



Sparebanken Sør

Company presentation

25 March 2022

Disclaimer

ABOUT THIS PRESENTATION

By reading this company presentation or attending any meeting or oral presentation held in relation thereto (collectively the "**Presentation**"), you (the "**Recipient**") agree to be bound by the following terms, conditions and limitations. The Presentation has been produced by Sparebanken Sør (the "**Bank**").

The Presentation has been prepared for information purposes only and does not constitute, and should not be construed as, an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction and nothing in this Presentation shall in any way constitute or form part of any legal agreement or be relied on in connection with, any contract, commitment or investment decision. Each Recipient of the information contained in this Presentation is responsible for making its own independent assessment of the business, financial condition, prospects, status and affairs of the Bank. The Recipient should consult with its own professional advisers for any such matter and advice.

This Presentation has not been approved or reviewed by, or registered with, any public authority or stock exchange. This Presentation is not a prospectus and does not contain the same level of information or disclosure as a prospectus or similar documents.

The information contained in this Presentation has not been independently verified. This Presentation contains information which has been sourced from third parties believed to be reliable, but without independent verification. None of the Bank or any subsidiary undertakings or affiliates, or any directors, officers, employees, advisors or representatives (collectively "**Representatives**") make any representation or warranty (express or implied) whatsoever as to the accuracy, completeness or sufficiency of any information contained herein, and nothing contained in this Presentation is or can be relied upon as a promise or representation by the Bank or any of its Representatives.

FORWARD LOOKING STATEMENTS AND THIRD-PARTY SOURCES

Matters discussed in this Presentation may constitute or include forward-looking statements. Forward-looking statements are statements that are not historical facts and may include, without limitation, any statements preceded by, followed by or including words such as "aims", "anticipates", "believes", "can have", "continues", "could", "estimates", "expects", "intends", "likely", "may", "plans", "projects", "should", "target" "will", "would" and words or expressions of similar meaning or the negative thereof. Forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Any forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Bank, or cited from third party sources, are solely opinions and forecasts and are subject to risks, uncertainties and other factors that may cause actual results and events to be materially different from those expected or implied by the forward-looking statements. Although the Bank believes that forward-looking statements in this Presentation were reasonable when made, these statements are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. None of the Bank or its Representatives provide any assurance that the assumptions underlying any forward-looking statements are free from errors nor do any of them accept any responsibility for the future accuracy of opinions expressed in this Presentation or the actual occurrence of forecasted developments.

NO UPDATES

This Presentation speaks as at the date set out on herein. Neither the delivery of this Presentation nor any further discussions of the Bank or its Representatives with the Recipient shall, under any circumstances, create any implication that there has been no change in the market or the affairs of the Bank since such date. Neither the Bank nor its Representatives assumes any obligation to update or revise the Presentation or disclose any changes or revisions to the information contained in the Presentation.

DISTRIBUTION AND GOVERNING LAW

This Presentation and the information contained herein is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

This Presentation is subject to Norwegian law, and any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Norwegian courts with Agder District Court as legal venue.



SPAREBANKEN SØR

Table of contents

1. Introduction
2. The new SOR ECC
3. Strategic priorities
4. Attractive home region
5. Key financials
6. Loan book composition and quality
7. Capital and funding
8. Dividend policy
9. Financial ambitions, summary and timeline

Sparebanken Sør at a glance

The leading bank in Southern Norway



Established in 1824
579 employees



180,000 retail
customers



Financial group with banking,
insurance, securities brokerage and
real estate brokerage



22,000 corporate
customers



Publicly traded and
community-owned



Regional branches,
and online services

Total assets of NOK 144 billion

2021 profit after tax of NOK 1,226 million

Cost/income ratio of 39.9%

Retail market shares by county*



Rogaland Vestfold og Telemark
Agder

Note (*): Market share of retail market, per cent
(Source: Eiendomsverdi AS, Markedsandelsrapporter)

Broad product offering to retail and corporate clients



Retail banking

66% of total loan book
98% residential mortgages

Corporate banking

34% of total loan book
63% real estate exposure

Sørmegleren (90.1%)

The leading real estate broker
in Southern Norway with a
market share of ~30%

Sparebanken Sør Boligkreditt (100%)

NOK 47bn in covered bond
issuance



Frende Forsikring

(19.8% ownership)

Insurance products to 159,000 retail and corporate customers



Brage Finans

(20.8% ownership)

Leasing and loans secured by purchased assets to retail and corporate customers



Norne Securities

(14.8% ownership)

Securities firm offering investment services to retail and corporate customers



Balder Betaling

(24.8% ownership)

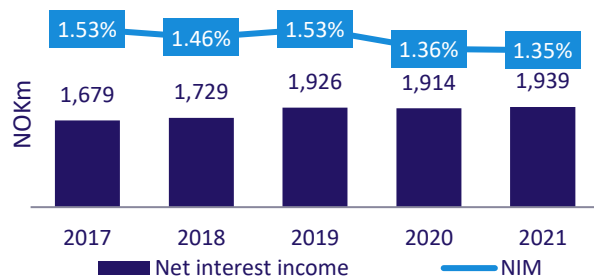
10.7% ownership in Vipps, Norway's largest payment app used by over 4 million



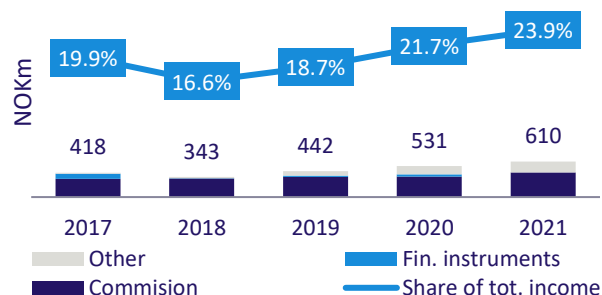
SPAREBANKEN SØR

Stable financial performance and low loan losses

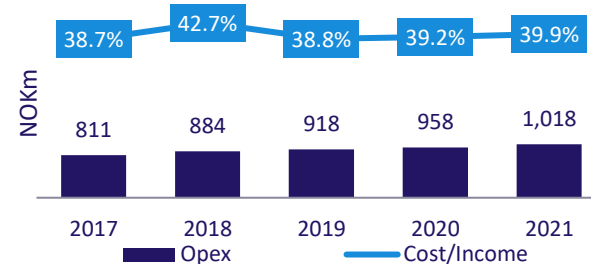
Net interest income



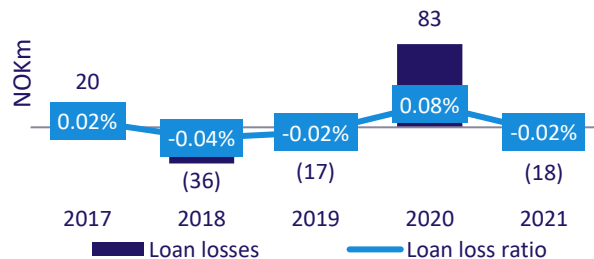
Net non-interest income



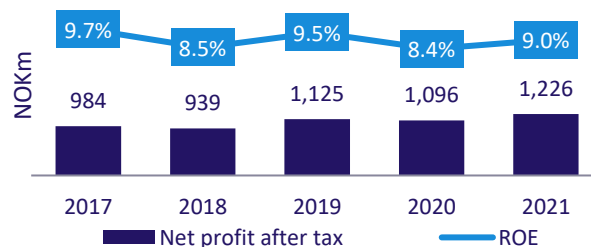
Operating costs



Loan losses



Net profit after tax



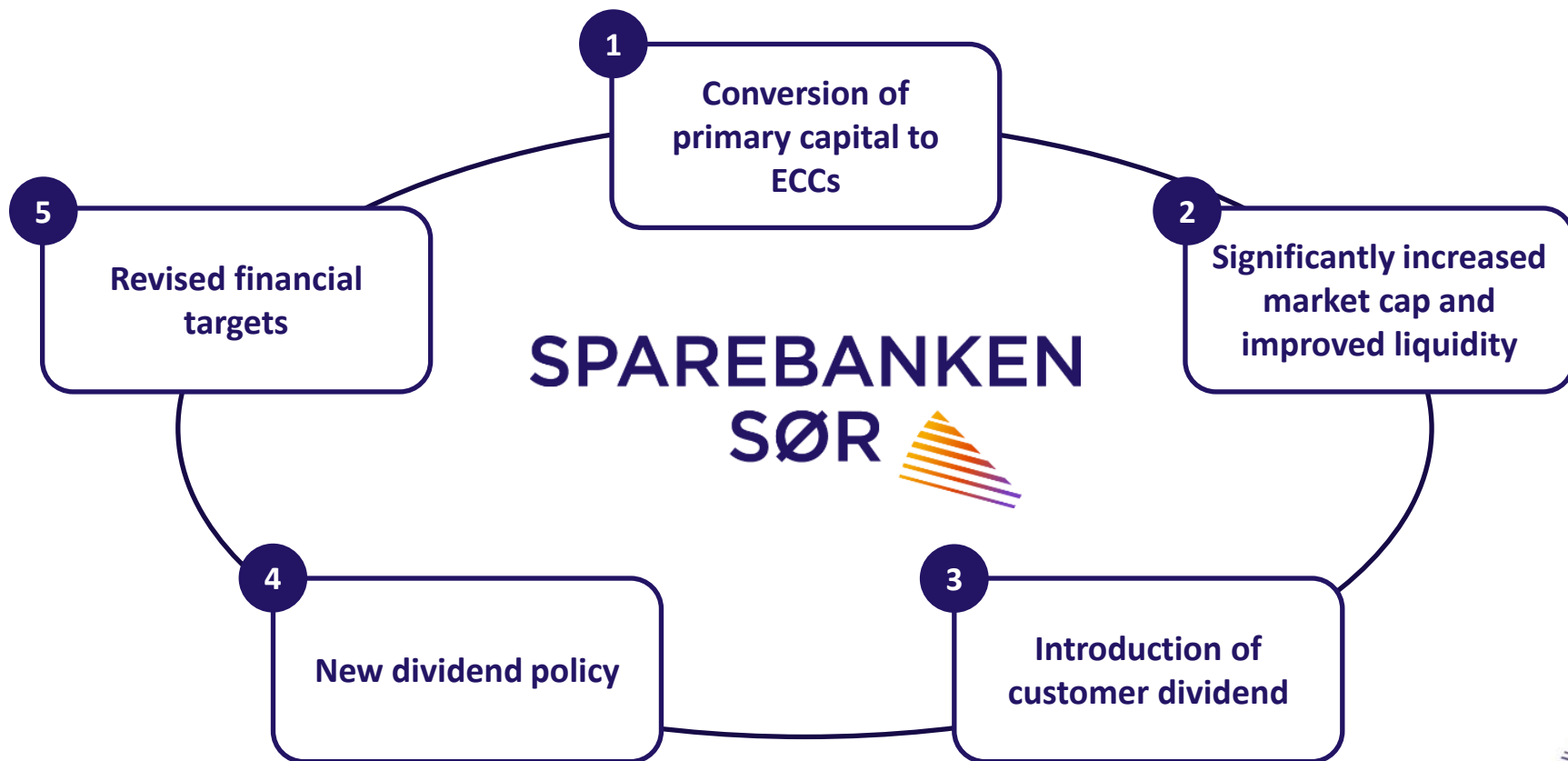
Key comments

- Focus on increasing non-interest income
- Low cost/income ratio
- Low loan losses over time – most 2020 losses related to IFRS 9 model

Table of contents

1. Introduction
2. **The new SOR ECC**
3. Strategic priorities
4. Attractive home region
5. Key financials
6. Loan book composition and quality
7. Capital and funding
8. Dividend policy
9. Financial ambitions, summary and timeline

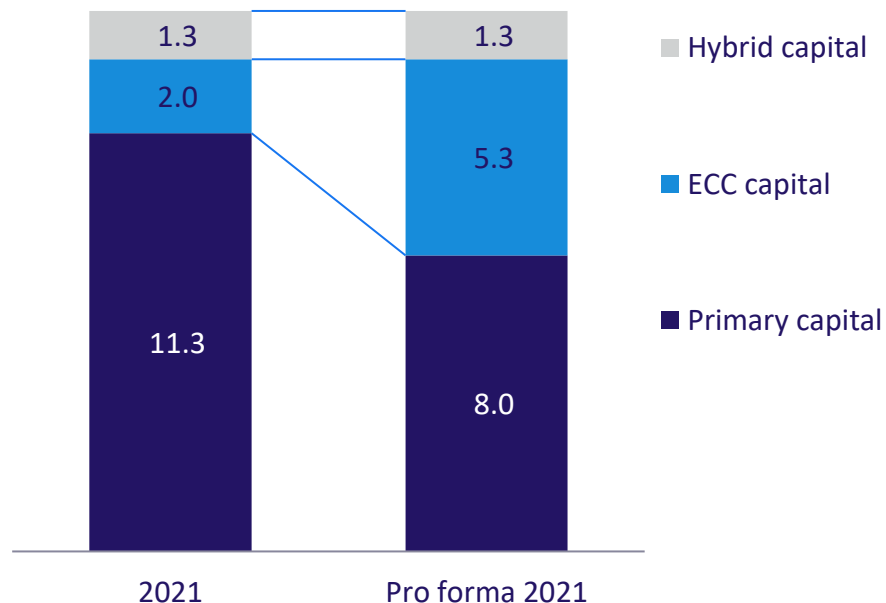
New strategic initiatives



Conversion to increase market cap substantially

- Proposed conversion of about NOK 3.3bn from primary capital to ECCs*
- Book value of listed equity to increase from NOK 2.0bn to NOK 5.3bn
- Newly issued ECCs to be transferred to existing foundation Sparebankstiftelsen Sparebanken Sør
- To be resolved on General Assembly March 31, 2022
- The conversion requires FSA approval
- New ECCs are entitled to their share of earnings from January 1, 2022, and 2022 dividends in line with existing ECCs

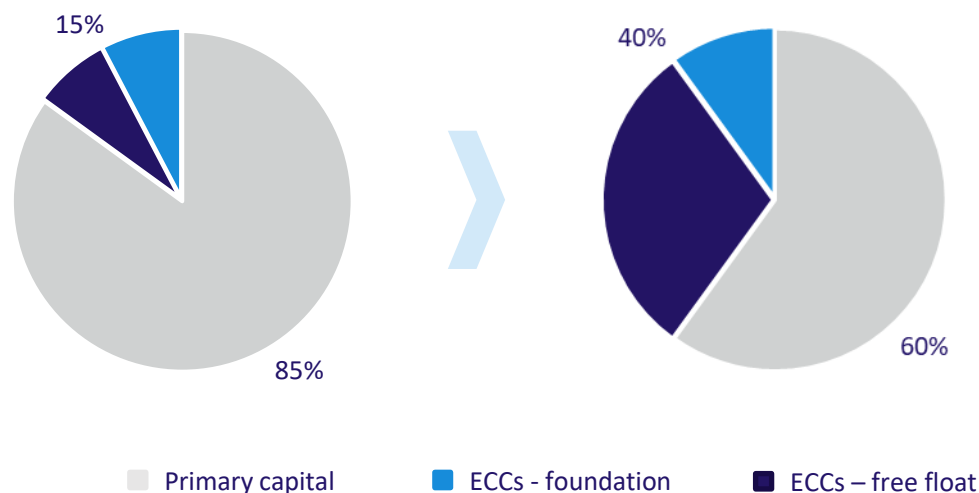
Increased ECC capital
(NOK bn)



Significantly increased ECC share of equity

- ECC share of equity will increase from 15% to 40%
- The Foundation intends to sell a significant part of the newly issued ECCs through a structured process
- The Foundation will lower the minimum required ownership threshold from 35% to 25%
- The “free-float” market cap will increase significantly, improve liquidity and secure a broad-based, strong ownership
- The Foundation will be highly liquid and a solid capital base for the bank
- A potential sale requires FSA approval

Increased ECCs share of equity



Revised dividend policy and introduction of customer dividend

Equal pay-out ratio of 40-50%

- The new dividend policy will facilitate expected growth and yield attractive direct returns to ECC holders as well as sufficient levels of gifts and customer dividends
- The pay-out ratio will be applicable to both equity capital classes – no dilution through dividends and gifts

Customer dividend with multiple benefits

- Increased satisfaction and attractiveness for customers
- Distribution enabled by the bank's equity structure
- Corresponding to ~0.20% based on 2021 earnings
- Will, under current tax regulation, improve the ROE of Sparebanken Sør by an estimated 0.4%-points

Financial ambitions



Overriding target

Return on equity > 11% by end of 2025

> 16.3%

CET1 capital ratio*

< 40.0%

C/I ratio

40-50%

Pay-out ratio

Updated ROE targets

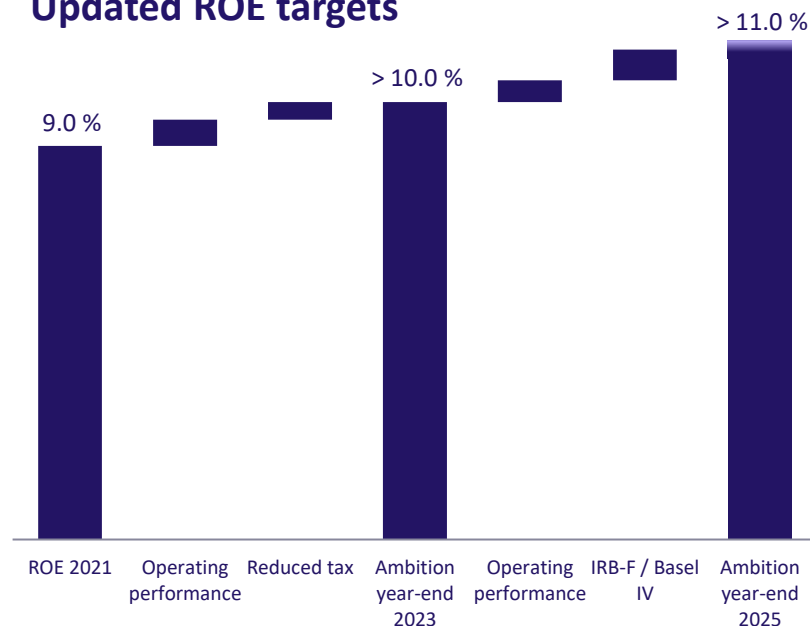


Table of contents

1. Introduction
2. The new SOR ECC
- 3. Strategic priorities**
4. Attractive home region
5. Key financials
6. Loan book composition and quality
7. Capital and funding
8. Dividend policy
9. Financial ambitions, summary and timeline

Mission

Create sustainable growth and development in our region

Vision

Relationship bank for the future

Values

Reliable

Committed

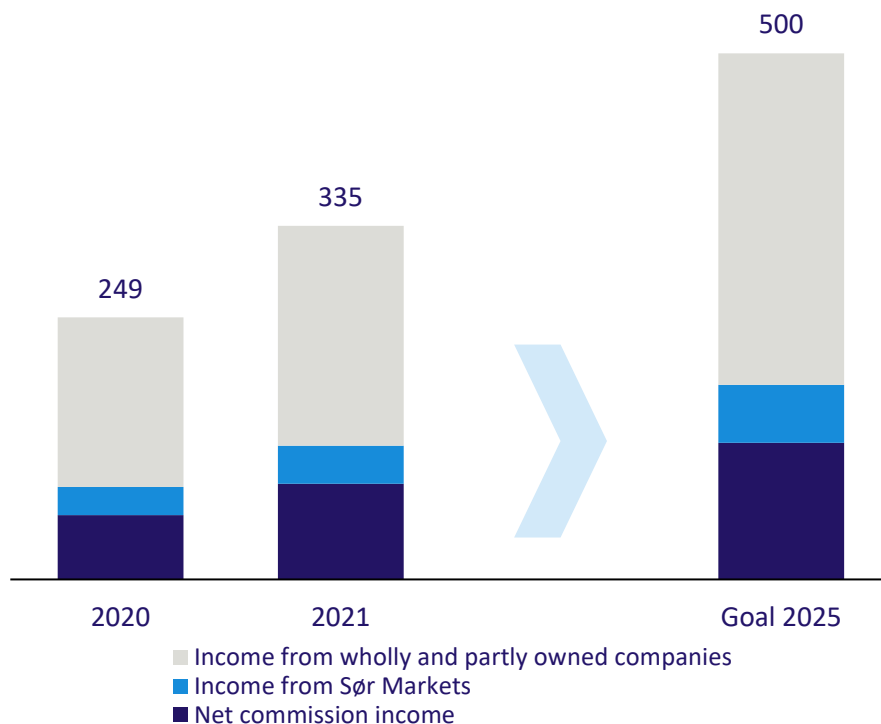
Future-oriented



Strategic priorities

1. Increase other income and share of wallet
2. Strengthen digital competence and capabilities
3. Enhance skill base
4. Strengthen distribution efficiency and effectiveness
5. Improve capital efficiency – implementing IRB
6. Remain ESG leader and create sustainable development in region

1. Increase other income and share of wallet



Implemented measures

- **Insurance:** Strengthened distribution channels of Frende products
- **Leasing:** Grow volumes from banking clients through Brage
- **Savings:** Digital savings portal, Norne Fondsportal
- **Real estate brokerage:** More branches, and extending to commercial property
- **Growth in revenues and net earnings contribution from these companies**

Other income	2020	2021	Goal 2025
Net commission income*	61	91	130
Income from Sør Markets	27	36	55
Income from wholly and partly owned companies	161	209	315
Sum	249	335	500

2. Strengthen digital competence and capabilities



Full service online solutions

- Digital self-service loan portal
- Success with digital savings robot
- Invoice scanner and ID check
- Access to tailored fund and insurance solutions in collaboration with Norne Securities and Frende Forsikring



Up- and re-skilling employees

- Fewer employees with traditional banking background and more with technical and analytical higher education
- Increased number of data scientists and IT specialists
- Development of customer and credit models



Regulations and security

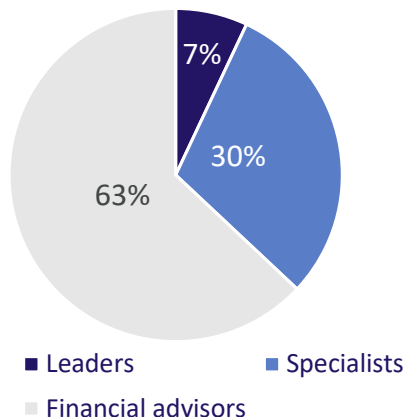
- ISMS: prevent, detect and act
- Competence development for customers
- Fast response to technological leaps
- Continuous and systematic processes on data quality

3. Enhance skill base

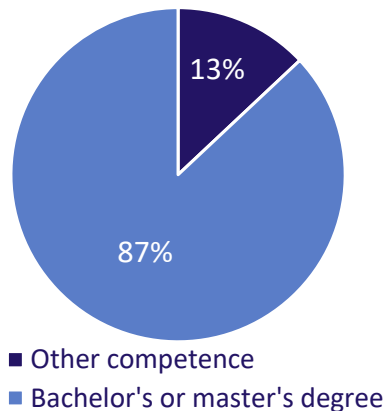
WHAT: A powerful shift in the skill composition, from general banking experience to more specialists and employees with higher education, within areas such as digitalisation, UX-design, compliance, AML, modelling and data analysis.

WHY: The need to enhance the digital customer services and provide more data driven solutions demands other types of competence and skills.

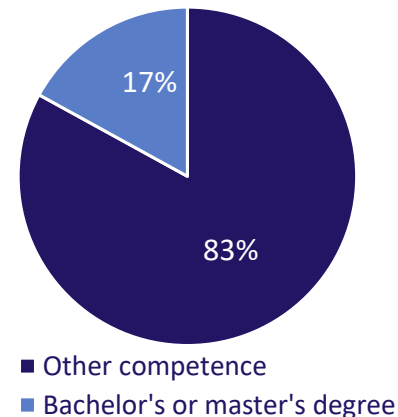
Employees started, positions*



Employees started, education*



Employees left, education*



4. Strengthen distribution efficiency and effectiveness

Retail market

Digital self-service loan portal



Digital platform for fund savings



Self-service of all daily banking services



Aiming for cashless banking



Modernised retail branches



Corporate market

Established a financial dashboard for corporate internet banking



Onboarding all customers to full-service online banking



New mobile bank launch in March 2022



Digitalised important customer processes



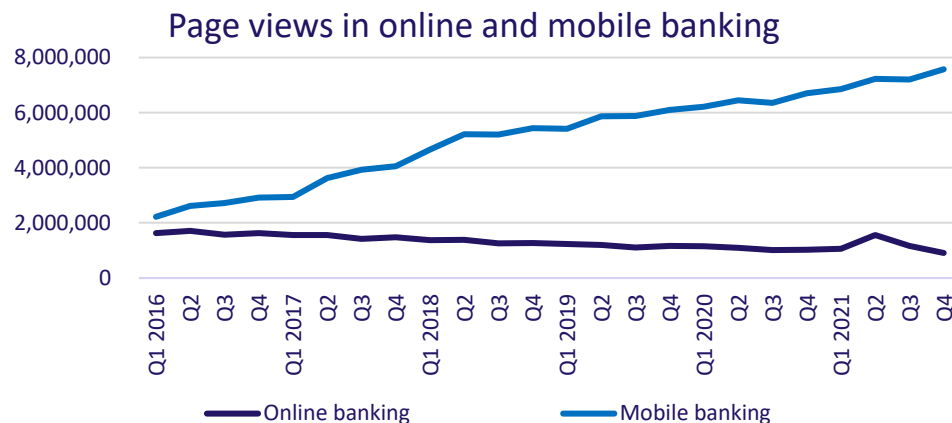
High-competence support centre



Enhanced data platform and marketing automation system

4. Retail customers: Strong growth in mobile banking

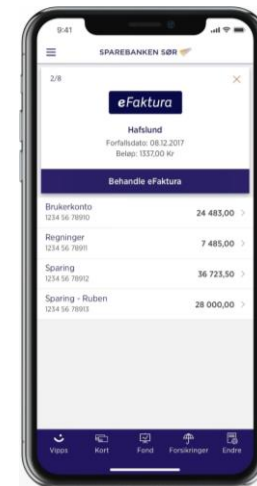
- ✓ 88% of active retail customers use online and mobile banking*
- ✓ Mobile banking accounts for 68% of total digital traffic
- ✓ 48% of digital customers use mobile bank only
- ✓ 28.5 logins in the mobile bank each month on average per customer



Mobile bank with excellent customer feedback

App Store 4.5 out of 5

Google Play 4.5 out of 5



Consistent stable high score in App Store and Google Play



5. Improve capital efficiency – implementing IRB

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



Next generation data warehouse

- SAS data warehouse and risk solution
- Data availability
- Baseline for model development



Enhancing credit processes

- Implemented new definition of default
- Developed algorithms for LTV and security coverage
- Improved internal guidelines for collaterals
- Completed gap analysis for the credit process

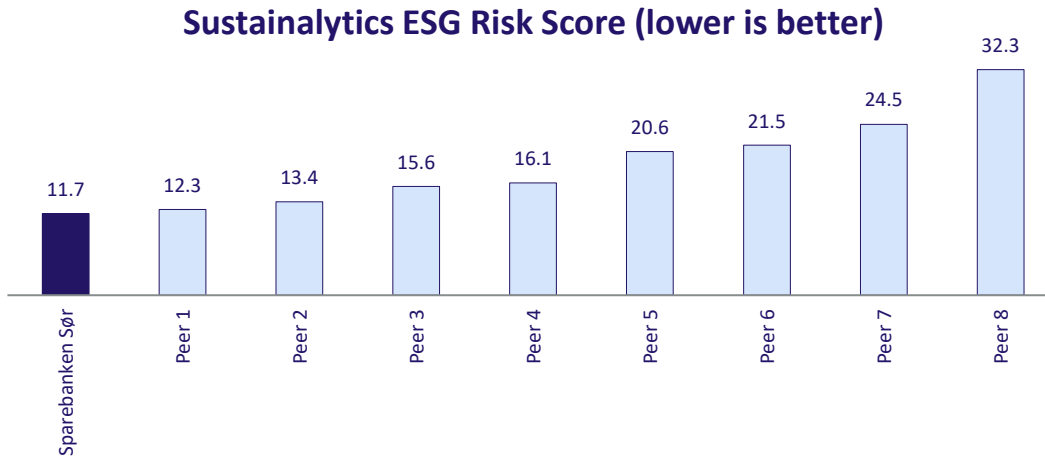


Building competence and structure

- Increased capability and competence through recruitment
- Internal upskilling in technology and financial regulations

Implement and apply IRB-F

6. Remain ESG leader and create sustainable development in region



- First Norwegian bank to receive *Gender Equality and Diversity* certification in 2018
- Financial reporting in line with TCFD (Task Force on Climate-Related Financial Disclosures)
- Transparent investor information through ESG library

Independent and transparent
ESG assessment

Requirements and
expectations from investors

Our own social responsibility

6. Aiming for zero carbon emissions



Carbon footprint:

55% reduction in climate emissions by 2030
Zero climate emissions by 2050



Donations:

Regional donations for sustainable and socially beneficial purposes



ESG in the credit process:

ESG as an integral part of the credit process
Improved ESG credit system with TietoEvy



Green and social bonds:

Green & Sustainability Bond Framework (2019/2022)



Emissions in loan portfolios:

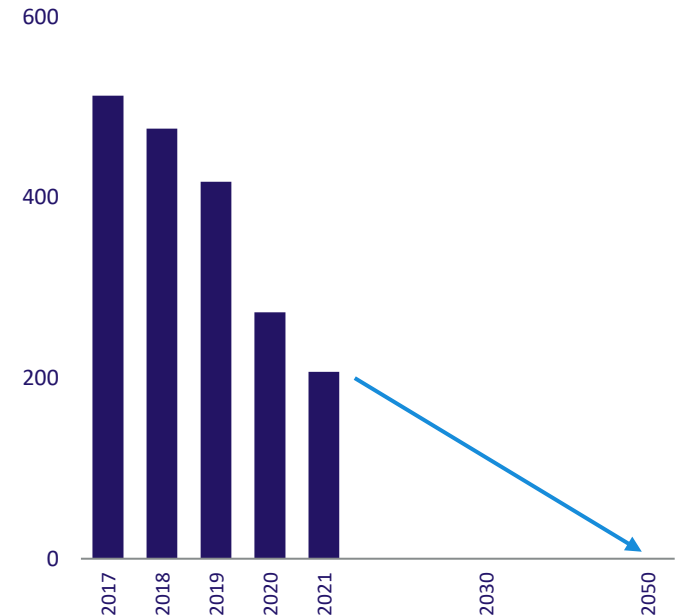
40% reduction in emissions from lending and investments by 2030



A global perspective:

Adherence to global initiatives, frameworks and principles

Carbon emissions in tons of CO2

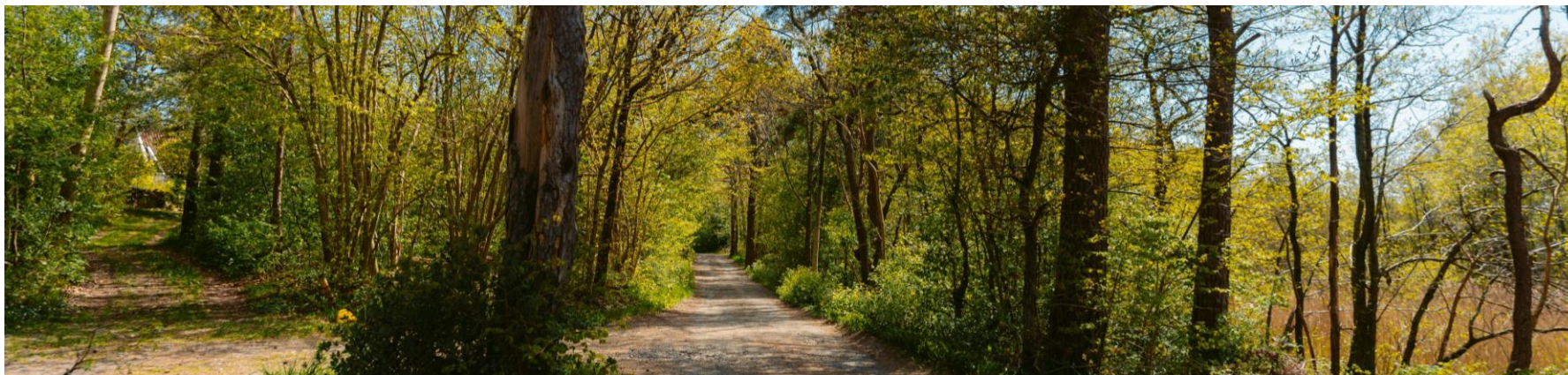


SPAREBANKEN SØR

Table of contents

1. Introduction
2. The new SOR ECC
3. Strategic priorities
4. **Attractive home region**
5. Key financials
6. Loan book composition and quality
7. Capital and funding
8. Dividend policy
9. Financial ambitions, summary and timeline

From two local banks to regional market leader



Two of the first savings banks in Norway are established, creating the foundation for Sparebanken Sør.

Norwegian savings banks play an important role in the development of local communities.

Consolidation of ~40 savings banks. Sparebanken Sør and Sparebanken Pluss are established.

Sparebanken Sør and Sparebanken Pluss consolidate and become the largest bank in the region.

ECC share of equity increases from 15% to 40%. Customer dividends are introduced.

1824

Until 1970

1970-2000

2014

2022



SPAREBANKEN SØR

Expanding from a strong home region

Agder



- Population 310,000 (6% of national population)
- Positive housing price trend, Kristiansand reporting y/y growth rate of 8%.
- Diverse business sector, health and social sector also major employer
- Loan book exposure of 65%
- Initial home market with a #1 market position
- Head office in Kristiansand and 24 bank branches

Rogaland



- Population 485,000 (9% of national population)
- Stavanger is main city: Stable growth in housing prices with y/y growth rate of 7%
- Leading position within energy industry
- Loan book exposure of 4%
- Targeted market with steadily increasing market share



Oslo



- Population 700,000 (13% of national population)
- Steady increase in housing prices over many years with y/y growth rate of 3%
- Capital, public sector and services dominate
- Loan book exposure of 9%

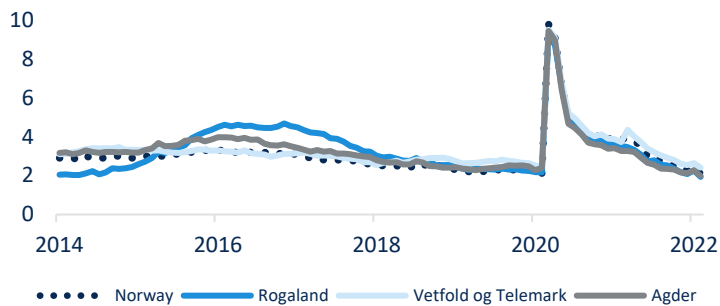
Vestfold and Telemark



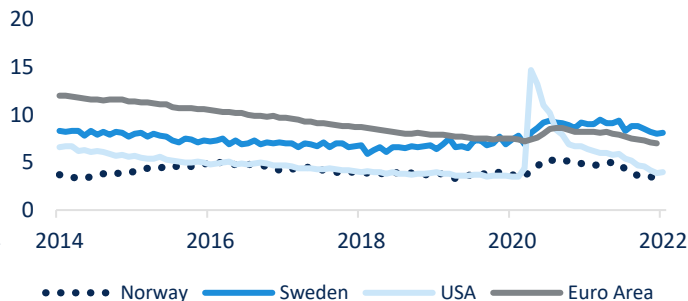
- Population 425,000 (8% of national population)
- Strong growth in housing prices with y/y growth rate of 11%
- Diverse business sector, industry, agriculture
- Loan book exposure of 13%
- Eight bank branches

Positive outlook for the Norwegian economy

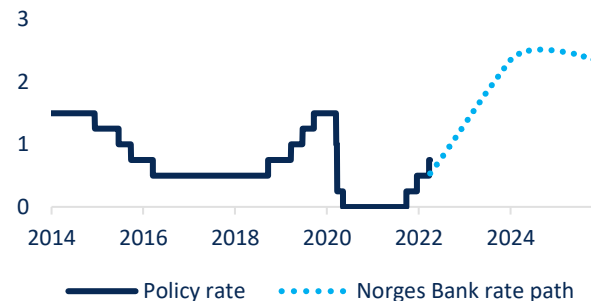
Norwegian Unemployment Rate¹



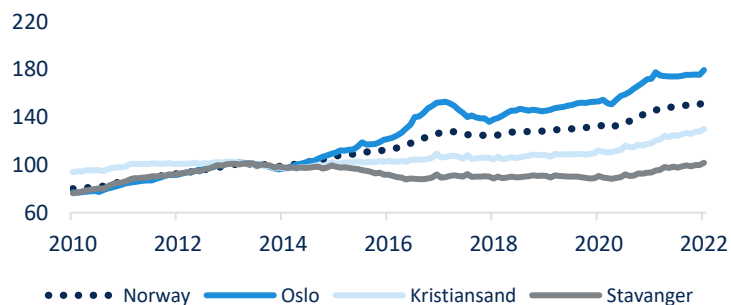
LFS Unemployment²



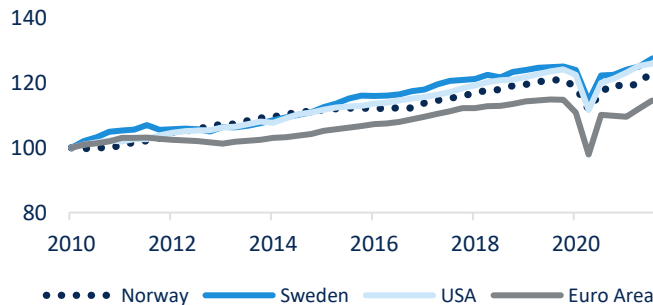
Norges Bank Policy Rate



Housing prices³



GDP⁴



Macro comment

- Unemployment back at pre-pandemic levels
- Two policy rate hikes since pandemic outbreak, and several are expected going forward
- Steady increase in housing prices across Norway
- GDP growth is picking up and illustrates strengthened economic conditions

Group management



Geir Bergskaug

CEO in Sparebanken Sør from 2010. Executive Vice President in Gjensidige (1999-2010) and Board Chair Gjensidige Bank. General Manager and Director in DNB (1988-1999). Master of Business and Economics from Norwegian School of Economics and Business Administration, MBA from INSEAD (France), GMP from Harvard Business School (USA). Board Chair Finance Norway, Deputy Chair Frenche Insurance, Board member Norwegian Savings Bank Association, Board member Vipps



Marianne Lofthus

Capital Market Director from January 2014 and General Manager of Sparebanken Sør Boligkreditt. Previously CFO of Sparebanken Pluss (2003-2013) and has many years of experience from the financial operations at Sparebanken Pluss, Norsk Hydro and Sparebanken NOR. Master of Business and Economics from Norwegian School of Economics and Business Administration



Rolf H. Søraker

Group Support Director from January 2014. Previously Group Support Director of the "old" Sparebanken Sør (2009-2013) and has a wide range of experience from various roles at Sparebanken Sør from 1986. Additional experience from the educational system and the Norwegian Armed Forces. Education from the Norwegian Armed Forces, Telemark University College and BI, Master in Management



Gry Moen

Business Development Director from January 2014. Previously worked as Business Development Director at the "old" Sparebanken Sør (2011-2013). General Manager of ABCenter Holding (2009-2010) and Marketing Director of Sparebanken Sør (2006-2009). Has previous experience from Statoil, Telenor and LOS/Agder Energi. Education from Trondheim Business College/École Supérieure de Commerce Grenobles/Nantes



Lasse Kvinlaug

Deputy Chief Executive from January 2014 and Corporate Market Director. Master of Business and Economics. Formerly Deputy Chief Executive, Director and General Manager of Sparebanken Pluss (1997-2013). Also experience from Sparebanken NOR/Sparebanken ABC (1987-1997) as Assistant General Manager for corporate market in Kristiansand. Financial Consultant at Statoil (1984-1987)



Gunnar P. Thomassen

Retail Banking Market Director from January 2014. Previously worked at Sparebanken Sør as Director, Regional Director and Bank Manager (1999-2013). Experience from Ernst & Young Management Consulting and the Industrial Fund/SND. Graduate engineer in Industrial Economics from the Norwegian University of Science and Technology



Bjørn A. Friestad

Risk Management Director from January 2014. Responsible for credit and business development at Sparebanken Pluss (2001-2013). Has a wide range of experience from various business areas at Sparebanken Agder/Sparebanken Pluss since 1986. Master in Business and Economics and aut. Financial analyst (AFA) from the Norwegian School of Economics and Business Administration



Steinar Breen

Director of Strategy and Compliance from April 2020. Previously an Associate Partner with EYs consulting business for banking and finance. Additional experience from Accenture. Holds a Master's degree in economics, Cand. Oecon. Authorized financial analyst from Norwegian School of Economics



Eva Kvelland

Director of Marketing and Communications from August 2021. 20 years of experience from politics and organizations, as head of marketing and communication and communications adviser. Was political adviser to Agricultural Minister Lars Sponheim. Holds a Master's degree in public policy and management, UiA and a Bachelor's degree in political science, UiA

Board of directors*



Knut Ruhaven Sæthre (Chair)

Chair of the board since 1 April 2022, member since 2020. Former permanent deputy member from 2018. Member of the Risk Committee. Master of Business Administration from Friborg (Switzerland) with a master's degree in strategic management from Norwegian School of Economics. CFO of BW Energy Limited. Former CFO of BW Offshore Limited and CFO of APL ASA



Erik E. Tønnesen

Member since 2020. Member of the Audit Committee and member of the Technology Committee. Master of Business Administration from BI Norwegian Business School. Managing Partner in Skagerak Maturo AS, former Executive Vice President Gjensidige, Regional Director Acta Asset Management and Bank Manager Sparebanken Sør. Chair of the Board of Skandia Green Power AS and Chair of the Board of Tønnesen Sko AS. Board member of Efferas AS, Innoventus Sør AS, Mandal Utvikling AS, Malmø Utvikling AS



Eli Giske

Member since 1 April 2022. Master of Business and Marketing, Finance and management from BI Norwegian Business School, Examen philosophicum, Philosophy from the University of Oslo. CEO of Giske Consulting and former CFO in Posten. Deputy chair of the board of Nye Veier AS, board member of Oslobygg KF, board member of Spordrift AS, board member of Sykehusapotekene HF. Leader of the nomination committee in Itera



Trond Randøy

Board member since 1 April 2022. Former permanent deputy member from 2018. Dr. oec. from the Norwegian School of Economics. Professor at the University of Agder and at the Copenhagen Business School (CBS). Former researcher at Agderforskning AS. Associate professor at Agder University College. Chair of the board of MTI Investment SE, Stockholm, chair of the board of Agder Aviation Tech Team AS, Kristiansand, chair of the board of Sørlandsforskning AS, board member of African Construction AS, Kristiansand, board member of Ecohomes Ltd. Dar es Salaam, Tanzania, Deputy Member of African FinTech AB, Stockholm



Mette Harv

Deputy chair of the board since 1 April 2022, member since 2018. Chair of the Audit Committee and member of the Remuneration Committee. Master of Business Administration from the Norwegian School of Economics. Executive Vice President Renewables and Aquaculture at Nekkar ASA. Former Executive Vice President TTS Energy in TTS Group ASA and Vice President Global Supply Chain & Logistics of National Oilwell Varco, Rig Systems. Chair of the board of Intellilift AS, board member of GCE NODE and Mechatronics Innovation Lab (MIL) and deputy member of Agder Energi ASA



Merete Steinvåg Østby

Member since 2020. Chair of the Technology Committee. Master of Science, University of Tromsø. Digital Manager, Yara Porsgrunn. Former Business Development Manager, Yara Porsgrunn and Section Manager, Financial Services, EVRY. Board member of the Port of Grenland IKS



Jan Erling Tobiassen

Employee member since 2016. Member of the Audit Committee, member of the Risk Committee and member of the Remuneration Committee. Certified Internal Auditor from The Institute of Internal Auditors (IIA). Chief employee representative in Sparebanken Sør. Former consultant at Sparebanken Sør and internal auditor at Sparebanken Sør



Gunnhild Tveiten Gold

Employee member since 2017. Background: Bachelor of Economics, Buskerud University College, Kongsberg Department, Bachelor of Business Administration / Diploma in Economics and Bachelor of Real Estate from BI Norwegian Business School. Authorized financial advisor in Sparebanken Sør. Former authorized real estate agent in ABCenter Telemark AS and financial advisor in Storebrand Bank, Oslo



Tor Kim Steinsland

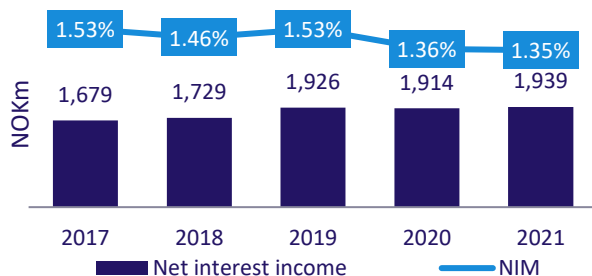
Permanent deputy member since 1 April 2022. Master of Science in Technical Cybernetics from NTH, Executive management Program, innovation and strategic management from INSEAD Kolding. Executive Vice President Industrial IoT Volue ASA. Former CEO of Scanmatic. Board member of Nortek AS

Table of contents

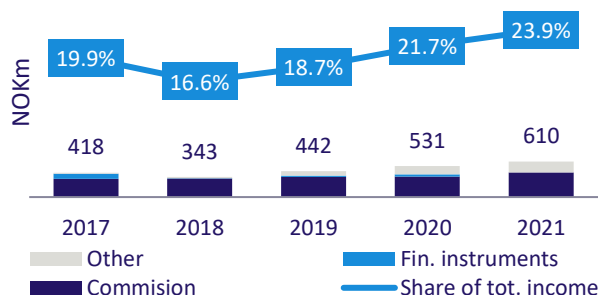
1. Introduction
2. The new SOR ECC
3. Strategic priorities
4. Attractive home region
- 5. Key financials**
6. Loan book composition and quality
7. Capital and funding
8. Dividend policy
9. Financial ambitions, summary and timeline

Stable financial performance and low loan losses

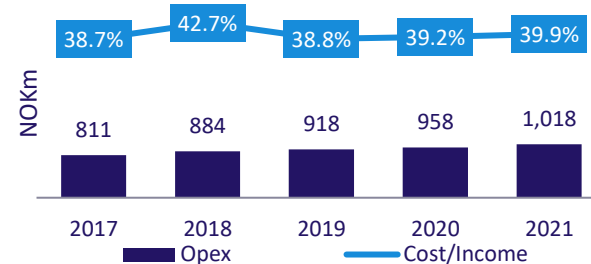
Net interest income



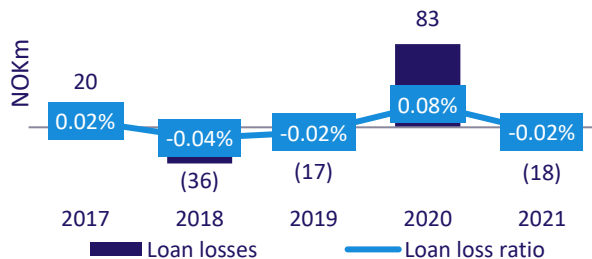
Net non-interest income



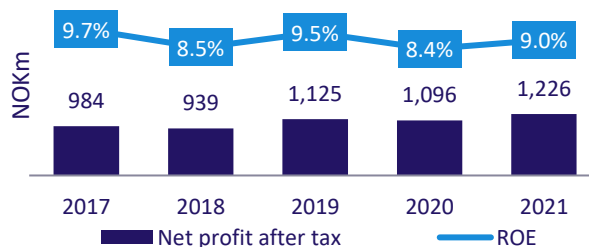
Operating costs



Loan losses



Net profit after tax



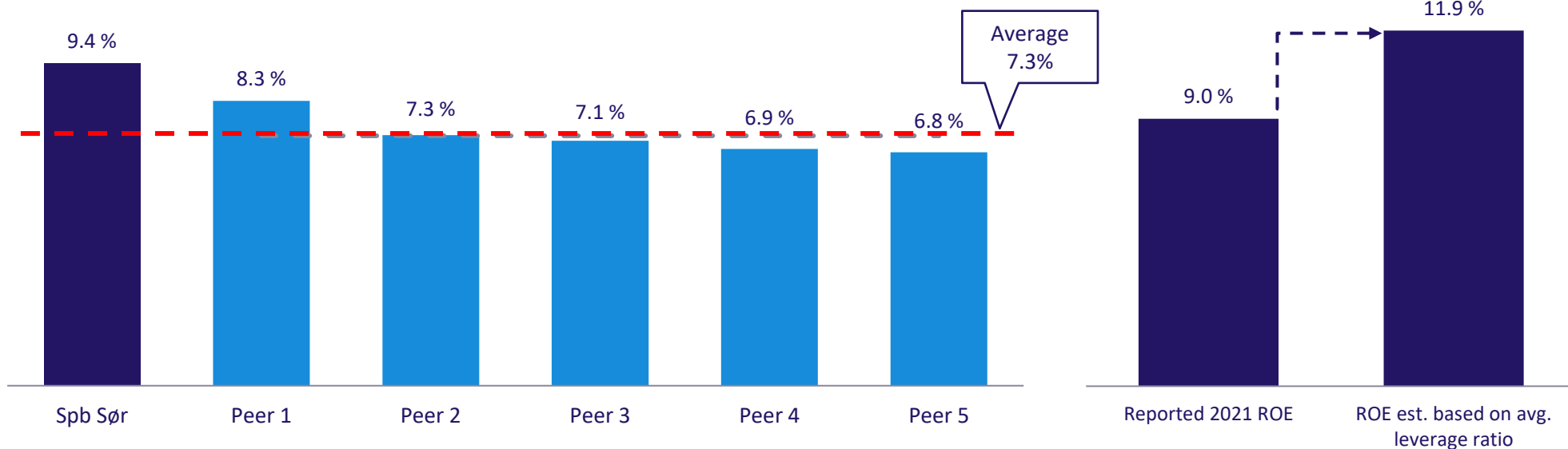
Key comments

- Focus on increasing non-interest income
- Low cost/income ratio
- Low loan losses over time – most 2020 losses related to IFRS 9 model

ROE would increase on “normalised” leverage

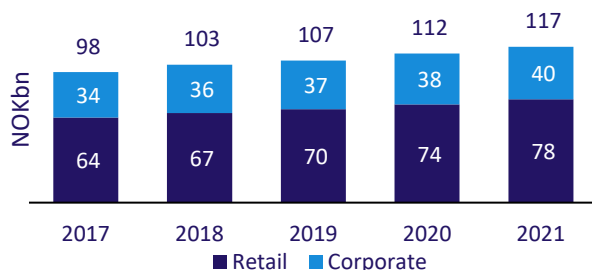
Higher leverage than saving bank peers* with IRB...

...potential for increased ROE

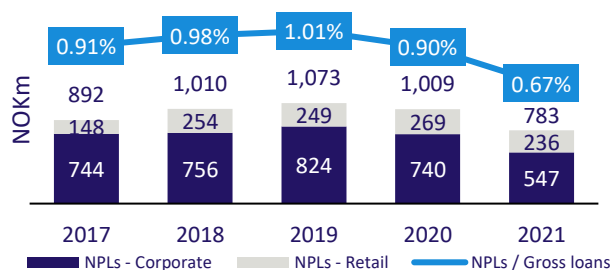


Low risk loan book and well capitalised

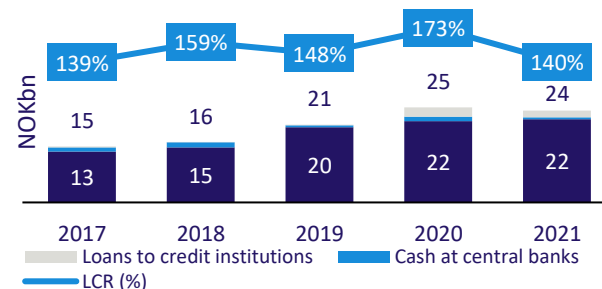
Gross lending



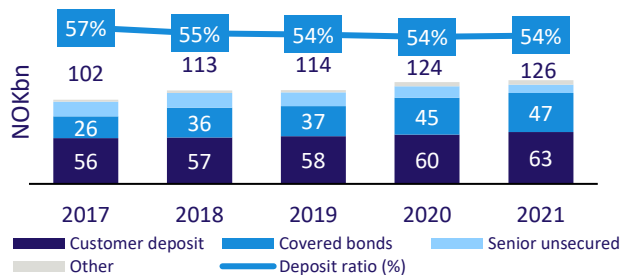
Loan book quality*



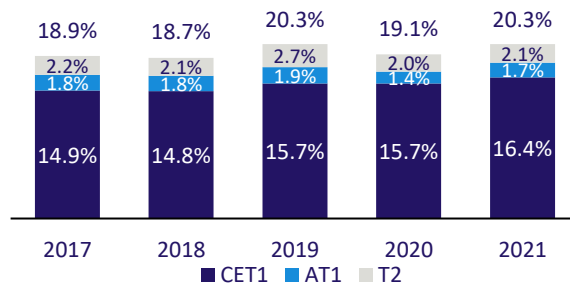
Liquidity



Funding



Capital adequacy

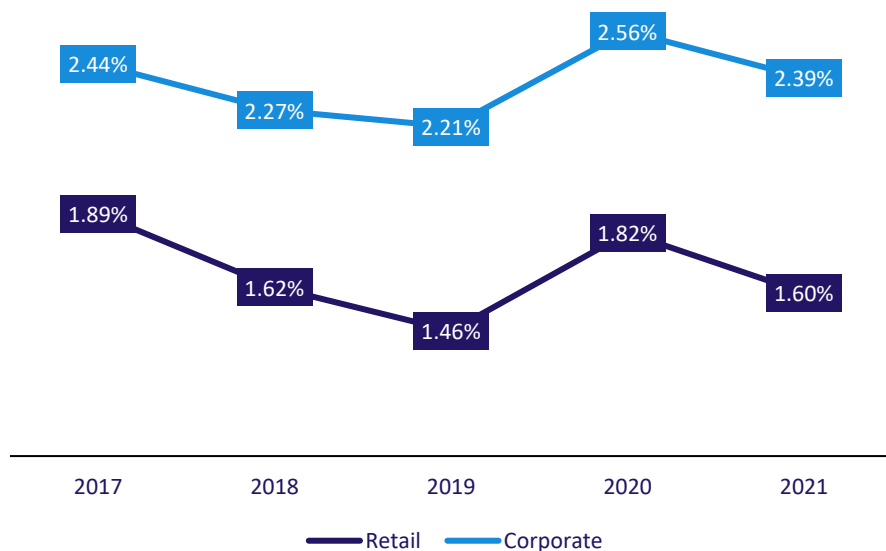


Key comments

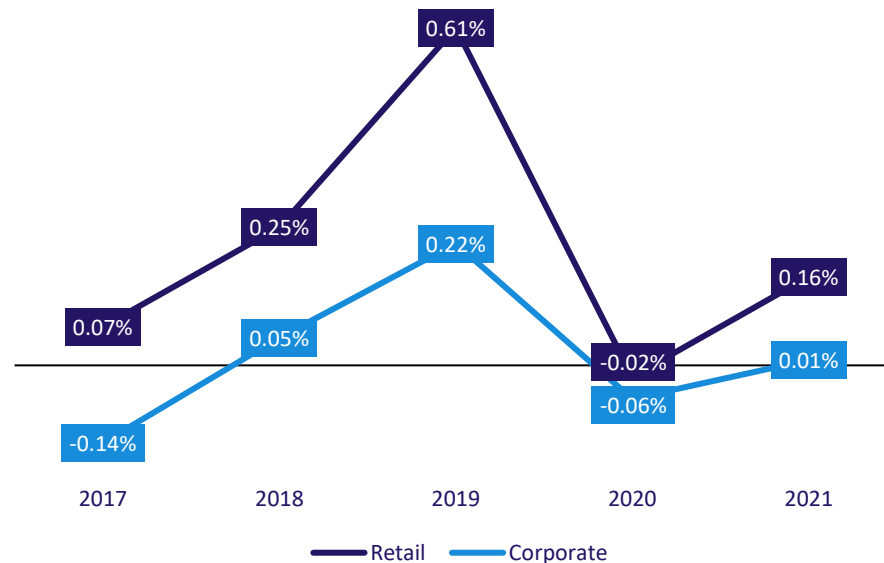
- Good capitalisation with 16.4% CET1 ratio at end of Q4 2021
- Diversified funding with large share of deposits and covered bonds
- Very strong quality in loan book – few non-performing loans

Healthy margins

Loan margin development (over NIBOR 3M)

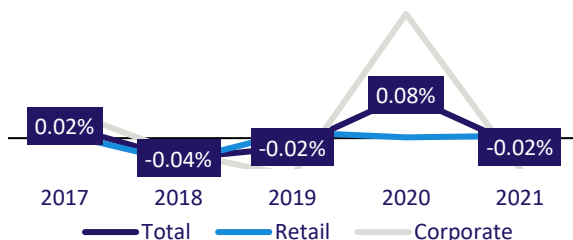


Deposit margin development (over NIBOR 3M)

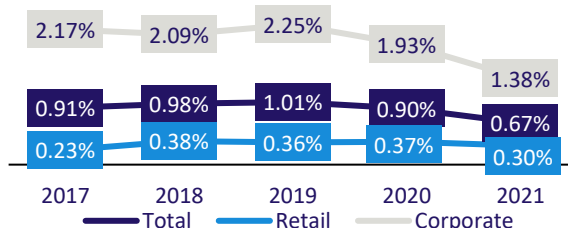


Robust provision levels and very limited loan losses

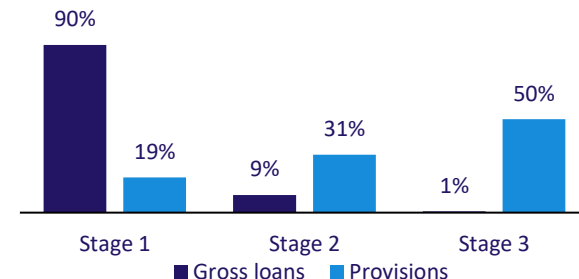
Loan losses ratios



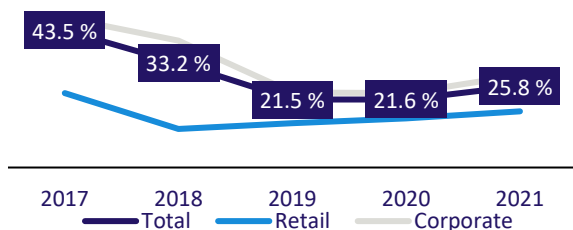
NPLs (stage 3)* / Gross loans



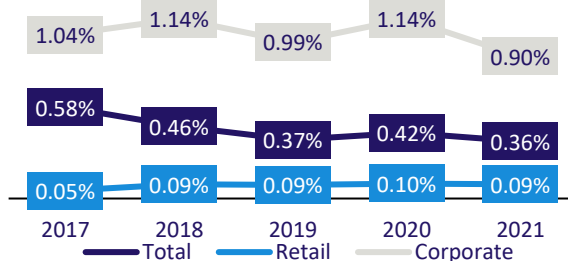
Split of gross loans and provisions



Stage 3 provisions* / NPLs*



Total provisions* / Gross loans

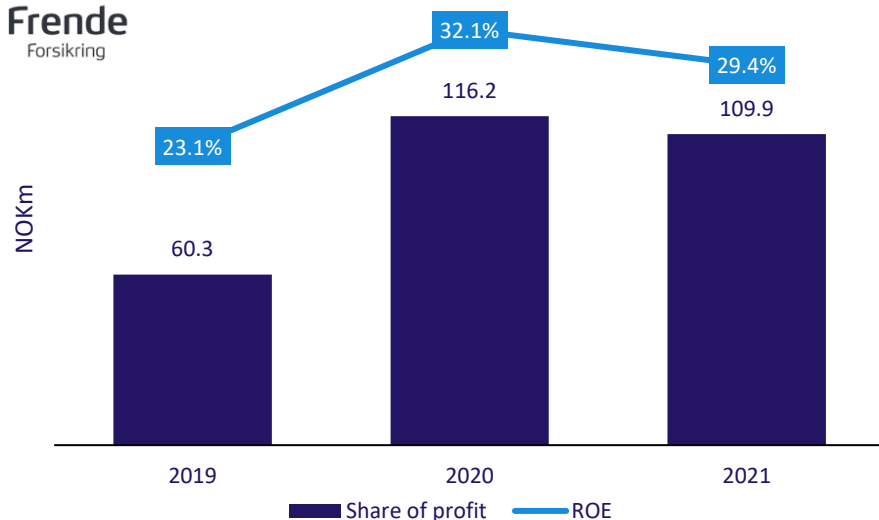


Key comments

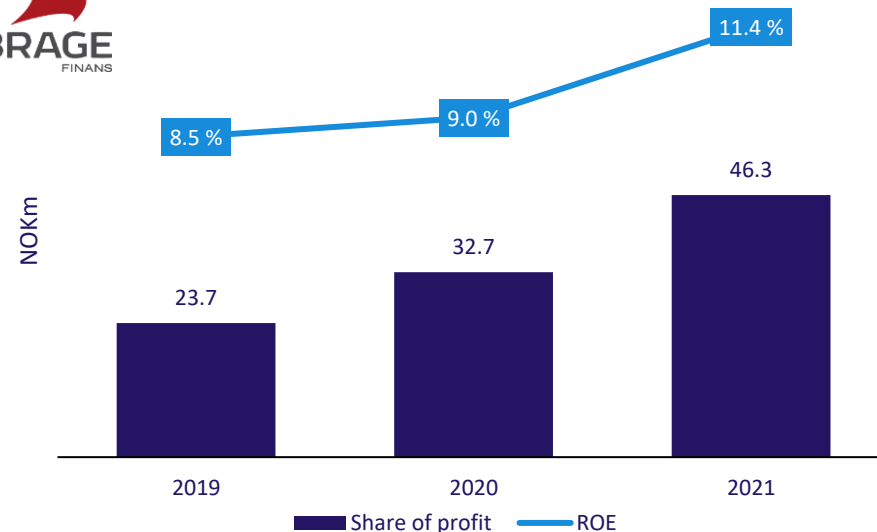
- Very low loan loss levels over time – accumulated losses since 2017 of NOK 32m
- Stage 3 amounts to ~0.7% of gross loans and ~50% of provisions
- ~26% provisions on stage 3 loans and commitments

Strong return on equity from Frende and Brage

Frende Forsikring – Share of profit and ROE



Brage Finans – Share of profit and ROE



Share of ownership*

20.2%

21.0%

21.0%

20.8%

20.8%

20.8%

Detailed financial figures – P&L statement

NOK million	2017	2018	2019	2020	2021
Interest income at amortised cost	2,614	2,778	3,305	2,833	2,494
Interest income from assets at fair value through profit and loss	339	367	487	434	326
Interest expenses	1,274	1,416	1,866	1,354	881
Net interest income	1,679	1,729	1,926	1,914	1,939
Commission income	370	380	403	409	484
Commission expenses	58	62	59	62	66
Net commission income	312	318	344	347	419
Dividend	15	7	6	25	7
Net income from other financial instruments	73	-5	18	15	-7
Net income from financial instruments	88	2	24	40	0
Income from associated companies		13	64	136	174
Other operating income	18	10	10	7	17
Total other income	18	23	74	143	191
Total net income	2,097	2,072	2,368	2,444	2,549
Wages and other personnel expenses	453	499	533	552	606
Depreciation, amortization and impairment of non-current assets	30	30	37	43	44
Other operating expenses	328	355	348	363	368
Total operation expenses before losses	811	884	918	958	1,018
Operating profit before losses	1,286	1,188	1,450	1,486	1,531
Losses on loans, guarantees and unused credit	20	-36	-17	83	-18
Profit before taxes	1,266	1,224	1,467	1,403	1,549
Tax expenses	282	285	342	307	323
Profit for the period	984	939	1,125	1,096	1,226
Minority interests	1	1	0	2	3
Majority interests	983	938	1,125	1,094	1,223
Attributable to additional Tier 1 Capital holders	47	56	60	69	46
Attributable to ECC- holders and to the saving bank reserve	937	883	1,064	1,026	1,177
Profit for the period	984	939	1,125	1,094	1,223

Very good profit development in 2021

- Strong growth in net interest income and net commission income
- Strong results from Frende, Brage and Sørmeqleren
- Net reversals of loan loss provisions
- 12-month lending growth of 4.5 percent
- 12-month deposit growth of 5.5 percent
- Return on equity of 9.0 percent
- The Board of Director's has proposed a dividend distribution of NOK 8.0 per equity certificate



SPAREBANKEN SØR

Detailed financial figures – Balance sheet statement

NOK million	31.12.	31.12.	31.12.	31.12.	31.12.
ASSETS	2017	2018	2019	2020	2021
Cash and receivables from central banks	1,143	1,288	462	1,148	437
Loans to credit institutions	236	119	182	2,460	1,789
Net loans to customers	97,518	102,942	106,334	111,577	116,653
Bonds and certificates	13,468	14,598	19,916	21,543	22,062
Shares	572	370	190	166	193
Financial derivatives	754	619	757	3,415	1,104
Shareholding in associated companies	39	584	968	1,134	1,201
Deferred tax asset	15	22	27	47	64
Property, plant and equipment	416	413	458	461	463
Other assets	149	171	205	174	218
TOTAL ASSETS	114,310	121,125	129,499	142,126	144,182

NOK million	31.12.	31.12.	31.12.	31.12.	31.12.
LIABILITIES AND EQUITY	2017	2018	2019	2020	2021
Liabilities to credit institutions	902	1,918	1,793	6,435	2,627
Deposits from customers	55,580	56,537	57,949	59,833	63,146
Liabilities related to issue of securities	44,343	48,323	53,430	56,885	56,605
Financial derivatives	306	179	423	687	844
Payable taxes	299	309	361	373	310
Other liabilities	256	328	425	457	395
Provisions for commitments	87	61	43	38	135
Deferred tax	25	21	24	10	28
Senior non-preferred				2,002	3,499
Subordinated loan capital	1,404	1,604	1,971	1,653	1,654
Total liabilities	103,202	109,280	116,418	128,374	129,242
Equity certificate capital	1,575	1,603	1,623	1,694	1,575
Hybrid capital	1,075	1,075	1,375	1,075	1,335
Other equity	8,458	9,167	10,083	10,983	12,031
Total equity	11,108	11,845	13,081	13,752	14,941
TOTAL LIABILITIES AND EQUITY	114,310	121,125	129,499	142,126	144,182

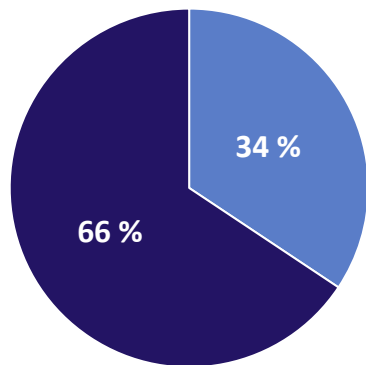
Table of contents

1. Introduction
2. The new SOR ECC
3. Strategic priorities
4. Attractive home region
5. Key financials
- 6. Loan book composition and quality**
7. Capital and funding
8. Dividend policy
9. Financial ambitions, summary and timeline

A well-diversified loan portfolio with low risk

Corporate / retail distribution

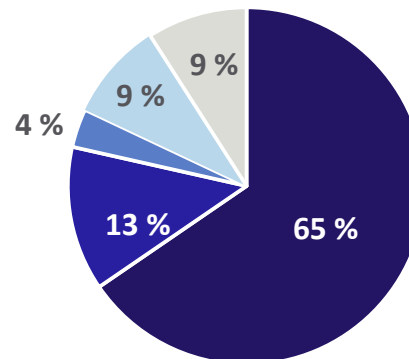
Gross loans



■ Corporate ■ Retail

Geographical distribution

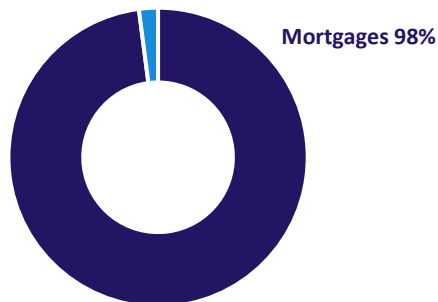
Gross loans



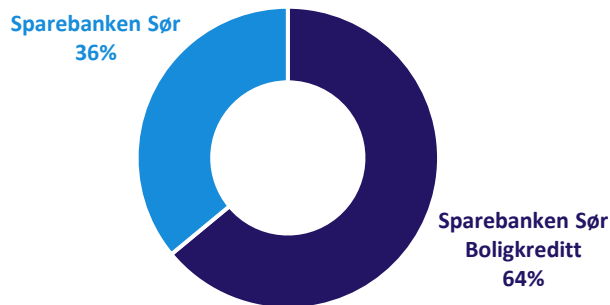
■ Agder ■ Vestfold og Telemark
■ Rogaland ■ Oslo
■ Øvrige

Retail loan book – 98% mortgages and low LTVs

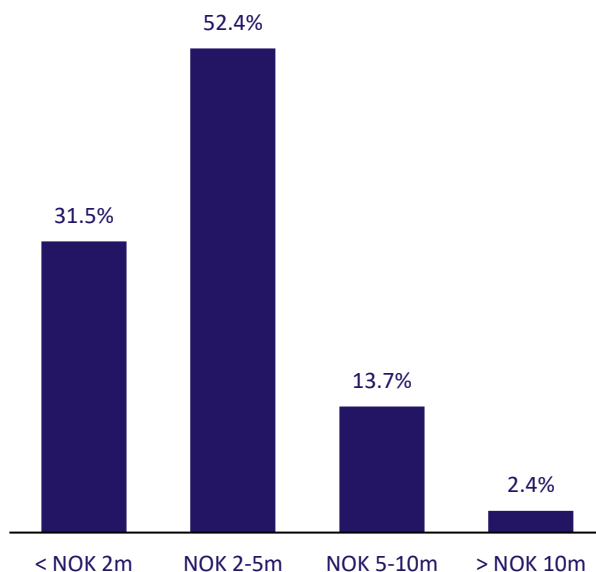
Share of mortgages



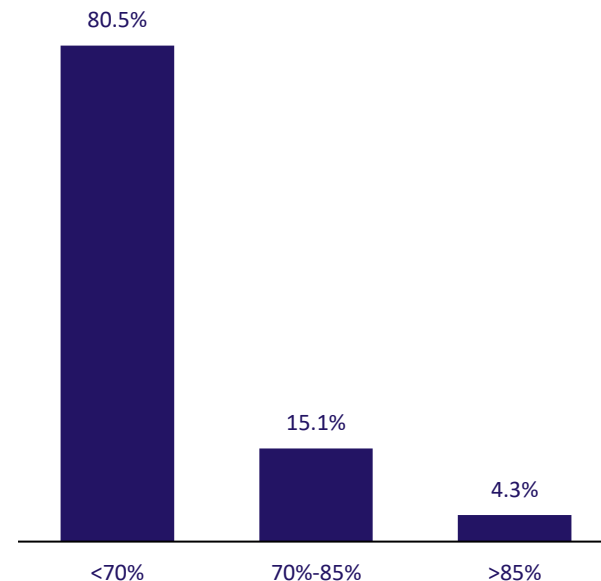
On balance vs. cov. bond transfers



Retail lending by size



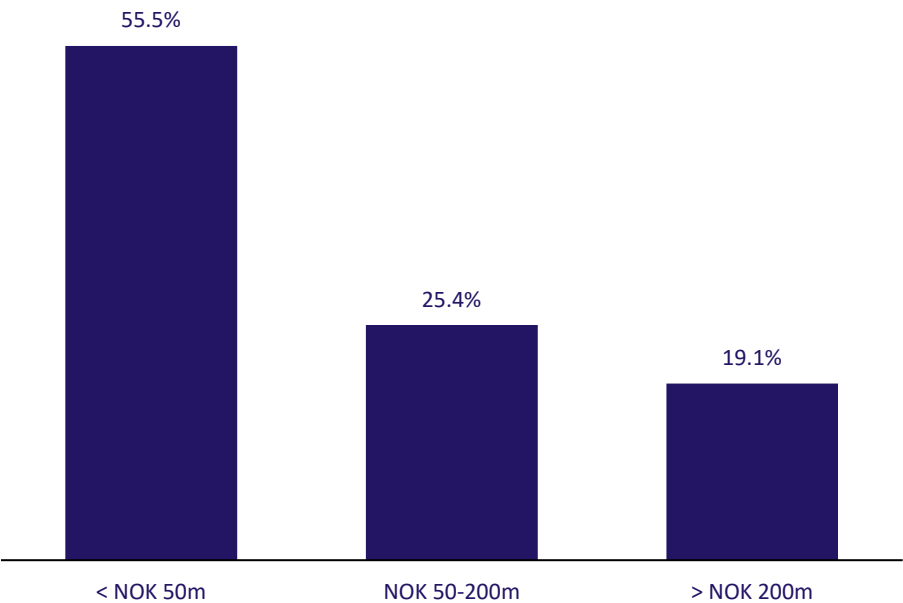
Retail lending by LTV



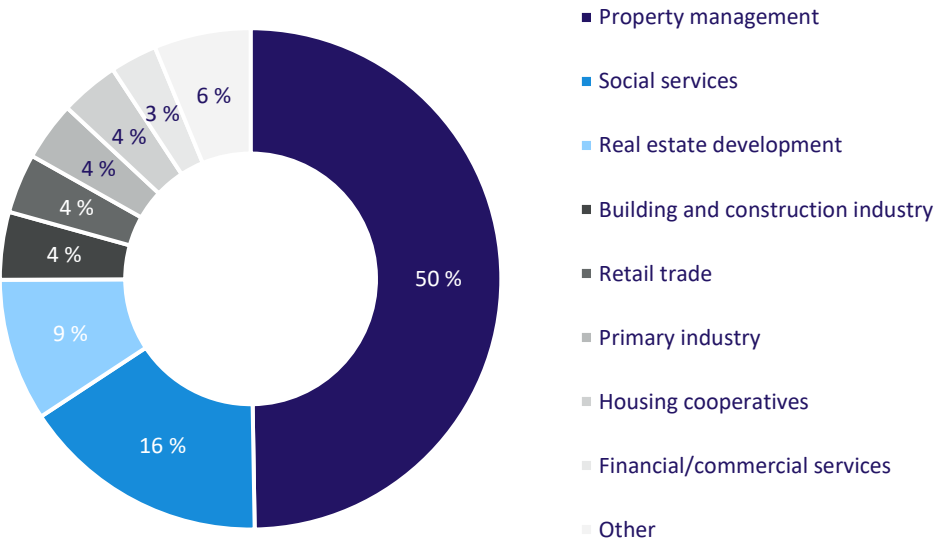
SPAREBANKEN SØR

Corporate loan book – 50% property management and 55% < NOK 50m

Corporate lending by size

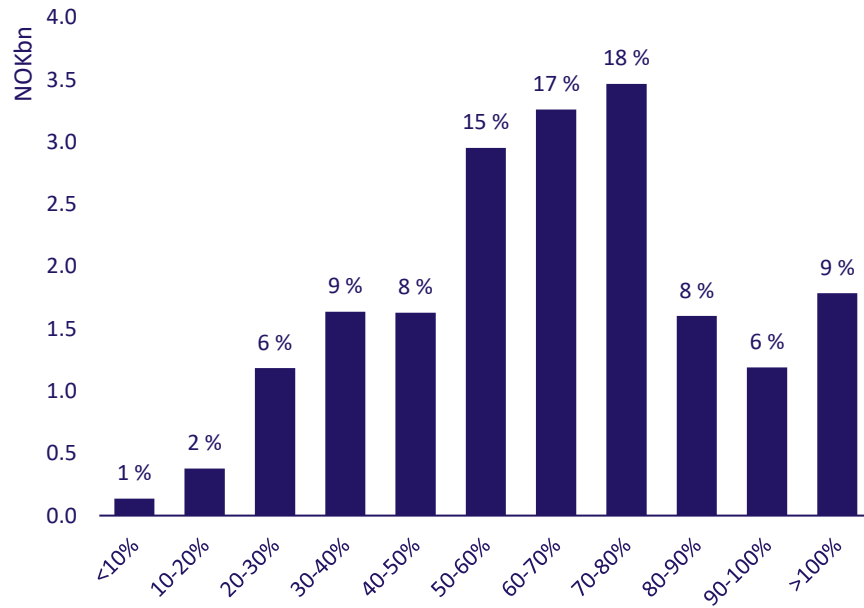


Sector distribution

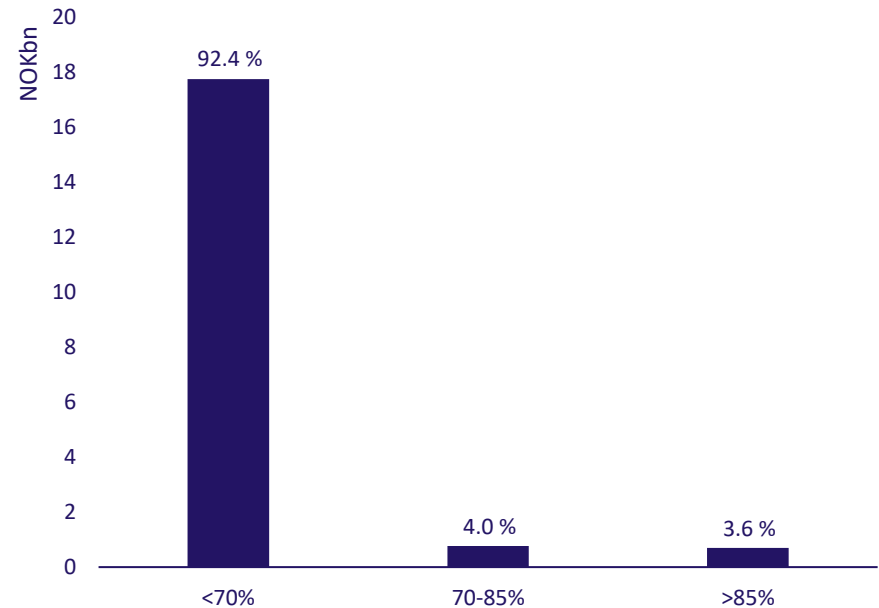


Solid asset backing in commercial real estate portfolio (property management)*

LTV distribution – whole-loan approach

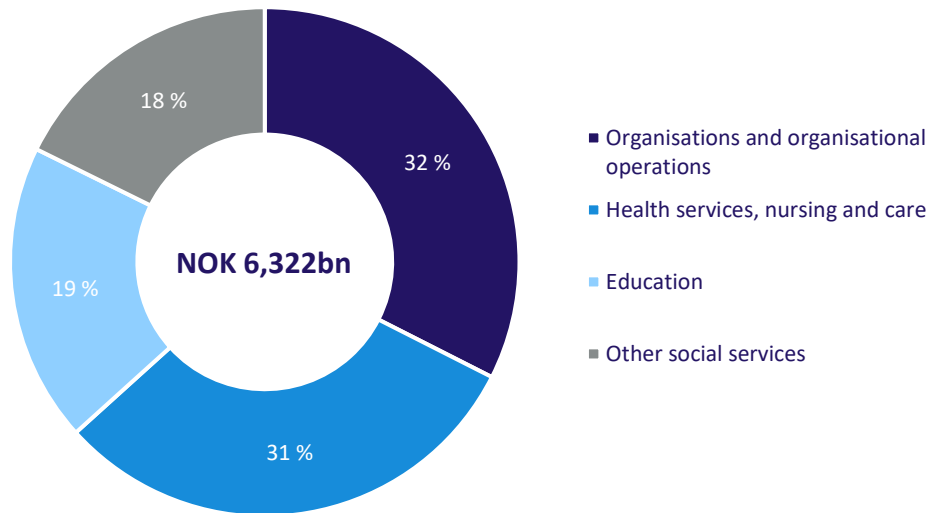


LTV distribution – loan-splitting approach**



Social services portfolio – very limited risk

Split of social services segment

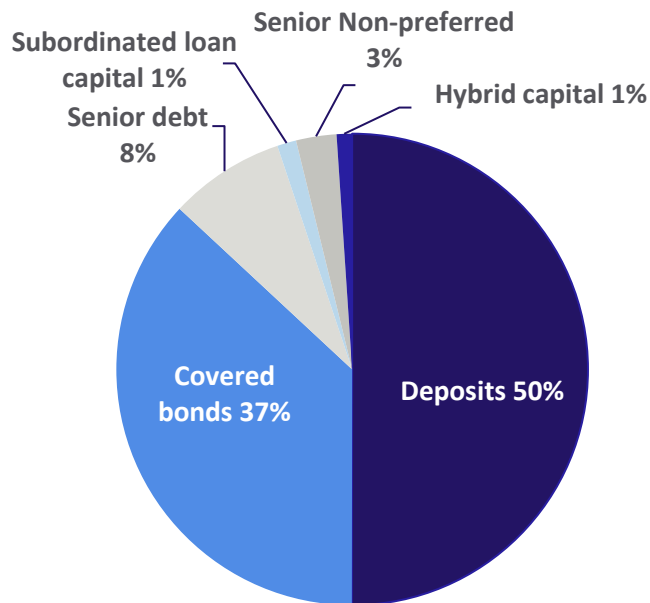


- Education includes colleges, high schools, primary schools, folk high schools and Bible schools
- Health services, nursing and care include private hospitals that are mainly financed by the public sector, rehabilitation, substance abuse care and retirement homes
- Organisations and organisational operations include large and small organisations, the majority of which are linked to nationwide and well-known organisations with a long history and solid finances
- Ordinary social services are services such as doctors, dentists, physiotherapists etc.

Table of contents

1. Introduction
2. The new SOR ECC
3. Strategic priorities
4. Attractive home region
5. Key financials
6. Loan book composition and quality
- 7. Capital and funding**
8. Dividend policy
9. Financial ambitions, summary and timeline

Solid and diversified financing structure

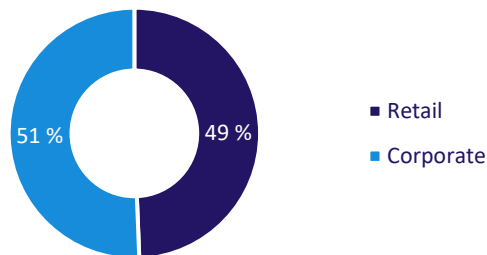


Deposits are a valuable source of funding

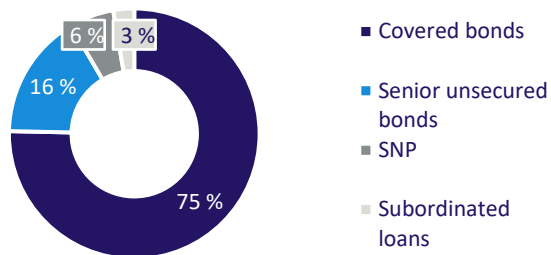
- Deposits/loans ratio at 54.1 percent
- Good access to funding from domestic and international funding markets
- More than 60 percent of the covered bonds are issued in EUR
- Sparebanken Sør has issued a total of NOK 3.5bn SNP
- Sparebanken Sør is rated A1 by Moody's
- Sparebanken Sør Boligkreditt's covered bonds are rated Aaa by Moody's

Diversified funding with long maturity

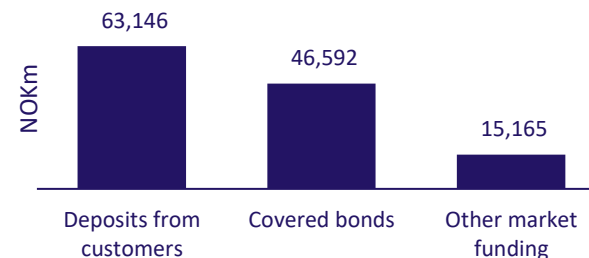
Deposits from retail and corporate



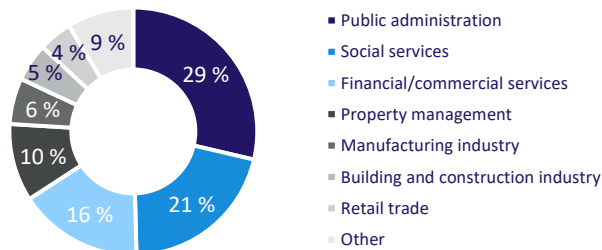
Capital market funding split



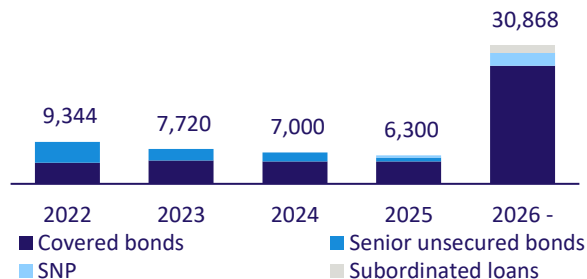
Sources of funding



Corporate deposits split



Capital market maturity profile*



Key comments

- Predominantly funded with customer deposits and covered bonds
- NOK 63.1bn in customer deposits – split 49/51 between retail and corporate
- NOK 61.2bn in capital market funding – ~50% maturing in 2026 and later

Issuer rating of A1 with stable outlook

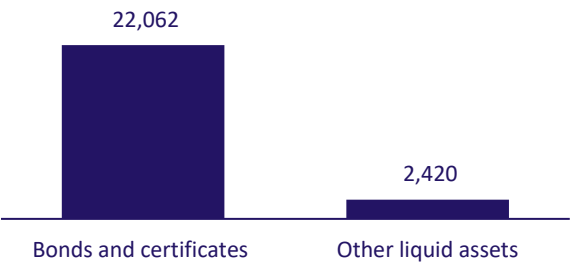
Credit rating by Moody's

Long-term issuer rating	A1 (stable outlook)
Long-term bank deposits	A1 (stable outlook)
Senior unsecured bonds	A1 (stable outlook)
Senior Non-Preferred	A3
Sparebanken Sør Boligkreditt – Covered bonds	Aaa

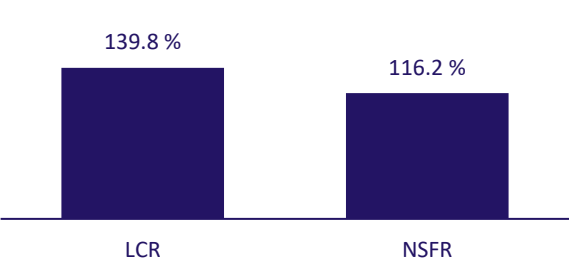
- Sparebanken Sør has official credit rating from Moody's
- In their rating reports (latest dated July 2021) Moody's highlights the following credit strengths:
 - Resilient asset quality with two thirds of lending to private mortgage borrowers and close to zero exposure to oil and offshore sectors
 - Strong capital levels with a robust leverage ratio
 - Large volume of deposits and debt combined with upcoming MREL eligible securities, result in three notches uplift to the deposit and issuer ratings
- Sparebanken Sør Boligkreditt also has official credit rating from Moody's, and the covered bonds are rated Aaa

Strong liquidity position

Sources of liquidity



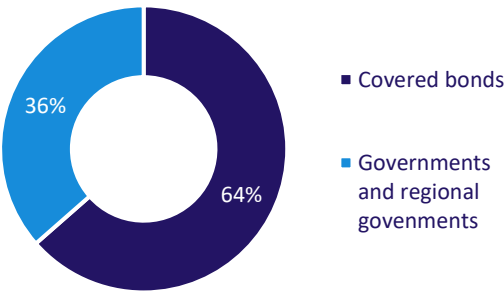
Liquidity ratios



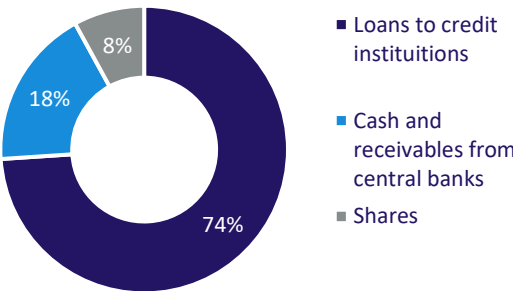
Key comments

- Bonds and certificates constituting the main part of the liquidity portfolio
- Covered bonds make up for 64% of all bonds and certificates
- Satisfying liquidity ratios – LCR ratio of 139.8% and NSFR ratio of 116.2%

Bonds and certificates split

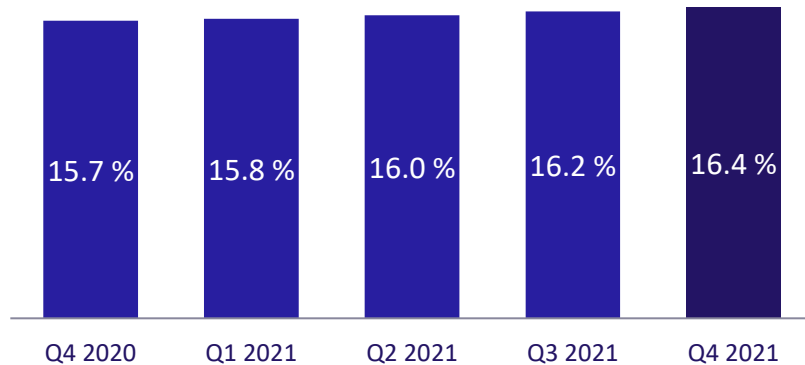


Other liquid assets split

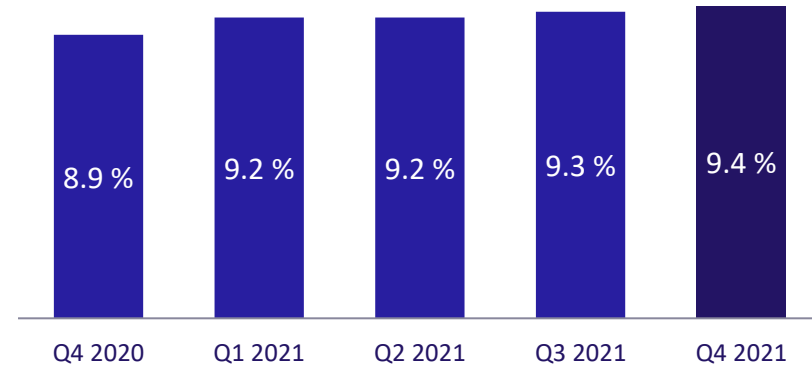


The bank is well capitalised with high leverage ratio

Common equity tier 1 capital ratio



Leverage ratio



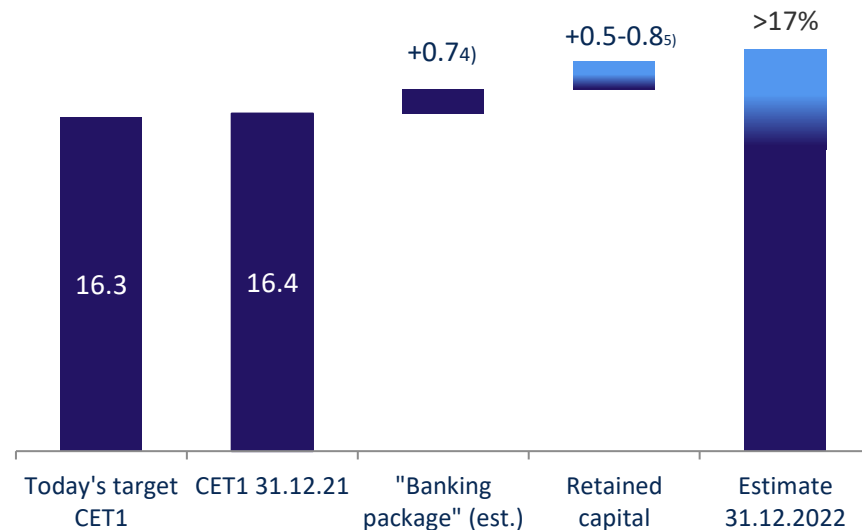
- Well above the current capital requirement (CET1) of 13 percent
- Based on the bank's estimates, it is expected that the new standard method will have a positive effect on CET1 in the range of 1.5-2.5 percentage points in 2025. The IRB application is expected to be sent by the end of 2023 and is expected to have an effect from 2025. The capital effects are expected to be at the same level as the new standard method

Well positioned for higher capital requirements

Capital requirements

	Applicable requirements	Requirements 31.12.2022
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)	1.0 %	2.0 %
Pillar-2 requirements	2.0 %	1.8 %
CET1 requirements	13.0 %	15.3 %
Pillar-2 Guidance 3)	0%	1.0 %
CET1 requirements Incl. P2G	13.0 %	16.3 %

Capital adequacy and target figures



1. The Ministry of Finance has decided on a transitional rule on capital requirements for banks that use the Standardised Approach, resulting in an increase in the Systemic Risk Buffer from 3 to 4.5% from December 31, 2022
2. The Countercyclical Buffer will increase with 1.0 percentage point in 2022 and 0.5 percentage points in Q1 2023
3. Preliminary assessment from FSA related to P2G
4. Estimated of effects of the «Banking package»
5. Capital building based on retained capital

Equity capital certificates and the savings bank model

ECC banks have two types of equity capital:

- **Primary Capital (“ownerless”)**: Retained earnings built up over time
- **ECC Holders’ Equity**: Equity Certificate Capital and related equity reserves

Main ECC principles:

- Profits distributed proportionally based on total share of equity ownership
- Negative profits mainly absorbed by the Primary Capital
- Articles of Association predefine the influence of ECC owners in governing bodies

Equity structure and priority in ECC banks

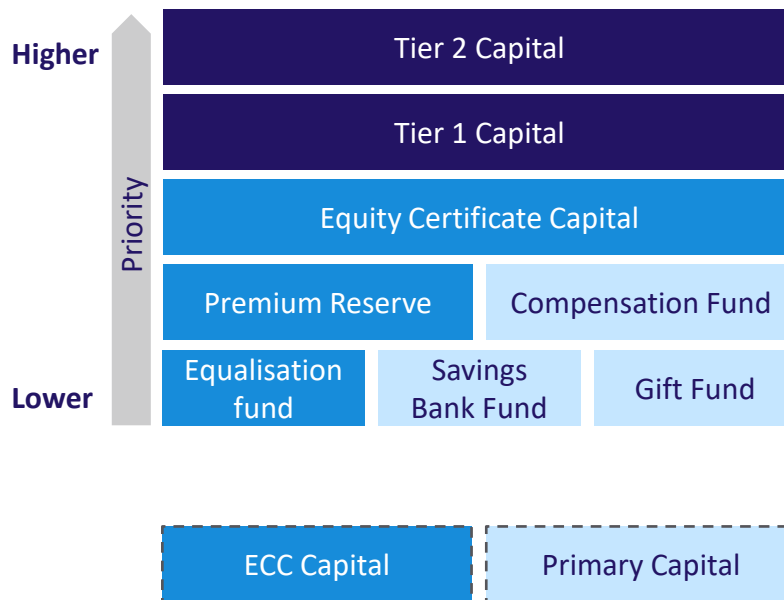


Table of contents

1. Introduction
2. The new SOR ECC
3. Strategic priorities
4. Attractive home region
5. Key financials
6. Loan book composition and quality
7. Capital and funding
- 8. Dividend policy**
9. Financial ambitions, summary and timeline

Introduction of customer dividend with multiple benefits

- Intention to strengthen satisfaction and increase attractiveness for customers
- Distribution enabled by the bank's equity structure
- In line with the values of being a savings bank
- To be paid directly from the bank – will depend on the profit of the bank and the customers' volume of loans and deposits
- Dividends to be paid for loans and deposits up to NOK 2m
- Both retail and corporate customers are eligible
- Corresponding to ~0.20% of loans and deposits up to NOK 2m based on 2021 earnings
- Will, under current tax regulation, improve the ROE of Sparebanken Sør by an estimated 0.4%-points

Examples – customer dividend*



Customer with loan of NOK 1,000,000

The customer dividend would equal:
 $\text{NOK } 1.0\text{m} \times 0.20\% = \text{NOK } 2,000$



Family with mortgage of NOK 4,000,000 and deposits of NOK 500,000

The customer dividend would equal:
 $(\text{NOK } 4.0\text{m} + \text{NOK } 0.5\text{m}) \times 0.20\% = \text{NOK } 9,000^{**}$

Note (*): Based on 0.20% of loans and deposits up to NOK 2m

Note (**): Assuming the partners having NOK 2m in mortgage each

Revised dividend policy

Equal
pay-out ratio

- The pay-out ratio will be applicable to both equity capital classes
- The equity certificate ratio will remain at 40% – no dilution through pay-out of dividends and gifts

40-50%
pay-out ratio

- The new dividend policy will facilitate expected growth and yield attractive direct returns to ECC holders
- 40-50% dividend pay-out ratio combined with 40% equity certificate ratio will allow for sufficient customer dividends as well as gifts and donations

Illustration of profit allocation with new structure

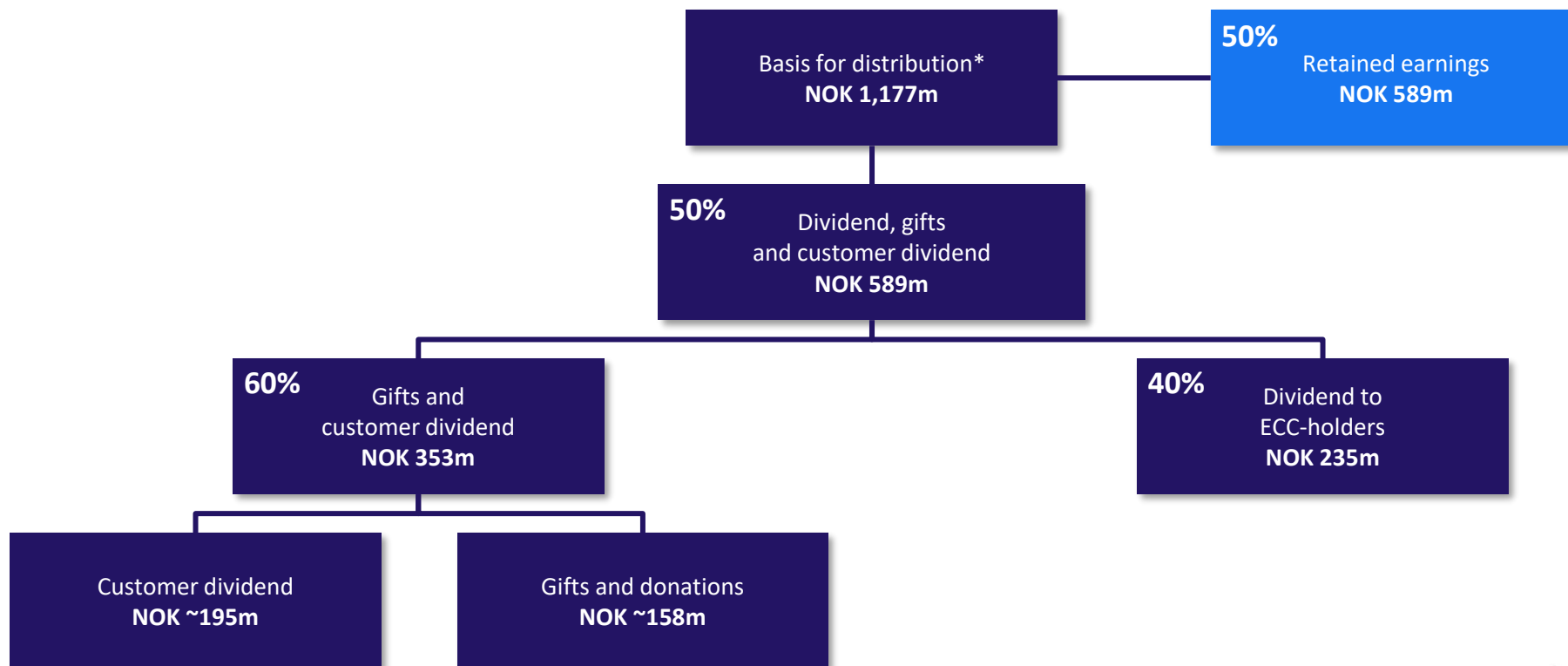
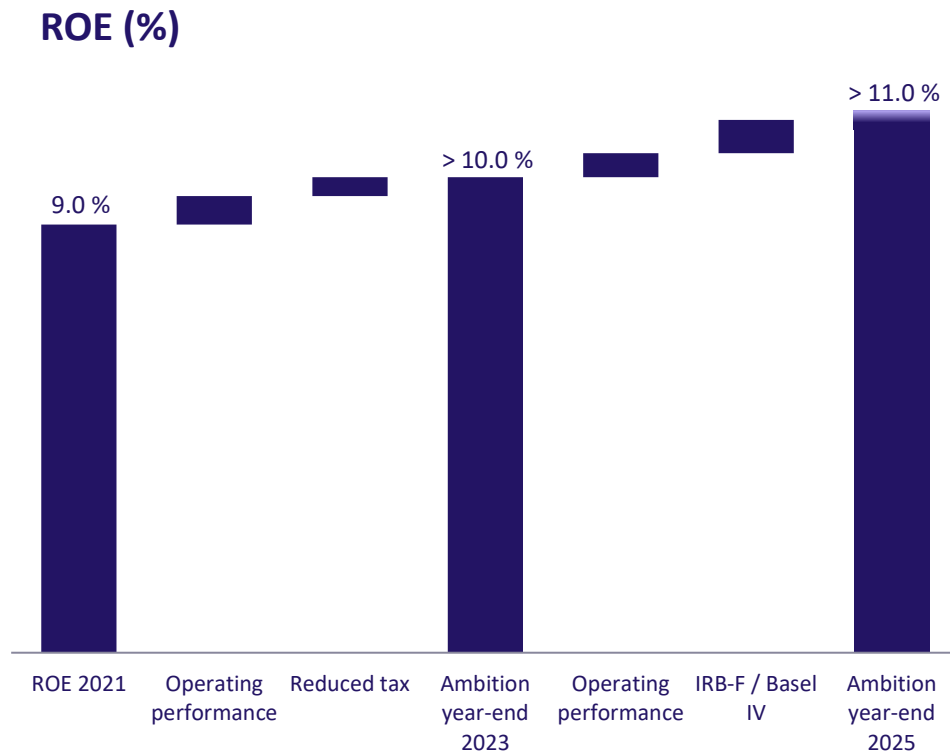


Table of contents

1. Introduction
2. The new SOR ECC
3. Strategic priorities
4. Attractive home region
5. Key financials
6. Loan book composition and quality
7. Capital and funding
8. Dividend policy
9. **Financial ambitions, summary and timeline**

Increased ambition for return on equity



ROE above 11% end of 2025

Increased profitability

- Profitable growth and better capital allocation
- Strengthening of non-interest income
- Customer dividends positive for net interest margin, customer satisfaction and future growth
- Improved and more cost-effective distribution

Reduced tax

- Positive tax contribution of ~0.4%-points from customer dividend

IRB-F / Basel IV

- Estimated effect for IRB-F and/or Basel IV (revised standard method)

Why invest in Sparebanken Sør?

Market leader in Southern Norway with high customer satisfaction and loyalty

Low risk loan portfolio

High cost efficiency and low complexity

ESG leadership

Introducing customer dividend

Measures implemented to further increase ROE

More attractive ECC

Indicative process timeline





Q&A