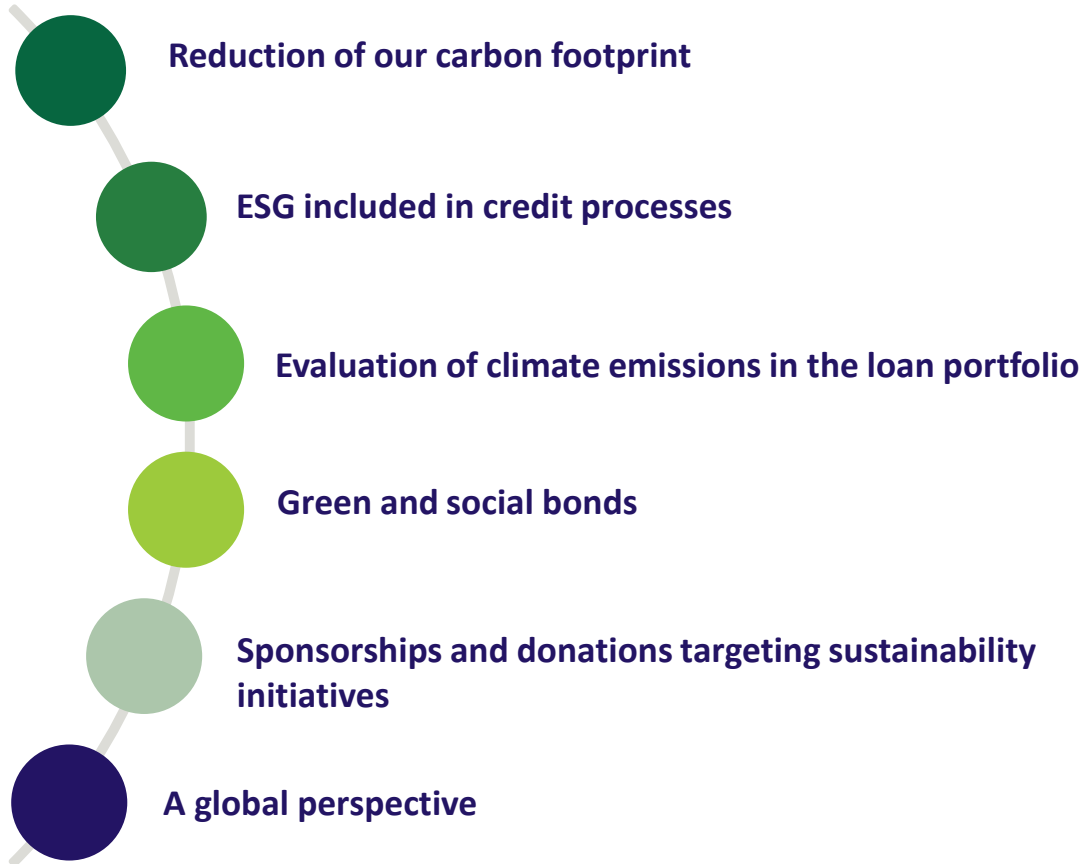
The increase in house prices has continued

House price growth (%)*



*3-month moving average of 12-month changes

Our ESG profile



- 55% reduction in climate emissions by 2030
- Zero emission target by 2050

- ESG now integrated in credit processes for corporate loans
- Developing a new ESG-system with IT provider TietoEvry

- CO₂ emissions measured for ca 60% mortgages (residential and commercial)
- Loan portfolio has lower emissions than the national average

- Green & Sustainable Bond Framework established in 2019
- EUR 500 mn inaugural green covered bond issued in 2019

- Yearly, NOK 50 mn are distributed in gifts and donations for sustainable and socially beneficial purposes

- UN Global Compact – CoP advanced 2020
- UNEP PRB – Reporting and Self-Assessments 2020
- TFCD report 2020

ESG-rating – low risk and strong ranking



ESG RATING 2021

On 20 August 2021, ESG-ratings company Sustainalytics published the first official ESG rating of Sparebanken Sør

LOW RISK – 11.7

We were awarded a «Low risk»-rating, and a score of 11.7, **the best ranking of a Norwegian bank by Sustainalytics**

STRONG RANKING

We achieved 4th place amongst regional banks and 313th place of all 13 519 firms ranked by Sustainalytics

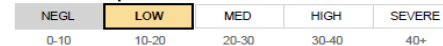
ESG Risk Rating

11.7

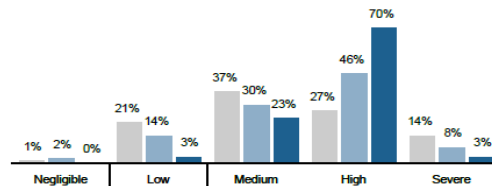
Updated Aug 20, 2021

Not available
Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	313/13593	3rd
Banks INDUSTRY	31/1006	4th
Regional Banks SUBINDUSTRY	4/410	2nd



SUSTAINALYTICS

a Morningstar company

RATED



SUSTAINALYTICS

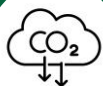
SECOND-PARTY OPINION





ESG included in credit risk assessments

Our portfolio has a low ESG risk profile



Sparebanken Sør has lower loan portfolio emissions than the «National Portfolio» average

- Sparebanken Sør's lending constitutes 2% of total lending in Norway
- Emissions linked to our loan portfolio, however, is only 0.6% of the total emissions linked to Norwegian banks' loan portfolios



ESG in our daily work

- The bank's lending shall be a driver for increased sustainability
 - We intend to realise this through guiding of and demands towards our customers
- Our green product taxonomy is in line with the EU's, and guides the bank's lending decisions

KPI	Norway (11/2020)		Sparebanken Sør (2020)	
	Loans NOK mill.	CO 2 1000 tonn	Loans NOK mill.	CO 2 1000 tonn
Private customers (households)	3.699.110	4.917	73.662	97,9
Agriculture and related services	66.171	4.914	801	59,5
Forestry and related services	5.915	36	158	1,0
Fishing and hunting	80.501	370	313	1,4
Mining	11.151	279		
Extraction of crude oil and natural gas	15.121	15.229		
Industry	90.850	11.933	861	113,1
Electricity, gas, steam, hot water supply	49.486	1.699		
Water supply, sewage and waste	13.915	1.499		
Property development	135.751	1.301	4.104	39,3
Building and construction	66.468	637	1.623	15,6
Retail	80.914	1.104	1.395	19,0
Shipping and air transport	79.392	20.815		
Land transport	80.699	2.087	590	15,3
Hotels and restaurants	20.475	133	399	2,6
Housing associations			1.281	0,2
Sale and operation of real estate	793.389	122	19.303	3,0
Service provision and public sector	246.362	1.670	7.369	50,0
Total, Business market	1.836.560	63.828	38.197	319,9
Total, Private and Business market	5.535.670	68.745	111.859	417,8
Sør's percentage of Norway, %			2,02	0,61

A complete provider of financial services

Sparebanken Sør



Retail banking

- Retail lending of NOK 78 bn (66% of total lending)
- 178 000 customers

Corporate banking

- Corporate lending of NOK 37 bn (34% of total lending)
- 22 000 customers

Subsidiaries

Sparebanken Sør Boligkreditt

- Issuer of the Group's covered bonds, and important funding instrument
- 49 bn NOK in lending
- 43 bn NOK total covered bond issuance



Sørmegleren

- The leading real estate broker in Southern Norway (Sørlandet), with a market share of ~30 per cent



Associated Companies

Frende Forsikring (21,0 %)



FrendeForsikring

- Offers insurance products to retail and corporate customers
- 159 000 kunder

Brage Finans (20,8 %)



- Offers leasing and loans secured by purchased assets to retail and corporate customers

Norne Securities (14,8 %)



- Securities firm offering investment services to retail and corporate clients

Balder Betaling (22,2%)



- 10.7% ownership of Vipps, Norway's largest payment app, used by 4 million Norwegians

Financial highlights Q2 2021



SPAREBANKEN SØR

Financial highlights Q2 2021

- Efficient operations and low costs
- Solid profit contributions from Frende, Brage and Sørmeqleren
- Net entry on credit losses
- Annualised lending growth of 8.2%
- Annualised deposit growth of 34.3%
- Return on equity after tax of 9.0%
- Common Equity Tier 1 Capital Ratio of 16%
- Leverage ratio of 9.2%

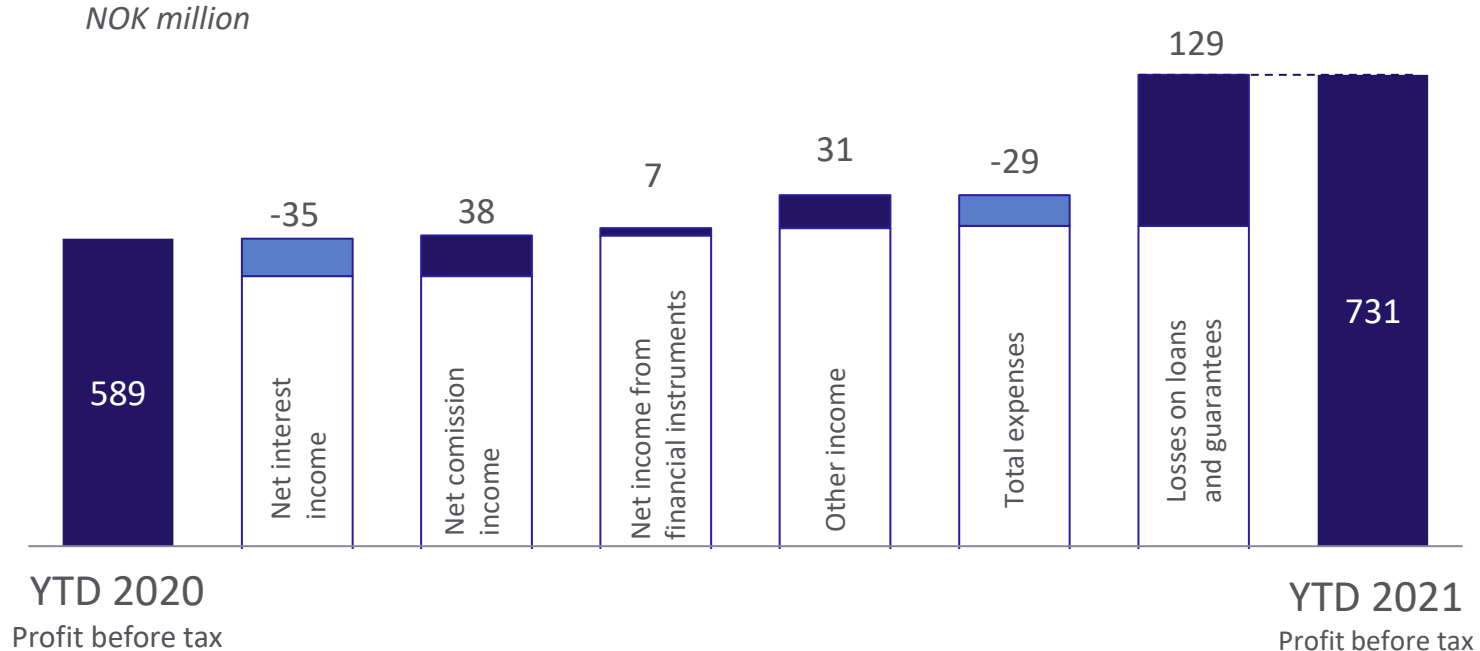
NOK million	2021 Q2	2020 Q2	Change
Net interest income	488	449	39
Net commission income	110	89	21
Net income from financial instruments	-11	59	-70
Associated companies	45	52	-7
Other operating income	2	4	-2
Total income	635	653	-18
Total expenses	260	240	20
Profit before losses on loans	375	413	-38
Losses on loans, guarantees	-11	46	-57
Profit before tax	386	367	19
Tax expense	77	79	-2
Profit for the period	309	288	21

Financial highlights H1 2021

- Efficient operations and low costs
- Healthy profit contributions from subsidiaries
Frende, Brage and Sørmeqleren
- Net entry on credit losses
- Annualised lending growth of 5.6%
- Annualised deposit growth of 10.0%
- Return on Equity After Tax of 8.7%

NOK million	30.06.2021	30.06.2020	Change
Net interest income	939	974	-35
Net commission income	197	159	38
Net income from financial instruments	-3	-10	7
Associated companies	74	39	35
Other operating income	2	6	-4
Total income	1 210	1 168	42
Total expenses	501	472	29
Profit before losses on loans	709	696	13
Losses on loans, guarantees	-22	107	-129
Profit before tax	731	589	142
Tax expense	148	137	11
Profit for the period	583	452	131

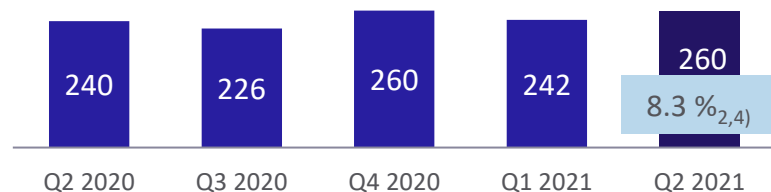
Decomposition of changes in profit before tax



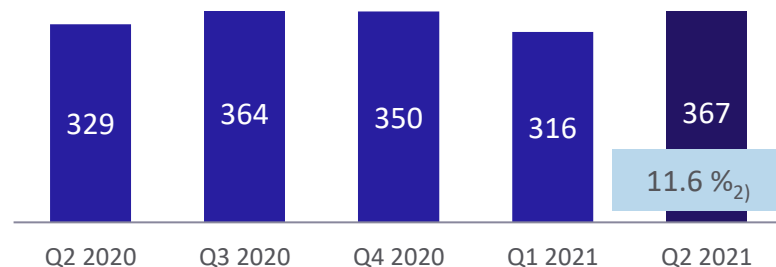
Profit and returns

NOK millions

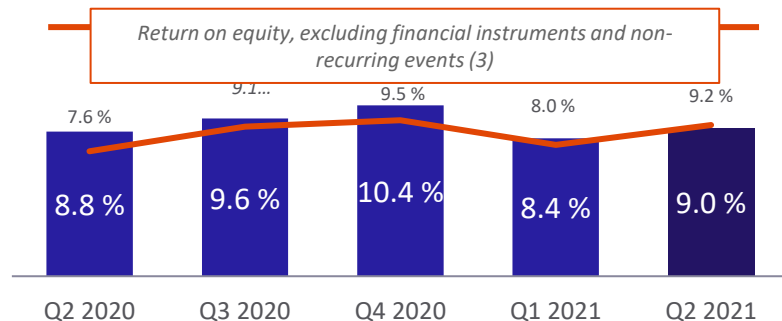
Operating expenses



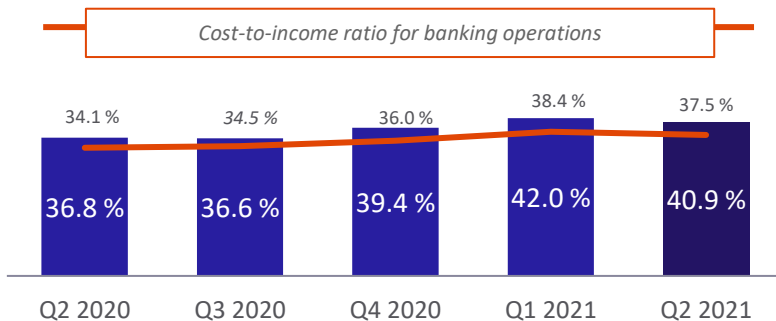
Profit from ordinary operations₁₎



Return on equity



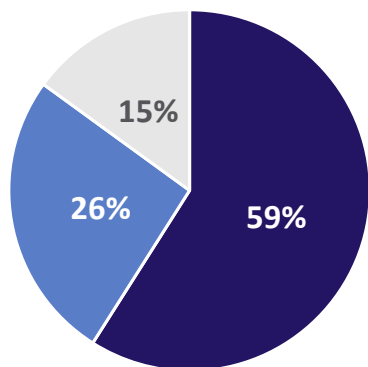
Cost-to-income ratio



- 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
- 4) Operating expenses in the banking operations increased by 3.8% compared to Q2 2020.

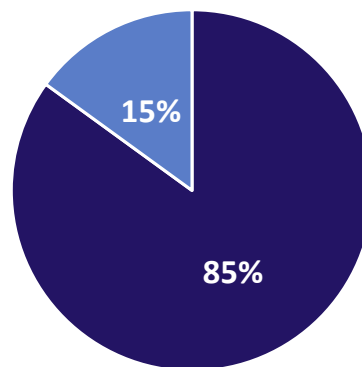
Staff changes and significant upskilling

Staff changes 2014-2021



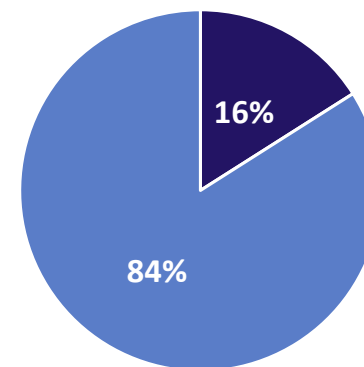
- Unchanged
- Upskilling and reskilling
- Downsizing

Leavers (2018-2021)



- Other
- Completed BSc/MSc

New joiners (2018-2021)

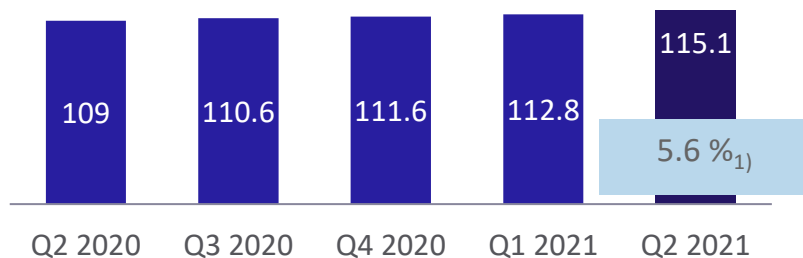


- Other
- Completed BSc/MSc

Solid lending and deposit growth in Q2

NOK billions

Net loans



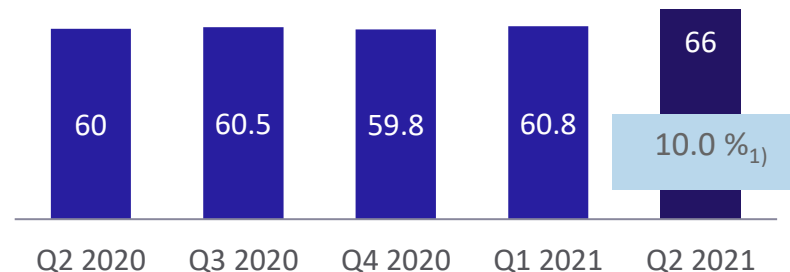
12-month growth of 5.6%

- 12-month growth in gross loans of 5.5% for retail customers and corporate customers of 5.6%

Annualized quarterly growth of 8.2%

- 7.8% retail lending growth
- 8.8% corporate lending growth

Deposits



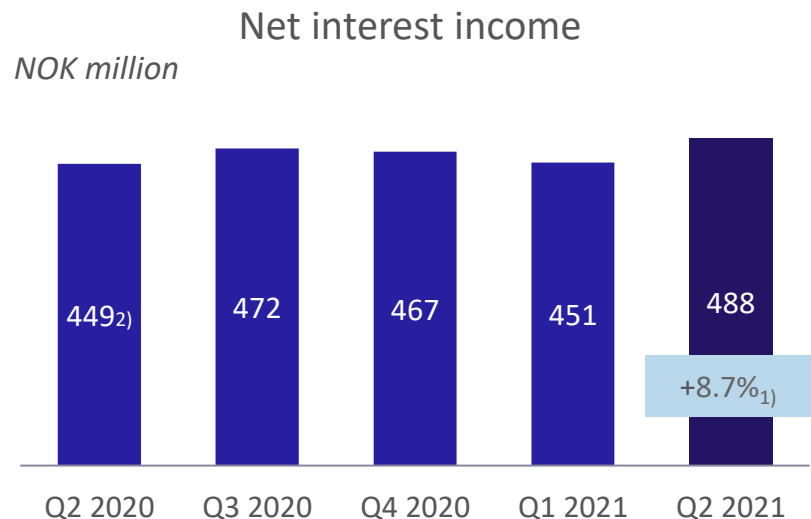
12-month growth of 10.0%

- 12-month retail deposit growth of 5.2% and 15.5% corporate deposit growth

Annualized quarterly growth of 34.3%

Higher net interest income

- Higher net interest income
- Healthy deposit and lending growth
- Competitive pressures in retail lending rates have subsided somewhat
- Financing costs fell due to refinancing of outstanding debt at lower costs, as well as lower money market rates (3-month NIBOR).

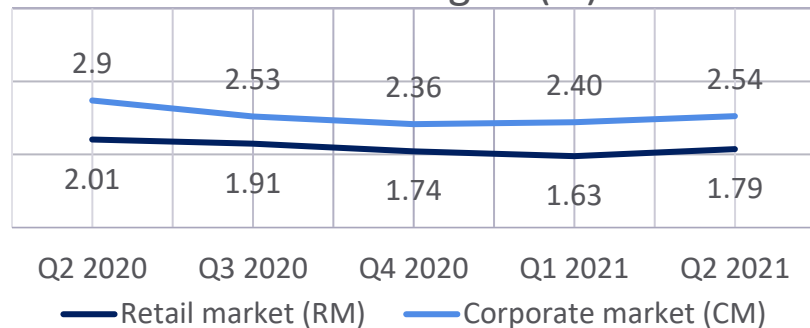


1) Changes from the corresponding prior-year period

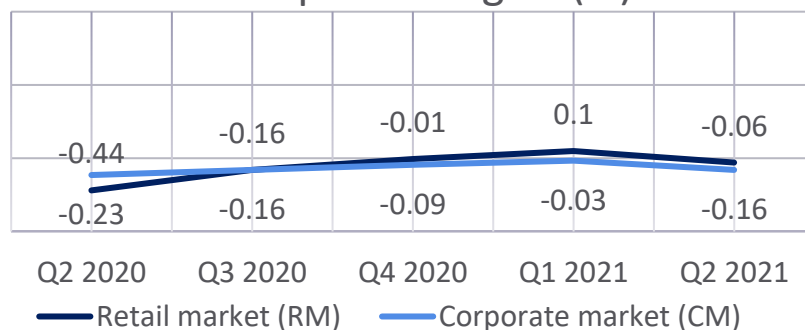
2) Shortened notice period reduced net interest income by approx. NOK 56 million in Q2

Margins

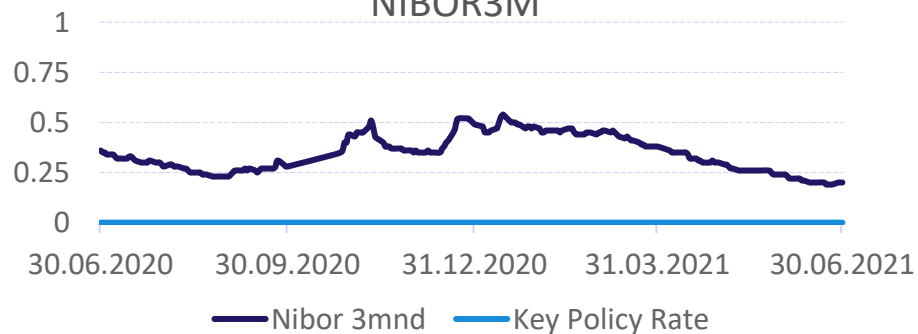
Loan margins (%)



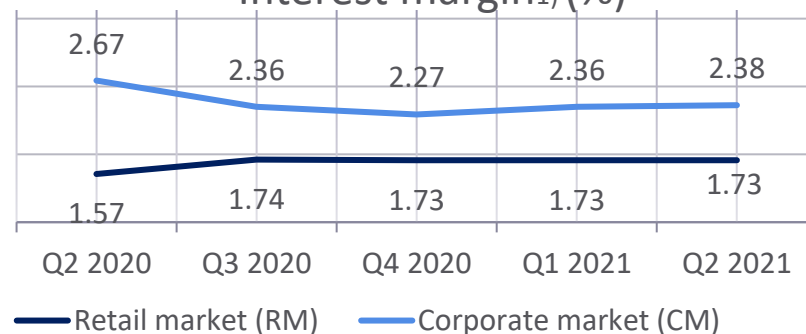
Deposit margins (%)



NIBOR3M



Interest margin¹⁾ (%)



Associated companies

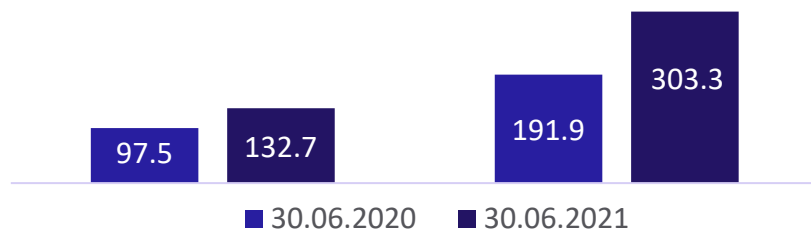


Profits before tax

NOK million

Brage Finans AS

Frende Holding AS



Consolidation effects

NOK million		Q2 2021	Q2 2020	30.06.2021	30.06.2020
Frende forsikring* (21.0 %)	Share of profit	38.3	49.3	50.9	27.4
	Amort.	-5.4	-5.0	- 10.8	-10.0
Brage finans (20.8 %)	Share of profit	12.4	7.9	23.3	13.6

In February 2021, the ownership share in **Brage** was temporarily increased from 20.8% to 24.9%. In June 2021, the bank resold the shares and reduced its ownership to 20.8%. The transaction did not have any effects on profit except that a larger share of the result in Brage was recognized as income in the quarter.

A value adjustment of the shares in **Vipps** was carried out in the first quarter, which had a positive effect on the shares in **Balder Betaling AS**. The value adjustment amounted to NOK 11.1 million. No value adjustment was made in the second quarter.

An excellent profit contribution from Sørmegleren

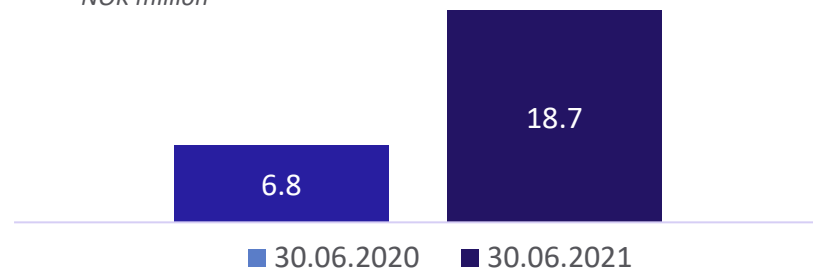
- The **leading real estate broker in Southern Norway**
- **>30% market share** of residential property transactions in Southern Norway
- Strengthened position in Vestfold og Telemark county, through opening of branches in the cities of Kragerø and Sandefjord.
- Push towards brokerage of commercial properties



SØRMEGLEREN

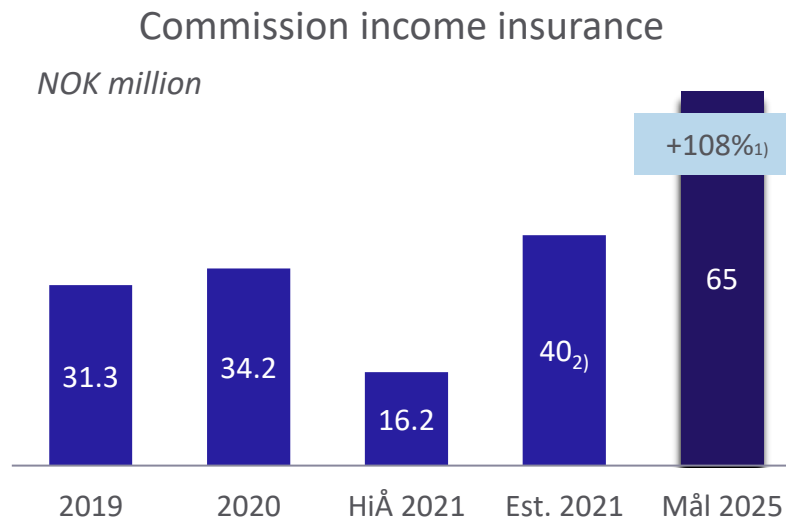
Profit before tax

NOK million



Increased efforts in insurance sales

- In July, the bank acquired 78% ownership of Sørlandets Forsikringssenter AS, with an option to purchase the remaining shares
- Through the acquisition, the bank obtained an insurance portfolio of NOK 110 million
- With this, the bank has strengthened the insurance sales force
- The ambition is to increase income from insurance by 100%, by end of 2025



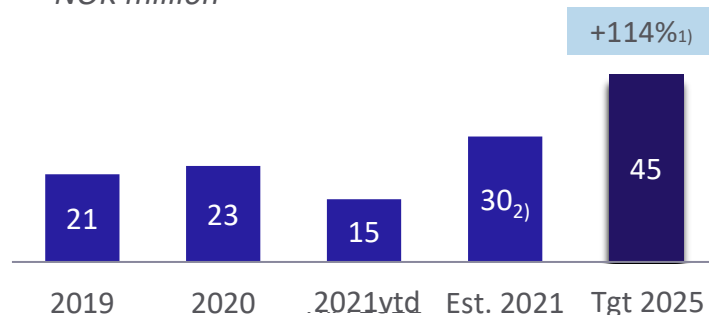
1) Increase from 2019 in the strategy period 2020-2025

2) Estimate 2021 after purchase of portfolio

Savings agreements

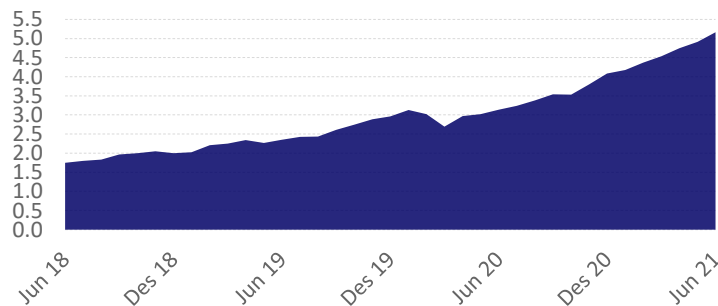
Commission income from mutual funds

NOK million



Savings agreements volumes

NOK billion



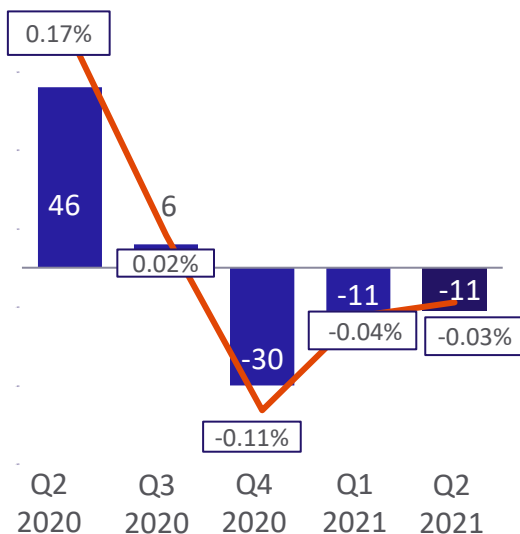
- The ambition is to increase commission income from mutual funds by 100% by end of 2025
- Strong growth both in the number of savings agreements and the amounts saved through these agreements
- Digital savings assistant went live in 2020
- Focus on Norne Fondsportal
- Considerable growth potential

1) Increase from 2019 i the Strategic Period 2020-2025

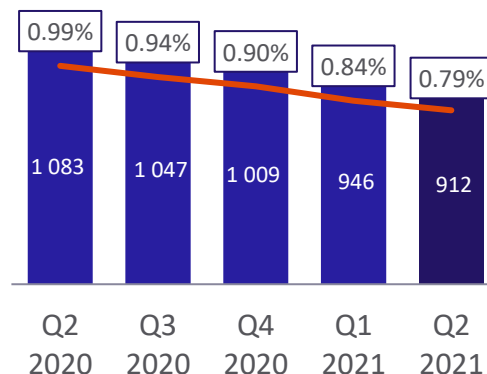
2) Estimate

Non-performing loans

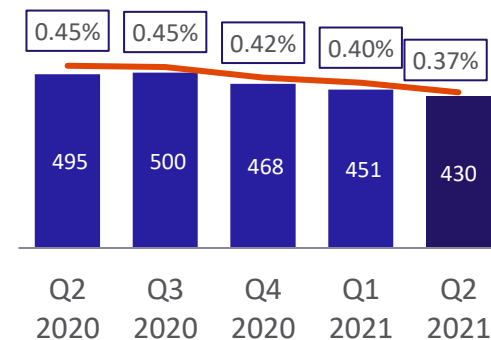
Development in losses in NOK million and as a percentage of gross loans (annualised)



Development in non-performing loans (IFRS 9, step 3) in NOK million, and as a percentage of gross loans ¹⁾



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

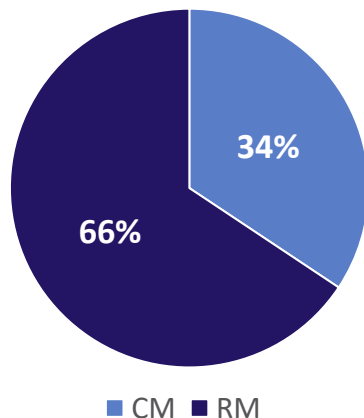


1) A new definition of non-performing has been applied from 1 January 2021. Historical figures are not directly comparable with current figures.

A well-diversified loan portfolio (1/2)

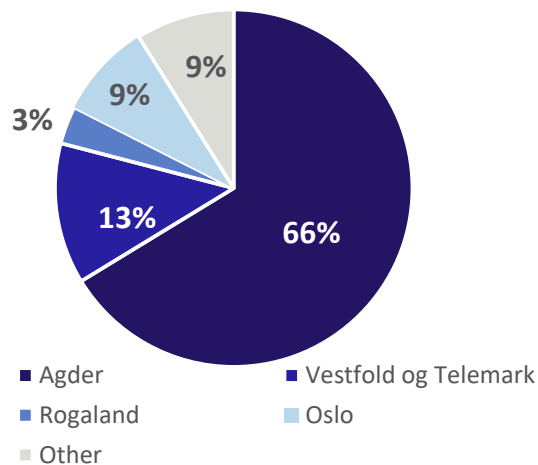
RM/CM distribution

Gross loans

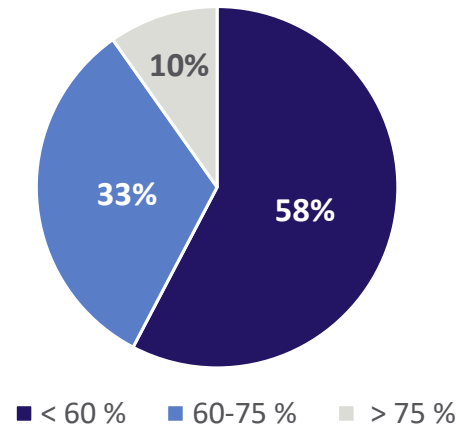


Geographical distributions of loans

Gross loans

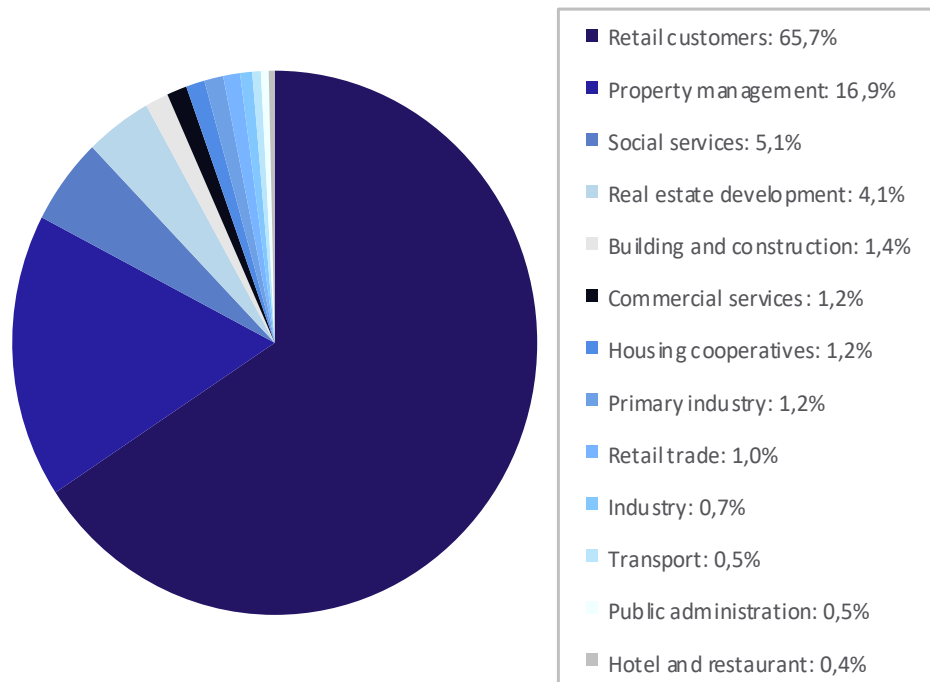


Loan-to-Value (Group)



- Average mortgage loan-to-value of ca 55% (Group).
- 90% of mortgages are within 75% of loan-to-value.
- NOK 48.8 billion have been transferred to Sparebanken Sør Boligkreditt AS, equivalent to 64% of total loans to retail customers

A well-diversified loan portfolio (2/2)



Well diversified portfolio across sectors

Virtually no direct exposure to oil and oil service

Very low indirect exposure to oil and oil service (tenants)

Summary of Q2 2021

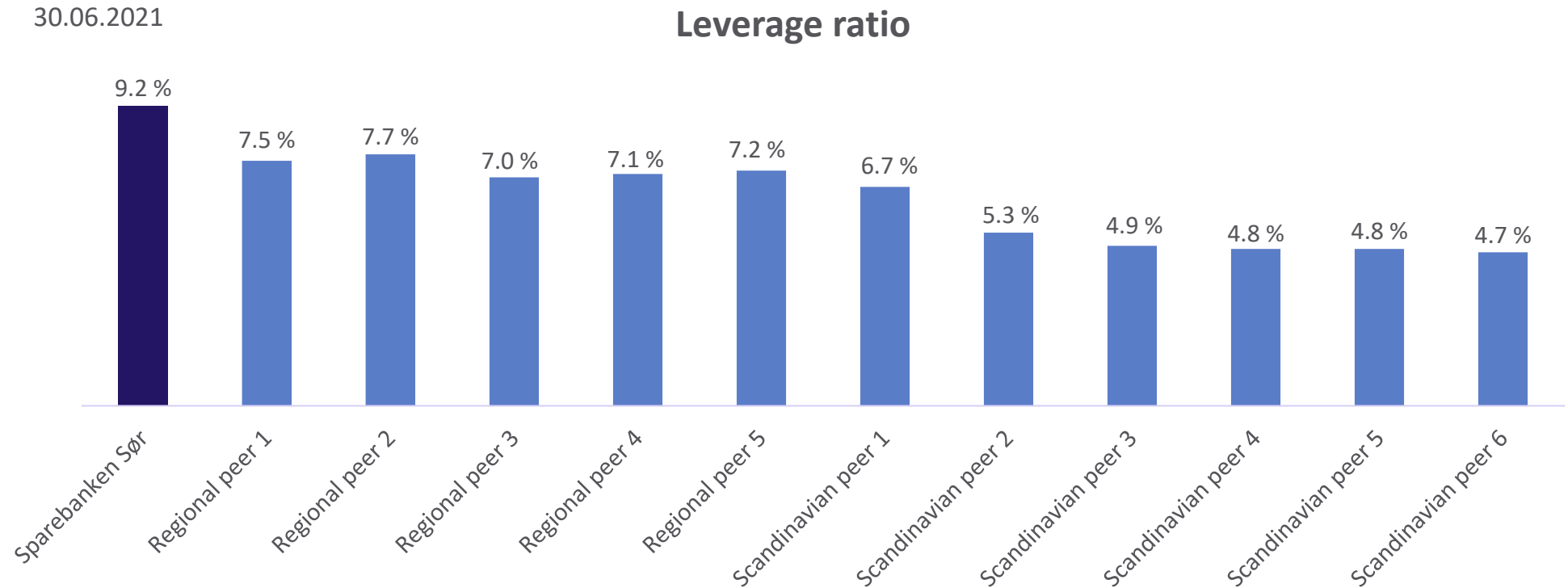
Results	<ul style="list-style-type: none"> • Positive development in net interest income, healthy profit contributions from Frende, Brage and Sørmeqleren. • Low operating costs and net entry on losses on loans.
Funding and capital	<ul style="list-style-type: none"> • Common Equity Tier 1 Capital ratio of 16.0% and solid leverage ratio of 9.2% • Solid financing structure and good liquidity buffers
Growth	<ul style="list-style-type: none"> • 12-month lending growth of 5.6% • 12-months deposit growth of 10.0%
Summary	<ul style="list-style-type: none"> • Satisfactory underlying operations gave a profit before tax of NOK 386 million in Q2 2021

Capital and funding



SPAREBANKEN SØR

A strong capital position



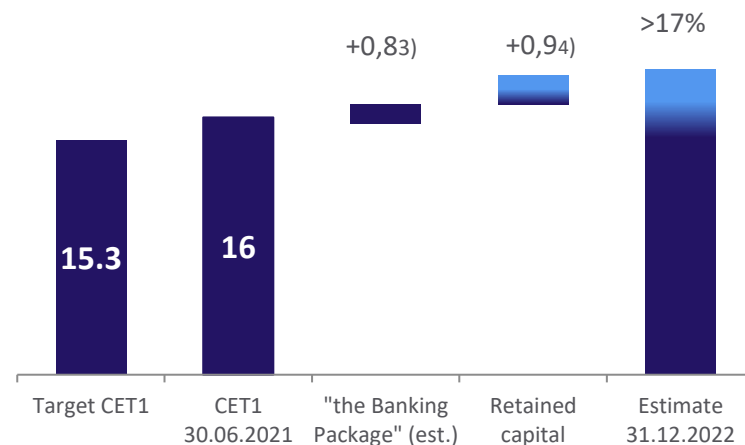
Capital requirements

Capital requirements

	Current requirements	Requirements by 31.12.2022
Minimum Tier 1 Capital Requirements	4.5 %	4.5 %
Conservation buffer	2.5 %	2.5 %
Systemic Risk Buffer ¹⁾	3.0 %	4.5 %
Counter-cyclical Buffer ²⁾	1.0 %	1.5-2.5 %
Pillar-2 requirements	2.0 %	1.0-2.0 %
Pillar-2 guidance	0%	0-1.0 %
CET1 requirements	13.0 %	14.0-17.0 %

- 1) The Ministry of Finance has decided on a transitional rule on capital requirements for banks that use the Standardised Approach, resulting in an increase in the Systemic Risk Buffer from 3 to 4.5% from 31 December 2022.
- 2) The Counter-cyclical Buffer will increase with 0.5 percentage points in 2022, and might increase with a further 1.0 percentage points.
- 3) The SME discount part 2 is estimated to amount to c.0.6 percentage points, as well as an infrastructure rebate of c.0.2 percentage points.
- 4) Capital building based on retained capital

Capital adequacy and targets



Anticipated changes in capital requirements will have a positive impact for Sparebanken Sør (CRR2)

Extended SME-discount (part 2)

Will impact loans to SMEs < 50 mn. EUR equivalents

- The discount for the lowest tier (23.81%) will be extended to apply also to SMEs with loans between 1.5 and 2.5 mn EUR-equivalents
- There will be a new discount of 15% on loan tranches exceeding 2.5 mn. EUR-equivalents.

Expected implementation: Late 2021 or early 2022

Estimated impact: An increase CET1 capital ratio by c.0.6 percentage points

Infrastructure discount

There will be a new discount for capital adequacy of 25% for certain loans

- The intention behind introducing this rebate is that banks will have larger incentives to fund public infrastructure
- Firms who manages or finances infrastructure projects (essential public services), e.g. hospitals, schools etc.

Estimated impact: An increase of CET1 capital ratio by c. 0.2 percentage points

Changes associated with Pillar 2

The bank is awaiting a new Pillar 2-decision from the Norwegian FCA (Finanstilsynet)

- Our own calculations suggest a markedly lower Pillar 2-requirement

Determination of capital adequacy margin (Pillar 2 guidance):

- Finanstilsynet may impose individual requirements for a capital adequacy margin, in addition to Pillar 2 requirements

Changes in type of capital instruments eligible for Pillar 2 requirements

- The changes will allow for covering parts of the Pillar 2 requirements with non-CET1 capital instruments.

Potential effect: Lower capital requirements under Pillar 2, but possibly higher requirements for the capital adequacy margin?

Introduction of cap of SNP coverage of MREL requirements

The Ministry of Finance's letter of 6 August 2021 to finance industry body Finans Norge

- Announces a cap for how much of the MREL requirements that shall be covered by senior non-preferred debt
- Assumes same understanding of the cap as other European countries
- There will be a markedly lower need for SNP also for Sparebanken Sør

Estimated impact: A reduction in SNP financing needs of 30-40 percent

Anticipated changes in capital requirements will have a positive impact for Sparebanken Sør (Basel IV)

New Standard Approach for credit risk

Main elements of the new approach:

- Increased granularity of residential and commercial mortgages
- Lowest risk weight for residential mortgages will be 20% (currently 35%)
- Lowest risk weight for commercial buy-to-let mortgages will be 70% (currently 100%)
- There will be a marked impact on our risk-weighted balance sheet

Estimated timing: Implementation expected in the EU from 1 January 2023

Før:			35 %		75 % / 100 %	
Risk weight table for residential real estate exposures						
(Repayment is not materially dependent on cash flows generated by property)						
Table 11						
	LTV ≤ 50%	50% < LTV ≤ 60%	60% < LTV ≤ 80%	80% < LTV ≤ 90%	90% < LTV ≤ 100%	LTV > 100%
Risk weight	20%	25%	30%	40%	50%	70%

Før:		100 %	
Risk weight table for commercial real estate exposures			
(Repayment is materially dependent on cash flows generated by property)			Table 14
	LTV ≤ 60%	60% < LTV ≤ 80%	LTV > 80%
Risk weight	70%	90%	110%

Why will Sparebanken Sør be benefitting from these changes?

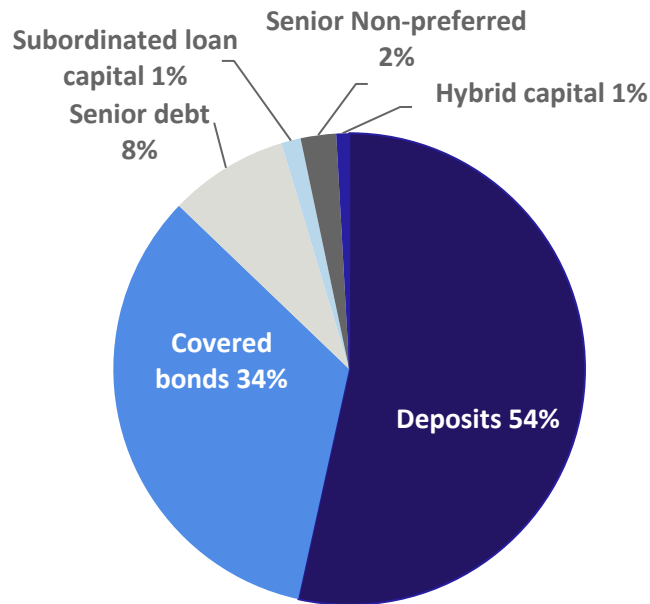
- The bank has many customers that is anticipated to be eligible for the infrastructure discount (hospitals, schools, etc)
- The new Standard Approach will result in lower risk weights for some of the most important parts of the bank's loan portfolio:
 - The bank has a very large share of residential mortgages with low average loan-to-value
 - The bank has a relatively large share of commercial mortgages

Estimated impact (based on certain assumptions regarding details of the implementation):

Impact on CET1 capital ratio from residential mortgages: ca 1.8 percentage points

Impact on CET1 capital ratio from commercial mortgages: ca 0.5 percentage points

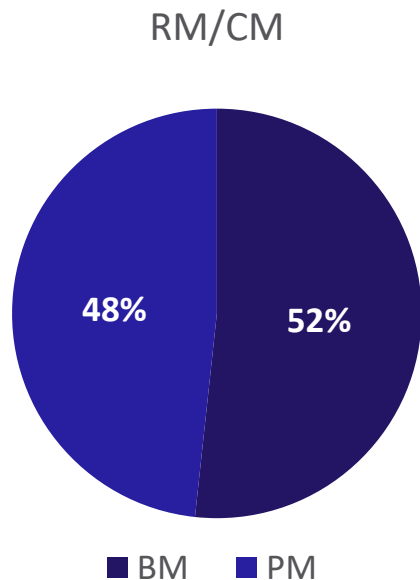
Funding structure



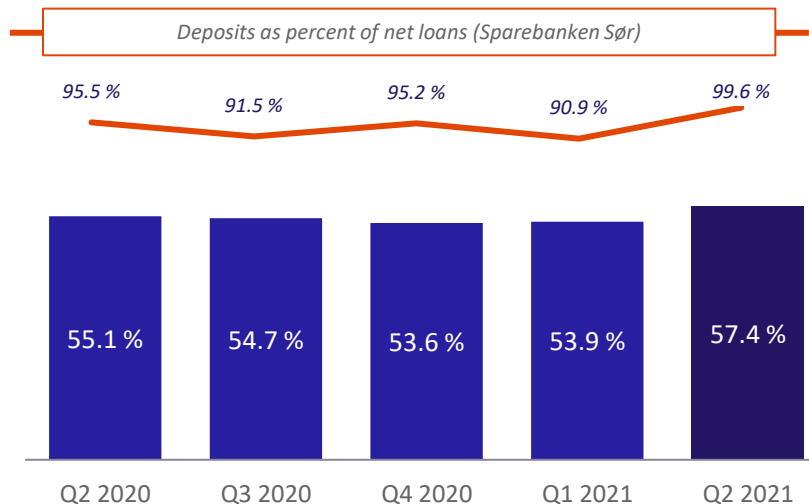
Deposits continue to be the most important source of funding

- Deposits as percentage of net loans stand at 57.4%
- The bank enjoys access to market funding both domestically and abroad
- Sparebanken Sør Boligkreditt has issued EUR 2.5 billion in covered bonds
- Sparebanken Sør issued NOK 2 billion of SNP in 2020, and NOK 1 billion in 2021.
- Sparebanken Sør has an A1 issuer rating by Moody's
- Covered bonds issued by Sparebanken Sør Boligkreditt are rated Aaa by Moody's
- In July, Sparebanken Sør's Senior Non-Preferred debt was upgraded from Baa1 to A3 by Moody's

Deposits

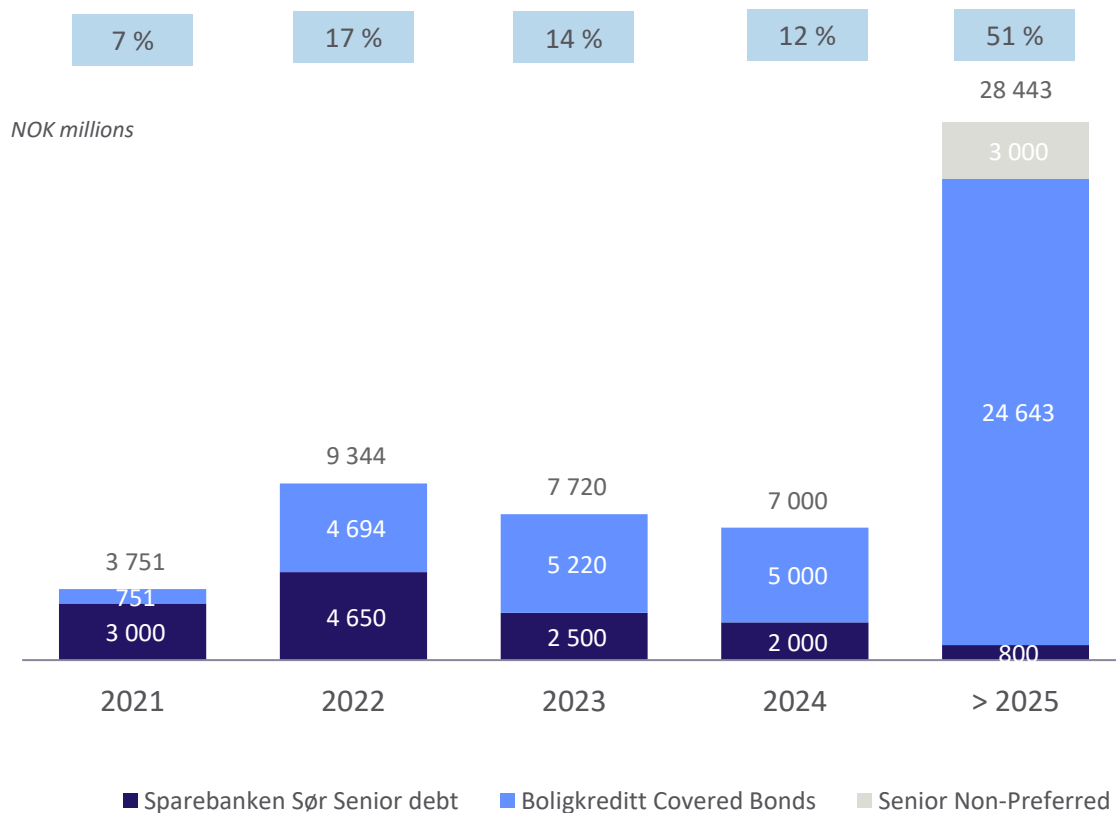


Deposits as percent of net loans (group)



- Healthy increase in deposits, with a total growth of 10 percent over the last 12 months.
- Increased deposits may be seen in connection with changed customer behaviour as a result of restrictions imposed due to the ongoing pandemic
- Large corporate deposits have been reduced, and has been replaced with deposits with a broader commercial relationship to the bank

Debt maturity profile



- The Group's total debt funding was NOK 56.3 bn as at 30 June
- Covered bonds issued was equivalent to NOK 41.6 bn.
- The share of long-term funding* was 88%
- Average remaining maturity on long-term funding was 4.1 years

* Funding with remaining maturity greater than 12 months

Green financing options



The bank has a visible and sustainability-focused role in society and shall adapt to investor and customer ESG requirements

- There is a potential to issue bonds through our «Green and Sustainability Bond Framework»
- This framework also allows for issuance of senior debt
- We have good access to green loans also through our loans to the corporate sector
- Our customer products shall be compliant with our ESG requirements
- The bank's ESG efforts shall be acknowledged through a top ESG rating



Second-Party Opinion
**Sparebanken Sør Green & Sustainability
Bond Framework**



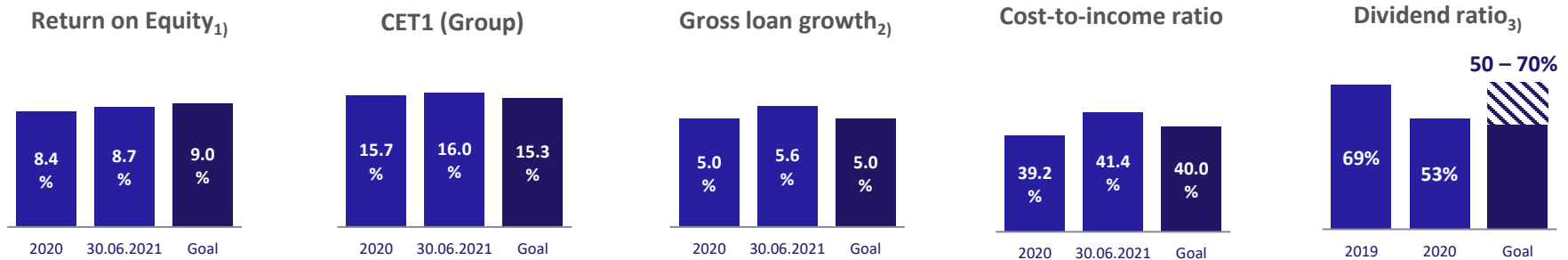
Goals and expectations



SPAREBANKEN SØR



Financial key variables and ambitions



- 1) The group has a long-term ambition of return on equity of 10% within 2025.
- 2) The group has a long-term ambition of lending growth in excess of credit growth (K2 + 1%). K2 for June 2021 was 5.2 for retail customers and 4.4 for non-financial corporations. The group's lending growth the last 12 months was 5.5 for retail customers and 5.6 for corporate customers.
- 3) The board has proposed to the board of trustees to distribute a dividend for 2020 of NOK 14 which includes dividends of NOK 8 for 2019, and NOK 6 for 2020

Sparebanken Sør Boligkreditt AS



SPAREBANKEN SØR

Sparebanken Sør Boligkreditt AS

Moody's Aaa – Covered Bond Rating – four notches TPI leeway

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

Norwegian residential

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

Credit & overdraft facilities

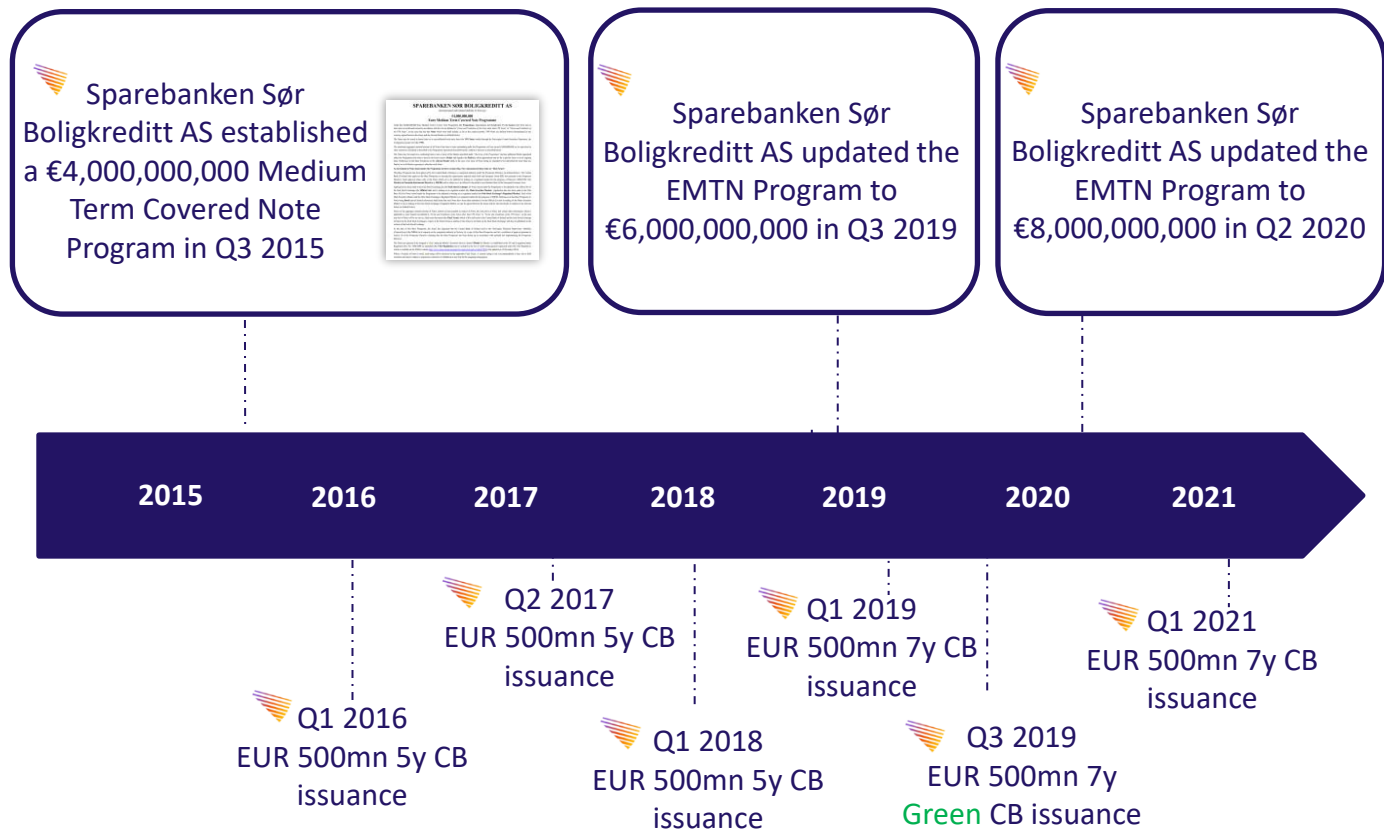
The cover pool consists of prime Norwegian residential assets (97.9%) and substitute assets (LCR-compliant interest bearing securities). Cover pool exposure towards Southern Norway where price development is rather stable

No non-performing assets

No non-performing assets in the cover pool

Sparebanken Sør Boligkreditt

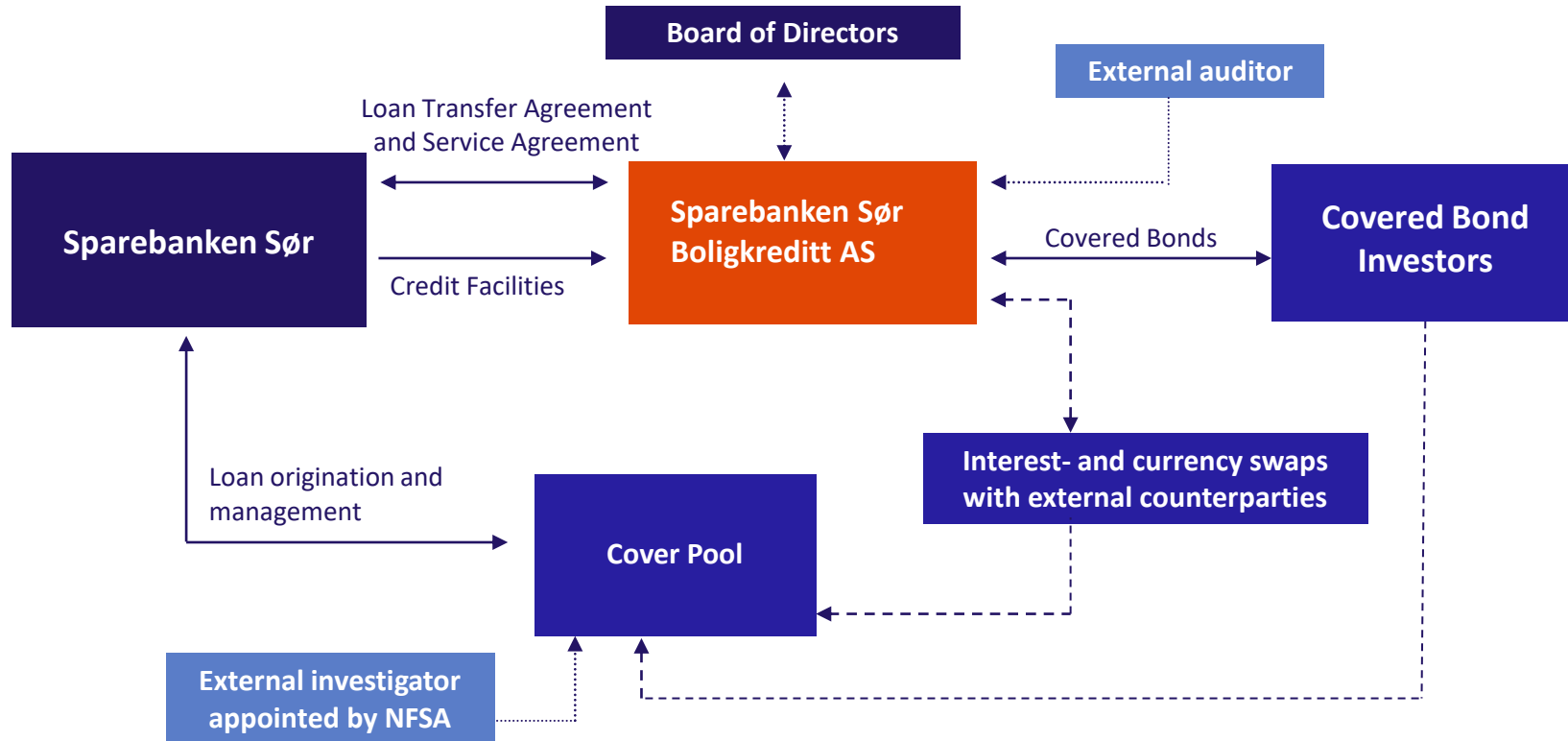
- An established issuer in the Euro CB Market



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.

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 NOK 20mn (EUR 2mn)

Norwegian mortgage market

The Norwegian Residential Mortgage Market

Appr. 80% of Norwegians own their home

- Few mortgages are buy-to-let

Norway is primarily a floating interest rate market

- The large majority of mortgages originated by Sparebanken Sør are floating rate
- Rates on floating rate mortgages can be reset at any time at the bank's own discretion, by giving debtors 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 30.06.2021

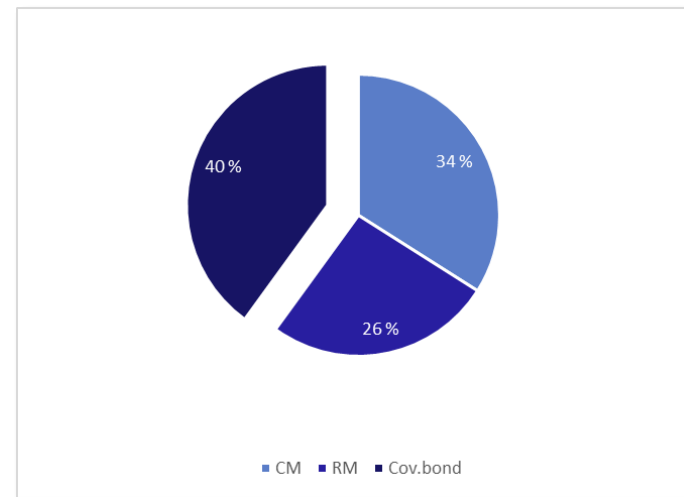
	Fair value
Loans secured by mortgages on residential properties	48 756 141
Deductions on ineligible loans	-124 423
Pool of eligible loans	48 631 718
Certificates and bonds	0
Financial derivatives	1 036 925
Total cover pool	49 668 644
Debt incurred due to issuance of securities	43 331 907
Collateralisation ratio (OC)	14.6 %

	Nominal value
OC based on nominal value – eligible only	16.3%
OC based on nominal value – total loans	16.6%

Additional cover pool details as at 30.06.2021

Average loan balance	1 315 979
No. of loans	37 037
WA seasoning (in months)	42.9
WA remaining term (in months)	199
No. of borrowers	29 813
No. of properties	33 953
WA Indexed LTV (Loan balance/Indexed valuation)	51.8 %
WA LTV (Loan balance/Original valuation)	61.2 %
Loans in arrears > 90 days	0.1 %
Committed Over Collateralisation (OC)	2.0 %

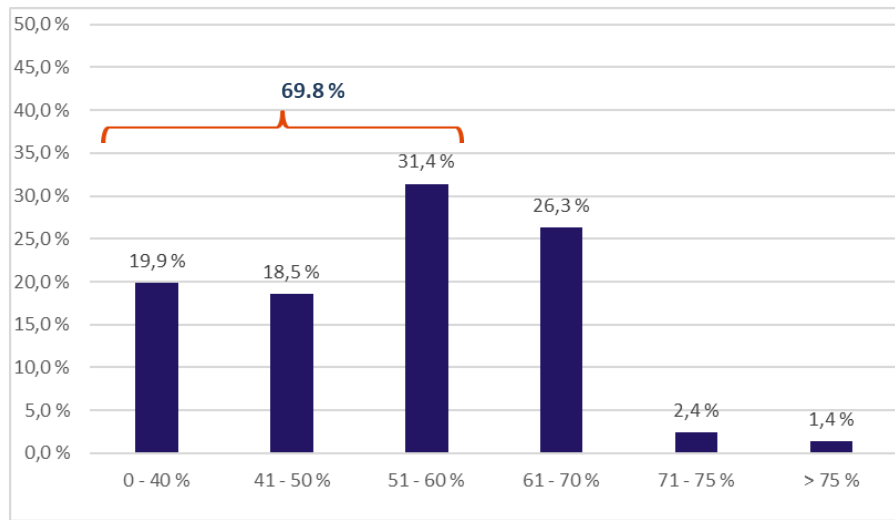
Sparebanken Sør (Group) total loan portfolio



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

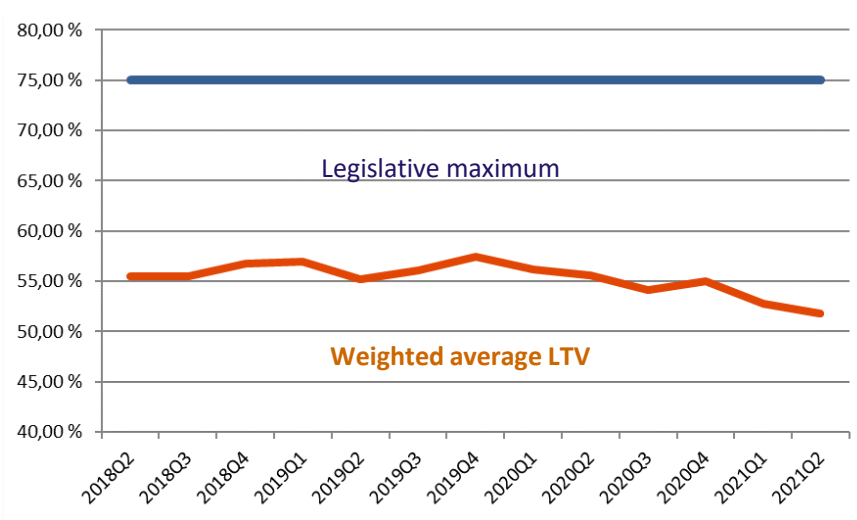
Cover pool characteristics (1/4)

Current indexed LTV distribution



- The weighted average LTV is 51.8% on an indexed basis
- 69.8% of the cover pool has a LTV below 60%

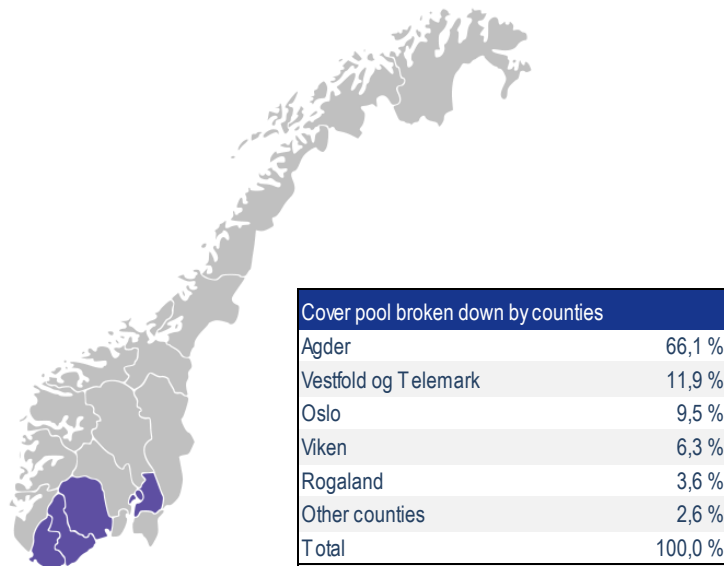
Historical development in weighted average indexed LTV



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

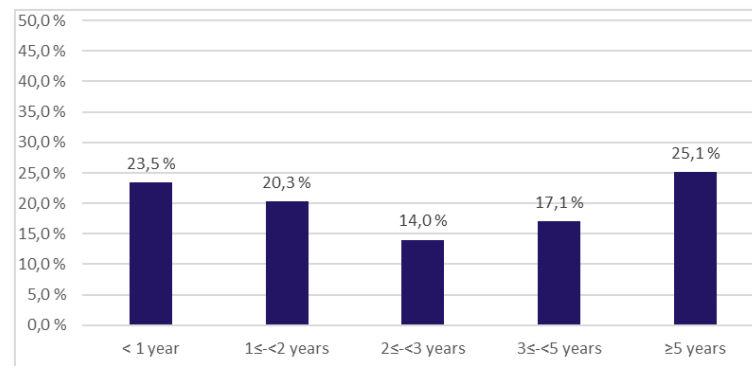
Cover pool characteristics (2/4)

Cover pool geographic split



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

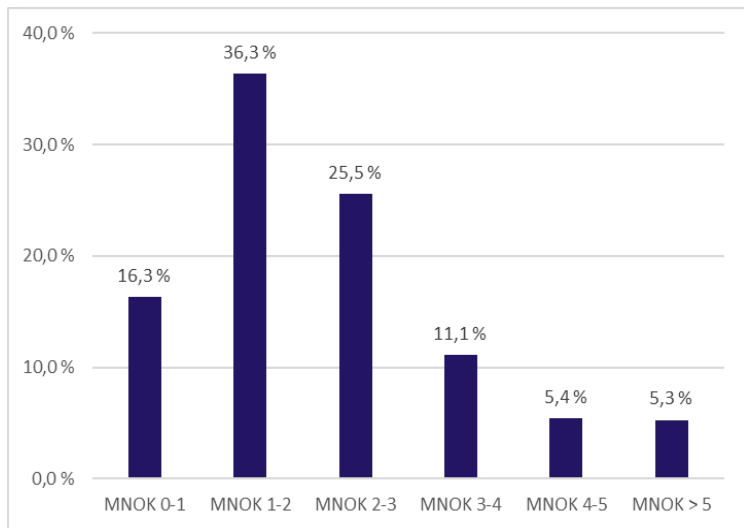
Seasoning of mortgages in the cover pool (in % of total loan balance)



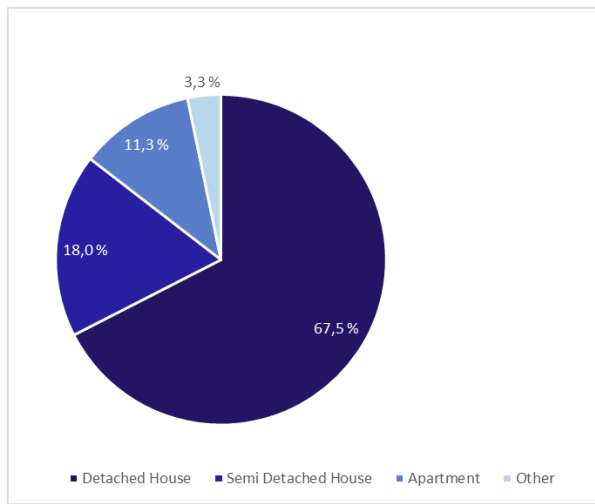
- Weighted average seasoning is 3.5 years
- The cover pool is stable, as 76.5% of mortgages has been included in the cover pool for at least 1 year

Cover pool characteristics (3/4)

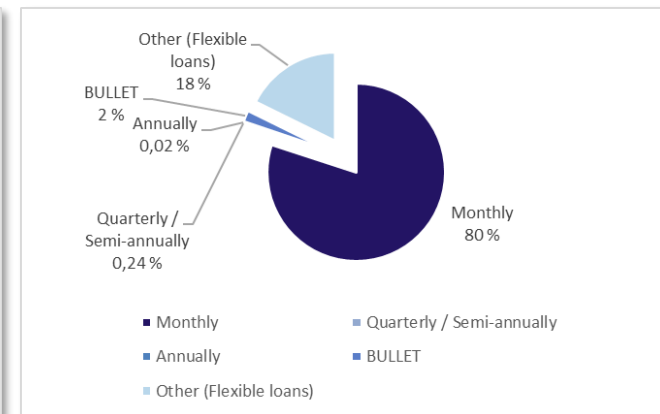
Cover pool broken down by intervals of loan balance



Property type



Principal payment frequency

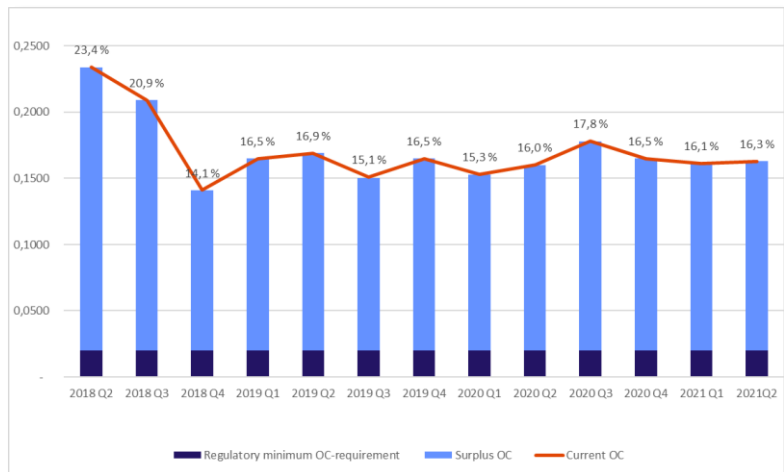


- Average loan value of NOK 1.3 million

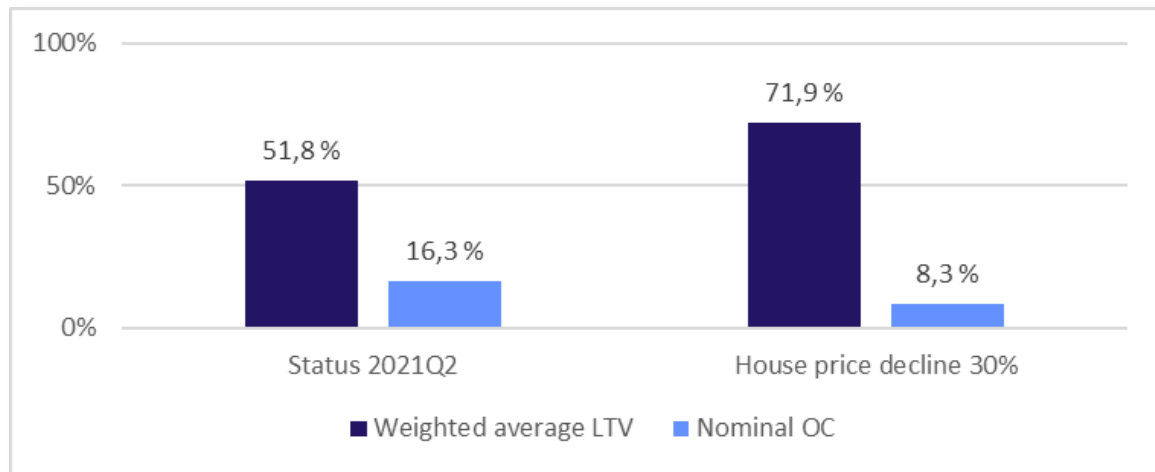
Cover pool characteristics (4/4)

Regulatory minimum OC-requirement: 2.0 % - Current OC: 16.3 %

Historical development Over Collateralisation



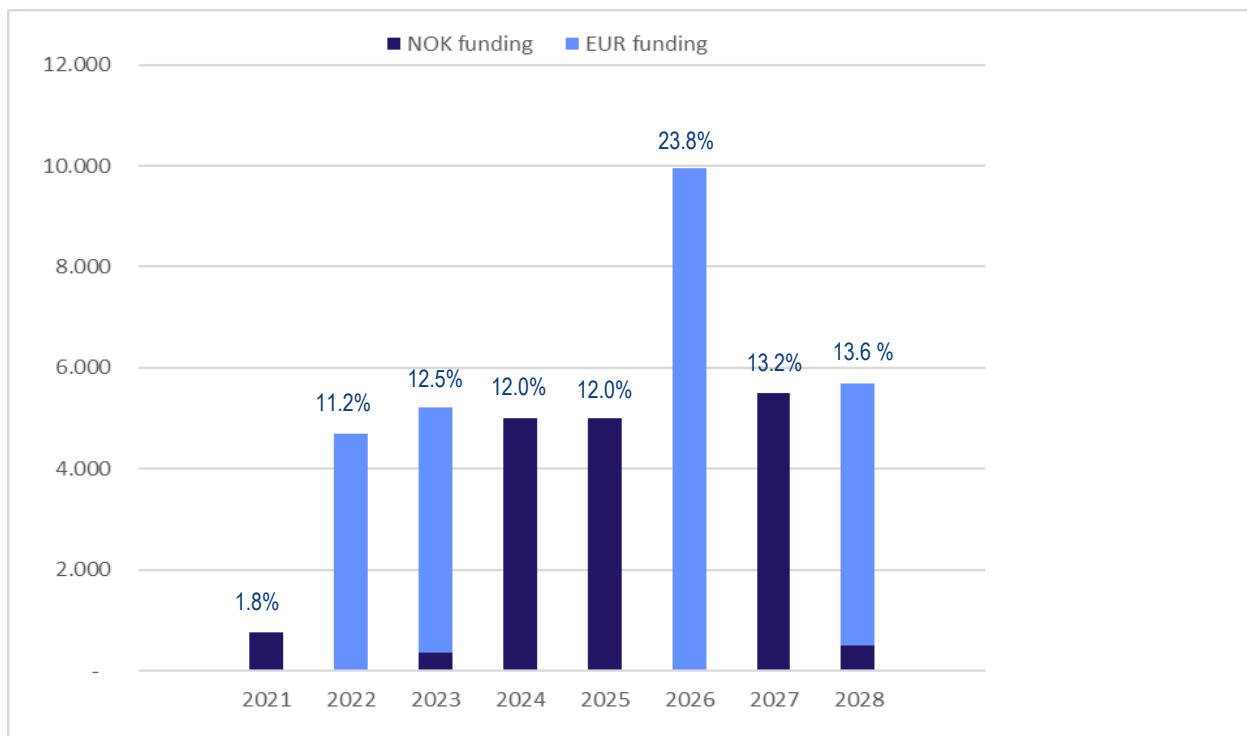
Stress test of the cover pool



Funding as at 30.06.2021

- Total funding amounts to NOK 43.3 bn in issued covered bonds
- The company has a diversified maturity profile
- Funding > 12 months totalled 87.0 %
- Soft bullet structure on all outstanding bonds

Annual maturity of wholesale funding



Debt securities issued as at 30.06.2021

Figures stated in NOK thousand

ISIN Number	Ticker	Currency	Nominal value	Interest		Due date	Book value	Fair value
NO0010778954	SORB27	NOK	751.000	Floating	3M Nibor	22.11.2021	751.942	753.553
XS1622285283		EUR	500.000	Fixed	0,125 %	30.05.2022	5.120.950	5.127.151
NO0010671597	SORB09	NOK	350.000	Fixed	3,85 %	13.02.2023	368.804	371.609
XS1775786145		EUR	500.000	Fixed	0,375 %	20.02.2023	5.173.853	5.174.196
NO0010882632	SORB30	NOK	5.000.000	Floating	3M Nibor	19.11.2024	5.009.749	5.050.267
NO0010832637	SORB28	NOK	5.000.000	Floating	3M Nibor	24.09.2025	5.003.398	5.055.298
XS1947550403		EUR	500.000	Fixed	0,50 %	06.02.2026	5.479.899	5.277.580
XS2069304033		EUR	500.000	Fixed	0,01 %	26.10.2026	4.879.342	5.146.794
NO0011002529	SORB31	NOK	5.500.000	Floating	3M Nibor	20.09.2027	5.675.683	5.671.093
NO0010670409	SORB08	NOK	500.000	Fixed	4,00 %	24.01.2028	567.907	577.599
XS2291901994		EUR	500.000	Fixed	0,01 %	28.01.2028	5.122.904	5.126.767
TOTAL							43.154.431	43.331.907

Qualifies as LCR Level 1

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 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:

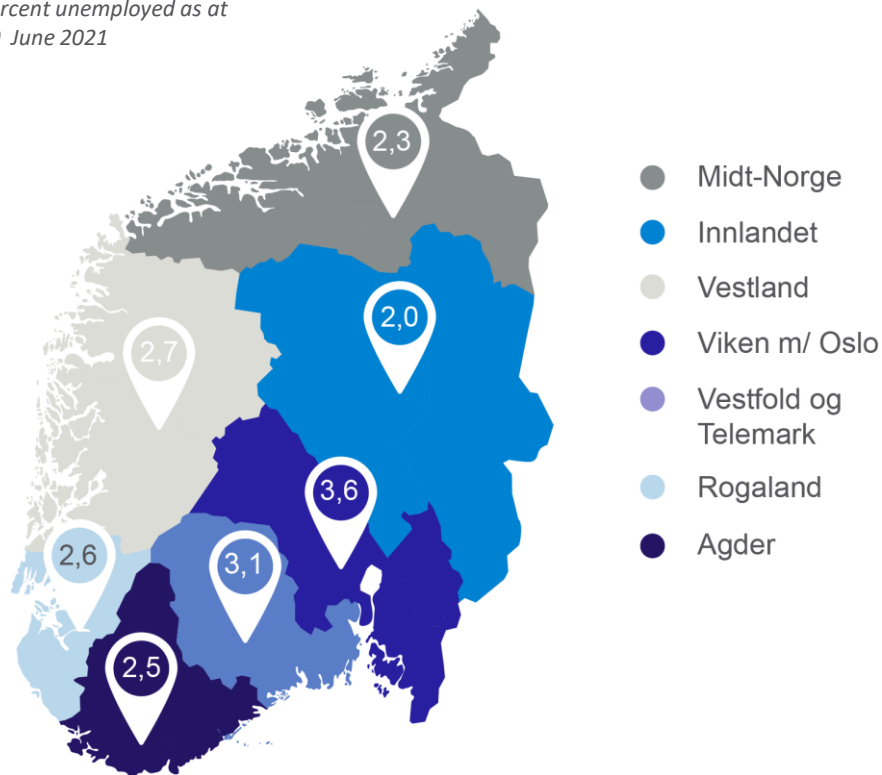
<https://www.sor.no/felles/om-sparebanken-sor/sparebanken-sor-boligkreditt/cover-pool-information/>



Regional labour market developments

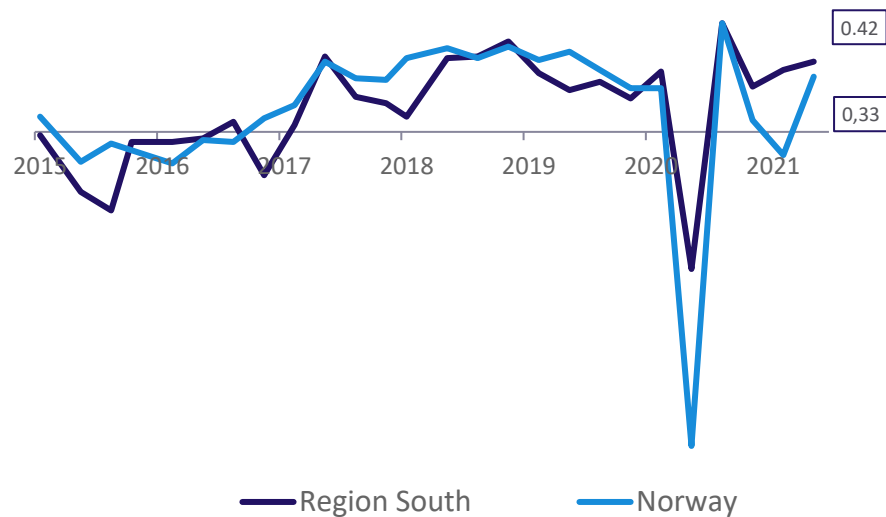
Unemployment rates

Percent unemployed as at
30 June 2021



Employment growth

3-month growth (%)

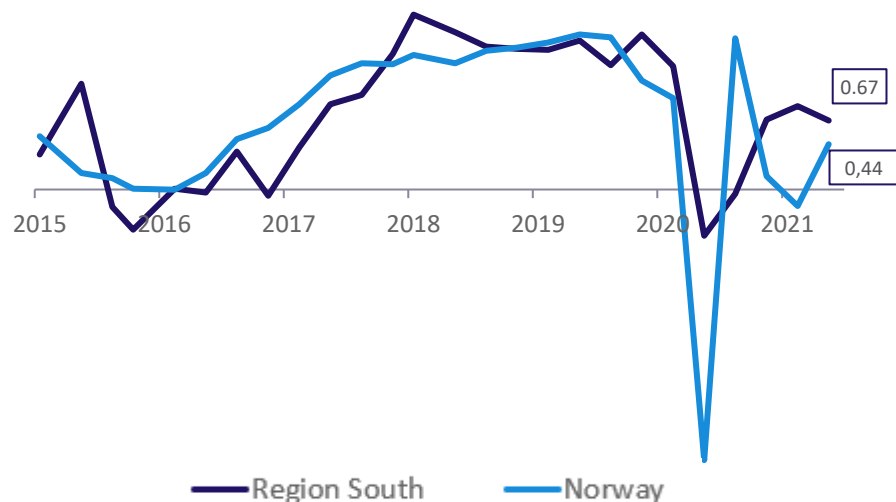


The employment indices ranges from -5 to +5, where -5 indicates a large fall in employment, and +5 indicates strong growth. The indices are quarterly indices, maintained by Norges Bank through its Regional Network. «Region South» is comprised of the counties Agder and Vestfold og Telemark.

Positive regional production and investment growth

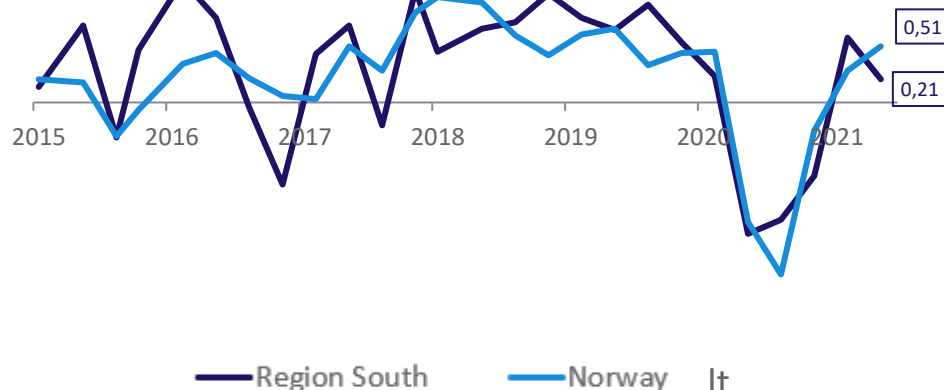
Production growth

3-month growth (%)



Investment growth

Expected development next 12 months



The index ranges from -5 to +5, where -5 indicates a large fall and +5 indicates strong growth. The index are compiled quarterly by Norges Bank through a regional network and show the development in the Southern region, which consists of Agder, Vestfold and Telemark.

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 the first half of 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 16.9% and leverage ratio of 6.2%. 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.

Why invest in Sparebanken Sør?

- ✓ Strong and leading market position
- ✓ Low risk and low complexity
- ✓ High levels of customer satisfaction
- ✓ Leading in cost efficiency
- ✓ Strong digitalisation efforts
- ✓ An attractive regional centre of competence
- ✓ Increased product diversification
- ✓ **An ESG leader**
- ✓ Attractive dividend policy



The Norwegian economy

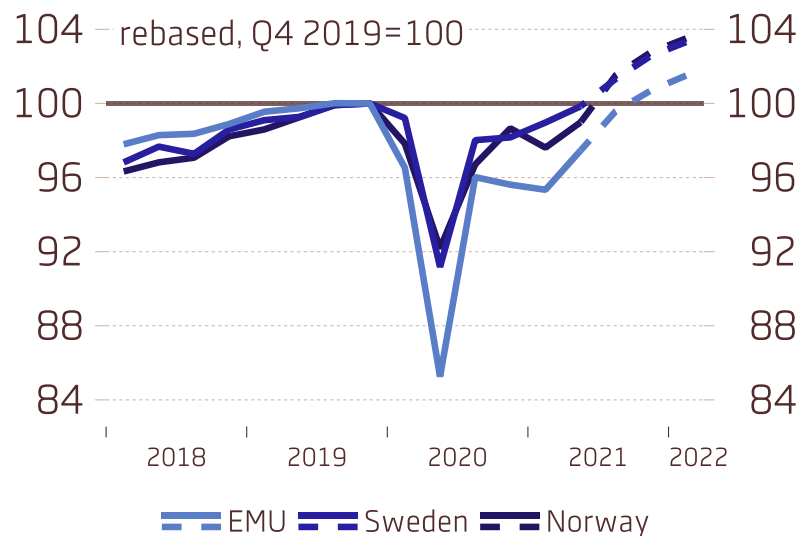


SPAREBANKEN SØR

GDP has exceeded the pre-pandemic level

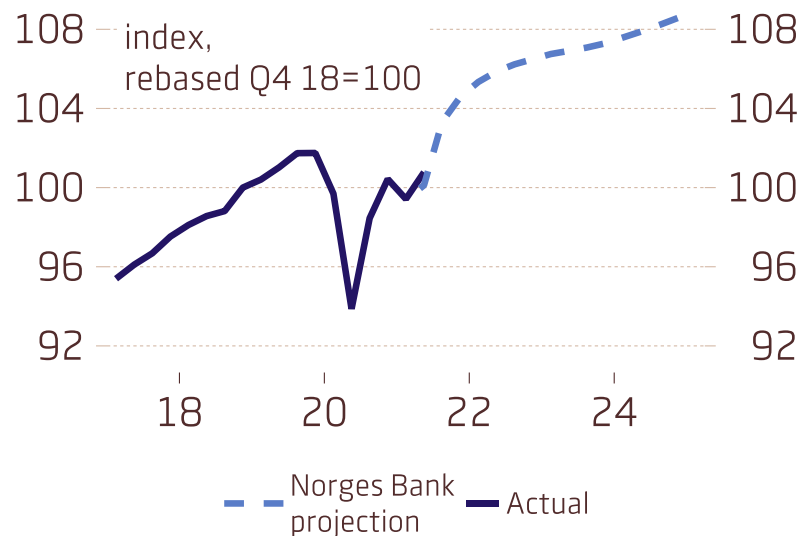
Norges Bank expects GDP to be back on trend in early 2022

GDP with central bank projections



Sources: SSB, Eurostat, Norges Bank, Riksbank, Swedbank & Macrobond

GDP with Norges Bank estimate

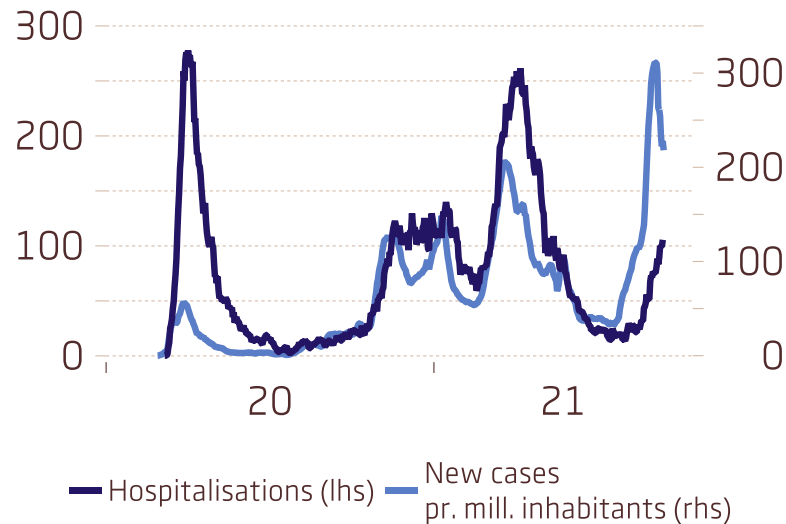


Sources: SSB, Norges Bank, Swedbank & Macrobond

The risk of a new lockdown is low

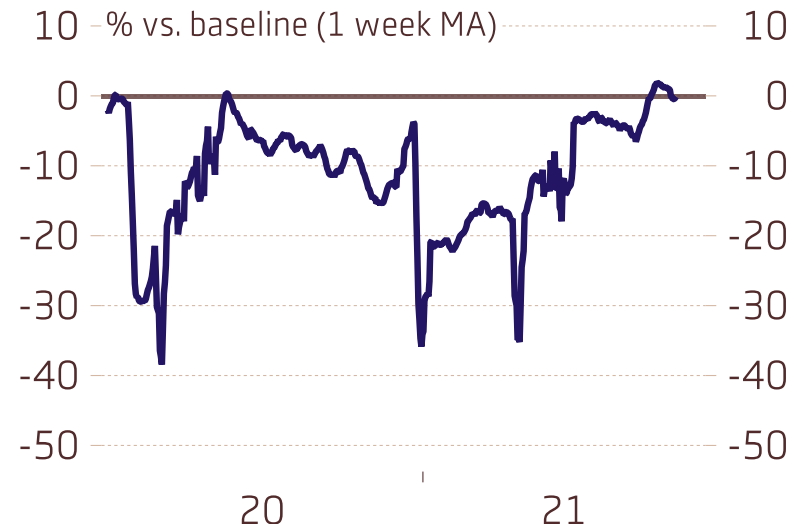
More than 80% of the adult population is fully vaccinated

Corona cases and hospitalisations



Sources: WHO, National statistics agencies, Swedbank & Macrobond

Norway Google Mobility

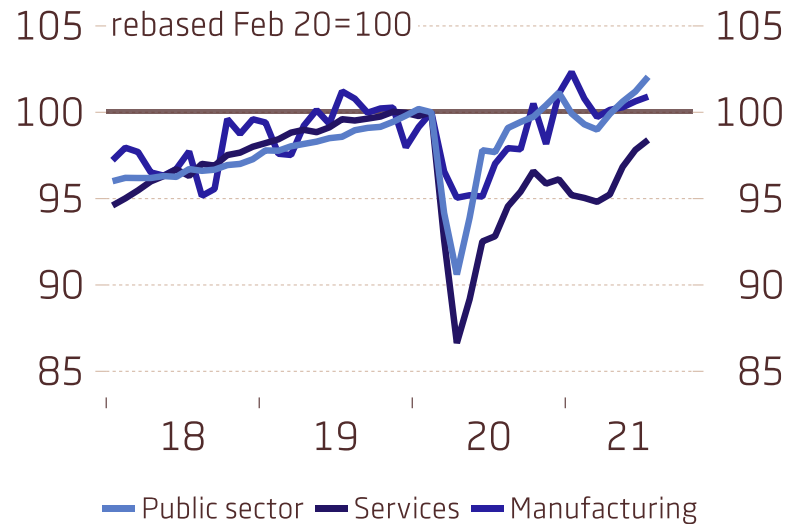


Sources: Google, Swedbank & Macrobond

Services has been hit the hardest

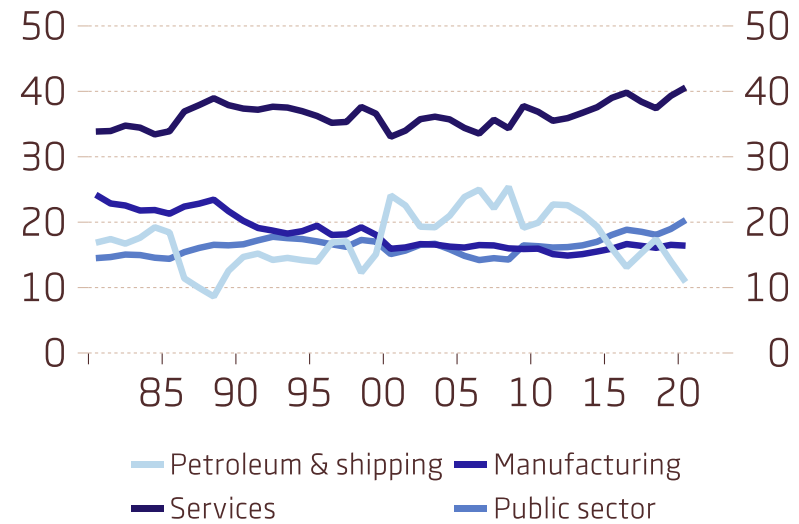
Manufacturing has recovered fully; services well on its way back up

GDP per sector



Sources: Swedbank & Macrobond

Value added as % of GDP

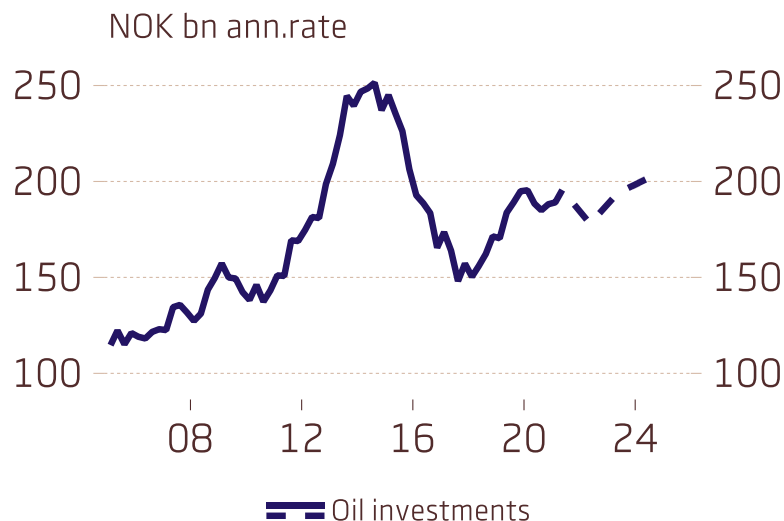


Sources: SSB, Swedbank & Macrobond

Oil investments were saved by tax package

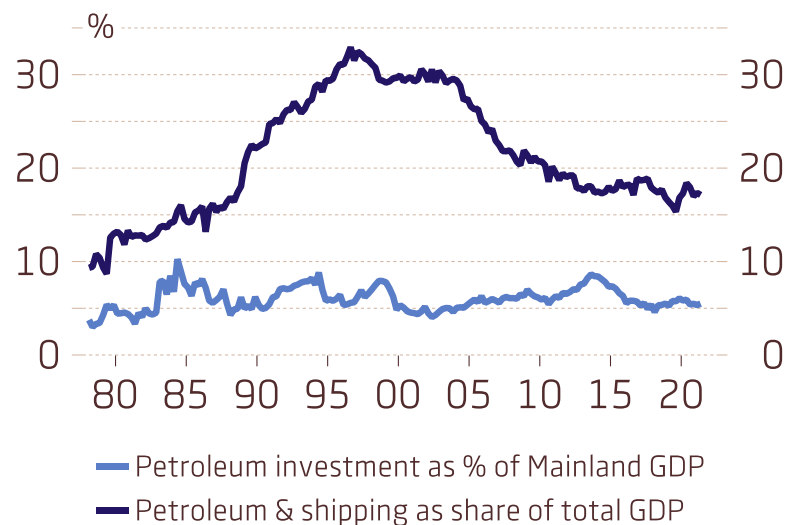
Oil price is now at a very solid level for new investment projects

Oil investments



Sources: Statistics Norway, Swedbank & Macrobond

Petroleum activity as % of GDP

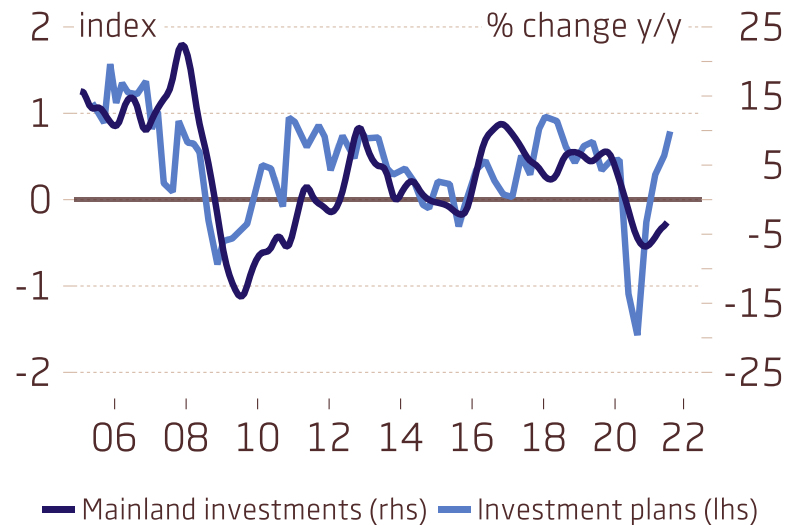


Sources: Swedbank & Macrobond

Corporate investment outlook is positive

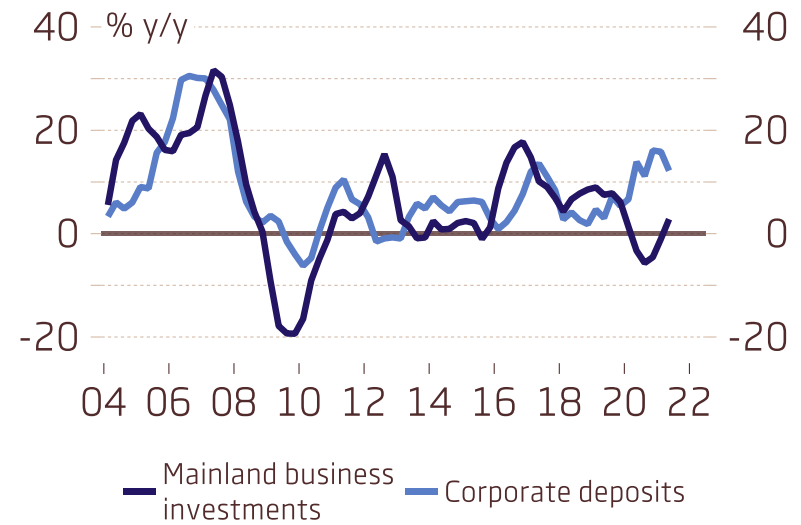
Deposits should give room for investment recovery ahead

Actual investments vs. investment plans



Sources: SSB, Norges Bank, Swedbank & Macrobond

Corporate deposits vs. investments

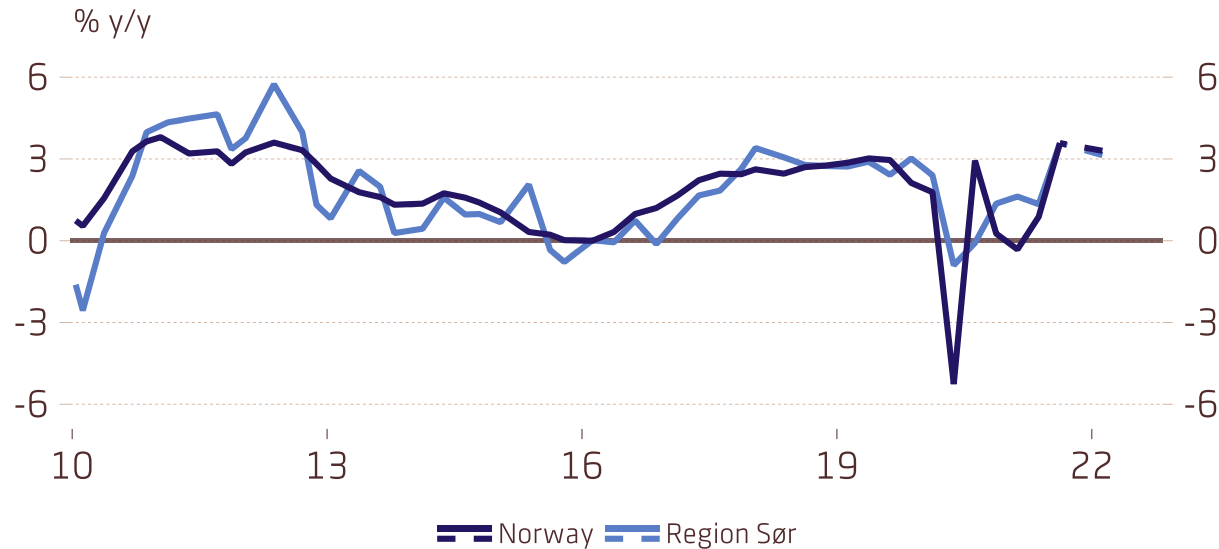


Sources: Swedbank & Macrobond

Downturn was less severe in Region Sør

A continued strong recovery is expected ahead

Regional Network growth indicators

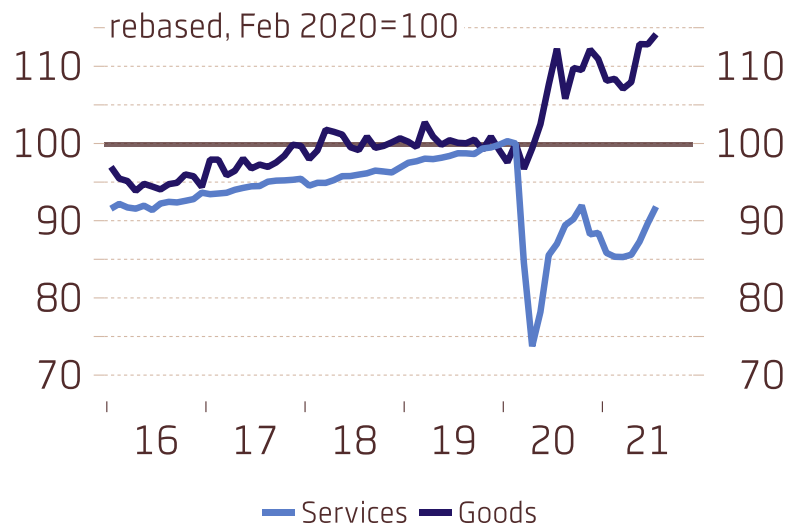


Sources: Swedbank & Macrobond

Recovery led by household demand

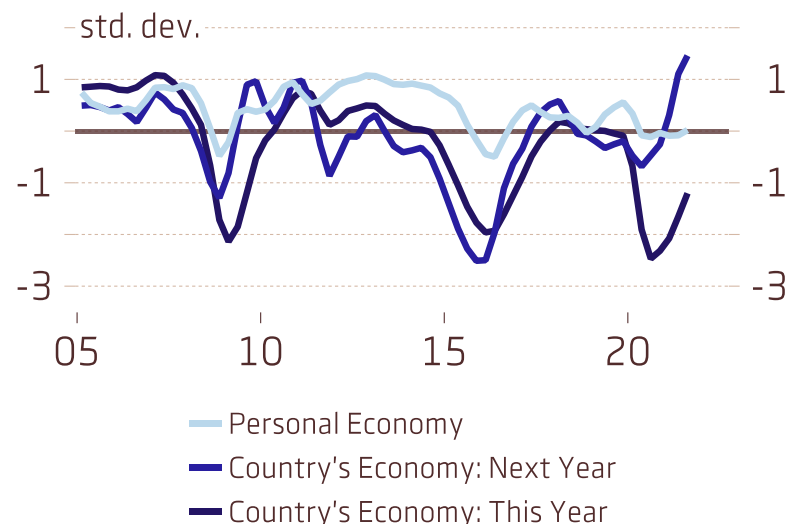
Goods consumption keeps up and consumer confidence is very strong

Consumption of goods and services



Sources: SSB, Swedbank & Macrobond

Consumer confidence

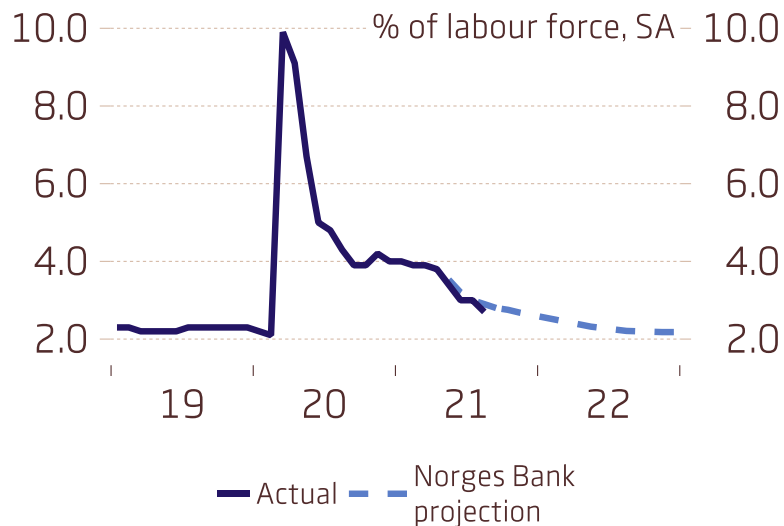


Sources: Swedbank & Macrobond

Unemployment falls faster than expected

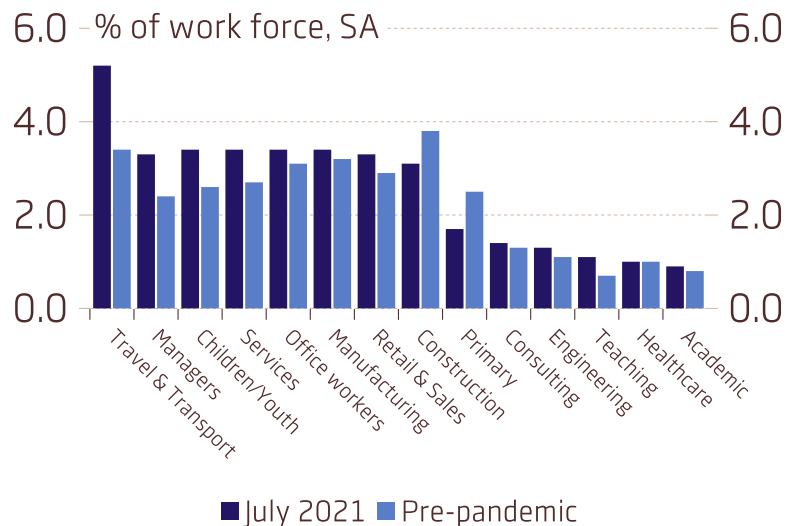
Tourism was hit hard, and unemployment remains high in this sector

Registered unemployment



Sources: Swedbank & Macrobond

Unemployment rate by profession



Sources: Swedbank & Macrobond

New vacancies has risen to a record-level

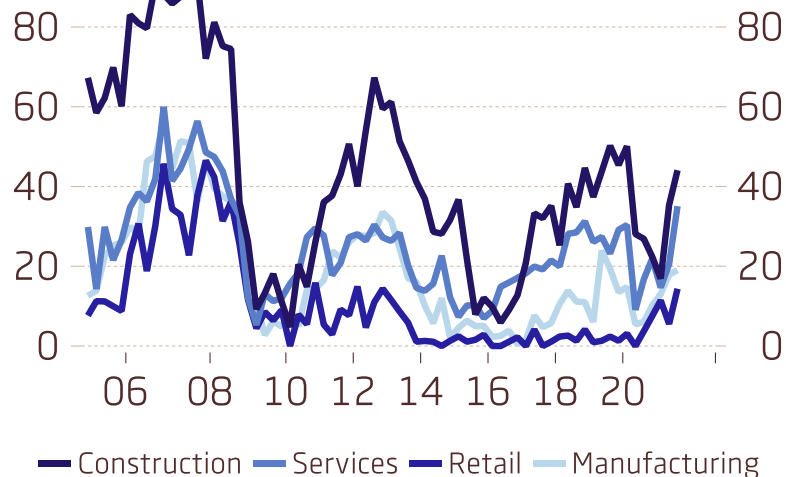
Labour shortages are most pronounced in construction and services

New vacancies



Sources: Swedbank & Macrobond

% of firms reporting of labour shortages

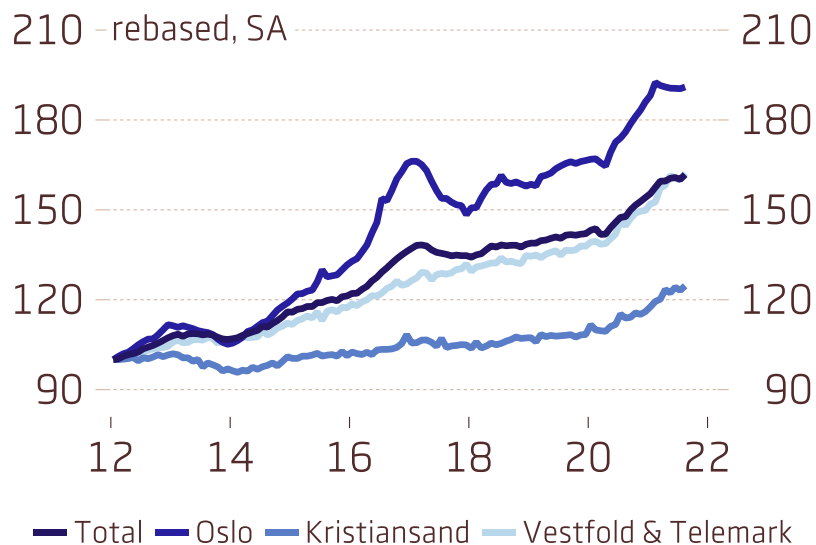


Sources: Swedbank & Macrobond

Housing prices boomed through last year

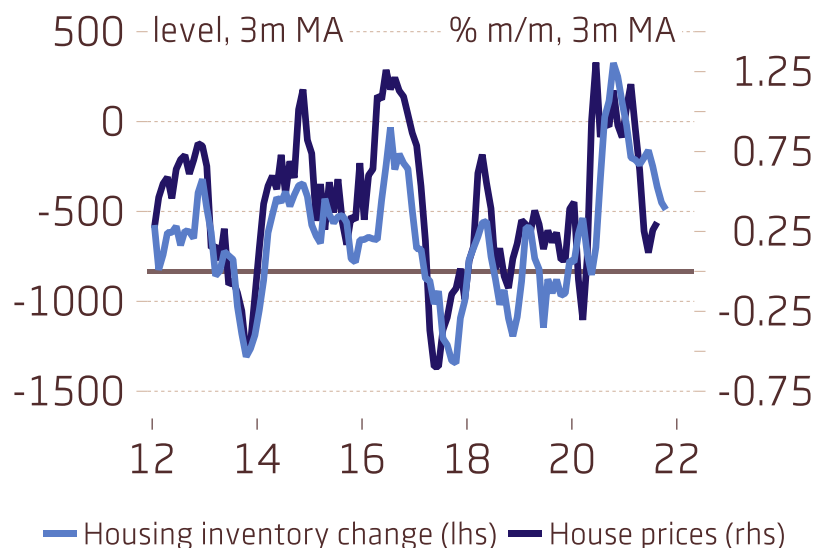
Now prices seem to flattening out, and a housing inventory is building

Housing prices



Sources: Swedbank & Macrobond

House prices and inventory change

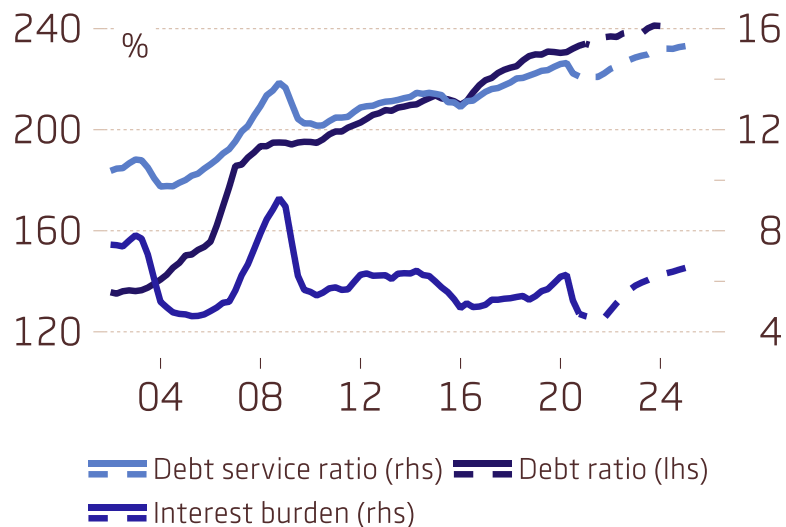


Sources: Swedbank & Macrobond

Interest burden set to rise along with hikes

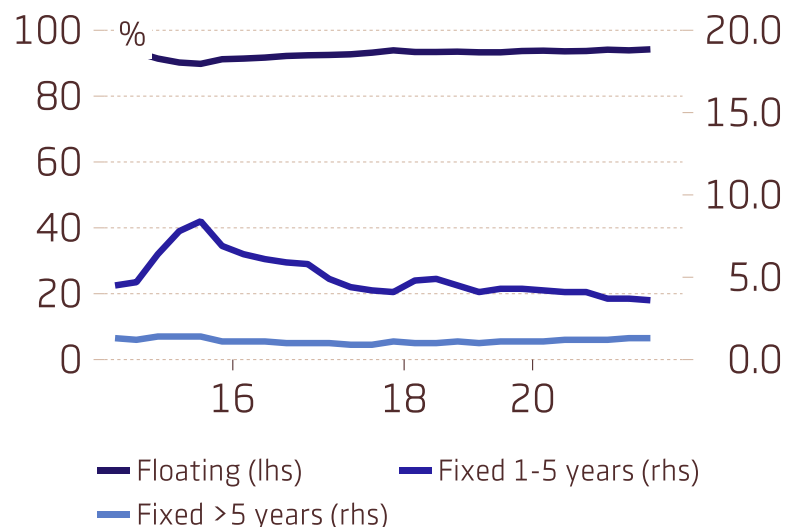
Nearly 95% of mortgages are floating rate

Household debt and interest burden



Sources: Swedbank & Macrobond

Fixed vs. floating rate mortgages

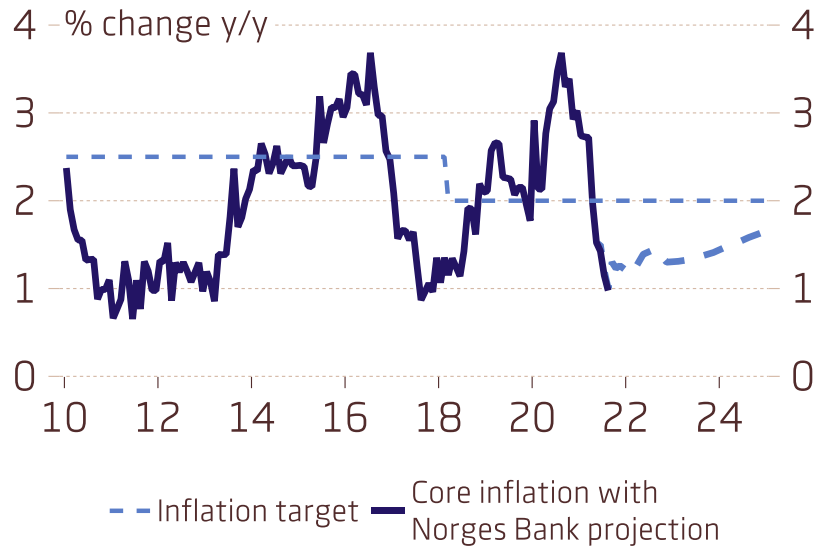


Sources: Swedbank & Macrobond

Core inflation has fallen to 1.0%

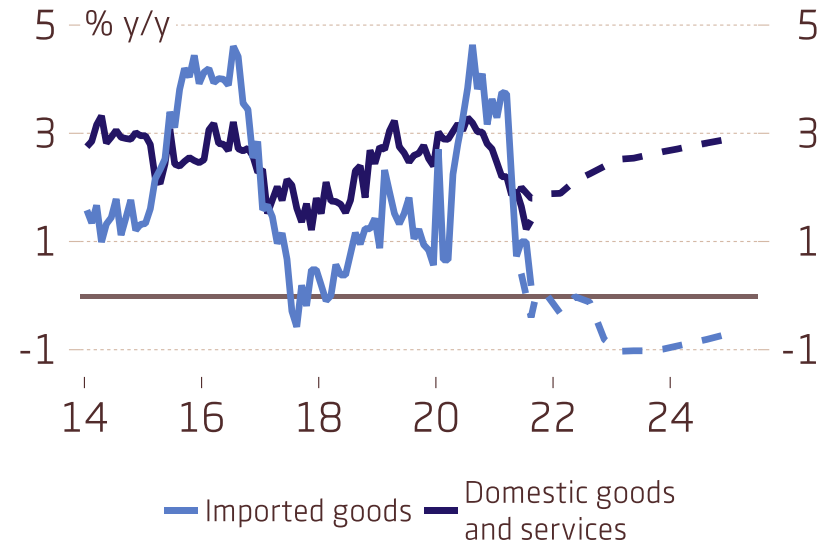
Inflation is expected to stay below target at least through 2024

Core inflation



Sources: Swedbank & Macrobond

Domestic and imported inflation

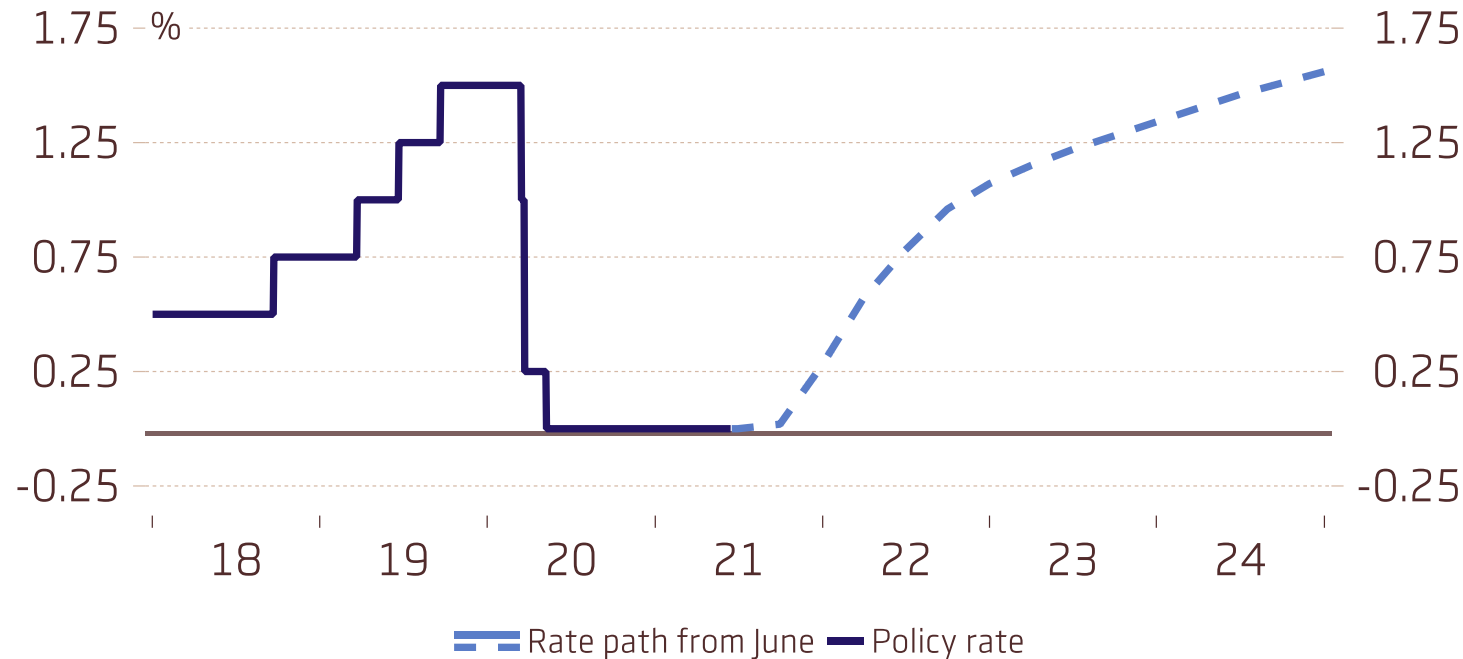


Sources: Swedbank & Macrobond

Norges Bank will hike rates in September

Rate path signals another hike in December, then two-three more in 2022

Norges Bank policy rate with rate path



Sources: Norges Bank, Swedbank & Macrobond



THANK YOU