

# Results

## SpareBank 1 Sørøst-Norge

### Third quarter 2023

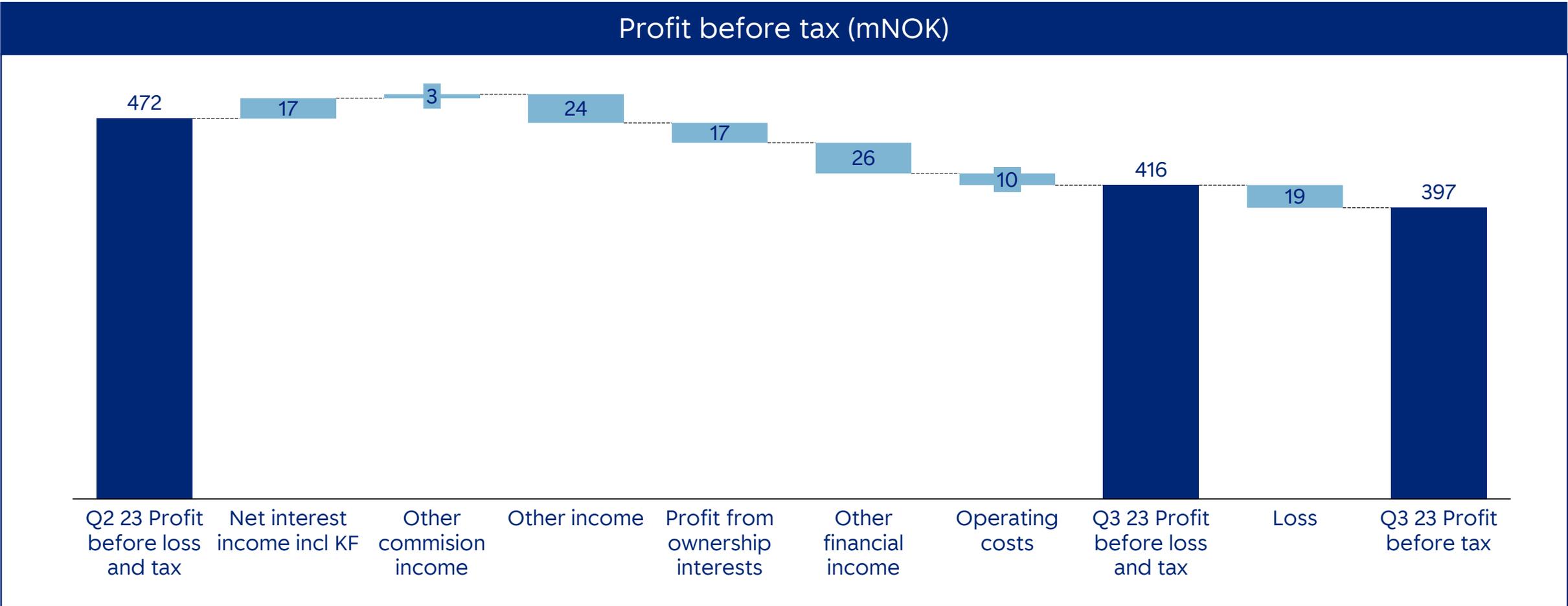
Per Halvorsen (CEO)  
Roar Snippen (CFO)



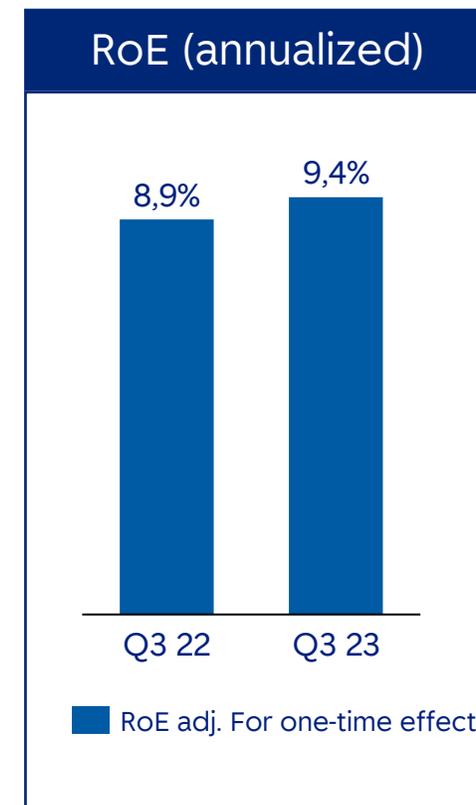
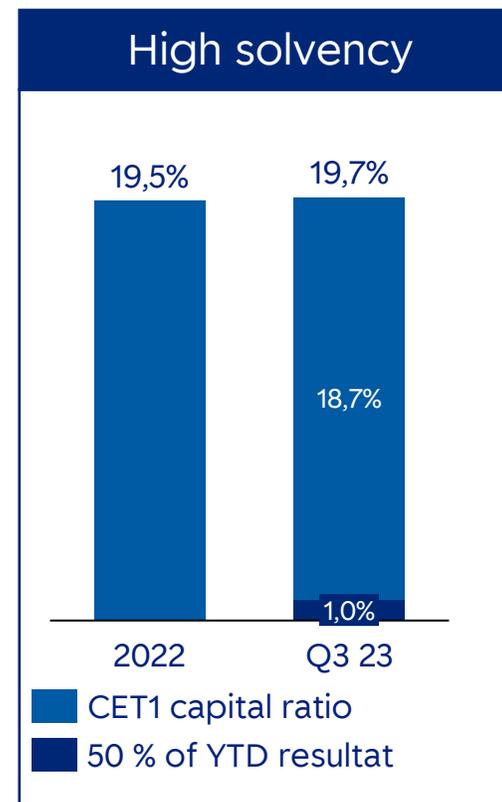
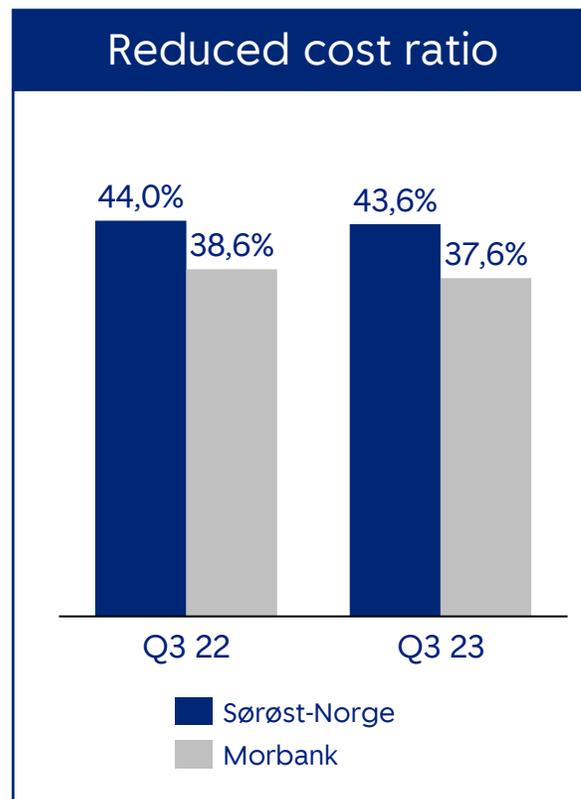
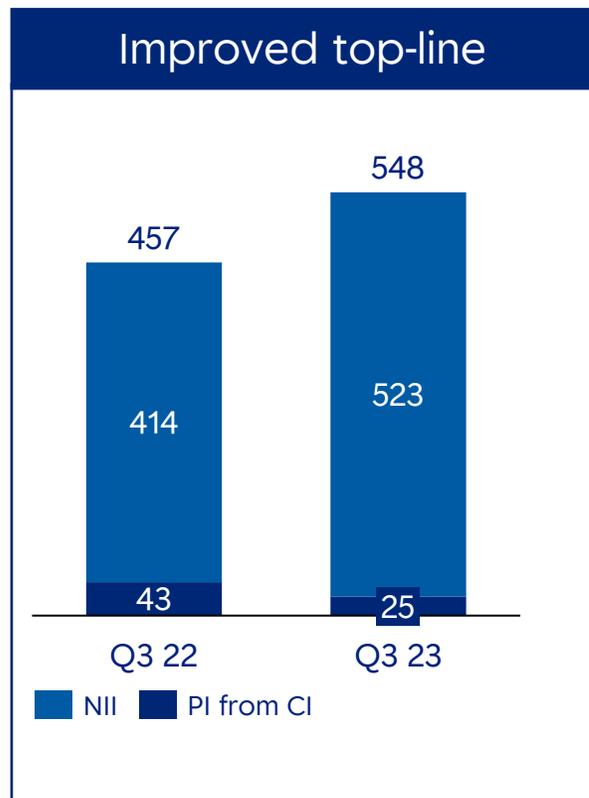
# Good results, high solvency, strong underlying operations, and positive activity in the quarter

- Net interest income, including commission income from credit institutions, increased by 3.3 percent (NOK 17 million).
- Net commission income increased by 3.4 percent (NOK 3 million).
- Reduced income and results from subsidiaries by NOK 17 million.
- Weak financial results due to a negative outcome from SB1 Gruppen and valuation of fixed-rate loans and derivatives.
- Increased costs by 3.1 percent (NOK 9 million) due to rising ICT expenses, consultant costs for implementation and compliance with regulatory requirements, as well as underlying salary and price growth.
- Loss costs in the quarter amounted to NOK 19 million, primarily due to migration to stage 2 and stage 3 Basel models related to a customer grouping.
- The result in the third quarter was NOK 303 million.
- Common equity tier 1 capital adequacy ratio for the group is 18.7 percent, and the leverage ratio is 8.0 percent
- Return on equity for the quarter was 9.4 percent, compared to 12.4 percent in the previous quarter.
- Earnings per share for the group is NOK 1.28.

Good underlying operational performance, but weaker results in the third quarter due to lower financial results, increased costs, and losses.



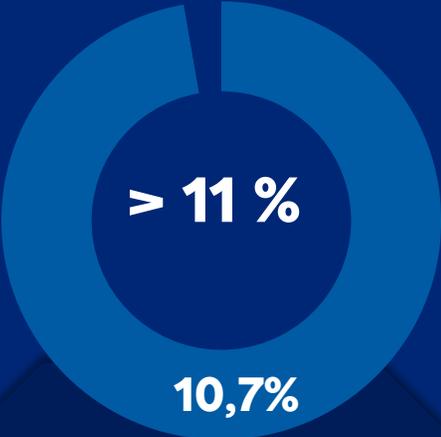
# Strong operational performance and high solvency, but weak financial results in Q3



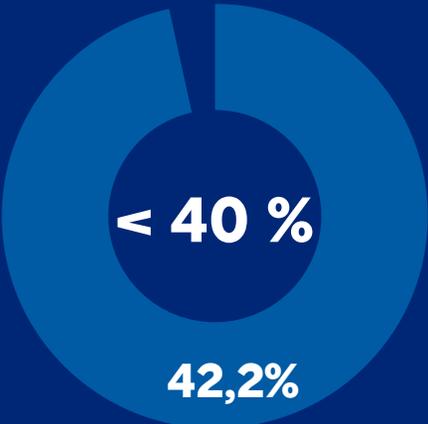
# Strong performance and solid asset quality

## Financial Targets

Avkastning på egenkapital (ROE)

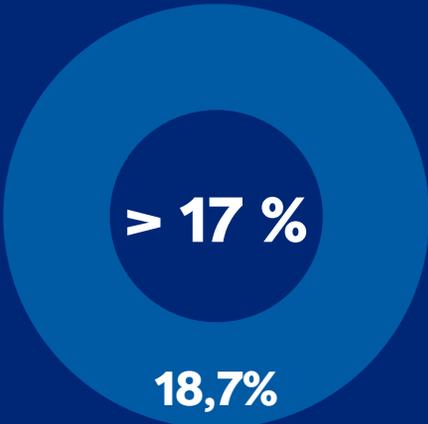


Cost to income



33,8 % parent bank

CET1 capital ratio



19.7% incl 50% of the results YTD

Dividend share



2022<sup>1</sup>

Return

Equity



Top-line Growth and Collaboration

Capital Optimization

Cost control

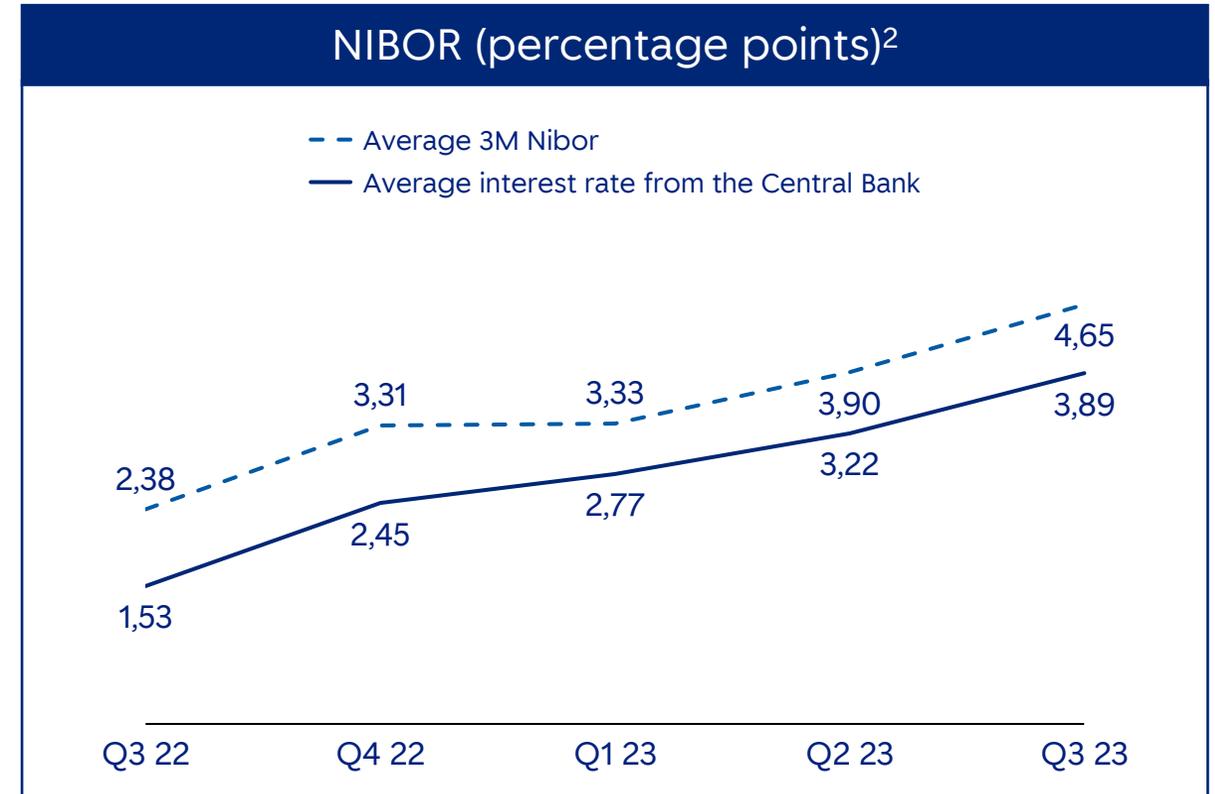
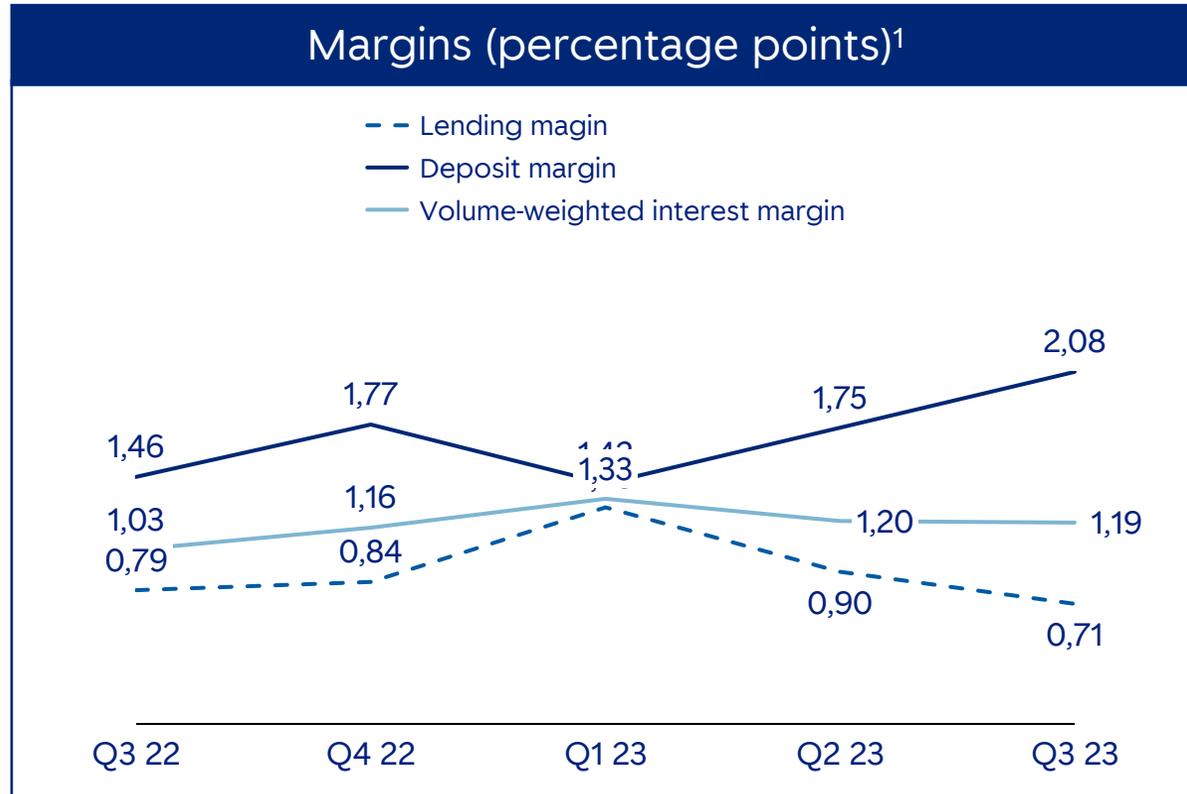
Dividend Policy

Risk profile

AIRB

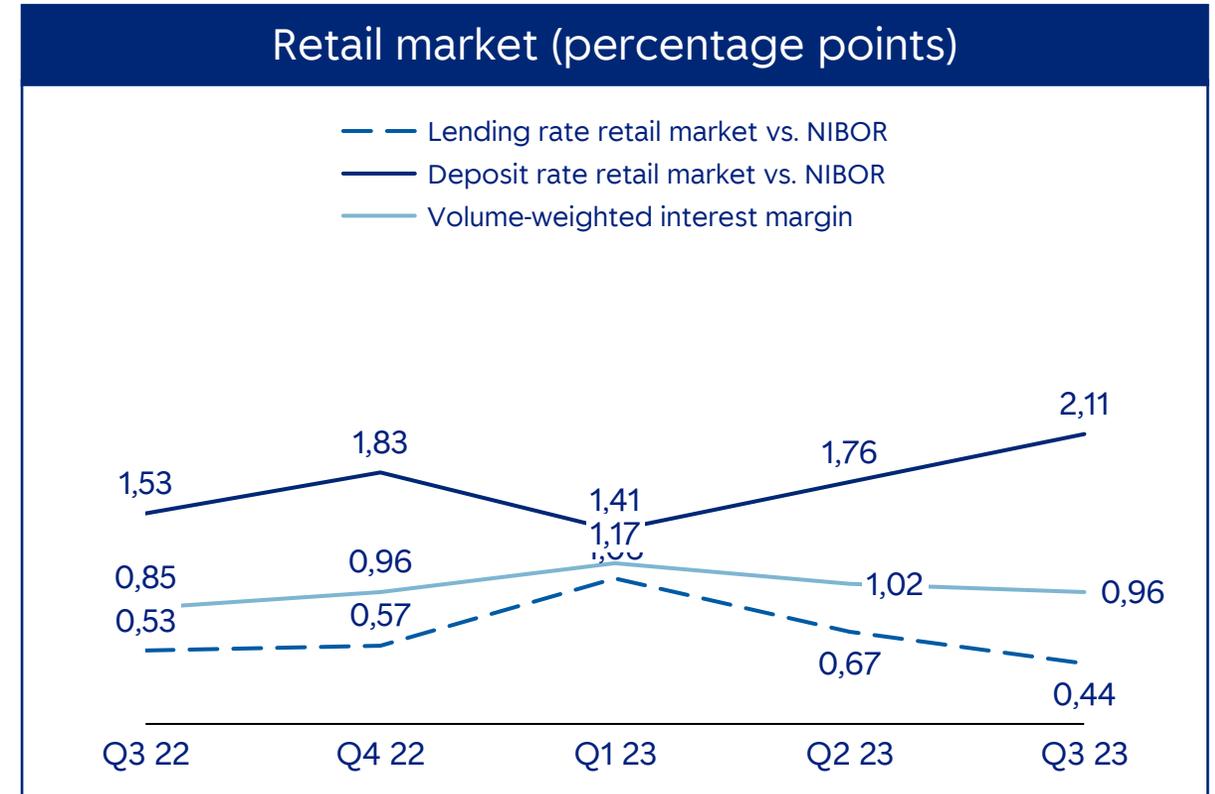
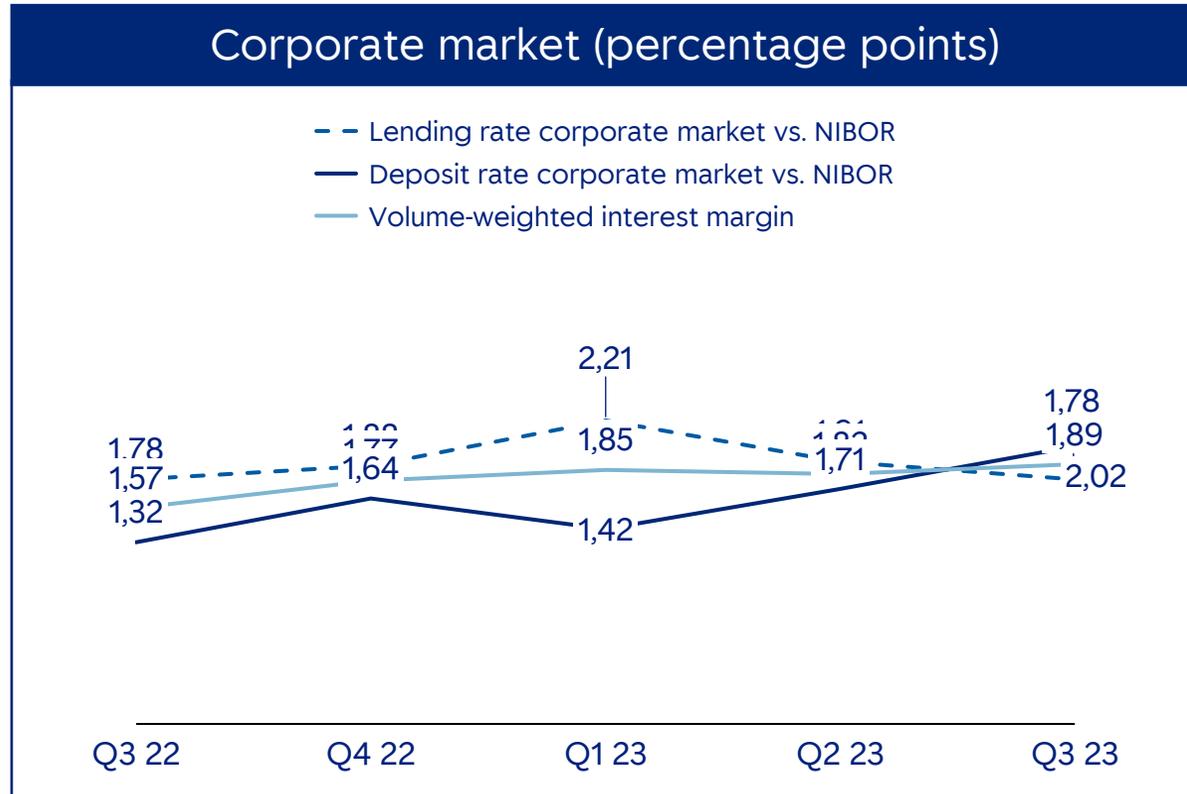
EMTN Program

# Marginal change in volume weighted interest margin



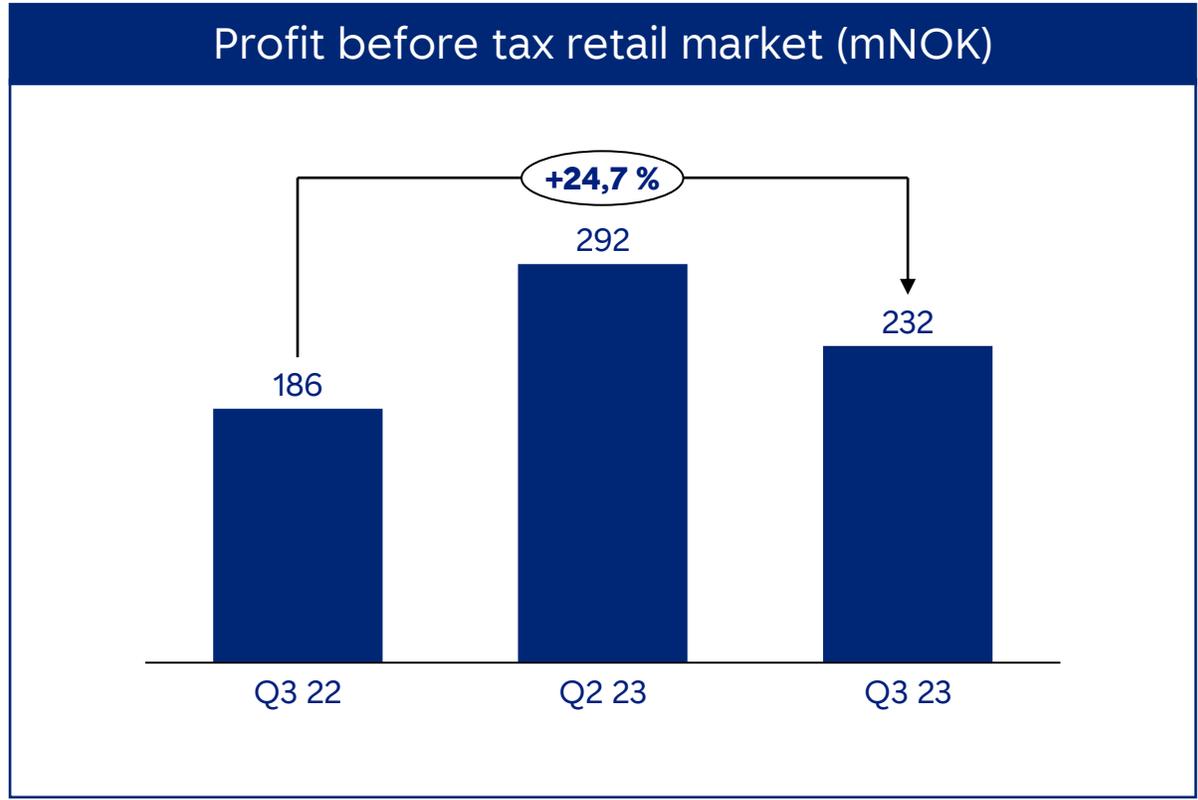
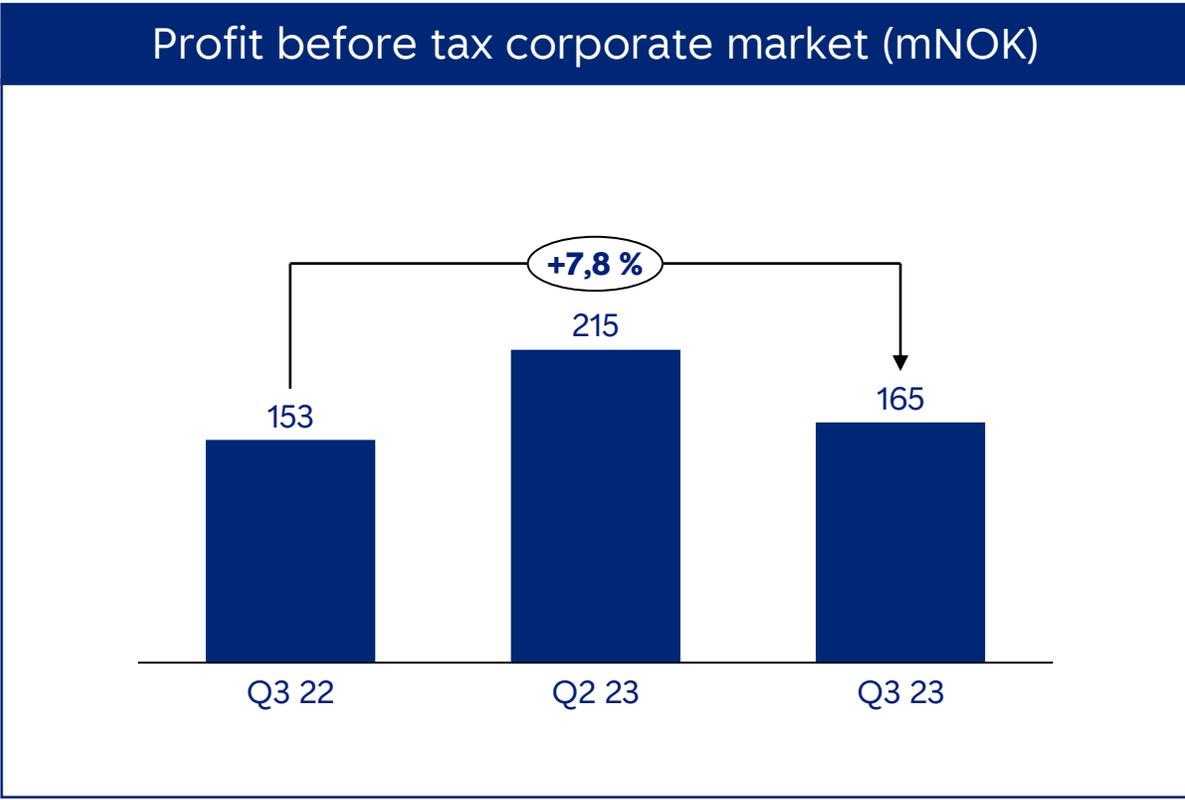
1) Interest on lending includes loans transferred to mortgage co  
 2) 3M NIBOR is calculated as average 3M NIBOR in the quarter

# Improved deposit margins, but reduced lending margins

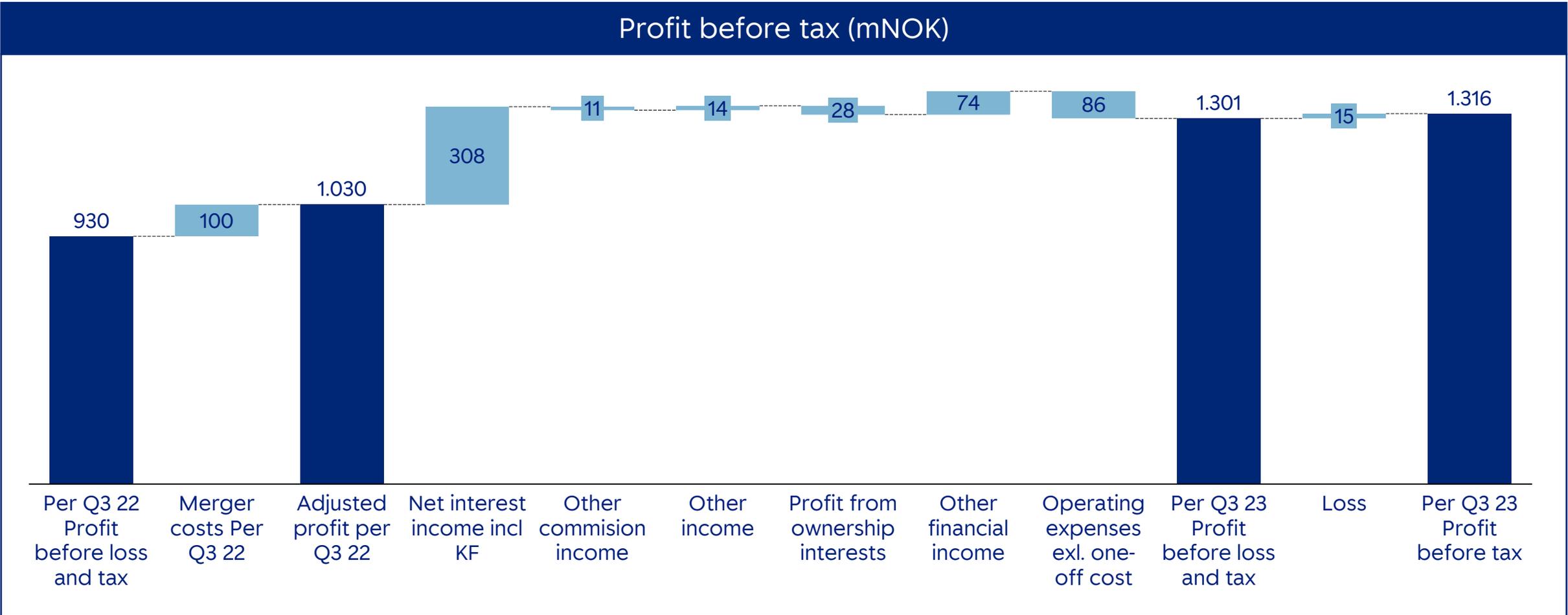


1) Note 3M NIBOR is calculated as averaging 3M NIBOR in the quarter. Interest on lending includes loans transferred to mortgage co. Interest margin for the quarter

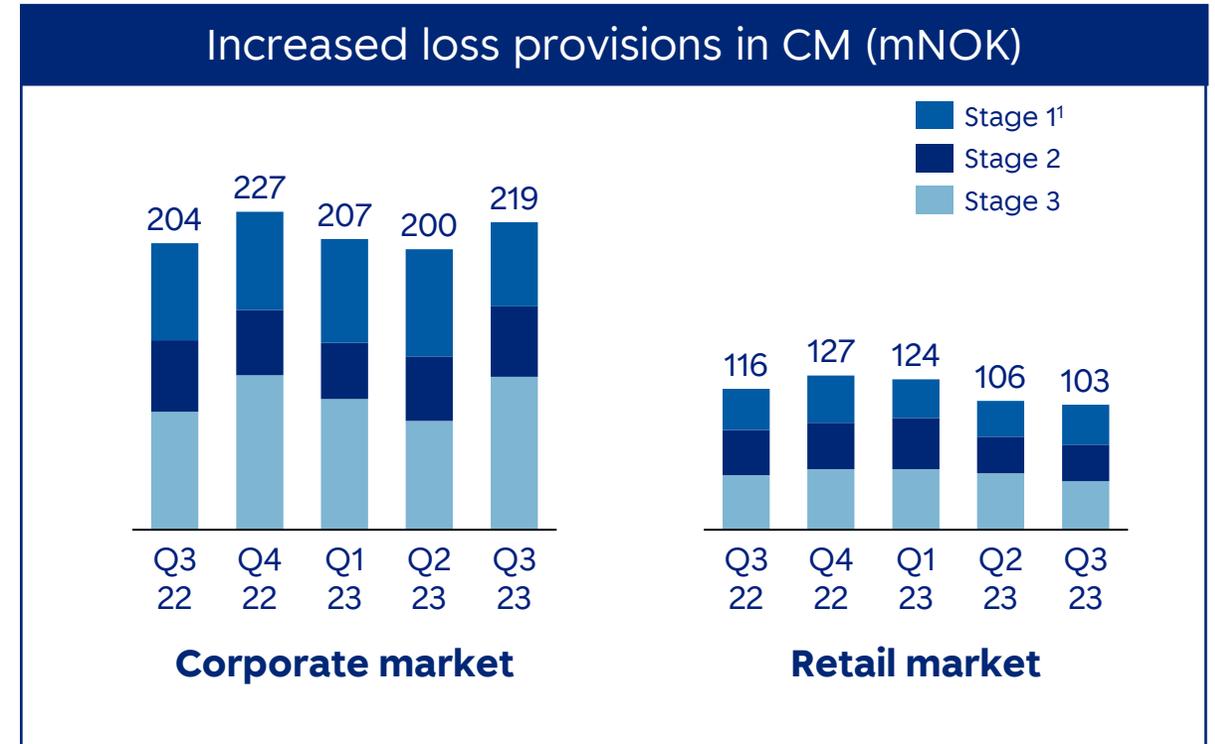
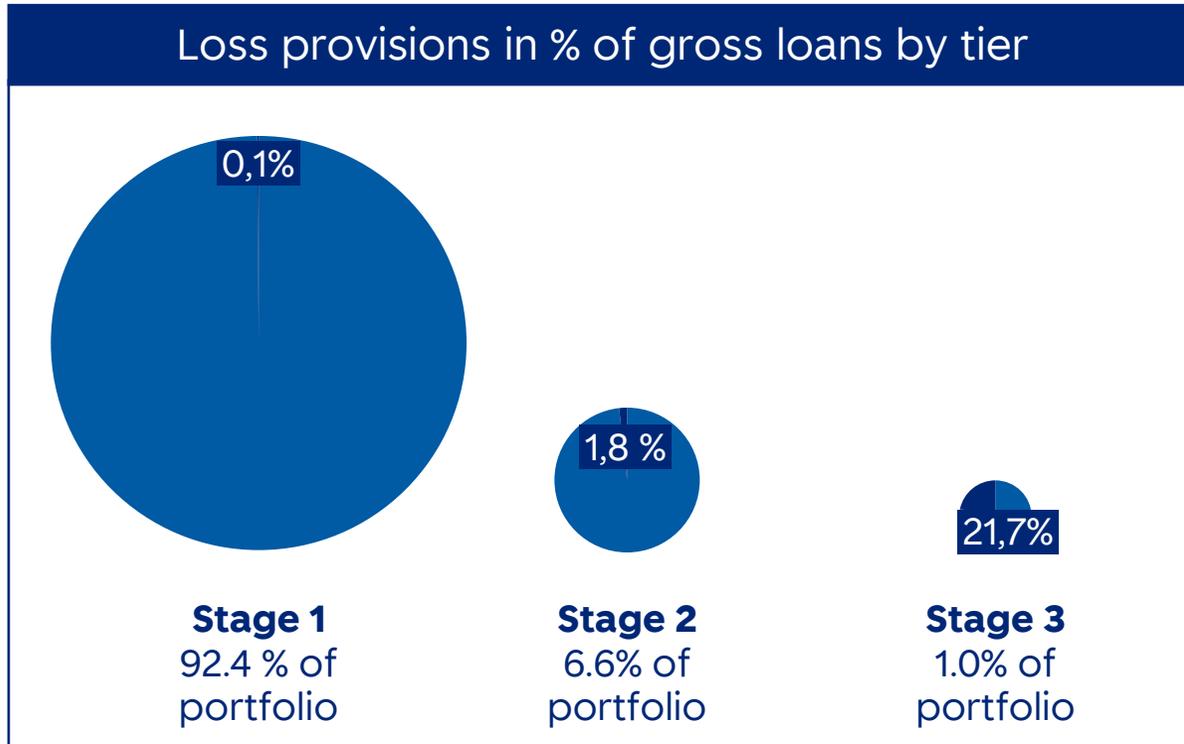
# Solid income growth in both corporate and retail market compared to last year



# Increased net interest compared to 2022



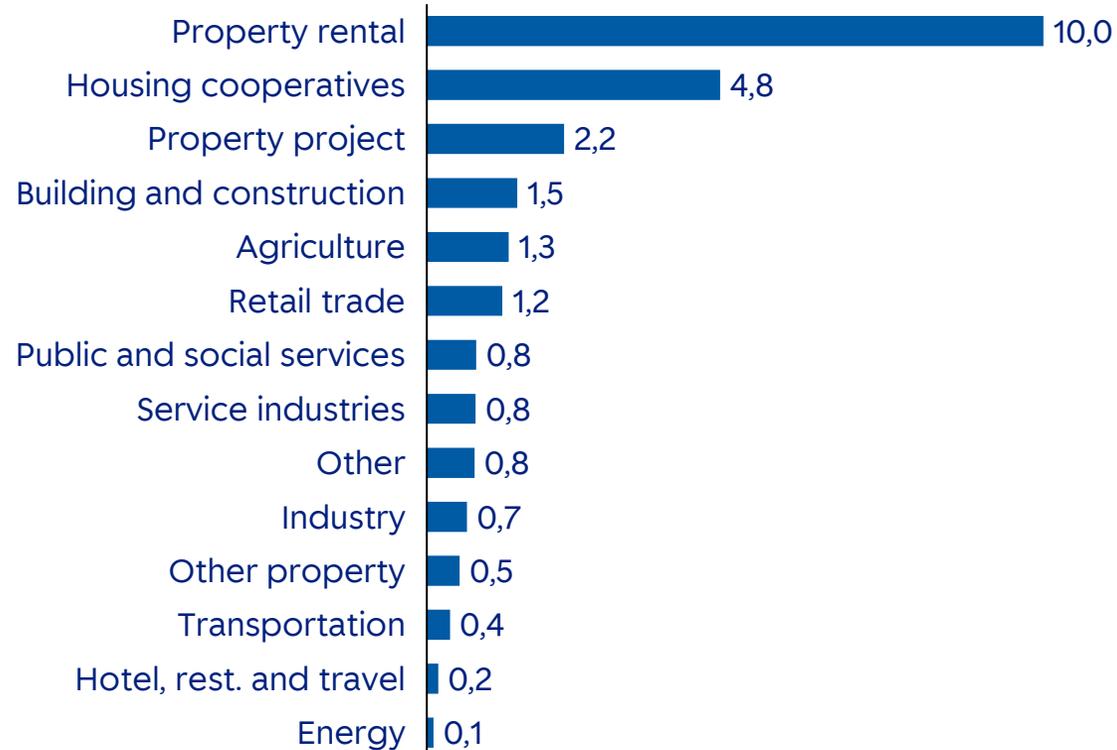
# Well-diversified portfolio –99.0 percent in stages 1 and 2



**Risk reduction and repricing reduce capital requirements.  
Increase in stage 3 CM impairment provisions related to specific customer group**

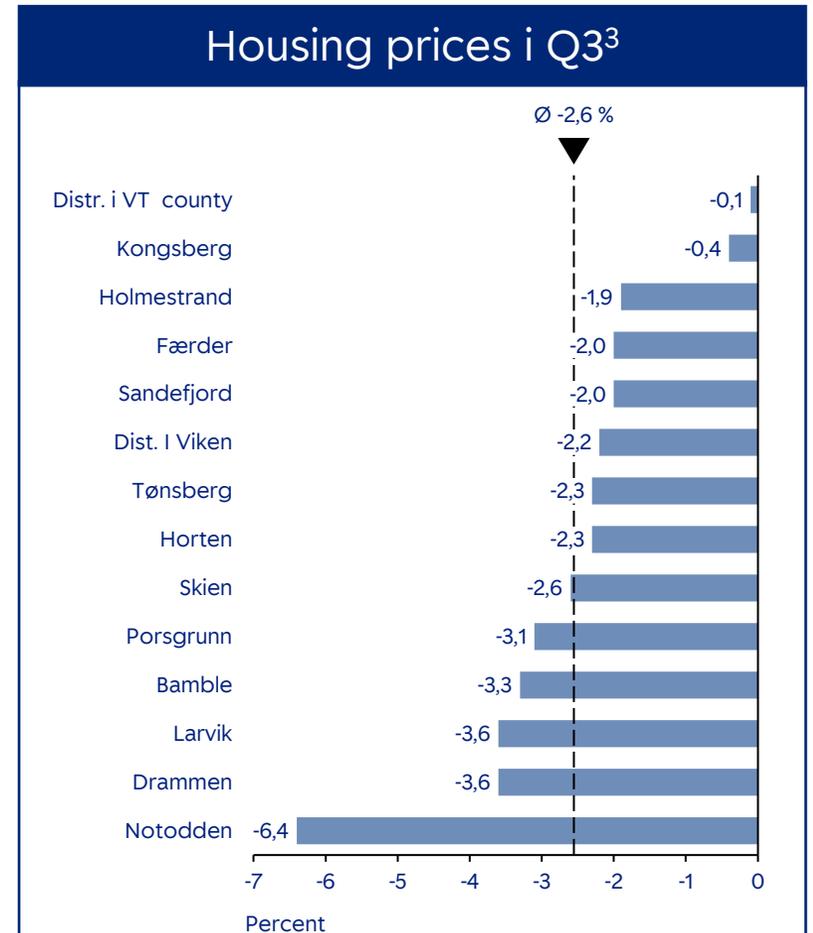
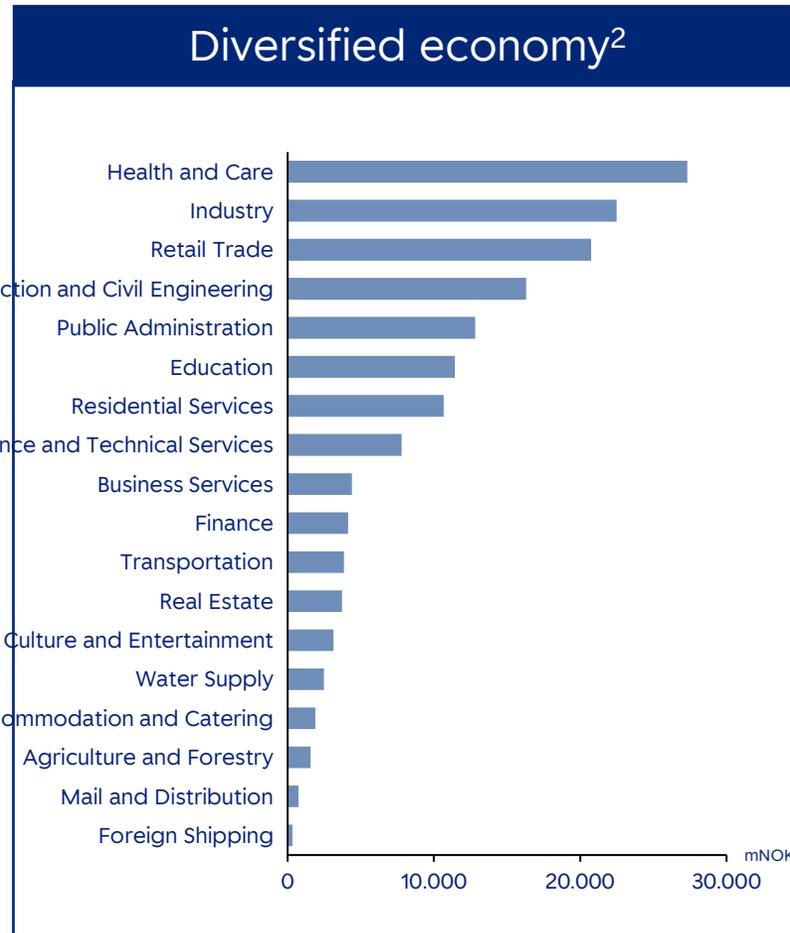
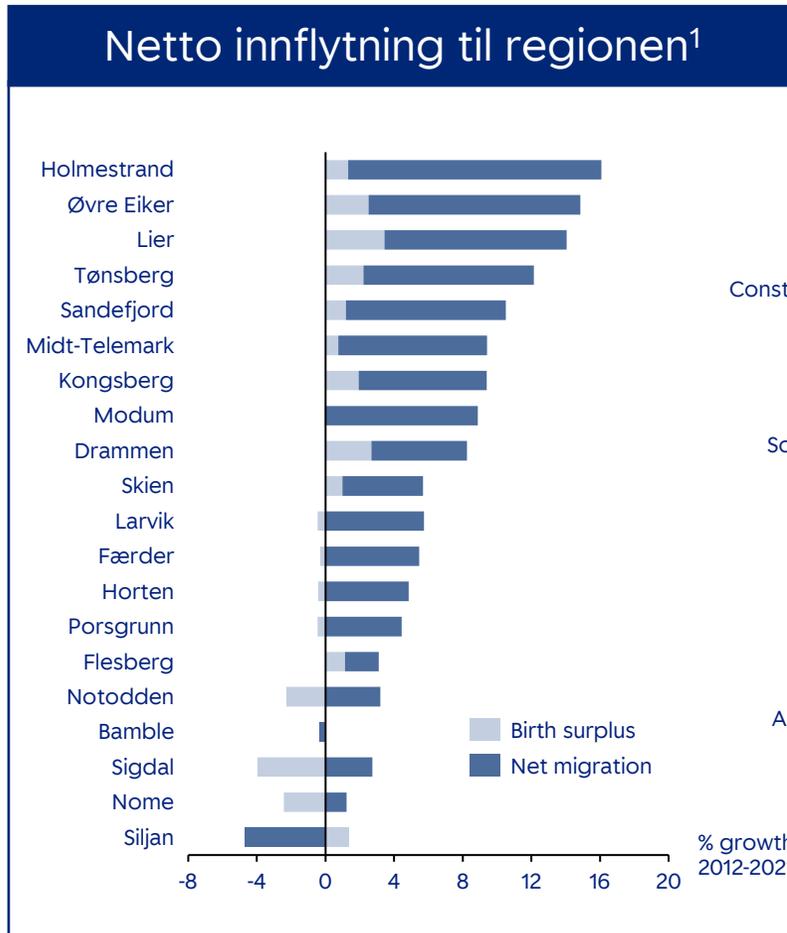
# No material changes in the composition of the corporate market portfolio

## Volume (engagement) per 3rd quarter (BNOK)



- Increased in the portfolio compared to the previous quarter from 25.2 BNOK to 25.3 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
- The proportion of written-down and defaulted engagements in the total BM portfolio has increased by approximately 1% over the last quarter. Additionally, the proportion of engagements in the high and highest risk categories of the total BM portfolio has also increased by approximately 1% in the last quarter. These increases are primarily linked to challenges within a specific customer group.
- Weighted PD on fresh engagements is on same level as in the previous quarter

# Well positioned in an attractive region



1) Source: Telemarksforskning, K. Vareide. Regional analysis Sørøst-Norge. Buskerud, Telemark, Vestfold. Percentage growth 2012-21  
 2) Source SSB. County-level national accounts. Gross Domestic Product at current prices. Vestfold and Telemark  
 3) Source : Eiendomsverdi. Regionsrapport third quarter 2023

Together  
we create  
value



# Appendix

# Improved underlying performance compared to last year.

## Improved top-line compared to last year

Increased net interest income by NOK 92 million (14%), with net interest income increasing by NOK 91 million (20%), but squeezed margins on mortgage loans.

Decrease in other income due to reduced activity both in the real estate brokerage and accounting sectors.

Good results from BN Bank (NOK 14 million), but a negative result from SB1 Gruppen in the quarter (NOK -4 million).

Increased operating costs in the quarter are mainly due to higher ICT costs, consultant expenses for the implementation and compliance with regulatory requirements, as well as underlying salary and price growth. Cost ratio at 43.6% compared to 44.0% excluding one-time costs in 2022. Parent bank at 37.6% compared to 39.3% excluding one-time costs in 2022.

Loss provisions in the quarter of NOK 19 million primarily due to migration to stage 2, and to stage 3 impairment provisions related to one group customer-specific

## Good return on equity

Ordinary profit after tax of NOK 303 (258) million

Return on equity 9.4 (8.4) % in the quarter compared to 8,9 % ex. one-time costs in 2022

EPS group NOK 1.28 (1.09)

## Poor growth in lending and deposits

Lending growth in the current quarter of 0.3 (0,5) %, and deposits -2,3 (-2,1) %

Lending growth in corporate market the current quarter of -0,03 (-0,45) %, and retail market 0.4 (0,8) %. and deposit growth of -2,8 (-1.9) % and -2,0 (-2,2) % respectively

# Increased net interest income and strong underlying performance.

## Enhanced Underlying Operations

Increased net income by NOK 356 million, with net interest income increasing by NOK 308 million (24.0%). Net commission and other income are at the same level as in 2022 (NOK 3 million)

Good results from BN Bank (NOK 39 million, compared to NOK 32 million).

Weakened results from SB1 Gruppen (NOK 8 million, compared to NOK 15 million)

Results from other financial investments, including dividends, have increased by NOK 46 million  
Increased operating costs, excluding one-time acquisition costs for the new accounting firm in Q4 2022 with full effect in 2023, increased costs for temporary staff/consultants, ICT expenses,, and general wage and price increases.

Cost ratio at 42.2% compared to 45.6% excluding one-time costs in 2022. Parent bank cost ratio at 33.8% compared to 39,8% excluding one-time costs in 2022.

Reversed NOK 15 million in losses by the end of the quarter

## Good return on equity

Ordinary profit after tax of NOK 1.010 (724) million

Return on equity 10,7 (9,1) % compared to 9.7 % ex. one-time costs in 2022

EPS group 4,29 (3,08) nok

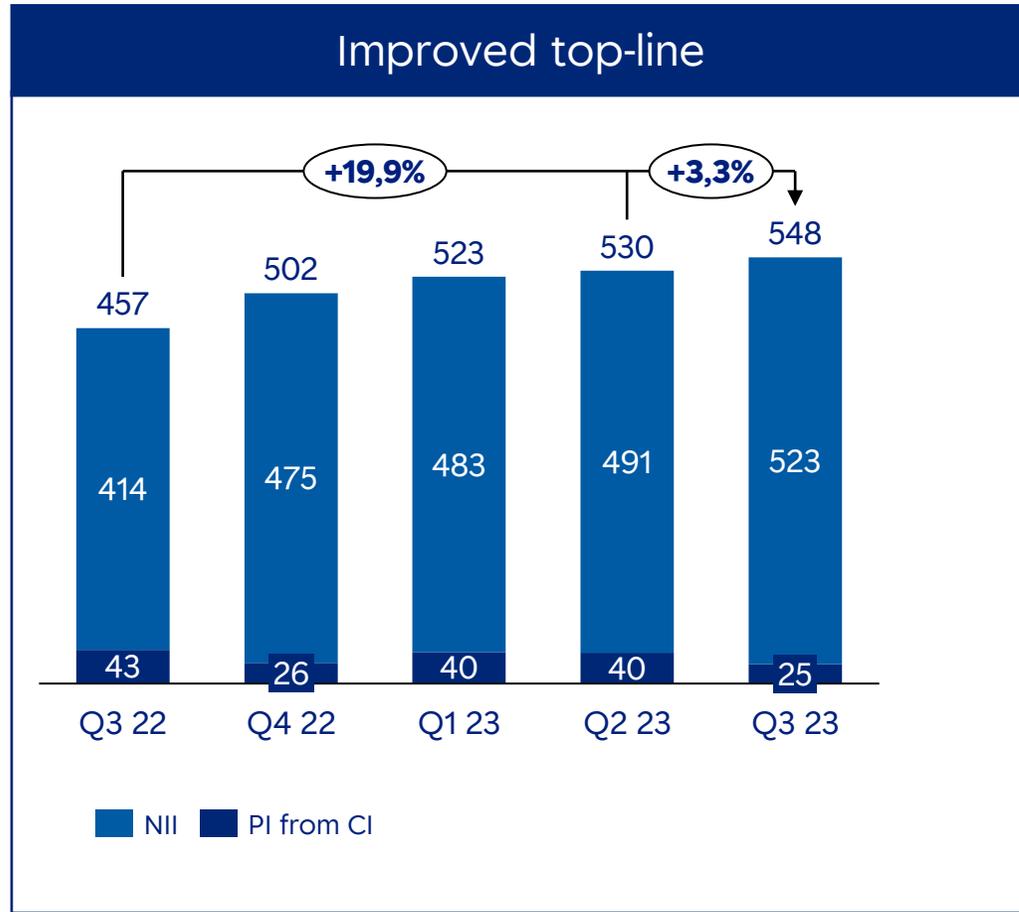
## Increased activity towards the end of the period

12-month growth in lending of -0.8 (4,1) % and deposits -0,1 (1,5) %. Year-to-date lending growth -0.2 (3,1) % and deposits 1,2 (2,5) %

12-month lending growth in corporate market of -3.1 (5,5) % and retail market -0,2 (3,7) %. Deposit growth of -2.9 (-4,1) % and 1.3 (4,7) % respectively

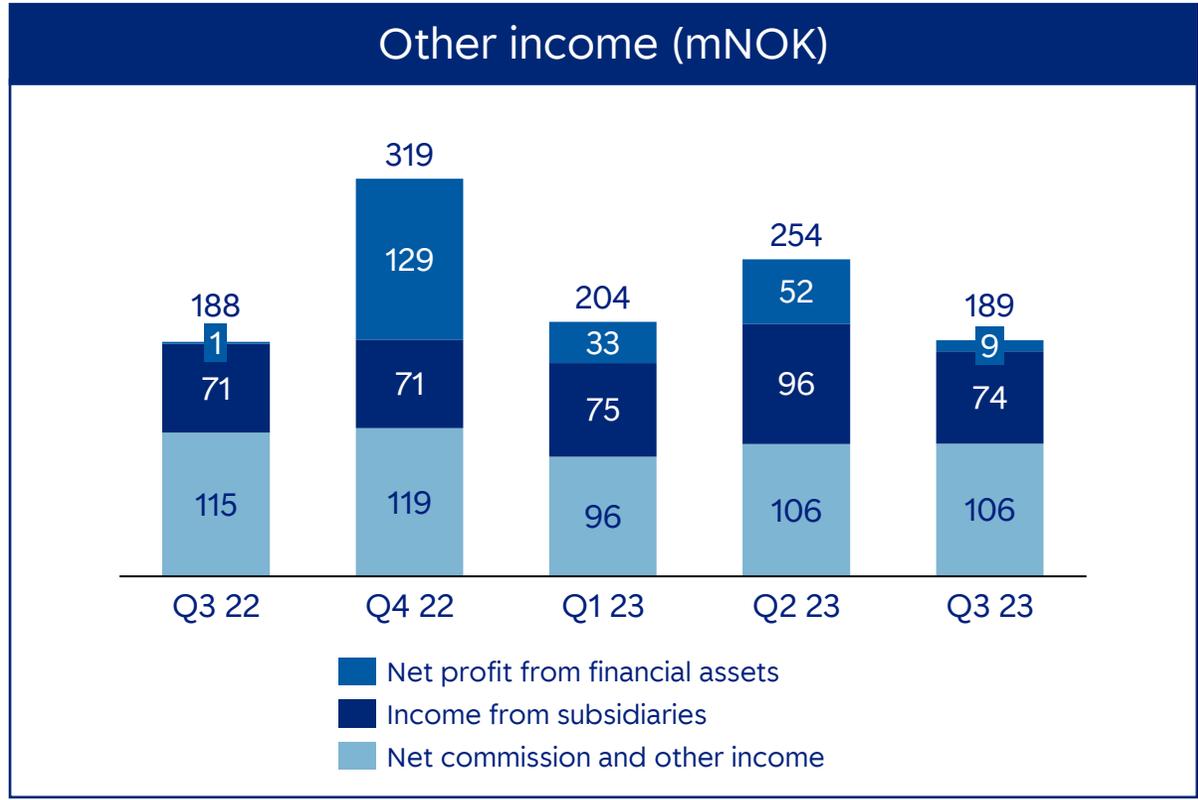
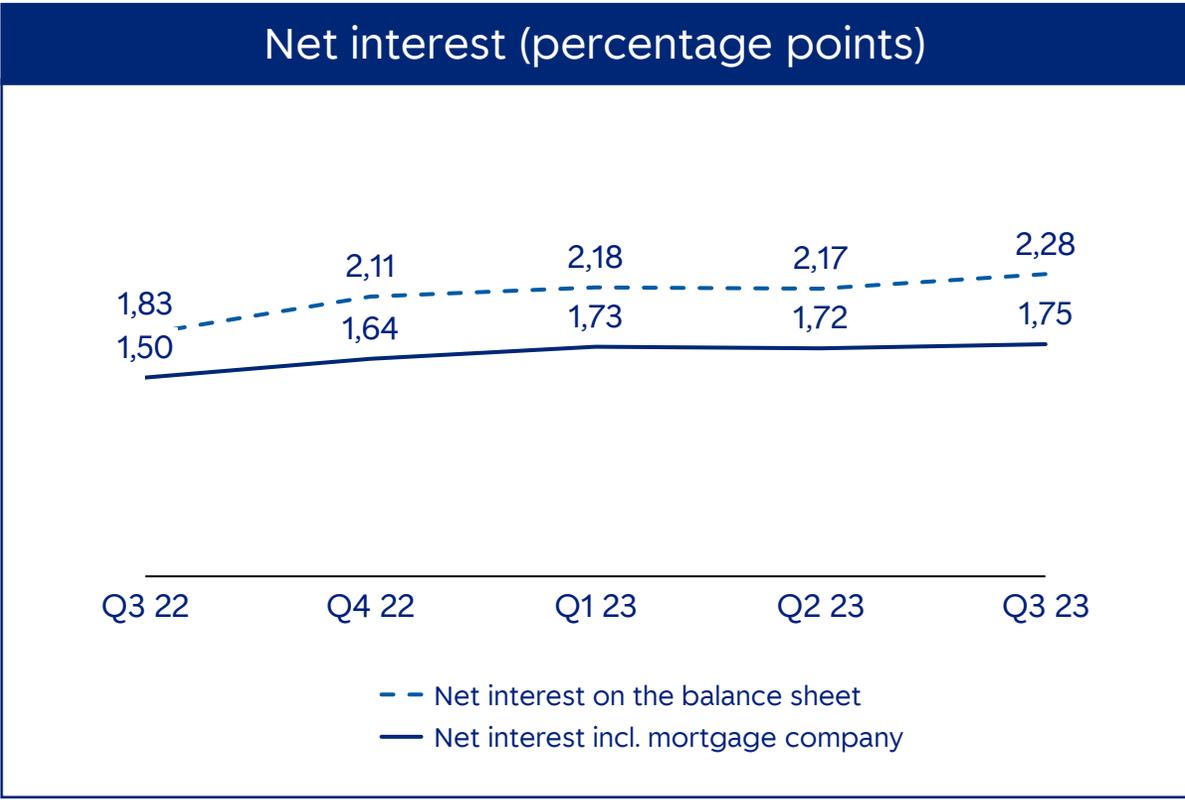
Year-to-date lending growth in corporate market of -1.1 (6,6) % and retail 0,1 (2,2) %. Deposit growth of -0,6 (-0,8) % and 2,1 (4,4) % respectively

# Økning i netto renteinntekter



- Increased net interest income by 3.3 percent from the second quarter
  - driven by higher market interest rates

# The net interest income is showing marginal growth, while the income from subsidiaries has decreased in the quarter

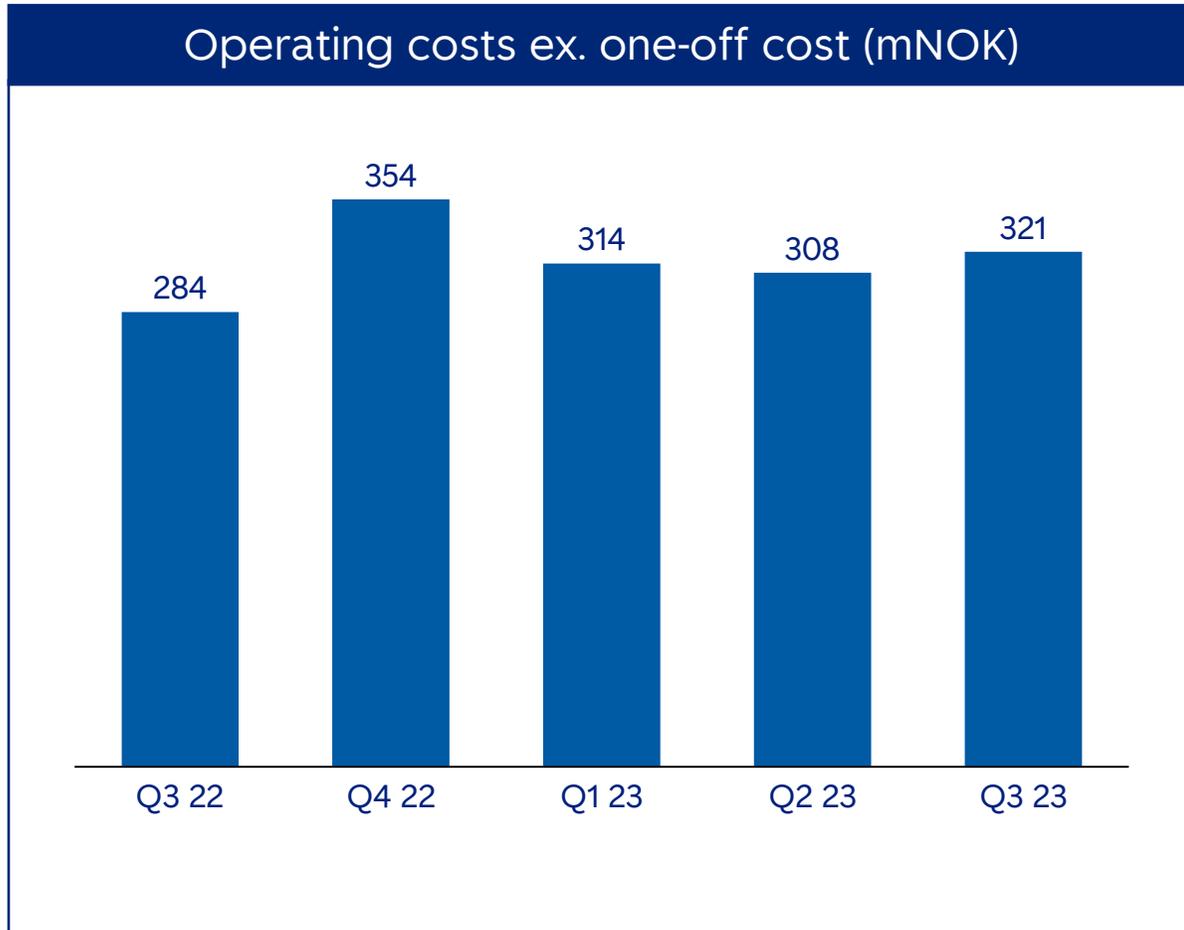


# The bank has adjusted customer rates following changes in the Central Bank's interest rates

<b>Norges Bank</b>	<b>22. Sept. 22</b>	<b>3. Nov. 22</b>	<b>15. Dec. 22</b>	<b>23. Mar. 23</b>	<b>4. May 23</b>	<b>22. Jun 23</b>	<b>17. Aug. 23</b>	<b>21. Sep. 23</b>
<b>Effect new loans</b>	28. Sep. 22	8. Nov. 22	20. Dec. 22	29. Mar. 23	10. May 23	27. Jun. 23	22. Aug. 23	27. Sep. 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	6. Sep. 23	12. Oct. 23
<b>Existing retail loans and deposits</b>	9. Nov. 22	21. Dec. 22	31. Jan. 23	11. May 23	22. Jun. 23	9. aug. 23	23. Oct. 23	28. Nov. 23

Note: from second half of 2022

# Stable operating costs

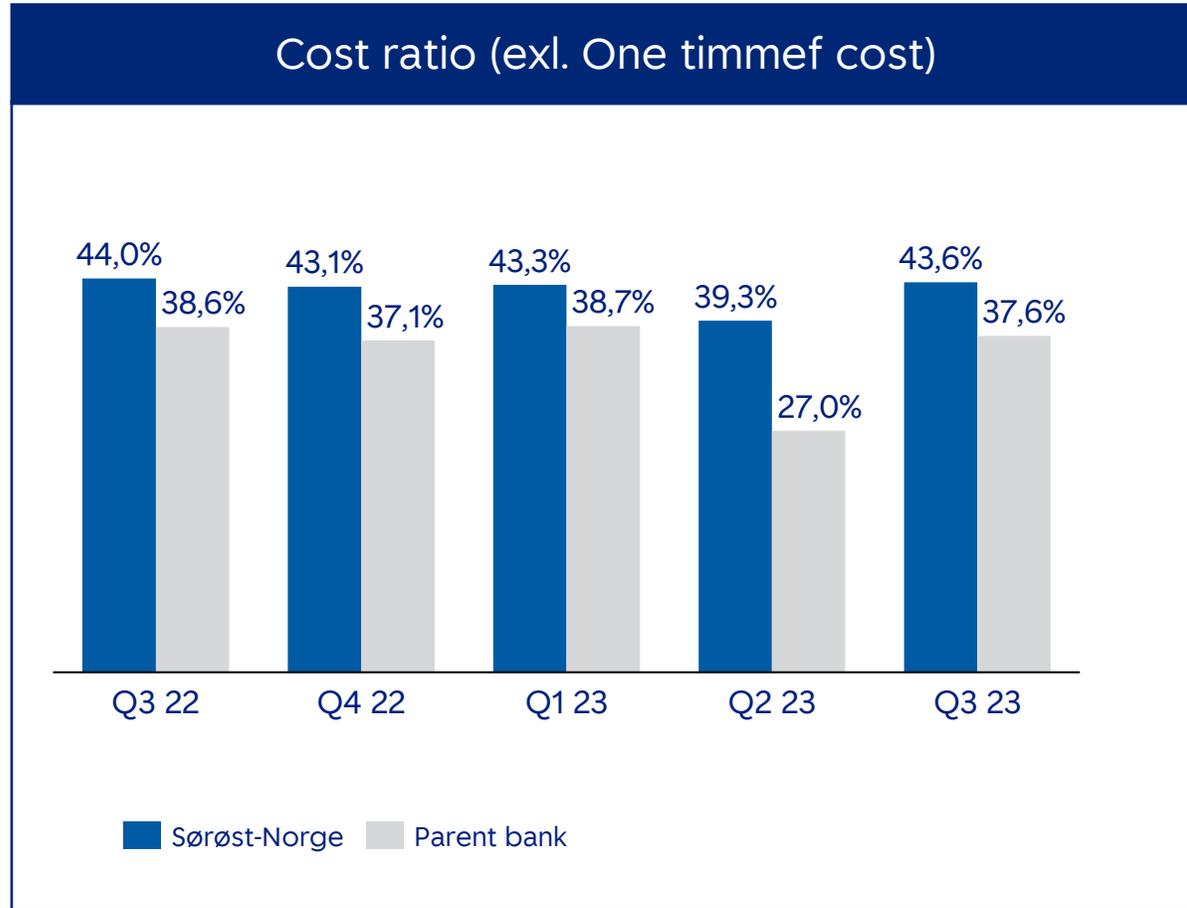


Increased operating costs in second quarter compared to same period last year of 37 mnok of which 14 mnok in parent bank and 23 mnok in subsidiaries

Increased operating costs at the parent bank are due to increased personnel costs, both directly and indirectly through consultants for the implementation and compliance of regulatory requirements, increased ICT costs, and underlying price growth.

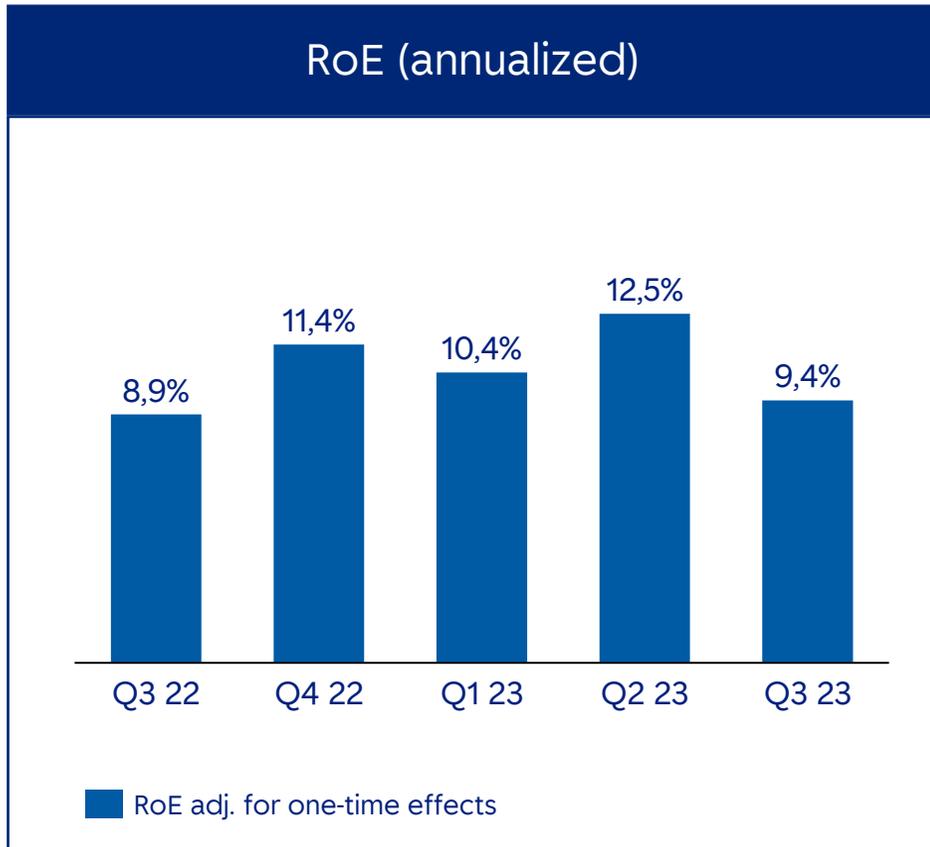
The increase in the subsidiaries are mainly tied to new accounting house in Telemark with full effect from 2023 in addition to price and income growth

# Reduced cost ratio



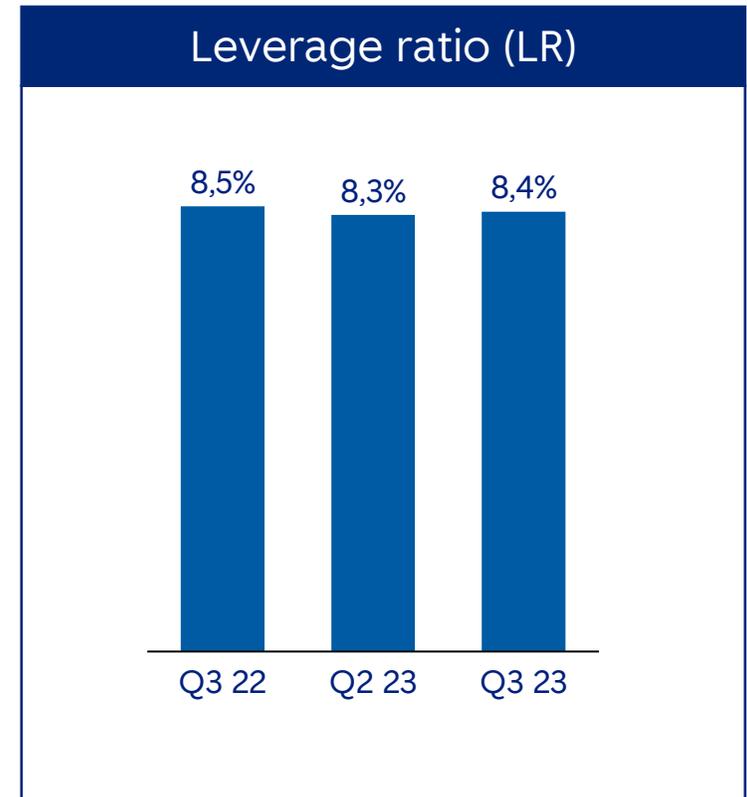
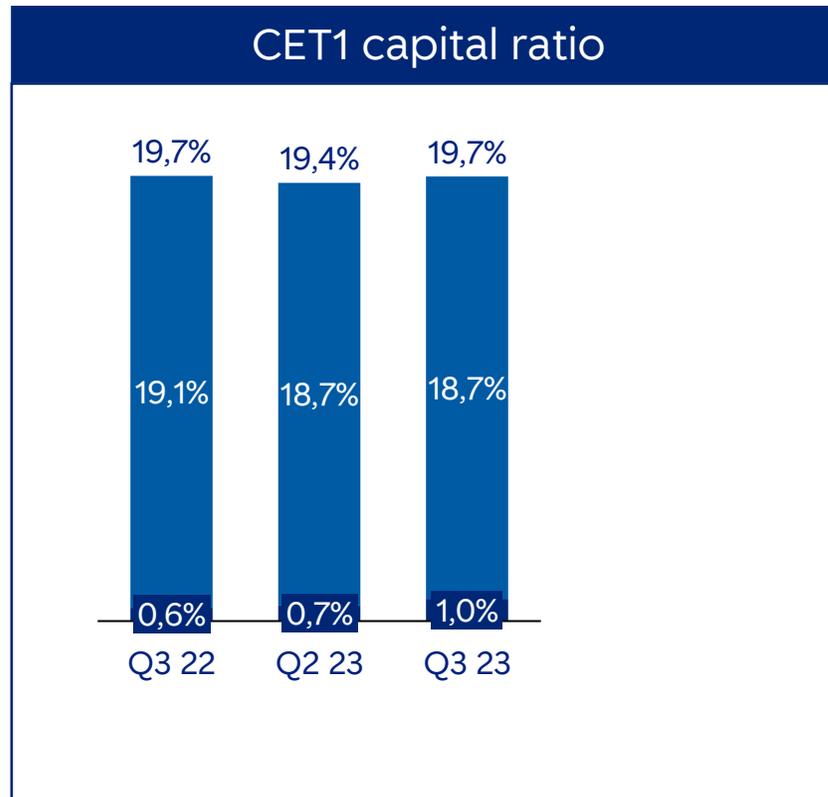
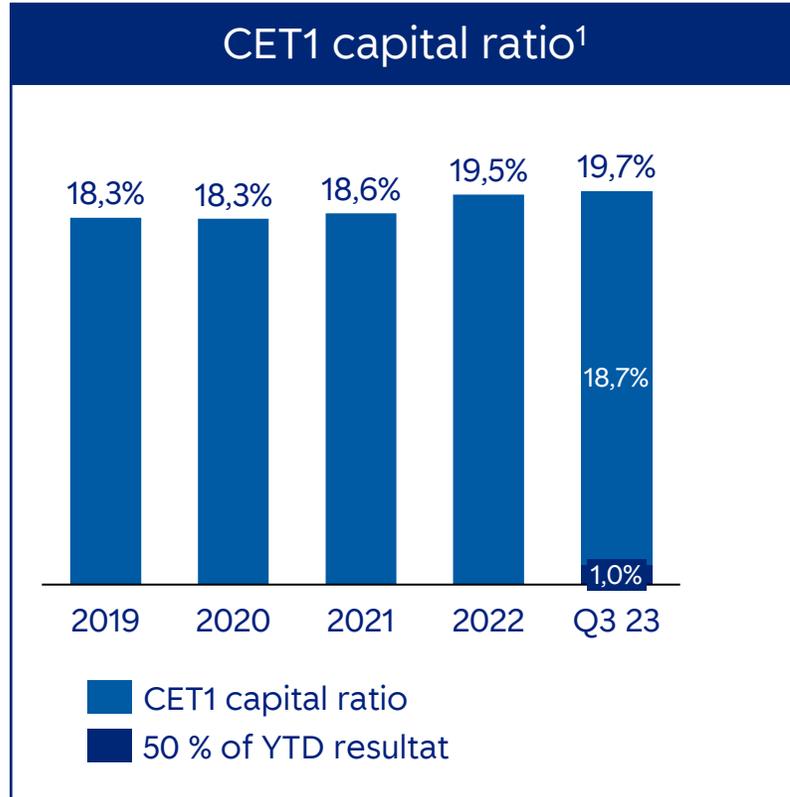
- Within the cost target for the parent bank

# Solid return on equity



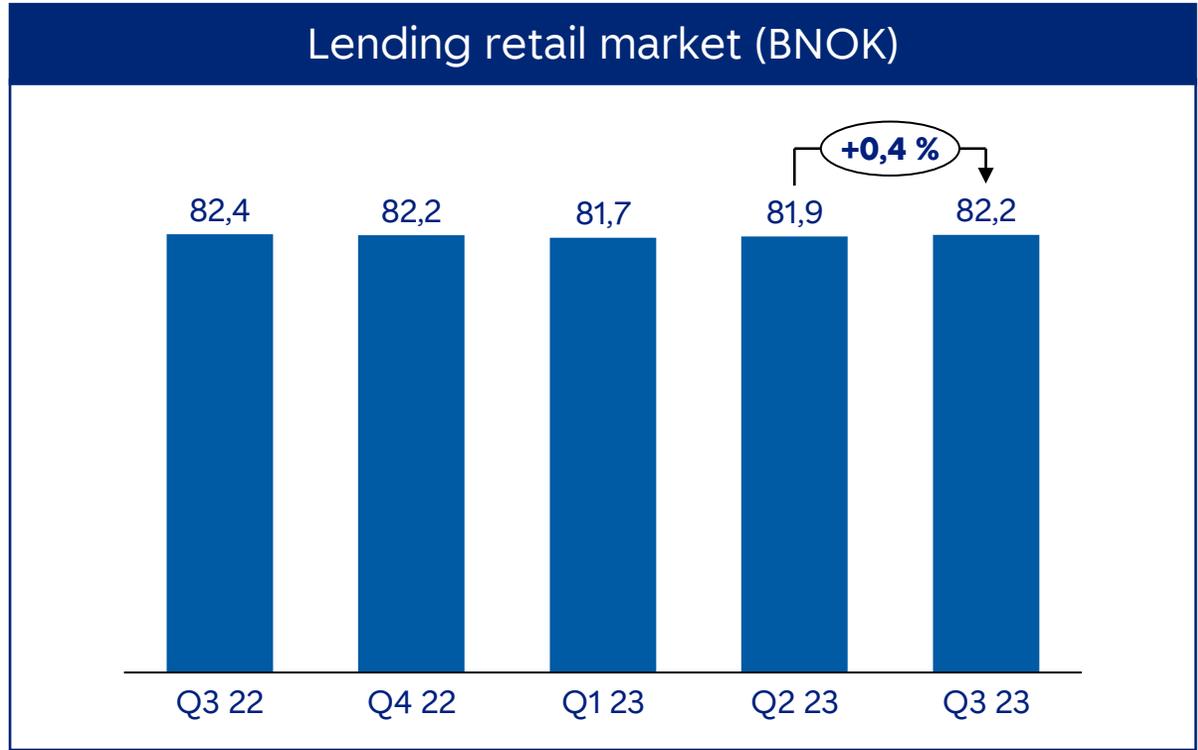
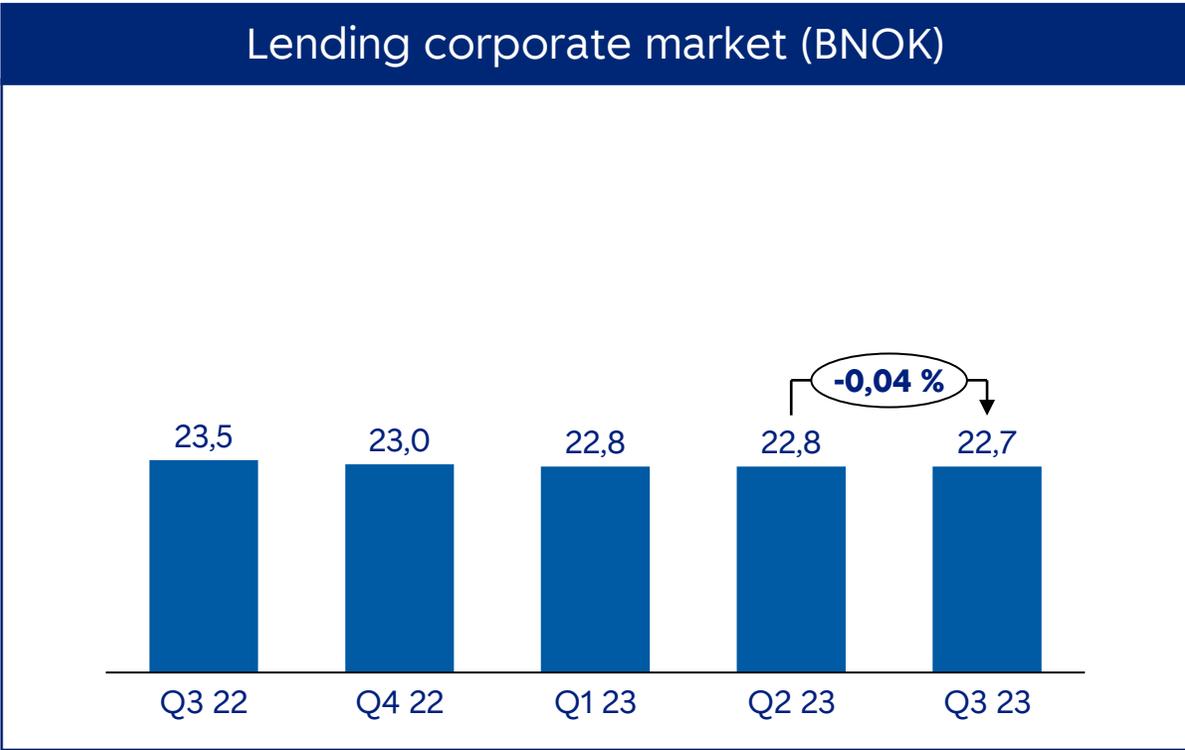
- Return on equity at 9.4 percent for the quarter and 10.7 percent year-to-date.
  - Growth in earnings for both corporate and retail segments compared to the same time last year but a decrease from the previous quarter.

# High capital and equity ratio



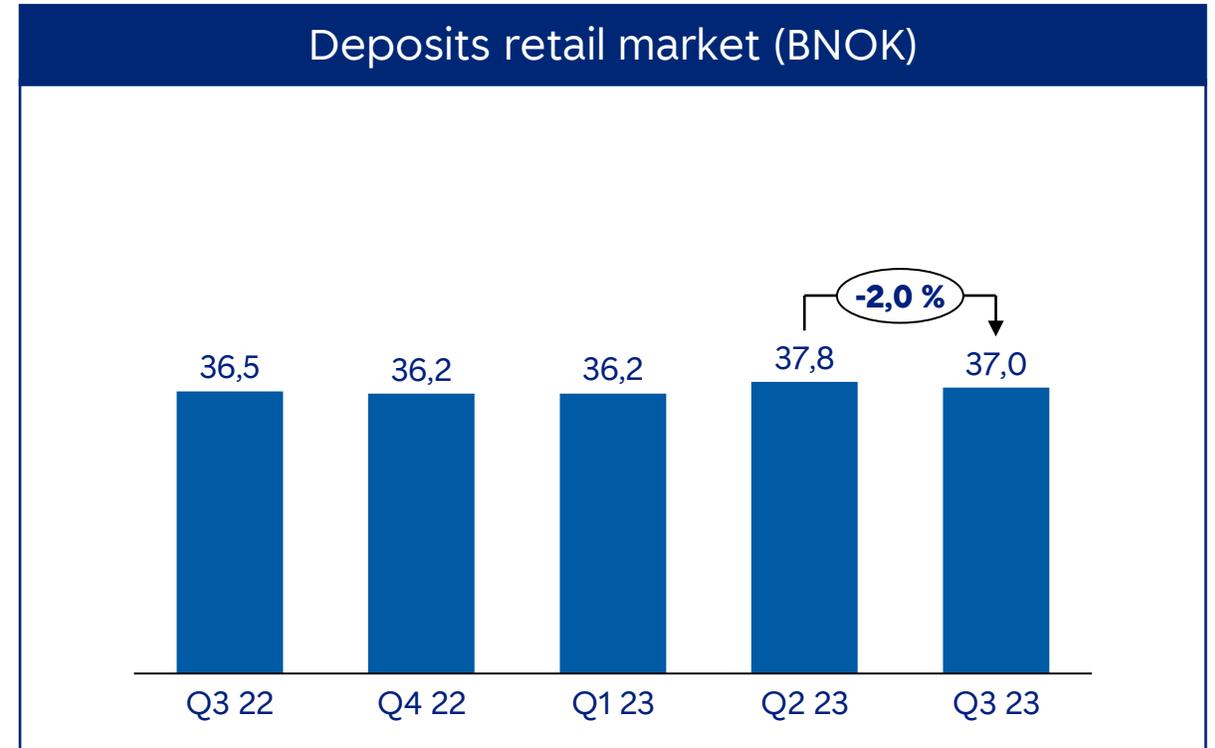
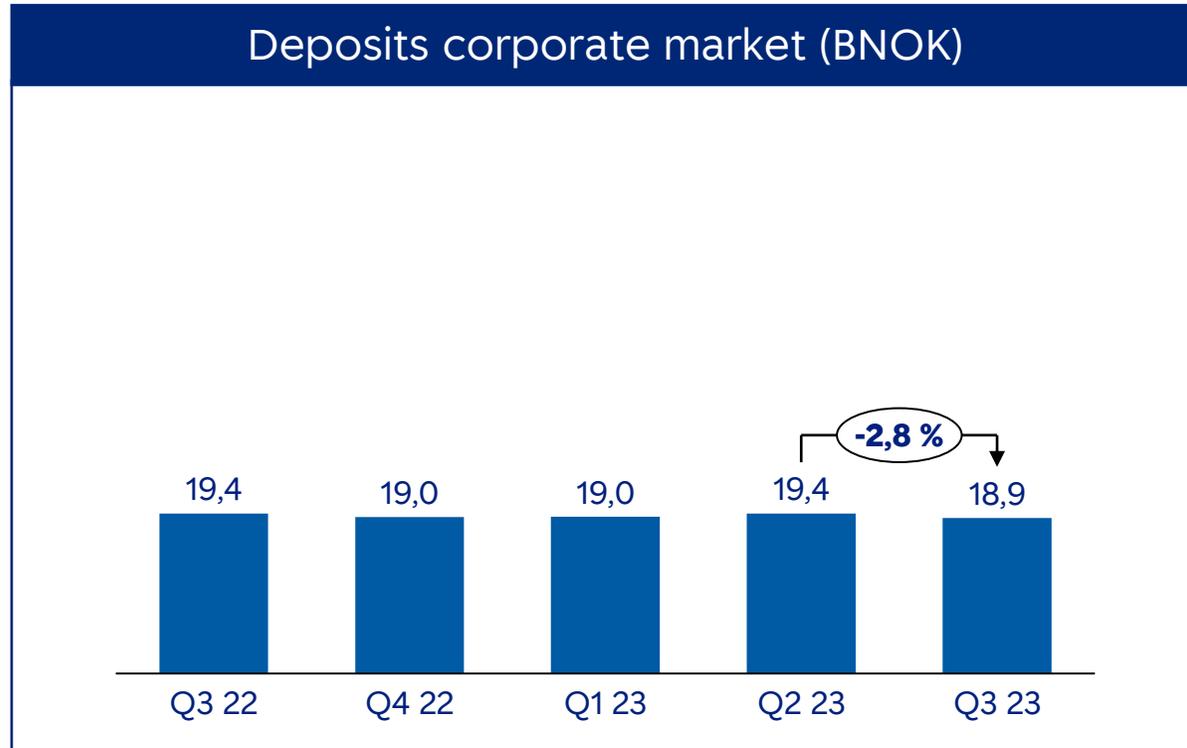
1) Starting from Q4.22 the capital ratio is at the group level, meaning subsidiaries and joint ventures are consolidated. Comparable figures have not been restated. Calculating the year-end capital ratio, the expected dividends are considered, including both regular and extra dividends

# Weak activity also in the 3rd quarter



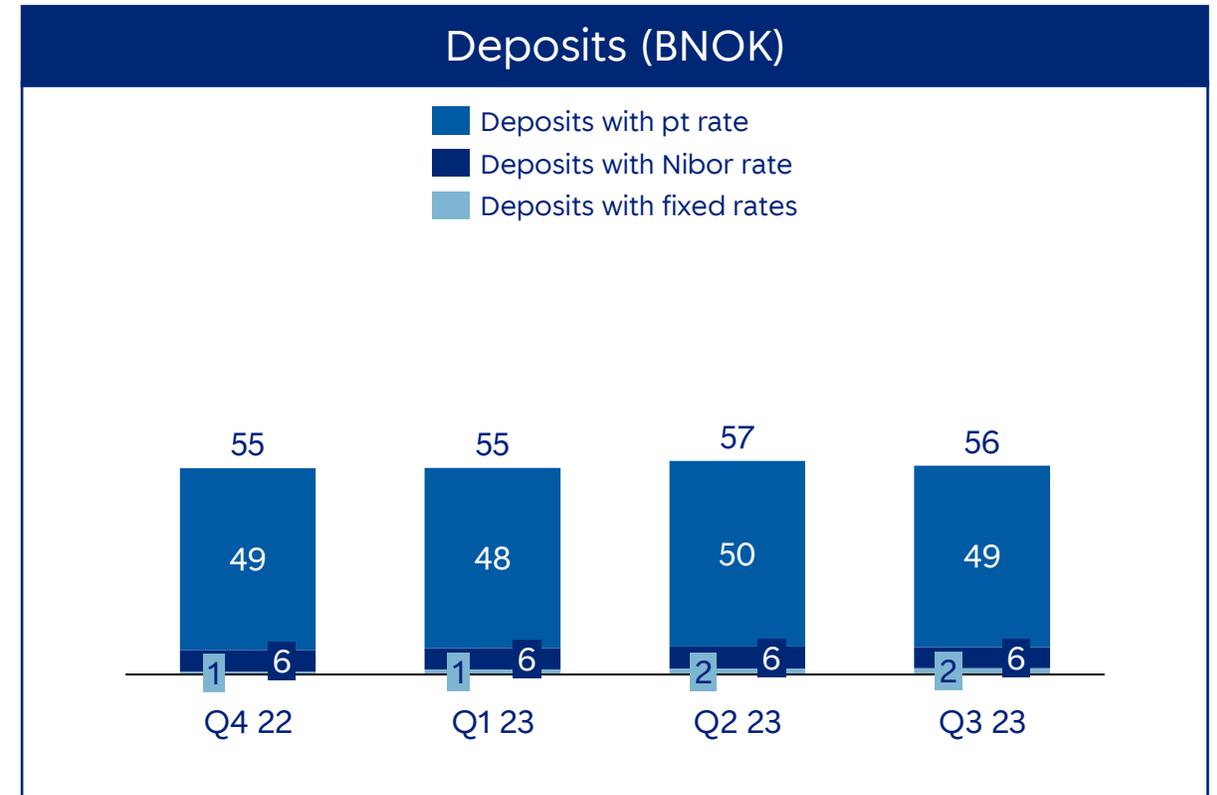
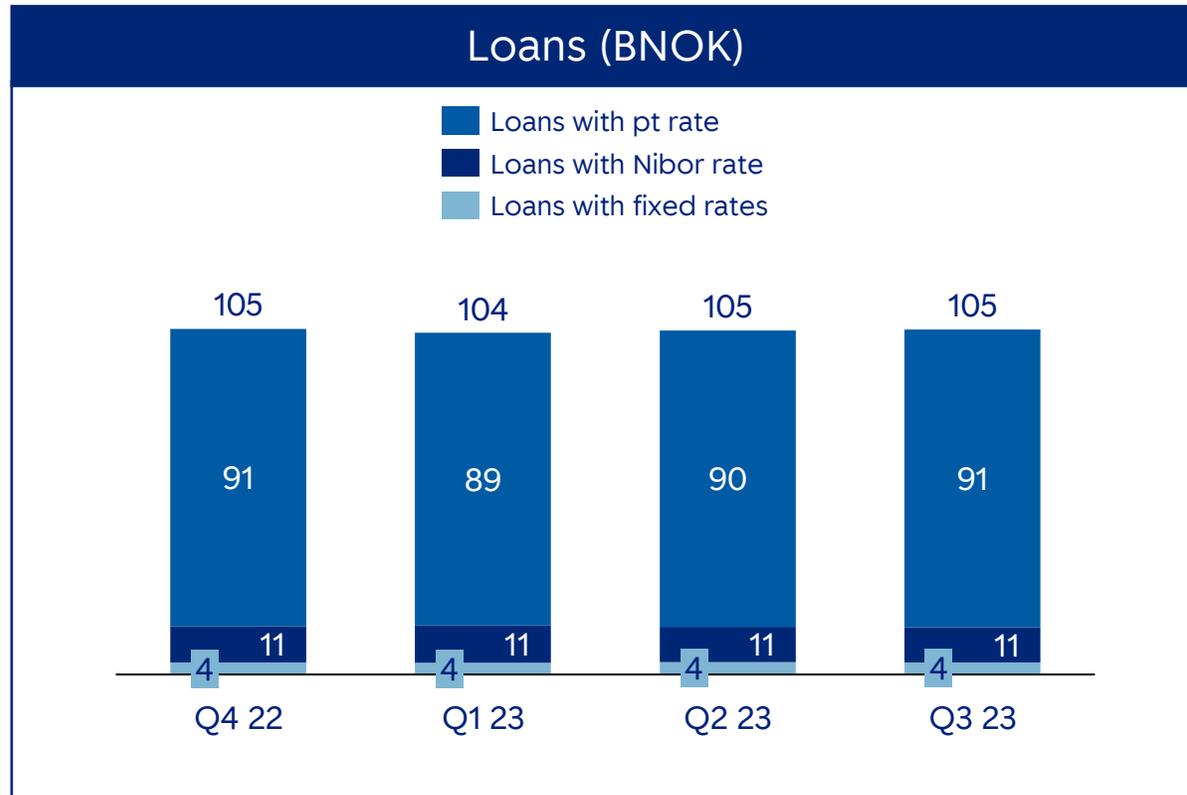
**Our growth ambitions remain, but growth must be profitable and the risk in line with the bank's profile**

# Reduced in deposits in the 3dr quarter



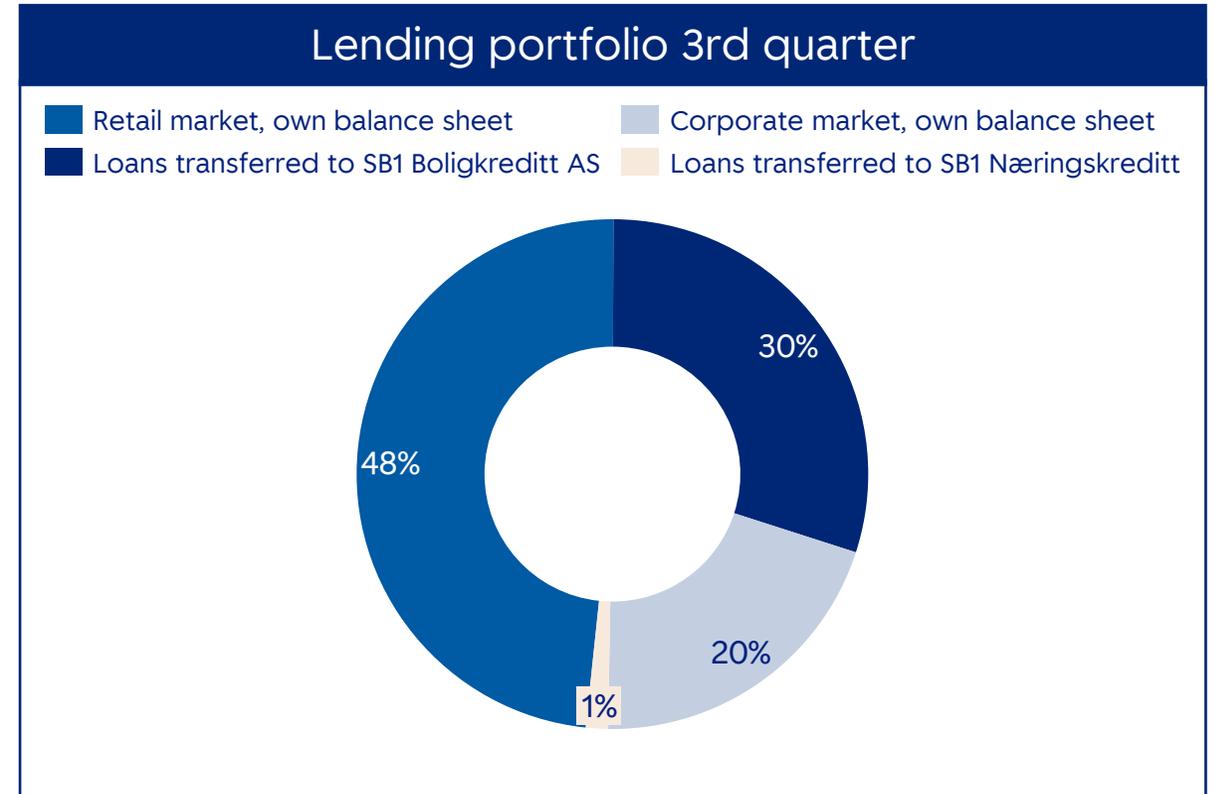
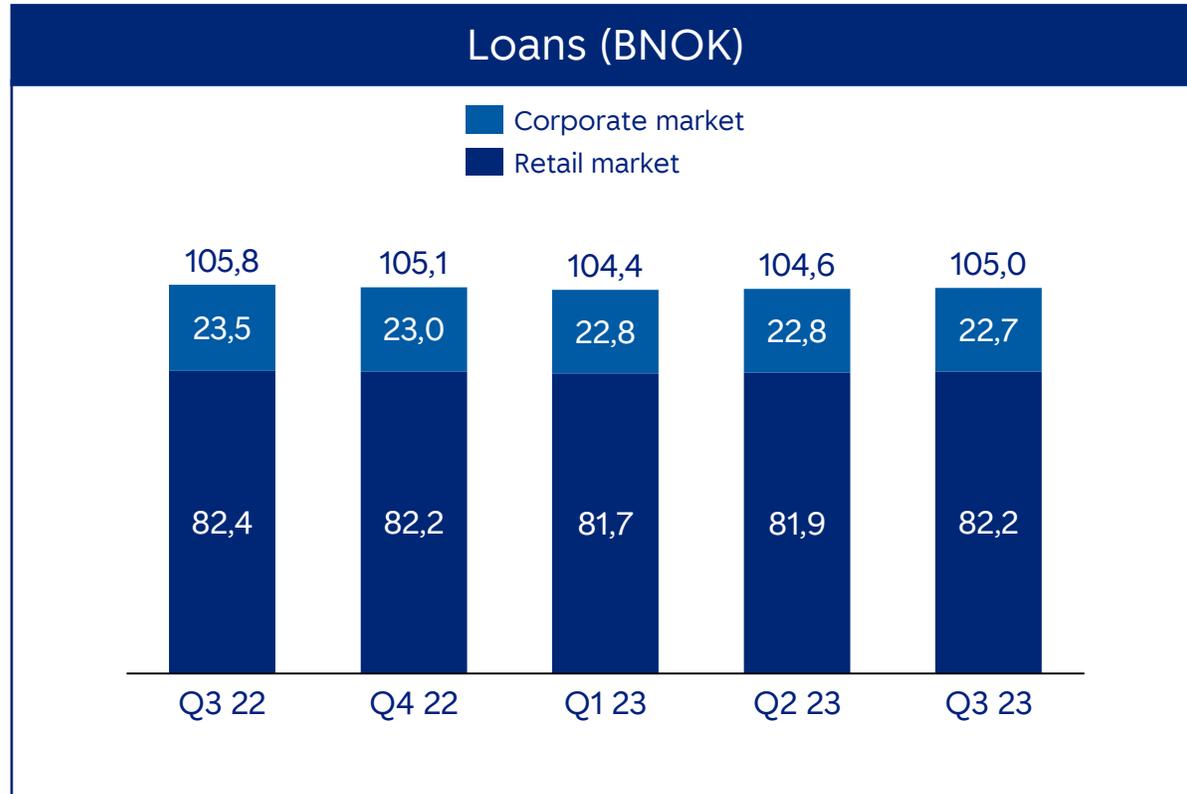
**72 percent of the bank's deposits are within the Deposit Guarantee Scheme –  
40 percent CM and 90 percent RM**

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

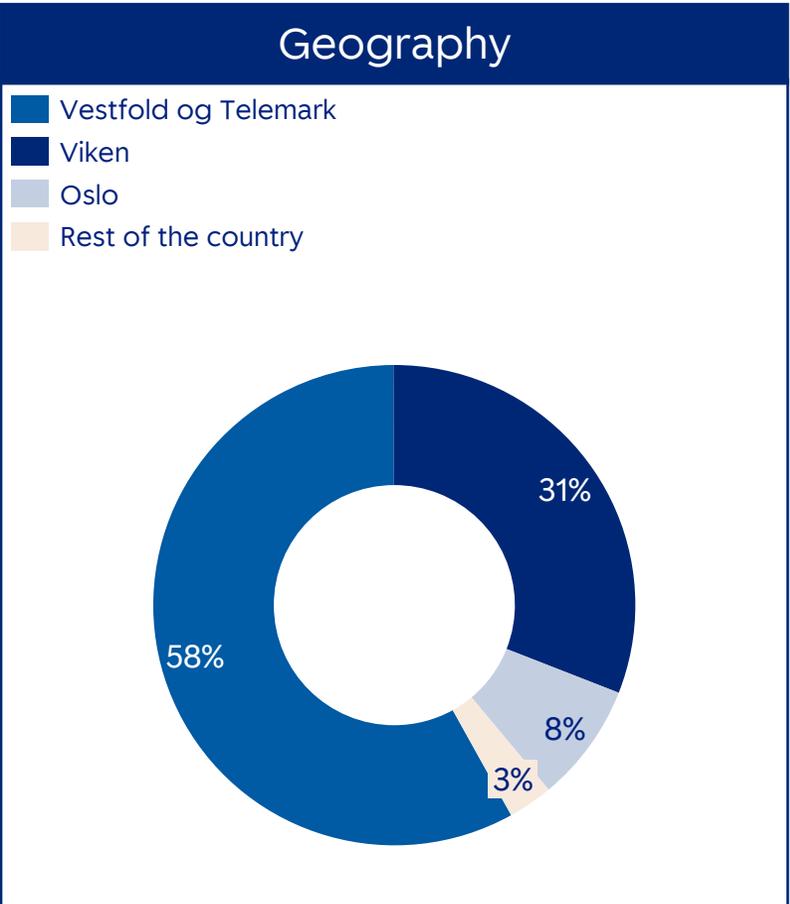
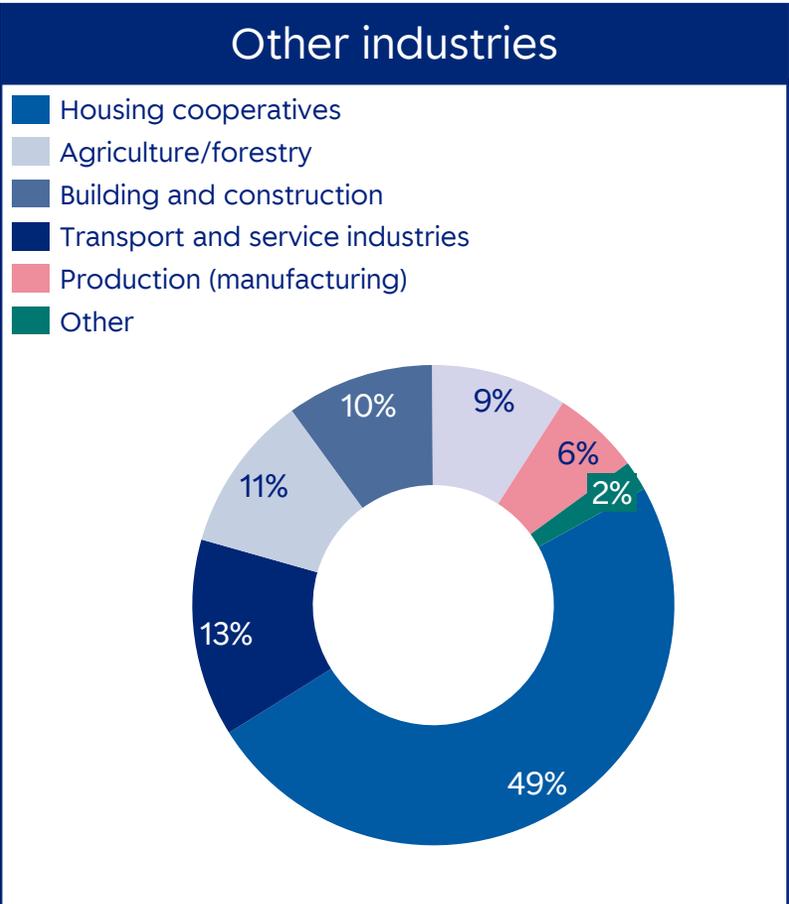
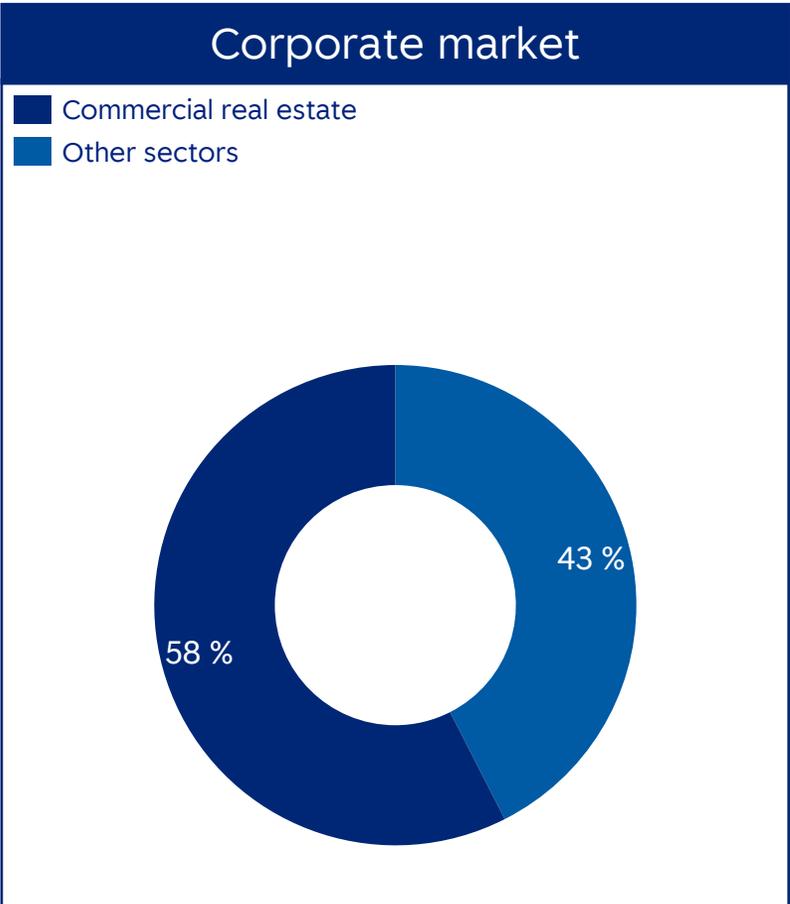


Note: The group's securities portfolio of 10.4 BNOK, book value of funding of 20.4 BNOK and transfers to mortgage company of 32.9 BNOK are with Nibor rate

# Big proportion of loans to the retail market

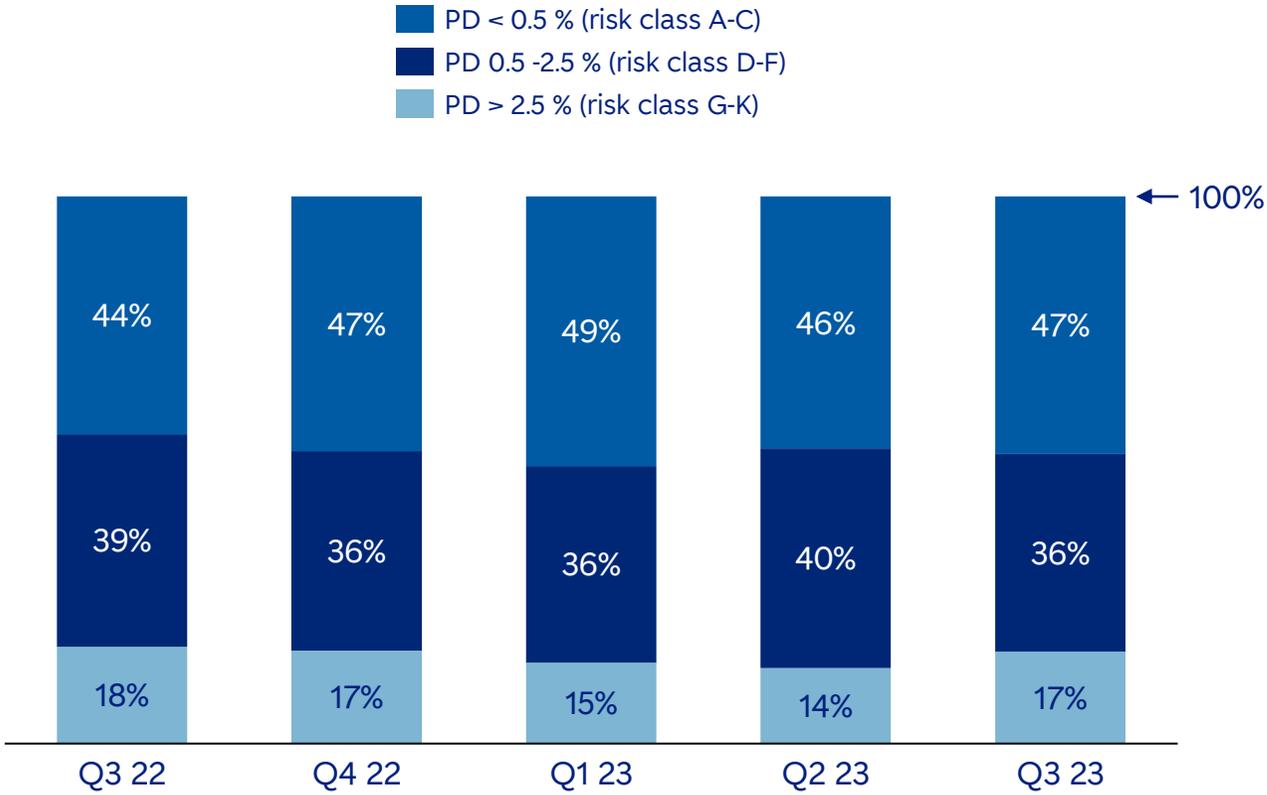


# No major change from Q2 in the distribution of the corporate market looking at sector and geography

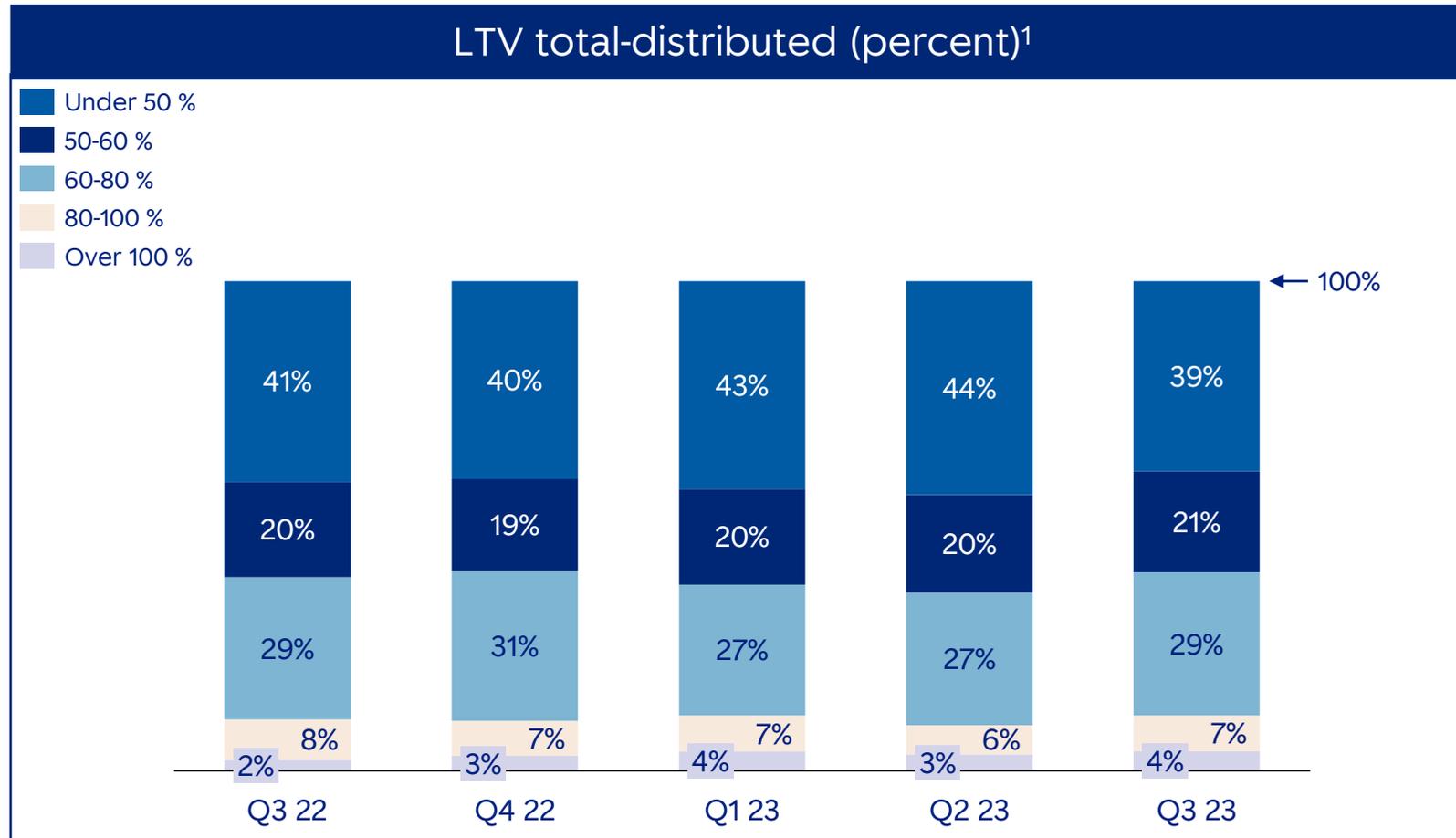


# The bank has a solid overweight position in favorable risk class within the corporate market portfolio

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



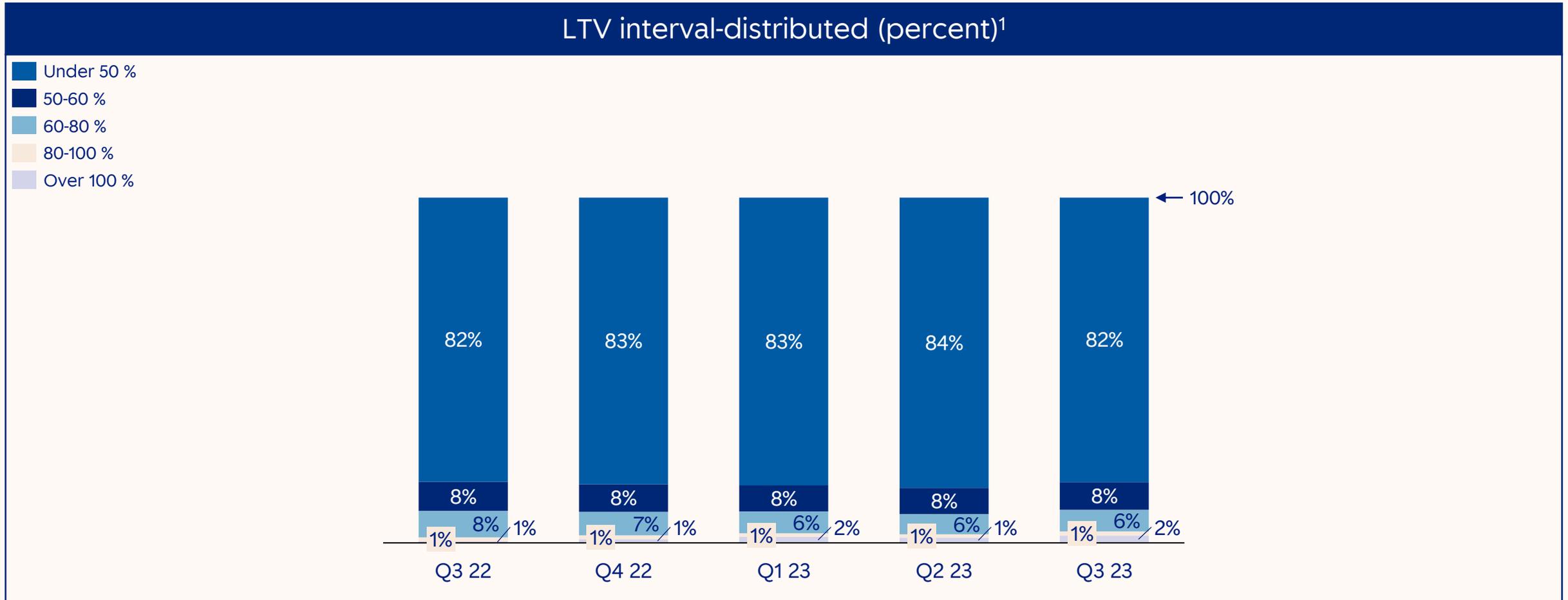
# Low leverage on commercial loans secured on property (total-distributed)



- The average LTV on commercial loans secured on property including loans transferred to SB1 Næringskreditt and housing cooperatives is 39.6 %, while LTV on own balance sheet is 40.2 %. LTV ex. Housing cooperatives is 51.7 %
- 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.

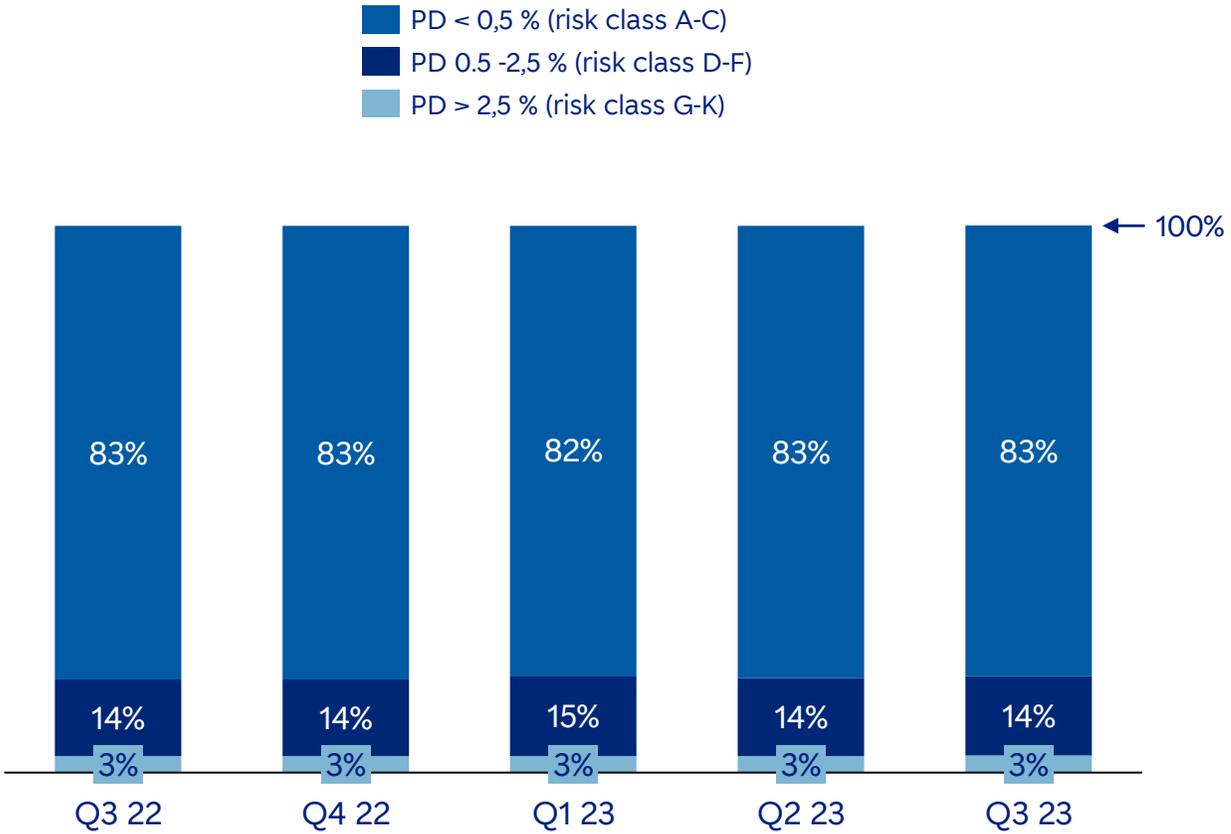
# Low leverage on commercial loans secured on property (interval-distributed)



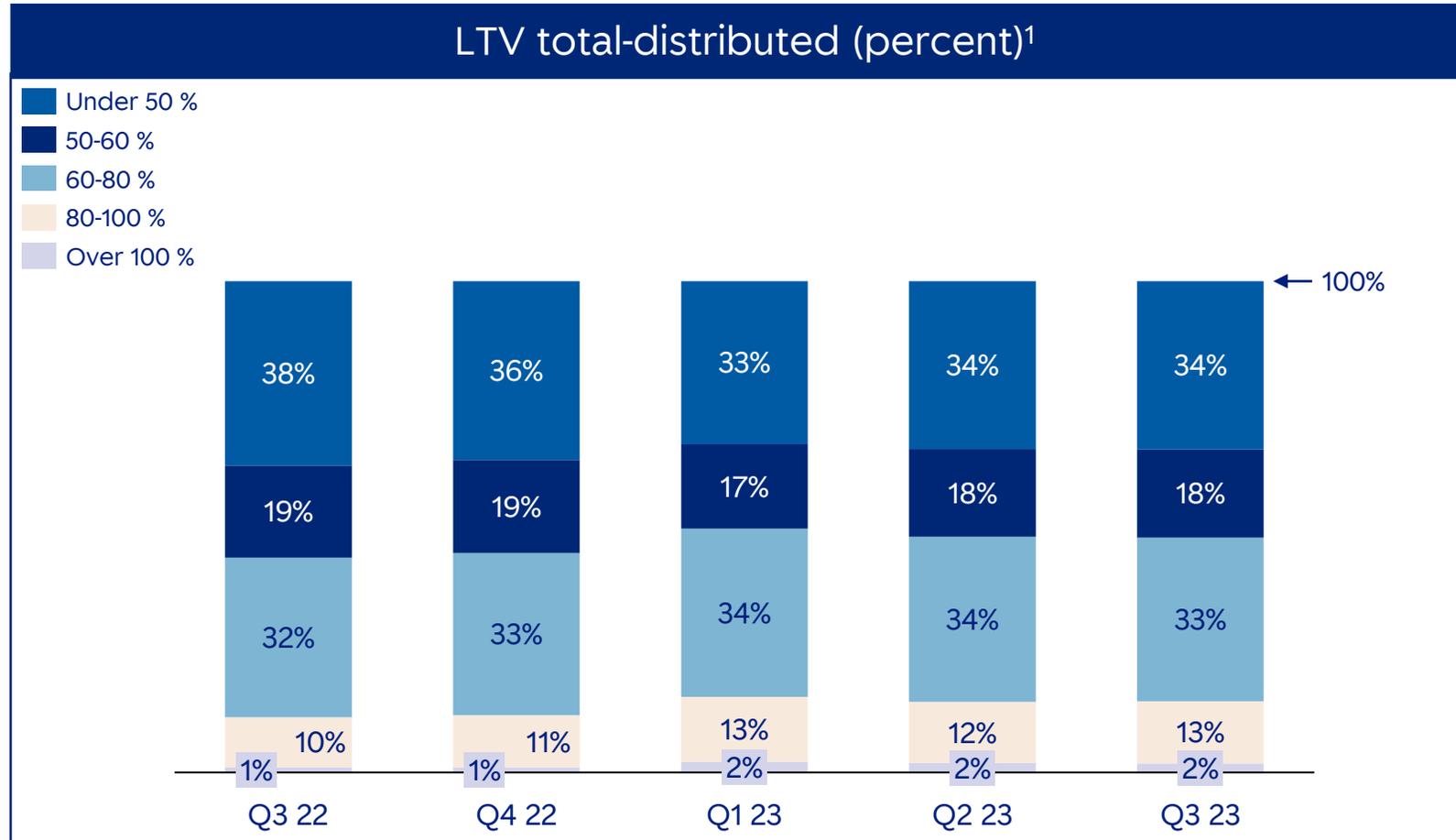
1) LTV interval-distributed: The calculation of LTV is based on the market value of the collateral. In the case of interval-distributed LTV, the loan will be distributed / split within the specific intervals in the graph interval. The figures include portfolio transferred to SpareBank 1 Næringskreditt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



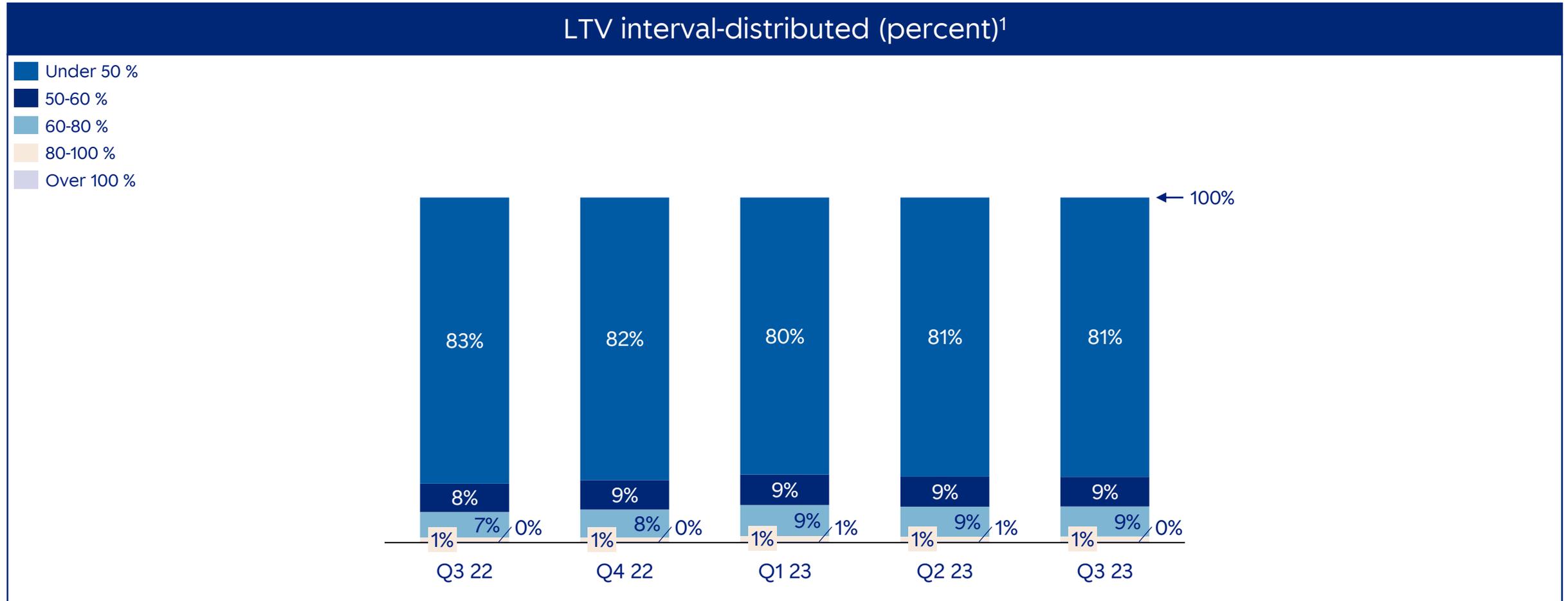
# Low risk in the mortgage portfolio (total-distributed)



- The average LTV on the mortgage portfolio incl. loans transferred to SB1 Boligkreditt is 47.1 % which is a reduction right below 0.1 percentage point compared to the previous quarter (47.2 %)
- Similarly, LTV on own balance sheet has decreased from 51,9 % at the end of last quarter to 51.8 % at the end of this quarter

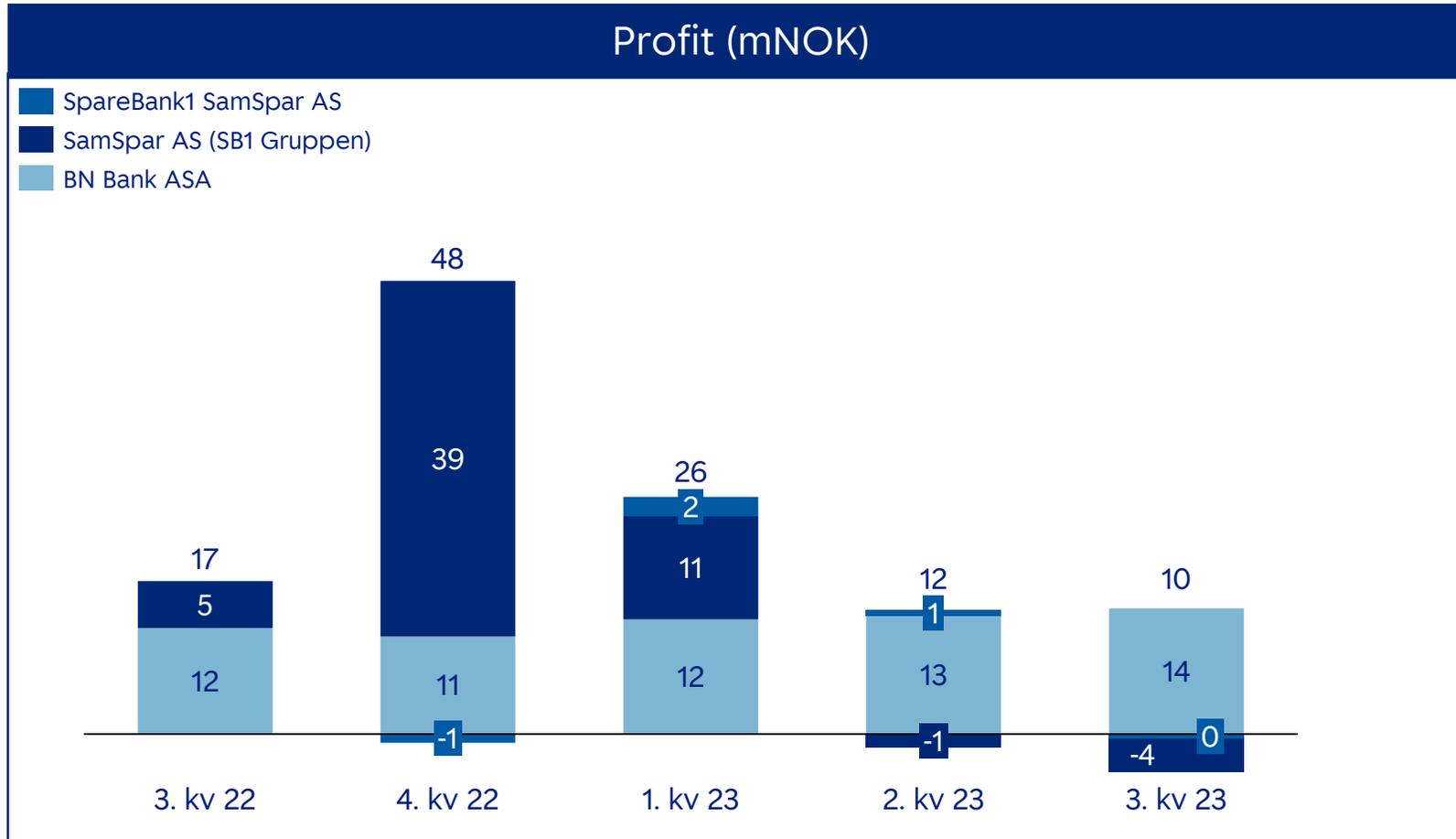
1) Loan-to-value ratio for mortgages incl. BK – LTV total-distributed: The calculation of LTV is based on the market value of the collateral. With total-distributed LTV, the whole of the loan is assigned to the same interval. The figures include portfolio transferred to SpareBank 1 Boligkreditt AS

# 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

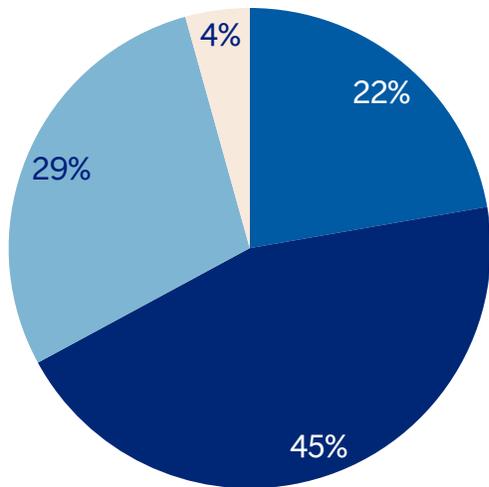


- SpareBank 1 Gruppen has implemented IFRS 17 and IFRS 9 per 1.1.2023. Comparable numbers for 2022 have not been restated to IFRS 17 and IFRS 9.
- SpareBank 1 Gruppen's consolidated result after tax in the 3rd quarter was negative -64 (-444) mNOK. The quarter was characterized by the weather phenomenon "Hans" and heavy rainfall in Eastern Norway. The weather events from August are estimated to have a net impact of 453 mNOK as of September. Additionally, there was an increased frequency of insurance claims and average claim costs on the main products at Fremtind, as well as a negative contribution from Kreditor due to a write-down in the portfolio.

# LCR portfolio 30.09.2023

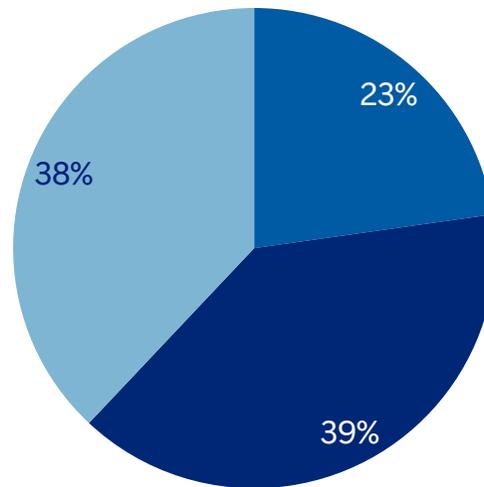
## Investment class (percent)

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



## LCR category (percent)

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

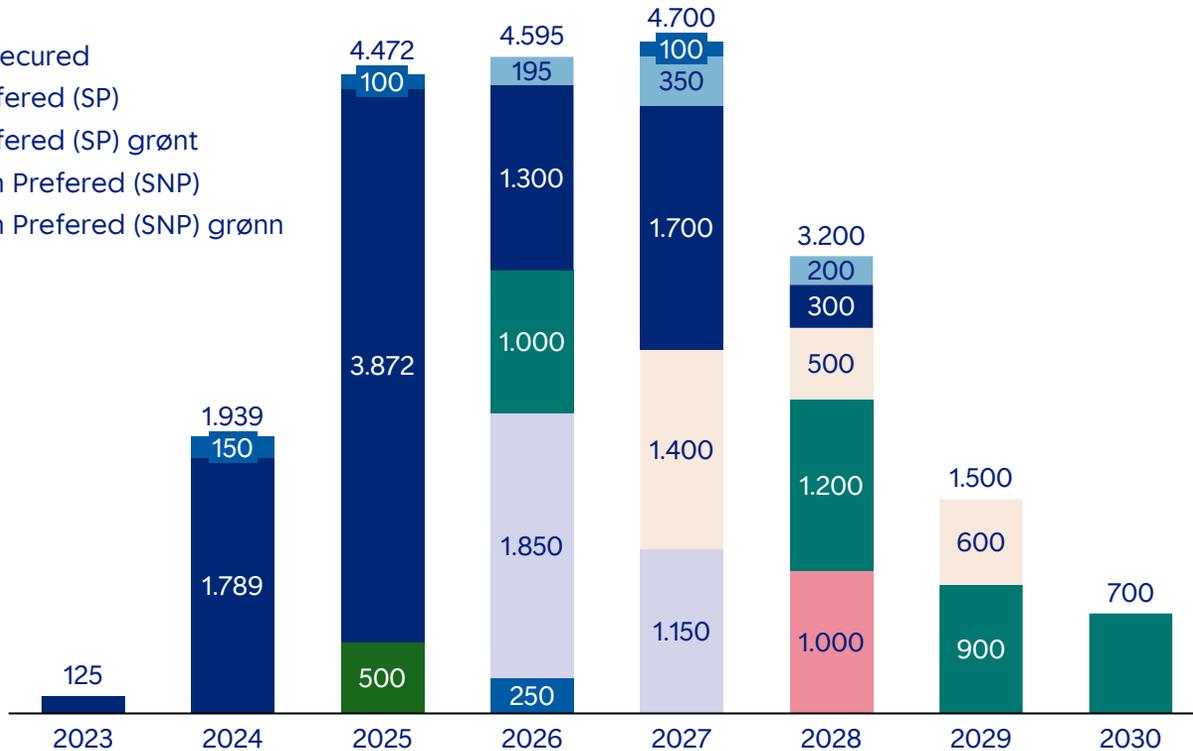


- The LCR portfolio end of quarter was of 10.4 BNOK, of which short term placement on 1.4 BNOK. Credit duration of 2.5 years and 1.4 month in short portfolio
- LCR of 226 (153) % and 237 (165) % average year-to-date 2023.
- The bank's liquidity position at the end of the first half is very strong

# Good spread in the banks funding

Funding per 30.09.2023 (mNOK)

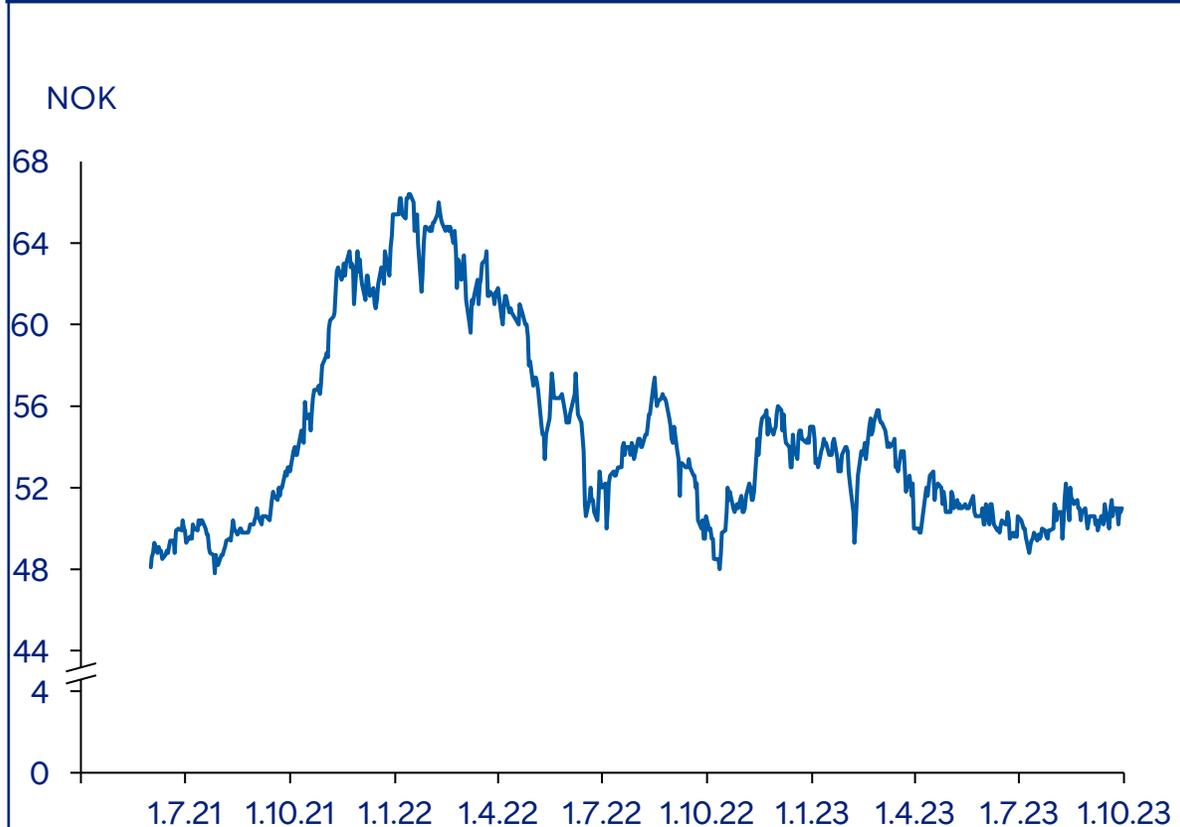
- Tier 1
- Tier 2
- Senior Unsecured
- Senior Preferred (SP)
- Senior Preferred (SP) grønt
- Senior Non Preferred (SNP)
- Senior Non Preferred (SNP) grønn



- Total outstanding funding as of 30.06.2023 amounts to 21.231 mnok comprising
  - Senior debt 15,386 mnok
  - SNP 4,750 mnok
  - Tier 2 745 mnok
  - Tier 1 350 mnok
- Average duration end of quarter is 3.2 (3.2) years of which approx. 15 % 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

Share price (NOK)



NOK	30.09.23	30.06.23	31.03.23	31.12.22	30.09.22
Share price	51,00	50,60	50,00	55,00	50,60
Market value (mnok)	7.145	7.089	7.005	7.411	7.313
Book equity per equity certificate (group)	53,78	53,57	51,90	55,50	54,83
Earnings per equity certificate (group ytd)	4,29	3,01	1,36	4,27	2,97
Price/book equity (group)	0,95x	0,94x	0,96X	1,03X	0,97X
Dividend per EC				2,60	
Additional dividend per EC				1,50	
Dividend yield				7,5%	

# 20 Biggest owners of equity certificates

## 20 Biggest owners of equity certificates

	Antall	% av totalt antall EK-bevis
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 TELEMAR - HOLLA OG LUNDE	10.273.723	7,3 %
VPF EIKA EGENKAPITALBEVIS	4.169.991	3,0 %
SPECIALFONDET BOREA UTBYTTE	3.866.798	2,8 %
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 %
CATILINA INVEST AS	912.032	0,7 %
WENAASGRUPPEN AS	907.432	0,6 %
Landkreditt Utbytte	903.455	0,6 %
MELESIO INVEST AS	886.937	0,6 %
SANDEN EQUITY AS	707.494	0,5 %
FORETAKSKONSULENTER AS	621.230	0,4 %
SKOGEN INVESTERING AS	605.000	0,4 %
AARS AS	484.737	0,3 %
HAUSTA INVESTOR AS	420.000	0,3 %
TROVÅG AS	418.792	0,3 %
Sum 20 største eiere av egenkapitalbevis	104.597.166	74,7 %

- At the end of the quarter, the number of equity certificate holders is 5,833 (6,036).
- 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 51.00 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 4.6 BNOK<sup>1</sup>  
Green investments of 1.1 BNOK<sup>2</sup>  
Green mortgages of 2.6 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 (21 % of the bank's external funding)
- 2) 12,3 % of total liquidity portfolio
- 3) 3,6 % of total lending portfolio on own balance sheet



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