SR-Boligkreditt

Oslo, 20. januar 2016
SR-Boligkreditt was established on 17 March 2015 and has its business office in Stavanger, Norway and is highly regulated by the Norwegian FSA (Org no 915 174 388).

The company is 100% owned by SpareBank 1 SR-Bank.

The company’s objective is to purchase mortgages and to finance these by issuing covered bonds.

Rated Aaa by Moody’s
- TPI leeway of 4 notches.
- Minimum OC-requirement 0,5%
- The minimum level of over-collateralization is set to 2% in SR-Boligkreditt’s Covered Bond Programme.

FSA appointed investigator: PricewaterhouseCoopers.

Agreements with SR-Bank

- Revolving credit facility agreement
  - cover payment obligations under Covered Bonds, including derivative contracts, for a rolling 12 month period

- Overdraft facility
  - payment of purchased loans
  - funding drawings under flexi-loans
  - paying operational expenses
  - funding other working capital needs

- Transfer and servicing agreement

- Service level agreements
## Cover Pool characteristics – SR-Boligkreditt

| Assets / Status                              | 100 % first lien mortgages on Norwegian private residential properties  
|                                             | 100 % performing loans  
| Cover Pool                                  | NOK 10,6 bn: Residential mortgages 9,9 bn (93,4 %), Deposits 0,7 bn (6,6 %)  
| Loans and rate                              | 6,148 loans at a weighted average interest rate of 2,5 %  
| Average loan balance                        | 1,611,958  
| Weighted average original LTV               | 52,5 %  
| Weighted average current LTV                | 53,1 %  
| Weighted average seasoning                  | 78 months  
| Weighted average remaining term             | 268 months  
| Principal payment frequency                 | Repayment 90,9 %, Flexible 9,1 %  
| Rate Type                                   | 100 % floating rate loans  
| OC – level                                  | 13,1 %  
| OC - level if house price drop 20 %         | 8,2 %  

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**SpareBank**

Subsidiary of SpareBank 1 SR-Bank
Suksessfaktorer og trusler for OMF

• Markedsadgang

• Panteverdi

• Prising
Suksessfaktorer og trusler for OMF

• **Markedsadgang**

• **Generelt**
  – Appetitt for norsk omf i utlandet
    – Regulering
  – Vindusbasert (Hellas) – Brexit, regulering, geopolitisk mm
  – Rating fremfor makro?
  – Konkurrerende tilbud (Canada, Australia, mm)

• **Utstederspesifikk**
  – Rating fremfor makro?
    – AAA vs oljepris
    – # ratinger, fra hvem?
  – Fordel å være stor? Benchmark eur 1 mrd?
  – Benchmark og private placement
  – Diversifiseringsverdi
    – NOK/EUR/USD/SEK/CHF/JPY?
Suksessfaktorer og trusler for OMF

- *Panteverdi*
  - Boligprisfall
  - Arbeidsledighet
  - Renteoppgang
House prices in Rogaland flattened last 2-3 years

House prices NOK per square meter, average

Source: Finn.no, Eiendom Norge and Eiendomsverdi
Aggregate household debt burden

- **All household debts included in the statistic, question of international comparability.**

- **High home ownership (mortgage debt rather than rent commitments).**

- **Generous benefits (pensions, healthcare, education, childcare, maternity, unemployment).**

- **Income growth over the last decades has far outpaced the cost of necessities in the time period shown.**

- **High household savings rate is (9.0% in 2013): debt reduction possible.**
Nominal and real house price development

Index of house prices, Norway, monthly (Jan 2005 = 100)

Source: Eiendomsverdi through August 2015, separate projections and indexation
Cover Pool - Loan to value

- Weighted average current LTV is 53.1% (weighted average original LTV is 52.5%).

- The collateral (residential properties) is revalued every quarter based on an automated valuation model by Eiendomsverdi (Property Valuation Service) after the loan is transferred to SR-Boligkreditt.

- Loans which rise above 75% LTV as a result of the revaluation stay in the Cover Pool, but the share of the loan above 75% is disregarded in the asset–liability testing.
Loan to value ratio on home mortgage loans

- The proportion of loans with a loan-to-value ratio of less than 85% is high and stable.

- 90.3% of the exposure is within 85% of the assessed value of collateral.

In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.

The figures include the loan portfolio in the covered bond company (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).
RWA home mortgages

- **RWA on home mortgages reflects a solid and stable portfolio.**

- **The shift that occurs from the first quarter of 2015 is due to restrictions on PD and LGD imposed by the Norwegian FSA.**

**Probability of default (PD) through a full cycle of loss.**

**LGD (Loss Given Default):** Estimated loss given default of one single loan. The calculation is based on the realisation value of assets pledged as security in an economic downturn.

**Home mortgages as defined in the Norwegian IRB framework; residential property must make up at least 30% of a loan’s security.**

**Figures include the portfolio sold to the covered bond company (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).**
Impairment losses on loans/ Non-performing and doubtful commitments

<table>
<thead>
<tr>
<th></th>
<th>Q3 14</th>
<th>Q4 14</th>
<th>Q1 15</th>
<th>Q2 15</th>
<th>Q3 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-performing</td>
<td>521</td>
<td>513</td>
<td>729</td>
<td>448</td>
<td>716</td>
</tr>
<tr>
<td>Doubtful</td>
<td>48</td>
<td>31</td>
<td>68</td>
<td>25</td>
<td>46</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>30.09.14</th>
<th>31.12.14</th>
<th>31.03.15</th>
<th>30.06.15</th>
<th>30.09.15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-performing</td>
<td>0,77%</td>
<td>0,66%</td>
<td>0,81%</td>
<td>0,78%</td>
<td>0,78%</td>
</tr>
<tr>
<td>Doubtful</td>
<td>0,62%</td>
<td>0,54%</td>
<td>0,66%</td>
<td>0,64%</td>
<td>0,68%</td>
</tr>
</tbody>
</table>
Unemployment has increased, but remains moderate
Rogaland somewhat above the national average

Source: NAV
Debt servicing

- Share of net disposable income (after tax and cost of necessities) required to service a 85% LTV repayment mortgage over 25 years (green line).

- Average after-tax, after-necessities income for households with 2 adults and 2 children.

- Based on Median house prices for Norway (excl. apartments).

Average mortgage servicing payments (principal and interest)

Source: Statistics Norway, Eiendomsverdi
Suksessfaktorer og trusler for OMF

• Prising
  – NOK
    – Ratet vs ikke-ratet
    – Level 2a vs Level 1b
  – EUR
OMF-prising i NOK

- **Ulik prising ift rating og volum**
  - **Ulik behandling under LCR**
    - Level 1b (avkorting 7 %)
    - Level 2a (avkorting 15 %)

<table>
<thead>
<tr>
<th>OMF / Covered Bond</th>
<th>Moody's/S&amp;P/Fitch</th>
<th>Danske Bank</th>
</tr>
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<tbody>
<tr>
<td>DNB, Nordea: Level 1</td>
<td>Aaa/AAA</td>
<td>10 20 35 45 65</td>
</tr>
<tr>
<td>Andre AA/AAA utstedere: Level 1</td>
<td></td>
<td>12 22 39 50 70</td>
</tr>
<tr>
<td>Andre AA/AAA utstedere: Level 2</td>
<td></td>
<td>15 25 44 56 77</td>
</tr>
<tr>
<td>Realkredit Danmark / Sparebank 1 NK AA - AAA</td>
<td></td>
<td>22 32 54 68 89</td>
</tr>
<tr>
<td>Ikke LCR</td>
<td>AA - AAA</td>
<td>22 32 54 68 89</td>
</tr>
<tr>
<td>Ikke ratet bolighypotek</td>
<td></td>
<td>37 47 60 75 95</td>
</tr>
</tbody>
</table>
Suksessfaktorer og trusler for OMF
Cover Bond spreads – equal funding levels for Norwegian issuers

NOK market (5 years)

Euro market (5 year)
SR-Boligkreditt

Covered Bond Investor Presentation

Cover Pool per 31.12.2015
Disclaimer

This presentation contains forward-looking statements that reflect management’s current views with respect to certain future events and potential financial performance. Although SR-Boligkreditt believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for SR-Boligkreditt include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

This presentation does not imply that SR-Boligkreditt has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.
Agenda

SpareBank 1 SR-Bank

SR-Boligkreditt AS

Cover Pool

The Norwegian economy

The Norwegian mortgage market

Appendix
## The leading financial group in the southwest of Norway

<table>
<thead>
<tr>
<th>Rank</th>
<th>Region</th>
<th>Population</th>
<th>Market Share</th>
<th>Year of Establishment</th>
<th>Market Strategy</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rogaland</td>
<td>467,000</td>
<td>37%</td>
<td>1839</td>
<td>Market leader</td>
<td>3.8%</td>
</tr>
<tr>
<td>2</td>
<td>Hordaland</td>
<td>512,000</td>
<td>6%</td>
<td>2006</td>
<td>Entry/growth</td>
<td>2.8%</td>
</tr>
<tr>
<td>3</td>
<td>Agder</td>
<td>296,000</td>
<td>9%</td>
<td>2002</td>
<td>Growth</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Source: Nav, SSB og SpareBank 1 SR-Bank

Map showing geographical locations of companies in Rogaland, Hordaland, and Agder.
### SR-BANK’s activities

<table>
<thead>
<tr>
<th>Divisions of SR-BANK ASA</th>
<th>Capital Markets</th>
<th>Retail Market</th>
<th>Corporate Market</th>
<th>Administration &amp; Support</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fully owned companies</strong></td>
<td><strong>Key areas:</strong> Leading real estate broker</td>
<td><strong>Key areas:</strong> Asset management</td>
<td><strong>Key areas:</strong> Leasing</td>
<td><strong>Key areas:</strong> Accounting, Advisory, Covered Bond Funding</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Partly owned companies</strong></th>
<th><strong>SpareBank 1 Gruppen AS (19.5 %)</strong></th>
<th><strong>BN Bank ASA (23.5 %)</strong></th>
<th><strong>SpareBank 1 Boligkreditt AS (20.1%)</strong></th>
<th><strong>SpareBank 1 Næringskreditt AS (26.8 %)</strong></th>
<th><strong>SpareBank 1 Kredittkort (18.1 %)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding company for the SpareBank 1 - Alliance</td>
<td>Commercial bank located in Oslo and Trondheim</td>
<td>Covered bond company (mortgages)</td>
<td>Covered bond company (commercial real estate)</td>
<td>Credit card company located in Trondheim</td>
<td></td>
</tr>
</tbody>
</table>
SpareBank 1 Alliance

Owners of the alliance
- All credit decisions are made at the local banks
- Economies of scale related to expenses, IT solutions, marketing and branding

Companies directly owned by SR-Bank
- BN Bank (23,5 %)
- Bank 1 Oslo Akershus (4,8 %)
- SpareBank 1 Boligkreditt (20,1 %)
- SpareBank 1 Næringskredit (26,8 %)
- SpareBank 1 kredittkort (18,1 %)
- SR-Boligkreditt (100 %)

SpareBank 1 Gruppen AS
- SpareBank 1 Life insurance (100 %)
- SpareBank 1 Nonlife insurance (100 %)
- ODIN Asset Management (100 %)
- Collection (100 %)
- SpareBank 1 Factoring (100 %)

Banking Cooperation
## Key figures

<table>
<thead>
<tr>
<th></th>
<th>30.09 15</th>
<th>30.09 14</th>
<th>Q3 15</th>
<th>Q2 15</th>
<th>Q1 15</th>
<th>Q4 14</th>
<th>Q3 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity after tax (%)</td>
<td>10,9</td>
<td>15,0</td>
<td>9,3</td>
<td>10,8</td>
<td>12,7</td>
<td>11,7</td>
<td>12,2</td>
</tr>
<tr>
<td>Net interest margin (%)</td>
<td>1,42</td>
<td>1,43</td>
<td>1,39</td>
<td>1,44</td>
<td>1,45</td>
<td>1,51</td>
<td>1,48</td>
</tr>
<tr>
<td>Impairment losses on loans and guarantees in % of gross loans</td>
<td>0,21</td>
<td>0,17</td>
<td>0,25</td>
<td>0,12</td>
<td>0,25</td>
<td>0,27</td>
<td>0,2</td>
</tr>
<tr>
<td>- incl. covered bond companies</td>
<td>0,17</td>
<td>0,13</td>
<td>0,21</td>
<td>0,10</td>
<td>0,20</td>
<td>0,22</td>
<td>0,16</td>
</tr>
<tr>
<td>Non-performing and other problem commitments in % of gross loans</td>
<td>0,68</td>
<td>0,77</td>
<td>0,68</td>
<td>0,78</td>
<td>0,81</td>
<td>0,66</td>
<td>0,77</td>
</tr>
<tr>
<td>- incl. covered bond companies</td>
<td>0,56</td>
<td>0,62</td>
<td>0,56</td>
<td>0,64</td>
<td>0,66</td>
<td>0,54</td>
<td>0,62</td>
</tr>
<tr>
<td>Cost to income ratio</td>
<td>44,1</td>
<td>40,8</td>
<td>42,3</td>
<td>47,3</td>
<td>42,5</td>
<td>45,1</td>
<td>44,6</td>
</tr>
<tr>
<td>Annual growth in loans to customers, gross incl. covered bond companies (%)</td>
<td>7,4</td>
<td>3,5</td>
<td>7,4</td>
<td>7,6</td>
<td>7,3</td>
<td>4,7</td>
<td>3,5</td>
</tr>
<tr>
<td>Annual growth in deposits from customers (%)</td>
<td>9,5</td>
<td>14,9</td>
<td>9,5</td>
<td>11,1</td>
<td>15,5</td>
<td>13,7</td>
<td>14,9</td>
</tr>
<tr>
<td>Total assets (BNOK)</td>
<td>191,5</td>
<td>168,3</td>
<td>191,5</td>
<td>181,9</td>
<td>176,9</td>
<td>174,9</td>
<td>168,3</td>
</tr>
<tr>
<td>Portfolio of loans in covered bond companies (BNOK)</td>
<td>31,0</td>
<td>32,9</td>
<td>31,0</td>
<td>31,2</td>
<td>34,1</td>
<td>32,9</td>
<td>32,9</td>
</tr>
<tr>
<td>Risk weighted assets (BNOK)</td>
<td>122,4</td>
<td>117,3</td>
<td>122,4</td>
<td>120,4</td>
<td>117,6</td>
<td>120,2</td>
<td>117,3</td>
</tr>
<tr>
<td>Earnings per share (NOK)</td>
<td>6,24</td>
<td>6,45</td>
<td>1,47</td>
<td>1,69</td>
<td>1,94</td>
<td>1,75</td>
<td>1,78</td>
</tr>
<tr>
<td>Book value per share (NOK)</td>
<td>64,02</td>
<td>59,21</td>
<td>64,02</td>
<td>62,56</td>
<td>62,40</td>
<td>60,28</td>
<td>59,21</td>
</tr>
<tr>
<td>Number of shares issued (million)</td>
<td>255,8</td>
<td>255,8</td>
<td>255,8</td>
<td>255,8</td>
<td>255,8</td>
<td>255,8</td>
<td>255,8</td>
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</tbody>
</table>
### Lending and deposit margins

#### Lending margins

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Corporate market</th>
<th>Retail market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 13</td>
<td>2,99%</td>
<td>2,21%</td>
</tr>
<tr>
<td>Q4 13</td>
<td>2,93%</td>
<td>2,21%</td>
</tr>
<tr>
<td>Q1 14</td>
<td>2,92%</td>
<td>2,20%</td>
</tr>
<tr>
<td>Q2 14</td>
<td>2,90%</td>
<td>2,08%</td>
</tr>
<tr>
<td>Q3 14</td>
<td>2,89%</td>
<td>1,97%</td>
</tr>
<tr>
<td>Q4 14</td>
<td>2,80%</td>
<td>1,95%</td>
</tr>
<tr>
<td>Q1 15</td>
<td>2,66%</td>
<td>1,95%</td>
</tr>
<tr>
<td>Q2 15</td>
<td>2,59%</td>
<td>1,64%</td>
</tr>
<tr>
<td>Q3 15</td>
<td>2,59%</td>
<td>1,61%</td>
</tr>
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</table>

#### Deposit margins

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Corporate market</th>
<th>Retail market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 13</td>
<td>-0,45%</td>
<td>-0,63%</td>
</tr>
<tr>
<td>Q4 13</td>
<td>-0,44%</td>
<td>-0,68%</td>
</tr>
<tr>
<td>Q1 14</td>
<td>-0,47%</td>
<td>-0,79%</td>
</tr>
<tr>
<td>Q2 14</td>
<td>-0,50%</td>
<td>-0,64%</td>
</tr>
<tr>
<td>Q3 14</td>
<td>-0,45%</td>
<td>-0,49%</td>
</tr>
<tr>
<td>Q4 14</td>
<td>-0,48%</td>
<td>-0,47%</td>
</tr>
<tr>
<td>Q1 15</td>
<td>-0,46%</td>
<td>-0,55%</td>
</tr>
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<td>Q2 15</td>
<td>-0,25%</td>
<td>-0,38%</td>
</tr>
<tr>
<td>Q3 15</td>
<td>-0,18%</td>
<td>-0,25%</td>
</tr>
</tbody>
</table>

**Definition:** Average customer interest rate against 3-month moving average for 3-month NIBOR. Lending margins include loan portfolio in covered bond companies.
Lending volume and 12 months growth

Corporate Market (incl. Capital Markets)

Retail Market

* 12 months lending growth in Corporate Market excluding currency effect is 9.3%

Figures incl. loan portfolio in covered bond companies
Loan portfolio as at 30.09.2015

- **Gross loans as at 30 September 2015** amount to NOK 182.9 billion compared with NOK 170.3 billion at the same time last year.

- **12-month growth in loans of** 7.4%.

- **Loans to retail customers (incl. covered bond company)** account for 62.6% of total loans.

- **Loans to the commercial property sector** account for 15.1% of total loans.

Loans before individual write-downs, nominal amounts.

Sector allocation in accordance with the standard categories from Statistics Norway.
The proportion of loans with a loan-to-value ratio of less than 85% is high and stable.

90.3% of the exposure is within 85% of the assessed value of collateral.

In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.

The figures include the loan portfolio in the covered bond company (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).
RWA home mortgages

• **RWA on home mortgages reflects a solid and stable portfolio.**

• **The shift that occurs from the first quarter of 2015 is due to restrictions on PD and LGD imposed by the Norwegian FSA.**

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Probability of default (PD) through a full cycle of loss.

LGD (Loss Given Default): Estimated loss given default of one single loan. The calculation is based on the realisation value of assets pledged as security in an economic downturn.

Home mortgages as defined in the Norwegian IRB framework; residential property must make up at least 30% of a loan’s security.

Figures include the portfolio sold to the covered bond company (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).
Impairment losses on loans/ Non-performing and doubtful commitments

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<tr>
<th></th>
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<th>31.03.15</th>
<th>30.06.15</th>
<th>30.09.15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doubtful commitments, MNOK</td>
<td>533</td>
<td>513</td>
<td>729</td>
<td>716</td>
<td>683</td>
</tr>
<tr>
<td>Non-performing loans, MNOK</td>
<td>521</td>
<td>427</td>
<td>448</td>
<td>404</td>
<td>350</td>
</tr>
</tbody>
</table>

Impairment losses on loans

- Collective impairment losses on loans, MNOK
- Individual impairment losses on loans, MNOK
- Loss ratio in % of average gross loans
- Loss ratio in % of average gross loans incl. from covered bond companies

Non-performing and doubtful commitments

- Non-performing and doubtful commitments in % of gross loans
- Non-performing and doubtful commitments in % of gross loans incl. from covered bond companies
• **SpareBank 1 SR-Bank is compliant with capital requirements per 30.09.2015.**

• **SpareBank 1 SR-Bank received IRB Advanced approval for the corporate market portfolio in the first quarter of 2015.**

• **The use of different risk weights in the Nordic countries makes comparisons of actual financial strength difficult.**
  - The Basel I floor is also practised differently.

• **Leverage ratio is 5.9% per 30.09.2015. SpareBank 1 SR-Bank substantially exceeds the levels being discussed internationally.**

Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.
Common equity tier 1 being strengthened in line with stricter regulatory requirements

- New capital requirements entail a need to continue increasing common equity tier 1 capital going forward.

- Norges Bank has decided that the countercyclical buffer will increased to 1.5% from 30 of June 2016.

- In addition, the Norwegian FSA will during the 2016 determining an individual Pilar 2-requirements that will be added on the regulatory minimum requirements for CET 1.

- SpareBank 1 SR-Bank is not defined as systemically important financial institution (SIFI) according to the Regulations of 12 May 2014 but is close at SIFI-requirement for market share.

- To meet regulatory and market requirements for solvency, the target CET 1 level is 14.0% in 2016 and 14.5% during 2017. The target is reached through good profitability and retained earnings combined with limited growth in risk-weighted assets.

* Countercyclical buffer is 1% as at 30 June 2015.
Capital ratio calculated on basis of total assets

- **Core equity tier 1 capital ratio calculated on basis of total assets as at 30 September 2015 was 7.8%.

- **SpareBank 1 SR-Bank is very well capitalised and substantially exceeds the levels being discussed internationally.**

![Bar chart showing CET 1 capital / Total assets and CET 1 capital / Total assets (including gross loans in covered bond companies) for periods 30.09.13, 30.09.14, and 30.09.15.](chart.png)
Agenda

SpareBank 1 SR-Bank

SR-Boligkreditt AS

Cover Pool

The Norwegian economy

The Norwegian mortgage market

Appendix
Overview

- **SR-Boligkreditt** was established on 17 March 2015 and has its business office in Stavanger, Norway and is highly regulated by the Norwegian FSA (Org no 915 174 388).

- The company is 100% owned by SpareBank 1 SR-Bank.

- The company’s objective is to purchase mortgages and to finance these by issuing covered bonds.

- **Rated Aaa by Moody’s**
  - TPI leeway of 4 notches.
  - Minimum OC-requirement 0,5 %
  - The minimum level of over-collateralization is set to 2 % in SR-Boligkreditt’s Covered Bond Programme.

- FSA appointed investigator: PricewaterhouseCoopers.

### Functions of SR-Boligkreditt

- **Support activities**
  - Accounting
  - Back-Office
  - IT-systems
  - Reporting / Legal
  - Risk Management

- **Underwriting**
  - Mortgage acquisition

- **Core activities**
  - Funding
  - Liquidity Management
  - Asset Management
  - Loan servicing

### Agreements with SR-Bank

- **Revolving credit facility agreement**
  - cover payment obligations under Covered Bonds, including derivative contracts, for a rolling 12 month period

- **Overdraft facility**
  - payment of purchased loans
  - funding drawings under flexi-loans
  - paying operational expenses
  - funding other working capital needs

- **Transfer and servicing agreement**

- **Service level agreements**
### Eligibility criteria

| Type of properties | • First priority mortgages for residential property in Norway (including detached houses, terraced houses, apartments and cooperative housing units).  
|                    | • The mortgage property shall not be "buy-to-let".  
|                    | • No holiday homes.  
| Collateral         | • Max LTV 70 % or less at the time of transfer (max 60 % for non-amortizing loans).  
|                    | • The valuation of the mortgage property must be no less than 24 months old and carried out by an independent third party.  
|                    | • Quarterly valuation from independent 3rd party.  
| Credit criteria    | • No adverse credit history the previous year.  
|                    | • Customer rated in risk classes A-F of the 11 grade system (from A to K).  
| Type of products   | • Amortizing loans (straight line or annuity).  
|                    | • Non amortizing loans (flexible loans/revolving credits).  
|                    | • No fixed rate loans.  
| Loan volume        | • A maximum loan volume per customer of NOK 12 million (~€1.3 million). |
## Risk Management

<table>
<thead>
<tr>
<th><strong>Liquidity risk</strong></th>
<th>SR-Boligkreditt shall ensure that the payment flows from the Cover Pool enables it to meet its payment obligations towards the Covered Bond holders and derivatives counterparties at all times.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Liquidity reserves, committed loan facilities and other cash inflows shall as a minimum cover maturities and other cash outflows over the next 6 months.</td>
</tr>
<tr>
<td><strong>Interest rate risk</strong></td>
<td>SR-Boligkreditt shall not have a net interest rate exposure (exposure assets - exposure debt) in excess of 3% of total capital. The potential for gain / loss is calculated from a parallel shift of the yield curve by 1 percentage point.</td>
</tr>
<tr>
<td><strong>Currency risk</strong></td>
<td>Maximum aggregate currency position shall not exceed 3% of total capital.</td>
</tr>
<tr>
<td><strong>Over-collateralization</strong></td>
<td>The level of over-collateralization shall equal the minimum requirement from Moody's with a minimum buffer of 50 basis points.</td>
</tr>
<tr>
<td></td>
<td>The minimum level of over-collateralization is set to 2% in SR-Boligkreditt's Covered Bond Programme.</td>
</tr>
</tbody>
</table>
Funding

- The purpose of establishing SR-Boligkreditt is to optimize funding mix and eliminate possible limitations due to regulatory limits on large exposures.

- Roadshows in Norway and Europe indicate good demand for covered bonds issued by SR-Boligkreditt.

- SR-Bank has always had good interest from investors outside its home market.

- Stands out compared to Norwegian savings banks when it comes to geographic diversification of funding.

<table>
<thead>
<tr>
<th>Issuer / Ticker</th>
<th>Coupon</th>
<th>Amount</th>
<th>Maturity</th>
<th>ISIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>SR-Bank / SRBANK</td>
<td>3.500%</td>
<td>EUR500mn</td>
<td>21-April-2016</td>
<td>XS0551556409</td>
</tr>
<tr>
<td>SR-Bank / SRBANK</td>
<td>2.000%</td>
<td>EUR500mn</td>
<td>14-May-2018</td>
<td>XS0853250271</td>
</tr>
<tr>
<td>SR-Bank / SRBANK</td>
<td>2.125%</td>
<td>EUR500mn</td>
<td>27-February-2019</td>
<td>XS0965489239</td>
</tr>
<tr>
<td>SR-Bank / SRBANK</td>
<td>2.125%</td>
<td>EUR500mn</td>
<td>03-February-2020</td>
<td>XS0876758664</td>
</tr>
<tr>
<td>SR-Bank / SRBANK</td>
<td>2.125%</td>
<td>EUR750mn</td>
<td>14-April-2021</td>
<td>XS1055536251</td>
</tr>
</tbody>
</table>
Funding plans

- **SR-Boligkreditt intends to be a regular issuer, with issuance activity split between the domestic and the international markets. The company will aim to establish a curve in the EUR market, in a similar fashion to what has been achieved in the EUR Senior Unsecured market in the last few years.**

- **Expect demand from abroad and SR-Boligkreditt will opportunistically issue private placements from day one.**

- **Public issues in international currencies when market conditions are suitable**

- **SR-Boligkreditt issues bonds with soft bullet, 12 months extension, in line with other Norwegian issuers.**
Cover Bond spreads – equal funding levels for Norwegian issuers

NOK market (5 years)

Euro market (5 year)
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The Norwegian mortgage market

Appendix
Strong credit quality

- **Realized losses**: 0
- **Foreclosed mortgages**: 0
- **Mortgages in arrears (>90 days)**: 0

### Loan performance

- Performing loans
- Delinquent loans (arrears 31 to 90 days)
- Gross non performing loans (arrears 90 days +)
# Cover Pool characteristics

<table>
<thead>
<tr>
<th>Assets / Status</th>
<th>100 % first lien mortgages on Norwegian private residential properties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100 % performing loans</td>
</tr>
<tr>
<td><strong>Cover Pool</strong></td>
<td>NOK 10,6 bn: Residential mortgages 9,9 bn (93,4 %), Deposits 0,7 bn (6,6 %)</td>
</tr>
<tr>
<td><strong>Loans and rate</strong></td>
<td>6,148 loans at a weighted average interest rate of 2,5 %</td>
</tr>
<tr>
<td><strong>Average loan balance</strong></td>
<td>1,611,958</td>
</tr>
<tr>
<td><strong>Weighted average original LTV</strong></td>
<td>52,5 %</td>
</tr>
<tr>
<td><strong>Weighted average current LTV</strong></td>
<td>53,1 %</td>
</tr>
<tr>
<td><strong>Weighted average seasoning</strong></td>
<td>78 months</td>
</tr>
<tr>
<td><strong>Weighted average remaining term</strong></td>
<td>268 months</td>
</tr>
<tr>
<td><strong>Principal payment frequency</strong></td>
<td>Repayment 90,9 %, Flexible 9,1 %</td>
</tr>
<tr>
<td><strong>Rate Type</strong></td>
<td>100 % floating rate loans</td>
</tr>
<tr>
<td><strong>OC – level</strong></td>
<td>13,1 %</td>
</tr>
<tr>
<td><strong>OC - level if house price drop 20 %</strong></td>
<td>8,2 %</td>
</tr>
</tbody>
</table>
**Cover Pool notional**

- Average loan size is MNOK 1.6.

- Few large loans (> 4% above MNOK 5).

- 10 largest borrowers represent 0.9% of total Cover Pool.
**Distribution of the Cover Pool**

- Loan portfolio distributed in the southwest of Norway.
- No buy to let properties in the Cover Pool.
- No multi-family / housing cooperatives loans in the Cover Pool.
Cover Pool - Loan to value

- Weighted average current LTV is 53.1% (weighted average original LTV is 52.5%).

- The collateral (residential properties) is revalued every quarter based on an automated valuation model by Eiendomsverdi (Property Valuation Service) after the loan is transferred to SR-Boligkreditt.

- Loans which rise above 75% LTV as a result of the revaluation stay in the Cover Pool, but the share of the loan above 75% is disregarded in the asset – liability testing.
Other Cover Pool characteristics

- The legal term is typically 25 years for a new mortgage.

- SR-Boligkreditt buys the loan from SR-Bank typically some time after origination.

- Weighted average seasoning is 78 months.

- Weighted average remaining term is 268 months.
Other Cover Pool characteristics

- Few non-amortizing loans (flexible loans/revolving credits).
- 100 % floating rate loans in the Cover Pool.
- Interest rates can be reset at the lender’s discretion, by giving the debtor 6 weeks notice.

**Repayment type**
- 91% Amortization
- 9% Non-amortization

**Interest rate type**
- 100% Floating rate
Other Cover Pool characteristics

Borrower status
- Employed: 99%
- Self-employed: 1%

Occupancy status
- Owner occupied: 100%

Mortgage payment frequency
- Monthly: 100%
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Norwegian economy: Key takeaways

• *Expect global economic growth of 3.3% in 2015, Norway 1.3%.*

• *Although oil investments are expected to be reduced in 2015, they still remain at a high level.*

• *Infrastructure projects, increase in public spending and high activity in house building help to ensure good conditions for the region's business and population growth.*

• *A weaker exchange rate spurs Norwegian exporters and low interest rates stimulate business and household spending.*

• *SR-Bank expects stable house prices to go forward and strong competition for new home mortgage customers.*
### Norway economy: Key economic indicators

<table>
<thead>
<tr>
<th>Economic Indicators (%)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014E</th>
<th>2015P</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth - mainland</td>
<td>1.9</td>
<td>3.8</td>
<td>2.3</td>
<td>2.2</td>
<td>1.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Household consumption growth</td>
<td>2.3</td>
<td>3.5</td>
<td>2.1</td>
<td>2.0</td>
<td>2.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Investment growth – mainland*</td>
<td>5.0</td>
<td>7.4</td>
<td>2.9</td>
<td>1.7</td>
<td>0.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Investment growth oil &amp; gas</td>
<td>11.3</td>
<td>15.1</td>
<td>17.1</td>
<td>-1.7</td>
<td>-11.6</td>
<td>-10.3</td>
</tr>
<tr>
<td>Inflation rate, CPI</td>
<td>1.2</td>
<td>0.8</td>
<td>2.1</td>
<td>2.0</td>
<td>2.1</td>
<td>2.9</td>
</tr>
<tr>
<td>3 month NIBOR rate / avg. mortgage rate</td>
<td>2.9/3.6</td>
<td>2.2/3.9</td>
<td>1.8/4.0</td>
<td>1.7/3.9</td>
<td>1.3/3.2</td>
<td>1.0/2.8</td>
</tr>
<tr>
<td>Household savings ratio</td>
<td>6.2</td>
<td>7.6</td>
<td>7.5</td>
<td>8.5</td>
<td>8.5</td>
<td>8.7</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>3.3</td>
<td>3.2</td>
<td>3.5</td>
<td>3.5</td>
<td>4.4</td>
<td>4.6</td>
</tr>
<tr>
<td>HH sector disp. real inc. growth</td>
<td>4.1</td>
<td>4.5</td>
<td>2.8</td>
<td>2.6</td>
<td>2.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Current Account Surplus / GDP</td>
<td>12.7</td>
<td>13.9</td>
<td>10.5</td>
<td>9.4</td>
<td>6.4</td>
<td>4.9</td>
</tr>
<tr>
<td>Gov Budget Surplus / GDP</td>
<td>14</td>
<td>14</td>
<td>12</td>
<td>10</td>
<td>9</td>
<td>n.a.</td>
</tr>
<tr>
<td>Sovereign Wealth Fund / GDP</td>
<td>120</td>
<td>129</td>
<td>154</td>
<td>204</td>
<td>215</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

*Sources: Statistics Norway as of September 3, 2015, NBIM, Ministry of Finance*

* Business, housing and public sector
Norway – Key characteristics

Demographics
• 5.2 million population
• 2.3 million households
• Fertility rate: 1.98
• 5 year pop CAGR: 1.2%

Government and affiliations
• Parliamentary Constitutional Monarchy
• Non-EU member (EEA member)
• Currency: ca. 9.3 NOK/EUR, 8.4 NOK/USD
• Number 1 rank on the UN’s Global Human Development Index over a decade

Household debt
• Number of households with debt (2013): 84%
• Average HH debt (2013): NOK 1 175 000
• Average gross income per HH (2013): NOK 730 800
• HH debt multiple of gross income (2013): 1.61x

Source: Eurostat and Statistics Norway
Norwegian economy – international context

Unemployment rates

- Denmark
- Norway
- Sweden
- United States
- Euro area

Household real net disp. income change

- Denmark
- Germany
- Norway
- Sweden
- United States

GDP growth rates

- Denmark
- Norway (mainland)
- Sweden
- United States
- Euro Area

Household savings rates

- Denmark
- Norway
- Sweden
- US
- Germany

Source: OECD Economic Outlook no.96 and Statistics Norway
Norwegian economy

GDP by industry, 2014

Source: Statistics Norway, value added at basic prices (excl. taxes). Industrial (7%) includes fish (salmon) production
Reduced petroleum activity in 2015
Lower investments, whereas operating expenditures are more stable

- Investments levelled out in 2014 following several years of growth. Investments expected to be reduced by 15% in 2015

- Operating expenditures (opex), which are important for the region, are usually more stable. In 2015 it has been fluctuating. Going forward opex is expected to remain steady for the next few years

Source: Oljedirektoratet (ndp)
Unemployment has increased, but remains moderate
Rogaland somewhat above the national average

Source: NAV
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Norwegian housing and mortgage market

Key characteristics

| Market | • Total mortgage market approx NOK 2,300 billion (approx USD 280bn, €255bn)
|        | • Banks and credit institutions are the dominant supplier of mortgages with over 90% market share
|        | • Typical maturity 25-30 years and repayment mortgages
|        | • No sub-prime market
| Home Ownership | • 80% of households owner occupied (little buy to let)
|        | • Amongst the highest home ownership in the world
| Social Security | • Generous unemployment benefits
|        | • Unemployment benefit represents ca 60% of final salary for 104 weeks
| Personal Liability | • Borrowers are personally liable for their debt, also for outstanding debt post foreclosure and forced sale
|        | • Swift foreclosure regime upon non-payment
|        | • Individual borrowers have tight relationship with their lenders
|        | • Transparent information about borrowers
| Regulation | • Max Loan to value: 85% (75% legal limit for Cover Pool)
|        | • Non-amortizing loans: max 70% LTV
|        | • 5% mortgage interest rate increase as stress test
| Interest Payments | • 90-95% of mortgages are variable rate
|        | • Interest rates can be reset at the lender’s discretion, by giving the debtor 6 weeks notice
| Tax Incentives | • 27% of interest paid is tax deductible (equal to the basic rate of tax)
|        | • Low effective real estate tax (lower net worth tax on real estate than financial assets)

Source: Statistics Norway for household credit growth and mortgage split
Nominal and real house price development

Index of house prices, Norway, monthly (Jan 2005 = 100)

Source: Eiendomsverdi through August 2015, separate projections and indexation
House prices in Rogaland flattened last 2-3 years

Source: Finn.no, Eiendom Norge and Eiendomsverdi
• All household debts included in the statistic, question of international comparability.

• High home ownership (mortgage debt rather than rent commitments).

• Generous benefits (pensions, healthcare, education, childcare, maternity, unemployment).

• Income growth over the last decades has far outpaced the cost of necessities in the time period shown.

• High household savings rate is (9.0% in 2013): debt reduction possible.
Debt servicing

- Share of net disposable income (after tax and cost of necessities) required to service a 85% LTV repayment mortgage over 25 years (green line).

- Average after-tax, after-necessities income for households with 2 adults and 2 children.

- Based on Median house prices for Norway (excl. apartments).

Source: Statistics Norway, Eiendomsverdi
Residential market Norway

**Houses/flats for sale on the market**

**No of days to sell a house/flat**

**Newly completed houses/flats**

**Population Change and Completed Housing Units**

Source: Eiendomsverdi and Statistics Norway
New regulations from the Ministry of Finance

The Ministry of Finance adopted on the 15 June 2015 a regulation on requirements for residential mortgage loans. The regulation is based on current guidelines from the Financial Services Authority. The aim of the regulation is to contribute to a sustainable development in the residential mortgage market. The regulation takes effect from 1 July 2015.

Requirements for residential mortgage loans:

- Borrowers to be stress tested for an interest rate of 5%.
- Cap on the loan-to-value ratio on residential mortgage loans at 85%
- Require 2.5% amortization on all mortgages > 70% LTV.

To ensure that lenders are able to offer loans to creditworthy borrowers, the regulation allows for 10% of the volume of a lender’s approved loans per quarter to be loans that do not meet the regulatory requirements for debt-servicing capacity, loan-to-value ratio or repayments. To ensure competition in the market for residential mortgage loans, loans that are moved from one bank to another, are not counted in the 10 percent quota.

The regulation will be continuously evaluated in the light of regional developments in the housing market, household borrowing, and the impact on competition between lenders. The regulation will cease to have effect on 31 December 2016, unless an assessment shows the need for the regulation to be extended.
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Norwegian legal framework for Covered Bonds

<table>
<thead>
<tr>
<th><strong>Specialist banking principle</strong></th>
<th>Only specialised institutions whose articles of association comply with prescribed mandatory requirements may issue covered bonds.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LTV limits</strong></td>
<td>75% for residential mortgages. 60% for commercial mortgages.</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>The Cover Pool may consist of mortgaged real estate assets, public sector loans and substitute assets (max 20% of Cover Pool, 30% with the Norwegian FSA approval).</td>
</tr>
<tr>
<td><strong>Matching requirement</strong></td>
<td>Value of the Cover Pool shall at all times exceed the value of the covered bonds with a preferential claim on the pool. NPV principle applied to all assets and liabilities.</td>
</tr>
<tr>
<td><strong>Special supervision</strong></td>
<td>The Norwegian FSA appoints an independent inspector who regularly (at least every three months) supervises the matching requirement of the Cover Pool and the Cover Pool registry. The inspector submits annual reports of observations and assessments to the Norwegian FSA.</td>
</tr>
<tr>
<td><strong>Over-collateralisation</strong></td>
<td>Voluntary over-collateralisation is part of the pool and is bankruptcy remote.</td>
</tr>
<tr>
<td><strong>Liquidity requirement</strong></td>
<td>Cash flow from the Cover Pool shall at all times suffice to cover payments on the covered bonds and payments to counterparties under related derivatives agreements. A liquidity reserve needs to be established which shall be included in the Cover Pool.</td>
</tr>
<tr>
<td><strong>Currency risk</strong></td>
<td>The credit institution must establish reasonable and conservative limits. SR-Boligkreditt will fully hedge currency risk.</td>
</tr>
<tr>
<td><strong>Interest rate risk</strong></td>
<td>Interest rate risk must be analysed (rate curve shifts and twists). SR-Boligkreditt will hedge interest rate risk on its bonds to 3 month NIBOR.</td>
</tr>
<tr>
<td><strong>Issuer insolvency</strong></td>
<td>Bankruptcy Administrator tasked with preserving the value of the Cover Pool, maintain law &amp; regulations, ensure timely payment to covered bond investors and derivatives counterparties. Must inform covered bond investors about any material decisions. If timely payments can no longer be ensured, a halt to payments is introduced. All covered bond investors have preferential pari passu claim, must be consulted on material points.</td>
</tr>
</tbody>
</table>
## Comparison of Covered Bond Jurisdictions

<table>
<thead>
<tr>
<th>Country</th>
<th>Max LTVs</th>
<th>Special Banking Principle</th>
<th>NPV Asset Liability Matching</th>
<th>Freq. Of Coverage Calculation</th>
<th>Legally required O/C</th>
<th>Derivatives Pledged to Pool</th>
<th>Separate Administrator in Insolvency</th>
<th>Voluntary O/C protected in Bankruptcy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>Resi: 75 % CRE: 60 %</td>
<td>Yes</td>
<td>Yes</td>
<td>Daily</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sweden</td>
<td>Resi: 75 % CRE: 60 %</td>
<td>No</td>
<td>Yes</td>
<td>Daily</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Finland</td>
<td>Resi: 70 % CRE: 60 %</td>
<td>No</td>
<td>Yes</td>
<td>Daily</td>
<td>Contractual</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Germany</td>
<td>Resi: 60 % CRE: 60 %</td>
<td>No</td>
<td>Yes</td>
<td>Daily</td>
<td>5 %</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Spain</td>
<td>Resi: 80 % CRE: 60 %</td>
<td>No</td>
<td>No</td>
<td>Daily</td>
<td>CH 25 %/ CT 43 %</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>France</td>
<td>Resi: 80 % CRE: 60 %</td>
<td>Yes</td>
<td>No</td>
<td>Daily</td>
<td>5 %</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Resi: 80 %</td>
<td>No</td>
<td>No</td>
<td>Monthly</td>
<td>5 %</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Italy</td>
<td>Resi: 80 % CRE: 60 %</td>
<td>No</td>
<td>Yes</td>
<td>Six months</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>UK</td>
<td>Resi: 80 %</td>
<td>No</td>
<td>Not relevant</td>
<td>Not relevant</td>
<td>Contractual</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Contact details

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