



Sparebanken Sør

Investor presentation Q3 2024

Sparebanken Vest and Sparebanken Sør: A perfect match

The banks have a strong common value base: Both are equity certificate banks with the same ownership fraction, a common focus on customer dividends and we have developed a number of joint product companies.

Our local power will be strengthened by a total of 68 offices, none of which overlap geographically.





Norway's biggest savings bank

Customers

760 000

FTEs

1 554

Gross loans

435_{bn.}



Sparebanken
Vest



SPAREBANKEN
SØR

National ambitions for Sparebanken Norge

We will become the first savings bank to take a nationwide position, with the aim of being present in the largest Norwegian city centers within 5-10 years.

This will happen through both structural and organic growth.

Significant cost and capital synergies

Cost synergies

Estimated to 350-400 million annually from 2027-2028

Capital synergies

Estimated at net NOK 2 billion. In addition, there is the effect of Basel IV of NOK 2.1 billion

Transaction and integration costs

250-300 million

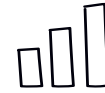




Frendegruppen
and product
companies



Strengthened partner and driving force for a proactive
Frende group



A strong and long term owner for the product companies
that provide predictability



A partner that contributes with technology and
knowledge in order to make the Frende group
attractive for other savings banks

First major milestone passed with unanimous decisions in the banks' general meetings on 2 October



Target of legal merger on 1 May 2025

Integration program: Strategic and operational management towards becoming Norway's best savings bank



Time line for merger



3. kvartal 2024

Strong quarterly result

- Net interest income increased by 7 percent
- Growth in net commission income
- Good profit contributions from associated companies
- Very low cost/income of 33.9 percent
- Low losses and defaults still at a historically low level
- Result per equity certificate (EC) of NOK 4.4 (NOK 4.2)
- Return on equity of 11.7 percent (11.5 percent)

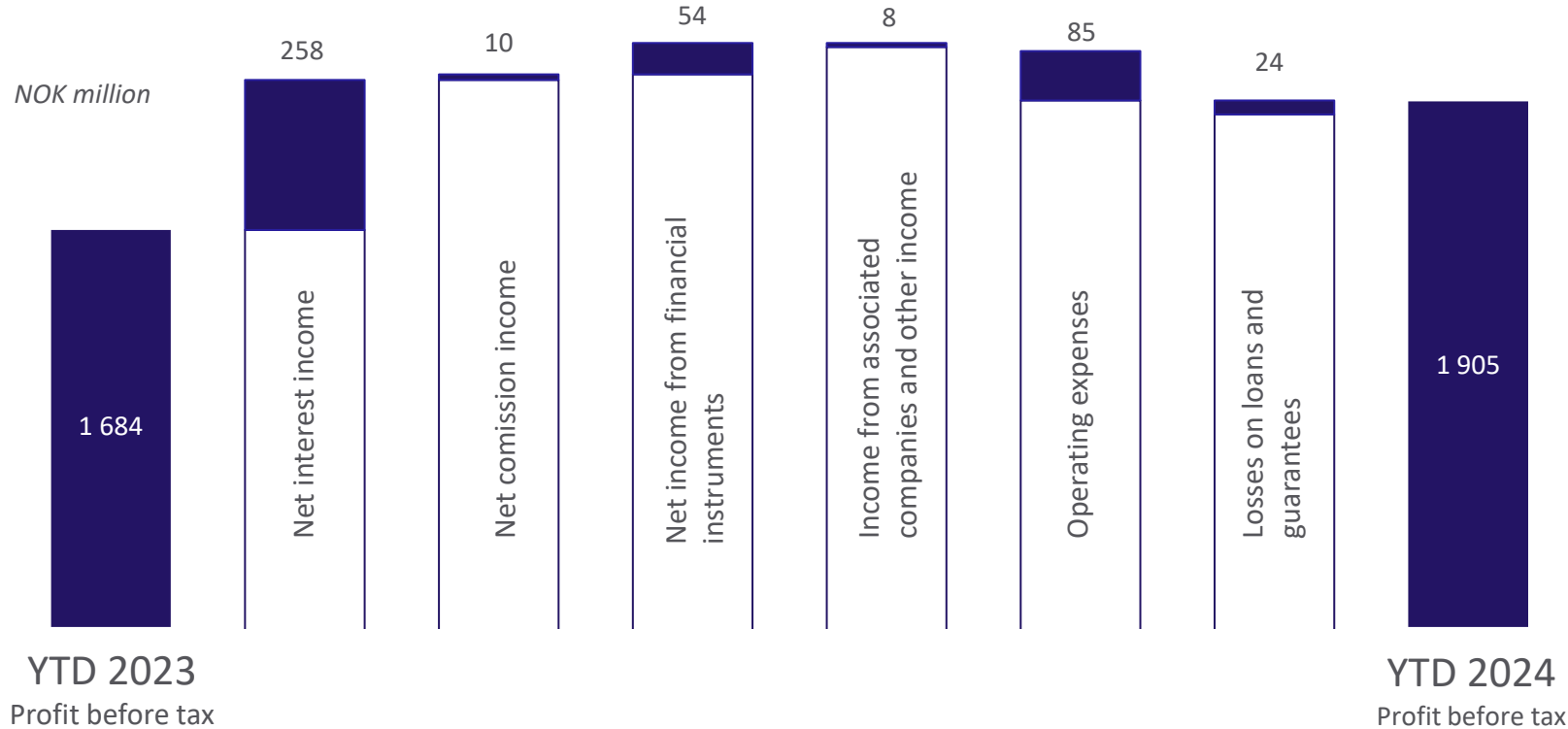
NOK million	2024 Q3	2023 Q3	Change
Net interest income	838	783	55
Net commission income	104	101	3
Net income from financial instruments	10	20	-10
Associated companies	42	6	36
Other operating income	3	23	-20
Total income	997	935	62
Total expenses	338	298	40
Profit before losses on loans	660	637	23
Losses on loans, guarantees	23	32	-9
Profit before tax	637	605	32
Tax expenses	150	148	2
Profit for the period	487	457	30

Strong growth in net interest income year to date

- Low cost/income of 34.2 percent
- Low losses and defaults still at a historically low level
- Result per equity certificate (EC) of NOK 14.4 (NOK 12.5)
- Return on equity of 12.6 percent (11.6 percent)
- Growth in loans last 12 months at 4.9 percent
- Growth in deposits last 12 months at 5.4 percent

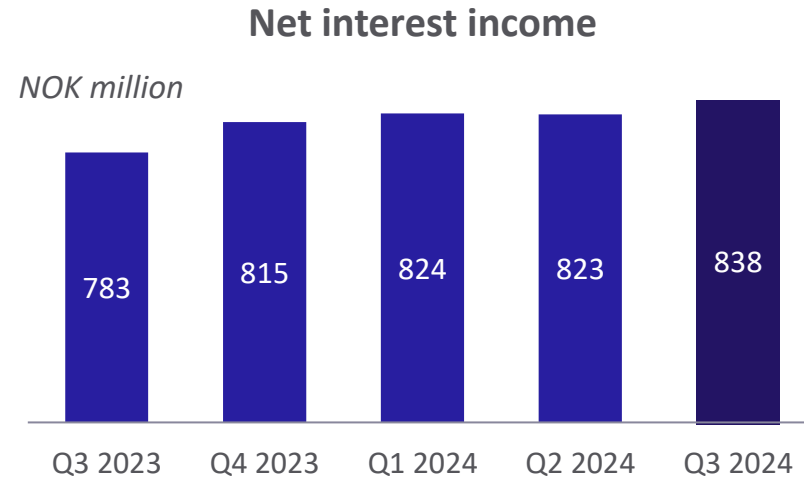
NOK million	30.09.2024	30.09.2023	Change
Net interest income	2 486	2 227	258
Net commission income	305	295	10
Net income from financial instruments	70	16	54
Associated companies	92	66	26
Other operating income	7	26	-19
Total income	2 960	2 630	330
Total expenses	1 013	928	85
Profit before losses on loans	1 947	1 702	245
Losses on loans, guarantees	43	18	24
Profit before tax	1 905	1 684	220
Tax expenses	341	338	3
Profit for the period	1 564	1 346	218

Decomposition of changes in profit before tax



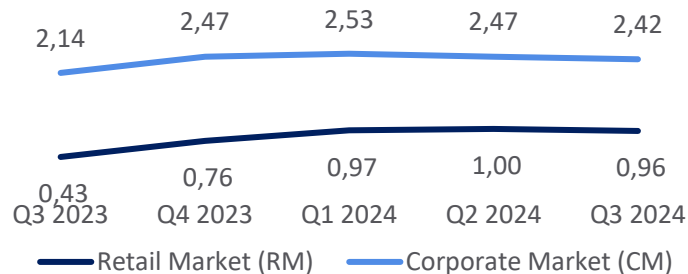
Strong net interest income

- Positive deposit and lending growth in the last 12 months
- Pressure on deposit margins

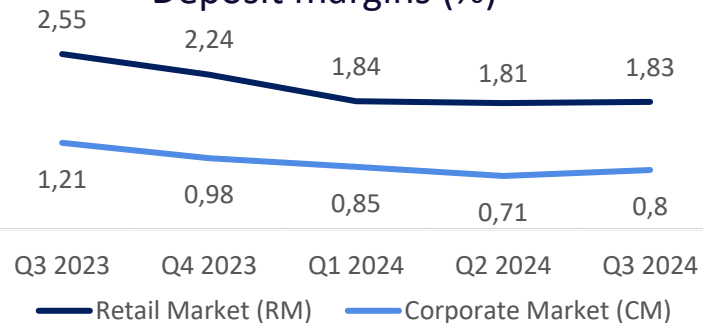


Stable development in margins

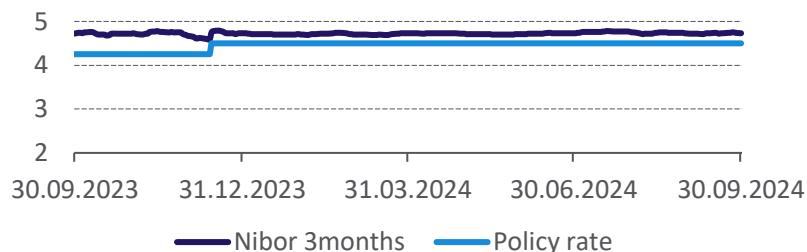
Loan margins (%)



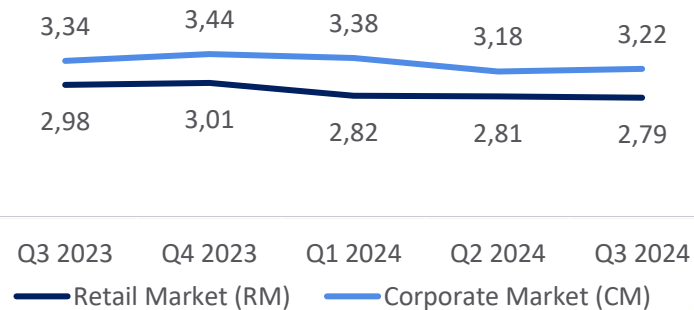
Deposit margins (%)



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 share of results from Frende in the Q3 2024 has remained at approximately the same level as the previous quarter and is significantly greater than the same period in 2023.
- The share of results from Brage Finans in the Q3 2024 shows a very positive growth and good results.
- Sparebanken Sør has so far in 2024 increased its ownership stakes in Frende Holding AS, Brage Finans AS and Balder Betaling AS by 2.6 percentage points, 2.7 percentage point and 3.8 percentage points, respectively.

Effect on results after consolidation

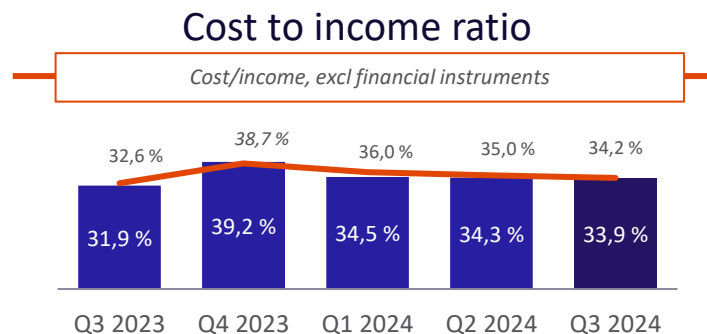
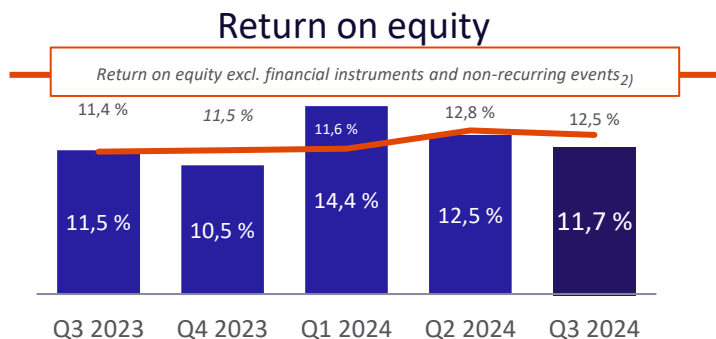
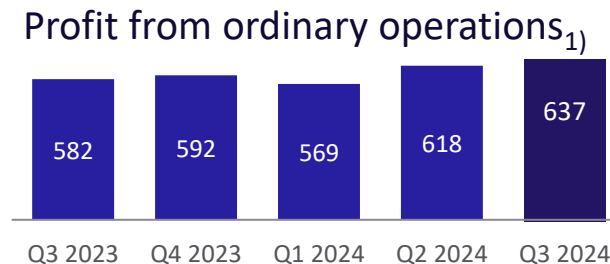
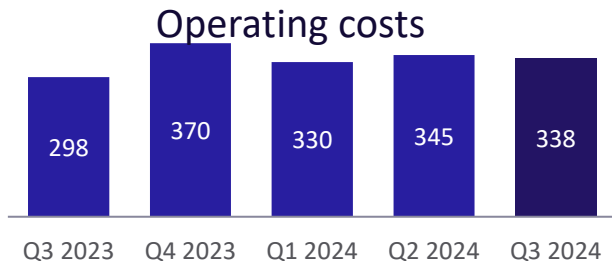
NOK million		Q3 2024	Q3 2023	30.09.2024	30.09.2023
Frende forsikring (22,5 %)	Share of profit	23	-8	47	10
	Amort.	-6	-6	-17	-17
Brage Finans (27,6 %)	Share of profit	25	19	62	61
Balder Betaling (26,8 %)	Share of profit	0	0	0	11
SUM		42	6	92	66



SPAREBANKEN SØR

Strong return on equity and low cost percentage

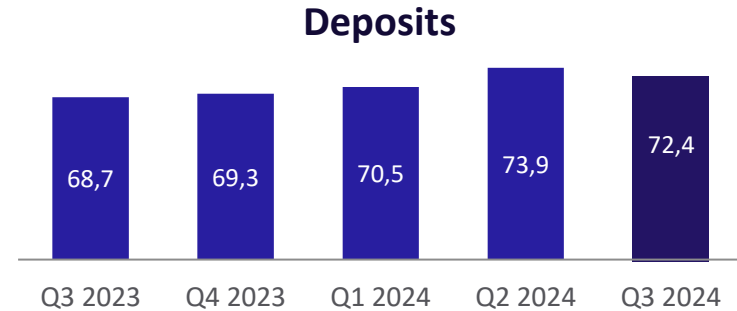
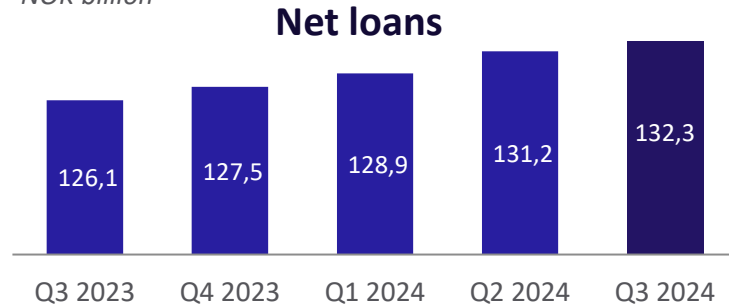
NOK million



- 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 Q3

NOK billion

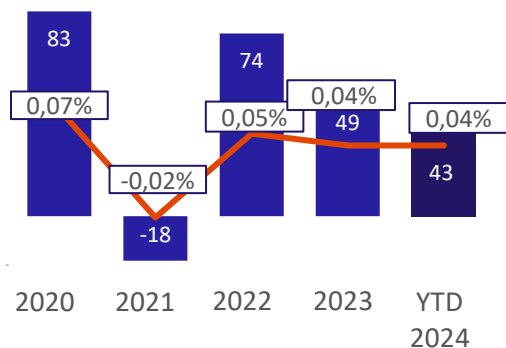


- **12 month growth of 4.9 %**
 - 12 month growth in gross loans of 3.7 % for retail customers and 7.1 % from corporate customers
- **Annualised quarterly growth of 3.3 %**
 - 5.6 % for retail customers and -0.5 % from corporate customers

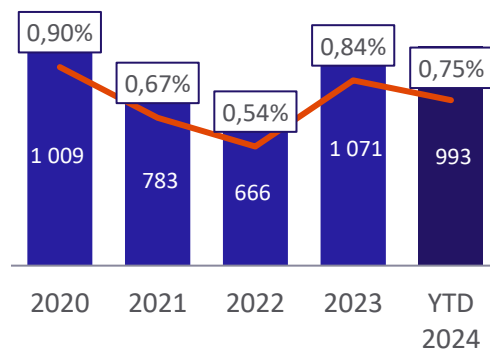
- **12 month growth of 5.4 %**
 - 12 month growth in deposits from retail customers of 4.5 % and corporate customers of 5.3 %
- **Deposit coverage of 54.8 % (54.5 %)**

Low losses and non-performing loans

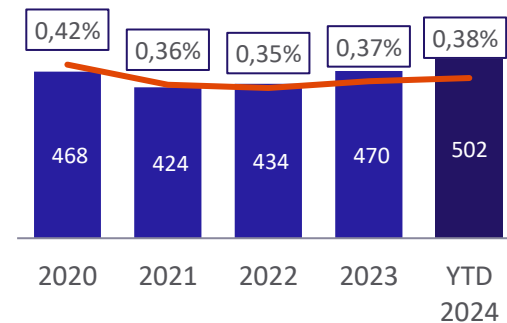
Development in losses in NOK million and as a percentage of gross loans (annualised)



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

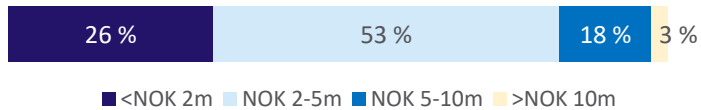


Diversified loan portfolio with low risk

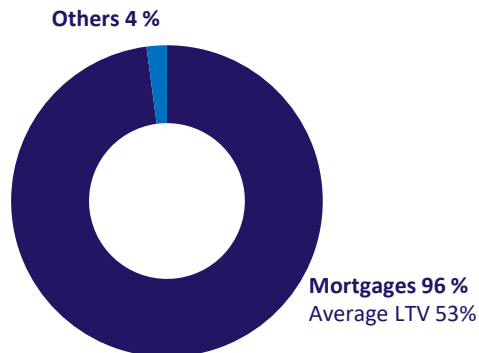
Retail Market

64 % of the loan portfolio

Distribution of loans by size

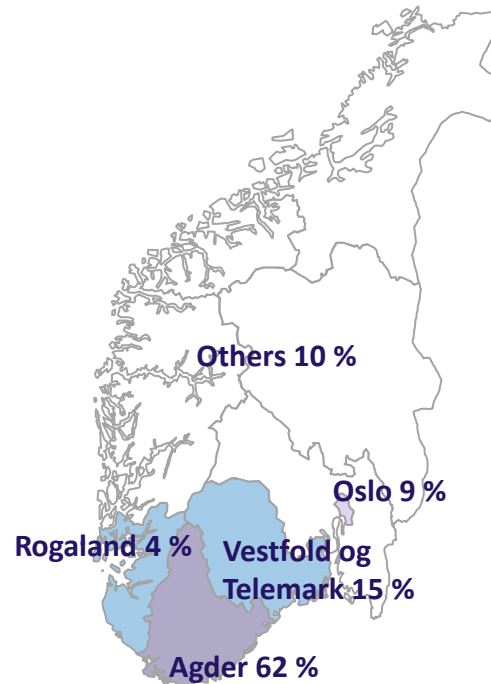


Mortgage makes 96% of the loan portfolio



Total

Geographical distribution of the overall lending portfolio



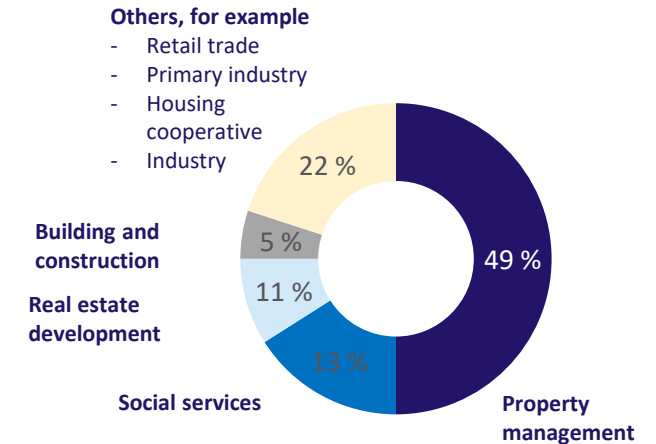
Corporate Market

36 % of the loan portfolio

Distribution of loans by size

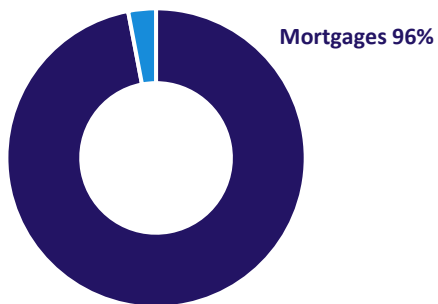


Sector distribution

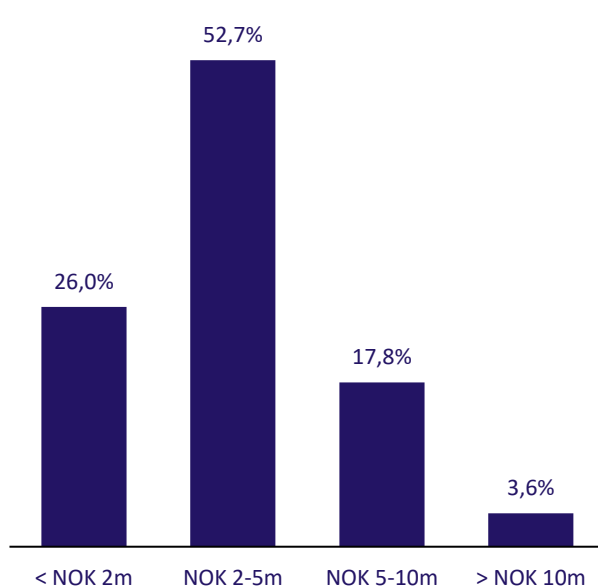


Retail loan book – 96% mortgages and good security (low LTV)

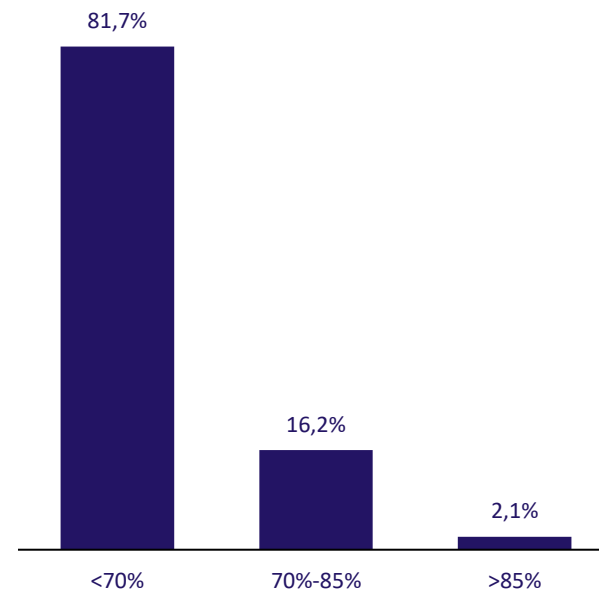
Share of mortgages



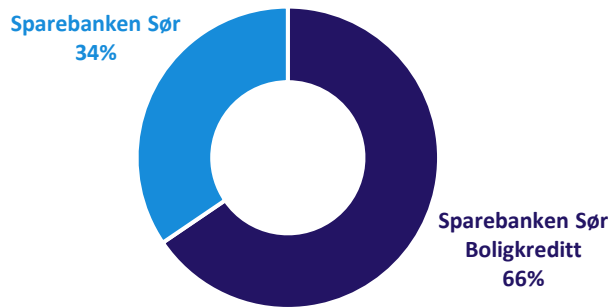
Retail lending by size



Retail lending by LTV

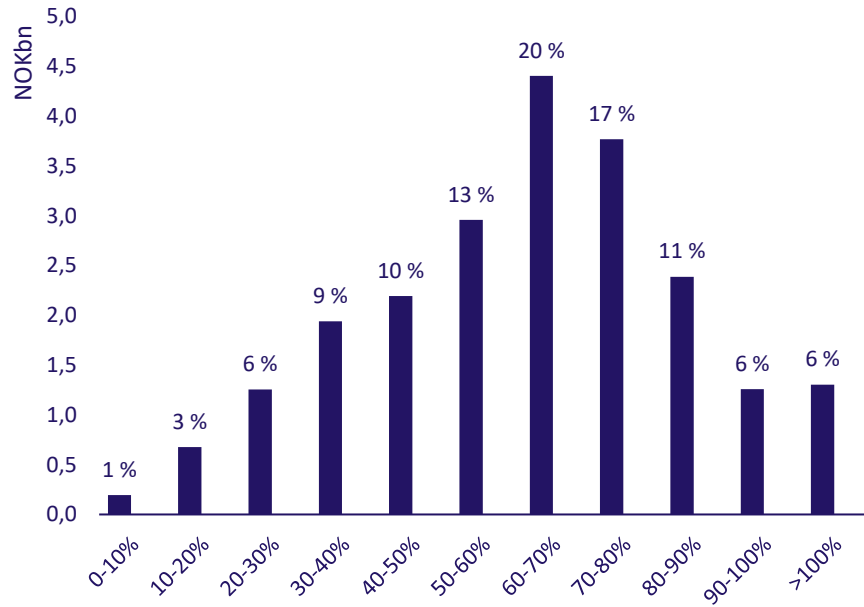


On balance vs. covered bond transfers

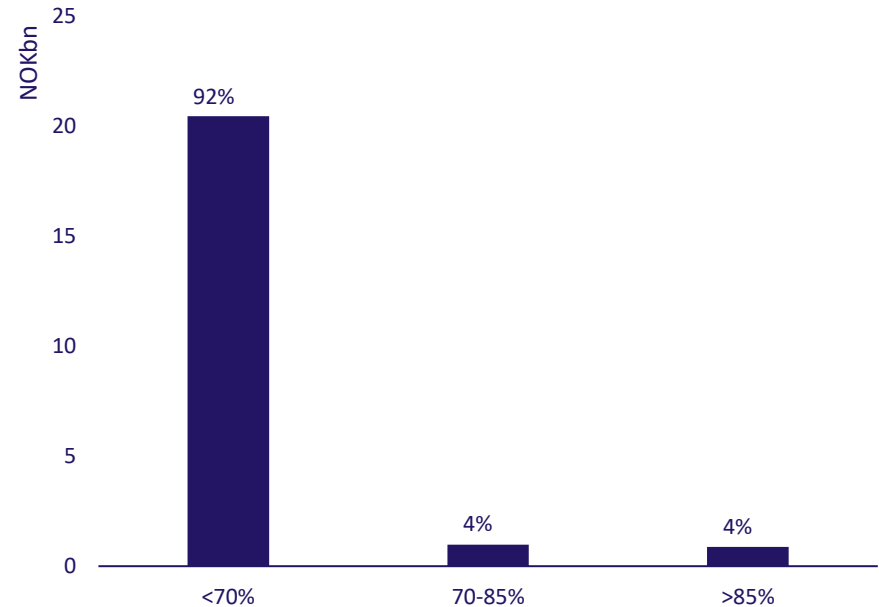


Solid asset backing in commercial real estate portfolio (property management)*

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

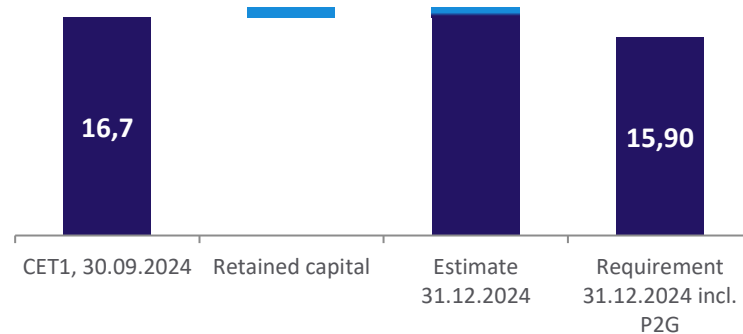
Good margin for regulatory capital requirements

Capital requirements

Capital requirements CET1	Requirement 30.09.24
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 %

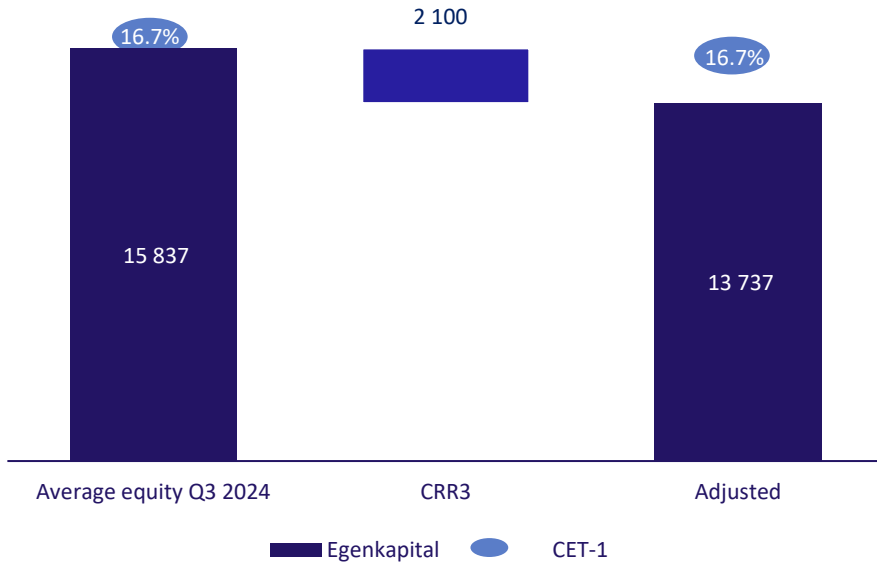
1) The bank received final feedback on the SREP on April 30, 2024.

Capital adequacy

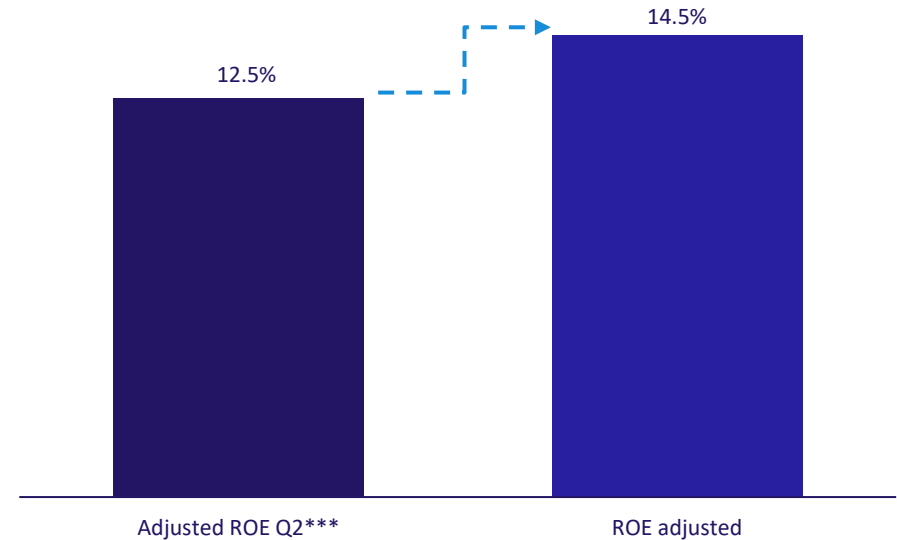


Capital effects from CRR3 (“Basel IV”)

Capital release from CRR3* (NOK million)



Higher ROE due to new capital regulations**



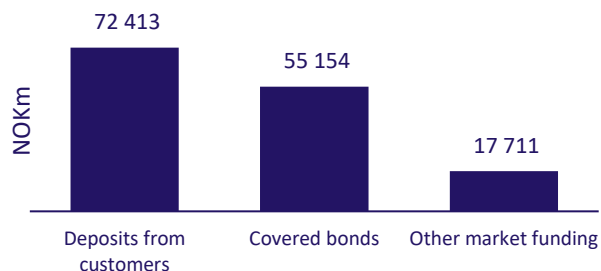
*Expected capital effects of approx. 2.8 percentage points on CET-1 with CRR3

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

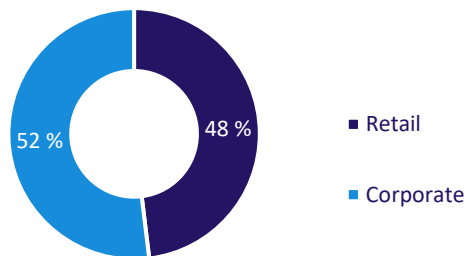
***ROE adjusted for financial income and normalized tax rate

Diversified financing

Funding split



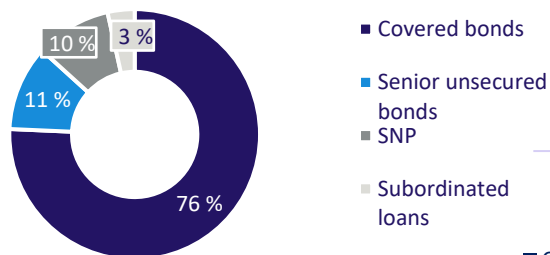
Deposits split



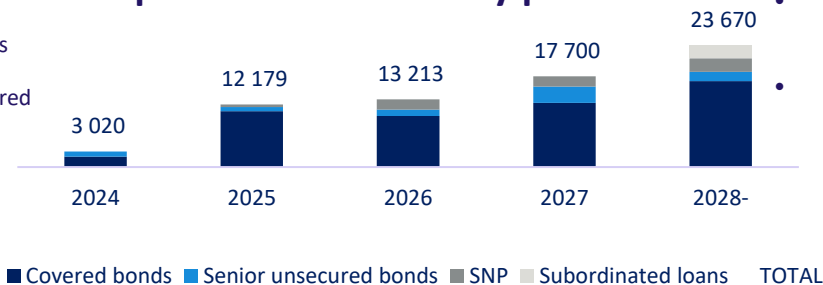
Key comments

- Predominantly funded with customer deposits and covered bonds (OMF)
- NOK 72.4 bn in customer deposits – 48 % retail customers
- NOK 72.9 bn in capital market funding – ~34% 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

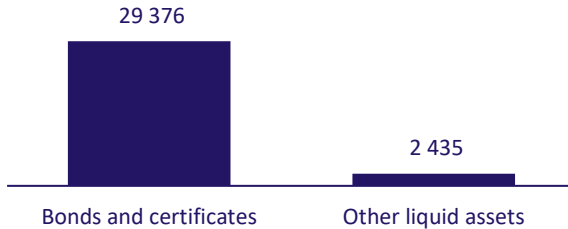


Capital market maturity profile*

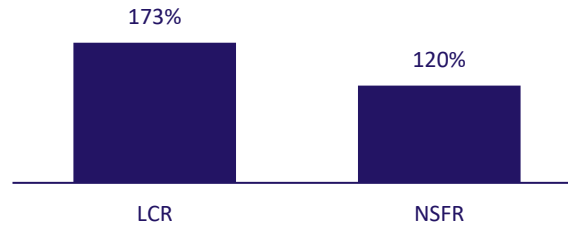


Strong liquidity position

Sources of liquidity



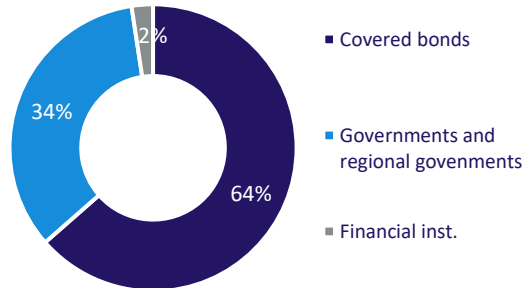
Liquidity ratios



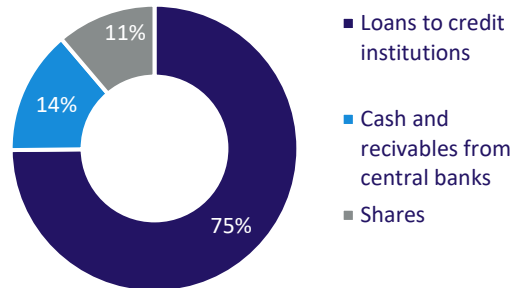
Main features

- Bonds and certificates constitute the majority of the liquidity portfolio
- Covered bonds make up for (OMF) 64 % of all bonds and certificates
- Satisfying liquidity ratios – LCR ratio of 173 % and NSFR ratio of 120 %

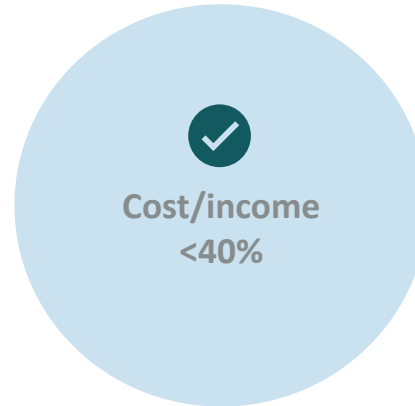
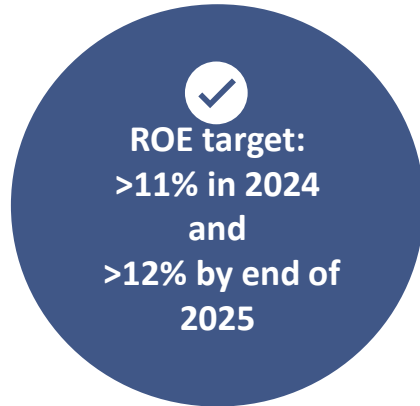
Obligasjoner og sertifikater



Andre likvide aktiva



Delivers on the financial targets



Together we will build Norway's best savings bank

- ✓ Low complexity
- ✓ Low risk in the loan portfolio
- ✓ Proud performance culture and two strong headquarters
- ✓ New strong brand built on savings bank values
- ✓ Significant gifts and high customer yields
- ✓ Among the best in terms of return on equity



Appendix

Equity certificate owners

20 largest equity certificate owners as of 30.09.2024

	Name	Amount EC	Share EC %		Name	Amount EC	Share EC %
1	Sparebankstiftelsen Sparebanken Sør	10.925.765	26,20	11	AF Capital AS	504.000	1,21
2	Sparebanken Vest	2.400.000	5,75	12	Skandinaviska Enskilda Banken AB	480.000	1,15
3	J.P. Morgan Securities LLC	2.337.641	5,61	13	Vpf Fondsfinans Utbytte	400.000	0,96
4	Geveran Trading Company LTd	1.800.000	4,32	14	J.P. Morgan SE	395.979	0,95
5	Spesialfondet Borea Utbytte	1.725.809	4,14	15	Verdipapirfondet Fondsfinans Norge	349.585	0,84
6	EIKA utbytte VPF c/o Eika kapitalforv.	1.531.995	3,67	16	U.S. Bank National Association	343.200	0,82
7	Pershing LLC	1.020.000	2,45	17	Drangslund Kapital AS	302.107	0,72
8	KLP Gjensidige Forsikring	953.013	2,29	18	State Street Bank and Trust Comp	262.188	0,63
9	Verdipapirfondet Holberg Norge	636.501	1,53	19	J.P. Morgan SE	246.663	0,59
10	J.P. Morgan SE	507.153	1,22	20	Hjellegjerde Invest AS	243.507	0,58
	Sum 10 largest owners	23.837.877	57,16		Sum 20 larges owners	27.365.106	65,62

- 41.703.057 equity certificates with a face value of NOK 50 each have been issued.
- The earnings (Group) for Q3 2024 amounted to 4.4 NOK per equity certificate, NOK 12.6 per equity certificate YTD, and 16.4 NOK per equity certificate in 2023
- The ownership fraction as of September 30, 2024 was 40 percent

SOR – share price and liquidity

Share price development as of 30.09.2024

- The share price for SOR was NOK 175.0 and book value was NOK 154.1, equivalent to a P/B of 1,14
- The equity certificates gave a return of 44.5 % last 12 months
- Profit per equity certificates 30.09.2024 of NOK 14.4, representing a P/E 9.1.

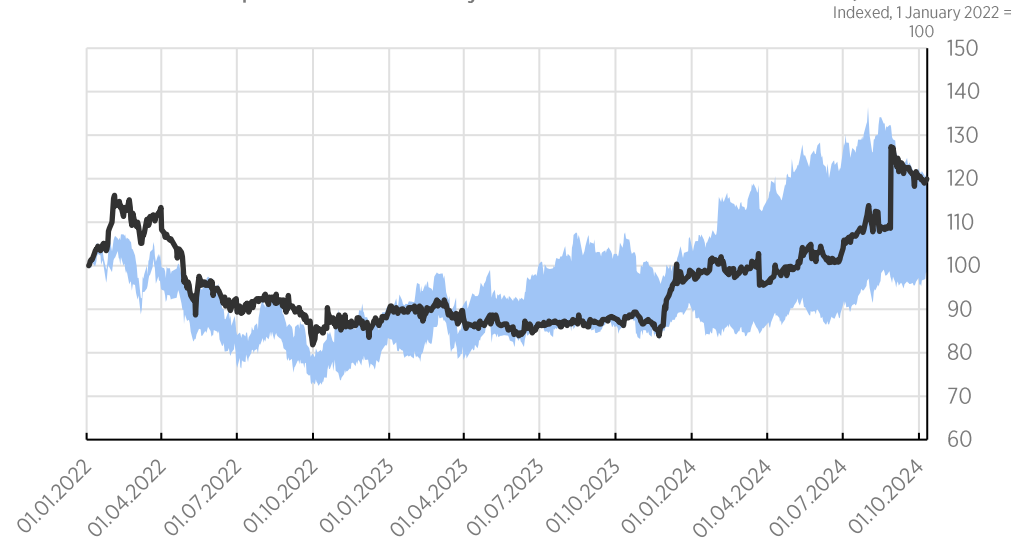
Liquidity

- Significantly improved liquidity after the sale of equity certificates.
- Turnover of 30.6 mill. equity certificates last 12 months.
- 41 703 057 total issued, and an EQ rate of 40.0 %.

Dividend

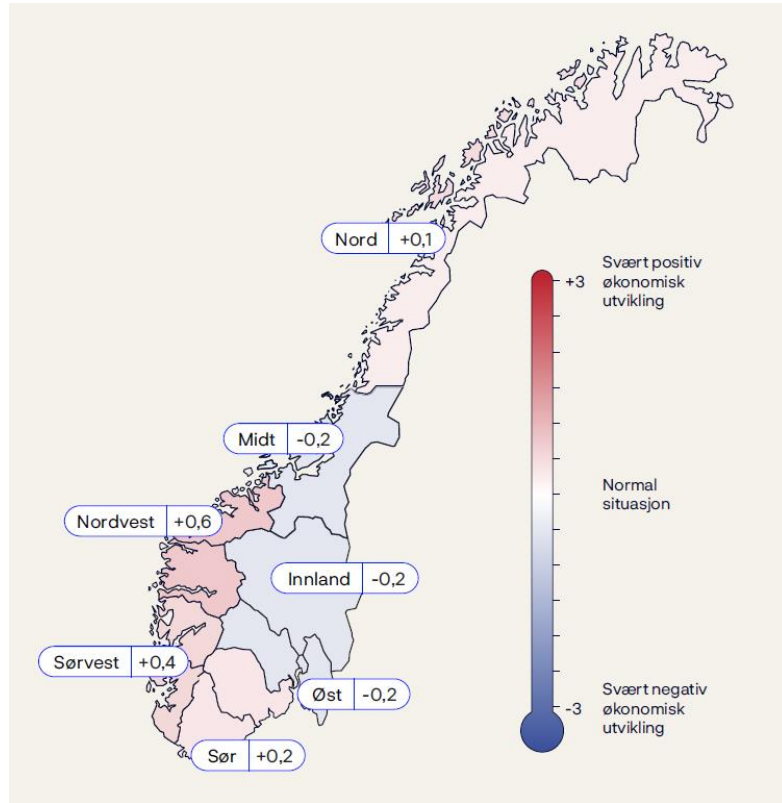
- A dividend of NOK 10 per equity certificate has been distributed for 2023.
- Goal to have ~ 50 % of the EC owners' share of the result should be paid out.
- The banks capital requirements will be taken into consideration when determining the annual dividend

Development from 1 January 2022 for Sør and selected banks 1)



1) Selected banks SVEG, SB1NO, MING, SPOL and NONG.

Positive economic development in the region



Source: Norges Banks regionale nettverk, Rapport 3/2024

Housing price growth in Agder is at 4.7% in the last 12 months and 4.1% in Norway

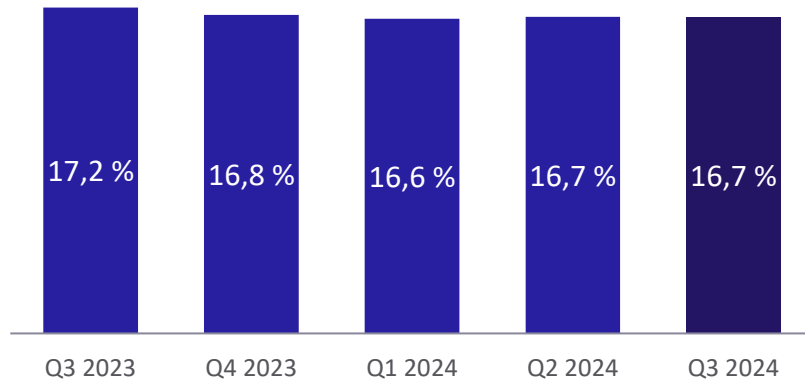
The nurse index shows that a single nurse can buy 46 % of the homes sold in Kristiansand, 63 % in Grenland and 64 % in Arendal.

Unemployment is slowly increasing, but is still at a low level. (2.0 percent in Norway and 2.1 percent in Agder)

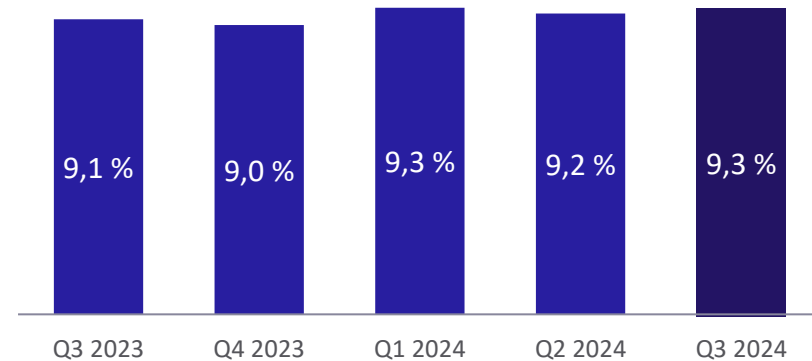
The economy is affected by high activity and investment in the energy sector

Solid capital situation

Common equity tier 1 capital ratio



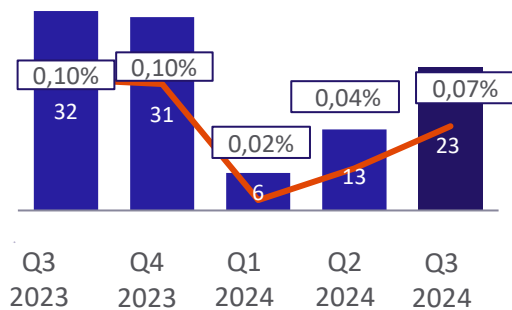
Leverage ratio



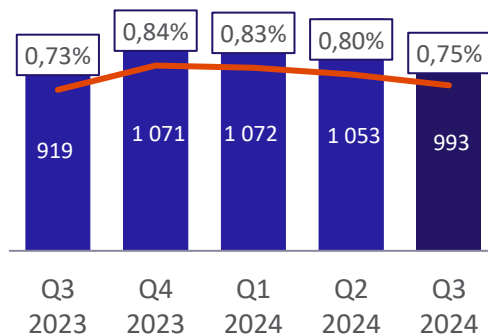
- Common equity tier 1 (CET1) well above the current capital requirement of 14,9 percent

Low losses and non-performing loans

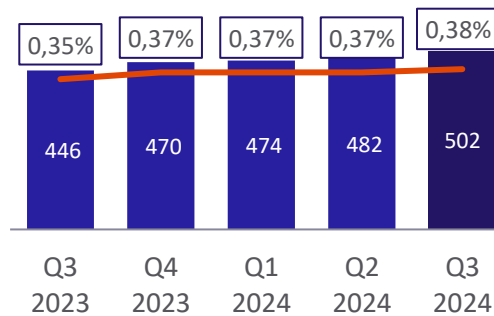
Development in losses in NOK million and as a percentage of gross loans (annualised)



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

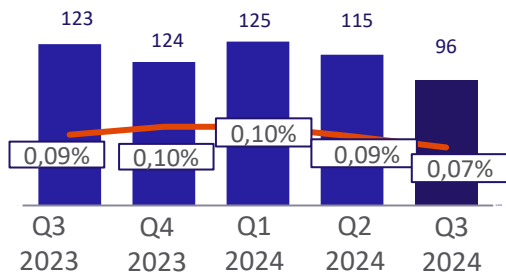


Development in loss provisions in NOK million and as a percentage of gross loans

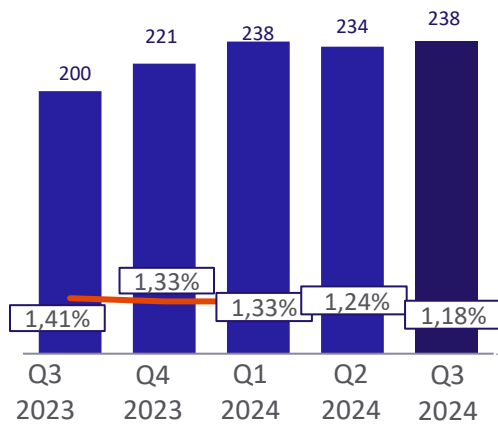


Loss provisions divided into steps

Provisions step 1
and in % of engagement stage 1



Provisions step 2
and in % of commitment stage 2

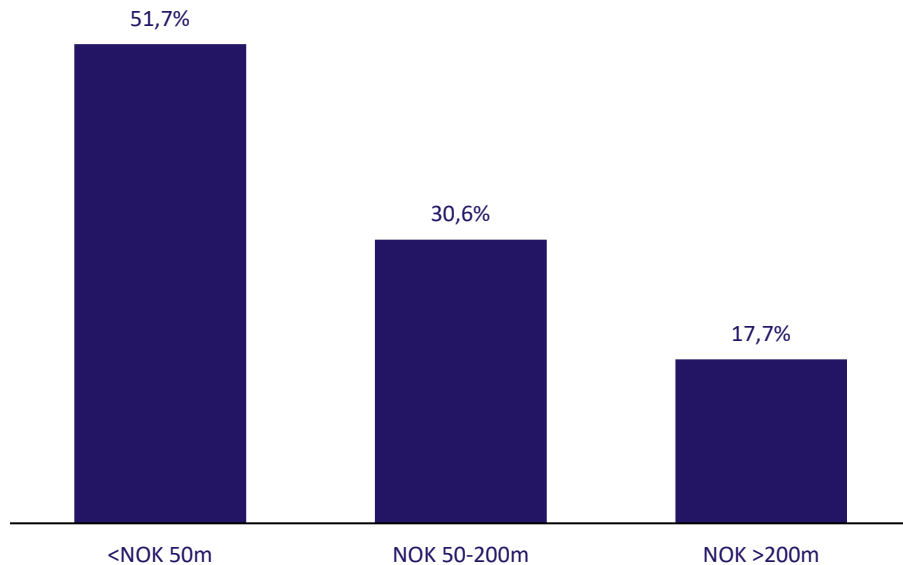


Provisions step 3
and in % of commitment stage 3



Corporate loan book – 49% property management and 52% < NOK 50m.

Corporate lending by size



Sector distribution

