



Sparebanken Sør

Investor presentation Q2 2024

Low risk and increasing ROE



Market leader in the region



Low risk loan book



Low complexity



Strong capitalization



Increasing ROE



Good for the Bank = Good for the region



NOK 417 million
in customer
dividends

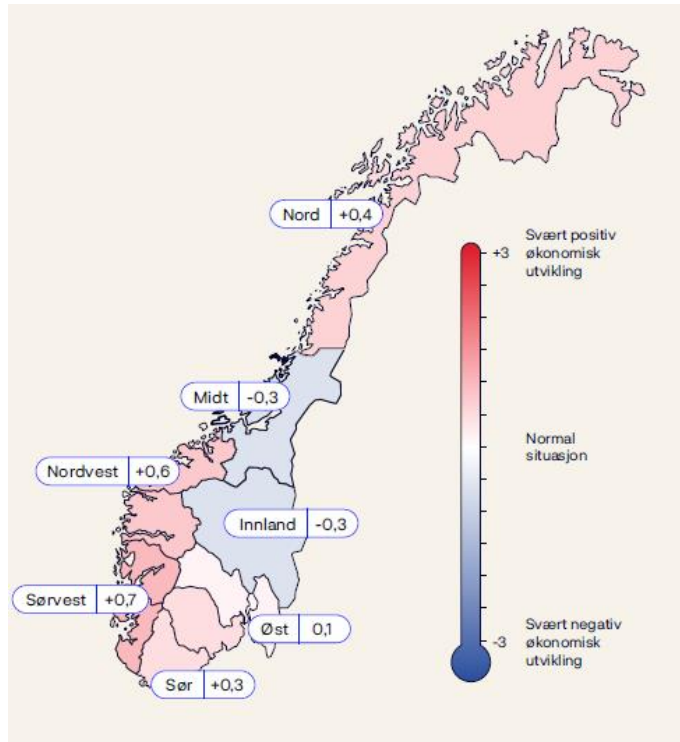


NOK 208 million
for non-profit
purposes in the
region



NOK 417 million
in dividends to
equity certificate
owners

Positive economic development in the region



Housing price growth in Agder is at 3.6% in the last 12 months and 2.4% in Norway

The nurse index shows that a single nurse can buy 46 % of the homes sold in Kristiansand, 63 % in Grenland and 64 % in Arendal.

Unemployment is slowly increasing, but is still at a low level. (2.1 percent in Norway and 2.1 percent in Agder)

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

Q2 2024

Strong quarterly result

- Net interest income increased by 12 percent
- Good growth in net commission income
- Good profit contributions from associated companies
- Very low cost/income of 34.3 percent
- Low losses and defaults still at a historically low level
- Result per equity certificate (EC) of NOK 4.6 (NOK 3.9)
- Return on equity of solid 12.5 percent (11.0 percent)
- Annualised lending growth in the quarter of 7.1%

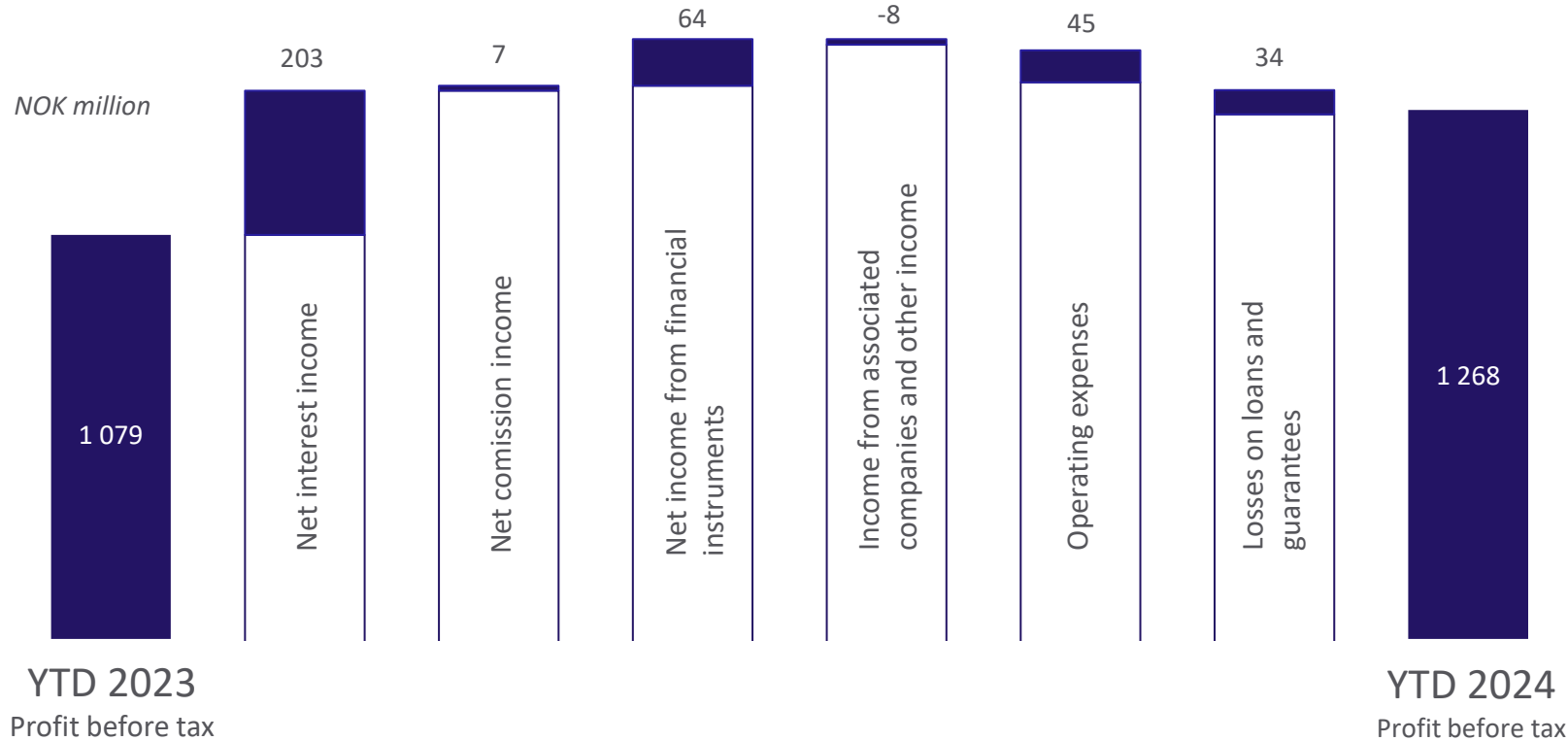
NOK million	2024 Q2	2023 Q2	Change
Net interest income	823	732	91
Net commission income	116	108	8
Net income from financial instruments	21	0	21
Associated companies	46	25	21
Other operating income	1	2	-1
Total income	1 007	867	140
Total expenses	345	326	19
Profit before losses on loans	662	541	121
Losses on loans, guarantees	13	-9	22
Profit before tax	648	550	98
Tax expenses	144	123	21
Profit for the period	504	427	77

Strong growth in net interest income in the first half of the year

- Very low cost/income of 34.4 percent
- Low losses and defaults still at a historically low level
- Result per equity certificate (EC) of NOK 9.9 (NOK 8.2)
- Return on equity of solid 13.3 percent (11.5 percent)
- Growth in loans last 12 months at 4.6 percent
- Growth in deposits last 12 months at 6.6 percent

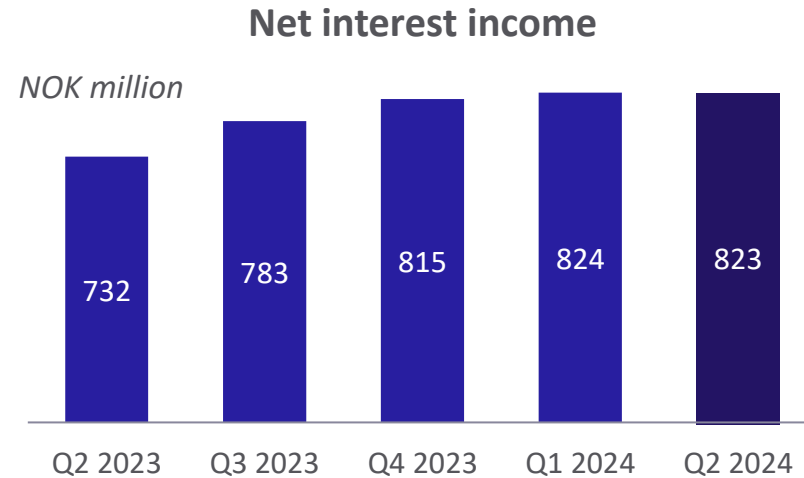
NOK million	30.06.2024	30.06.2023	Change
Net interest income	1 647	1 444	203
Net commission income	201	194	7
Net income from financial instruments	60	-4	64
Associated companies	50	59	-9
Other operating income	4	3	1
Total income	1 963	1 696	267
Total expenses	675	630	45
Profit before losses on loans	1 288	1 066	222
Losses on loans, guarantees	20	-14	34
Profit before tax	1 268	1 079	189
Tax expenses	191	190	1
Profit for the period	1 077	889	188

Decomposition of changes in profit before tax



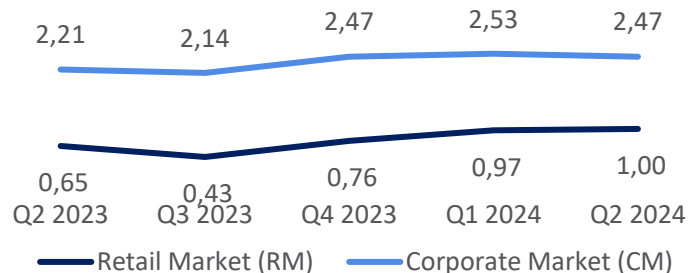
Strong net interest income

- Positive deposit and lending growth in the last 12 months
- Pressure on deposit margins
- Good momentum into second half of the year
- Possibilities due to CRR3 (“Basel IV”)

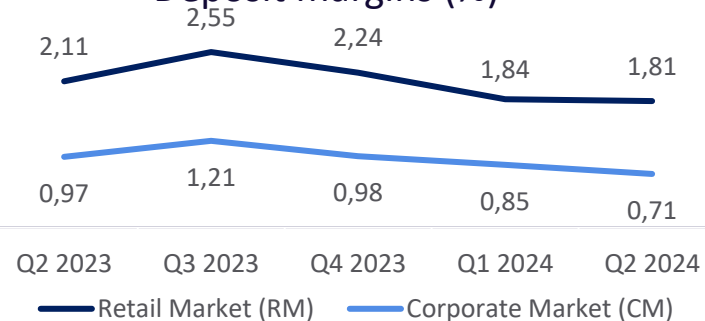


Stable lending margins and falling deposit margins

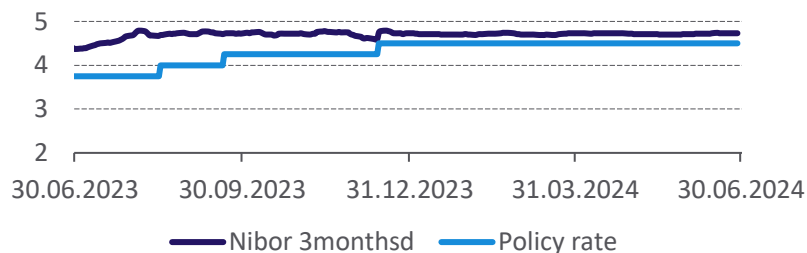
Loan margins (%)



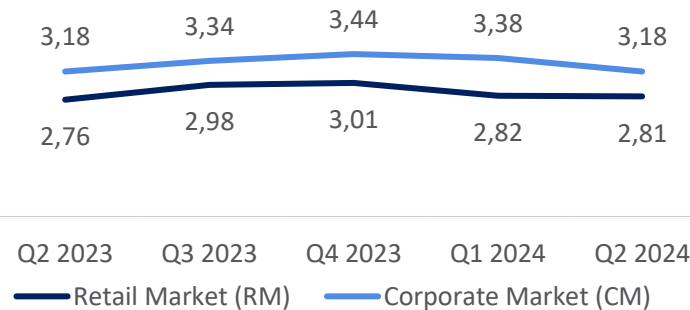
Deposit margins (%)



NIBOR 3M development



Interest margin₁ (%)



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

Good profit contributions from associated companies

- The profit share from Frende in the second quarter was once again positive after a challenging first quarter. The second quarter provided a good technical result in life insurance operations and the risk result for the first half of the year was above expectations
- The profit share from Brage Finans in the second quarter of 2024 shows a very positive growth and good results. The 1st half of 2024 was strongly impacted by an impairment for losses related to a one-time commitment, but positive with growth in both revenue and portfolio
- Increased holdings in Brage Finans to 27.6% in Q1 2024
- Increased holdings in Frende Holding to 20.3% in Q1 2024

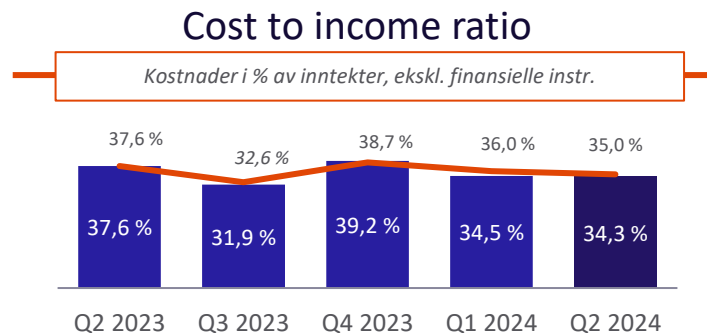
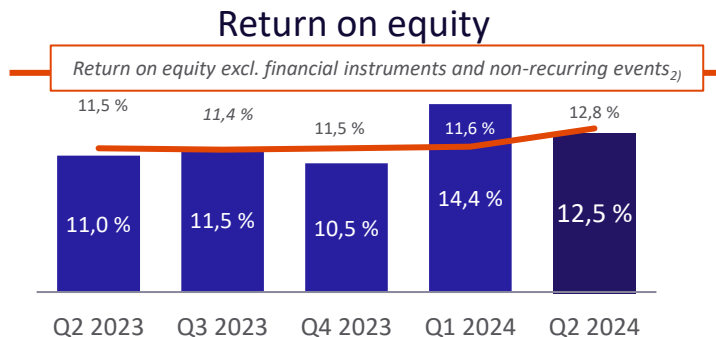
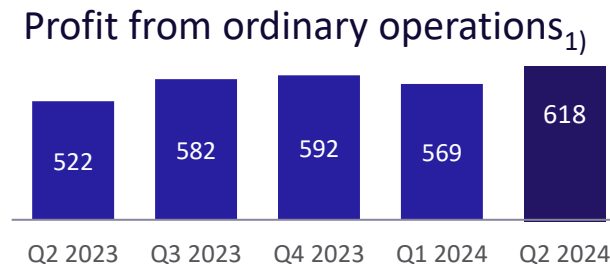
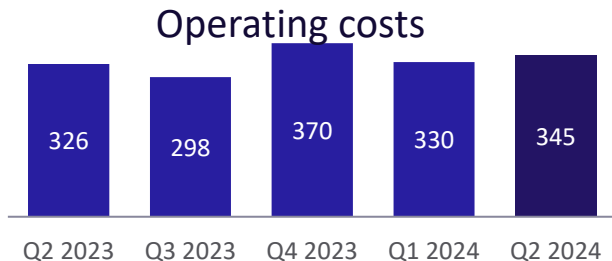
Effect on results after consolidation

NOK million		Q2 2024	Q2 2023	30.06.2024	30.06.2023
Frende forsikring* (20,3 %)	Share of profit	26	7	24	18
	Amort.	-6	-6	-11	-11
	Gain on sale				25
Brage Finans (27,6 %)	Share of profit	26	23	37	41
Balder Betaling (23,0 %)	Share of profit	0	0	0	11
SUM		46	25	50	59



Strong return on equity and low cost percentage

NOK million

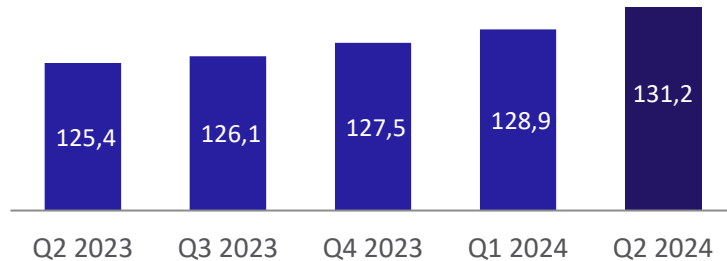


- 1) Net interest income + Net commission income + Other operating income – Operating expenses +/- One-off items
- 2) Return on equity excl. accounting effects from financial instruments and one-off items and incl. interest on hybrid capital

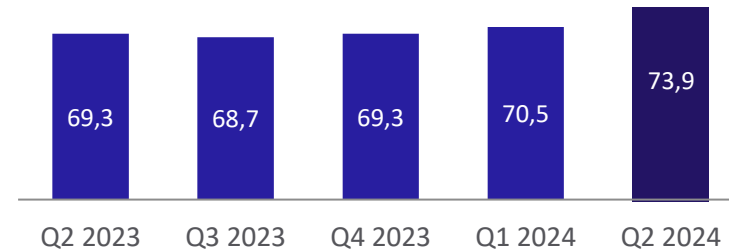
Good growth in Q2

NOK billion

Net loans



Deposits

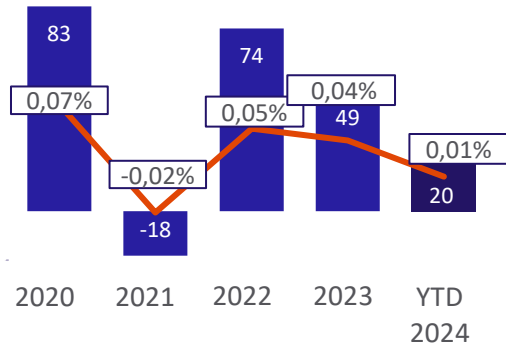


- **12 month growth of 4.6 %**
 - 12 month growth in gross loans of 3.1 % for retail customers and 7.4 % from corporate customers
- **Annualised quarterly growth of 7.1 %**
 - 6.6 % for retail customers and 8.1 % from corporate customers

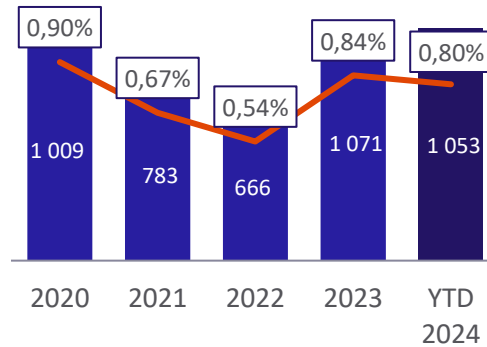
- **12 month growth of 6.6 %**
 - 12 month growth in deposits from retail customers of 4.9 % and corporate customers of 7.5 %
- **Deposit coverage of 56.4 % (55.3 %)**

Low losses and non-performing loans

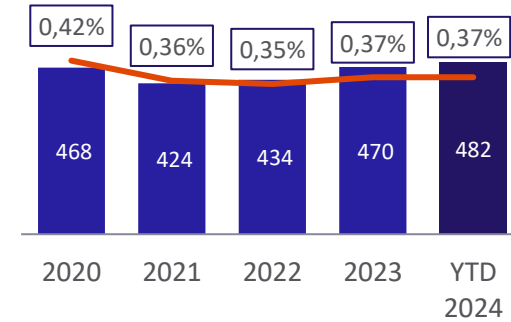
Development in losses in NOK million and as a percentage of gross loans (annualised)



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

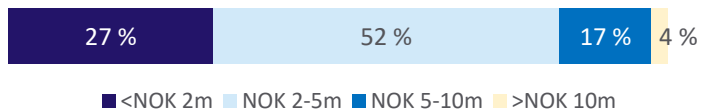


Diversified loan portfolio with low risk

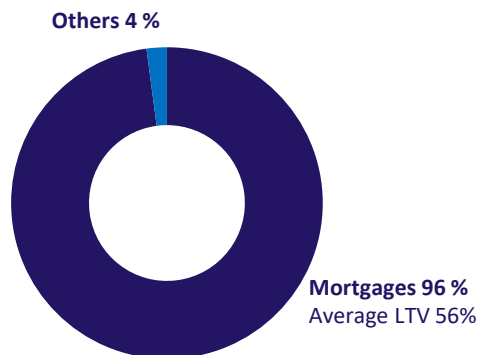
Retail Market

64 % of the loan portfolio

Distribution of loans by size

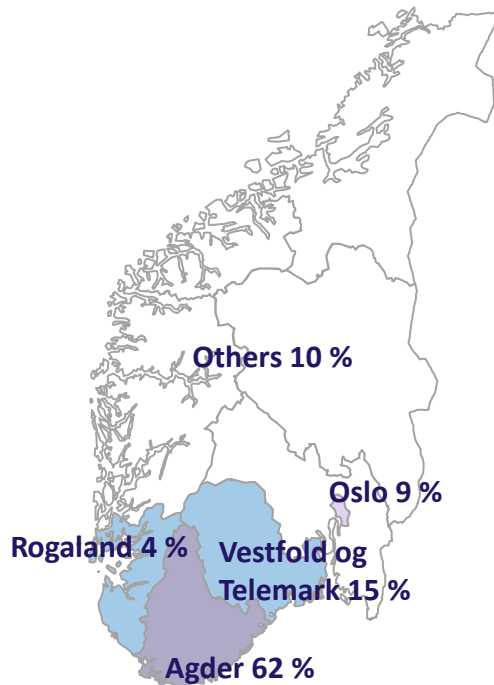


Mortgage makes 96% of the loan portfolio



Total

Geographical distribution of the overall lending portfolio



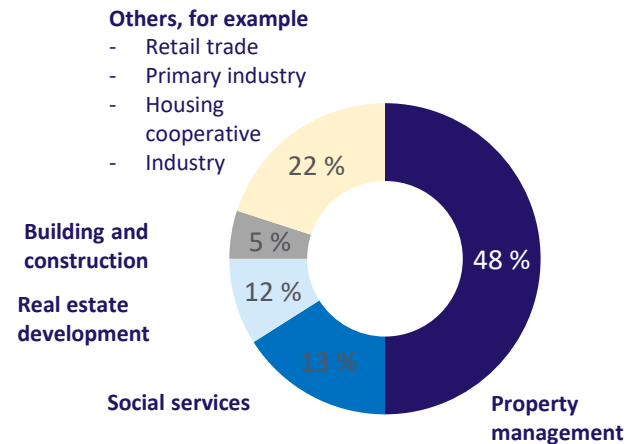
Corporate Market

36 % of the loan portfolio

Distribution of loans by size

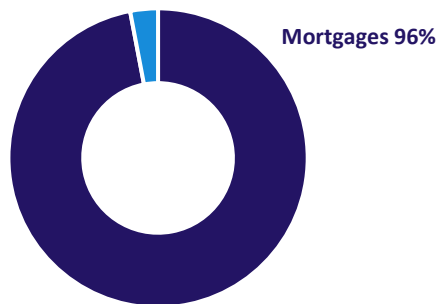


Sector distribution

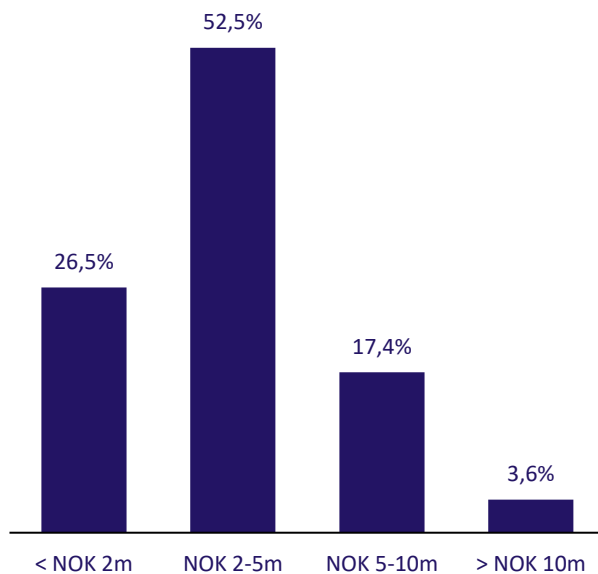


Retail loan book – 96% mortgages and good security (low LTV)

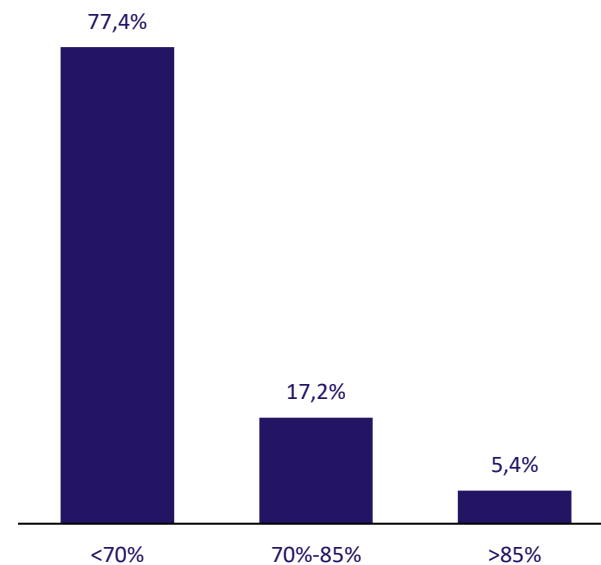
Share of mortgages



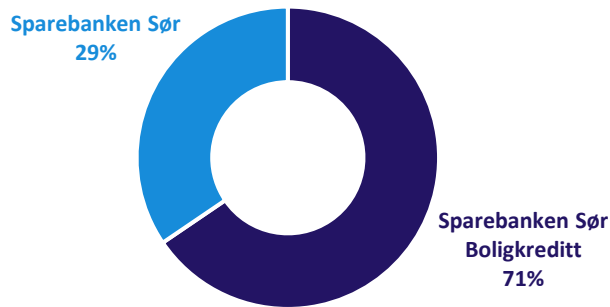
Retail lending by size



Retail lending by LTV

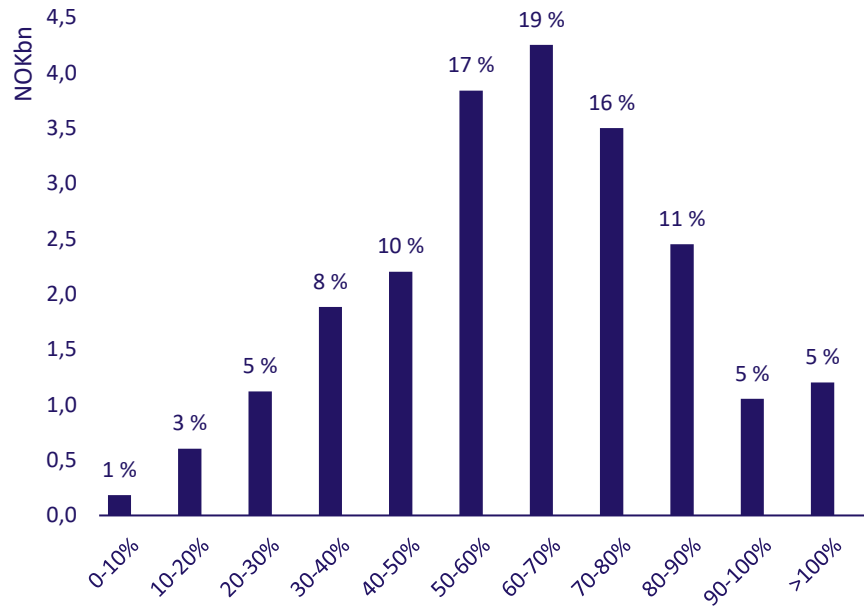


On balance vs. covered bond transfers

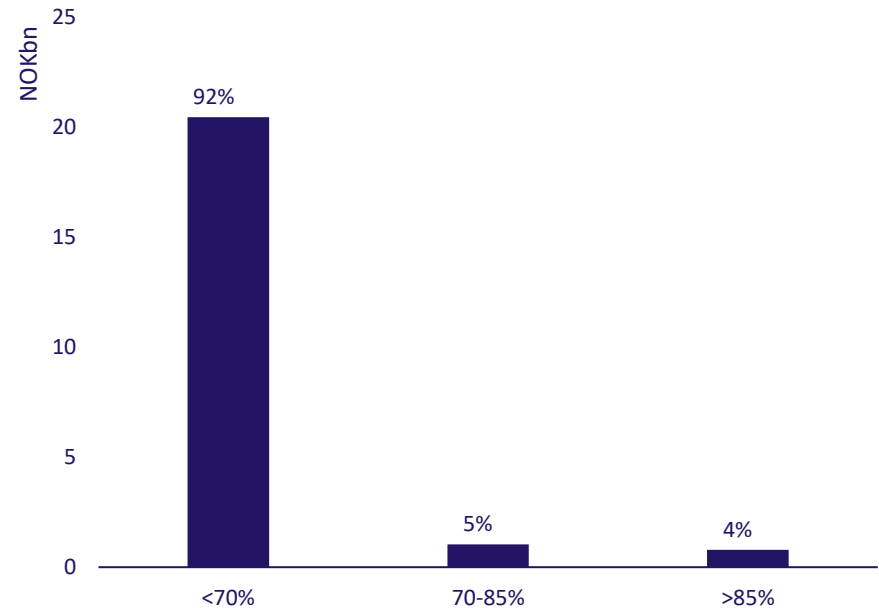


Solid asset backing in commercial real estate portfolio (property management)*

LTV distribution – «whole-loan approach»



LTV distribution – “loan-splitting approach”**



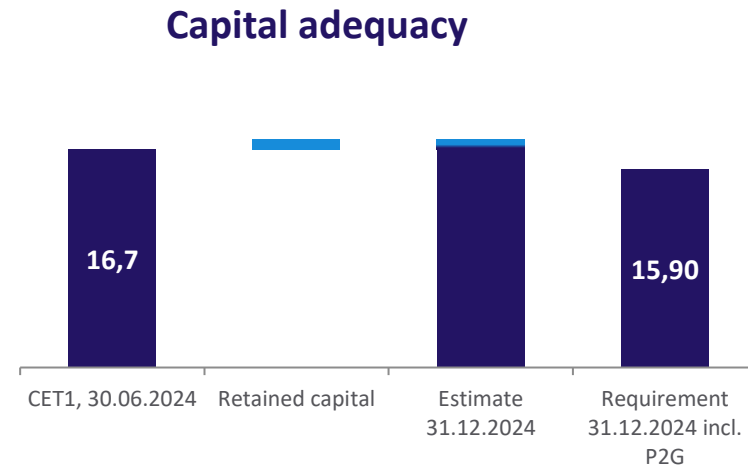
* Additional collateral for all above 80 %. Collateral in other types of pledged assets than real estate not taken into account (guarantees, equipment, receivables etc.)

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

Good margin for regulatory capital requirements

Capital requirements

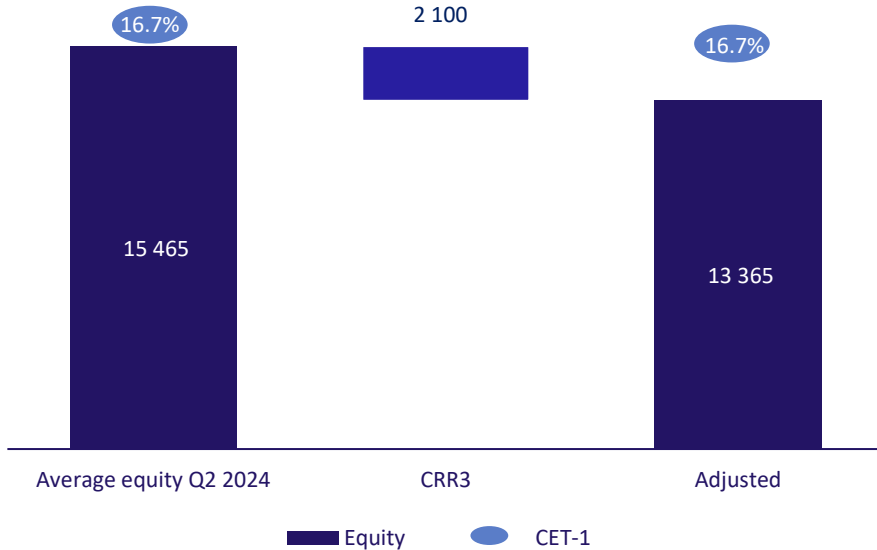
Capital requirements CET1	Requirement 30.06.24
Minimum Tier 1 Capital Requirements	4,5 %
Conservation buffer	2,5 %
Systemic Risk Buffer	4,5 %
Countercyclical Buffer	2,5 %
Pillar-2 requirements	0,9 %
CET1 requirements	14,9 %
Pillar-2 Guidance ¹⁾	1,0 %
CET1 requirements Incl. P2G	15,9 %



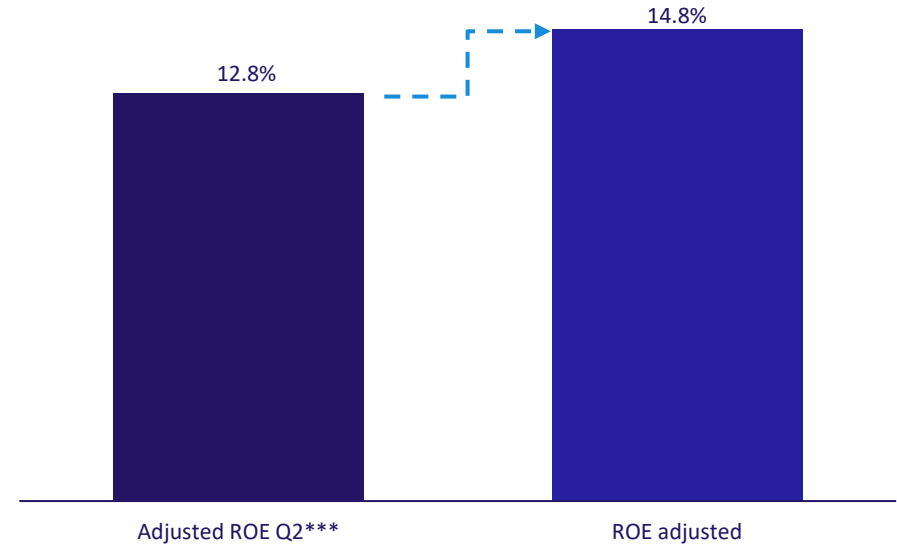
1) The bank received final feedback on the SREP on April 30, 2024.

Updated estimates of capital effects from CRR3 (“Basel IV”)

Capital release from CRR3* (NOK million)



Higher ROE due to new capital regulations**



*Expected capital effects of approx. 2.8 percentage points on CET-1 with CRR3

** Assumes the same profit after tax and reduced equity as a result of CRR3

***ROE adjusted for financial income and normalized tax rate

IRB application during 2024

- The bank is planning to submit the IRB-F application during the second half of 2024, with an expected processing time of at least 1 year from Finanstilsynet. Significant project deliveries are completed and implemented.
- The database for defaults has been completed, and new PD models are currently being put into production internally



Next generation tools

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



Improved credit management

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

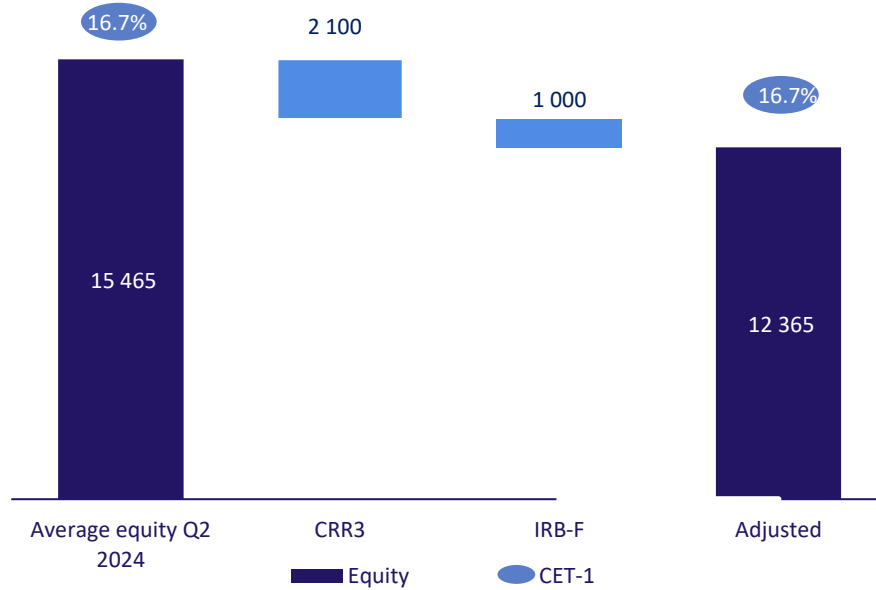


Increased competence and capacity

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

Updated estimates of capital effects from IRB-F

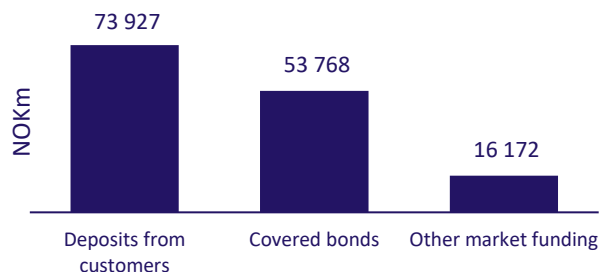
Capital release with new capital regulations (NOK million)*



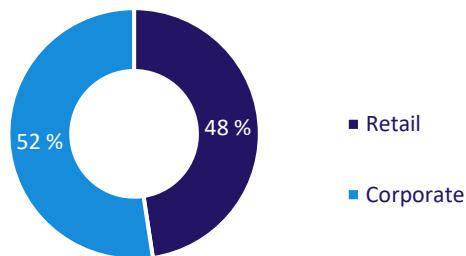
- Risk weight for residential mortgages of 22 %
- Average risk weight of CM of 66 %
- If the floor for residential mortgages is set at 25%, there will still be positive capital effects related to IRB-F

Diversified financing

Funding split



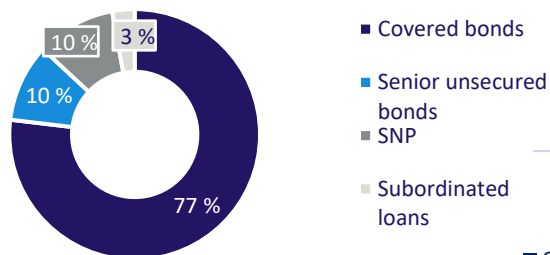
Deposits split



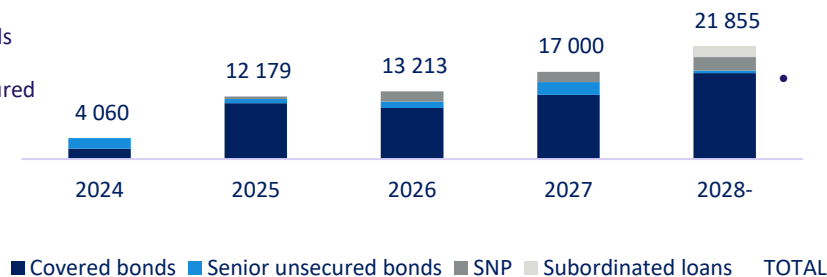
Key comments

- Predominantly funded with customer deposits and covered bonds (OMF)
- NOK 73.9 bn in customer deposits – 48 % retail customers
- NOK 68.3 bn in capital market funding – ~32% maturing in 2028 and later
- Sparebanken Sør has an A1 rating, “stable outlook”
- Sparebanken Sør Boligkreditt AS received an A1 rating in June 2023, in line with the bank
- Bonds issued by Sparebanken Sør Boligkreditt AS is rated AAA

Capital market funding split

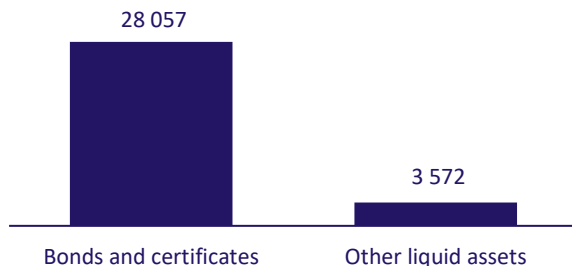


Capital market maturity profile*

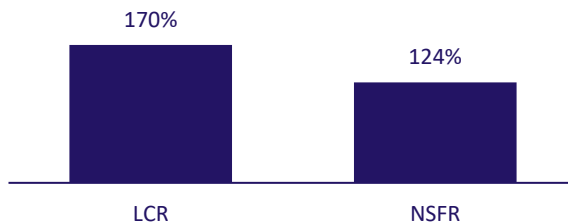


Strong liquidity position

Sources of liquidity



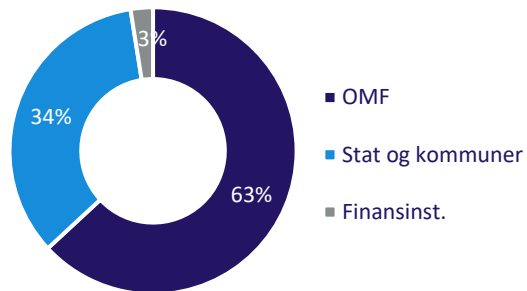
Liquidity ratios



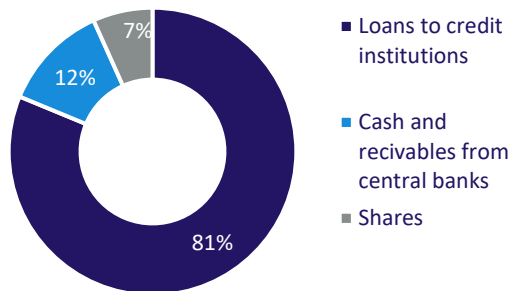
Main features

- Bonds and certificates constitute the majority of the liquidity portfolio
- Covered bonds make up for (OMF) 63% of all bonds and certificates
- Satisfying liquidity ratios – LCR ratio of 170 % and NSFR ratio of 124 %

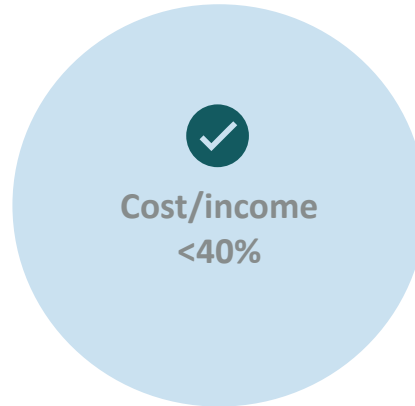
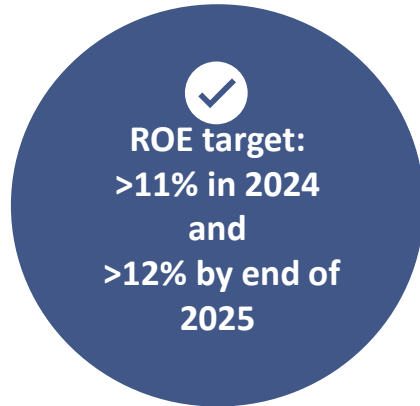
Bonds and certificates split



Other liquid assets split



Delivers on the financial targets



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 30.06.2024

	Name	Amount EC	Share EC %		Name	Amount EC	Share EC %
1	Sparebankstiftelsen Sparebanken Sør	10.925.765	26,20	11	Vpf Fondsinans Utbytte	450.000	1,08
2	J.P. Morgan Securities LLC	2.400.000	5,75	12	J.P. Morgan SE	368.348	0,88
3	Sparebanken Vest	2.400.000	5,75	13	Verdipapirfondet Fondsinans Norge	349.585	0,84
4	Geveran Trading Company LTd	1.800.000	4,32	14	U.S. Bank National Association	345.800	0,83
5	EIKA utbytte VPF c/o Eika kapitalforv.	1.509.134	3,62	15	Goldman Sachs & Co. LLC	340.654	0,82
6	Spesialfondet Borea Utbytte	1.392.276	3,34	16	Drangslund Kapital AS	302.107	0,72
7	Pershing LLC	1.020.000	2,45	17	Verdipapirfondet Nordea Norge Verd	280.902	0,67
8	KLP Gjensidige Forsikring	869.013	2,08	18	State Street Bank and Trust Comp	264.030	0,63
9	Verdipapirfondet Holberg Norge	698.542	1,68	19	J.P. Morgan SE	246.663	0,59
10	AF Capital AS	504.000	1,21	20	Hjellegerde Invest AS	243.507	0,58
	Sum 10 largest owners	23.518.730	56,40		Sum 20 largest owners	26.710.326	64,05

- 41.703.057 equity certificates with a face value of NOK 50 each have been issued.
- The earnings (Group) for Q2 2024 amounted to 4.6 NOK per equity certificate, NOK 9.9 per equity certificate YTD, and 16.4 NOK per equity certificate in 2023
- The ownership fraction as of June 30, 2024 was 40 percent

SOR – share price and liquidity

Indeksert, 1. januar
2022 = 100

Share price development as of 30.06.2024

- The share price for SOR was NOK 148.6 and book value was NOK 149.8, equivalent to a P/B of 0.99
- The equity certificates gave a return of 11.7 % last 12 months
- Profit per equity certificates 30.06.2024 of NOK 9.9, representing a P/E 7.5.

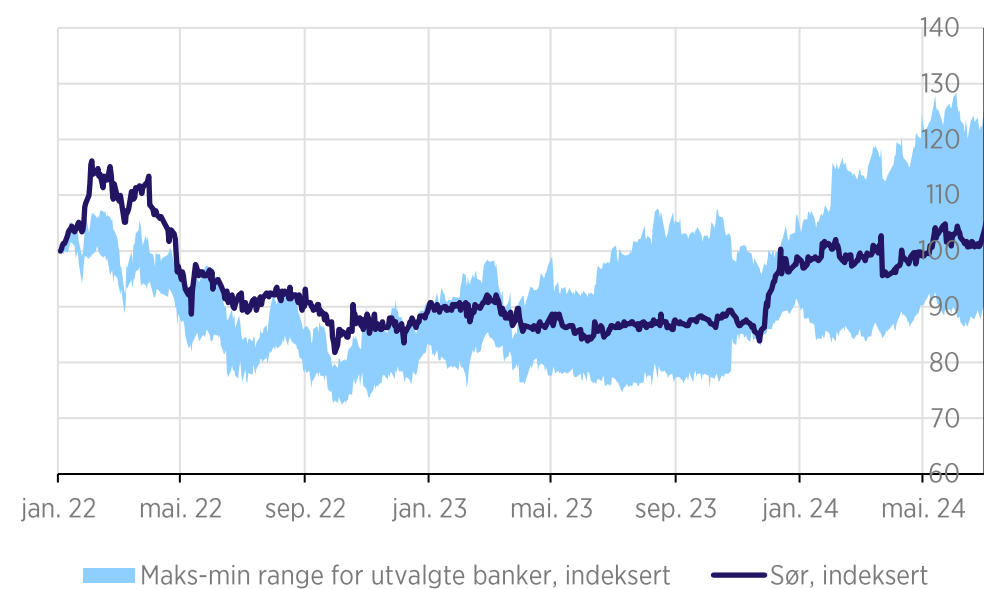
Liquidity

- Significantly improved liquidity after the sale of equity certificates.
- Turnover of 30 mill. equity certificates last 12 months.
- 41 703 057 total issued, and an EQ rate of 40.0 %.

Dividend

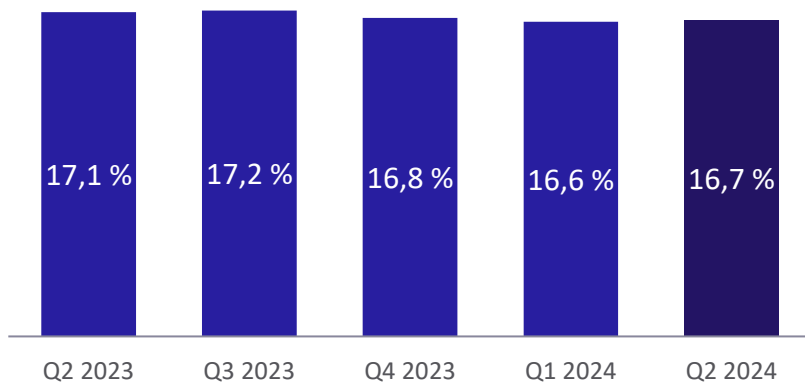
- A dividend of NOK 10 per equity certificate has been distributed for 2023.
- Goal to have ~ 50 % of the EC owners' share of the result should be paid out.
- The banks capital requirements will be taken into consideration when determining the annual dividend

Development from 1 January 2022 for Sor and selected banks¹⁾

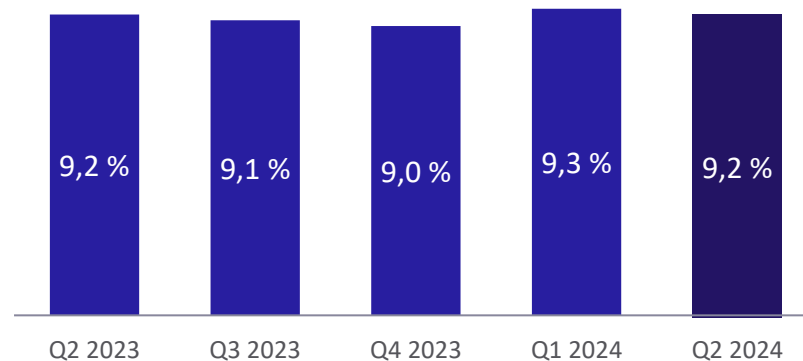


Solid capital situation

Common equity tier 1 capital ratio



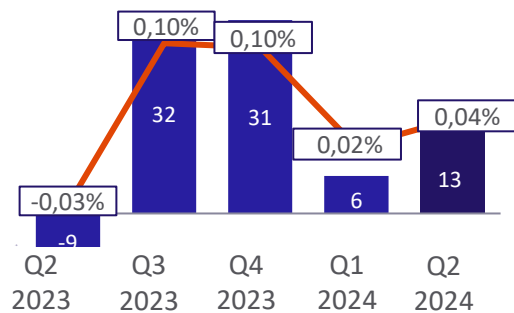
Leverage ratio



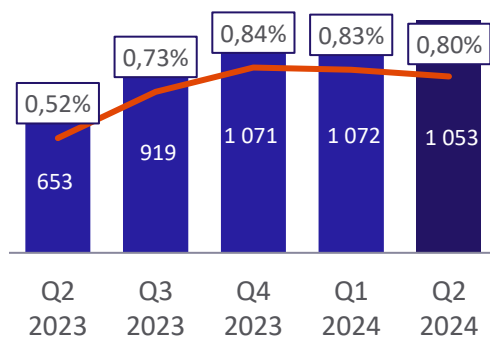
- Common equity tier 1 (CET1) well above the current capital requirement of 15,0 percent

Low losses and non-performing loans

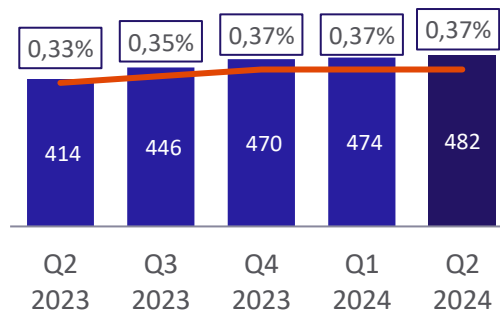
Development in losses in NOK million and as a percentage of gross loans (annualised)



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

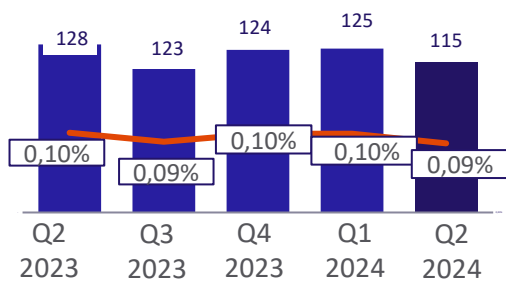


Development in loss provisions in NOK million and as a percentage of gross loans

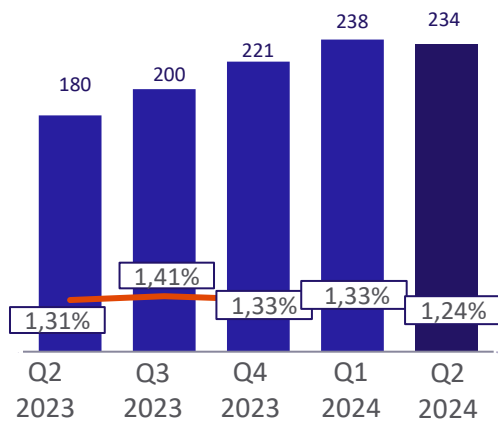


Loss provisions divided into steps

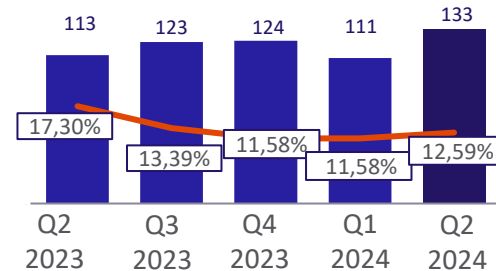
Provisions step 1
and in % of engagement stage 1



Provisions step 2
and in % of commitment stage 2

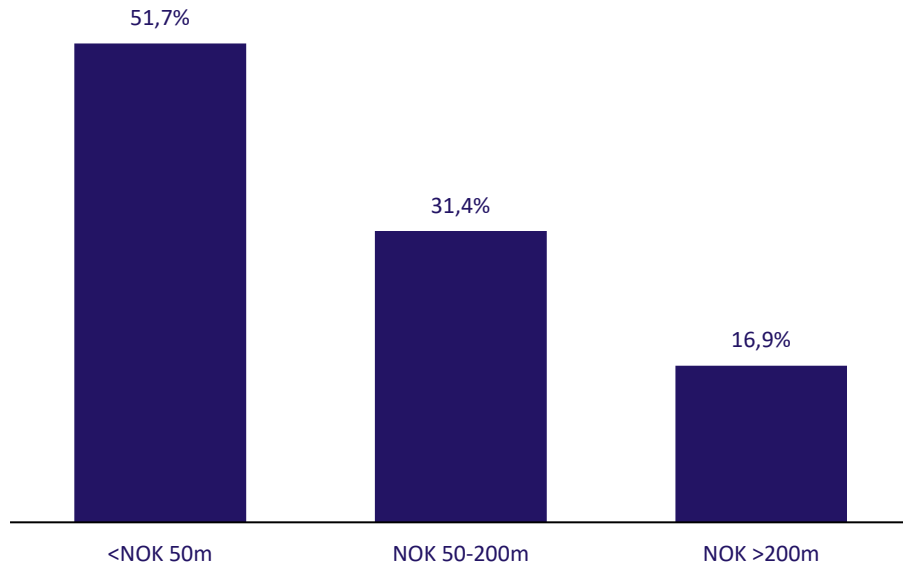


Provisions step 3
and in % of commitment stage 3



Corporate loan book – 48% property management and 52% < NOK 50m.

Corporate lending by size



Sector distribution

