



Sparebanken Sør Boligkreditt AS

QUARTER 1

2021

Sparebanken Sør Boligkreditt AS

Mother company 100% owner

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

Full recourse

Norwegian law is fully compliant with dual recourse requirement. CB investors and derivative CPs have an exclusive, equal and preferential claim on the assets in the cover pool. Claims not covered by cover pool assets are unsecured claims ranking pari passu with all other unsecured unsubordinated claims against the issuer

Transfer of loans

Loans are originated by the bank and transferred to the CB company

Credit & overdraft

Sparebanken Sør Boligkreditt AS has established an overdraft facility with Sparebanken Sør in order to handle operations on a daily basis. In addition, the company has a short-term credit facility with a notice of 31 days with the bank, and a revolving multicurrency loan facility, which covers refinancing risk

Norwegian residential

The cover pool consists of prime Norwegian residential assets (95.6 %) and substitute assets (LCR-compliant interest bearing securities). Cover pool exposure towards Southern Norway where price development is rather stable

No non-performing assets

No non-performing assets in the cover pool

Moody's Aaa

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

Sparebanken Sør

Business

Sparebanken Sør is an independent financial group with activities within banking, securities and real estate brokerage

Balance

The fifth largest Norwegian bank with total assets of NOK 139 billions

Employees

537 employees in branches across the counties of Agder, Rogaland, Vestfold and Telemark

Products and services

General banking products and services, supplemented by real-estate brokerage, life and non-life insurance, stock brokerage and leasing through wholly and partially owned subsidiaries and companies

Summary

As one of the largest regional banks in Norway, Sparebanken Sør is committed to further growth and development in the region



SPAREBANKEN SØR

Sparebanken Sør - a leading financial institution in Southern Norway



Established in 1824,
537 employees



177 000 retail
customers



Financial group with
banking, securities and
real estate brokerage



22 000 corporate
customers



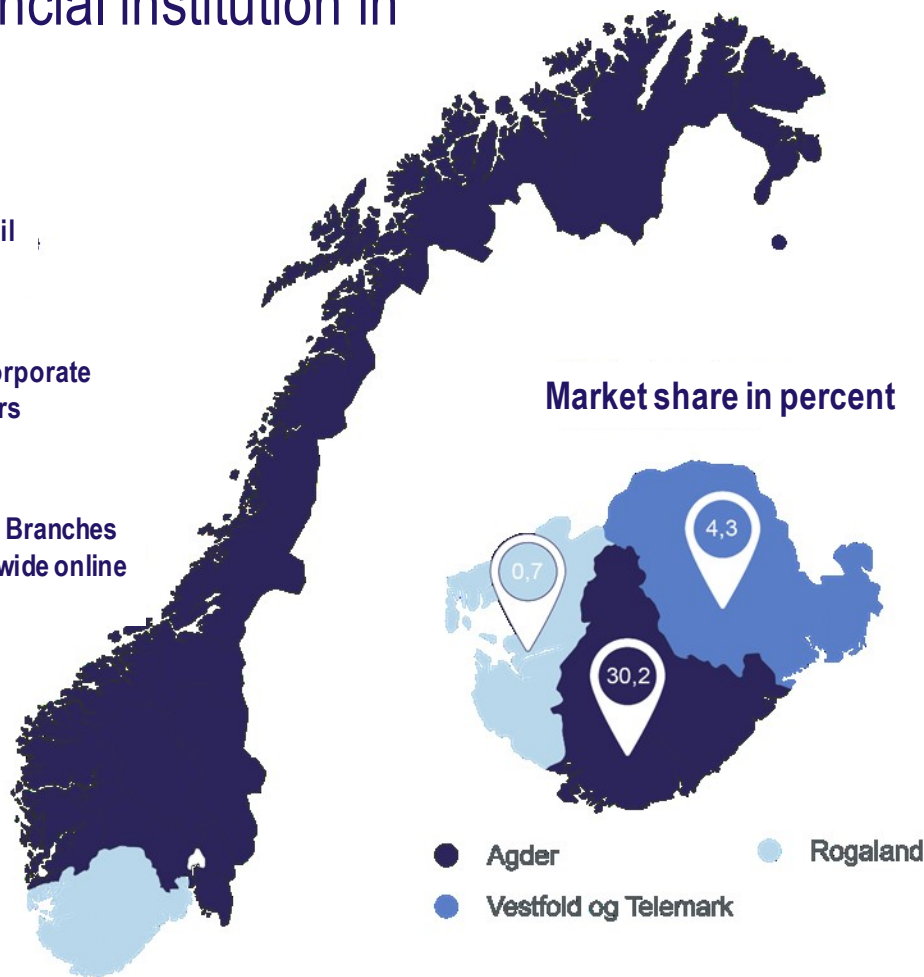
Publicly traded and
Community-owned



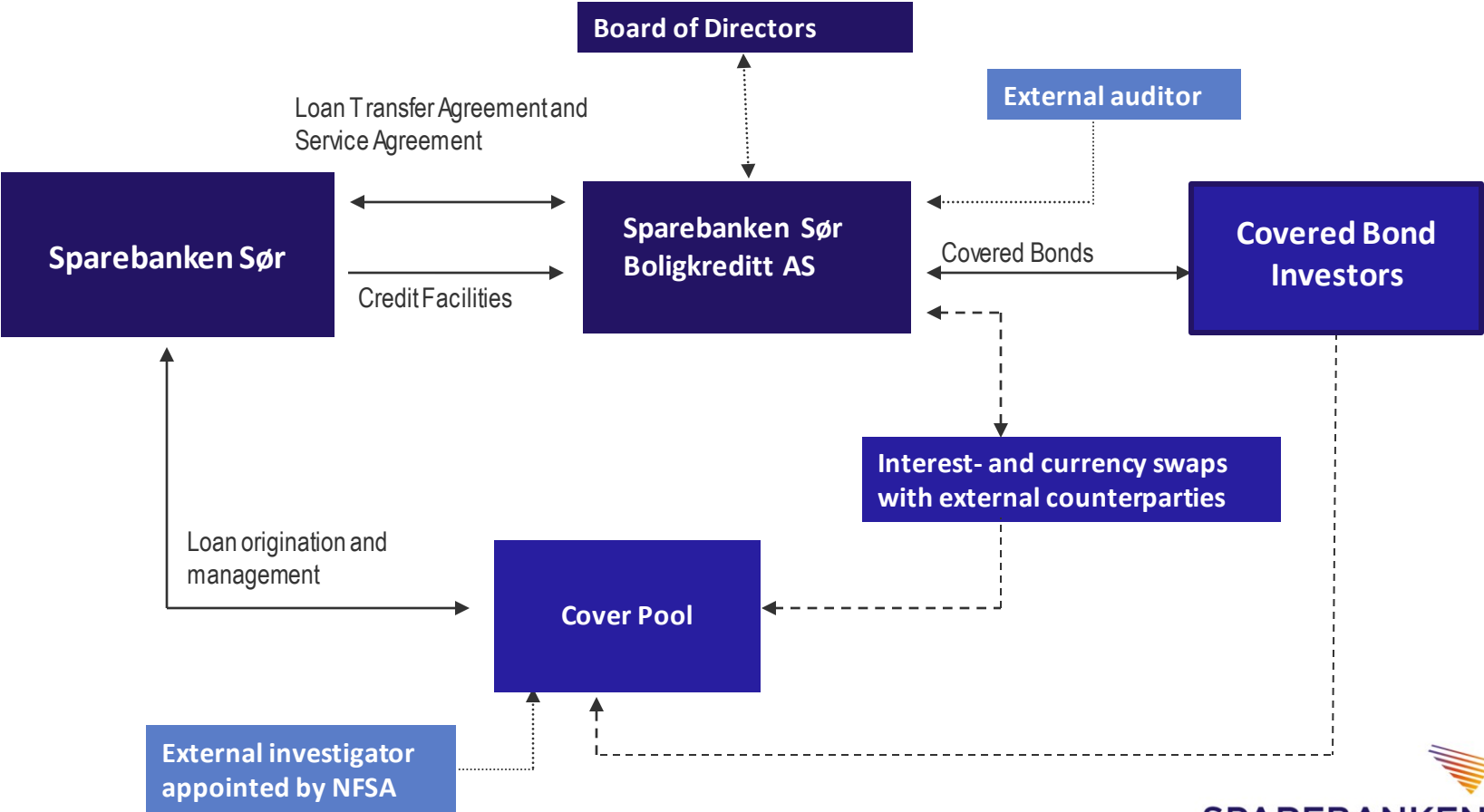
Regional Branches
& nationwide online
services



- Total assets of NOK 139 bn
- Profit after tax amounted to NOK 274 million in 2021 Q1
- Cost/income ratio of 42.0 percent.



Business concept - governed by the Norwegian covered bond legislation



Green & Sustainable



Green & Sustainability Bond Framework established autumn 2019

Eligible Green Loan Portfolio NOK 11.1 billion in March 2021

Green Covered Funding EUR 500 million



Benefits of a green mortgage

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



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Eligibility criteria for cover pool mortgages

Type of properties	<ul style="list-style-type: none">• Residential Norwegian properties• Minor volumes of buy to let
Type of products	<ul style="list-style-type: none">• Mortgages with floating or fixed interest rates• Serial, annuity or non-amortising loans
Credit criteria	<ul style="list-style-type: none">• No arrears• Borrowers probability of default $\leq 3\%$
Collateral	<ul style="list-style-type: none">• LTV limit of 75 % for residential mortgages• Quarterly valuation from an independent third party (Eiendomsverdi)
Loan volume	<ul style="list-style-type: none">• Maximum loan per borrower of 20 MNOK (Euro 2 mill)

The Norwegian Residential Mortgage Market

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 31.03.2021

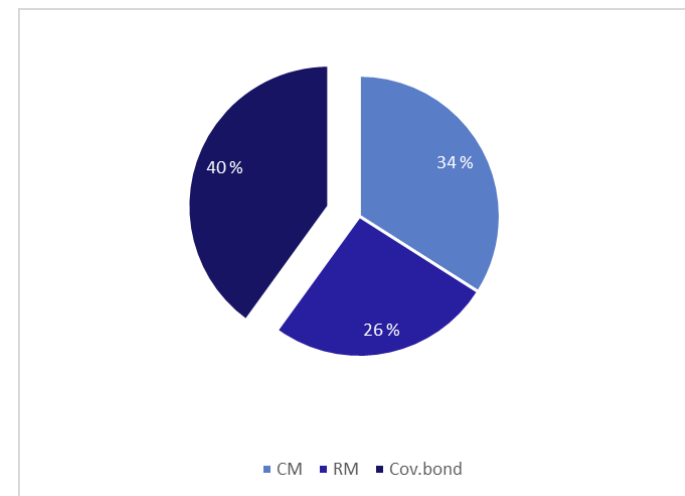
	Fair value
Loans secured by mortgages on residential properties	45 856 360
Deductions on ineligible loans	-136 138
Pool of eligible loans	45 720 222
Certificates and bonds	1 376 387
Financial derivatives	703 533
Total cover pool	47 800 142
Debt incurred due to issuance of securities	41 572 174
Collateralisation ratio (OC)	15.0 %

	Nominal value
OC based on nominal value – eligible only	16.1 %
OC based on nominal value – total loans	16.5 %

Additional cover pool details as at 31.03.2021

Average loan balance	1 281 250
No. of loans	35 782
WA seasoning (in months)	42.9
WA remaining term (in months)	198
No. of borrowers	29 813
No. of properties	32 666
WA Indexed LTV (Loan balance/Indexe d valuation)	52.8 %
WA LTV (Loan balance/O riginal valuation)	61.0 %
Loans in arrears > 90 days	0.1 %
Committed Over Collateralisation (OC)	2.0 %

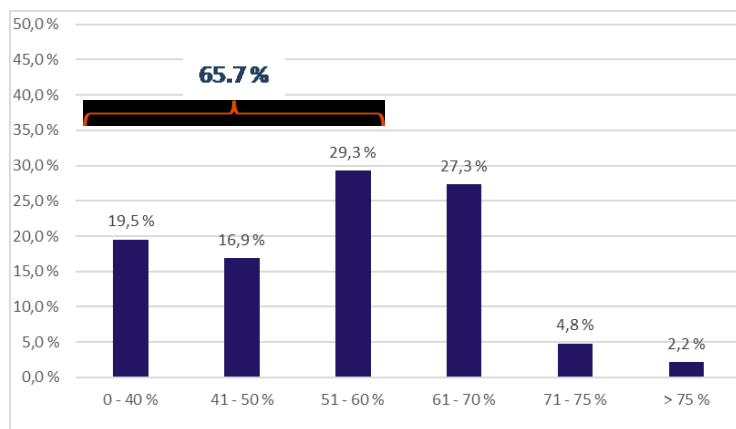
Sparebanken Sør (Group) total loan portfolio



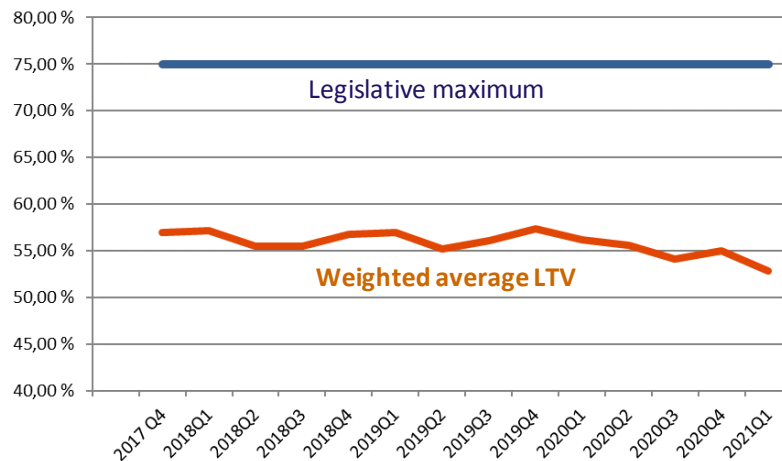
Loans transferred to Sparebanken Sør Boligkreditt AS account for 40 % of Sparebanken Sør's total loan portfolio

Cover pool characteristics

Current indexed LTV distribution



Historical development in weighted average indexed LTV

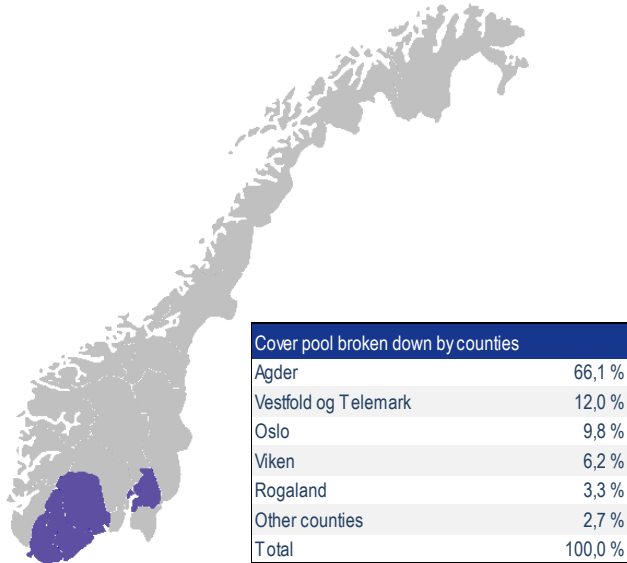


- The weighted average LTV is 52.8 % on an indexed basis
- 65.7 % of the cover pool has a LTV below 60%

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

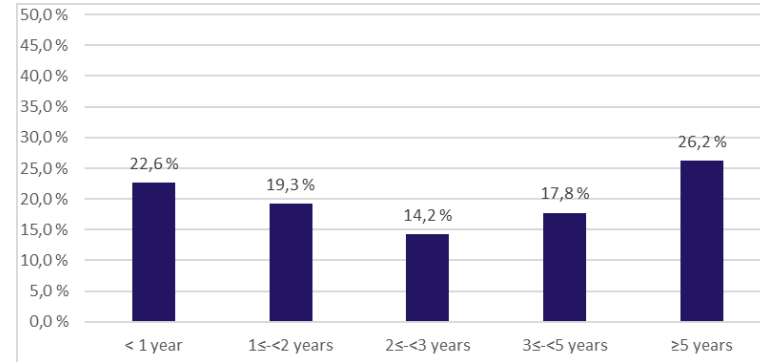
Cover pool characteristics

Cover pool geographic split



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

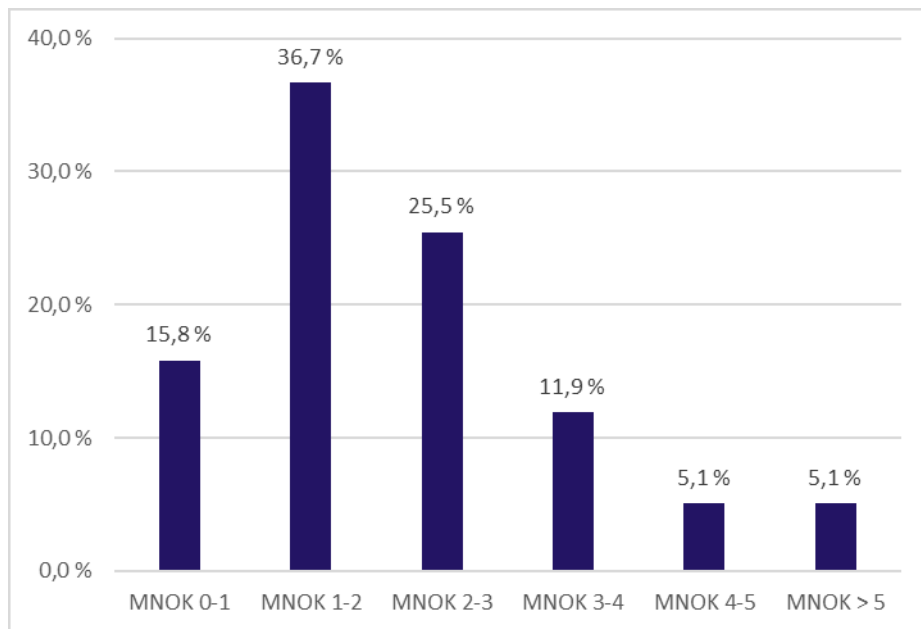
Seasoning of mortgages in the cover pool (in % of total loan balance)



- Weighted average seasoning is 3.4 years
- The cover pool is stable, as 77.4 % of mortgages has been included in the cover pool for at least 1 year

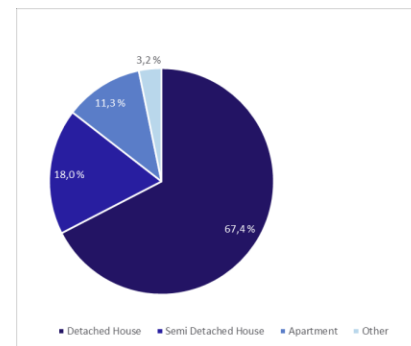
Cover pool characteristics

Cover pool broken down by intervals of loan balance

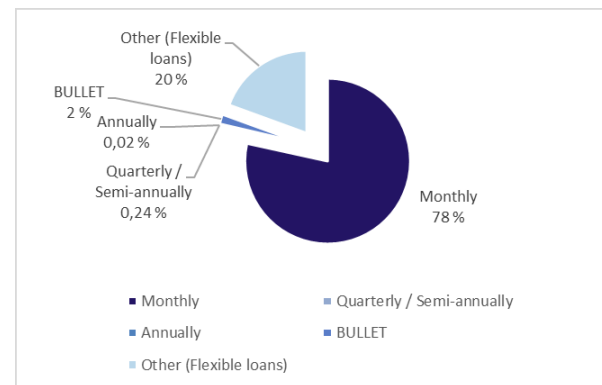


- Average loan value of NOK 1.3 million

Property type



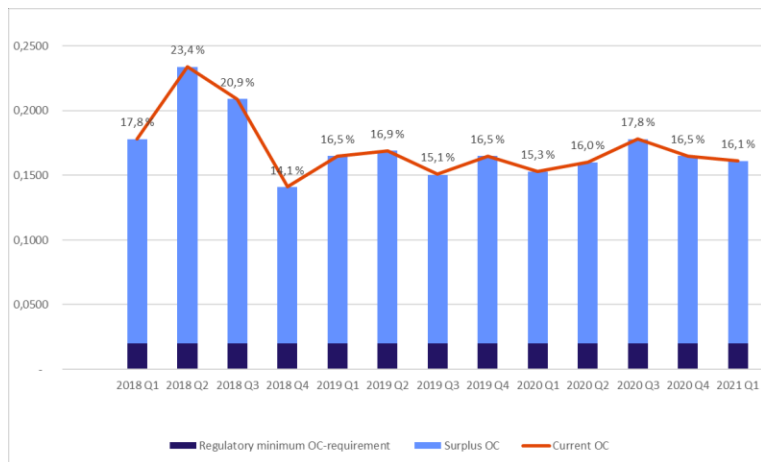
Principal payment frequency



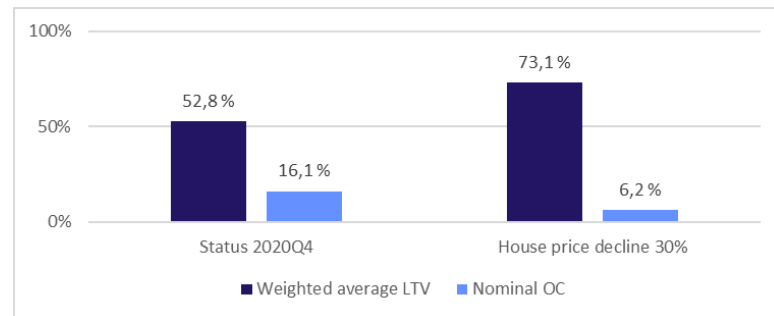
Cover pool characteristics

Regulatory minimum OC-requirement 2.0 % - Current OC: 16.1 %

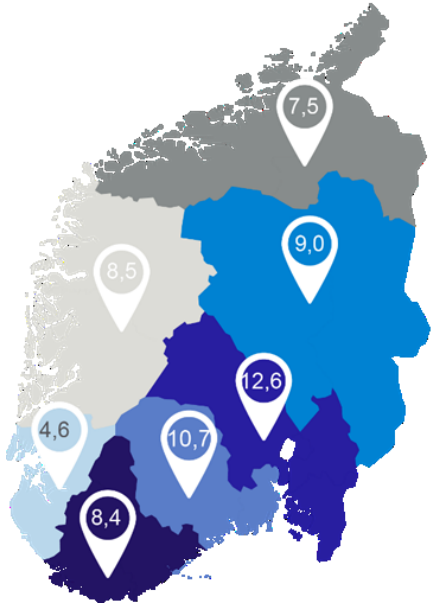
Historical development Over Collateralisation



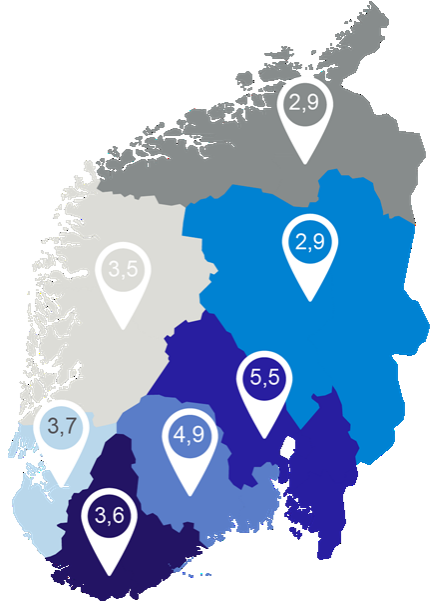
Stress test of the cover pool



n the



- Midt-Norge
- Innlandet
- Vestlandet
- Viken m/ Oslo
- Vestfold og Telemark
- Rogaland
- Agder

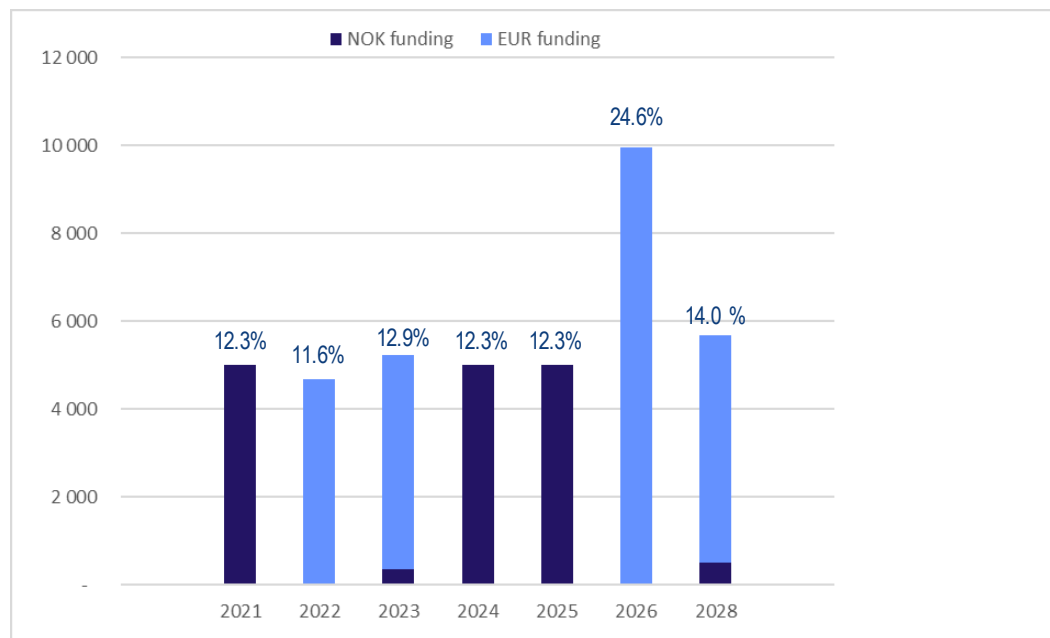


- Midt-Norge
- Innlandet
- Vestland
- Viken m/ Oslo
- Vestfold og Telemark
- Rogaland
- Agder

Funding as at 31.03.2021

- Total funding amounts to NOK 41.6 bn in issued covered bonds
- The company has a diversified maturity profile
- Funding > 12 months totalled 87.7 %
- Soft bullet structure on all outstanding bonds

Annual maturity of wholesale funding



Debt securities issued as at 31.03.2021

Figures stated in NOK Thousand

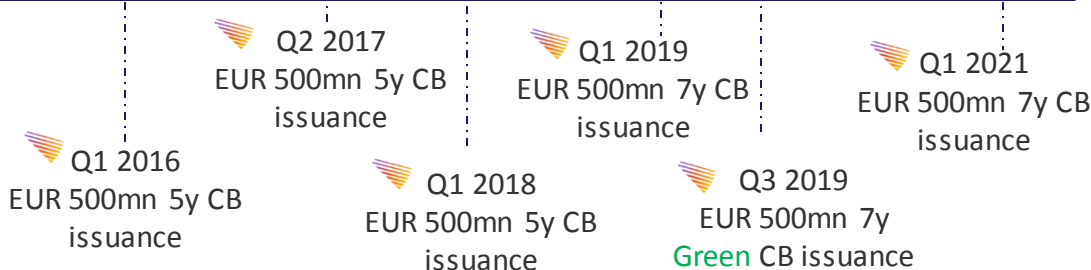
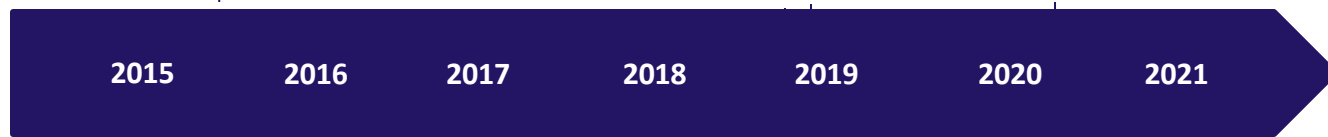
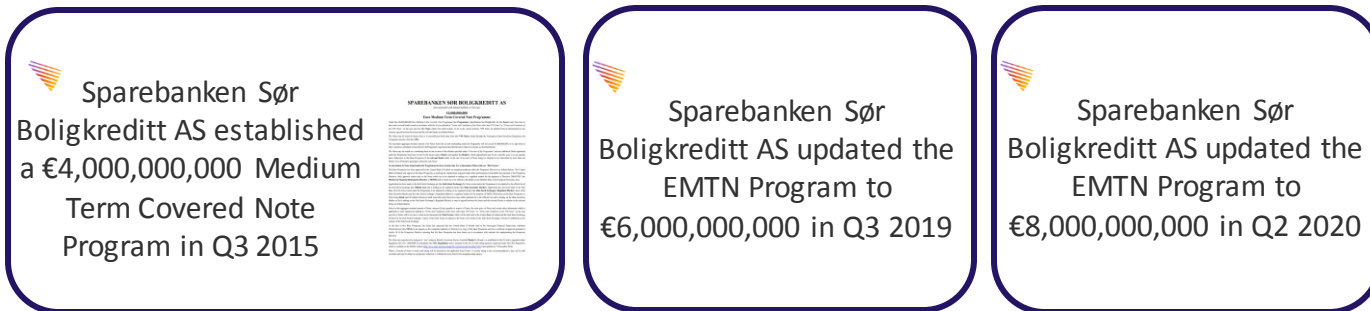
ISIN Number	Ticker	Currency	Nominal value	Interest	Due date	Book value	Fair value	
NO0010778954	SORB27	NOK	5 000 000	Floating	3M Nibor	22.11.2021	5 005 204	5 025 660
XS1622285283		EUR	500 000	Fixed	0,00125	30.05.2022	5 049 678	5 095 471
NO0010671597	SORB09	NOK	350 000	Fixed	3,850 %	13.02.2023	368 272	371 297
XS1775786145		EUR	500 000	Fixed	0,38 %	20.02.2023	5 099 677	5 206 393
NO0010882632	SORB30	NOK	5 000 000	Floating	3M Nibor	19.11.2024	5 011 188	5 053 779
NO0010832637	SORB28	NOK	5 000 000	Floating	3M Nibor	24.09.2025	5 003 881	5 057 767
XS1947550403		EUR	500 000	Fixed	0,500 %	06.02.2026	5 412 304	5 077 100
XS2069304033		EUR	500 000	Fixed	0,01 %	26.10.2026	4 814 821	5 056 473
NO0010670409	SORB08	NOK	500 000	Fixed	4,00 %	24.01.2028	562 882	572 383
XS2291901994		EUR	500 000	Fixed	0,01 %	28.01.2028	5 059 778	5 055 851
TOTAL							41 387 685	41 572 174



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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 Program

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, Ferdigporsentralen 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/presskit/registered-and-eligible-CRAs>) (last updated on 14 November 2019).

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

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

- Sparebanken Sør established a €4,000,000,000 Medium Term Covered Note Program (EMTN) in the third quarter of 2015
- In the first quarter of 2016, the company issued covered bonds amounting to EUR 500 million under the program
- In the second quarter of 2017, the company issued covered bonds amounting to EUR 500 million under the program
- In the first quarter of 2018, the company issued covered bonds amounting to EUR 500 million under the program
- In the first quarter of 2019, the company issued covered bonds amounting to EUR 500 million under the program
- Sparebanken Sør Boligkreditt AS updated the EMTN Program to €6,000,000,000 in the third quarter of 2019
- In the third quarter of 2019, a Green & Sustainability Bond Framework was established. In the fourth quarter the company issued a Green Covered Bond amounting to EUR 500 million under the program.
- Sparebanken Sør Boligkreditt AS updated the EMTN Program to €8,000,000,000 in the second quarter of 2020
- In the first quarter of 2021, the company issued covered bonds amounting to EUR 500 million under the program
- Sparebanken Sør Boligkreditt AS plans to further acquire loans from Sparebanken Sør, and the company intends to issue new covered bonds towards investors in Norway and abroad



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

With reference to Article 10(1)(f) of the LCR-regulation, Sparebanken Sør Boligkreditt AS (SSBK) confirms the following:

- SSBK gives the information required in Article 129(7) of CRR to its investors
- Covered bonds issued by SSBK are assigned a credit assessment by a nominated ECAI which is at least credit quality step 1 in accordance with Article 129(4) of CRR, and the equivalent credit quality step in the event of short term credit assessment
- The cover pool does at all times meet an an asset coverage requirement of at least 2 % in excess of the amount required to meet the claims attaching to the covered bonds issued by SSBK

Information on the cover pool

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

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

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



SPAREBANKEN SØR

Future prospects

Macro

Following the necessary measures taken by the Authorities to combat the Covid 19 epidemic, the Norwegian economy was hit negatively by lower international economic growth and falling oil prices. The Norwegian economy has to a certain extent improved in the 2nd half of 2020 and 1st quarter of 2021, and the financial markets have normalized. Following the cut in the Norwegian policy rate to 0 %, mortgage rates have been reduced. As a consequence, house prices have developed positively and private consumption has improved.

Capital requirements

Sparebanken Sør Boligkreditt AS has a common equity tier 1 capital ratio of 17.9 percent and leverage ratio of 6.5 percent. Along with a positive profit from ordinary operations, the opportunities for further loan growth are positive.

Funding and liquidity

The Group is well positioned to establish long-term funding from the Norwegian and the international financial market.

Sparebanken Sør Boligkreditt AS

Sparebanken Sør Boligkreditt AS will further acquire mortgages from the parent bank to issue public covered bonds in Norway and abroad, primarily as benchmark issuances that are eligible to LCR requirements for level 1 assets.



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