



SpareBank 1 Næringskreditt

Covered Bond Issuer

1H 2022

SpareBank **1**

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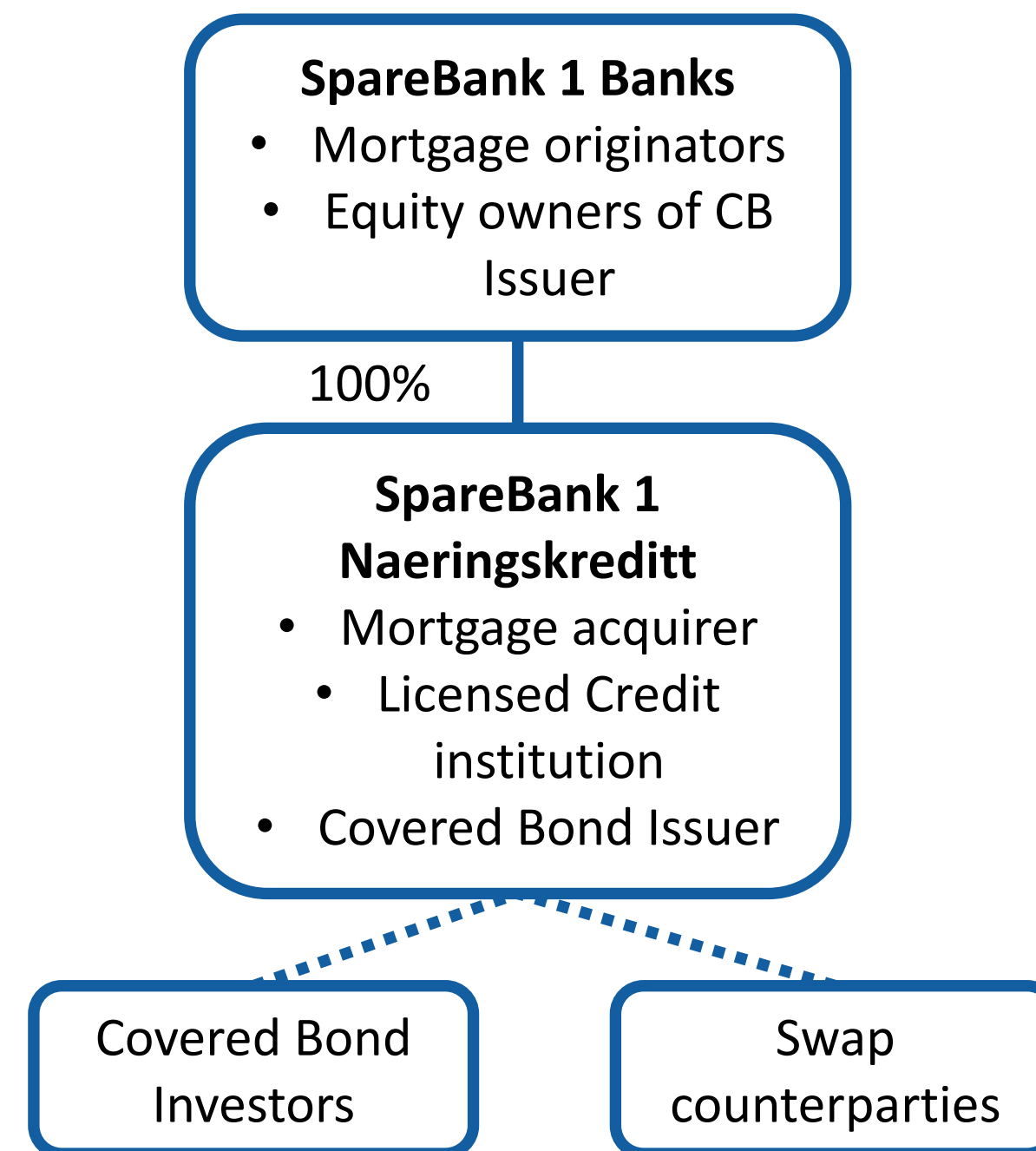
SpareBank 1 Næringskreditt



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

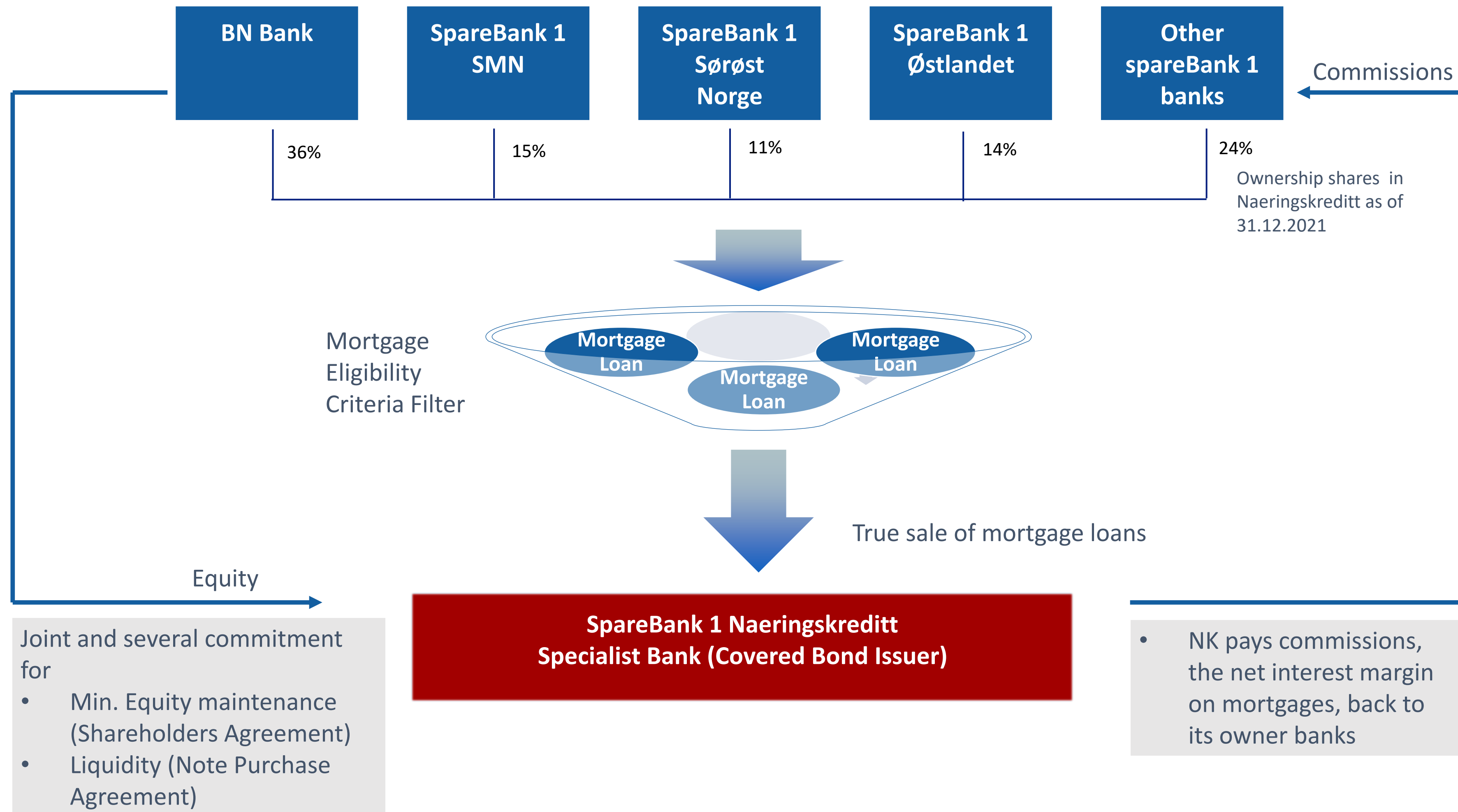
Covered Bond rating	Issuer Rating	SpareBank 1 owner banks unsecured ratings	CB Anchor	Moody's Timely Payment Indicator (TPI)	TPI leeway	O/C requirement (Moody's)
Aaa	Not published	A1/Aa3*	Not published	Probable	2	13%

SpareBank 1 Naeringskreditt Cover Pool overview Q1 2022	
Type	5 categories of commercial and residential properties: office, logistics/warehouse, retail, hotel and large residential
Number of mortgages	208 mortgages with a weighted average interest rate of 3.0%
Average mortgage balance	NOK 48.6 mill. kroner (Approx. EUR 4.5 mill.)
Total balance mortgages	NOK 10.1 billion
Weighted average current LTV	40.1%
Cover pool	NOK 11.4 bn; mortgages 89.5%, liquid assets 8.8%, Market risk hedges 1.7%

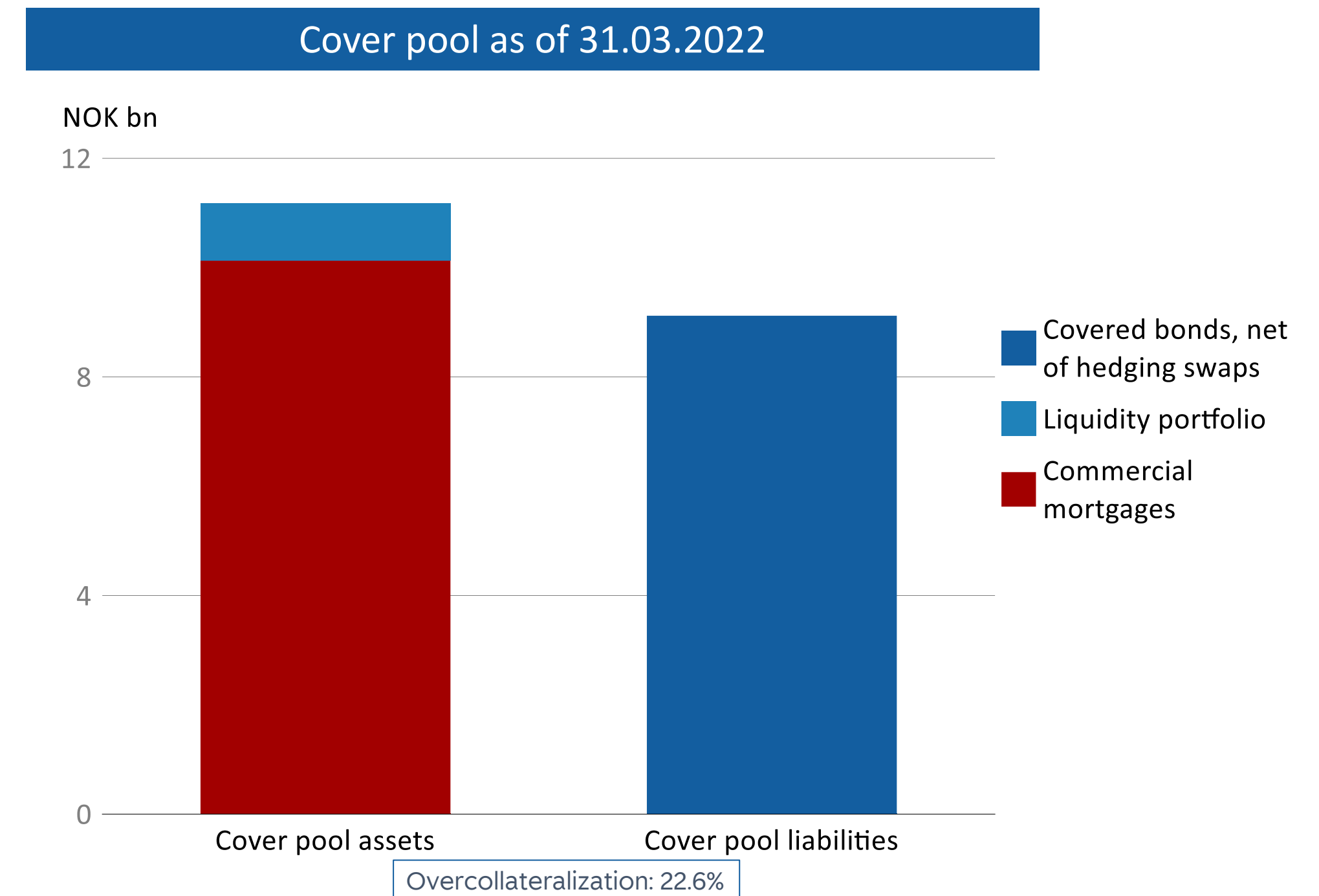
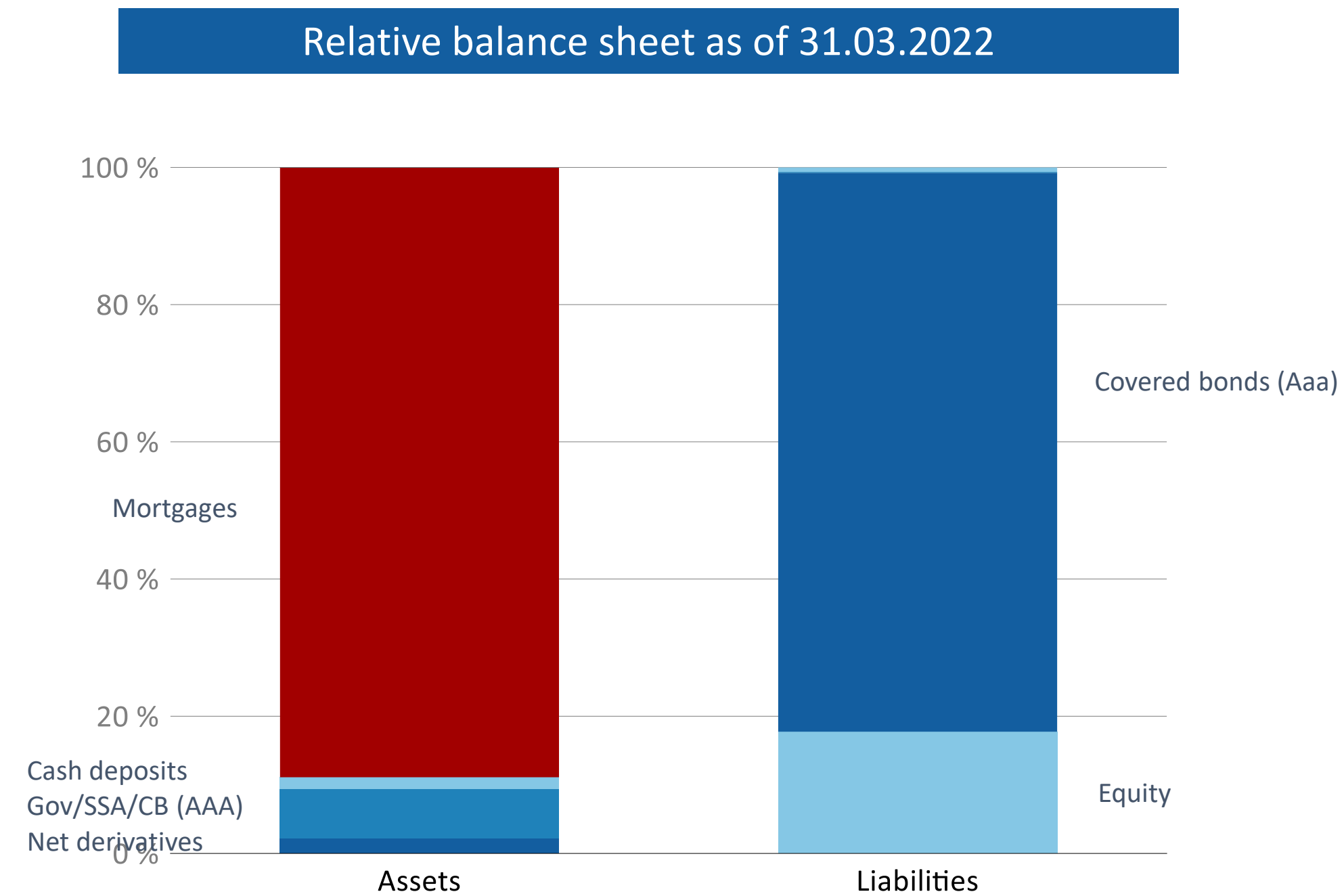
- SpareBank 1 banks senior ratings of A1/Aa3 form the starting point for Naeringskreditt's Issuer rating at A2 (not published), which determines the CB Anchor of A1 (not published)
- The Timely Payment Indicator of "Probable" is determined by several factors, including type of assets, legal framework 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 Naeringskreditt (SpaCom) mortgage loans transfer



SpaCom balance sheet and cover pool

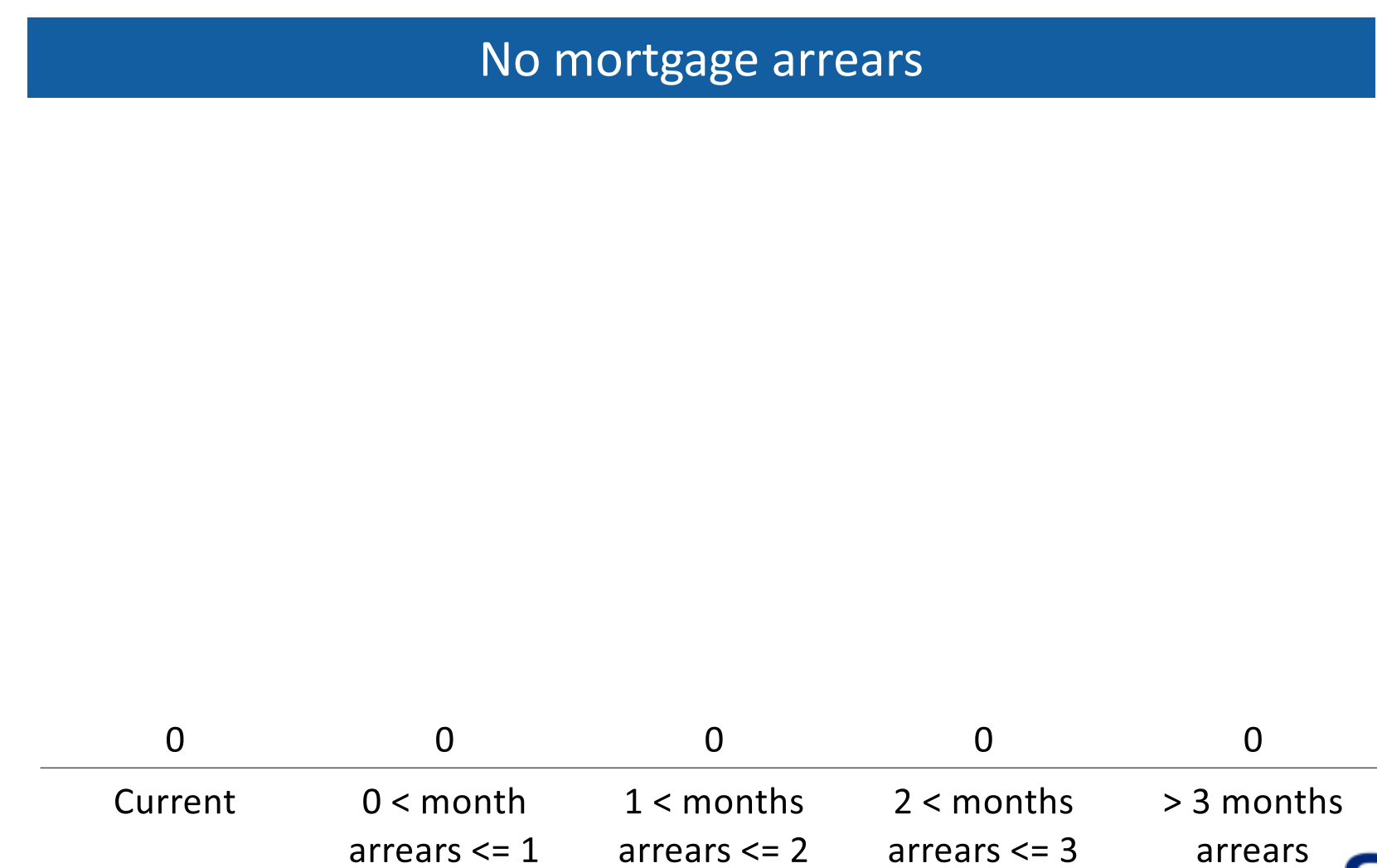
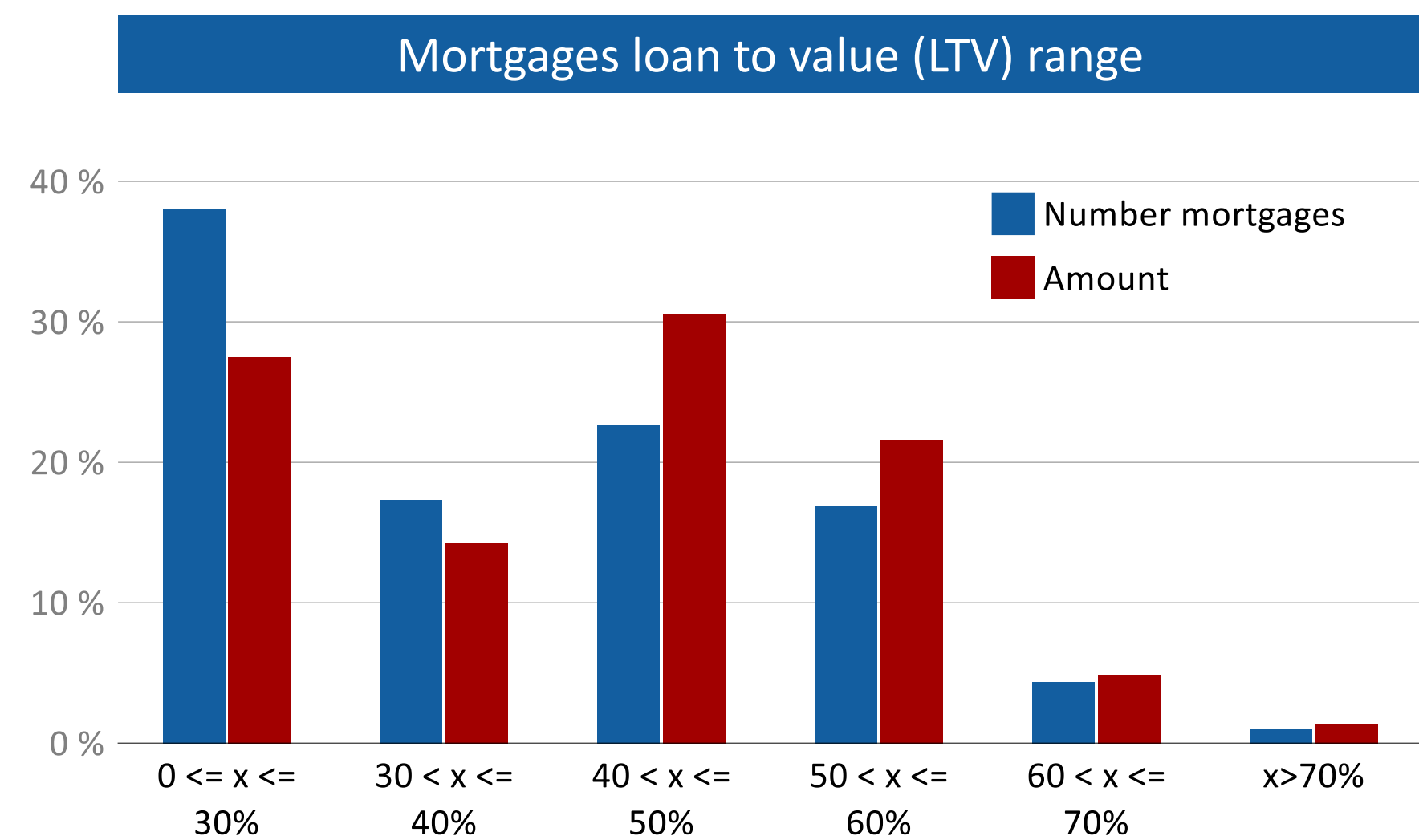
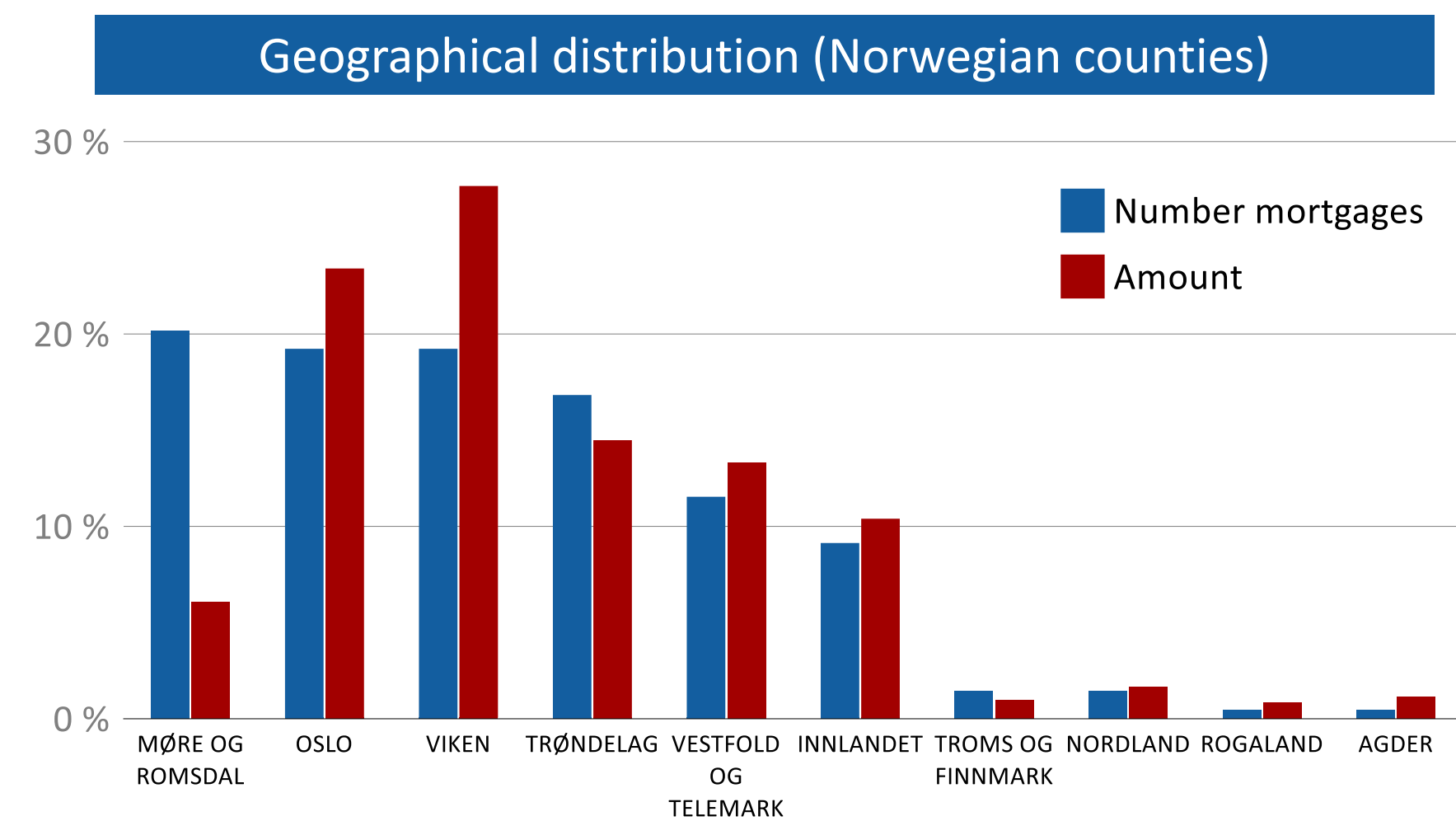
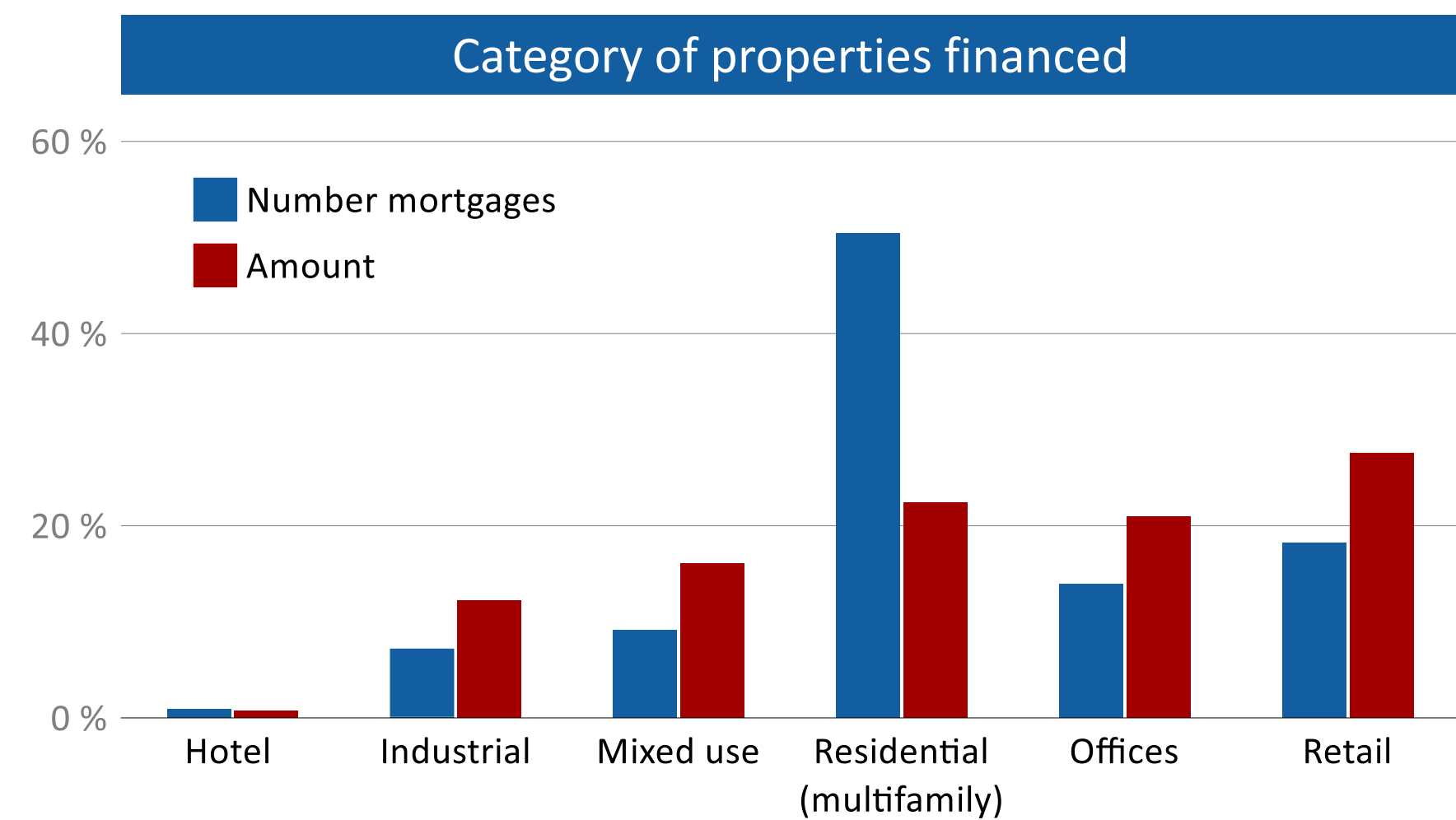


- The cover pool assets consist of mortgages and liquid assets
- Liquid assets are held for liquidity risk management purposes only – bonds are soft bullet, but liquidity managed according to expected maturities
- The minimum regulatory overcollateralization is 2%, while Moody's requirement is 14%

Selection criteria for the Spacom cover pool

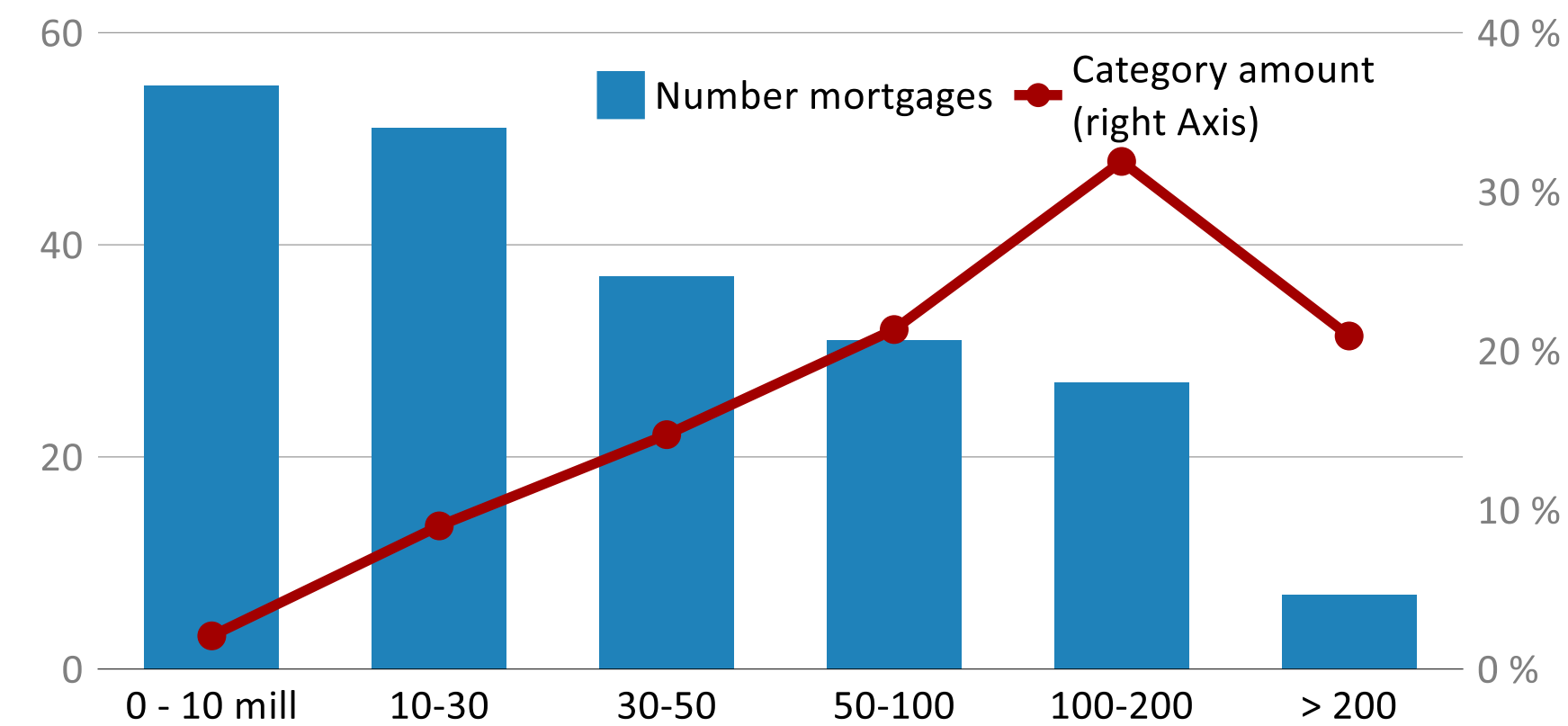
Loans and properties	<ul style="list-style-type: none">• Only commercial mortgages and large residential mortgages from SpareBank 1 banks• Properties located or linked to major Norwegian towns• Principle of alternative possible use of the building• Categories of property: office, retail, hotel, logistics/warehouse, mixed use and residential
Credit assessment	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Up to 60% LTV• Valuation by external valuer, sales price or by cash flow model• First security priority only
Interest rate	<ul style="list-style-type: none">• Floating rate
Excluded Categories	<ul style="list-style-type: none">• 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

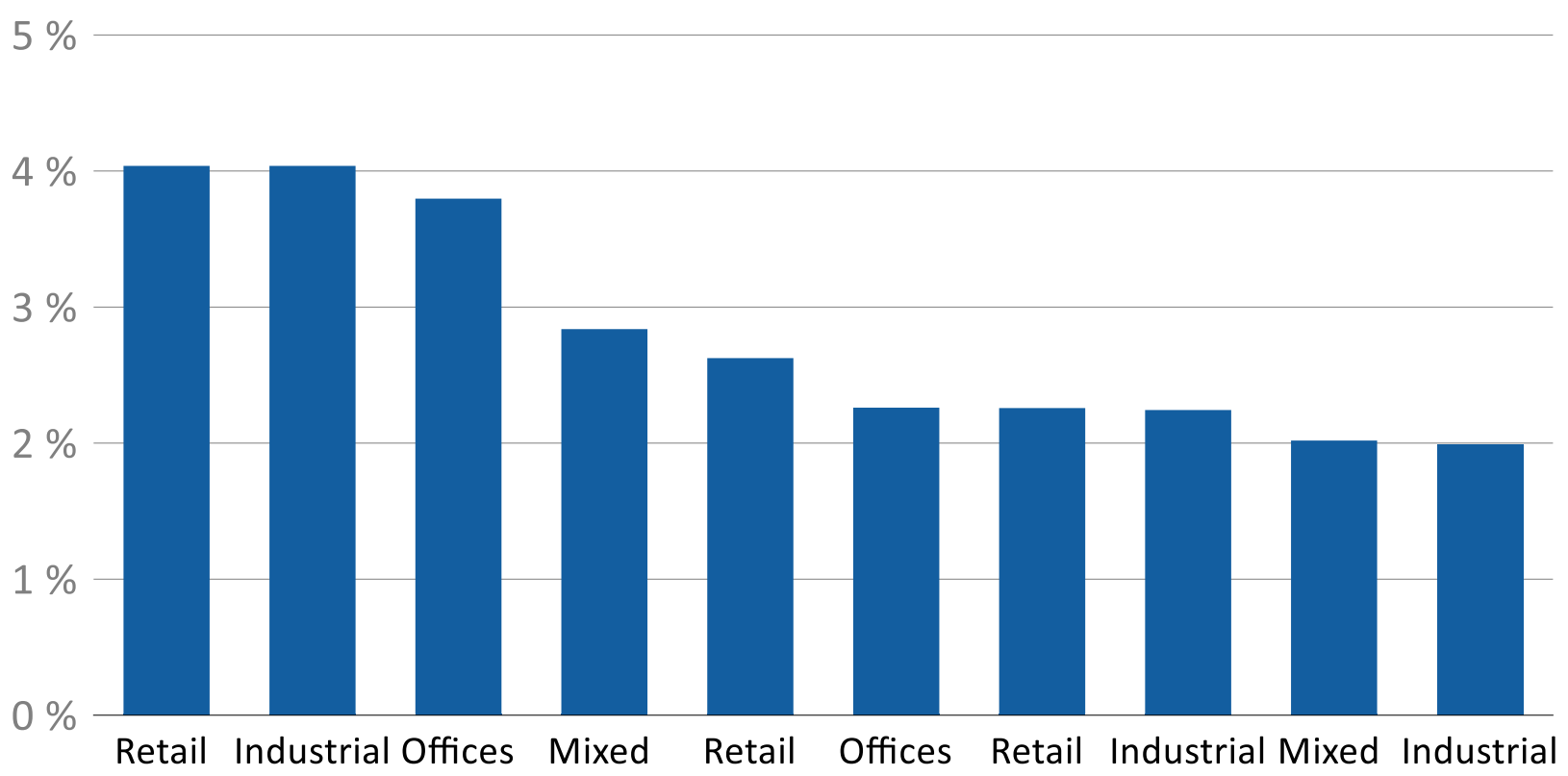


SpaCom cover pool

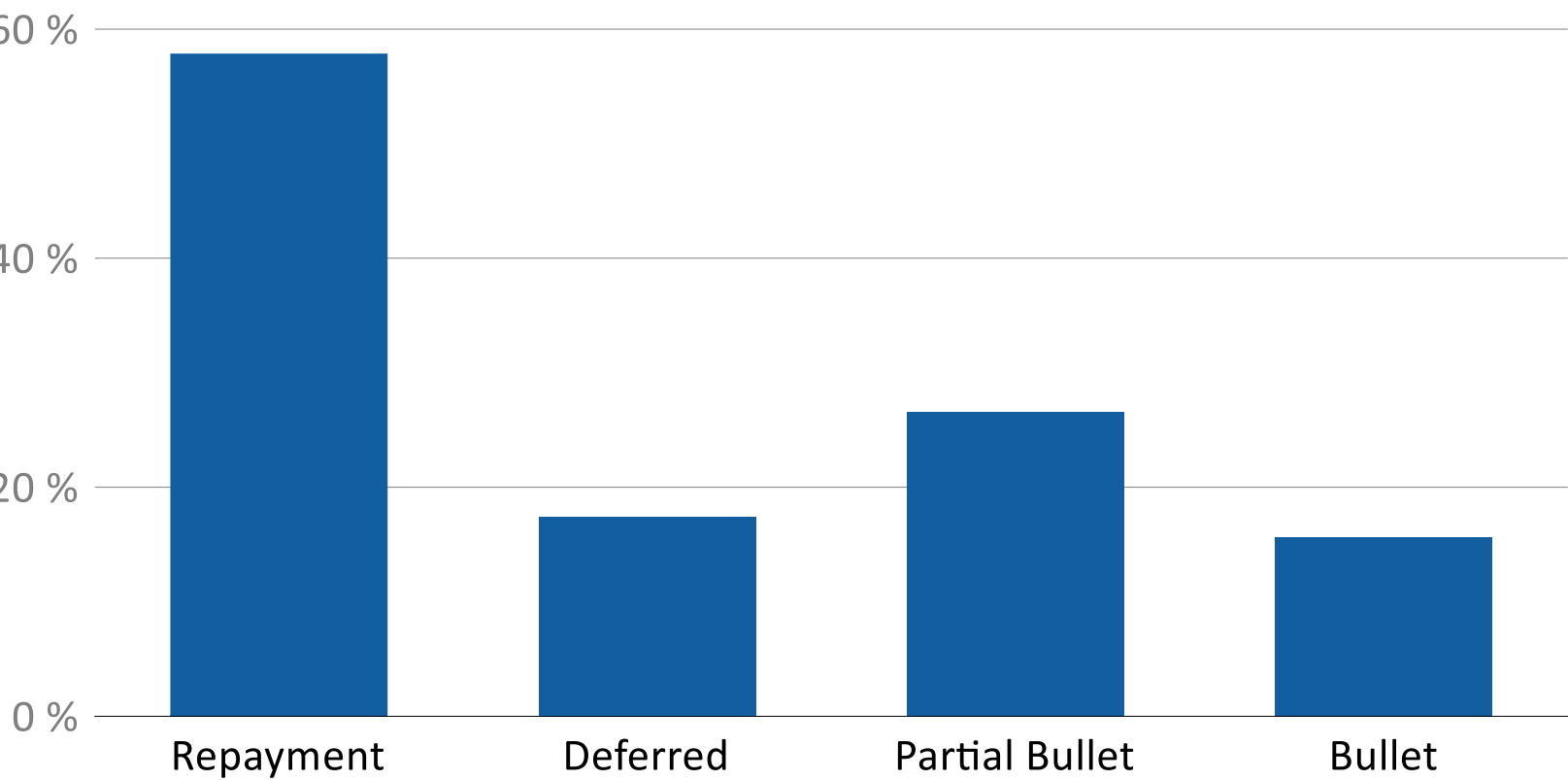
Mortgages by size range



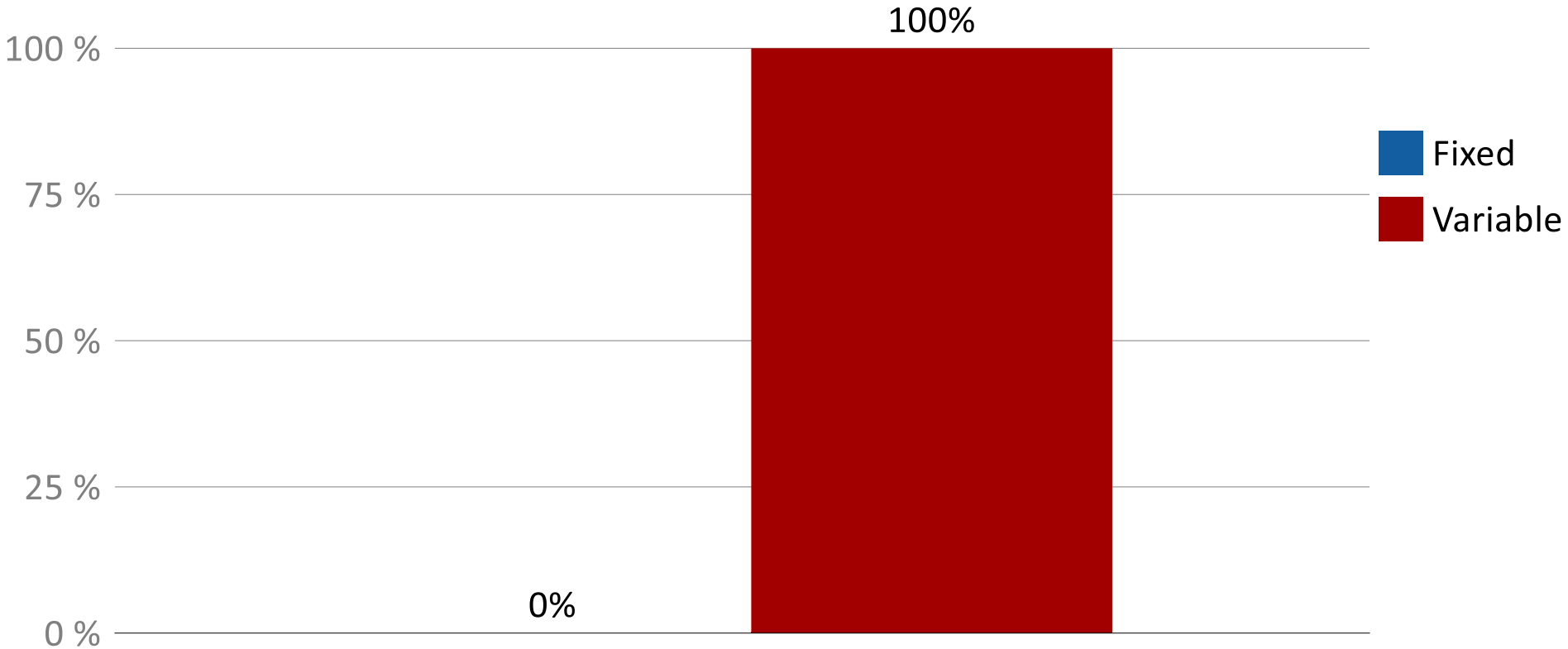
10 largest mortgages



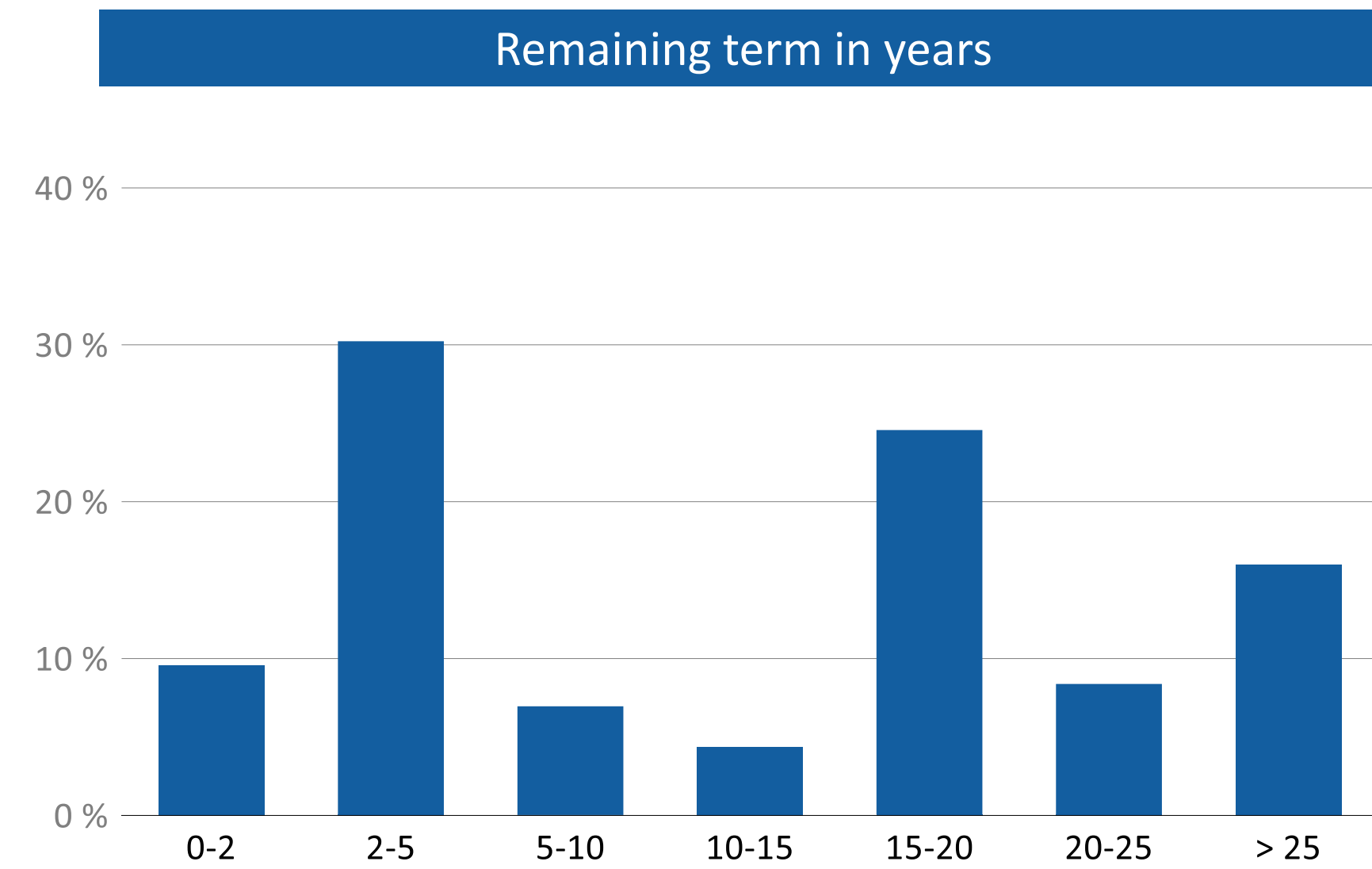
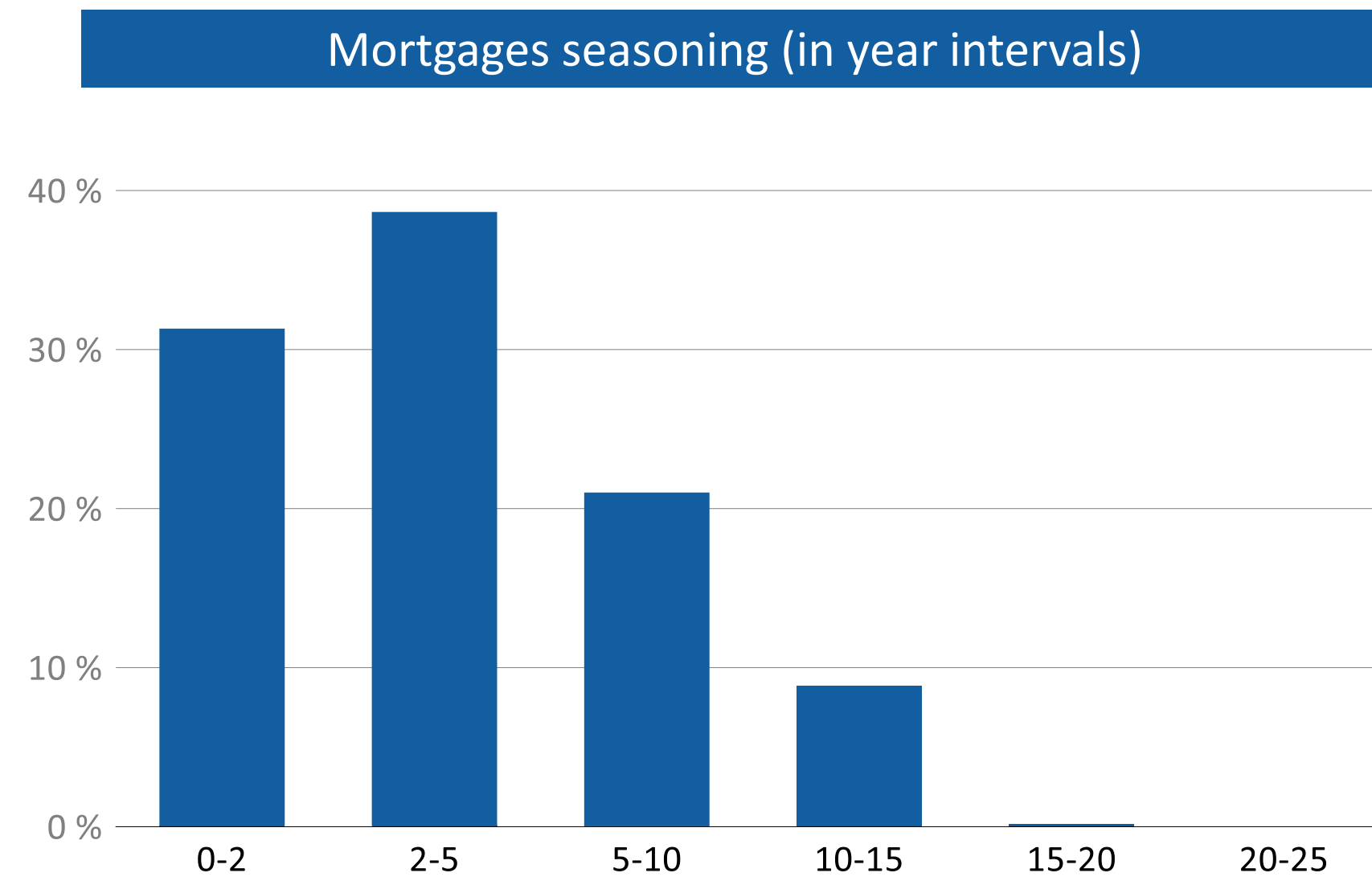
Repayment structure



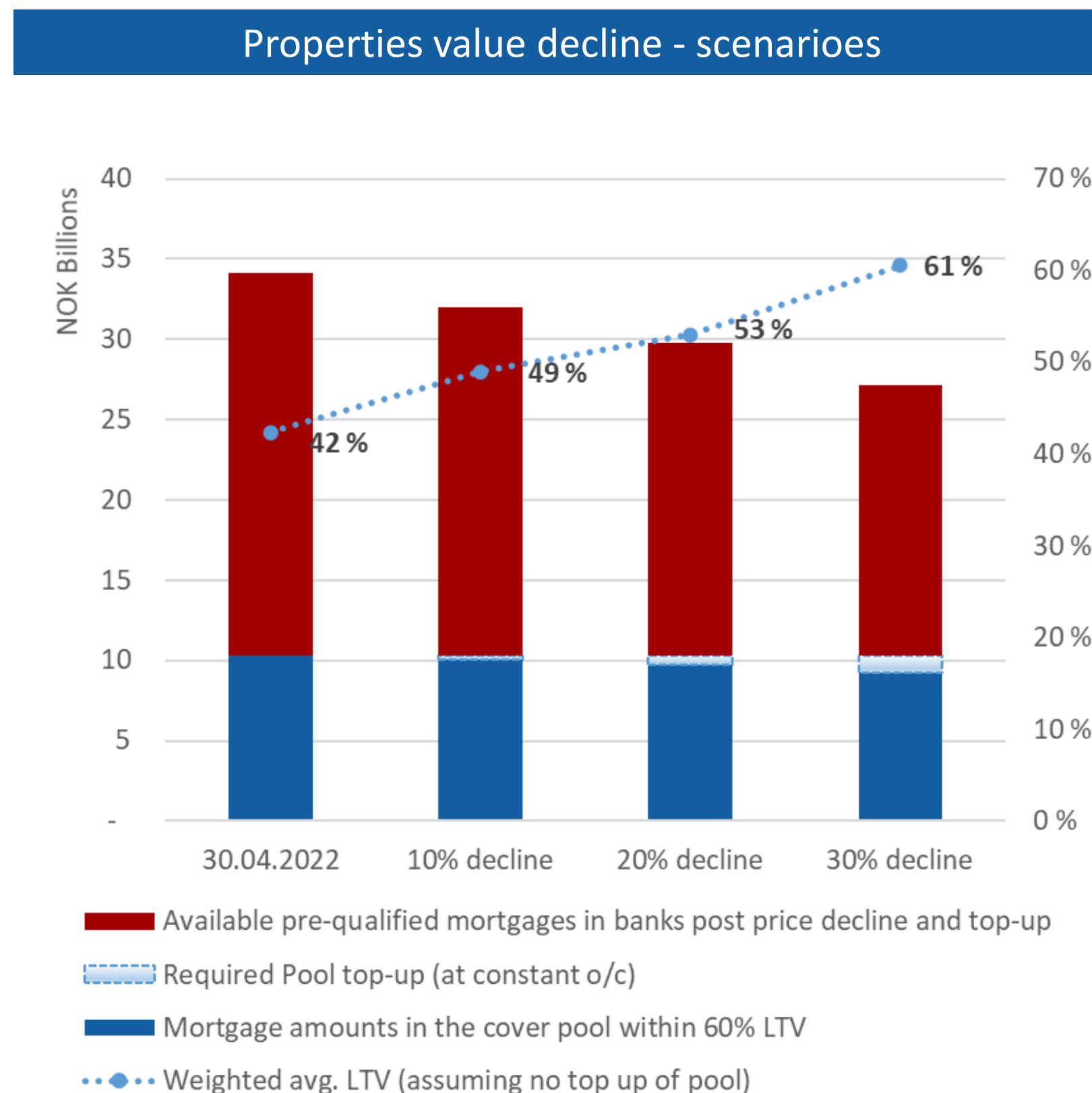
Interest rate



SpaCom cover pool



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

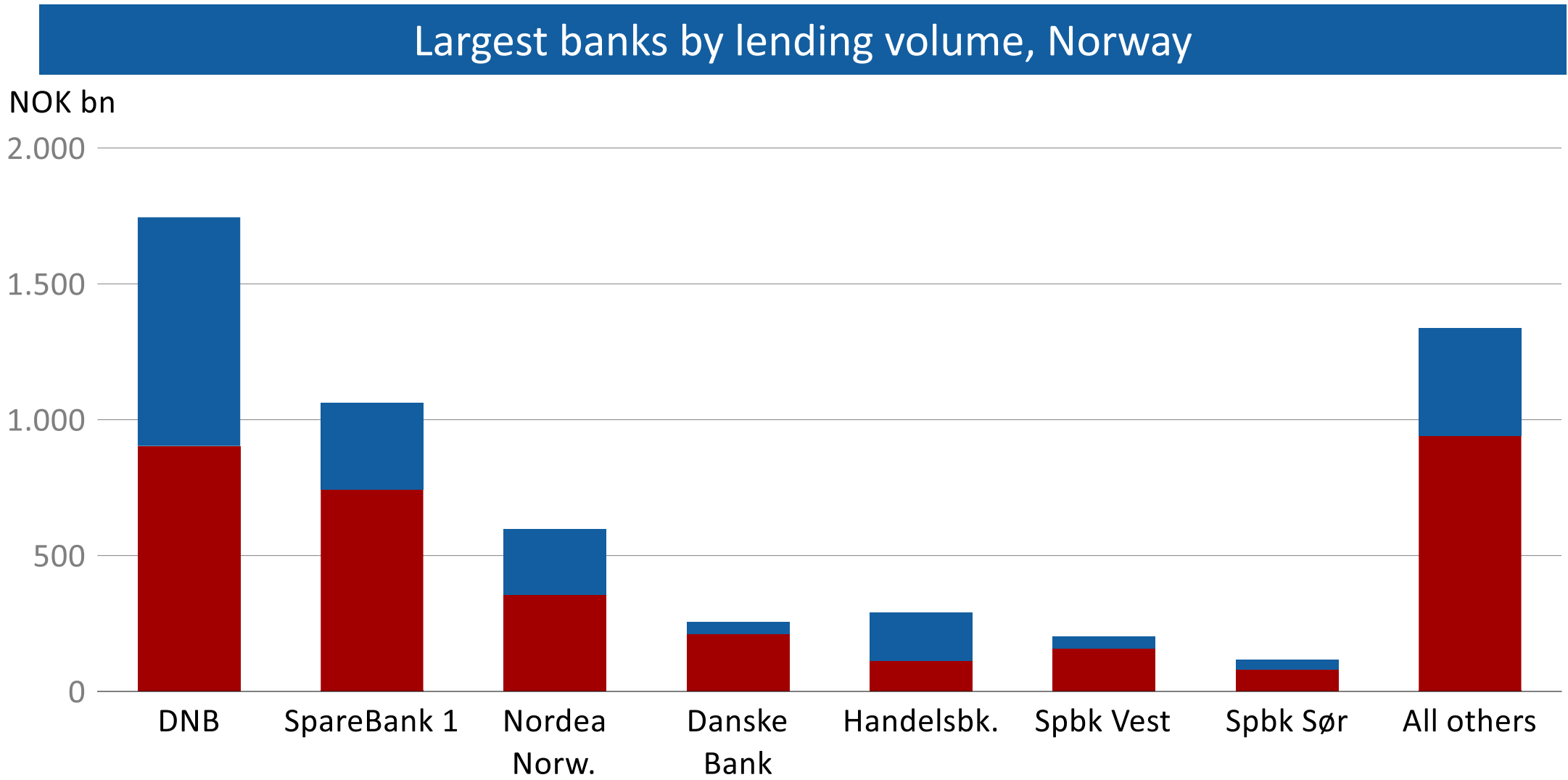


Savings banks (generic name: Sparebank):
92 banks (2021), 2 alliances and independent banks



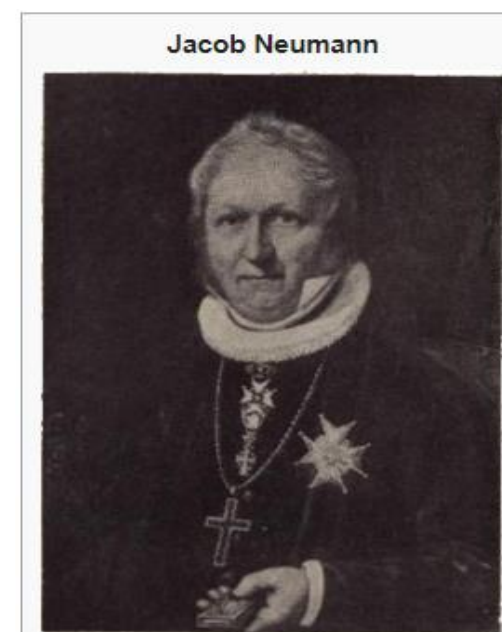
Commercial banks: larger Nordic banking groups
and smaller lenders (incl. consumer banks)

- 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



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)

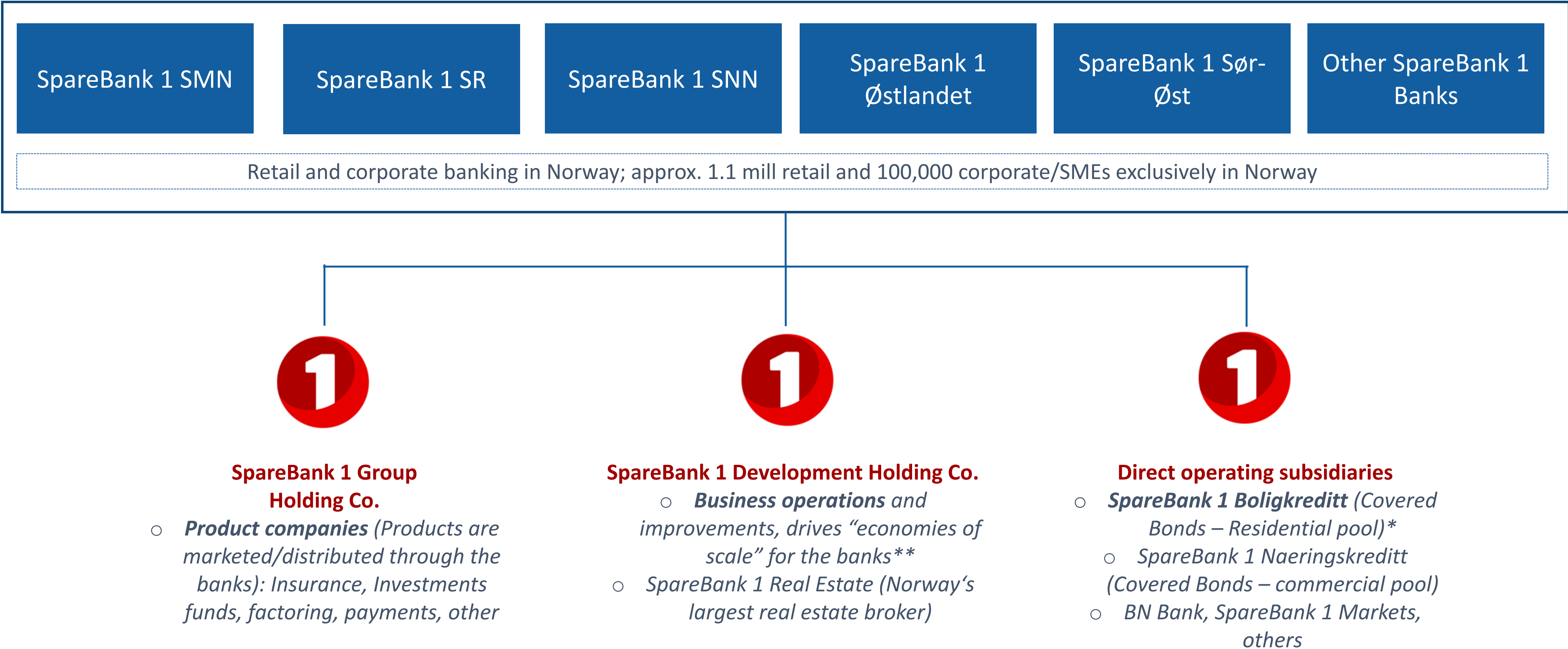


SpareBank 1 Alliance Banks – local presence and national integration

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



SpareBank 1 Alliance overview



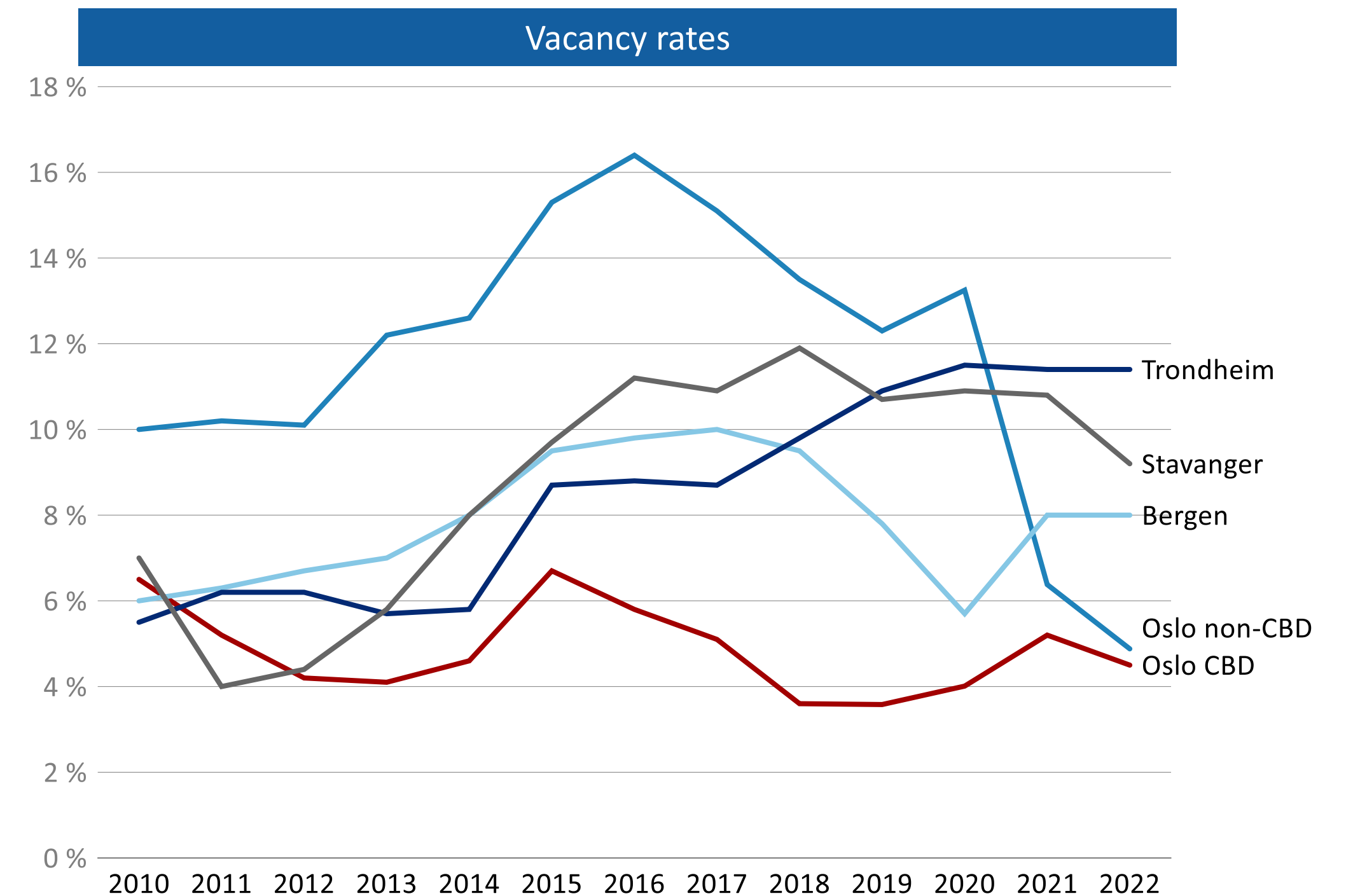
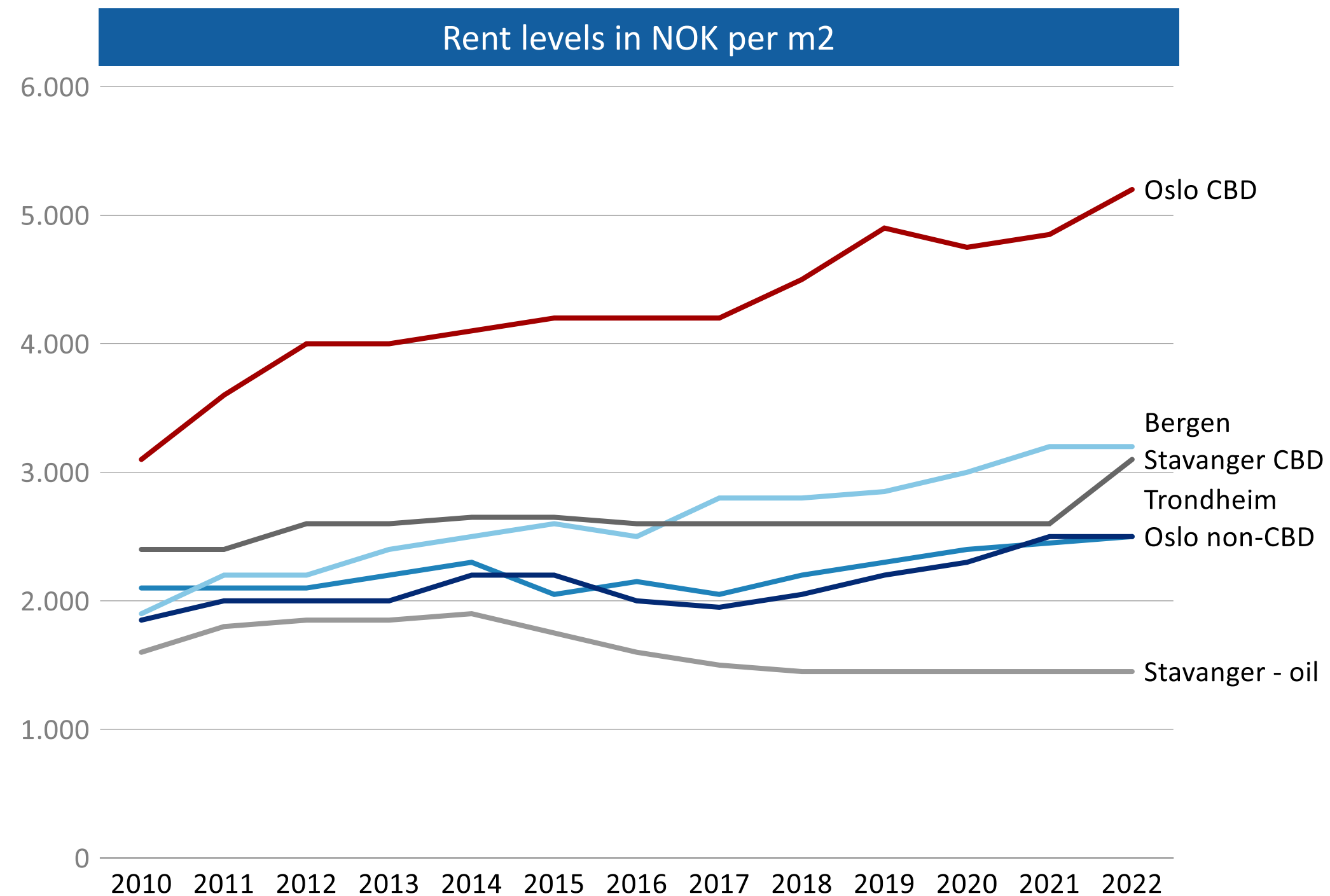
* SpareBank 1 SR-Bank is not an owner of SpaBol

** Marketing and distribution, Procurement, credit risk models, IT systems, business development

Recent trends in the office property market

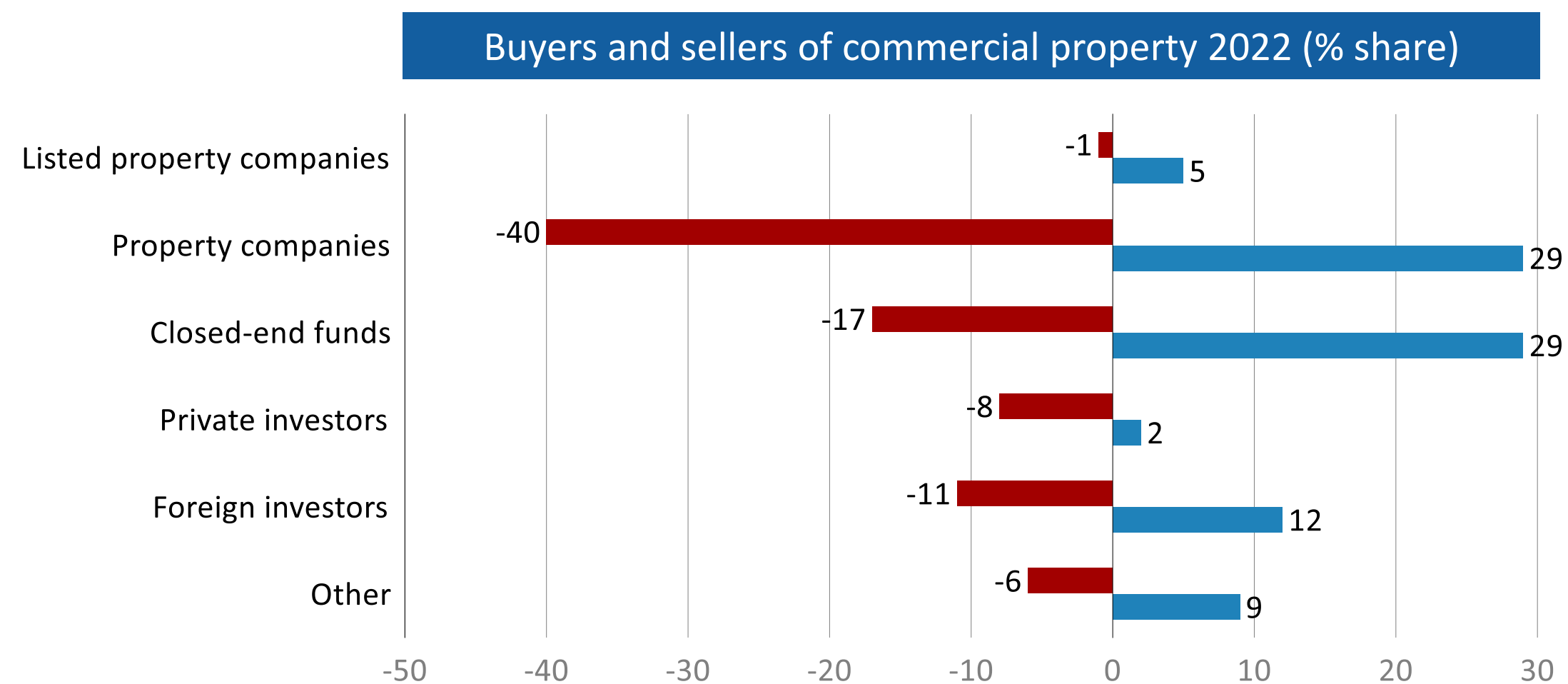
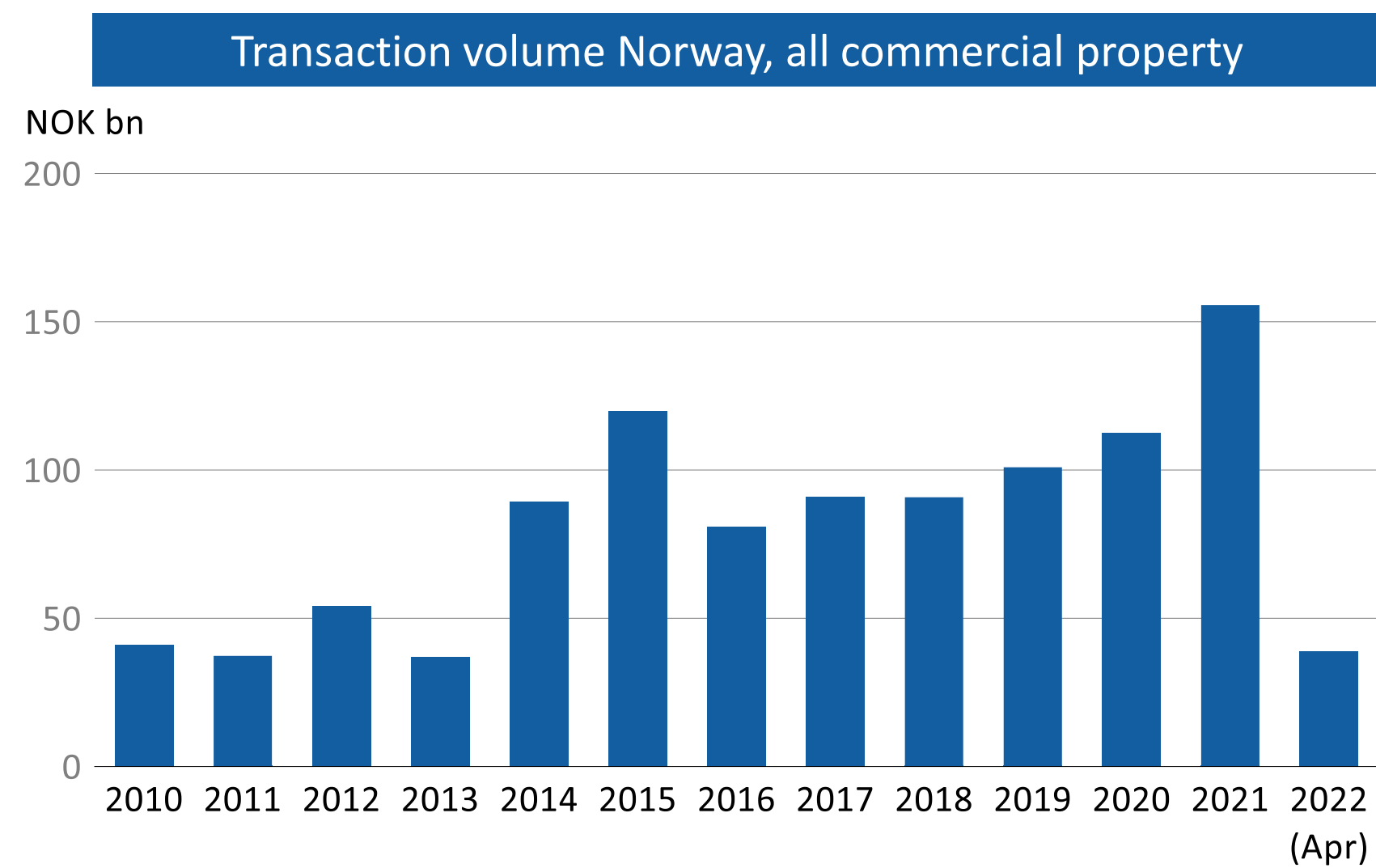
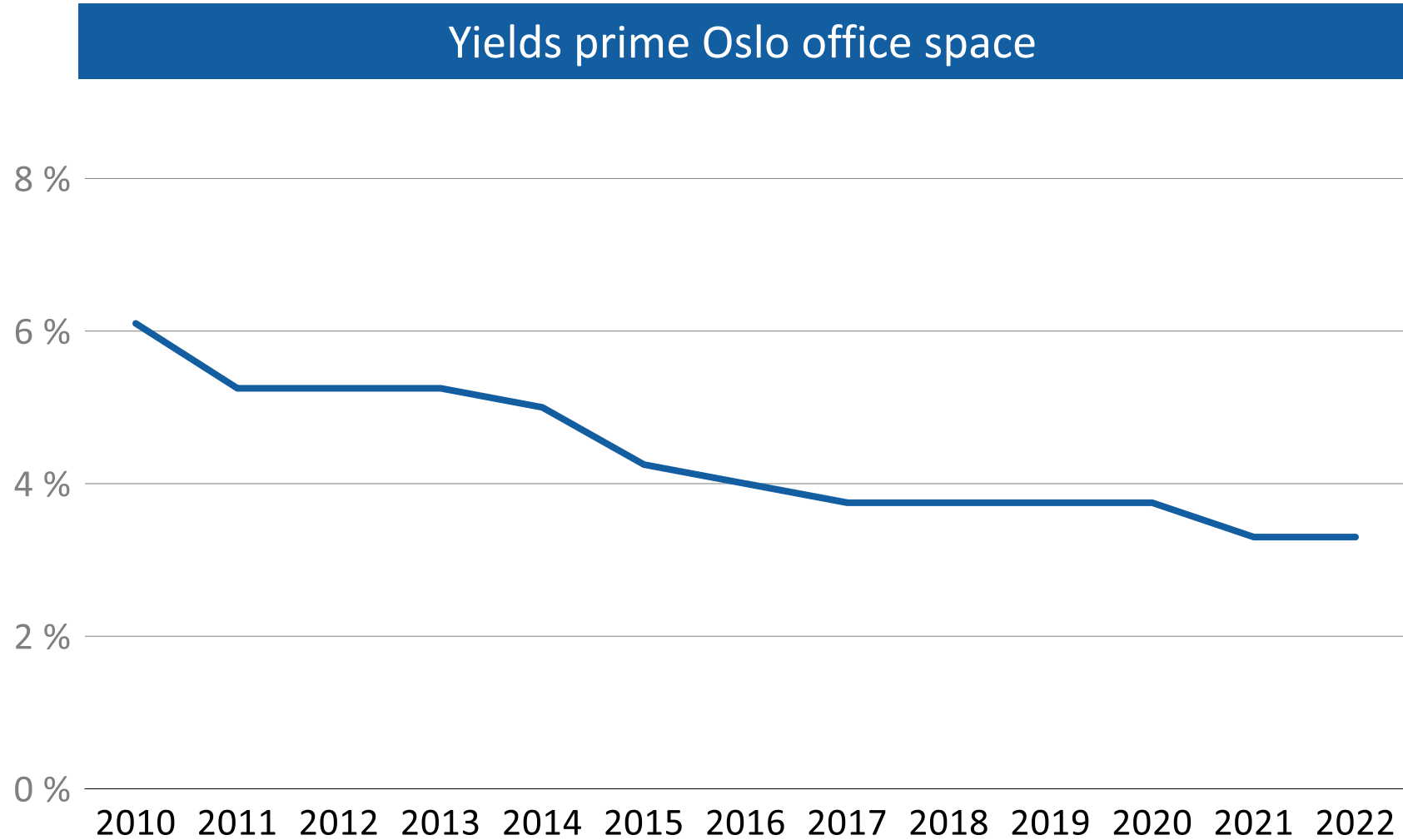


Rent levels and vacancy in central office markets



- 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 2020-21 pandemic has not changed the strength of the Oslo market

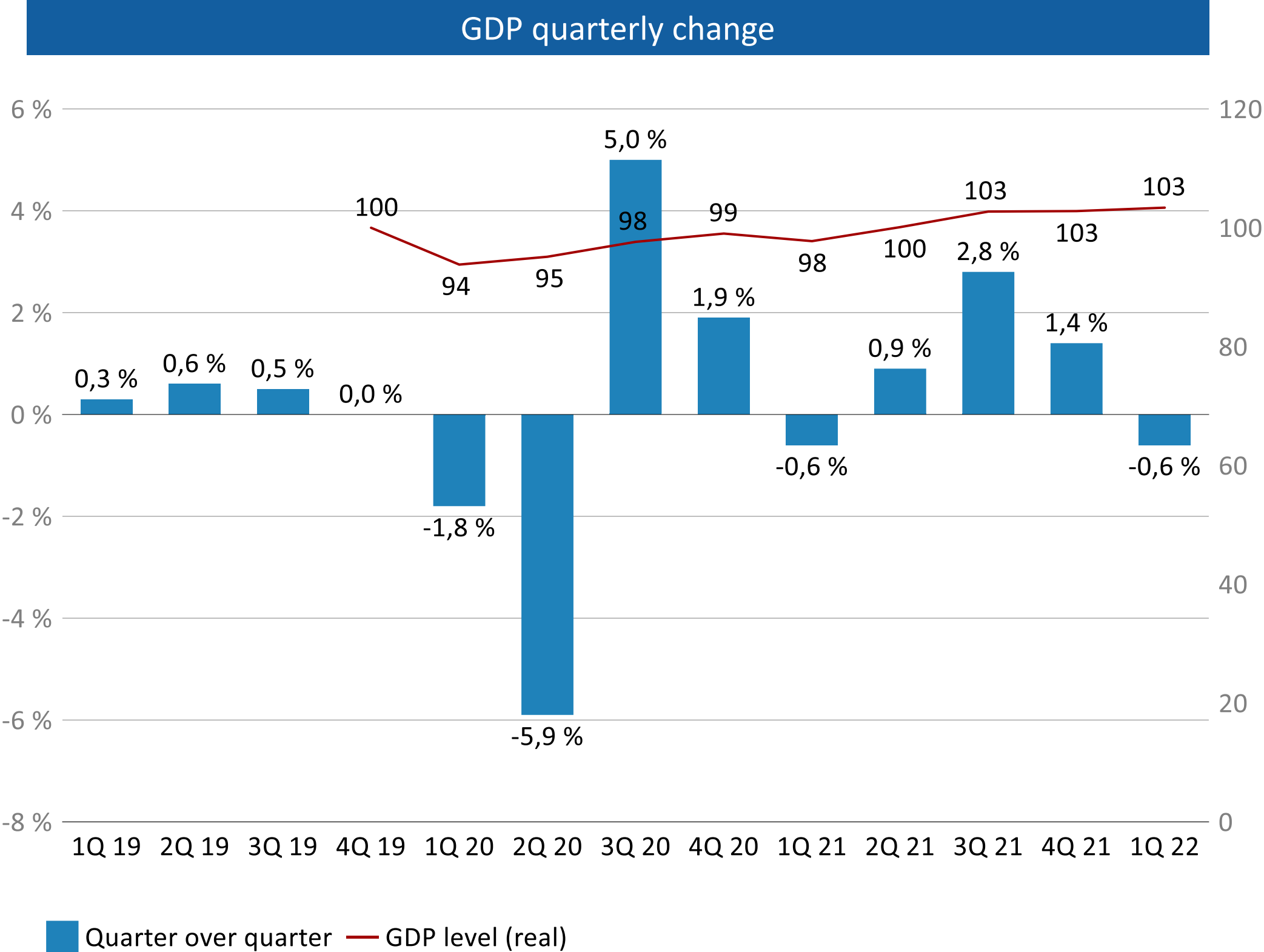
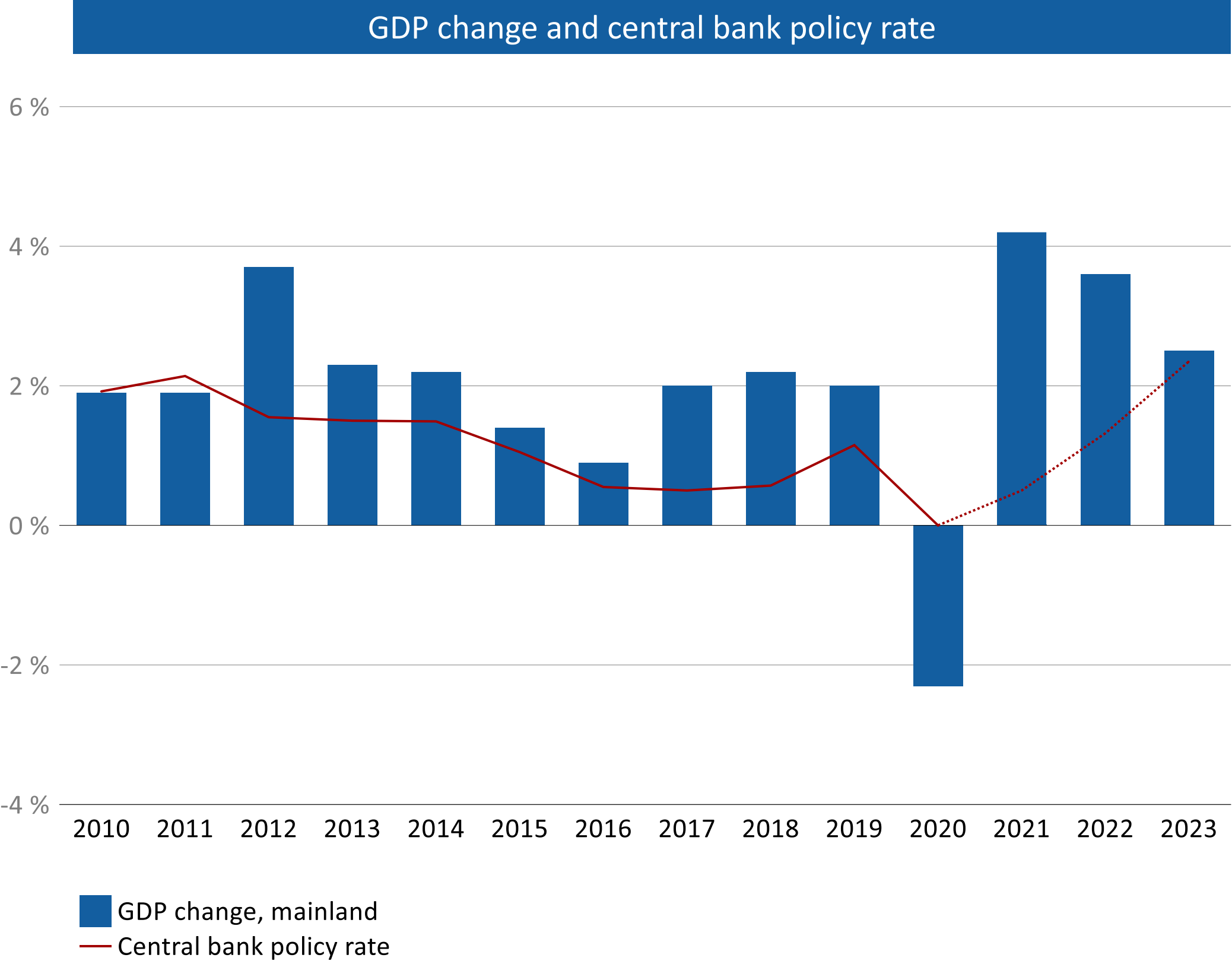
Commercial property trends



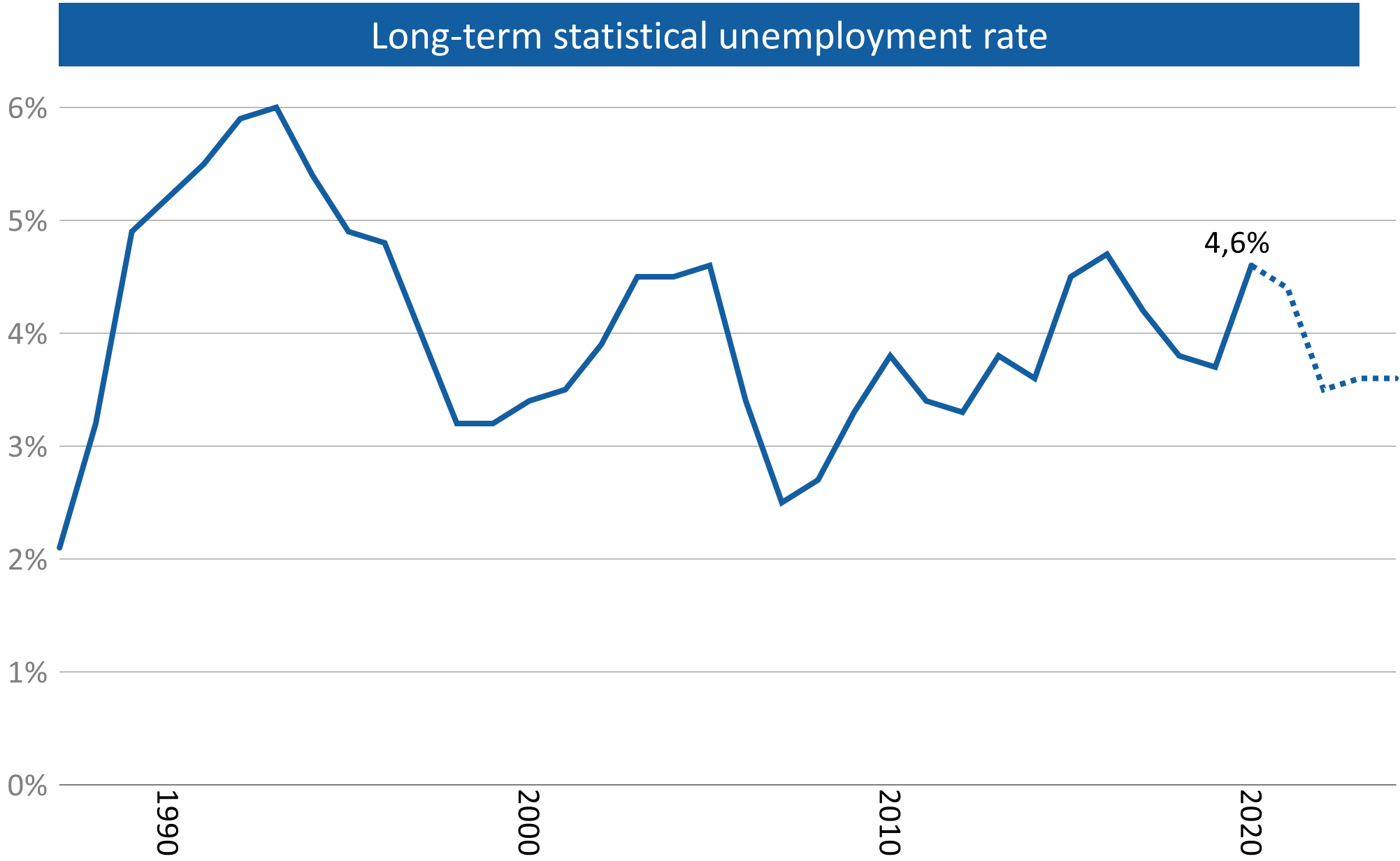
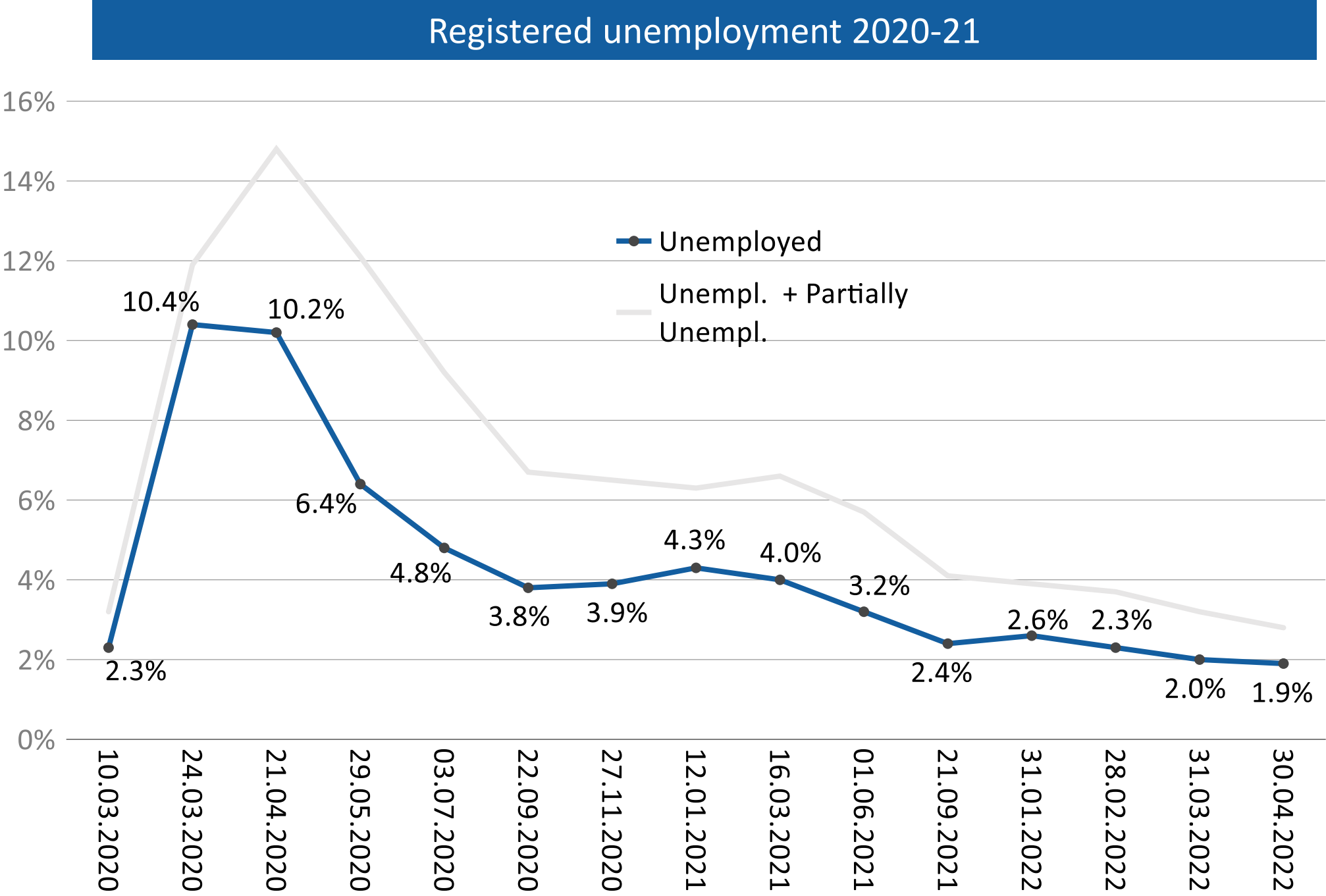
Source: Akershus Eiendom

Macroeconomic overview

GDP Change



Labour Market



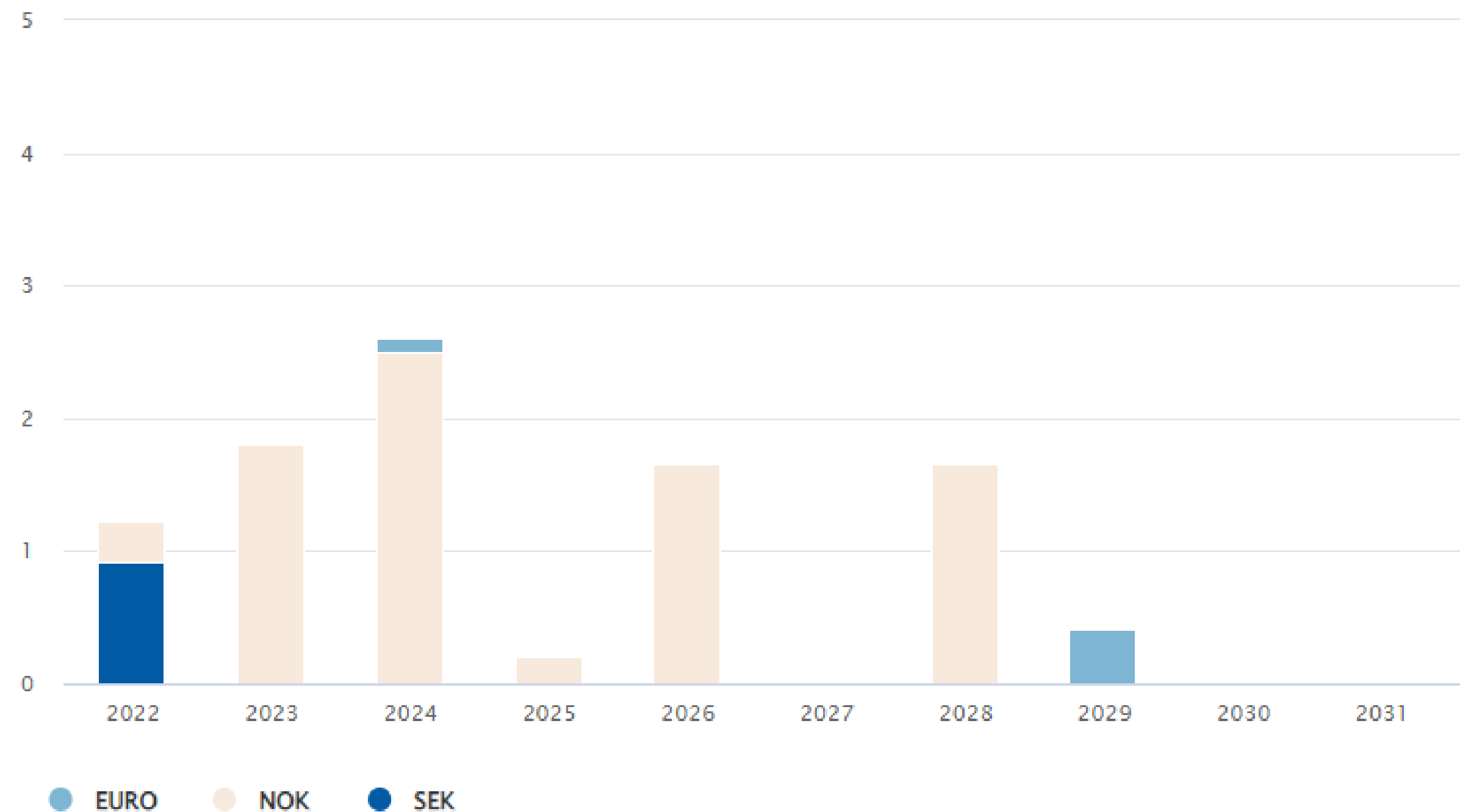
- The average unemployment rate peaked at 4.6% annual average 2020
- The peak in the survey unemployment rate happened during the recession of the early 1990ies, while the oil price decline in 2014-16 and the pandemic caused more recent tops



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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