



Sparebanken Sør

Investor presentation Q2 2021

Agenda

- **About Sparebanken Sør**
- **Highlights from the quarterly report**
- **Funding status**
- **Capital**
- **Goals and expectations going ahead**

Sparebanken Sør

– a leading financial institution in Southern Norway



Established in 1824,
549 employees



178 000 retail
customers



Financial Group with
banking, securities and
real estate brokerage



22 000 corporate
customers



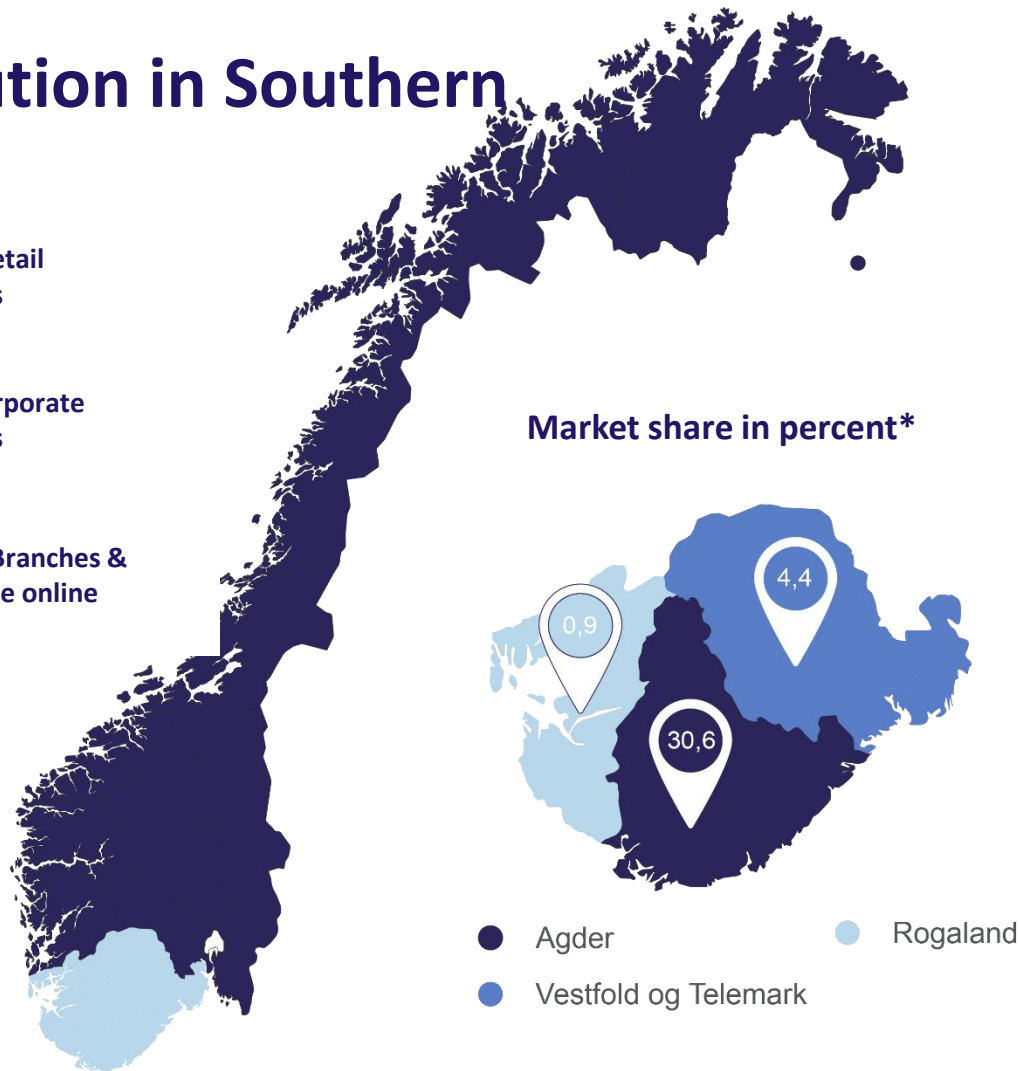
Publicly traded and
Community-owned



Regional Branches &
nationwide online
services



- Total assets of NOK 140 bn
- Profit after tax amounted to NOK 308 million in Q2 2021
- Cost/income ratio of 40.9 percent.

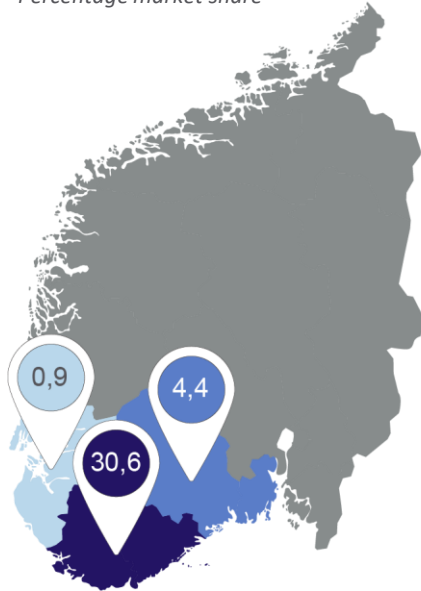


* Marketshare retail customers (Source: Eiendomverdi AS, Markedsandelsrapporter)

Strong position in the housing market

Maintaining a strong market position

Percentage market share



**# 1 position in Agder, good position in Vestfold Telemark.
Positive development in Rogaland.**

Positive development in housing prices

Percentage change in prices*



*3 month moving average of
12 month change

- Midt-Norge
- Innlandet
- Vestlandet
- Viken m/ Oslo
- Vestfold og Telemark
- Rogaland
- Agder

Highlights from the quarterly report



SPAREBANKEN SØR

Highlights in Q2 2021

- Efficient operations and low costs
- Good results from Frende, Brage and Sørmeglere
- Net entry on losses on loans
- Annualised growth in lending of 8.2 percent
- Annualised growth in deposits of 34.3 percent
- Return on equity after tax of 9.0 percent
- Common equity tier 1 capital ratio of 16.0 percent and Leverage Ratio of 9.2 percent

| NOK million | 2021 Q2 | 2020 Q2 | Change |
|---------------------------------------|------------|------------|------------|
| Net interest income | 488 | 449 | 39 |
| Net commission income | 110 | 89 | 21 |
| Net income from financial instruments | -11 | 59 | -70 |
| Associated companies | 45 | 52 | -7 |
| Other operating income | 2 | 4 | -2 |
| Total income | 635 | 653 | -18 |
| Total expenses | 260 | 240 | 20 |
| Profit before losses on loans | 375 | 413 | -38 |
| Losses on loans, guarantees | -11 | 46 | -57 |
| Profit before tax | 386 | 367 | 19 |
| Tax expense | 77 | 79 | -2 |
| Profit for the period | 309 | 288 | 21 |

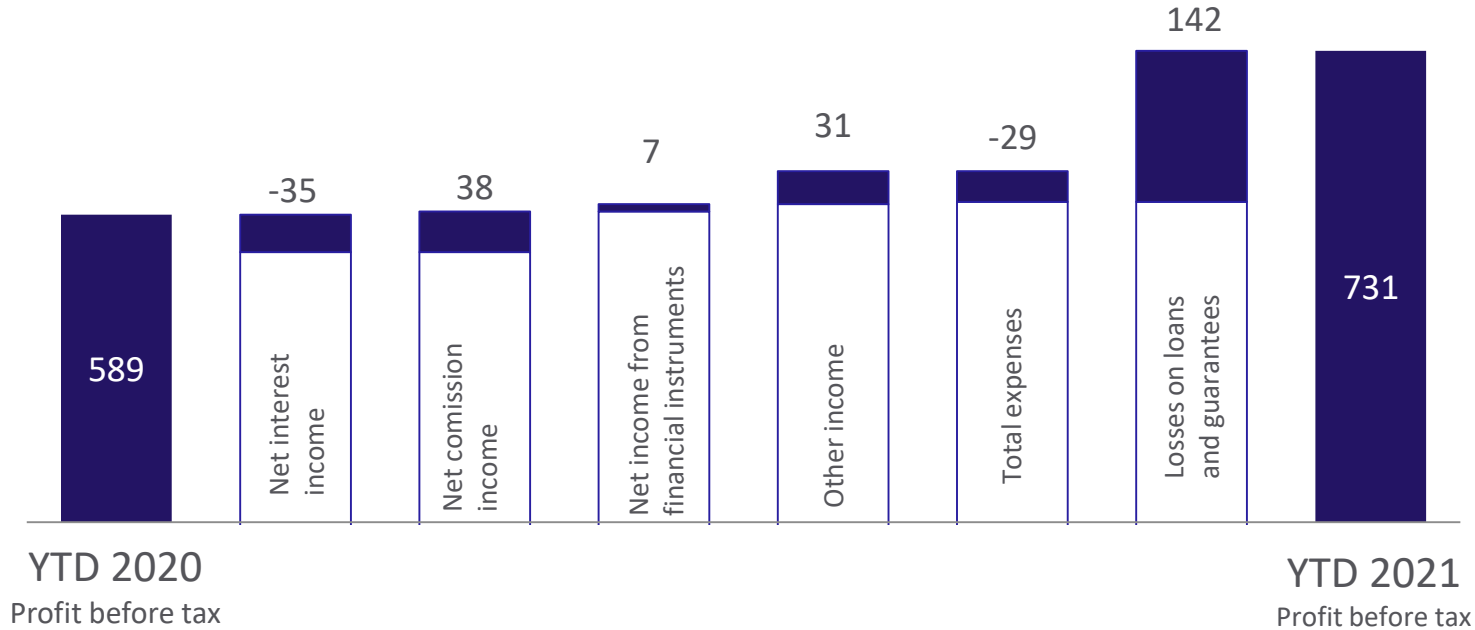
Highlights first half of 2021

- Efficient operations and low costs
- Good results from Frende, Brage and Sørmegløren
- Net entry on losses on loans
- 12-month growth in loans of 5.6 percent
- 12-month growth in deposits of 10.0 percent.
- Return on equity after tax of 8.7 percent

| NOK million | 30.06.2021 | 30.06.2020 | Change |
|---------------------------------------|------------|------------|--------|
| Net interest income | 939 | 974 | -35 |
| Net commission income | 197 | 159 | 38 |
| Net income from financial instruments | -3 | -10 | 7 |
| Associated companies | 74 | 39 | 35 |
| Other operating income | 2 | 6 | -4 |
| Total income | 1 210 | 1 168 | 42 |
| Total expenses | 501 | 472 | 29 |
| Profit before losses on loans | 709 | 696 | 13 |
| Losses on loans, guarantees | -22 | 107 | -129 |
| Profit before tax | 731 | 589 | 142 |
| Tax expense | 148 | 137 | 11 |
| Profit for the period | 583 | 452 | 131 |

Development in profit before tax

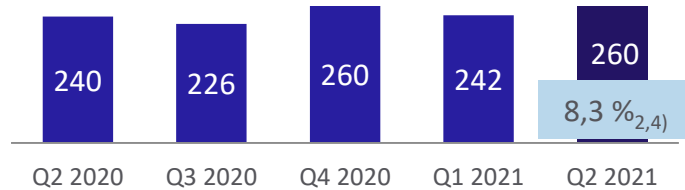
NOK million



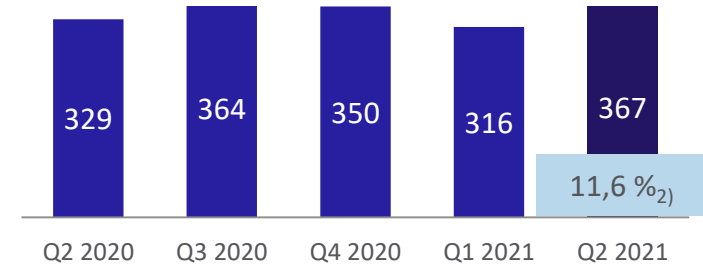
Profit and returns

NOK millions

Operating expenses

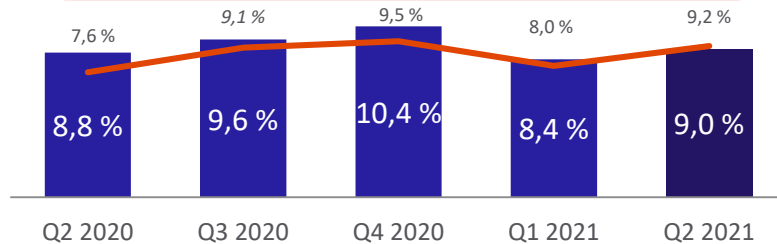


Profit from ordinary operations¹⁾



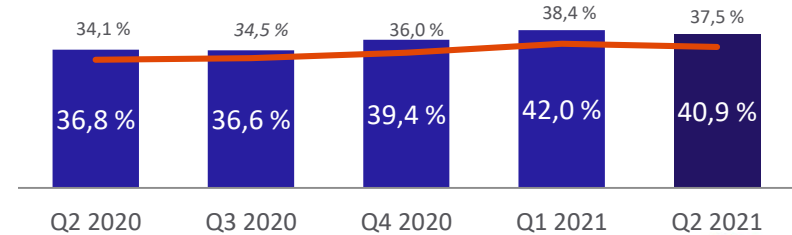
Return on equity

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



Cost to income ratio

Cost to income ratio for banking operations

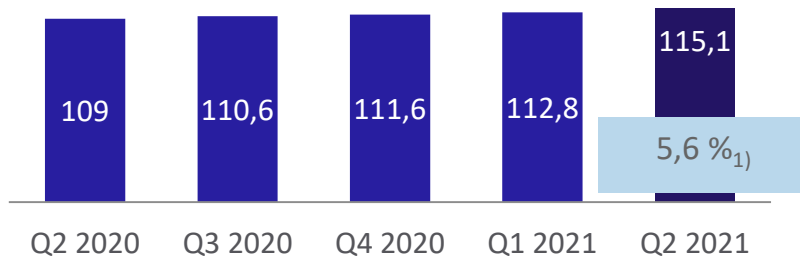


- 1) Net interest income, adjusted for accounting changes + Net commission income + Other operating income – Operating expenses
- 2) Changes from the corresponding prior-year period
- 3) Return on equity excl. accounting effects from financial instruments and interest on hybrid capital
- 4) Operating expenses in the banking operations increased by 3.8% compared to Q2 2020.

Good growth in the quarter

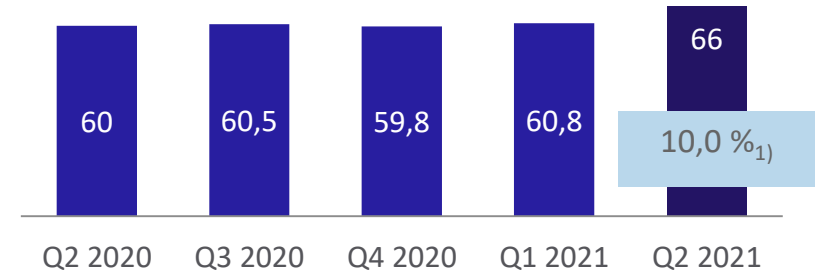
NOK billions

Net loans



- 12-month growth of 5.6 %
 - 12-month growth in gross loans of 5.5 % for retail customers and corporate customers of 5.6 %
- Annualized growth in the quarter of 8.2 %
 - 7.8 % for retail customers and 8.8 % for corporate customers

Deposits

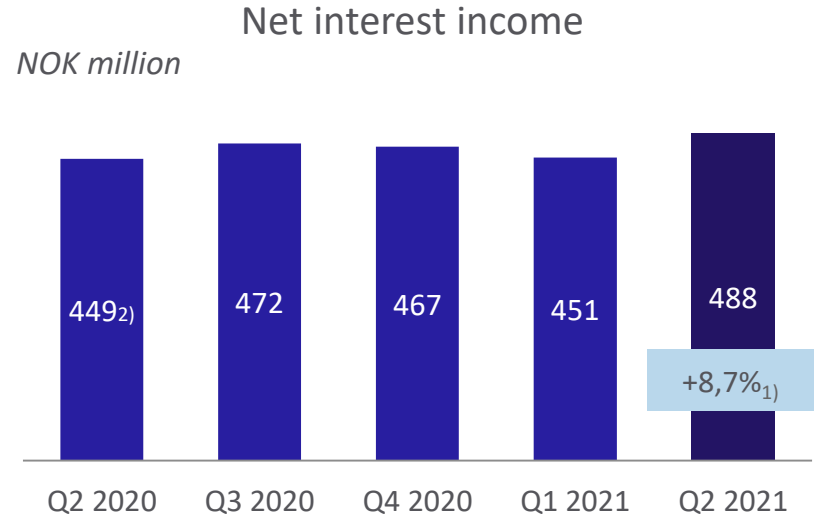


- 12-month growth of 10.0 %
 - 12-month growth in deposits for retail customers of 5.2 % and corporate customers of 15.5 %
- Annualized growth in the quarter of 34.3 %



Development of net interest income

- Positive development in net interest income
- Good deposit and lending growth
- The strong competitive pressure on lending rates in the retail market is somewhat decreased
- Refinancing of outstanding debt and lower NIBOR in the second quarter of 2021 has resulted in lower financing costs

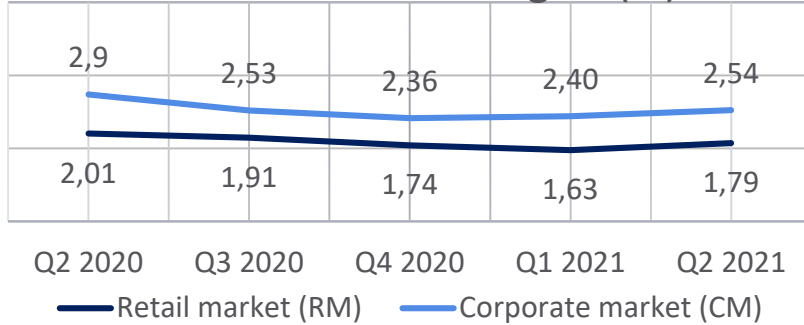


1) Changes from the corresponding prior-year period

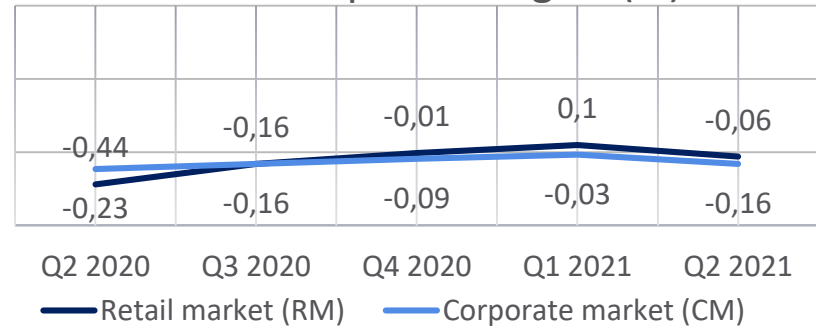
2) Shortened notice period reduced net interest income by approx. NOK 56 million in Q2

Interest margin and NIBOR3M

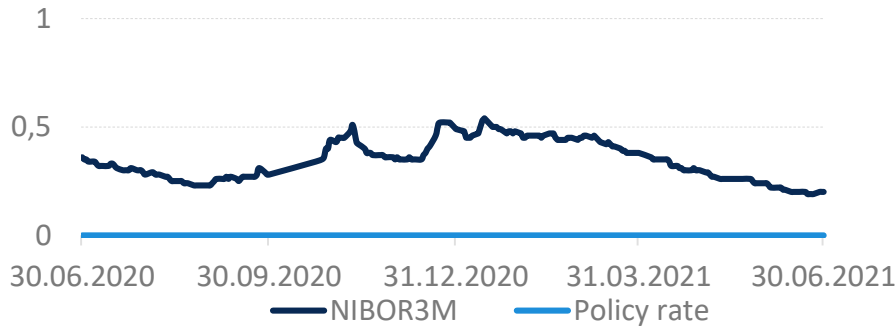
Loan margins (%)



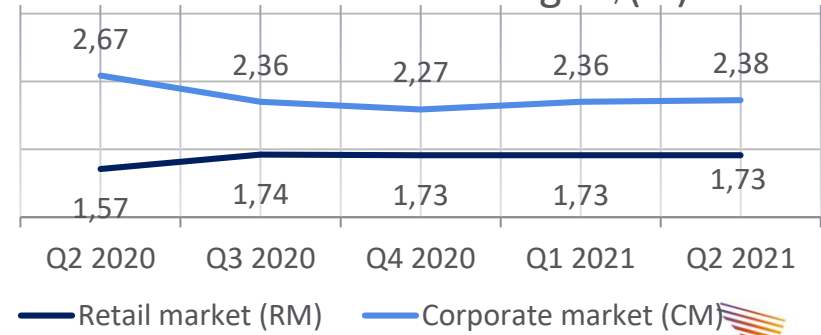
Deposit margins (%)



NIBOR3M



Interest margin¹⁾ (%)



Associated companies

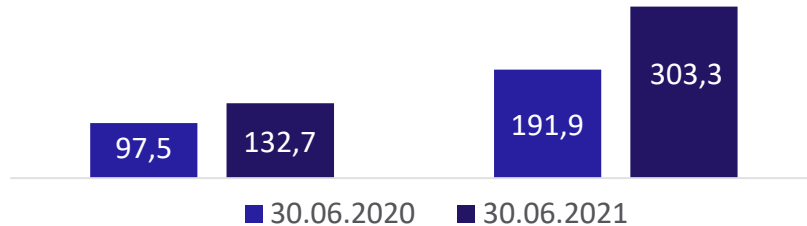


Profit before tax

Millioner NOK

Brage Finans AS

Frende Holding AS



Effect on results after consolidation

| NOK million | | Q2 2021 | Q2 2020 | 30.06.2021 | 30.06.2020 |
|-----------------------------|-----------------|---------|---------|------------|------------|
| Frende forsikring* (21,0 %) | Share of profit | 38,3 | 49,3 | 50,9 | 27,4 |
| | Amort. | -5,4 | -5,0 | - 10,8 | -10,0 |
| Brage finans (20,8 %) | Share of profit | 12,4 | 7,9 | 23,3 | 13,6 |

In February 2021, the ownership share in Brage was temporarily increased, from 20.8 percent to 24.9 percent. In June 2021, the bank resold the shares and reduced its ownership to 20.8 percent. The transaction did not have any effect on profit other than that a larger share of the result in Brage was recognized as income in the quarter.

A value adjustment of the shares in Vipps was carried out in the first quarter, which had a positive effect on the shares in Balder Betaling AS. The value adjustment amounted to NOK 11.1 million. No value adjustment was made in the second quarter.

Very good profit contribution from Sørmegleren

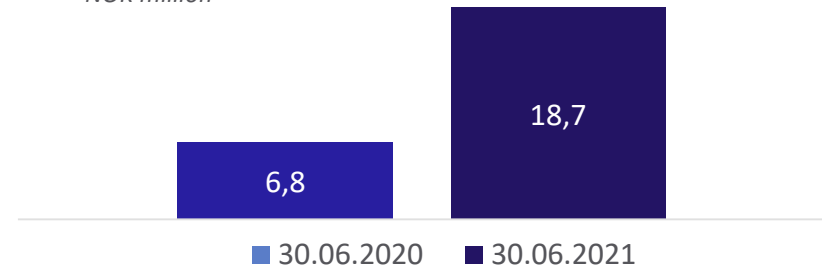
- The leading real estate agency in Southern Norway
- Brokers more than a bthird of housing in Southern Norway
- Strengthens position in Vestfold and Telemark with new offices in Kragerø and Sandefjord
- Investment in commercial property brokerage



SØRMEGLEREN

Profit before tax

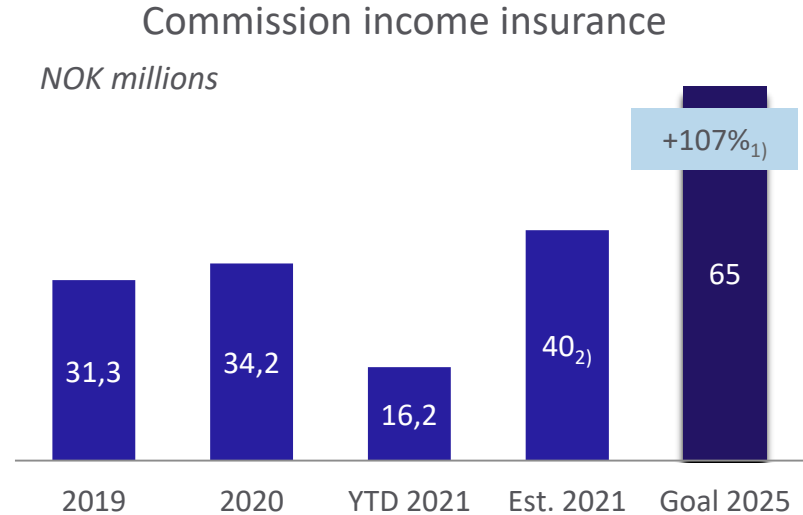
NOK million



SPAREBANKEN SØR

Sørlandets Forsikringscenter AS

- The bank bought 78 percent of the shares in the company on 1 July 2021, with an option to purchase the remaining shares in the company.
- In connection with the acquisition, the bank received an insurance portfolio of NOK 110 million
- The bank strengthens the sales force in insurance
- Ambition to double income from insurance in the period 2020-2025



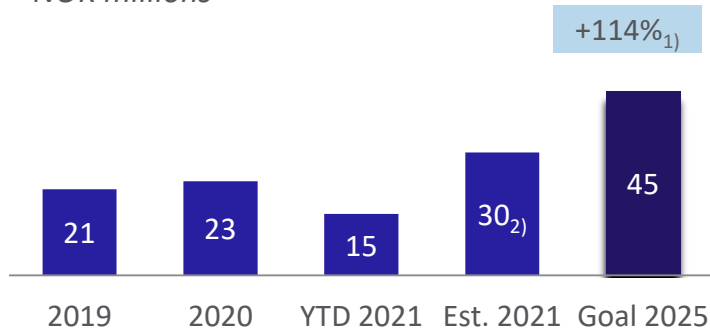
1) Increase from 2019 in the strategy period 2020-2025

2) Estimate 2021 after purchase of portfolio

Positive development in the area of savings

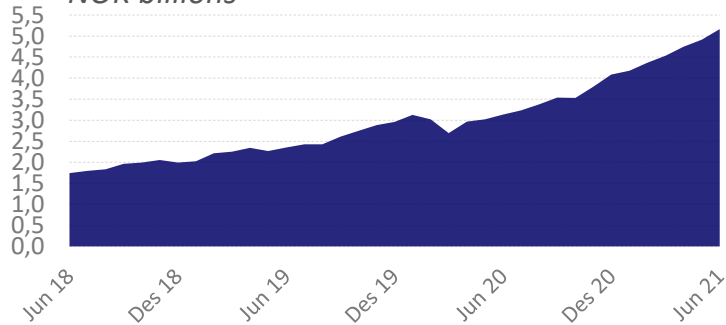
Commission income funds

NOK millions



Development portfolio

NOK billions

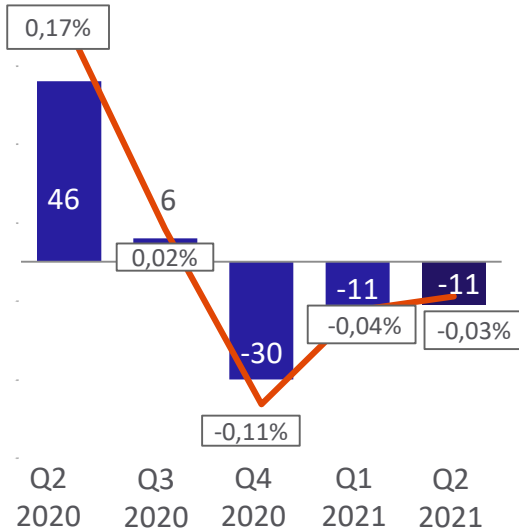


- Increased focus on Norne Fondsportal
- Strong growth in the number of savings agreements and amounts paid from savings agreements
- Portfolio growth of over 26% YTD
- Ambition to double income from mutual funds in the period 2020-2025

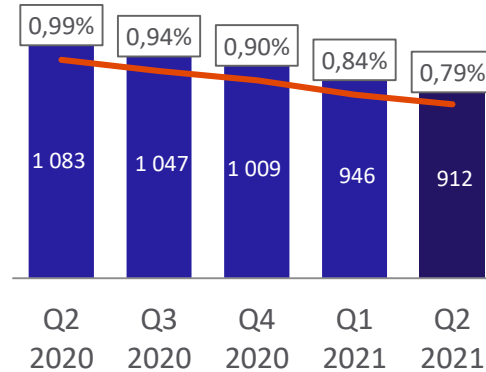
16 1) Increase from 2019 in the strategy period 2020-2025
2) Estimated

Non-performing loans

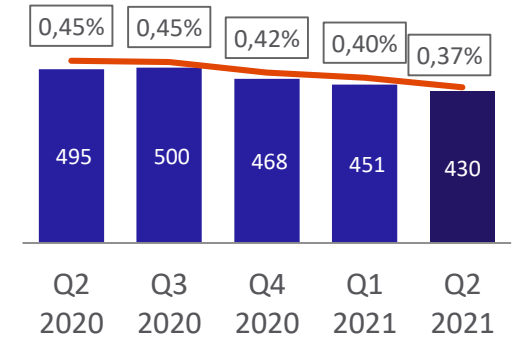
Development in losses in NOK million and as a percentage of gross loans (annualised)



Development in non-performing loans (IFRS 9, step 3) in NOK million Ans as a percentage of gross loans ¹⁾



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

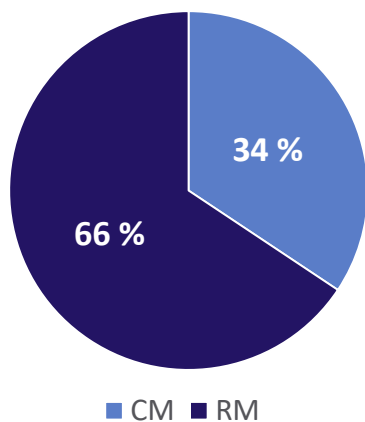


1) New definition of non-performing has been applied from 1 January 2021. Historical figures are not directly comparable.

A diversified loan portfolio

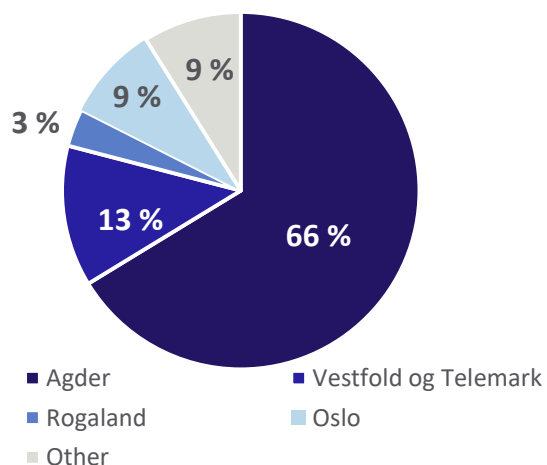
RM/CM distribution

Gross loans

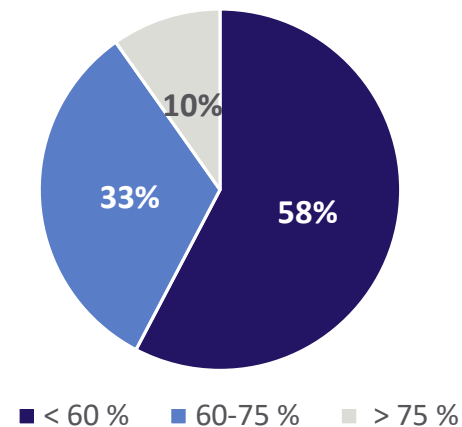


Geographical distributions of loans

Gross loans



Loan-to-Value (Group)

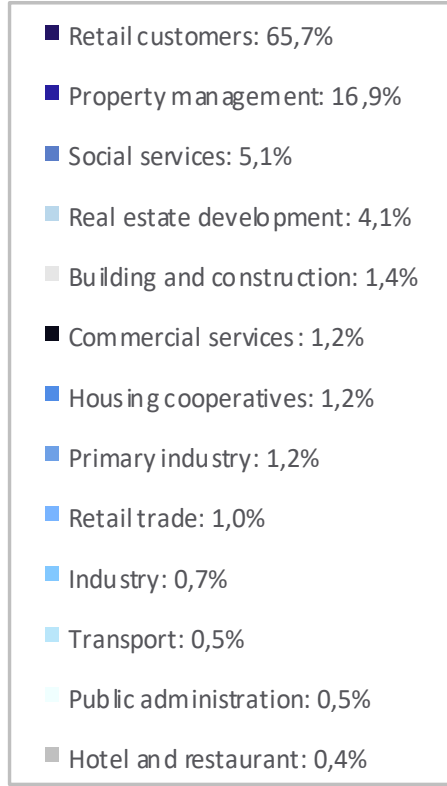
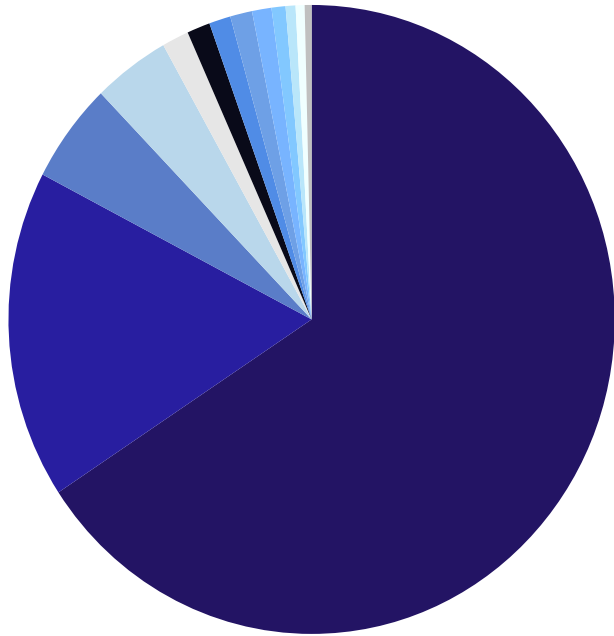


Average loan-to-value of approximately 55 percent for mortgages (group).

90 percent of mortgages within 75 percent of loan-to-value.

NOK 48.8 billion transferred to Sparebanken Sør Boligkreditt AS, equivalent to 64 percent of total loans to retail market

Well-diversified loan portfolio

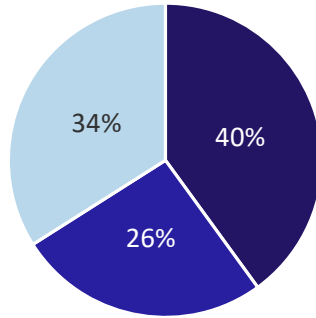


- Well diversified portfolio
- Close to none direct exposure to oil and oil service
- Very low indirect exposure to oil and oil service (tenants)

Sparebanken Sør Boligkreditt

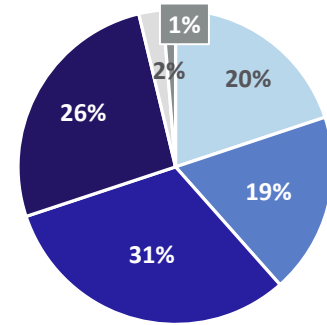
- Wholly owned by Sparebanken Sør

Sparebanken Sør Loan portfolio



■ Sparebanken Sør Boligkreditt AS ■ RM bank ■ CM

Sparebanken Sør Boligkreditt LTV distribution



■ < 40 % ■ 41 - 50 % ■ 51 - 60 %
 ■ 61 - 70 % ■ 71 - 75 % ■ > 75 %



■ Weighted avg LTV ■ Nominell OC



SPAREBANKEN SØR

Summary after Q2 2021

Results

Positive development in net interest income, very good profit contributions from Frende, Brage and Sørmeglere. Low operating costs and net entry on losses on loans.

Funding and capital

Common equity tier 1 capital ratio of 16.0 percent and solid leverage ratio of 9.2 percent.
Solid financing structure and good liquidity buffers.

Growth

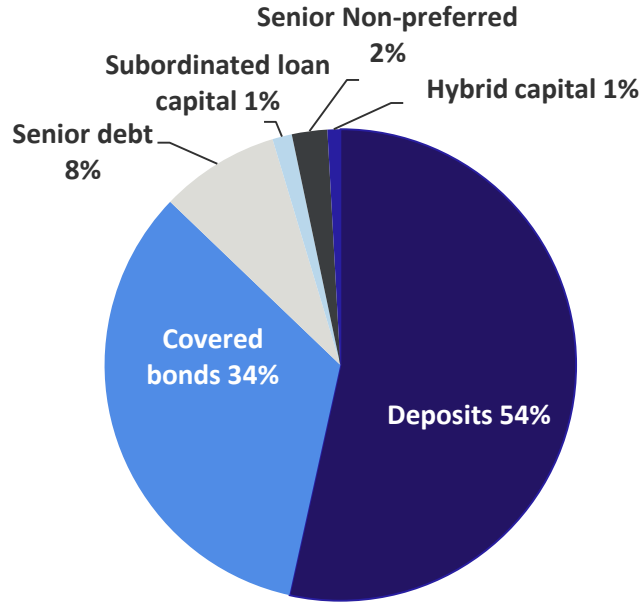
12-months growth in lending of 5.6 percent.
12-months growth in deposits of 10.0 percent.

Summary

Satisfactory underlying operations give a profit before tax of NOK 386 million in Q2 2021.

Funding status

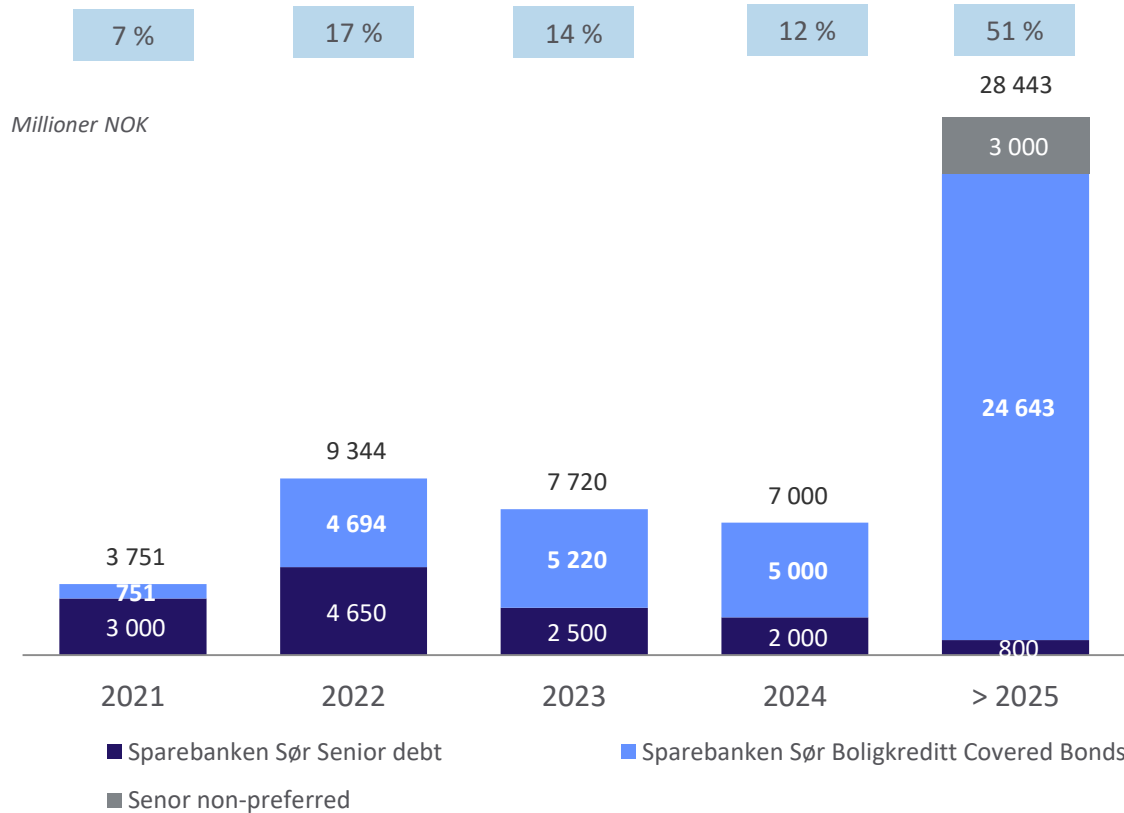
Funding structure



Deposits are a valuable source of funding.

- Deposits as a percentage of net loans at 57.4%.
- Good access to funding from both the domestic as well as from the bond market abroad.
- At the end of Q2 Sparebanken Sør Boligkreditt had issued EUR 2.5 bln. in euro covered bonds
- Sparebanken Sør has issued NOK 2 billion SNP in 2020, and a further NOK 1 billion SNP in 2021.
- Sparebanken Sør has a A1 rating
- Bonds issued by Sparebanken Sør Boligkreditt AS, are rated Aaa

Funding maturity



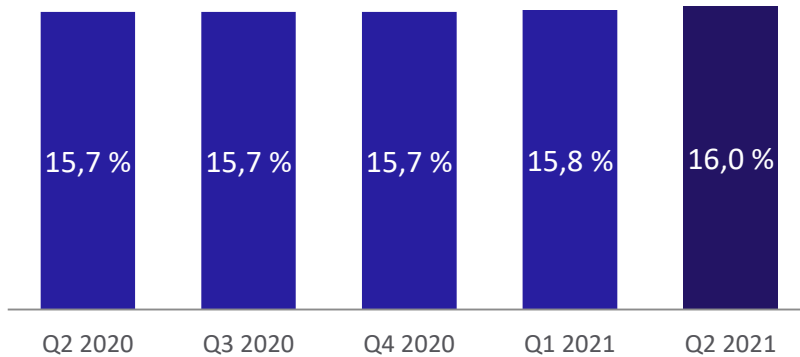
- The Group's total funding amounted to NOK 56.3 Bln
- Covered bonds amounted to NOK 41.6 billion
- Long-term funding* amounted to 88 percent
- Average remaining maturity on long-term funding* amounted to 4.1 years

* Funding with a maturity of more than 1 year

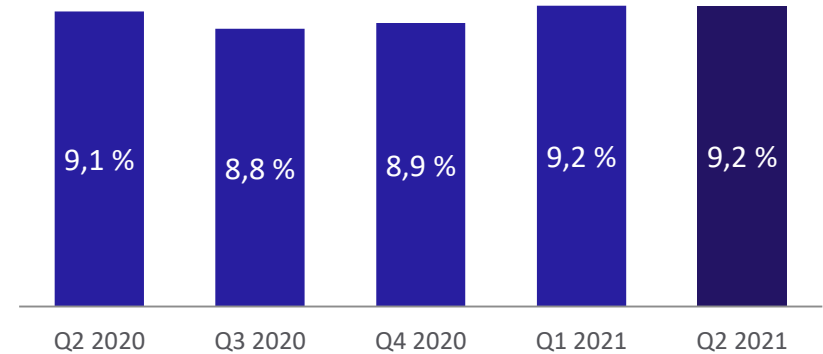
Capital

Capital adequacy

Common equity tier 1 capital ratio



Leverage ratio



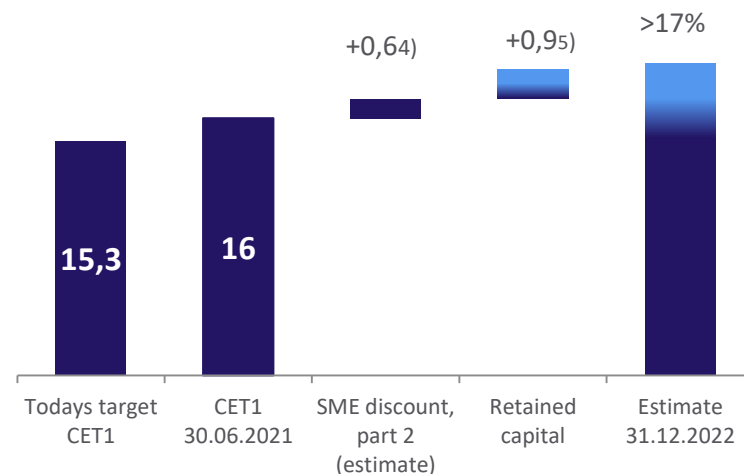
- Reduced requirement for countercyclical capital buffer from 2.5 to 1 percent.
- Well above the current capital requirement (CET1) of 13 percent.
- Assessments of the Financial Supervisory Authority regarding commitments that are to be classified as high-risk have resulted in a reduction in common equity tier 1 capital adequacy of 0.3 percentage points.
- 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.

Good control of capital requirements

Capital requirements

| | Current requirement | Requirement 2022 |
|---------------------------------------|---------------------|--------------------|
| Minimum Tier 1 capital requirements | 4,5 % | 4,5 % |
| Conservation buffer | 2,5 % | 2,5 % |
| Systemic risk buffer ¹⁾ | 3,0 % | 4,5 % |
| Counter-cyclical buffer ²⁾ | 1,0 % | 1,5-2,5 % |
| Pillar 2 requirements ³⁾ | 2,0 % | 1,5 % |
| CET1 requirements | 13,0 % | 14,5-15,5 % |

Capital adequacy and target figures



1) The Ministry of Finance will lay down a transitional rule for banks that use the standard method, which means that the system risk buffer requirement will be increased from 3 to 4.5 per cent and will take effect from 31 December 2022.

2) Countercyclical capital buffer may increase by 1.5 percentage points, expect it to increase by 0.5 percentage points in 2022.

3) Based on separate calculations, the pillar-2 requirement should not exceed 1.5 per cent of the risk-weighted balance sheet.

4) The SMB discount part 2 is estimated to amount to approx. 0.6 percent, uncertain when this will apply

5) Capital building based on retained capital



Dividend - Finanstilsynet repealed previous decision

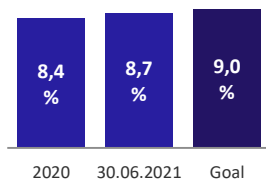
- Finanstilsynet repealed decision of 5 March 2021 refusing to withdraw funds from the equalization fund
- The bank has not been granted permission to charge the equalization fund, and Finanstilsynet believes that it follows from the law that distributions from the equalization fund require a permit.
- Finanstilsynet expresses knowledge that other savings banks have made this type of distribution, without assuming that this requires a permit. Finanstilsynet has, based on the consideration of equal treatment of the banks, come to the conclusion that previous decisions are repealed.
- The proposed dividend for 2020 was NOK 14 per equity certificate. As a result of the rejection of the application, the bank paid NOK 10.40 per equity certificate in dividend 8 April 2021.
- The Board has been authorized to decide on dividends of up to 3.60 pr. equity certificate after 30 September 2021.
- In connection with the presentation of accounts for the third quarter, the Board will consider dividends. If it becomes relevant to use the authorization, dividends will be paid without a special approval of the disposition from Finanstilsynet.

Goals and expectations ahead

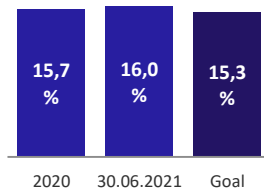


Financial key variables and ambitions

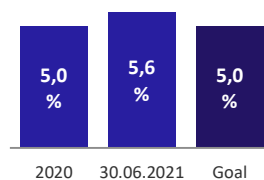
Return on equity₁₎



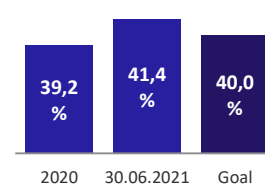
CET1 (Group)



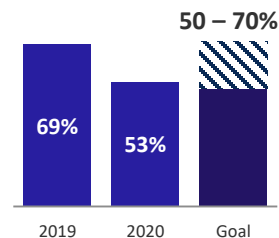
Gross loan growth₂₎



Cost to income



Dividend ratio₃₎



1) The group has a long-term ambition of return on equity of 10% within 2025.

2) The group has a long-term ambition of lending growth in excess of credit growth (K2 + 1%). K2 June 2021 was 5.2 for retail customers and 4.4 for nonfinancial corporations. The group's lending growth lat 12 months was 5.5 for retail customers and 5.6 for corporate customers.

30 3) The Board has propose to the board of trustees to distribute a dividend for 2020 of NOK 14 which includes dividends of NOK 8 for 2019, and NOK 6 for 2020

Outlook

Macro

COVID-19 has had a major impact on society since March 2020. Both international and national authorities have implemented stringent measures to prevent the spread of infection. This has damaged the economies of Norway and our trading partners, although the government's support packages seem to have had a positive effect on the economy. The Norwegian economy has picked up, and the financial markets have become more stable.

The region

The economic outlook for the bank's market area is expected to develop in line with the rest of the Norwegian economy. House prices in the bank's main markets have had a positive but moderate development over several years. The statistics for the second quarter showed a strong positive growth in house prices over the last 12 months.

Funding and capital

Common equity tier 1 capital ratio of 16.0 percent and a solid leverage ratio of 9.2 percent. The Bank is well positioned to establish long-term funding from the Norwegian and international financial markets.

Digital development

Investments in digitization and new technological solutions provides the bank with opportunities for further improvements in customer experiences, market position and cost efficiency.

Sustainability

Sustainability is a focus area for the bank and ESG is integrated in our business strategy.

Summary

Sparebanken Sør is well positioned to further develop its role as a leading customer relation-oriented bank, with high cost efficiency, growth and profitability.

Appendix



SPAREBANKEN SØR

Equity certificate owners

20 largest equity certificate owners as of 30.06.2021

| | Name | Number of Ecs | Share of Ecs % | | Name | Number of Ecs | Share of Ecs % |
|----|--|-------------------|----------------|----|--------------------------------|-------------------|----------------|
| 1 | Sparebankstiftelsen Sparebanken Sør | 7.988.679 | 51,00 | 11 | Carl Krogh Arnet | 101.461 | 0,65 |
| 2 | EIKA utbytte VPF c/o Eika kapitalforv. | 731.017 | 4,67 | 12 | Ottersland AS | 100.000 | 0,64 |
| 3 | Pareto Invest AS | 417.309 | 2,66 | 13 | Sparebanken Sør | 100.000 | 0,64 |
| 4 | Arendal Kom. pensjonskasse | 350.000 | 2,23 | 14 | MP Pensjon PK | 85.523 | 0,55 |
| 5 | Glastad Capital AS | 266.348 | 1,70 | 15 | Catilina Invest AS | 83.018 | 0,53 |
| 6 | Investor AS | 202.107 | 1,29 | 16 | Lombard Int Assurance S.A | 82.131 | 0,52 |
| 7 | Wenaasgruppen AS | 186.000 | 1,19 | 17 | Geir Bergskaug | 75.239 | 0,48 |
| 8 | Gumpen Bileiendom AS | 174.209 | 1,11 | 18 | Apriori Holding AS | 72.575 | 0,46 |
| 9 | Allumgården AS | 151.092 | 0,96 | 19 | Varodd AS | 70.520 | 0,45 |
| 10 | Hamjern Invest AS | 106.813 | 0,68 | 20 | Alf Albert | 70.033 | 0,45 |
| | Total 10 largest owners | 10.573.574 | 67,50 | | Total 20 largest owners | 11.414.074 | 72,87 |

- **AS of 30 June 2021, 15 663 944 ECs of NOK 50 each had been issued**
- **Profit (Group) per EC amounted to NOK 2.9 in Q2 2021 and 5.7 NOK per EC YTD**
- **The ownership ratio 01.01.2021 was 16.1 percent**

SOR – share price and liquidity

Change in share price at 30.06.2021

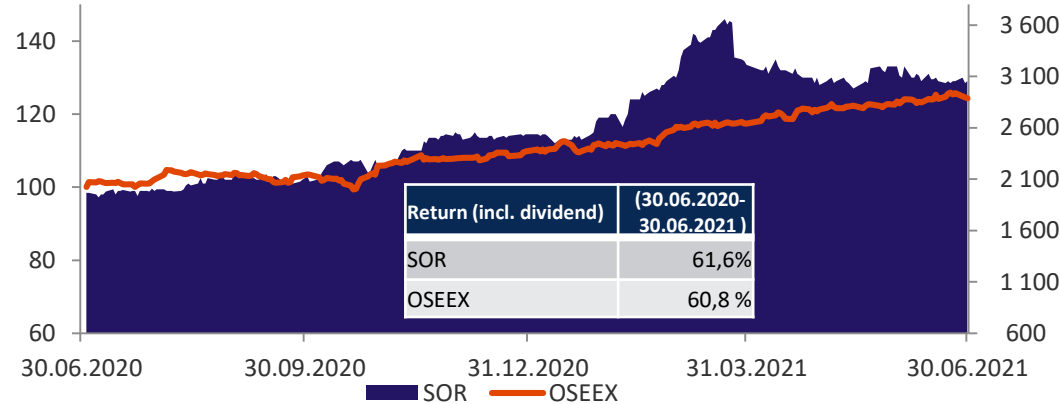
- The share price for SOR was NOK 129 and book value was NOK 133.6, amounting to a price-to-book ratio of 0.97.
- The equity certificates gave a return of 61.6% last 12 months
- Profit per equity certificates 31.03.2021 of NOK 5.7, which represents a P/E of 11.3

Turnover

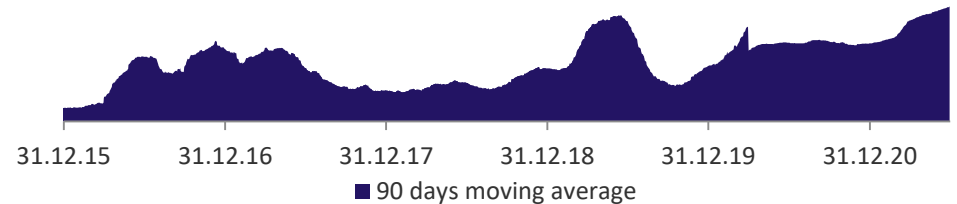
- Turnover of 2.1 mill. equity certificates last 12 months.
- 15 663 944 total issued, and an EQ rate of 16.0%.

Dividend

- 50-70% percent of equity certificate holders` share of annual profits
- Sparebanken Sør`s capital requirements will be taken into consideration when determining the annual dividend.



Daily turnover SOR



SPAREBANKEN SØR