



Sparebanken  
Vest













# Investor presentation

INAUGURAL GREEN COVERED BOND  
SPAREBANKEN VEST BOLIGKREDITT AS

JUNE 2020

# Why invest in Sparebanken Vest



-  Low risk and complexity 
-  At the forefront of digital developments 
-  Attractive customer dividend for investors 
-  Strong ESG focus 
-  Strong performance culture 
-  Leading in terms of ROE – target 12% 



# Sparebanken Vest



# Sparebanken Vest and the region

## Third biggest savings bank in Norway

- Established in 1823 and listed on Oslo Stock Exchange since 1995
- Head office in Bergen. 33 branch offices and 722 full-time equivalents
- Diversified product portfolio. Biggest shareholder in Frende Forsikring and Brage Finans (leasing)
- Several digital initiatives, like the first Norwegian mobile-only banking concept, Bulder Bank
- More than NOK 219 bill. in assets under management, approx. 283,000 retail customers and 13,000 corporate customers
- Strong asset quality – 74% of lending to retail customers, of which 99% is residential mortgages
- Long-term ROE target of 12%

## Home market

- Approx. 1.1 million inhabitants, corresponding to 21% of the Norwegian population
- Bergen and Stavanger are among the three biggest regions in Norway
- The most diversified business region in Norway with industrial structure including engineering, fisheries, fish farming, shipping, ship building, tourism, as well as oil and gas industry
- Bulder Bank signals the launch of Norway's first mobile-only banking concept

## Market areas

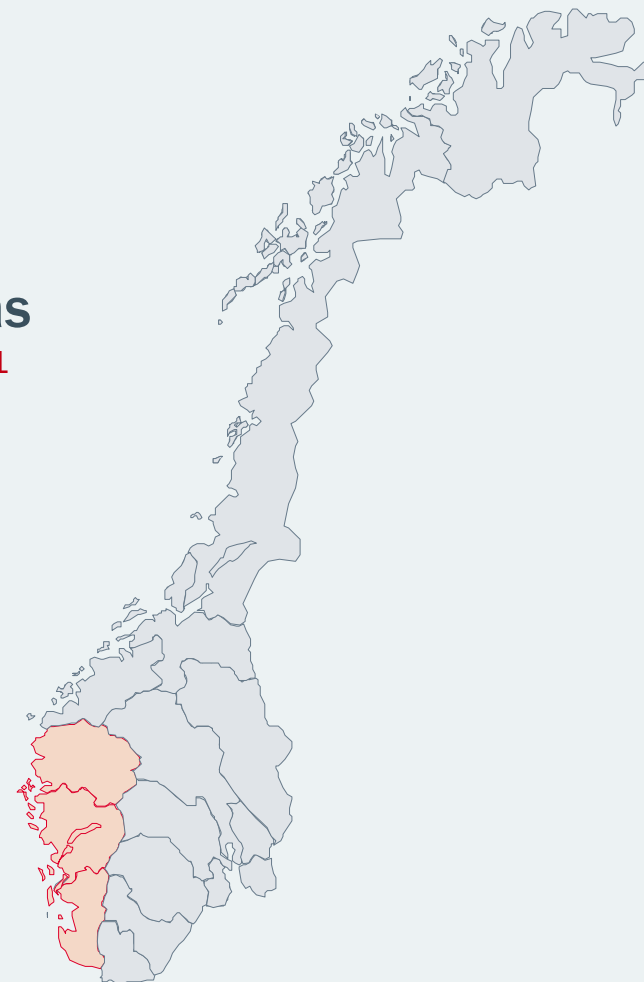
### Market shares<sup>1</sup>

#### Vestland

28.3%

#### Rogaland

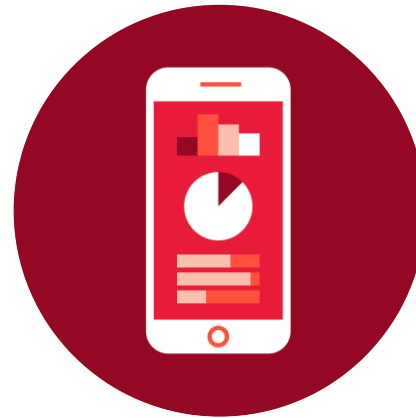
6.7%



# OUR VALUE PROPOSITION



A PERSONAL  
«SIGNATURE»



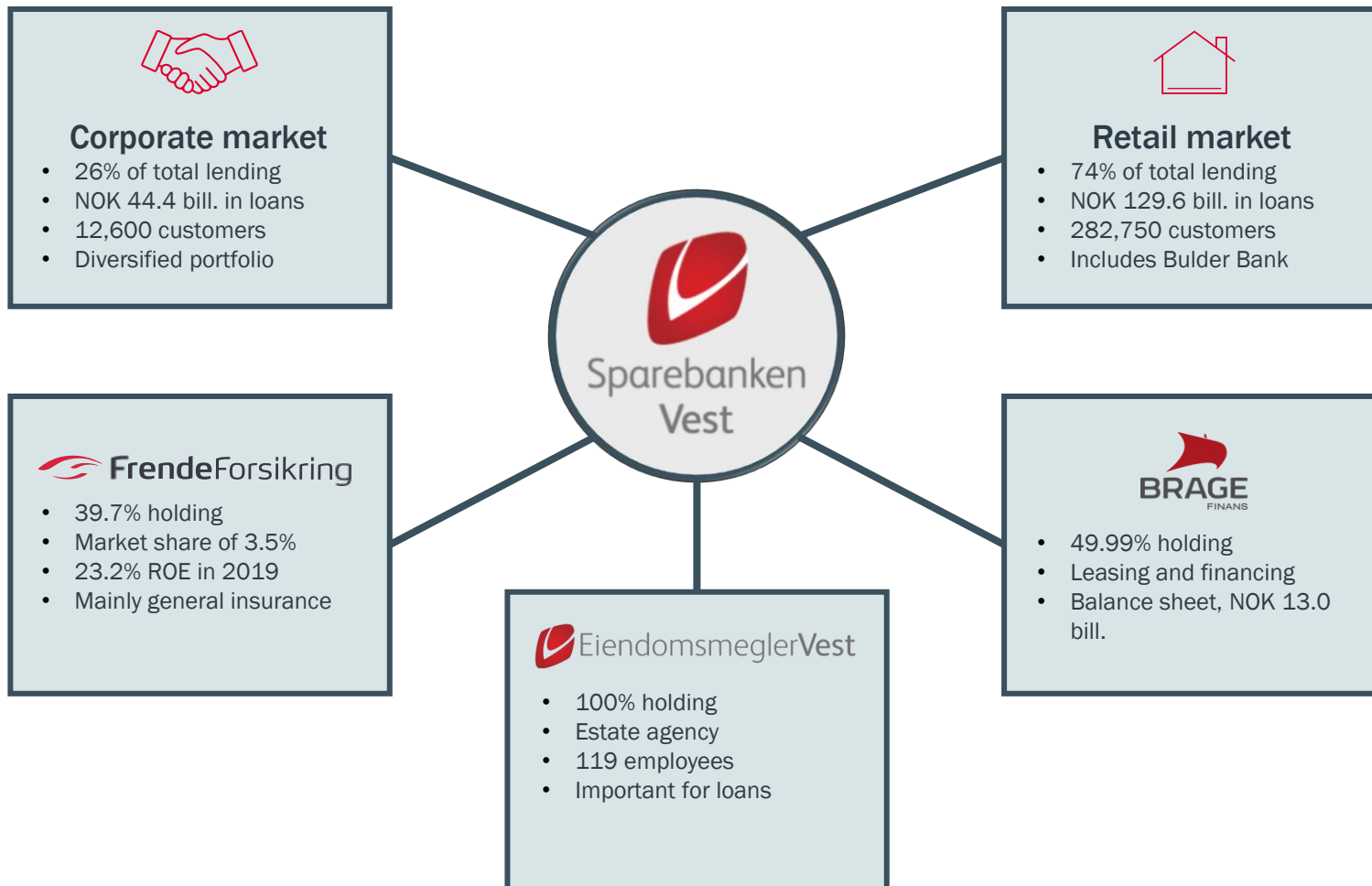
SIMPLE DIGITAL  
SERVICES



A COMMITMENT TO A  
STRONG AND SUSTAINABLE  
WESTERN NORWAY

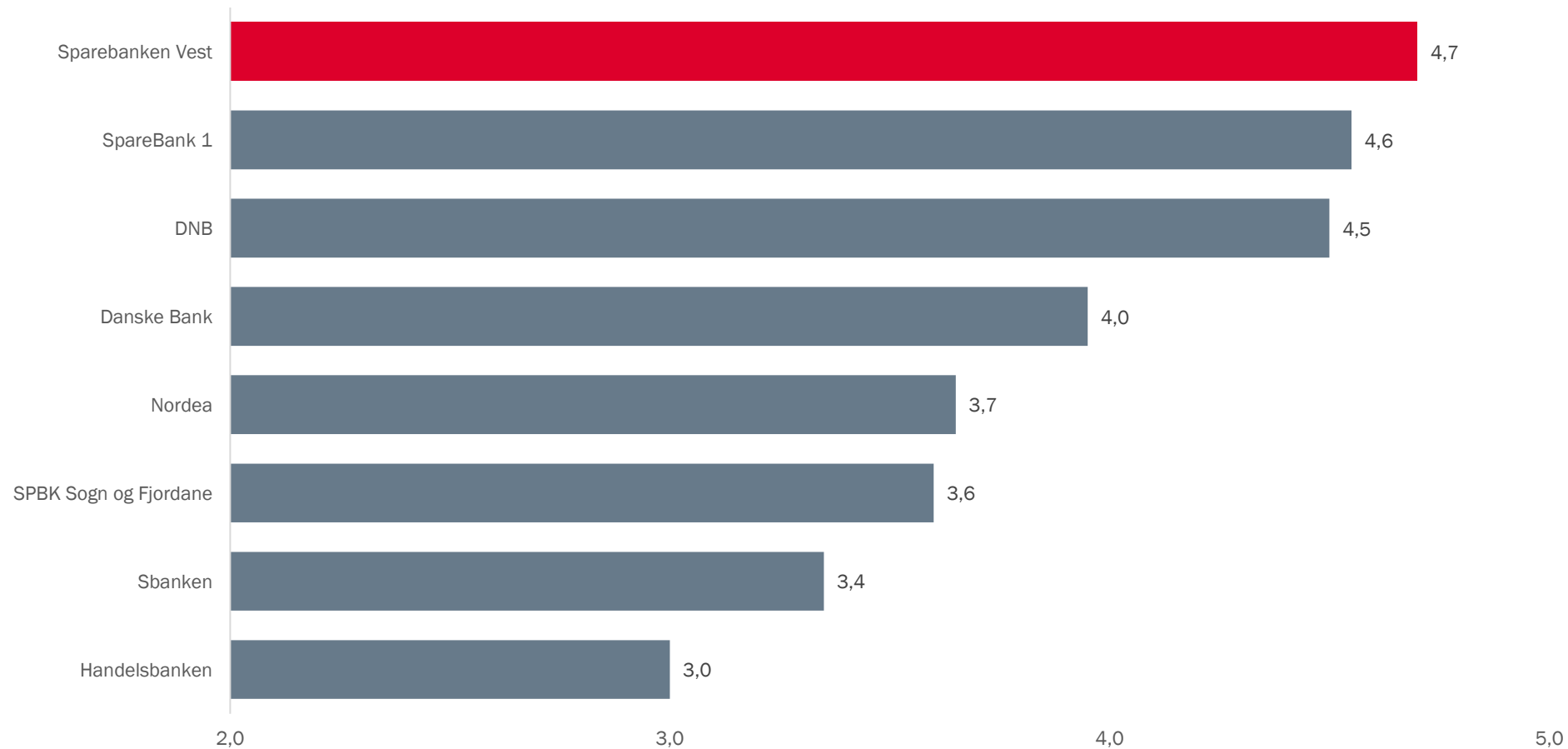


# A bank with low complexity



# Norway's best mobile banking solution since 2016

– Rating strengthened through first quarter (record score of 4.7)



We are redefining banking – and beginning with mortgages



Upscale nationally to an attractive mobile phone platform



Potential for significant value creation



Significant development synergies



# Q1 7,7% ROE and a sound capital adequacy despite market unrest

## Income

- Increased net interest income, NOK 838 (724) mill. despite challenging end to the quarter
- Reduction in commission income from savings in funds and in volume of card transactions
- Net loss on financial instruments as a result of market unrest, NOK -120 (+3) mill.

## Costs

- Low costs; NOK 384 (371) mill.
- Minimal impact from the situation in the market

## Write-downs

- Increased model-based provision as a result of COVID-19 and the fall in oil prices
- Effect estimated to be NOK 85–100 mill.
- Total recognised write-downs of NOK 125 million (NOK 1 mill. taken to income) in the quarter

## Profit

- Q1 pre-tax profit NOK 328 (531) mill.
- Return on equity 7.7 (11.3) %
- Profit per equity certificate NOK 1.12 (1.48)

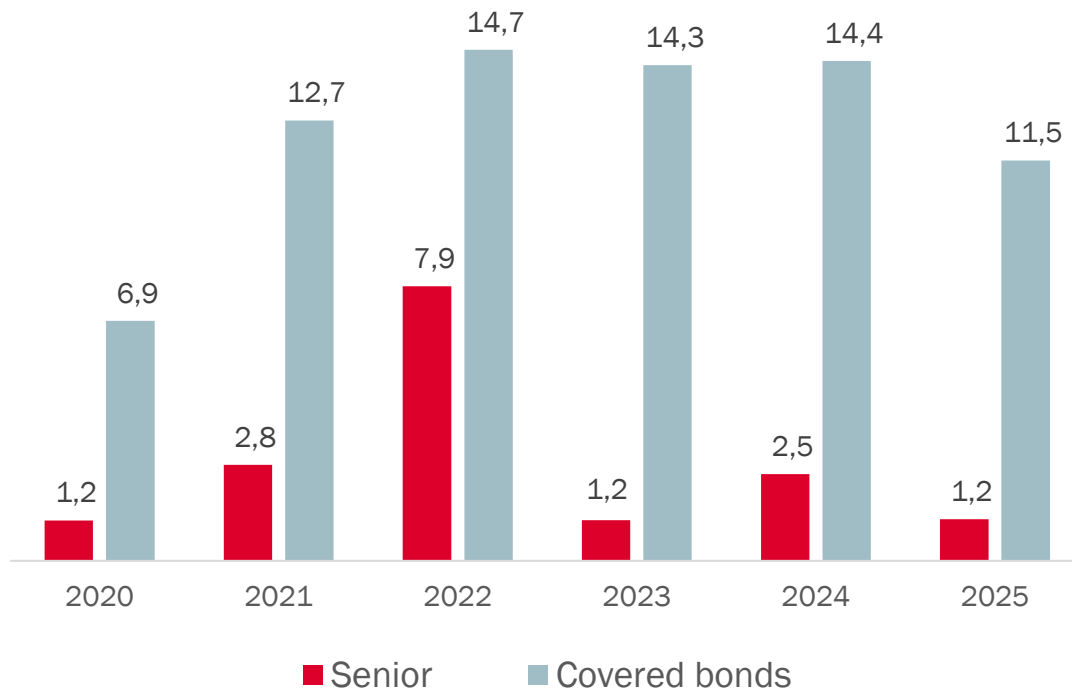
## Capital adequacy

- CET1 ratio of 17.3% and Capital ratio of 21.0%
- The change from fourth quarter 2019 is mainly due to currency effects
- Regulatory capital requirements met by a very good margin



# The bank has good liquidity and well-diversified maturity structure

Maturity structure senior and covered bonds (NOK bill.)\*

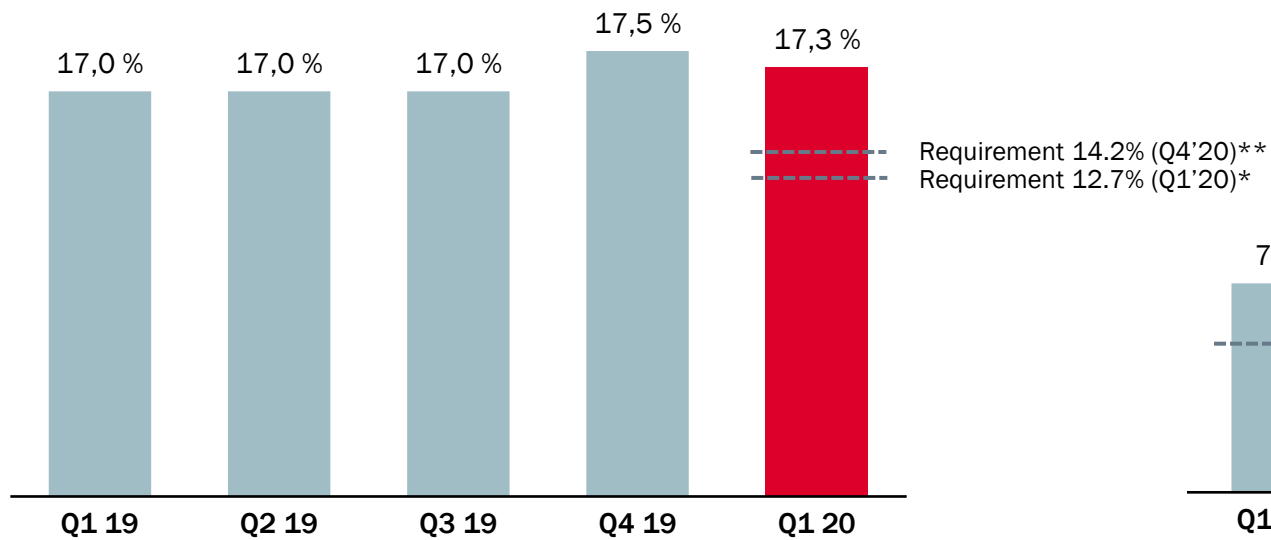


- **Liquidity portfolio: Large and liquid**
  - Approx. NOK 30 billion
- **LCR well above requirements at 143% as of Q1'2020**
- **No need for external financing until autumn 2020**
  - Diversified maturity structure
- **Sparebanken Vest has not substantially utilized the Norwegian Central bank's lending facility (F-loans) due to a robust liquidity position, even during Covid-19 pandemic**
  - However, usage of F-loans important to stabilise the Norwegian market

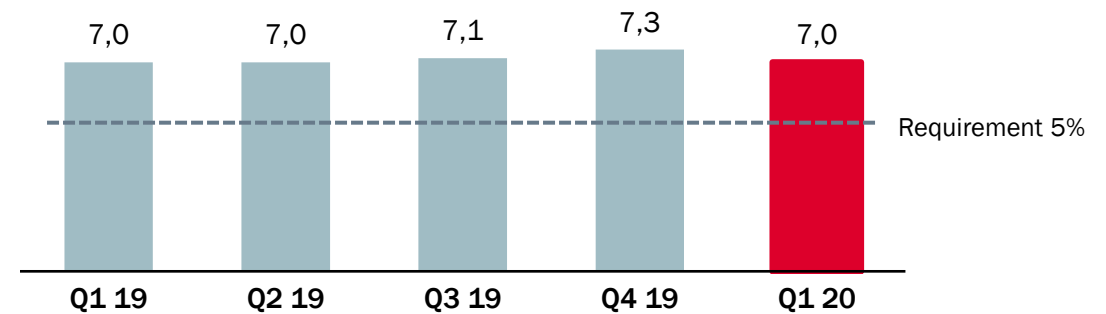


# Regulatory capital requirements met by very good margin

## CET1 ratio



## Leverage ratio



\*The bank's applicable CET1 requirement is 12.7% (combined minimum and buffer requirement of 11.0% and Pillar 2 of 1.7%).

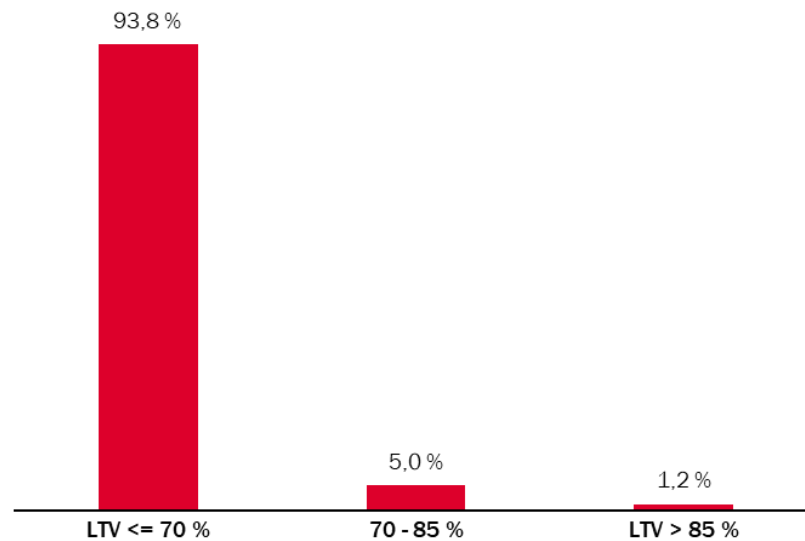
\*\*The systemic risk buffer requirement is set to increase from 3 to 4.5 percentage points at the end of 2020.



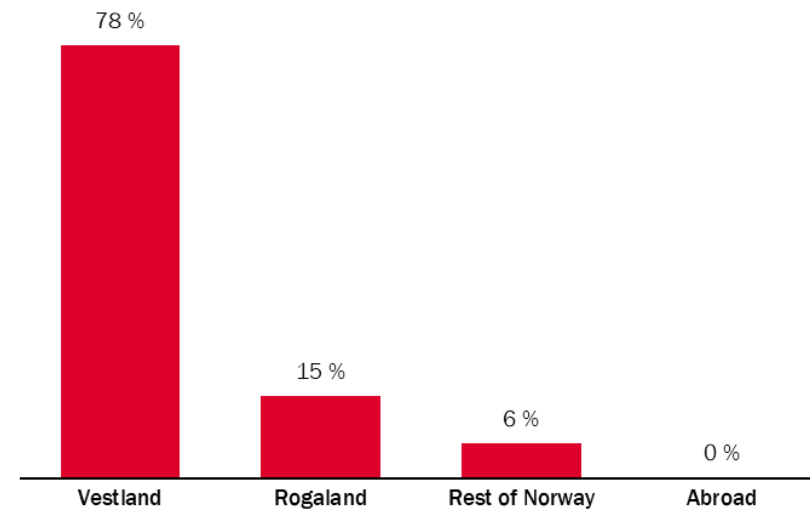
# Low risk in the retail market portfolio

- 99 % of the lending portfolio secured by residential collateral

Lending broken down by LTV ratio\*



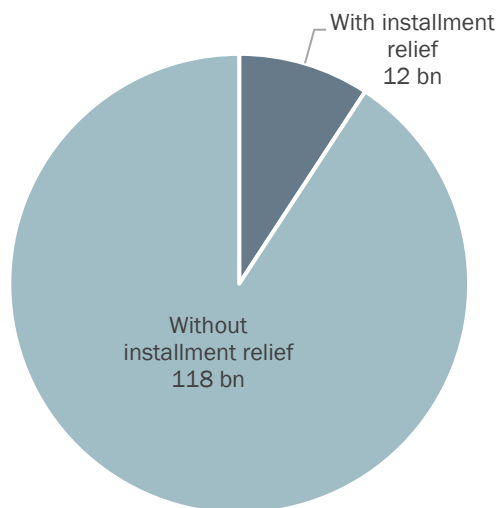
Lending broken down by region



# 90 % of retail customers serving loans without need for installment relief

- limited impact of Covid-19 on retail portfolio

Retail portfolio (NOK 130 bill. in gross loans)



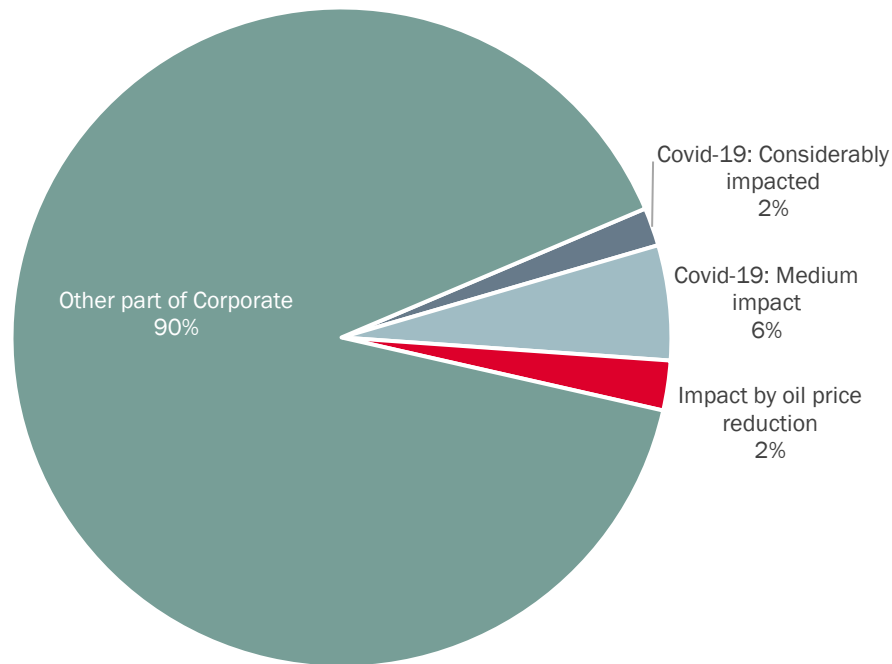
- Granted installment relief for approximately 8500 customers totalling NOK 12 billion in commitments
- Satisfactory servicing of loan, also for commitments with loan relief
- Approx. 50 % of granted loan relief with short period (max one month)
- LTV on payment holiday mortgages on average with total portfolio



# Conservative risk selection in corporate portfolio

- limits impact of Covid-19 and oil price reduction

Commitments Corporate, NOK 52 bill.



## Considerably impacted by Covid-19

- Approx NOK 1 billion. Primarily retail trade, hotel/tourism, restaurants and certain companies within real estate
- Engagements that could enter challenges with fulfilling loan agreement due to Covid 19
- Liquidity main challenge, customers in this category mainly helped through government schemes

## Medium impact of Covid-19

- Approx NOK 3 billion, mainly small and medium sized companies
- More opportunities due to liquidity buffers or lower loan leverage ratio
- Typically good owners with will and ability to provide new capital

## Impacted by oil price reduction

- Approx NOK 1.4 billion
- Primarily offshore



# Sparebanken Vest ESG Ratings

## Rating agencies



### MSCI

✓ ESG rating: AA

### ISS ESG

✓ Prime



### Sustainalytics

- ✓ ESG risk rating: 22.0 Medium risk
- ✓ Momentum score -16.5, significantly improved
- ✓ 8<sup>th</sup> percentile of comparable banks

#### SPAREBANKEN VEST (SVEG) Banks | NO

**MSCI ESG RATINGS** AA

LAST UPDATE: February 13, 2020

**Score attribution by key issue**

This chart highlights the company's positioning relative to the industry average for each Key Issue that contributed to its ESG Rating as of February 13, 2020.

**ESG Rating history**

Feb-19: A → Feb-20: AA

**SUSTAINALYTICS ESG RISK RATING REPORT**

**Sparebanken Vest**  
Diversified Banks | Norway | OSL-SVEG

**22.0 Medium Risk**

**Rating Overview**

The company is at medium risk of experiencing material financial impacts from ESG factors, due to its medium exposure and average management of material ESG issues. Furthermore, the company has not experienced significant controversies.

**ESG Risk Rating Distribution**

Risk Level	Percentage
Negligible	1%
Low	2%
Medium	37%
High	37%
Severe	23%

**Relative Performance**

Category	Rank (1st = lowest risk)	Percentile
Global Universe	3254 out of 12226	27th
Banks (Industry Group)	112 out of 927	12th
Diversified Banks (Subindustry)	29 out of 374	8th

**Attribution Analysis**

Material Issue	Score
1. Corporate Governance	4.6
2. Product Governance	4.4
3. Business Ethics	4.1
4. Human Capital	3.3
5. Data Privacy and Security	2.9
6. ESG Integration - Financials	2.7

**Risk Analysis**

Peers (Market cap \$0.7 - \$0.7bn)	ESG Risk Rating	Exposure	Management
1. Sparebanken Vest	22.0 Medium	42.0	Average
2. Piraeus Bank S.A.	32.6 High	52.3	Average
3. Access Bank PLC	43.6 Severe	56.2	Average
4. Grupo Security S.A.	41.5 Severe	48.0	Weak
5. Indian Bank	48.3 Severe	55.2	Weak

#### ISS ESG

**ESG Corporate Rating**  
Sparebanken Vest

Industry: Financials/Public & Regional Banks  
Country: Norway  
ISIN: XS1725395302

Status: Prime  
Rating: C  
Prime Threshold: C  
Decile Rank: 1

**Absolute Rating**

D- D D+ C- C C+ B- B B+ A- A A+

poor | medium | good | excellent

**Key Issue Performance**

Grade: C+  
Sustainability impacts of lending and other financial activities/products: C+  
Customer and product responsibility: B-  
Sustainable investment criteria: B-  
Labour standards and working conditions: C  
Business ethics: A

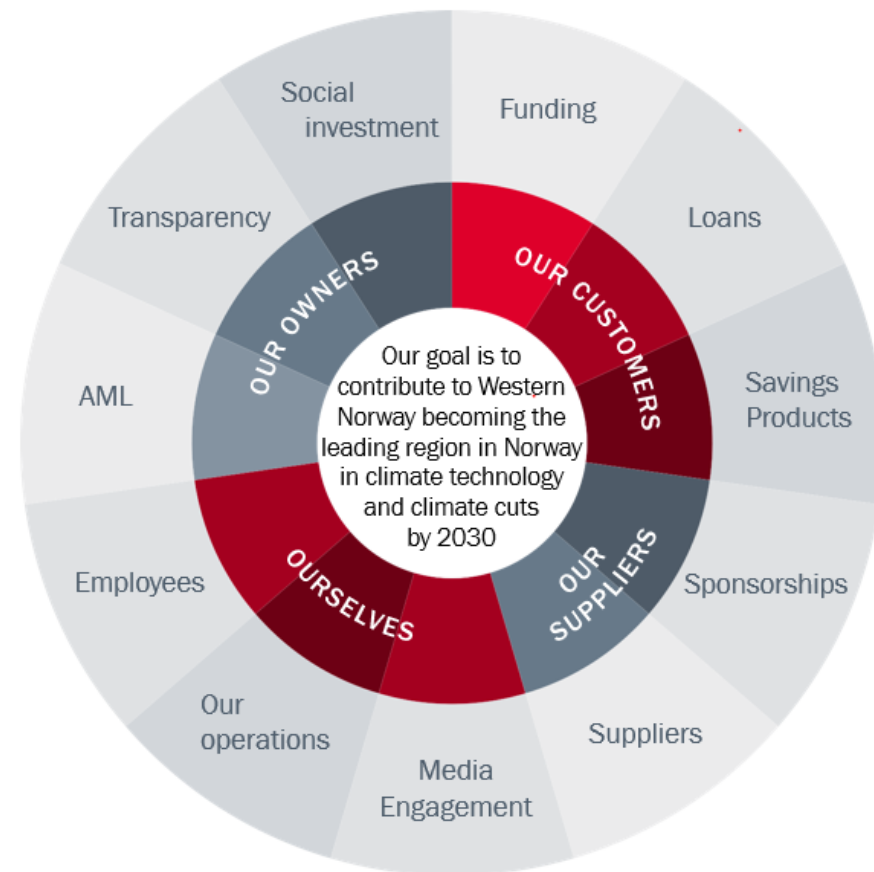
**Rating History**

2018: A → 2019: A → 2020: Prime



# Offensive targets for climate risk and sustainability

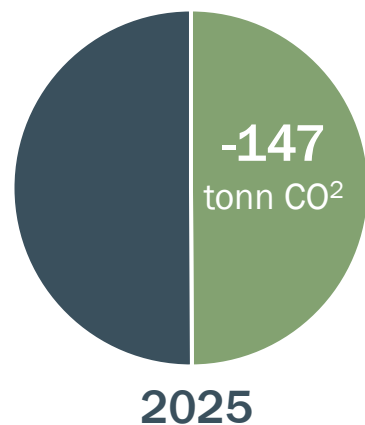
- In 2019, Sparebanken Vest adopted a sustainability strategy that affects all areas of the bank
  - Cut own climate footprint in half by 2025 from 2018
  - Requirements for climate neutrality at all our suppliers and major sponsorship
  - Framework for green bonds
  - Measurement of the carbon footprint in the portfolio within shipping /marine sector, small power plants and construction/real estate. This represents almost 70% of the bank's corporate portfolio
  - NOK 200 million in social dividend for projects that promote sustainability, a clean ocean, new green technology and green restructuring





# We start with ourselves and our suppliers

## Cut own emissions in half by 2025



Transport



Waste



Energy

## Our own emissions

- Our goal is to cut our own emissions in half from 2018 to 2025 (147 tonnes of CO<sub>2</sub>)
- We are on track – 24 tonnes CO<sub>2</sub> was reduced in 2019 due to a range of initiatives within transport, waste and energy.

## Climate neutrality requirements for all suppliers

- In the fall of 2019, more than 100 suppliers received the requirement to be climate neutral by the end of 2020
- By now 74% have replied that they *are*, or committed to *become*, climate neutral within 2020.



# NOK 200 million in social dividend for sustainability projects

NOK 200 million in social dividend for two programmes of sustainability projects:

## Clean Ocean

- North Atlantic Microplastic Center (R&D)
- “In the Same Boat”: clearing plastic from the Norwegian fjords and ocean
- NOSCA Clean Ocean: using oil spill protection equipment to clear plastics from the fjords

## Green restructuring:

- Nordic Circles: deconstructing oil platforms to be reused as building materials
- NCE Cleantech: develop value chains for Hydrogen



Nordic Circles deconstructing oil platforms

# Sparebanken Vest Green Mortgage Loan\*



 SparebankenVest

## What is a green mortgage?

Green mortgage loans provides extra favourable loan interest if you have a property in energy class A or B.

## What does it mean that the home has energy class A or B?

Energy class A means that the dwelling has a heat pump or solar energy. In addition, it has better insulation in windows and walls. A passive house is also within energy class A.

Energy class B is a property with a heat pump or solar energy with highly insulated walls and windows.

## Calculate the price of a green mortgage

What does the loan cost?

How much can I borrow?

Fixed rate

For 34 years? >

Borrow ?

2 000 000 kr

Payback Period

25 year

Deductible ?

0 year

The bank's interest rate

2.65 %

Effective interest rate : 2.74 %

SEARCH MORTGAGE LOANS

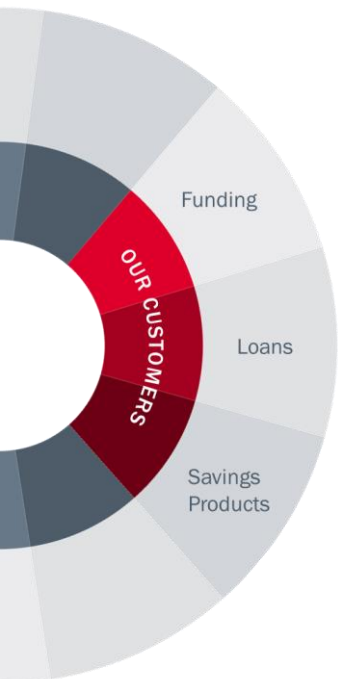
Cost per month

9 180 kr / month

The conditions are not a binding offer from the bank, and depend on the amount of the loan, security etc.



# Industry specific goals for our portfolio



## Corporate real estate

Share of mortgage volume to real estate that satisfy today's criteria for Green Bonds is to be increased from 10% to 30% from 01.01.2020 to 31.12.2022.



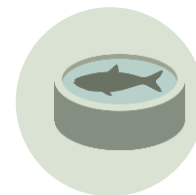
## Fishery and Fishing industry

Share of loan portfolio to fishery and fishing industry defined as green maritime is to be increased from approx. 14% to 50% by 31.12.2025.



## Small hydro power plants

Strengthen Sparebanken Vest's position by financing more hydro power plants. Strengthen story of hydro power as green.



## Fish farming

Share of loan portfolio to fish farming industry defined as green technology\* to be increased by 50% by 31.12.2025.

Requirements to these customers/projects part of the bank's policy for shipping



## Shipping\*\*

Carbon intensity: CO2 emissions per transport unit to be reduced by at least 15% by 2023, and minimum 50% by 2030 (measured against 2019 figures).

By 2023 a minimum of 75% of the portfolio (share of loans) are to be ships on par with average or better in its segment.

In January all customers within shipping received a letter requiring sharing ESG related information by 31.05.2020

\*Technological solutions and operations that reduce climate and environmental footprint from the industry, focusing on reduced fuel usage and carbon emissions from fish carriers/operational vessels, and minimising risk for negative environmental impact

\*\*Vessel that can prove considerable energy efficiency through various technology and operational measures and vessels with refit opportunity to hybrid and low emission propulsion systems



# Sustainable Product Framework

In alignment with the broader Sparebanken Vest **sustainability strategy**, Sparebanken Vest has created this Sustainable Product Framework to **steer its lending activities towards impactful sustainable activities**.

The aim of this document is to **guide Sparebanken Vest's identification and development of themed Green and Sustainable Loans / Products** with reference to:

## 1. Green Use-of-Proceeds;

- The Green Loan Use-of-Proceeds are aligned with the LMA Green Loans Principles (GLP) 2018 edition
- Eligibility criteria are aligned with the EU Taxonomy (if possible). In case the EU Taxonomy has no clear criteria for a specific category (e.g. shipping, fisheries and aquaculture), this framework defers to prevailing market practice.

## 2. Sustainability-Linked Loans based on client's ESG ratings or tailored KPIs

- Loans that can be used for general corporate purposes, which link the interest margin to the improvement of the client's external ESG score or tailored KPIs
- Sustainability-linked loans will follow the Sustainability Linked Loan Principles from the Loan Market Association (LMA)

	1. Green Loan	2. Sustainability-Linked Loans	
	Use-of-Proceeds	ESG Rating	Example KPIs (externally verified)
<b>Method</b>	Loan proceeds are specifically allocated to eligible projects	External rating-linked to margin grid, e.g. Sustainalytics, Ecovadis, Vigeo Eiris	The Borrower formulates quantitative KPIs and targets, which are all encompassing for E, S and G (no cherry picking) and ambitious
<b>Use of proceeds</b>	Eligible green asset-backed projects	General corporate purposes	General corporate purposes
<b>Project evaluation &amp; selection</b>	Upfront defined eligible projects	Up-to-date sustainability rating report required at signing	<ul style="list-style-type: none"> <li>• Limited assurance by external auditor at signing</li> <li>• Targets sufficiently set into the future (lifetime of the loan)</li> </ul>
<b>Management of Proceeds</b>	Project-by-project basis	Not applicable	Not applicable
<b>Reporting</b>	Reporting on the use of proceeds	Most recent ESG rating report determines margin discount and premium	External auditor to verify KPIs annually, e.g. by means of integrated or CSR reporting
<b>Considerations</b>	<ul style="list-style-type: none"> <li>• Need for sustainable projects or targets</li> </ul>	<ul style="list-style-type: none"> <li>• Potential margin discount/penalty</li> <li>• A fee is charged by the external rating agency for maintaining the external rating</li> <li>• Methodology risk on the rating agency</li> </ul>	<ul style="list-style-type: none"> <li>• Potential margin improvement</li> <li>• Relies on Borrower's data and business processes</li> <li>• Fully tailored E, S and G targets</li> <li>• Requires industry sector knowledge of banks</li> </ul>



# Sparebanken Vest Green Bond Framework



## Use of proceeds:

New and existing mortgages for energy efficient residential and commercial buildings in Norway and loans to Renewable Energy. No look back period specified as avg seasoning of Norwegian bank lending is typically very short.



## Process for Project Evaluation and Selection:

A dedicated Green Bond Committee has been established. Building years are used as a proxy to select eligible green buildings.



## Management of proceeds:

The Green Bonds proceeds will be managed by Sparebanken Vest in a portfolio approach.



## Reporting:

Sparebanken Vest intends to show the allocation and impact of the green bond proceeds at the category level and on an aggregated basis for all of Sparebanken Vest's green bonds and other potential green funding outstanding.



## External Review

Sustainalytics has provided a Second-Party Opinion on Sparebanken Vest's Green Bond Framework.

## Rationale

### Impact

- ✓ Contribute to the UN Sustainable Development Goals and to the development of the Green Bonds Market.

### Investors

- ✓ Offer sustainable investment opportunities.
- ✓ Allow current and new investors to support making a positive impact.

### Issuer

- ✓ Alignment with Sparebanken Vest CSR Strategy.
- ✓ Access to a more diversified investor base.

## Second-Party Opinion Sparebanken Vest Green Bond

### Evaluation Summary

Sustainalytics is of the opinion that the Sparebanken Vest Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

	<b>USE OF PROCEEDS</b> The eligible category for the use of proceeds – green buildings and renewable energy – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that offering mortgages for energy efficiency residential buildings, as well as lending to green buildings and hydroelectric projects, will lead to positive environmental impacts and advance the UN Sustainable Development Goals, in particular Goals 7, 8, and 11.
	<b>PROJECT EVALUATION / SELECTION</b> Sparebanken Vest has established a green bond committee, led by the Head of Sustainability and consisting of representatives from relevant departments, to select eligible loans for inclusion in its green portfolio. This is in line with market practice.
	<b>MANAGEMENT OF PROCEEDS</b> Sparebanken Vest will manage the proceeds of its green bond using a portfolio approach, with distinct portfolios for covered and senior bonds, and ensure over time that the value of its portfolio matches the outstanding balance of green bonds. Unallocated proceeds may be held in the Bank's treasury liquidity portfolio. This is in line with market practice.
	<b>REPORTING</b> Sparebanken Vest will report annually on allocation and impact, on a portfolio basis. Allocation reporting will include information on the total amount allocated and the number of loans financed, while impact reporting will include relevant quantitative metrics, calculated using a methodology developed by a specialist third-party consultant. This is in line with market practice.



Issue Location	Bergen, Norway
Evaluation date	July 16, 2019
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Sustainalytics' Opinion	3
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# Green Bond Framework - Structure Overview



### Green Senior Bonds

Green Buildings	Hydropower
<ul style="list-style-type: none"> <li>Loans to finance or refinance <b>new or existing energy efficient commercial and residential</b> buildings in Norway.</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center; margin: 10px 0;"> </div> <p>New Buildings belonging to the top 15% most energy-efficient buildings of the local building stock and refurbished buildings which achieved energy savings of at least 30% in comparison to the baseline performance of the building before the renovation.</p> <p><b>EU Environmental Objective:</b> Substantial contribution to Climate Change Mitigation (1.b).</p>	<ul style="list-style-type: none"> <li><b>Hydro power in Norway, limited direct emissions of less than 100g CO<sub>2</sub>e / KWh.</b></li> </ul> <div style="display: flex; justify-content: space-around; align-items: center; margin: 10px 0;"> </div> <ul style="list-style-type: none"> <li>- Run-of-river, small scale hydro power plants (maximum generation capacity &lt; 20MW).</li> <li>- Refurbishment or refinancing of existing medium or large hydropower plants.</li> </ul> <p><b>EU Environmental Objective:</b> Substantial contribution to Climate Change Mitigation (1.a).</p>



### Green Covered Bonds

Green Buildings
<ul style="list-style-type: none"> <li>Loans to finance or refinance <b>new or existing energy efficient residential</b> buildings in Norway.</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center; margin: 10px 0;"> </div> <p>New Residential Buildings belonging to the top 15% most energy-efficient buildings of the local building stock and refurbished buildings which achieved energy savings of at least 30% in comparison to the baseline performance of the building before the renovation.</p> <p><b>EU Environmental Objective:</b> Substantial contribution to Climate Change Mitigation (1.b).</p>



# Use of Proceeds - Green Buildings

## Eligible criteria

### Residential buildings

1. New or existing residential buildings in Norway that comply with the following codes (built after 2009)
  - Apartments: TEK10 or TEK17
  - Other residential dwellings: TEK07, TEK10 or TEK17.
2. Existing Norwegian residential buildings built using older building codes than TEK10 for apartments and TEK07 for other residential dwellings with EPC-labels A, B and C (built before 2009).
3. Refurbished Residential buildings in Norway with an improved energy efficiency of 30%.

### Commercial buildings

1. New or existing commercial buildings belonging to top 15% low carbon buildings in Norway.
2. New, existing or refurbished commercial buildings which received at least one or more of the following classifications:
  - LEED "Gold", BREEAM or BREEAM-NOR "Excellent", or equivalent or higher level of certification
  - Nordic Swan Ecolabel.
3. Refurbished Commercial buildings in Norway with an improved energy efficiency of 30%.

## Eligible Green Buildings portfolio\*

	Area per unit [m <sup>2</sup> ]	Area total [m <sup>2</sup> ]
Residential Buildings	499	1 550 000
Commercial Buildings	127	144 787
<b>Total</b>	<b>626</b>	<b>1 694 787</b>



## Pre issue Green Bond Impact Report 2019

	Area	Reduced energy compared to baseline	Reduce CO <sub>2</sub> emissions compared to baseline
Residential Buildings	1,55 million m <sup>2</sup>	207 GWh/ year	EU28 + Norway Low 25 000 tons CO <sub>2</sub> / year 6 500 tons
Commercial Buildings	144 787 m <sup>2</sup>	16 GWh/ year	EU28 + Norway Low 2 000 tons CO <sub>2</sub> / year 500 tons CO <sub>2</sub> / year
<b>Total</b>	<b>1,69 million m<sup>2</sup></b>	<b>223 GWh/ year</b>	<b>EU28 + Norway</b> <b>Low</b> <b>27 000 tons CO<sub>2</sub>/ year</b> <b>7 000 tons CO<sub>2</sub>/ year</b>

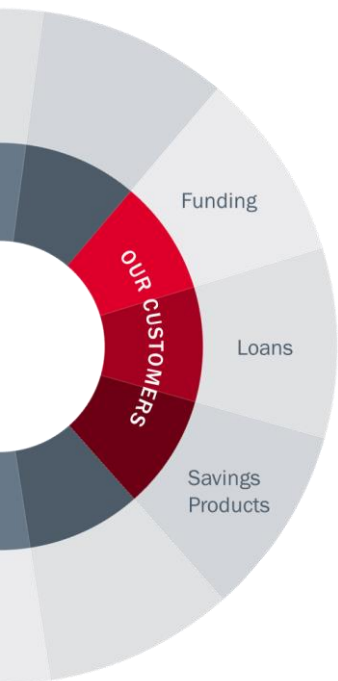


27 000 tons CO<sub>2</sub> emissions avoided





# 22 billion kroner qualified according to EU's new taxonomy for green bonds



18 billion NOK in real estate



2 billion NOK in corporate real estate



2 billion NOK in hydropower

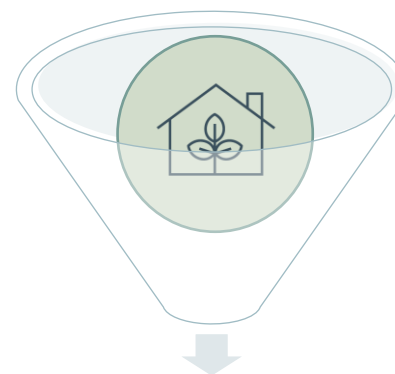
**22 billion NOK**



Green mortgages



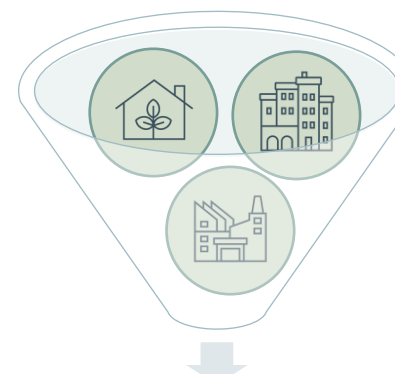
Industry specific requirements and credit policy



Eligible portfolio of NOK 12 bn

Use of proceed transaction approx NOK 5.5 bn

Green covered bonds



Eligible portfolio of NOK 10 bn

Green senior bonds

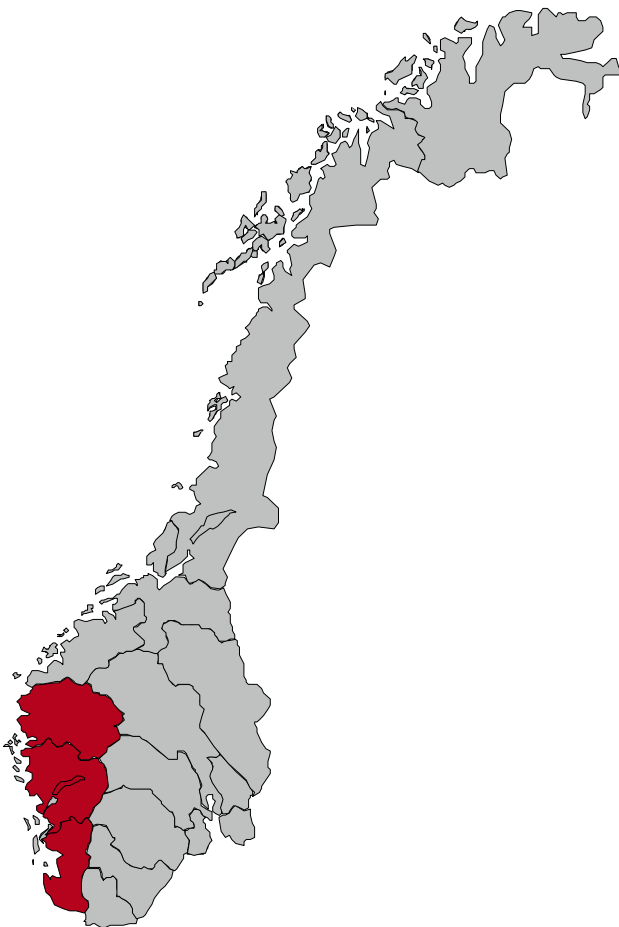


# Sparebanken Vest Boligkreditt AS



# Sparebanken Vest Boligkreditt AS

## Market Area



## Brief information about Sparebanken Vest Boligkreditt

- Wholly owned subsidiary of Sparebanken Vest - and a dedicated covered bond company
- Revolving credit facility provided by Sparebanken Vest to cover payment obligations in covered bonds for a rolling 12 month period less amounts already disbursed under the facility
- Loans transferred to Boligkreditt as true sale on a non-recourse basis
- Cover pool 100 % prime Norwegian residential mortgages
- Covered bonds rated Aaa by Moody's – three notches “leeway”
- Approval from the Norwegian FSA to report capital according to AIRB methods



# Eligibility criteria for the cover pool

Customer criteria	<ul style="list-style-type: none"><li>▪ Employed retail clients and independent self employed individuals</li><li>▪ Resident in Norway</li><li>▪ No negative credit history</li></ul>
Credit criteria	<ul style="list-style-type: none"><li>▪ Probability of default max 1.25%</li><li>▪ Not in arrears</li><li>▪ Not delinquent – 31 days or loss write-down</li></ul>
Collateral	<ul style="list-style-type: none"><li>▪ Max LTV 75%</li><li>▪ Recent valuations (less than 3 months)</li><li>▪ Quarterly valuation from independent AVM provider</li></ul>
Type of properties	<ul style="list-style-type: none"><li>▪ Primary residences</li><li>▪ Cooperative housing loans</li><li>▪ No holiday homes</li></ul>
Type of products	<ul style="list-style-type: none"><li>▪ Principal repayment loans</li><li>▪ Revolving credits (flexi-loans)</li><li>▪ Fixed and variable rate loans</li></ul>

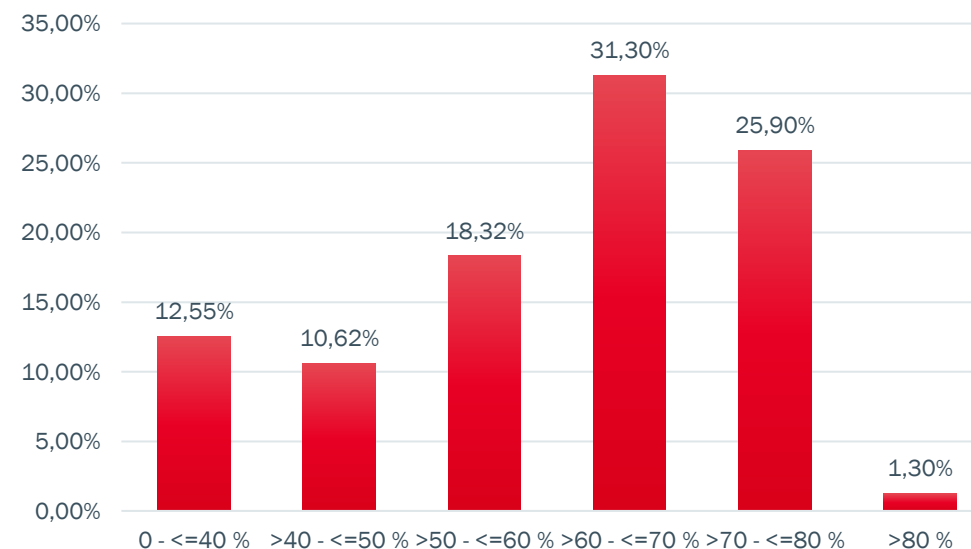


# Cover Pool (1/2)

Cover pool as of 31.03.2020	
Total cover pool	NOK 103.5 bn
Total loan balance (mortgages)	NOK 92.0 bn
Average loan balance	NOK 1,468,314
No. of loans	62,539
No. of borrowers	52,281
WA seasoning (in months)	45
WA remaining terms (in months)	287
WA indexed LTV (based on limits)	56.27%
WA indexed LTV (on drawn amounts)	55,60%
Variable rates	77.00%
Default (Basel)	NOK 110 m
OC level (eligible)	17.1%
OC level if house prices drop 20%	10.9%
OC level if house prices drop 30%	3.3%

- 100% prime Norwegian residential mortgages
- 11.1% substitute assets in the cover pool
- 99.9% performing loans

Distribution according to LTV (indexed)

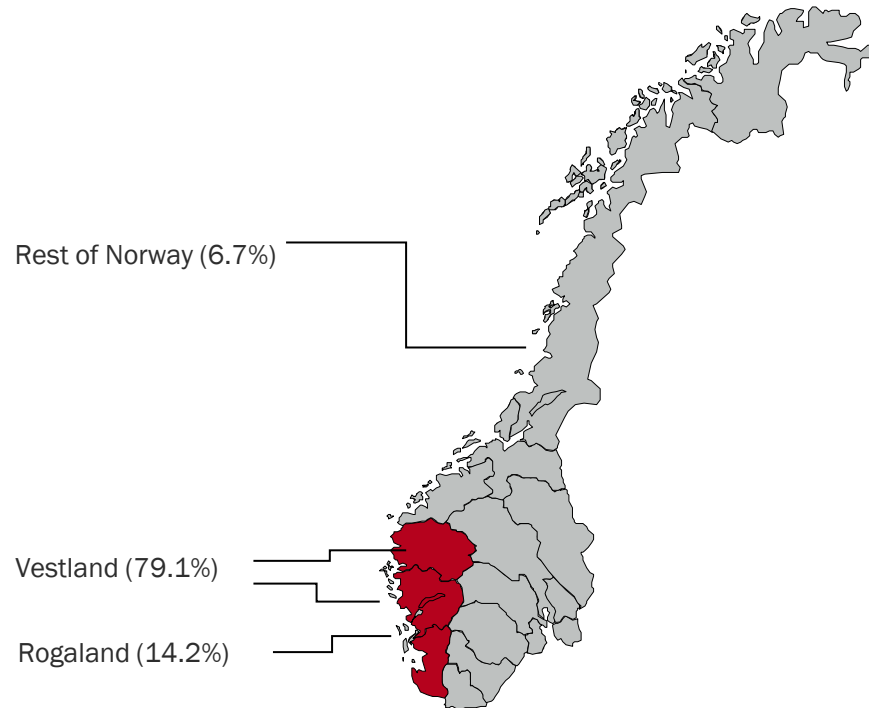


- Moody's TPI of "High"
- Covered Bonds rated Aaa with "leeway" of three notches
- Regulatory minimum OC-requirement: 2.0%
- Cover Pool Collateral Score: 5.0%



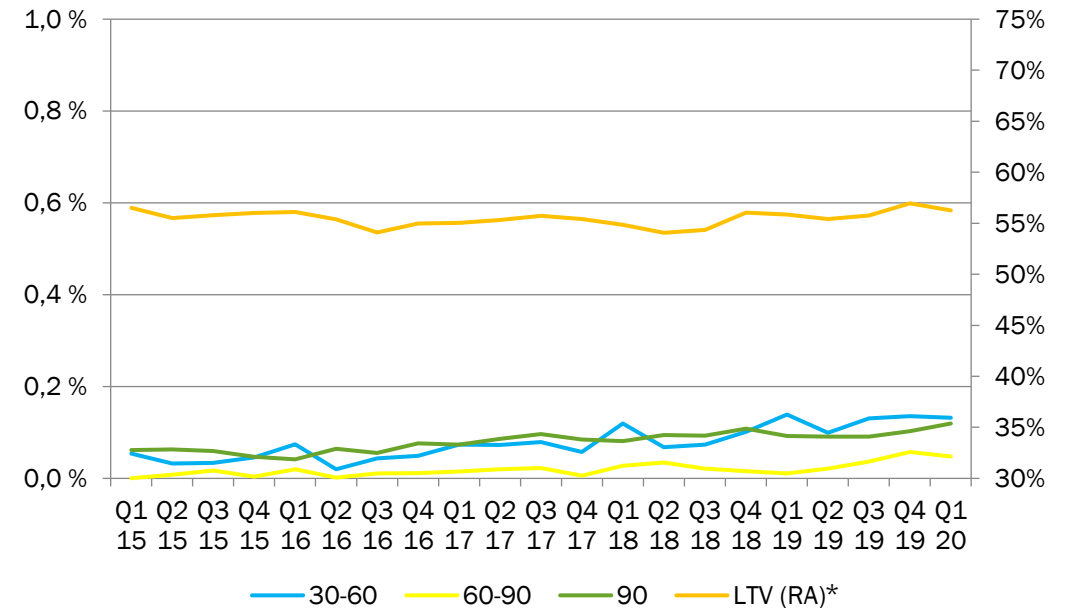
# Cover Pool (2/2)

## Geographic Distribution



- Properties mainly located in the market area of Sparebanken Vest in Western Norway
- Western Norway has a very diversified industrial structure

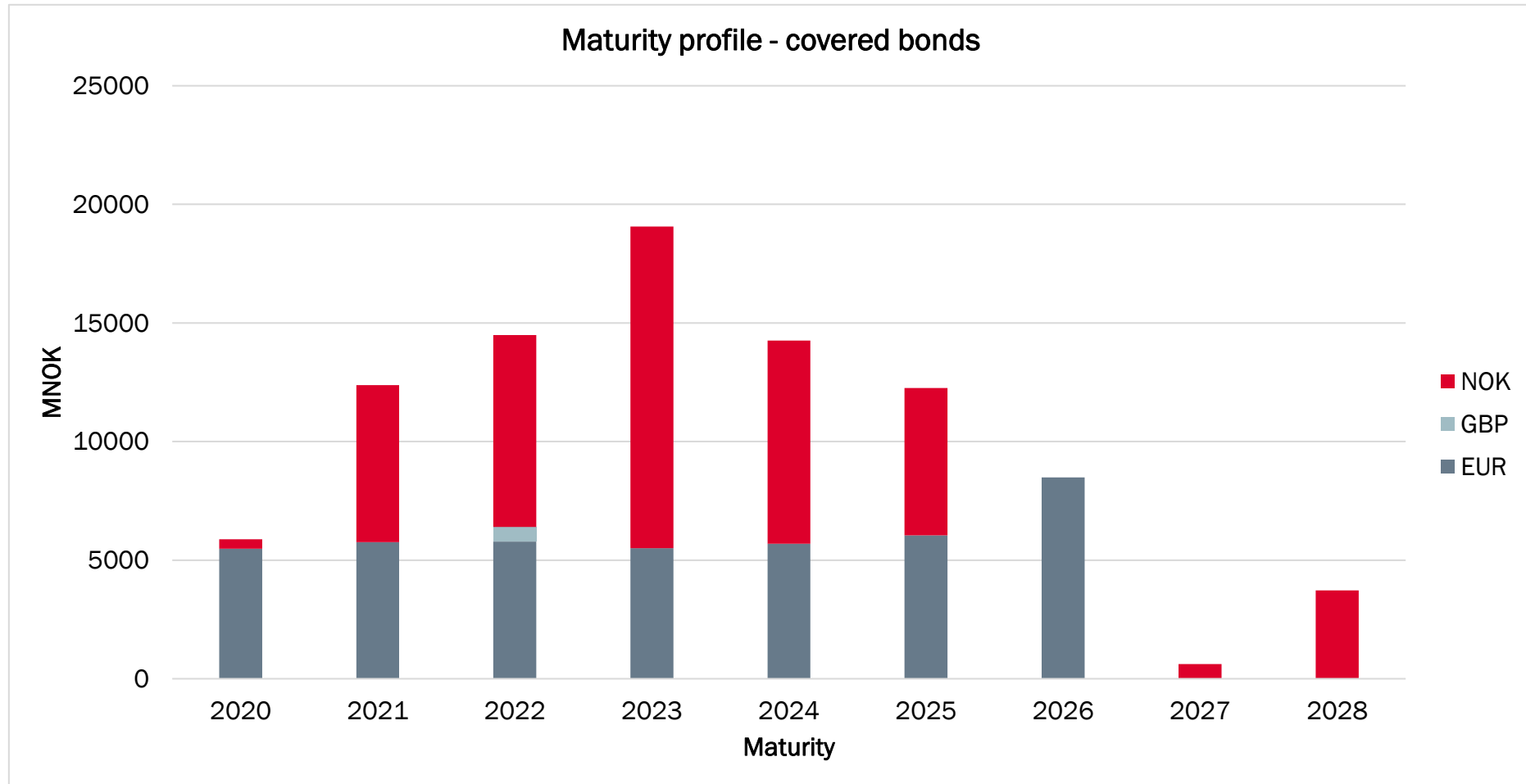
## Development in Arrears and Indexed LTV



- Low arrears
- LTVs calculated based on limit of flexible credit mortgages (i.e. undrawn portion included)

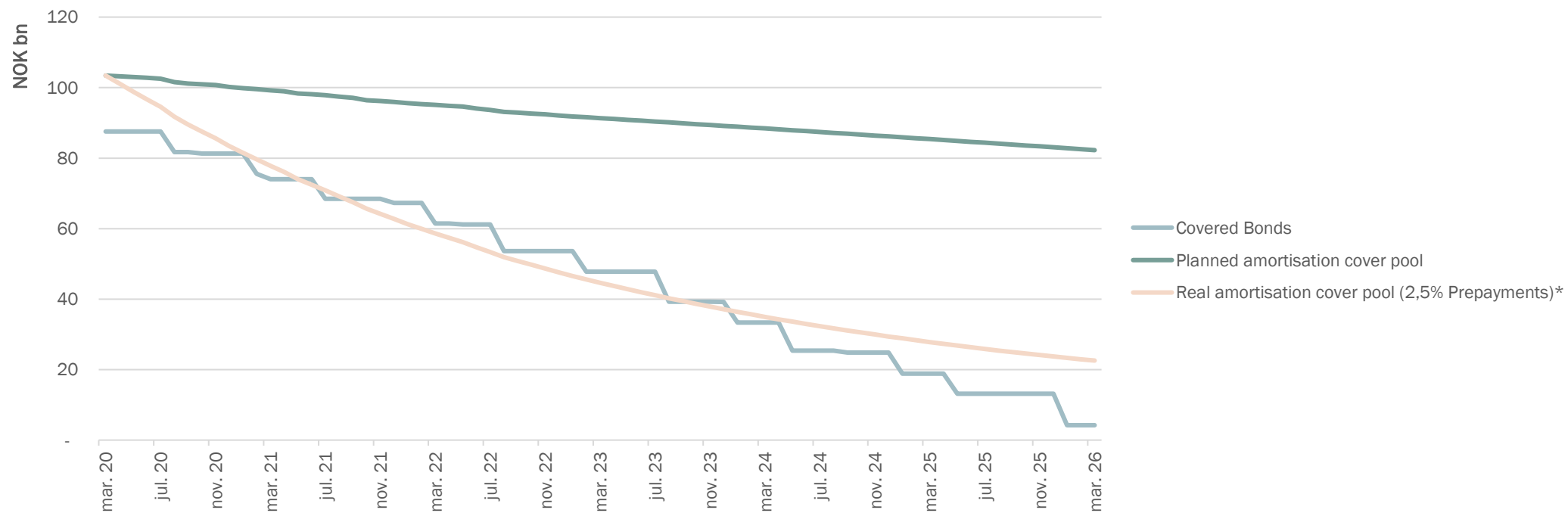


# Maturity profile – covered bonds as of 29th June 2020



# Maturity profile

## - Amortisation of mortgages vs. covered bond maturities



- The maturity profile of Covered Bonds matches real amortisation in mortgage portfolio in the cover pool





# Risk management

## - low risk level

Credit risk	<ul style="list-style-type: none"><li>▪ Credit risk framework is set out in separate document stating which loans can be bought</li><li>▪ Board resolution required for any change in credit risk framework</li><li>▪ Framework requirements: maximum risk level (PD), type of property, objective documented LTV threshold and customer requirements</li><li>▪ Credit risk managed by IRB standards</li></ul>
Market risk	<ul style="list-style-type: none"><li>▪ Currency risk – 100 % hedged by swaps, open limit of MNOK 25</li><li>▪ Interest rate risk – hedged by swaps if any, limit of MNOK 40 (based on 1 % parallel shift in yield curves)</li><li>▪ No investments/placements in “risky” assets; Norwegian government or high quality fixed income securities (so far only rated Norwegian covered bonds investments)</li></ul>
Liquidity risk	<ul style="list-style-type: none"><li>▪ The law requires positive cash flow from the cover pool to cover bond holders</li><li>▪ Soft bullet structure on all covered bonds issued</li><li>▪ Note Purchase Agreement with parent securing that Boligkreditt will be able to meet the next 12 months of maturities at all times</li></ul>

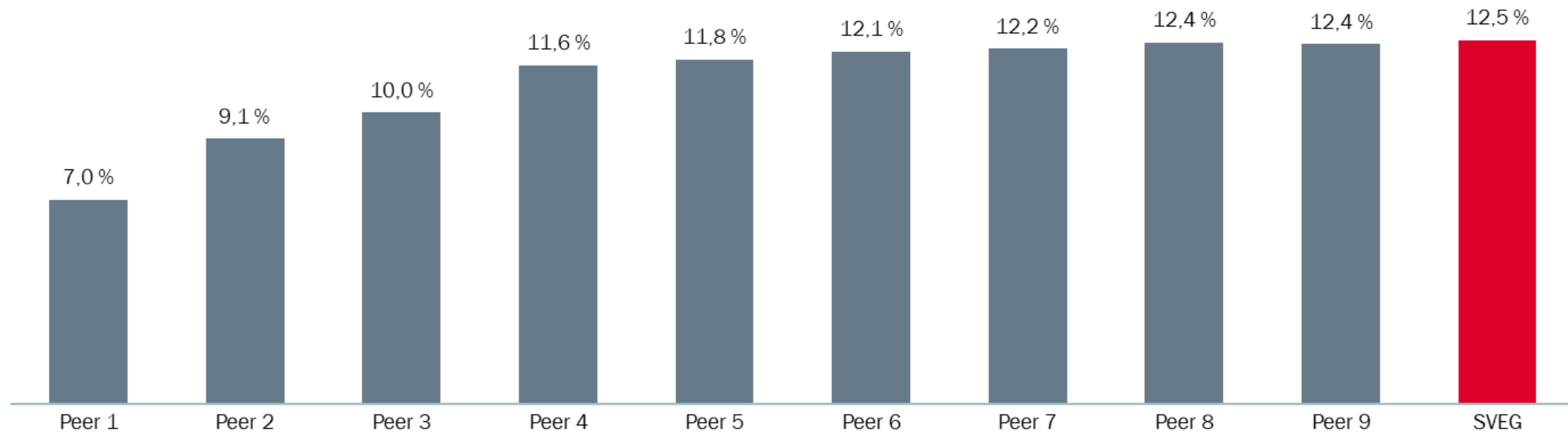


# Appendix



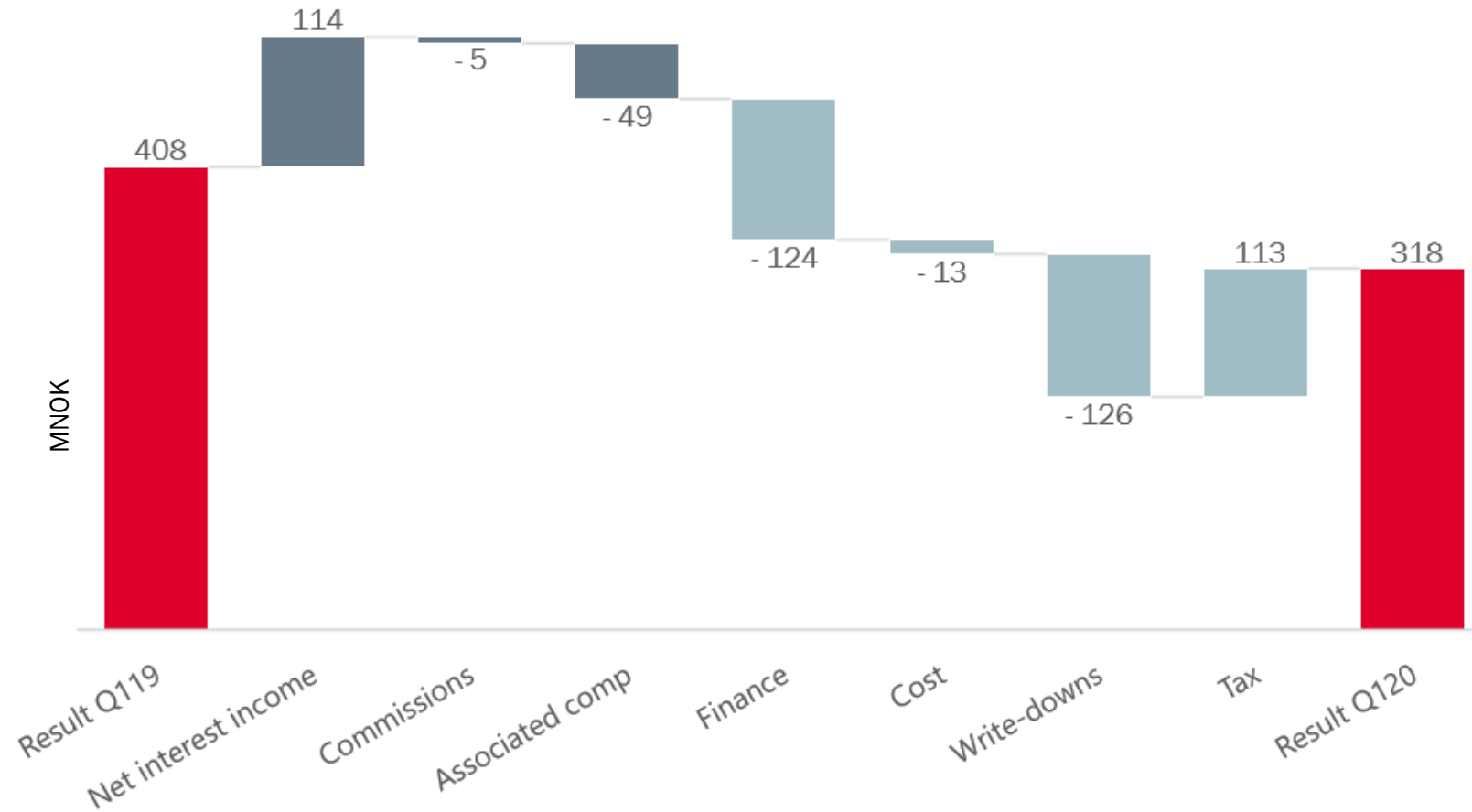
# Reported ROE, 2012–2019\*

- Sparebanken Vest with highest average return on equity



# Strong net interest income

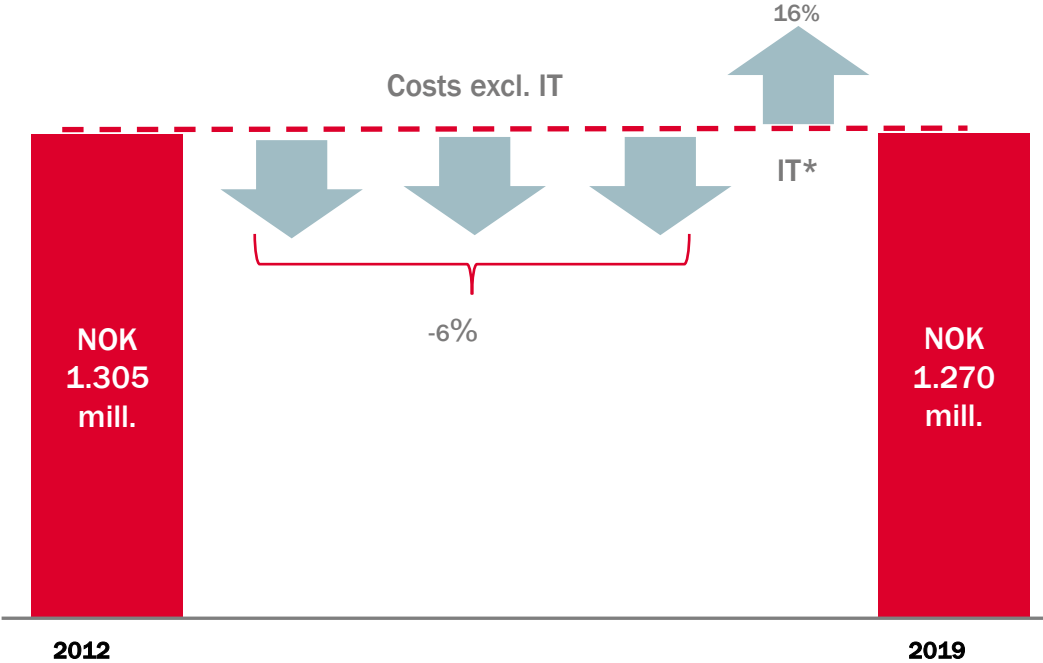
- result affected by net losses on financial instruments and loss provision on loans



# Continued low costs and shift in cost structure

– flat cost level a precondition for digital development

Cost development, past seven years\*



Cost development, Q1 2020 excl. Bulder Bank\*\*



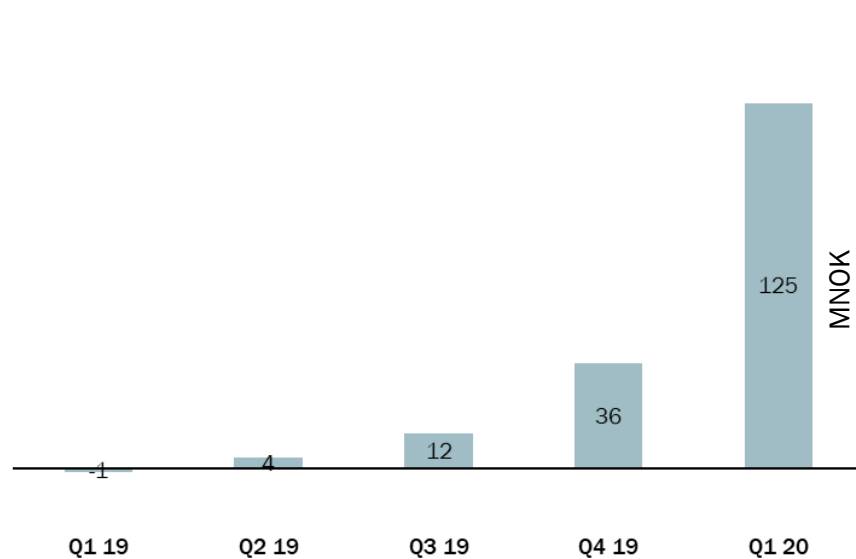
\* IT costs are the total costs of the IT department in the parent bank, including payroll expenses, external fees, ICT costs and other operating costs in the department.  
 \*\* Cost development for the Group and corrected for direct costs for Bulder Bank, NOK 12.8 mill. in Q1 2020 and NOK 4.6 mill. in Q1 2019.



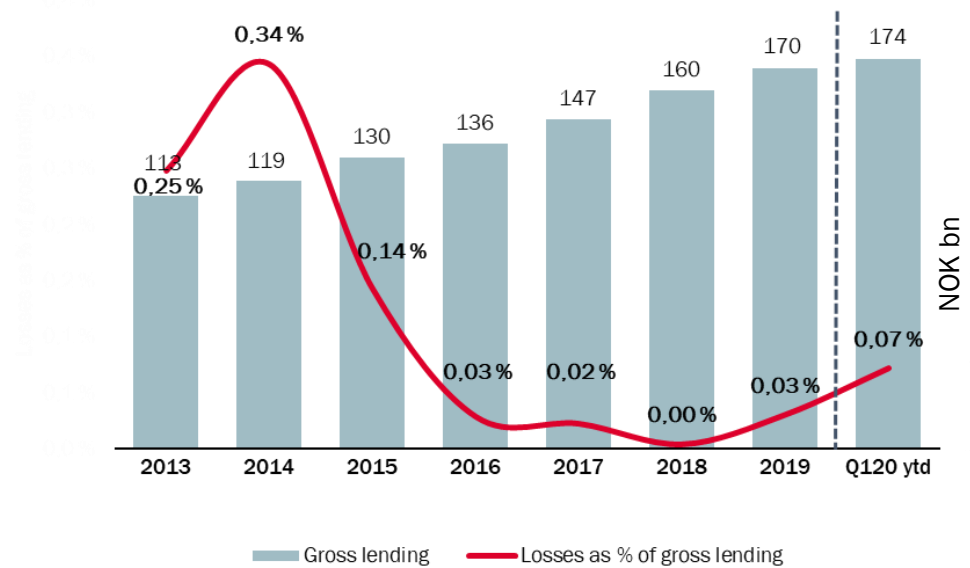
# Low losses over time

- Covid-19 and oil price development entails higher provisions

Quarterly development – losses on loans and guarantees

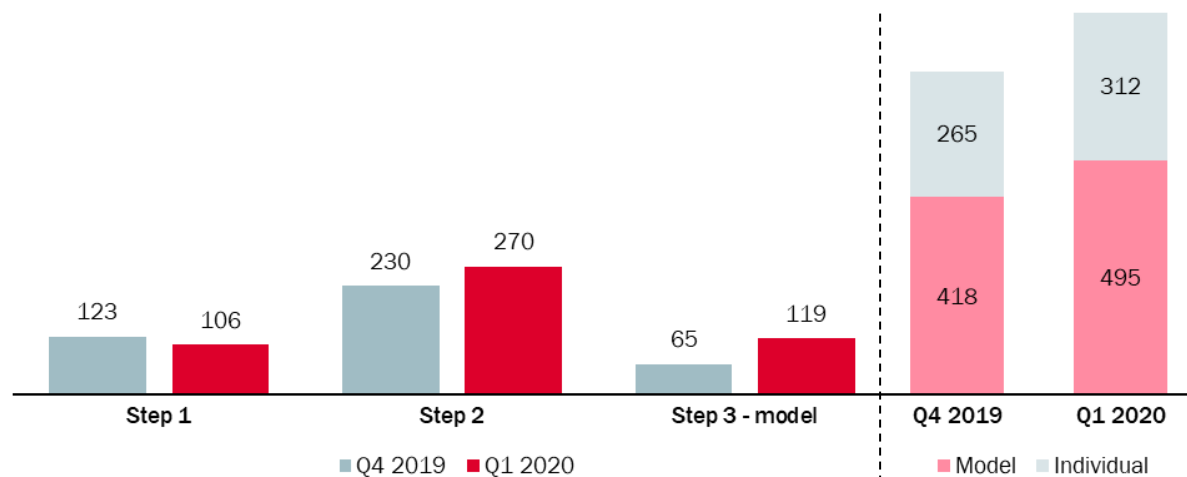


Losses as a percentage of gross lending



# Loss provision driven by the coronavirus crisis and low oil prices

Distribution of provision – Q1 vs Q4

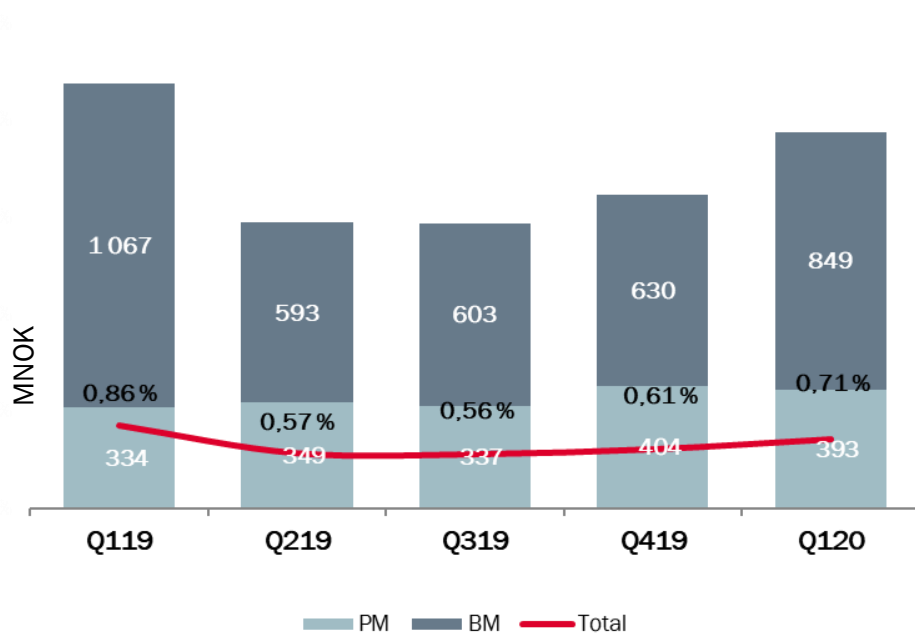


- The effect of the crisis on model-based provision is estimated to be NOK 85–100 mill., ascribed, among other things, to:
  - Classification of exposures in acc. with Stage 2 based on the bank’s watchlist.
  - Increased default paths in industries affected by the crisis.
- Increase in individual provisions ascribed to negative risk development in offshore exposures
- Reversals of approx. NOK 25 mill. have been carried out during the quarter. Confirmed loss in quarter limited to 13 MNOK



# The risk in the lending portfolio is still at moderate levels but has increased due to COVID-19 and the fall in oil prices

Defaults and potential bad debt



## Retail

- The quality of the mortgage loan portfolio is considered good overall,
- We have yet to see changes in overdue payments, but the effect may be slightly reduced and deferred by loan relief
- Provision 32,7 %

## Corporate

- The increase from Q4 is primarily ascribed to negative risk development in a few exposures, including one offshore exposure
- The risk profile in the corporate market is moderate, but has increased due to Covid-19 and the fall in oil prices.
- A material increase in overdue payments and defaults has not yet been observed, but developments are being monitored closely, with a focus on affected industries.
- Provision 72,5 %

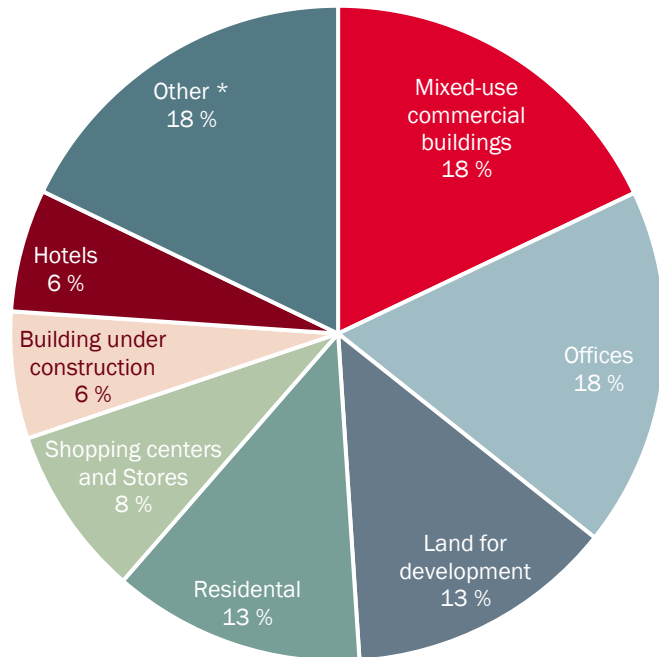




# Well-diversified property portfolio

- building type, geography, tenants and maturity profile of leasing contracts

Property portfolio by property type

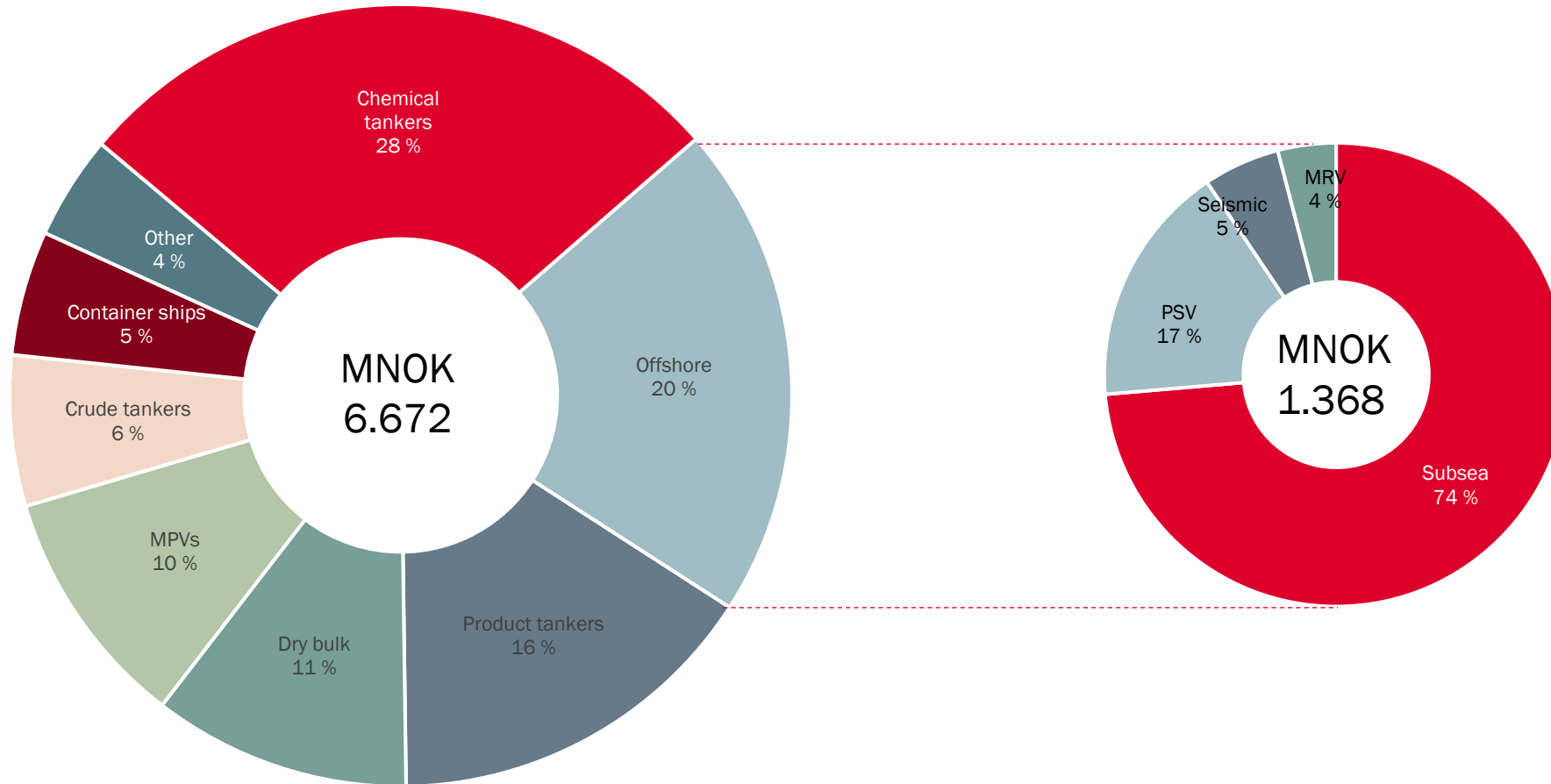


- Volume impacted by Covid-19 constitutes approx NOK 1.3 billion, whereas 90 % is medium impacted
- Moderate leverage ratio in portfolio: Approx 90 % of volume has less than 70 % leverage ratio
- Office, combination usage and residential
  - Primarily long-term leasing agreements and low leverage ratio
- Hotel property
  - Restrictive policy over time and currently with a low leverage ratio on limited exposure
- Land property
  - A conservative policy over time focused on low leverage ratio and location
  - Typically with debt payments based on ongoing operations
- Retail trade
  - Primarily low leverage ratio, typically with security in other assets



# Low exposure to offshore

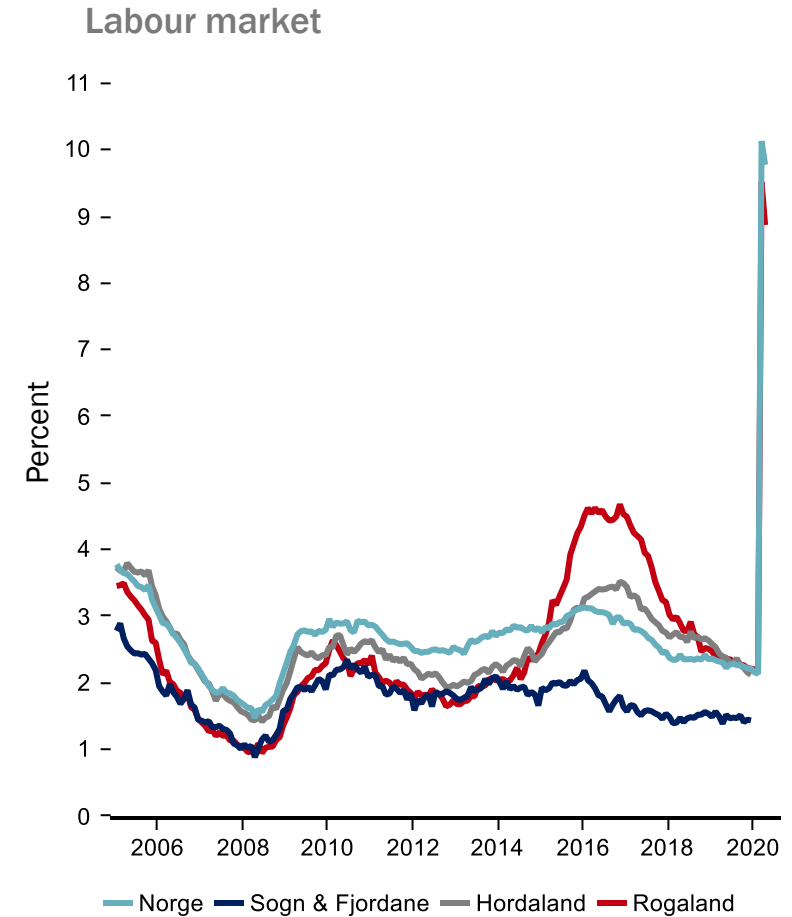
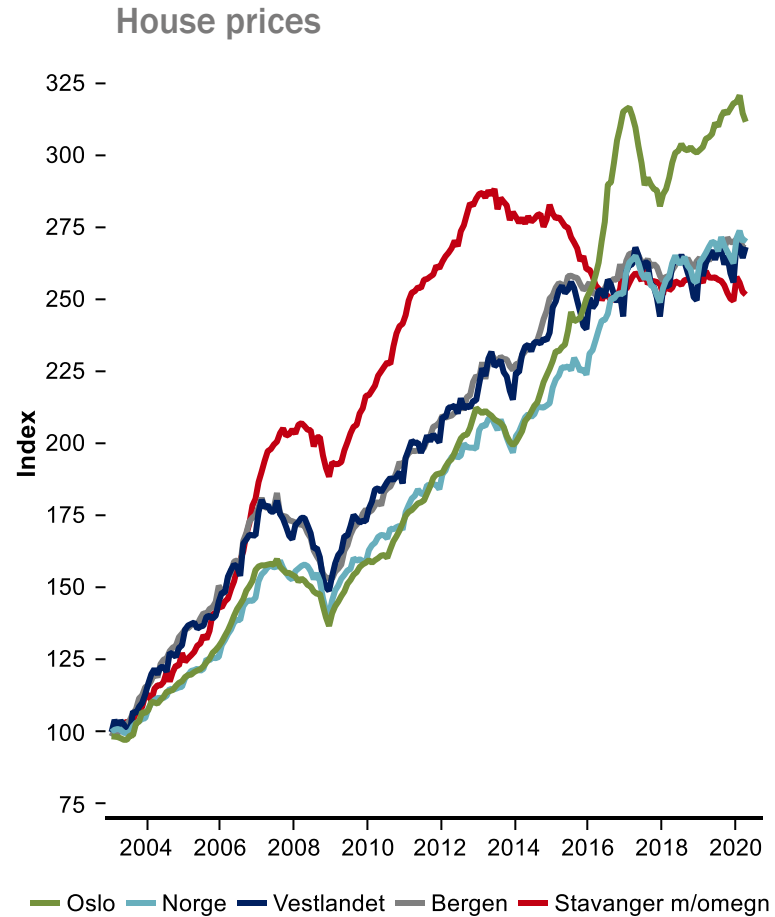
- other shipping exposure to industrial customers with good serviceability



# Norwegian Economy

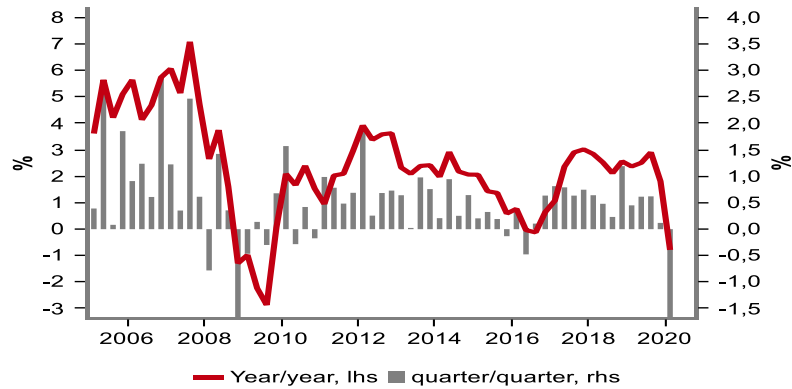


# Development in the economy of Western Norway

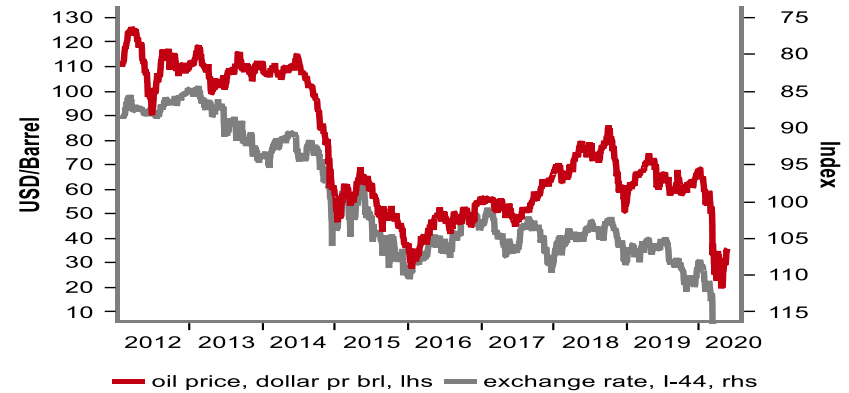


# Economic conditions

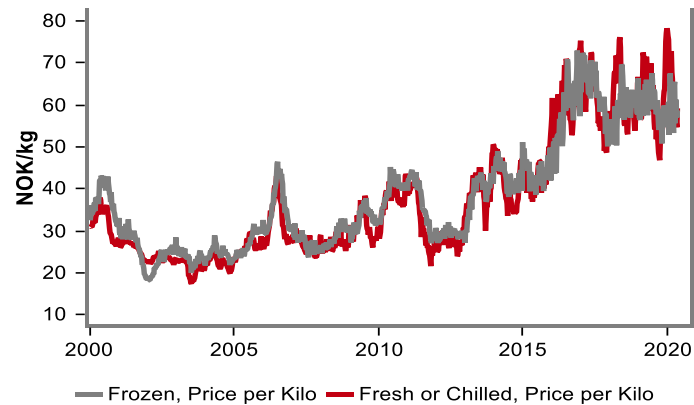
## GDP growth



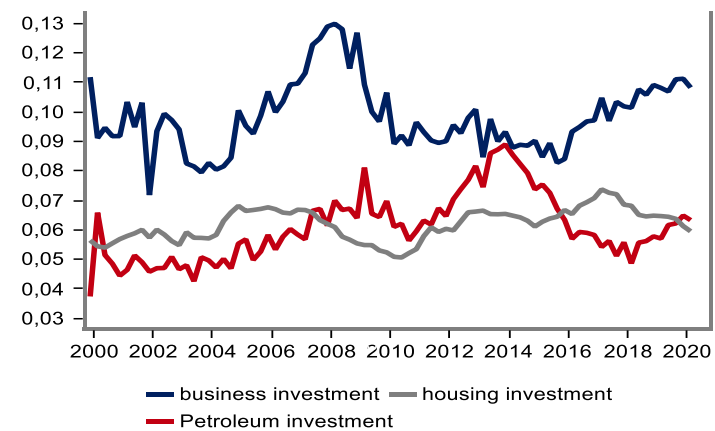
## Oil price and fx rate



## Salmon price



## Investments (as share of GDP-mainland)

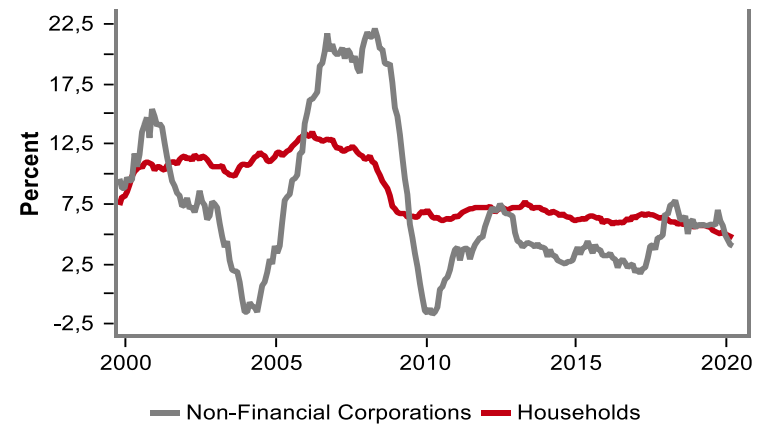


# Households

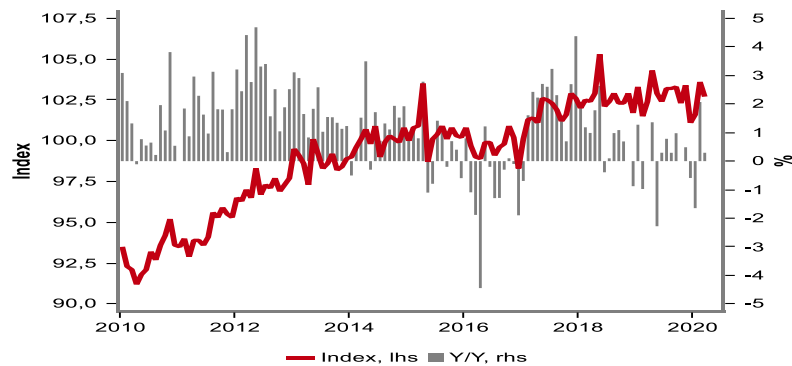
### Real disposable income growth



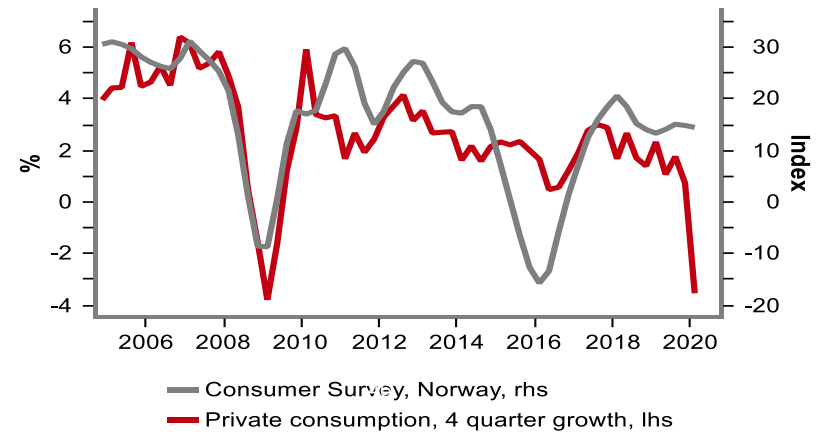
### Credit growth



### Retail sales index

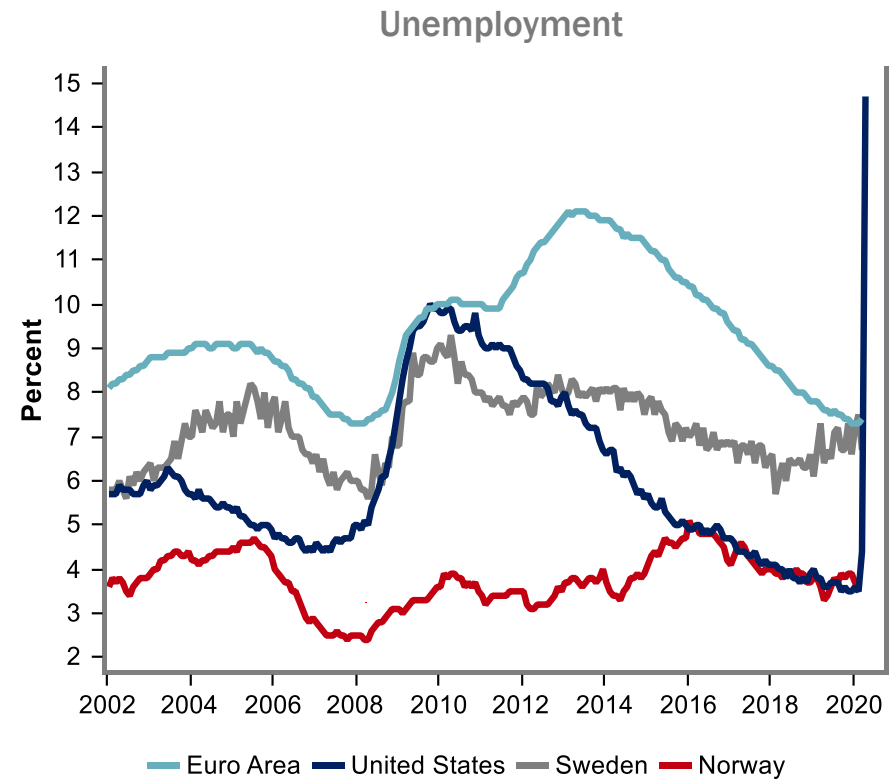
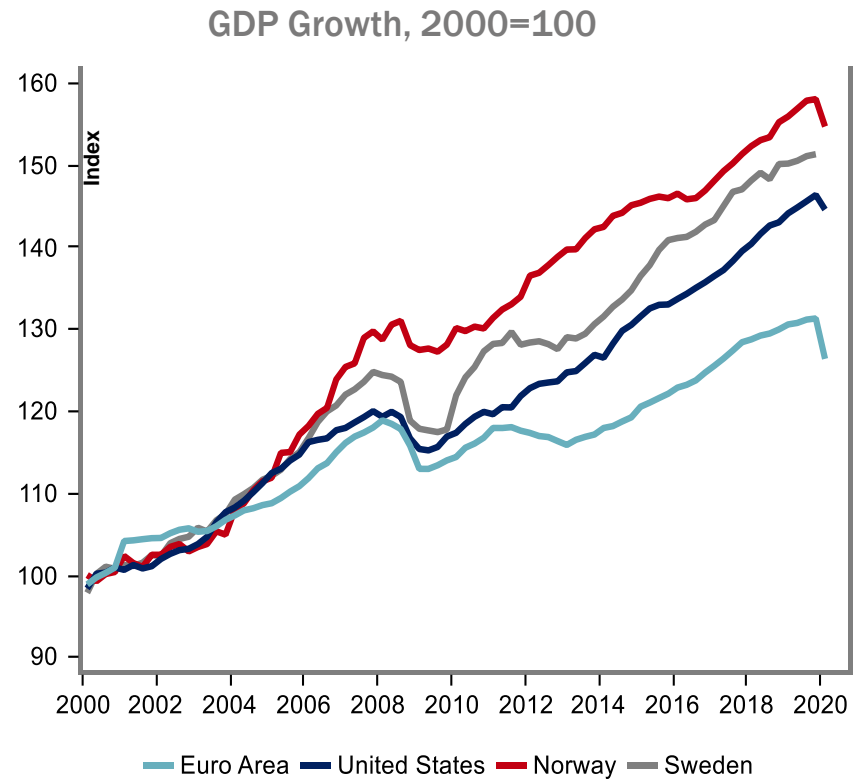


### Consumption growth



# Norwegian economy

## - International context

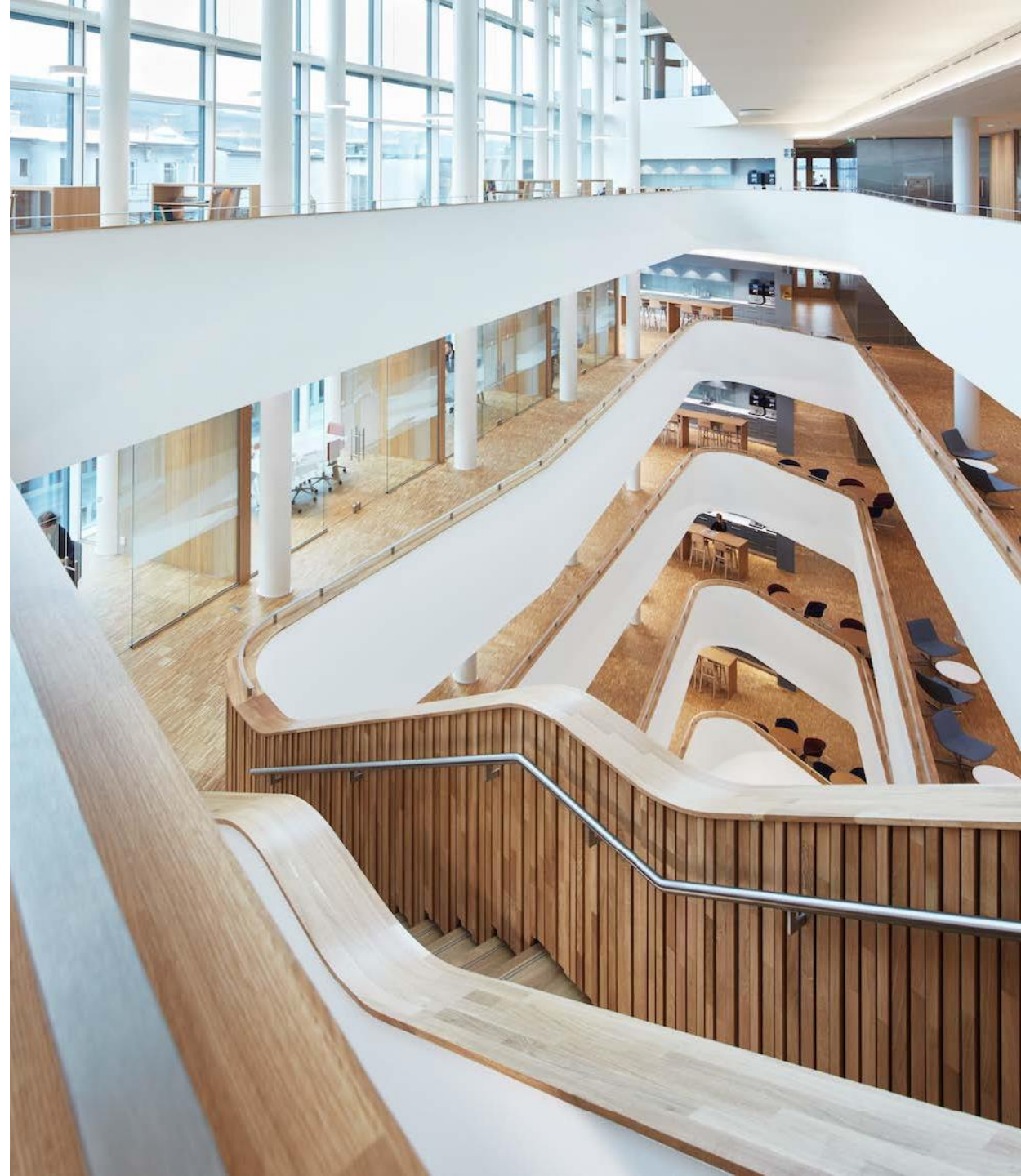


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