

ISSUER PROFILE

25 November 2019

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Sparebanken Sør

Key Facts and Statistics - H1 June 2019

Company overview

Sparebanken Sør is a regional Norwegian bank, which provides retail and corporate banking services to individuals, companies and public authorities in the counties of Vest-Agder, Aust-Agder, Telemark and Rogaland. Its products include financing, savings facilities, placements, insurance, pensions and payment facilities. It also offers financial services to Christian organisations in Norway, largely as a result of its cooperation with the Norwegian Christian interest organisation (KNIF). In January 2014, Sparebanken Pluss merged with Sparebanken Sør to form Sparebanken Sør.

As of 31 March 2019, Sparebanken Sør was the sixth largest bank in Norway with total assets of NOK123.9 billion (€12.8 billion). As of 30 June 2019, it reported total consolidated assets of NOK125.7 billion (€12.9 billion).

Like other Norwegian savings banks, Sparebanken Sør has a distinctive ownership structure with equity certificate (EC) holders rather than shareholders or traditional owners. The bank's ECs are listed on the Oslo Stock Exchange (Stock code: SOR [before June 2014: PLUG]). As of 30 June 2019, its largest shareholder was Sparebankstiftelsen Sparebanken Sør, which held a 51.0% stake.

Note: Currency converted using exchange rate of NOK-€0.10327 and NOK-€0.10281, as of 31 Mar 2019 and 30 June 2019, respectively.

Sources: Company reports (annual report Dec 2018, H1 interim report June 2019 and June 2014, base prospectus July 2019), Moody's Investors Service research, Oslo Stock Exchange, www.oanda.com

Financial highlights

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Sparebanken Sør, please see <[Sparebanken Sør page on moody.com](http://www.moody.com)>.

Exhibit 1

Latest full-year results

Sparebanken Sør

(in NOK Million)	31-Dec-18	31-Dec-17	31-Dec-16	% Change 18/17	% Change 17/16
NOK/€, Period end	0.10012	0.10157	0.11005	-	-
Total Assets	121,125	114,310	105,455	5.96	8.40
Total Shareholders' Equity	11,845	11,108	10,051	6.63	10.52
Shareholders' Equity excluding Minority Interest	11,844	11,106	10,048	6.65	10.53
Total Regulatory Capital	13,096	12,347	11,121	6.07	11.02
Tier 1 Capital Ratio (%)	16.6	16.7	16.0	(10) bps	70 bps
Net Income	939	984	989	(4.57)	(0.51)
Net Income Attributable to Equity Holders	938	983	988	(4.58)	(0.51)

Notes: 1) Based on consolidated financial data.

2) "Shareholders' Equity excluding Minority Interest" is calculated by subtracting "Minority Interest" from "Total Shareholders' Equity".

Sources: Company reports (annual report Dec 2018 and Dec 2017), www.oanda.com

Exhibit 2

Latest first-half results

Sparebanken Sør

(in NOK Million)	30-Jun-19	30-Jun-18	% Change 19/18
NOK/€, Period end	0.10281	0.10522	-
Total Assets	125,697	118,479	6.09
Total Shareholders' Equity	12,200	11,478	6.29
Shareholders' Equity excluding Minority Interest	12,199	11,477	6.29
Total Regulatory Capital	13,564	12,845	5.60
Tier 1 Capital Ratio (%)	16.5	16.6	(10) bps
Net Income	500	516	(3.10)
Net Income Attributable to Equity Holders	500	516	(3.10)

Notes: 1) Based on consolidated financial data.

2) "Shareholders' Equity excluding Minority Interest" is calculated by subtracting "Minority Interest" from "Total Shareholders' Equity".

Sources: Company report (H1 interim report June 2019), www.oanda.com

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history.

Business description

Sparebanken Sør is a regional Norwegian bank, which provides retail and corporate banking services to individuals, companies and public authorities in the counties of Vest-Agder, Aust-Agder, Telemark and Rogaland. Its products include financing, saving facilities, placements, insurance, pensions and payment facilities. It also services Christian organisations in Norway (KNIF - Norwegian Christian interest organisation), and supplies real estate brokerage services through its subsidiary, Sørmeglere.

Sparebanken Sør operates through the following four business segments: Retail Market; Corporate Market; Undistributed and Elimination; and Sørmeglere. For the half year ended 30 June 2019 (H1 June 2019), the largest contributor to the bank's net interest and commission income was the Retail Market segment.

Retail Market: This segment, which in H1 June 2019 accounted for 56.4% of the bank's net interest and commission income, comprises Sparebanken Sør's activities including local bank-related business commitments, as well as the operations of Sør Boligkreditt AS, a bank subsidiary. As of 30 June 2019, this segment reported total consolidated assets of NOK70.5 billion (€7.2 billion).

Corporate Market: This segment provides corporate banking services mainly to small and medium-sized enterprises (SMEs) and public sector entities such as, municipalities, counties and state corporations, which are owned by local governments. The cooperation with KNIF (Norwegian Christian interest organisation) is also included in the corporate segment. Customers related to the KNIF are primarily hospitals, schools, kindergartens, church entities etc. As of 30 June 2019, this segment reported total consolidated assets of NOK34.6 billion (€3.6 billion), and accounted for 39.7% of the bank's net interest and commission income in H1 June 2019.

Undistributed and Elimination: This segment includes Sparebanken Sør's own investment activities and unallocated group (banks and its subsidiaries) eliminations. As of 30 June 2019, it reported total consolidated assets of NOK20.6 billion (€2.1 billion), and accounted for 3.9% of the bank's net interest and commission income in H1 June 2019.

Sørmeglere: This segment includes the real estate agency activities conducted through the bank's subsidiary, Sørmeglere. As of 30 June 2019, it reported total consolidated assets of NOK75.0 million (€7.7 million).

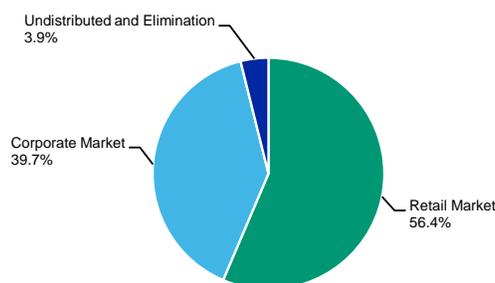
Note: Currency converted using an exchange rate of NOK=€0.10281, as of 30 June 2019.

Source: Company reports (annual report Dec 2018, H1 interim report June 2019, base prospectus July 2019), Moody's Investors Service research, www.oanda.com

Exhibit 3

Business segment

(% of net interest and commission income, consolidated, for H1 June 2019)

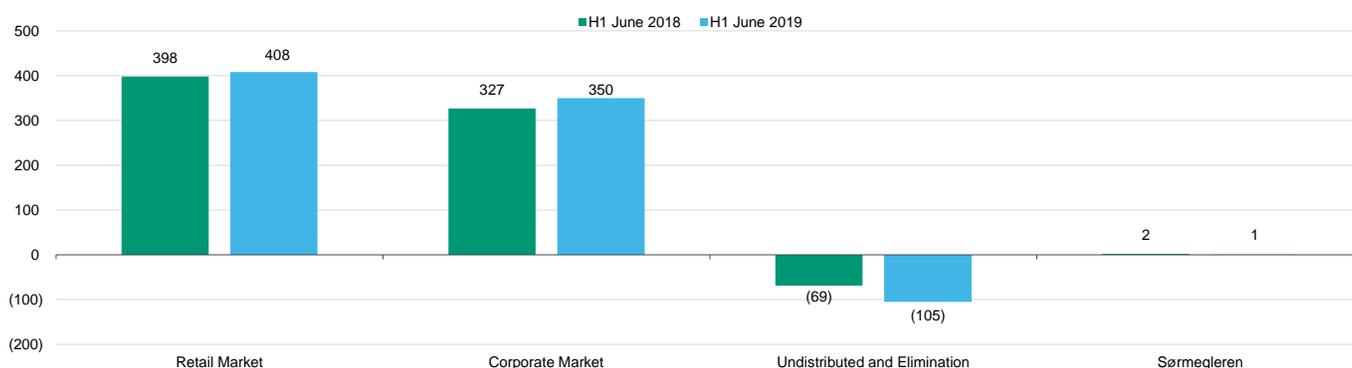


Note: Excluding "Sørmeglere", because of its nil contribution.

Source: Company report (H1 interim report June 2019, Pg: 17)

Exhibit 4

Profit before tax per business segment (Consolidated, in NOK millions)



Source: Company report (H1 interim report June 2019, Pg: 17)

Distribution channels

As of 30 June 2019, Sparebanken Sør, with head office in Kristiansand, distributed its products and services through a network of 34 branches in Vest-Agder, Aust-Agder, Telemark and Rogaland.

In addition, it also provides real estate brokerage services through a subsidiary, Sørmeqleren.

Sparebanken Sør also delivers its products and services through alternative distribution channels, including internet, mobile, SMS and telephone banking. As of 31 March 2019, Sparebanken Sør was the sixth largest bank in Norway with total assets of NOK123.9 billion (€12.8 billion).

Sources: Company reports (H1 interim report June 2019, annual report Dec 2018), company data, Moody's Investors Service research

Ownership structure

As a Norwegian savings bank, Sparebanken Sør has a unique ownership structure. Rather than having shareholders or traditional owners, the bank has EC holders. ECs differ from shares mainly in that they confer ownership rights to specific portions of bank capital. Furthermore, the governing bodies of savings bank are more widely representative than those of commercial banks. However, legislative amendments in July 2009 eliminated many of the differences between ECs and shares.

As of 31 December 2013, the bank (Sparebanken Pluss) had 1.25 million ECs in issue. However, as a result of the merger of Sparebanken Sør and Sparebanken Pluss in January 2014 (in which the continuing entity Sparebanken Pluss was renamed Sparebanken Sør), the capital of the bank was increased by 3,518,674 new ECs. As of 31 December 2015, the bank had 4,768,674 ECs in issue. The board of Sparebanken Sør approved a rights issue on 30 March 2016, which was carried out in Q2 2016. As of 30 June 2019, it had 15,663,944 ECs in issue.

Since 1998, the bank has been listed on the Oslo Stock Exchange (Stock code: SOR), which is regulated by Finanstilsynet, the Norwegian Financial Supervisory Authority. As of 30 June 2019, its largest shareholder was Sparebankstiftelsen Sparebanken Sør, which held a 51.0% stake.

Sources: Company reports (annual report Dec 2018 and Dec 2015, H1 interim report June 2019 and June 2016), Moody's Investors Service research, Oslo Stock Exchange, www.finanstilsynet.no

As of 30 June 2019, the bank's 10 largest EC holders were as follows:

Exhibit 5

Sparebanken Sør

EC holders	Number of ECs held	% held
Sparebankstiftelsen Sparebanken Sør	7,988,679	51.00
EIKA utbytte VPF c/o Eika kapitalforv	602,763	3.85
Arendal Kom. pensjonskasse	450,000	2.87
Pareto AS	417,309	2.66
Glastad Invest AS	368,765	2.35
Bergen Kom. Pensjonskasse	340,000	2.17
Otterlei Group AS	268,100	1.71
Wenaasgruppen AS	186,000	1.19
Gumpen Bileiendom AS	174,209	1.11
Allumgården AS	151,092	0.96
Total - 10 largest holders	10,946,917	69.89

Source: Company report (H1 interim report June 2019)

Subsidiaries and associates

As of 30 June 2019, the bank's subsidiaries and associates were as follows:

Exhibit 6

Sparebanken Sør

Company	Home Country	Business	% Held
Subsidiaries			
Sørmeglern	Norway	Estate agency	100.0
Sparebanken Sør Boligkreditt AS	Norway	Issuing covered bonds	100.0
Associates			
Frende Holding AS	Norway	Insurance	20.2
Brage Finans AS	Norway	Financing company	20.8
Norne Securities AS	Norway	Securities brokerage	17.6
Balder Betaling AS	Norway	Payment app	22.0

Source: Company report (H1 interim report June 2019)

Company management

Exhibit 7

Sparebanken Sør

Company Management	Current Title
Geir Bergskaug	Chief Executive Officer
Lasse Kvinlaug	Deputy CEO/Director, Corporate market
Gunnar Thomassen	Director, Retail market
Gry Moen	Director, Business support
Marianne Lofthus	Director, Capital market
Bjørn A. Friestad	Director, Risk management
Rolf H. Søraker	Director, Group support

As of 26 Aug 2019.

Exhibit 8

Sparebanken Sør

Board of Directors	Affiliations
Stein A. Hannevik	Chairman
Inger Johansen	Deputy Chairman
Tom Erik Jebsen	Director
Erling Holm	Director
Marit Kittilsen	Director
Mette Ramfjord Hørv	Director
Jan Erling Tobiassen	Director (Employee Representative)
Gunnhild Tveiten Golid	Director (Employee Representative)

As of 26 Aug 2019.

Sources: Company reports (H1 interim report June 2019, annual report Dec 2018), company data

Company history

Sparebanken Pluss (later renamed Sparebanken Sør) was founded in 1824 as Christianssands Sparebank. Following a series of mergers with local savings banks, the entity was established as an independent savings bank with EC holders.

In 2007, Sparebanken Pluss created the jointly owned real estate brokerage company Pluss Garanti Eiendomsmegling AS, which operates in Kristiansand and Vennesla. In February 2011, Pluss Garanti Eiendomsmegling AS was renamed Plussmegleren AS.

In January 2009, the bank established a wholly owned mortgage subsidiary, Pluss Boligkreditt AS, through which it was able to access funding by utilising swap facilities provided by the government-sponsored bank support package.

In January 2014, Plussmegleren AS merged with ABCenter (a wholly owned subsidiary of Sparebanken Sør [a savings bank operating in the Norwegian counties of Vest-Agder, Aust-Agder and Telemark]) to form Sørmelegleren, a wholly owned subsidiary of Sparebanken Sør. At the same time, Sparebanken Pluss merged with Sparebanken Sør (a bank that originated in 1825 with the founding of Arendals Sparebank). Sparebanken Pluss was the acquirer in the transaction, and the merged entity was subsequently named Sparebanken Sør.

In March 2014, Pluss Boligkreditt AS merged with Sør Boligkreditt AS (a subsidiary of Sparebanken Sør). Subsequent to the transaction (with retrospective effect from January 2014), the new entity was named Sør Boligkreditt AS.

In February 2017, Sparebanken Sør, DNB and more than 100 other Norwegian savings banks decided to establish and further develop the payment app Vipps as the preferred mobile wallet in Norway. Balder Betaling AS was established in the first quarter of 2017, to exercise ownership in Vipps on behalf of Sparebanken Sør together with 14 other savings banks. The final governmental approval was given on 20 September 2017. As of 30 June 2019, Sparebanken Sør held a 22% stake in Balder Betaling AS, which in turn held 10.6% holding in Vipps.

Sources: Company reports (Sparebanken Pluss annual report Dec 2013, Dec 2012, Dec 2010 and Dec 2007, Sparebanken Sør annual report Dec 2018, Dec 2017, Dec 2016 and Dec 2013, Sparebanken Sør H1 report June 2019 and June 2014), Moody's Investors Service research

Peer group

- » [Sparebanken Møre](#)
- » [Sparebanken Vest](#)
- » [Sparebanken Oest](#)
- » [SpareBank 1 Ostlandet](#)
- » [SpareBank 1 BV](#)
- » [SpareBank 1 SMN](#)
- » [SpareBank 1 SR-Bank ASA](#)
- » [SpareBank 1 Nord-Norge](#)
- » [Sparebanken Sogn og Fjordane](#)
- » [Fana Sparebank](#)

Related websites and information sources

For additional information, please see:

The company's website

- » [Sparebanken Sor](#)

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Moody's related research

Issuer Page on Moodys.com

- » [Sparebanken Sor](#)

Credit Opinion

- » [Sparebanken Sor, June 2019 \(1176578\)](#)

Industry Outlook

- » [Norway, September 2019 \(1187879\)](#)

Rating Action

- » [Moody's changes rating outlook to stable from negative for seven Norwegian banks and a covered bond company, June 2019](#)
- » [Moody's assigns Counterparty Risk Ratings to 38 banking groups in Denmark, Sweden, Norway, Finland, Latvia and Lithuania, June 2018](#)

Sector Comment

- » [Norway's rate hike is credit positive for banks, September 2019](#)
- » [Proposal to tighten mortgage lending rules is credit positive for Norway's banks and covered bonds, September 2019](#)
- » [Loss-absorbing debt issuance to benefit large banks' senior creditors, June 2019](#)
- » [Norway's new requirements for prudent consumer lending practices are credit positive, February 2019](#)

Rating Methodology

- » [Banks, August 2018 \(1128883\)](#)

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