



# Sparebanken Sør

Investor presentation Q4 2024

# Agenda

Q4 2024

Allocation 2024

The Savings Bank Committee (Sparebankutvalget)

Sparebanken Norge

**Q4 2024**

# Highlights in Q4 2024

- Solid development in net interest income
- Good growth in net commission income
- Good profit contribution from associated companies
- Low cost-income ratio of 38.6 percent
- One-time costs in the quarter
- Continued low losses on loans
- Profit per equity certificate at NOK 3.8 (NOK 3.9)
- Return on equity at 9.8 percent (10.5 percent)

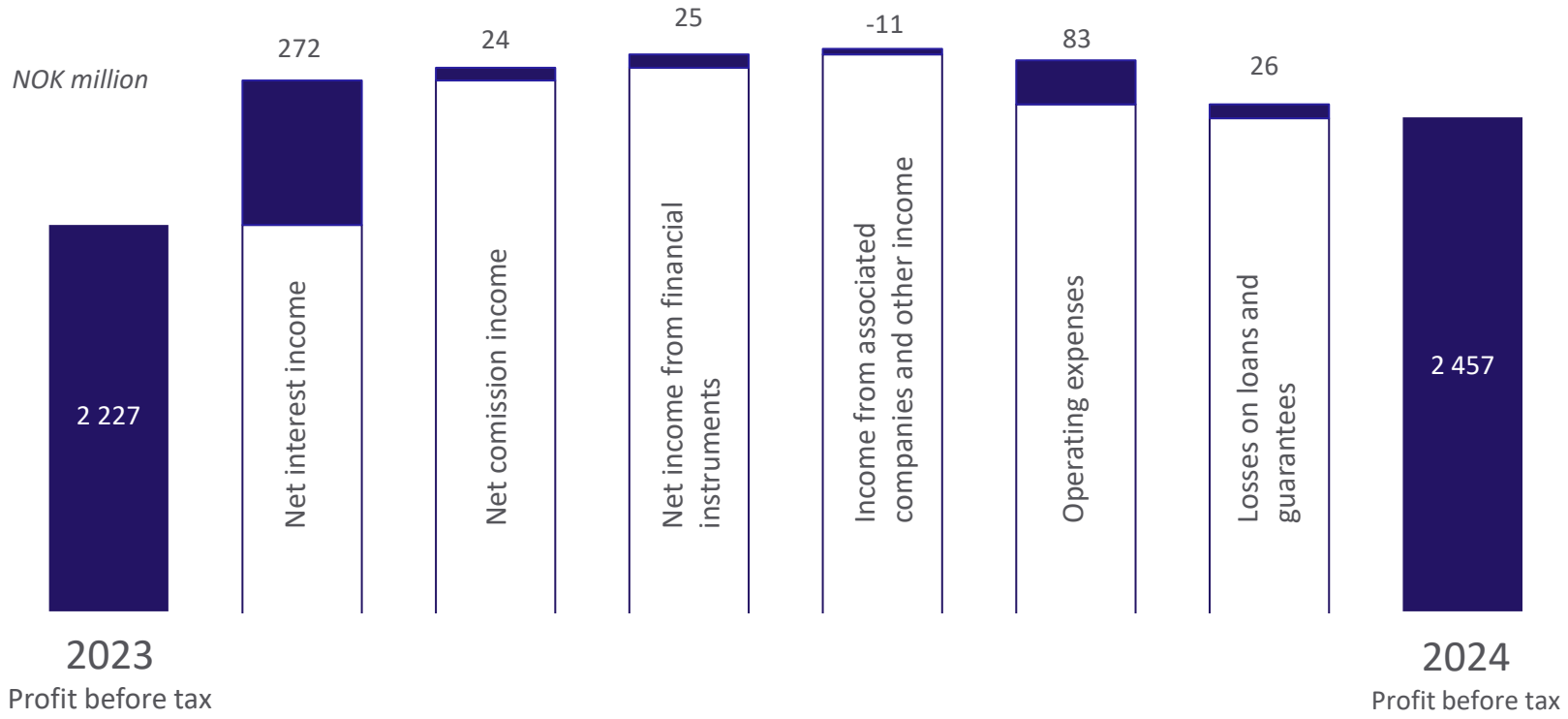
NOK million	2024 Q4	2023 Q4	Change
Net interest income	829	815	14
Net commission income	118	105	13
Net income from financial instruments	-41	-13	-28
Associated companies	36	33	3
Other operating income	11	3	8
Total income	953	943	10
Total expenses	368	370	-2
<b>Profit before losses on loans</b>	<b>585</b>	<b>573</b>	<b>12</b>
Losses on loans, guarantees	33	31	2
<b>Profit before tax</b>	<b>552</b>	<b>543</b>	<b>9</b>
Tax expenses	127	116	9
<b>Profit for the period</b>	<b>425</b>	<b>426</b>	<b>-1</b>

# Very strong annual result

- Strong growth in net interest income
- Low cost-income ratio of 35.3 percent
- Low losses, and defaults still at a historically low level
- Result per equity certificate (EC) of NOK 18.2 (NOK 16.4 kroner)
- Return on equity of 12.1 percent (11.3 percent)
- Growth in loans last 12 months at 4.6 percent
- Growth in deposits last 12 months at 7.1 percent
- The Board will propose to distribute a dividend of NOK 12.21 per equity certificate, NOK 416 million in customer dividends and NOK 348 million in gifts.

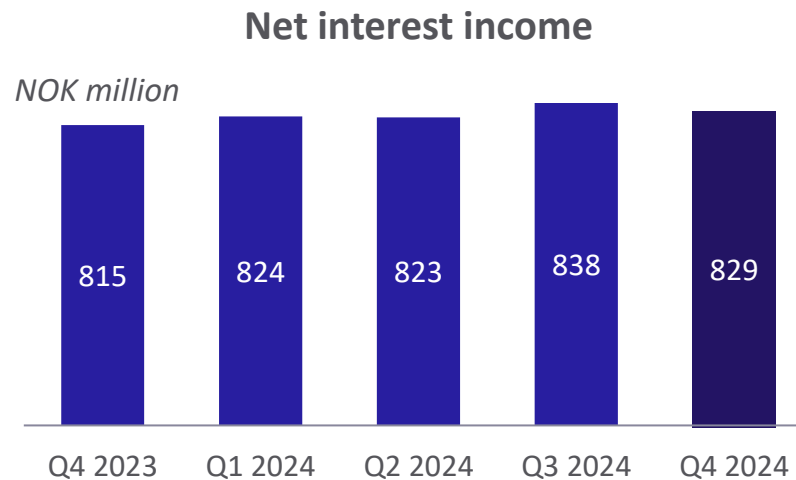
NOK million	31.12.2024	31.12.2023	Change
Net interest income	3 315	3 043	272
Net commission income	424	400	24
Net income from financial instruments	28	3	25
Associated companies	128	99	29
Other operating income	18	29	-11
<b>Total income</b>	<b>3 913</b>	<b>3 573</b>	<b>339</b>
Total expenses	1 380	1 297	83
<b>Profit before losses on loans</b>	<b>2 532</b>	<b>2 276</b>	<b>256</b>
Losses on loans, guarantees	75	49	26
<b>Profit before tax</b>	<b>2 457</b>	<b>2 227</b>	<b>130</b>
Tax expenses	465	454	11
<b>Profit for the period</b>	<b>1 991</b>	<b>1 773</b>	<b>218</b>

# Decomposition of changes in profit before tax



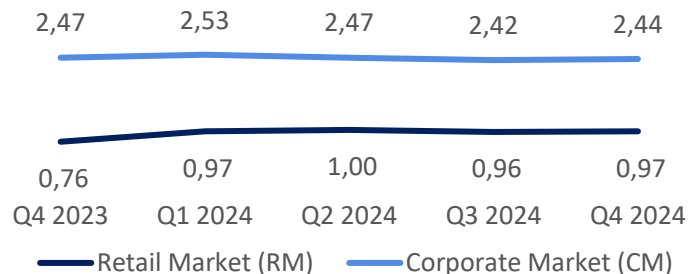
# Stabile development in net interest income

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

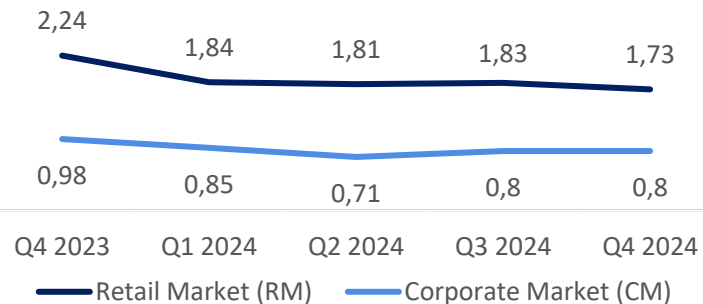


# Stable development in margins

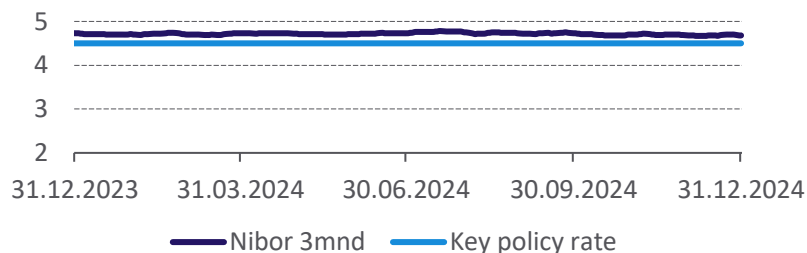
## Loan margins (%)



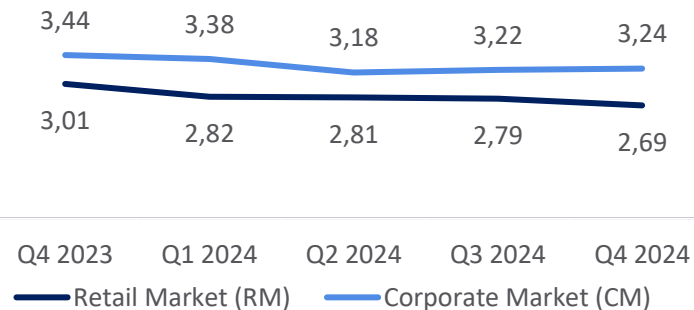
## Deposit margins (%)



## NIBOR 3M development



## Interest margin<sub>1</sub> (%)



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



# Good profit contributions from associated companies

- Frende Holding delivered a ROE of 17.7percent in 2024
- Brage Finans delivered a ROE of 8.6 percent in 2024.
- Sparebanken Sør has in 2024 increased its ownership stakes in Frende Holding AS, Brage Finans AS and Balder Betaling AS by 2.6 percentage points, 1.9 percentage points and 3.8 percentage points
- Frende Kapitalforvaltning AS owns 70 percent of the shares in the asset management company Borea.
- Sørmeglereen has increased its result from NOK 0 million in 2023, to NOK 10 million in 2024

## Effect on results after consolidation

NOK million		Q4 2024	Q4 2023	31.12.2024	31.12.2023
Frende Forsikring (22.5 %)	Share of profit	21	16	68	27
	Amort.	-7	-6	-24	-22
Brage Finans (26.8 %)	Share of profit	23	22	86	83
Balder Betaling (26.8 %)	Share of profit	0	0	0	11
Frende Kapitalforvaltning (35.0 %)	Share of profit	-2	0	-2	0
<b>TOTAL</b>		<b>36</b>	<b>33</b>	<b>128</b>	<b>99</b>

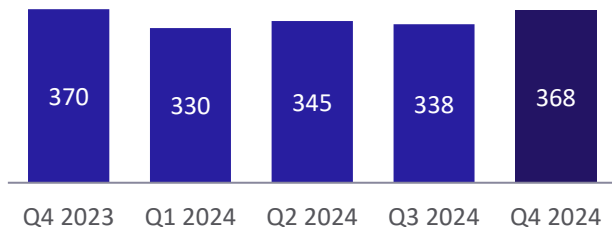


SPAREBANKEN SØR

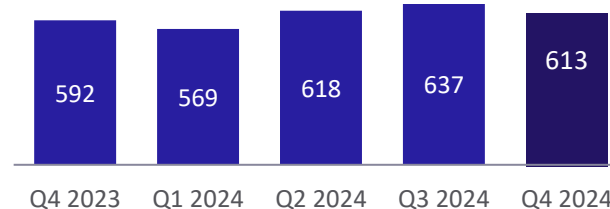
# Solide return on equity and low cost to income ratio

NOK million

## Operating costs

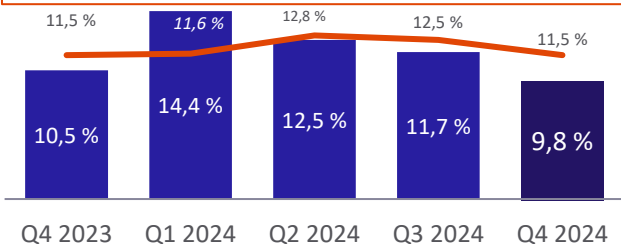


## Profit from ordinary operations<sup>1)</sup>



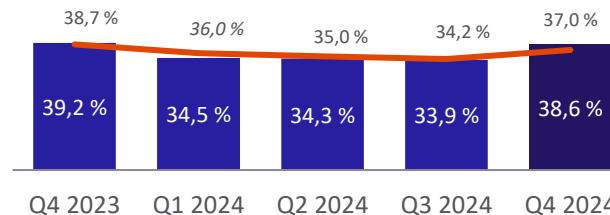
## Return on equity

Return on equity excl. financial instruments and non-recurring events<sup>2)</sup>



## Cost to income ratio

Cost/income, excl financial instruments

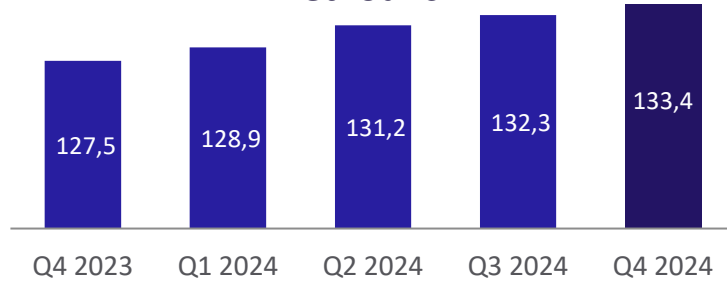


- 1) Net interest income + Net commission income + Other operating income – Operating expenses +/- One-off items
- 2) Return on equity excl. accounting effects from financial instruments and one-off items and incl. interest on hybrid capital

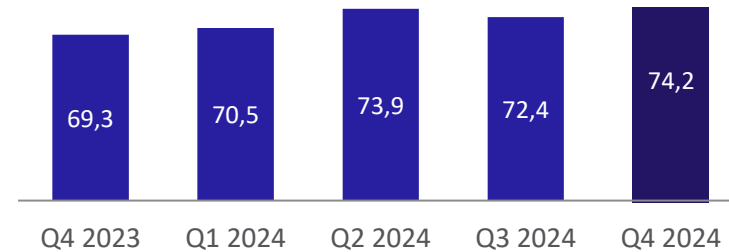
# Good growth in 2024

NOK billion

## Net loans



## Deposits

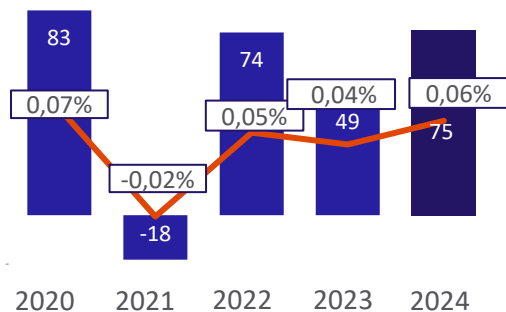


- **12 month growth of 4.6 %**
  - 12 month growth in gross loans of 4.9 % for retail customers and 4.2 % from corporate customers
- **Annualised quarterly growth in Q4 of 3.6 %**
  - 5.9 % for retail customers and -0.8 % from corporate customers

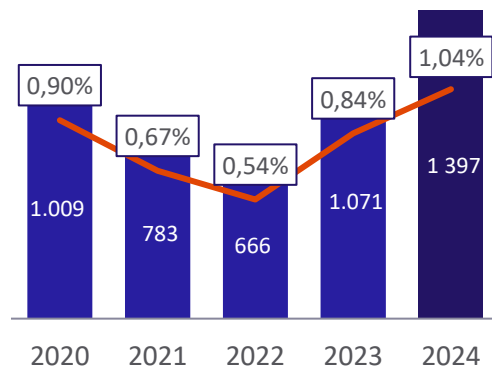
- **12 month growth of 7.1 %**
  - 12 month growth in deposits on 5.8 % for retail customers and 8.3 % from corporate customers
- **Deposits coverage of 55.6 % (54.3 %)**

# Continued low losses on loans

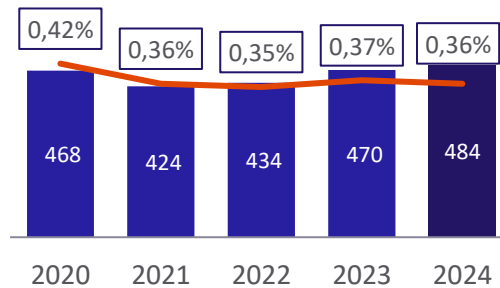
Development in losses in NOK million  
and as a percentage of gross loans  
(annualised)



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

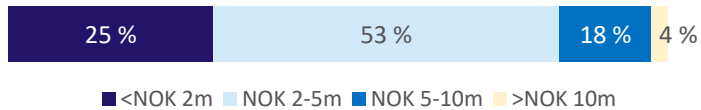


# Diversified loan portfolio with low risk

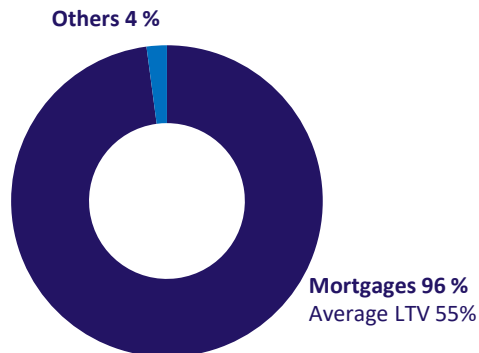
## Retail Market

64 % of the loan portfolio

### Distribution of loans by size

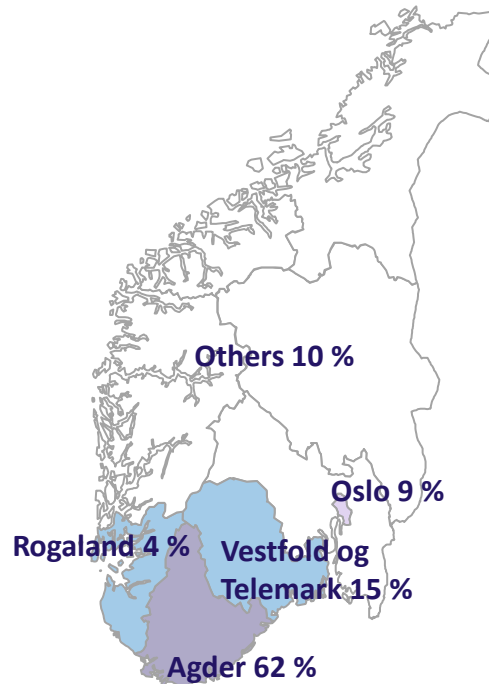


### Mortgage makes 96% of the loan portfolio



## Total

Geographical distribution of the overall lending portfolio



## Corporate Market

36 % of the loan portfolio

### Distribution of loans by size



### Sector distribution

#### Others, for example

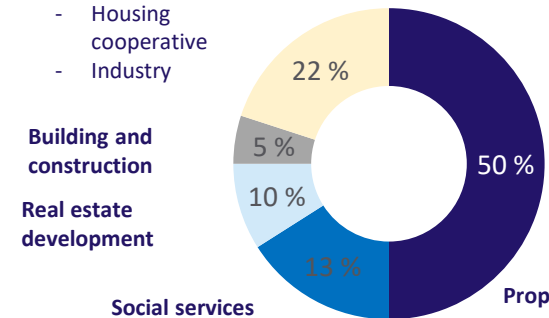
- Retail trade
- Primary industry
- Housing cooperative
- Industry

Building and construction

Real estate development

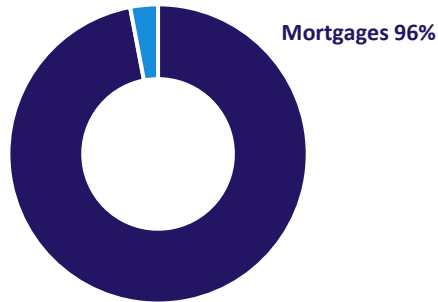
Social services

Property management

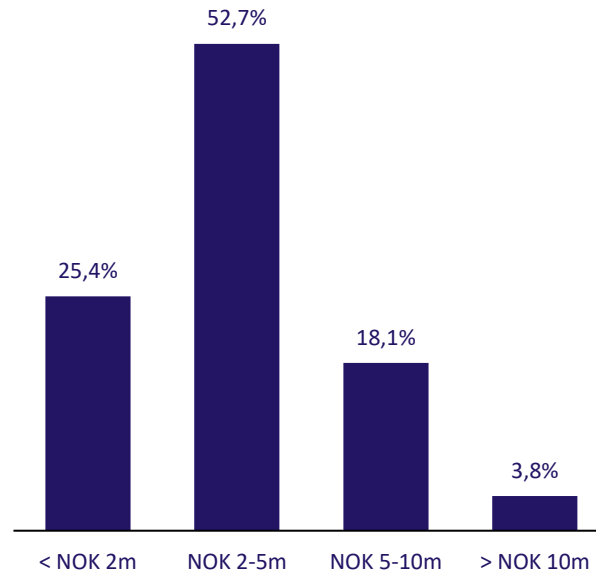


# Retail loan book – 96% mortgages and good security (low LTV)

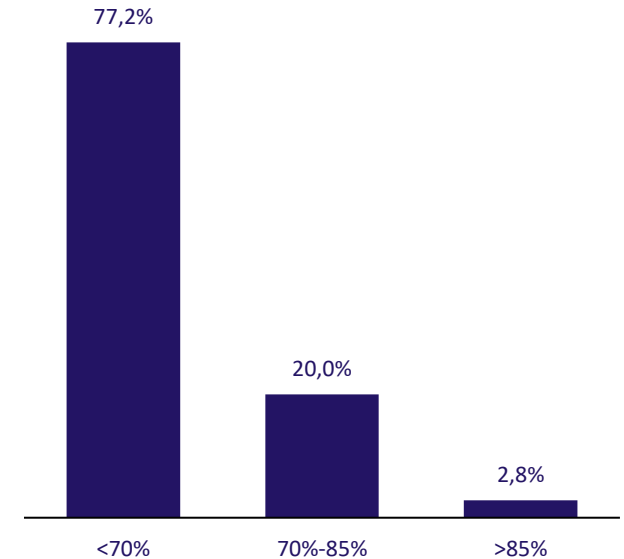
## Share of mortgages



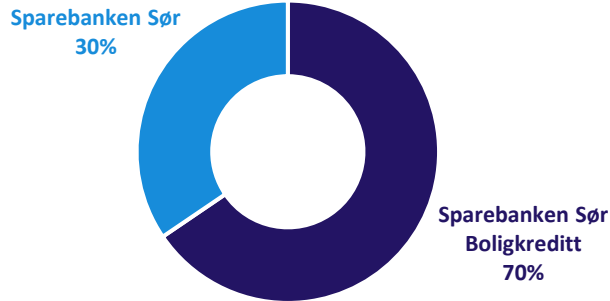
## Retail lending by size



## Retail lending by LTV

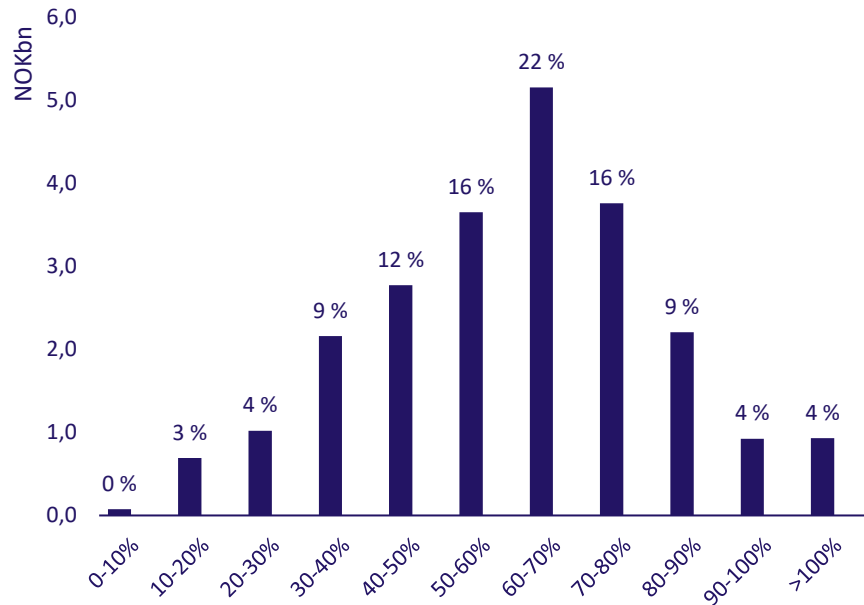


## On balance vs. covered bond transfers

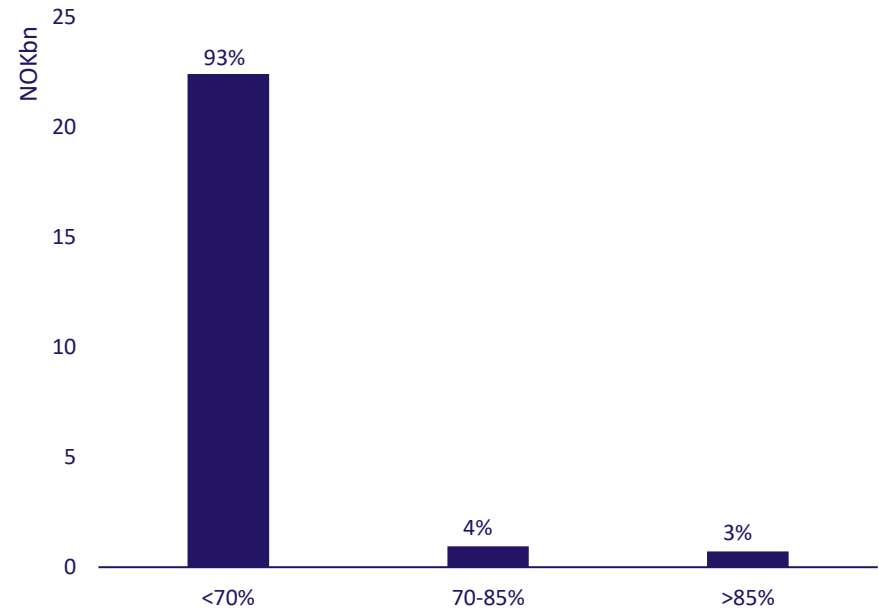


# Solid asset backing in commercial real estate portfolio (property management)\*

## 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.)

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

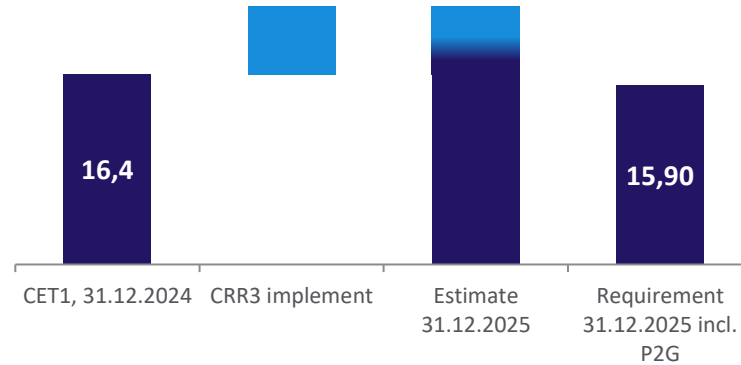
# Capital requirements og implementing CRR3

## Capital requirements

Kapitalkrav ren kjernekapital	Requirement 31.12.24
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 %
<b>CET1 requirements</b>	<b>14.9 %</b>
Pillar-2 Guidance <sup>1)</sup>	1.0 %
<b>CET1 requirements Incl. P2G</b>	<b>15.9 %</b>

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

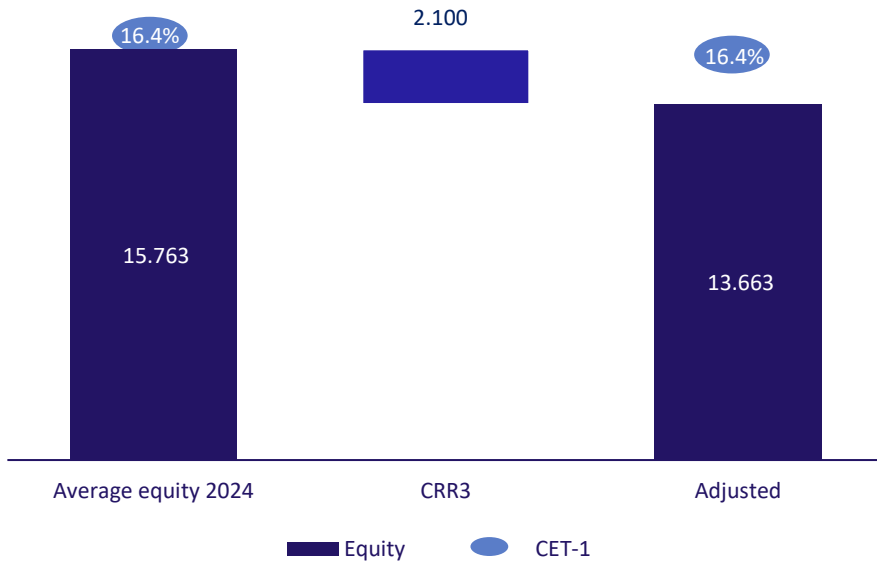
## Capital adequacy (CET1)



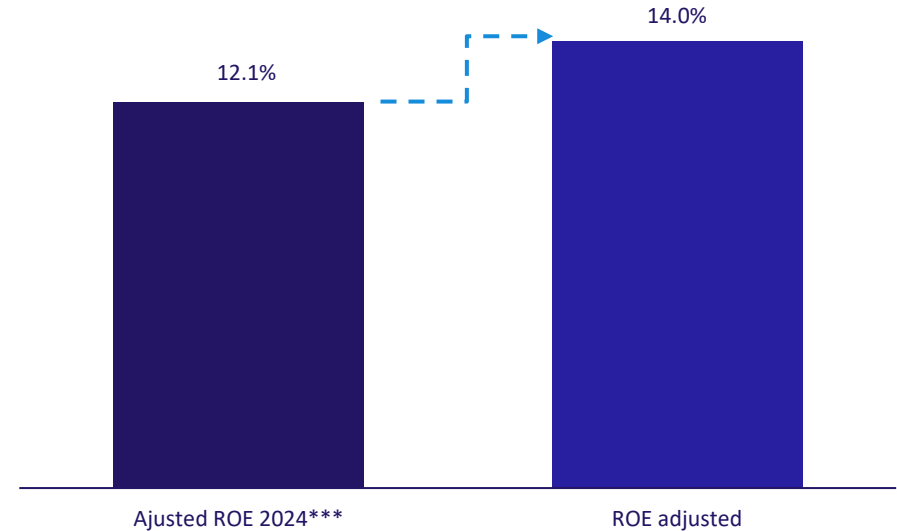


# Capital effects from CRR3 (“Basel IV”)

Capital release from CRR3\* (NOK million)



Higher ROE due to new capital regulations\*\*



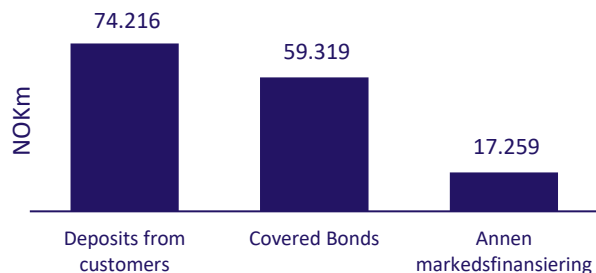
\*Expected capital effects of approx. 2.8 percentage points on CET-1 with CRR3

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

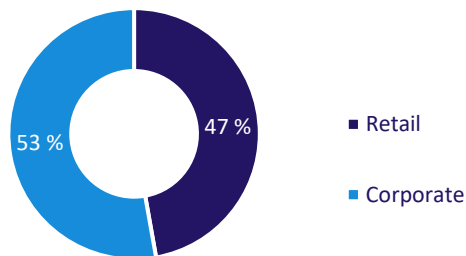
\*\*\*ROE adjusted for financial income and normalized tax rate

# Diversified financing

## Funding split



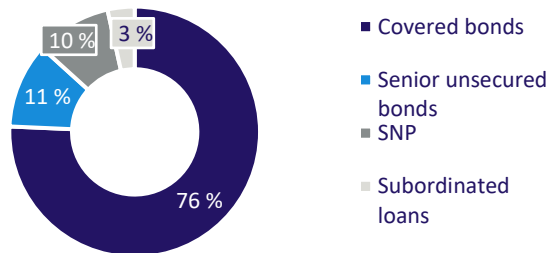
## Deposits split



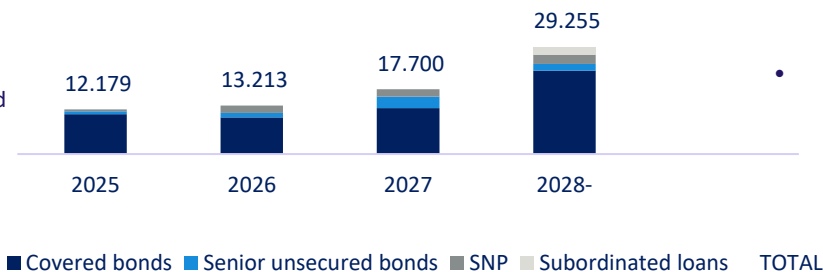
## Key comments

- Predominantly funded with customer deposits and covered bonds (OMF)
- NOK 74.2 bn in customer deposits – 47 % retail customers
- NOK 72.9 bn in capital market funding – ~40% maturing in 2028 and later
- Sparebanken Sør has an A1 rating, «positive outlook»
- Sparebanken Sør Boligkreditt AS has an A1-rating, in line with the bank
- Bonds issued by Sparebanken Sør Boligkreditt AS is rated AAA

## Capital market funding split

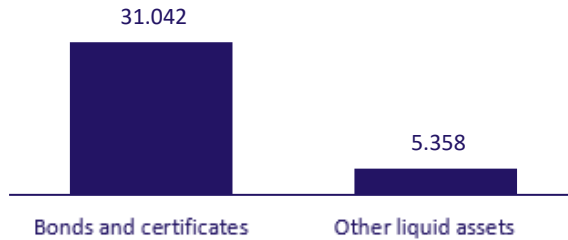


## Capital market maturity profile\*

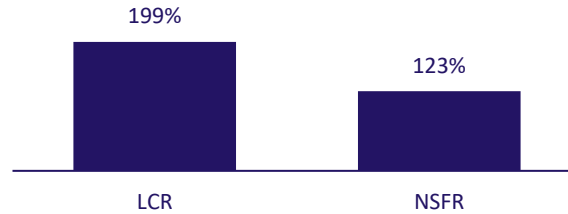


# Strong liquidity position

## Sources of liquidity



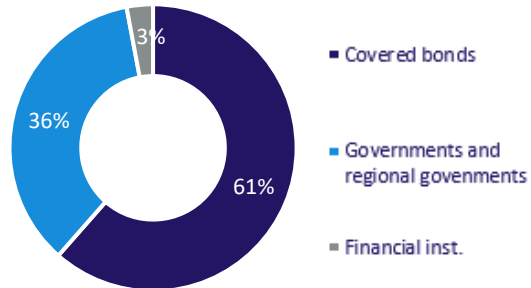
## Liquidity ratios



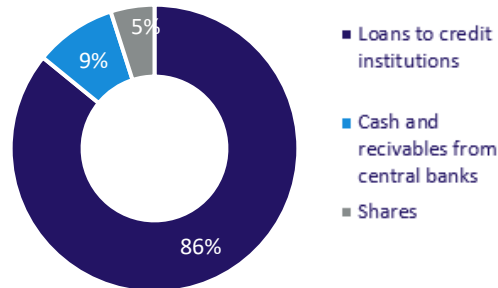
## Main features

- Bonds and certificates constitute the majority of the liquidity portfolio
- Covered bonds make up for (OMF) 61 % of all bonds and certificates
- Satisfying liquidity ratios – LCR ratio of 199 % and NSFR ratio of 123 %

## Bonds and certificates split



## Other liquid assets split



# Allocation 2024

# Allocation 2024 – 12,21 per Equity Certificate

**Group profit 2024 – NOK 1 901 mill.**

(Group Profit after tax NOK 1 988 mill. – AT-1 capital NOK 87 mill.)

**60%**

**40%**

**Primary capital**

*NOK 1 141 mill.*

**Equity certificate owners**

*NOK 760 mill.*

**Customer dividends**

*NOK 416 mill.*

**Gifts**

*NOK 348 mill.*

**Increased Capital**

*NOK 377 mill.*

**Dividend**

*NOK 509 mill.*

**Increased Capital**

*NOK 251 mill.*

- ✓ Customer dividends and contributions to the local community
- ✓ Proposed dividend represent 67 percent of the Group profit for 2024

- ✓ Profit per equity certificate (Group) amounted to NOK 18.2.
- ✓ Proposed dividend of NOK 12.21 per equity certificate correspond to 67 percent of result per equity certificate (Group)

# Delivers on the financial targets



ROE target  
>11% in 2024  
and >12% by  
the end of 2025



Dividend policy  
~50 percent



>16.2%  
CET1 capital  
ratio

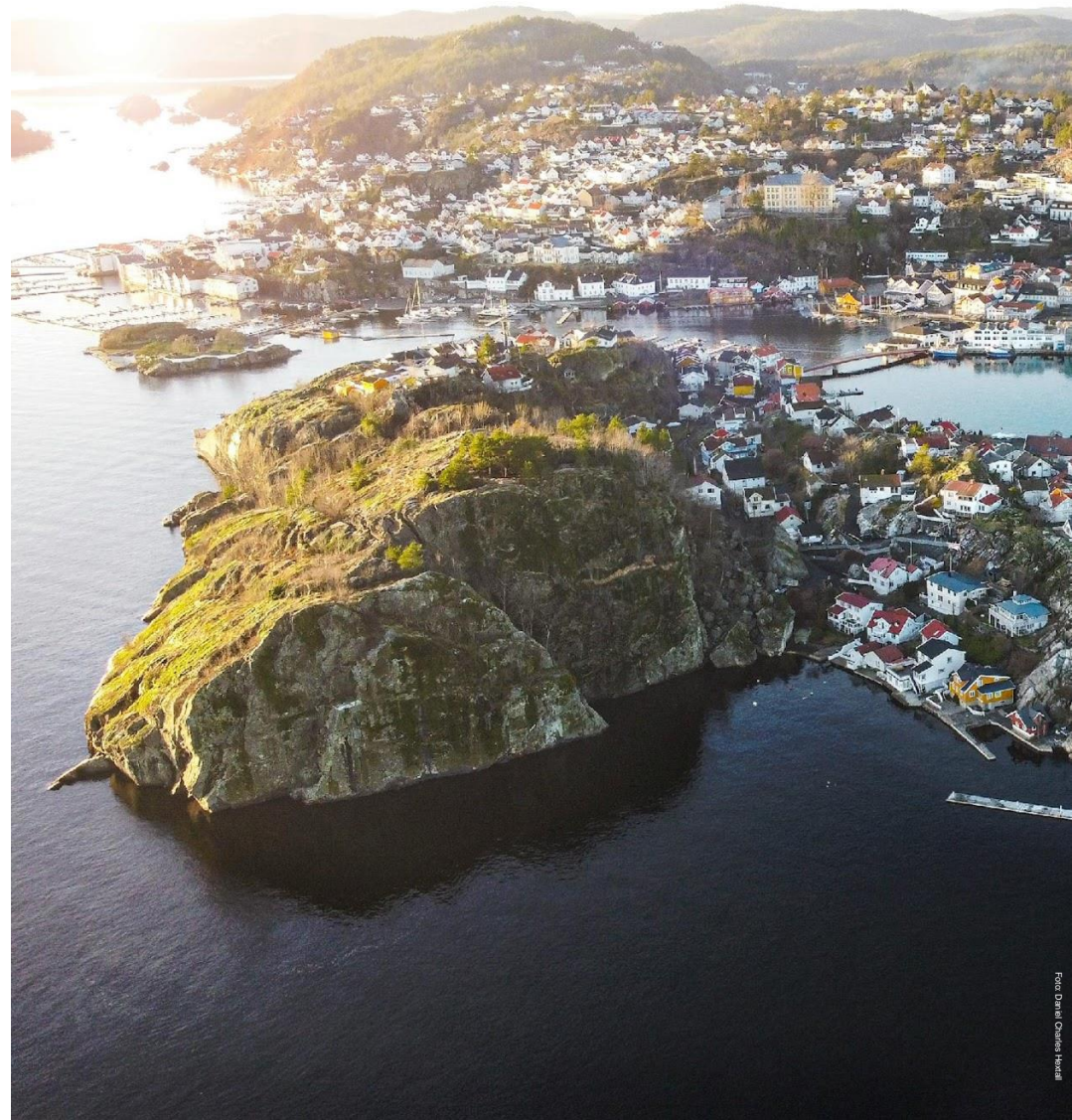


Cost/income  
<40%

# The Savings Bank Committee (Sparebankutvalget)

# The Savings Bank Committee puts the savings bank model at risk

The outcome of the Savings Bank Committee's report will lead to a stronger concentration of power in the banking sector, reduced local ownership, and diminished value creation in rural areas. This would be a loss, both for customers and for the diversity of the Norwegian







# The Savings Bank Committee's mandate and background

- The Savings Bank Committee has been tasked reviewing the capital structure in relation to the ability to preserve the unique characteristics and societal role of savings banks.
- The government's objective is for the committee's report to contribute to solutions that ensure strong and profitable savings banks in the future while safeguarding their distinct characteristics and vital societal function.

Trygve Vedum to the Norwegian Parliament, March 2024 (Minister of Finance)

# The Saving Banks Association clearly states that the proposals must be rejected



**Sparebankforeningen:**  
**– Ingen grunn til å endre**  
**egenkapitalbeviset eller**  
**kapitalstrukturen til**  
**sparebankene**

– There is no reason to change the equity certificate or the capital structure of savings banks. We firmly believe that the current framework is fully compliant with EU capital requirements regulations. Unnecessary changes could create uncertainty and weaken a model that has functioned excellently for a long time.

Therese Riiser, CEO of Sparebankforeningen

## The Banking Law Commission recommended strengthening the savings bank model and the distinct characteristics of savings banks

- Introduction of the option for customer dividends

«If dilution effects are to be eliminated or at least kept at a relatively modest level, savings banks must be ensured a relatively high degree of flexibility in allocating the portion of the designated dividend funds assigned to the primary capital.»

(NOU 2009: 2)

**NOU**

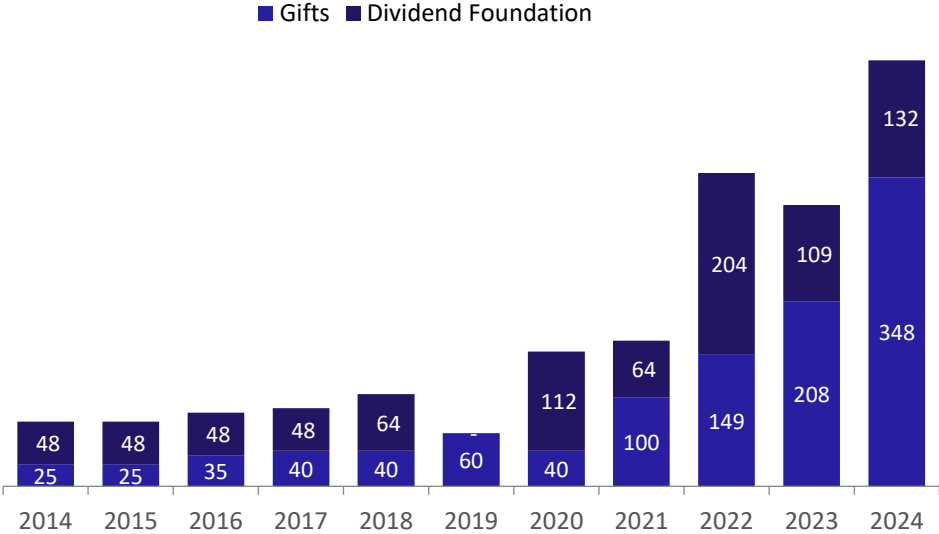
Norges offentlige utredninger 2009: 2

### Kapital- og organisasjonsformer i sparebanksektoren mv.

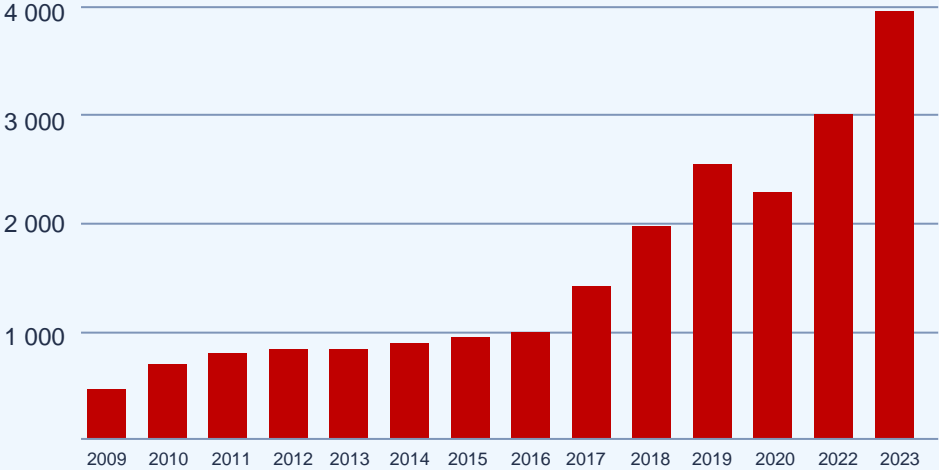
Utredning nr. 22 fra Banklovkomisjonen

# Distributions to charitable purposes have increased significantly in the period since customer dividends were introduced

## Development in Sparebanken Sør



## Charitable donations 2009 – 2023



Source: Sparebankforeningen



# Experiences from Europe

The dismantling of the traditional ownership structure of savings banks has weakened the savings bank sector

- In several countries (especially Spain and Italy), savings banks have been forced to convert into commercial banks
- The result has been significant pressure for structural changes, a weakening of local affiliation, and considerably greater banking concentration
- Our European colleagues find it a mystery that Norwegian politicians have been so passive on such a crucial issue for savings banks, given the consequences seen in other countries

# The proposals from the Savings Bank Committee must be rejected

- The Savings Bank Committee has not delivered a report that aligns with the mandate set by the government
- The committee demonstrates a lack of understanding of the unique role of Norwegian savings banks
- The committee has put forward proposals that no political parties in the Norwegian Parliament have advocated for
- Norway cannot pave the way for large international commercial banks to gradually acquire Norwegian savings banks



# Sparebanken Norge



# Sparebanken Norge

Customers

786 000

FTEs

1 614

Gross loans

444<sub>bn.</sub>



# 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, with the Oslo area being an important market area.



## FINANSWATCH

FORBERING FINTECH REGULERING KAPITALFORVALTING PENSJON

### Sparebanken Norge skal åpne Oslo-kontor

Arvid Andersen, tidligere landsjef for Handelsbanken i Norge, skal lede satsingen i hovedstadsregionen.



# Bigger and stronger – but still local and close

## Deler ut millioner: - Vår landsdel skal være et godt sted å bo



## Sparebanken Sør deler ut milliongave

Banken gir 19 millioner kroner til satsing på jentefotball.



## Milliondryss kommer «alle» til gode



*For 2025, we are allocating **NOK 348 million** to charitable donations in our local communities.*

# Significant cost and capital synergies

## Cost synergies

Estimated to NOK 350-400 million annually from 2027-2028

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## Capital synergies

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

Increased risk weight floor on mortgages reduces the estimate by NOK 0.7 billion.

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## Transaction and integration costs

NOK 250-300 million



# The process towards the legal merger on May 2, 2025



# 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 (EC) owners as of 31.12.2024

	Name	Amount EC	Share of EC %		Name	Amount EC	Share of EC %
1	Sparebankstiftelsen Sparebanken Sør	10.849.009	26,01	11	J.P. Morgan SE	445.979	1,07
2	Sparebankenstiftelsen Sparebanken Vest	2.400.000	5,75	12	AF Capital AS	400.200	0,96
3	J.P. Morgan Securities LLC	2.337.641	5,61	13	Vpf Fondsfinans Utbytte	398.248	0,95
4	Geveran Trading Company LTd	1.940.000	4,65	14	U.S. Bank National Association	324.600	0,78
5	Spesialfondet Borea Utbytte	1.725.809	4,14	15	Verdipapirfondet Fondsfinans Norge	299.585	0,72
6	EIKA utbytte VPF c/o Eika kapitalforv.	1.391.826	3,34	16	Bergen Kom. Pensjonskasse	277.365	0,67
7	KLP Gjensidige Forsikring	1.127.403	2,70	17	State Street Bank and Trust Comp	266.695	0,64
8	Skandinaviska Enskilda Banken AB	1.113.994	2,67	18	J.P. Morgan SE	246.663	0,59
9	Pershing LLC	1.020.000	2,45	19	Hjellegjerde Invest AS	243.507	0,58
10	J.P. Morgan SE	763.795	1,83	20	Verdipapirfondet Klip Aksjenorge	241.446	0,58
	<b>Total 10 largest owners</b>	<b>24.669.477</b>	<b>59,16</b>		<b>Total 20 largest owners</b>	<b>27.813.765</b>	<b>66,69</b>

- 41.703.057 equity certificates with a face value of NOK 50 each have been issued
- The profit (Group) for Q4 2024 amounted to NOK 3.8 per EC, NOK 18.2 per EC for 2024 and NOK 16,4 per EC for 2023
- The ownership fraction was 40.0 percent at December 31, 2024

# SOR – share price and liquidity

## Share price development as of 31.12.2024

- The share price for SOR was NOK 197.9, and book value was NOK 157.8, equivalent to a P/B of 1.25
- The equity certificates gave a return of 44.4 % last 12 months
- Profit per equity certificates at 31.12.2024 was NOK 18.2 kroner, representing a P/E at 10.9.

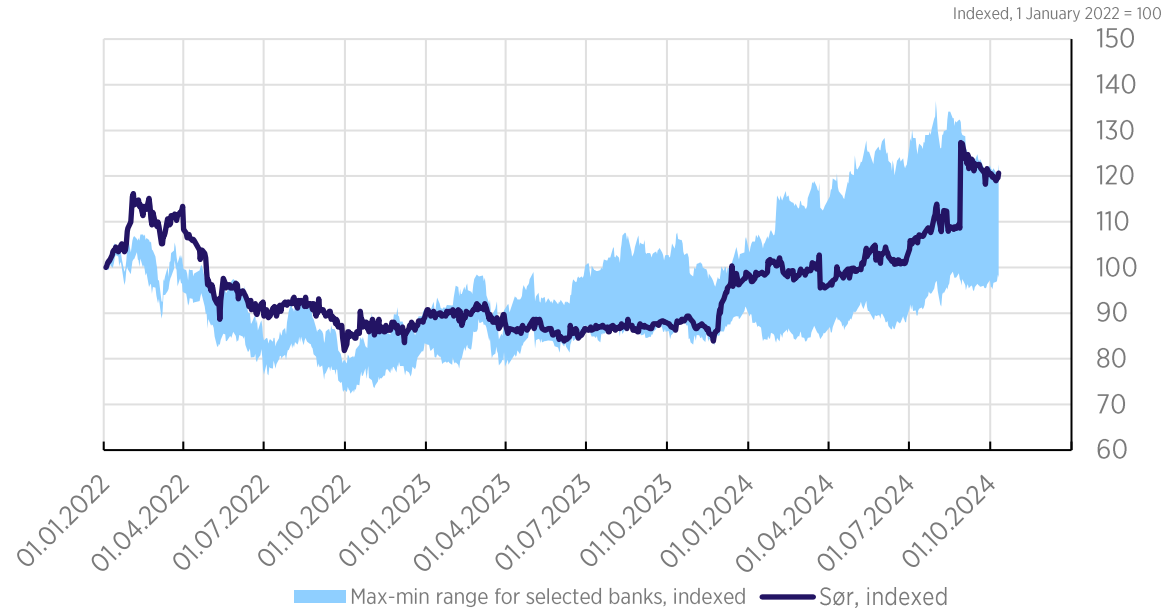
## Liquidity

- Significantly improved liquidity after the sale of equity certificates
- NOK 30.6 mill. turnover of 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
- The Board will propose to distribute a dividend of NOK 12.21 per equity certificate for 2024
- 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 January 1, 2022 for Sør og selected banks 1)



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