

# Investor presentation Second quarter 2023

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# Agenda

Financial targets and ambitions

Results Q2 2023

Profitable growth

Summary

# SpareBank 1

SpareBank 1 Sørøst-Norge is one of 12 independent, local, and regional savings banks that are partners in the SpareBank 1 alliance. The alliance is established and organized to provide the banks with strength and power to engage in progressive banking operations at a local level.

1 million members milestone achieved by LO – significant number of LO members in our region



Norway's top relationship banks - locally and digitally!



# Our financial targets remain unchanged

## Financial Targets

Return on equity

> 11 %

11,3%

H1 2023

Cost to income

< 40 %

41,5%

H1 2023

32,2 % parent bank

CET1 capital ratio

> 17 %

19,4%

H1 2023

Dividend share

> 50 %

91%

2022<sup>1</sup>

Return

Equity



Top-line Growth and Collaboration

Capital Optimization

Cost control

Dividend Policy

Risk profile

AIRB

EMTN Program

# Extra dividend

The board utilized the authorization from the General Assembly meeting March 30<sup>th</sup> to pay extra dividend<sup>1</sup>



**Good results**



**High solidity**



**Satisfactory risk profile**

## Dates related to the extra dividend

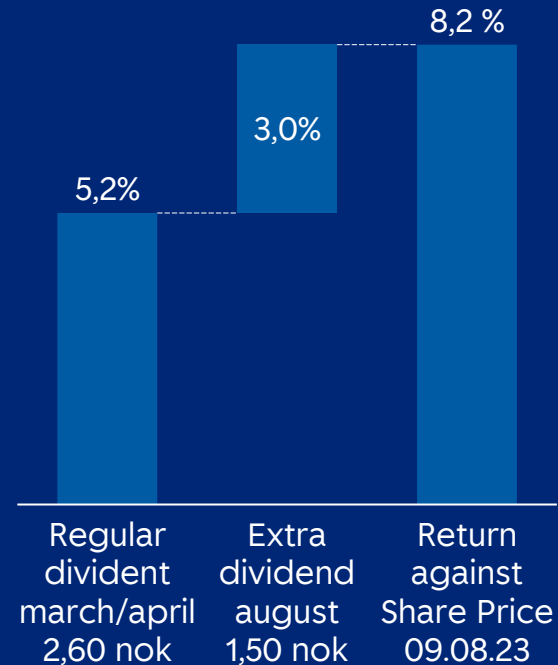
- Decision Date: 9. august 2023
- Last day including right 11. august 2023
- Ex-date: 14. august 2023
- Record date: 15. august 2023
- Payment date: 24. august 2023

1) Equal distribution – dividends to both equity certificate holders and social capital. No change in ownership fraction – still 60.7/39.3

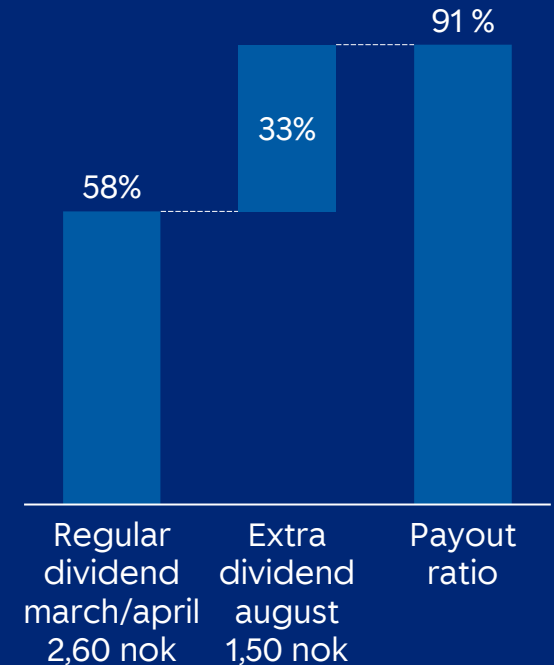
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2) Share price 50,40 NOK

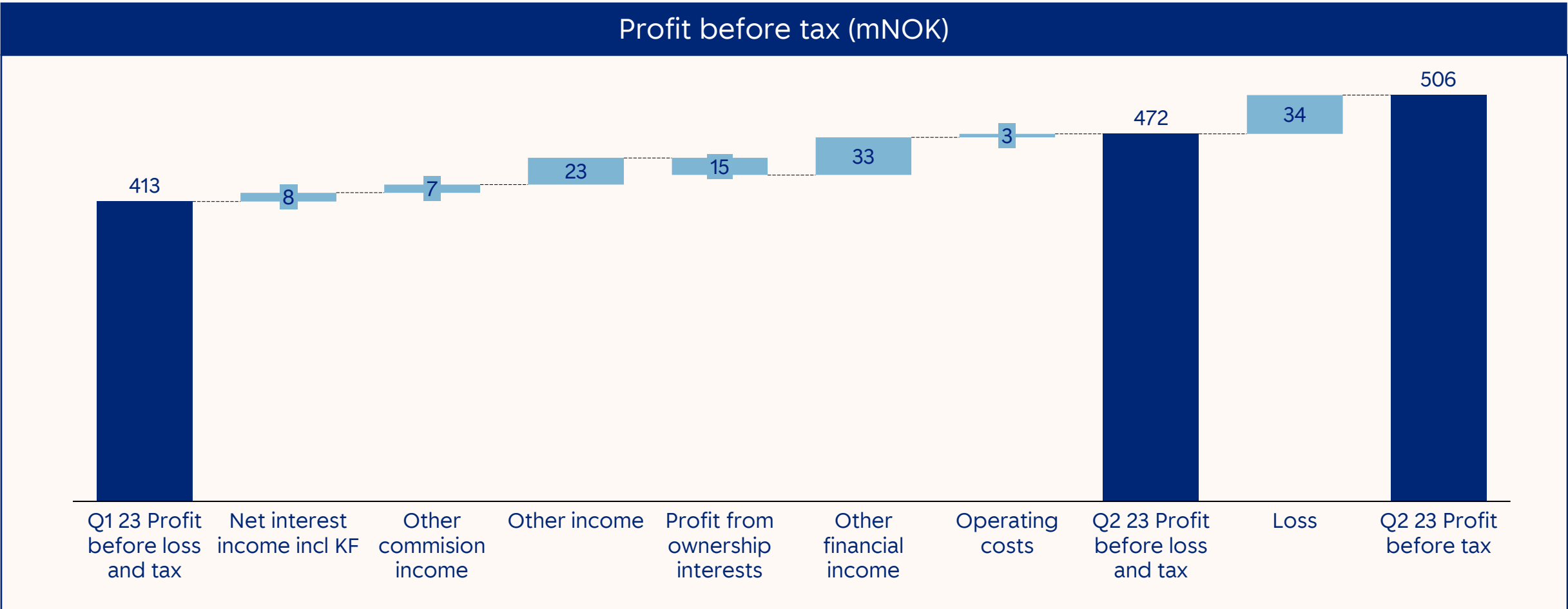
## Dividend yield<sup>2</sup>



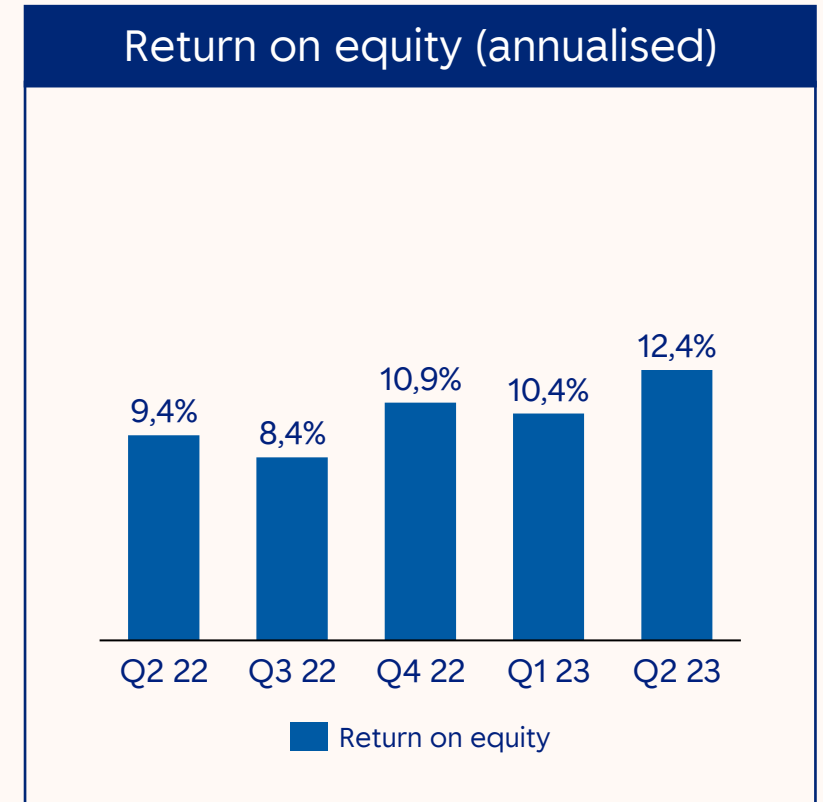
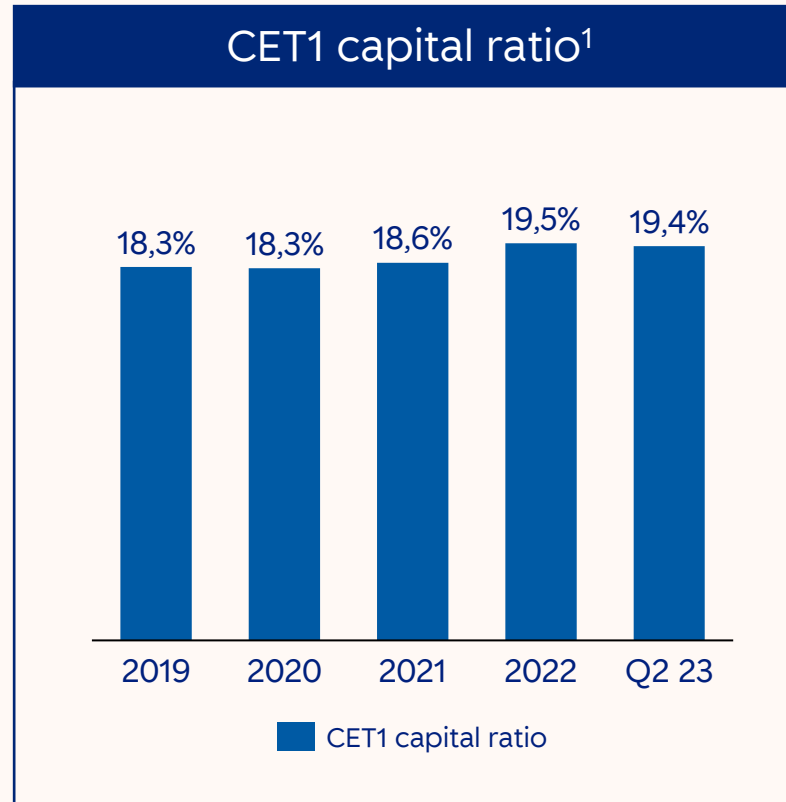
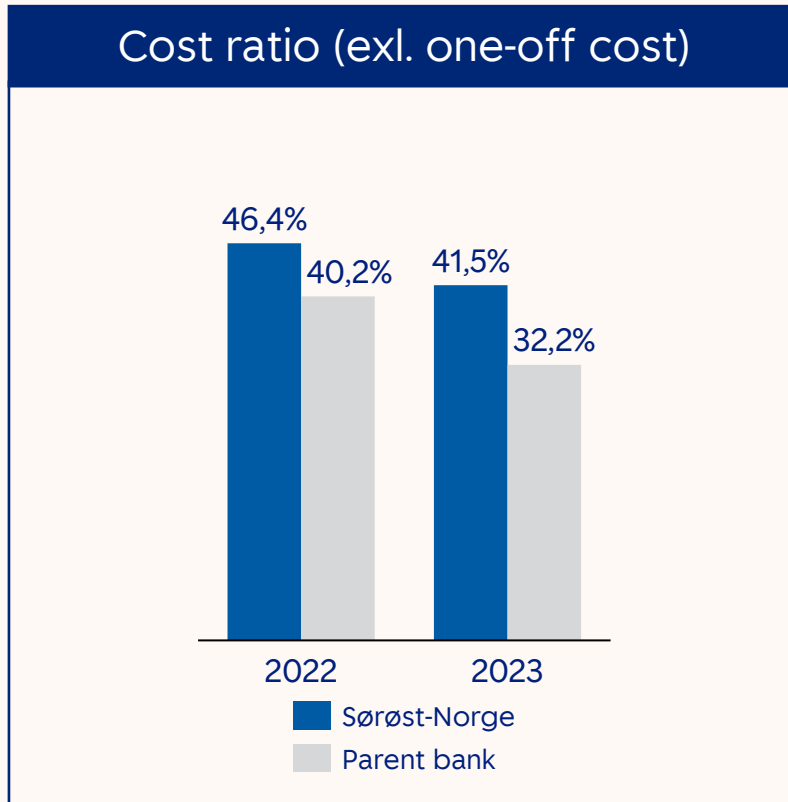
## Payout Ratio



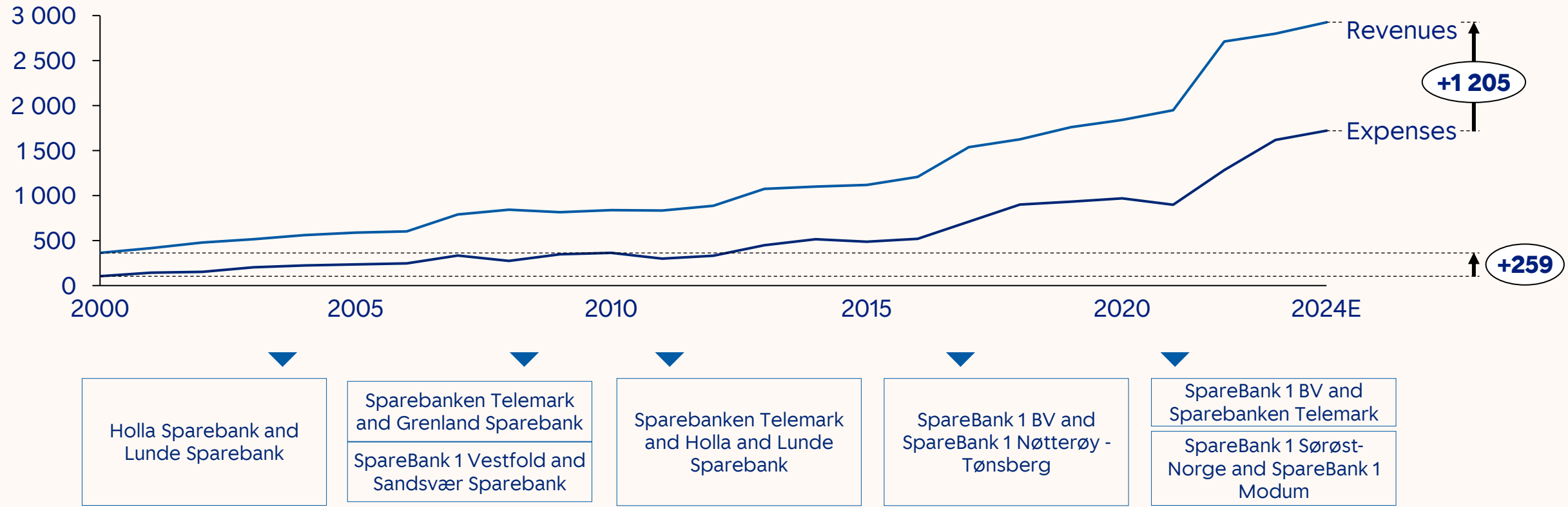
# Profit growth driven by robust underlying operations and increased revenues



# Reduced cost ratio, high capital ratio and solid return on equity



# Structural growth has been important in increasing profitability<sup>1</sup>



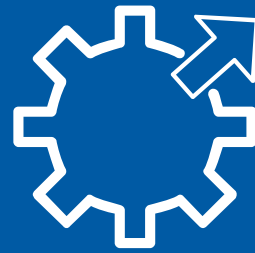
**Increasing Revenue-Expense Gap due to structural measures and streamlining efforts**



# We are rigged for further profitable growth



**New growth  
momentum**



**Continued focus on  
efficiency**



**Increased portfolio  
quality**

**Growth is important, but must be quality-driven**

# New growth momentum through renewal of competence



## Workforce rejuvenation

40 new hires with average age of 32 years  
80 departures with average age of 48 years



## Renewal of competence

Higher education and new competence among our new hires



## Enhanced collaboration

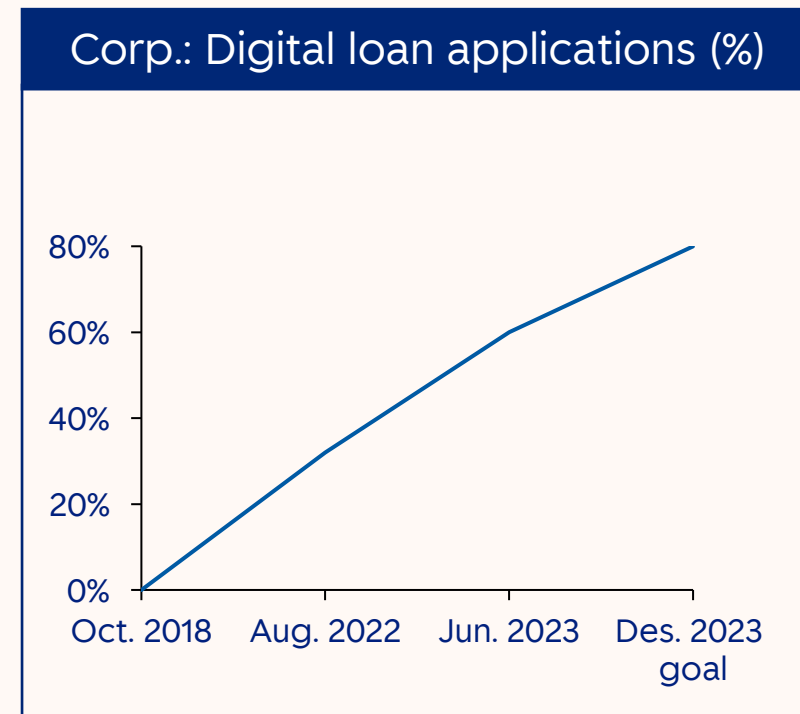
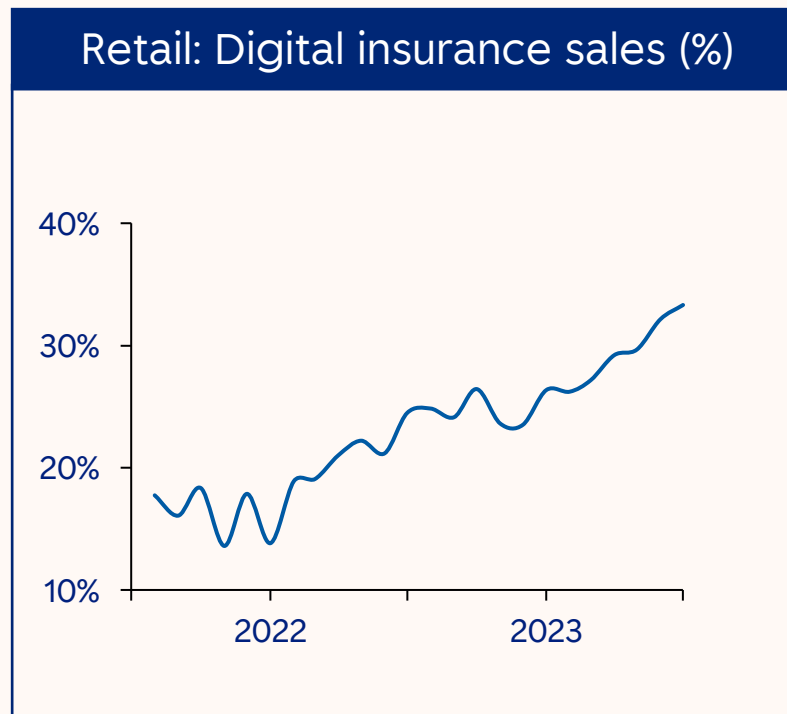
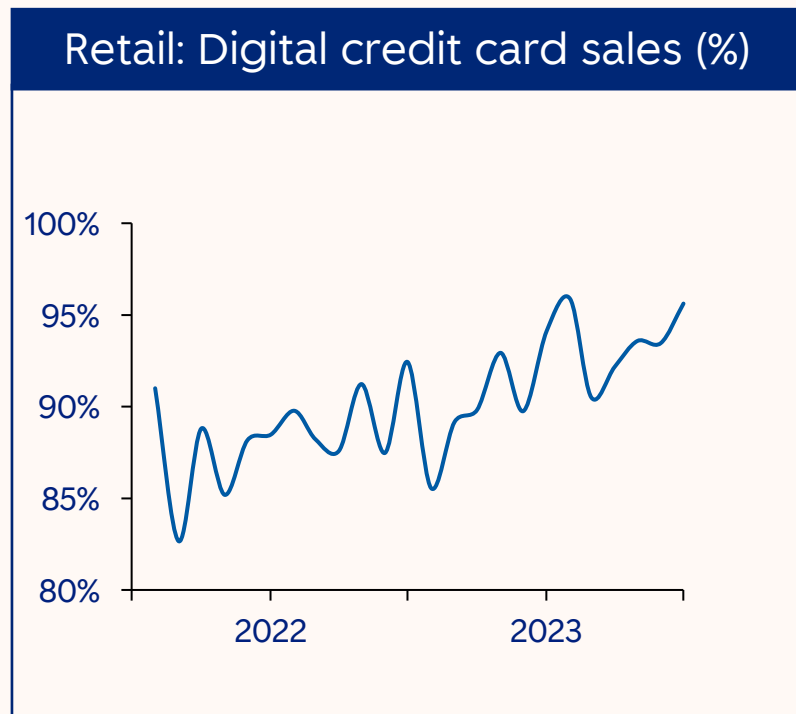
Increased growth momentum through collaboration between bank, real estate agent and accounting company

**40**  
New hires

Average  
**32**  
years



# Growth in digital and data driven sales

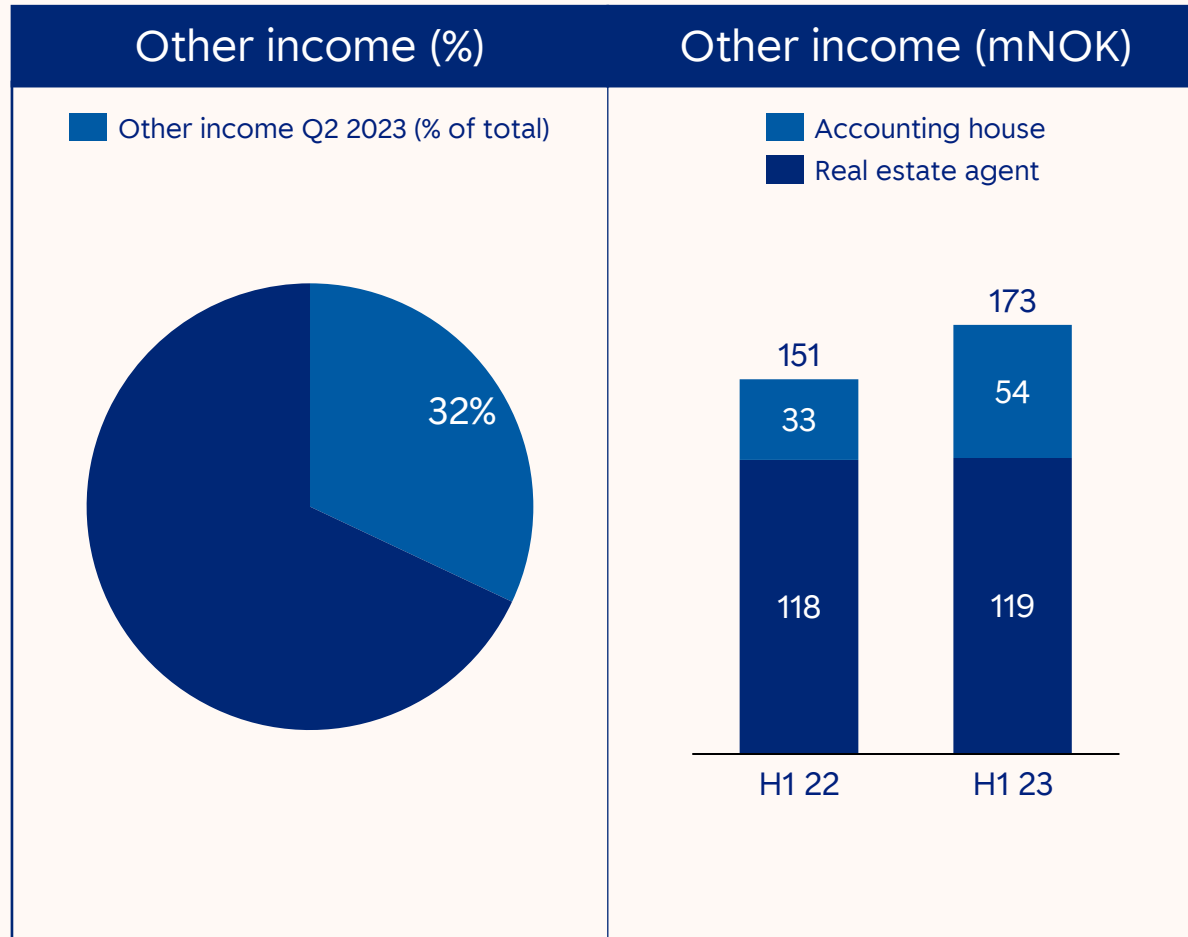


**Positive trend in digital sales and digital loan processing in retail and corporate market**

# Growth in other income



New growth momentum



Strengthening of SpareBank 1 accounting house through the acquisition of Grenlandgruppen

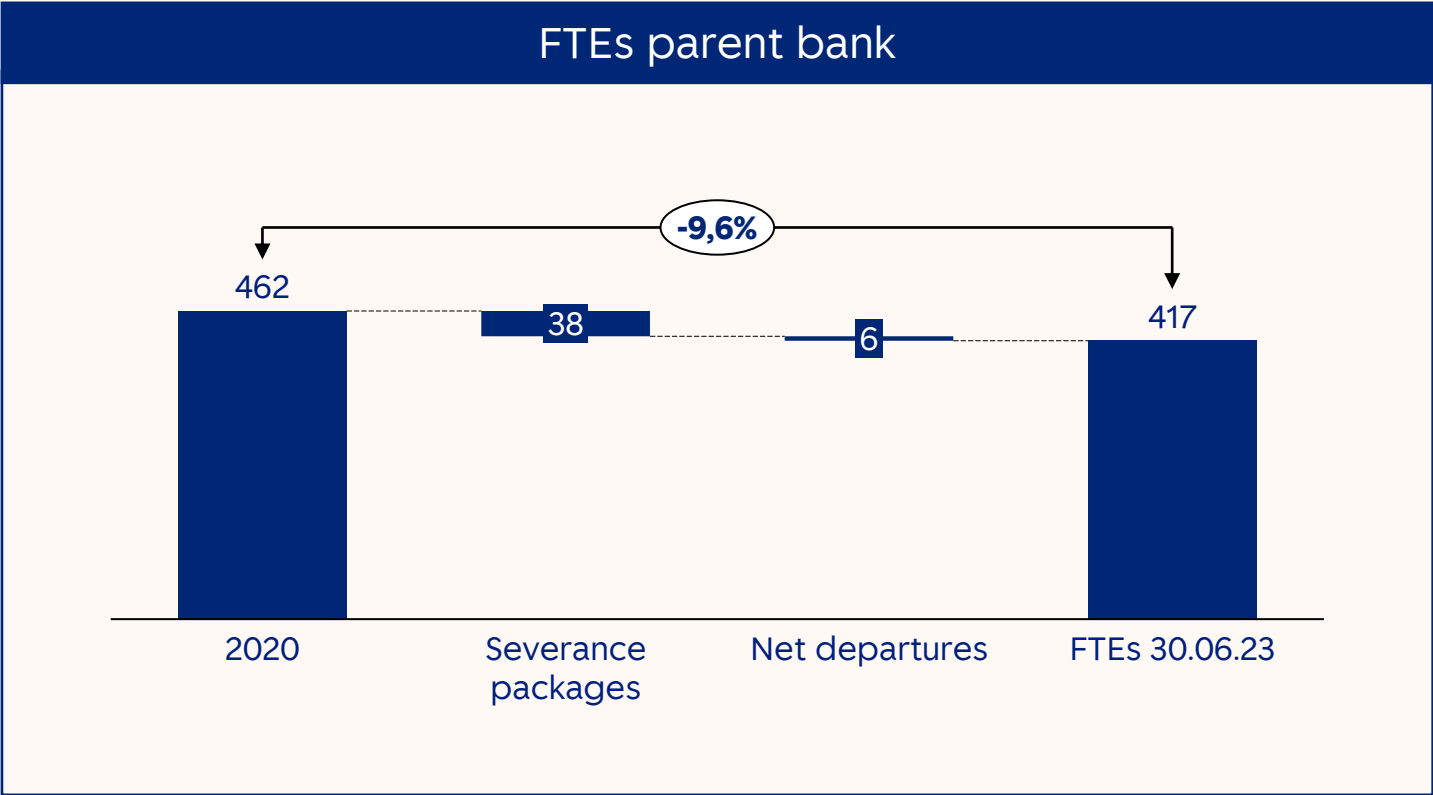


Merger EM1 Sørøst-Norge with EM1 Modum and complete acquisition of Z-eiendom



Close collaboration with Fremtind and SB1 Forvaltning to strengthen insurance sales and investment advisory

# Synergy realization to date 85 mNOK, additional 25 mNOK are to be realized in 2023-2024



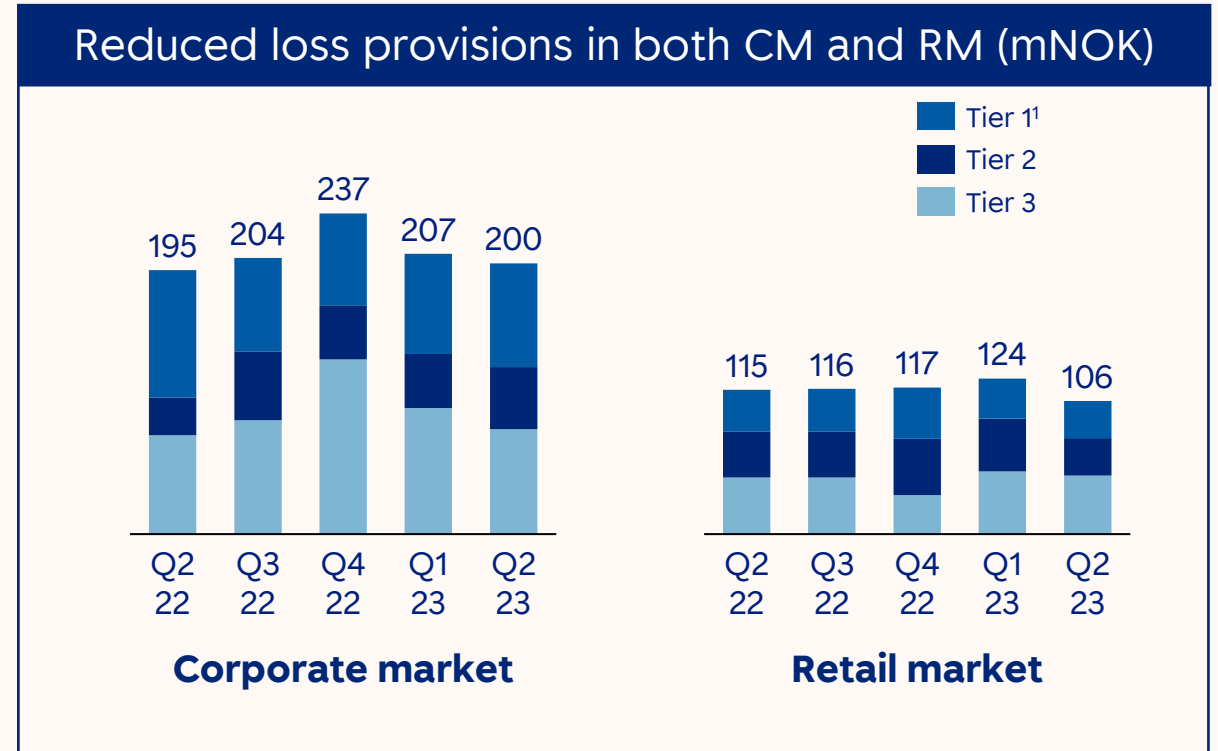
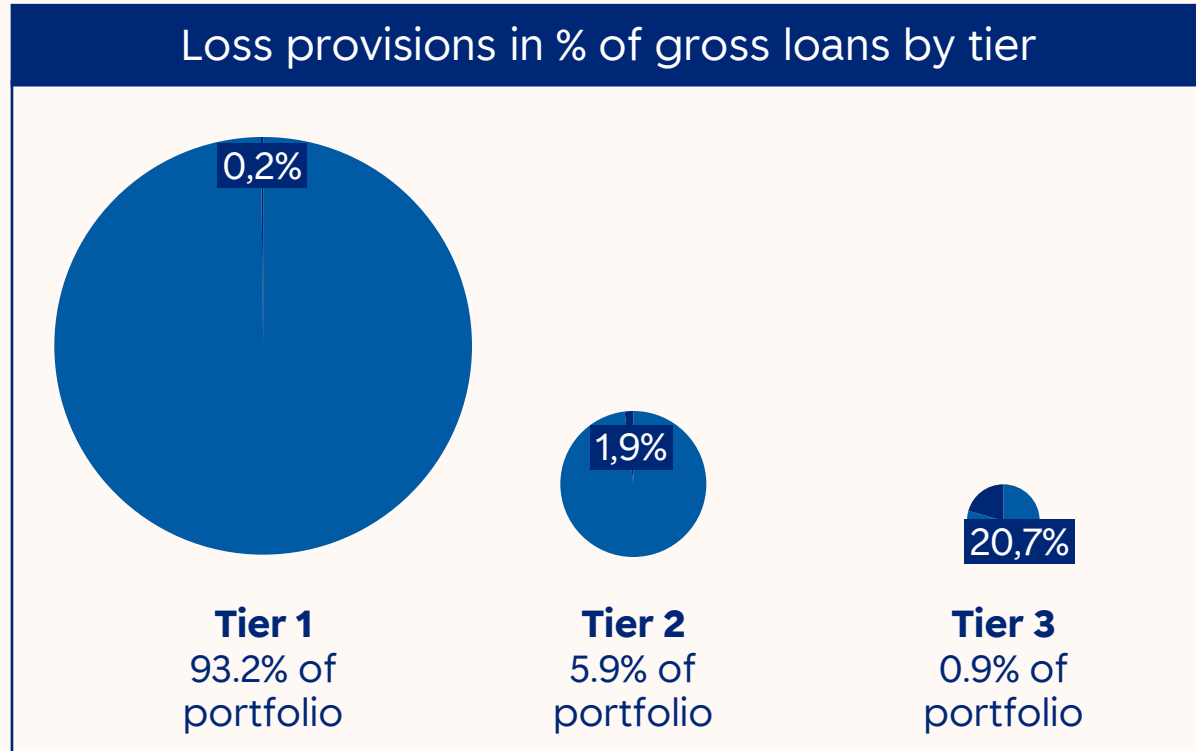
Synergy realization to date 85 mNOK



Additional 25 mNOK to be realized 23-24

Three circular icons representing a building, three people, and a target with a gear.

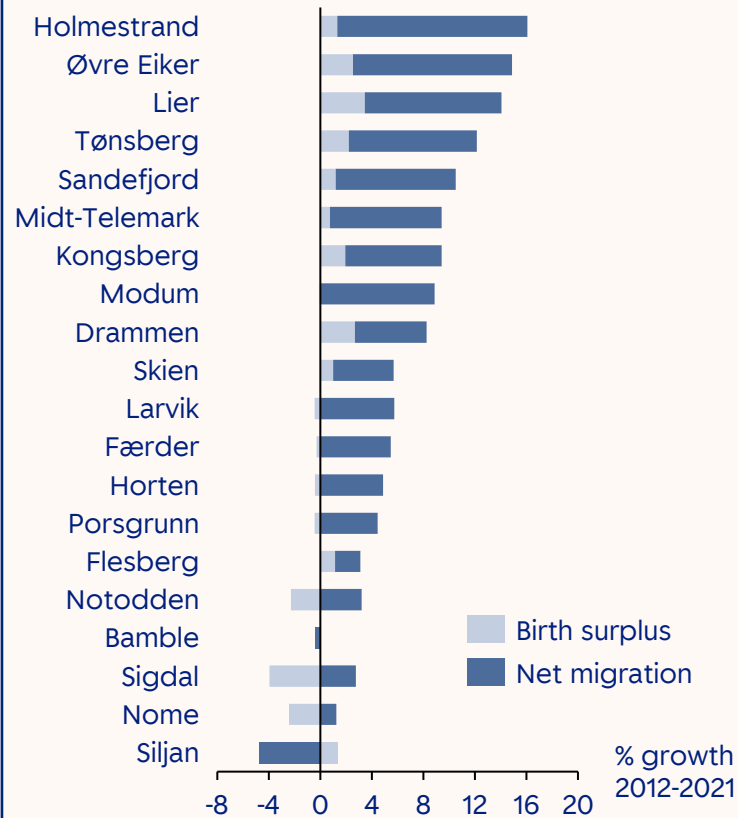
# Increased portfolio quality leads to reduced loss provisions



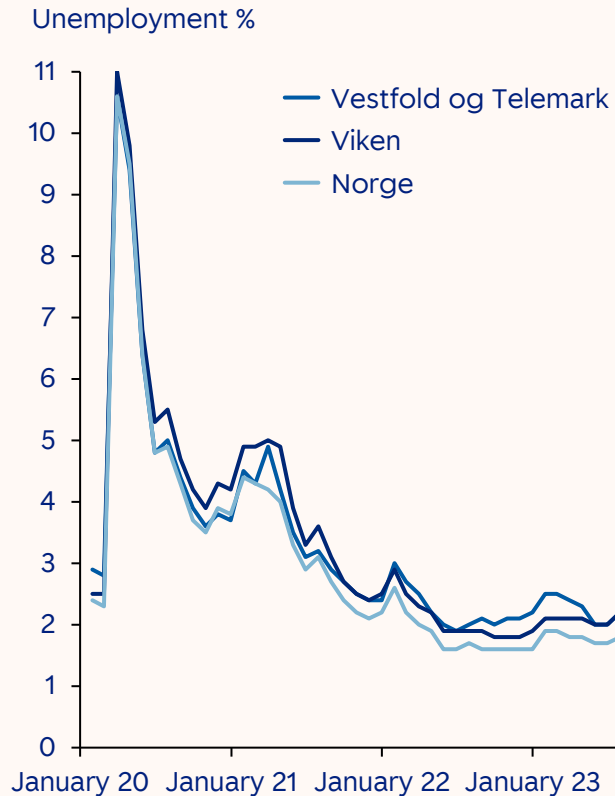
**Risk reduction and repricing reduce capital requirements**

# Well positioned in an attractive region

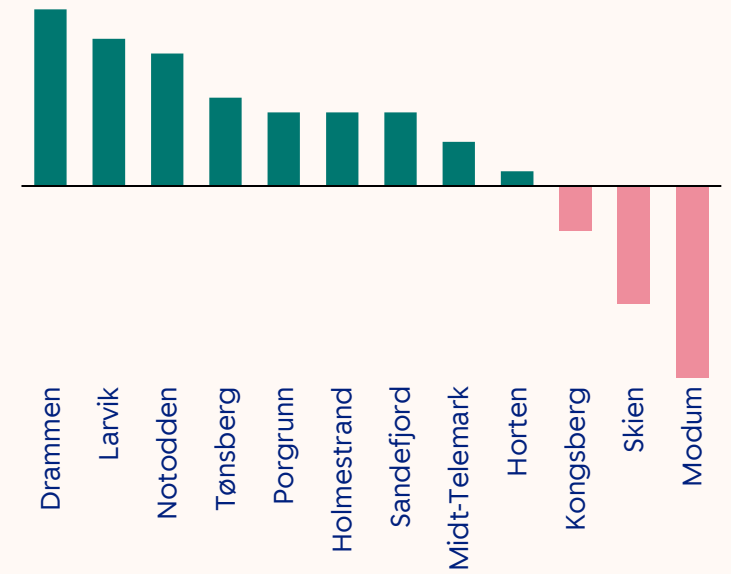
## Net migration to the regionen<sup>1</sup>



## Low unemployment<sup>2</sup>



## Cautious corporate optimism<sup>3</sup>



1) Source: Telemarkforskning, K. Vareide. Regional analysis Sørøst-Norge. Buskerud, Telemark, Vestfold. Percentage growth 2012-21

2) Source: NAV. Fully unemployed as a percentage of the workforce

3) Source: Konjunktur Sørøst, Kantar "Forventningsundersøkelse" per May 2023

# We are rigged for growth and have a strong dividend capacity



**We deliver strong results**



**We are rigged for profitable growth ahead**



**We are well positioned in an attractive region**

**Our targets and ambitions remain**



Together  
we create  
value



# Appendix

# Profit growth driven by robust underlying operations and increased revenues

## Key figures second quarter 2023 compared to second quarter 2022

### Enhanced Underlying Operations

Increased net interest income by 104 mnok (25 %), but marginal change in commission income

Good profit from BN Bank, but SB1 Gruppen reported a negative result for the quarter

Income from other financial investments has increased by 37 mnok

Increased operating costs – acquisition of accounting house in Q4 2022, increased development costs in SB1 Alliansen and price inflation

Cost ratio 39.8 (46.2) % compared to 44.6 % ex. one-time costs in 2022. Parent bank 27.4 (38.6) % compared to 37.0 % ex. one-time costs in 2022

Recovered 34 mnok on losses

### Good return on equity

Ordinary profit after tax of 387 (271) mnok

Return on equity 12.4 (9.4) % in the quarter compared to 10.0 % ex. one-time costs in 2022

EPS group 1.65 (1.15) nok

Extra dividend 1.50 nok.  
Div. yield 3.0 %

### Poor growth in lending and deposits

Lending growth in the current quarter of 0.2 (1.6) %, and deposits 3.5 (2.8) %

Lending growth in corporate market the current quarter of 0.0 (3.6) %, and retail market 0.3 (1.0) %. However, a positive deposit growth of 2.1 (-1.0) % and 4.2 (5.0) % respectively

# En godt halvår med økte inntekter og god underliggende drift

## Key figures first half of 2023 compared to first half of 2022

### Enhanced Underlying Operations

Increased net interest income by 217 mnok (26.0 %), increased commission and other income by 9 mnok

Good profit from BN Bank, weakened results from SB1 Gruppen

Income from other financial investments inc. dividend has increased by 31.6 mnok

Increased operating costs ex. one-time costs - acquisition of accounting house in Q4 2022 with full effect in the first half-year, increased development costs in SB1 Alliansen and price inflation

Cost ratio 41.5 (53.2) % compared to 46.4 % ex. one-time costs in 2022. Parent bank 32.2 (47.8) % compared to 40.2 % ex. one-time costs in 2022.

Recovered 34.5 mnok on losses H1 2023

### Good return on equity

Ordinary profit after tax of 707 (441) mnok

Return on equity 11.3 (8.1) % compared to 9.7 % ex. one-time costs in 2022

EPS group 3.01 (2.00) nok

### Poor growth in lending and deposits

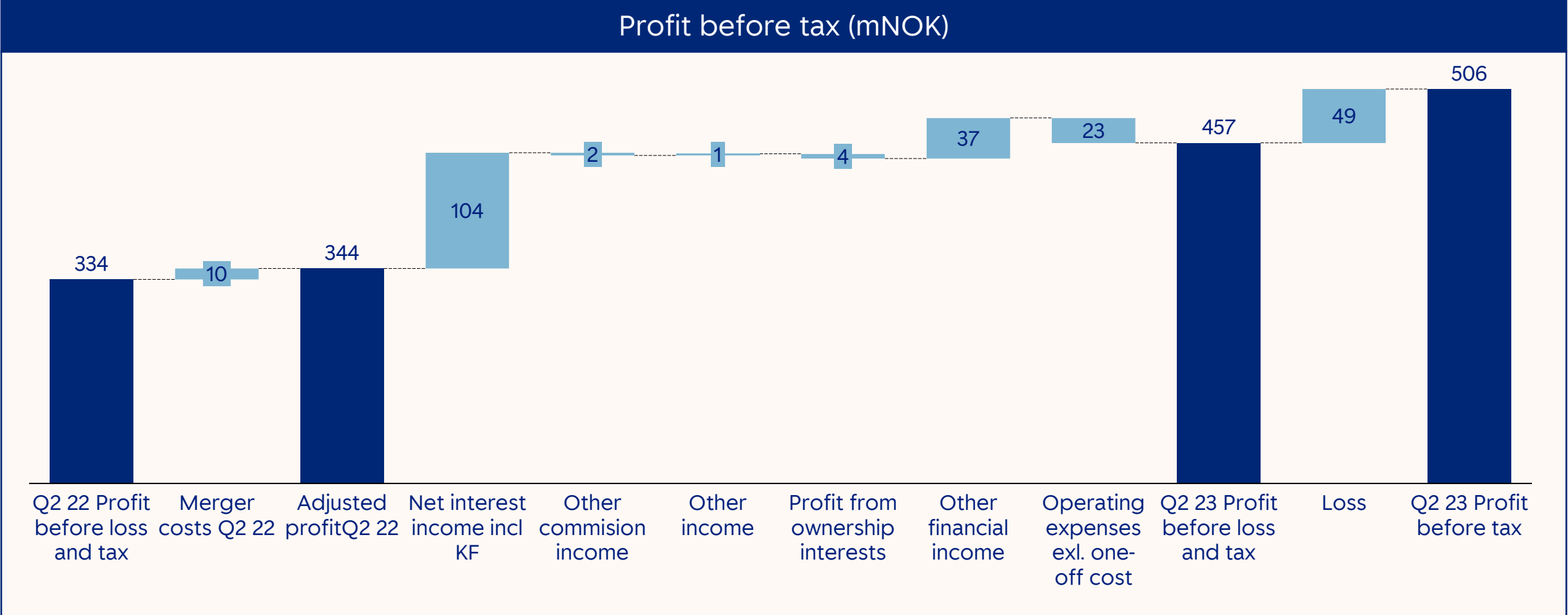
Good growth in deposits, moderate growth in lending

12-month growth in lending of -0.6 (5.1) % and deposits 0.02 (4.3) %. Year-to-date lending growth -0.5 (2.6) % and deposits 3.5 (4.7) %

12-month lending growth in corporate market of -3.5 (7.5) % and retail market 0.2 (4.4) %. Deposit growth of -2.0 (1.0) % and 1.1 (6.2) % respectively

Year-to-date lending growth in corporate market of -1.0 (7.0) % and retail -0.3 (1.4) %. Deposit growth of 2.3 (1.2) % and 4.2 (6.7) % respectively

# Strengthened net interest compared to 2022

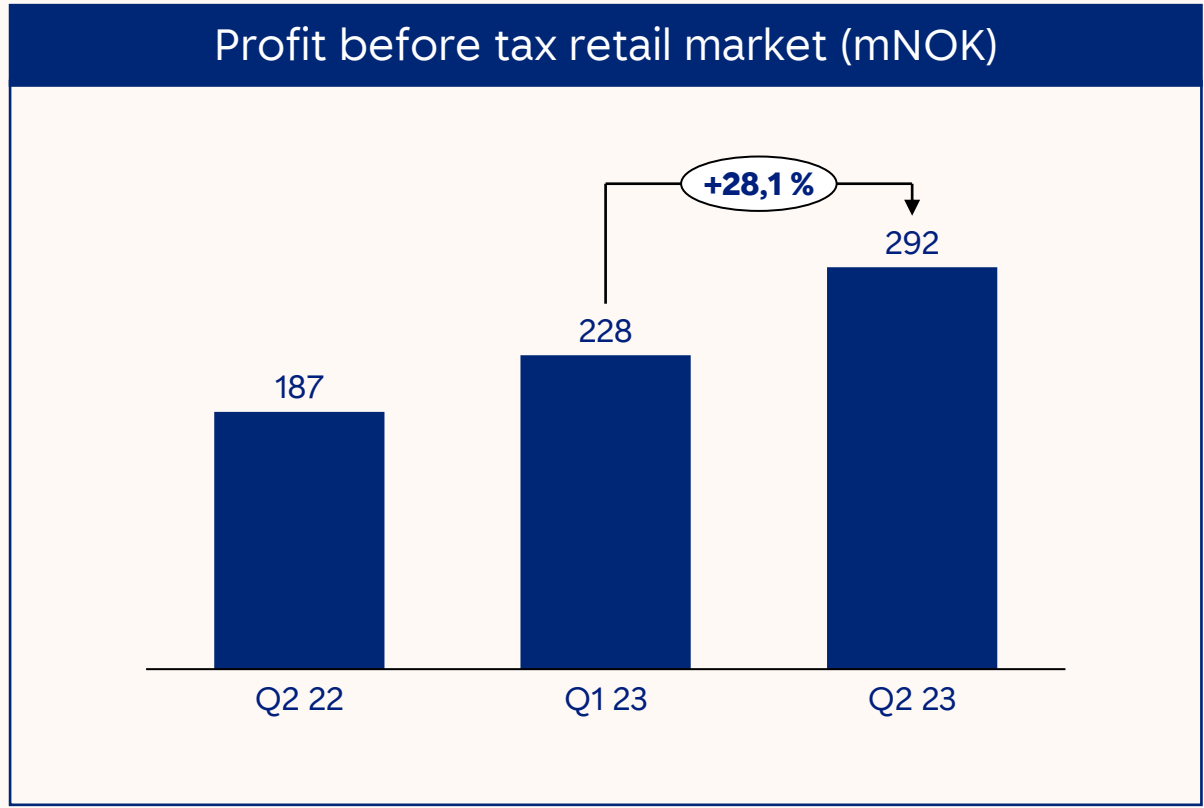
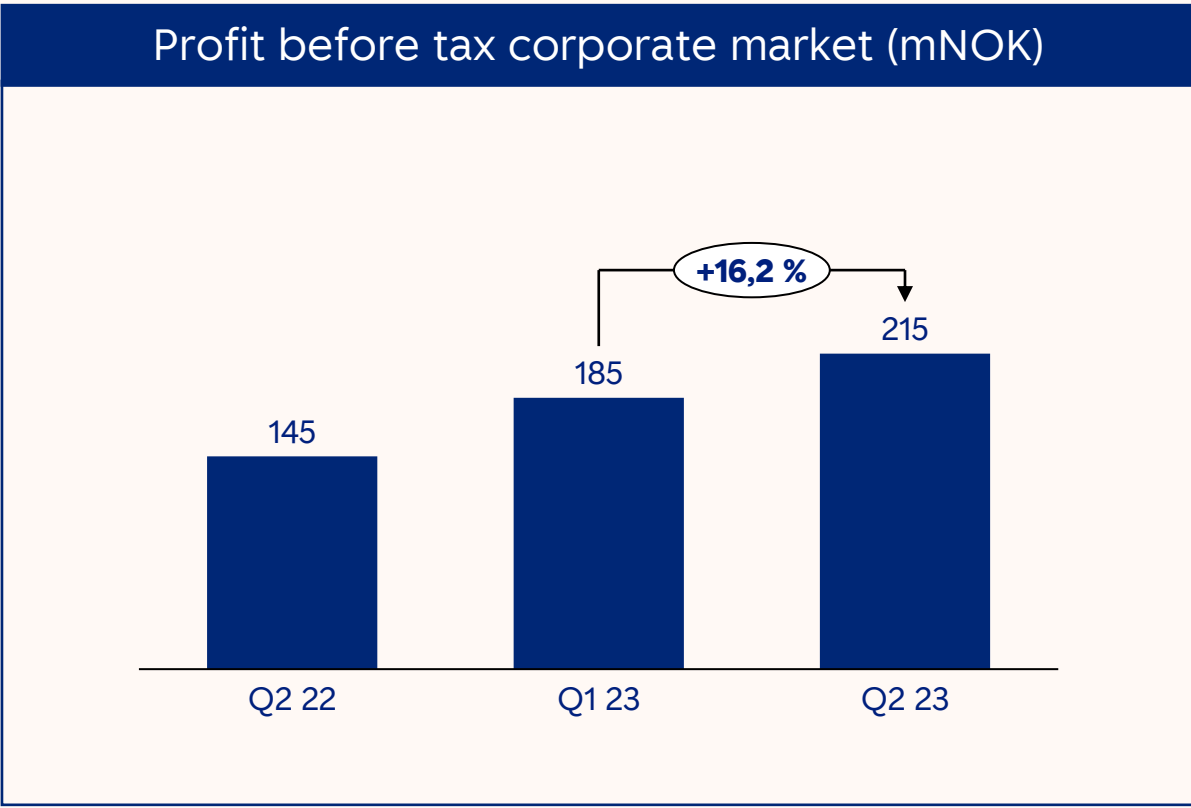


# The bank has adjusted customer rates following changes in the Central Bank's interest rates

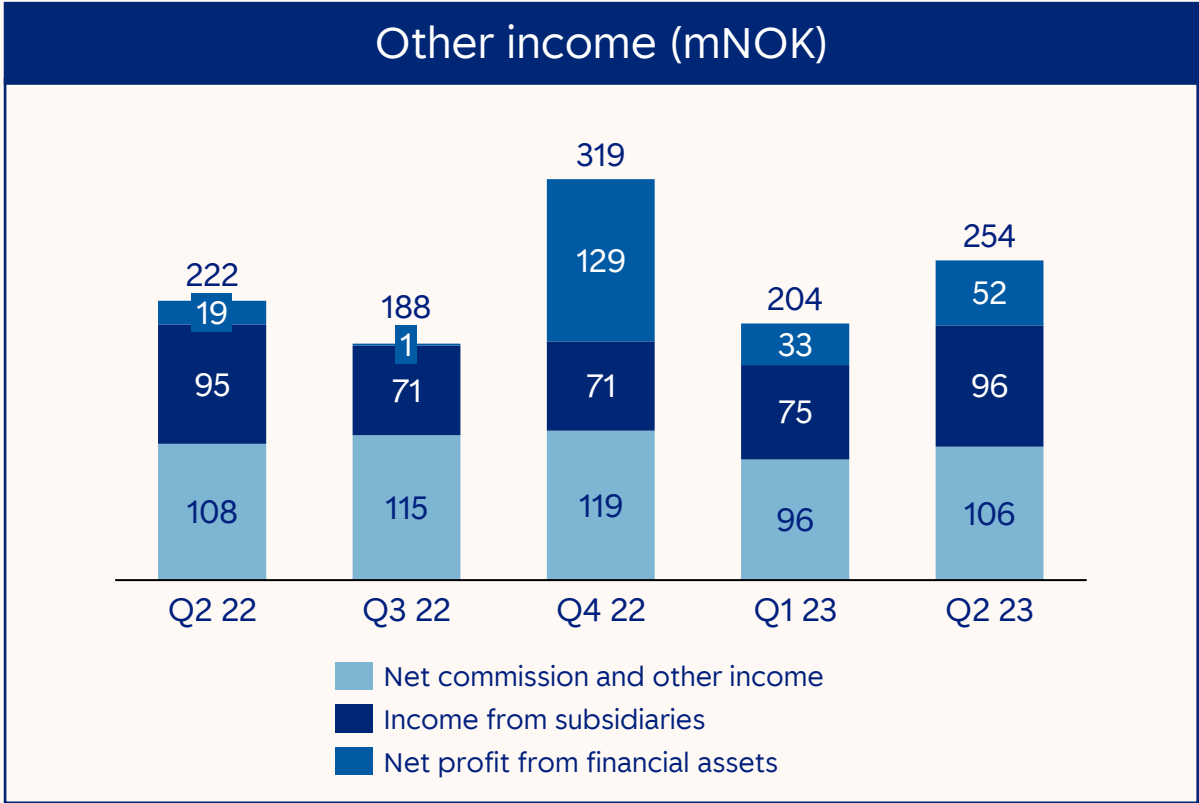
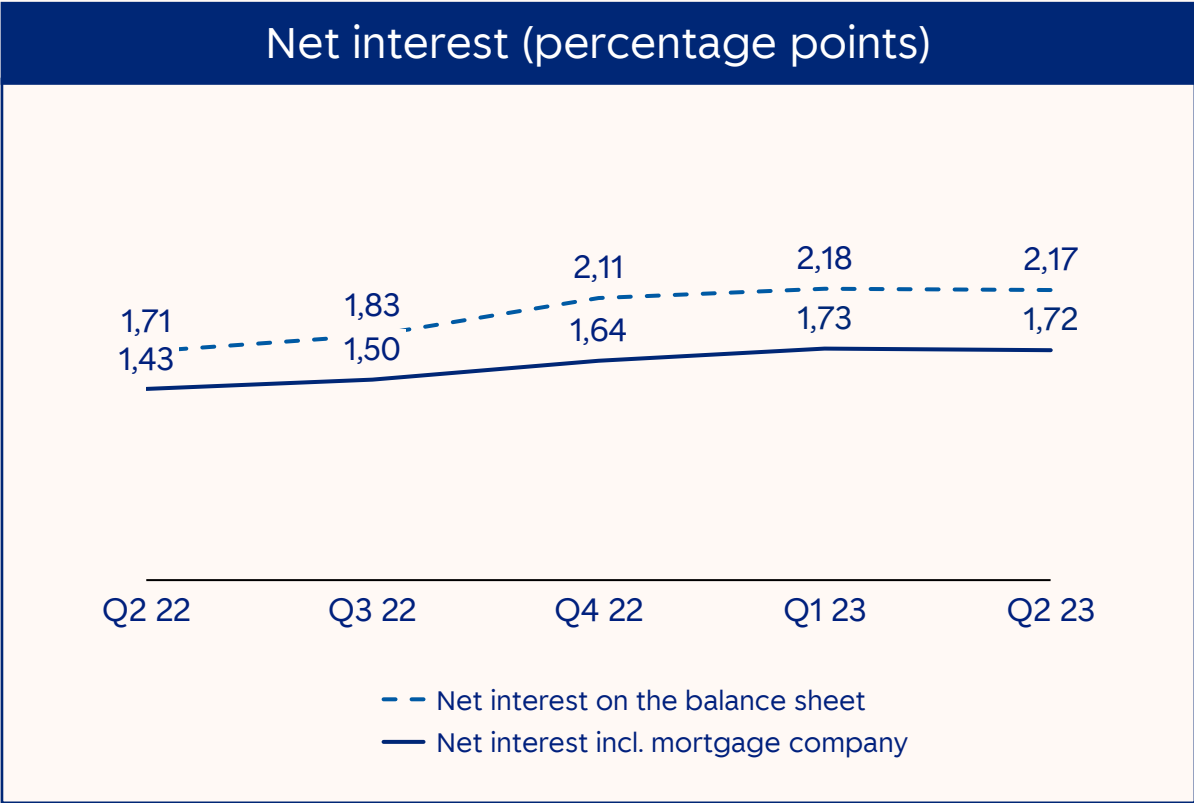
<b>Norges Bank</b>	<b>22. sept. 22</b>	<b>3. nov. 22</b>	<b>15. des. 22</b>	<b>23. mar. 23</b>	<b>4. may 23</b>	<b>22. jun</b>
<b>Effect new loans</b>	28. sept. 22	8. nov. 22	20. des. 22	29. mar. 23	10. may 23	27. jun. 23
<b>Existing corporate loans and deposits</b>	12. oct. 22	23. nov. 22	3. jan. 23	13. apr. 23	25. may 23	12. jul. 23
<b>Existing retail loans and deposits</b>	9. nov. 22	21. des. 22	31. jan. 23	11. may 23	22. jun. 23	9. aug. 23

Note: from second half of 2022

# Solid income growth in both corporate and retail market

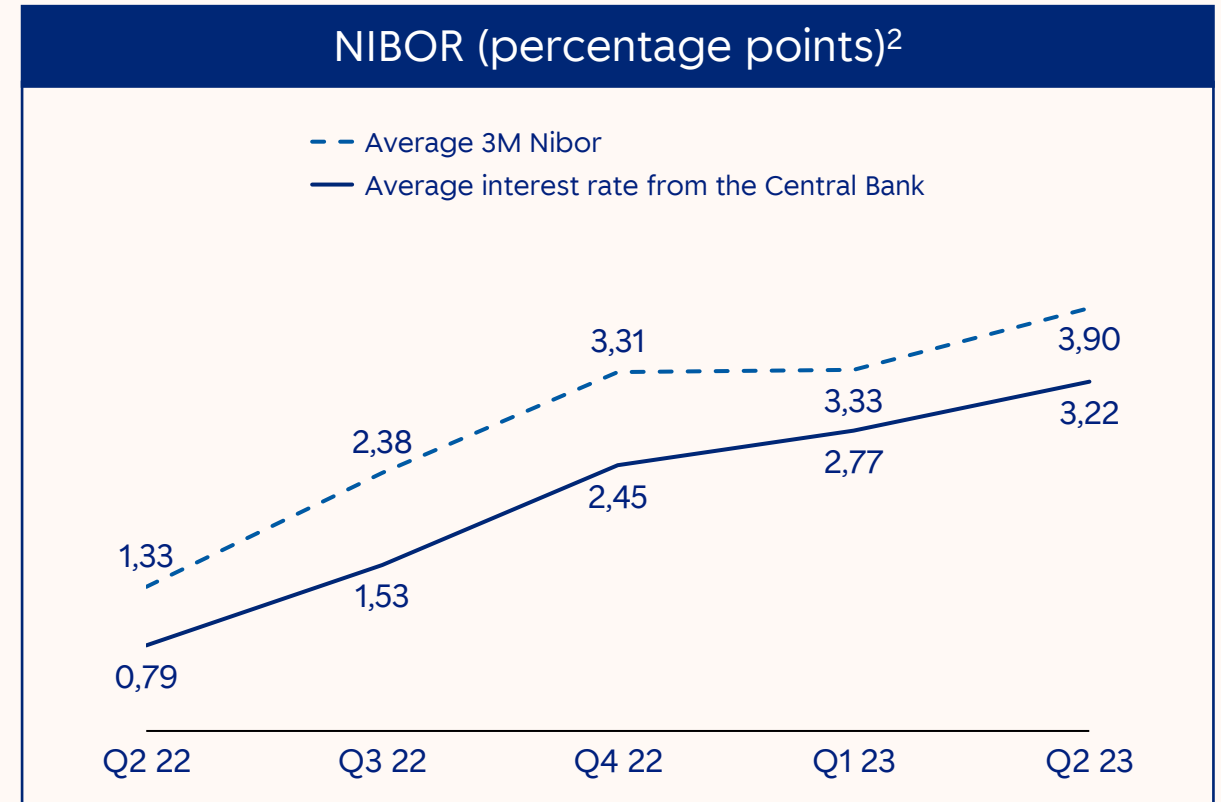
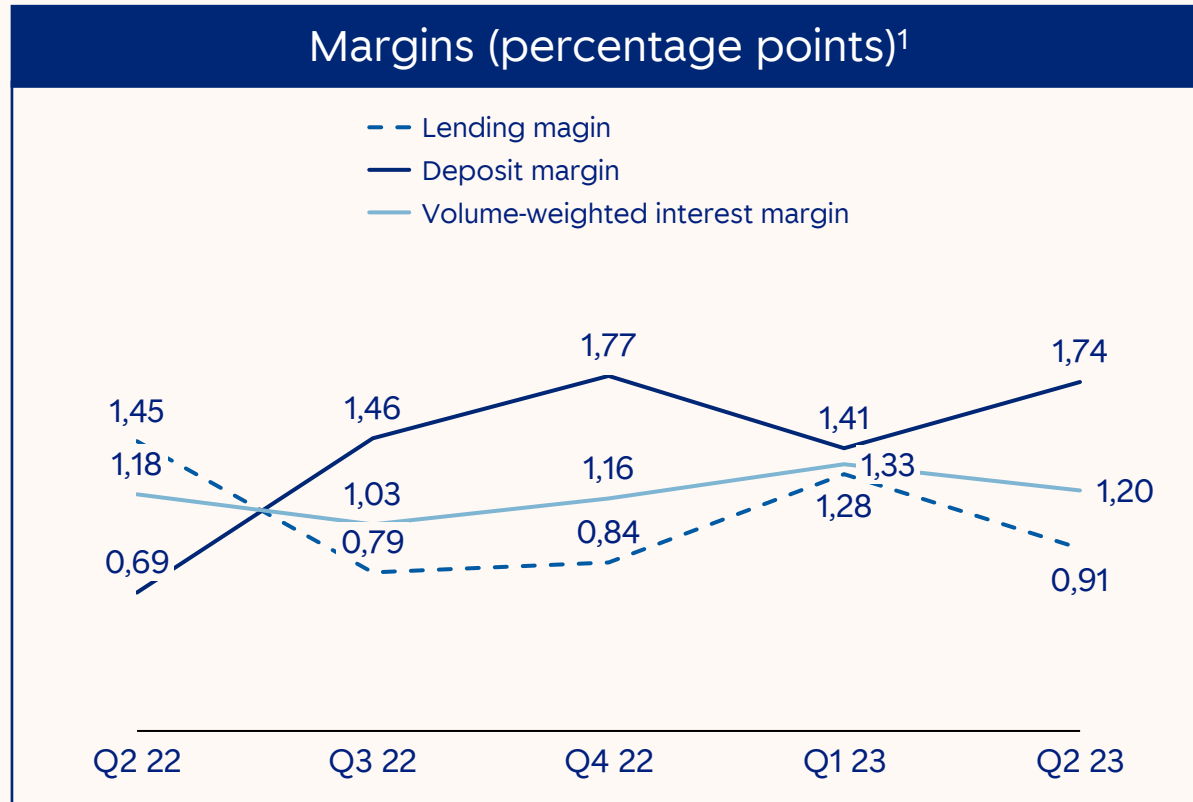


# Stable net interest and growth in other income



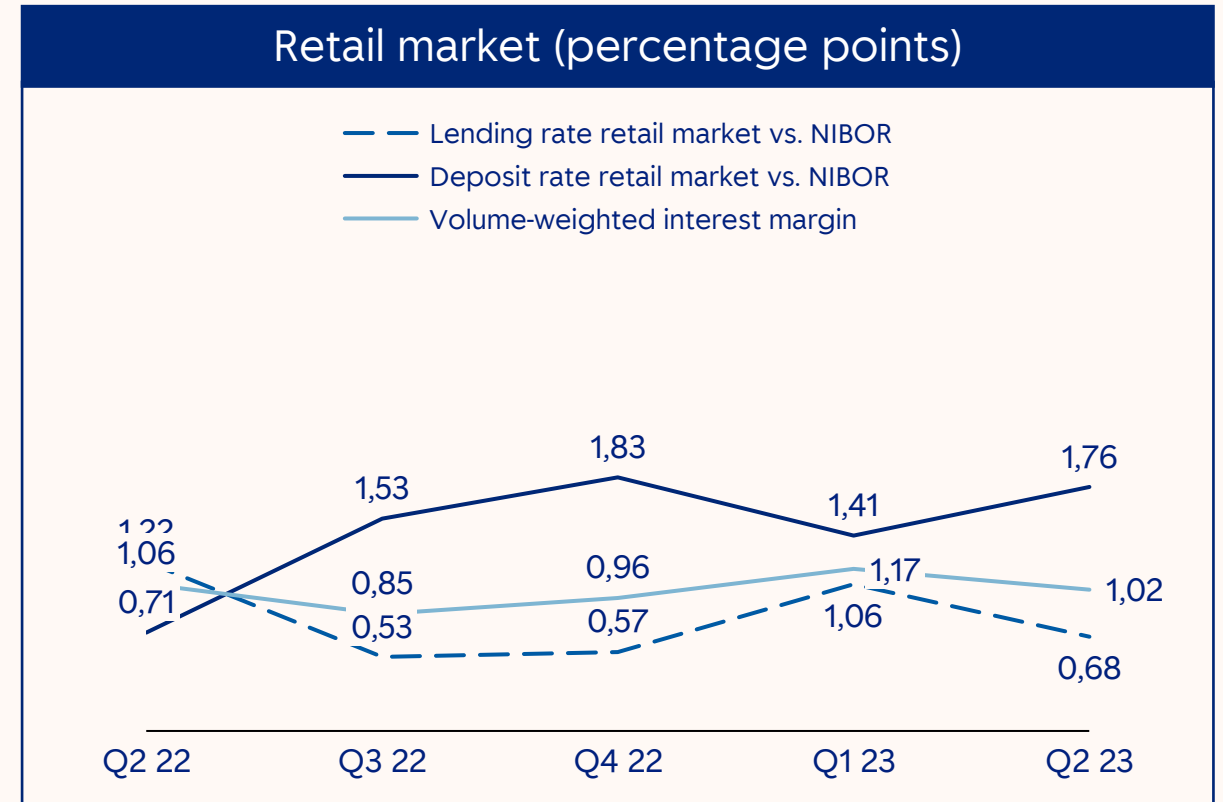
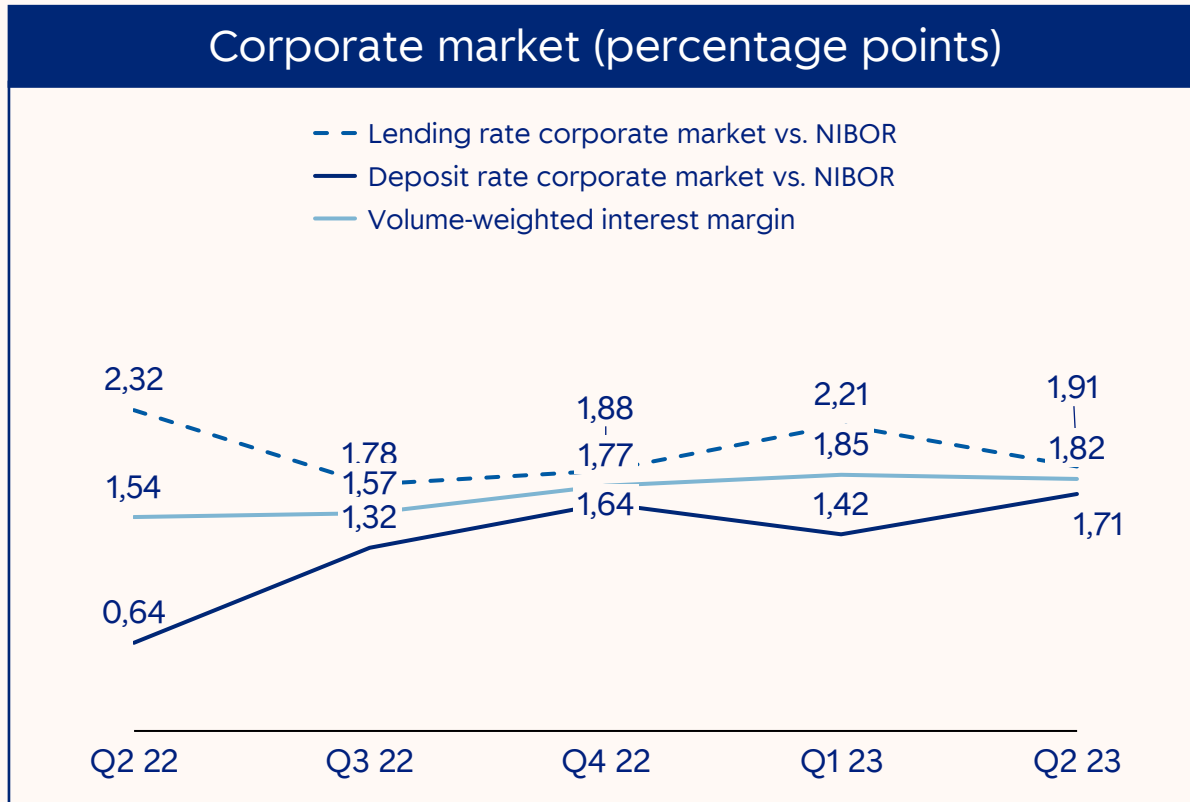


# Reduced margins in the quarter because of high NIBOR



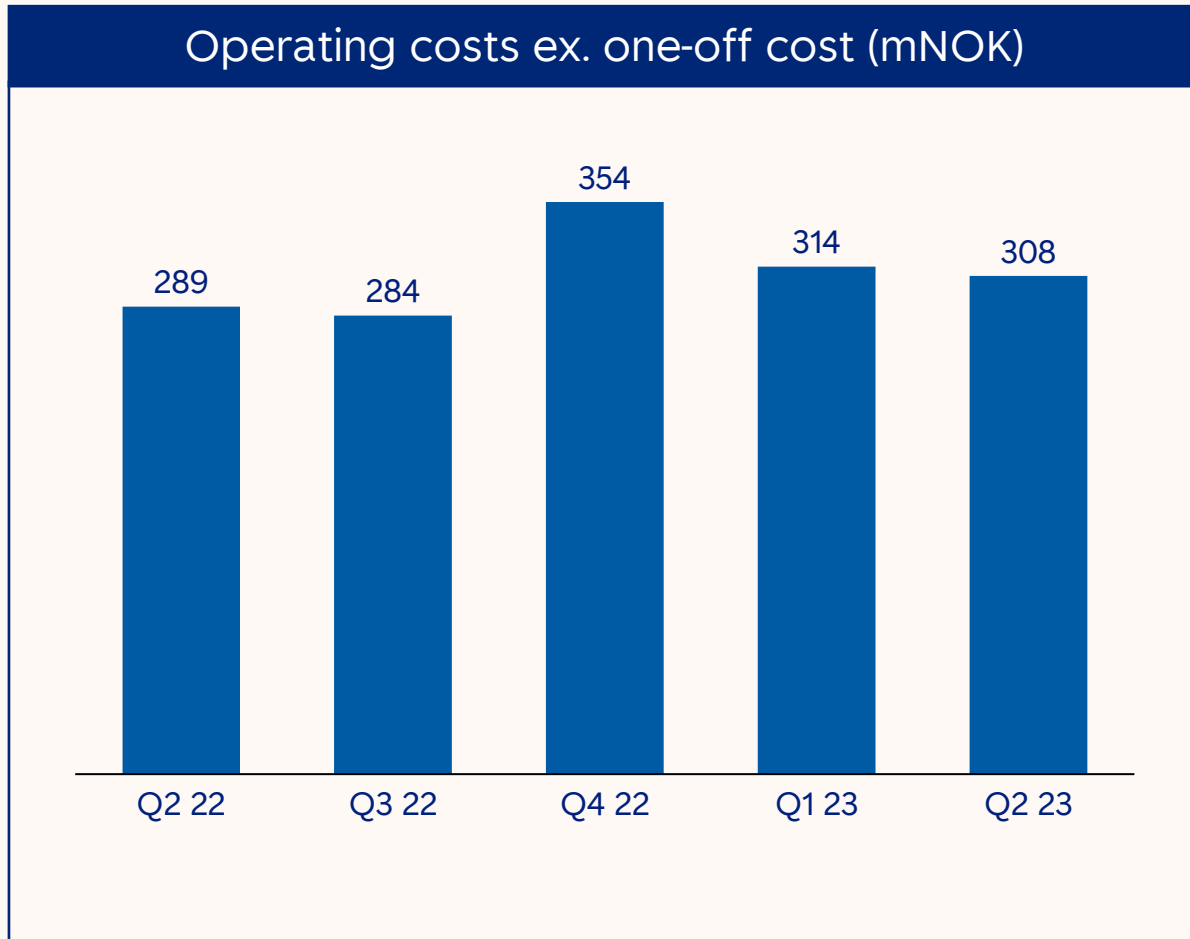
1) Interest on lending includes loans transferred to mortgage co  
 2) 3M NIBOR is calculated as average 3M NIBOR in the quarter

# Improved deposit margins, but reduced loan margins against NIBOR<sup>1</sup> for the quarter



1) Note 3M NIBOR is calculated as averaging 3M NIBOR in the quarter. Interest on lending includes loans transferred to mortgage co. Interest margin for the quarter

# Stable operating costs



Increased operating costs in second quarter compared to same period last year of 19 mnok of which 14 mnok in parent bank and 5 mnok in subsidiaries

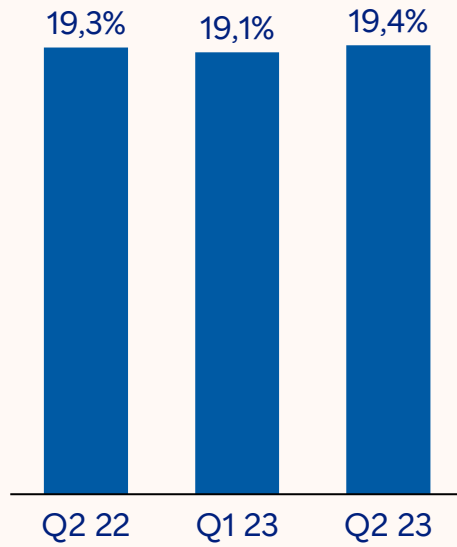
Increased operating costs at the parent bank are attributed to development expenses in SB1 Alliansen and price inflation

The increase in the subsidiaries are mainly tied to new accounting house in Telemark with full effect from 2023 in addition to price and income growth

# High equity ratio

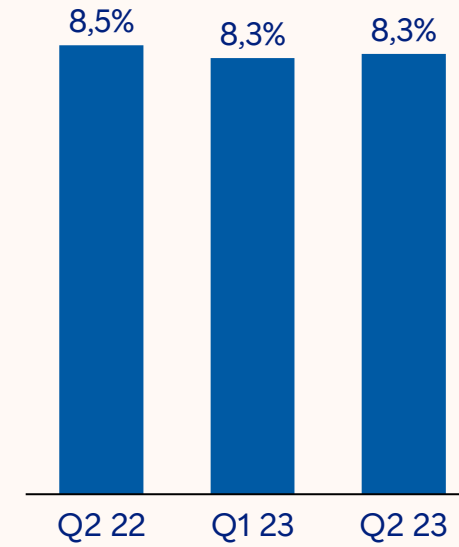
## CET1 capital ratio

■ CET1 capital ratio

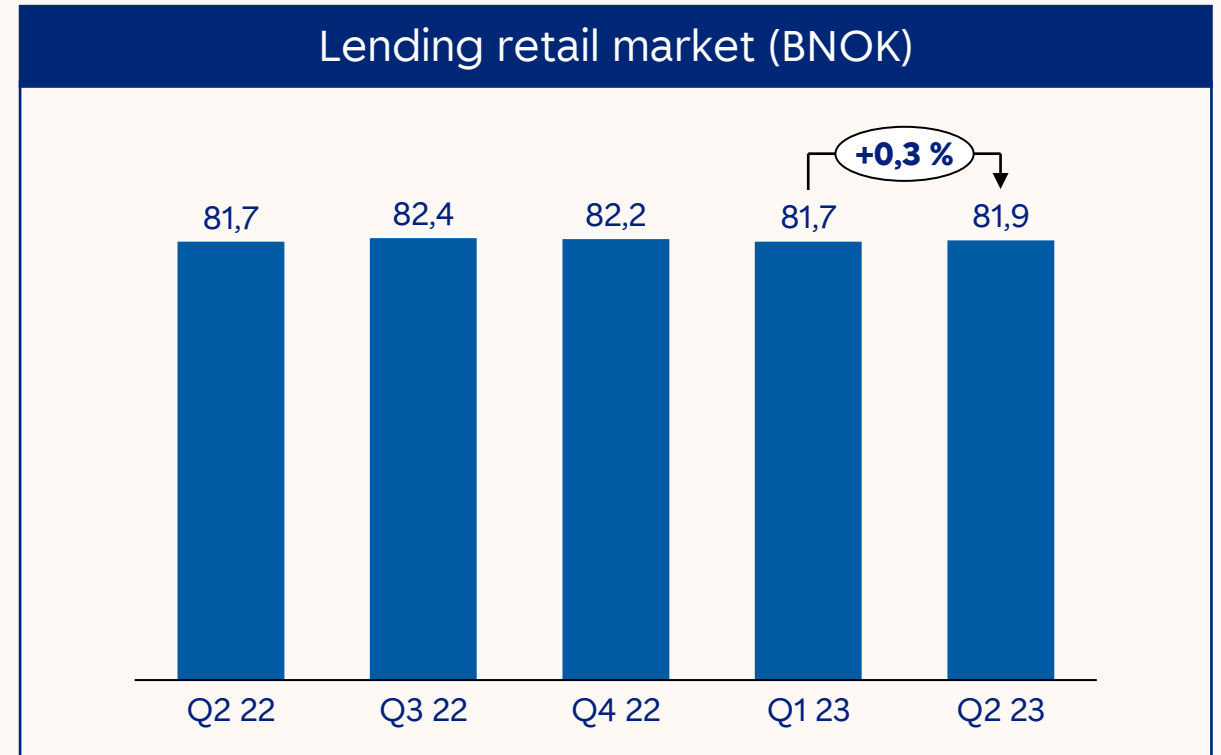
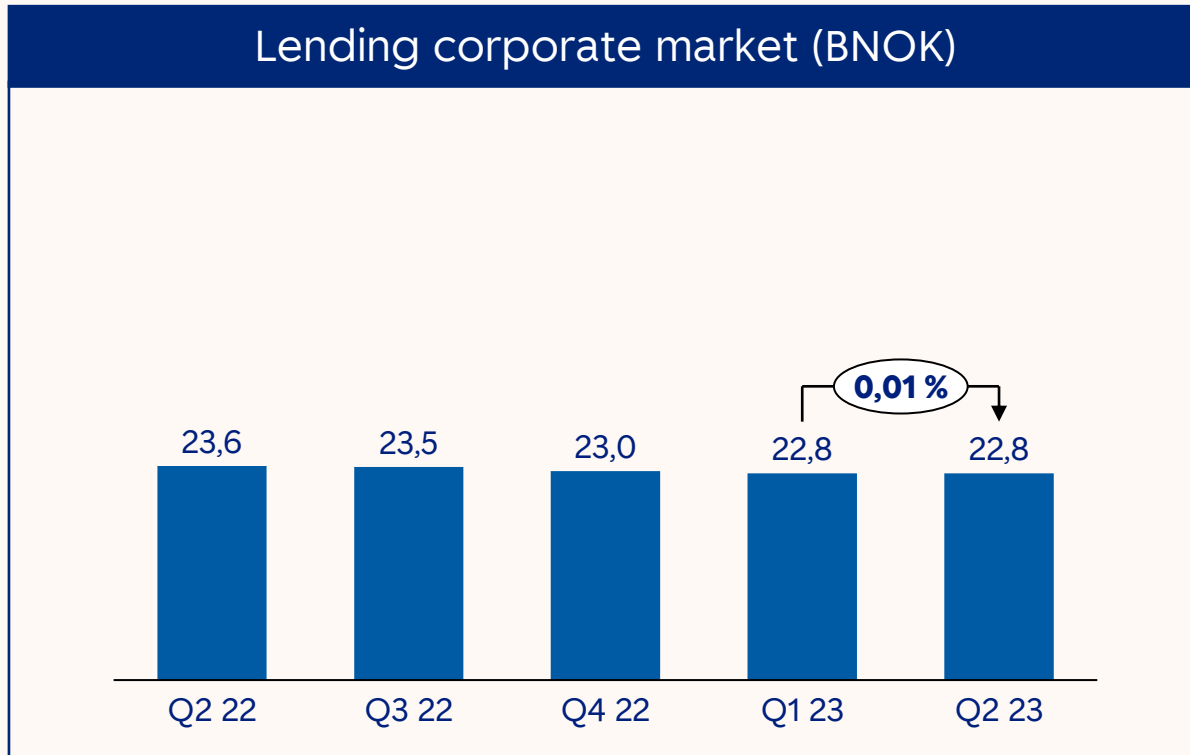


## Leverage ratio (LR)

■ LR

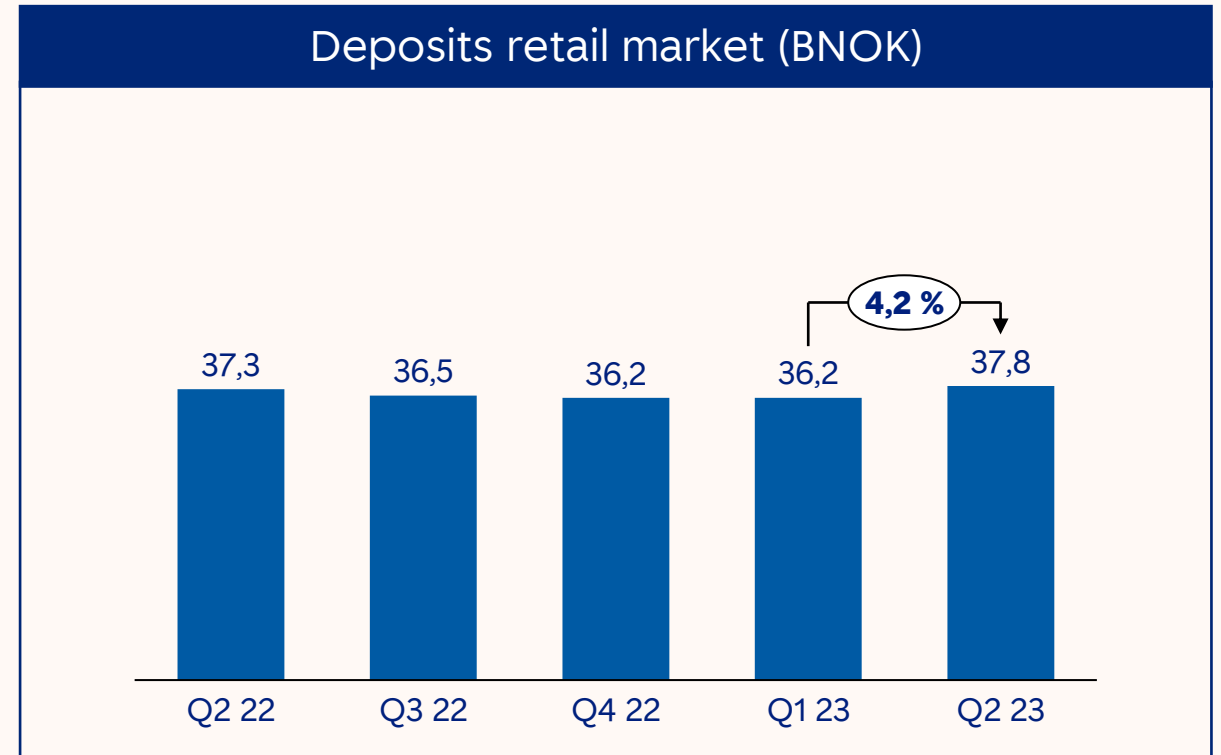
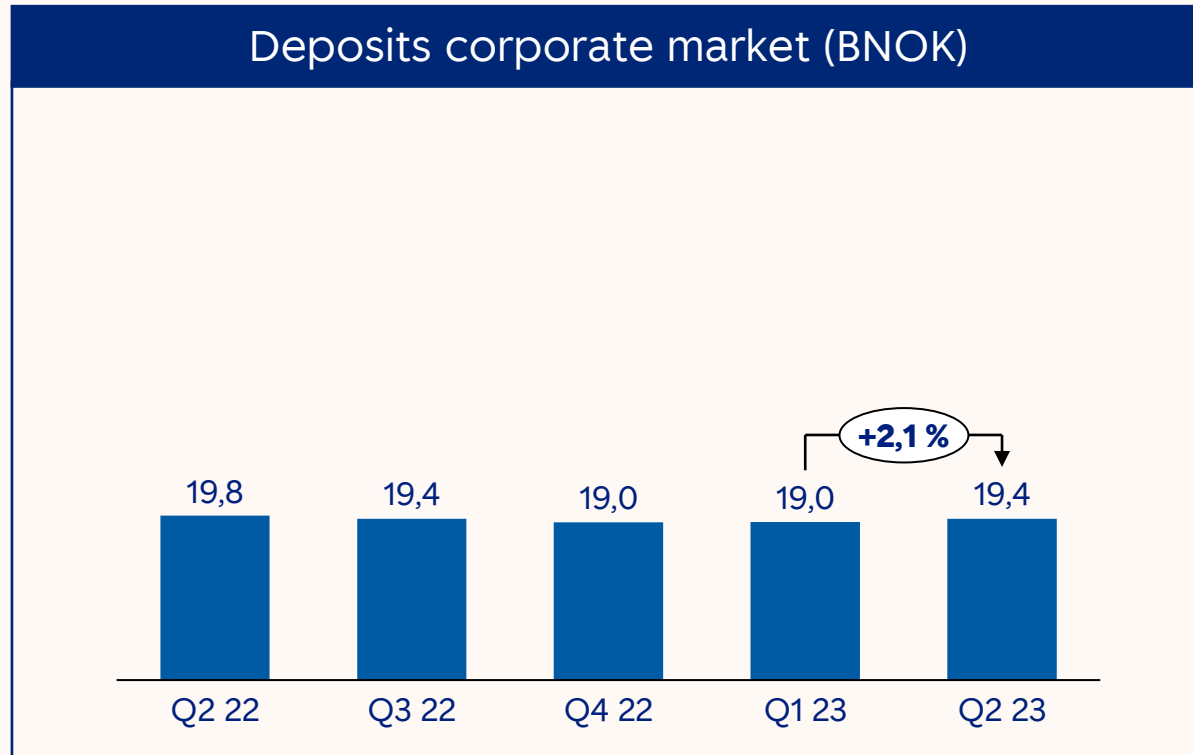


# Weak growth in lending in the second quarter



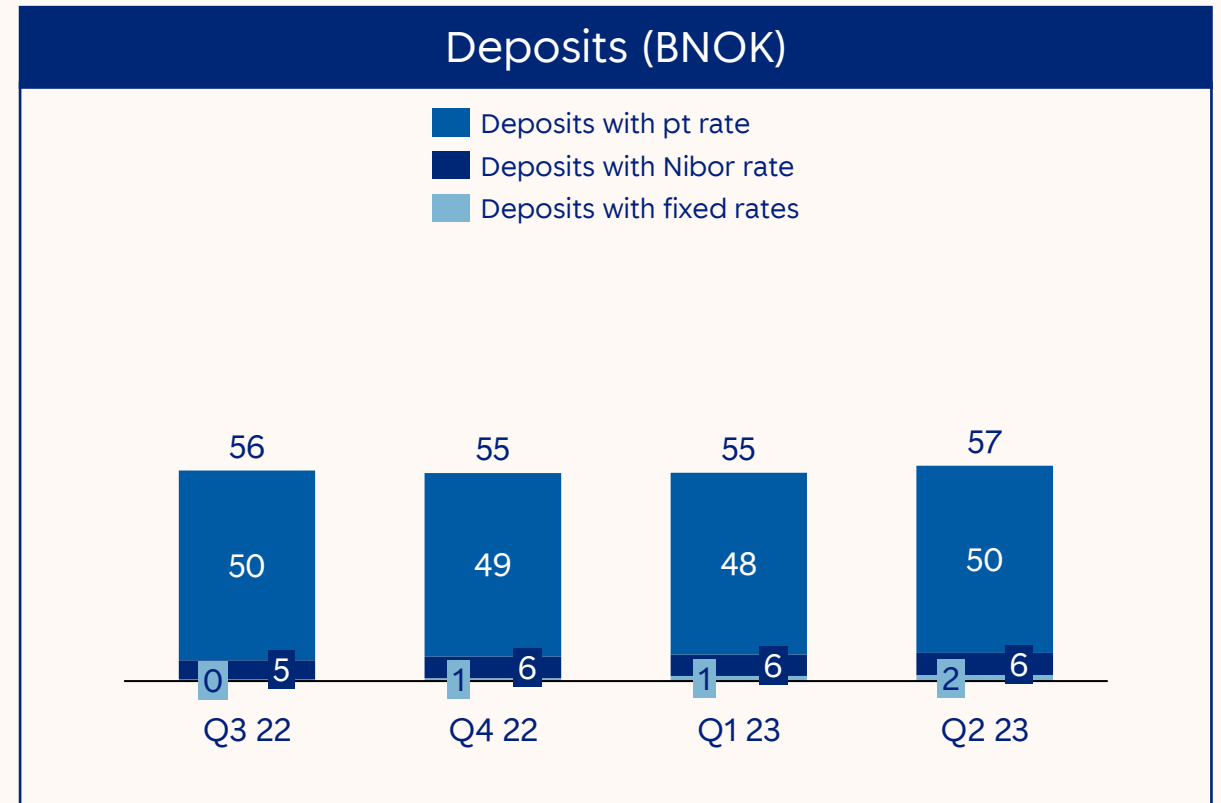
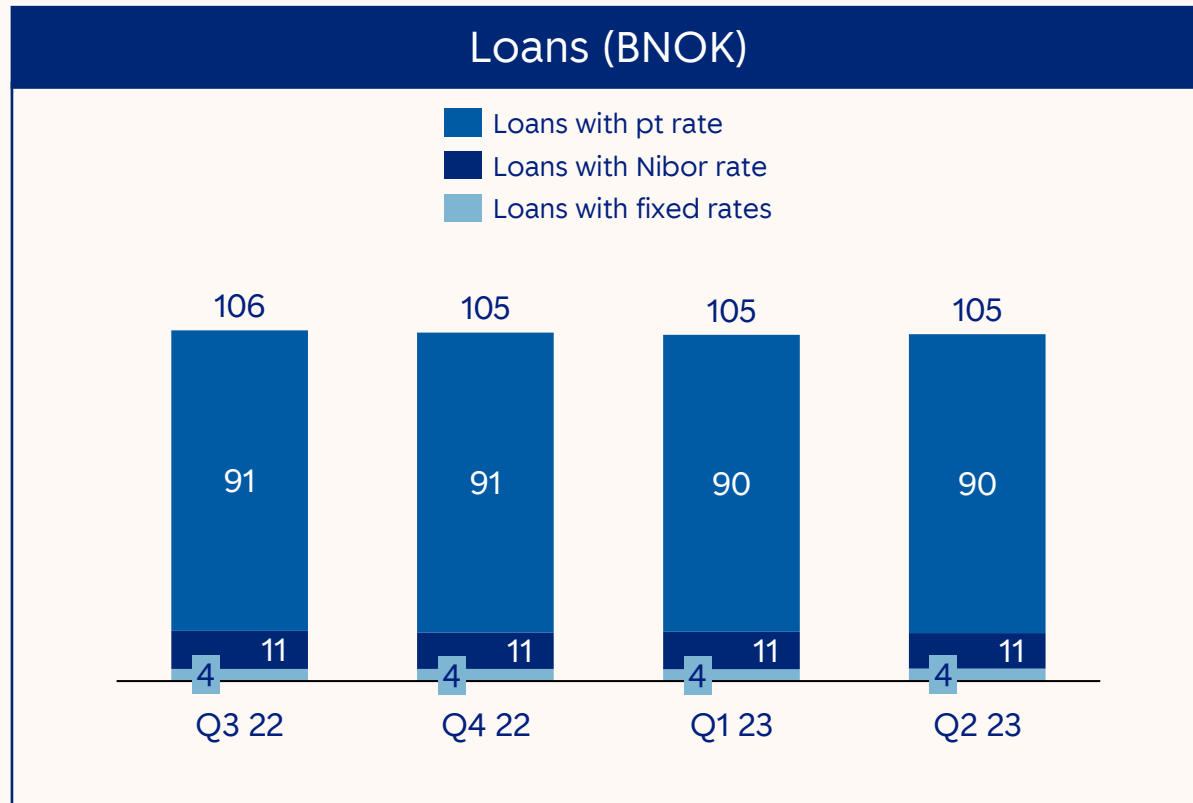
**Our growth ambitions remain, but growth must be profitable and the risk in line with the bank's profile**

# Growth in deposits in the second quarter



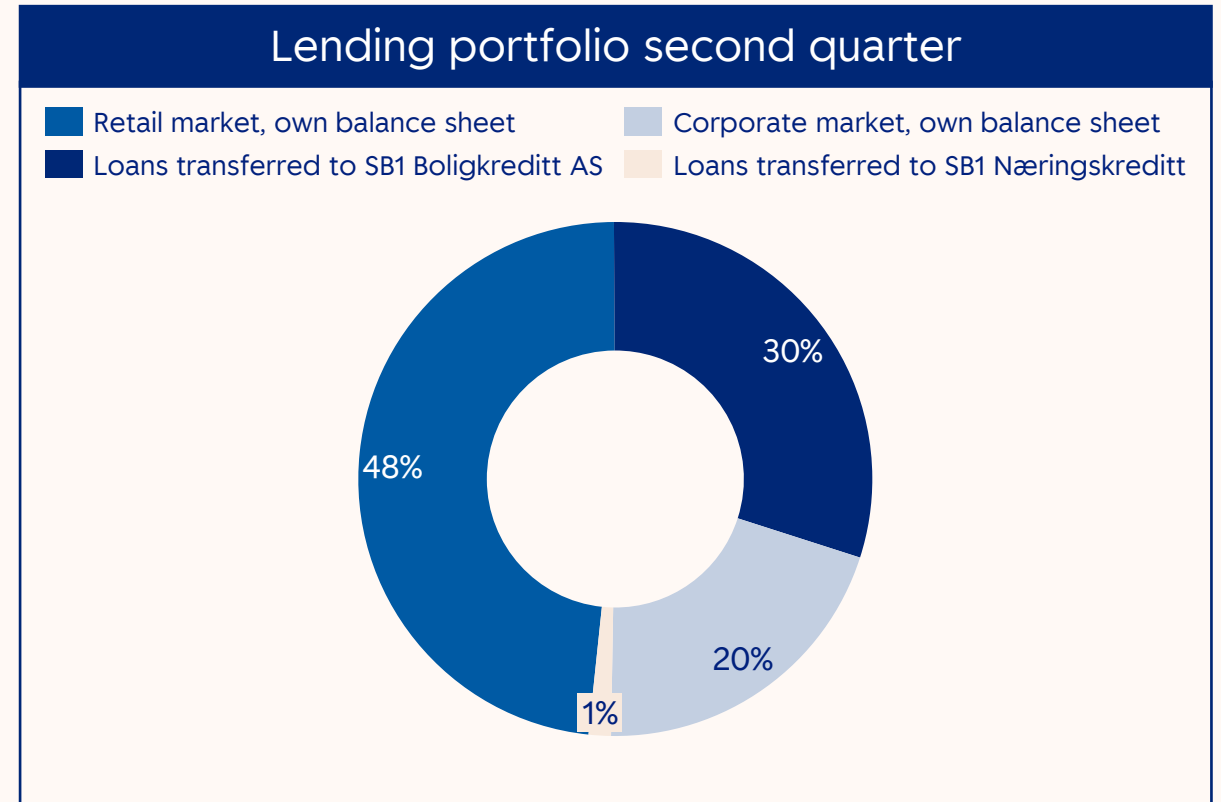
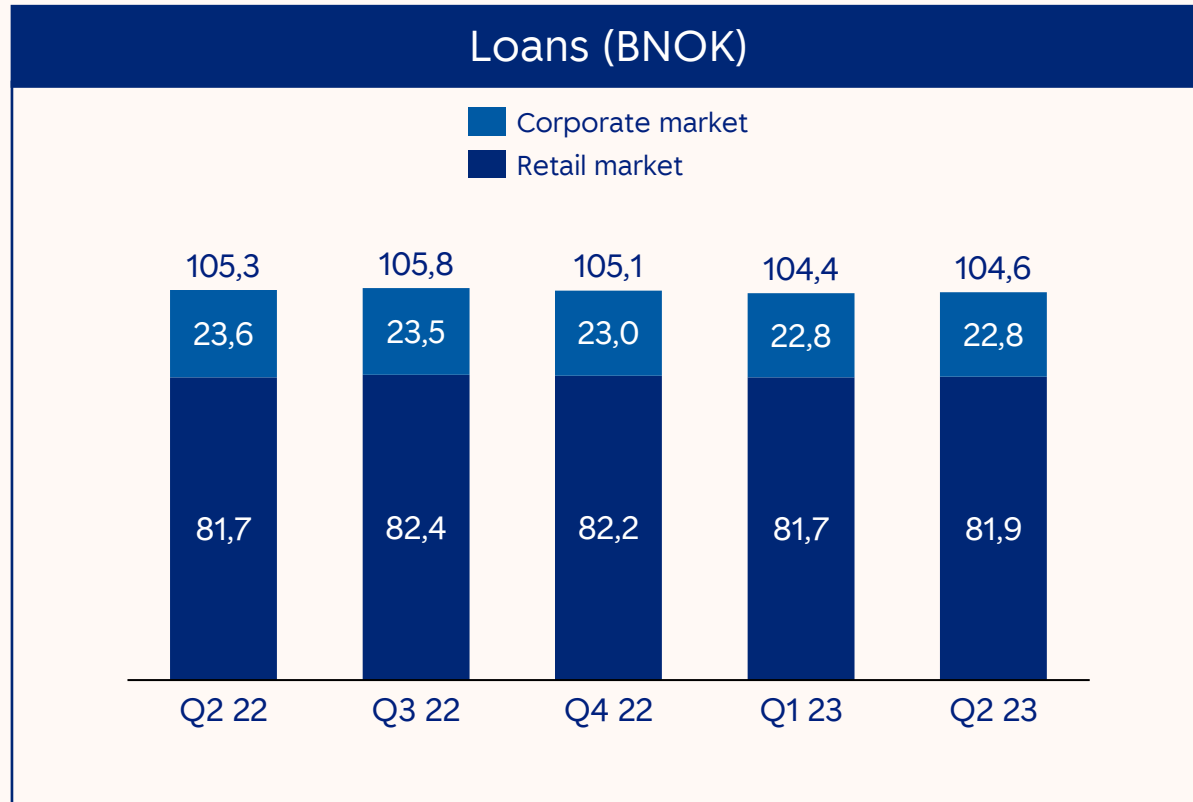
**72 percent of the bank's deposits are within the Deposit Guarantee Scheme**

# Lending and deposit volumes with pt-, fixed and NIBOR rates



Note; The group's securities portfolio of 10.4 BNOK, book value of funding of 20.4 BNOK and transfers to mortgage company of 32.9 BNOK are with Nibor rate

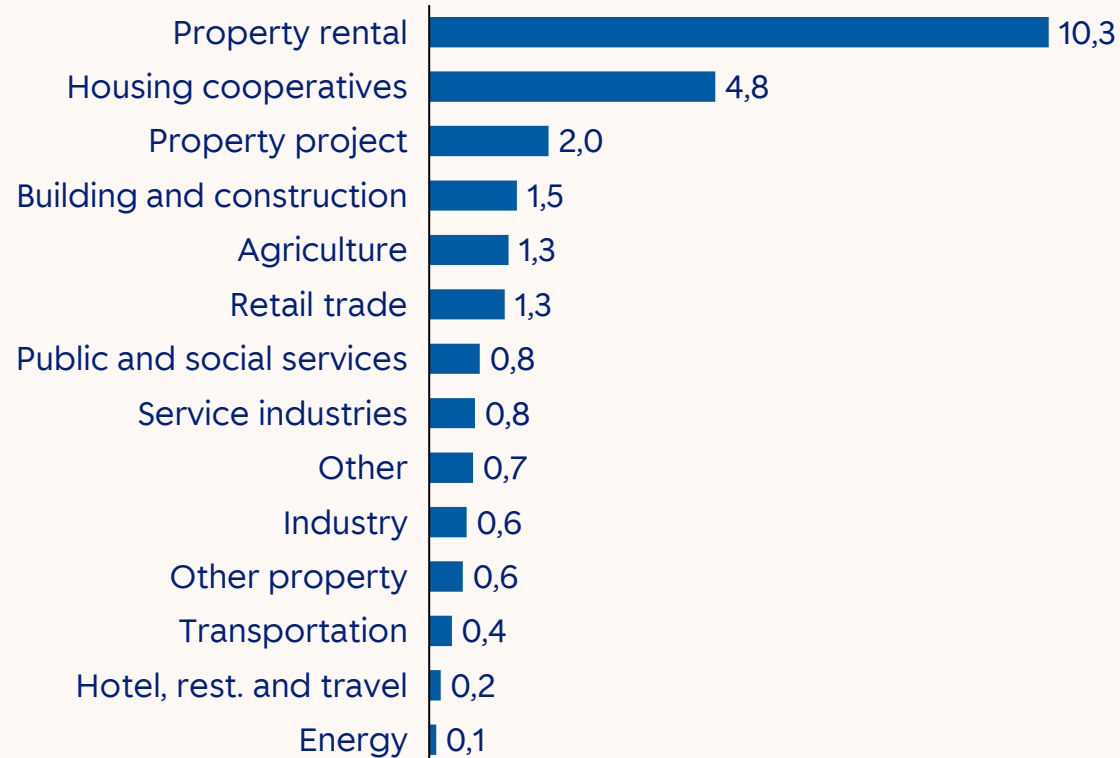
# Big proportion of loans to the retail market





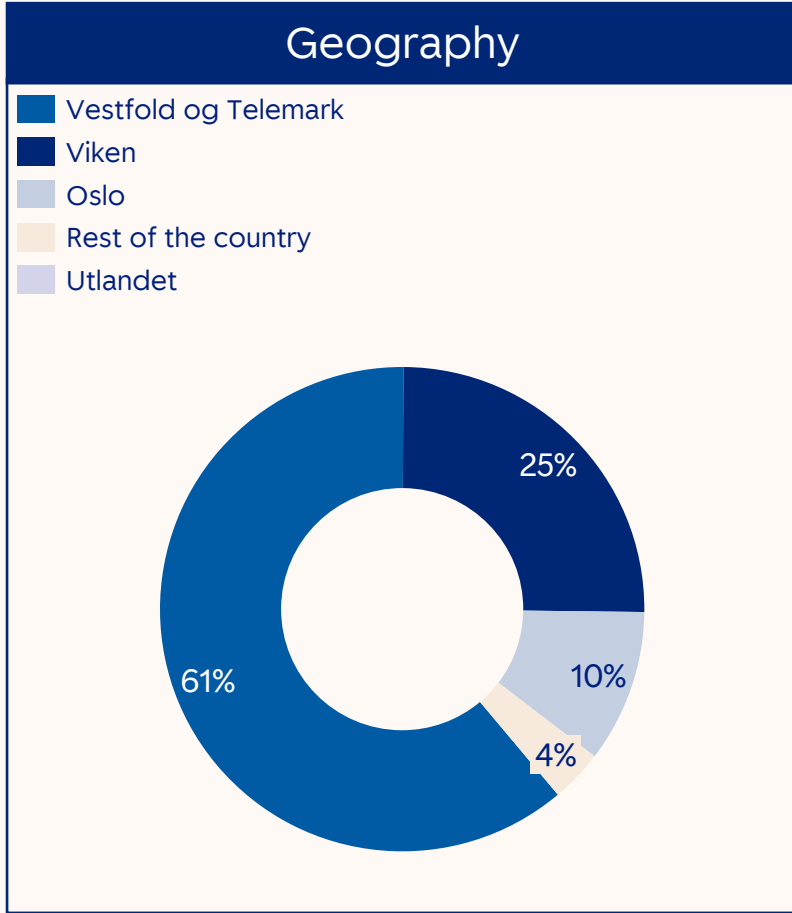
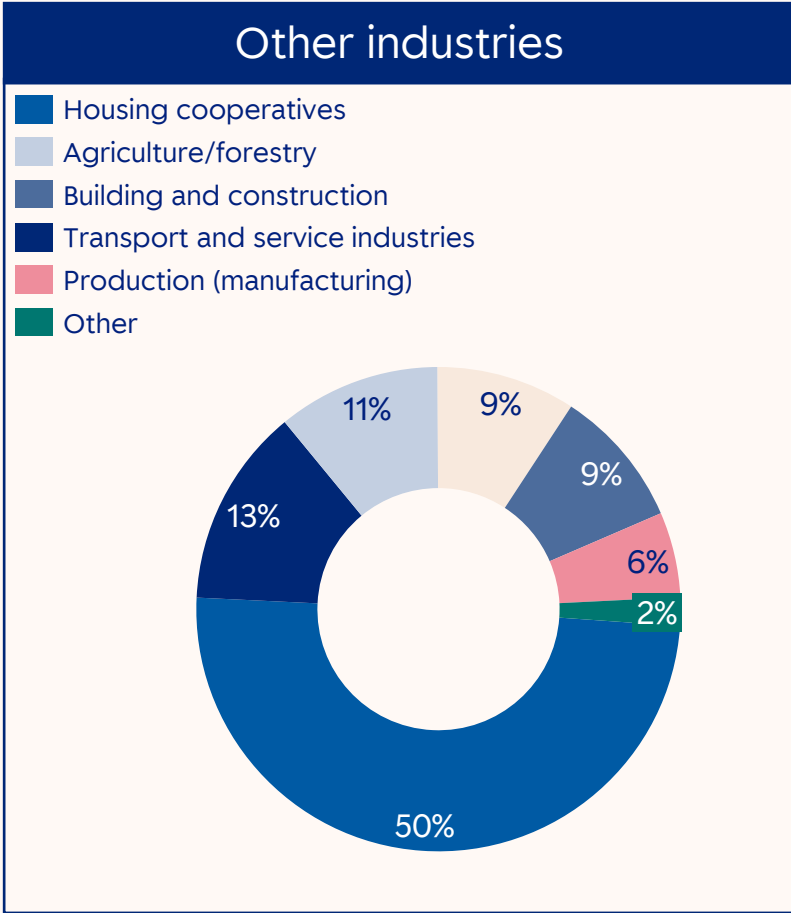
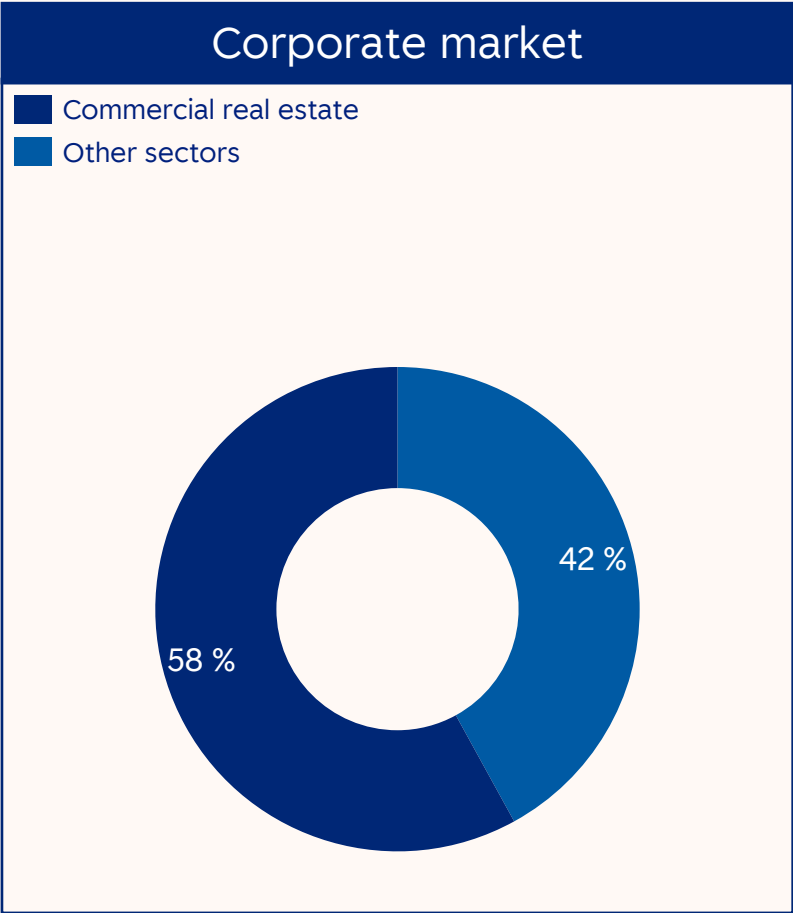
# No material changes in the composition of the corporate market portfolio

## Volume (engagement) per second quarter (BNOK)



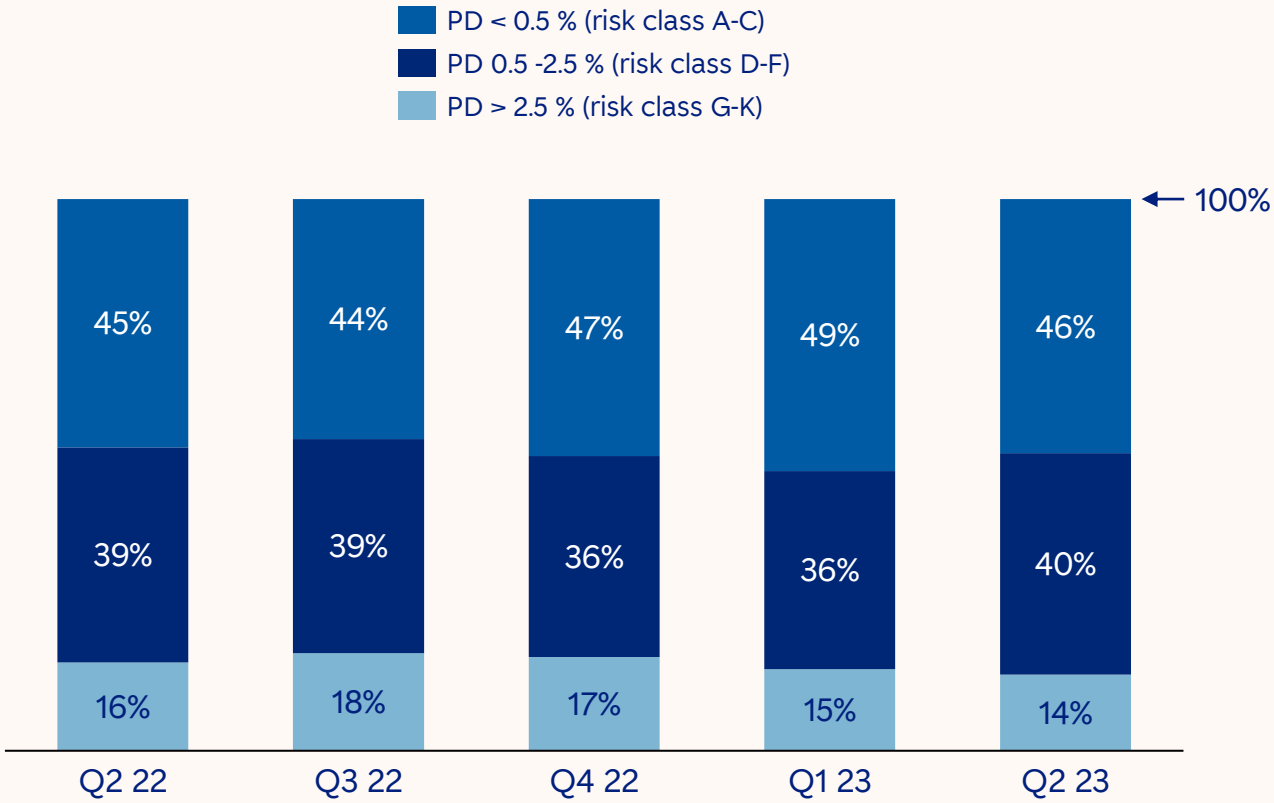
- Reduction in the portfolio compared to the previous quarter from 25.3 BNOK to 25.2 BNOK
- Marginal changes within the various industry sectors
- Continued limited number of new construction projects
- Certain completed construction projects are facing challenges in selling unsold apartments. The bank has in total a low LTV on unsold units in real estate projects (60 percent or lower)
- No significant increase in deferred payments due to liquidity challenges
- Reduction in defaulted and depreciated engagements of approx. 20 percent compared to previous quarter
- Proportion of customers within high and highest risk is reduced with approx. 15 percent since last quarter
- Weighted PD on fresh engagements is on same level as in the previous quarter

# No major change from Q1 in the distribution of the corporate market looking at sector and geography

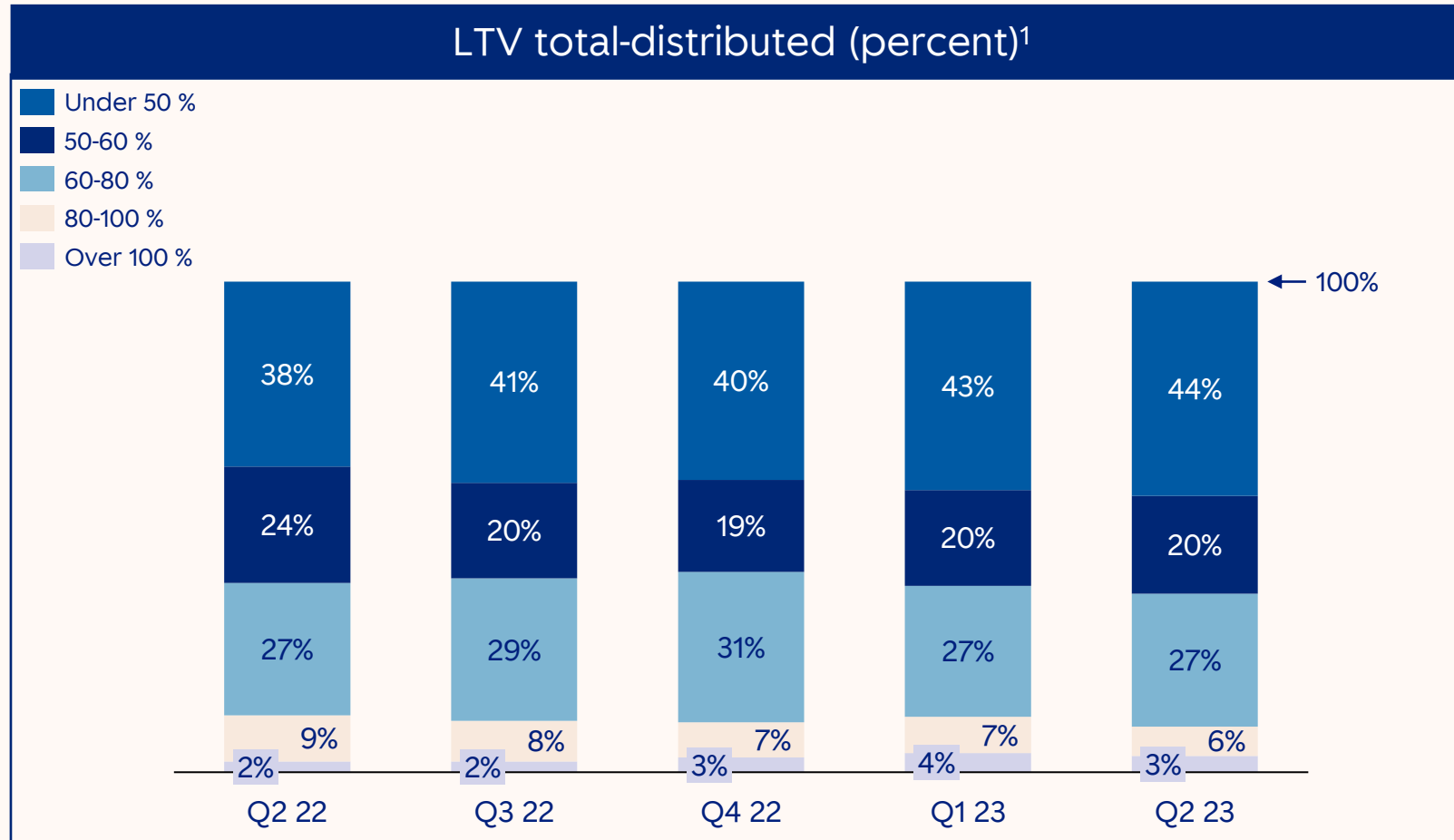


# The bank has a solid overweight position in favorable risk class within the corporate market portfolio

Risk profile – loans in corporate market (percent per risk class)



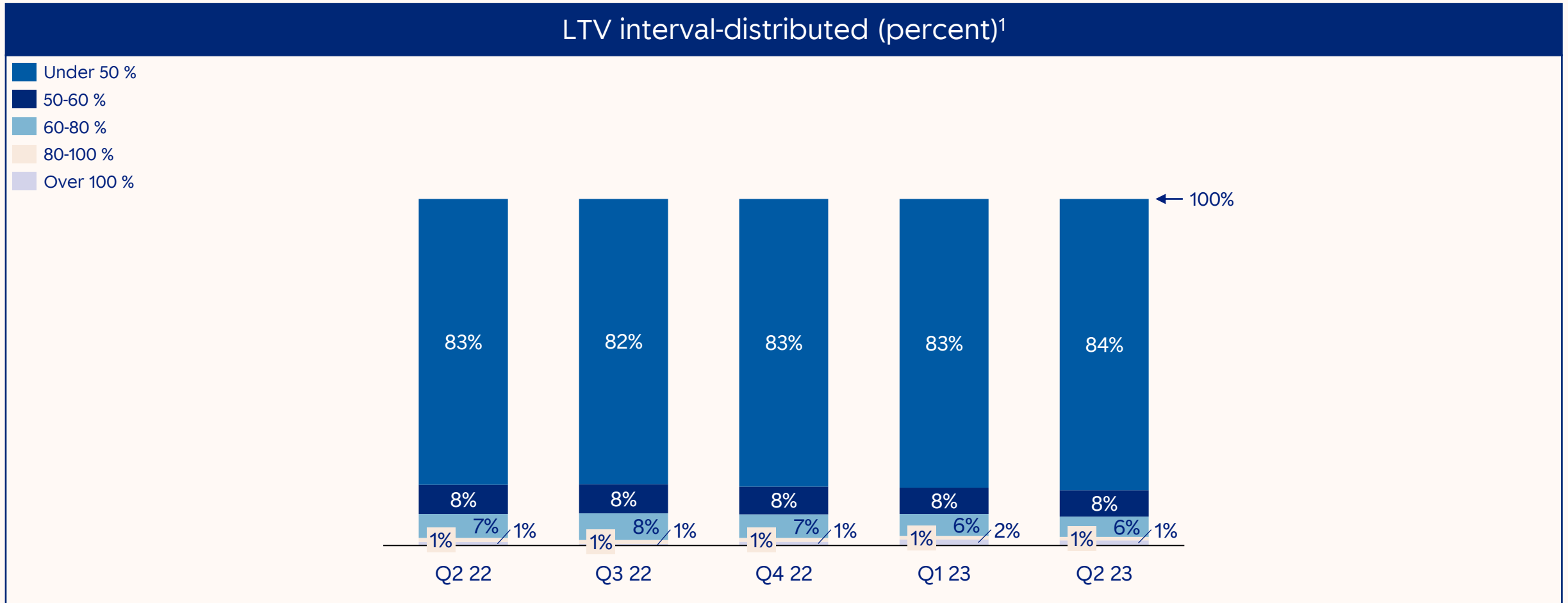
# Low leverage on commercial loans secured on property (total-distributed)



- The average LTV on commercial loans secured on property including loans transferred to SB1 Næringskreditt and housing cooperatives is 39.5 %, while LTV on own balance sheet is 40.2 %. LTV ex. Housing cooperatives is 50.2 %
- Commercial loans secured on property inc. housing cooperatives is approx. 17 BNOK and 12 BNOK ex. housing cooperatives

1) The calculation of LTV is based on the market value of the collateral. With total-distributed LTV, the whole of the loan is assigned to the same interval. The figures include portfolio transferred to SpareBank 1 Næringskreditt AS.

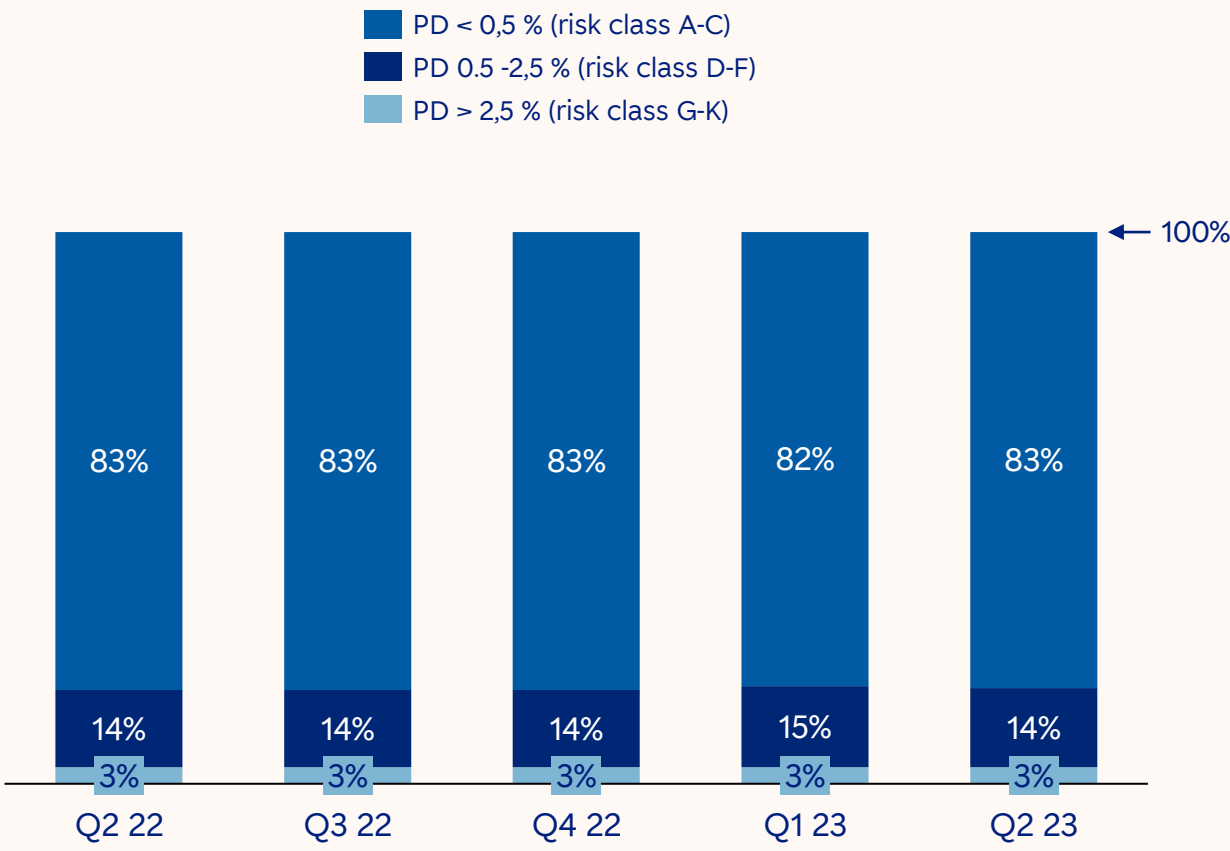
# Low leverage on commercial loans secured on property (interval-distributed)



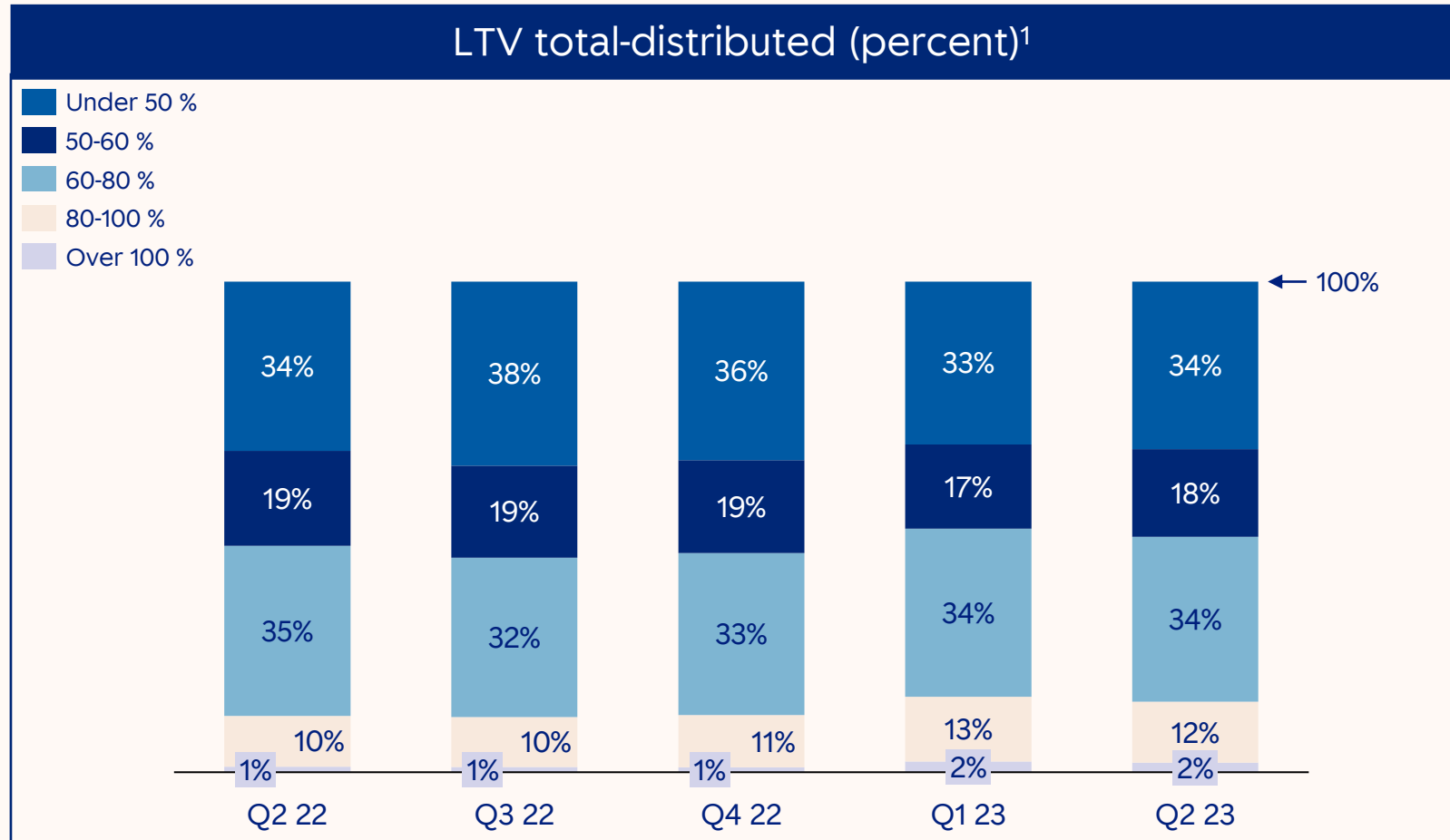
1) LTV interval-distributed: The calculation of LTV is based on the market value of the collateral. In the case of interval-distributed LTV, the loan will be distributed / split within the specific intervals in the graph interval. The figures include portfolio transferred to SpareBank 1 Næringskreditt AS

# Retail market portfolio is stable over time, has a solid overweighting and positive trend in good risk classes

Risk profile – loans in retail market (percent per risk class)



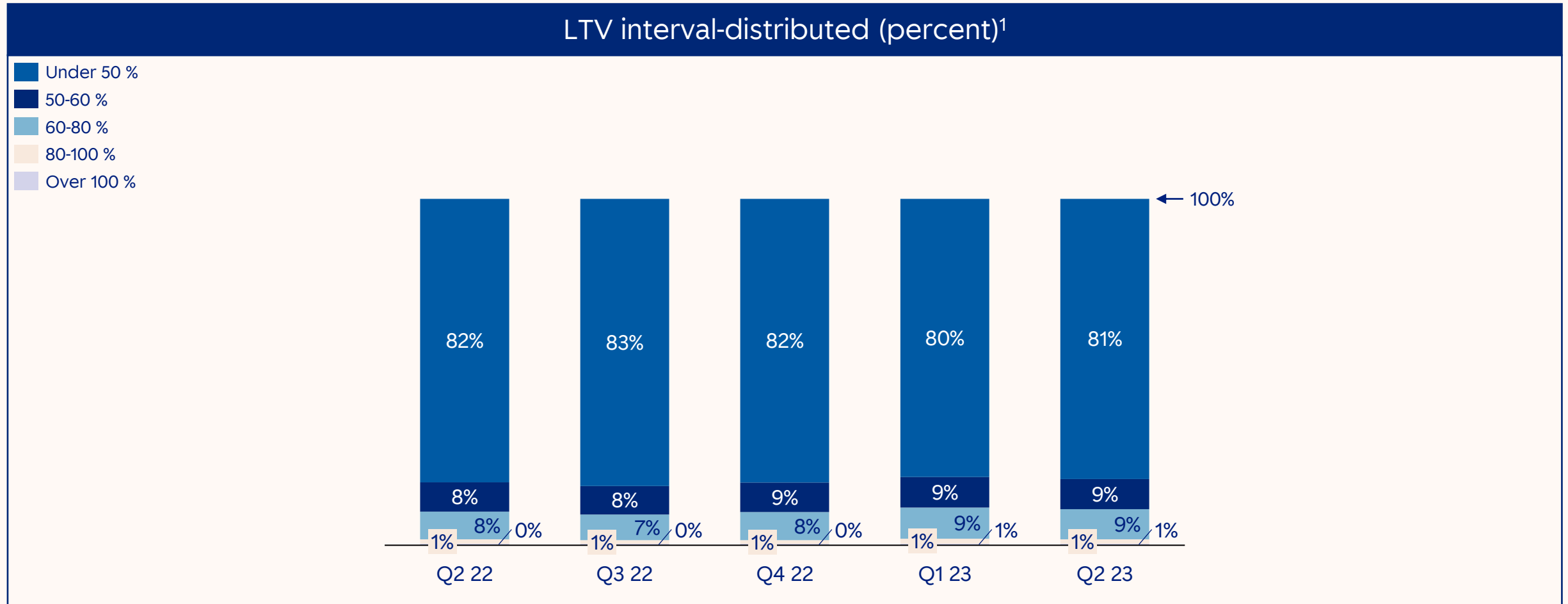
# Low risk in the mortgage portfolio (total-distributed)



- The average LTV on the mortgage portfolio incl. loans transferred to SB1 Boligkreditt is 47.2 % which is a reduction right below 0.6 percentage point compared to the previous quarter (47.8 %)
- Similarly, LTV on own balance sheet has decreased from 52.5 % at the end of last quarter to 51.9 % at the end of this quarter

1) Loan-to-value ratio for mortgages incl. BK – LTV total-distributed: The calculation of LTV is based on the market value of the collateral. With total-distributed LTV, the whole of the loan is assigned to the same interval. The figures include portfolio transferred to SpareBank 1 Boligkreditt AS

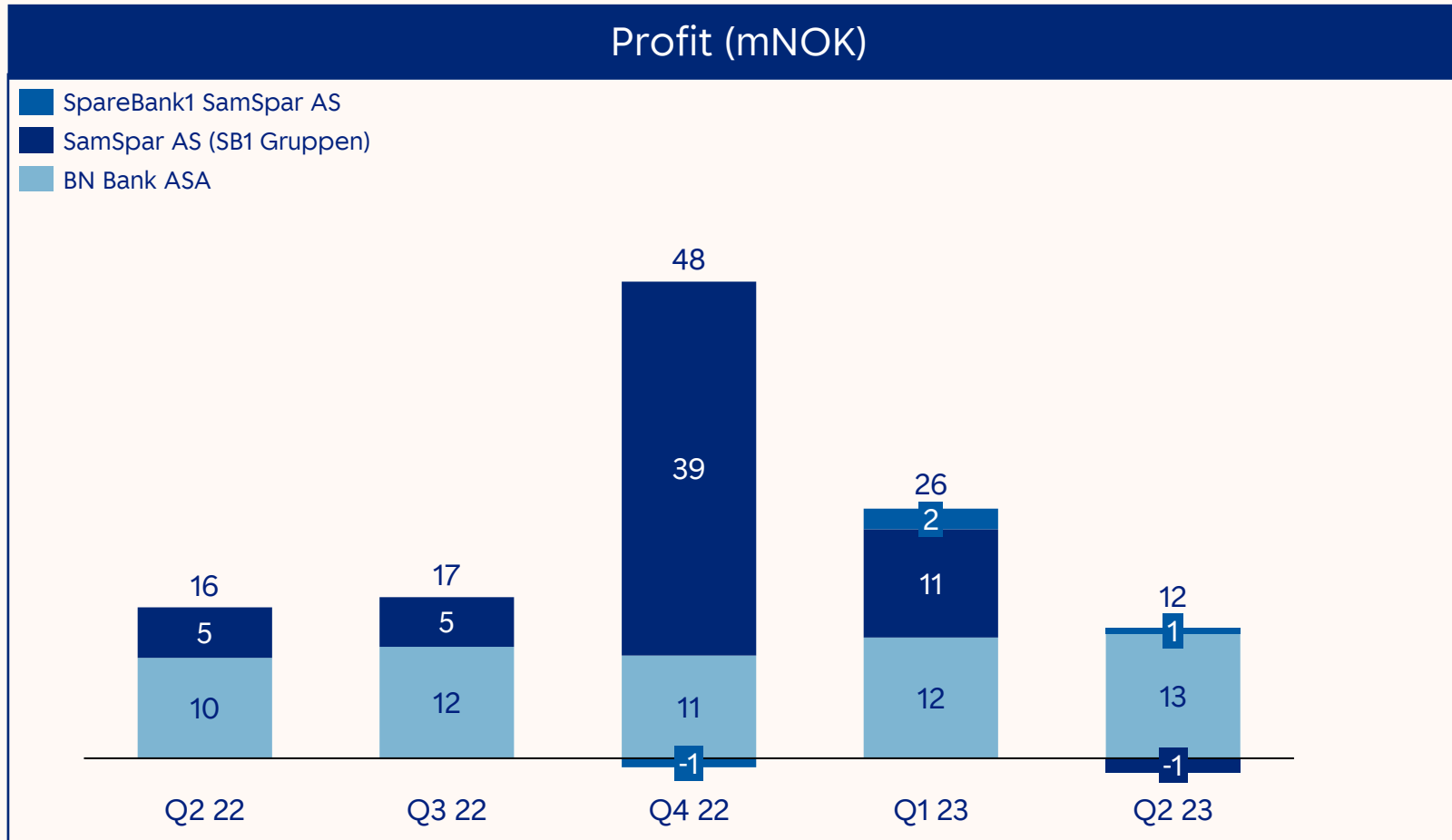
# Low risk in the mortgage portfolio (interval-distributed)



1) Loan-to-value ratio for mortgages incl. BK – LTV interval-distributed. Retail customers with a mortgage on property; lending volume as a percentage of total collateral. LTV is interval-distributed by distributing/splitting individual loans within the specific intervals in the graph



# Good quarter for BN Bank with increased net interest and solid growth. Negative results from SB1 Gruppen

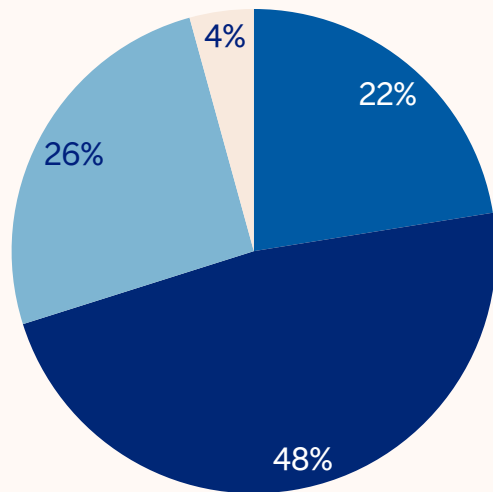


- SpareBank 1 Gruppen has implemented IFRS 17 and IFRS 9 per 1.1.2023. Comparable numbers for 2022 have not been restated to IFRS 17 and IFRS 9.
- The cause of the negative result in SB1 Gruppen in the second quarter is among other things explained by a major insurance claim (nature), as well as liquidation losses, increased claim frequency, and average claim amount on Fremtind's main products, negative fair value adjustments of interest rate portfolios as well as impairment on investment properties in June.

# LCR portfolio 30.06.2023

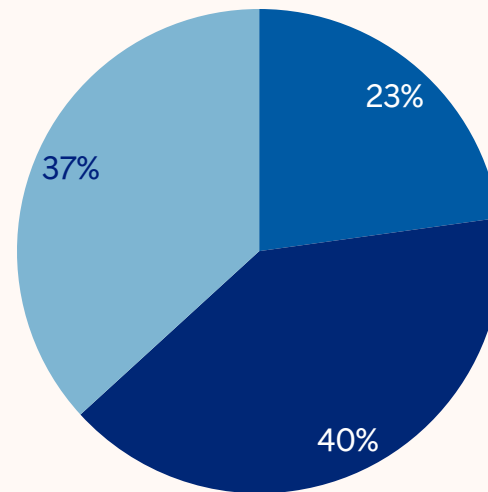
## Investment class (percent)

- State and state-guaranteed
- Covered bonds
- Municipal and county administrations
- Other



## LCR category (percent)

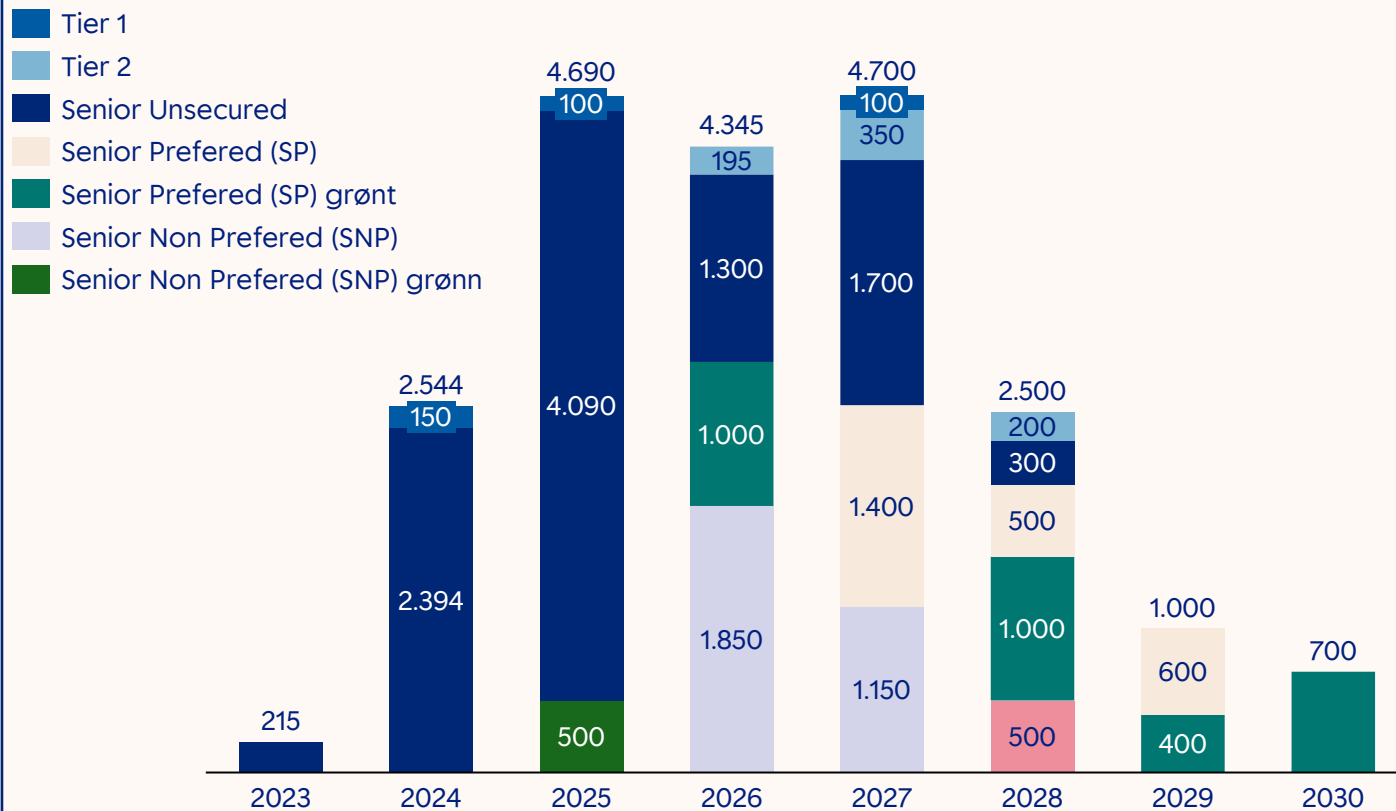
- Level 1 A
- Level 1 B
- Level 2 A



- The LCR portfolio end of quarter was of 10.4 BNOK, of which short term placement on 1.5 BNOK. Credit duration of 2.6 years and 1.5 month respectively
- LCR of 295 (152) % and 237 (165) % average year-to-date 2023.
- The bank's liquidity position at the end of the first half is very strong

# Good spread in the banks funding

Funding per 30.06.2023 (mNOK)



- Total outstanding funding as of 30.06.2023 amounts to 20.694 mnok comprising
  - Senior debt 15,599 mnok
  - SNP 4,000 mnok
  - Tier 2 745 mnok
  - Tier 1 350 mnok
- Average duration end of quarter is 3.2 (3.1) years of which approx. 13 % of the funding matures within the next 18 months
- The bank has a minimum requirement for subordinated debt of 24.3 percent by the end of the year

# Development in Equity Certificates of SOON



	30.06.23	31.03.23	31.12.22	30.09.22	30.06.22
Share price (nok)	50.60	50.00	55.00	50.60	52.20
Market value (mnok)	7,089	7,005	7,411	7,313	7,313
Book equity per equity certificate (group, nok)	53.57	51.90	55.50	54.83	54.45
Earnings per equity certificate (group, nok) ytd	3.01	1.36	4.27	2.97	2.00
Price/book equity (group)	0.94x	0.96X	1.03X	0.97X	0.98X
Dividend per equity certificate (nok)	1.50		2.60		
Dividend yield	3.0 %		4.7 %		

# 20 Biggest owners of equity certificates

## 20 Biggest owners of equity certificates

	<b>Antall</b>	<b>% av totalt antall EK- bevis</b>
SPAREBANK 1 STIFTELSEN BV	24.141.356	17,2 %
SPAREBANKSTIFTELSEN TELEMAR	18.910.174	13,5 %
SPAREBANKSTIFTELSEN SPAREBANK 1 MODUM	18.444.646	13,2 %
SPAREBANKSTIFTELSEN NØTTERØY-TØNSBERG	10.925.503	7,8 %
SPAREBANKSTIFTELSEN HOLLA OG LUNDE	10.273.723	7,3 %
VPF EIKA EGENKAPITALBEVIS	4.169.991	3,0 %
SPECIALFONDET BOREA UTBYTTE	3.647.442	2,6 %
PARETO INVEST NORGE AS	2.757.852	2,0 %
BRANNKASSESTIFTELSEN MIDT-BUSKERUD	2.659.369	1,9 %
KOMMUNAL LANDSPENSJONSKASSE GJENSI	1.580.645	1,1 %
Landkreditt Utbytte	950.000	0,7 %
CATILINA INVEST AS	912.032	0,7 %
WENAASGRUPPEN AS	907.432	0,6 %
MELESIO INVEST AS	886.937	0,6 %
SANDEN EQUITY AS	707.494	0,5 %
AARS AS	684.737	0,5 %
FORETAKSKONSULENTER AS	621.230	0,4 %
SKOGEN INVESTERING AS	605.000	0,4 %
HAUSTA INVESTOR AS	420.000	0,3 %
TROVÅG AS	418.792	0,3 %
Sum 20 største eiere av egenkapitalbevis	104.624.355	74,7 %

- At the end of the quarter, the number of equity certificate holders is 5,814 (6,117).
- The 20 largest owners are listed with 74.7 % of the ownership capital. Of this, the five savings bank foundations own 59.0 %
- At the end of the quarter, the price of the bank's equity certificate was 50.60 nok

# Corporate social responsibility and sustainability

SpareBank 1 Sørøst-Norge will be responsible by preventing and detecting financial crime, be climate proactive and help customers be the same and be socially engaged



## Monthly meetings in the sustainability council

Updates and next steps per department



## Green portfolio

Green bonds of 3.6 BNOK<sup>1</sup>

Green investments of 0.9 BNOK<sup>2</sup>

Green mortgages of 2.7 BNOK<sup>3</sup>



## Responsible business

Preventing financial crime

All employees are involved in the group ESG effort and takes actions for sustainability in own house

Competence enhancement

The Group's property strategy takes sustainability into account



## Equality, diversity and inclusion

The Equality, Diversity and Inclusion policy was adopted in the first quarter



1) Per end of quarter (17 % of the bank's external funding)

2) 8.6 % of total liquidity portfolio

3) Of total lending portfolio on own balance sheet

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