

SpareBank 1 Boligkreditt

English

Key points overview for SpareBank 1 Boligkreditt,
August 2021



About the Bank

- SpaBol is the specialist issuer of covered bonds on behalf of the savings banks in the SpareBank 1 Alliance
- Norwegian savings banks are the oldest banks in Norway and have parallels to the formation of savings banks in other countries
- Equity investors hold savings bank's shares while internal capital voting rights are majority held by customers
- The SpareBank 1 banks are offering a broad spectrum of products and services, but residential mortgage lending dominates



Key Figures

- SpaBol is the second largest Norwegian covered bond issuer and finances approx. EUR 22-23 bn. of residential mortgages
- The SpareBank 1 Alliance is Norway's second largest banking group with approximately EUR 130 bn. in total capital
- SpareBank 1 Alliance: Return on Equity 13%, Lending margin 1,5%, Cost to income 42%, Capital ratio 22%, Lending impairments low



Issuing strategy

- SpaBol covered bonds issued in EUR, NOK, SEK, GBP (previously also USD)
- Different currencies achieve diversification across covered bond markets, but EUR funding is the most important at 60-70%
- Typical issuance is EUR 1 bn., there are 13 EUR benchmark bonds outstanding with maturities up to 10 years Banks in the SpareBank 1
- Alliance issue their own Senior preferred and non-preferred bonds, also in EUR



Cover Pool

- Consists of granular residential individual mortgages and liquidity reserves
- FX and interest rate risks on issued bonds are hedged with swaps, which are also part of the cover pool
- The weighted average current loan to value (LTV) is around 50% (legal maximum for an individual mortgage is 75%)
- Geographical diversification all over Norway with no credit losses or problem loans



Residential real estate & mortgages

- Residential real estate is predominantly owner occupied (82%) making the mortgage market large and important
- The real estate market is unregulated when it comes to transactions and price setting, which may exhibit volatility at times (larger City areas set tone)
- Bank competition on the mortgage market is pronounced, mortgage are typically floating rate and amortising over 25 years
- Strict and broad rules are in existence for banks when assessing borrowers, such as max. debt to income



Rating & Regulatory

- SpaBol covered bonds are rated Aaa by Moodys' (unchanged since 2007)
- SpareBank 1 Banks are rated Aa3 to A2 senior preferred
- SpaBol covered bonds are typically LCR Level 1, ECB Repo eligible and SpaBol is a Covered Bond Label member
- Norway is implementing the EU's Covered Bond Harmonisation legislation