



SpareBank 1 Næringskreditt

Covered Bond Issuer

2H 2021

SpareBank 1

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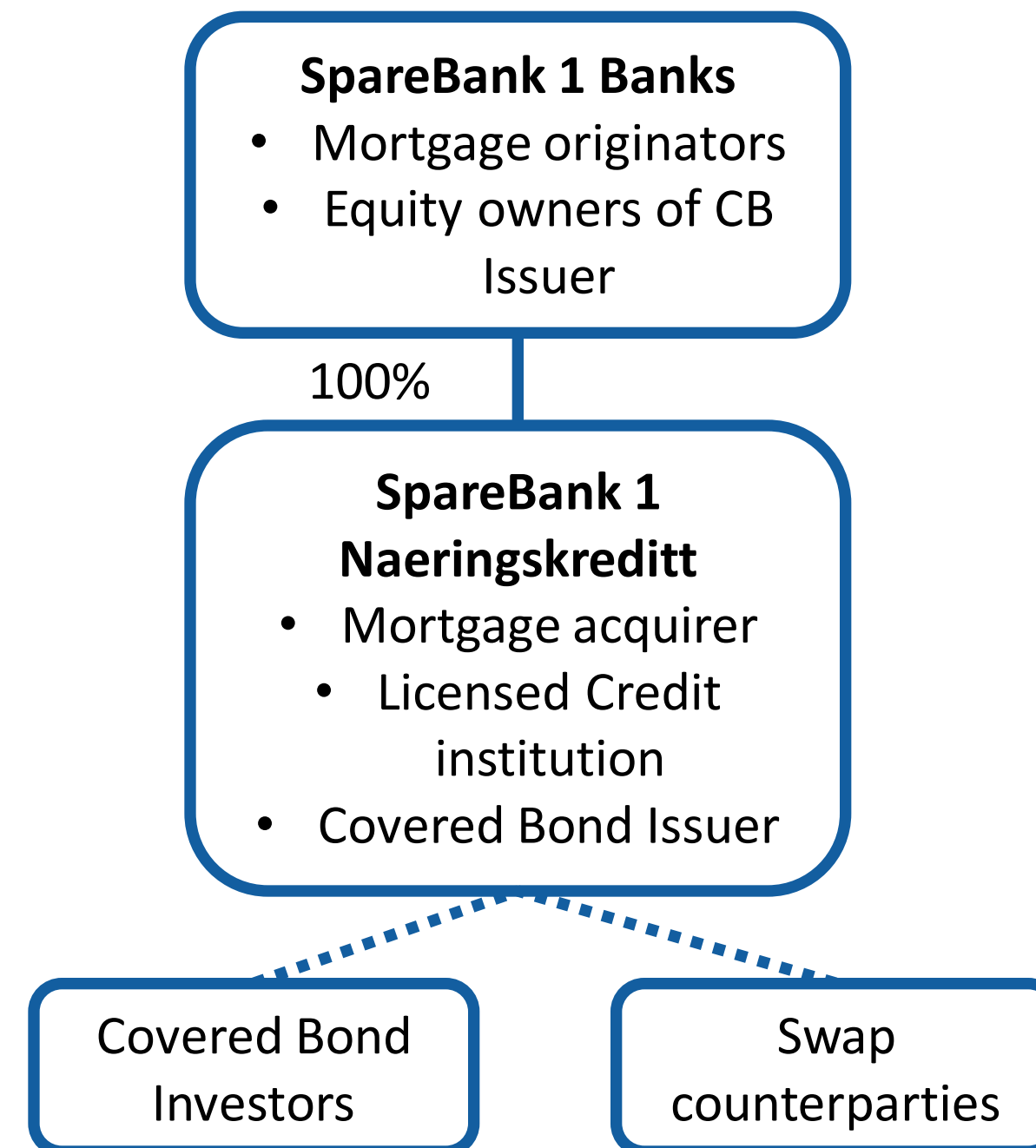
SpareBank 1 Naeringskreditt



SpareBank 1 Naeringskreditt

- Norway has specialized credit institutions issuing covered bonds under a CB law and regulations
- Issuers are called Boligkreditt or Naeringskreditt; this signals that cover bond collateral is residential mortgage loans only
- Other issuing models (i.e. direct bank issuance or bank issuance guaranteed by an SPV) are not in existence
- Swaps hedge FX and interest rate risk which are limited by law

The SpareBank 1 banks covered bond issuing model:



- SpareBank 1 Naeringskreditt is the only Norwegian specialized issuer of covered bonds with a commercial properties mortgage pool

Moody's credit ratings and cover pool overview

Covered Bond rating	Issuer Rating	SpareBank 1 owner banks unsecured ratings	CB Anchor	Moody's Timely Payment Indicator (TPI)	TPI leeway	O/C requirement (Moody's)
Aaa	Not published	A1/Aa3*	Not published	Probable	2	13%

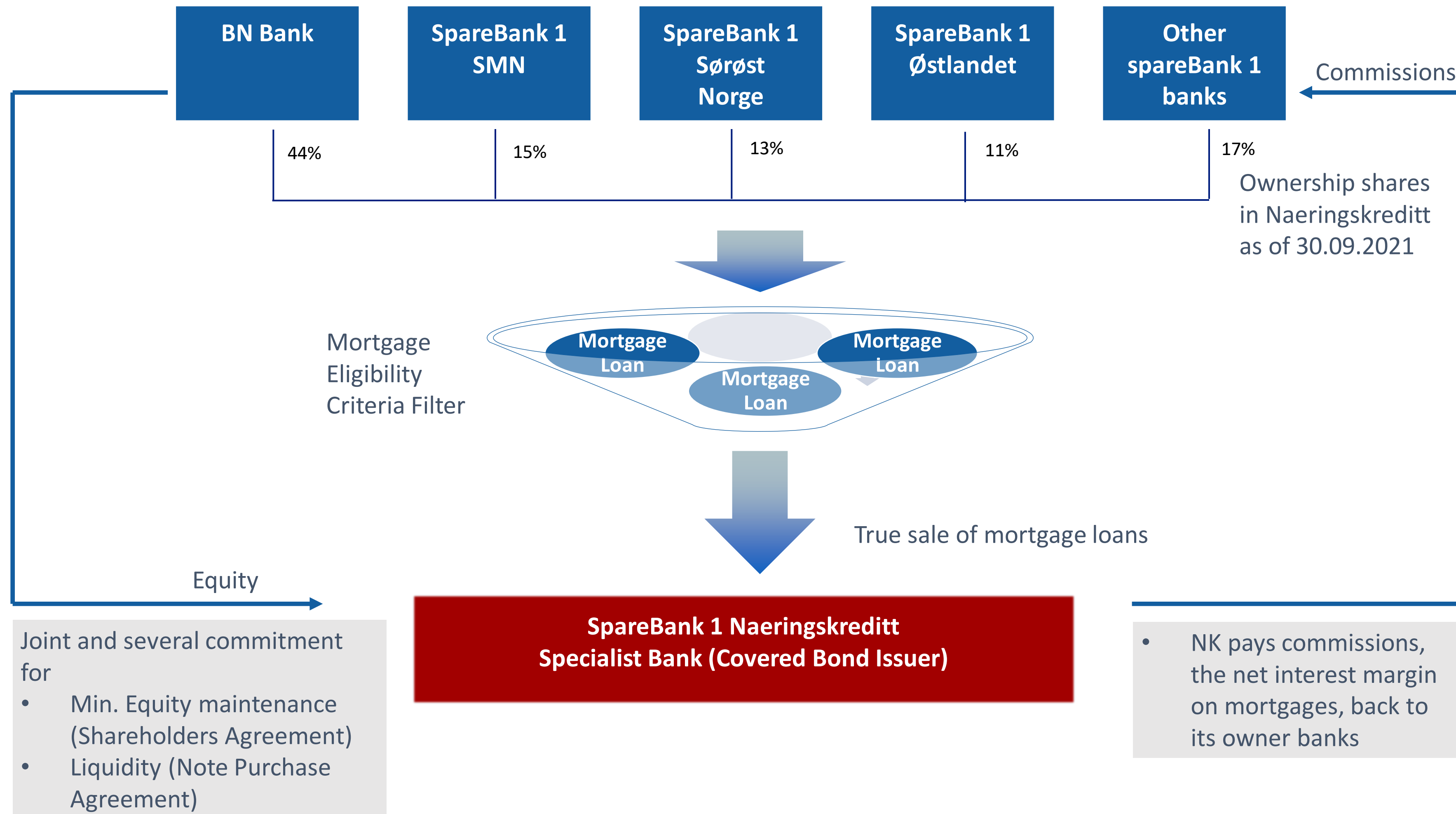
SpareBank 1 Naeringskreditt Cover Pool overview Q3 2021

Type	5 categories of commercial and residential properties: office, logistics/warehouse, retail, hotel and large residential
Number of mortgages	221 mortgages with a weighted average interest rate of 2.3%
Average mortgage balance	NOK 43 mill. kroner (Approx. EUR 4.5 mill.)
Total balance mortgages	NOK 10 billion
Weighted average current LTV	42%
Cover pool	NOK 11,3 bn; mortgages 86%, Liquid Assets 9%, Market risk hedges 5%

- SpareBank 1 banks senior ratings of A1/Aa3 form the starting point for Naeringskreditt's Issuer rating at A2 (not published), which determines the CB Anchor of A1 (not published)
- The Timely Payment Indicator of "Probable" is determined by several factors, including type of assets, legal framework and type of risk mitigation (i.e swap agreements with external counterparties)

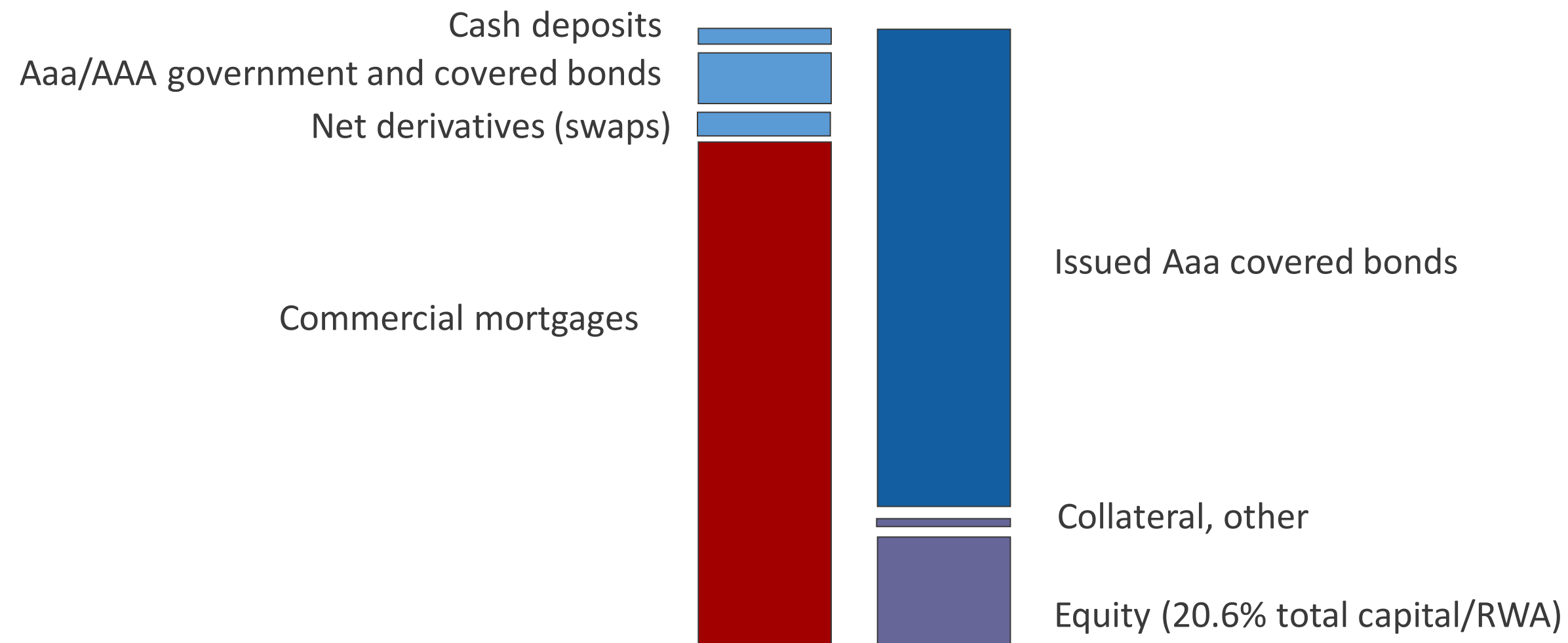
*SpareBank 1 Østlandet and Nord-Norge: Aa3, SpareBank 1 SMN A1

SpareBank 1 Naeringkreditt (SpaCom) mortgage loans transfer

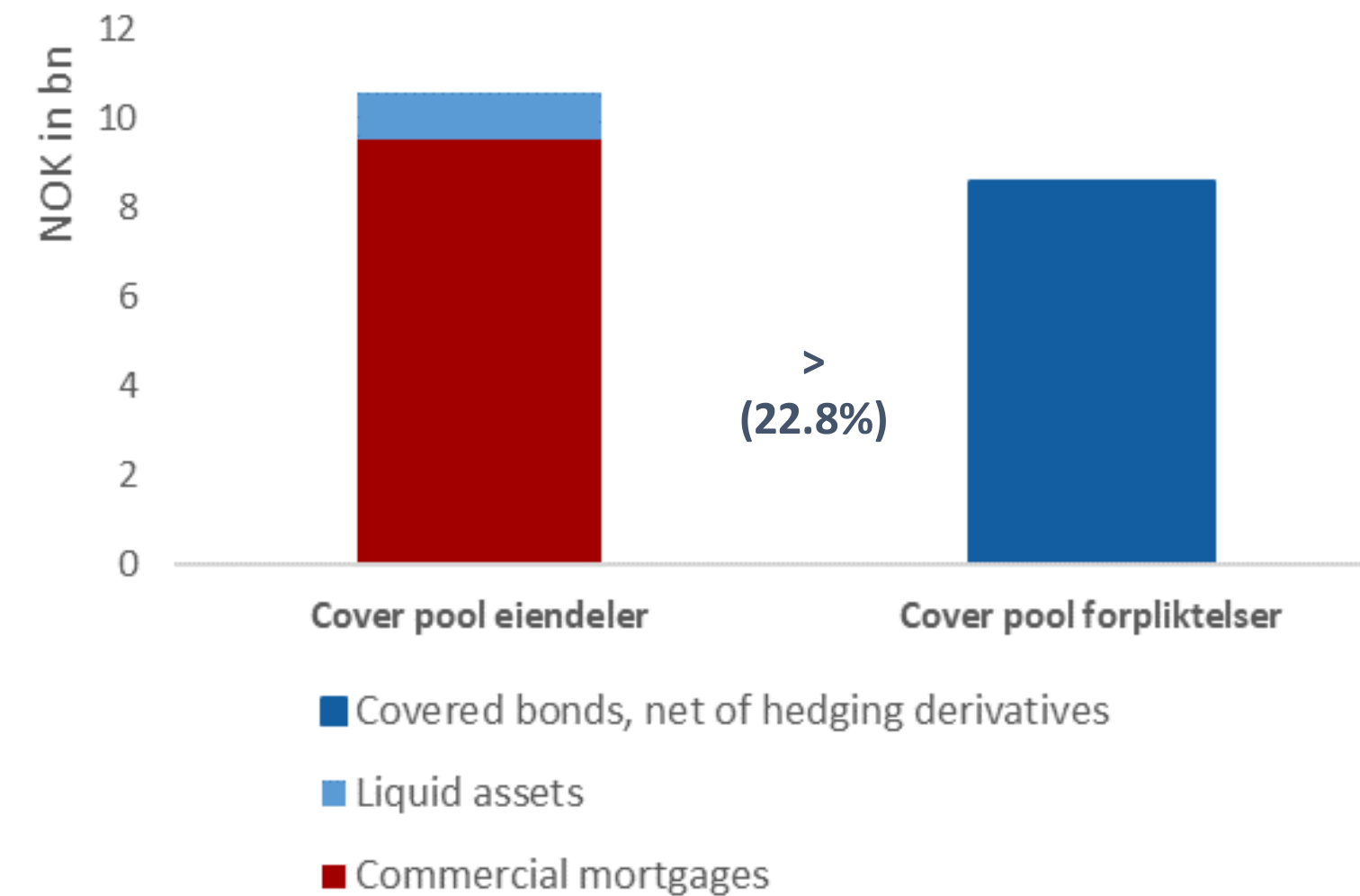


SpaCom balance sheet and cover pool

Relative balance sheet 30.09.2021



Cover pool 30.09.2021



- The cover pool assets consist of mortgages and liquid assets
- Liquid assets are held for liquidity risk management purposes only – bonds are soft bullet, but liquidity managed according to expected maturities
- The minimum regulatory overcollateralization is 2%, while Moody's requirement is 20%

Selection criteria for the Spacom cover pool

Loans and properties

- Only commercial mortgages and large residential mortgages from SpareBank 1 banks
- Properties located or linked to major norwegian towns
- Principle of alternative possible use of the building
- Categories of property: office, retail, hotel, logistics/warehouse, mixed use and residential

Credit assessment

- Risk categories A to F (up to 2.5% probability of default - PD)
- Total expected portfolio loss less than 0.2%
- Credit committee to evaluate and approve larger exposures and exposures at the higher end of the PD range

Lending value

- Up to 60% LTV
- Valuation by external valuer, sales price or by cash flow model
- First security priority only

Interest rate

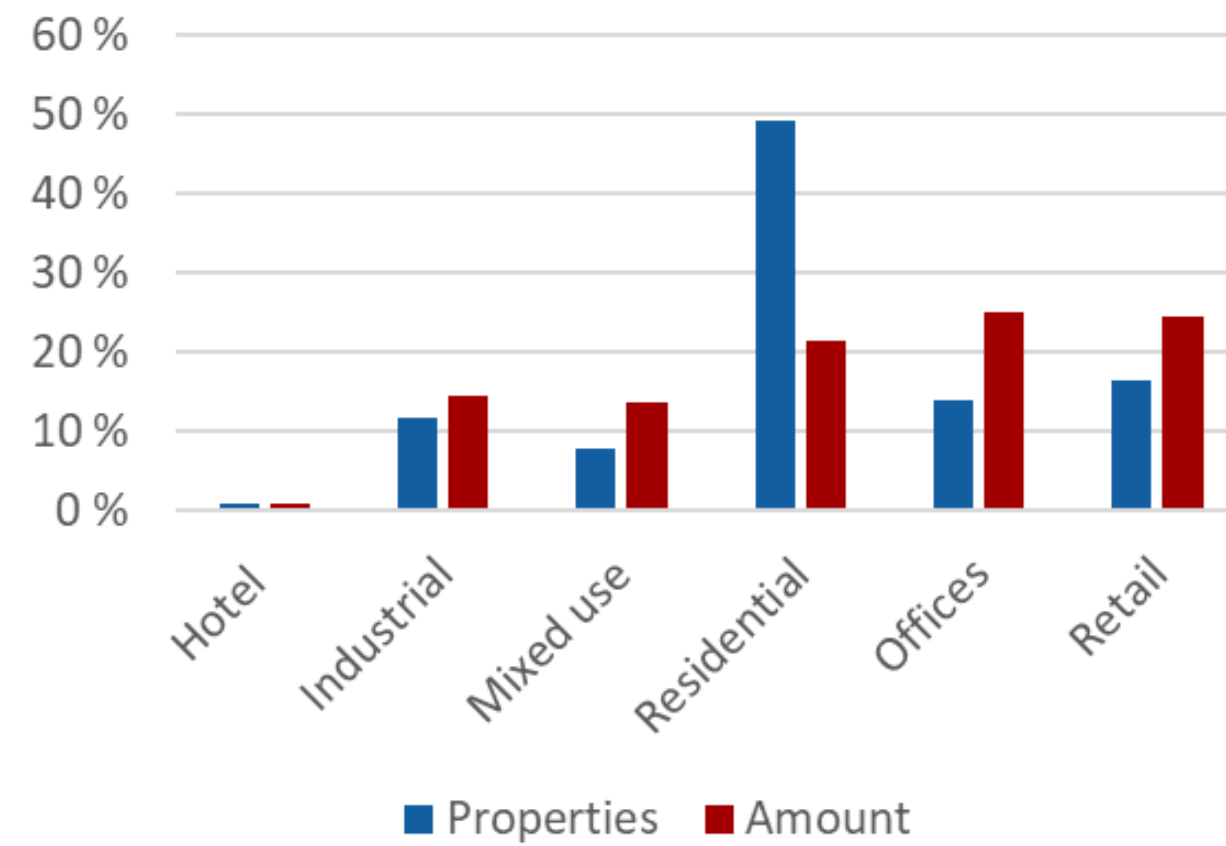
- Floating rate

Excluded Categories

- Loans outside the above criteria
- Limit of a single loan exposure to 5% of portfolio
- Largest 20% lending exposures must be less than 50% of the portfolio

SpaCom cover pool

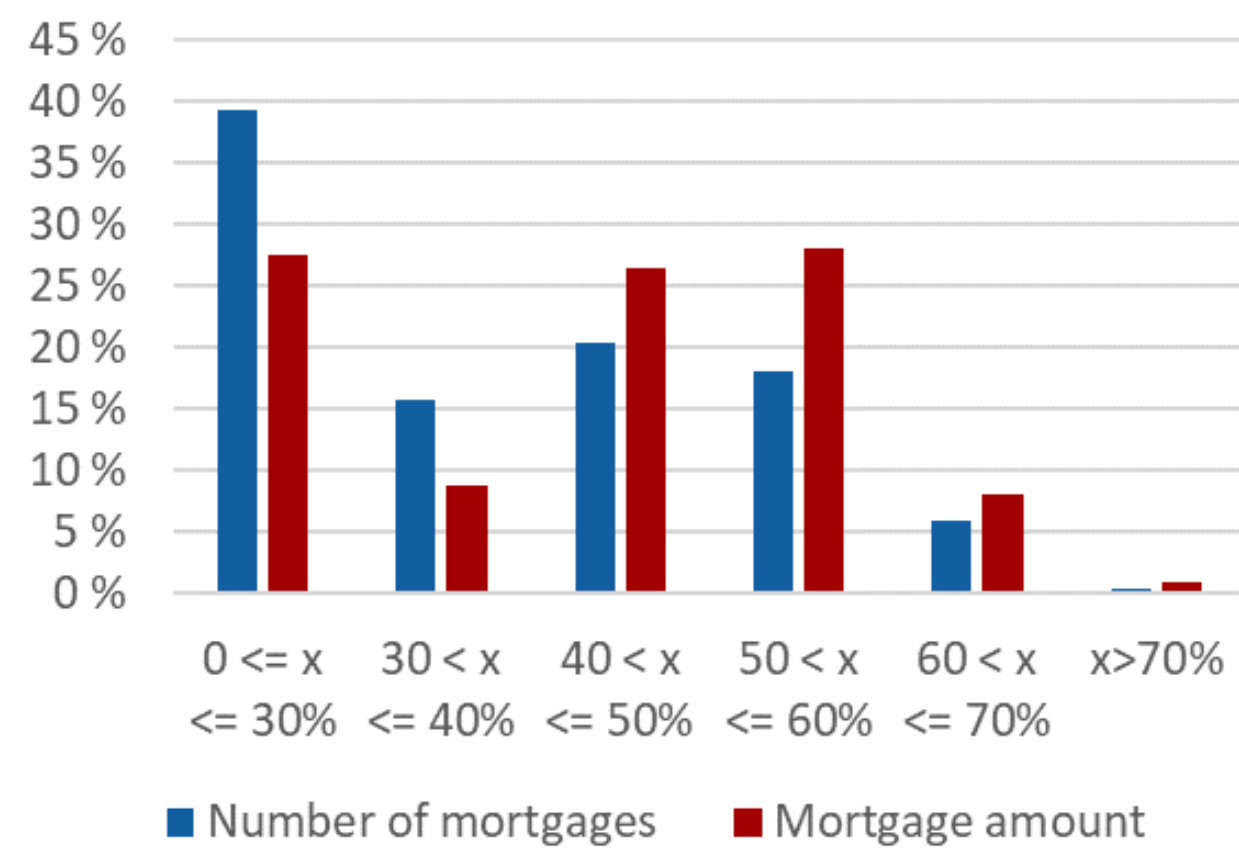
Category of properties financed



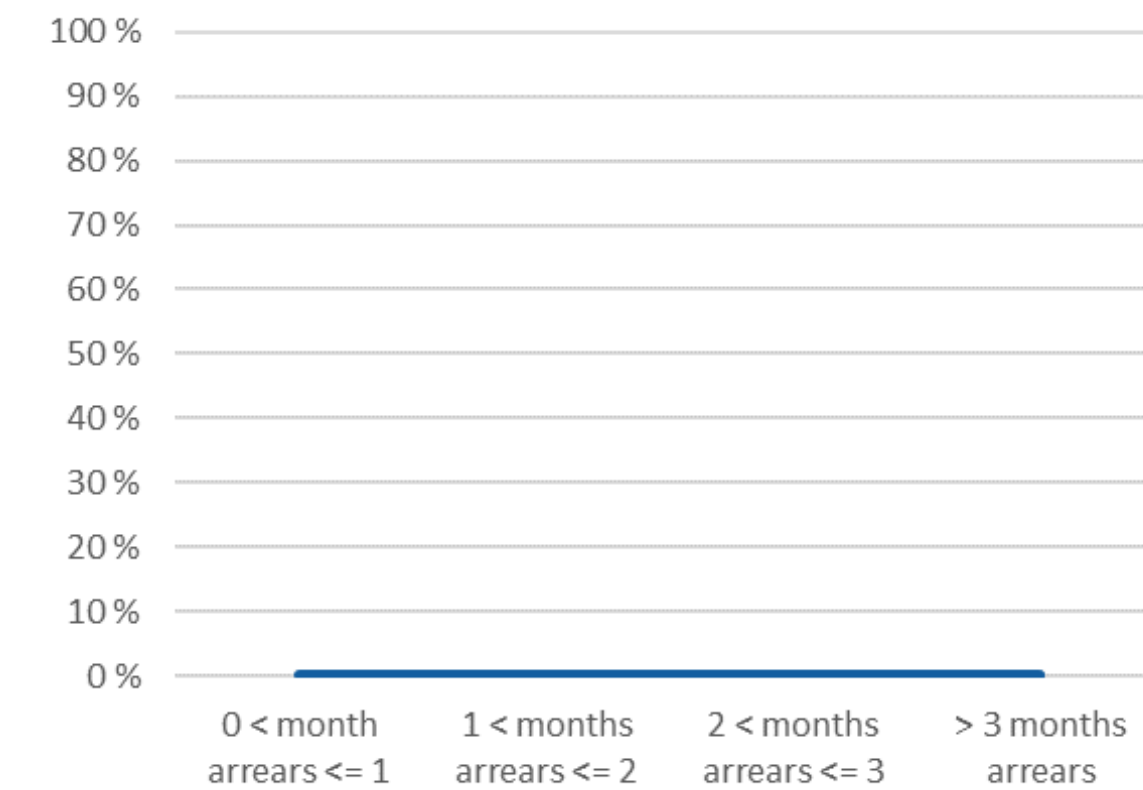
Geographical distribution (Norwegian counties)



Mortgages loan to value (LTV) range

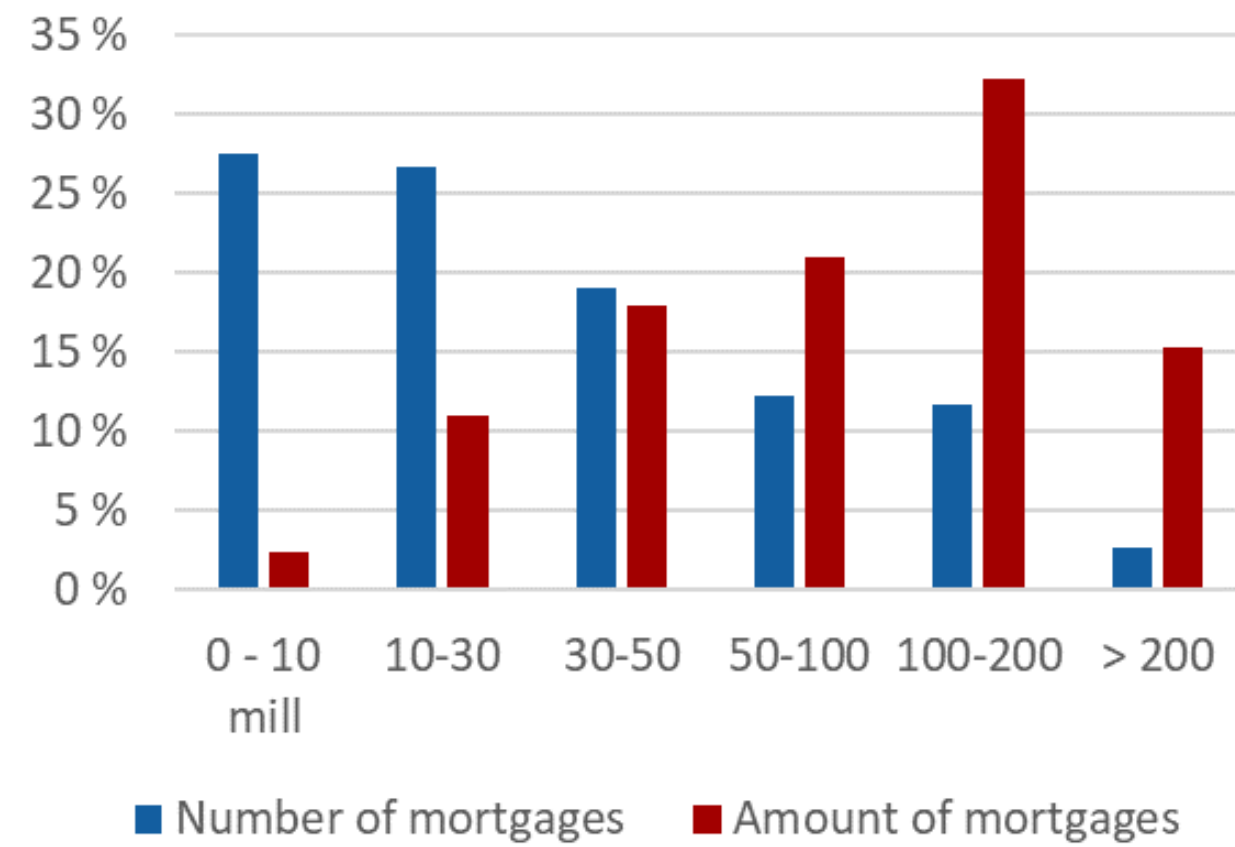


No mortgage arrears

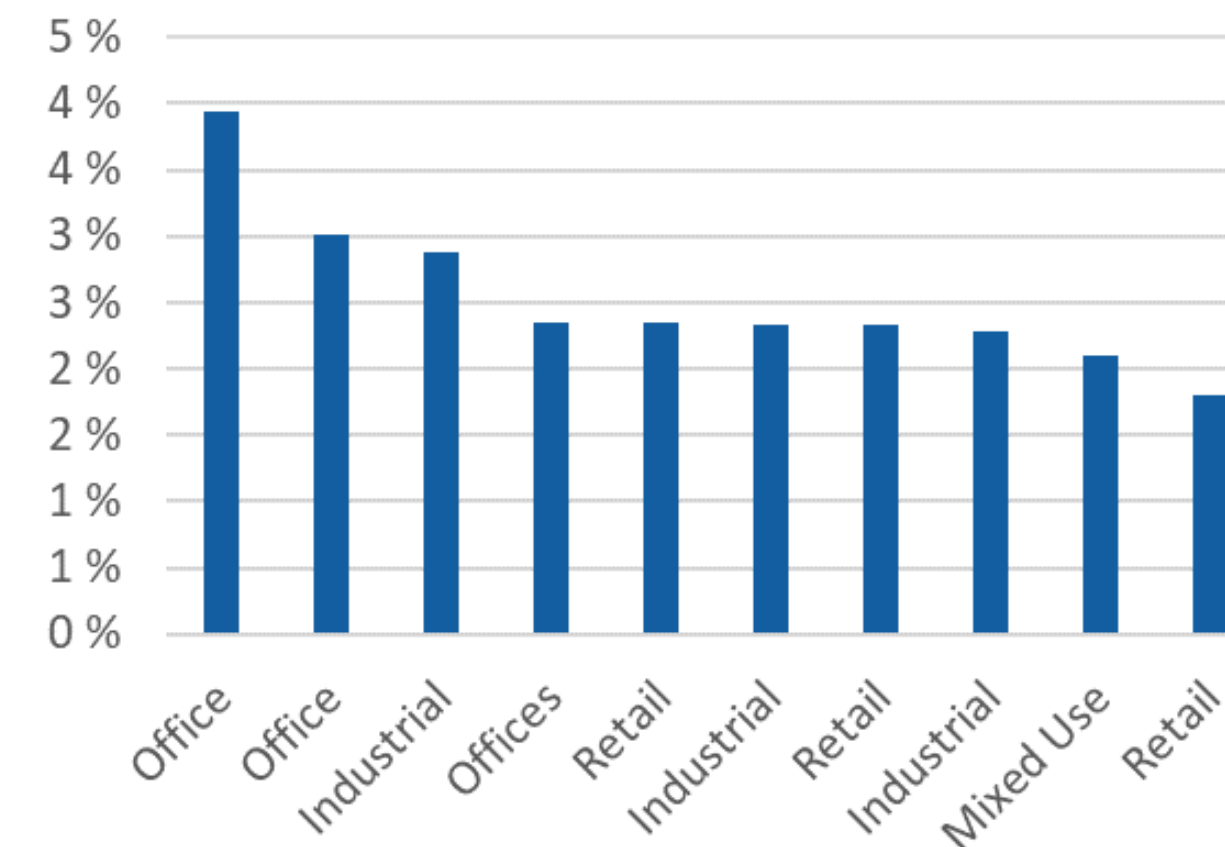


SpaCom cover pool

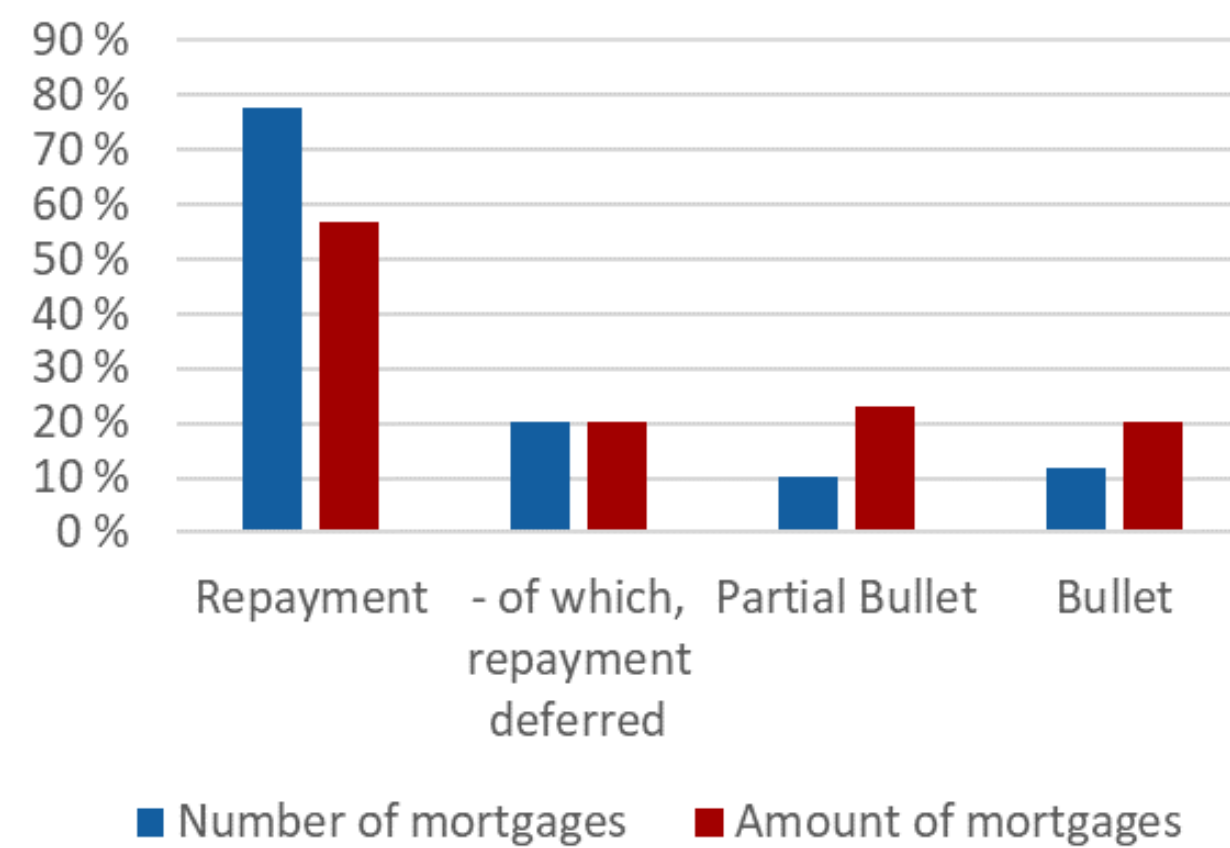
Mortgages by size range



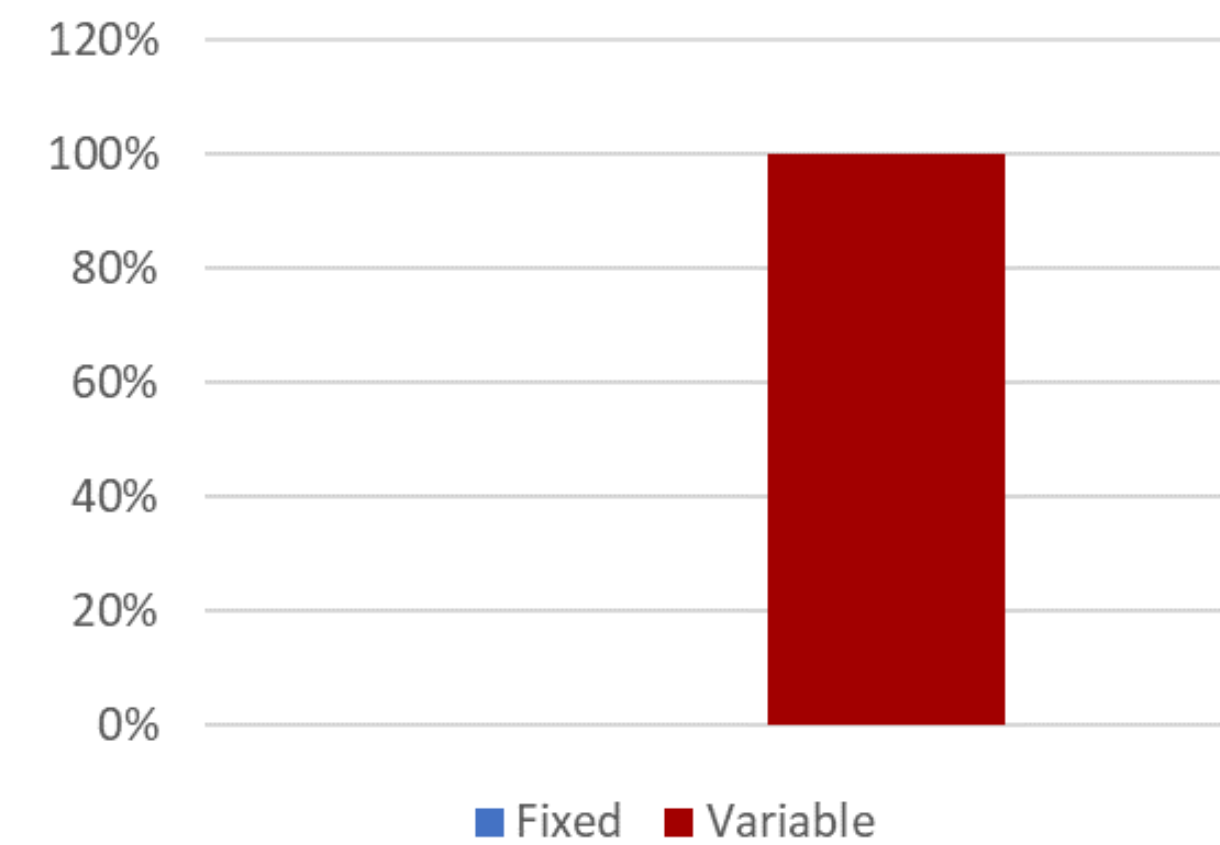
10 largest mortgages



Repayment structure

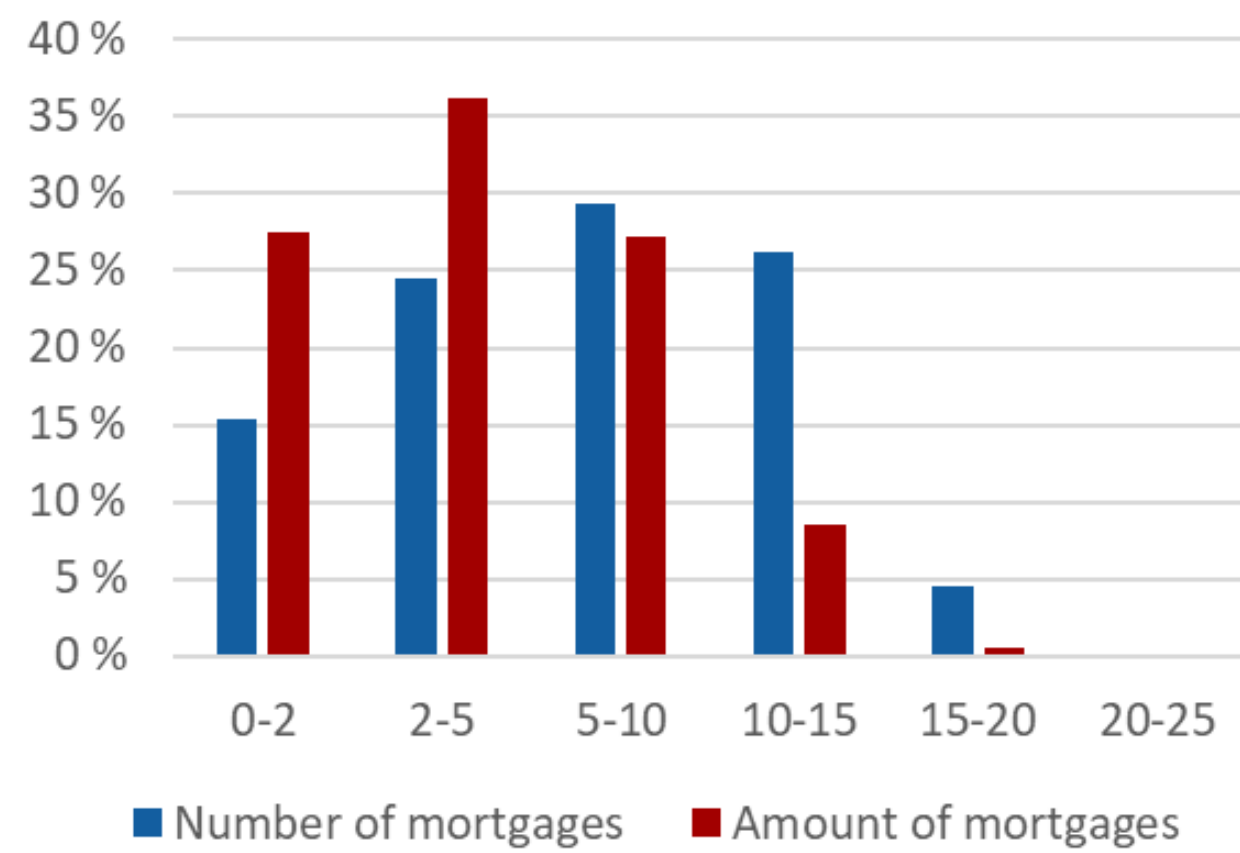


Interest rate

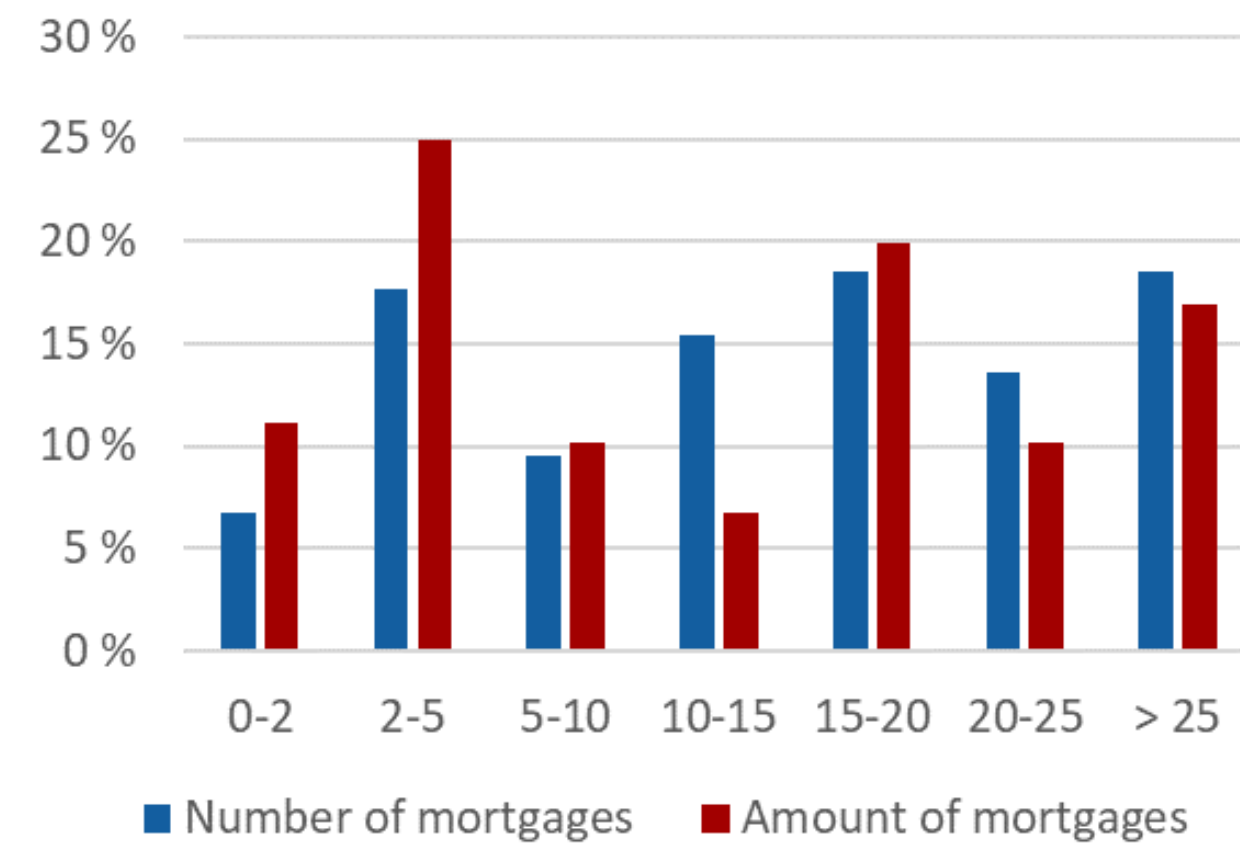


SpaCom cover pool

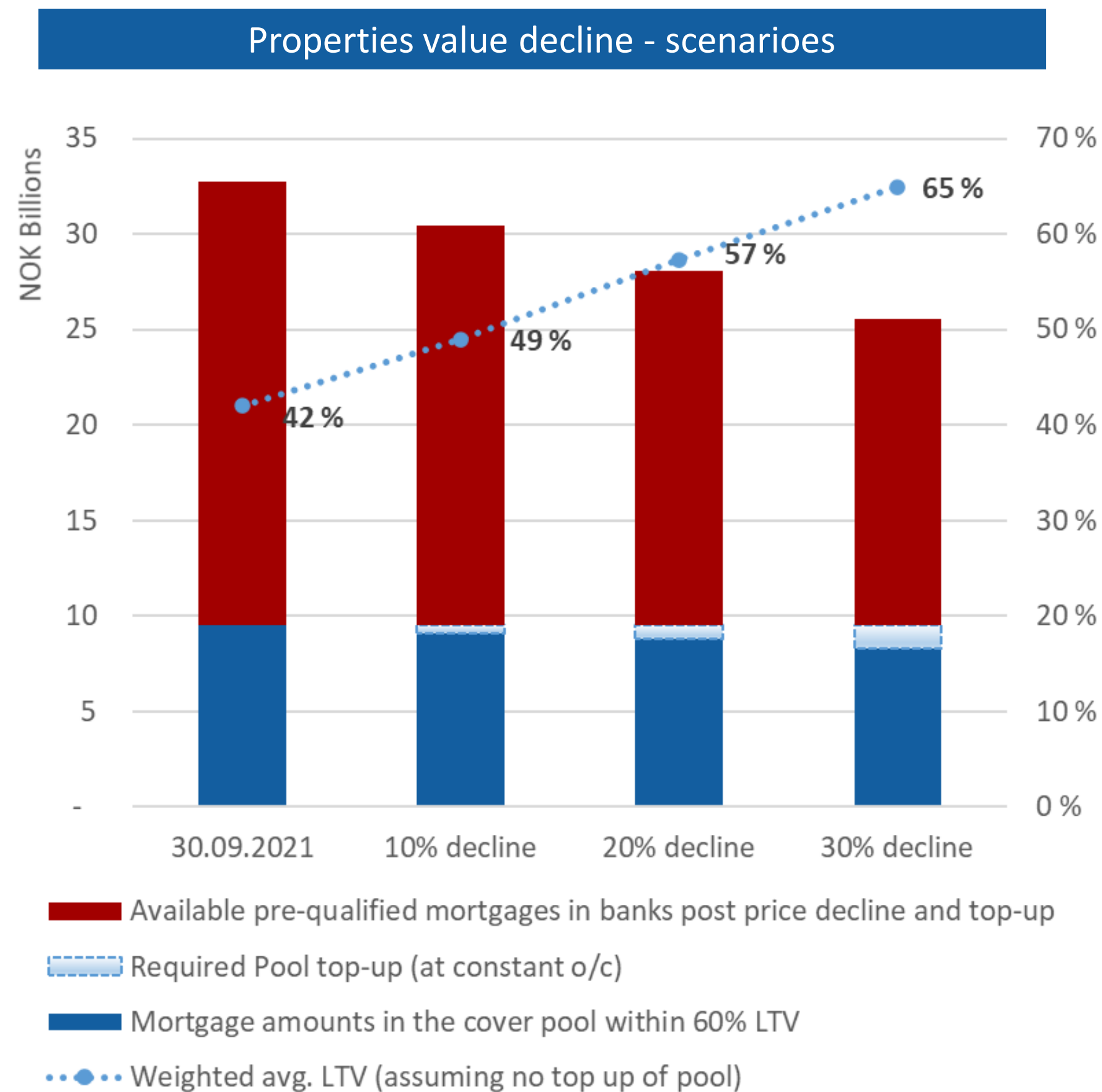
Seasoning in years



Remaining term in years



SpaCom cover pool – Stress test



- In a scenario with declining real estate valuations, an increasing share of mortgages above the 60% legal limit become ineligible as cover assets
- Accordingly, mortgages need to be replaced, this is the 'required top-up' in the chart
- Parts of the mortgages in the highest LTV brackets needs replacing as properties prices decline
- The reserve mortgages (red bars) in the banks which could be used in the SpaCom cover pool decline as their LTV increase and as the required top-up is provided to the cover pool
- The w.a. pool LTV shown in the chart is prior to the top-up, only considering the price declines based on the current pool mortgage balance

SpareBank 1 Alliance Banks



Banks in Norway



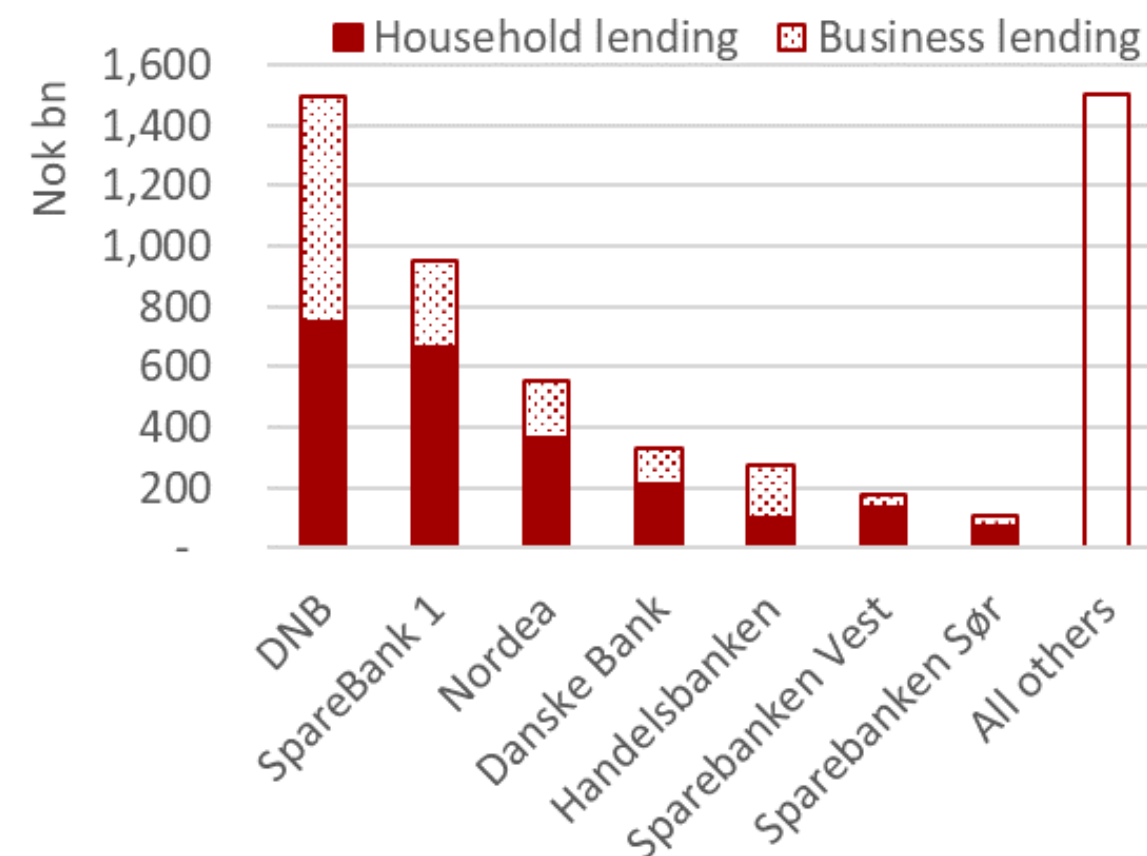
Savings banks (generic name: Sparebank):
96 banks (2020), 2 alliances and independent banks



Commercial banks: larger Nordic banking groups
and smaller lenders (incl. consumer banks)

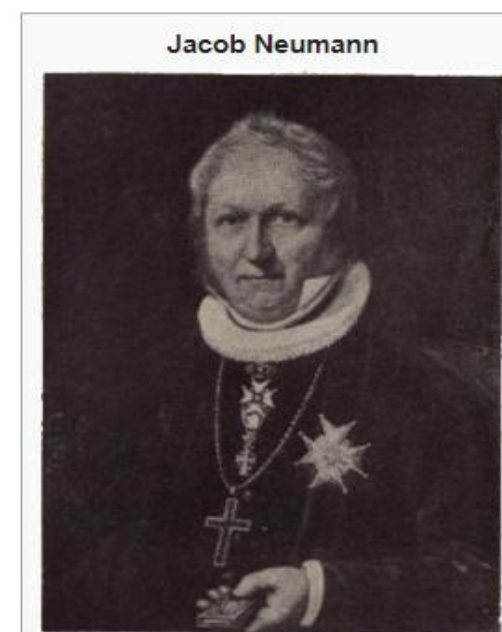
- Banks compete for the same customer base, with larger commercial banks focusing on larger corporations
- A savings bank's strength sits in its local or regional market and in the household and SME sector

Largest banks by lending volume, Norway



Norwegian Savings Banks Characteristics

- ▶ Norway's first type of bank, founded in the 1820ies, retains local and regional character
- ▶ Universal banks, but domestic lending only, concentrate on residential mortgage lending
- ▶ Savings banks are self-owned institutions, as well as investor owned
- ▶ All larger savings banks' equity (capital certificates) are listed on the Oslo stock exchange
- ▶ Share of profits provided as gift annually (society dividend)

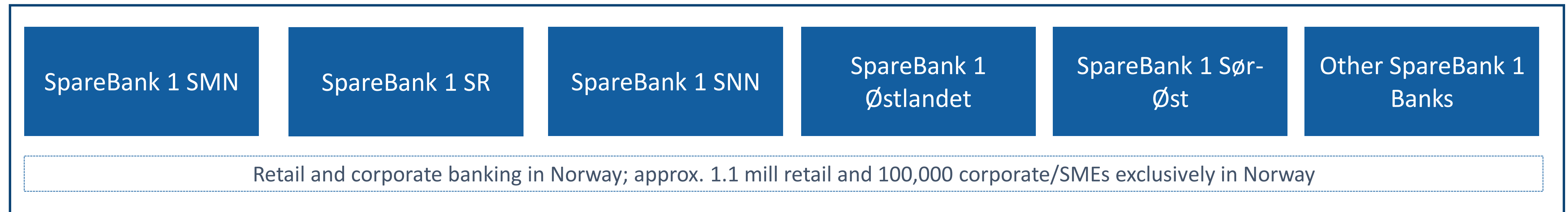


SpareBank 1 Alliance Banks – local presence and national integration

The Alliance was founded in 1996 and consist of 14 banks today



SpareBank 1 Alliance overview



SpareBank 1 Group Holding Co.

- **Product companies** (Products are marketed/distributed through the banks): Insurance, Investments funds, factoring, payments, other



SpareBank 1 Development Holding Co.

- **Business operations and improvements**, drives “economies of scale” for the banks**
- SpareBank 1 Real Estate (Norway’s largest real estate broker)



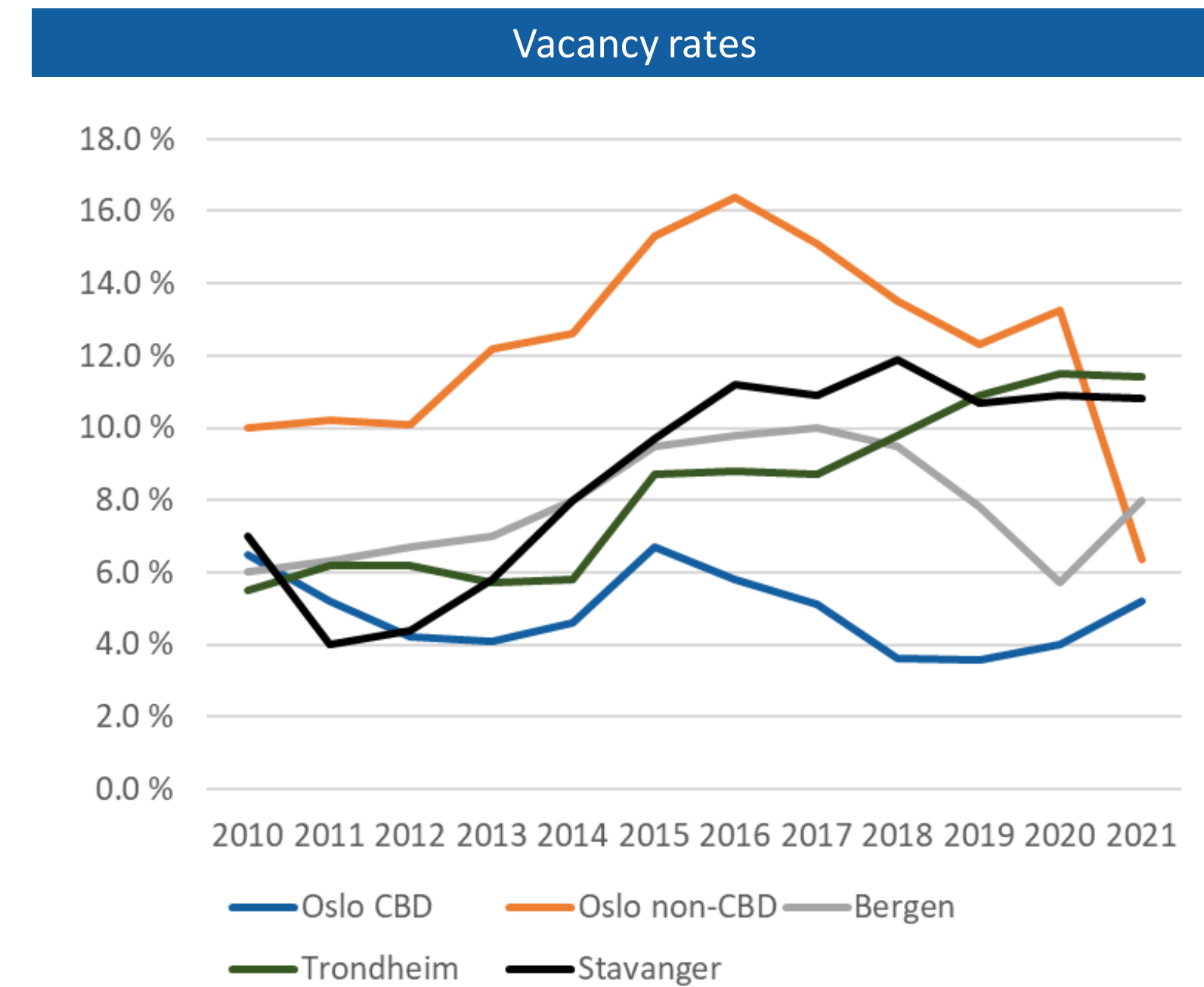
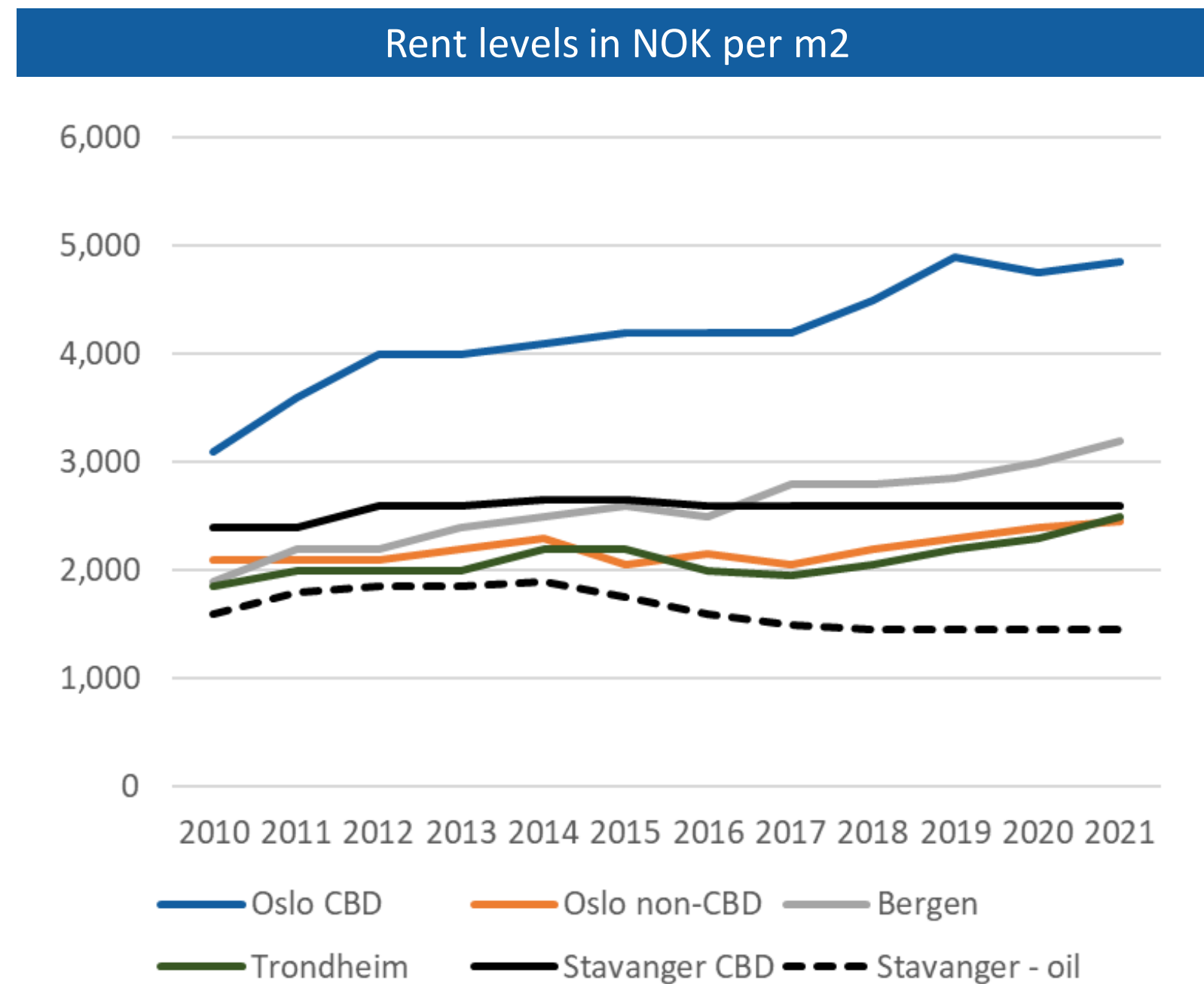
Direct operating subsidiaries

- SpareBank 1 Boligkreditt (Covered Bonds – Residential pool)*
- SpareBank 1 Naeringskreditt (Covered Bonds – commercial pool)
- BN Bank, SpareBank 1 Markets, others

Recent trends in the office property market



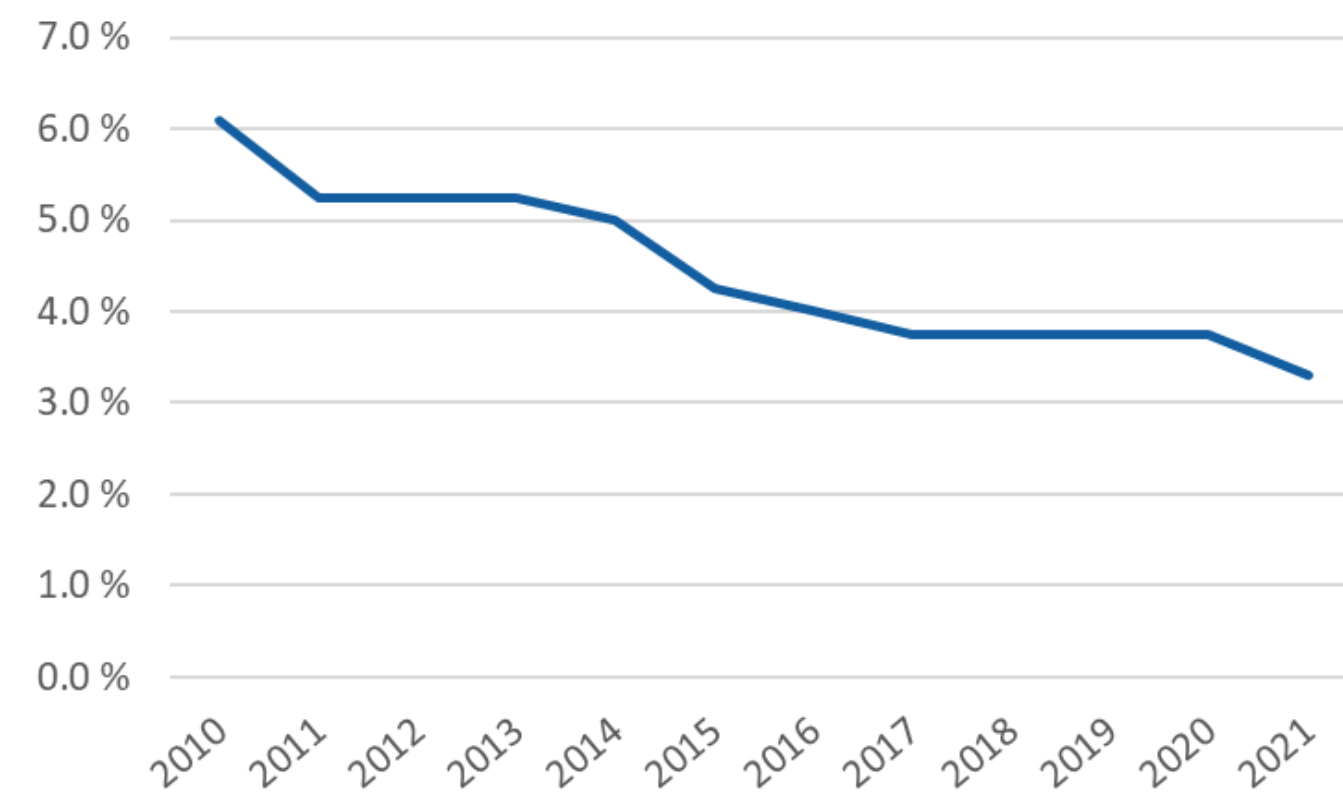
Rent levels and vacancy in central office markets



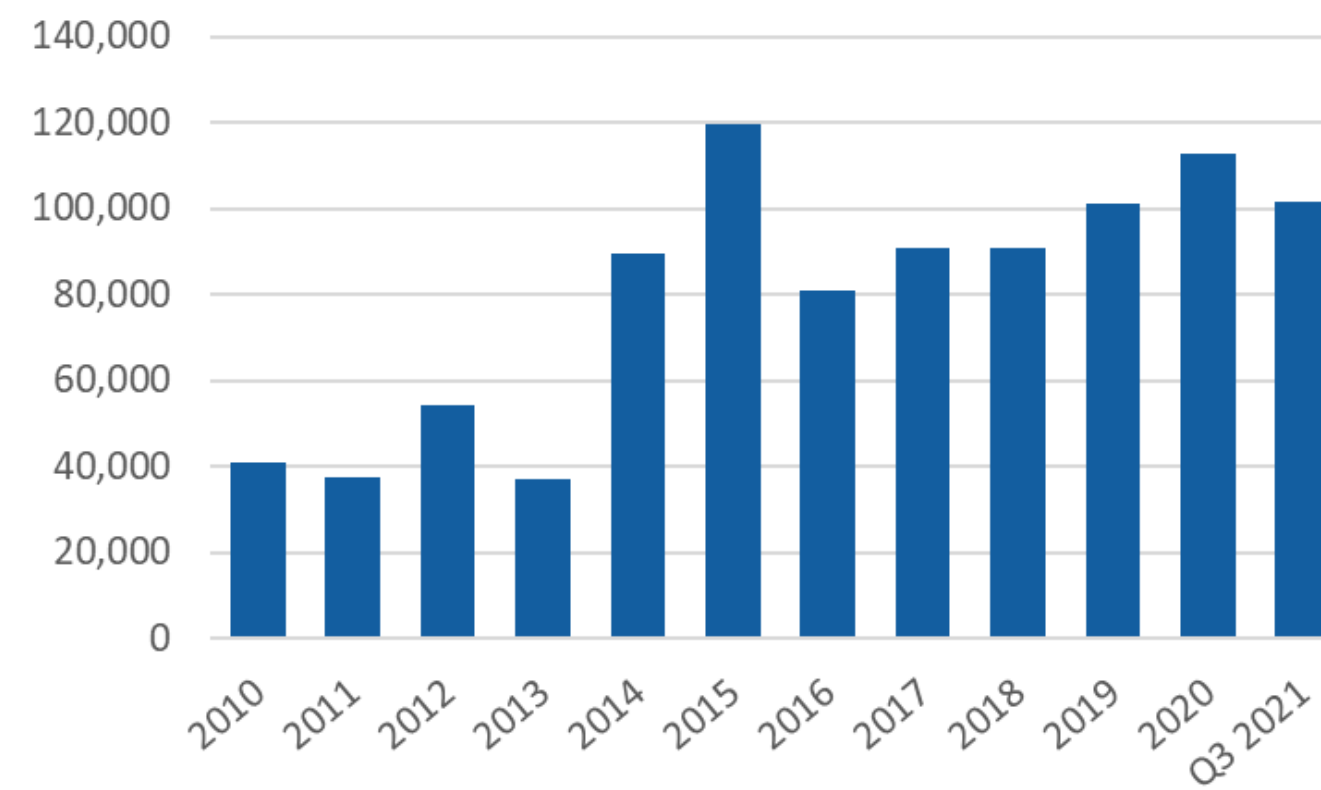
- Oslo remains sought after with low vacancy rate and high rent levels
- The oil price downturn from 2015 is visible in the vacancy levels in coastal towns outside of Oslo
- The 2020 pandemic has not changed the strength of the Oslo market

Commercial property trends

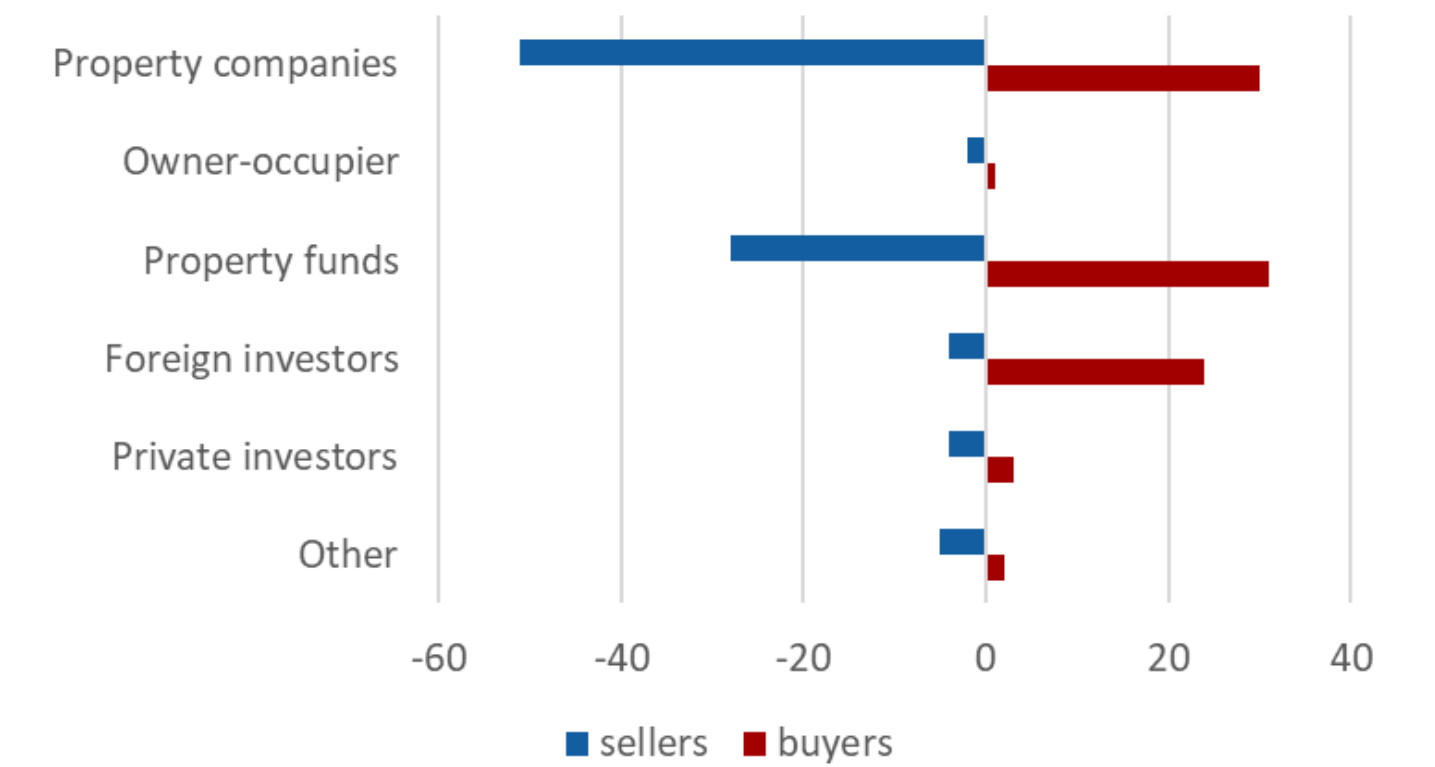
Yields prime Oslo office space



Transaction volume Norway, all commercial prop.

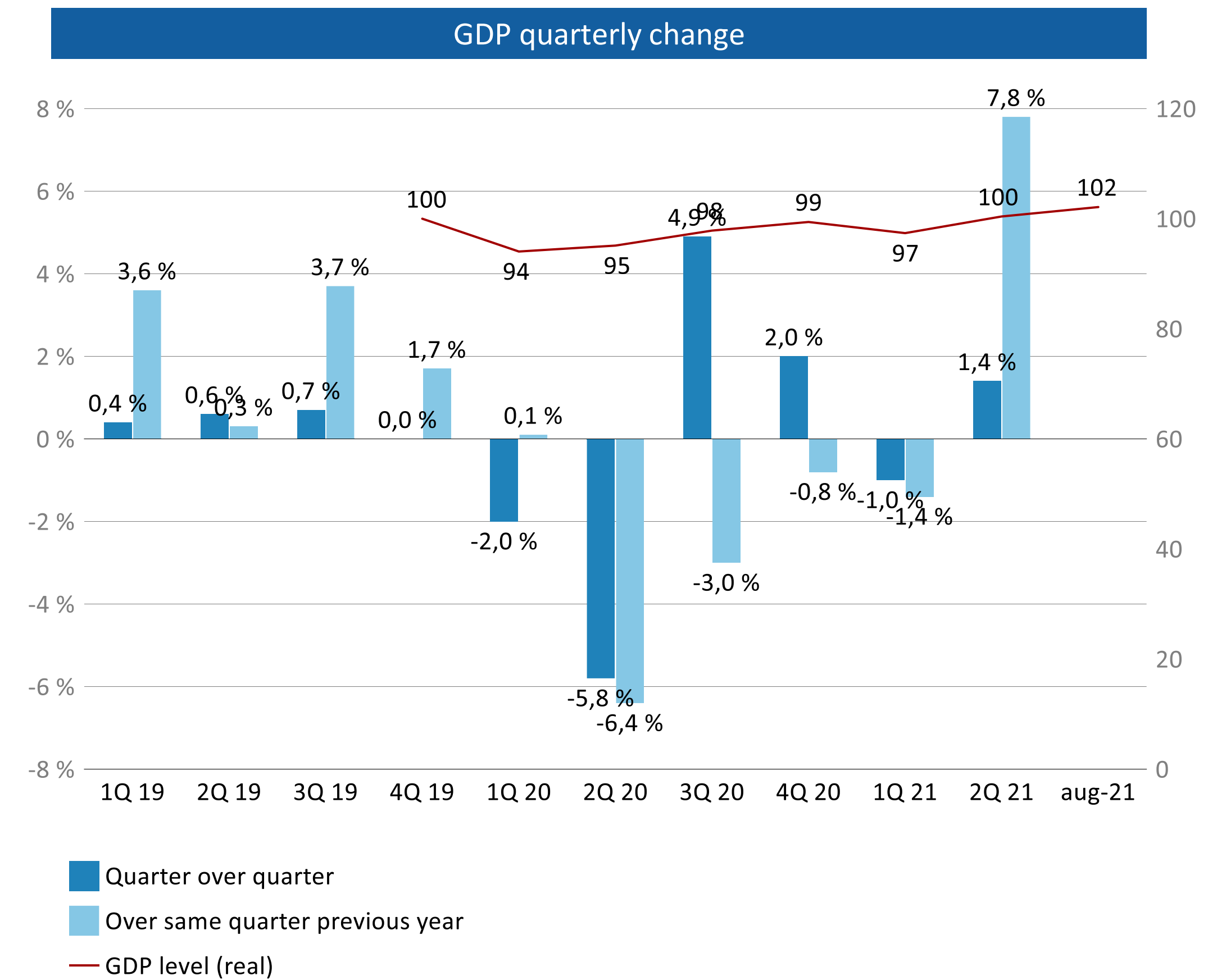
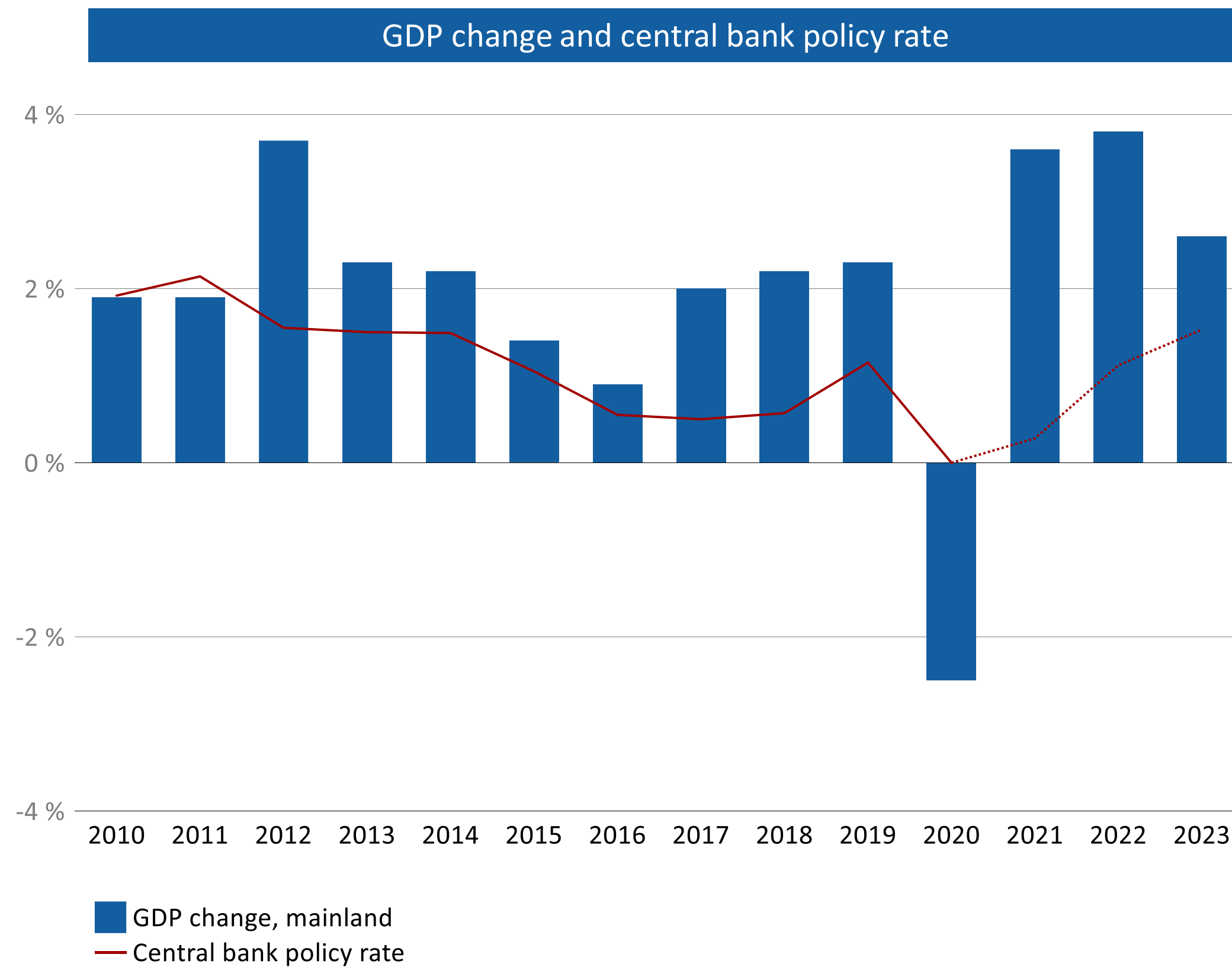


Buyers and sellers of commercial property 2021

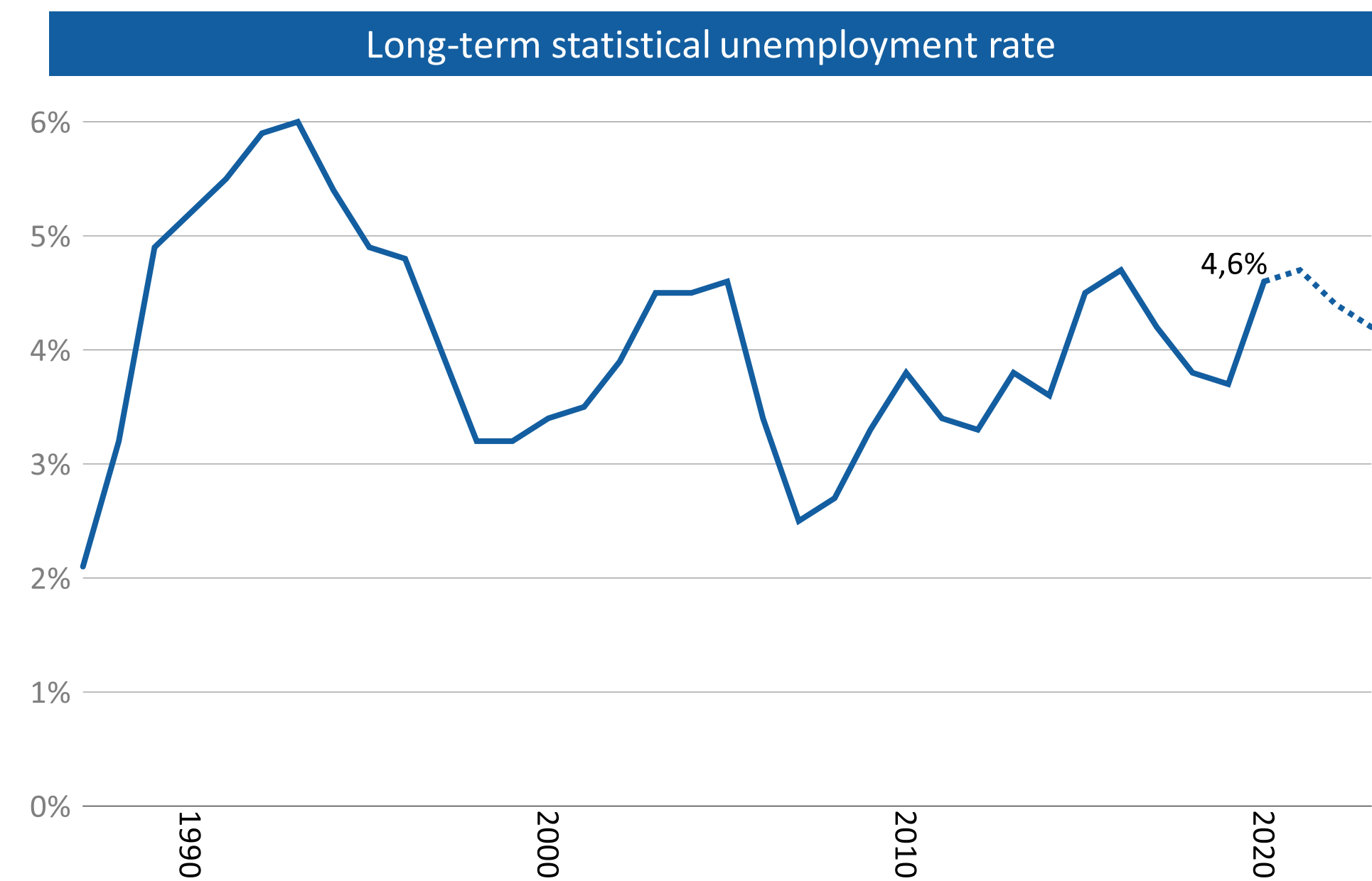
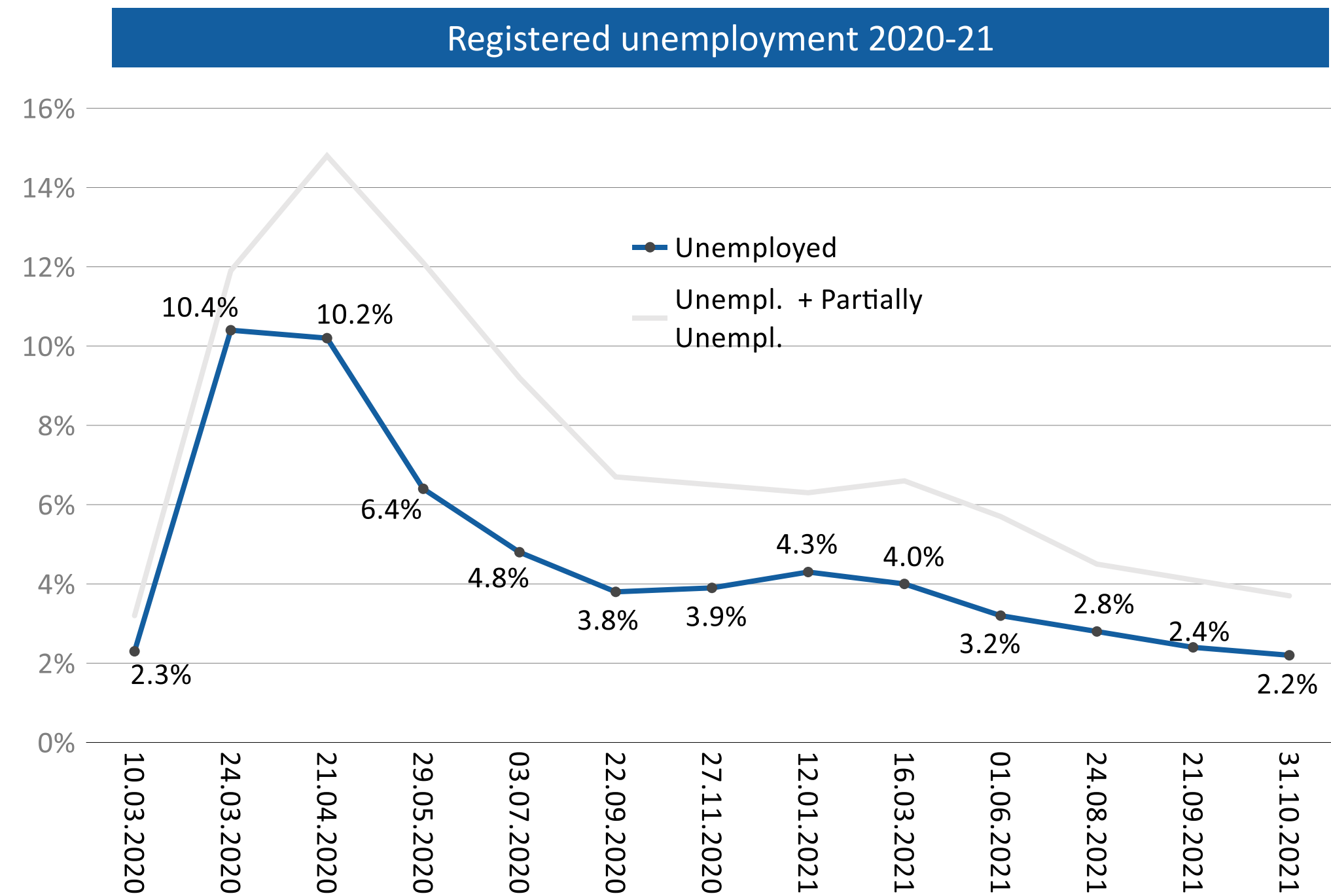


Macroeconomic overview

GDP Change



Labour Market



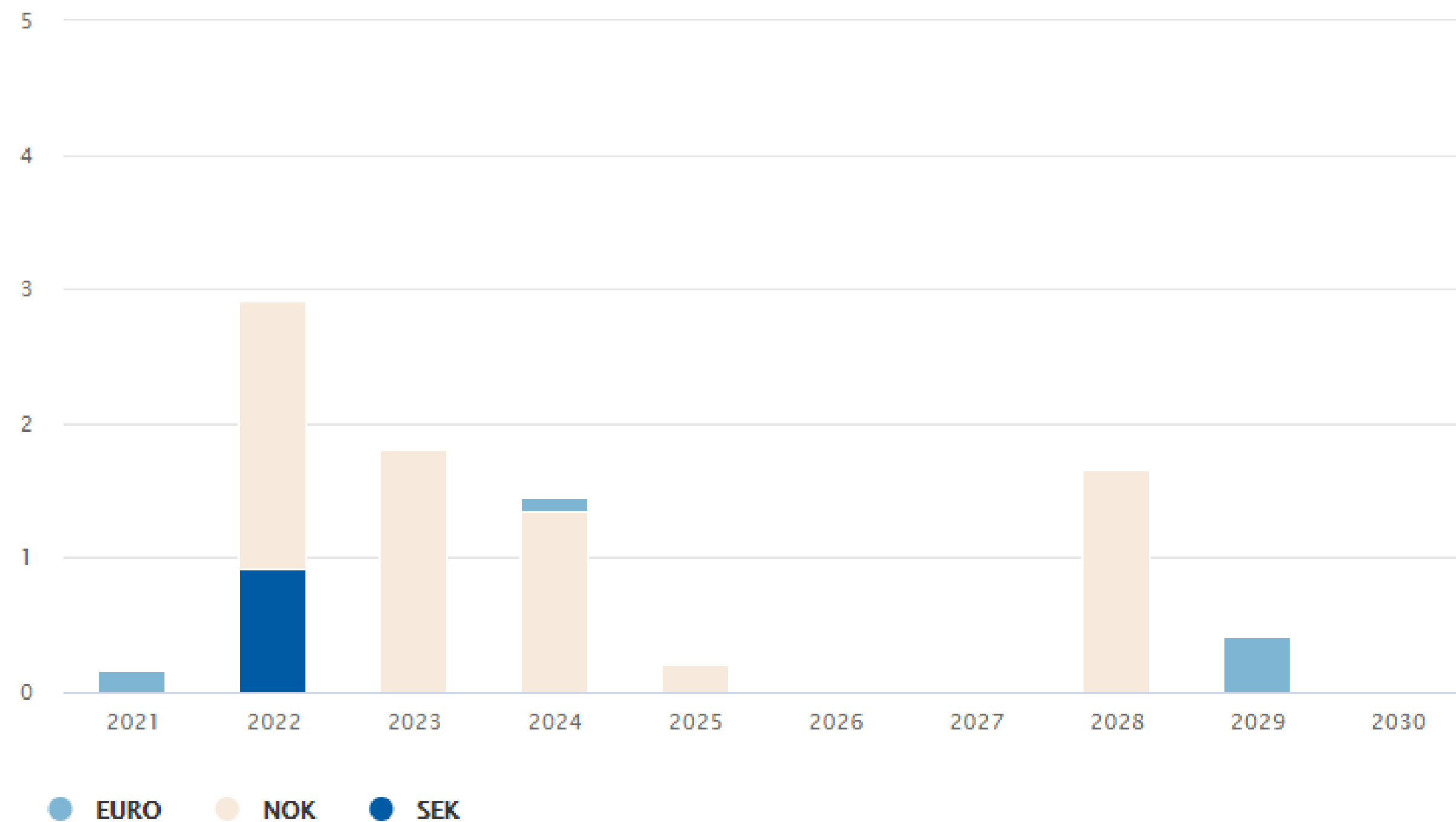
- The average unemployment rate is 4.6% for 2020, projected at the same for 2021 and 4.2% for 2022. Will probably be revised down for 2021-22
- The peak in the survey unemployment rate happened during the recession of the early 1990ies, while the oil price decline in 2014-16 and the pandemic caused tops



Funding

SpaCom Covered Bonds

Balance in billions NOK



- Predominant NOK funding
- Goal to have series expanded to LCR 1 size
- Growth in funding dependent on mortgage volume transfer
- Taps and private placements usually open/available

SpareBank 1 Naeringskreditt

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