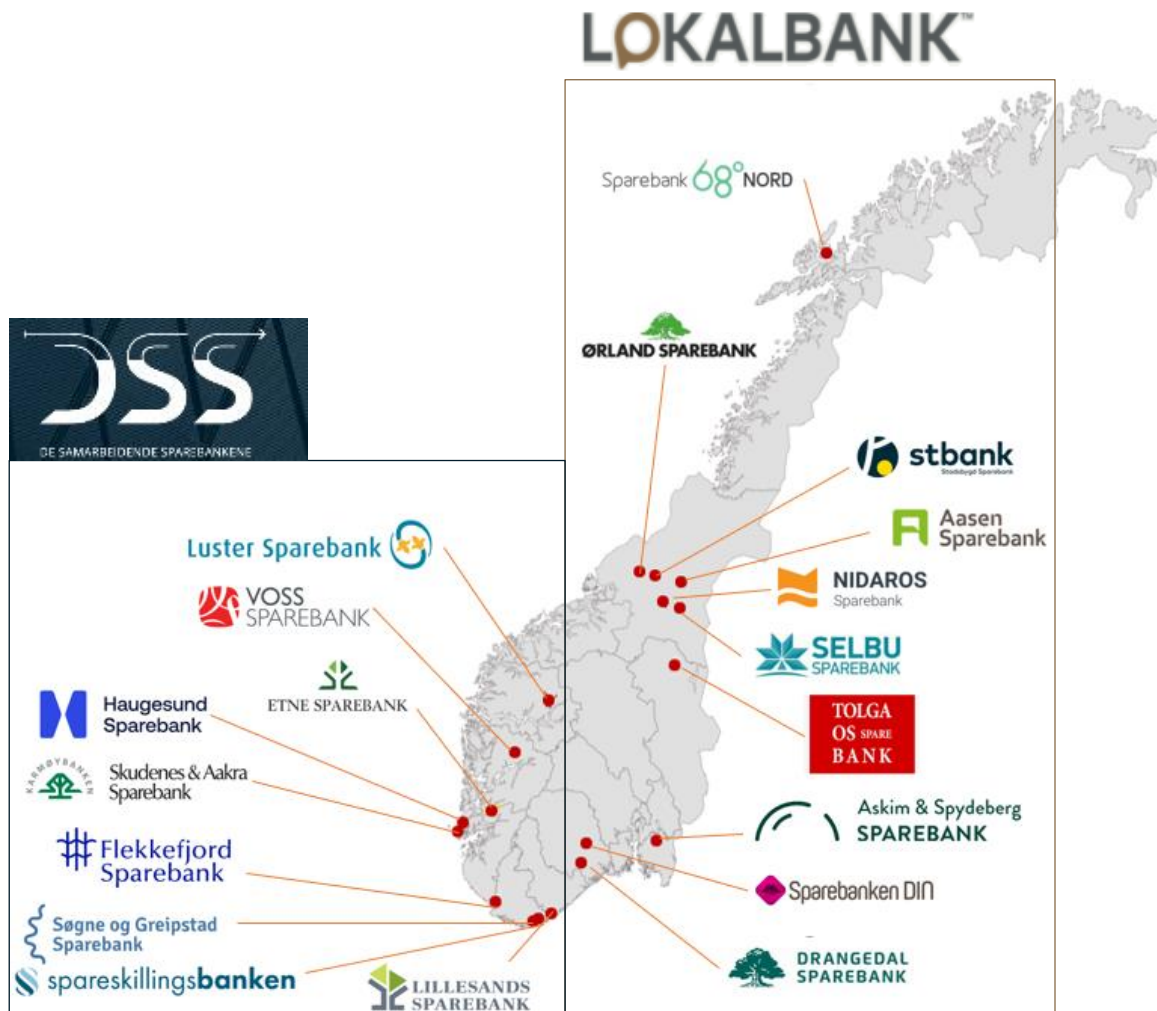




Verd Boligkreditt AS

September 2023

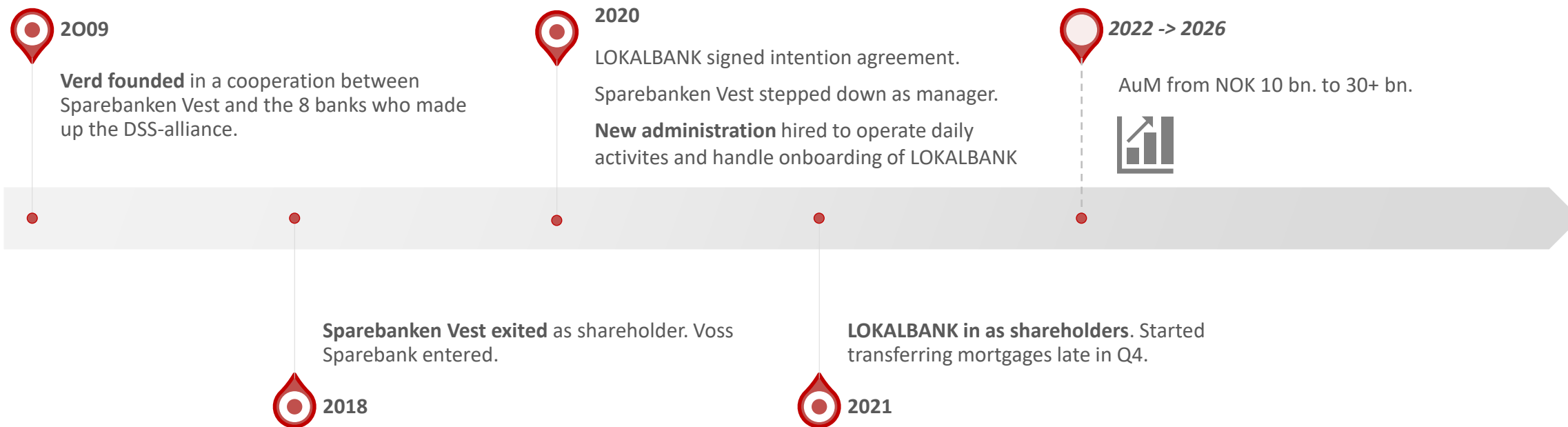
Verd Boligkreditt



Verd Boligkreditt

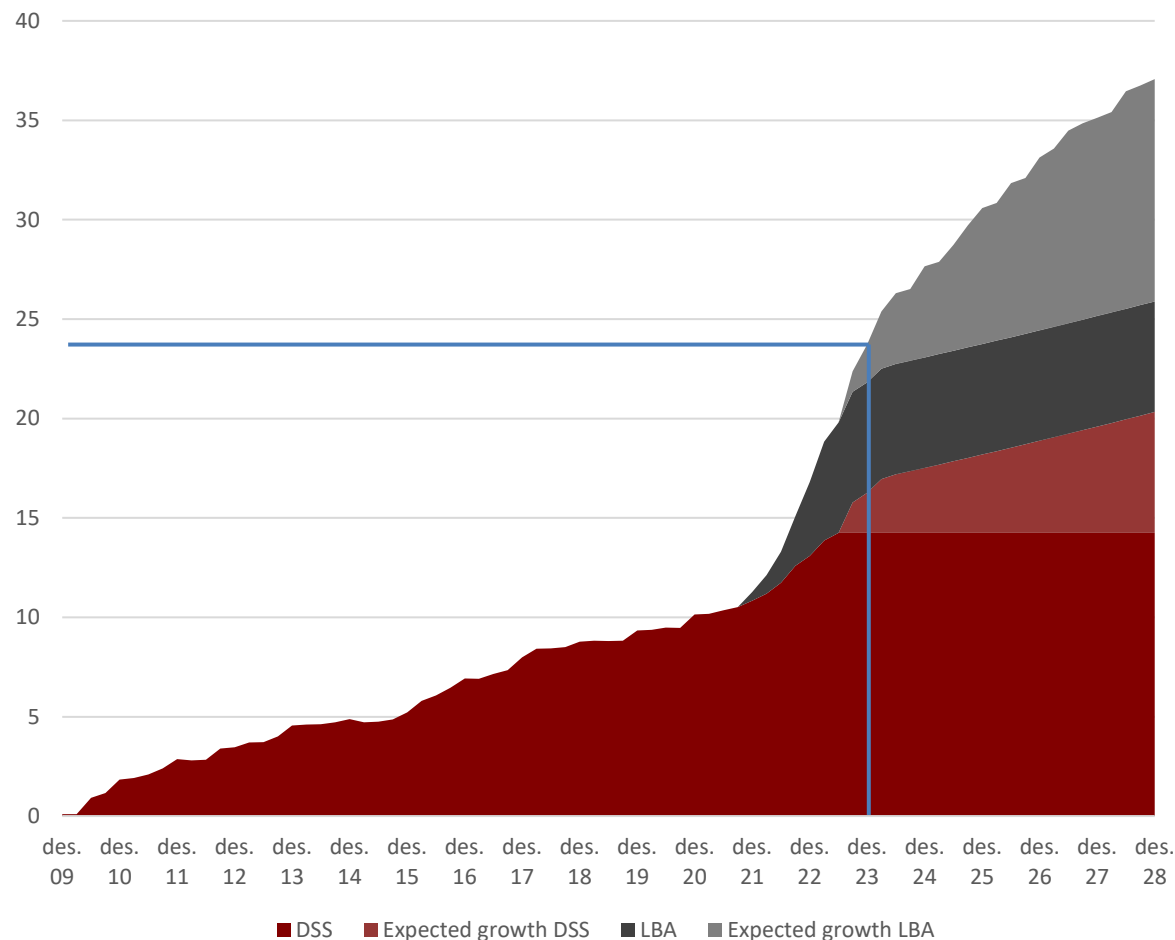
- One of three jointly owned covered bond issuers in Norway (Sparebank 1 Boligkreditt & Eika Boligkreditt).
- Owned and used by two Norwegian savings bank associations: De Samarbeidende Sparebankene (DSS) and LOKALBANK (LBA).
- 18 owner banks. 8 from DSS and 10 from LBA.
- Historically one of the smallest Norwegian covered bond issuers, but with the addition of the LBA-owners, assets under management (AuM) is expected to increase significantly in the years ahead.

History



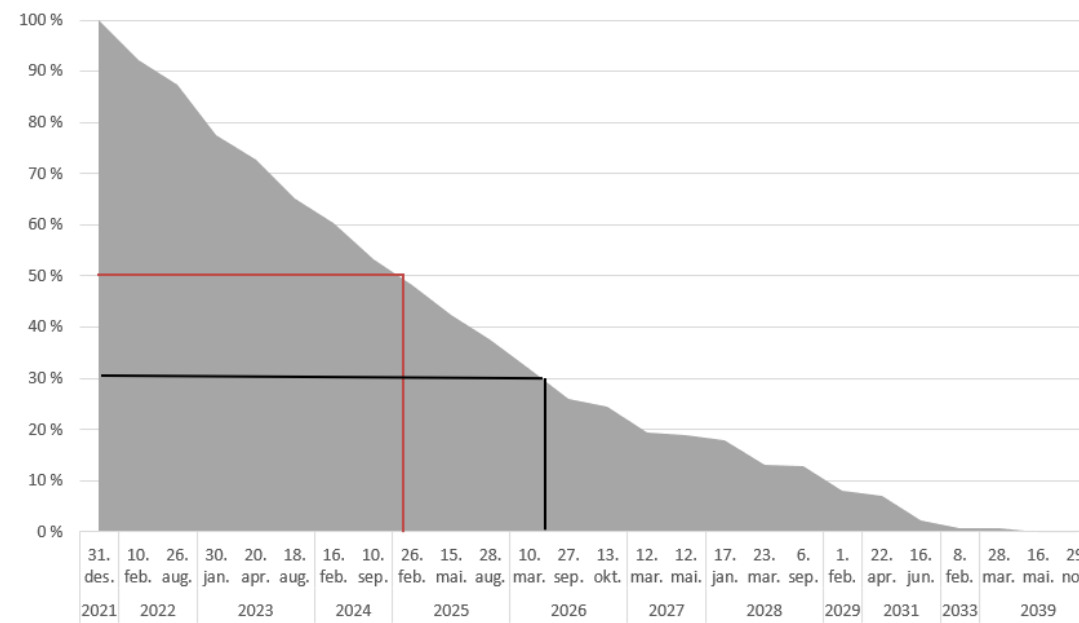
Verd 2.0 – Scaling up

Mortgages (NOK bn.)



- LOKALBANK’s entry initiated a substantial growth period for Verd.
- LOCALBANK’s obligations to Eika Boligkreditt’s cover pool will be scaled down in line with covered bond maturities. The maturity profile were frozen at the termination date, 31.12.2021.
- The portfolio will be gradually transferred to Verd over a period of 8 years.
- We also expect increased use from DSS as economies of scale will enable Verd to offer more competitive terms.

LOKALBANK - Commitments to Eika cover pool



Rating

- Verd Boligkreditt's covered bonds have been AAA-rated by Scope Ratings since 15.05.2019
- The rating was last confirmed AAA/Stable on 03.01.2023

- Currently, Verd Boligkreditt has no issuer rating
(no external funding other than covered bonds)
- None of the owner banks have official ratings

- On November 4th 2022, Scope rated bonds were included under approved securities as collateral for banks' loans in Norges Bank

Appendix II: Summary of credit view on Verd Boligkreditt

Our credit view reflects Verd's low-risk business model as a funding vehicle for its owners, a group of 18 Norwegian savings banks.

As dictated by its legislative status and strategic purpose, Verd pursues a restricted and low risk business. Through the issuance of covered bonds, Verd provides an important source of funding for its owners' lending activities. The mortgage assets backing the covered bonds must meet certain eligibility criteria, supporting Verd's sound asset quality profile.

Verd's owners are savings banks with well-established positions in their local markets. Their focus on retail customers and residential mortgage lending underpins good asset quality and reassuring prudential metrics. The original owner banks which form the DSS alliance operate in southern and western Norway, regions more exposed to the cyclical oil and gas industry. However, the addition of banks from the LBA alliance which operate in eastern and mid Norway is gradually diversifying the assets of the cover pool.

The ten-plus year relationship between Verd and its original owner banks has been highly cooperative and successful. This has ensured that Verd suffers no credit losses and maintains a sound financial profile. The various support mechanisms as well as the DSS and LBA alliances, however, have yet to be tested under more difficult conditions.

Outlook and credit view change-drivers

The Stable Outlook reflects Verd's ongoing resilient operating performance.

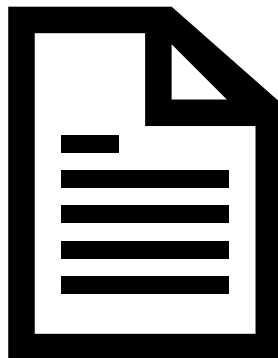
What could positively impact the credit view:

- Sustained high quality diversification of the mortgage assets reflecting Verd's greater systemic importance as a funding vehicle

What could negatively impact the credit view:

- Evidence that the various agreements with the owner banks do not function as expected
- Deterioration in the credit quality of the mortgage assets, potentially stemming from a change in the composition of the owner banks

Framework



Shareholder's agreement

Key Points:

Owner banks are required to fulfil Verds equity, T1 and T2 capital demands

Regulates practices in case of a banks exit from the company

Limits owner banks to affiliation with only one covered bond institution

Sets out principles for how to rebalance owner shares to ensure that every owner bank capitalise their own mortgage portfolio



Transfer and Service Agreement

Key points:

The banks must prefund 10% of loans sold to Verd. This secures Verd an OC of ~15%. Alternative to doing senior preferred from Verd

The owner banks are obliged to resupply the agreed amount of mortgages transferred to Verd at all times. Down payments and early redemptions refilled on monthly basis

Lists specific criteria for portfolio quality

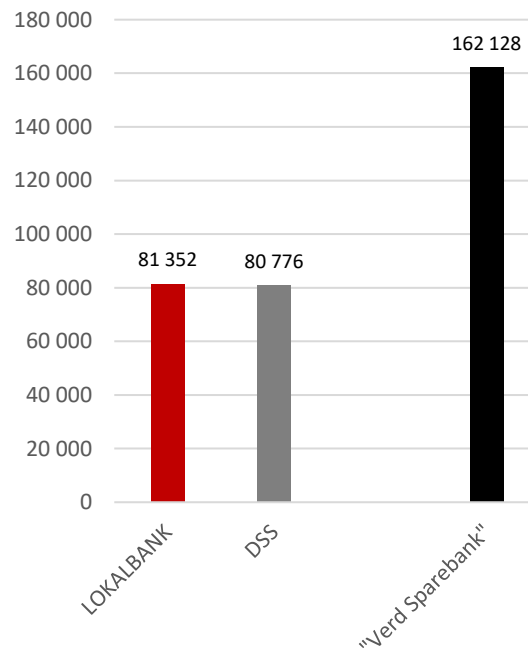
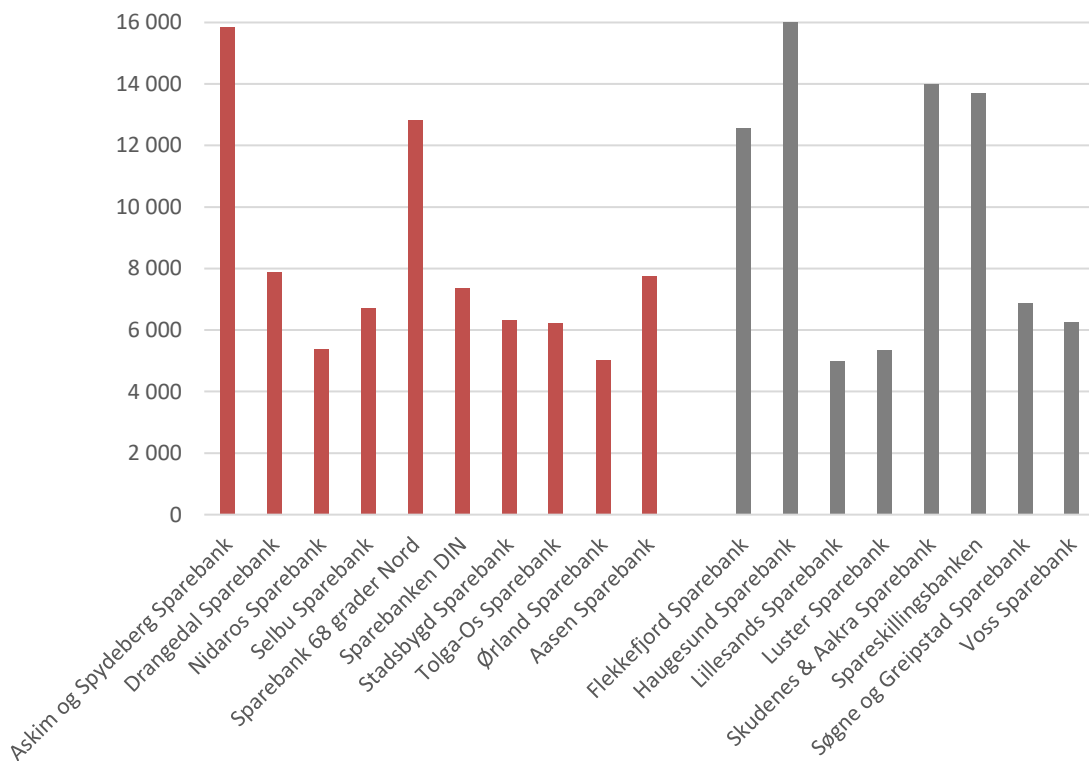
Specifies the owner banks rights and duties to service the originated loans (transactions, refinancing, AML, ...), which in turn gives the originator the right to commissions on loans transferred

If the owner banks defaults on either of the agreements, Verd has the right to choose a different owner bank to service the defaulting bank's loans

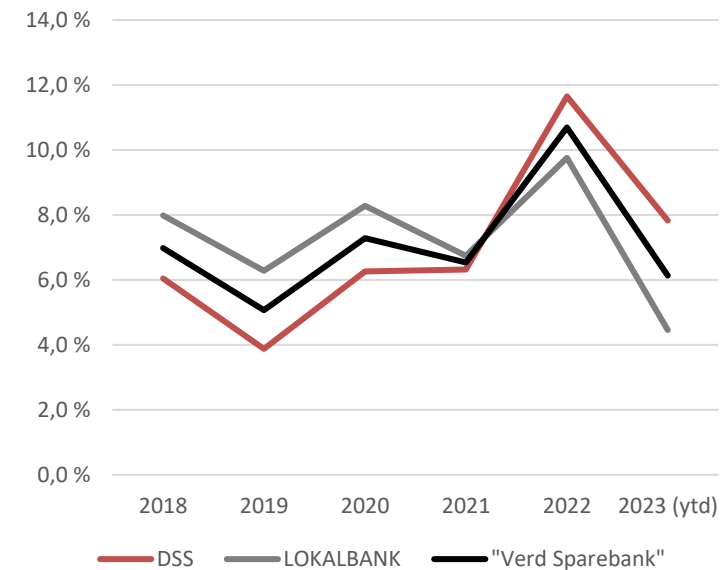
Owner banks: Assets under management 30.06.23

(NOK 1.000 / incl. loans transferred to mortgage institutions)

AUM (NOK 1.000)

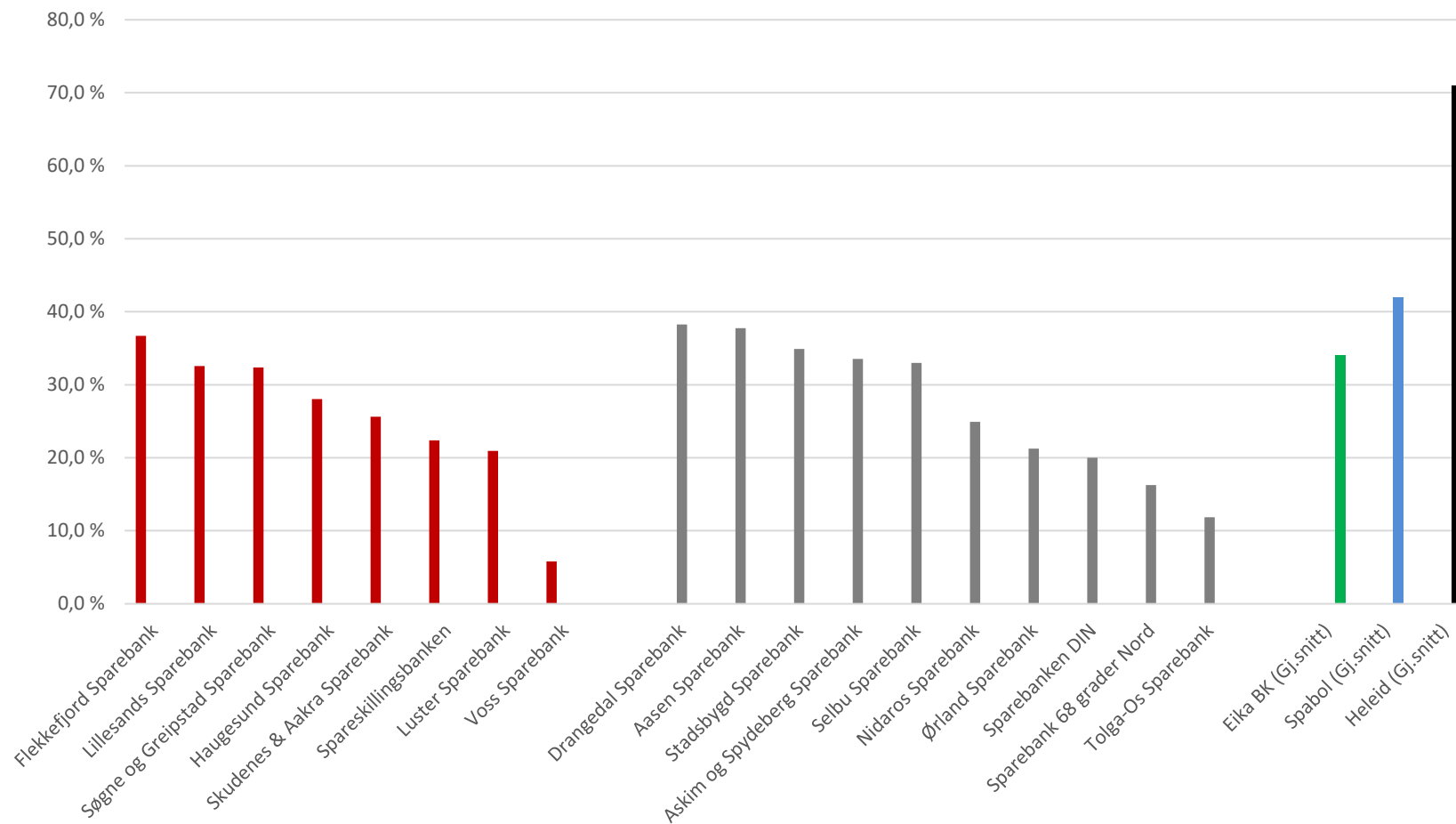


Growth AUM y/y



Owner banks: Loans transferred to CB institutions

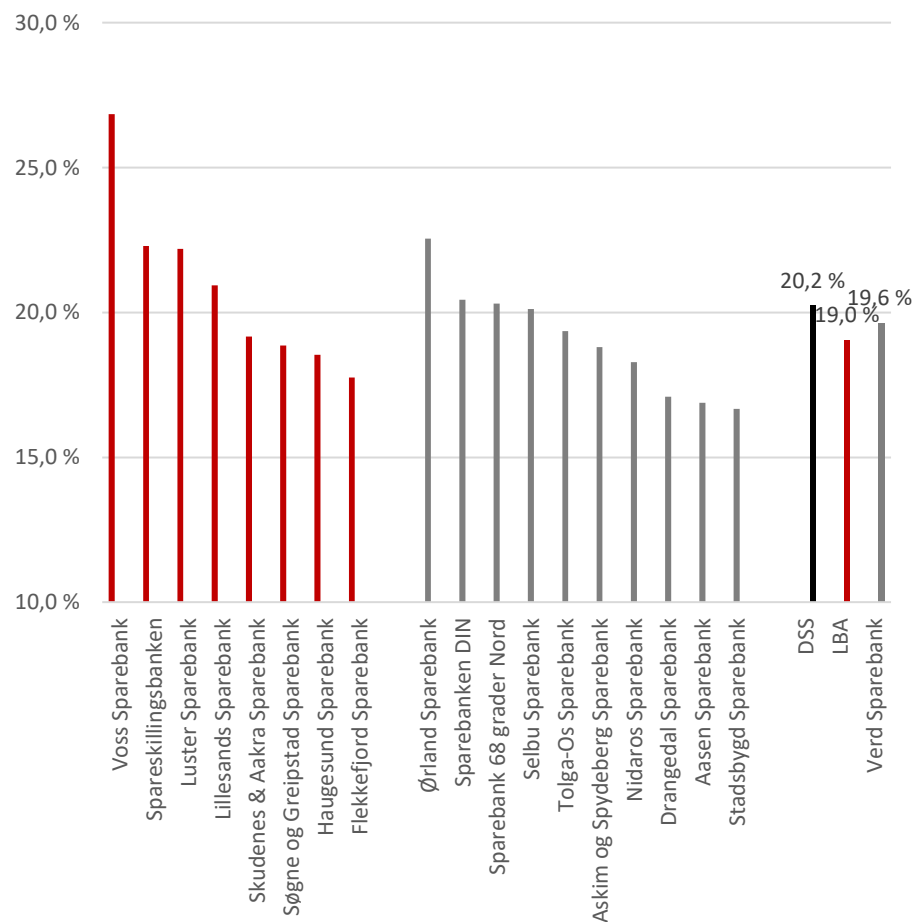
(share of retail mortgages as of 31/12/22)



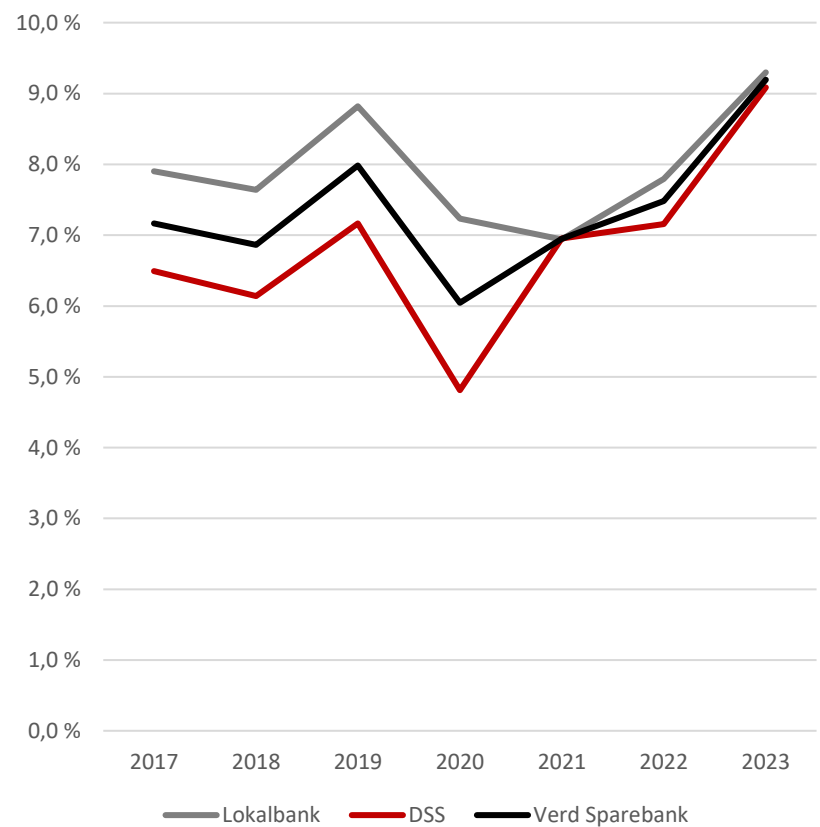
- Average Verd banks = **27,0%**
26,3% 31.12.22
24,0% 31.12.21
- Verd AuM given Eika average @ 34% = 37 bn.
- Verd AuM given Spabol average @ 42% = 45 bn.

Owner banks: Capitalisation

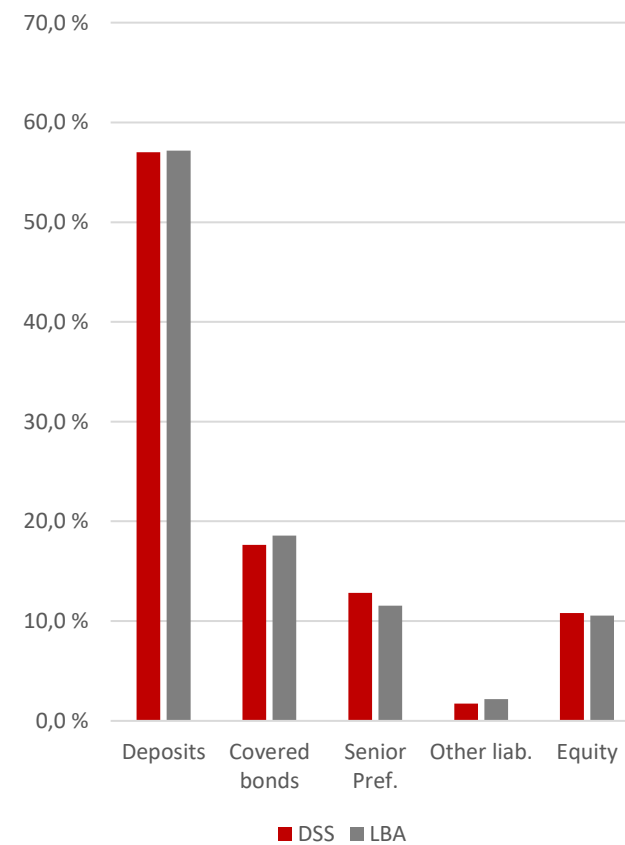
CET1 ratio



ROE

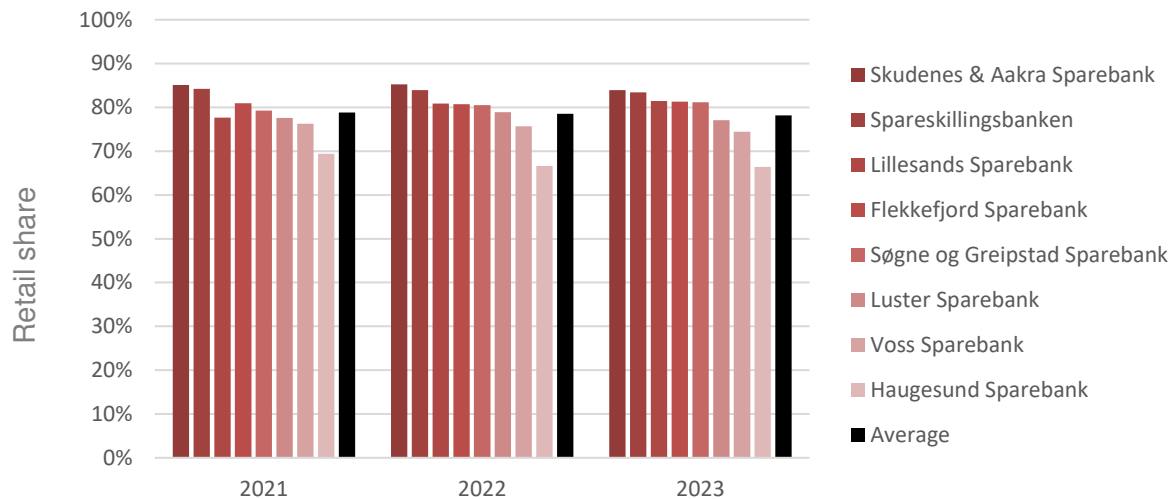


Funding sources

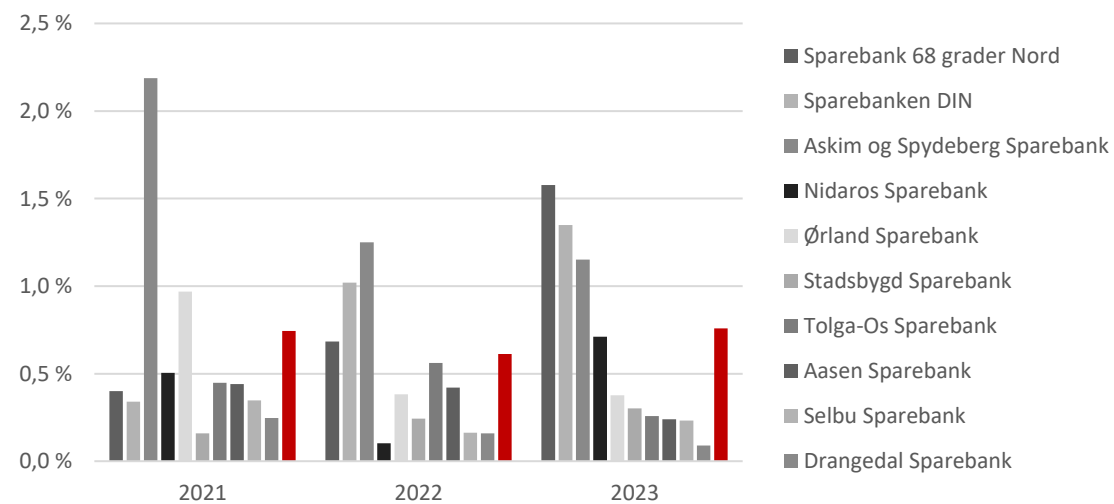
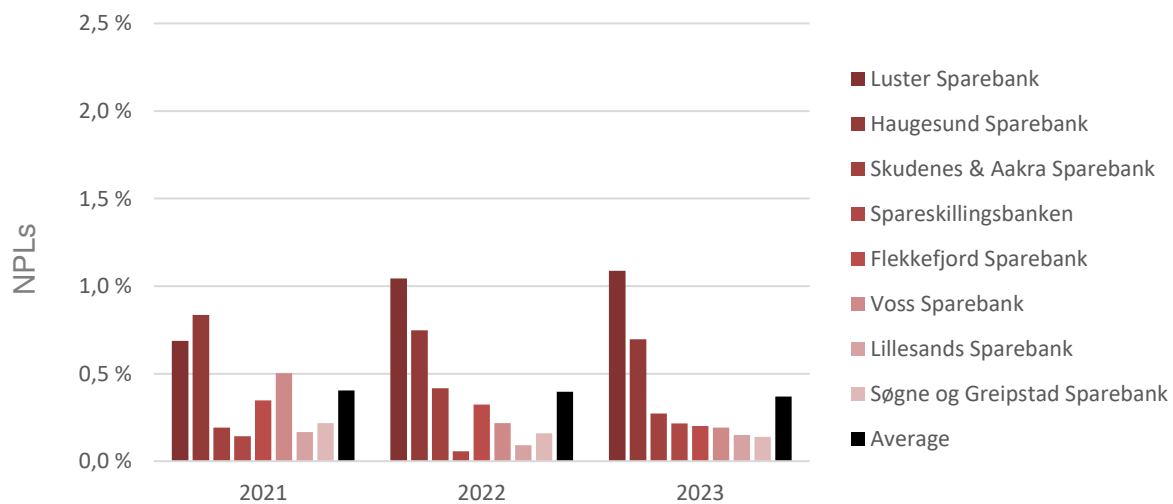
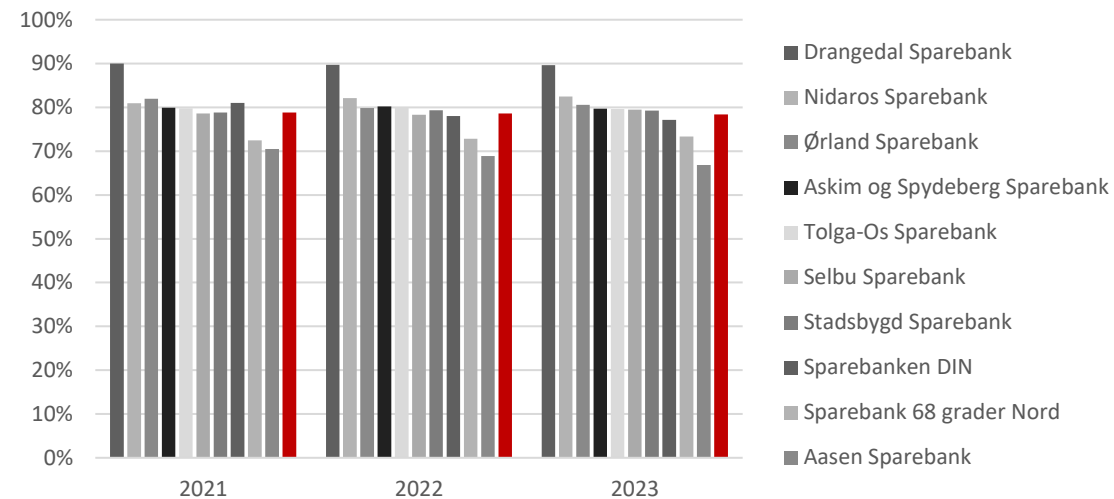


Owner banks: Risk profile

DSS



LOKALBANK



Cover pool



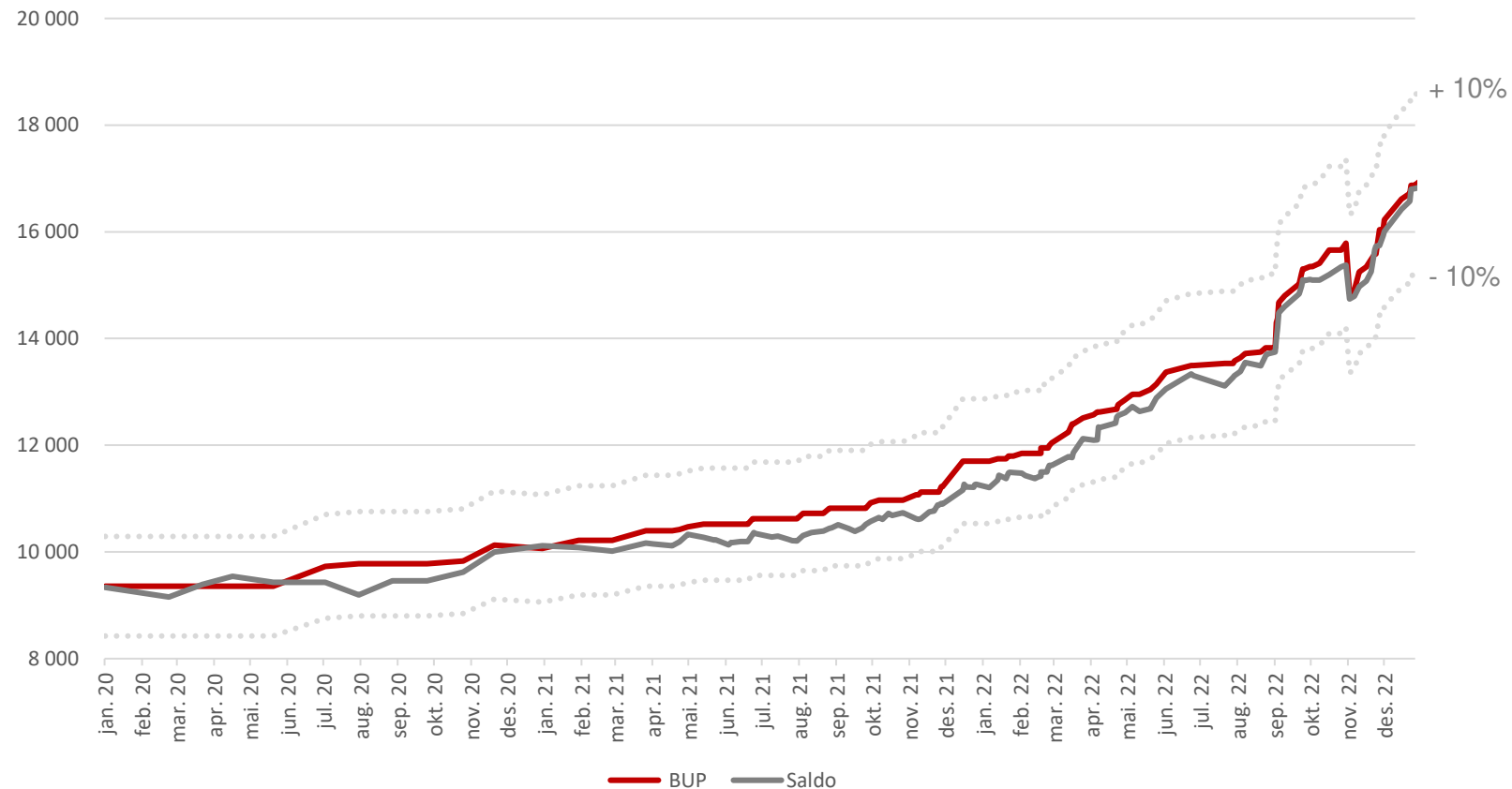
	30.06.2023	31.12.2022	31.12.2021	31.12.2020
Gross loans (mill.)	19 838	16 758	11 263	10 141
# of mortgages	11 034	9 449	7 068	6 666
# of costumers	10 897	9 360	6 999	6 592
Average loan balance (mill.)	1,79	1,78	1,59	1,54
Seasoning (years)	3,17	3,6	4,3	4,3
Loans w/floating rate	100 %	100 %	100 %	100 %
Revolving credits	10,6 %	12,2 %	14,1 %	15,5 %
- Undrawn amount on revolving credits (mill.)	922	790	637	617
Interest only loans	17,2 %	12,5 %	14,9 %	17,2 %
Substitute assets (mill.)	2 722	1 709	1 028	745

- Collateral values updated every quarter with estimates from Eiendomsverdi
- Down payments and early redemptions on mortgages go directly to a separate account belonging to the cover pool (currently in Sparebanken Vest)
- *Fixed rate mortgages, 3-10 years, to be included from 2023

Cover pool: Committed bank mortgage portfolios (BUP)

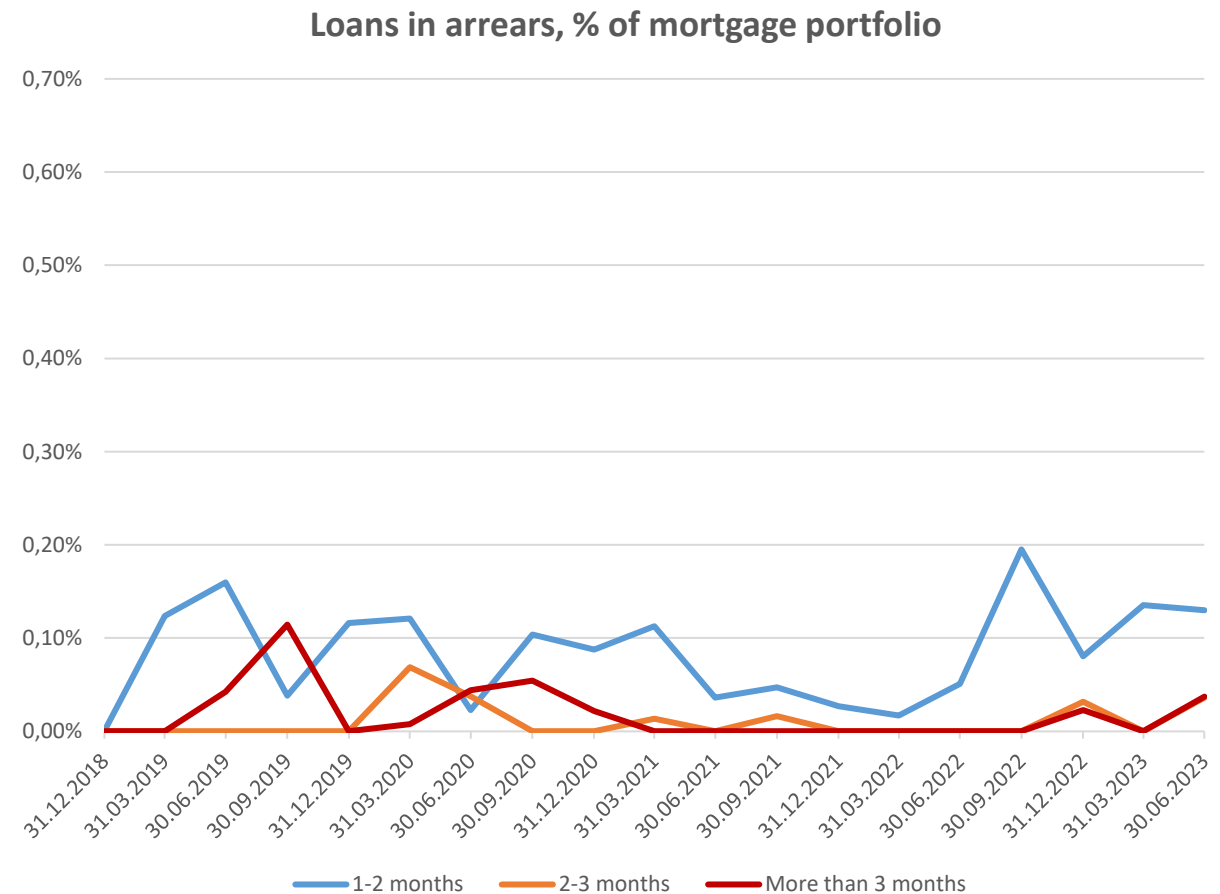
- Verd monitors the deviation from BUP on a regular basis. Owner banks are contacted if their portfolios nears the -10% border.
- We rarely allow sales of additional mortgages if this brings the portfolio above the +10% border without agreeing on a new BUP going forward.
- Normal level of deviation from BUP is around 3%, or 400 MNOK currently.
- The deviation accumulates as liquidity (cash).

Development in BUP and actual sold volume

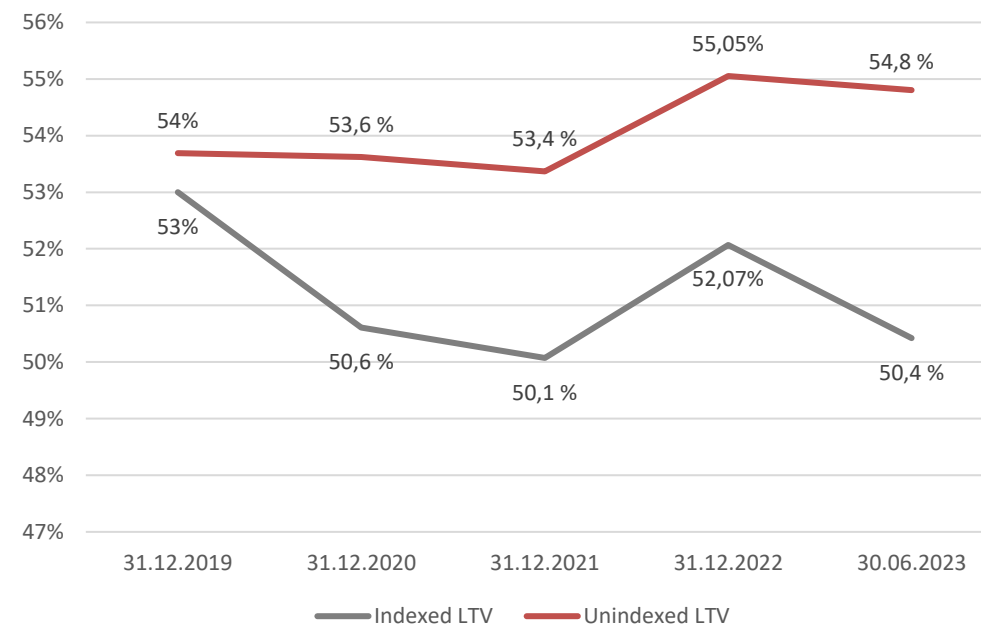
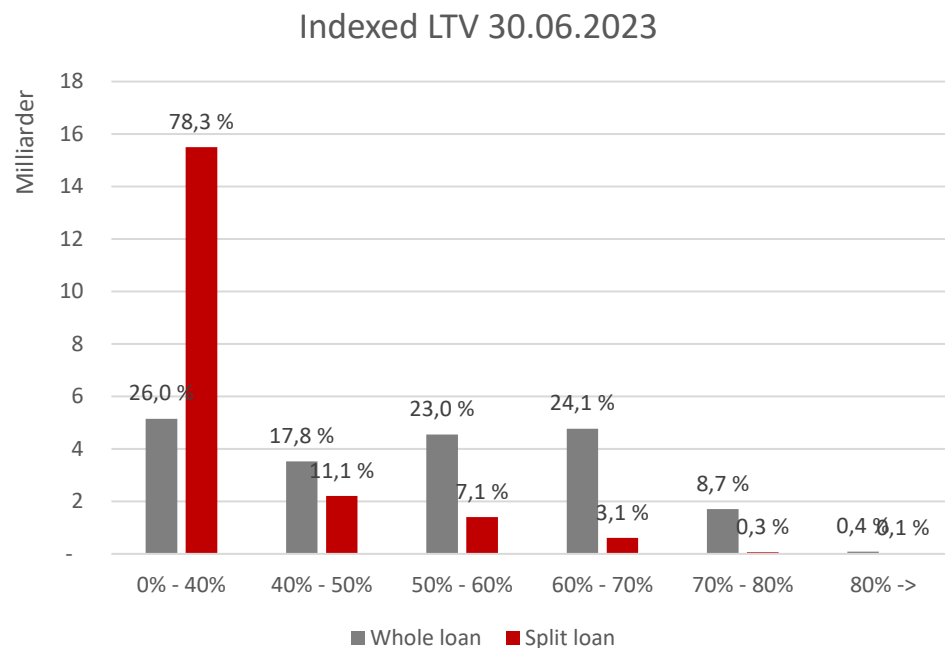


Cover pool: Arrears – more formalised policy

- Verd continuously monitor loans in arrears. Arrears are at a low and stable level.
- If we identify mortgages with late payments we request the owner bank who originated the mortgage to buy it back from Verd (at par value). Although this is voluntary on behalf of the owner banks, recalling such mortgages is consistent with Verds function as a funding facility for the owner banks, not a risk mitigator.
- Current practice is to request buy backs of mortgages as soon as the first payment passes 30 days overdue. We have put increased focus on this practice over the last year, as seen in the figure.



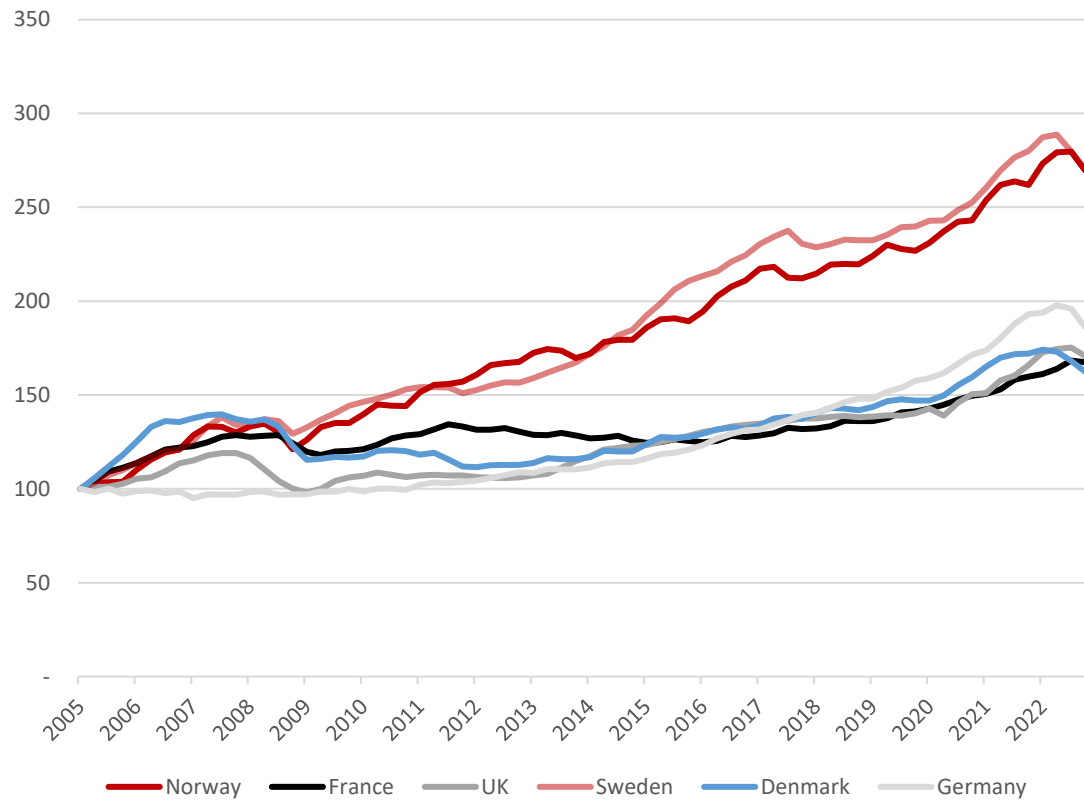
Cover pool: LTV



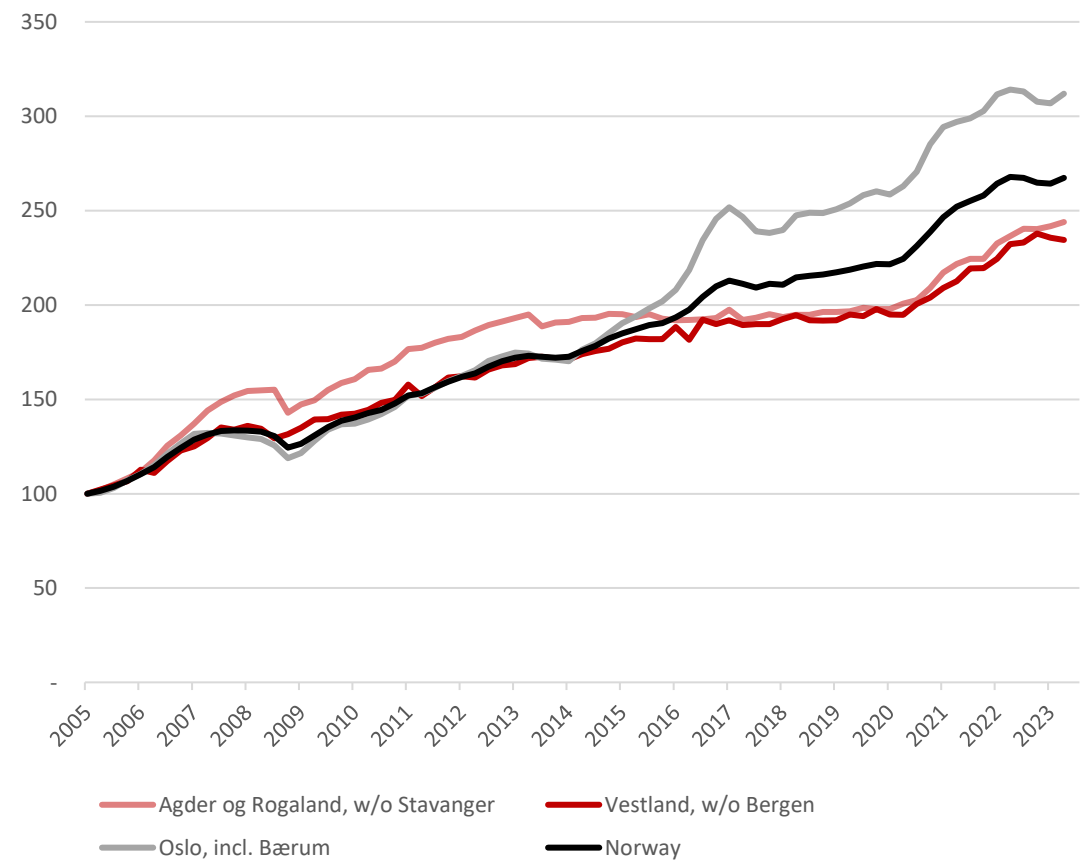
- Historically, Verd has had a low indexed LTV compared to peers and operates well within the 80% limit.
- Strong growth drives up unindexed LTVs, as new mortgages tend to have higher LTV. New owners have their best assets “locked in” in Eika Boligkreditt

Cover pool: Housing prices

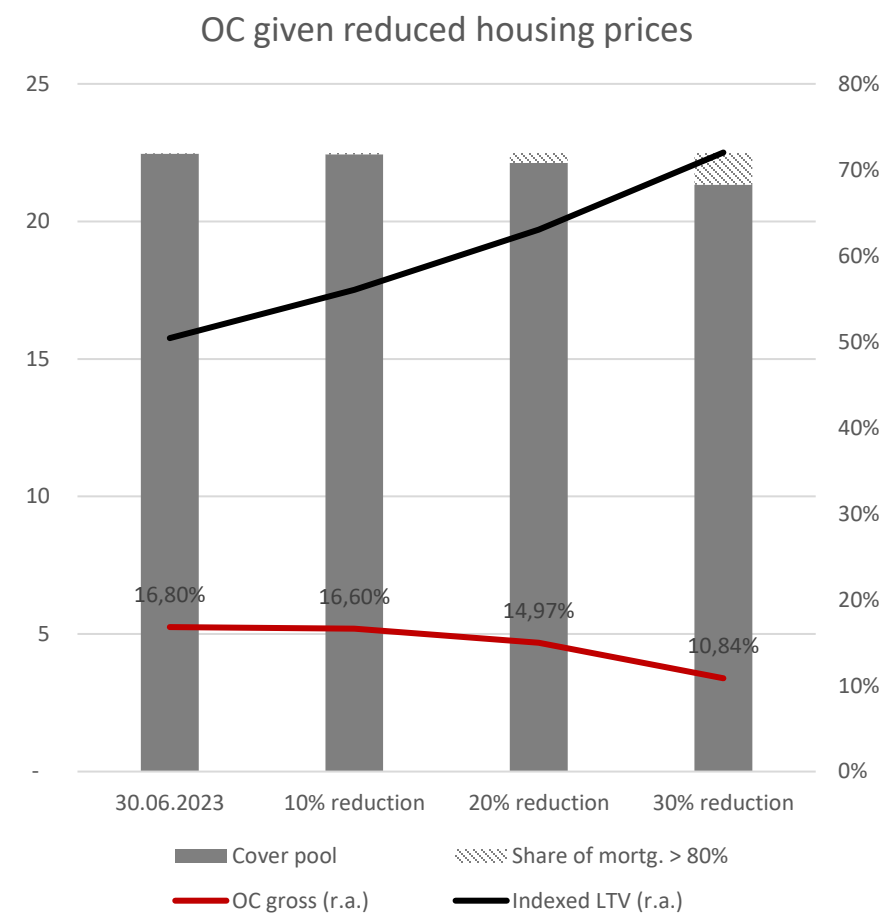
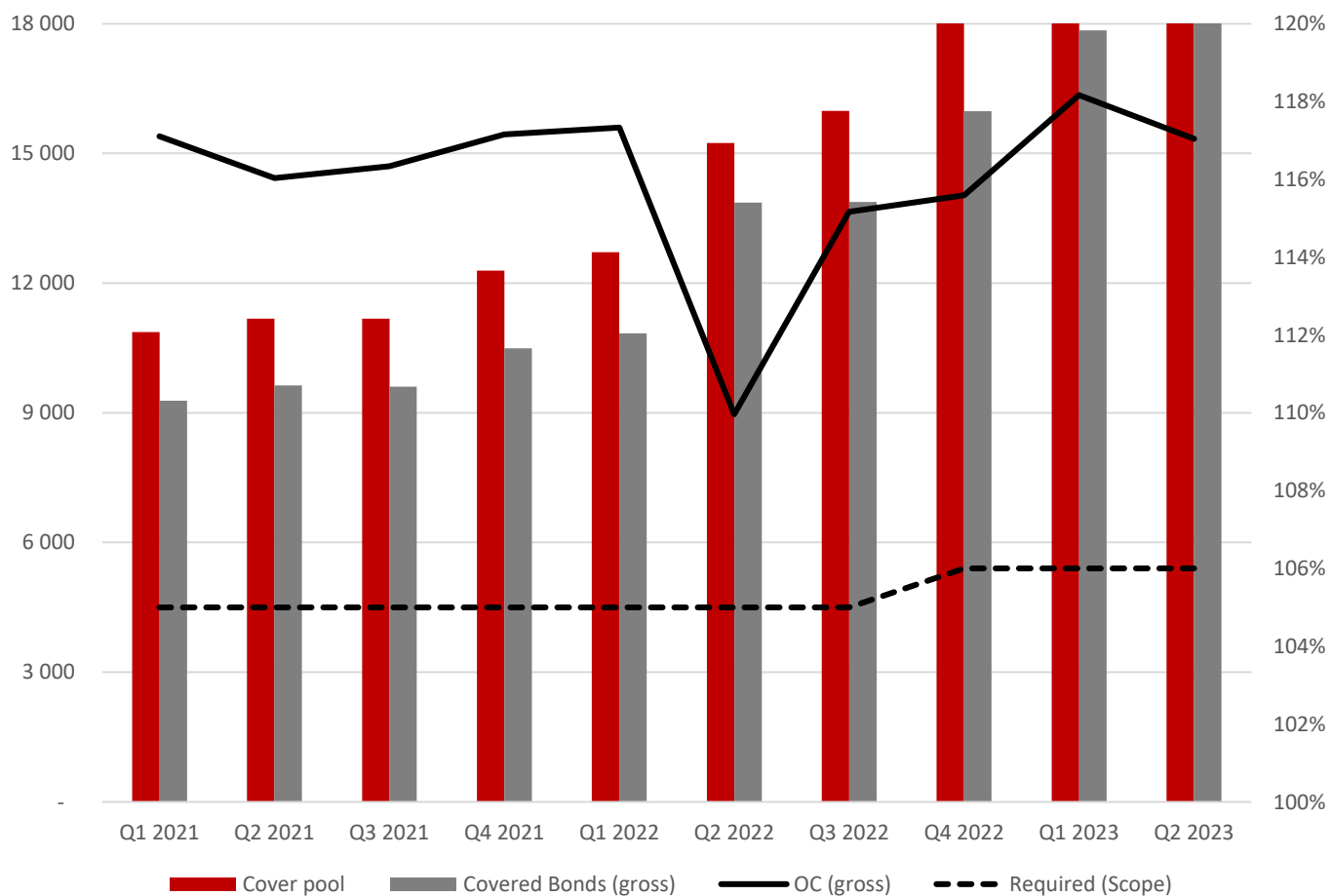
Norway and Sweden "leading" in Europe since the financial crisis



But, large regional differences



Cover pool: Over-Collateralisation

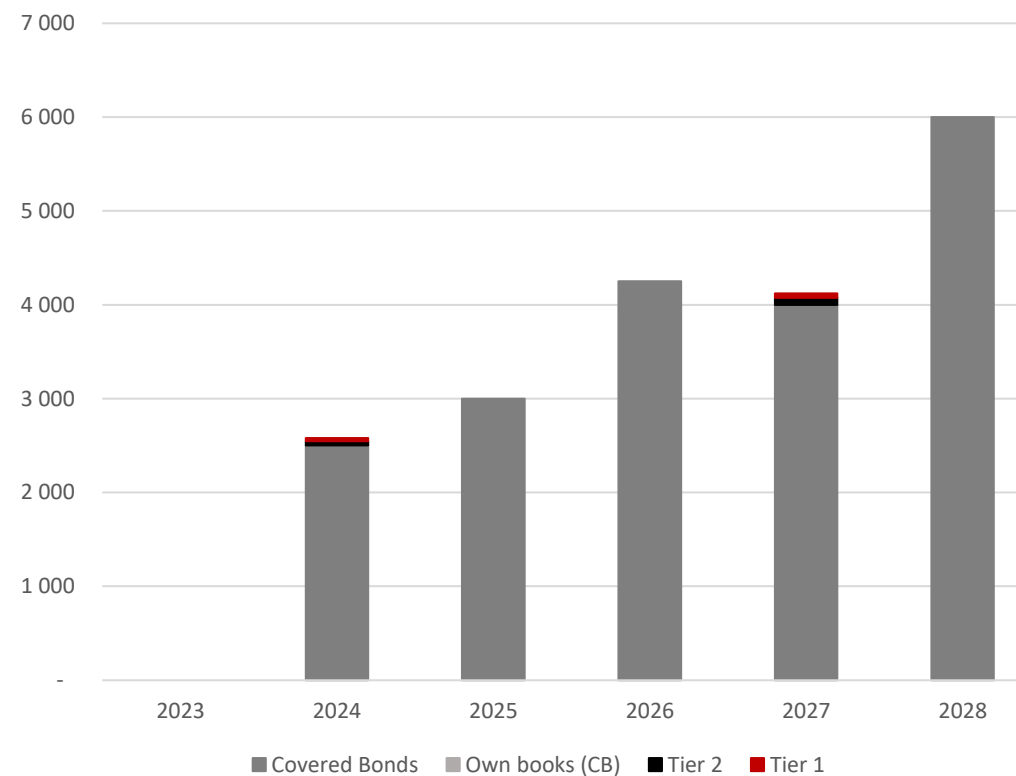


Funding

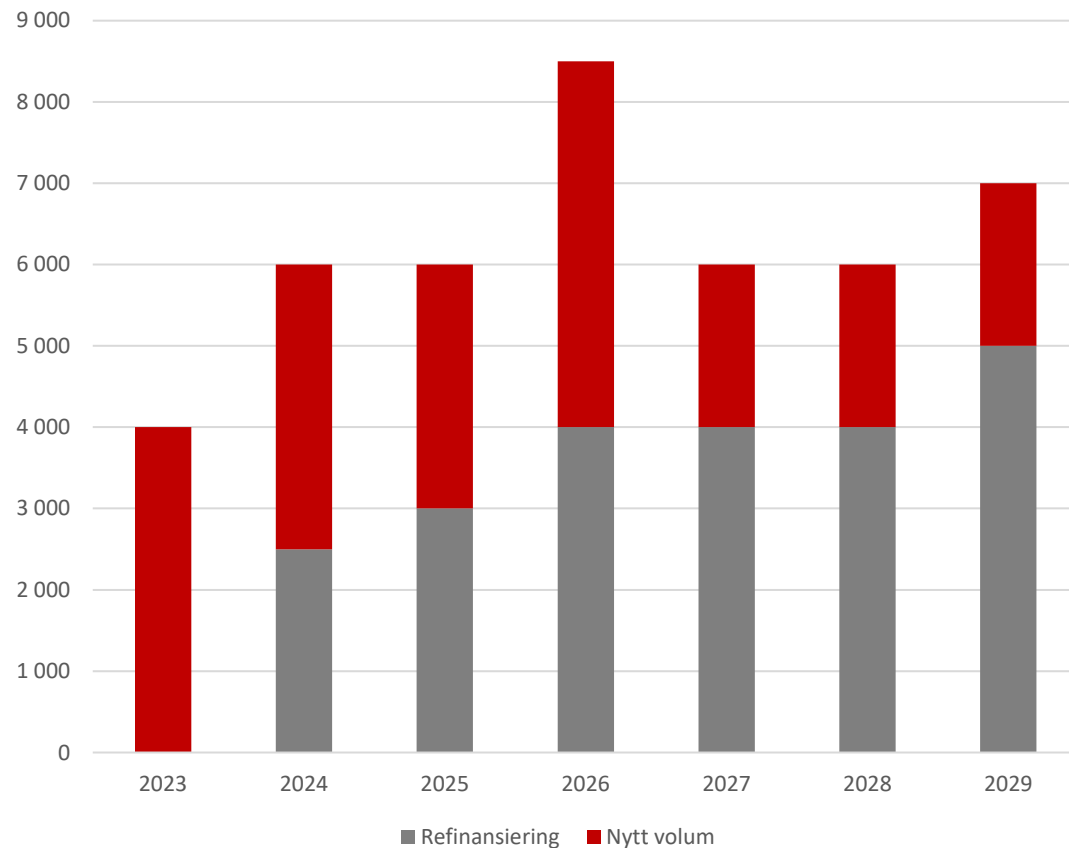
Securitised debt

ISIN	Ticker	Nominal value	Maturity
NO0010864937	VEBK19 PRO	2 500	30.09.2024
NO0010893696	VEBK21 PRO	3 000	17.09.2025
NO0011151151	VEBK22 PRO	4 250	12.10.2026
NO0012548900	VEBK23 PRO	4 000	13.04.2027
NO0012832791	VEBK26 PRO	6 000	07.02.2028
Total Covered Bonds		19 750	
NO0010852916	Tier 1	35	24.05.2024
NO0012708785	T1/VEBK24 PRO	75	26.12.2027
NO0010852924	Tier 2	45	24.05.2024
NO0012708793	T2/VEBK25 PRO	115	26.12.2027
Total tier 1 and 2		289	

Securitised debt distributed by maturity



Funding strategy



- Verd has issued around 3 bn. per annum in recent years. Two bn. for refinancing of existing debt, and one billion to fund growth. This has typically been done with a new 5Y LCR 2A
- However, in the coming years the annual issuance volume is expected to reach 6–8 bn.
- Verd has started issuing LCR 1-level bonds. Hopefully, this will help reach more investors.

Possible funding profile

31.12.2024	
Maturity	Nominal value
sep. 25	3 000 000 000
okt. 26	5 000 000 000
apr. 27	5 000 000 000
feb. 28	6 000 000 000
mar. 29	6 000 000 000
jun. 30	1 500 000 000
Sum	26 500 000 000

31.12.2027	
Maturity	Nominal value
feb. 28	3 000 000 000
mar. 29	6 000 000 000
jun. 30	6 000 000 000
sep. 31	7 000 000 000
mar. 32	7 000 000 000
mar. 33	7 500 000 000
Sum	36 500 000 000

Assuming new bonds are issued with a maturity of 5 years

Verd Boligkreditts bærekraftsambisjon er å
**bidra til bærekraftige lokalsamfunn
og en grønnere boligmasse**

FNs bærekraftsmål

Prioriterte mål

FNs bærekraftsmål er en felles arbeidsplan for at land, næringsliv og samfunnet for øvrig sammen kan jobbe i retning av det samfunnet vi ønsker oss. En verden uten fattigdom, med like muligheter, der klimaendringer er stoppet innen 2030. Bærekraftsarbeidet i Verd Boligkreditt bygger på FNs bærekraftsmål.

Verd kan påvirke flere av de 17 målene, men har valgt å løfte frem to der vi har størst innflytelse i retning av et mer bærekraftig Norge og verden;

- **Mål 11 Bærekraftige byer og samfunn.** Gjøre byer og lokalsamfunn inkluderende, trygge, robuste og bærekraftige.
- **Mål 13 Stoppe klimaendringene.** Handle umiddelbart for å bekjempe klimaendringene og konsekvensene av dem.



Verd Boligkreditt ønsker nærmere bestemt å bidra med å:



- støtte positive økonomiske, sosiale og miljømessige forbindelser mellom byområder, omland og spredtbygde områder ved å styrke nasjonale og regionale planer
- sikre at alle har tilgang til tilfredsstillende og trygge boliger og grunnleggende tjenester til en overkommelig pris

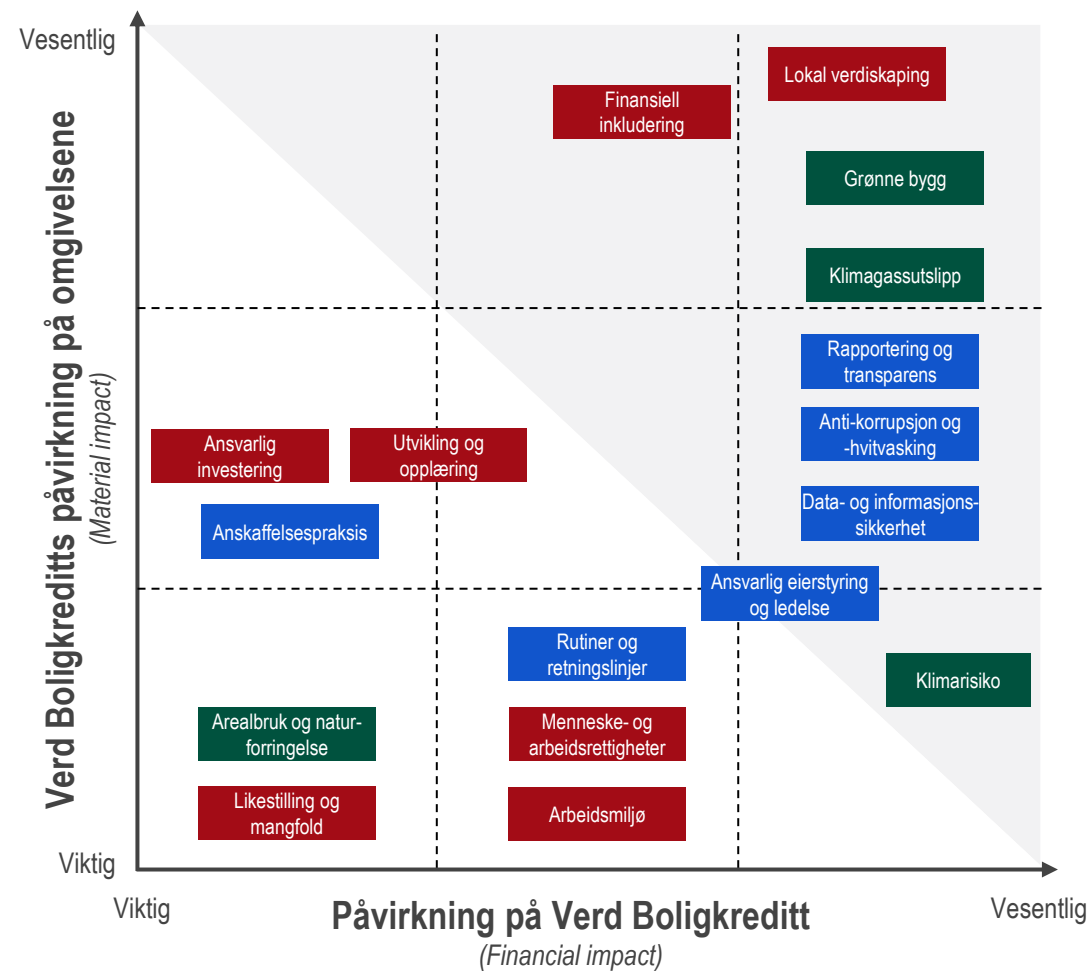


- styrke evnen til å stå imot og tilpasse seg klimarelaterte farer og naturkatastrofer i alle land
- styrke enkeltpersoners og institusjoners evne til å motvirke, tilpasse seg og redusere konsekvensene av klimaendringer og deres evne til tidlig varsling, samt styrke kunnskapen og bevisstgjøringen om dette

Vesentlige bærekraftstemaer

Som en del av strategiarbeidet har Verd Boligkreditt gjennomført en dobbel vesentlighetsanalyse, der flere interessenter fra ulike deler av verdikjeden har vært involvert *. Formålet er å kartlegge områdene der Verd påvirker sine omgivelser, samt områder der Verd blir påvirket. Resultatet av analysen er illustrert i vesentlighetsmatrisen til høyre, der temaer plassert øverst til høyre anses å være av størst vesentlighet for Verd i dag. Temaer som Lokal verdiskaping, Grønne bygg og Klimagassutslipp er løftet som mest vesentlig i begge dimensjoner. Disse områdene har både en finansiell påvirkning på Verd i positiv og/eller negativ forstand, og er i tillegg områder der Verd har stor påvirkning på sine omgivelser, eksempelvis eierbanker, investorer og samfunnet for øvrig.

Basert på vesentlighetsanalysen og bærekraftsambisjonen har Verd valgt å sette fokus på tre områder i videre bærekraftsarbeid, presentert på følgende side.



- Klima og miljø
- Sosial
- Økonomi og styring

Vi skal nå ambisjonen vår gjennom å..

Fokusområde 1

Være en viktig bidragsyter overfor eierbankene for å opprettholde selvstendige sparebanker og levedyktige lokalsamfunn

Fokusområde 2

Redusere finansierte klimagassutslipp og håndtere effekten av klimaendringer

Fokusområde 3

Være en transparent og ansvarlig aktør med tillit i markedet, gjennom god styring, ryddig drift og ivarettatte ansatte

Bidra til bærekraftige lokalsamfunn og en grønnere boligmasse



Fokusområde 1

Tilføre kompetanse til eierbankene for å opprettholde selvstendige sparebanker og levedyktige lokalsamfunn

Fokusområde 2

Redusere finansierte klimagassutslipp og håndtere klimaendringer gjennom grønnere boliger

Fokusområde 3

Være en transparent og ansvarlig aktør med tillit i markedet, gjennom god styring, ryddig drift og ivarettatte ansatte

Tiltak 2023-2024

- ▶ Bedre tilgangen på data for å kunne vurdere klimarisiko og energieffektivitet i boligmassen, samt tilgjengeliggjøre innsikt internt og eksternt
- ▶ Utarbeide klimaregnskap og rapportere karbonavtrykk i årsrapport for 2023 (Minimum scope 1-2). For årsrapport 2024 rapportere scope 3.
- ▶ Lage rutiner for regelmessig deling av bærekraftsdata
- ▶ Utarbeide grønt rammeverk og utstede grønne OMF
- ▶ Aktivt søke deltakelse i bransjeforum, eksempelvis for å ligge i forkant av krav innen bærekraftsrapportering
- ▶ Oppdatere nettside med ny grafisk profil
- ▶ Kartlegge investorforventninger og tilgjengeliggjøre relevante styrende dokumenter og bærekraftsinformasjon på nettside
- ▶ Gå i dialog med eierbanker om bærekraftig omstilling, herunder grønne produkter (eksempelvis oppgraderingslån) og vurdering av klimarisiko i kredittprosessen

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