

# SpareBank 1 Naeringskreditt

SpareBank 1 Commercial Property Covered Bonds



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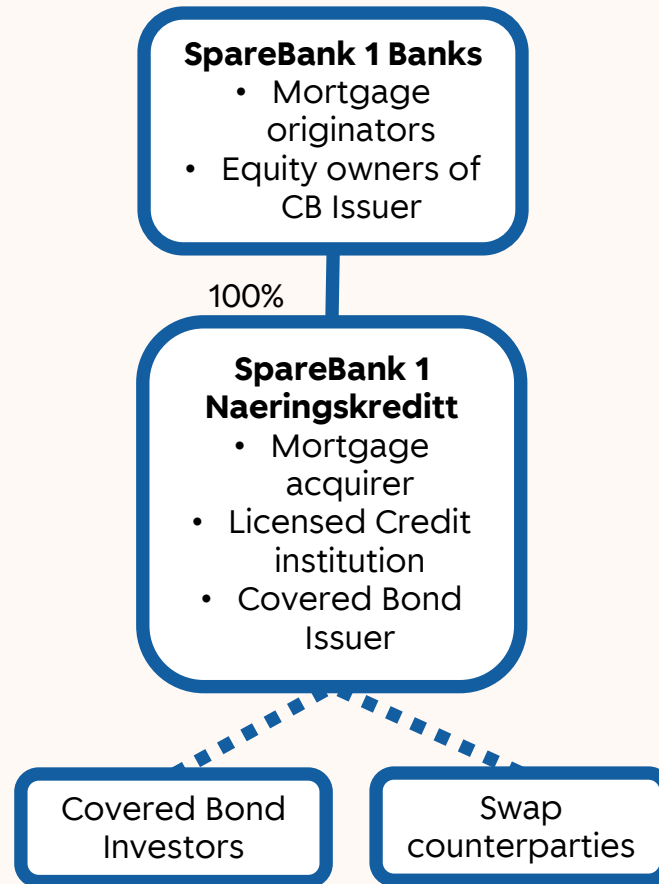
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# SpareBank 1 Naeringskreditt

- Norway has specialized credit institutions issuing covered bonds under a CB law and regulations
- Issuers are called Boligkreditt or Naeringskreditt; Boligkreditt signals that cover bond collateral is residential mortgage loans only, whereas Naeringskreditt finance commercial properties
- 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 an issuer of covered bonds backed by a cover pool of commercial real estate and multi-unit residential properties

# Moody's credit ratings and cover pool overview

Covered Bond rating	Issuer Rating / CR Assessment	SpareBank 1 owner banks unsecured ratings	CB Anchor	Moody's Timely Payment Indicator (TPI)	TPI leeway	O/C requirement (Moody's)
<b>Aaa</b>	Not published	Aa3*	CR Assessment +1 notch	Probable-High	4	17.5%

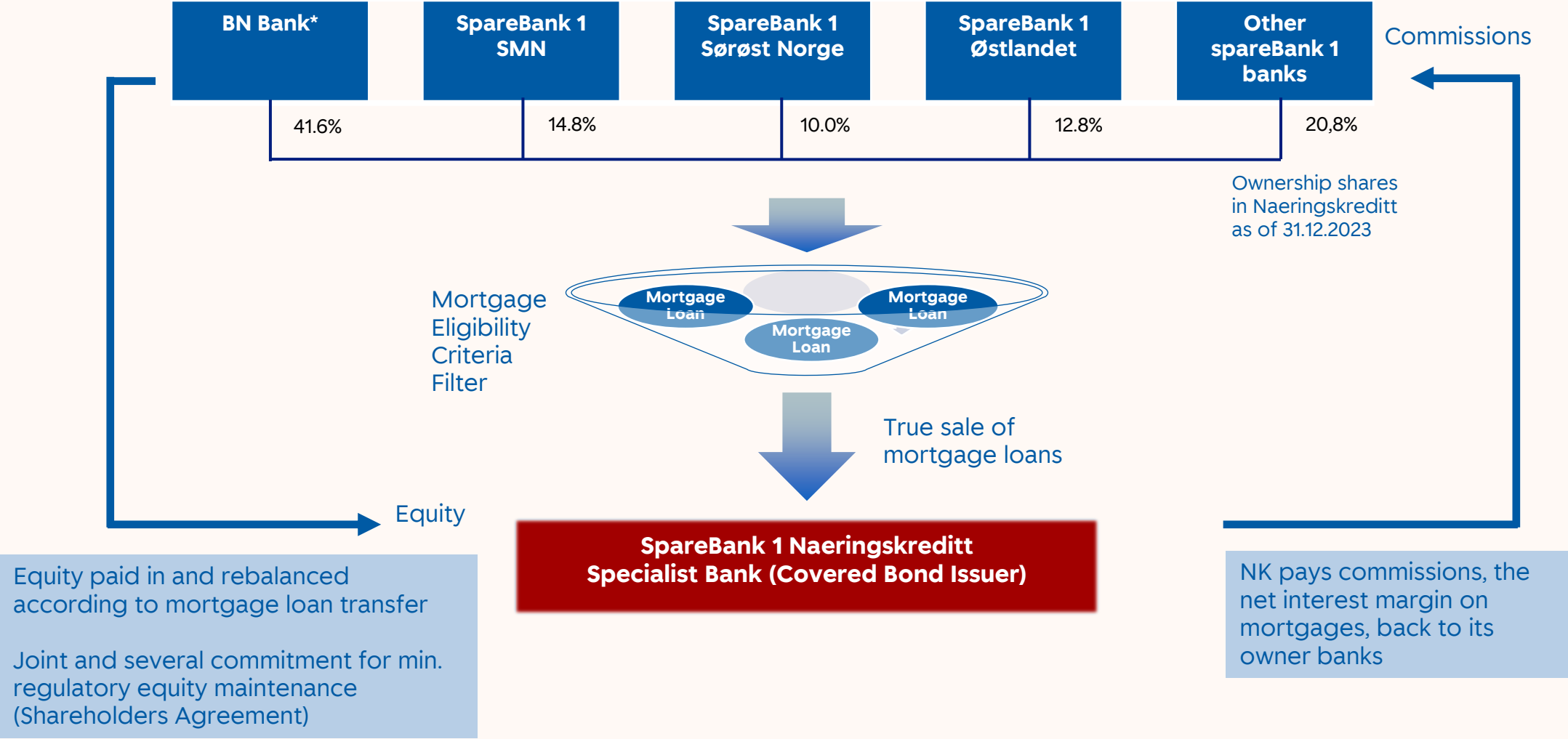
## SpareBank 1 Naeringskreditt Cover Pool overview Q1 2024

Type	5 categories of commercial and residential properties: office, logistics/warehouse, retail, hotel and large residential
Number of mortgages	199 mortgages with a weighted average interest rate of 3.0%
Average mortgage balance	NOK 50.6 mill. kroner (Approx. EUR 4.5 mill.)
Total balance mortgages	NOK 10.1 billion
Weighted average current LTV	38.5% (property values are assessed at least every 12 months)
Cover pool	NOK 10.3 bn; mortgages 97.2%, liquid assets 2.8%

\*SpareBank 1 Østlandet, SpareBank 1 Nord-Norge, SpareBank 1 SMN

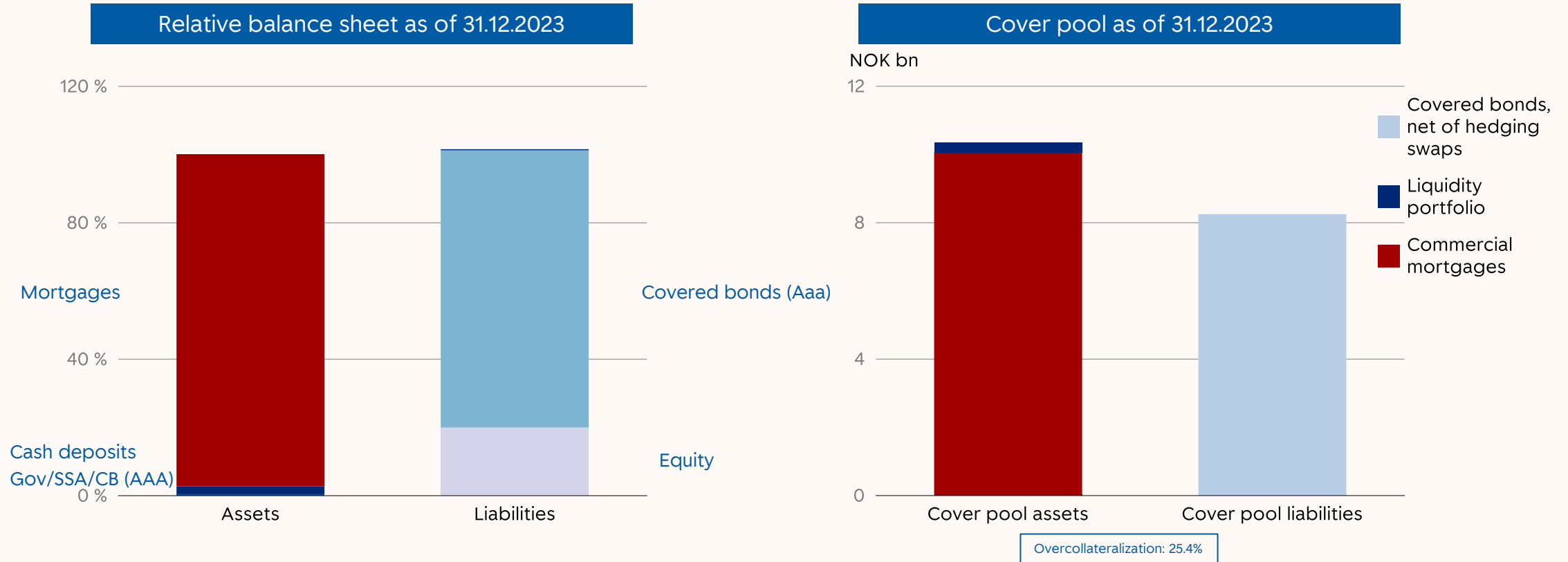
- SpareBank 1 banks senior ratings of Aa3 form the starting point for Naeringskreditt's Issuer rating at the same level, which determines the CB Anchor of Aa2
- The Timely Payment Indicator of "Probable-High" is determined by several factors, including type of assets, legal framework and type of risk mitigation (i.e swap agreements with external counterparties)

# SpareBank 1 Naeringskreditt mortgage loans transfer



\* BN Bank is wholly owned by the SpareBank 1 banks

# SpaCom balance sheet and cover pool

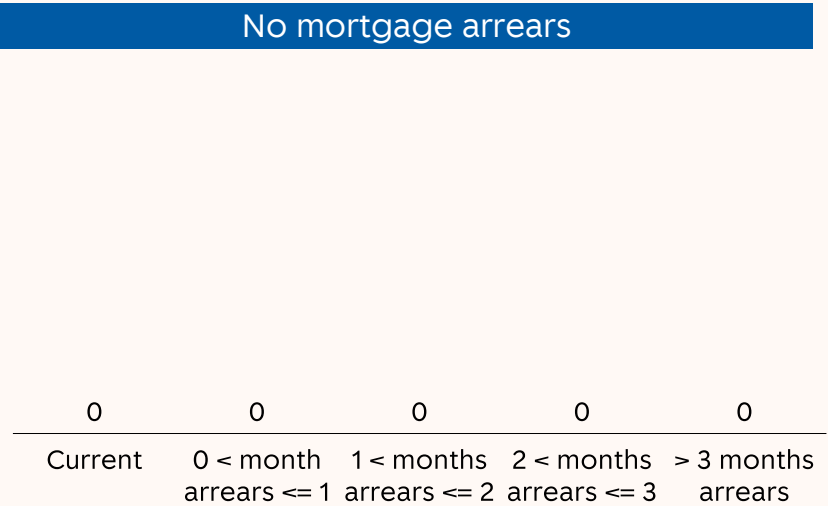
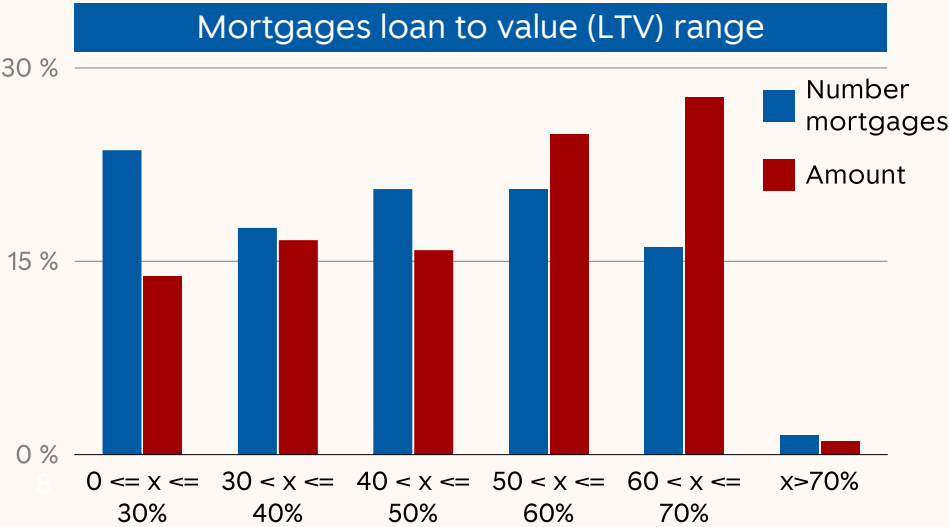
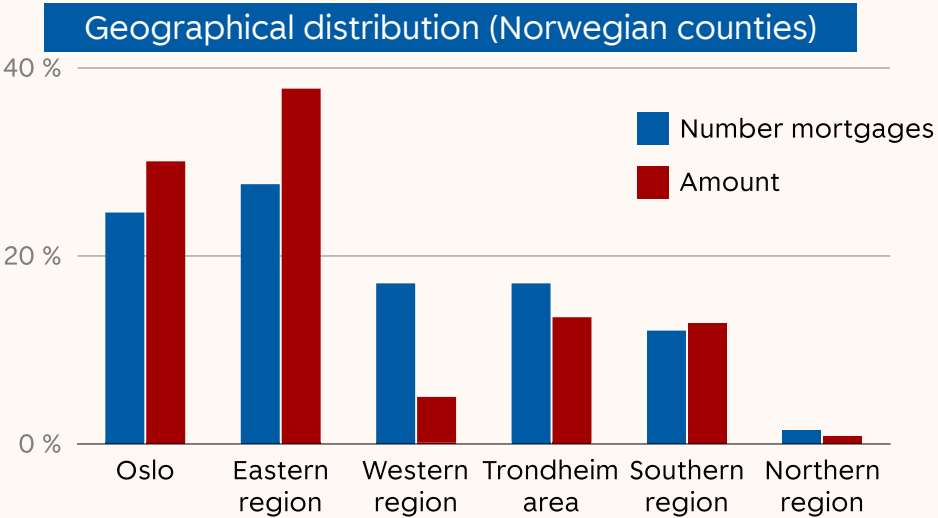
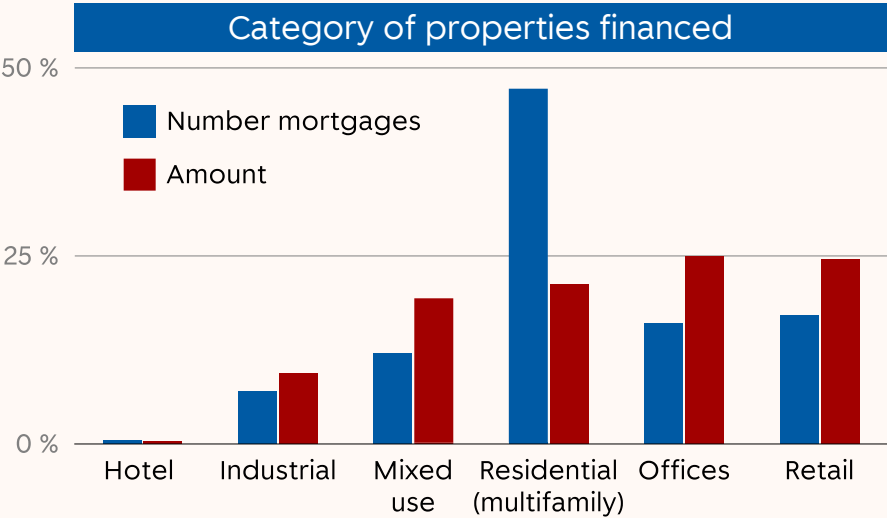


- The cover pool assets consist of mortgages and liquid assets
- Liquid assets are held according to requirements in the Covered Bond Directive (EU) 2019/2162.
- Covered bonds are EU CBs (Premium) in compliance with CRR and the Covered Bond Directive (EU) 2019/2162.
- The minimum regulatory overcollateralization is 5%, while Moody's requirement is 1% (as of Q4 2023)

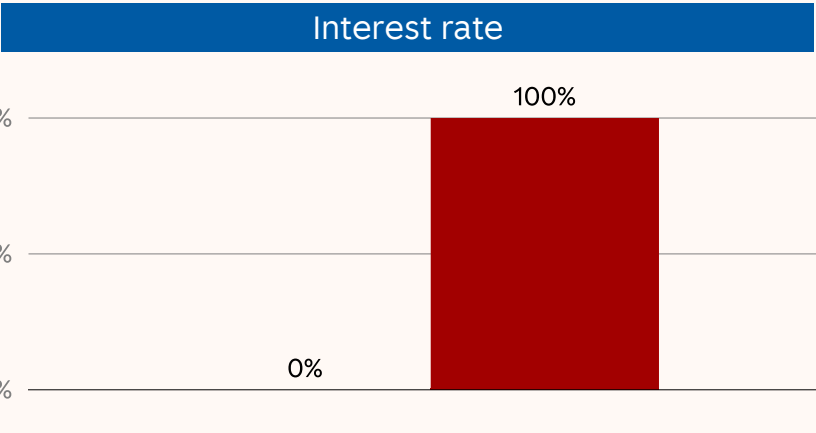
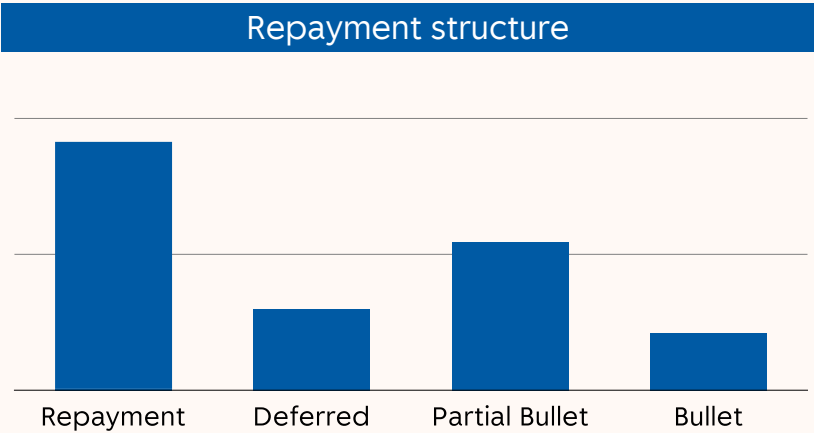
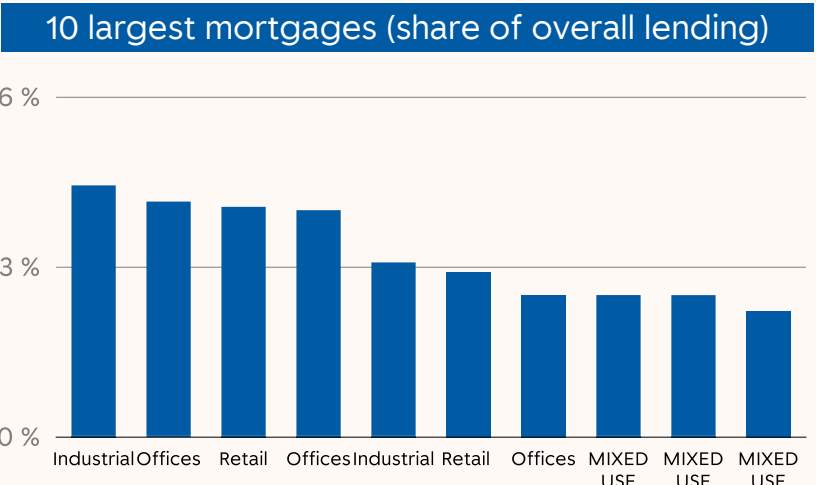
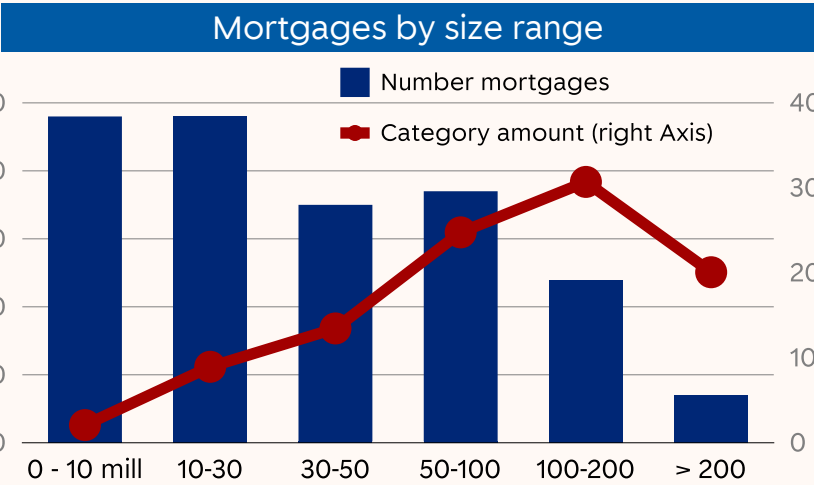
# Selection criteria for the Spacom cover pool

<b>Loans and properties</b>	<ul style="list-style-type: none"><li>• Only commercial mortgages and large residential mortgages from SpareBank 1 banks</li><li>• Properties located or linked to major Norwegian towns</li><li>• Principle of alternative possible use of the building</li><li>• Categories of property: office, retail, hotel, logistics/warehouse, mixed use and residential</li></ul>
<b>Credit assessment</b>	<ul style="list-style-type: none"><li>• Risk categories A to F (up to 2.5% probability of default - PD)</li><li>• Total expected portfolio loss less than 0.2%</li><li>• Credit committee to evaluate and approve larger exposures and exposures at the higher end of the PD range</li></ul>
<b>Lending value</b>	<ul style="list-style-type: none"><li>• Up to 60% LTV</li><li>• Valuation by external valuer, sales price or by cash flow model</li><li>• First security priority only</li></ul>
<b>Interest rate</b>	<ul style="list-style-type: none"><li>• Floating rate</li></ul>
<b>Excluded Categories</b>	<ul style="list-style-type: none"><li>• Loans outside the above criteria</li><li>• Limit of a single loan exposure to 5% of portfolio</li><li>• Largest 20% lending exposures must be less than 50% of the portfolio</li></ul>

# SpaCom cover pool

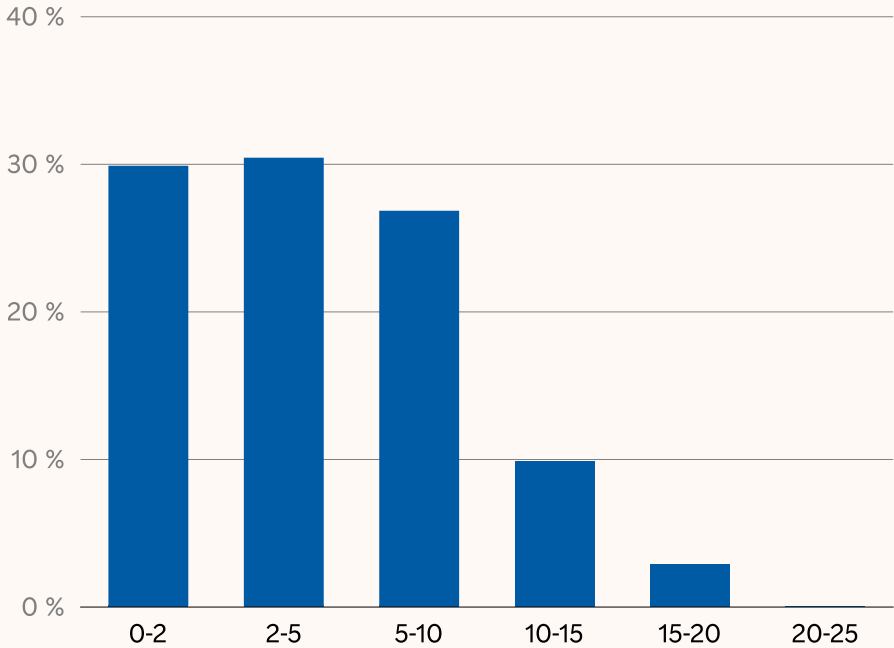


# SpaCom cover pool

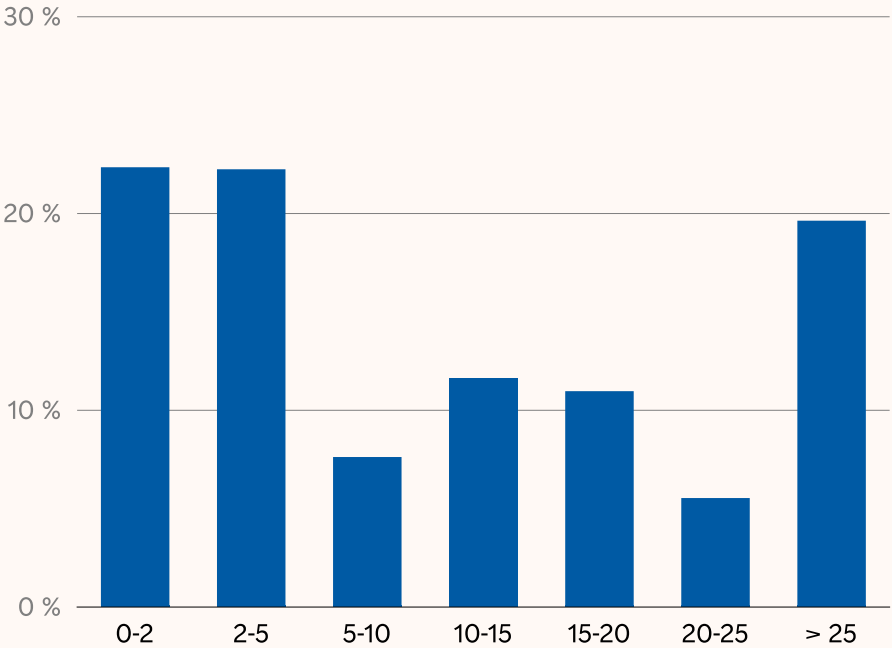


# SpaCom cover pool

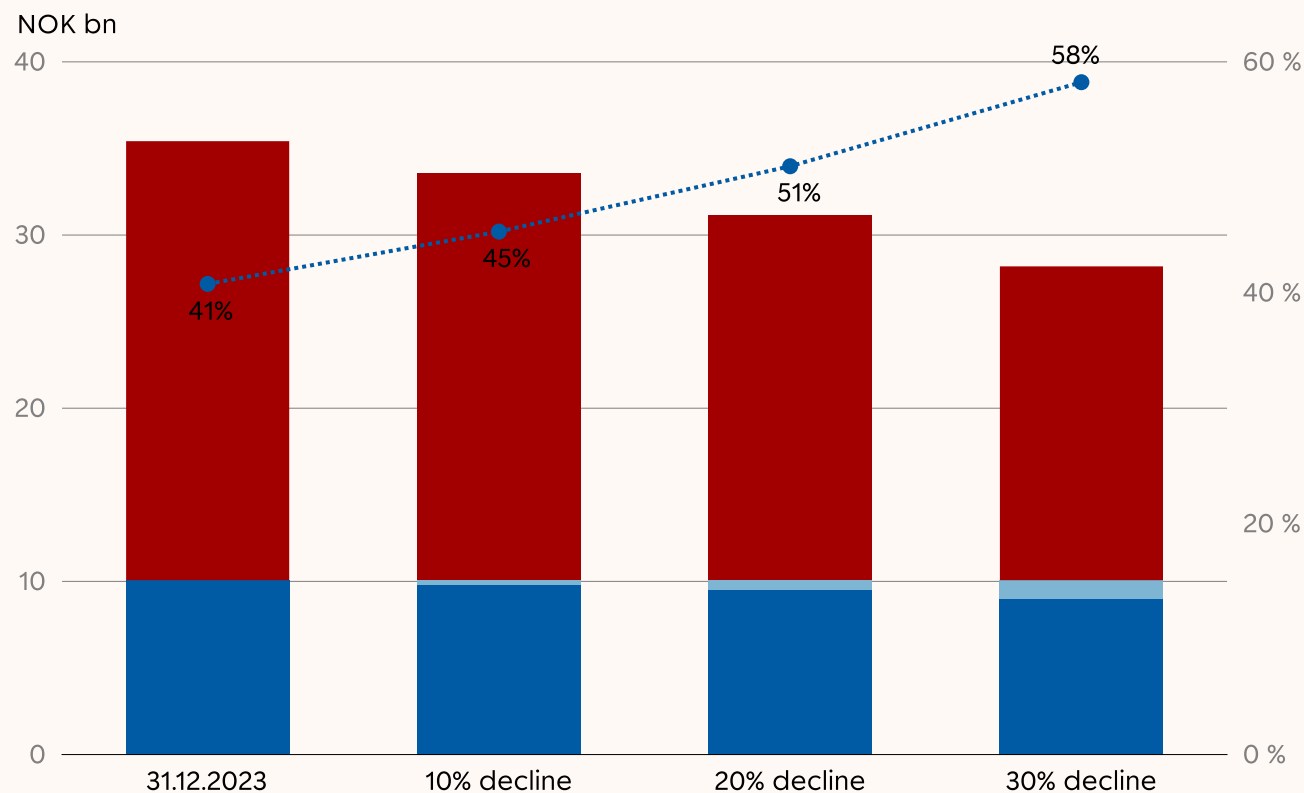
Mortgages seasoning (intervals in years)



Remaining term in years



# Stress testing the cover pool – real estate valuation declines



- Mortgage amounts in the cover pool within 75% LTV
- Required Pool top-up (to keep constant o/c)
- Remaining mortgage reserves in SpareBank 1 banks (qualified for transfer)
- Weighted avg. LTV (assuming no top up of pool)

- 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 (light blue bars)
- Parts of the mortgages in the highest LTV brackets need replacing as property prices decline
- The reserve mortgages (red bars) in the banks which could be used in the SpaCom cover pool (dark blue) decline as their LTV increases 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

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# SpareBank 1 Alliance Banks – local presence and national integration

*The Alliance was founded in 1996 and consist today of 13 banks*



SpareBank 1 Nord Norge (1836)  
Tromsø  
Moody's: Aa3



SpareBank 1 SMN (1823)  
Trondheim  
Moody's: Aa3



SpareBank 1 Østlandet (1845)  
Hamar  
Moody's: Aa3



SpareBank 1 SR (1839)  
Stavanger  
Moody's: Aa3

SpareBank 1 Sørøst (1844)  
Sandefjord  
Moody's: Aa3



+8 further banks

SPAREBANK 1 ALLIANCE BANKS

# Banks in Norway



**Savings banks** (generic name: *Sparebank*)  
88 Banks, 2 alliances/groups  
and independent banks (consolidation trend)

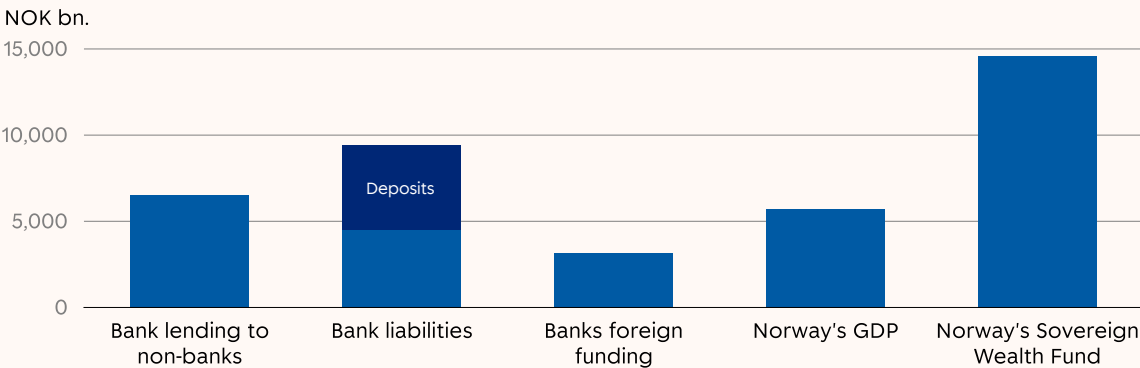


**Commercial banks:** larger Nordic banking  
Groups but also smaller banks

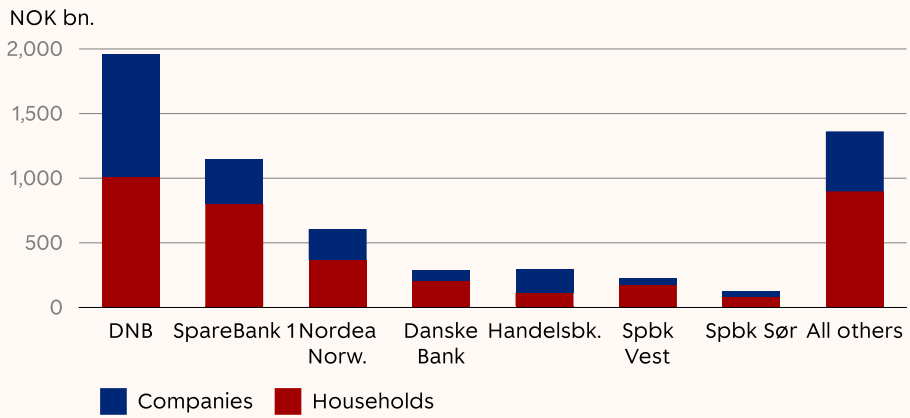


- Banks compete for the same customer base, but with larger commercial banks focusing on larger corporations
- A savings bank's strength sits in its local or regional market and in the household and SME sector

Banking sector relative size, (2023)



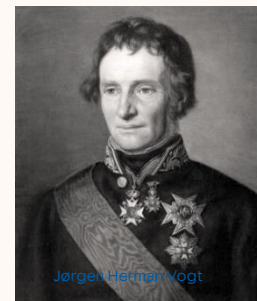
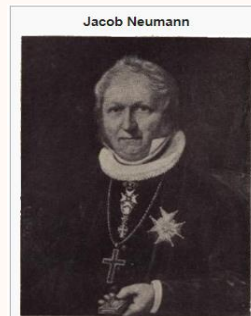
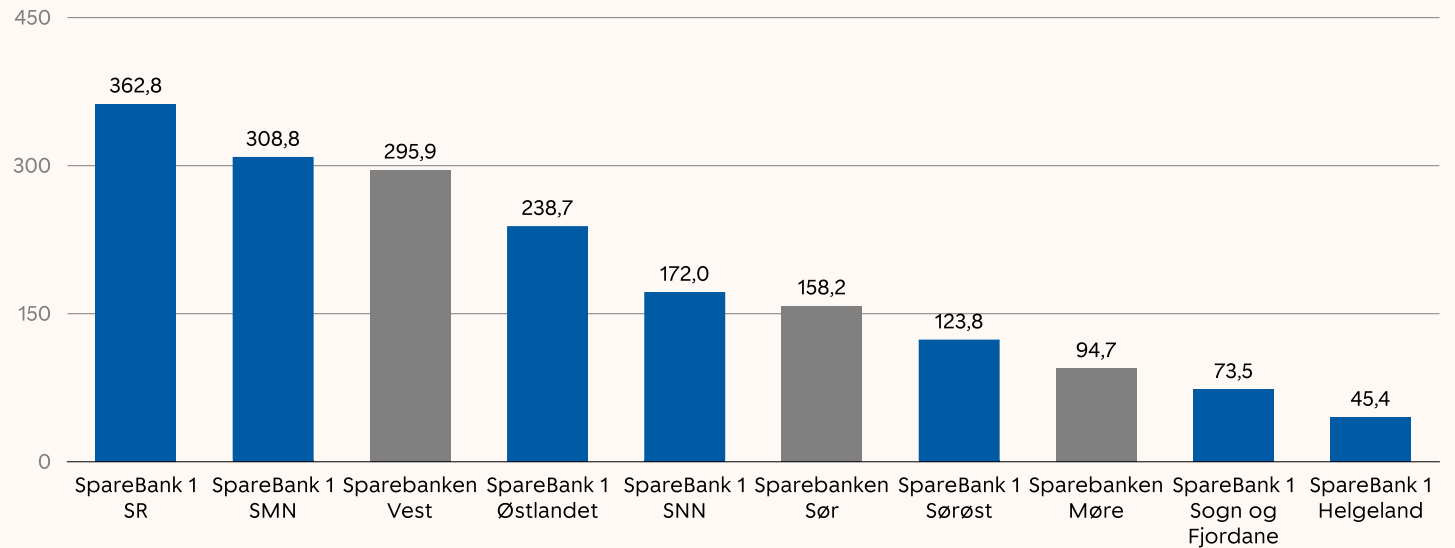
Largest banks by lending volume (2022)



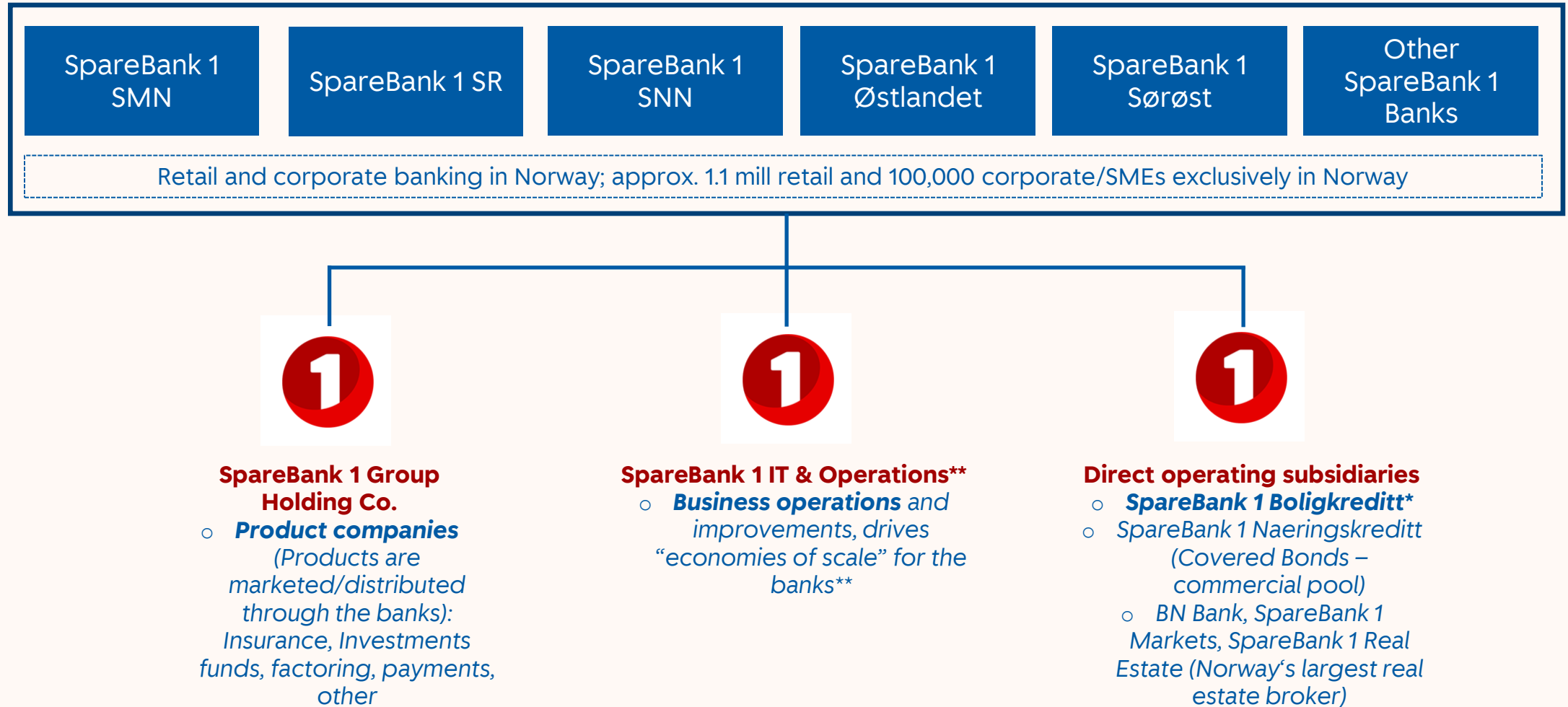
# Norwegian savings banks - characteristics

- 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

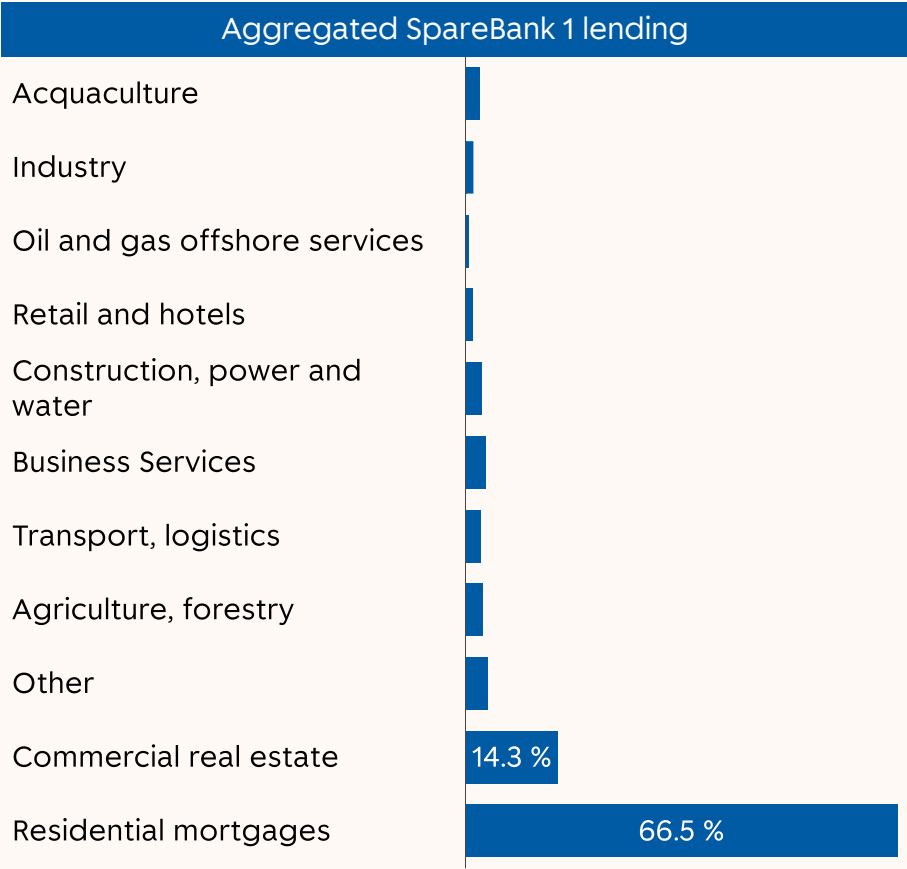


# SpareBank 1 Alliance overview

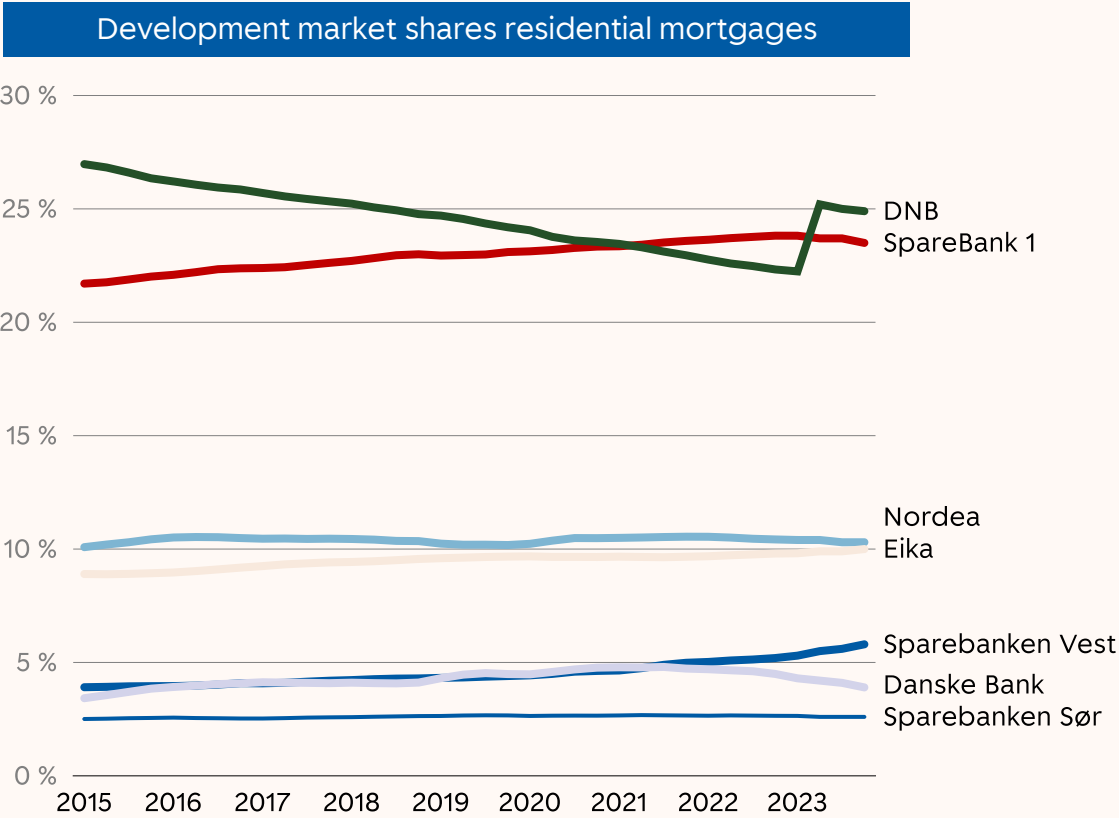


SPAREBANK 1 ALLIANCE BANKS

# Balance Sheet and Market Share



Source: SpareBank 1 Banks financial reporting

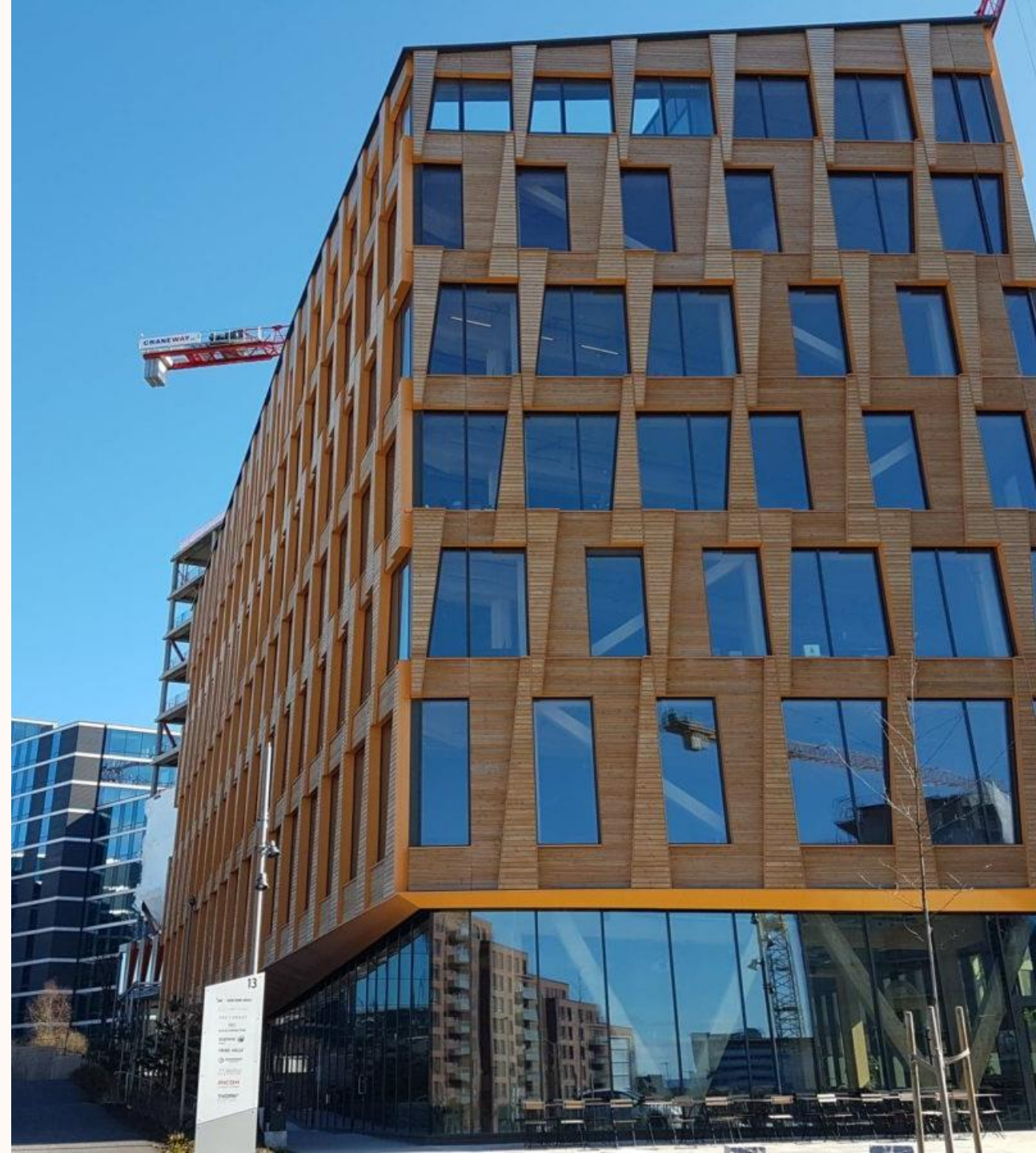


Source: Eiendomsverdi:

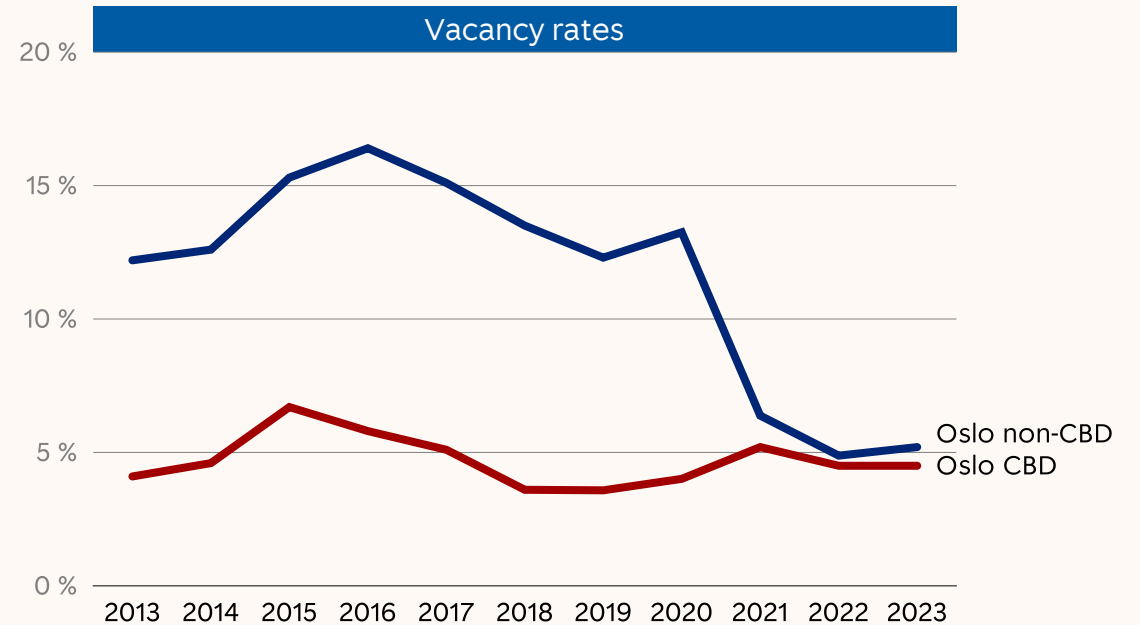
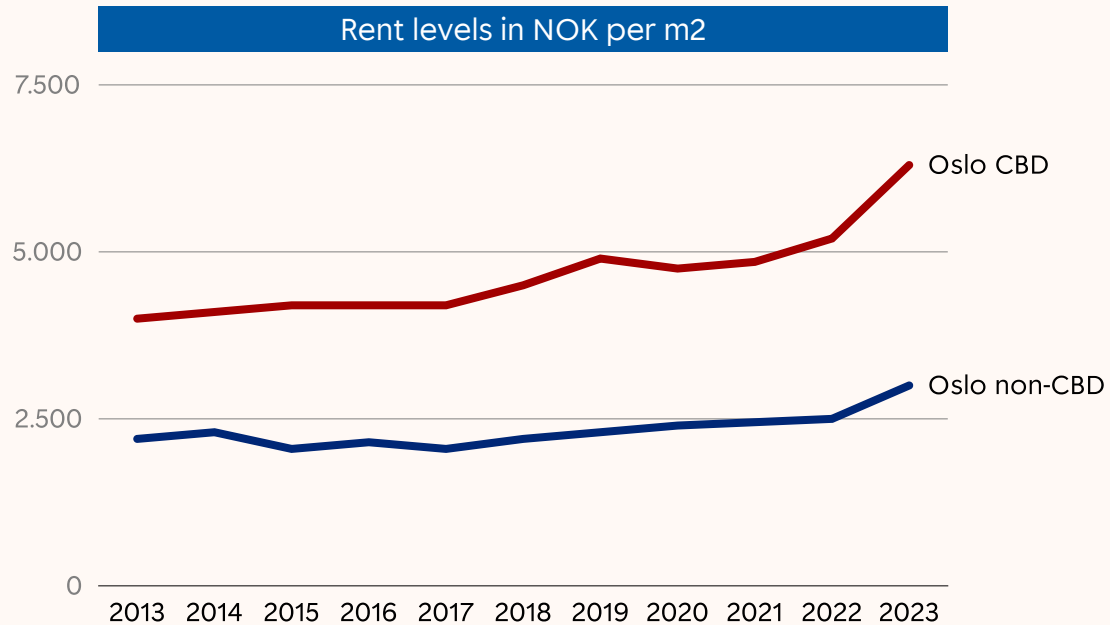
- figures are based on the number of financed properties
- DNB acquired lender Sbanken in late 2022 which cause the jump in the DNBs market share
- Danske Bank is in the process of selling its residential lending portfolio to Nordea

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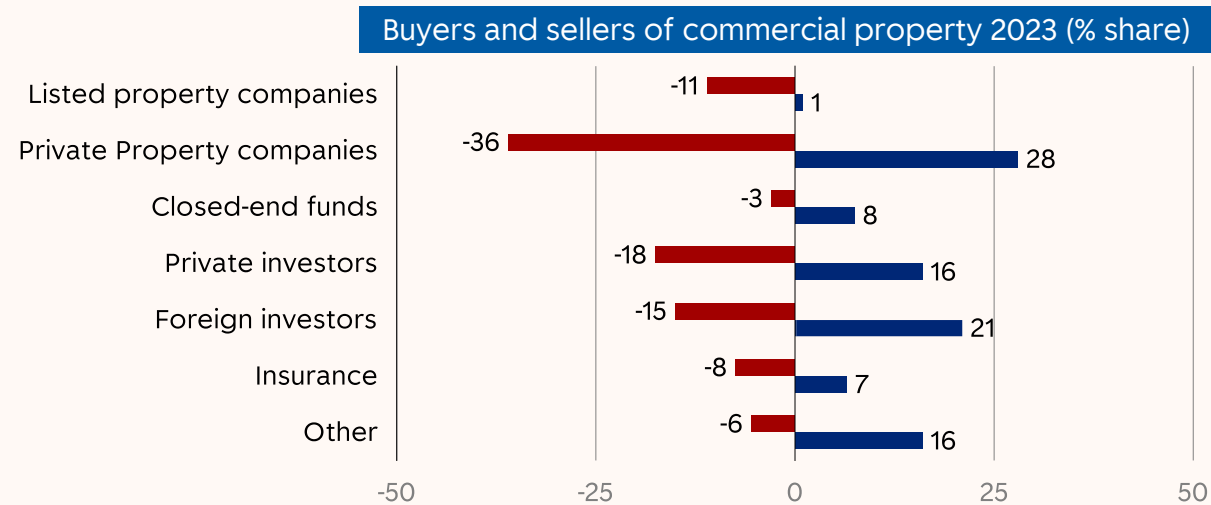
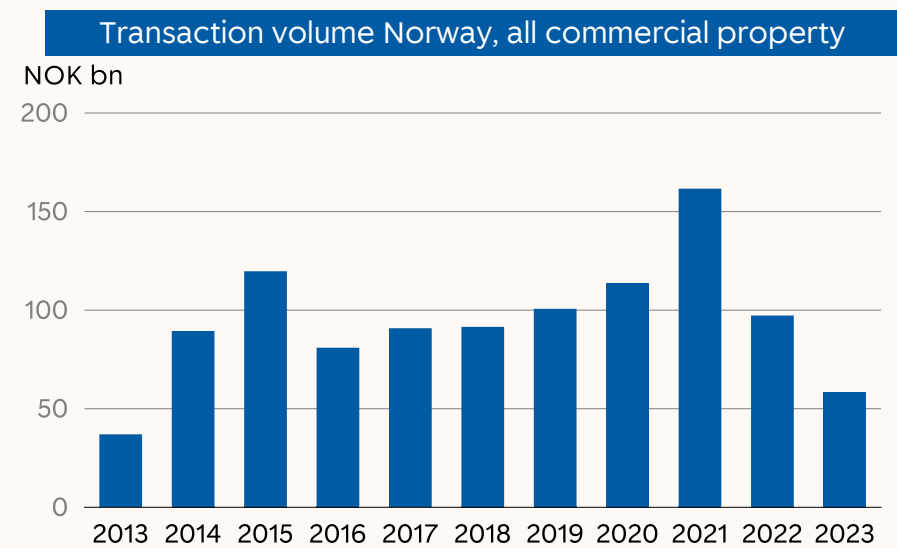
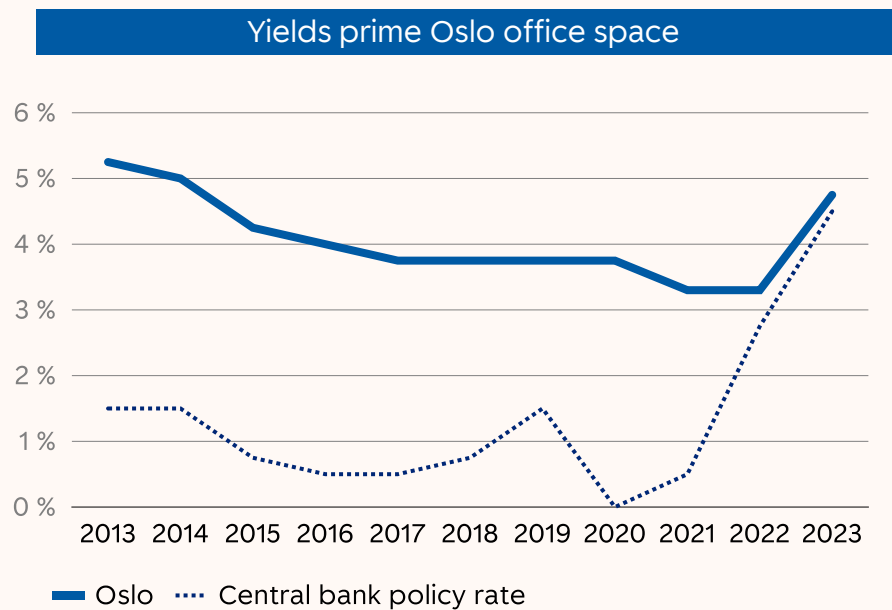


# Rent levels and vacancy in central office markets



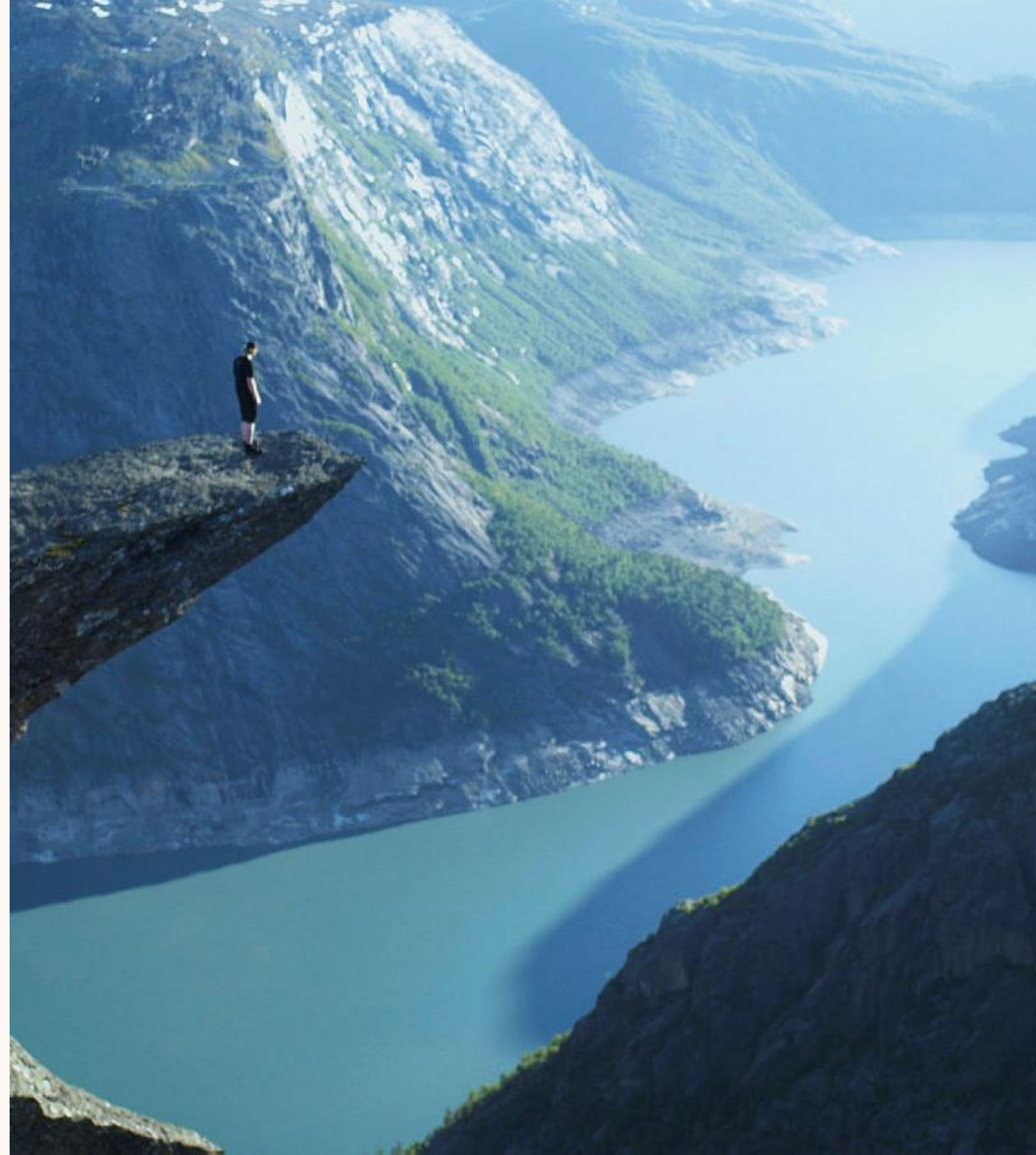
- Oslo remains sought after with low vacancy rate and high rent levels
- The 2020-21 pandemic has not changed the strength of the Oslo market

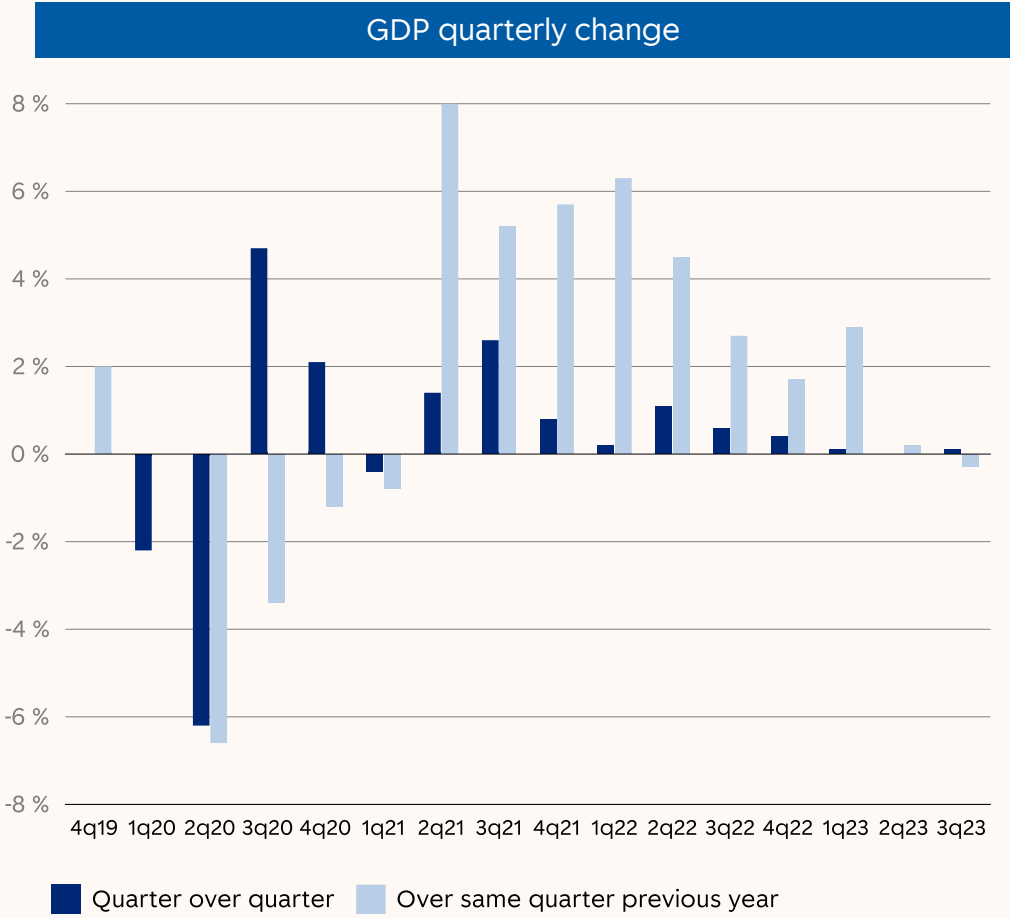
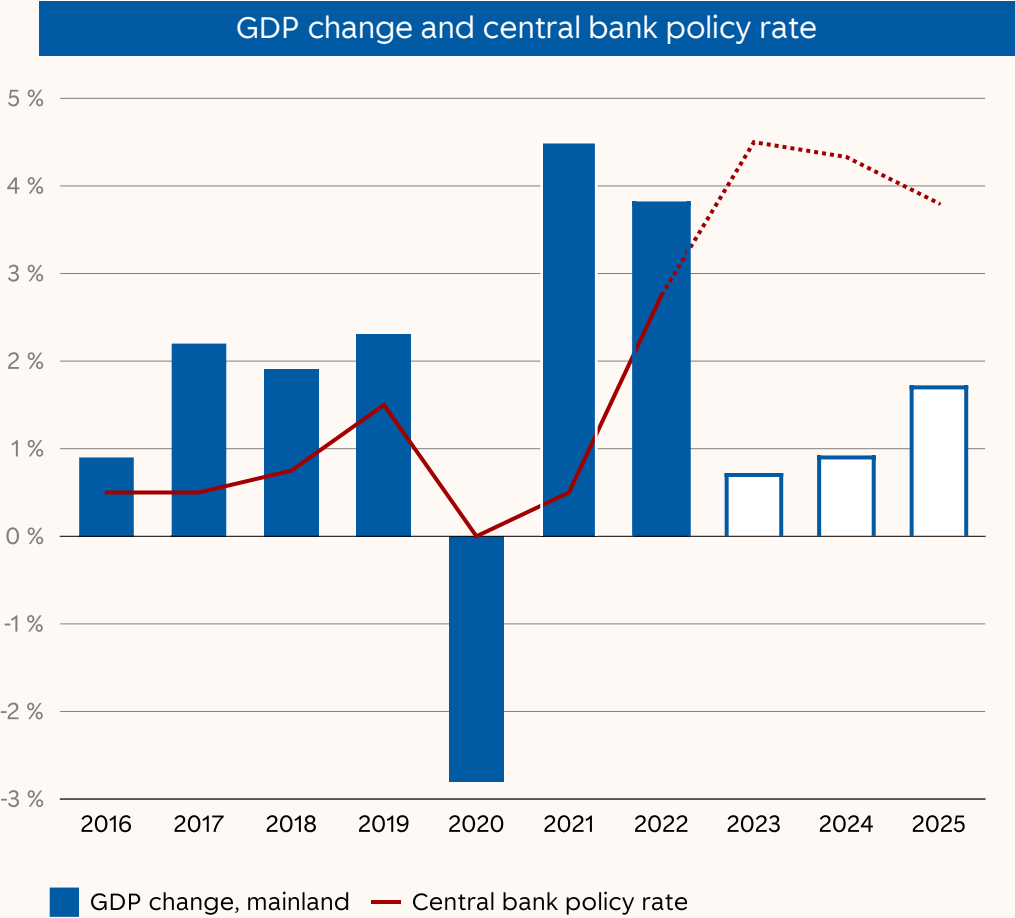
# Commercial property trends



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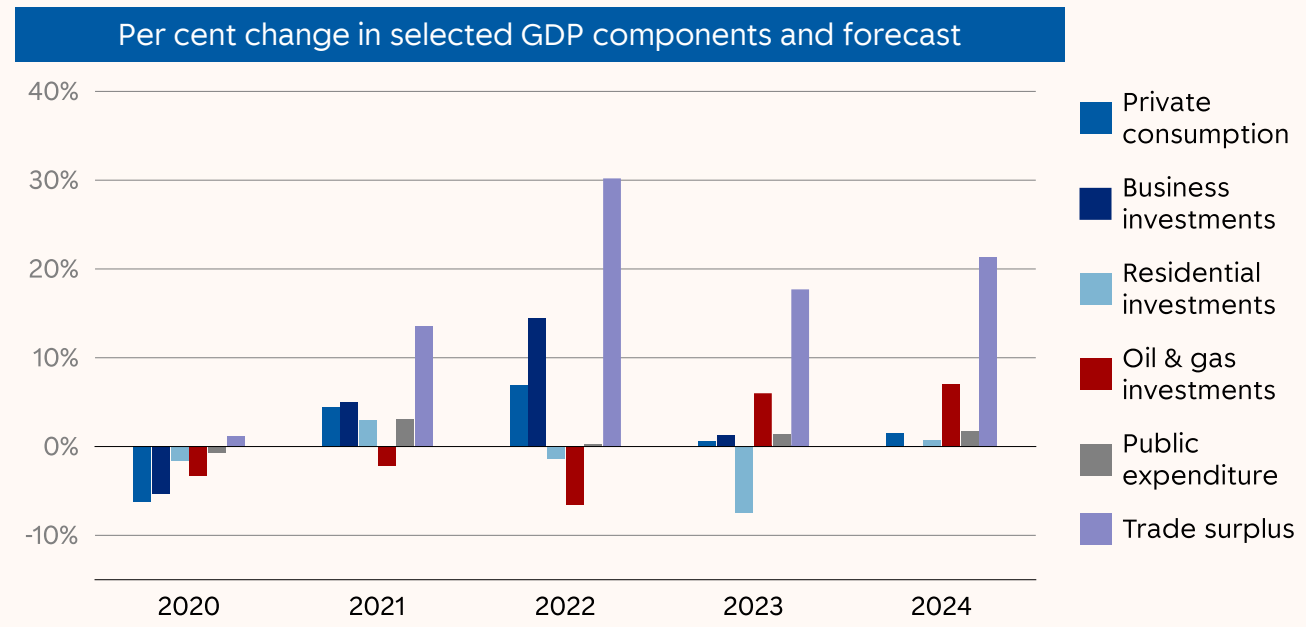
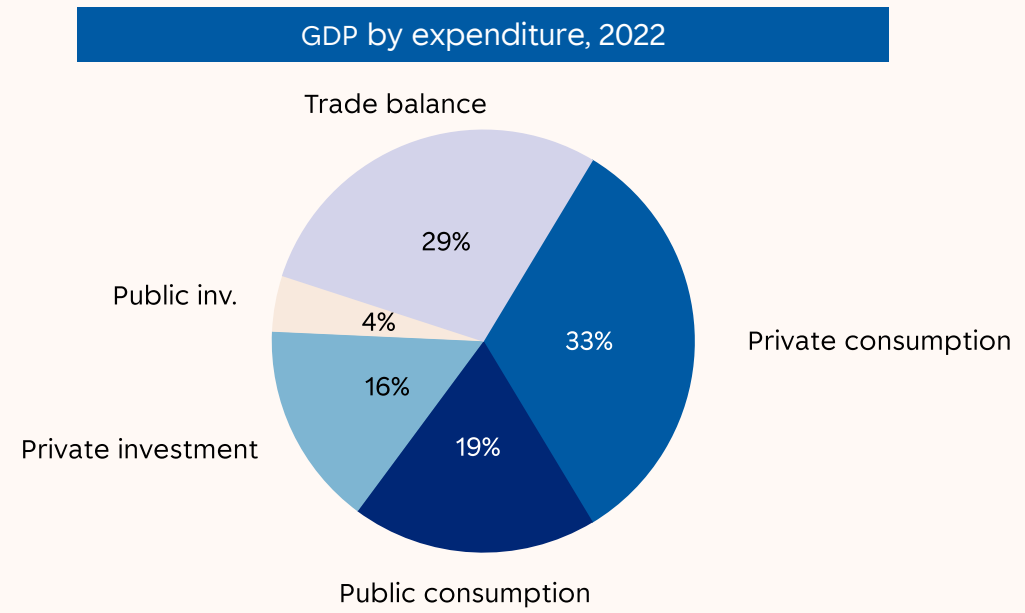
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MACROECONOMIC OVERVIEW

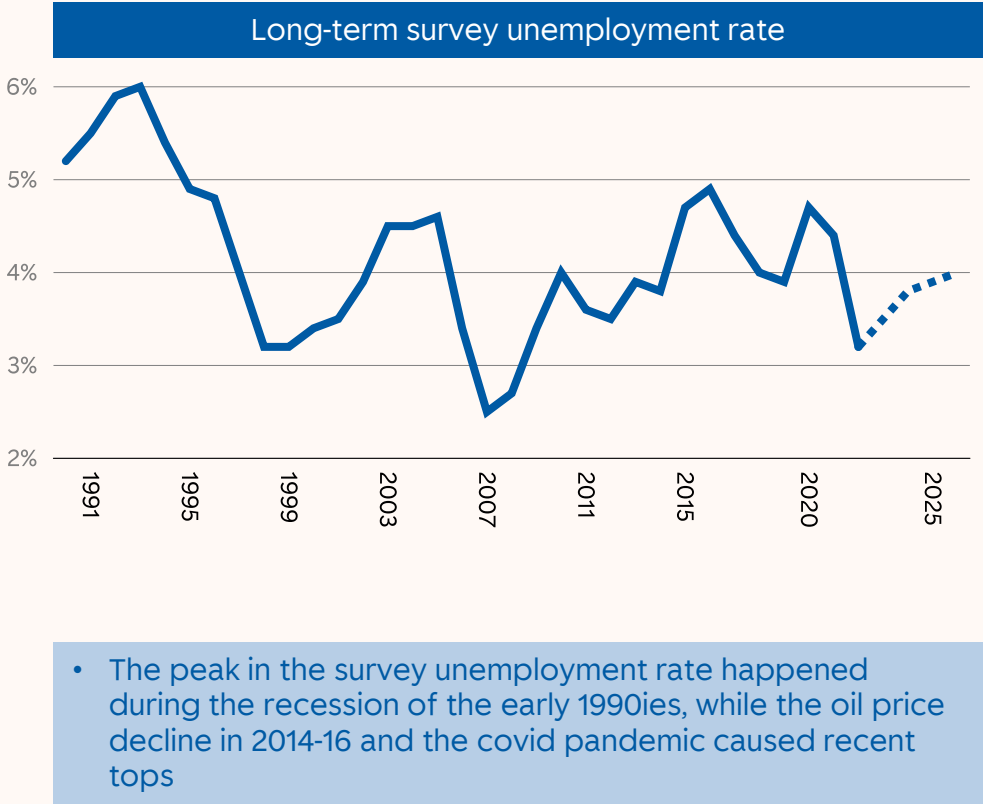
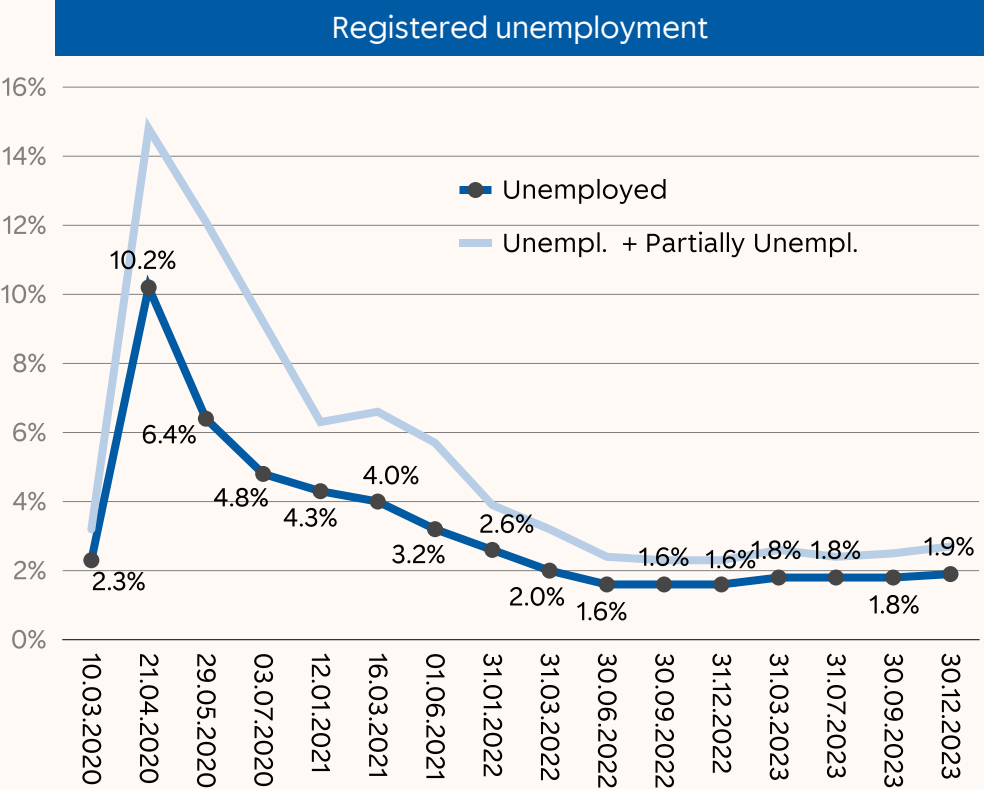
# GDP Components



- 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 in 2022
- Gross capital formation in Norway is relatively high; important for productivity growth potential

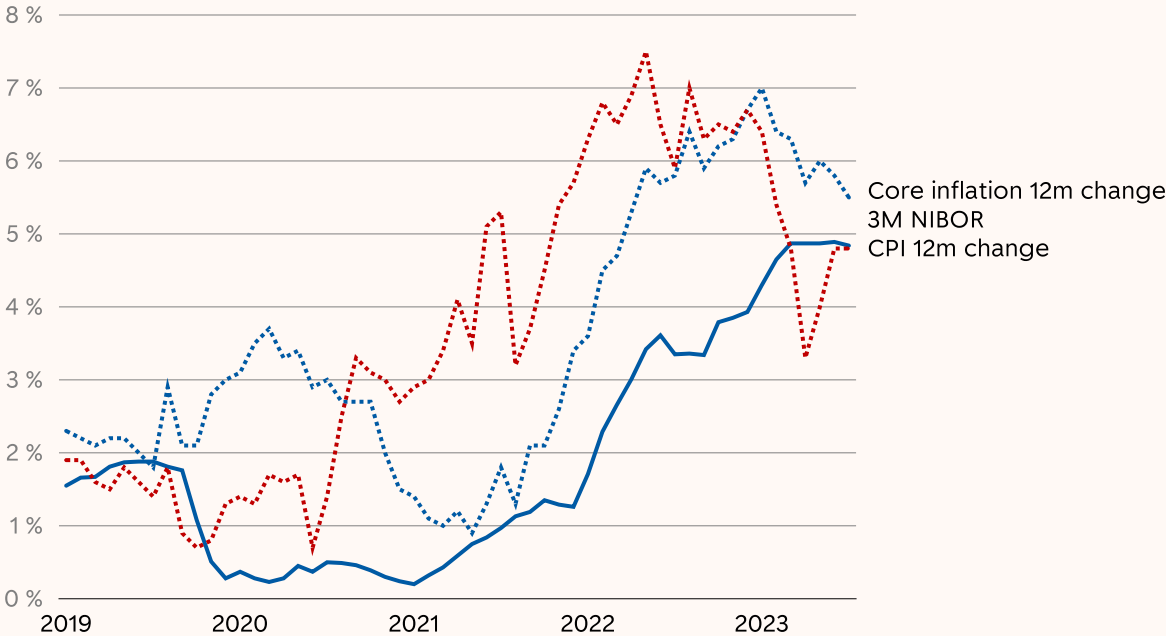
MACROECONOMIC OVERVIEW

# Labour Market

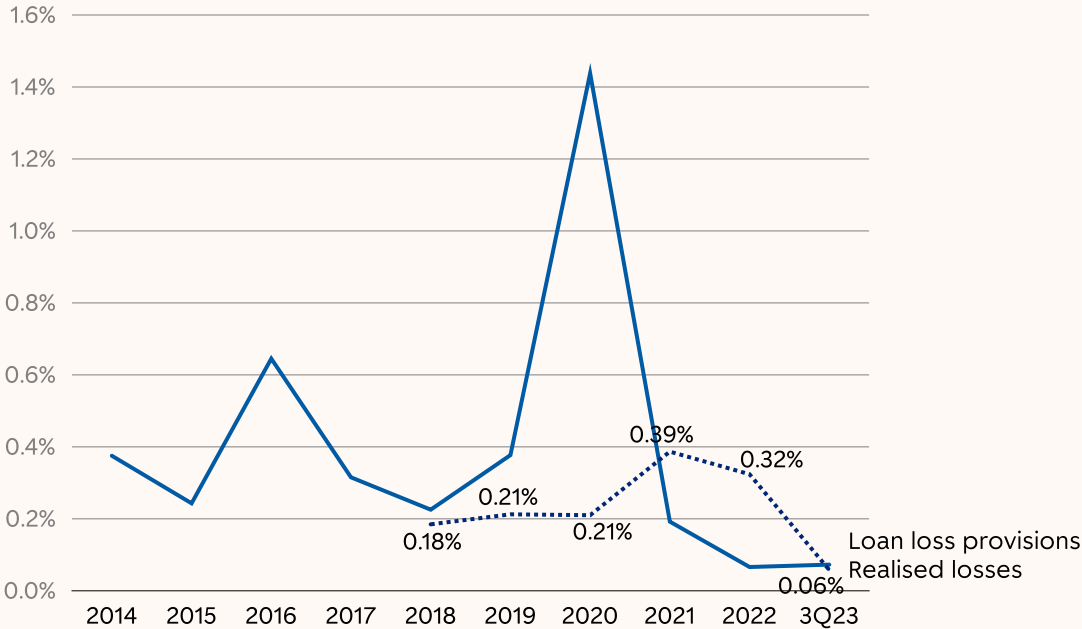


# 3mnd NIBOR, inflation and bank sector losses

Interest rates and inflation



Loan provisions and losses aggregated banking sector



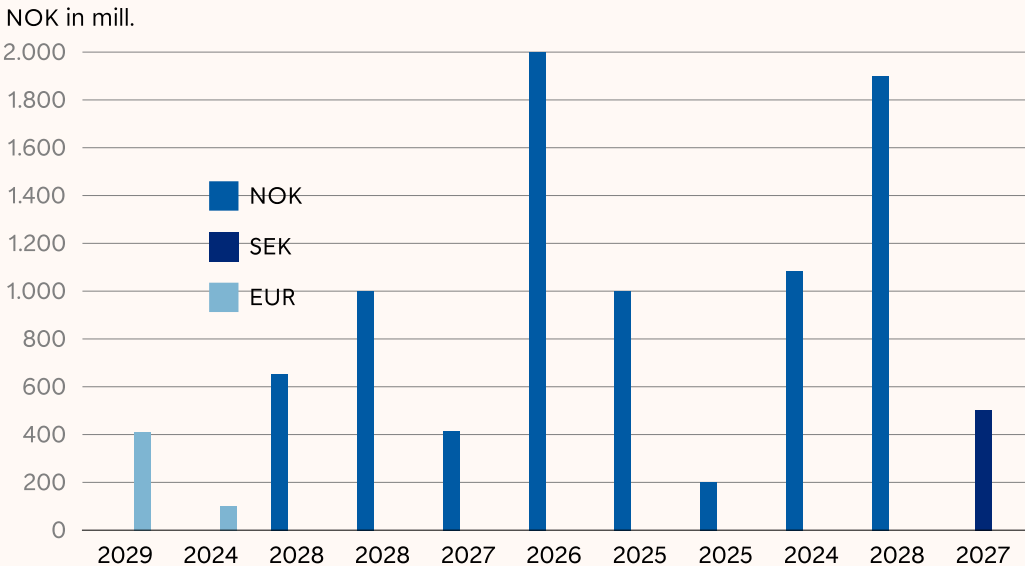
Part years are annualized; realised loss labelled

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# Covered bonds outstanding



- SpareBank 1 Naeringskreditt has maintained a stable lending volume around NOK 10bn, which is financed largely in NOK
- NOK Series are LCR 2 due to the size of the portfolio and bond series spread out across maturities.
- Some PPs in EUR outstanding and recent SEK issued

Series	Currency	Amount ( in 1000)	Issued	Final Maturity	Rating	Interest Basis	ISIN
EUR Series PP1	EUR	50,000	04/2014	04/2029	AAA	Floating rate	SPACOM EUR 04/29
EUR Series PP2	EUR	12,000	04/2014	04/2024	AAA	Fixed rate	SPACOM EUR 04/24
NOK Series 2018-3	NOK	650,000	10/2018	10/2028	AAA	Fixed rate	NO0010834112
NOK Series 10	NOK	1,000,000	05/2013	05/2028	AAA	Fixed rate	NO0010679707
NOK Series 2022-1	NOK	415,000	11/2022	11/2027	AAA	Fixed rate	NO0012738642
NOK Series 2021-1	NOK	2,000,000	11/2021	11/2026	AAA	Floating rate	NO0011150492
NOK Series 2022-2	NOK	1,000,000	11/2022	11/2025	AAA	Floating rate	NO0012747122
NOK Series 14	NOK	200,000	04/2013	06/2025	AAA	Fixed rate	NO0010675846
NOK Series 2020-1	NOK	2,276,000	09/2020	09/2024	AAA	Floating rate	NO0010894348
NOK Series 2023-1	NOK	1,900,000	10/2023	05/2028	AAA	Floating rate	NO0013048140
SEK Series 2024-1	SEK	500,000	01/2024	01/2027	AAA	Floating rate	NO0013126771

# SpareBank 1 Naeringskreditt contact info



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Spacom website for bond issues, cover pool statistics <https://spacom.no>