

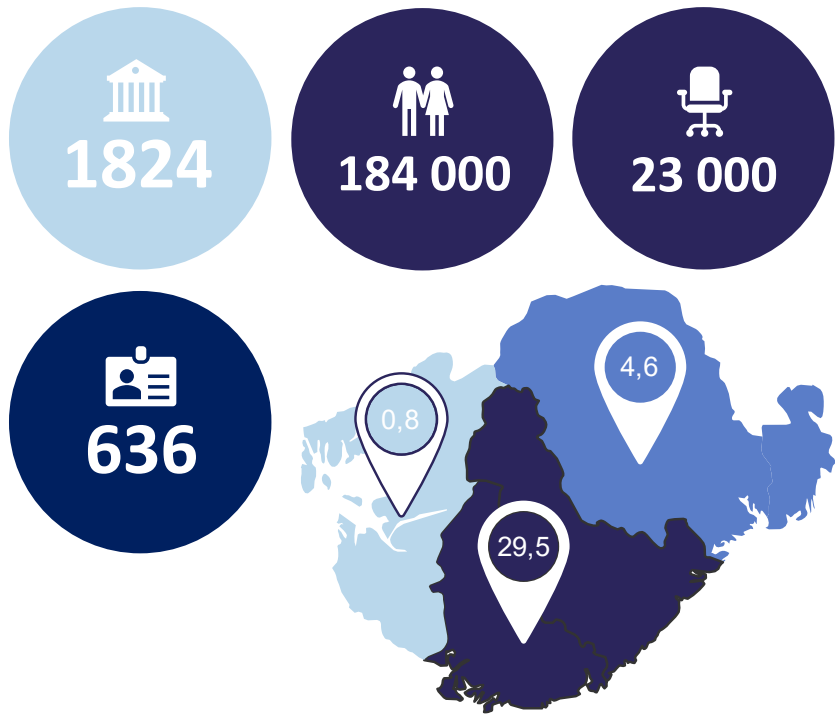


Sparebanken Sør

Investor presentation Q2 2023

Agenda

- Sparebanken Sør
- Q2 2023
- Strategic priorities
 - IRB
 - Other income
 - Position-building investment areas
- Targets and expectations going forward

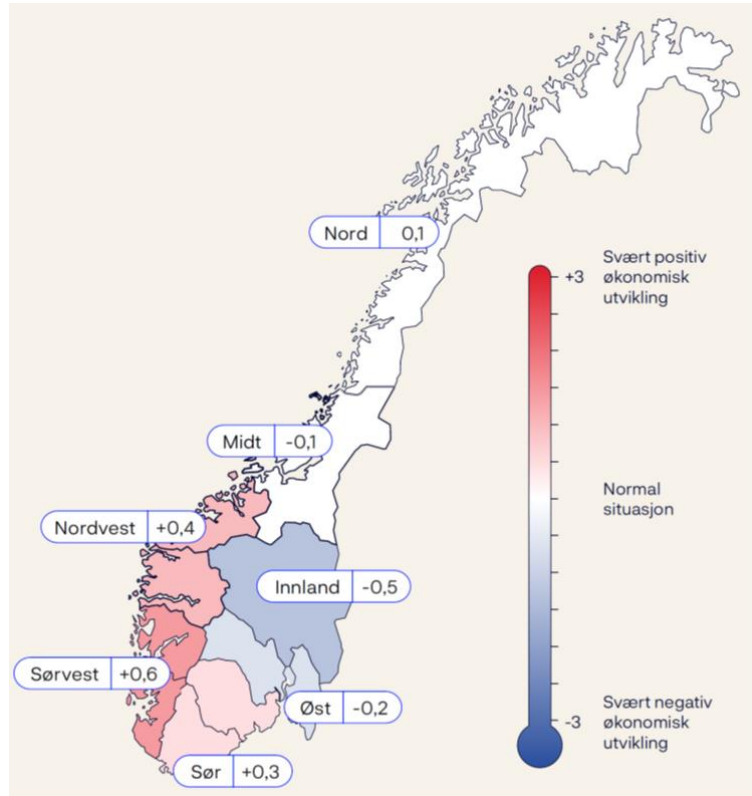


Steady, engaged and future-oriented
We will create sustainable growth and development for our part of the country





Positive economic development in the region



House price growth in Kristiansand is the strongest in the country. So far this year, prices have increased by 10.7%

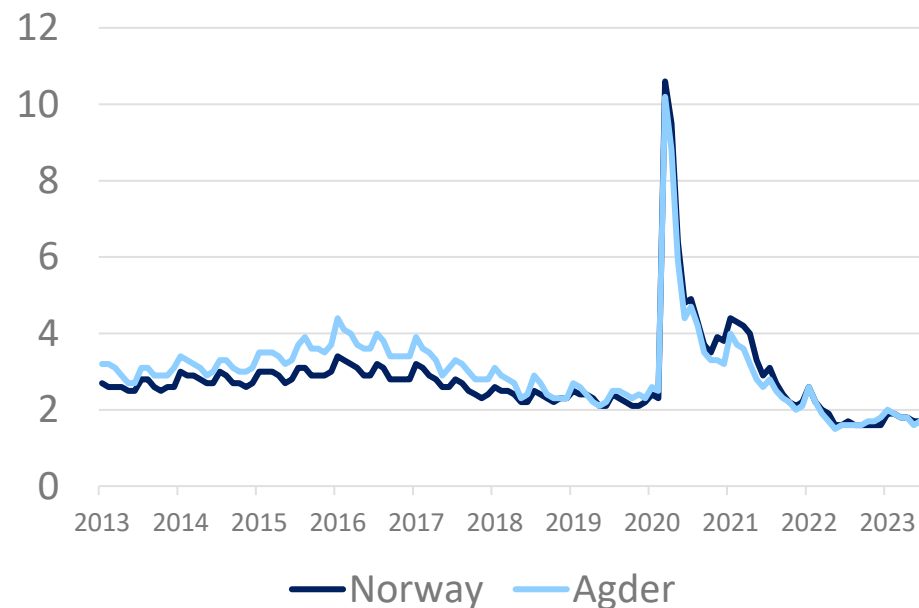
The nurse index shows that a single nurse can buy 46 % of the homes sold in Kristiansand and 55 % in Grenland.

The economy is affected by high activity and investment in the energy sector

Continued strong labour market

Unemployment

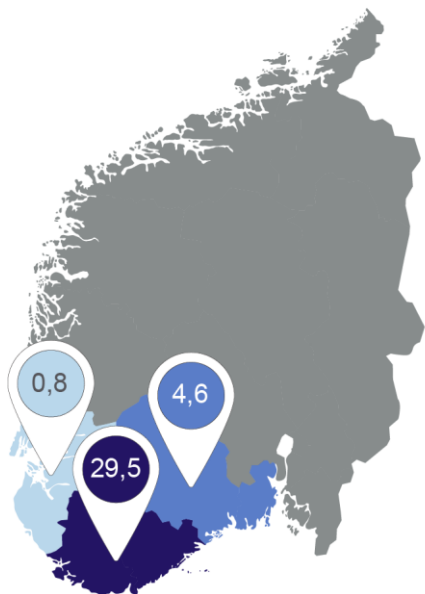
Unemployment percentage
as of 30.06.2023



Strong position in the housing market

The bank maintains a strong market position

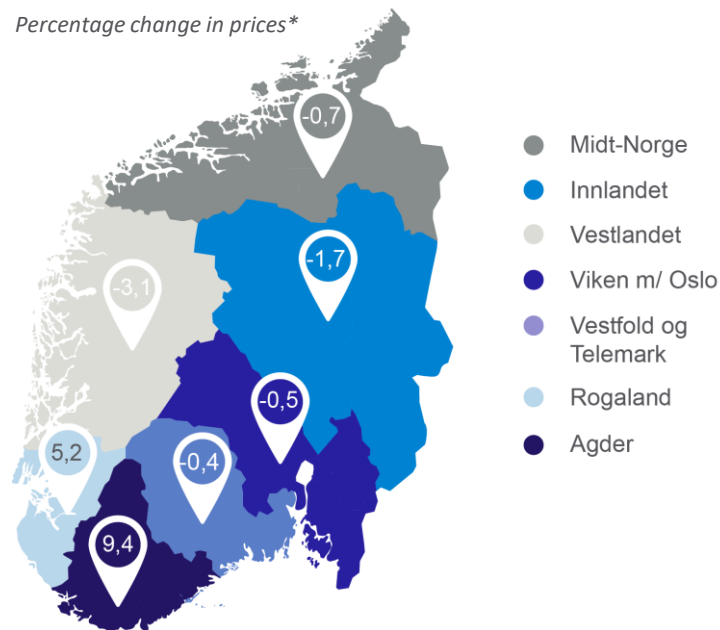
Market share in percentage



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

Positive development in housing prices

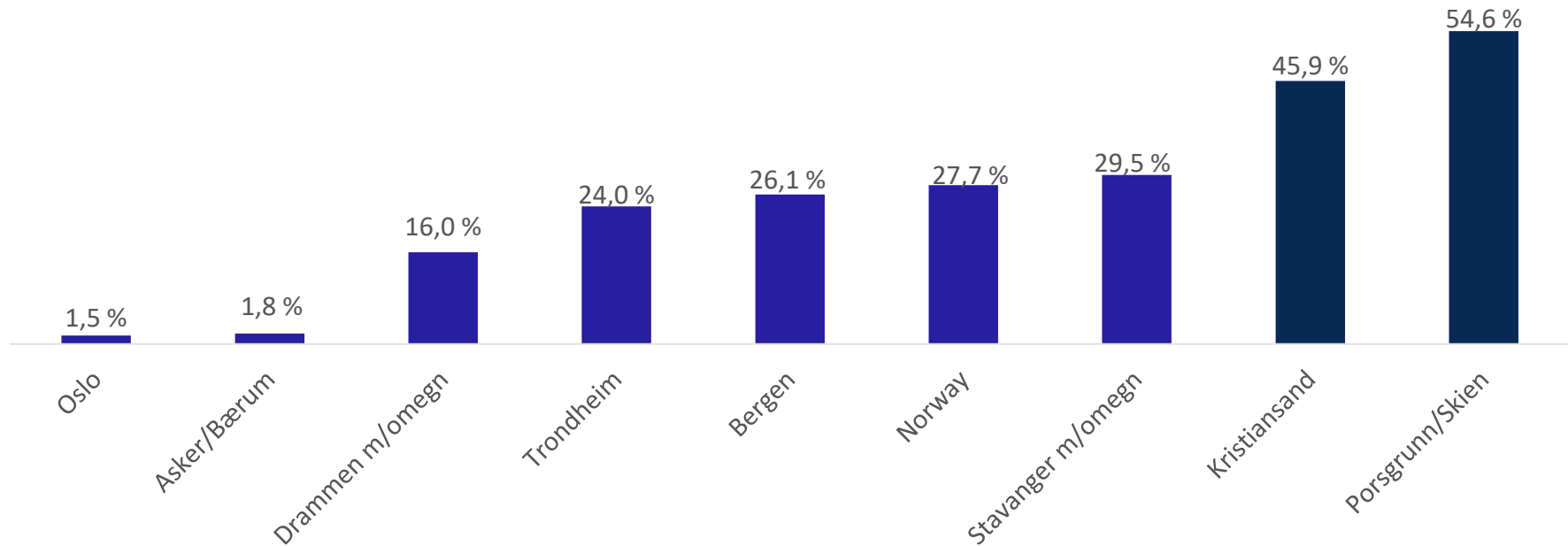
Percentage change in prices*



* 12-month change at 31.07.2023

The nurse index: Good access to housing in the region's pressure areas

31.12.2022



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

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

Q2 2023

Strong Quarterly Result

- Net interest income increased with 32 percent
- Good profit contributions from affiliated companies
- Low cost-income ratio of 37.6
- Low losses on loans and low defaults
- Result per equity certificate of NOK 3.9 (NOK 2.4)
- Strong return on equity of 11.0 percent

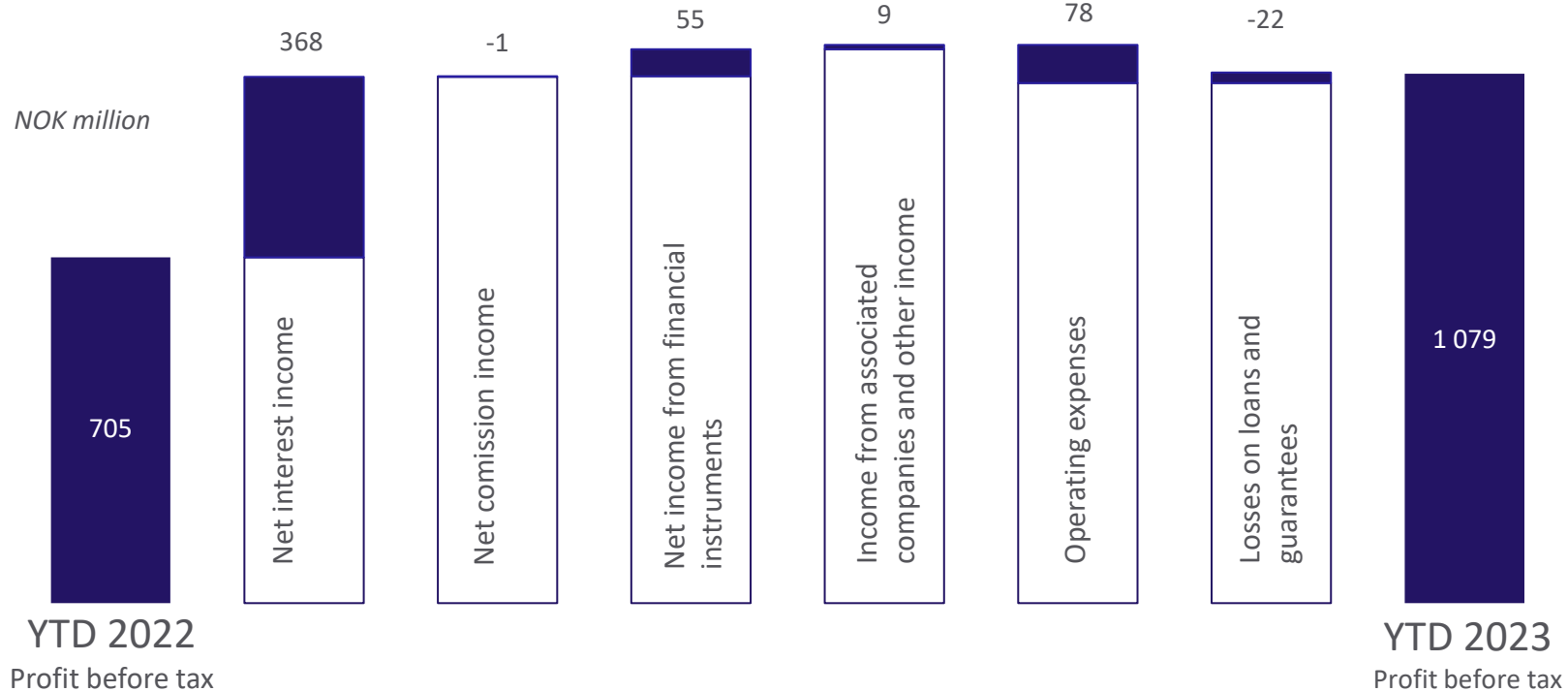
NOK million	2023 Q2	2022 Q2	Change
Net interest income	732	555	177
Net commission income	108	106	2
Net income from financial instruments	0	-33	33
Associated companies	25	24	1
Other operating income	2	1	1
Total income	867	654	213
Total expenses	326	293	33
Profit before losses on loans	541	361	180
Losses on loans, guarantees	-9	11	-20
Profit before tax	550	351	199
Tax expenses	123	77	46
Profit for the period	427	273	154

Very strong growth in net interest income in the first half of the year

- Low losses on loans
- Strong return on equity of 11.5 percent
- Result per equity certificate of NOK 8.2 (NOK 5.0)
- 12-month lending growth of 3.4 percent
- 12-month deposit growth of 3.2 percent

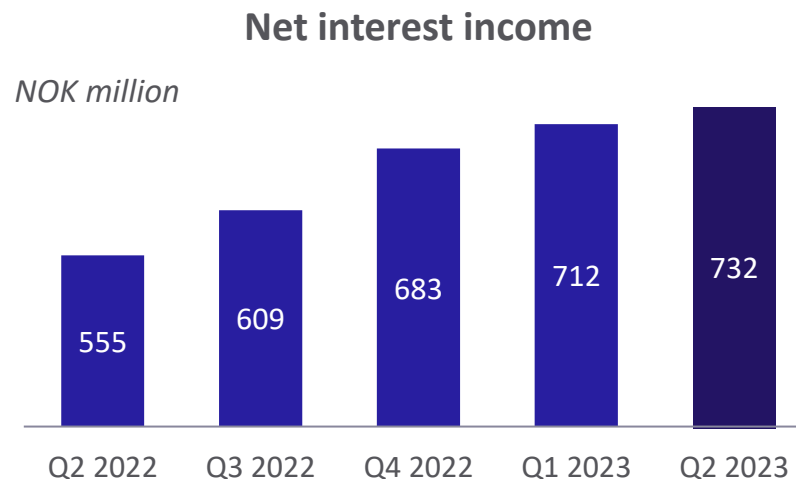
NOK million	30.06.2023	30.06.2022	Change
Net interest income	1 444	1 076	368
Net commission income	194	195	-1
Net income from financial instruments	-4	-59	55
Associated companies	59	51	8
Other operating income	3	2	1
Total income	1 696	1 266	430
Total expenses	630	552	78
Profit before losses on loans	1 066	714	352
Losses on loans, guarantees	-14	8	-22
Profit before tax	1 079	705	374
Tax expenses	190	157	33
Profit for the period	889	549	340

Decomposition of changes in profit before tax



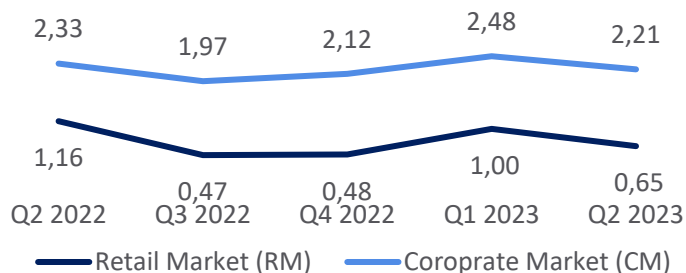
Very positive development in net interest income

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

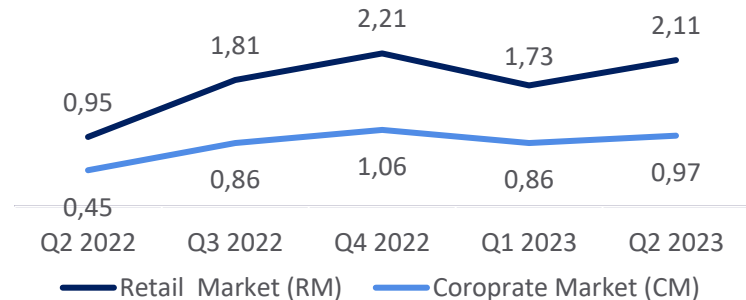


The interest rate changes strengthen the interest margin over time

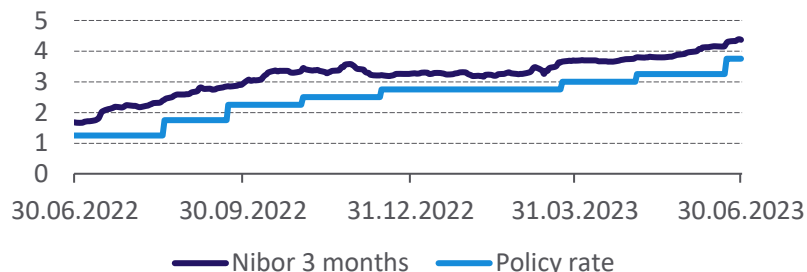
Loan margins (%)



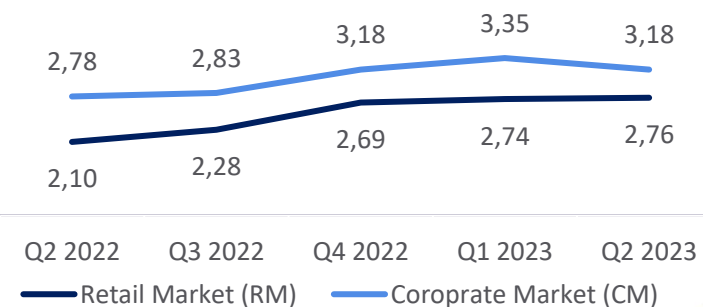
Deposit margins (%)



NIBOR 3M development



Interest margin¹⁾ (%)



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

Positive profit contributions from associated companies

- Good ROE from Brage with 12.2 percent for the first half of the year
- 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 Q1 2023, which had a positive effect on the shares in Balder Betaling AS



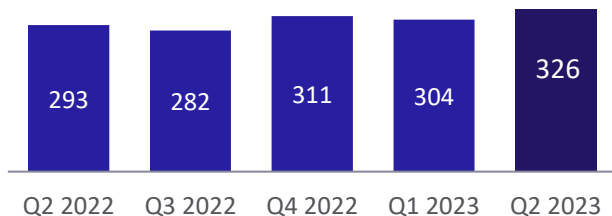
Effect on results after consolidation

NOK million		Q2 2023	Q2 2022	30.06.2023	30.06.2022
Frende forsikring* (19,9 %)	Share of profit	7,3	15,7	17,8	10,8
	Amort.	-5,5	-5,4	-11,0	-10,8
	Sale				24,9
Brage Finans (24,9 %)	Share of profit	23,3	13,4	41,1	25,6
Balder Betaling (23,0 %)	Share of profit		0,2	11,4	0,2
SUM		25,1	23,9	59,3	50,7

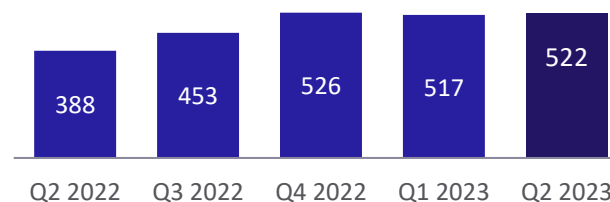
Strong return on equity and low cost percentage

NOK million

Operating expenses

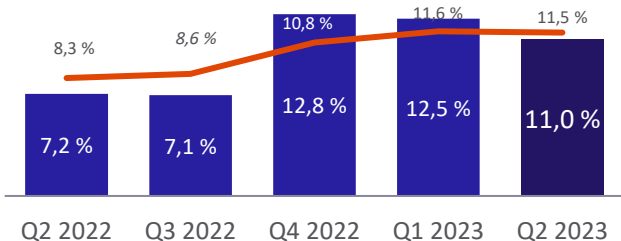


Profit from ordinary operations¹⁾



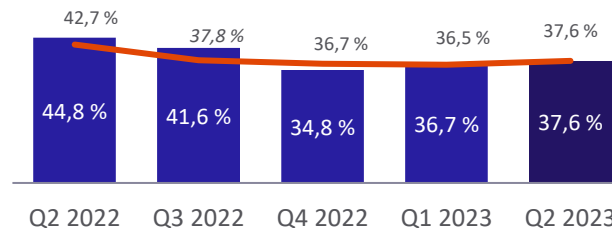
Return on equity

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



Cost to income ratio

Cost to income ratio for banking operations

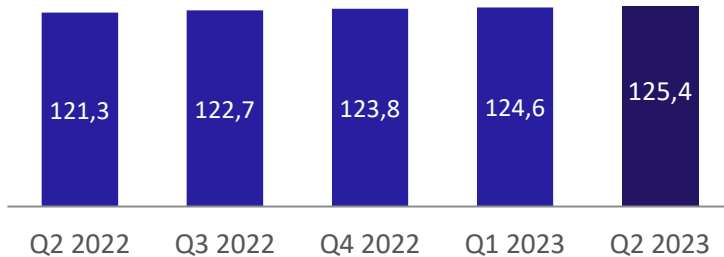


- 1) Net interest income + Net commission income + Other operating income – Operating expenses +/- One-off items
- 2) Changes from the corresponding prior-year period
- 3) Return on equity excl. accounting effects from financial instruments and one-off items and incl. interest on hybrid capital

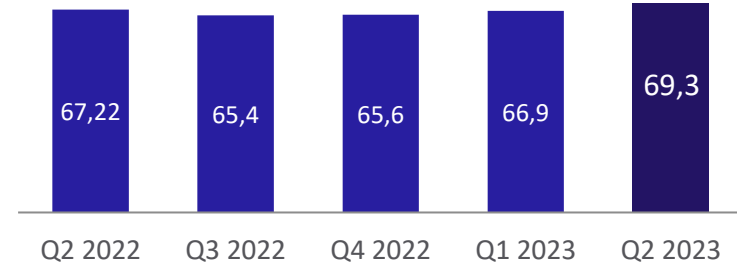
Prioritises profitable growth

NOK billions

Net loans



Deposits

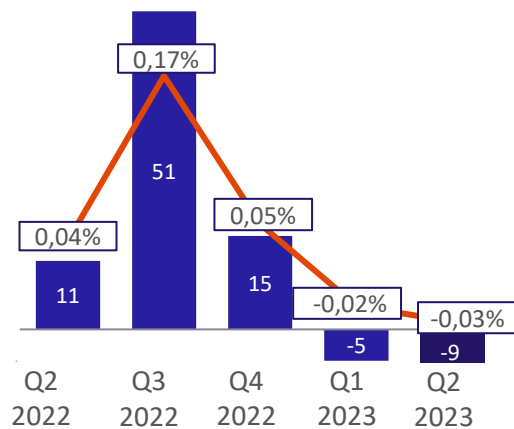


- **12 month growth of 3.4 %**
 - 12 month growth in gross loans of 2.4 % for retail customers and 5.9 % for corporate customers
- **Annualised quarterly growth of 2.8 %**
 - 2.8 % for retail customers and 2.7 % for corporate customers

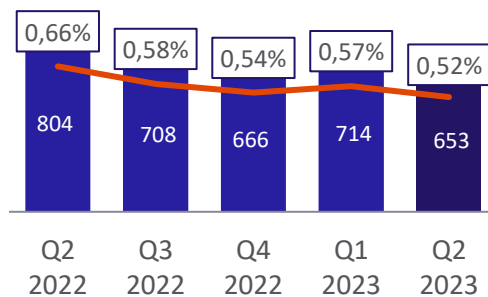
- **12 month growth of 3.2 %**
 - 12 month growth in deposits for retail customers of 1.0 % and corporate customers of 4.0 %
- **Deposit coverage of 55.3 % (55.4 %)**

Low losses and non-performing loans

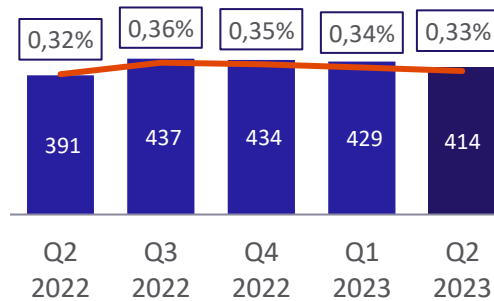
Development in losses in NOK million and as a percentage of gross loans (annualised)



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



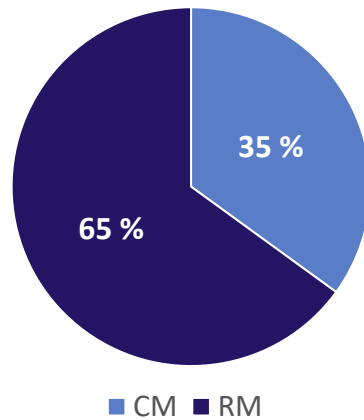
Development in loss provisions in NOK million and as a percentage of gross loans



Diversified loan portfolio with low risk

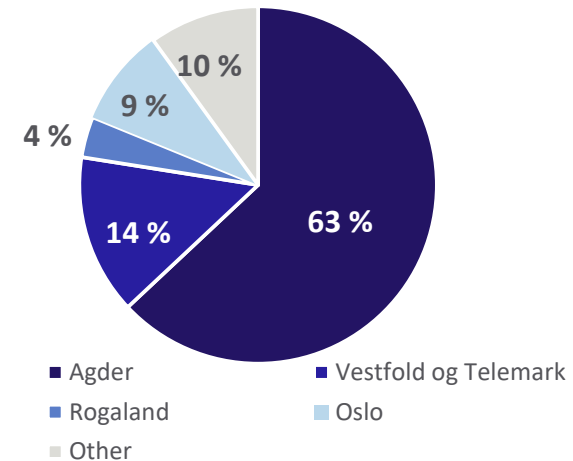
CM/RM distribution

Gross loans



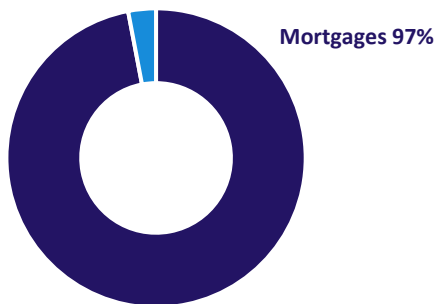
Geographical distribution

Gross loans

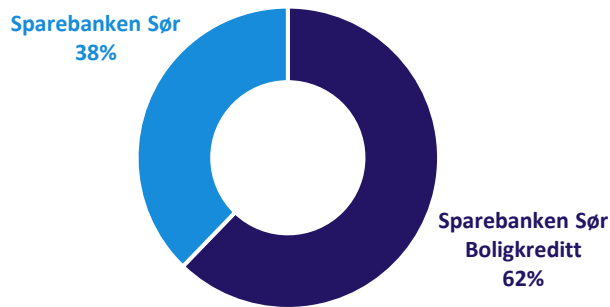


Retail loan book – 97% mortgages ang good security (low LTV)

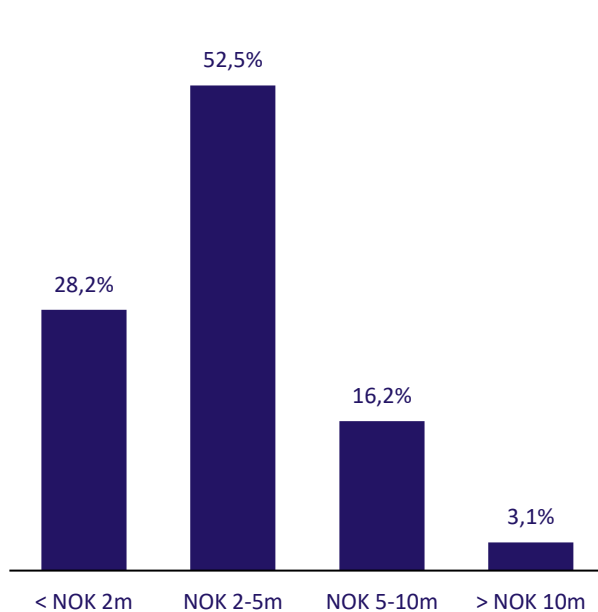
Share of mortgages



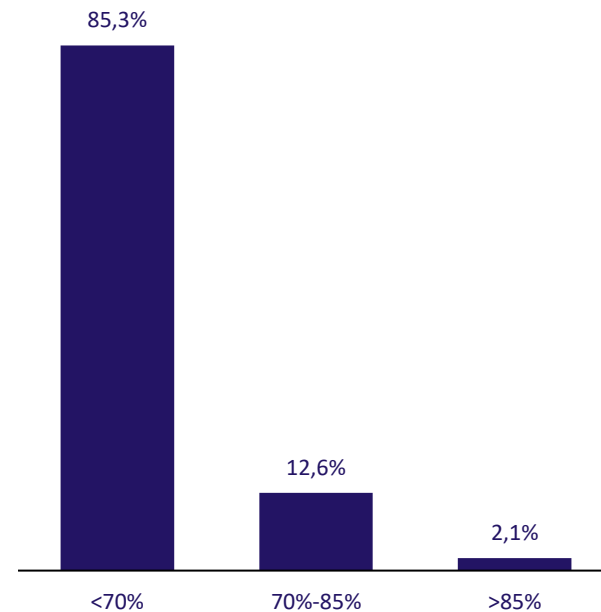
On balance vs. cov. bond transfers



Retail lending by size

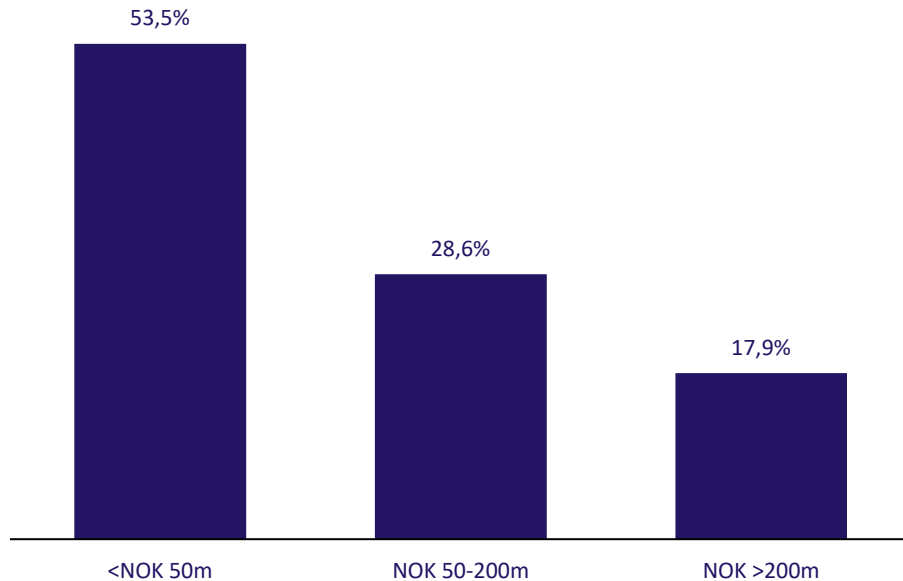


Retail lending by LTV

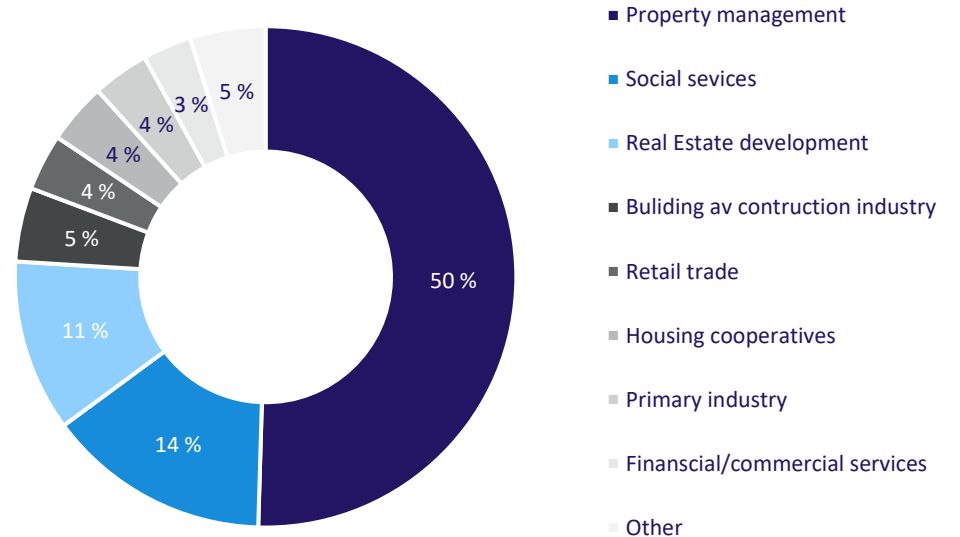


Corporate loan book – 50% property management and 54% < NOK 50m

Corporate lending by size

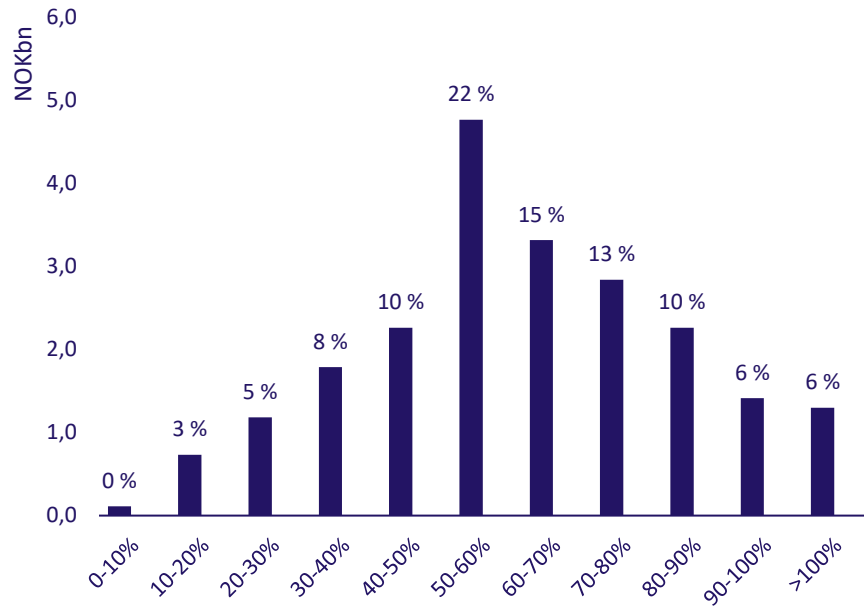


Sector distribution

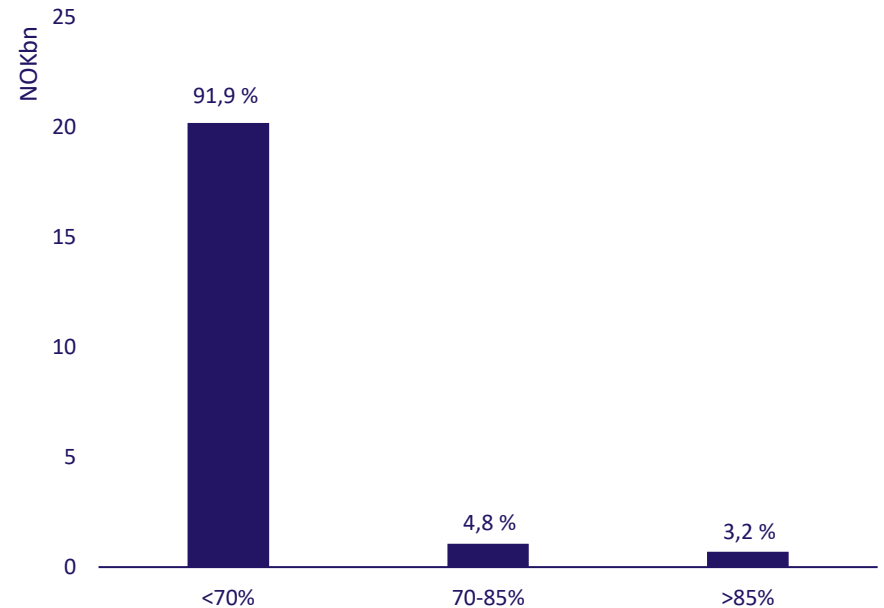


Solid asset backing in commercial real estate portfolio (property management)*

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.)

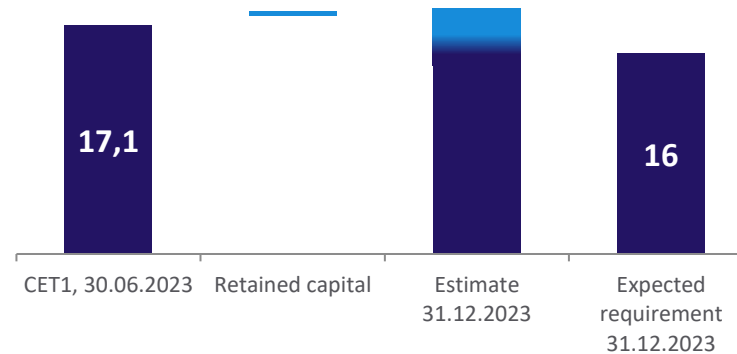
** Only the part of a loan exceeding a certain threshold of LTV is included in the next bracket of higher LTV ratio

Well positioned for higher capital requirements

Kapitalkrav

	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	2.5 %	2.5 %
Pillar-2 requirements ²⁾	1.7 %	1.0 %
CET1 requirements	14.2 %	15.0 %
Pillar-2 Guidance	1.0 %	1.0 %
CET1 requirements Incl. P2G	15.2 %	16.0 %

Capital adequacy and target figures

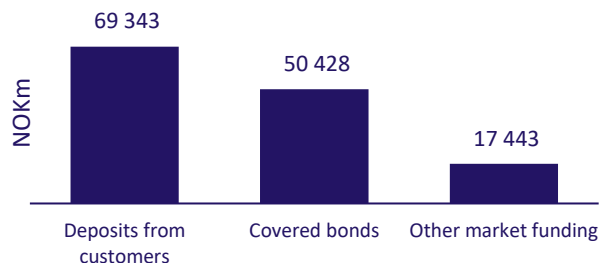


1)) The Ministry of Finance has decided on a transitional rule on capital requirements for banks that use the Standardized Approach, resulting in an increase in the Systemic Risk Buffer from 3 to 4.5 percent from December 31, 2023

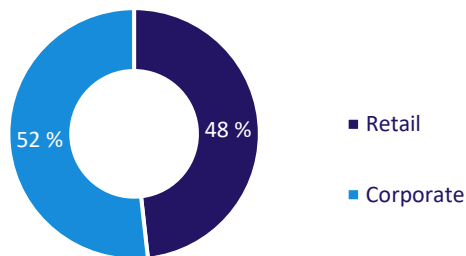
2) Current Pillar-2 requirements that must be covered by total common equity tier 1 capital based on a split (56.25 per cent).

Diversified funding

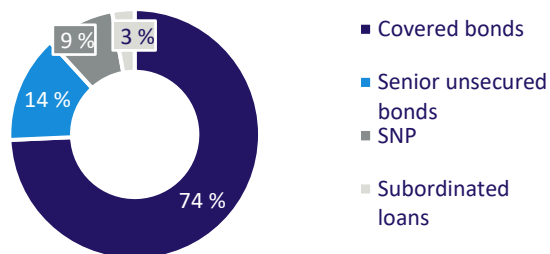
Sources of financing



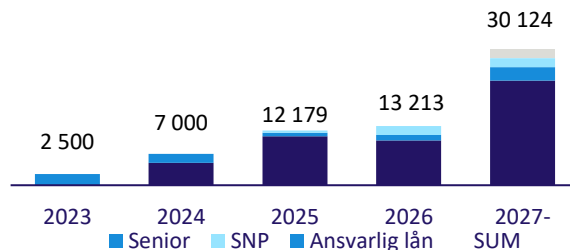
Deposits from retail and corporate



Markedsfinansiering



Capital market maturity profile*

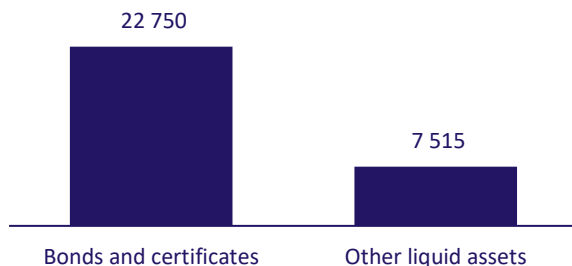


Highlights

- The most important funding source is deposits and covered bonds (OMF)
- Customer deposits of NOK 69.3 billion – of which 48 percent from retail customers
- Market financing of NOK 67.9 billion – ~44 percent maturing in 2027 or later
- Sparebanken Sør has an A1 rating. The rating outlook for the bank was modified from "stable outlook" to "positive outlook" in September
- In June 2023, Sparebanken Sør Boligkreditt AS received an A1 rating in line with the bank.
- Bonds issued by Sparebanken Sør Boligkreditt AS are rated Aaa

Good liquidity position

Sources of liquidity



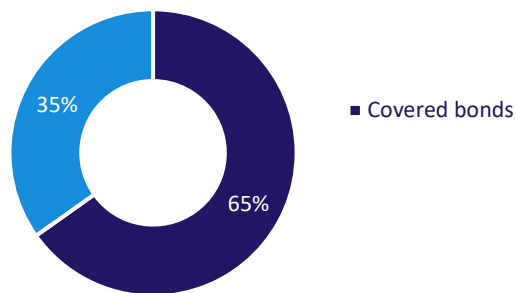
Key indicators liquidity



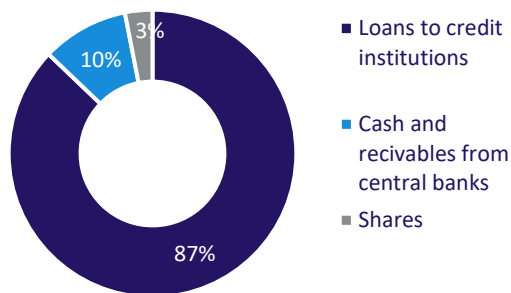
Highlights

- 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 and NSFR of 128 percent

Bonds and certificates



Other liquid assets



Strategic priorities

IRB

Capital measures: Implementation of IRBF is going according to plan



- Data
- Modeling and analysis
- Decision tools
- Portfolio monitoring
- External reporting



- IT architecture and data
- Modeling and analysis
- Credit management
- Risk and capital management
- Business development



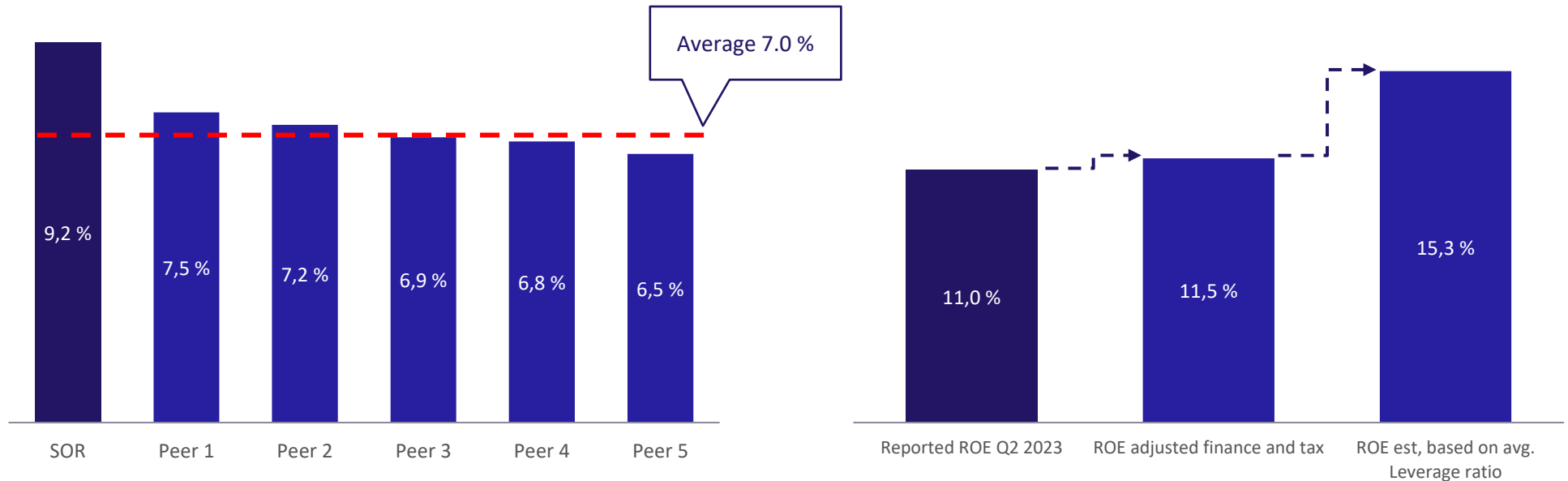
- Improved credit strategy and policy
- More and better credit analyses
- Improved methodology for valuation of securities
- Increased focus on profitability

IRB in a final phase



ROE will increase by “normalised” leverage ratio

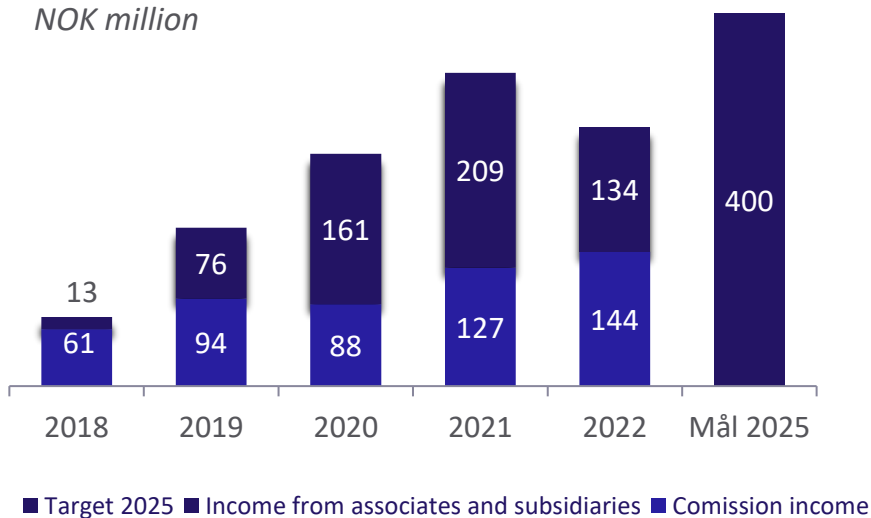
Higher leverage ratio than peers with IRB (31.03.2023)*



* Peers consists of SpareBank 1 SR-Bank, SpareBank 1 SMN, SpareBank 1 Østlandet, Sparebanken Vest, SpareBank 1 Nord-Norge. Peers in the graph use IRB Advanced

Other income

Ambitions for increased other income



Defined other income	30.06. 2023	30.06. 2022	Change
Insurance	26	25	1
Credit intermediation	3	3	0
Securities business 1)	39	36	3
Income from wholly and partly owned companies 2)	60	54	6
Total	128	118	10

1) Net commission income from securities trading and Sør Markets

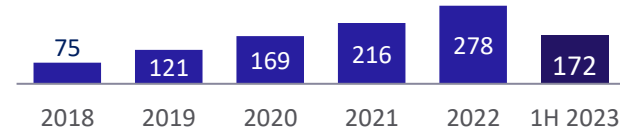
Positive development for Brage Finans



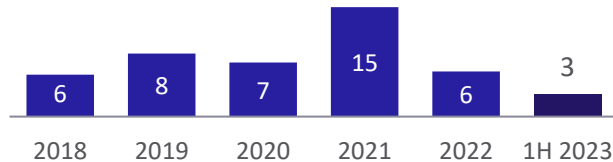
NOK million

- The equity method and income-recognising share of profit after tax
- Delivers a very strong return on equity of 12.2 percent in the first half of 2023 and 12 percent in 2022.
- Book value NOK 745 million (P/B - 1.0)

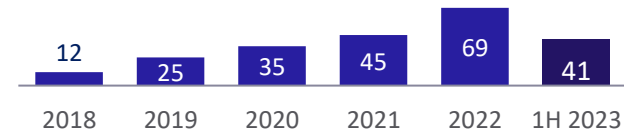
Profit after tax Brage



Comission income Brage



Share of profit SØR



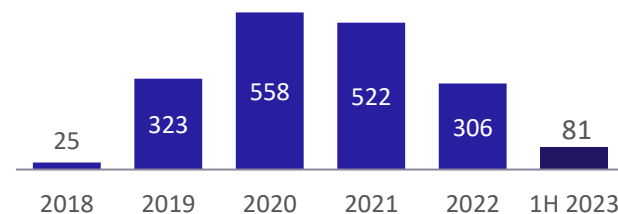
Good, but varying profit contributions from Frende



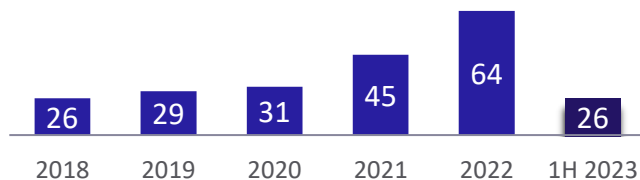
Millioner NOK

- The equity method and income-generating share of profit after tax (Contribution to profit is reduced by amortization of added value from purchases by 22 NOK million annually)
- Har styrket salgsapparatet innen forsikring gjennom kjøp av Sørlandet Forsikringscenter. Portefølje på over 500 mill. kroner (over 20 % av Frende's totale portefølje)
- Book value NOK 469 million (P/B - 1.4)

Profit after tax Frende



Comission income



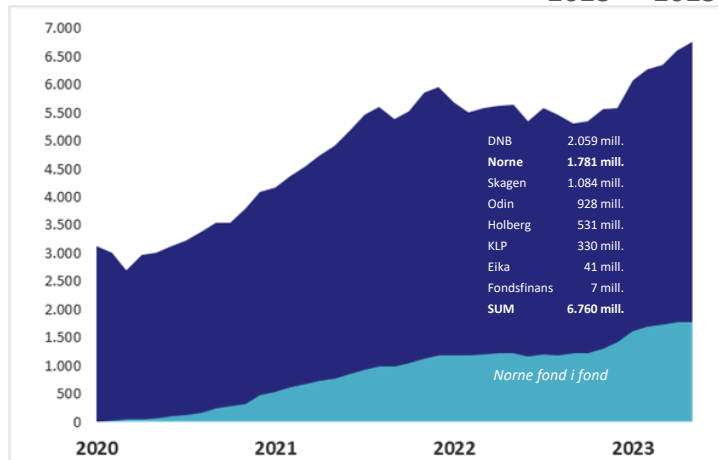
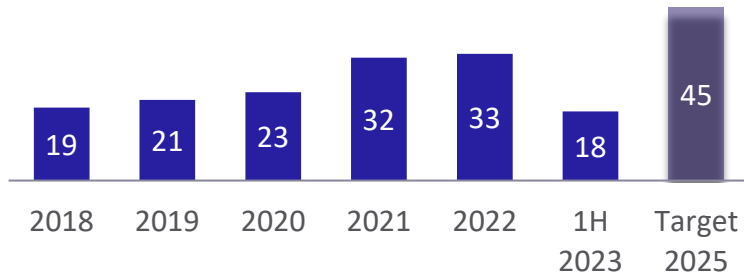
Share of profit SØR



Positive development in the savings area

Commission income mutual fund

NOK million



FUM (Fund under management) – 6,76 NOK billion.

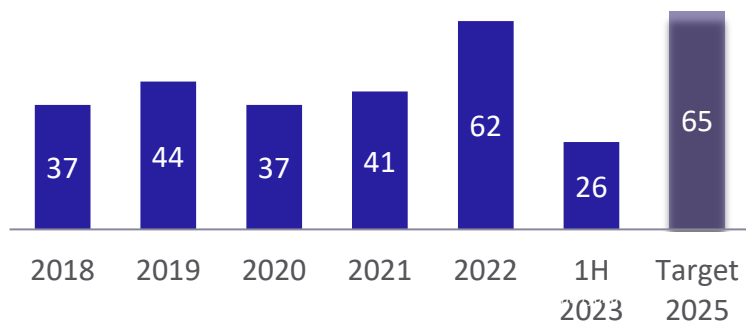
- Increased focus on Norne Fondsportal
- Growth in both the number of savings agreements and paid-in amounts from savings agreements
- Flattening in 2022 as a result of stock market turmoil, growth in 2023
- The ambition is to increase commission income from mutual funds in the period 2020-2025

Increased income from Sør Markets

- Important area for the bank
- Still potential for further growth
- Synergies towards the corporate market

NOK million

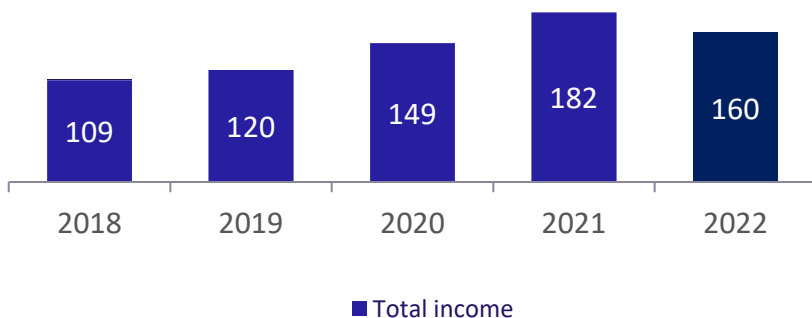
Income currency and interest rate swaps



Sørmegleren has grown and provides synergies



NOK million



NOK million	30.06. 2023	30.06. 2022	Endring
Revenues	85,8	86,8	-1,0
Operating expenses	84,1	81,7	-2,4
Operating profit	1,8	5,1	-3,3
Profit before tax	1,0	4,8	-3,8

47 percent growth in revenue from 2018 to 2022 despite a marked drop in activity in 2022.



Position-building investment areas



A gift fund that develops the region

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.



Gir 60 millioner til kanal i Arendal

Arendals Fossekompani og Sparebanken Sør investerer 30 millioner kroner hver til kanalprosjektet i Arendal.





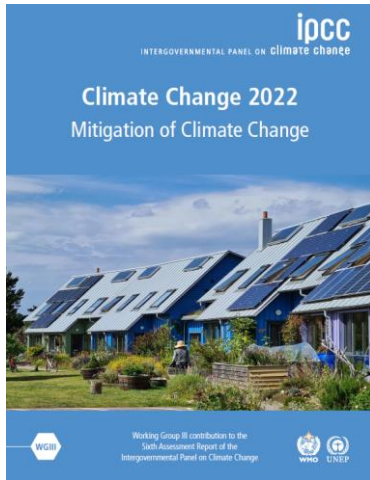
Customer dividends paid out for the first time in April 2023





Preparing for tough climate requirements

To reach the **climate targets**, we must have immediate cuts in emissions



The **EU taxonomy** is of great importance to banks and customers



Betydelig omdirigering av privat og offentlig kapital og finansiering - til grønne aktiviteter

The **bank's ESG risk is low**, and we score high in recognized measurements





Strong skills rotation from 2018 to today

Fewer with banking experience
Fewer customer handlers

More with higher education
More specialists





Increased availability and good customer service

Sparebanken Sør får døgnåpent kundesenter

Mistet bankkortet, blitt svindlet eller fått sperret BankID-en din? Nå kan du få hjelp av kundesenteret hele døgnet – også i helger og ferier.



På pallen i Kundeserviceprisen

Kundesenteret i Sparebanken Sør har den siste tiden jobbet grundig og systematisk med å forbedre servicen og responstiden, og det har gitt resultater.



Goals and future expectations

Financial ambitions



Overriding target

Return on equity over 11 % in 2023 and over 12 % by the end of 2025

> 16,5%

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

Equity certificate owners

20 largest equity certificate owners as of 30.06.2023

	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.	760.348	1.82	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	83.203	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	Gumpen Bileiendom AS	174.209	0.42	17	Apriori Holding AS	72.575	0.17
8	KLP Gjensidige Forsikring	163.300	0.39	18	K.T. Brøvig Invest AS	72.000	0.17
9	Allumgården AS	151.092	0.36	19	Varodd AS	70.520	0.17
10	Hamjern Invest AS	140.099	0.34	20	Birkenes Sparebank	66.000	0.16
	Sum 10 største eiere	36.422.256	87.34		Sum 20 største eiere	37.229.477	89.27

- As of 30. June 2023, 41 703 057 ECs of NOK 50 each had been issued
- Profit (Group) amounted to NOK 3.9 per EC in Q2 2023, NOK 8.2 per EC YTD and NOK 11.9 per EC in 2022.
- The ownership ratio as of 30.06.2022 was 40.0 percent

SOR – share price and liquidity

Share price development as of 30.06.2023

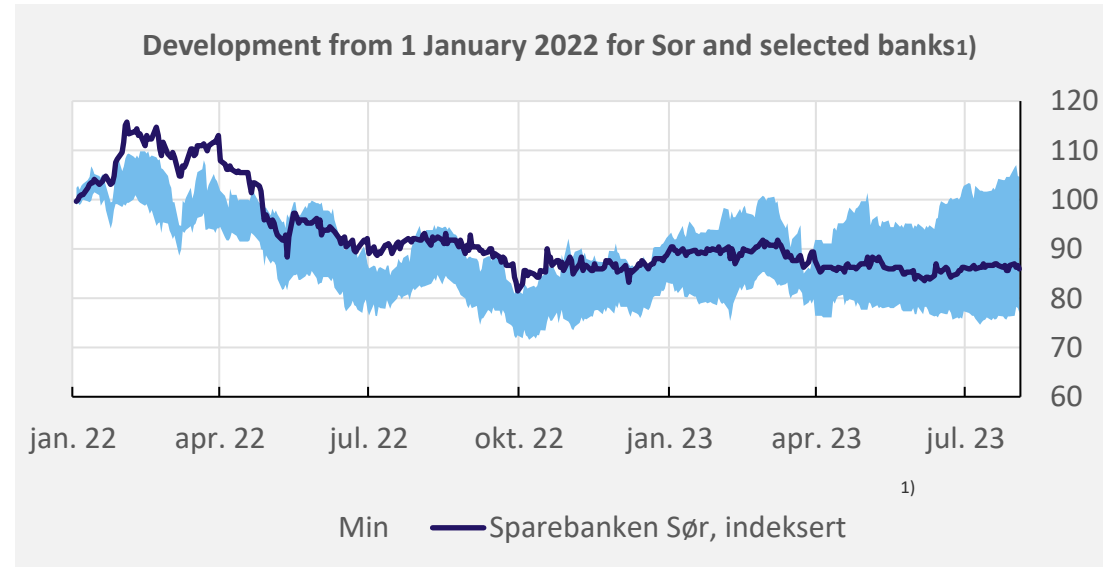
- The share price for SOR was NOK 126 and book value was NOK 143.1, amounting to a price-to-book ratio of 0.88
- The equity certificates gave a return of -0.4 % last 12 months
- Profit per equity certificates 30.06.2023 of NOK 8.2, which represents a P/E of 7.7

Turnover

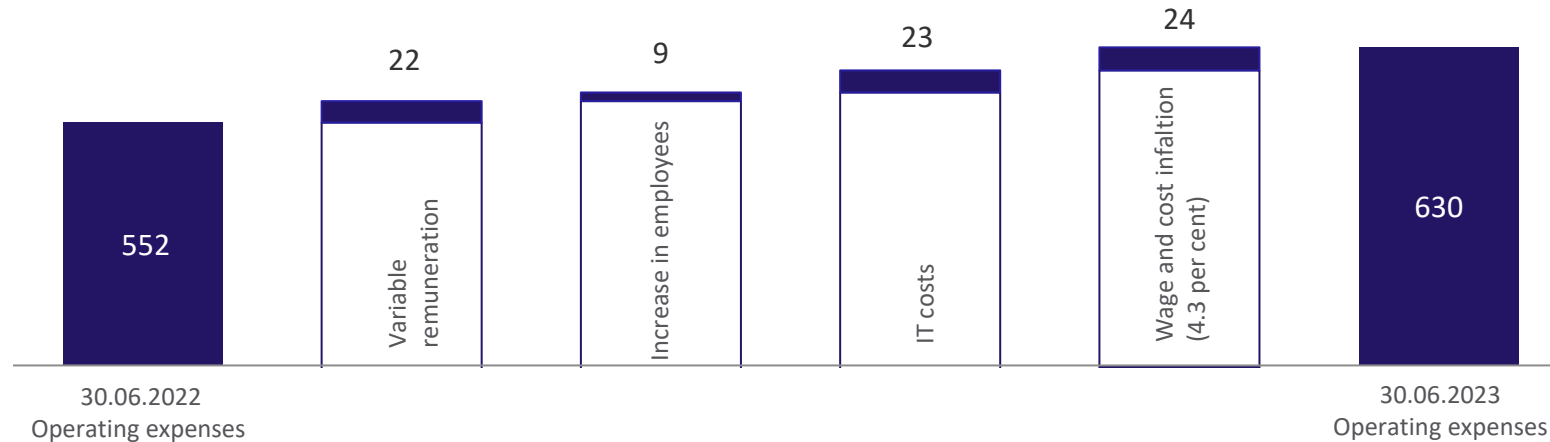
- Turnover of 0.9 mill. equity certificates last 12 months.
- 41 703 057 total issued, and an EQ rate of 40.0 %.

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.



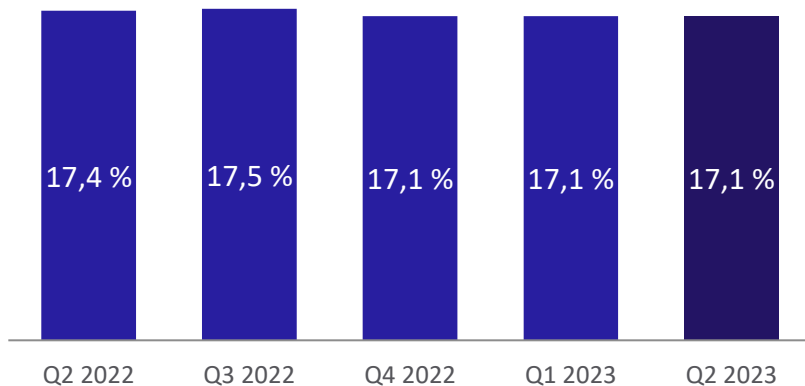
Cost development



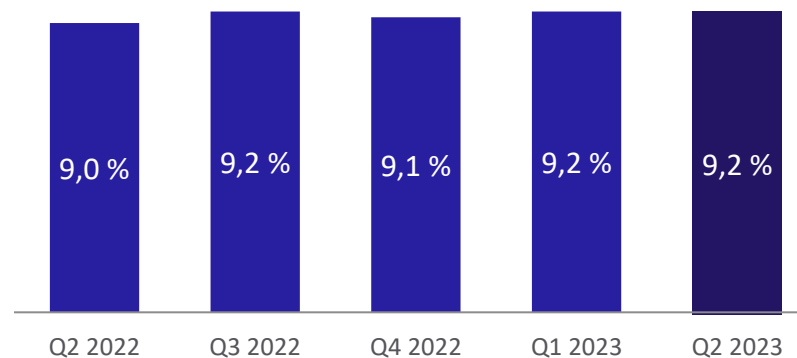
Has increased staffing and continued to invest in technology (IT).
Good results have resulted in higher variable remuneration for employees.
High underlying wage and cost inflation.

Solid capital situation

Common equity tier 1 capital ratio



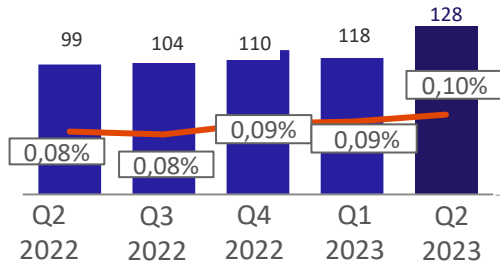
Leverage ratio



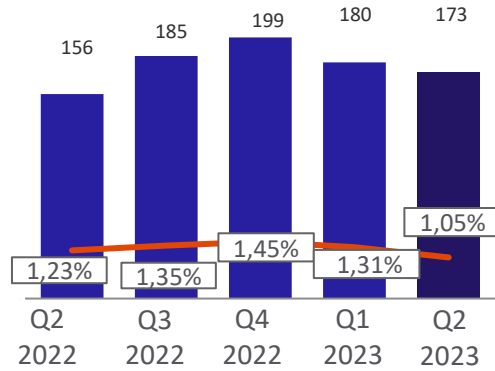
- Common equity tier 1 (CET1) well above the current capital requirement of 13.2 percent
- CET1 ratio of 17.1 percent, same level as last quarter. The effect of increased ownership in Brage amounted to -0.2 percentage points in Q4 2022.

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

