

## **Sparebank 1 Sørøst-Norge and SpareBank 1 Modum signs letter of intent regarding merger**

The boards of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum have today, 15 September 2021, signed a letter of intent with a view to merge. The letter of intent, which sets out the main principles for a possible merger, was unanimously approved by the boards of both banks.

### **Background and objectives**

SpareBank 1 Sørøst-Norge is the result of a number of mergers over many years, particularly in recent years. These mergers have been driven by a desire to meet the opportunities and challenges that the banking industry faces in an offensive way, by implementing structural measures in good times that ensure competitiveness into the future. This is also the basis for the letter of intent for the merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum.

The objectives of the merged bank are to:

- strengthen the bank's ambition and focus in Buskerud and the Drammen region
- create a strong regional savings bank in the banks' market areas with the local bank's power and identity
- form important base for future profitable growth
- expand product spectre and offer competitive terms
- become one of the most attractive workplaces within banking/finance and contribute to stronger professional and competence environments

The banks see a realistic potential of approximately NOK 20 million in possible annual synergies fully phased in in 2024. Transaction costs and implementation costs for realizing the synergies are expected to be incurred in 2022-2023 and are currently estimated to a total of approximately NOK 50 million.

### **The merged bank**

Based on pro forma figures (unaudited) for total assets including loans transferred to SpareBank 1 Boligkreditt AS, the new bank will be the seventh largest savings bank in Norway

Selected pro forma key figures (unaudited) based on figures from the accounts (consolidated) as of 30 June 2021 show:

- Total assets including loans transferred to SpareBank 1 Boligkreditt/Næringskreditt: NOK 115 billion
- Gross loans including loans transferred to SpareBank 1 Boligkreditt/Næringskreditt: NOK 100 billion
- Deposits: NOK 55 billion
- Total equity excluding hybrid capital: NOK 11 billion
- CET1 capital proportionately consolidated: 18,2 per cent
- Number of branches: 21
- Number of real estate agency offices: 19
- Number of accountancy services offices: 5
- Number of employees: 645

## **Key points from the letter of intent**

The letter of intent is based on the following overall principles:

### *Name and acquiring entity*

Under the letter of intent, SpareBank 1 Sørøst-Norge will be the acquiring bank and the name of the merged bank will be SpareBank 1 Sørøst-Norge, and its head office will be located at Fokserød in Sandefjord.

The letter of intent aims to continue a model that ensures strong centres of expertise throughout the bank's market area.

### *Supervisory Board*

It is proposed that the Supervisory Board of the merged bank shall consist of 28 members, with 10 elected by the depositors, 11 elected by the equity capital certificate holder and 7 elected by the employees.

The existing Supervisory Board of SpareBank 1 Sørøst-Norge consisting of 24 members with 8 deputy members, was elected prior to the completion of the merger of SpareBank 1 BV and Sparebanken Telemark on 1 June 2021, and this is continued in the merged bank. From the completion of the potential merger, the Supervisory Board is supplemented by 4 members from SpareBank 1 Modum as follows: 1 depositor, 1 employee and 2 equity certificate holders, 1 from Sparebankstiftelsen SpareBank 1 Modum and 1 from Varig Forsikring Midt-Buskerud, respectively.

### *Nomination Committee*

The existing Nomination Committee of SpareBank 1 Sørøst-Norge consisting of 7 members, was elected prior to the completion of the merger of SpareBank 1 BV and Sparebanken Telemark on 1 June 2021 and will continue in the merged bank. From the completion of the potential merger, the Nomination Committee will be supplemented with 1 member from the depositors in SpareBank 1 Modum.

The Nomination Committee in the merged bank shall thus consist of 8 members, with 3 depositors, 2 from the savings bank foundations, 1 from other equity capital certificate holders and 2 employees.

### *Board of Directors*

It is proposed that the Board of Directors shall consist of up to 7 members and 2 deputy board members elected by the supervisory board, and 2 members and 2 deputy board members elected by the employees.

In the first election, it is the banks' intention that the existing Board of Directors of SpareBank 1 Sørøst-Norge is continued, and that SpareBank 1 Modum will appoint one board member. SpareBank 1 Modum shall be secured one board member for at least 2 years. One staff representative from SpareBank 1 Modum is elected as deputy board member who can participate in the board meetings.

### *Management*

The current Group CEO in SpareBank 1 Sørøst-Norge, Per Halvorsen, will continue as Group CEO in the merged bank. Current CEO in SpareBank 1 Modum, Egil Meland, will be member of the group management and will be responsible for the group's subsidiaries.

### *Exchange ratio*

The exchange ratio will first be determined at the time of conclusion of final merger agreement. Discussion of the exchange terms shall be based on, among other things, financial and legal due diligence, book and value-adjusted equity, normalized result, contribution analysis based on various historical key figures, as well as regression analysis of return on equity and price/book for comparable saving banks.

### *Financial targets and dividend and gift policy*

SpareBank 1 Sørøst-Norge will target an annual return on equity of 11.0 per cent from 2024. The bank will have a CET1 capital ratio of 17.0 per cent at the beginning of 2023. In the capital target, it has been taken into account that systemic risk buffers increase with 1.5 percentage points by the end of 2022 and a possible increase in the countercyclical capital buffer in 2022 or later of up to 1.5 percentage points must be taken into account.

The banks aim for the merged bank to have equity capital certificate ratio of about 60 per cent. In connection with the merger, Sparebankstiftelsen SpareBank 1 Modum will receive equity certificates from SpareBank 1 Sørøst-Norge in exchange for the equity certificates issued by SpareBank 1 Modum, as well as receive equity certificates for transfer/conversion of ownerless capital in SpareBank 1 Modum.

Furthermore, the banks also aim for equal treatment of the capital classes through gift allocation equivalent to cash dividends to the owners of equity certificates. It is aimed at an annual dividend of approximately 50 per cent of the annual result to the equity certificate capital and the ownerless capital, respectively.

The savings bank foundations are important supporters of their communities and ambassadors for the banks. The return on the equity capital certificates allotted to the foundations will form the basis for charitable gifts in the two banks' original business areas. The foundations will continue the savings bank traditions with contributions and commitment to their local communities.

### *Effect for the employees*

The employees of SpareBank 1 Modum will be protected on the transfer to SpareBank 1 Sørøst-Norge in accordance with the rules on business transfers in the Working Environment Act, chapter 16, and in accordance with other relevant legislation and the collective agreements applicable to the banks at any given time

### **Timetable and prerequisites for implementation**

According to the preliminary timetable, the banks will commence a mutual due diligence review and further negotiations on important terms. The banks' goal is to sign the merger agreement in the banks' boards in November 2021. The agreement will then be submitted to the banks' supervisory boards/general meeting for a decision in December 2021. According to the preliminary timetable, implementation of the merger is planned for 1 April 2022.

The letter of intent regulates the main premises for a possible merger, which is conditional on, among other things:

- Satisfactory company due diligence reviews

- Agreement on the terms of the merger, including the exchange ratio, and conclusion of final agreements
- Approval of the merger plan and related agreements in the banks' respective boards and supervisory boards
- Necessary approvals from the authorities and contract parties on acceptable terms.

The banks have retained SpareBank 1 Markets AS as common financial adviser in connection with the merger, while Advokatfirmaet Selmer AS has been retained as common legal adviser.

#### Contact persons

##### SpareBank 1 Sørøst-Norge

Finn Haugan, Chair, tel. + 47 900 41 002

Per Halvorsen, Group CEO, tel. + 47 934 07 441

##### SpareBank 1 Modum

Trond Gewalt, Chair, tel. +47 970 44 880

Egil Meland, CEO, tel. +47 481 05 221

This information is disclosed pursuant to the requirements of the Securities Trading Act § 5-12.

This information constitutes inside information and is subject to the disclosure requirements in accordance with the Market Abuse Regulation (MAR). The notification will be published on behalf of SpareBank 1 Sørøst-Norge by Per Grøtterød, Head of Treasury, at 07:55, 15.09. 2021.