



Sparebanken Sør

Investor presentation Q1 2023

Good for the bank = Good for the region



226 mill. NOK
directly to
customers in
customer dividends



*Customer dividends
given out for the first
time*



149 mill. NOK
for chartibale
purposes in the
region



*Record breaking gift
allocation*



250 mill. NOK
in dividends to
owner of equity
certificates



*81,60 % to the banks
ownership foundation*



Customer dividends paid out for the first time in April 2023





30 millioner to the national offshore wind centre

Sparebanken Sør gir 30 millioner kroner til nytt senter i Kristiansand

Sparebanken Sør gir 30 millioner kroner over tre år til etablering av havvindsenter i Kristiansand.



Rune Klausen, leder i Fremtidens havvind, er svært fornøyd med gaven. Foto: Kristin Ellefsen

Kristiansand får nasjonalt havvindsenter

Kristiansand får det nasjonale kompetansesenteret for havvind. Senteret opprettes i disse dager.



Regjeringen ønsker et norsk kompetansesenter for havvind.

Sparebanken Sør gir 30 millioner. Kristiansand får nasjonalt havvindsenter



Fra venstre: Tom Fidjeland, administrerende direktør GCE NODE, Eva Kvelland, direktør marked og kommunikasjon, Sparebanken Sør Jan Oddvar Skjalsland, ordfører Kristiansand Geir Bergskaug, administrerende direktør Sparebanken Sør, Sanne Jordan, påtroppende prosjektleder havvind, GCE NODE, Rune Klausen, prosjektleder Fremtidens Havvind.

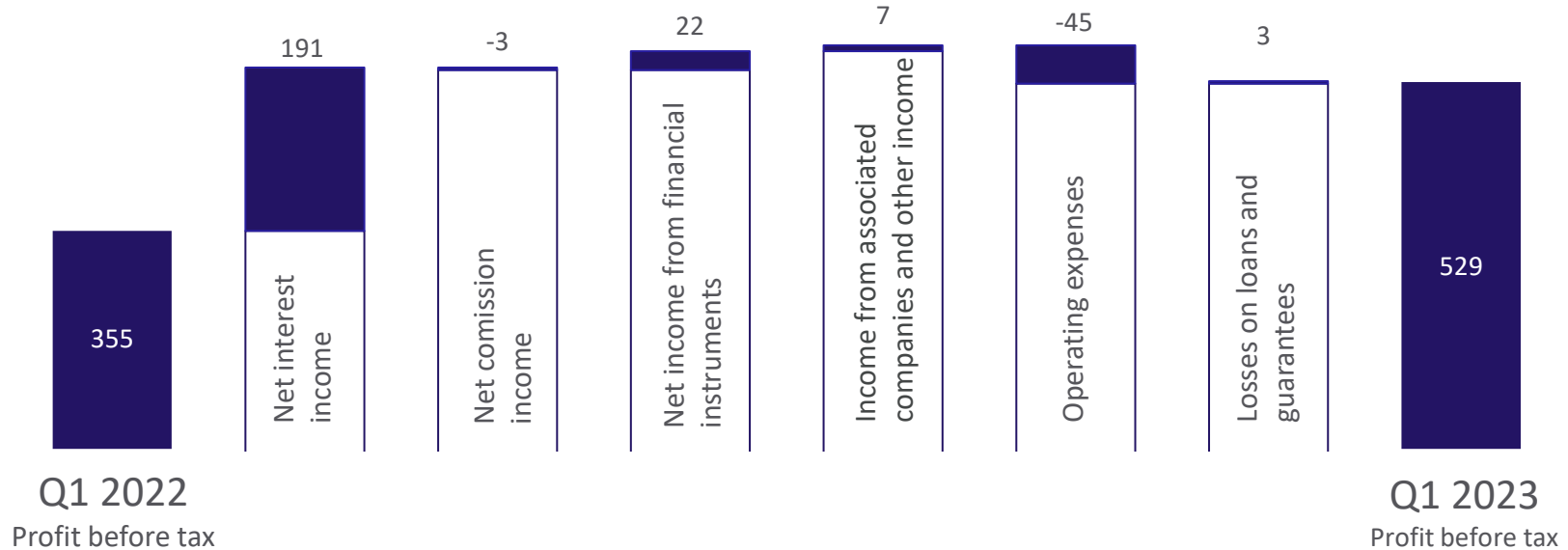
Strong Quarterly Result

- Net interest income increased with 37 percent
- Good profit contributions from affiliated companies
- Low cost-income ratio of 36.7
- Low losses on loans (-0.01 % of lending)
- Result per equity certificate of NOK 4.3 (NOK 2.6)
- Strong return on equity of 12.5 percent

NOK million	2023 Q1	2022 Q1	Change
Net interest income	712	521	191
Net commission income	86	89	-3
Net income from financial instruments	-4	-26	22
Associated companies	34	27	7
Other operating income	1	1	0
Total income	828	612	216
Total expenses	304	259	45
Profit before losses on loans	525	352	173
Losses on loans, guarantees	-5	-2	-3
Profit before tax	529	355	174
Tax expenses	67	79	-12
Profit for the period	462	276	186

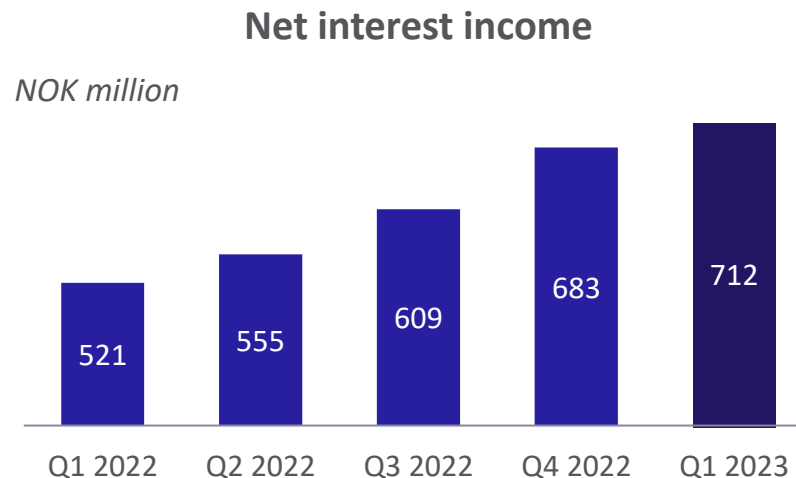
Decomposition of changes in profit before tax

NOK million

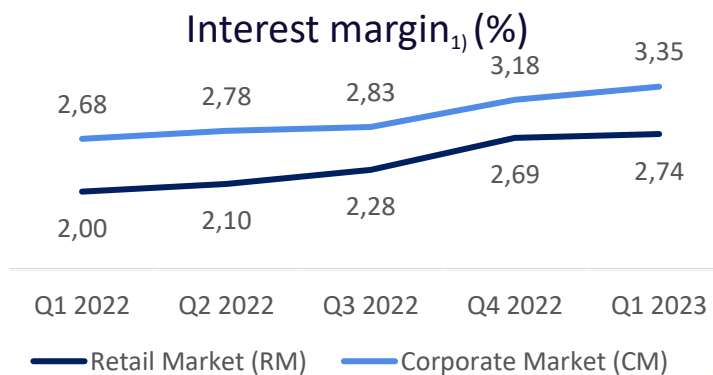
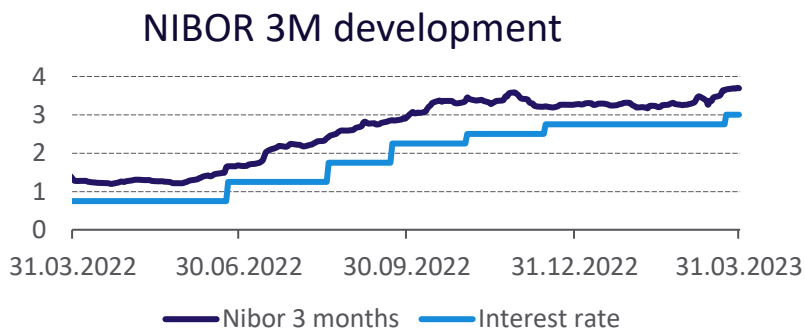
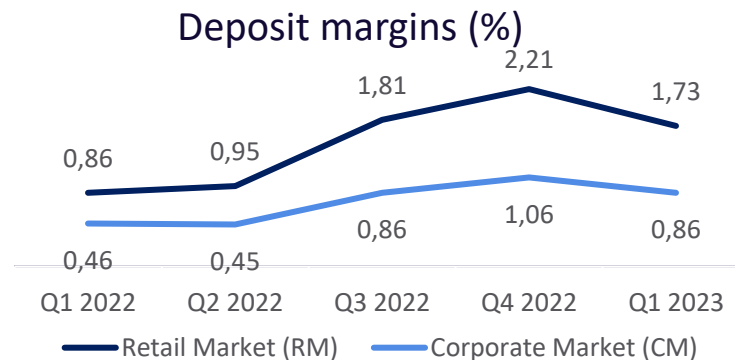
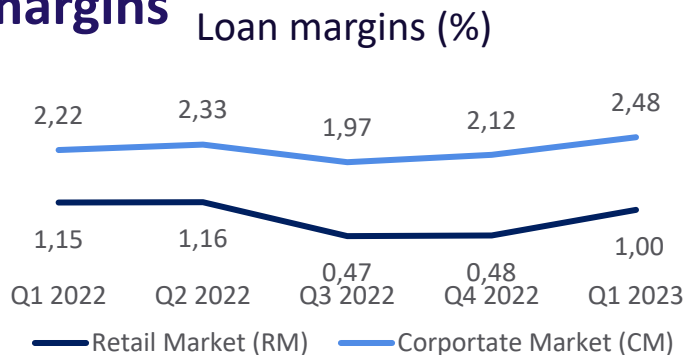


Very positive development in net interest income

- Good deposit and lending growth in the last 12 months
- Increased interest margins for retail and corporate markets
- Good momentum into 2023, the announced interest rate changes will further increase net interest income



Increased NIBOR results in increased deposit margins and reduced lending margins



1) Interest margin is the average lending rate minus the average deposit rate

Positive profit contributions from associated companies

- Good ROE from Brage with 11.0 percent for Q1 2023
- Share of profit from Frende increased compared to the same period in 2022, and is because the results in Frende were significantly affected by the market turmoil throughout spring 2022
- A value adjustment of the shares in Vipps was carried out in the 1st quarter of 2023, which had a positive effect on the shares in Balder Betaling AS.



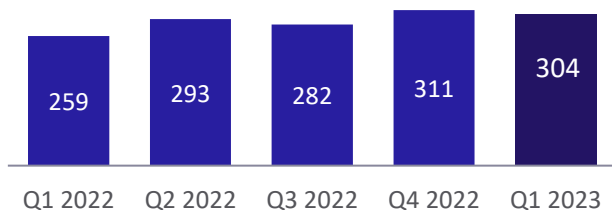
Effect on results after consolidation

NOK million		Q1 2023	Q1 2022	Change
Frende forsikring* (19,9 %)	Share of profit	10.5	-4.9	15.4
	Amort.	-5.5	-5.4	-0.1
	Sale	0	24.9	-24.9
Brage Finans (24,9 %)	Share of profit	17.8	12.2	5.6
Balder Betaling (23,0 %)	Share of profit	11.4	0.2	11.2
TOTAL		34.2	27.0	7.2

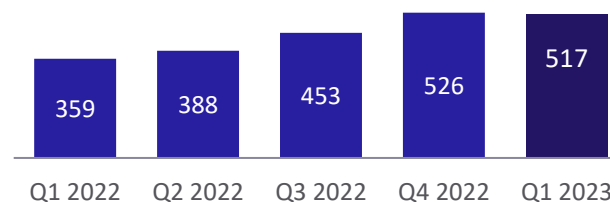
Strong return on equity and low falling cost percentage

NOK million

Operating expenses

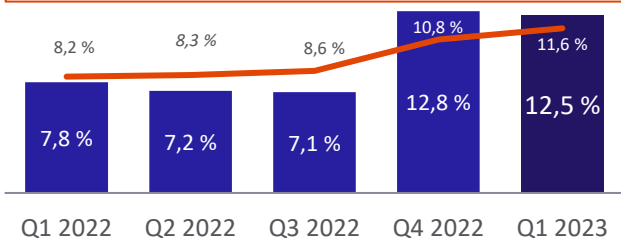


Profit from ordinary operations¹⁾



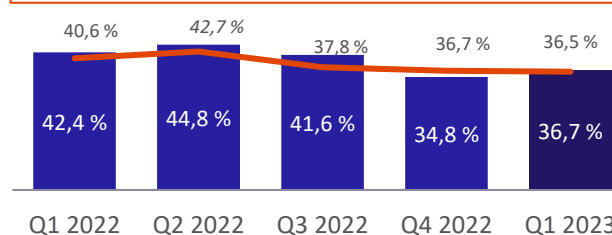
Return on equity

Return on equity excl. financial instruments and non-recurring events³⁾



Cost to income ratio

Cost to income ratio for banking operations

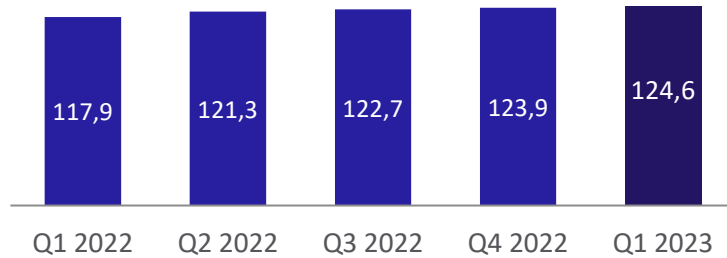


- 1) Net interest income + Net commission income + Other operating income – Operating expenses +/- One-off items
- 2) Changes from the corresponding prior-year period
- 3) Return on equity excl. accounting effects from financial instruments and one-off items and incl. interest on hybrid capital

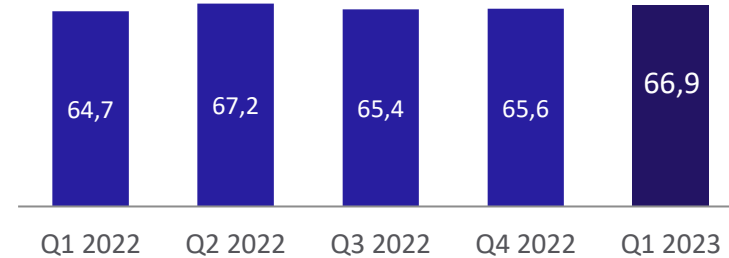
Satisfactory growth

NOK billions

Net loans



Deposits

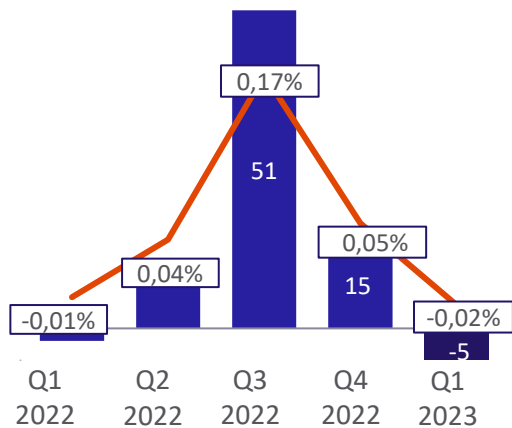


- **12 month growth of 5.6 %**
 - 12 month growth in gross loans of 3.6 % for retail customers and 10.0 % for corporate customers
- **Annualised quarterly growth of 2,3 %**
 - 1.1 % for retail customers and 7.6 % for corporate customers

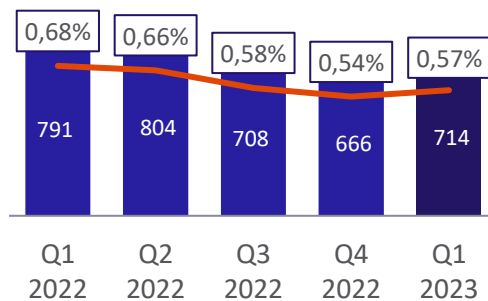
- **12 month growth of 3.3 %**
 - 12 month growth in deposits for retail customers of 1.1 % and corporate customers of 4.7 %
- **Deposit coverage of 53.7 % (54.9 %)**

Low losses and non-performing loans

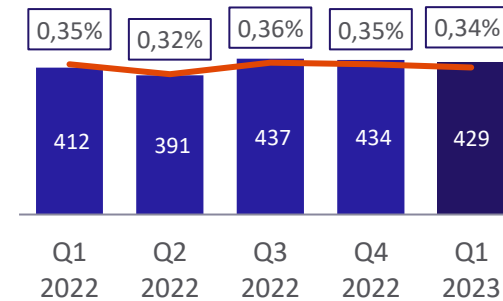
Development in losses in NOK million and as a percentage of gross loans (annualised)



Development in non-performing loans (IFRS 9, step 3) in NOK million And as a percentage of gross loans



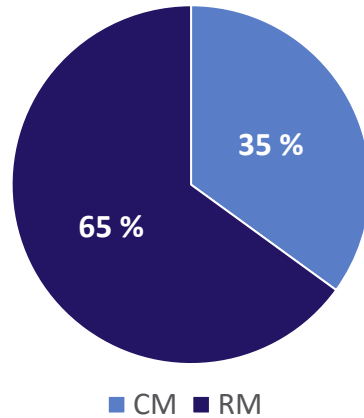
Development in loss provisions in NOK million and as a percentage of gross loans



Diversified loan portfolio with low risk

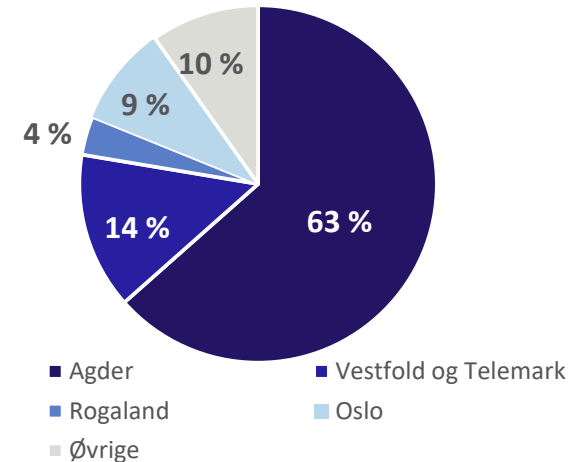
CM/RM distribution

Gross loans



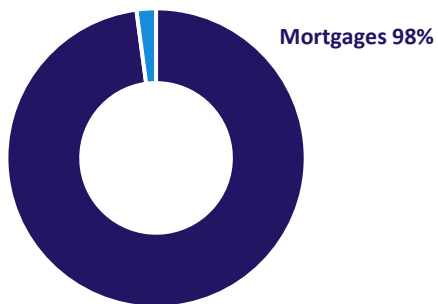
Geographical distribution

Gross loans

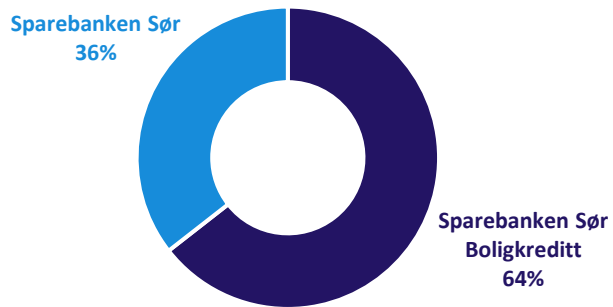


Retail loan book – 98% mortgages and good security (low LTV)

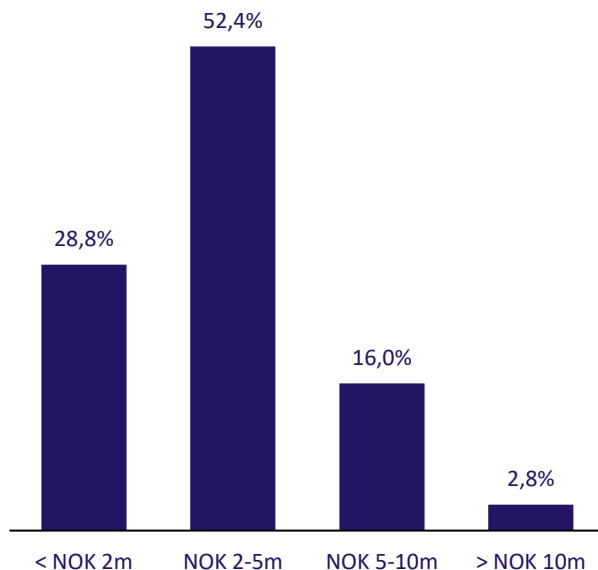
Share of mortgages



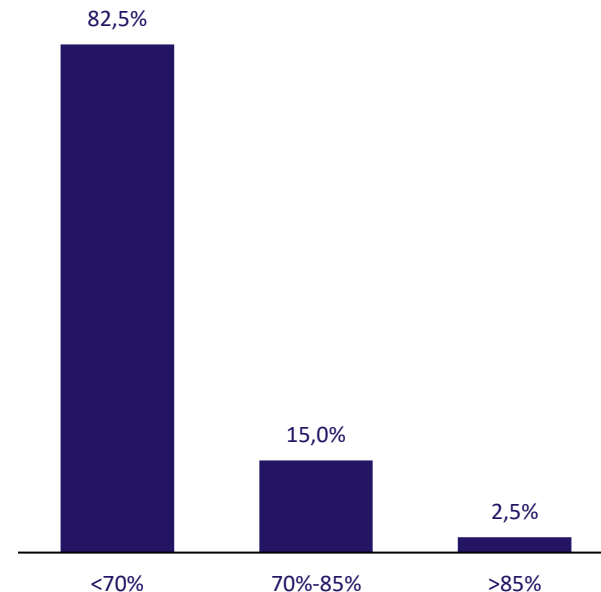
On balance vs. cov. bond transfers



Retail lending by size

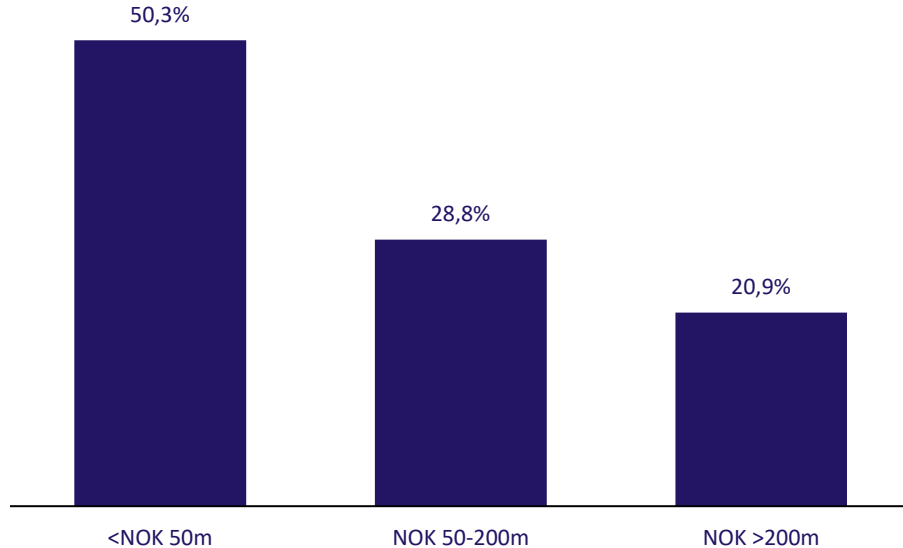


Retail lending by LTV

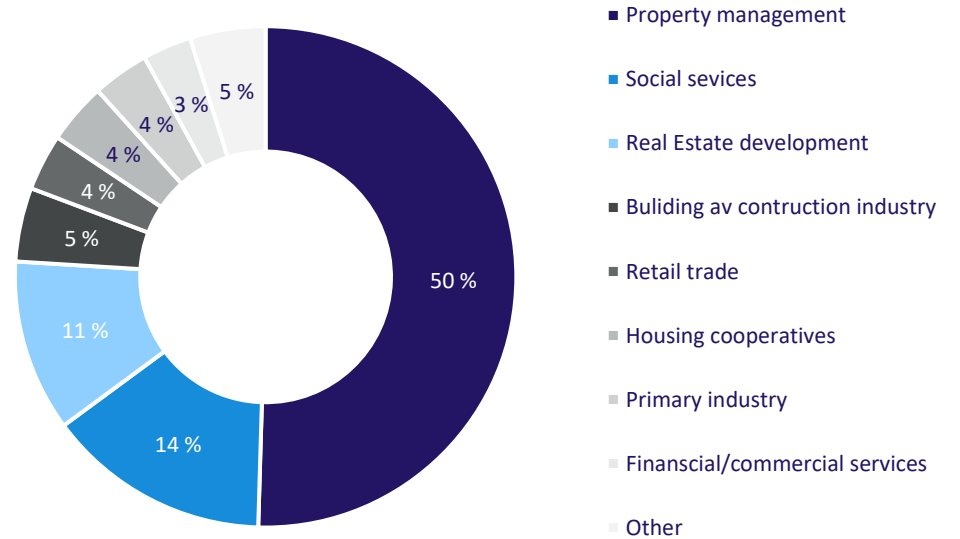


Corporate loan book – 50% property management and 50% < NOK 50m

Corporate lending by size

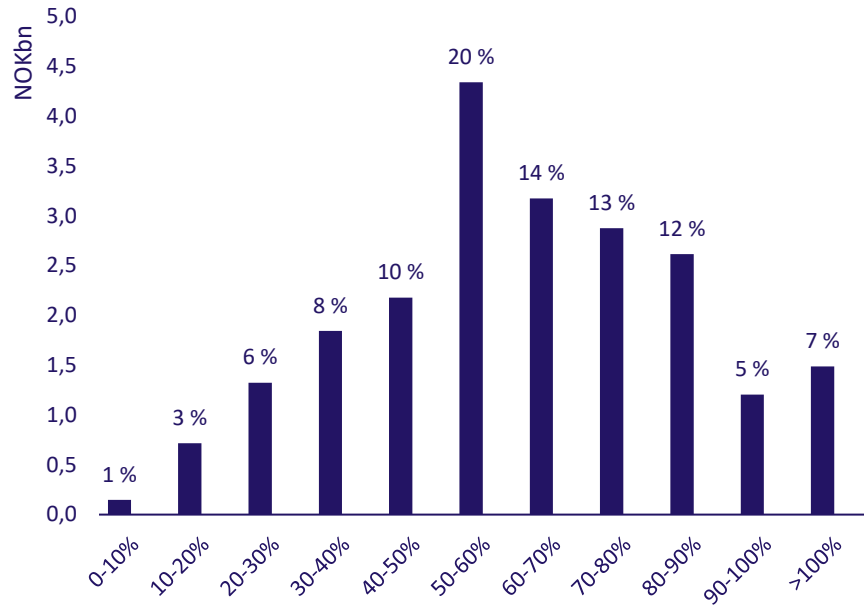


Sector distribution

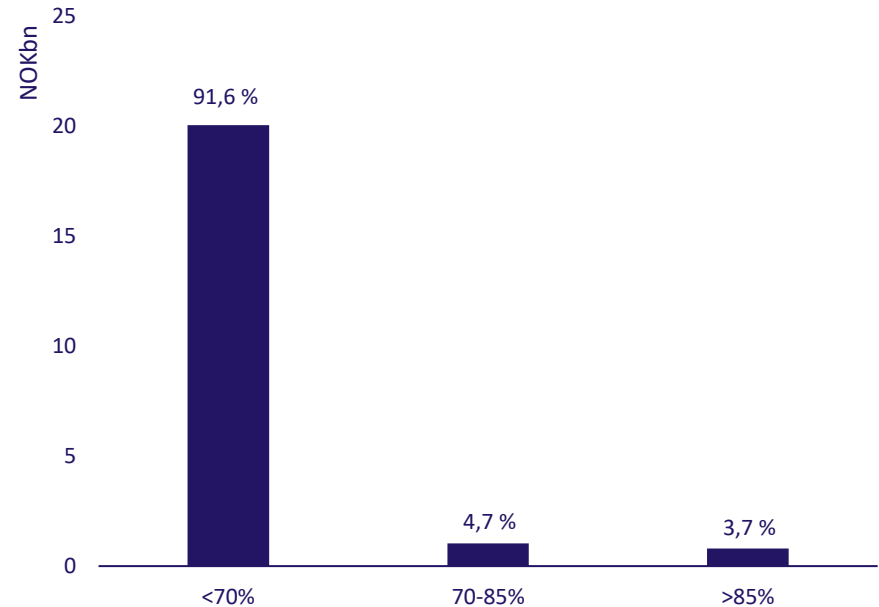


Solid asset backing in commercial real estate portfolio (property management)*

LTV distribution – whole-loan approach



LTV distribution – loan-splitting approach**



* Collateral in other types of pledged assets than real estate not taken into account (guarantees, equipment, receivables etc.)

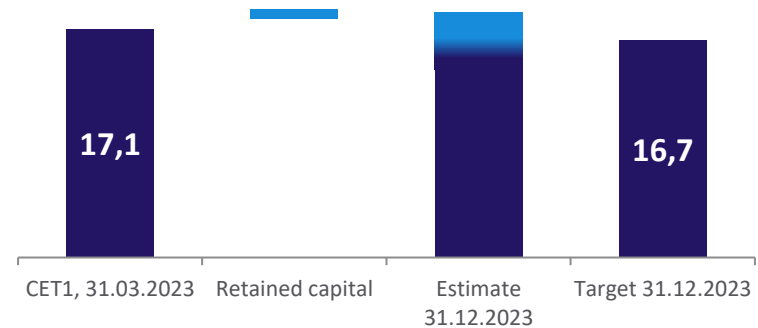
** Only the part of a loan exceeding a certain threshold of LTV is included in the next bracket of higher LTV ratio

Well positioned for higher capital requirements

Capital requirements

	Applicable requirements	Requirements 31.12.2023
Minimum Tier 1 Capital Requirements	4.5 %	4.5 %
Conservation buffer	2.5 %	2.5 %
Systemic Risk Buffer ¹⁾	3.0 %	4.5 %
Countercyclical Buffer ²⁾	2.5 %	2.5 %
Pillar-2 requirements	1.7 %	1.7 %
CET1 requirements	14.2 %	15.7 %
Pillar-2 Guidance	1.0 %	1.0 %
CET1 requirements Incl. P2G	15.2 %	16.7 %

Capital adequacy and target figures



1) The Ministry of Finance has decided on a transitional rule on capital requirements for banks that use the Standardized Approach, resulting in an increase in the Systemic Risk Buffer from 3 to 4.5 percent from December 31, 2023

2) The Countercyclical Buffer will increase with 0.5 percentage points from 31.12.2023

Capital efficiency – implementation of IRB is going as planned

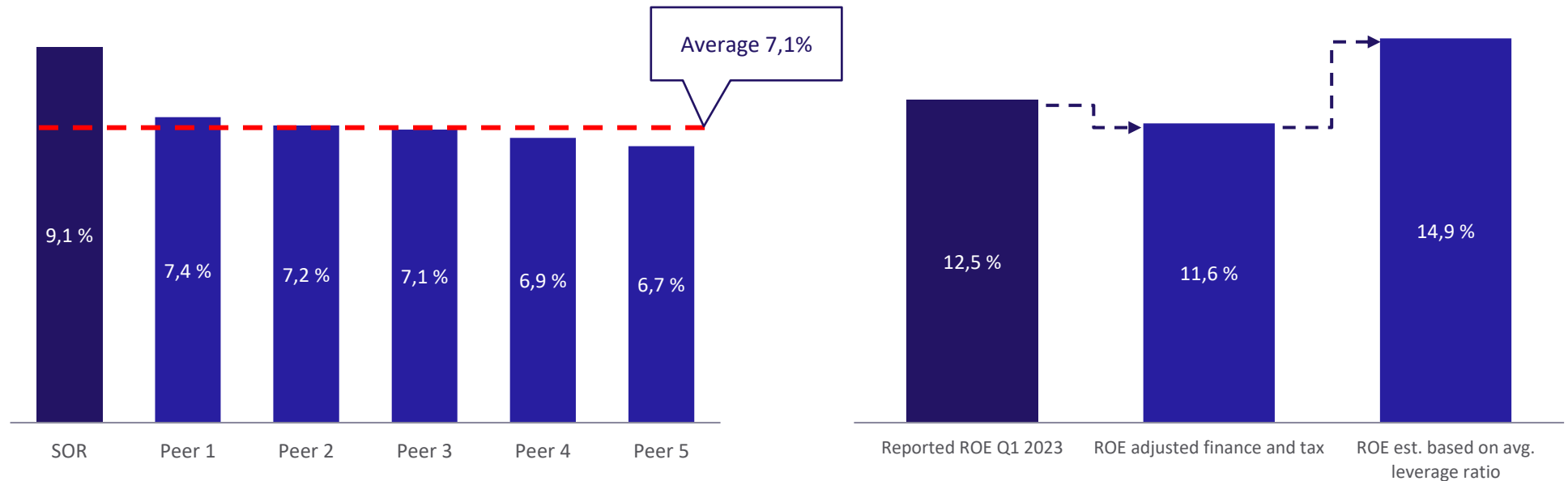
The bank plans to submit an application for IRB-F approval by the end of 2023, with an expectation of at least 1 year processing from FSA. Significant project deliveries are completed and implemented.



Analyzes show positive capital effects of around 3.5 percentage points on CET1

ROE will increase by “normalised” leverage ratio

Higher leverage ratio than peers with IRB (31.12.2022)*



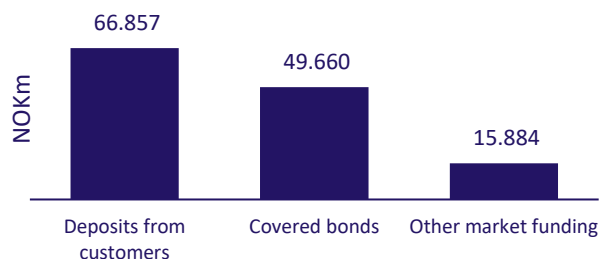
* Peers consists of SpareBank 1 SR-Bank, SpareBank 1 SMN, SpareBank 1 Østlandet, Sparebanken Vest, SpareBank 1 Nord-Norge.

19 Peers in the graph use IRB Advanced

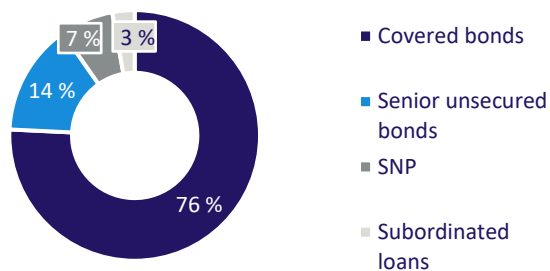
Financing and liquidity

Diversified funding

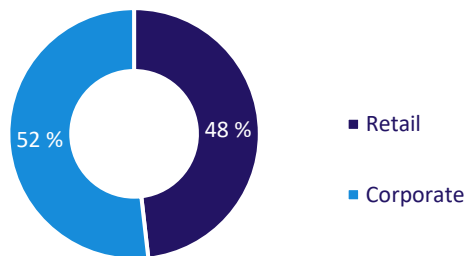
Sources of financing



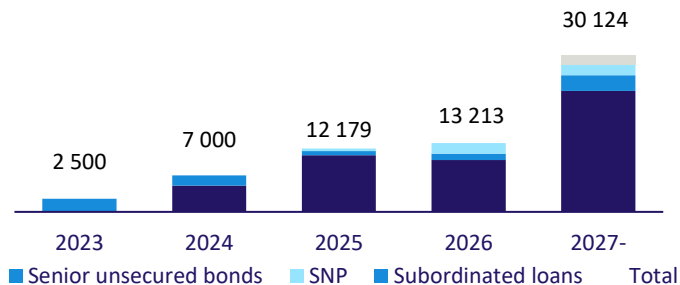
Market financing



Deposits from retail and corporate



Capital market maturity profile*

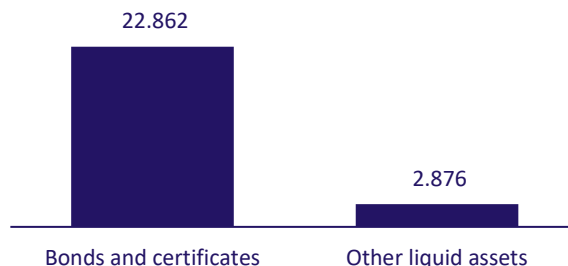


Main features

- The most important funding source is deposits and covered bonds (OMF)
- Customer deposits of NOK 66.9 billion – of which 48 percent from retail customers
- Market financing of NOK 65.0 billion – ~46 percent maturing in 2027 or later
- In Q1, the Group issued subordinated bonds of NOK 400 million on favorable terms. The Group also bought back 181.5 million in subordinated bonds with a call in June 2023.
- Sparebanken Sør has an A1 rating. The rating outlook for the bank was modified from "stable outlook" to "positive outlook" in September
- Bonds issued by Sparebanken Sør Boligkreditt AS are rated Aaa

Good liquidity position

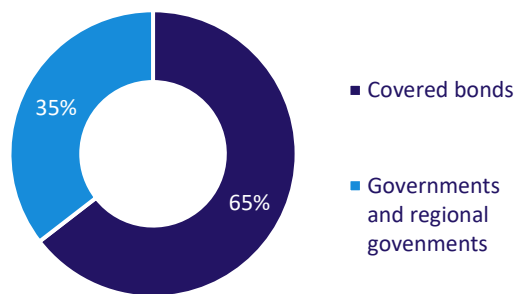
Sources of liquidity



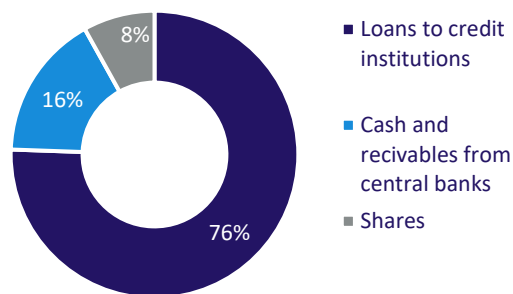
Main features

- Bonds and certificates imply the majority of the liquidity portfolio
- Covered bonds (OMF) represent 65% of the portfolio of bonds and certificates
- The liquidity indicator is satisfactory – LCR of 145 percent

Bonds and certificates



Other liquid assets



Goals and future expectations

Financial ambitions



Overriding target

Return on equity over 10 % in 2023 and over 11 % by the end of 2025

> 16,7%¹⁾

CET1 capital ratio

< 40,0%

Costs in % of revenues

~50%

Pay-out ratio



Positive future prospects

 Strong market position

 Low risk in the loan portfolio

 High cost efficiency and low complexity

 Introduced customer dividend

 Leader in ESG

 Measures to increase ROE in the future

Appendix

About the bank

Sparebanken Sør

– a leading financial institution in Southern Norway



Established in 1824,
636 employees



1 183 000 retail
customers



Financial Group with
banking, securities and
real estate brokerage



2 23 000 corporate
customers



Publicly traded and
community owned



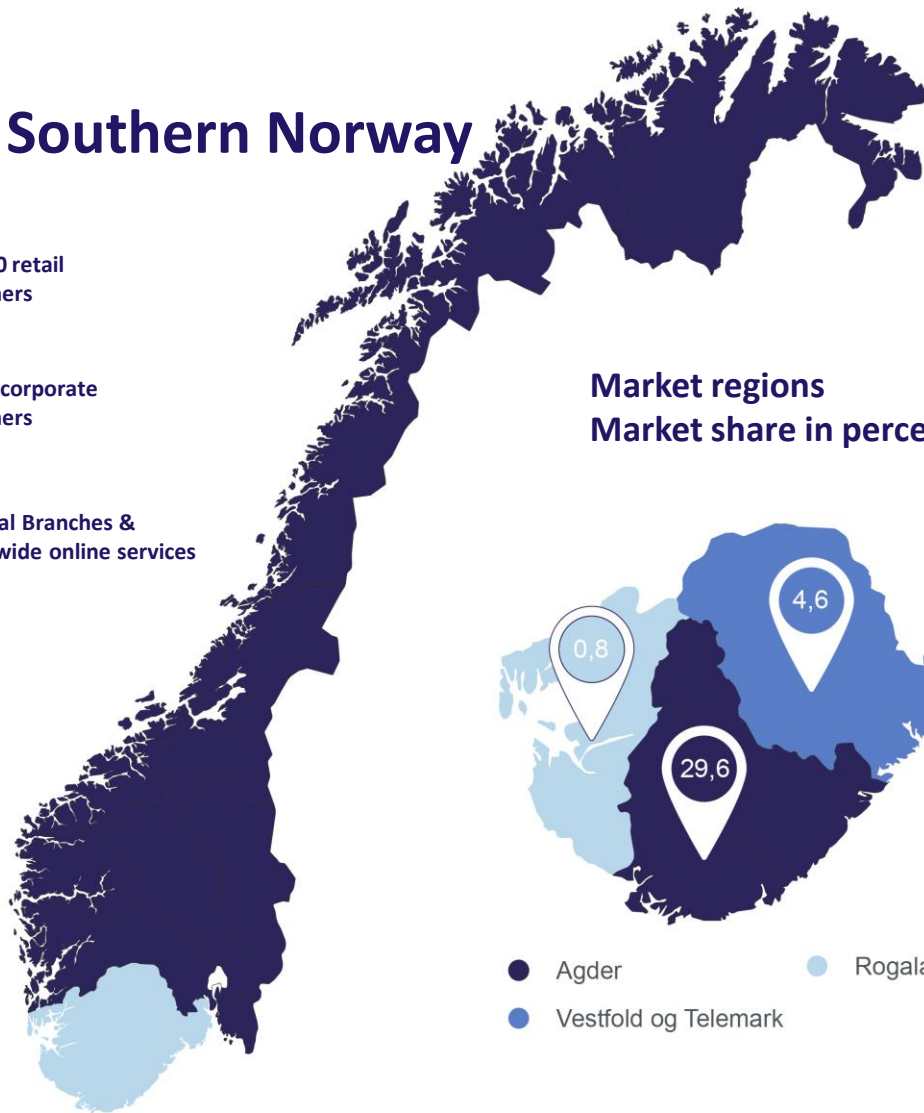
Regional Branches &
nationwide online services



Total assets of NOK 154 bn

Profit after tax amounted to
NOK 462 million in Q1 2023

Cost/income ratio of 36.7
percent

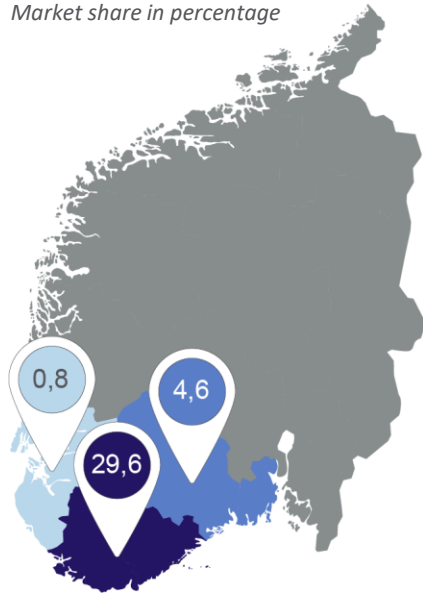


*Market share in the retail market, in percent (Source: Eiendomverdi AS, Markedsandelsrapporter)

Strong position in the housing market

The bank maintains a strong market position

Market share in percentage



1 position in Agder, strong position in Vestfold Telemark. Positive development in Rogaland.

Positive development in housing prices

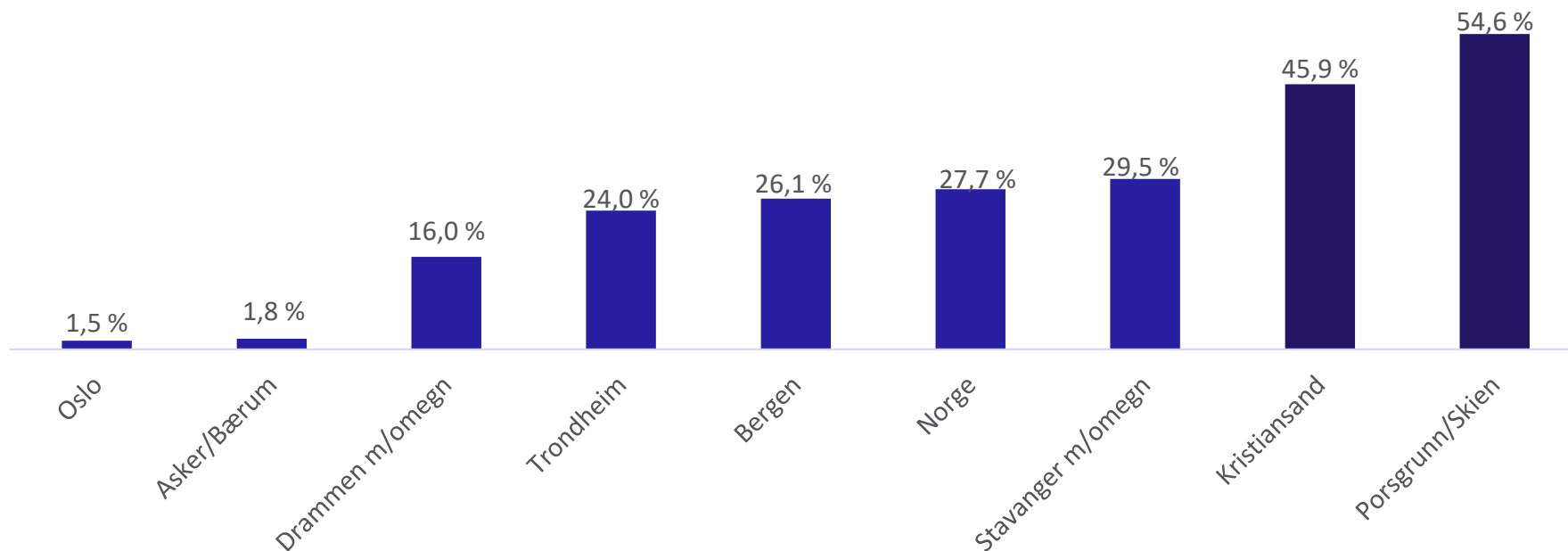
Percentage change in prices*



*3 month moving average of 12-month change

“The nurse index”

31.12.2022



Source: <https://eiendomnorge.no/aktuelt/blogg/sykepleierindeksen-2022>

"The nurse index" shows the proportion of properties sold each year that a single nurse has the opportunity to buy (based on income and the lending regulations' assumptions)

Continued strong labour market

Unemployment

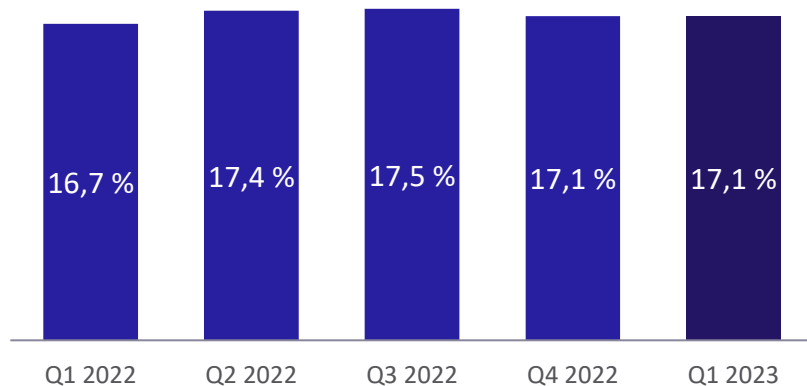
*Unemployment percentage
as of 31.03.2023*



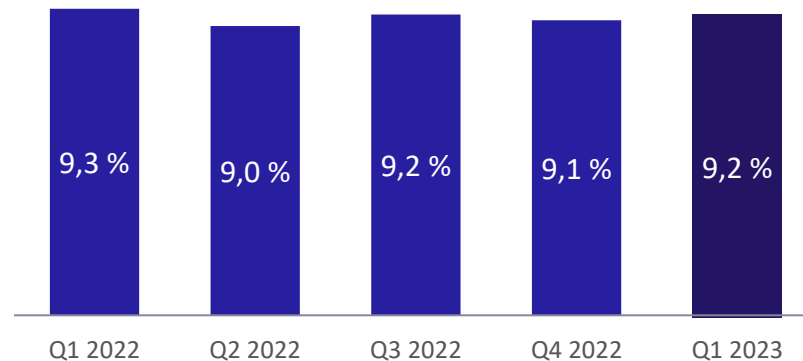
- Low unemployment
- Slightly increase in unemployment (the pressure decreases)

Solid capital situation

Common equity tier 1 capital ratio



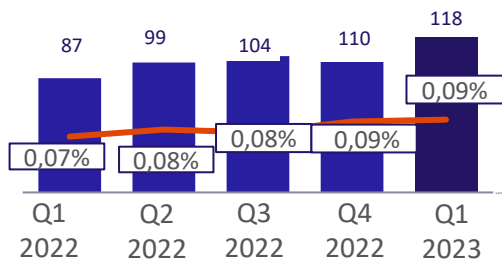
Leverage ratio



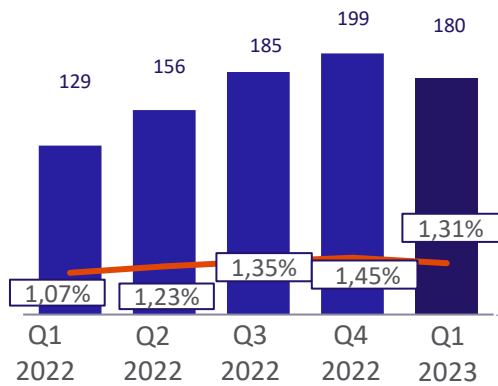
- Common equity tier 1 (CET1) well above the current capital requirement (14.2 percent)
- CET1 ratio of 17.1 percent, same level as last quarter. The effect of increased ownership in Brage amounted to -0.2 percentage points in Q4 2022.

Loss provisions divided into steps

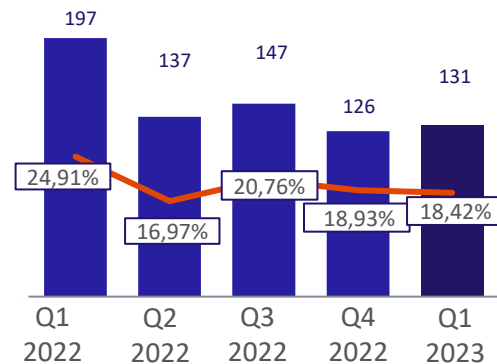
Provisions step 1
and in % of engagement stage 1



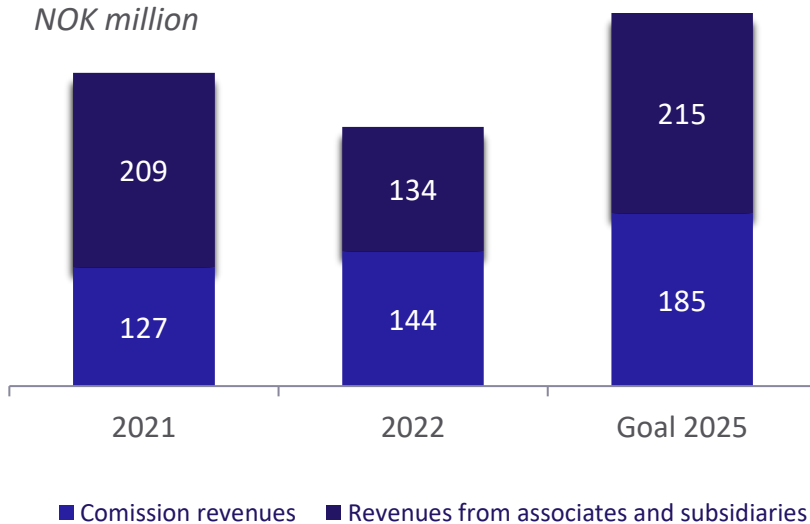
Provisions step 2
and in % of commitment stage 2



Provisions step 3
and in % of commitment stage 3



Ambitions for increased other income



Defined other income	31.03. 2023	31.03. 2022	Change	Goal 2025
Insurance	13	12	1	65
Credit intermediation	2	2	0	20
Securities business 1)	18	17	1	100
Income from wholly and partly owned companies	28	24	4	215
Total	61	55	6	400

1) Net commission income from securities trading and Sør Markets

Equity Certificates

Equity certificate owners

20 largest equity certificate owners as of 31.03.2023

	Name	Amount EC	Share EC %		Name	Amount EC	Share EC %
1	Sparebankstiftelsen Sparebanken Sør	34.027.792	81.60	11	Ottersland AS	100.000	0.24
2	EIKA utbytte VPF c/o Eika kapitalforv.	726.960	1.74	12	DNB Luxembourg S.A	100.000	0.24
3	Pareto Invest Norge AS	317.309	0.76	13	MP Pensjon PK	85.523	0.21
4	Drangslund Kapital AS	302.107	0.72	14	Geir Bergskaug	85.523	0.20
5	Glastad Capital AS	200.000	0.48	15	Lombard Int Assurance S.A.	82.800	0.20
6	Wenaasgruppen AS	186.000	0.45	16	Gunnar Hillestad	74.600	0.18
7	Hamjern Invest AS	180.099	0.43	17	Apriori Holding AS	72.575	0.17
8	Gumpen Bileiendom AS	174.209	0.42	18	K.T. Brøvig Invest AS	72.000	0.17
9	KLP Gjensidige Forsikring	163.300	0.39	19	Varodd AS	70.520	0.17
10	Allumgården AS	151.092	0.36	20	Birkenes Sparebank	66.000	0.16
	Sum 10 largest owners	36.428.868	87.35		Sum 20 largest owners	37.236.089	89.29

- As of 31. March 2023, 41 703 057 ECs of NOK 50 each had been issued
- Profit (Group) amounted to NOK 4.3 per EC in Q1 2023 and NOK 11.9 per EC in 2022
- The ownership ratio as of 31.03.2022 was 40.0 percent

SOR – share price and liquidity

Share price development as of 31.03.2023

- The share price for SOR was NOK 128 (excl. dividend) and book value was NOK 139.2, amounting to a price-to-book ratio of 0.92
- The equity certificates gave a return of -14.6 % last 12 months
- Profit per equity certificates 31.03.2023 of NOK 4.3, which represents a P/E of 7.4

Tunrover

- Turnover of 0.8 mill. equity certificates last 12 months.
- 41 703 057 total issued, and an EQ rate of 40.0 %.

Dividend

- A dividend of NOK 6 per equity certificate has been distributed for 2022
- Goal to have ~ 50 % of the EK certificate owners' share of the result should be paid out from 2022
- The banks capital requirements will be taken into consideration when determining the annual dividend.

