



Sparebanken Sør

Investor presentation Q4 2020

Agenda

- **About Sparebanken Sør**
- **Highlights from the quarterly report**
- **Funding status**
- **Capital**
- **Digital development**
- **Sustainability**
- **Goals and expectations going ahead**



Sparebanken Sør

– Sørlandets ledende bankkonsern



Established in 1824,
548 employees



176 000 retail
customers



Finanskonsern med bank,
verdipapirhandel og
eiendomsmegling



21 000 corporate
customers



Publicly traded and
Community-owned



Regional Branches
& nationwide
online services



- Total assets of NOK 142 bn
- Profit after tax amounted to NOK 1 096 million in 2020
- Cost/income ratio of 39.2 percent.



COVID-19 effects

Banking operations

- Banking operations well functioning digitally
- Close customer relationship highly valued during uncertain times

Income

- Changes in interest rates leads to pressure on net interest income
- Lower currency exchange income due to travel restrictions

Expenses

- No significant direct effects
- Good cost control

Losses on loans

- Increased loss provisions as a result of model-based losses on loans
- Still low levels of defaults, bankruptcies and realized losses on loans
- Significant uncertainty

Liquidity and funding

- Solid long-term financing
- Reassuring liquidity buffer

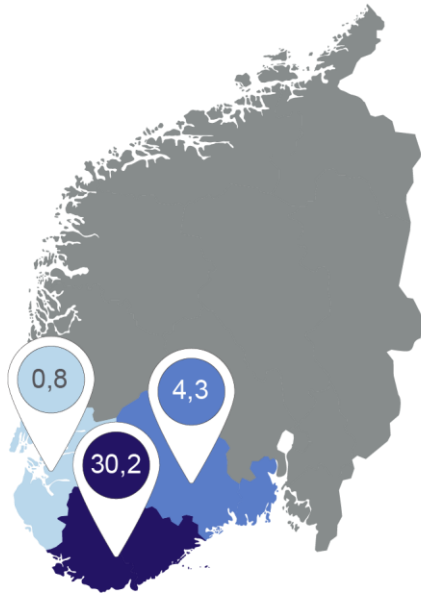
Capital

- Countercyclical capital buffer reduced by 1.5 percentage points
- Good capital buffers, well above current regulatory requirements

Strong position in the housing market

Maintaining a strong market position

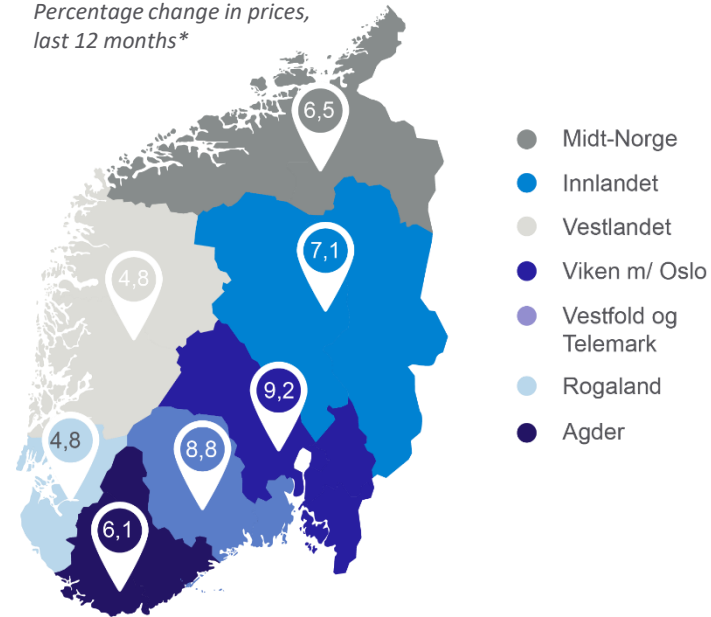
Percentage market share



**# 1 position in Agder, good position in Vestfold Telemark.
Positive development in Rogaland.**

Positive development in housing prices

Percentage change in prices,
last 12 months*

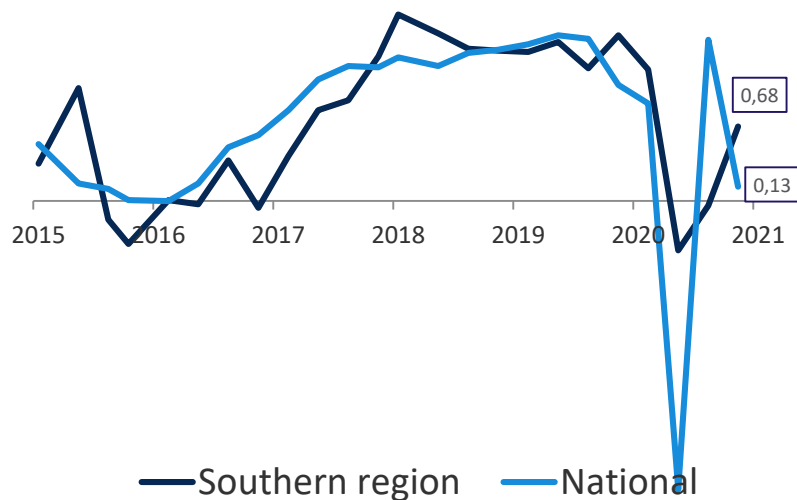


*3 month moving average of
12 month change

Positive development in production and investment in the quarter

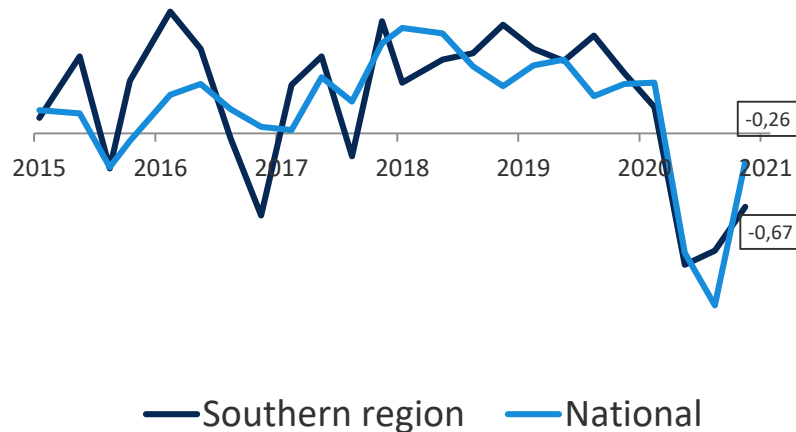
Growth in production

Growth last 3 months



Growth in investments

Expected development next 12 months



The index ranges from -5 to +5, where -5 indicates a large fall and +5 indicates strong growth. The index are compiled quarterly by Norges Bank through a regional network and show the development in the Southern region, which consists of Agder, Vestfold and Telemark.

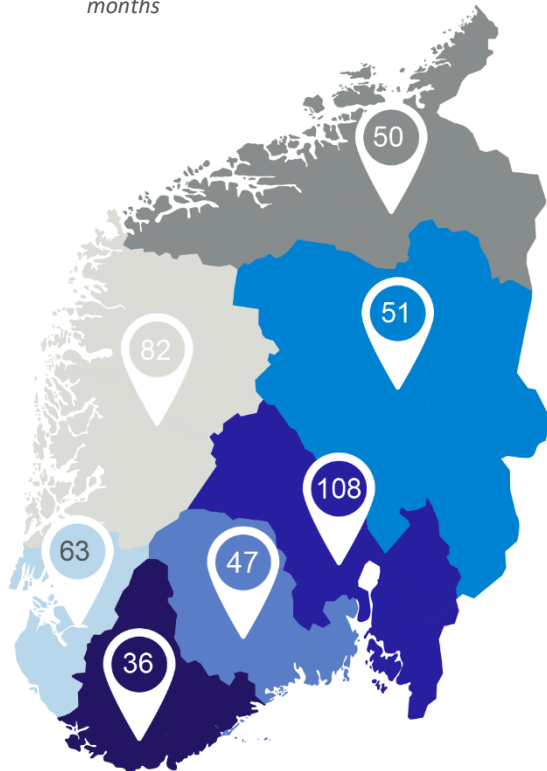


SPAREBANKEN SØR

Development in the labour market

Unemployment

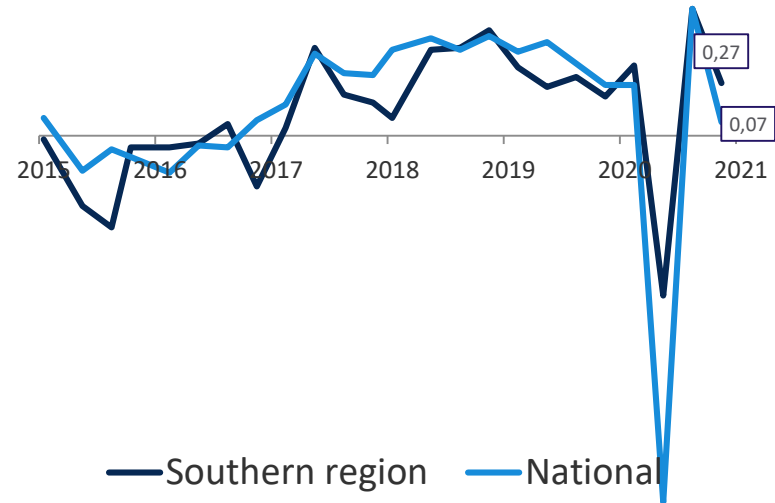
Percentage change last 12 months



- Midt-Norge
- Innlandet
- Vestland
- Viken m/ Oslo
- Vestfold og Telemark
- Rogaland
- Agder

Development in employment

Percentage growth last 3 months



The index ranges from -5 to +5, where -5 indicates a large fall and +5 indicates strong growth. The index are compiled quarterly by Norges Bank through a regional network and show the development in the Southern region, which consists of Agder, Vestfold and Telemark.



SPAREBANKEN SØR

Highlights from the quarterly report



SPAREBANKEN SØR

Highlights in Q4 2020

- Good result from ordinary operations
- Efficient operations and low costs
- Very good results from Frende and Brage
- Solid result from Sørmeqleren
- Net entry on losses on loans
- Return on equity after tax of 10.4 percent
- Common equity tier 1 capital ratio of 15.7 percent and Leverage Ratio of 8.9 percent
- The Board will propose a dividend for 2020 of NOK 14.0 per equity certificate. This includes a dividend for 2019 of NOK 8.0 per equity certificate.

NOK million	2020 Q4	2019 Q4	Change
Net interest income	467	523	-56
Net commission income	97	91	6
Net income from financial instruments	37	-31	68
Associated companies	57	21	36
Other operating income	2	5	-3
Total income	659	609	50
Total expenses	260	233	27
Profit before losses on loans	399	376	23
Losses on loans, guarantees	-30	-3	-27
Profit before tax	430	379	51
Tax expense	90	86	4
Profit for the period	339	293	46

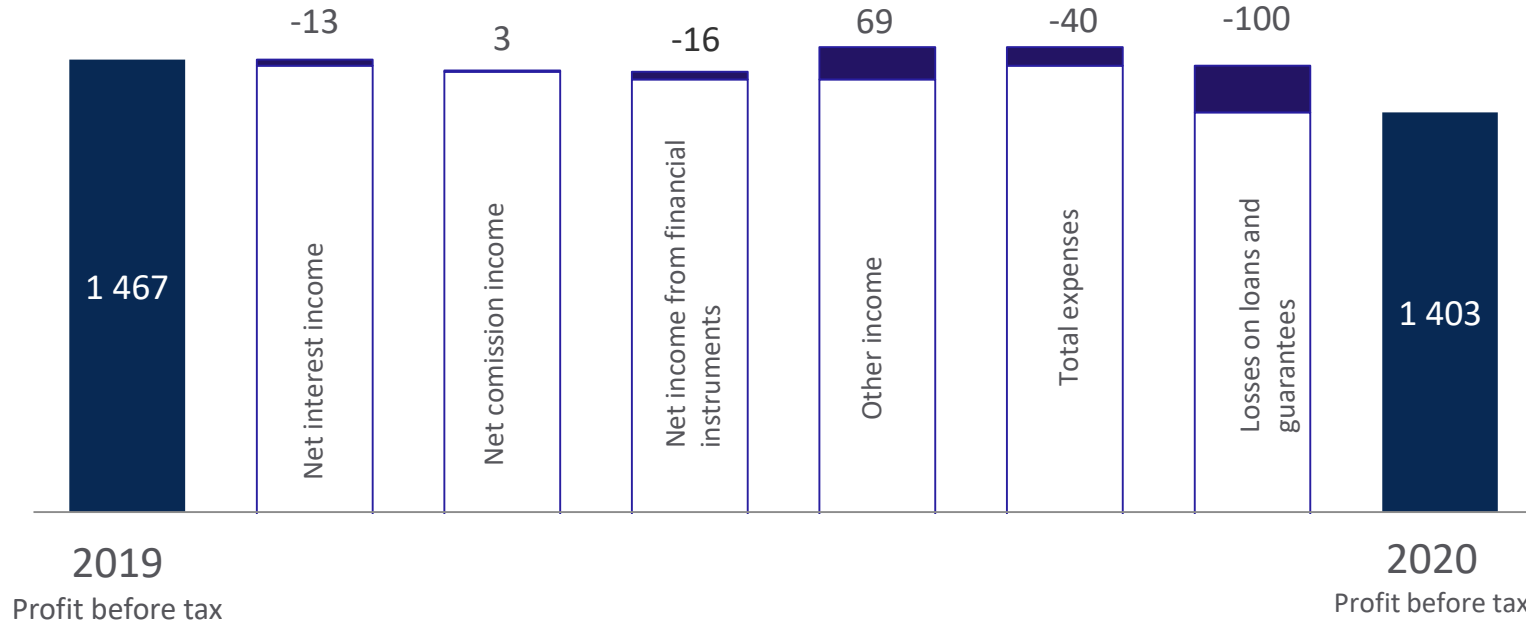
Highlights in 2020

- Good result from ordinary operations
- Efficient operations and low costs
- Good results from Frende, Brage and Sørmeqleren
- Increased model based losses on loans as a result of the Covid-19 pandemic
- 12-month lending growth of 4.9 percent
- 12-month deposit growth of 3.3 percent
- Return on equity after tax of 8.4 percent

NOK million	31.12.2020	31.12.2019	Change
Net interest income	1.914	1.926	-13
Net commission income	347	344	3
Net income from financial instruments	40	24	16
Associated companies	136	64	72
Other operating income	7	10	-3
Total income	2.444	2.368	69
Total expenses	958	918	40
Profit before losses on loans	1.486	1.450	36
Losses on loans, guarantees	83	-17	100
Profit before tax	1.403	1.467	-64
Tax expense	307	342	-35
Profit for the period	1.096	1.125	-29

Development in profit before tax

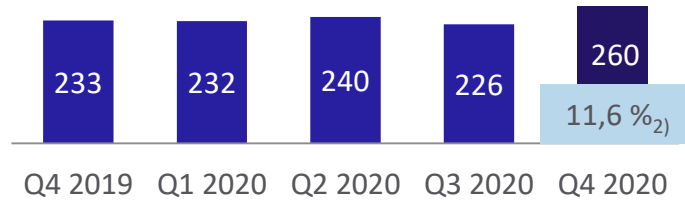
NOK million



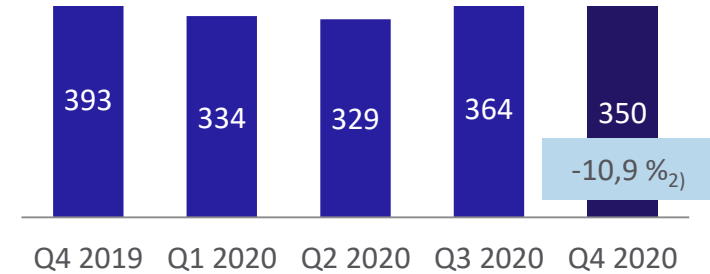
Profit and returns

NOK millions

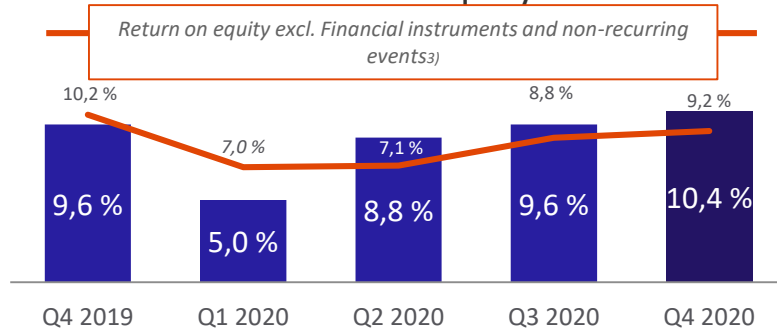
Operating expenses



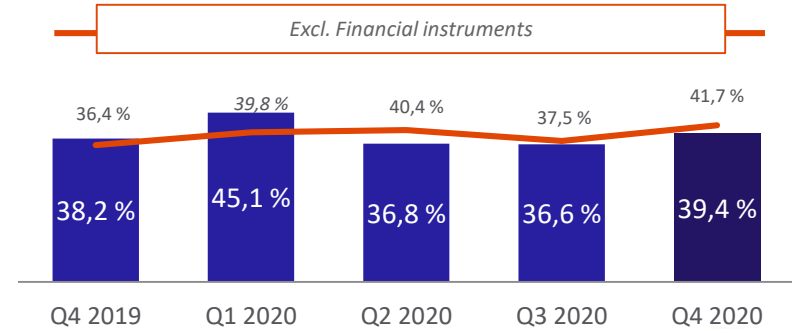
Profit from ordinary operations₁₎



Return on equity



Cost to income ration

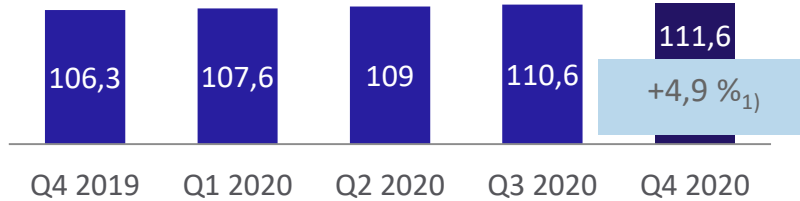


- 1) Net interest income, adjusted for accounting changes + Net commission income + Other operating income – Operating expenses
- 2) Changes from the corresponding prior-year period
- 3) Return on equity excl. accounting effects from financial instruments and interest on hybrid capital.

Good growth in the quarter

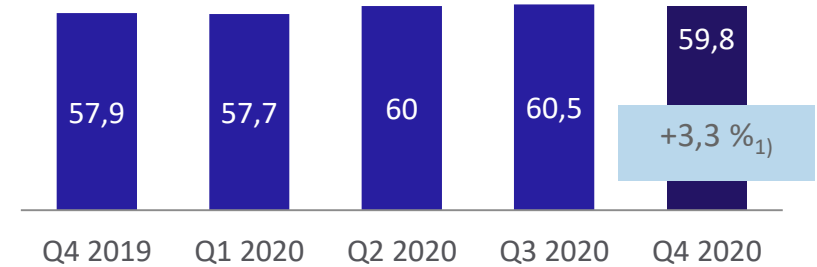
NOK billions

Net loans



- 12-month growth of 4.9 % (gross loans growth of 5.0 %)
 - 12-month growth in gross loans of 5.0 % for retail customers and corporate customers of 5.1 %
- Annualized growth in the quarter of 3.7 %
 - 4.2 % for retail customers and 2.3 % for corporate customers

Deposits



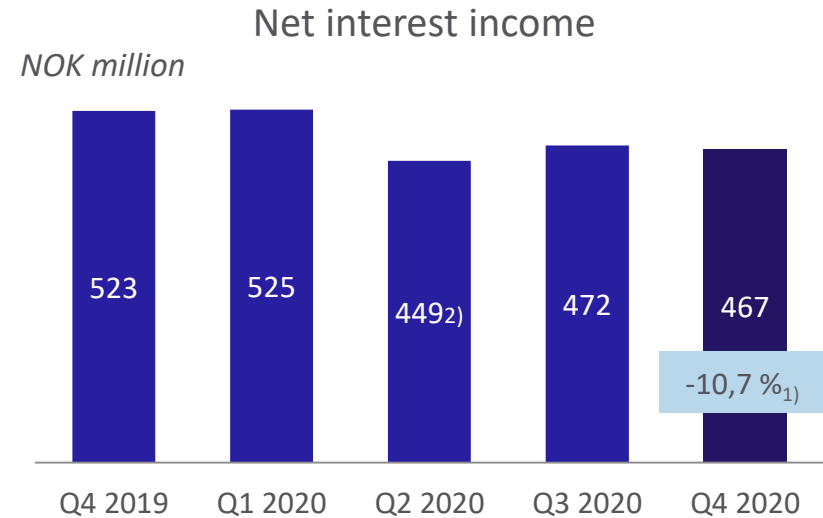
- 12-month growth of 3.3 %, of which retail customers 6.3% and corporate customers 0.4 %
- Change in deposit composition
- Deposit excl. capital market deposits showed growth of 8.1% for the group and 10.2% for corporate customers



SPAREBANKEN SØR

Development of net interest income

- Negative development in net interest income
- The interest margin (lending rate minus deposit rate) has decreased in 2020
- Strong competitive pressure on lending rates, especially in the retail market
- Refinancing of outstanding debt in Q1 2021 means lower financing costs going forward

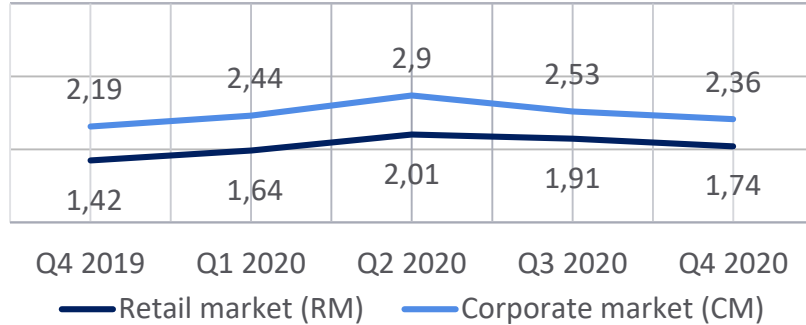


1) Changes from the corresponding prior-year period

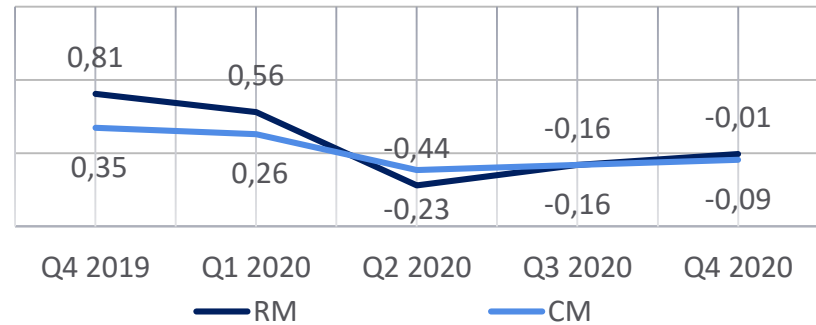
2) Shortened notice period reduced net interest income by approx. NOK 56 million in Q2.

Interest margin and NIBOR3M

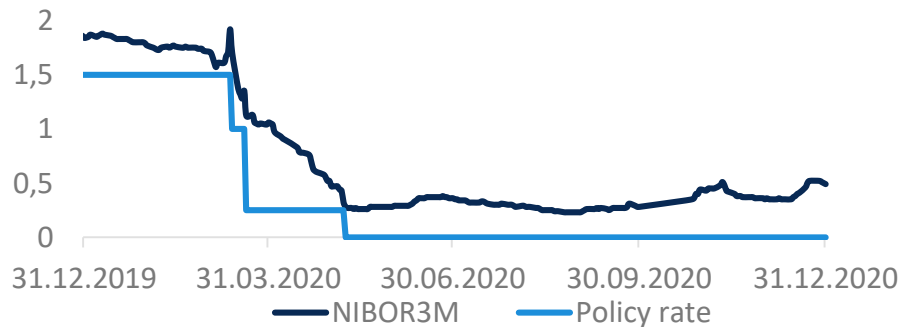
Loan margins (%)



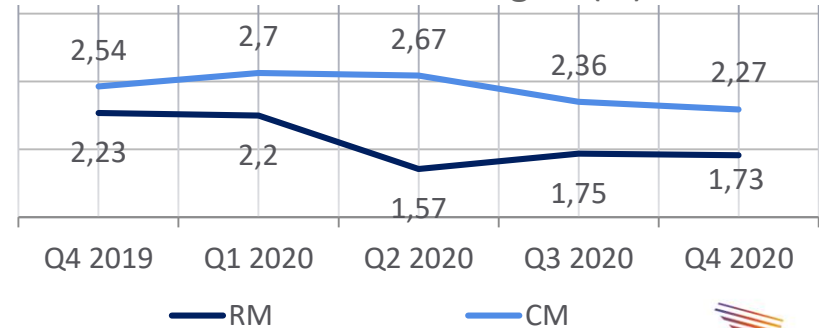
Deposit margins (%)



NIBOR3M



Interest margin₁ (%)



SPAREBANKEN SØR

Associated companies

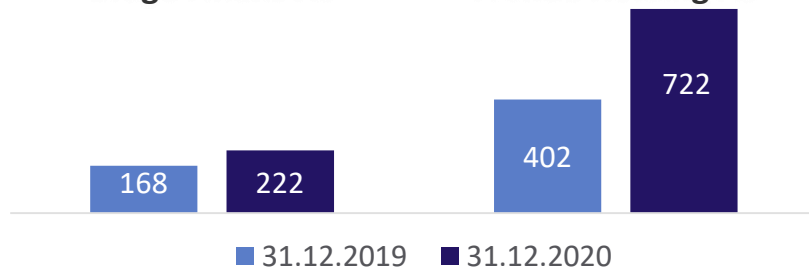


Profit before tax

NOK million

Brage Finans AS

Frende Holding AS



Effect on results after consolidation

NOK million		Q4 2020	Q4 2019	31.12.2020	31.12.2019
Frende forsikring* (21,0 %)	Share of profit	52,2	21,4	116,2	60,3
	Amort.	-5,4	-5,0	-20,9	-20
Brage finans (20,8 %)	Share of profit	9,7	4,5	32,7	23,7

Sparebanken Sør increased its ownership interest in Frende from 20.2 percent to 21.0 percent in the second quarter. The transaction had no effect on the result in the second quarter as the shares are entered according to the equity method.

In the transaction, the company was valued at NOK 3.5 billion and Sparebanken Sør's ownership interest (21.0 percent) is valued at NOK 737 million. Book value after Q2 2020 NOK 486 million. The excess value in relation to book values amounts to NOK 251 million, corresponding to NOK 2.8 per ECs.

Very good profit contribution from Sørmeglere

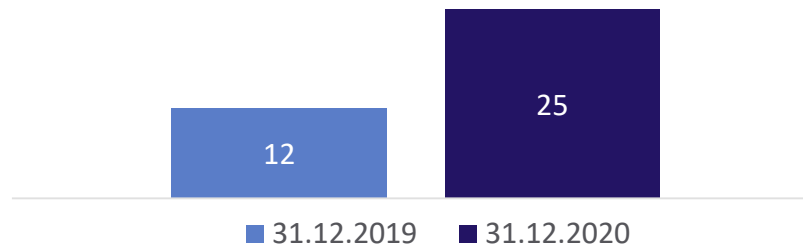
- The leading real estate agency in Southern Norway
- Brokers more than a third of housing in Southern Norway
- Strengthens position in Vestfold and Telemark with new offices in Kragerø and Sandefjord
- Investment in commercial property brokerage



SØRMEGLEREN

Profit before tax

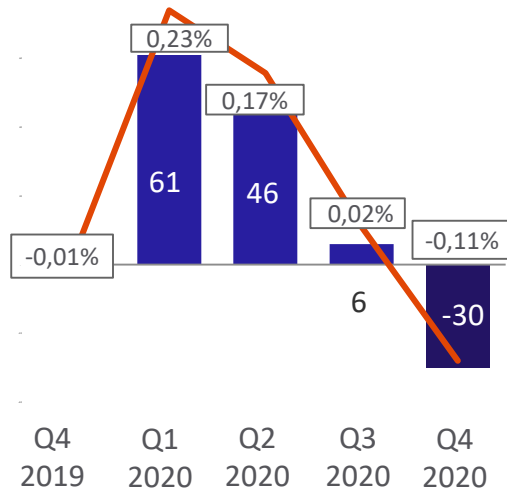
NOK million



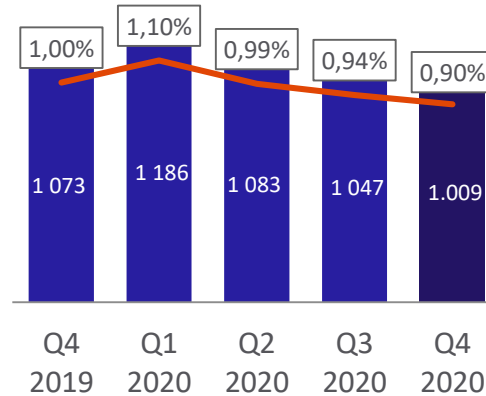
SPAREBANKEN SØR

Non-performing loans

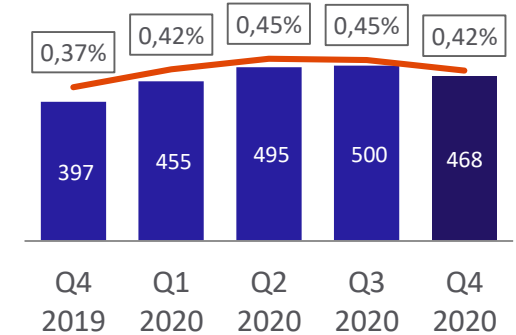
Development in losses in NOK million and as a percentage of gross loans (annualised)



Development in losses in NOK million and as a percentage of gross loans (annualised)



Development in loss provisions in NOK million and as a percentage of gross loans¹⁾

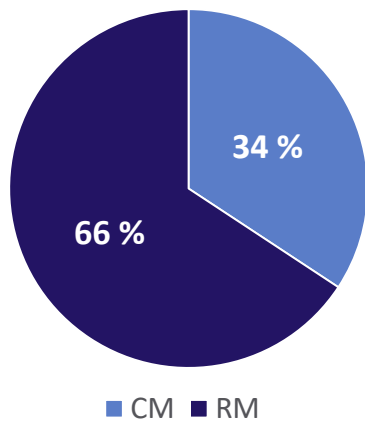


1) As of 1 January 2018, the Group implemented a new model for calculating expected losses on loans; according to the new IFRS 9 standard, which replaced IAS 39.

A diversified loan portfolio

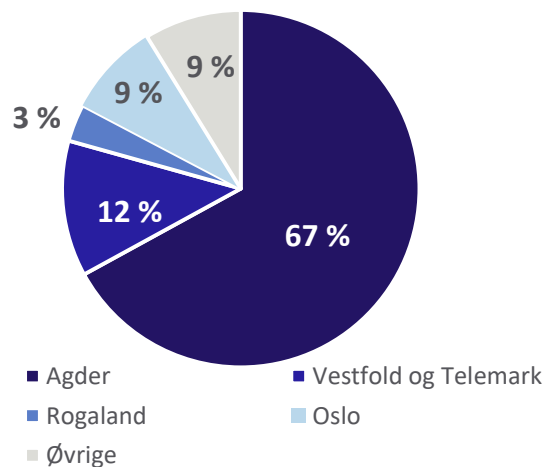
RM/CM distribution

Gross loans

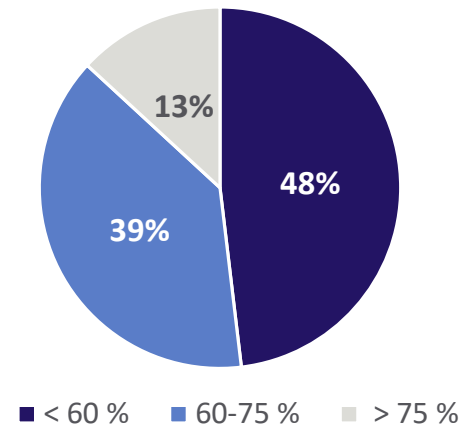


Geographical distributions of loans

Gross loans



Loan-to-Value (Group)

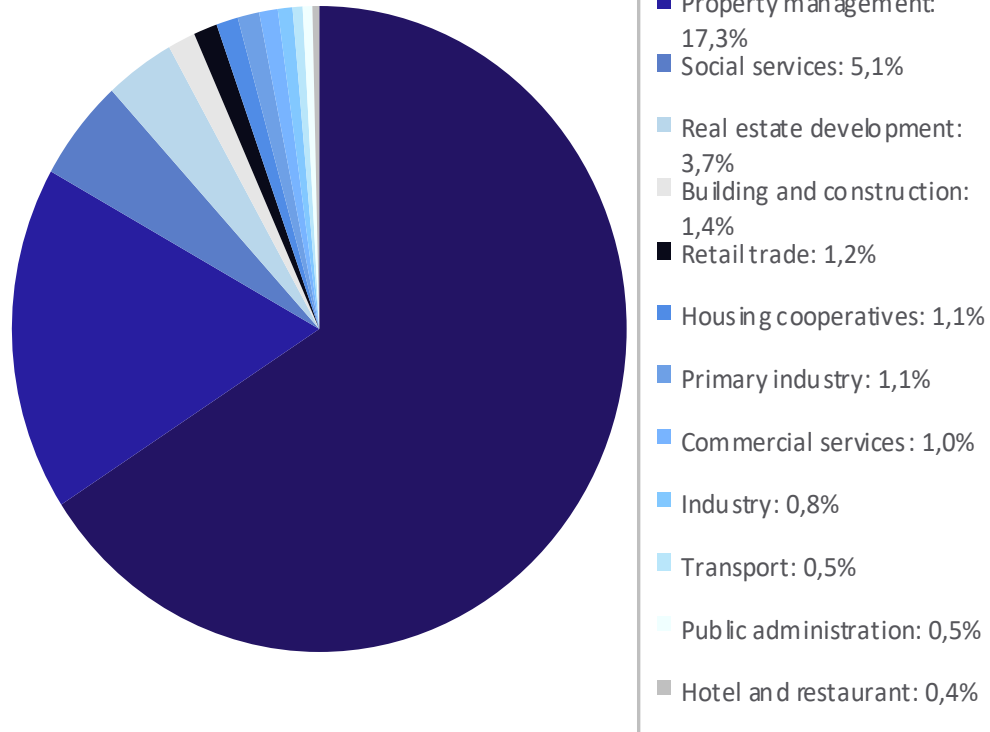


Average loan-to-value of approximately 57 percent for mortgages (group).

87 percent of mortgages within 75 percent of loan-to-value.

NOK 48,9 billion transferred to Sparebanken Sør Boligkreditt AS, equivalent to 66 percent of total loans to retail market.

Well-diversified loan portfolio

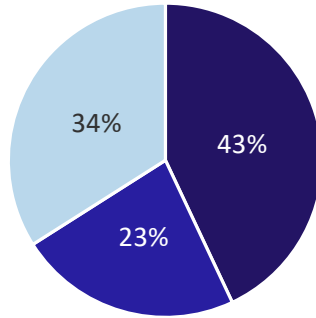


- Well diversified portfolio
- Close to none direct exposure to oil and oil service
- Very low indirect exposure to oil and oil service (tenants)

Sparebanken Sør Boligkreditt

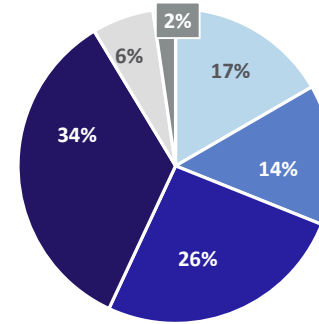
- Wholly owned by Sparebanken Sør

Sparebanken Sør Loan portfolio



■ Sparebanken Sør Boligkreditt AS ■ PM bank ■ BM

Sparebanken Sør Boligkreditt LTV distribution



■ < 40 % ■ 41 - 50 % ■ 51 - 60 %
 ■ 61 - 70 % ■ 71 - 75 % ■ > 75 %



■ Weighted avg LTV ■ Nominell OC



SPAREBANKEN SØR

Summary after Q4 2020

Results

Pressure on net interest income, very good profit contributions from Frende, Brage and Sørmeglere. Low operating costs and net entry on losses on loans.

Funding and capital

Common equity tier 1 capital ratio of 15.7 percent and solid leverage ratio of 8.9 percent.
Solid financing structure and good liquidity buffers.

Growth

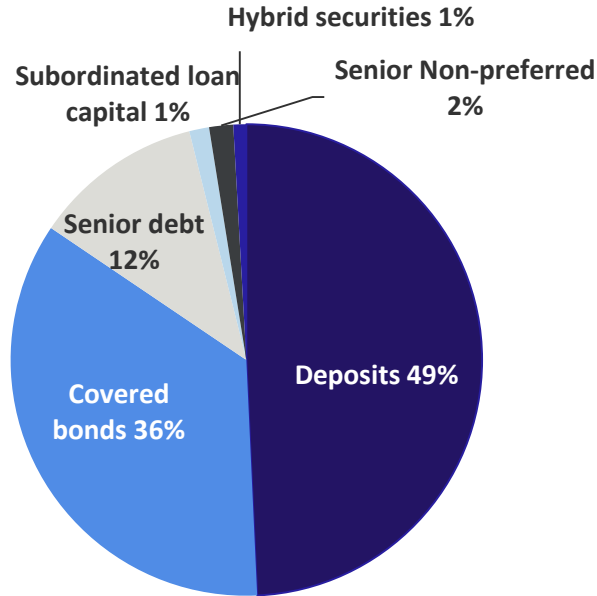
12-months growth in lending of 4.9 percent.
12-months growth in deposits of 3.3 percent.

Summary

Satisfactory underlying operations give a profit before tax of NOK 430 million in Q4 2020.

Funding status

Funding structure



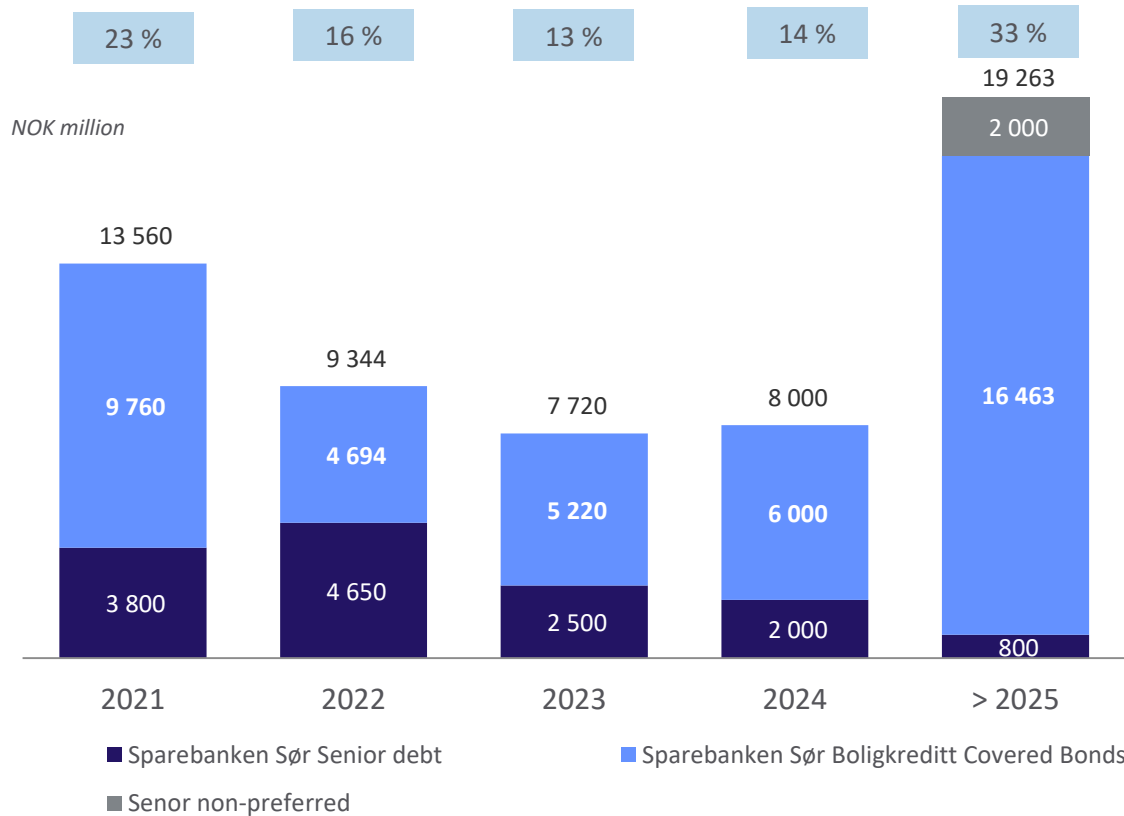
Deposits are a valuable source of funding.

- Deposits as a percentage of net loans at 53.6%
- Reductions in capital market deposits have been replaced by stable deposits from retail customers and small and medium-sized enterprises
- Good access to funding from both the domestic as well as from the bond market abroad.
- At the end of Q4 Sparebanken Sør Boligkreditt had issued EUR 2.5 bln. in euro covered bonds
- Sparebanken Sør has issued NOK 2 billion SNP in 2020, and a further NOK 1 billion SNP in 2021.
- In January 2021, Sparebanken Sør Boligkreditt issued EUR 500 million with a 7-year maturity on competitive terms, for refinancing of outstanding debt.
- Sparebanken Sør has a A1 rating
- Bonds issued by Sparebanken Sør Boligkreditt AS, are rated Aaa



SPAREBANKEN SØR

Funding maturity



- The Group's total funding amounted to NOK 58.9 Bln
- Covered bonds amounted to NOK 44.7 billion, of which NOK 2.0 billion was owned by the parent bank
- Refinancing of outstanding debt in Q1 2021 means lower financing costs
- Long-term funding* amounted to 75 percent
- Average remaining maturity on long-term funding* amounted to 3.6 years

* Long-term funding: maturity > 1 year



SPAREBANKEN SØR

Capital requirement and convertible debt (MREL)

- Requirements for subordinated capital and convertible debt mean that Sparebanken Sør must satisfy an MREL capital requirement corresponding to 32.0 percent of the adjusted calculation basis, with effect from 1 January 2021.
- The current MREL requirement will depend on the development in the bank's risk - weighted balance sheet and current capital requirements at all times.
- In a transitional phase until 1 January 2024, the claim for subordinated debt can be covered by the bank's ordinary senior debt with a remaining maturity > 12 months.
- The phasing in of subordinated debt will be carried out linearly in the period 2021-2023.
- Annual accrual of subordinated debt shall be calculated per. 31.12.2020, and must be consistent with the bank's ICAAP / SREP.
- Consequence of a possible cap on the scope of SNP debt according to BRRD2 is not ready.

•²⁶ Sparebanken Sør has per. February 2021 issued NOK 3 billion in SNP debt.



SPAREBANKEN SØR

Sparebanken Sør Boligkreditt

EUR 500m 7y Covered Bond

Key Terms

Issuer	Sparebanken Sør Boligkreditt AS
Format	RegS, Bearer, New Global Note (NGN) form
Type	Norwegian Covered Bond backed by prime Norwegian residential mortgages (ECBC Covered Bond Label Compliant)
Expected Issue Rating	Aaa (Moody's)
Trade Date	19 January 2021
Settlement Date	26 January 2021 (T+5)
Maturity Date	26 January 2028
Size	EUR 500 000 000
Reoffer spread	MS +7bps
Reoffer yield	-0.29%
Coupon	0.01%
ISIN	XS2291901994
Denominations	EUR 100 000 and integral multiples of EUR 1 000
Listing/Law	English & Norwegian law
Documentation	The Issuer's EMTCN Programme Base Prospectus dated 29 June 2020 and supplemented on 14 January 2021
Target Market	Manufacturer target market (MIFID II product governance) is eligible counterparties and professional clients (all distribution channels). No PRIIPs key information document (KID) has been.

Transaction Overview

Deal highlights

Sparebanken Sør Boligkreditt, which is wholly owned by Sparebanken Sør, successfully issued a EUR 500m 7y Covered bond at €MS+7bps. The transaction experienced great demand from German and Nordic investors with an orderbook of EUR 1.4bn at reoffer. The reoffer price of +7bps ultimately meant that Sør priced the new bond ~1bps through their outstanding euro curve.

Deal process

After announcing the mandate and intention of issuing a new EUR 500m WNG 7y Covered bond on 18th January, investors provided constructive and positive feedback. On the morning of 19th January, the decision was taken to go ahead and open the orderbook with an initial guidance of €MS+11. Shortly thereafter, the orderbook was in excess of EUR 1bn and a message followed setting the spread to €MS+7. When the spread ultimately was set at €MS+7, the orderbook was in excess of EUR 1.5bn.

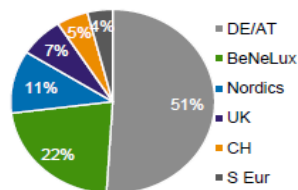
Investors

In terms of region, DE/AT investors accounted for 51% while BeNeLux stood for 22%, followed by the Nordics at 11% and UK at 7%. In terms of type, Banks showed strong demand with 58%, followed by Funds at 24% and Official Inst at 17%.

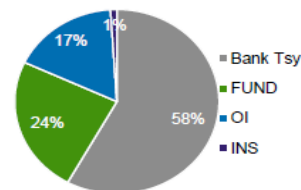
Secondary performance

The new bond was quoted at +7/+6 in the secondary market after being free to trade.

Allocation by Region



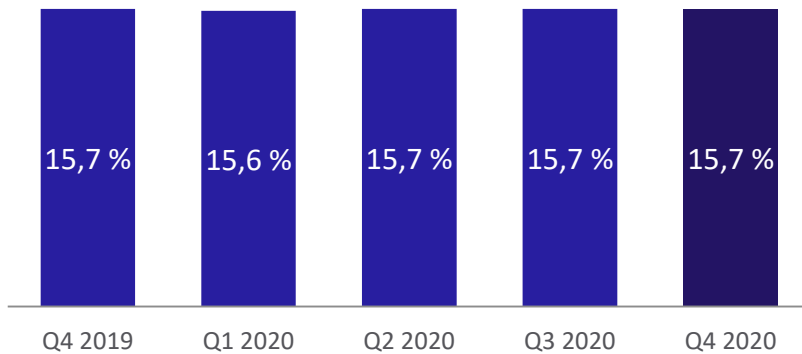
Allocation by Type



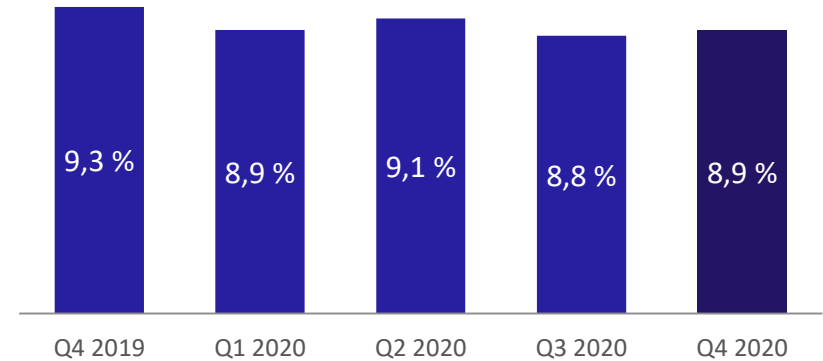
Capital

Capital adequacy

Common equity tier 1 capital ratio



Leverage ratio



- Reduced requirement for countercyclical capital buffer from 2.5 to 1 percent.
- Well above the current capital requirement (CET1) of 13 percent.
- Assessments of Financial Supervisory Authority regarding commitments that are to be classified as high-risk have resulted in a reduction in common equity tier 1 capital adequacy of 0.3 percentage points.

Dividend

- The Board proposes that the board of trustees distribute a dividend of NOK 14 per equity certificate for 2020.
- This includes withheld dividends of NOK 8 for 2019
- The Ministry of Finance expresses an expectation that Norwegian banks should be careful about distributing dividends, and keep total distributions within a maximum of 30 per cent of the cumulative annual result for the years 2019 and 2020 until 30 September 2021
- Dividends for 2019 and proposed dividends for 2020, together with the gift allocation, amount to a total of NOK 299 million and correspond to 14.3 percent of the cumulative result.
- NOK 3.6 of the proposed dividend presupposes an application to Finanstilsynet, as the equalization fund must be charged.

Digital development

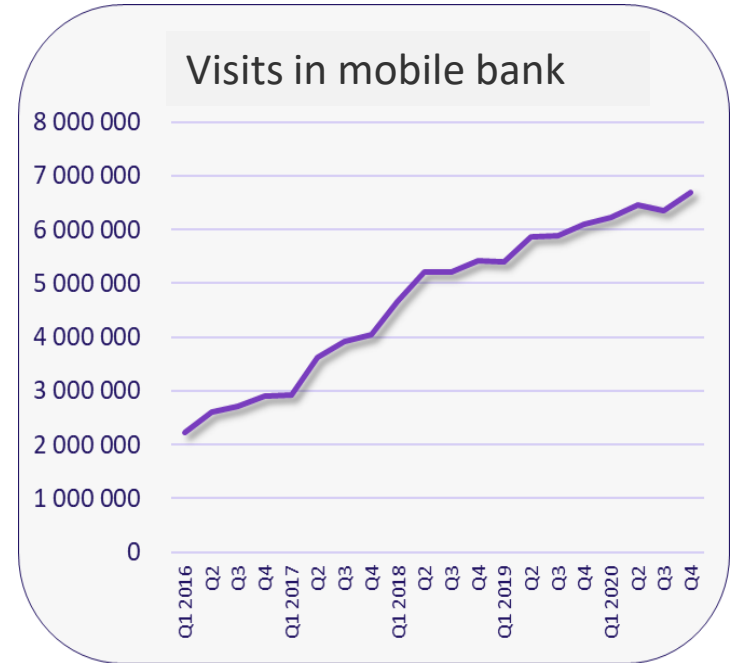
Strong growth in digital customer areas in 2020

Growth in mobile banking use of 11%

Among other things, insurance, fund savings and car loans in the mobile bank

Our focus on giving customers a good overview and simplicity has strengthened both us and our customers in handling Covid-19

- Self-service of all daily banking services
- Application for financing certificate and loan application
- Digital savings advice
- Purchase of other financial services
- Gives customers the opportunity for cash deposits and withdrawals in grocery stores



41 million digital customer hits in 2020



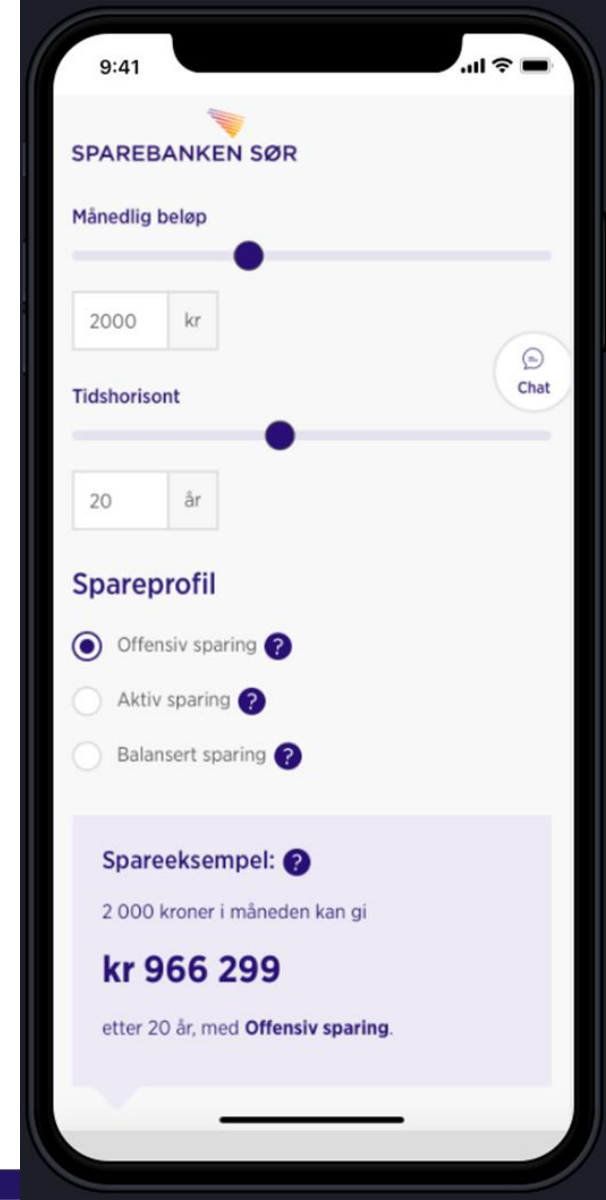
SPAREBANKEN SØR

Digital savings advice

Simplified solution for both customers and advisers has resulted in increased activity in the sales channels and a **multiplication** of sales of savings agreements in funds

Customers' assessment of the solution

- *Very easy (Andrè 38)*
- *Very straightforward solution(Thomas 52)*
- *Neat, simple and good - suitable for those who do not know much! (Benjamin, 29)*

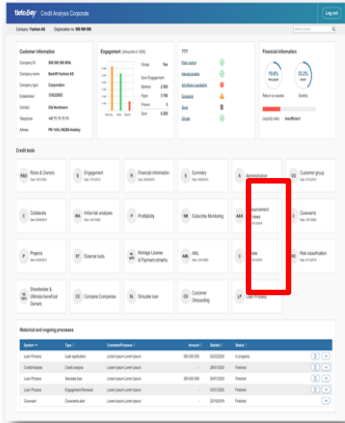


Sustainability



Important sustainability initiatives

- ✓ ESG in credit process CM



Q1 2021
Map ESG risk.
Exclusion criteria.
Policy responsible lending.

- ✓ Framework sustainable product



Q1 2021
Increase sustainable products.
Increase sustainable bonds.
Adaptations to EU taxonomy.

- ✓ TCFD reporting



TCFD report on www.sor.no together with annual report 2020.

- ✓ Mapping of real estate portfolio

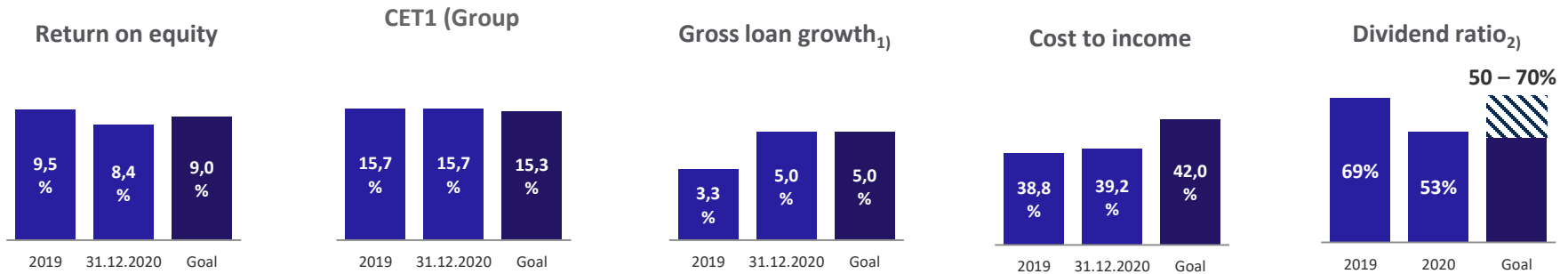


Mapping of potential for sustainable loans and climate emissions in mortgages and commercial real estate.

Goals and expectations ahead



Financial key variables and ambitions



1) The group has a long-term ambition of lending growth in excess of credit growth (Q2). K2 December 2020 was 4.9 for retail customers and 3.7 for non-financial corporations. The group's lending growth in 2020 was 5.0 for retail customers and 5.1 for corporate customers.

2) The board will propose to the board of trustees to distribute a dividend for 2020 of NOK 14 which includes dividends of NOK 8 for 2019, and NOK 6 for 2020

Outlook

Macro

Extensive infection control measures from the authorities have had a negative effect on the economy in Norway and on our trading partners. The Government's monetary policy instruments appear to have had a good effect, and the situation in the Norwegian economy and financial markets has improved. Vaccines have arrived, but the rollout is taking time. Economic growth is expected to pick up during 2021, but the situation remains uncertain.

The region

The economic outlook for the bank's market area is expected to develop in line with the rest of the Norwegian economy. House prices in the bank's main markets have had a positive but moderate development over several years. The statistics for the fourth quarter showed a very positive growth in house prices over the last 12 months.

Funding and capital

Common equity tier 1 capital ratio of 15.7 percent and a solid leverage ratio of 8.9 percent. The Bank is well positioned to establish long-term funding from the Norwegian and international financial markets.

Digital adjustment

Investments in digitization and new technological solutions has made the bank able to handle crises such as COVID-19, and provides the bank with opportunities for further improvements in customer experiences, market position and cost efficiency.

Sustainability

Sustainability is a focus area for the bank and ESG is integrated in our business strategy.

Summary

Sparebanken Sør is well positioned to further develop its role as a leading customer relation-oriented bank, with high cost efficiency, growth and profitability.

Appendix



SPAREBANKEN SØR

Equity certificate owners

20 largest equity certificate owners as of 31 December 2020

	Name	Number of ECs	Share of Ecs %		Name	Number of ECs	Share of Ecs %
1	Sparebankstiftelsen Sparebanken Sør	7.988.679	51,00	11	Carl Krogh Arnet	100.000	0,64
2	EIKA utbytte VPF c/o Eika kapitalforv.	723.017	4,62	12	Ottersland AS	100.000	0,64
3	Arendal Kom. pensjonskasse	450.000	2,87	13	MP Pensjon PK	85.523	0,55
4	Pareto Invest AS	417.309	2,66	14	Lombard Int Assurance S.A	82.131	0,52
5	Glastad Capital AS	300.000	1,92	15	Apriori Holding AS	72.575	0,46
6	Hamjern Invest AS	279.388	1,78	16	Varodd AS	70.520	0,45
7	Wenaasgruppen AS	186.000	1,19	17	Geir Bergskaug	66.239	0,42
8	Gumpen Bileiendom AS	174.209	1,11	18	Birkenes Sparebank	66.000	0,42
9	Allumgården AS	151.092	0,96	19	K.T. Brøvig Invest AS	65.639	0,42
10	Catilina Invest AS	105.872	0,68	20	Profond AS	60.104	0,38
	Total 10 largest owners	10.775.566	68,79		Total 20 largest owners	11.544.297	73,70

- As of 31 December 2020, 15 663 944 ECs of NOK 50 each had been issued
- Profit (Group) per EC amounted to NOK 3.6 in Q4 2020 and 11.3 in 2020.
- The ownership ratio at the end of Q4 2019 was 17.2 percent

SOR – share price and liquidity

Change in share price at 31.12.2020

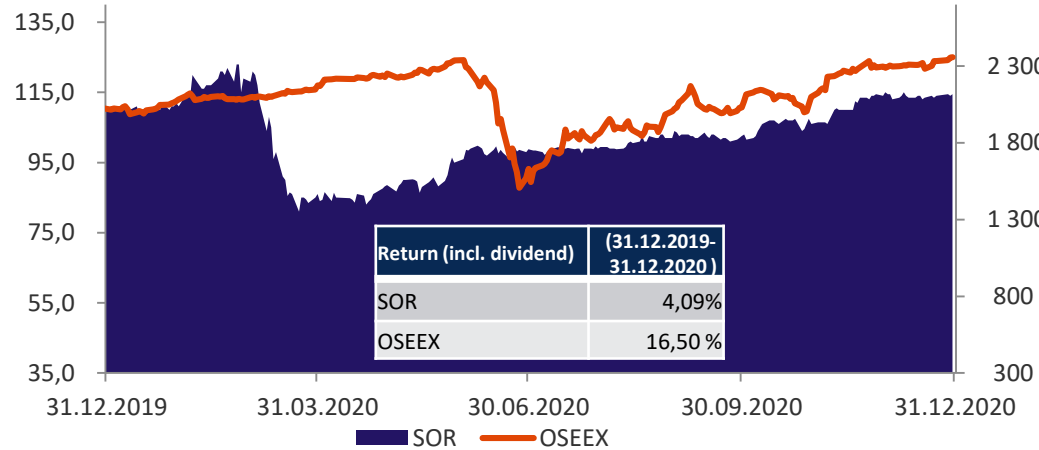
- The share price for SOR was NOK 114.5 and book value was NOK 140.0, amounting to a price-to-book ratio of 0.82.
- The equity certificates gave a return of 4.09% last 12 months
- Profit per equity certificates of NOK 11.3, which represents a P/E of 10.1

Liquidity

- Turnover of 1.9 mill. equity certificates last 12 months.
- 15 663 944 total issued, and an EQ rate of 17.3%.

Dividend

- 50-70% percent of equity certificate holders` share of annual profits
- Sparebanken Sør`s capital requirements will be taken into consideration when determining the annual dividend.
- The equity certificate yielded a direct return of 6.2 percent in 2018 (5.8 percent in 2017).
- The board will propose to the board of trustees to distribute a dividend for 2020 of NOK 14 per equity certificate. This includes withheld dividends of NOK 8 for 2019, and NOK 6 for 2020.



Daily turnover SOR

