

SpareBank 1 Boligkreditt



Covered Bond Issuer
November 2024

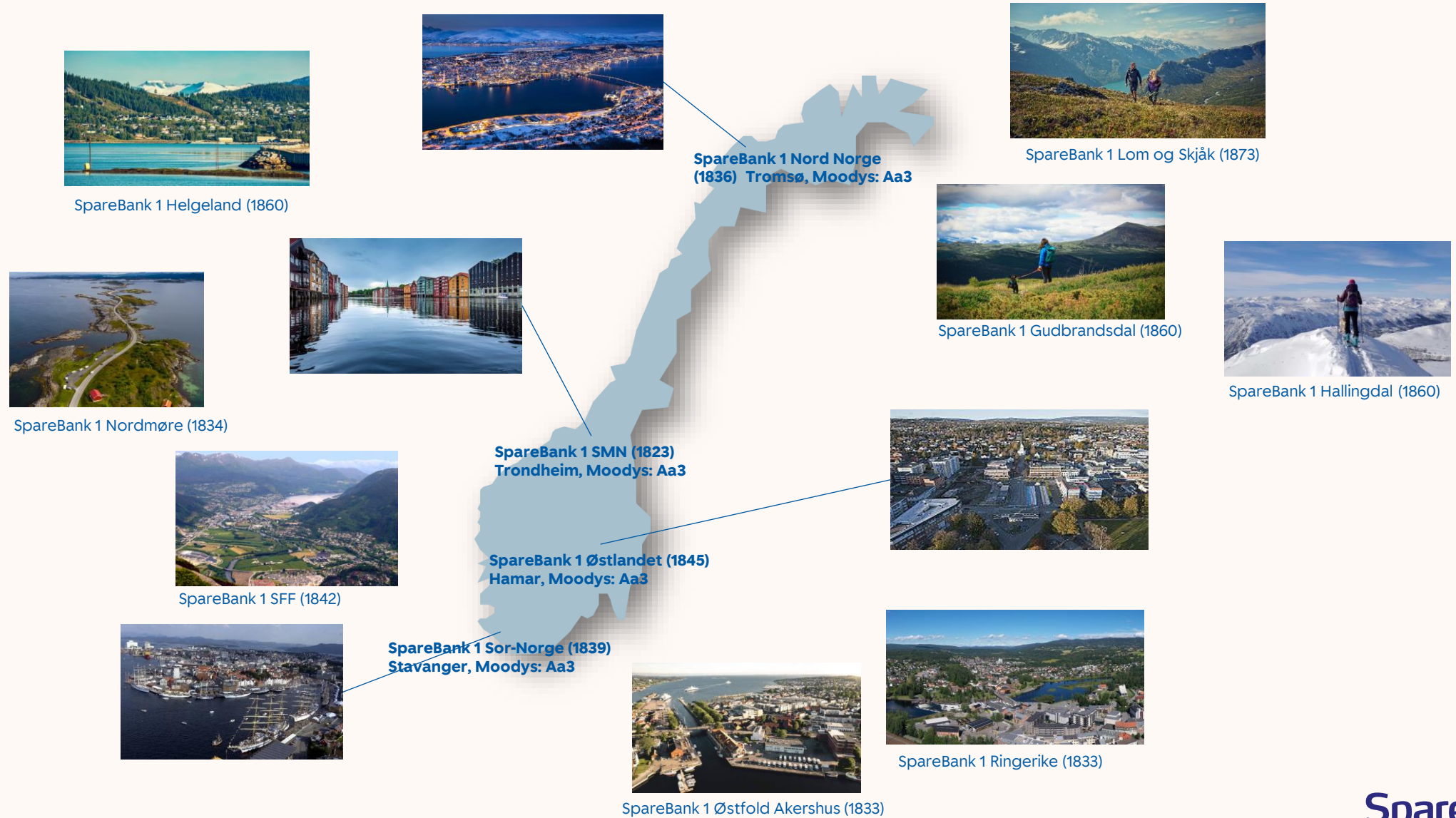
Table of contents

- 1 SpareBank 1 Alliance Overview
- 2 Macroeconomic Overview Norway
- 3 Boligkreditt - Covered Bond Structure
- 4 Residential Real Estate Market
- 5 SpareBank 1 Banks Performance Review
- 6 Covered Bond Funding
- 7 Appendix I: Green Covered Bonds



SpareBank 1 Alliance Banks – local presence and national integration

The Alliance was founded in 1996 and consist today of 12 banks



SPAREBANK 1 ALLIANCE BANKS

Banks in Norway



Savings banks (*Sparebank*)
78 Banks, incl. 3 alliances/groups
and independent banks

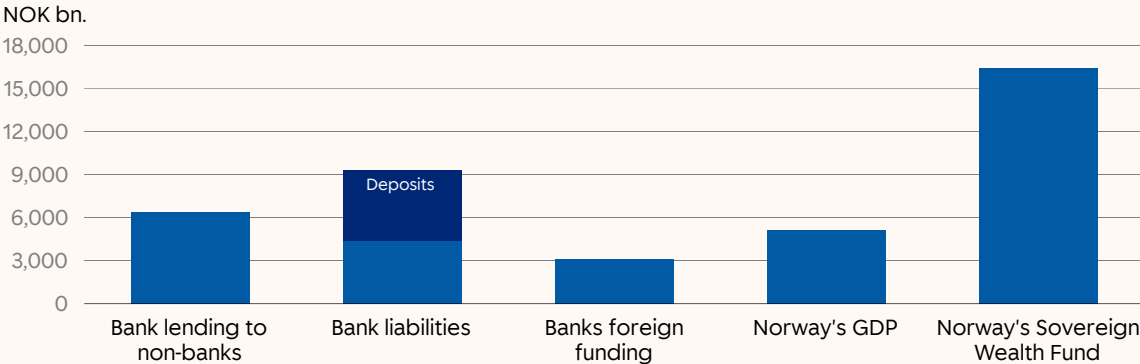


Commercial banks: larger Nordic banking
Groups but also smaller banks

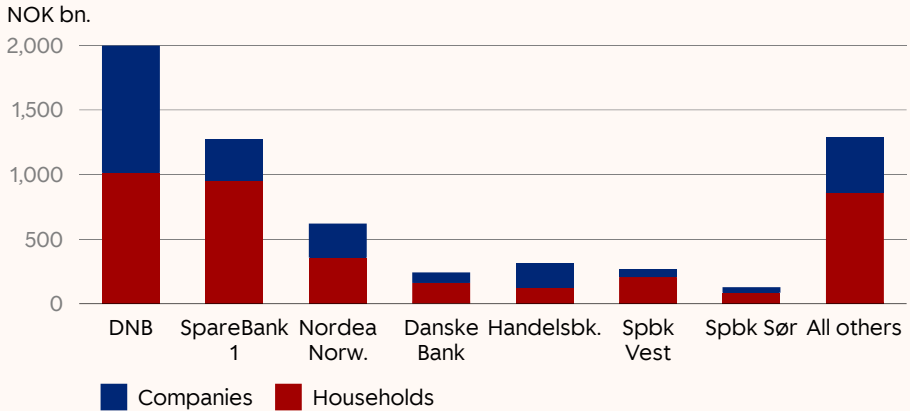


- Banks compete for the same customer base, but with larger commercial banks focusing on larger corporations
- A savings bank's strength sits in its local or regional market and in the household and SME sector

Banking sector relative size, (2023)



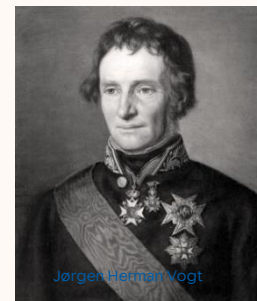
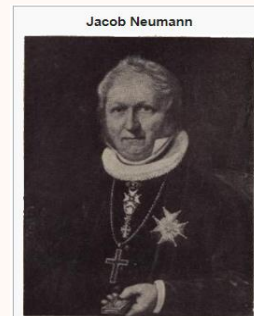
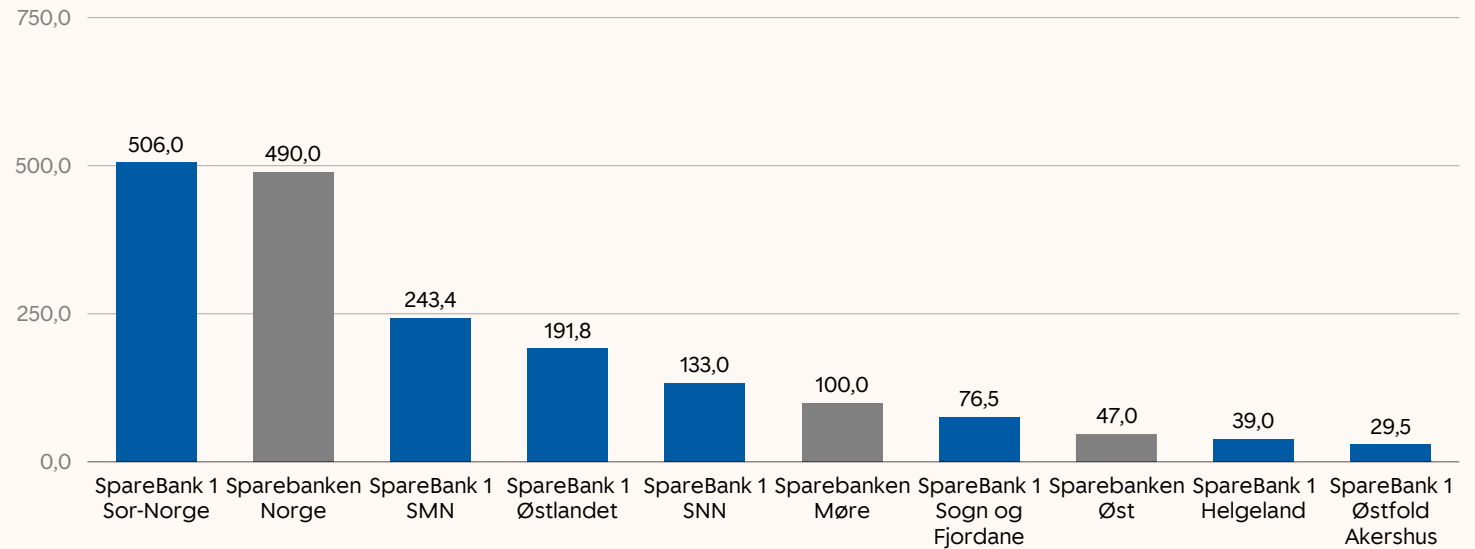
Largest banks by lending volume (2023)



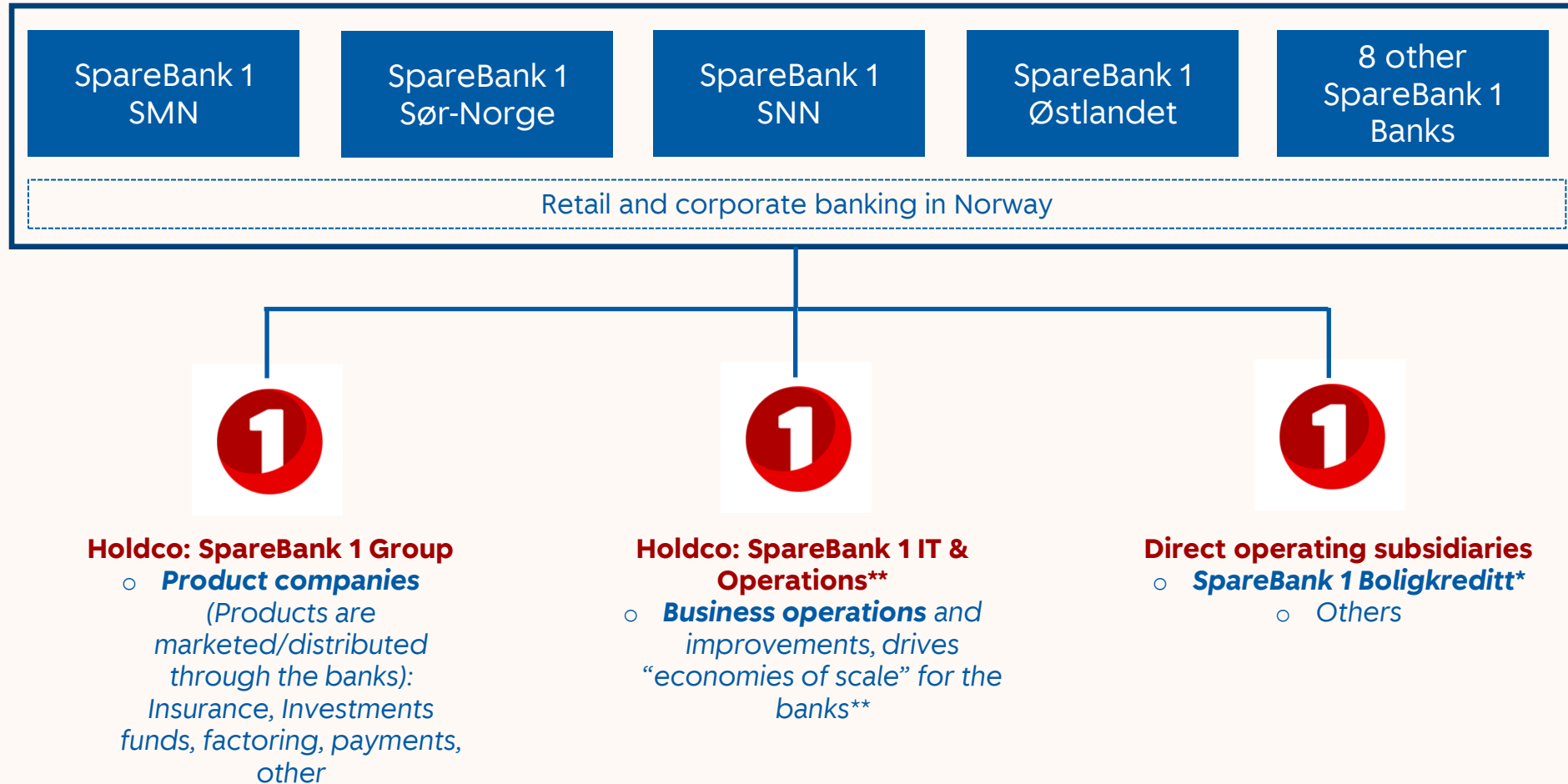
Norwegian savings banks - characteristics

- Norway's first type of bank, founded in the 1820ies, retains local and regional character today
- Sparebanks are universal banks, but only domestic lending, focus 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) based on the bank's self-owned share of capital

10 largest Sparebanks, NOK bn total assets



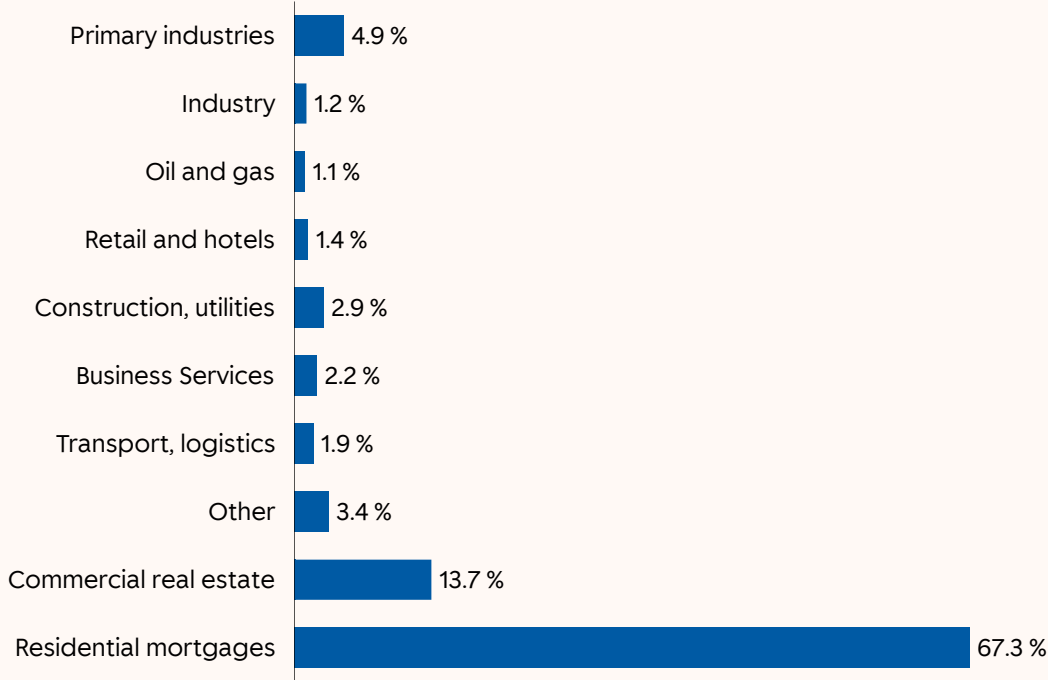
SpareBank 1 Alliance overview



SPAREBANK 1 ALLIANCE BANKS

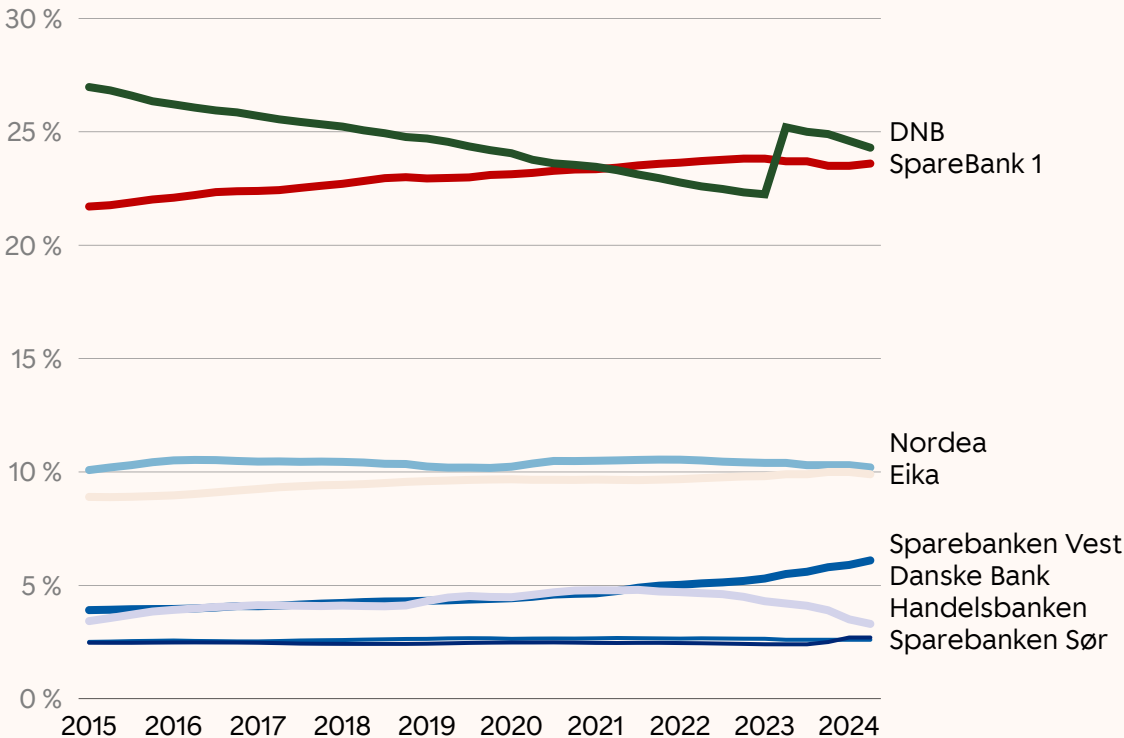
Balance Sheet and Market Share

Aggregated SpareBank 1 lending



Source: SpareBank 1 Banks financial reporting

Development market shares residential mortgages

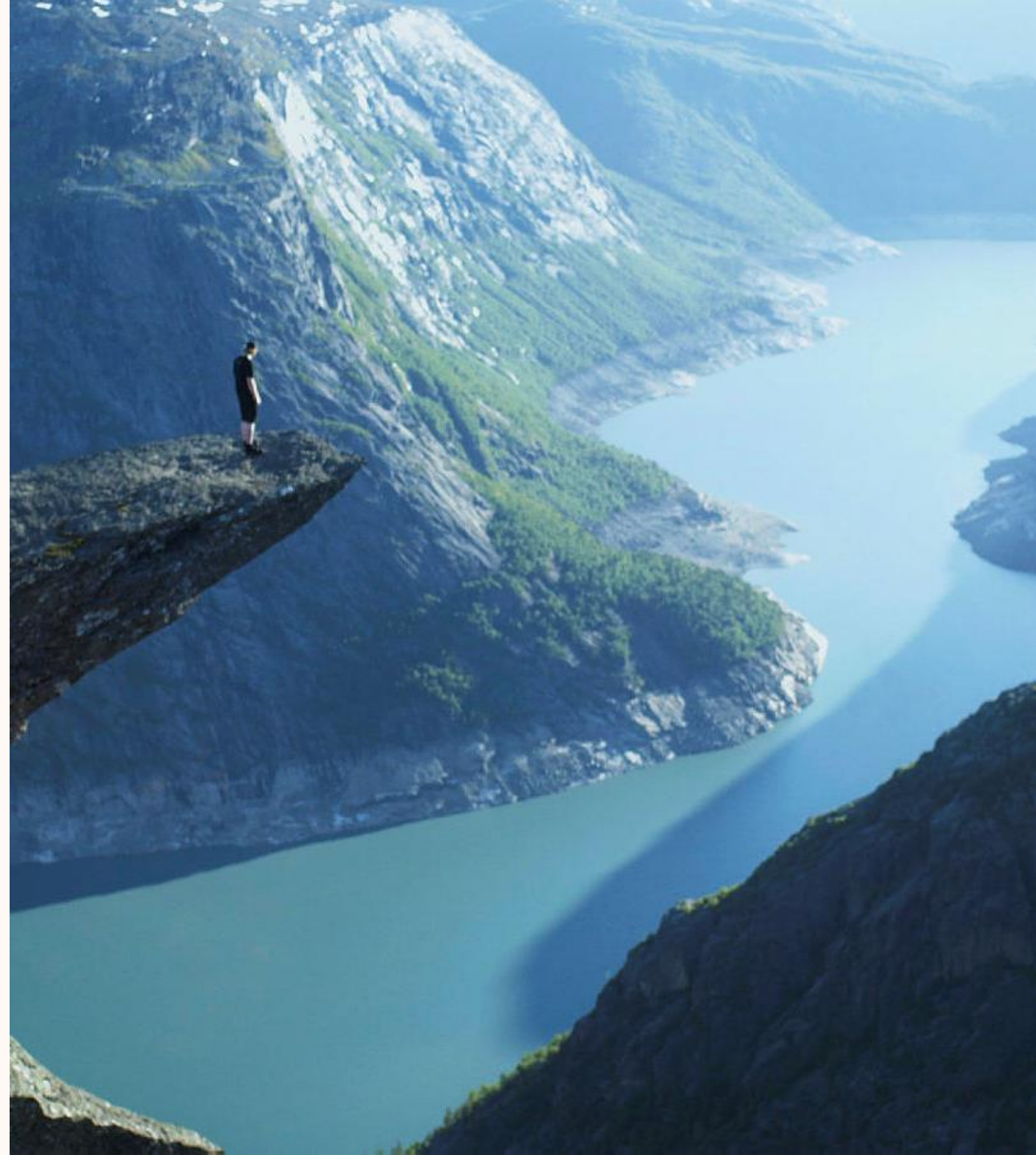


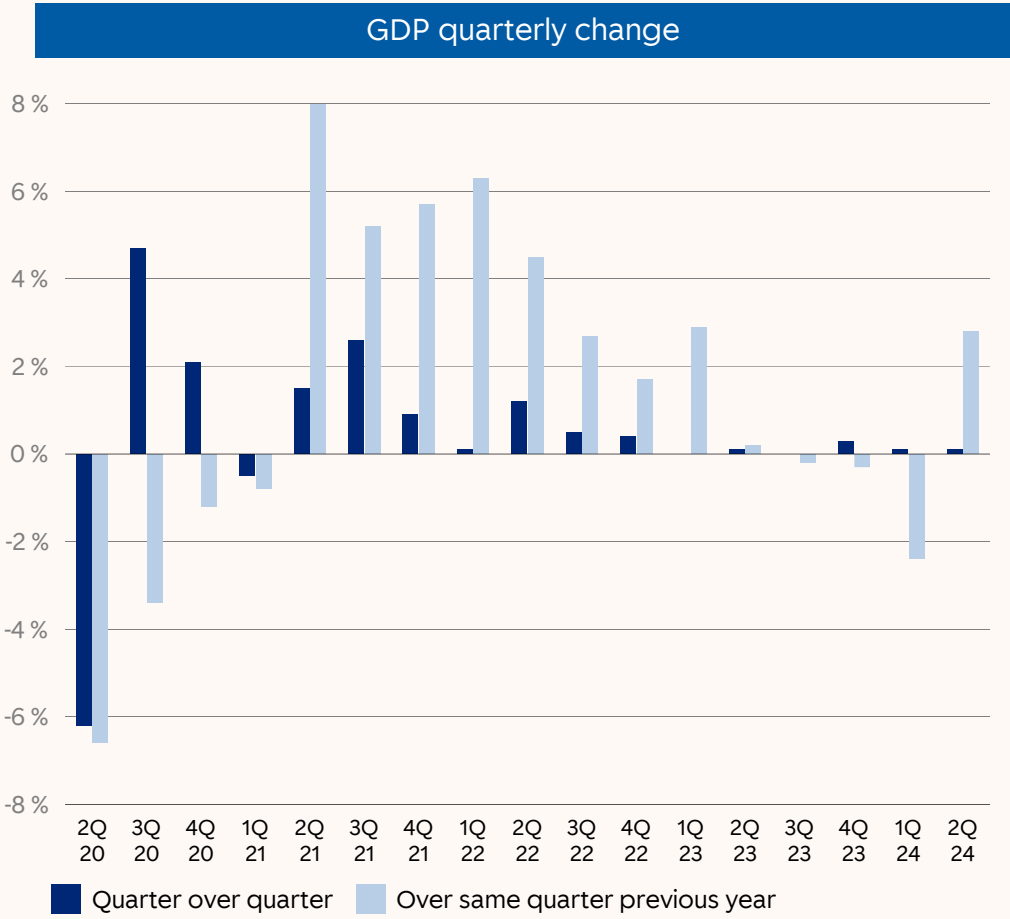
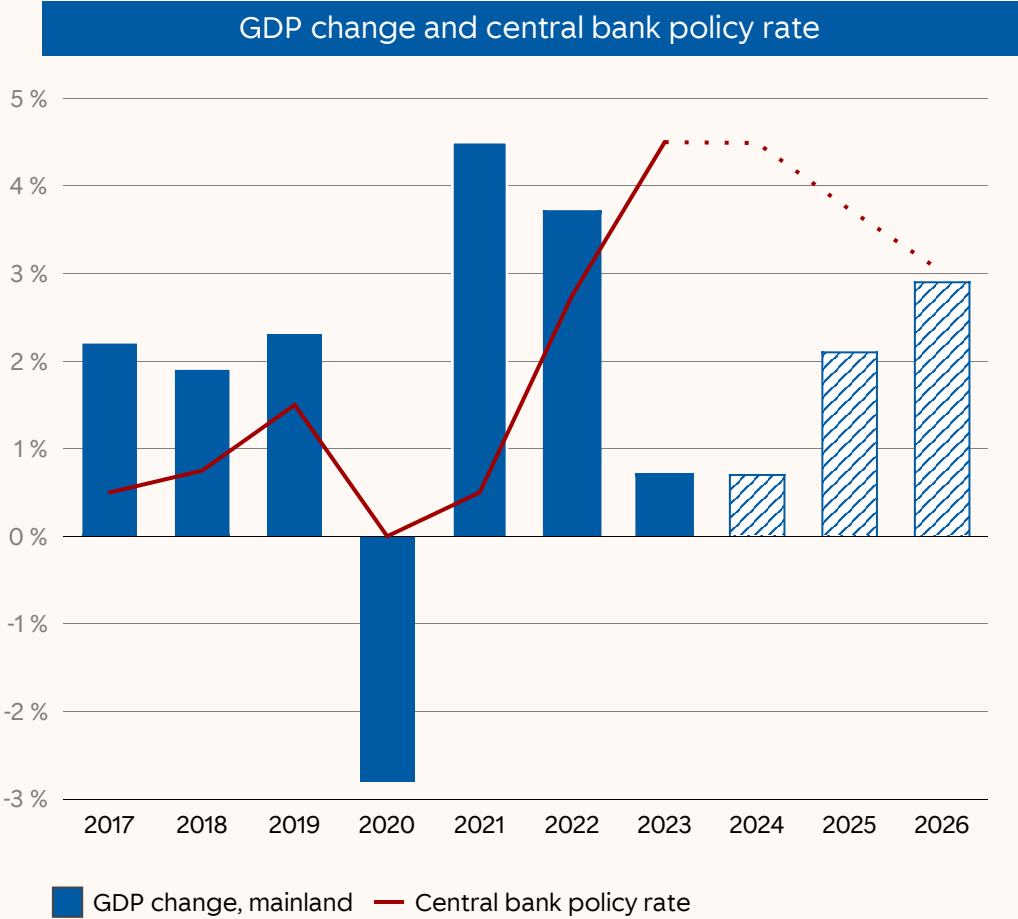
Source: Eiendomsverdi:

- figures are based on the number of financed properties
- DNB acquired lender Sbanken in late 2022 which cause the jump in the DNBs market share
- Danske Bank is in the process of selling its residential lending portfolio to Nordea

Table of contents

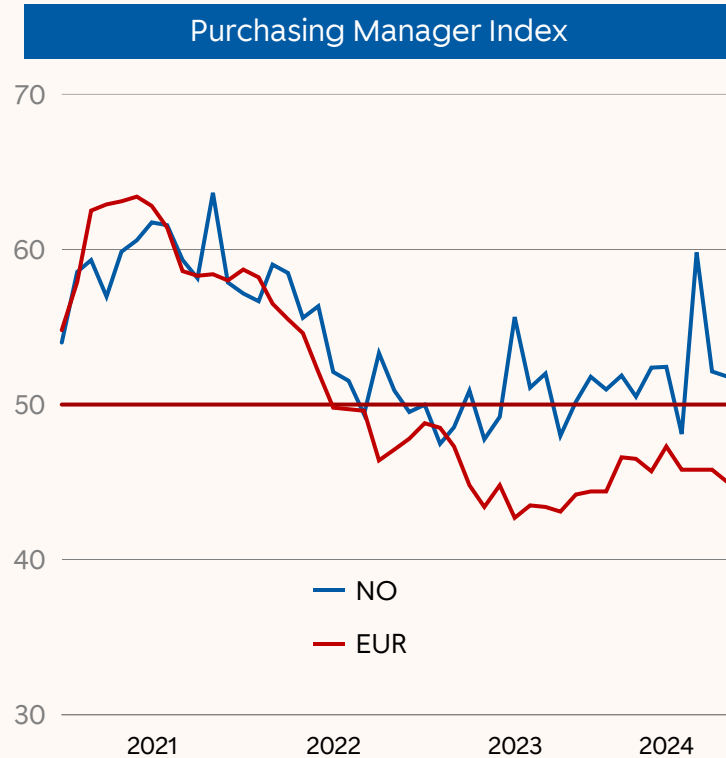
- 1 SpareBank 1 Alliance Overview
- 2 Macroeconomic Overview
- 3 Boligkreditt - Covered Bond Structure
- 4 Residential Real Estate Market
- 5 SpareBank 1 Banks Performance Review
- 6 Covered Bond Funding
- 7 Appendix I: Green Covered Bonds



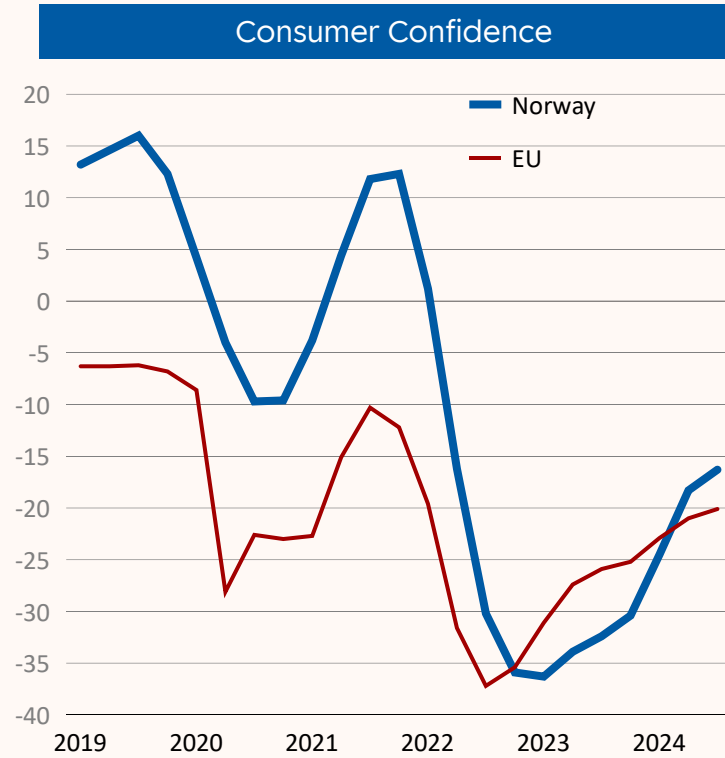


MAKROECONOMIC OVERVIEW

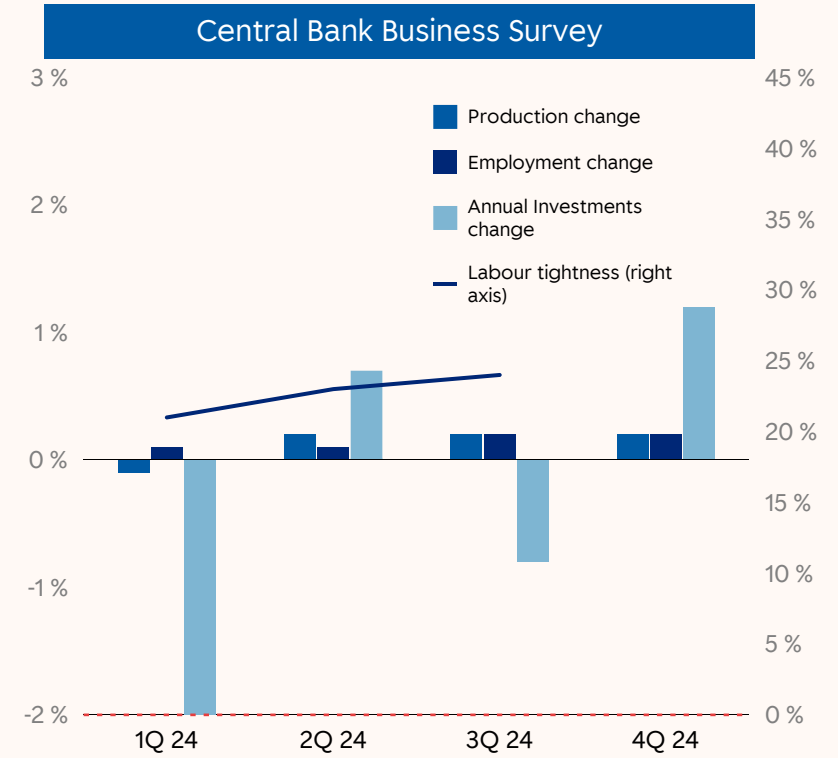
Outlook Indicators



- The PMI manufacturing index reflects current production, new orders, employment, delivery time and goods in storage

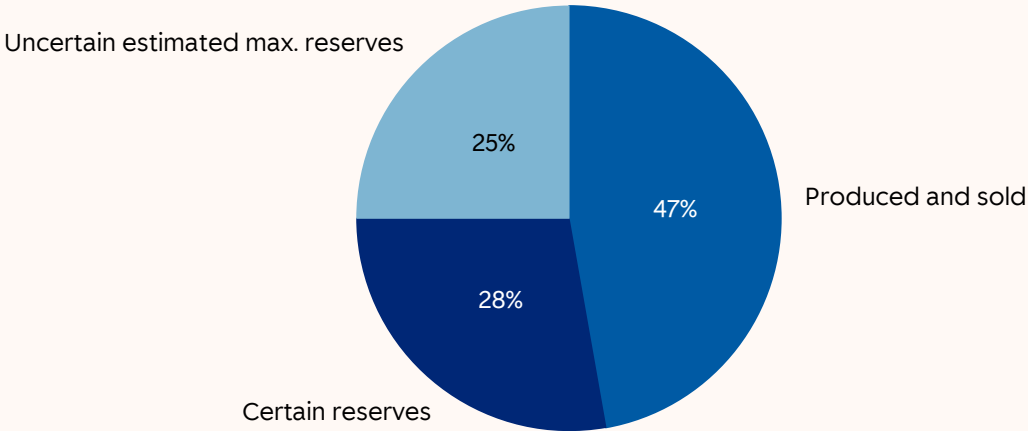


- Consumer confidence reflecting quarterly household financial expectations (for themselves and the country) over the next 12 months

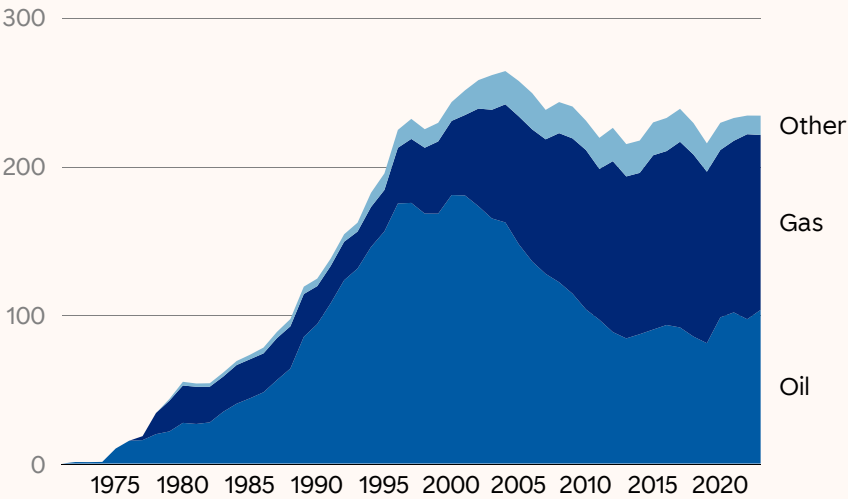


- The Norwegian CB business survey reflects activity and expectations ahead. Labour tightness is share of companies reporting this. Other indicators are per cent change.

Norwegian oil and gas resources



Norwegian production in million Sm3 Oil equivalents



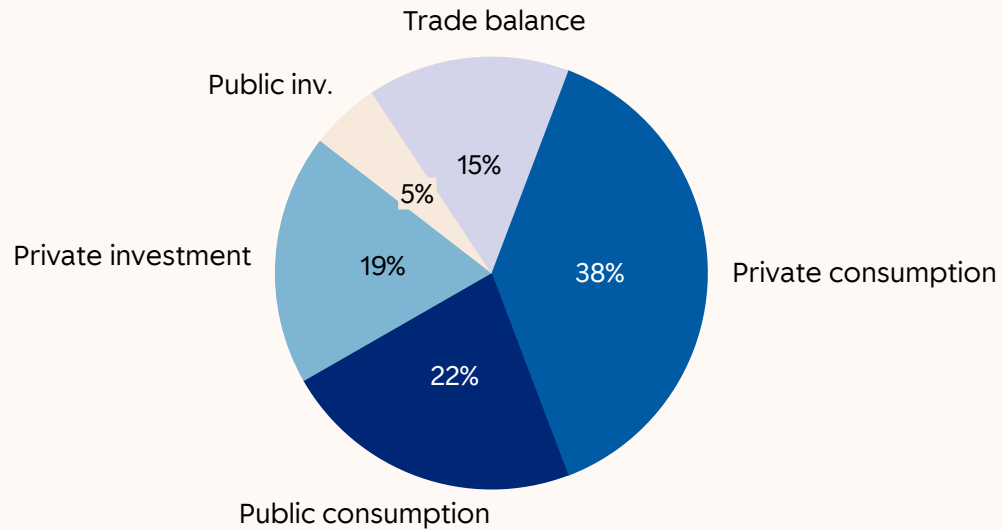
Renewable Energy Export



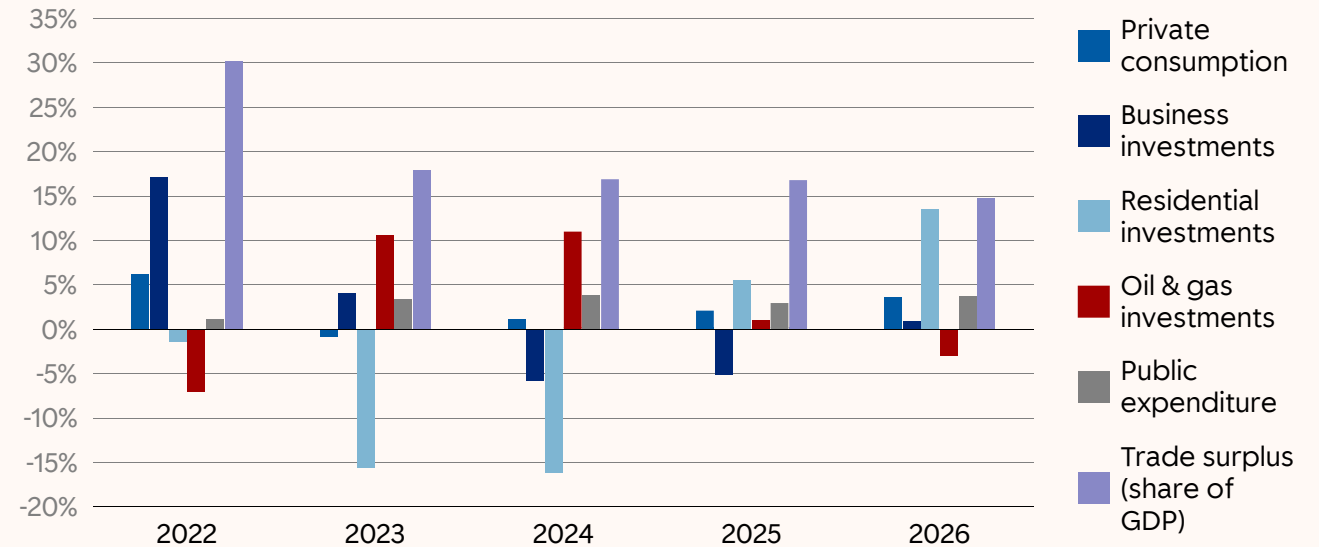
MACROECONOMIC OVERVIEW

GDP Components

GDP by expenditure, 2023



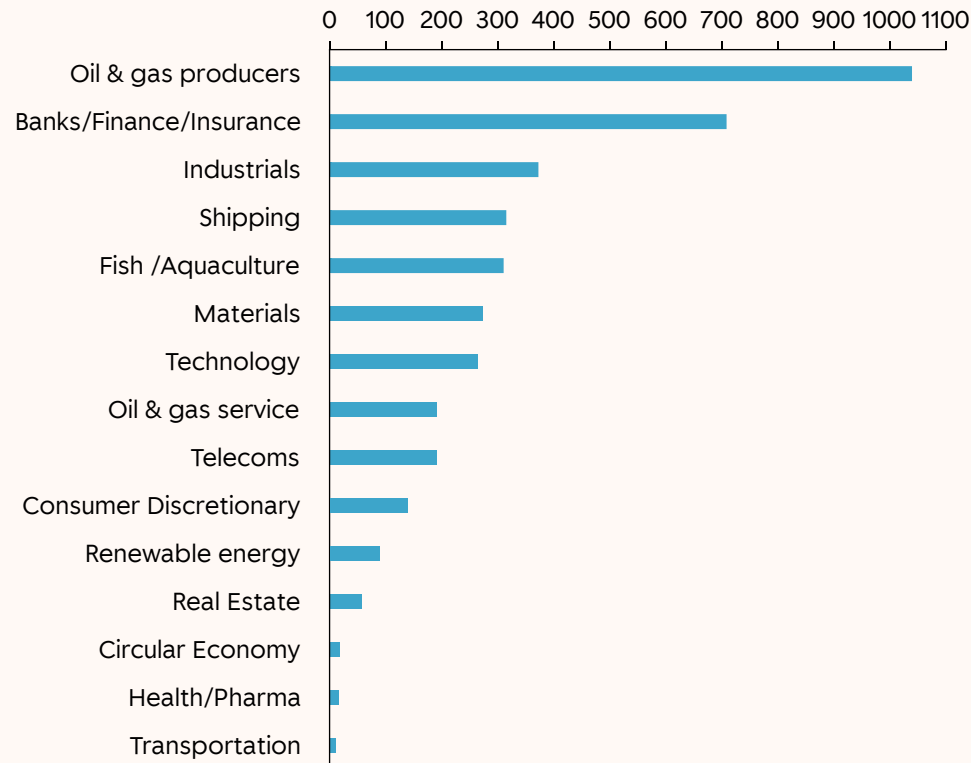
Per cent change in GDP components and forecast



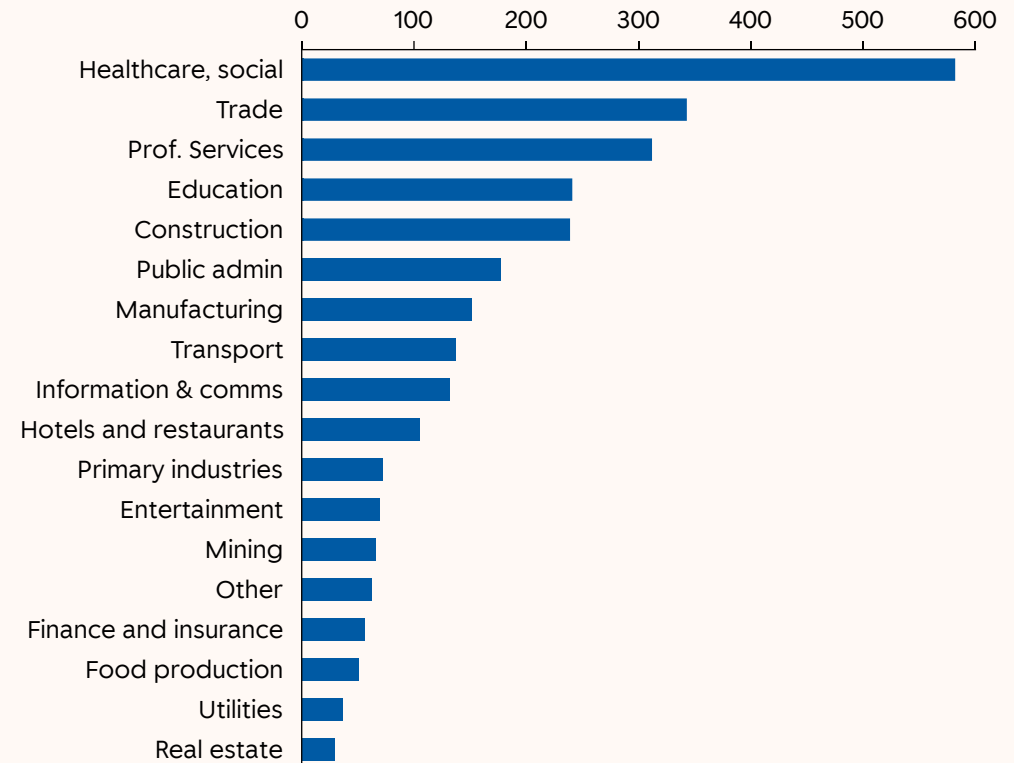
- Oil and gas investments at 15-20% of all investments have large swings which are related to energy markets dynamics and project pipelines as well as special sector tax rules. These are expected to grow following the European energy crisis
- Gross capital formation in Norway is relatively high; important for productivity growth potential

Norwegian Exchange listed companies and employees by sector

Industries of firms listed on the Oslo exchange (NOK bn market value)

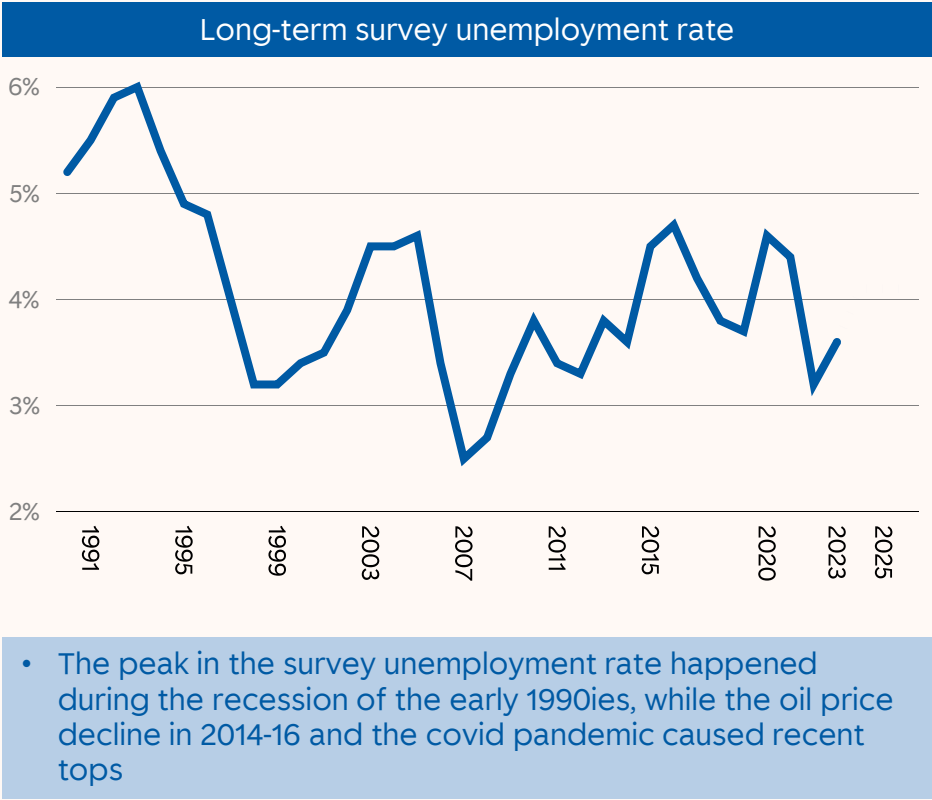
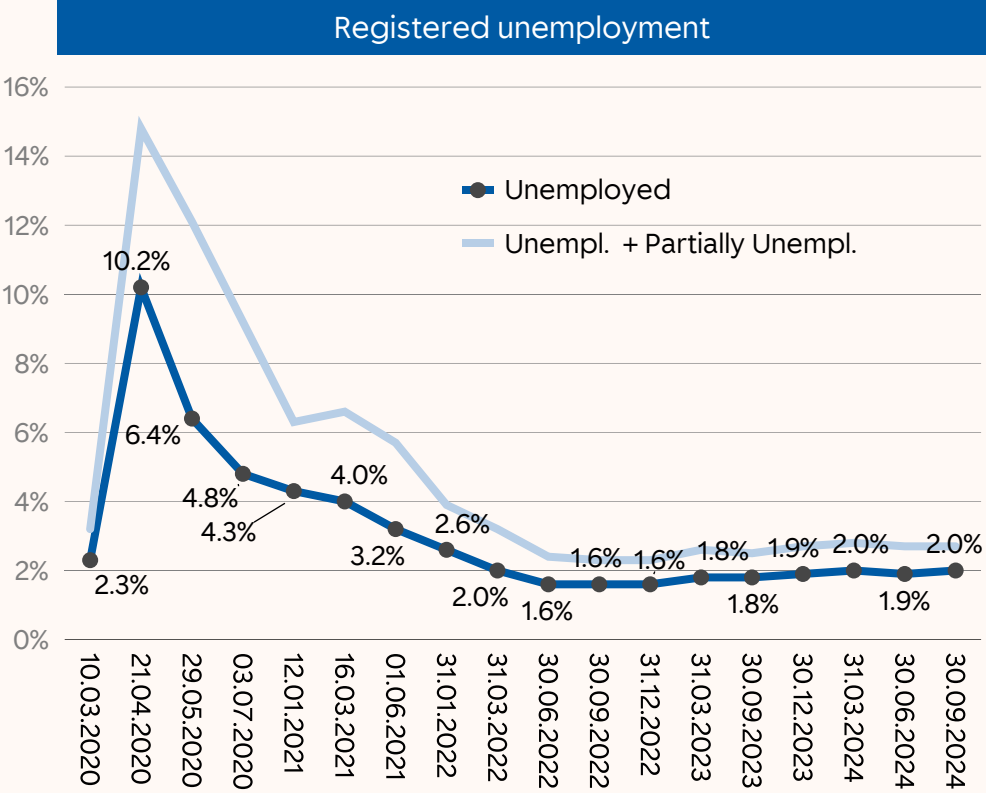


Employees in Norway by main sector (1000 persons)



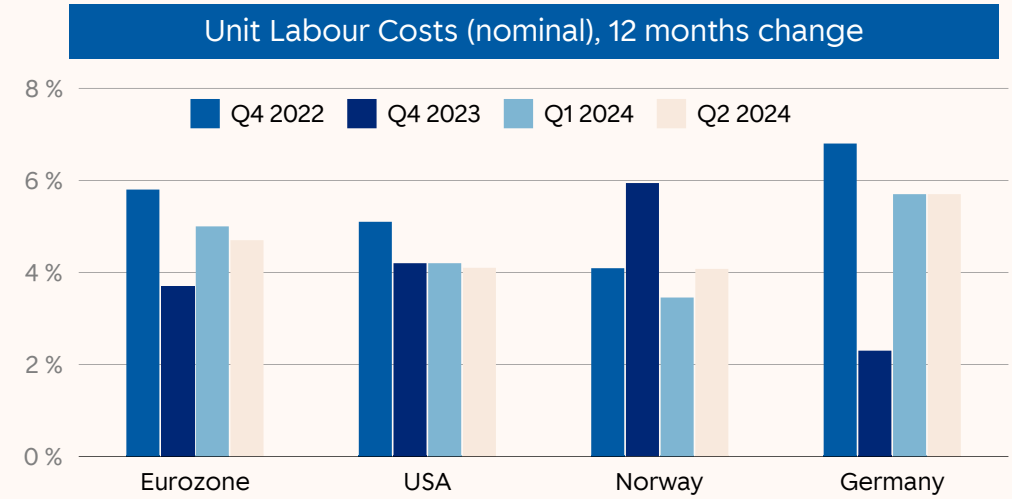
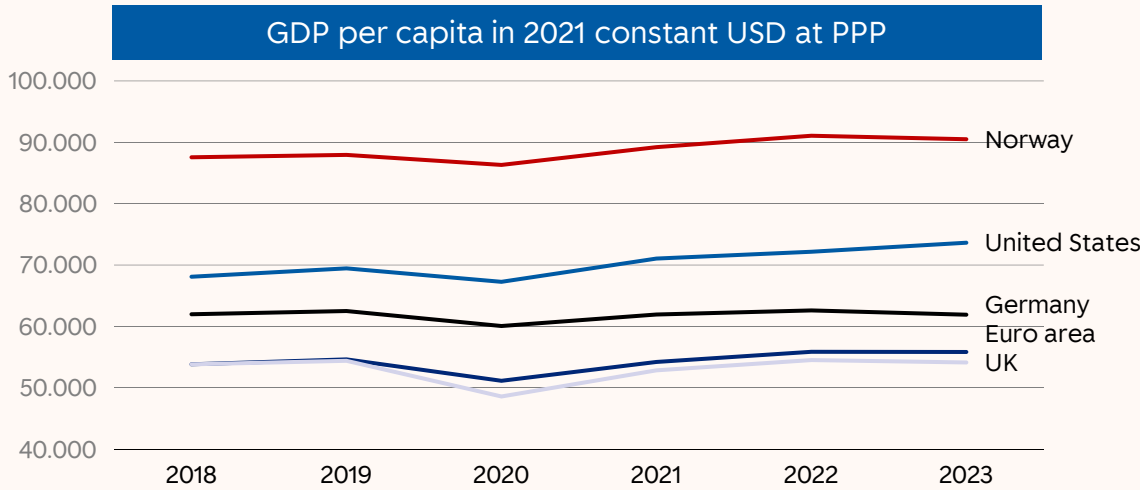
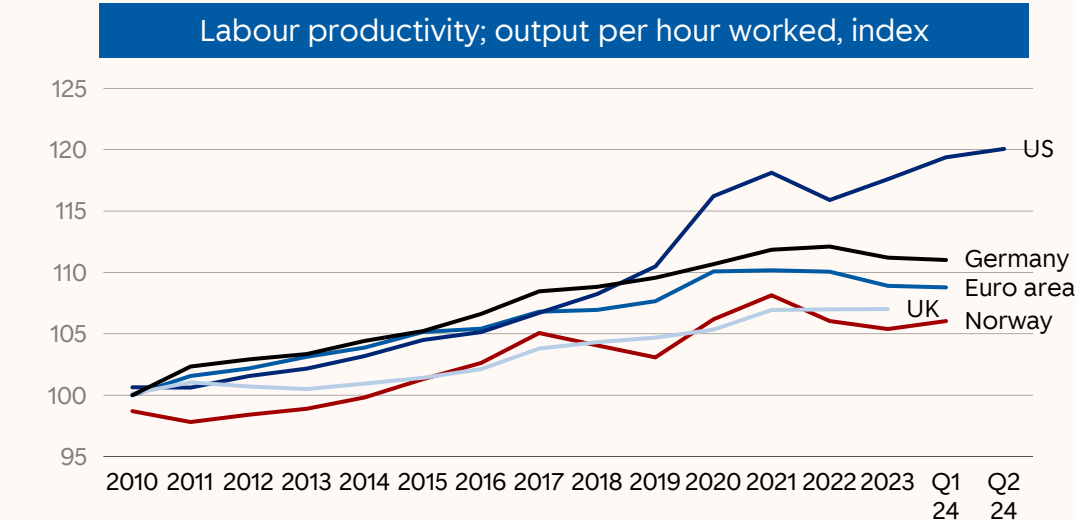
MACROECONOMIC OVERVIEW

Labour Market

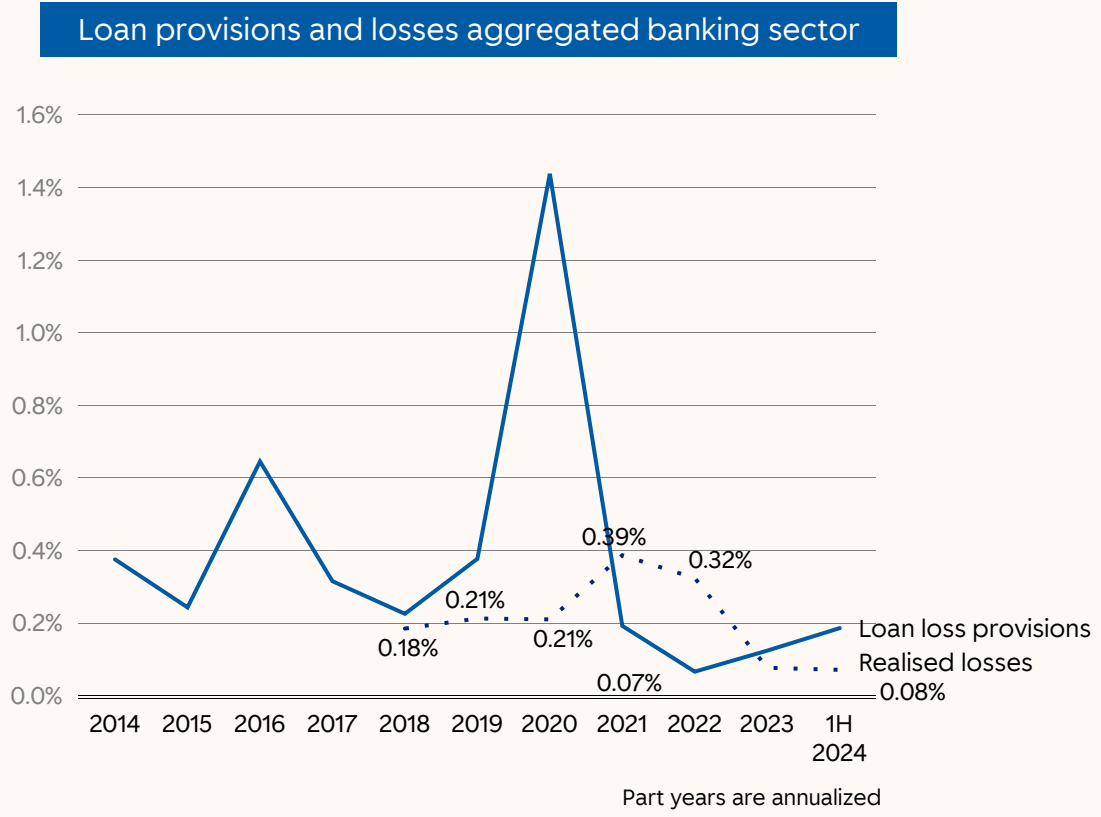
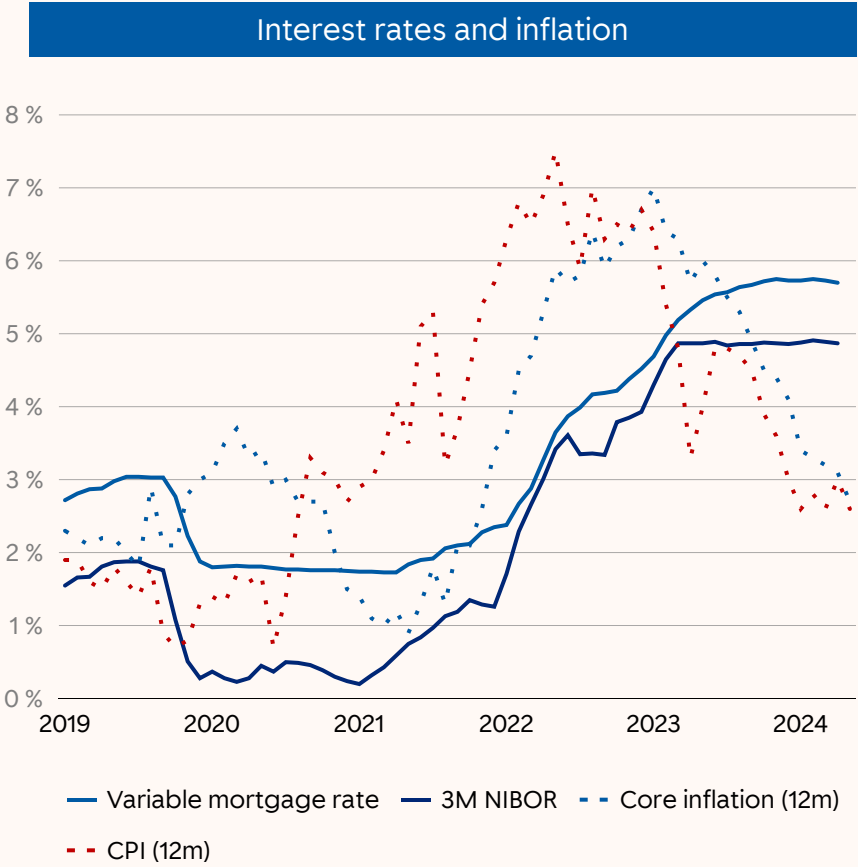


MACROECONOMIC OVERVIEW

Productivity and wages

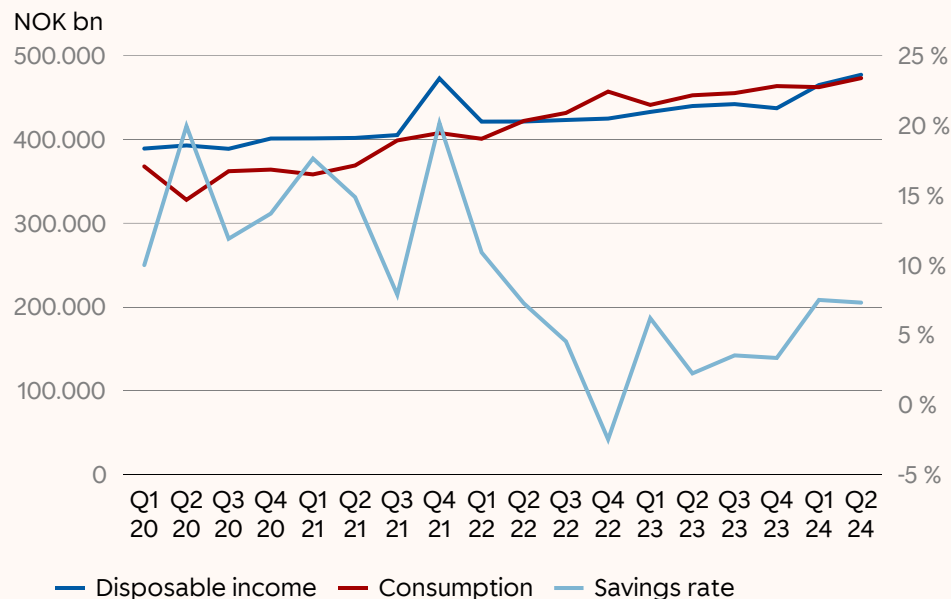


Interest rates, inflation and bank sector losses



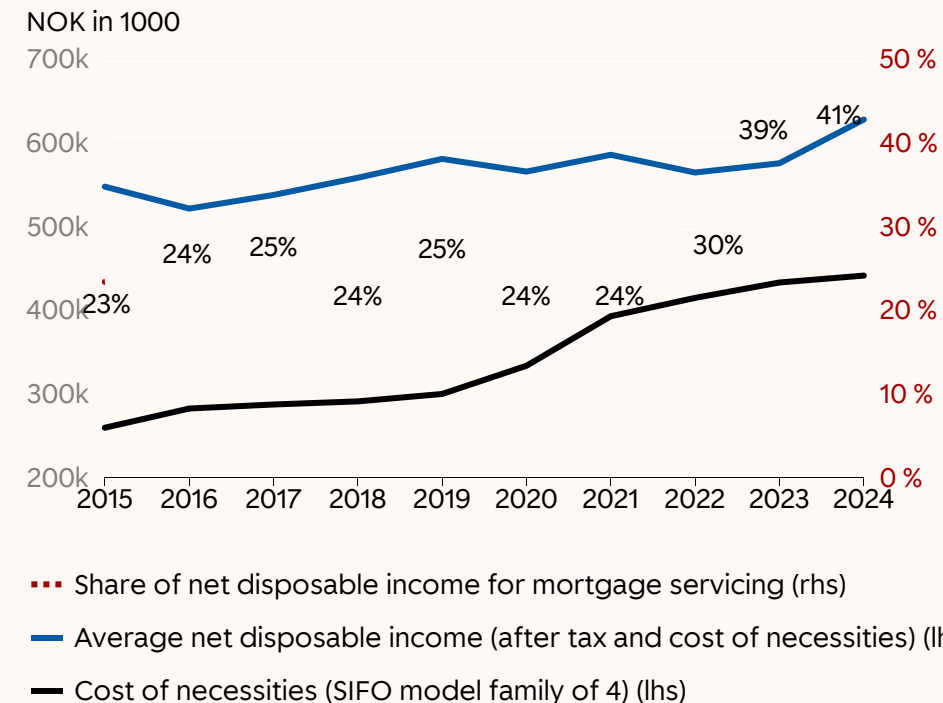
Household sector income, savings and mortgage affordability

Aggregate Household income, consumption and savings



- Savings is the difference in disposable income and consumption, in the addition to occupational pension savings flow not in disp. income

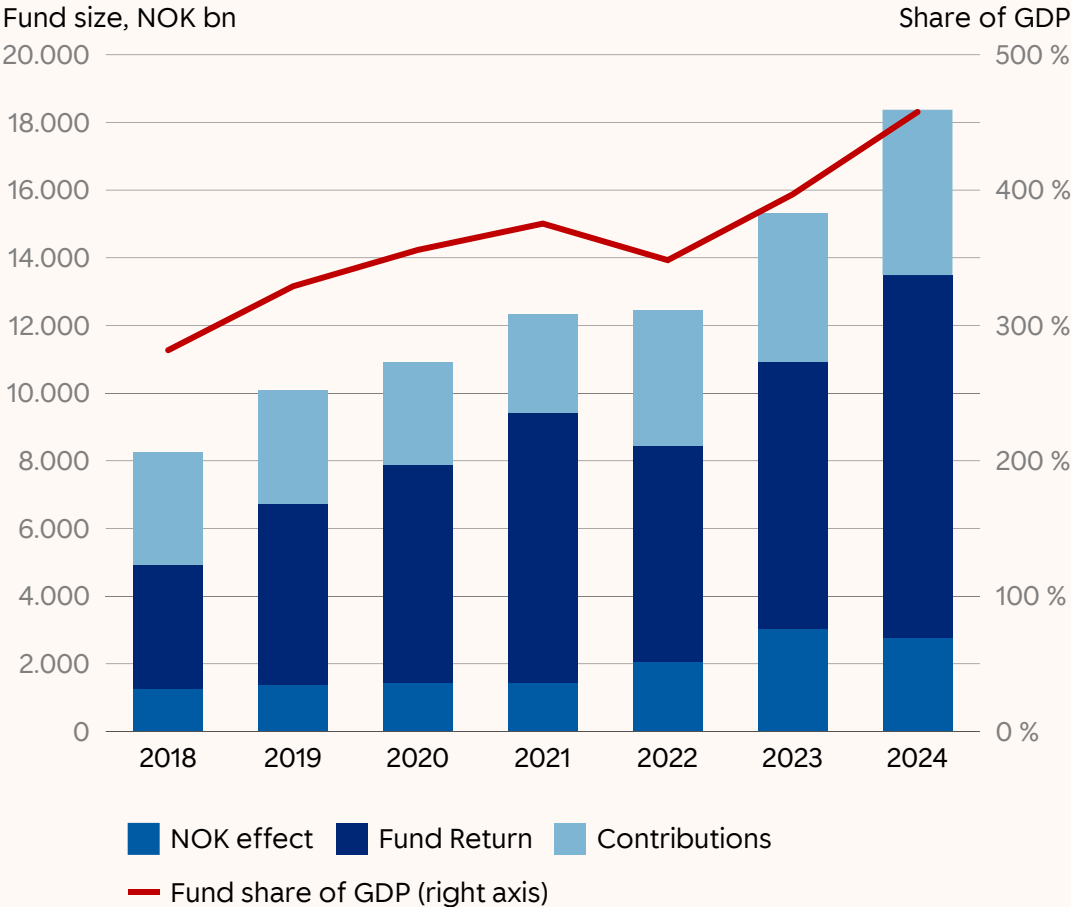
Mortgage affordability



- Mortgage servicing is modelled based on 85% LTV of the median valued house, 30 years full repayment, with average annual variable mortgage rates
- Share of income needed for debt service, after deducting the cost of necessities, have risen to an estimated 40% on average for 2023

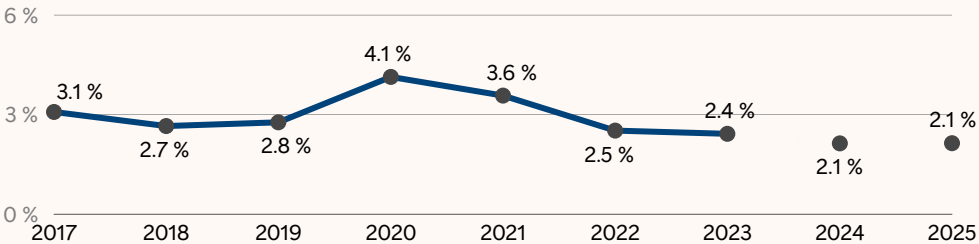
MACROECONOMIC OVERVIEW

Sovereign Wealth Fund



• **The spending rule:** The gov. budget's non-oil & gas fiscal deficit may be max. 3% of the fund's size – financed by the fund

Fund withdrawals, as a percentage of fund size



The **combined government surplus + fund cash income** is high due to recent high energy prices

(Budget surplus/deficit + fund income) / GDP

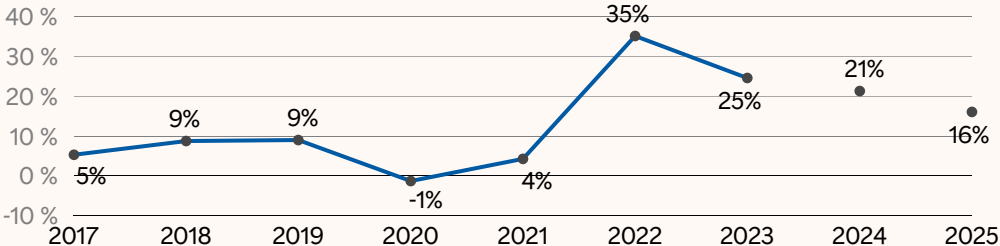


Table of contents

- 1 SpareBank 1 Alliance Overview
- 2 Macroeconomic Overview Norway
- 3 Boligkreditt - Covered Bond Structure
- 4 Residential Real Estate Market
- 5 SpareBank 1 Banks Performance Review
- 6 Covered Bond Funding
- 7 Appendix I: Green Covered Bonds



Covered Bonds and Issuers in



- Solid, diversified AAA economy of 5.6 million people, trade and government surpluses, EU inner market (EEA) member
- EU Covered Bond Directive and CRR defines what a covered bond is (EU Premium)
- High homeownership rate
- Mortgages with a history of a well performing asset class
- Sound underwriting - also mandated by government regulation for mortgage finance

Covered
Bond
Pools:

MOODY'S



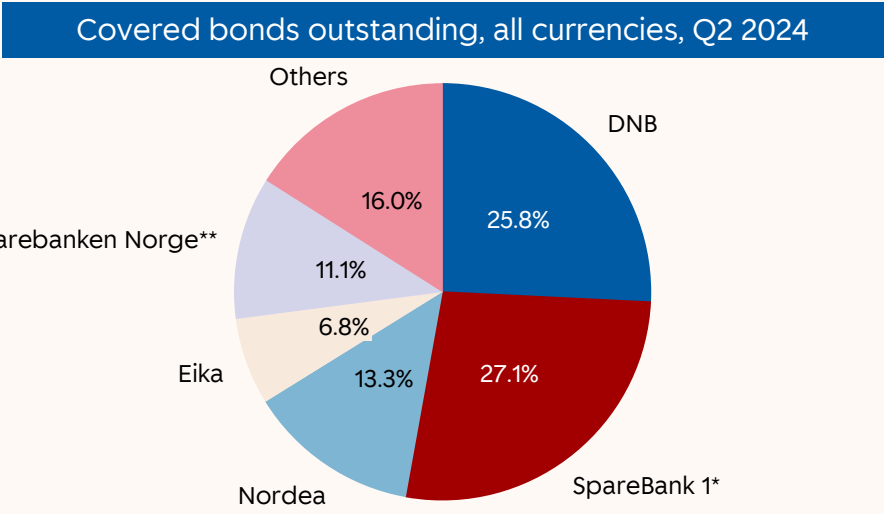
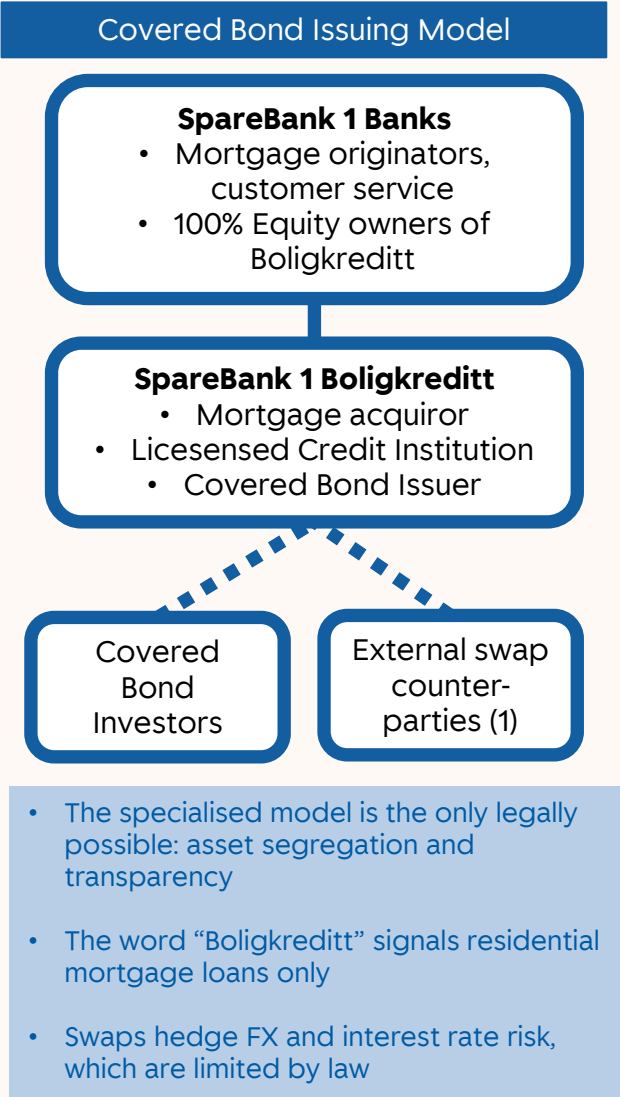
Aaa

Are all Norwegian
issuers and
covered bonds
the same?

- Hedging policy and Swaps
- Liquidity provisions in the cover pool
- Rules for mortgage cover pool & strength of Alliance model
- Moody's TPI factor and rating buffer
- Size, Regularity and Liquidity

SPAREBANK 1 BOLIGKREDITT

Specialized credit institution



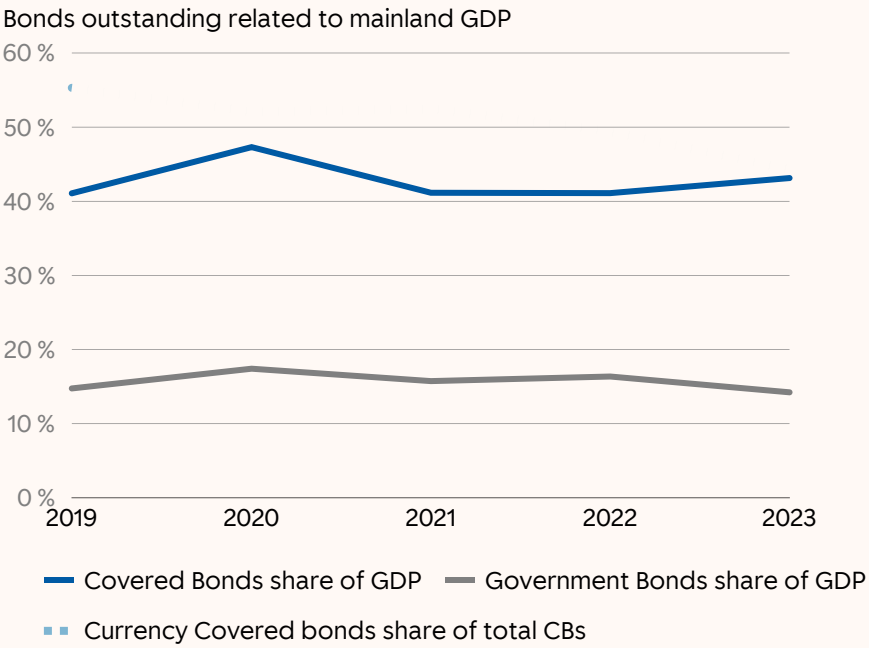
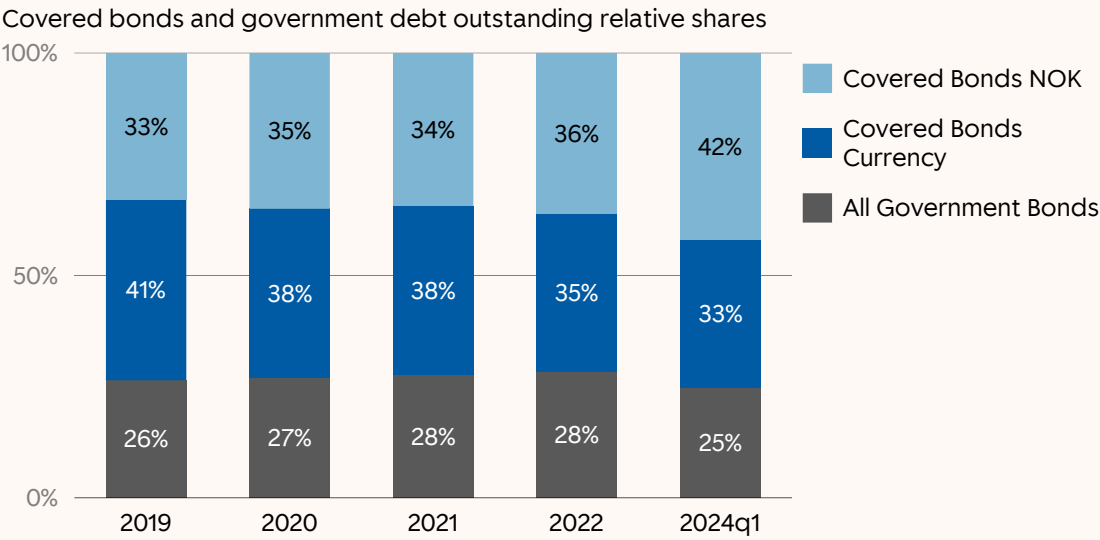
(1) Policy of only swapping with highly rated external bank counterparties

*includes SR-Boligkreditt (wholly owned by SpareBank 1 SR-Bank) **Pro forma for merger

Norwegian covered bond issuers

Bank Name	Number of banks	Covered Bond Issuer	
SpareBank 1	12	SpareBank 1 Boligkreditt (SpaBol)	Large issuer various currencies, SpareBank 1 main CB issuer, SpareBank 1 is Alliance banks brand name
SpareBank 1 Sør-Norge	1	SR-Boligkreditt	member of SpareBank 1, issues own label CBs
DNB	1	DNB Boligkreditt	Large issuer various currencies
Nordea	1	Nordea Eiendoms kreditt	Only one not called Boligkreditt, NOK-only issuer
Eika	ca. 50	Eika Boligkreditt	Banking alliance of small banks, no co-branding
Verd	18	Verd Boligkreditt	Banking alliance of small banks, no co-branding
Sparebanken Sør	1	Sparebanken Sør Boligkreditt	occasional EUR issuer
Sparebanken Vest	1	Sparebanken Vest Boligkreditt	occasional EUR issuer
Sparebanken Møre	1	Møre Boligkreditt	occasional EUR issuer
Other banks	8	Other "Boligkreditt names"	NOK-only issuers

Covered Bonds in the Norwegian context



Harmonization of covered bonds

EU Regulatory Framework:

Covered Bonds Directive

Directive (EU) 2019/2162

& Capital Requirements Directive

Art. 129 defines preferential risk weights and eligible assets for Covered Bonds

BRRD

Covered Bonds are excluded from bail in

EMIR

The regulation define specific treatment of cover pool derivatives

LCR Delegated Act

Defines Covered Bonds as liquid assets Level 1 or 2

Solvency II

Delegated Act – capital requirements for insurance investments in Covered Bonds

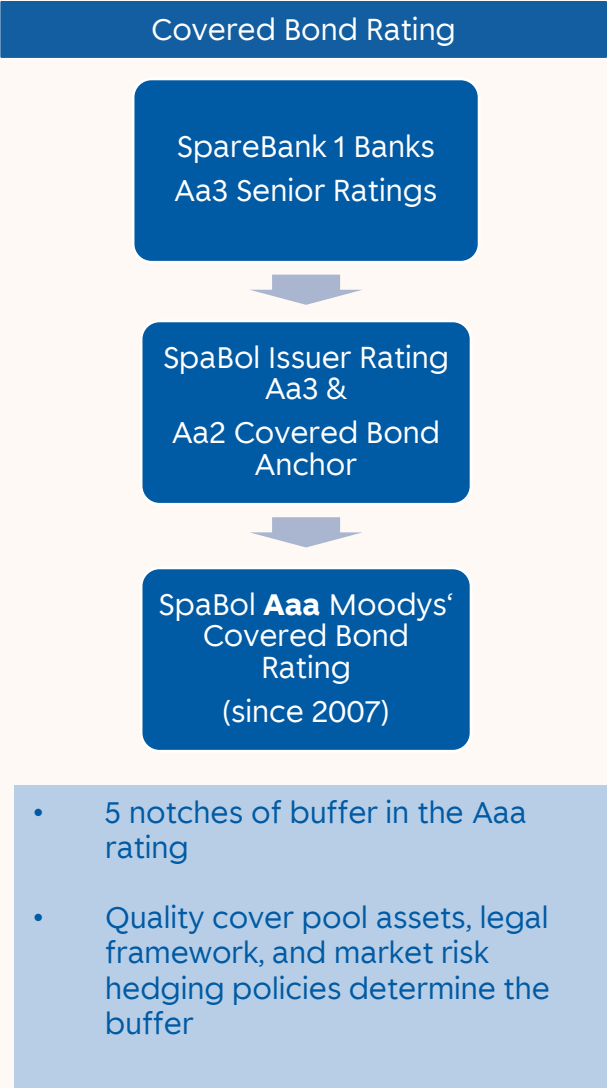
Norwegian Covered Bonds framework:

- **All of the EU Regulatory Framework in effect**
- The Covered Bond Directive (harmonization Directive) became effective in Norway from July 2022
- Key points from the Norwegian harmonised Covered Bond framework:
 - **Cover Pool:** CRR Art. 129 defines eligible assets. In practice cover pools with only residential mortgages (separate public sector and commercial pools exist)
 - **Asset valuation:** maximum prudent market value, documented individual assessment by independent person or by statistical models (for residential real estate) **Max LTV:** up to 80%
 - **Rate and currency risk:** limited
 - **Derivatives:** only for hedging rate and currency risks and with counterparties rated risk class 1 or 2
 - **Liquidity buffer:** 180 days net cash outflows covered, may be calibrated on extended maturity
 - **Soft bullet:** Extended maturity of up to 12 months possible with approval from the FSA following from the prospect of an imminent liquidity crisis which would likely not be otherwise solved
 - **Overcollateralization:** 5%
 - **Registry:** detailed requirements **Cover pool monitor:** in place, checks registry quarterly with annual reporting to the FSA
 - **Investor reporting/transparency:** required, details as in HTT

➤ **SpaBol** issues **EU Covered Bonds (Premium)** from July 2022

SPAREBANK 1 BOLIGKREDITT

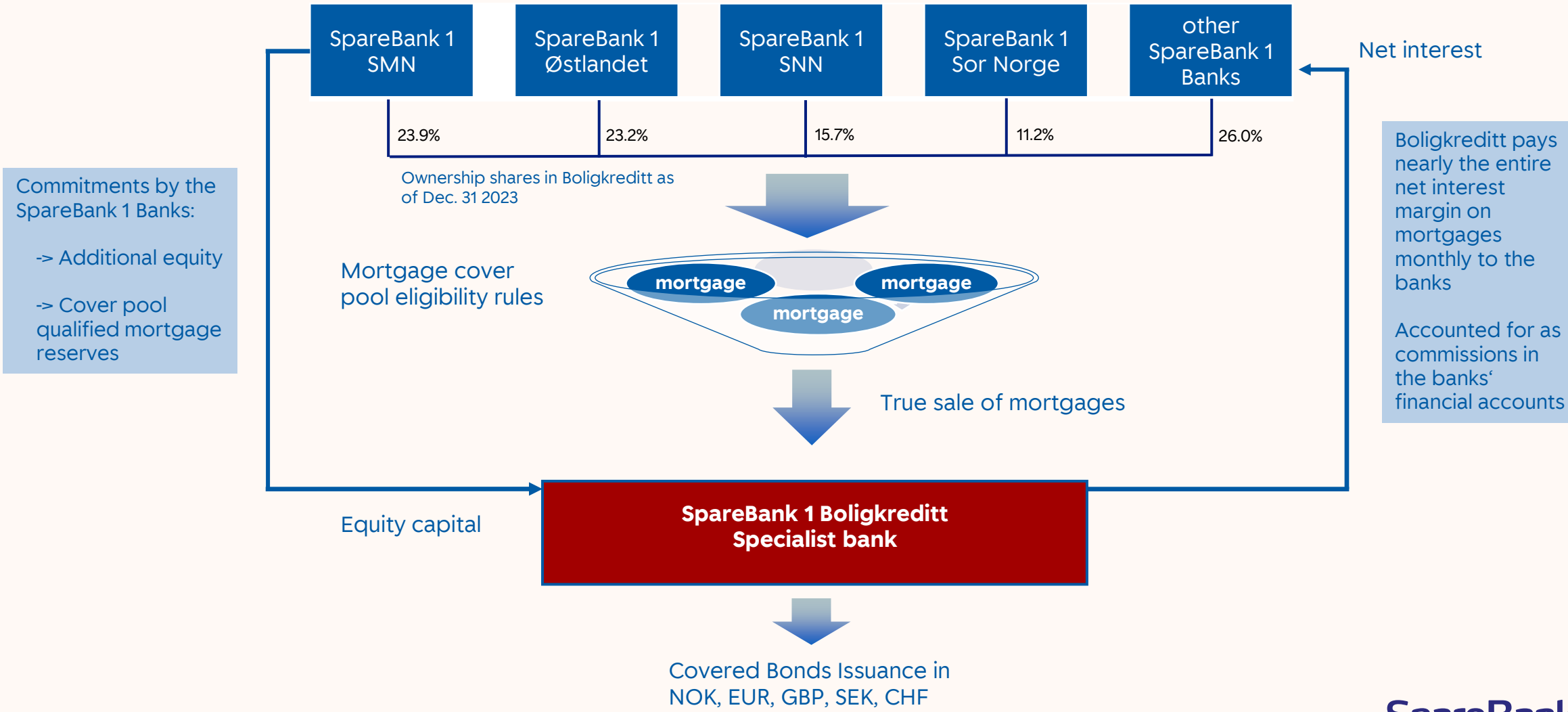
Rating and cover pool



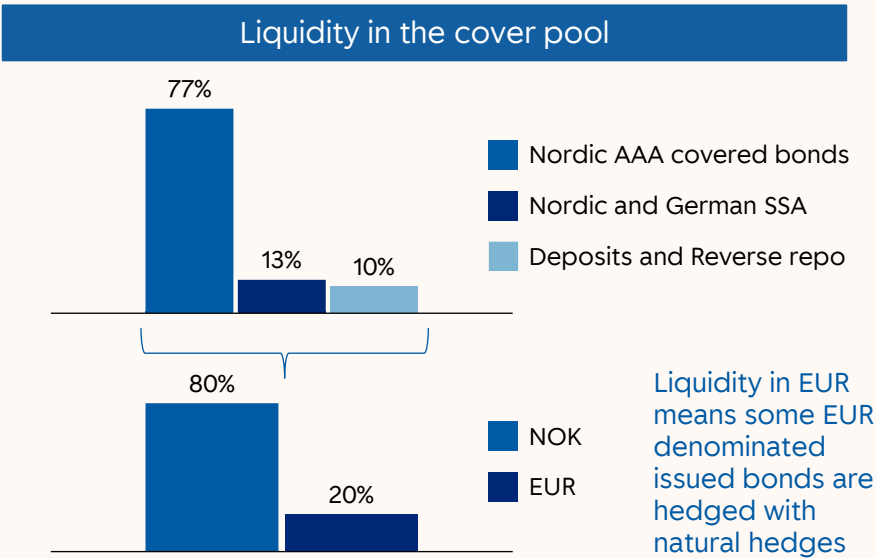
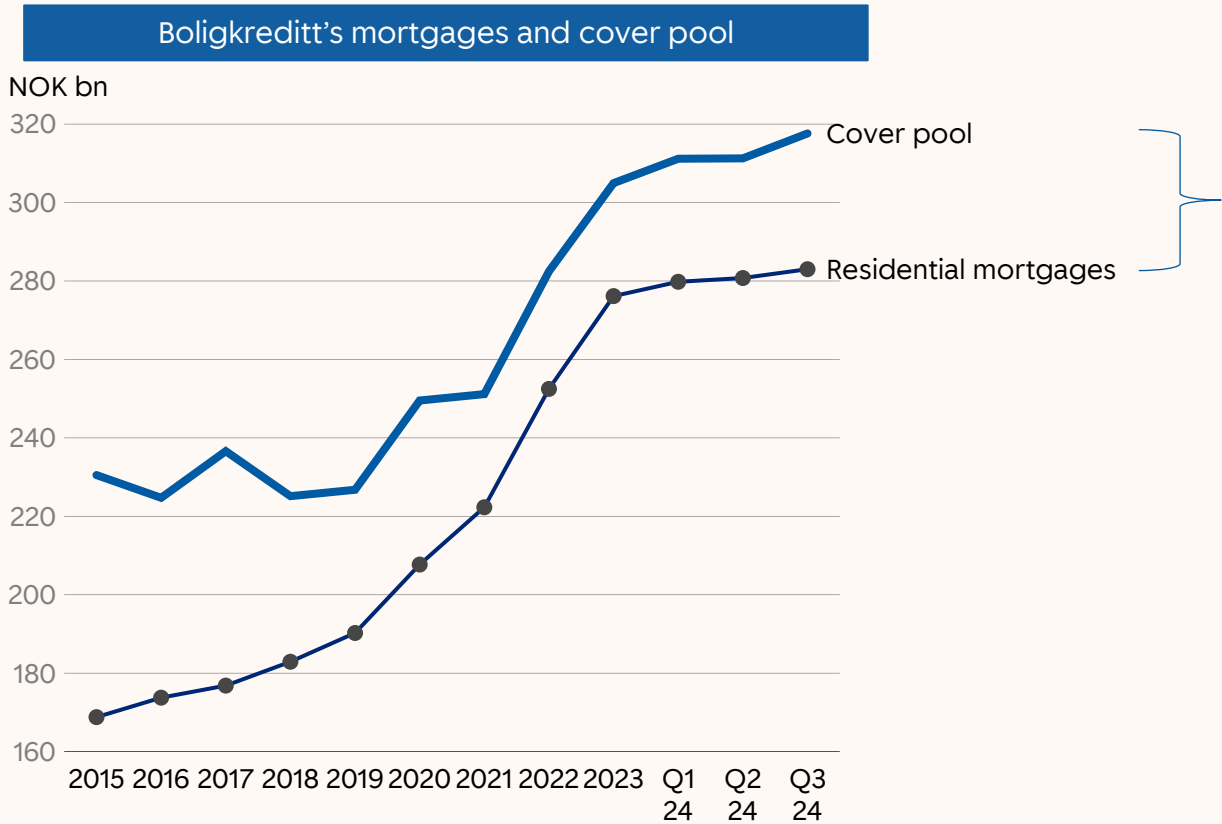
SpareBank 1 Boligkreditt Cover Pool Overview Q2 2024

Assets	Norwegian private residential mortgages for all types of residences
Number of mortgages	152,401 mortgages with a weighted average interest rate of 5.8%
Average mortgage size	NOK 1.842 mill (apprx. EUR 170,000)
Total balance mortgages	NOK 281 bn
Weighted average LTV	53.5%
Cover pool consists of	NOK 311 bn; Residential mortgages 94.5%, liquid assets 5.5%

Structure and mortgage loans transfer

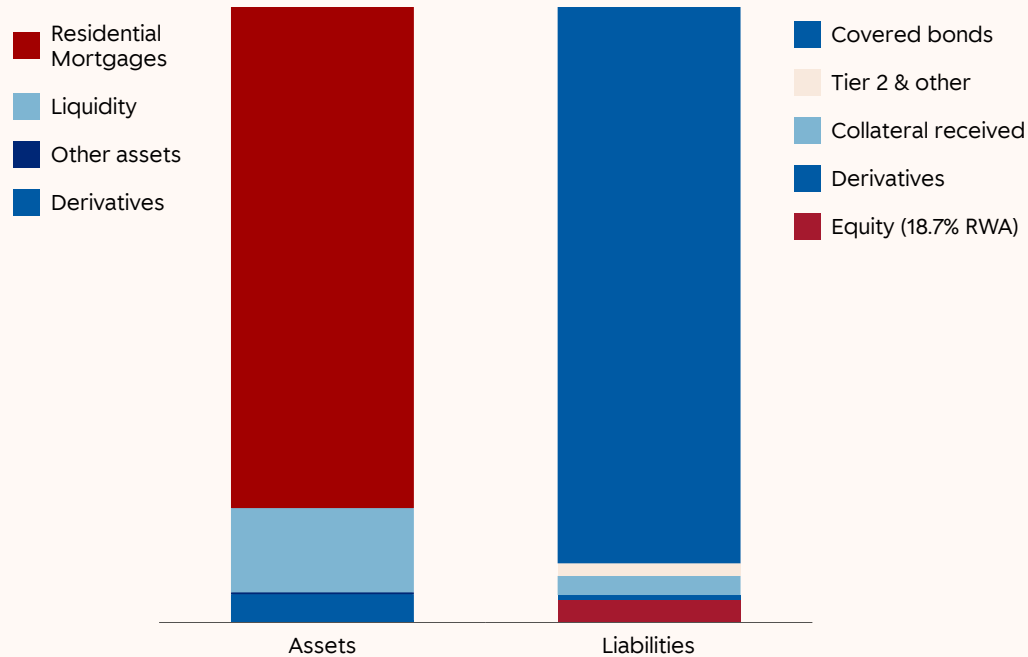


Cover pool development

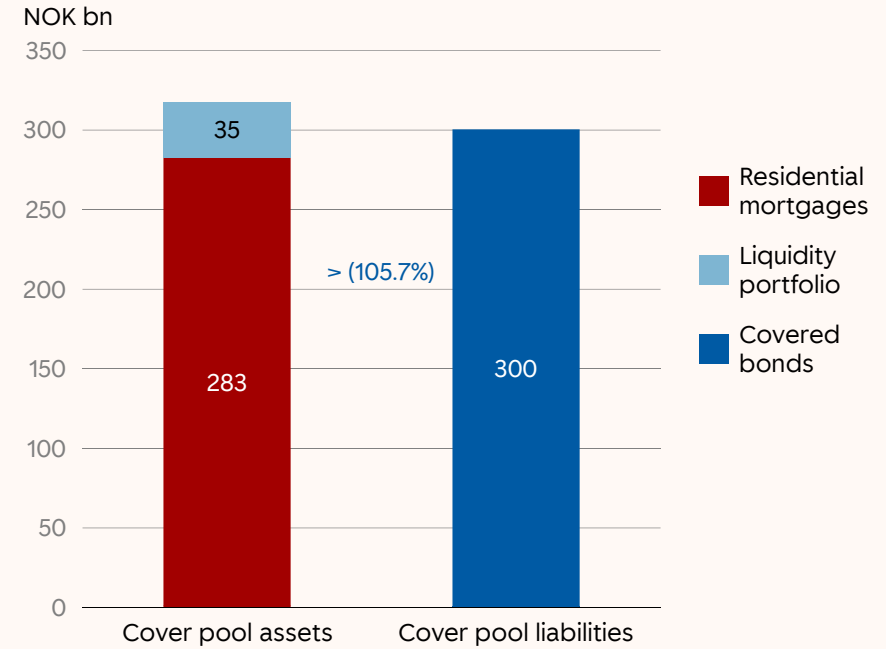


Balance sheet and cover pool

Relative Balance Sheet 30.09.2024



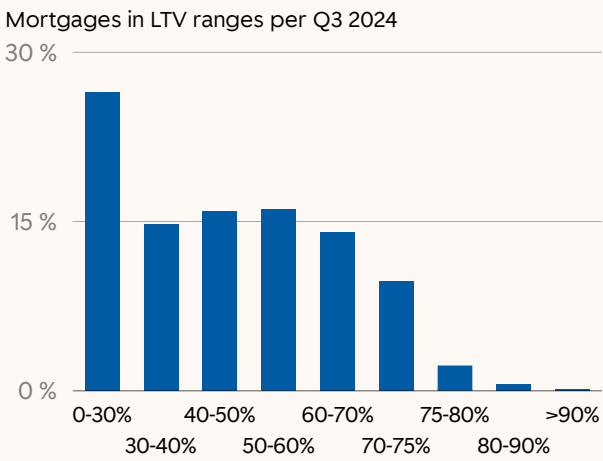
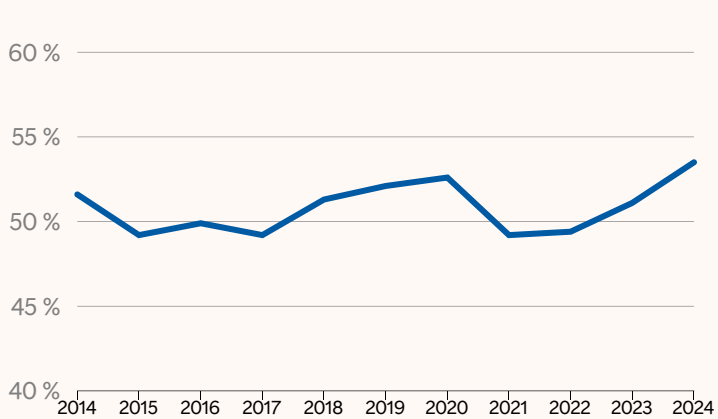
Cover Pool composition 30.09.2024



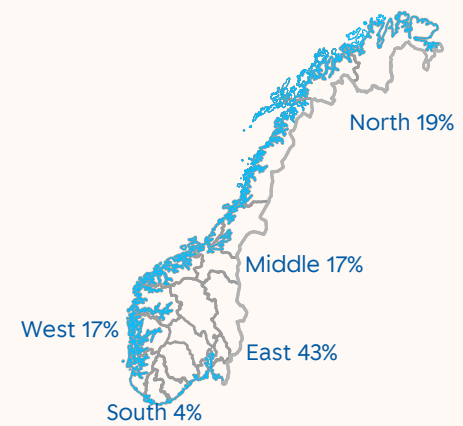
- SpaBol issues **European Covered Bonds (Premium)** in accordance with CRR Art. 129:
 - Liquid assets cover **180 days of maturities** and planned outflows. Liquidity also include collateral from swap counterparties
 - Issued covered bonds are **Soft-bullet with objective triggers**
 - The regulatory requirement for **overcollateralization** is 5% (from July 2022), and Moody's requirement is 0%
 - Derivatives fully hedge all FX and interest rate on issued covered bonds

Cover pool mortgages of high quality

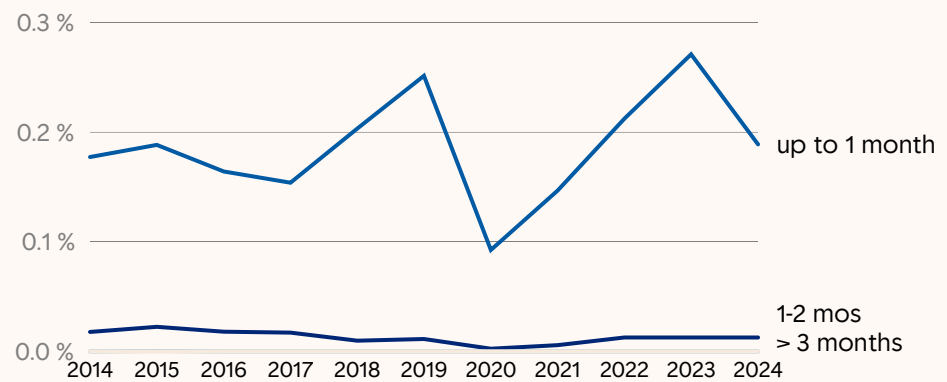
Mortgages current average loan-to-value



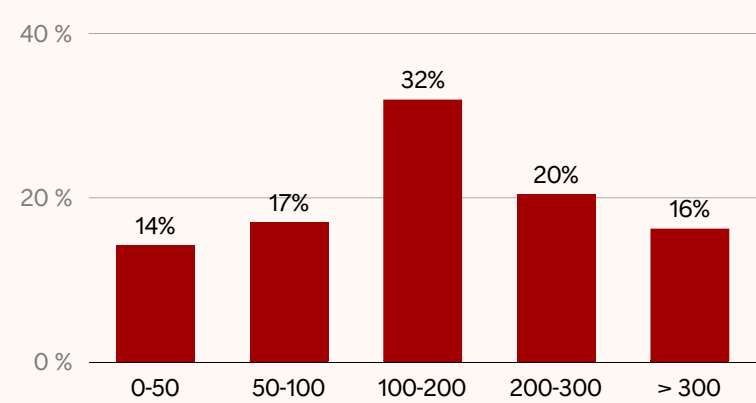
Geographical distribution



Mortgage loan arrears (in pct. of pool balance)

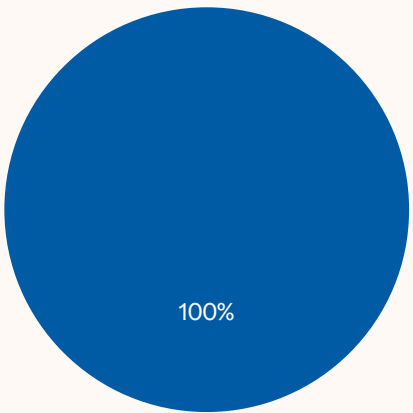


Granularity of mortgages (size, EUR in 1000)



Further cover pool mortgage statistics

Residential occupancy status



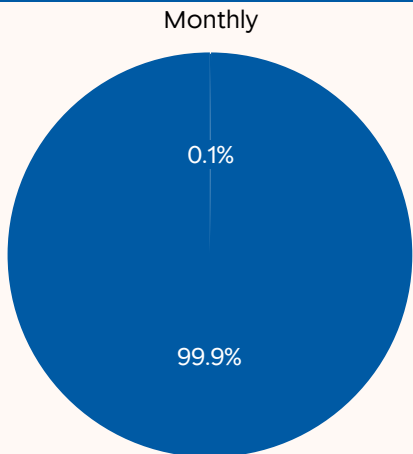
Owner Occupied

Employment status



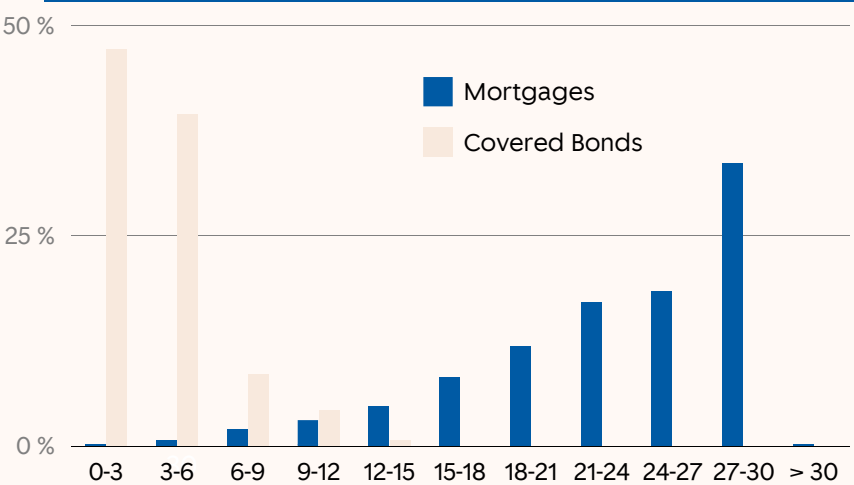
Employed

Mortgage payment frequency



Other

Mortgages and covered bonds remaining tenor (yrs)



Commissions are net interest margin on residential mortgages, paid to the originating SpareBank 1 banks

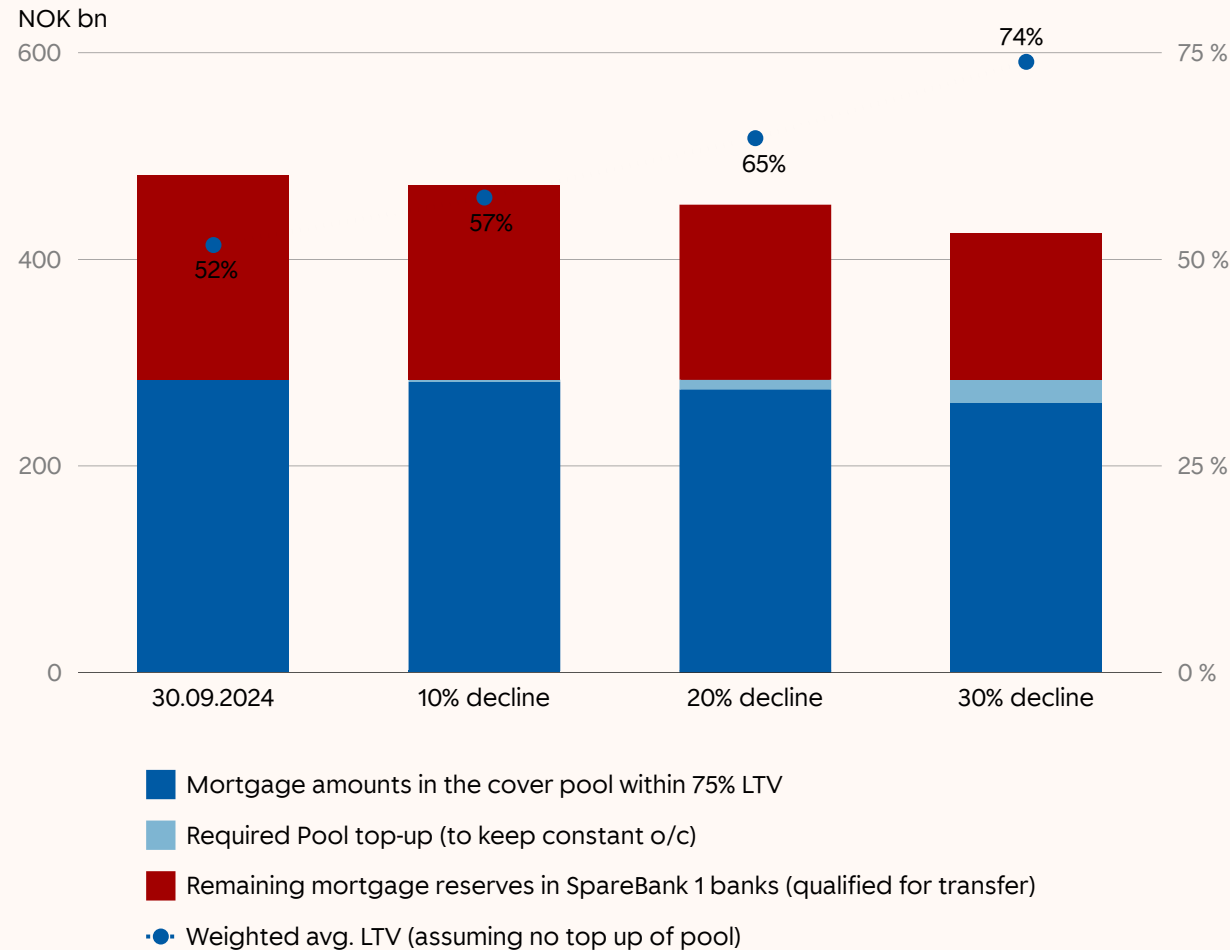


No realized losses, loss provisions are IFRS 9 modelled provisions under assumptions



Boligkreditt P&L			
	01/01/2024	01/01/2023	
NOK 1 000	30/09/2024	30/09/2023	2023
Total interest income	13.520.221	9.888.466	14.075.135
Total interest expenses	(12.015.541)	(8.746.222)	(12.610.685)
Net interest income	1.504.680	1.142.244	1.464.450
Commissions to SpareBank 1 banks	(877.985)	(681.936)	(787.664)
Net commission income	(877.985)	(681.936)	(787.664)
Net gains/losses from financial instrum	61.323	13.830	3.636
Net other operating income	61.323	13.830	3.636
Total operating income	688.018	474.137	680.422
Salaries and other ordinary personnel expens	(12.172)	(13.300)	(14.593)
Other operating expenses	(23.747)	(22.353)	(30.519)
Total operating expenses	(35.919)	(35.653)	(45.112)
Operating result before loan loss provis	652.099	438.484	635.309
Loan loss provisions	(8.474)	(5.349)	(16.016)
Pre-tax operating result	643.625	433.135	619.294
Taxes	(147.550)	(97.033)	(140.025)
Profit/(loss) for the period	496.075	336.102	479.269

Stress testing the cover pool – real estate valuation declines



- In a scenario with declining real estate valuations, an increasing share of mortgages above the 75% 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 need replacing as house prices decline
- The SpareBank 1 mortgage reserve requirement calls for each bank to have non-zero, cover pool qualified, mortgage reserves after a 30% price decline scenario
- The qualified reserve mortgages (red bars) decline as their LTV increase and as the 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

Table of contents

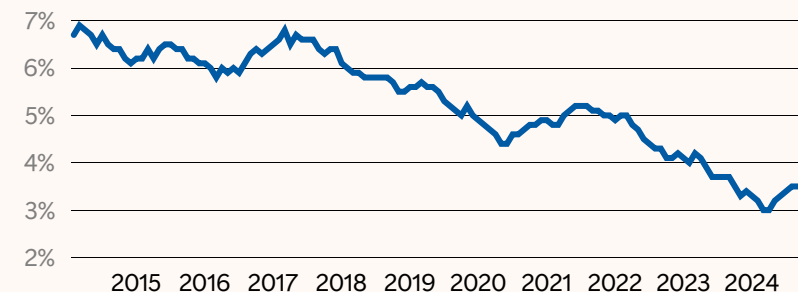
- 1 SpareBank 1 Alliance Overview
- 2 Macroeconomic Overview Norway
- 3 Boligkreditt - Covered Bond Structure
- 4 Residential Real Estate Market
- 5 SpareBank 1 Banks Performance Review
- 6 Covered Bond Funding
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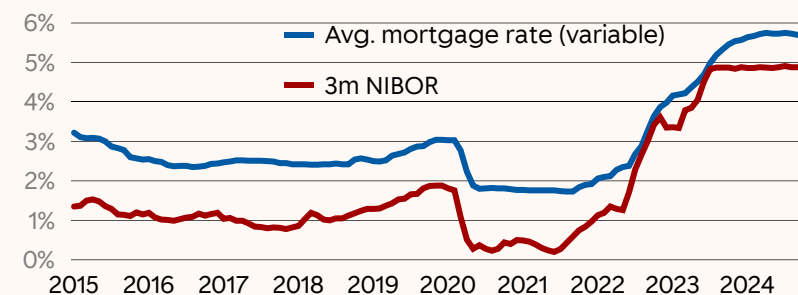
Overview and development

MORTGAGE MARKET	<ul style="list-style-type: none"> Total size approximately NOK 3,800 billion 4Q 2023 (€350 bn) Private banks are the dominant suppliers of mortgages Scheduled repayment mortgages: ca.85% Typical maturity: 25 years First priority security market, thorough documentation
HOME OWNERSHIP	<ul style="list-style-type: none"> Over 82% of household's owner occupied Between 50 and 60% are detached one-family houses
SOCIAL SAFETY	<ul style="list-style-type: none"> Unemployment benefits represents ca 60% of salary for 2 years
PERSONAL LIABILITY	<ul style="list-style-type: none"> Borrowers are personally liable for their debt Swift foreclosure regime upon non-payment Transparent information about borrowers (national debt registry)
MORTGAGE MARKET REGULATION	<ul style="list-style-type: none"> Loan to value: 85% (75% legal limit for cover pool) Flexible repayment mortgages: max 60% LTV 3% mortgage interest rate increase as stress test (prior 2023; 5%) Maximum 5x debt / gross income for borrowers Repayment minimum 2.5% p.a. when LTV > 60% Exemptions 10% / 8% for Oslo
INTEREST PAYMENTS	<ul style="list-style-type: none"> 95% of mortgages are variable rate Interest rates can be reset at the banks's discretion, by giving the debtor 6 weeks' notice
TAX	<ul style="list-style-type: none"> 22% of interest paid is tax deductible (equal to the basic rate of tax) Owner occupied residence at 25% of market value for wealth tax

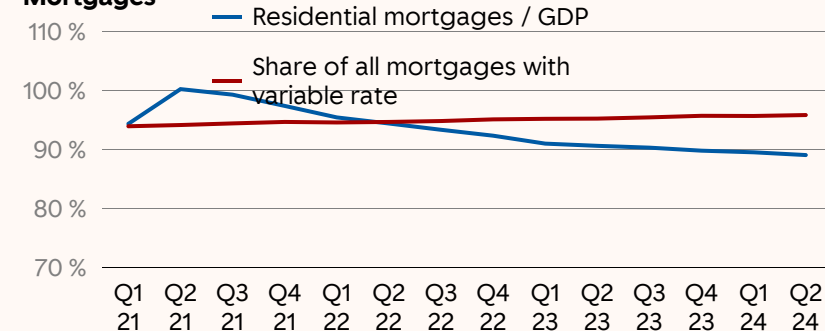
12 month credit growth rate household sector



Interest rates



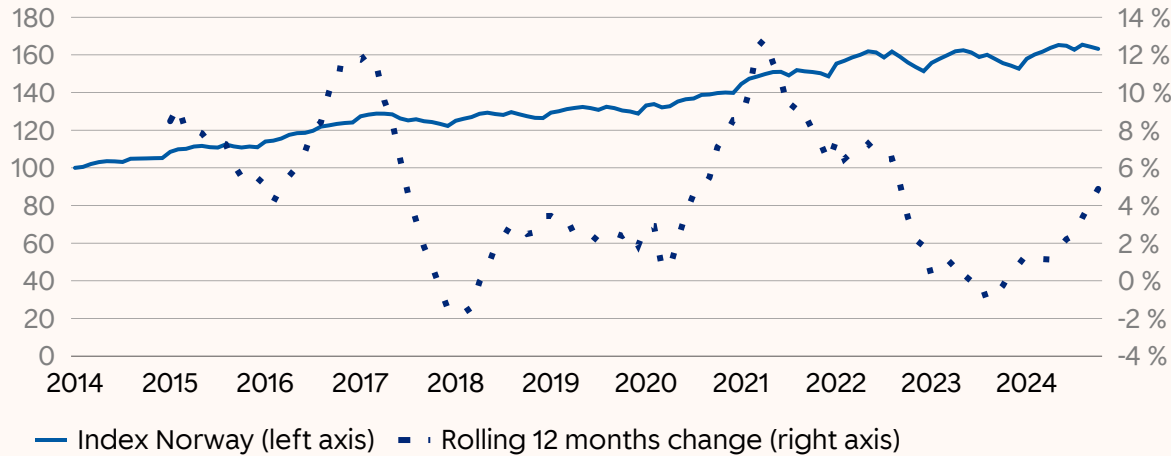
Mortgages



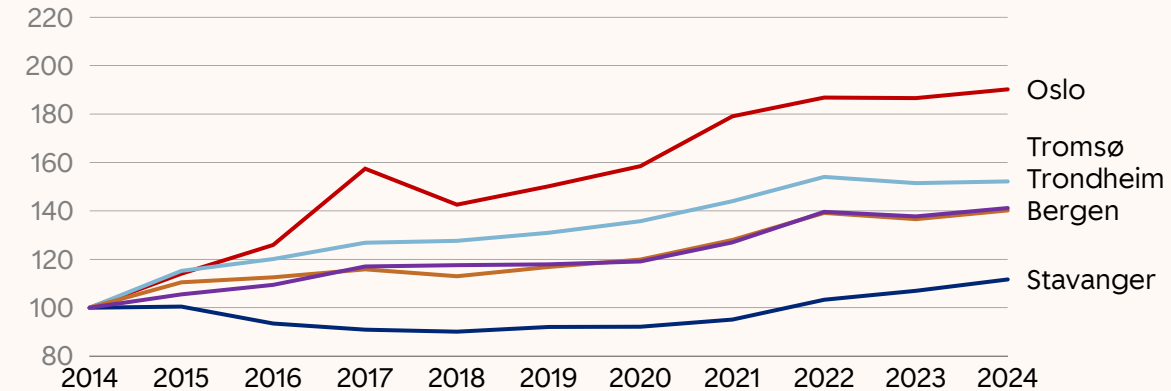
RESIDENTIAL REAL ESTATE MARKET

Price development

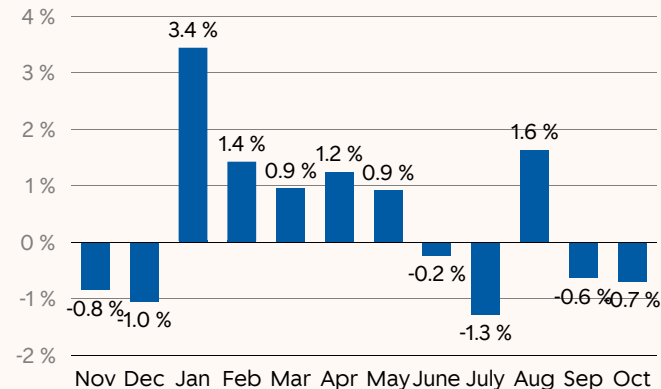
Residential real estate price index (Jan. 2014=100)



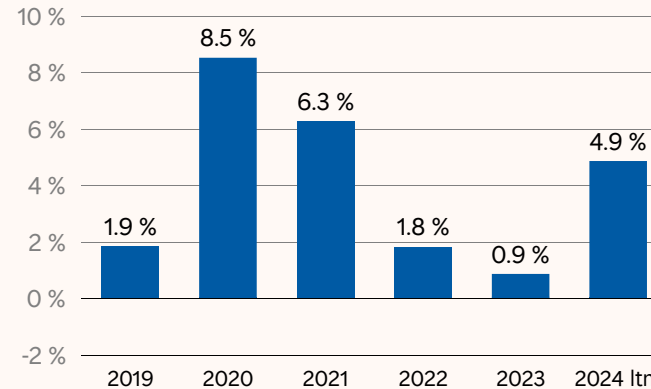
Indexes of the largest cities (Jan. 2014=100)



Norwegian index change the last twelve months



Norwegian index change last years

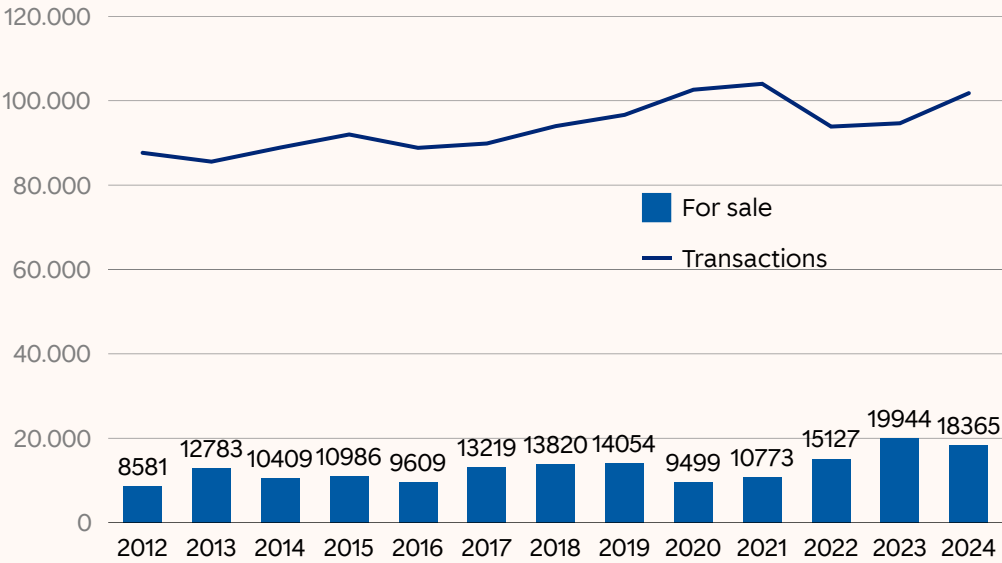


- Regulatory rules for lending to households apply
- The market has shown strength through the Corona crisis, due to lower interest rates
- Drivers are population growth and new construction, urbanization, income growth and the jobs market and interest rates

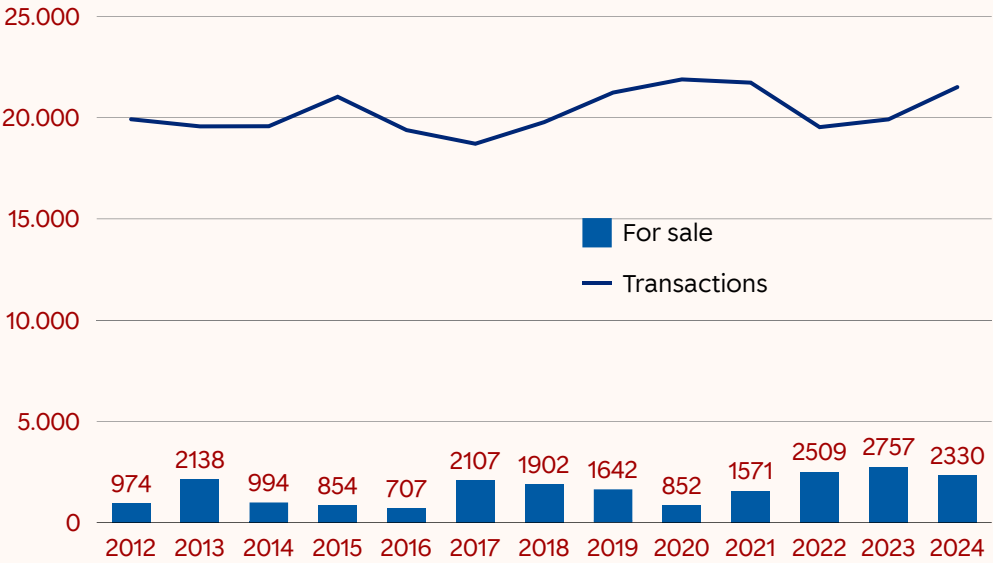
RESIDENTIAL REAL ESTATE MARKET

Transactions and inventory

All Norway



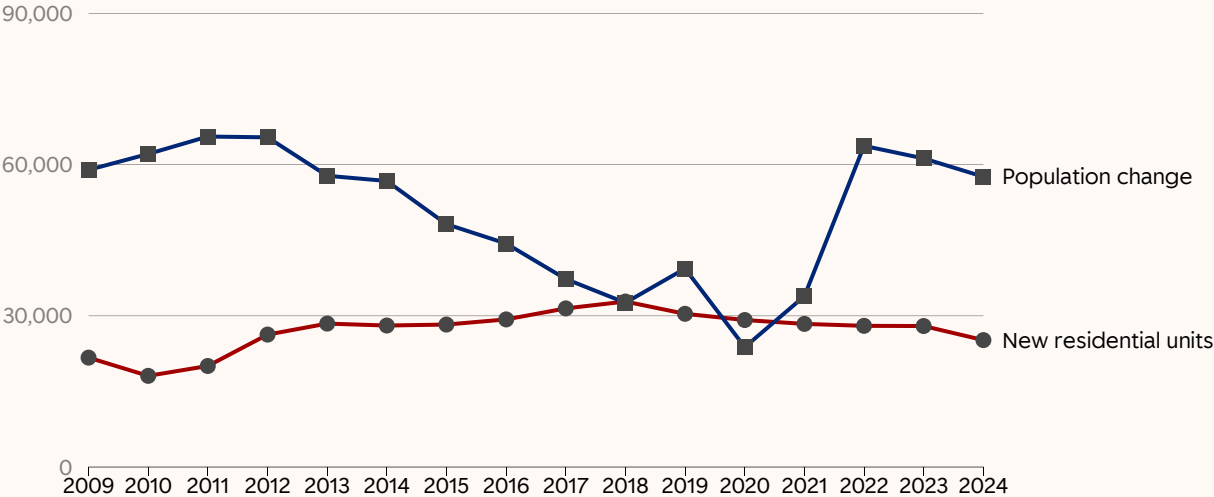
City of Oslo



- The charts display the number of transactions of residential units
 - Transactions: sum over the last twelve months
 - For sale: cumulative – an unsold unit offered for sale is counted for 180 days

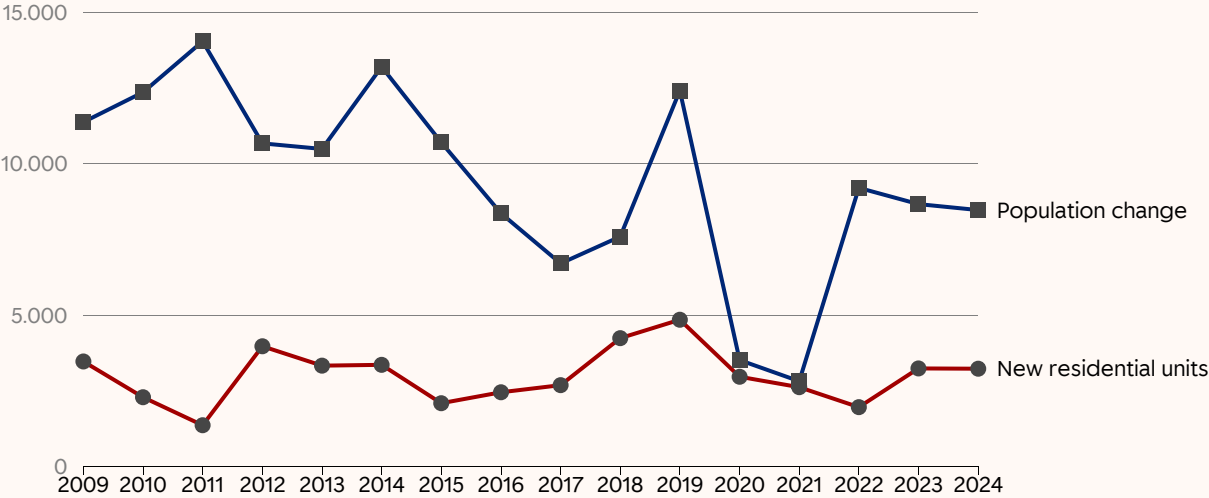
New builds and population change

All Norway

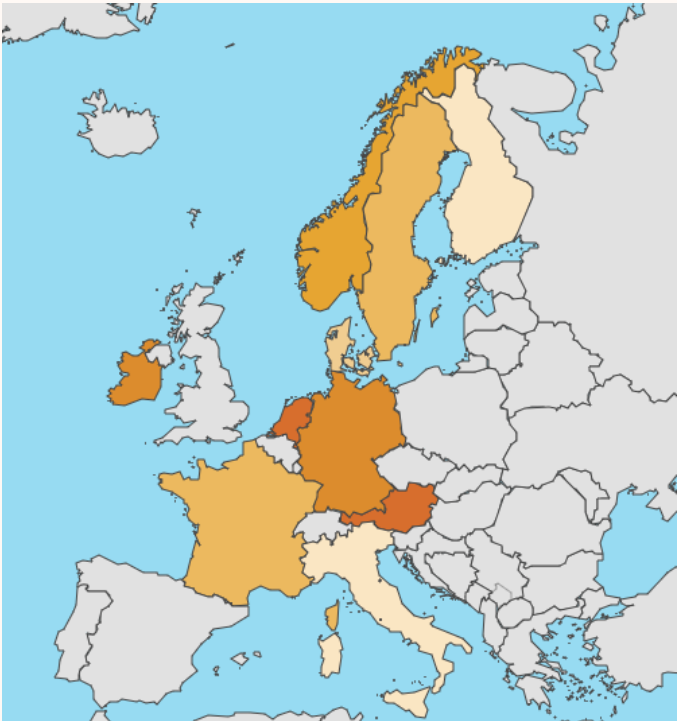
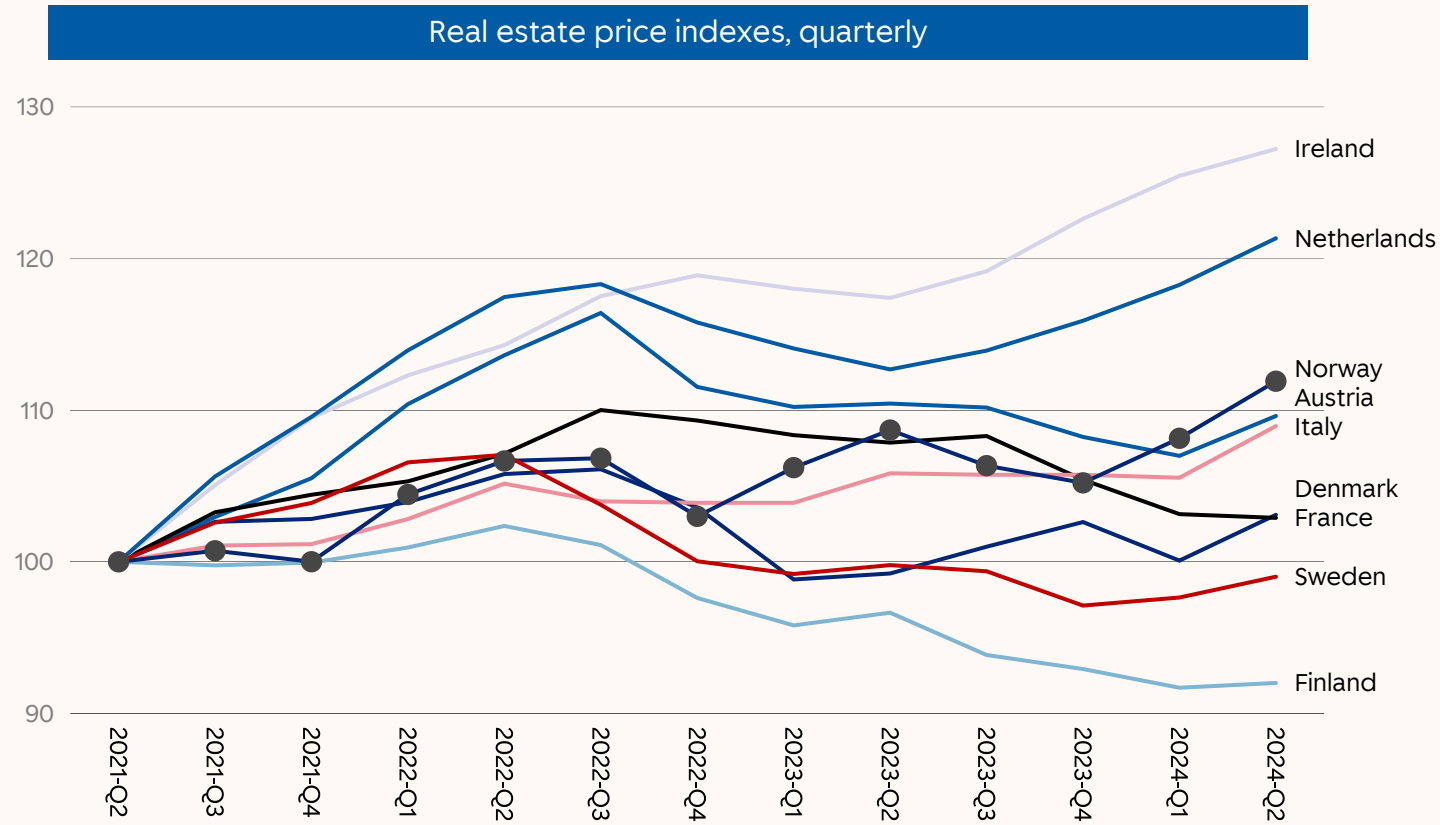


- Population increases are mainly driven by immigration
- New construction is low in comparison to the requirement, driving prices in central locations upwards
- The relatively low new builds influences the pricing on the market for used homes upwards

Oslo

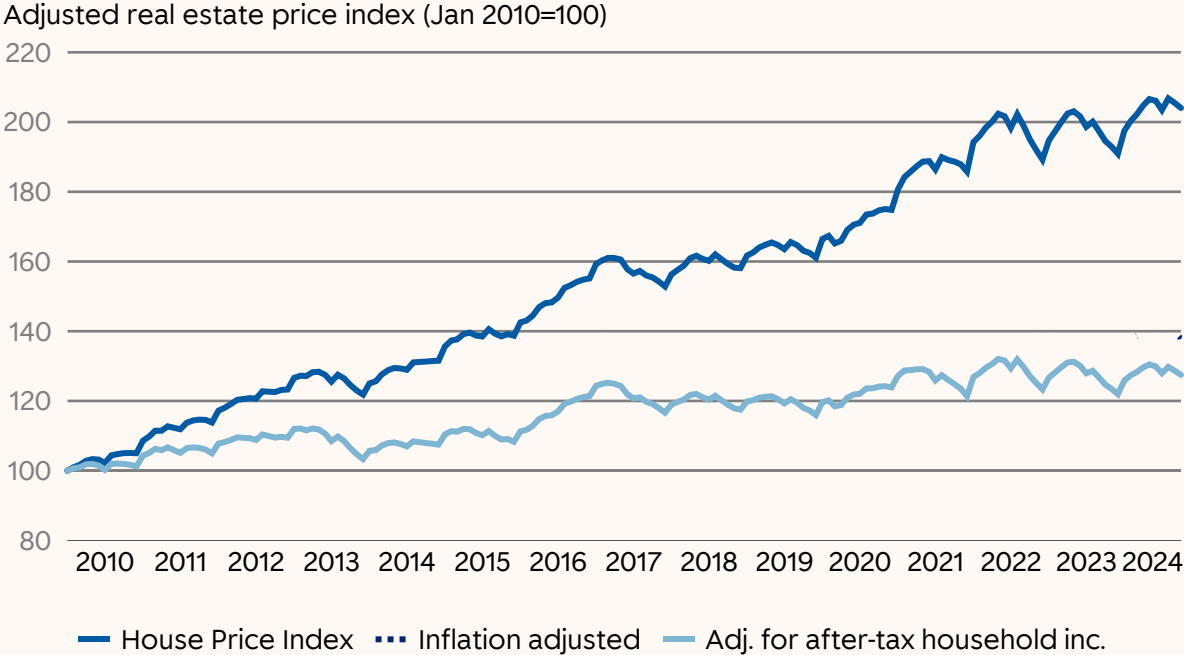


Price development international comparison

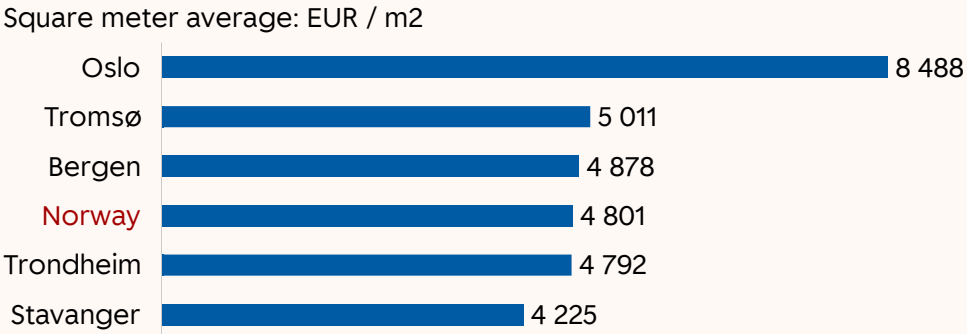
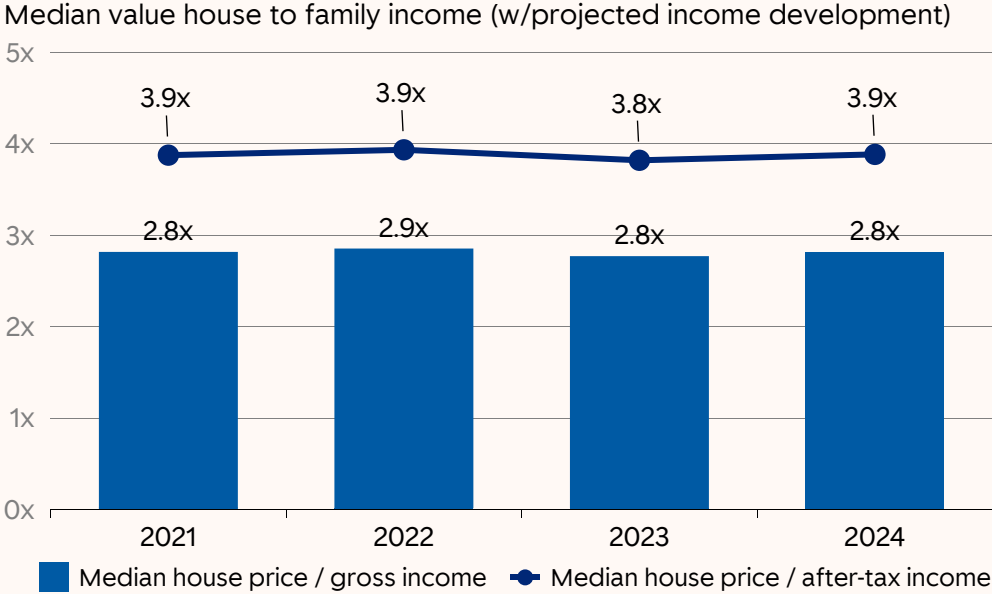


RESIDENTIAL REAL ESTATE MARKET

Affordability

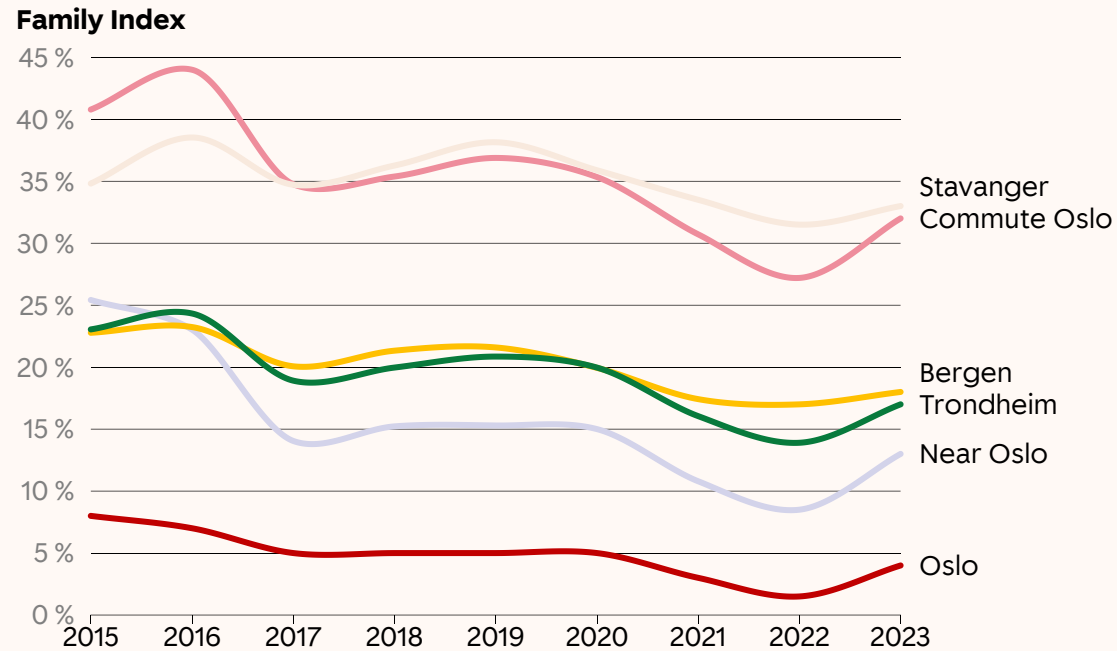


- Average house prices for Norway, as adjusted by HH after-tax income have increased since 2010, but remained flat since 2016/2017.
- Drivers of the increase is primarily the price development in Oslo, but also new building standards



RESIDENTIAL REAL ESTATE MARKET

Affordability

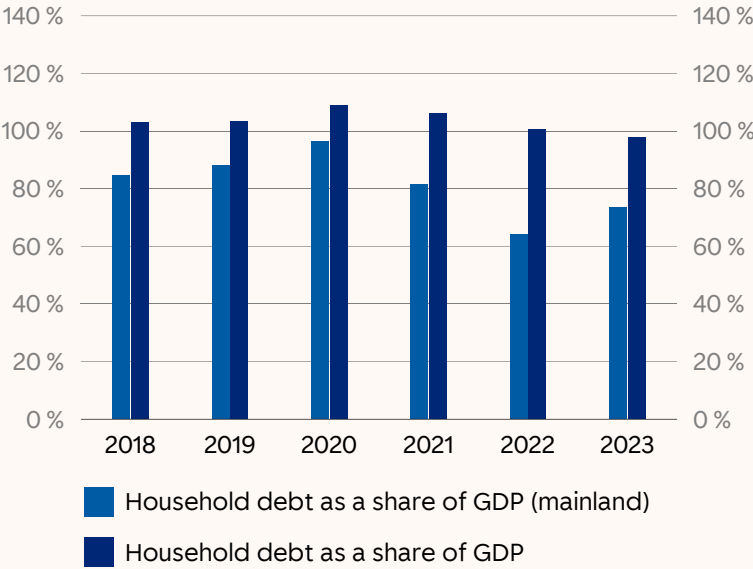


- The Family index shows which share of residential units are offered for sale that are affordable for a “standard” family
- It is based on a “normal” working household income with children and current mortgage market lending regulations
- Oslo has very few possibilities, but Commute Oslo is 30-40 min train commute from the city centre
- From 2023 the regulatory interest stress test is reduced, allowing for more purchasing possibilities

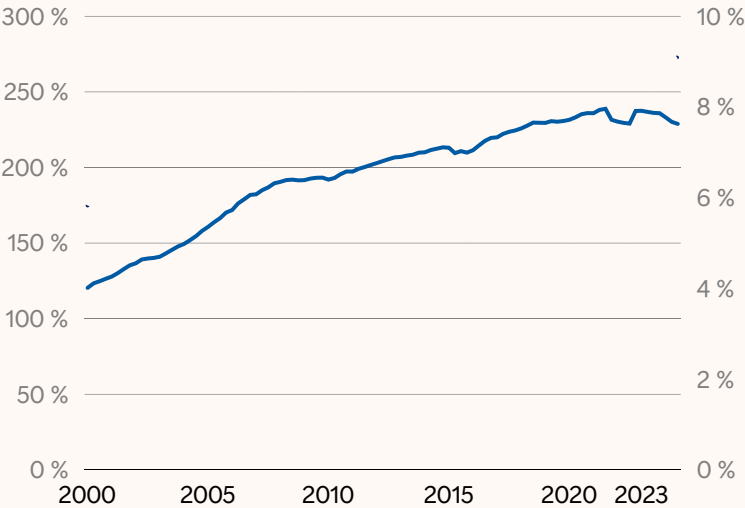
RESIDENTIAL REAL ESTATE MARKET

Household Sector Debt

Household debt



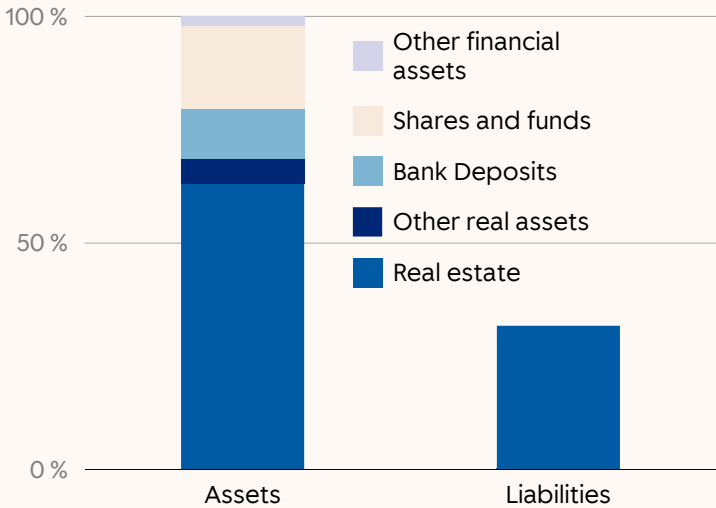
Household debt to disp. income



— Debt / income after tax and interest payments (left axis)
.... Interest / after-tax income (right axis)

* Disposable income is after tax and interest payments

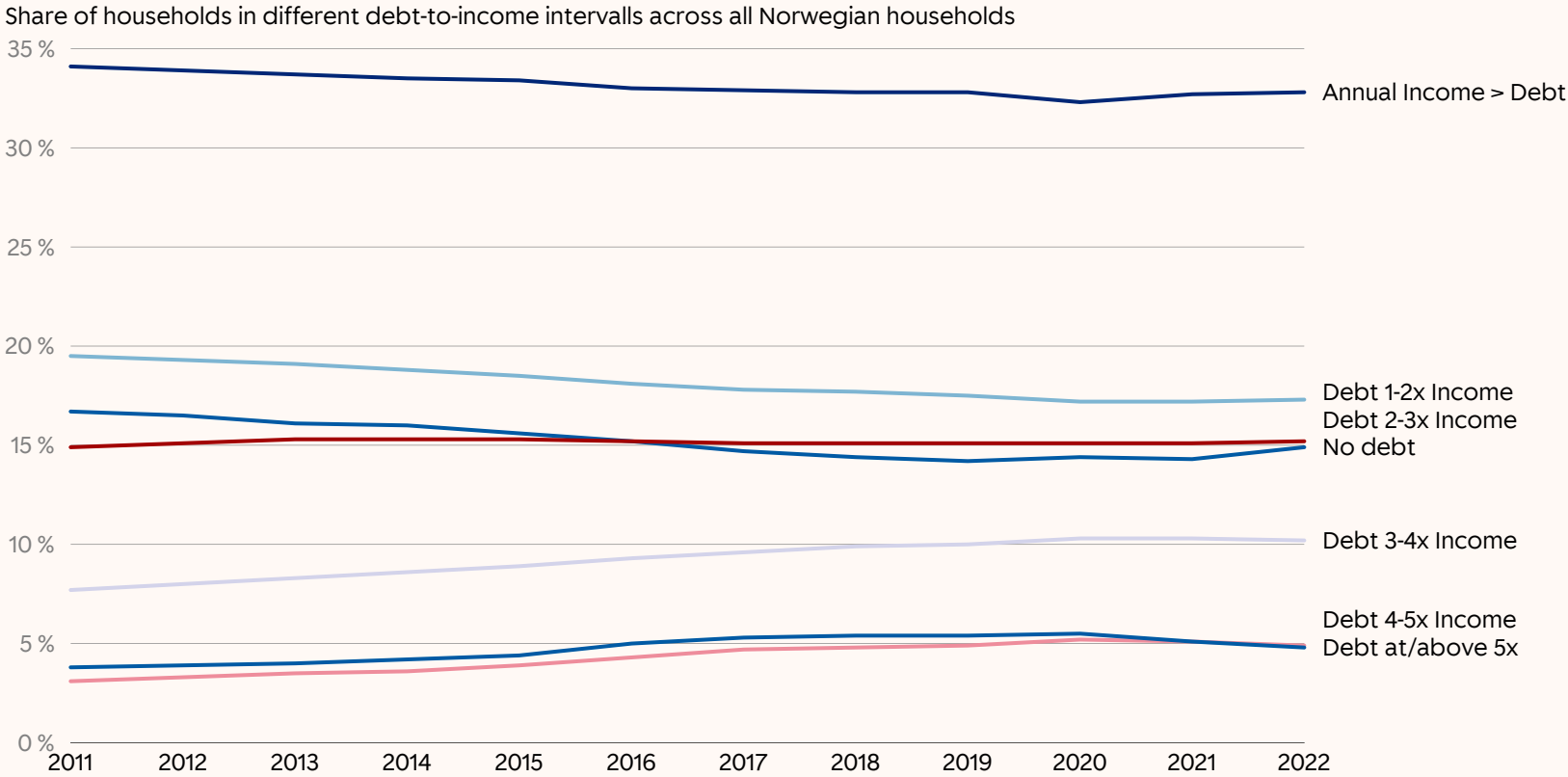
Household assets and debt (excl. pension assets) 2022



Assets do not include any pension claims

RESIDENTIAL REAL ESTATE MARKET

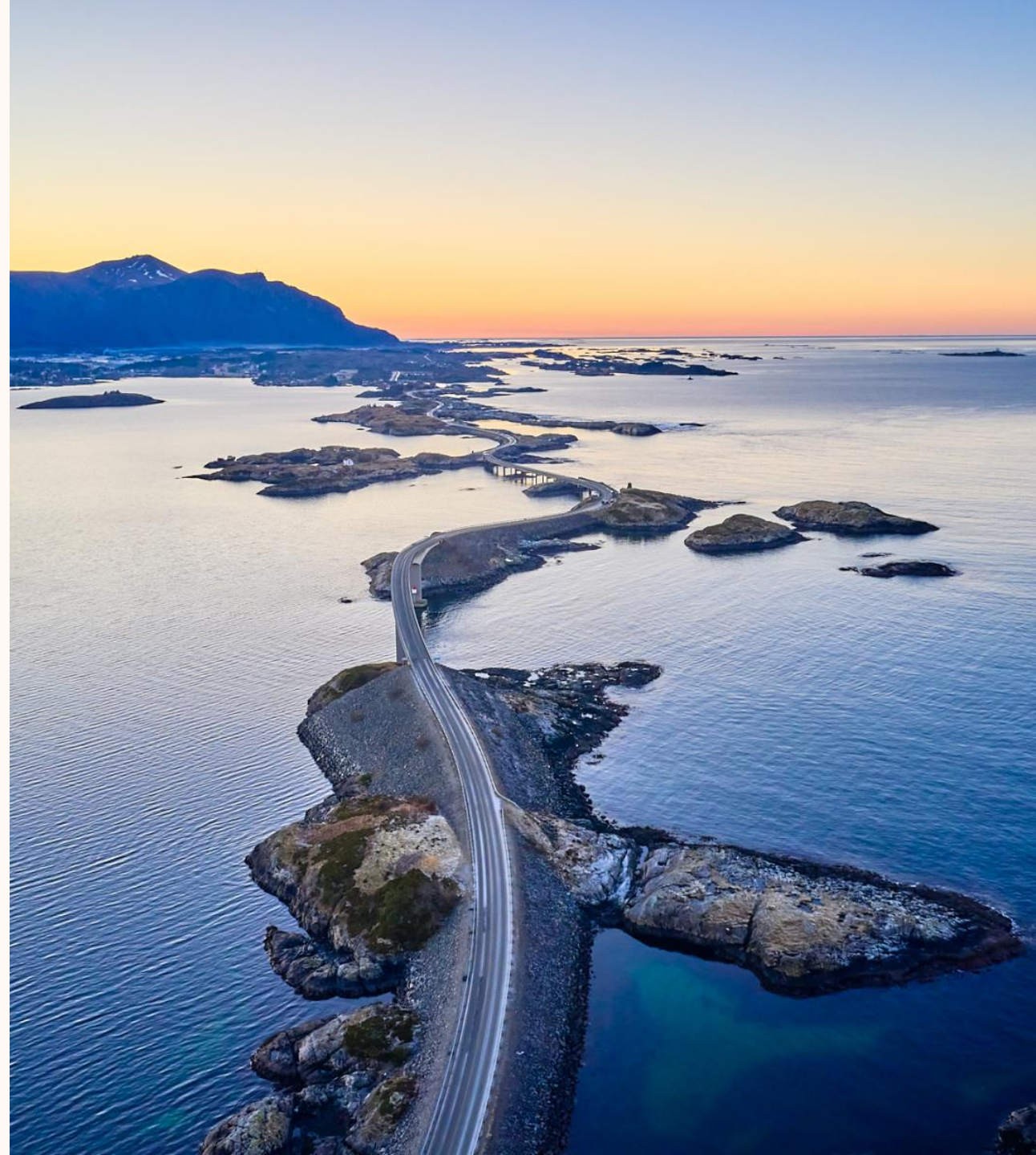
Household Sector Debt



- In 2022 households without debt and debt < income grew from 2021
- Also in 2022, the share of highly indebted households declined
- This data is updated annually in December for the previous year

Table of contents

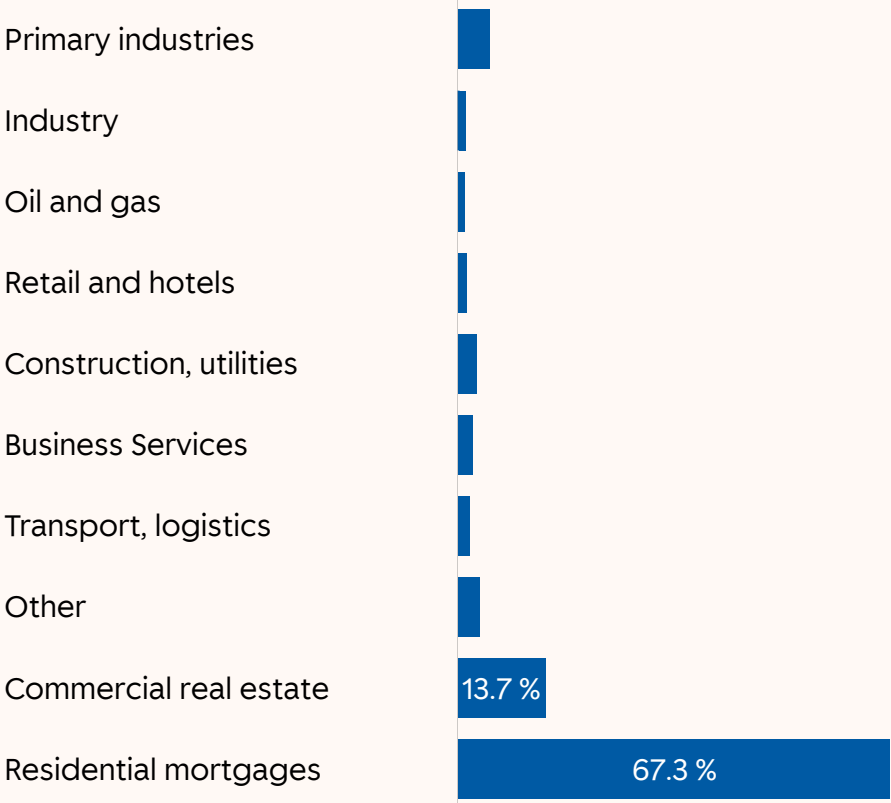
- 1 SpareBank 1 Alliance Overview
- 2 Macroeconomic Overview Norway
- 3 Boligkreditt - Covered Bond Structure
- 4 Residential Real Estate Market
- 5 SpareBank 1 Banks Performance Review**
- 6 Covered Bond Funding
- 7 Appendix I: Green Covered Bonds



SPAREBANK 1 ALLIANCE BANKS

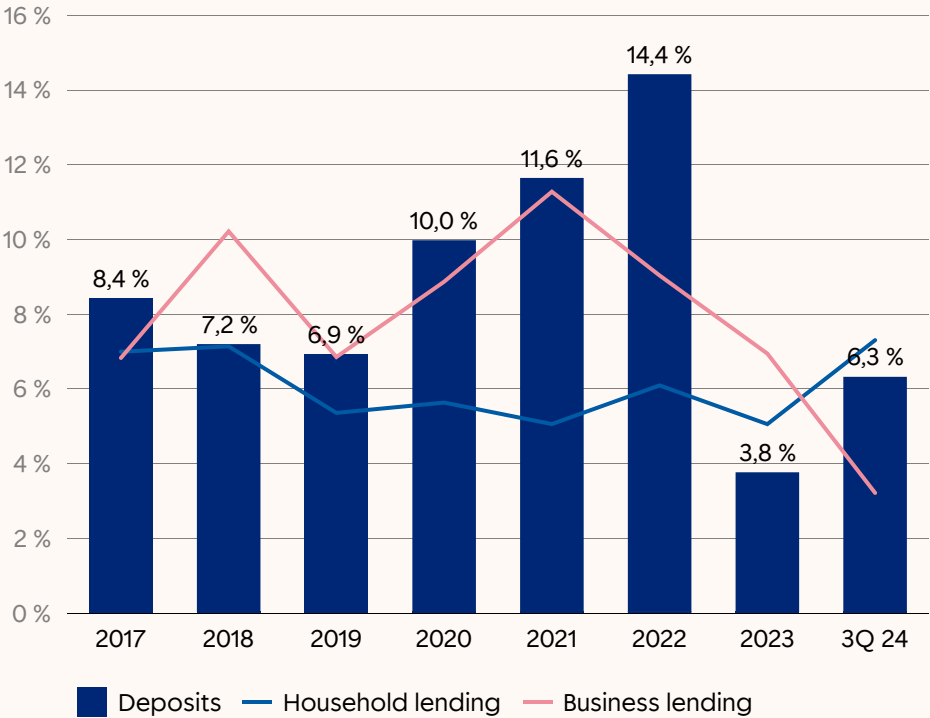
Balance Sheet

Aggregated SpareBank 1 lending



Source: SpareBank 1 Banks financial reporting

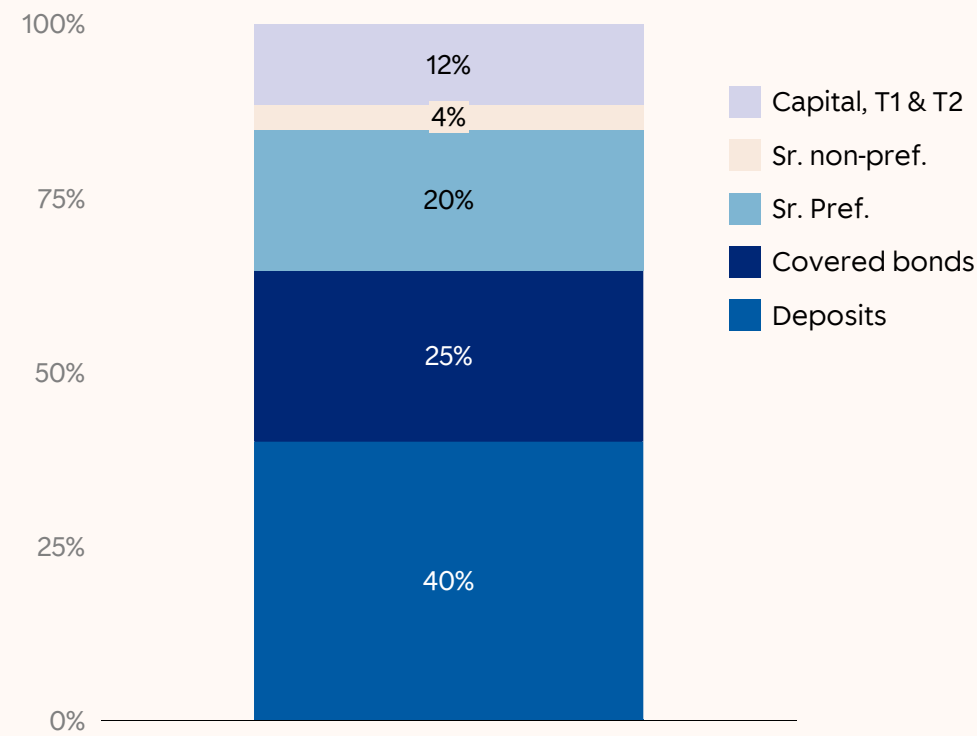
Aggregated SpareBank 1 lending and deposit growth



Partial year periods are annualized

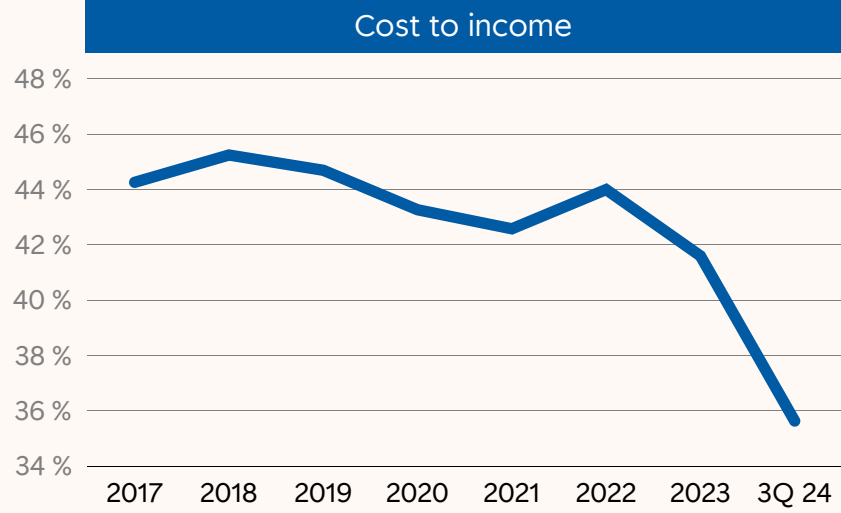
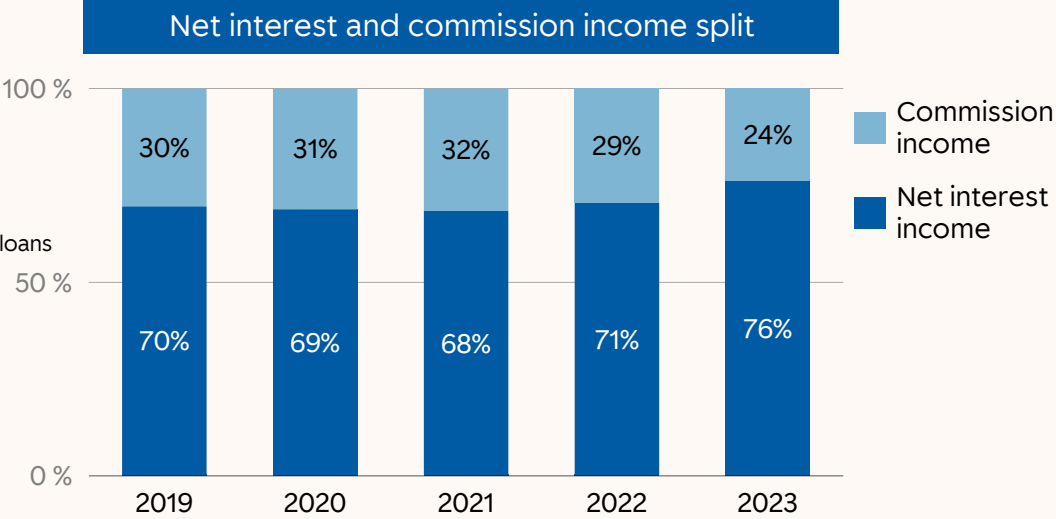
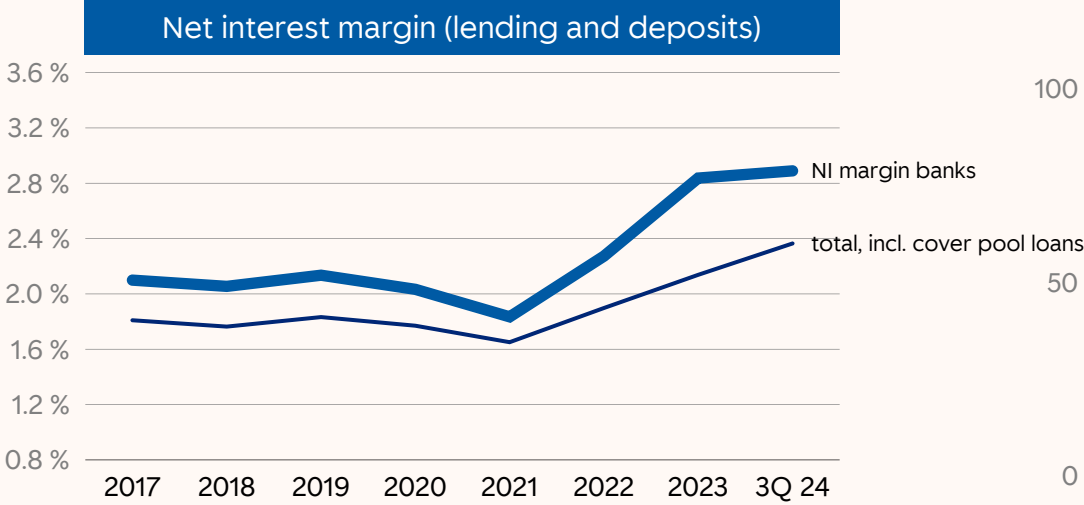
Financing of the SpareBank 1 banks

Liabilities and capital of SpareBank 1, 2Q 2024



SPAREBANK 1 ALLIANCE BANKS

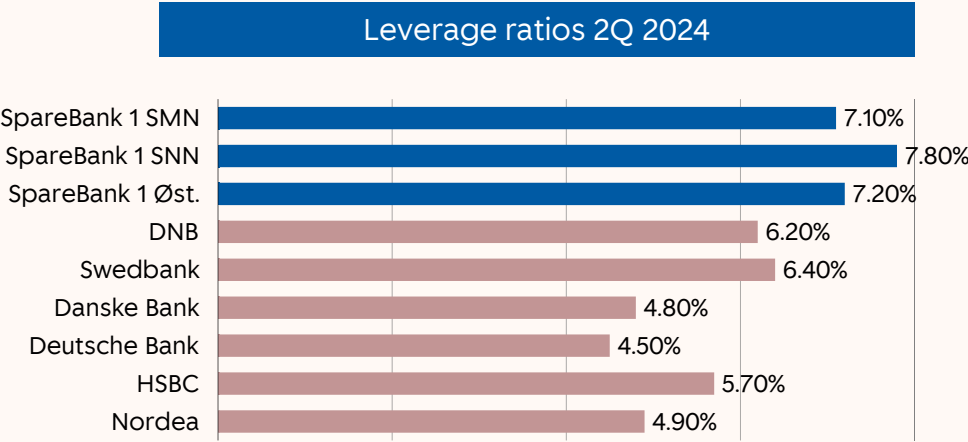
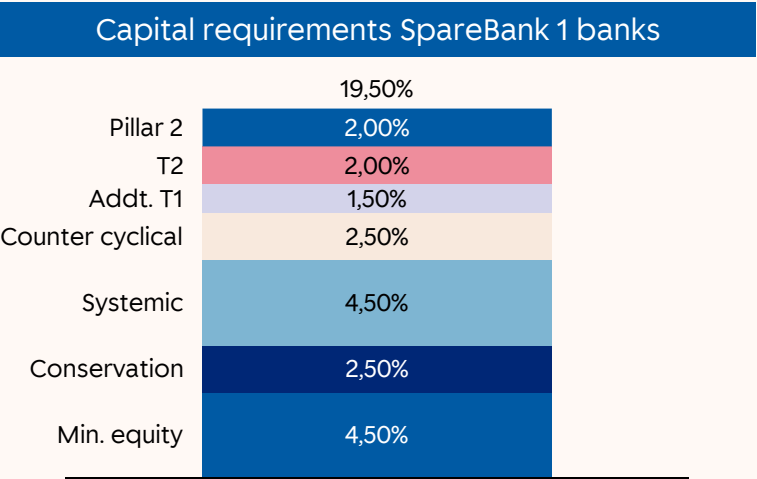
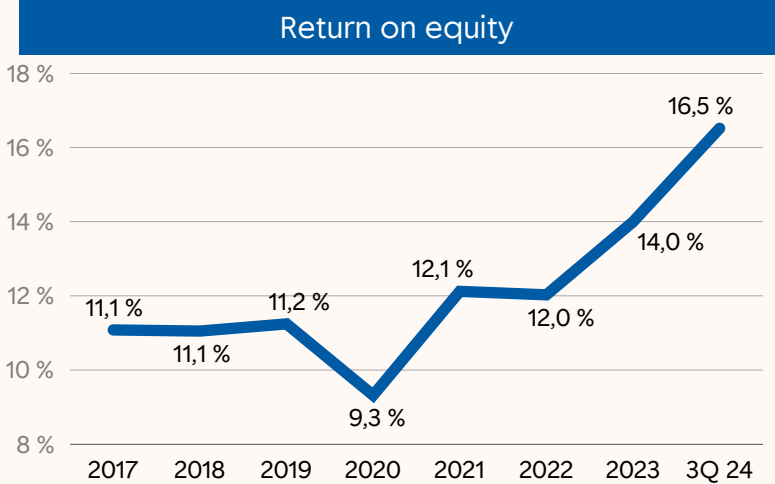
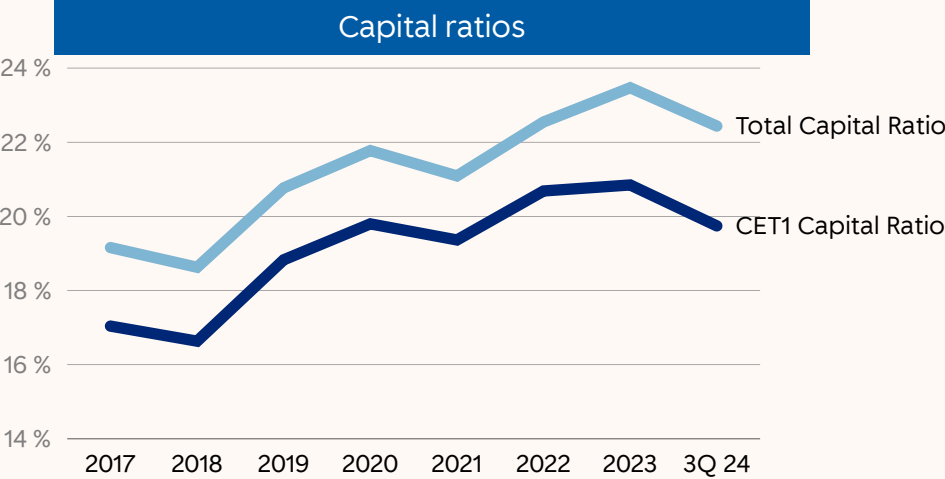
Income and costs



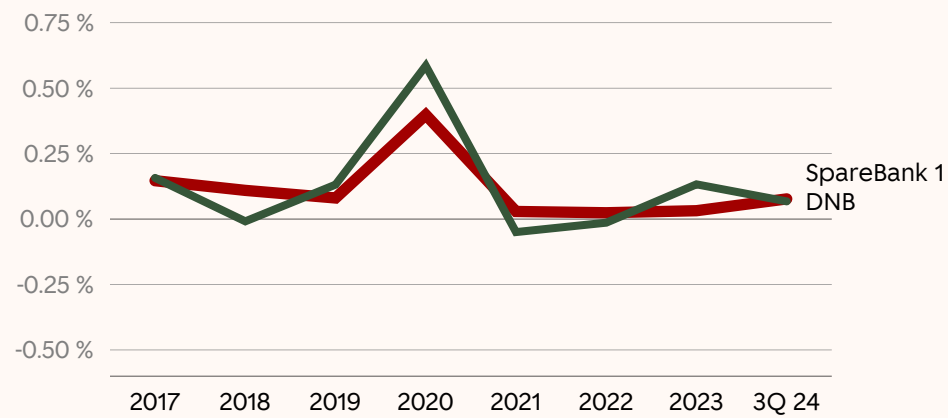
- Commission (non-lending) income comes from:
- Property and casualty insurance
 - Savings products and mutual funds
 - Real estate agency
 - Accountancy services
 - Markets (SpareBank 1 Markets)
 - Credit cards

SPAREBANK 1 ALLIANCE BANKS

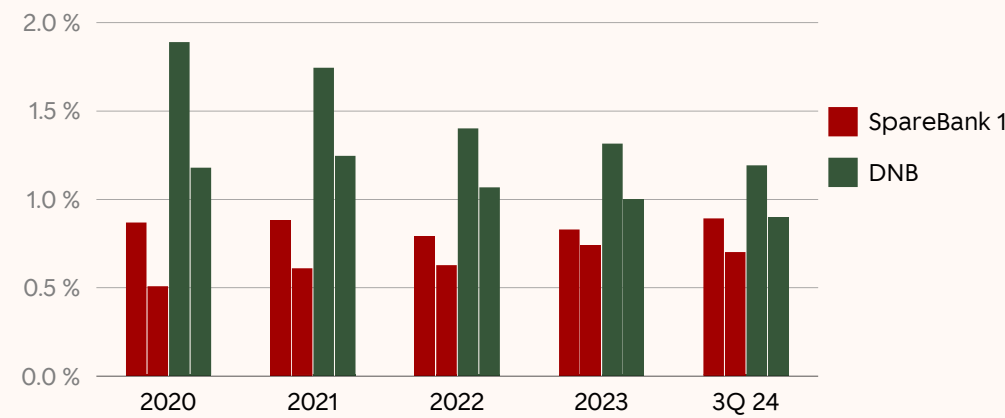
Capital and return



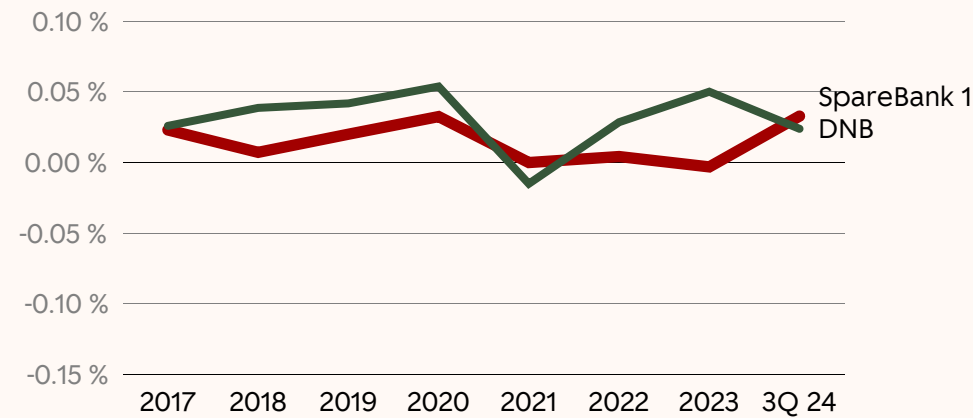
Loan P&L write down charge: all lending ⁽¹⁾



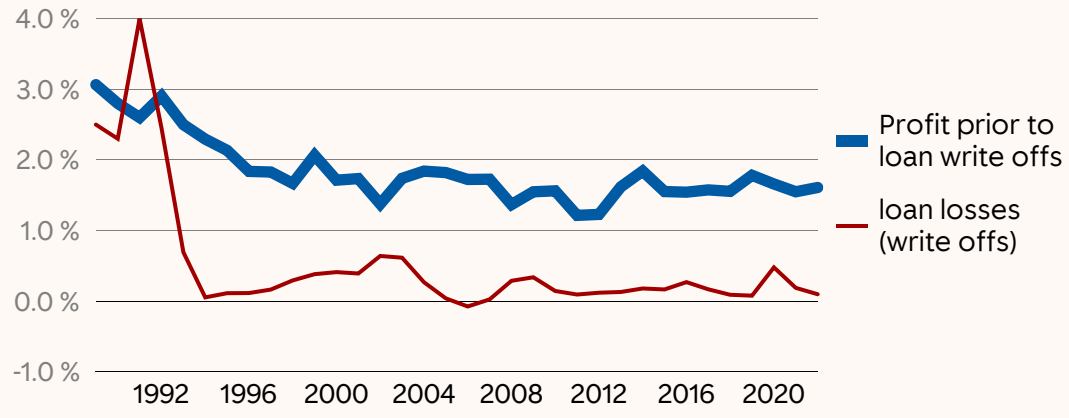
IFRS 9, Stage 3 of all lending (NPL): gross and net



Loan P&L write down: lending to households ⁽¹⁾



SpareBank 1 pre-loss results vs. credit charge



Balance sheet size and key figures

As of December 31, 2023

Figures in NOK mill.

	SpareBank 1 SMN	SpareBank 1 SNN	SpareBank 1 Østlandet	SpareBank 1 SR	SpareBank 1 Sørøst	All other SB1 banks	Alliance Aggregate
Moody's Issuer/sr. rating	Aa3	Aa3	Aa3	Aa3	Aa3	NR	
Total assets (incl. covered bond loans)	299,184	172,787	241,297	362,186	122,345	288,559	1,611,358
Gross loans	236,329	145,742	198,645	272,001	105,204	248,811	1,206,732
of which used in covered bonds	66,467	44,649	64,964	94,300	32,342	79,661	382,383
Deposits	132,888	83,659	106,535	149,076	55,184	131,663	659,005
NPLs	1,730	668	1,685	2,122	552	1,870	8,627
CET 1 Equity	28,597	17,190	20,660	33,561	13,050	28,537	141,595
CET 1 ratio	20.8 %	18.9 %	18.8 %	19.7 %	20.2 %	19.3 %	19.7 %
Total capital ratio	23.0 %	21.4 %	19.9 %	21.6 %	21.8 %	21.3 %	21.6 %
NPL ratio	0.7 %	0.5 %	0.8 %	0.8 %	0.5 %	0.8 %	0.7 %
Cost to income ratio	45.0 %	36.0 %	45.8 %	37.7 %	44.6 %	37.2 %	40.7 %
RoE	14.4 %	16.4 %	11.3 %	15.3 %	10.2 %	11.0 %	15.8 %

Notes

1. Covered bonds are issued through the Alliance's banks SpareBank 1 Boligkreditt and SpareBank 1 Naeringskreditt.

The exception is SR bank, which uses its own issuer.

2. NPL means loans in Stage 3, IFRS 9, which include payment defaulted and loans at risk of default

3. The ratios in the All other SB1 banks column are weighted averages

SpareBank 1 Banks equity total return



Results of the regional savings banks (SpareBank 1 Alliance banks) performance due to:

- Continued improvements in cost efficiencies (low cost to income)
 - Fewer bank branch employees, more customer interaction via technology
 - Number of bank physical branch offices reduced
 - Saving banks are consolidating
- No expansion – or failed expansions – outside of Norway
- Well capitalized banks
 - Pursuing core business
 - Offering full palate of financial services to the customer base
 - Sufficient capacity to cover potential losses – and low actual losses
- A strong Norwegian economy with credit growth, low bank losses and increased asset (real estate) values

Table of contents

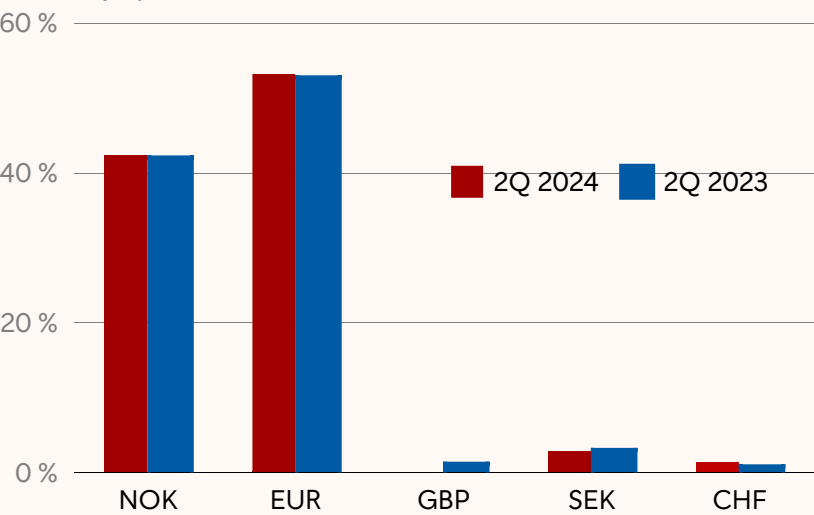
- | | |
|---|---------------------------------------|
| 1 | SpareBank 1 Alliance Overview |
| 2 | Macroeconomic Overview Norway |
| 3 | Boligkreditt - Covered Bond Structure |
| 4 | Residential Real Estate Market |
| 5 | SpareBank 1 Banks Performance Review |
| 6 | Covered Bond Funding |
| 7 | Appendix I: Green Covered Bonds |



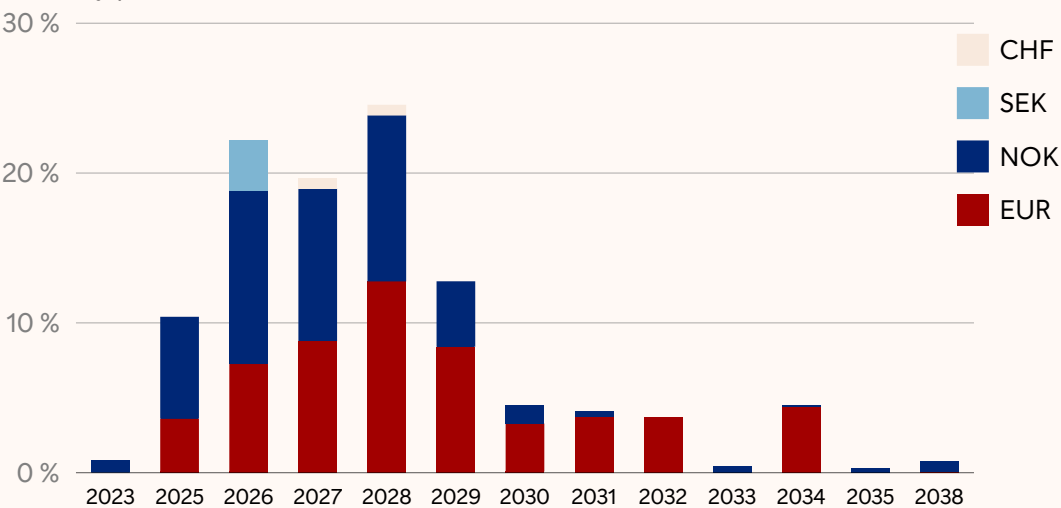
COVERED BOND FUNDING

SpareBank 1 Boligkreditt Covered Bonds

Currency split



Maturity profile



Further information at spabol.no

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[Issued Covered Bonds](#) [Cover Pool Statistics](#) [Financial Reports](#) [Green Bonds](#) [Programme Documents](#)

Issued Covered Bonds

SpaBol benchmark covered bonds (excl. NOK)

Number	Issue date	Size (mill.)	Tenor (years)	Maturity date	Coupon	Spread at issuance	Green Bond
EUR						Mid swaps+ bps	
1	Aug 2016	1,000	10	30.08.2026	0.25%	4	
2	Jan 2018	1,000	7	30.01.2025	0.50%	-6	✓
3	Jan 2019	1,250	10	30.01.2029	1.0 %	23	
4	May 2019	1,000	7	14.05.2026	0.125 %	2	
5	Nov 2019	1,000	10	05.11.2029	0.125 %	10	
6	Sept 2020	1,000	7	22.09.2027	0.10%	7	✓
7	May 2021	1,000	10	12.05.2031	0.125 %	3	
8	Nov 2021	1,000	7	03.11.2028	0.05%	3	
9	Jan 2022	1,250	6	20.01.2028	0.125%	0	
10	May 2022	1,000	10	11.05.2032	1.75%	11	
11	Aug 2022	1,250	4.75	25.05.2027	1.75%	9	
12	May 2023	750	7	19.05.2030	3.00%	25	✓
13	Oct 2023	1,000	4.75	31.07.2028	3.625%	36	
14	May 2024	1,000	10	14.05.2034	3.0%	36	
15	Aug 2024	1,000	5	03.09.2029	2.75%	26	
SEK						STIBOR + bps	
15	June 2020	8,500	5	02.06.2025	Stibor + 75 bps	35	✓
16	Oct 2024	300	13	16.10.2037	3.05%	47	
CHF						Mid swaps+ bps	
17	March 2022	210	5	06.04.2027	0.5075%	15	
18	Oct 2023	160	5	23.10.2028	1.8675%	18	

SpaBol NOK covered

Number	Issue date	Size (mill.)	Tenor (years)	Maturity date	Coupon
NOK FRN					3M NIBOR +
1	Aug 2019	12,200	6	15.05.2024	0.24%
2	Feb 2020	18,120	5	17.02.2025	0.25%
3	Nov 2021	24,450	4.25	19.01.2026	0.75%
4	Apr 2022	16,150	5	15.03.2027	0.38%
5	Sept 2022	9,870	5	26.09.2027	0.58%
6	Jan 2023	12,400	5.25	13.03.2028	0.48%
7	Sept 2023	10,600	5	05.09.2028	0.56%
8	Jan 2024	8,800	5	19.03.2029	0.53%
9	Oct 2024	8,000	5	30.10.2029	0.39%
NOK fixed rate					
1	Nov 2011	1,650	15	05.10.2026	4.75%
2	Mar 2016	3,300	12	22.06.2028	2.38%
3	Nov 2016	5,000	10	25.11.2026	2.10%
5	Oct 2019	2,850	11	23.10.2029	2.10%
6	Feb 2021	1,000	10	19.02.2031	1.73%
7	Feb 2022	250	12	16.02.2034	2.50%
8	Feb 2023	1,250	10	14.02.2033	3.45%
9	May 2023	3,250	7	29.11.2030	4.00%
11	June 2023	800	15	22.06.2038	3.92%
12	Oct 2023	1,000	15	05.10.2038	4.40%

COVERED BOND FUNDING

SpaBol NOK covered bonds

- Bonds are regularly tapped to target LCR cat. 1 size
- Floating and fixed series available
- Maturity profile NOK covered outstanding:

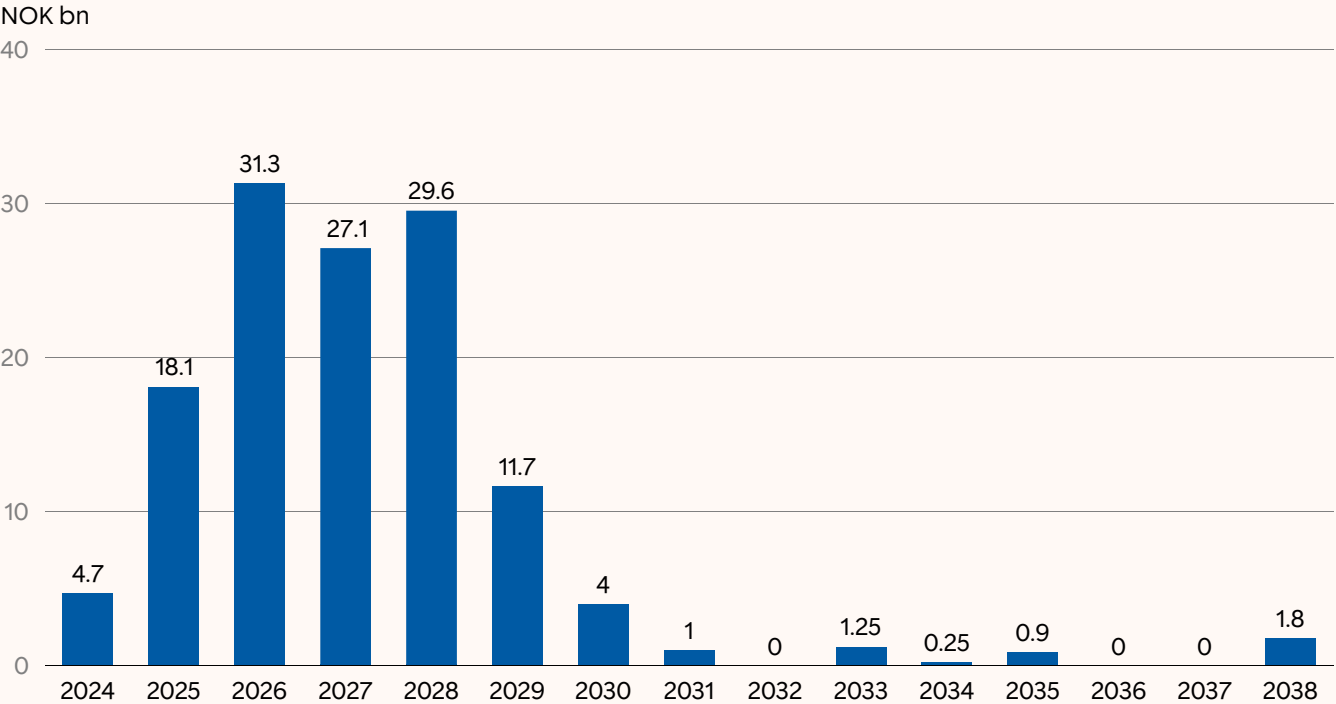


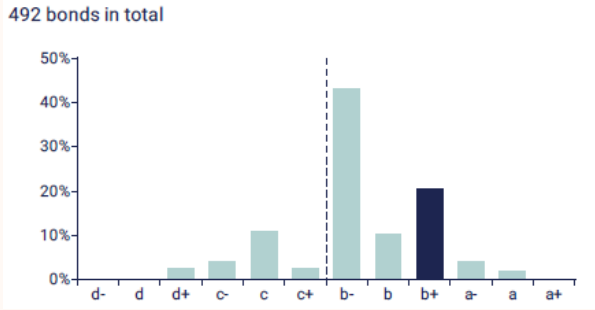
Table of contents

- | | |
|---|---------------------------------------|
| 1 | SpareBank 1 Alliance Overview |
| 2 | Macroeconomic Overview Norway |
| 3 | Boligkreditt - Covered Bond Structure |
| 4 | Residential Real Estate Market |
| 5 | SpareBank 1 Banks Performance Review |
| 6 | Covered Bond Funding |
| 7 | Appendix I: Green Covered Bonds |



SpareBank 1 Boligkreditt Green Bond Rating

ISS – Oekom Green Bond Rating



Strengths and Weaknesses

- + clear and conclusive eligibility criteria
- + comprehensive external assurance of bond framework
- + reasonable structures for the management of proceeds
- + clear sustainability strategy of the issuer
- no comprehensive approach regarding specific social risks of residential mortgages

Moody's Green Bond Rating

Green Bond Assessment - January 2018 issuance

Summary analysis



ESG in the SpareBank 1 banks



- ESG is an important strategic focus in the banks' business, driven by dedicated teams and is inclusive in the credit modelling and lending decision process
- SpareBank 1 Banks are foundational members of the **UN Environmental Programme Principles of Responsible banking** (which implements the Paris Agreement in the financial industry) and of the **UN Global Compact** (which targets the overall UN sustainability goals)
- SpareBank 1 Banks have created climate accounts (Scope 1-3) and have set goals
- SpareBank 1 banks are offering green mortgages to customers, are issuing green senior bonds and are working with SpaBol regarding green covered bonds

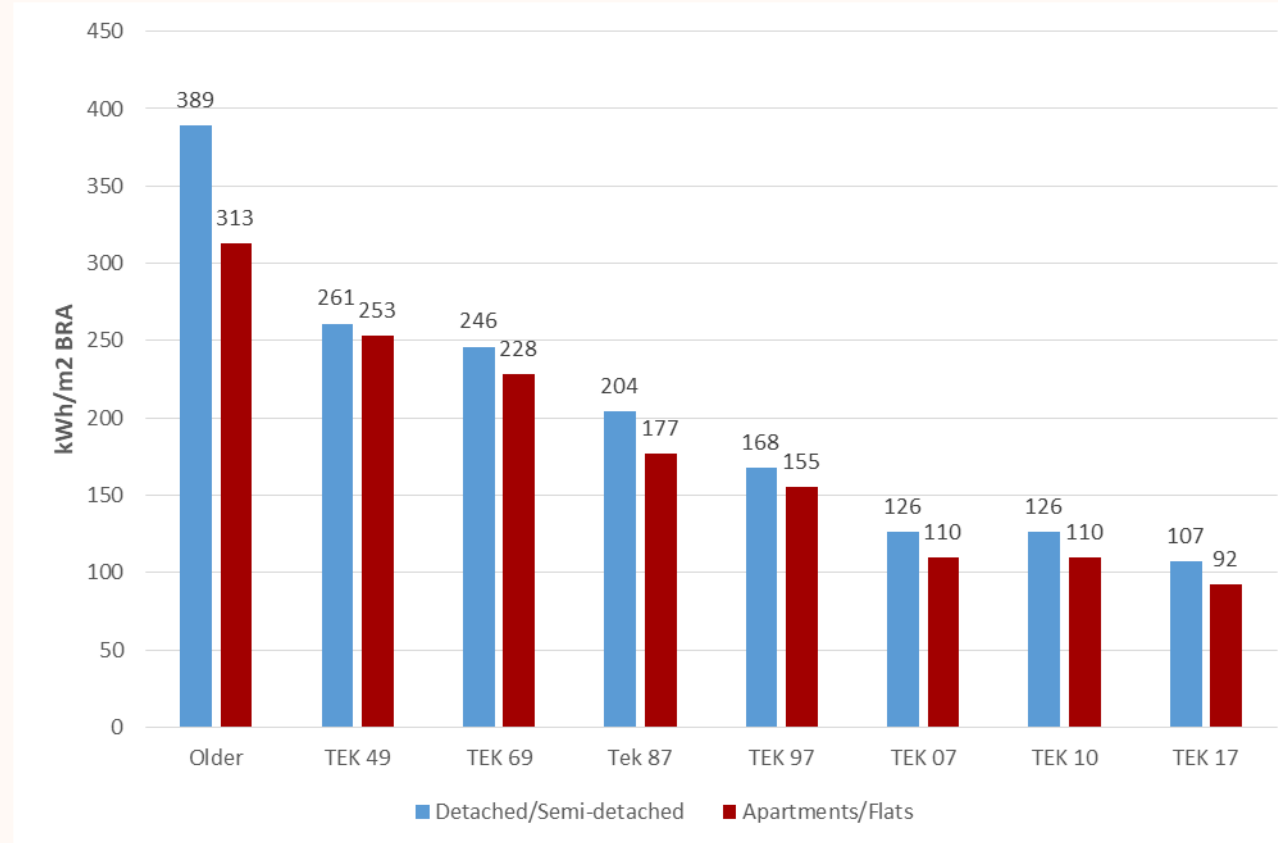
Green covered bonds: selection of Norwegian mortgages

	Top 15% energy efficient	EU Taxonomy	Portfolio (NOK)	
1. Most recent building codes (> TEK 10, correlates with EPC A and B)	✓	✓	35 Mrd.	• The Near Zero Energy Building (NZEB) concept has just been established in Norway (Feb 2023)
2. EPC A and B from prior years (<TEK 10)	✓	✓	5.6 Mrd.	• SpaBol expects to implement this new selection approach (NZEB -10%) as part of an updated Green Bond Framework, which is expected to be concluded later in 2023
3. Refurbished buildings (30% energy efficiency improvement)	✗	✓	--	
4. NZEB new building code from 2022	✓	✗	--	
5. 10% better energy efficiency than the NZEB building code (delivered energy*)	✓	✓	--	
6. Conventional (non-green) mortgages	✗	✗	204 Mrd.	

Notes: 1. TEK = technical building requirement

* Corresponds to the EU Taxonomie from 2020. Could be possible to achieve and calculate (with renewable energy playing a role) in the context of the new final building code

Building codes and energy use

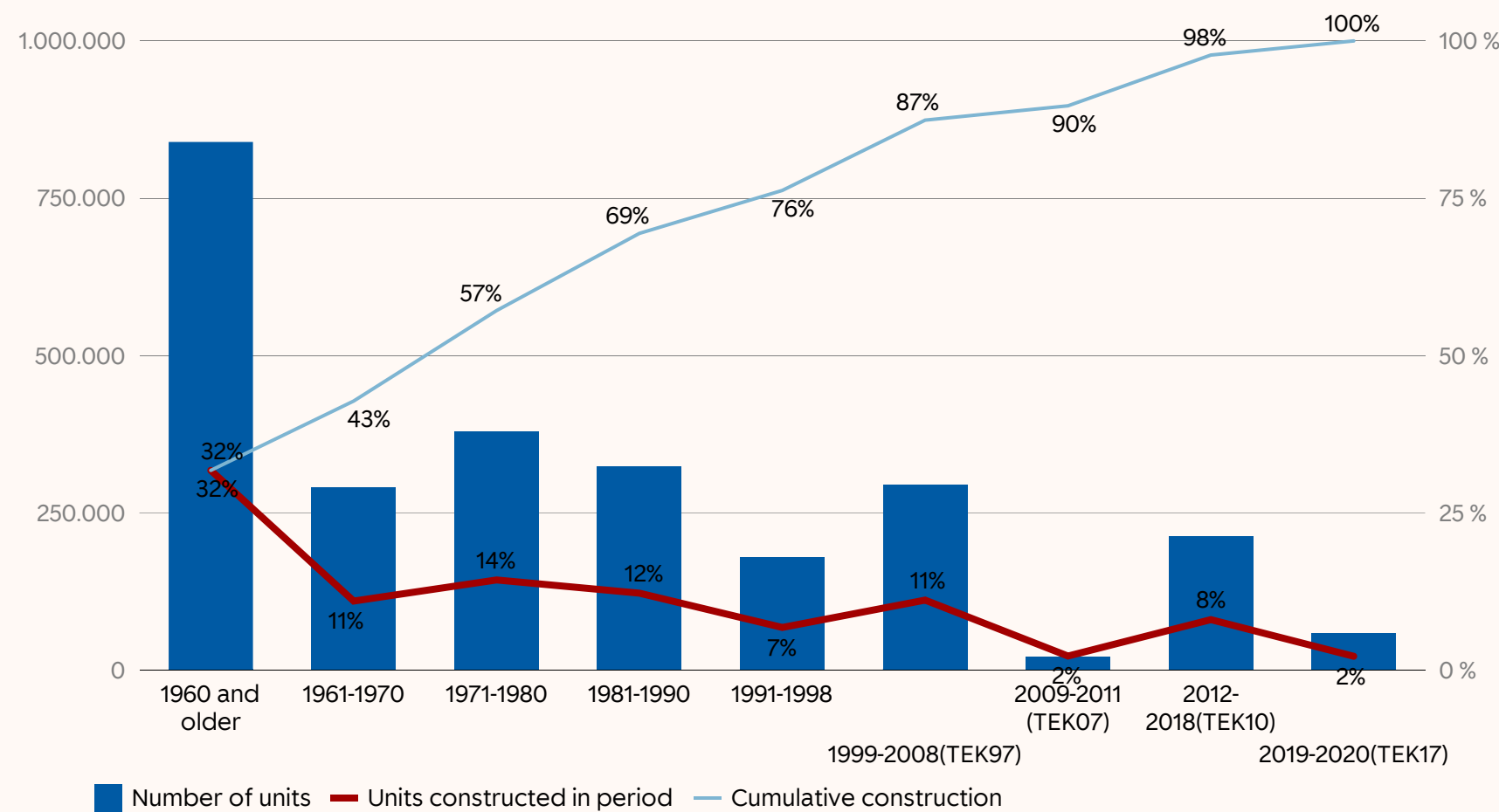


Development in calculated specific net energy demand based on building code and building tradition, (source: Multiconsult)

EU Taxonomy Assessment

EU Enviro. Objective	EUT Economic Activity: 7.7 Acquisition & Ownership of Buildings			
	EUT Criteria		SpaBol Green Bond	Alignment
1. Mitigation	Technical Screening Criteria	i. Built <2021: EPC A or Top 15% approach ii. Built ≥2021: NZEB –10%	Eligibility criteria = Top 15% approach (via Building code / EPC label) i. No relation to fossil fuels iii. All Norwegian new builds have EPC labels	Partial Alignment <ul style="list-style-type: none"> • Built <2021: 94.9% (Aligned) • Built ≥2021: 5.1% (Out of scope) ¹
	Do No Significant Harm	i. Building not directly related to fossil fuels industry ii. Built <2021: At least EPC C or within Top 30% iii. Built ≥2021: At least NZEB standard & EPC label in place		
2. Adaptation	Do No Significant Harm	i. Reducing material physical climate risks ii. Supporting system adaptation iii. Monitoring adaptation results	i. Green buildings are aligned with Norwegian environmental legislations via the building code, where an environmental risk assessment is conducted at the planning stage and relevant measures are applied to reduce identified risks ii. Green buildings do not increase the risks of adverse climate impact on other stakeholders and align with national adaptation efforts iii. Adaptation results can be monitored and measured → TEK10 & TEK17 Building Code Regulation (= SpaBol Green Bond Criteria) ensures new buildings are not prone to significant Physical Climate Risks e.g. Flooding; Storm Surges, Landslides.	Aligned
1. Mitigation 2. Adaptation	Minimum Social Safeguards	i. OECD Guidelines on Multinational Enterprises ii. UN Guiding Principles on Business and Human Rights iii. ILO Core Labour Conventions	i. Not applicable. SpaBol operates only in Norway and not overseas ii. Norway applies a National Action Plan for the implementation of the UN Guiding Principles. In addition, SpaBol's due diligence processes ensures alignment and compliance iii. All 8 ILO Core Labour Conventions are enshrined in Norwegian law	Aligned
				Green Bond Portfolio Alignment: 94.9% aligned

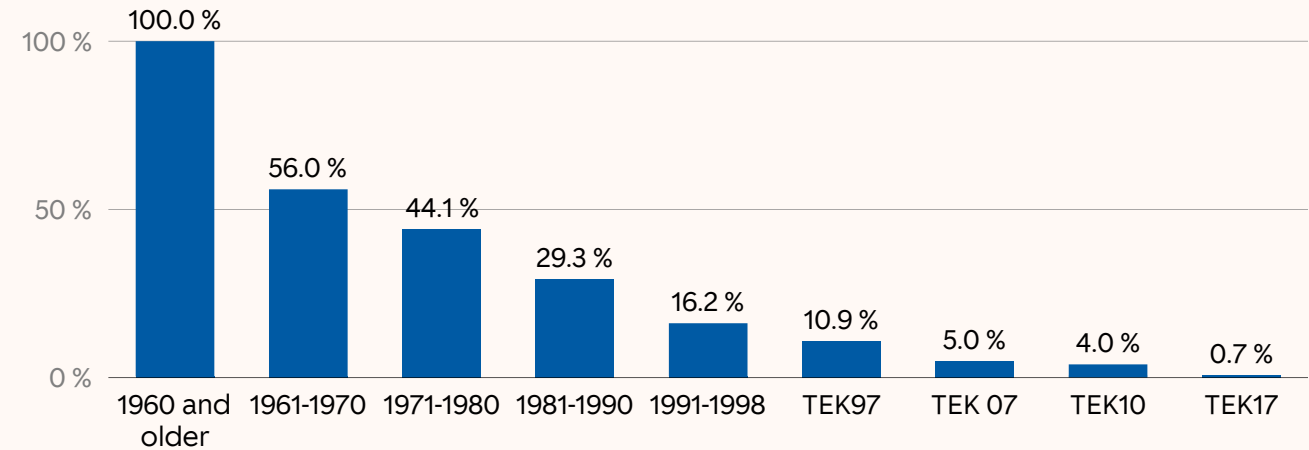
Building stock and green share thereof (newbuilds from 2012)



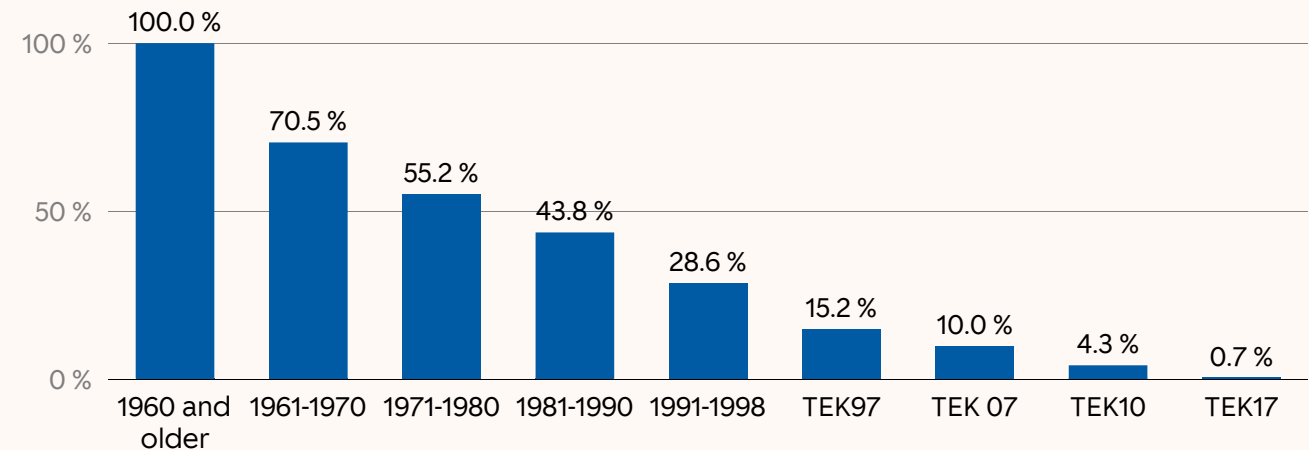
- The light blue line shows that 10% of properties in Norway were constructed from 2012
- These 10% of residences make up most of the universe for the green portfolio (built from 2012)
- Additionally A and B EPC properties constructed before 2012
- In total, the green universe is <15% of all residential properties

Building codes, energy, CO₂ emissions

Cumulative share of residential energy heating demand from building year

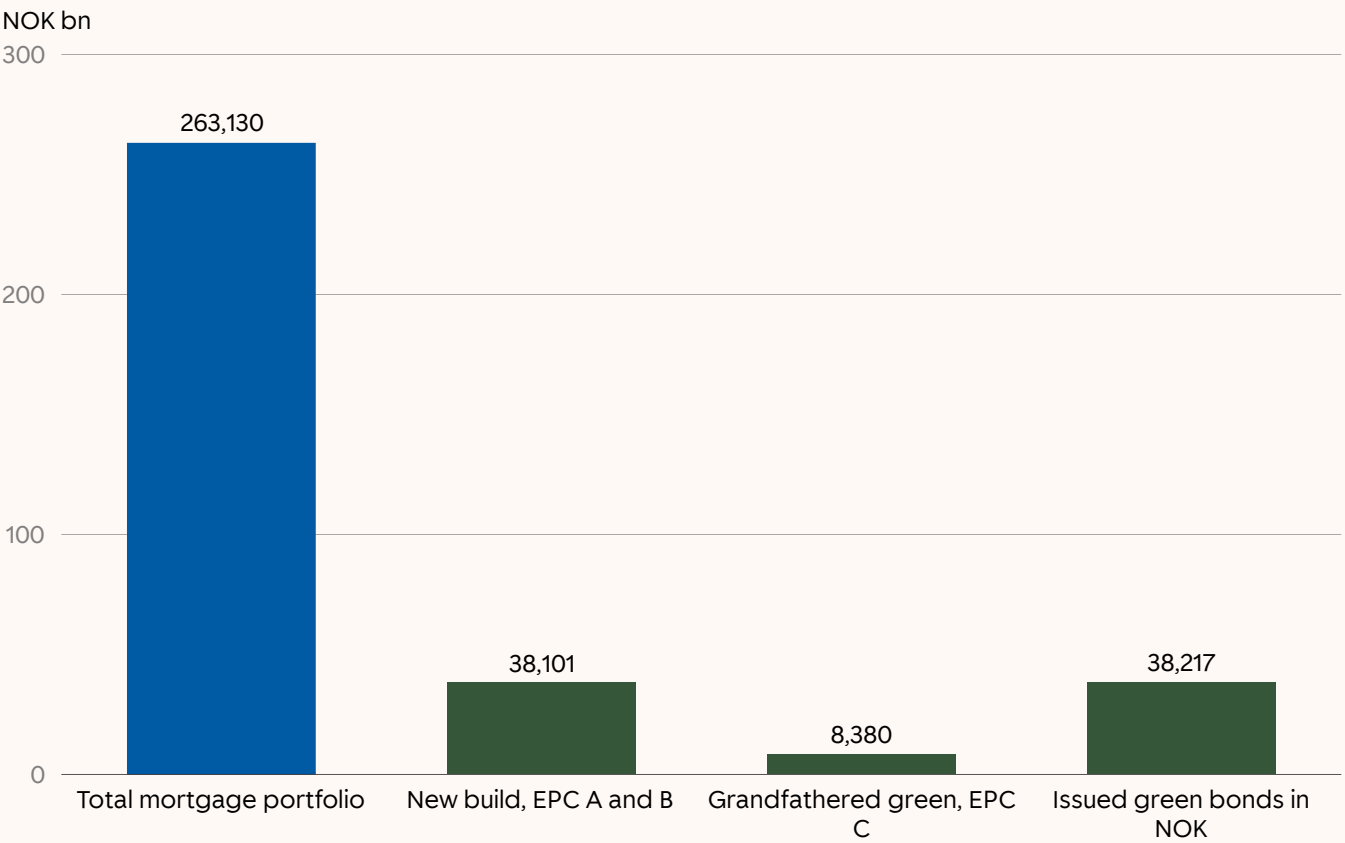


Cumulative share of Co2 of the residential energy demand



- The SpaBol green Portfolio eligible building stock is 10% of dwellings (previous page)
- That 10% corresponds to 4.0% of energy use, which is the cumulative energy use of all properties constructed from TEK 10 and onwards in the top chart
- This corresponds to 4.3% of residential estimated CO2 emissions in the bottom chart

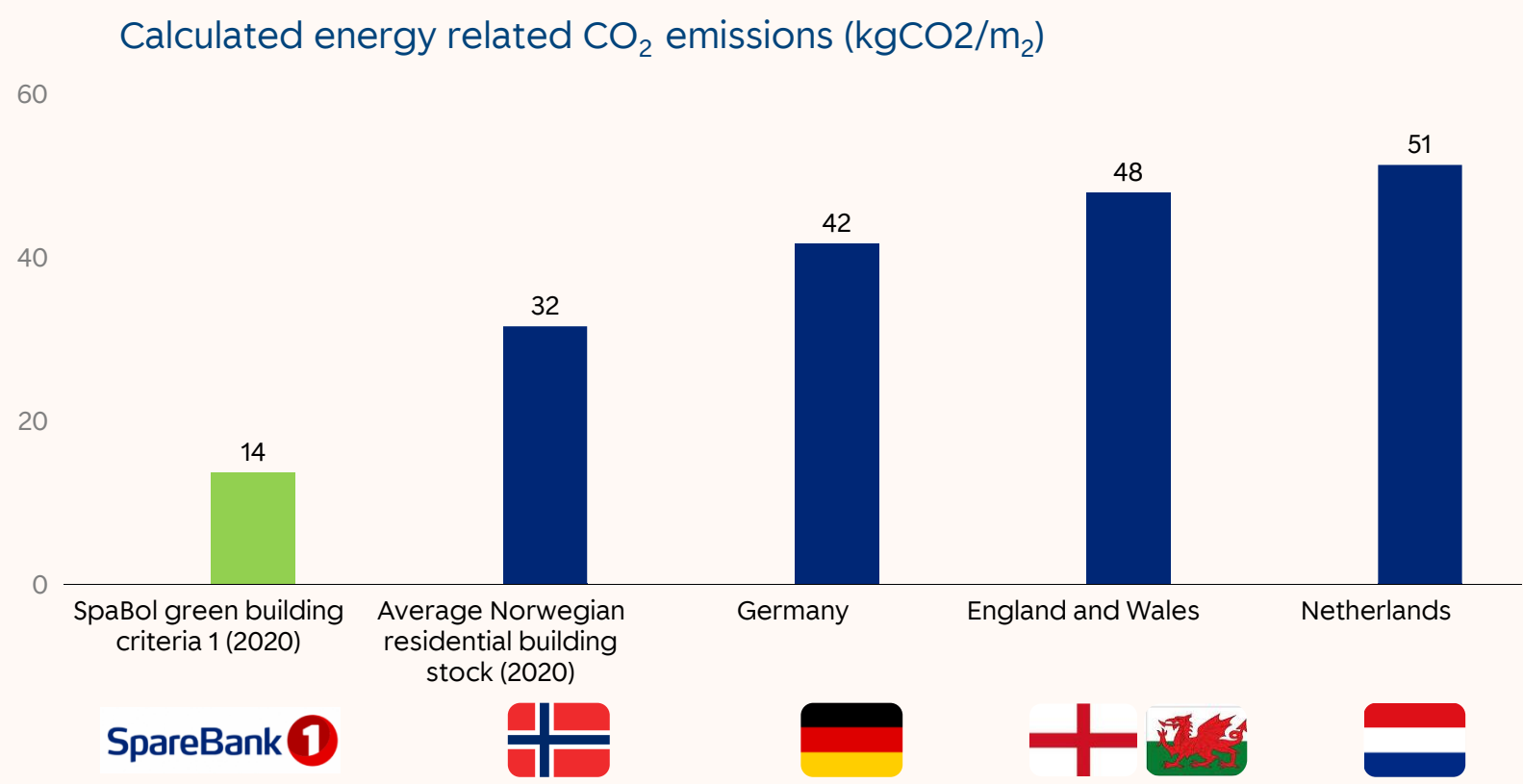
SpaBol green mortgages portfolio



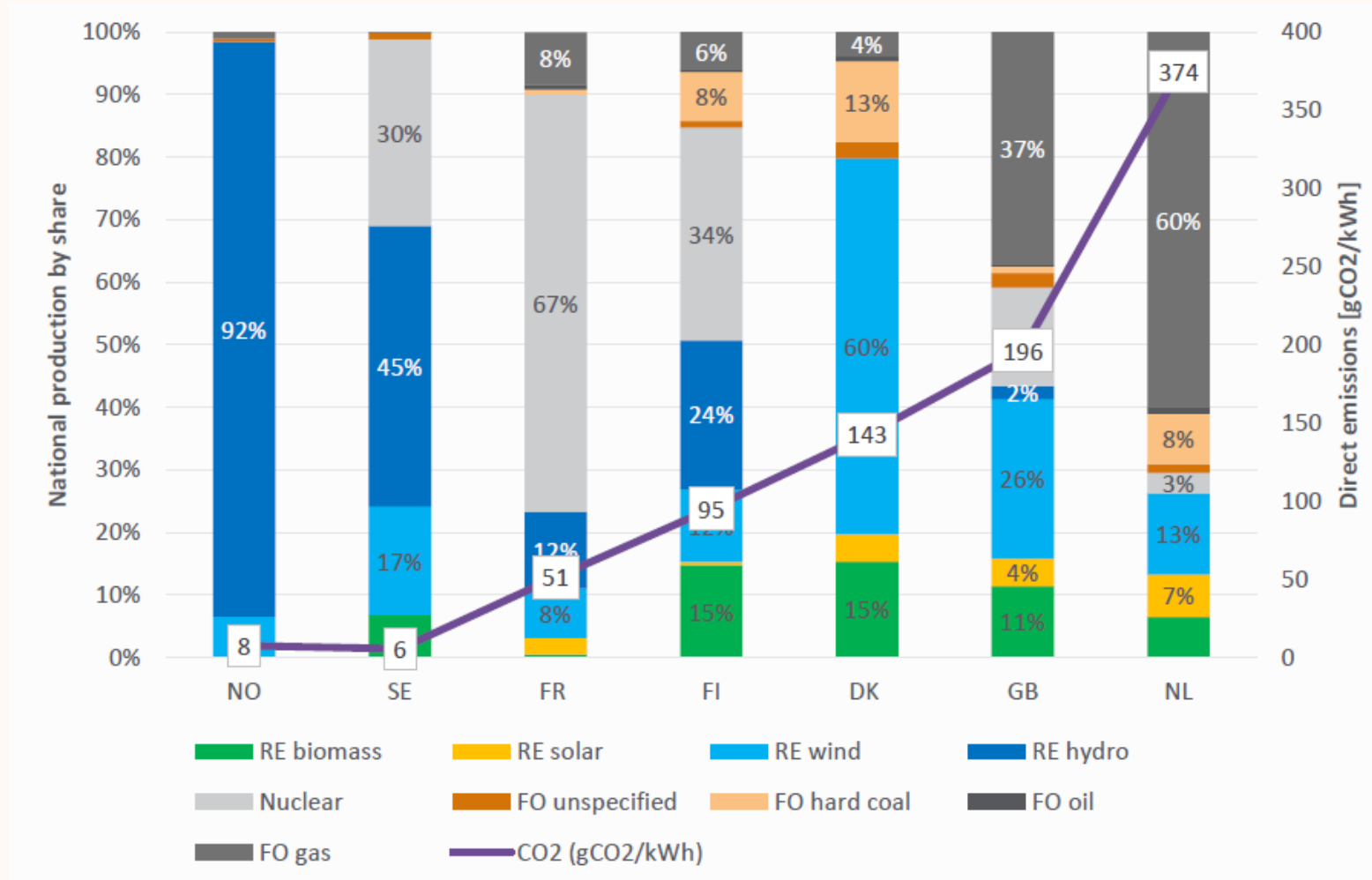
- Green volume of approx. NOK 47 bn.
- Overall portfolio 263 bn, Green Ratio 17.4%
- EUR 2.75 bn and SEK 8.5 bn green covered bonds have been issued

- Building years 2009-2011 and EPC C were categorized as green until June 2021 («grandfathered volume»)
- Building years 2021 and 2022 are also according to top 15%, NZEB-10% not yet available/implemented

Green bond impact



Green bond impact – national electricity production mix



New green mortgages offered



Increase energy efficiency in existing buildings



Refurbishment of older buildings



Construction of new energy efficient buildings (EPC A and B)

	Green Mortgage Terms	Interest savings
SpareBank 1 banks	<ul style="list-style-type: none">• Mortgages financing A and B EPC labels residential properties always qualify as a green mortgages• Project criteria overlaps with ENOVA (gov energy efficiency agency) criteria for increasing energy efficiency measures	Generally / average 40 bps savings on a green vs. conventional mortgage (may range from 25 to 50 bps in individual SpareBank 1 banks)

SpareBank 1 Boligkreditt webpage & contact info



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SpaBol website for bond issues, cover pool statistics, programme document and more
<https://spabol.sparebank1.no>