

# Preliminary financial statements and Q4 2021

Per Halvorsen (CEO)  
Geir Årstein Hansen (Dept. CEO/IR)  
Roar Snippen (CFO)

February 22

# Agenda

## **Financial targets, dividend basis and profit and loss 2021**

Merger costs and synergies

Key figures in the region

SpareBank 1 Sørøst-Norge

Attachments

# Financial measures and value drivers

## Financial targets

17%

Common Equity Tier 1 capital ratio  
Proportional consolidation

11%

Return on Equity

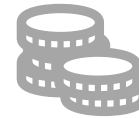
50%

Dividends

## Key value drivers



Top line growth  
- Increase other income



Strong cost control (JAWS)

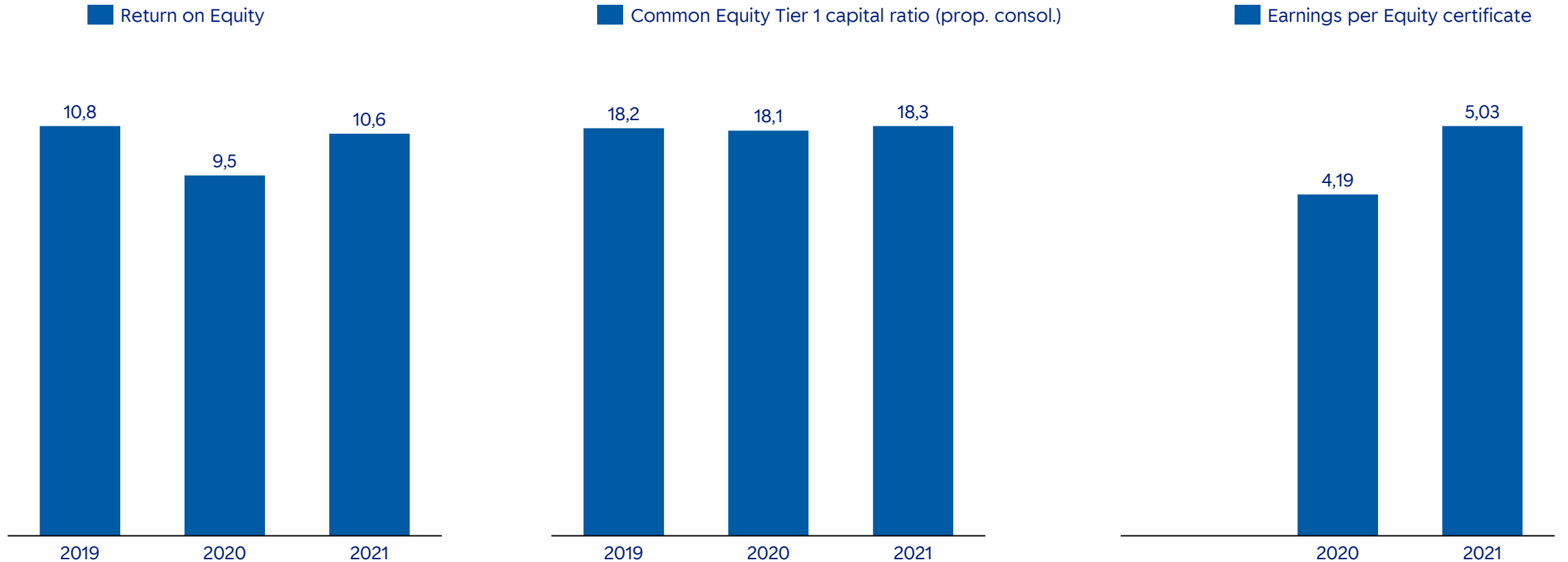


Capital efficiency



IRBA ambition

# Good growth in solvency and returns



The dividend for 2021 is based on pro forma accounts for the Group.  
The ownership fraction at 31.12.21 was 60.3%, which gives a pro forma dividend basis of NOK 600 million and pro forma EPS of NOK 5.03.  
The number of equity certificates is 118,689,917

Pro forma

# Strong results for 2021

## Solid growth, earnings and financial strength

### Solid income

Increased net interest income incl. mortgage company (NII) by 3.5% to MNOK 1,369, effect of interest rate increase decided in December - full effect from February 2022

Increased operating costs - of which just under MNOK 70 in one-time costs related to the merger

Income recognition of negative goodwill MNOK 151, contra entry for loss MNOK 89

Positive effect of approx. MNOK 24 from change in scenario weights for corporate market, IFRS stages 1 and 2.

Ordinary profit after tax of MNOK 1,004 (839)

Return on equity of 10.6% (9.5%)

Note: Based on pro forma figures as at 31.12.21

### Strong financial solvency

Common equity Tier 1 capital ratio of 18.3%

Leverage ratio 8.4%

Earnings per equity certificate NOK 5.03

### Solid growth

Another good profit contribution from SpareBank 1 Gruppen/SamSpar of MNOK 133 (125) and from BN Bank of MNOK 36 (26) in 2021.

Increased operating income from Eiendomsmegler companies and Regnskapshuset of MNOK 30

12-month growth in lending of 6.2% (7.9%) and deposits 6.0% (7.5%).

12-month lending growth in corporate market of 6.8% (11.0%) and retail market 6.1% (7.0%), with deposit growth of 8.1% (8.2%) and 5.0% (7.2%) respectively.

# Strong results in Q4

## Fourth quarter in isolation

### Solid income

Profit after tax of MNOK 225 (204)

Return on equity of 9.1% (9.1%)

Net interest income incl. mortgage co marginally up from the same time last year (MNOK 9). Higher money market rates through the quarter and interest rate changes on current rates in mid-November and last change not until February 2022

Increase in net other commission income of MNOK 12 due to increased activity in society and increased transaction volumes in payment services and increased income in subsidiary .

Net loss costs in the quarter of MNOK 2

### Strong financial solvency

Common equity Tier 1 capital ratio of 18.3% which is up 0.2% from the previous quarter.

Direct return of 3.8%  
(price NOK 65.40 at 31.12.21)

Dividend share approx. 62% of official parent bank profit and 50% of pro forma Group profit

### Solid growth

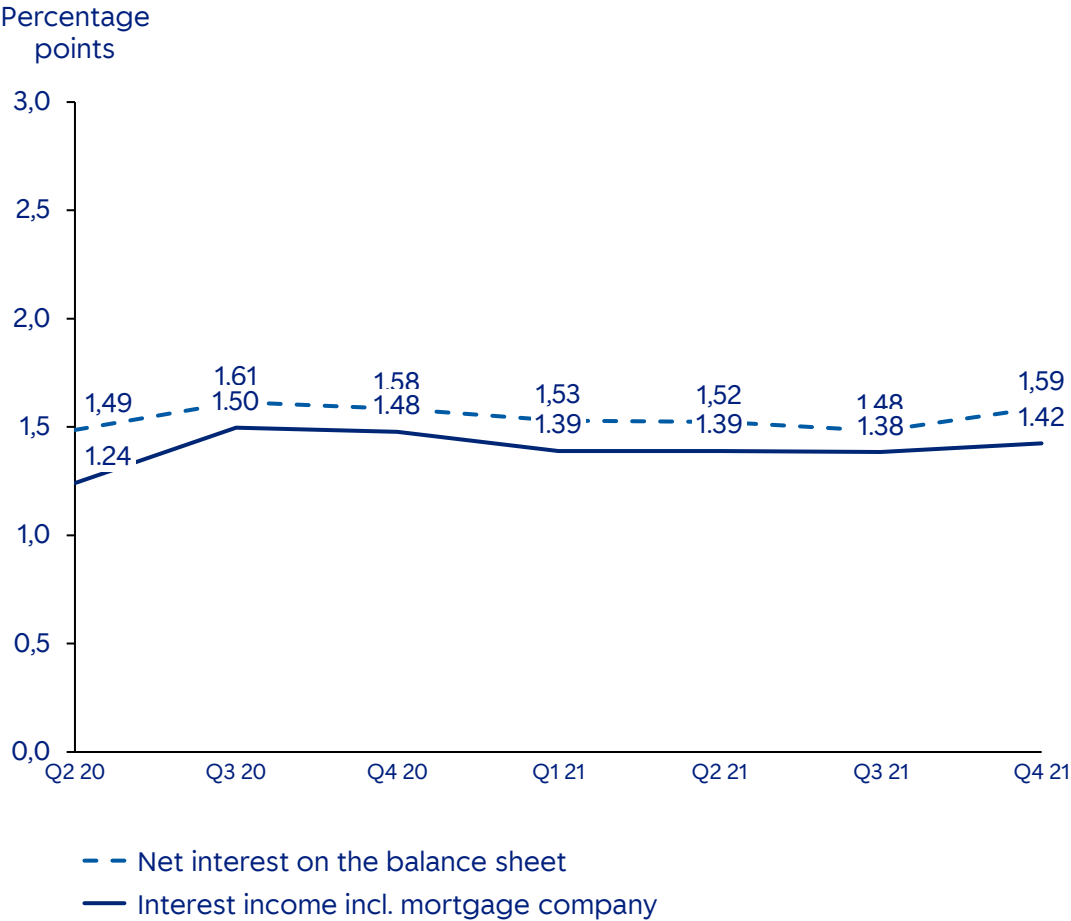
Increased income from subsidiaries and profits from associates and joint ventures.

Growth in the quarter of 0.8% (0.8%) on loans and -1.4% (-0.2%) on deposits.

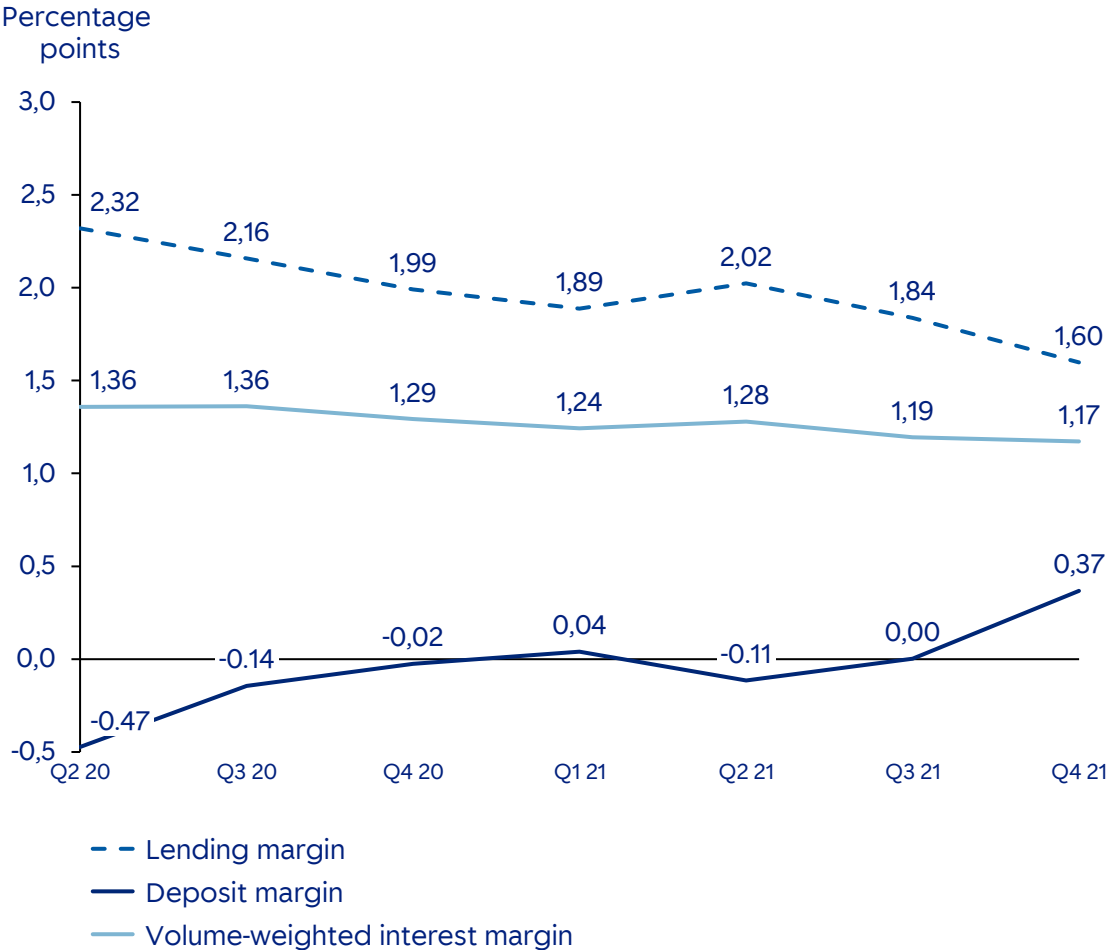
Quarterly growth on loans for corporate market -1.2% (1.2%) and retail market 1.4% (0.7%%, with deposit growth of -4.5% (-0.4%) and 0.2% (-0.1%) respectively.

Note: Q4 2021 vs. Q4 2020 pro forma

# Stable margin



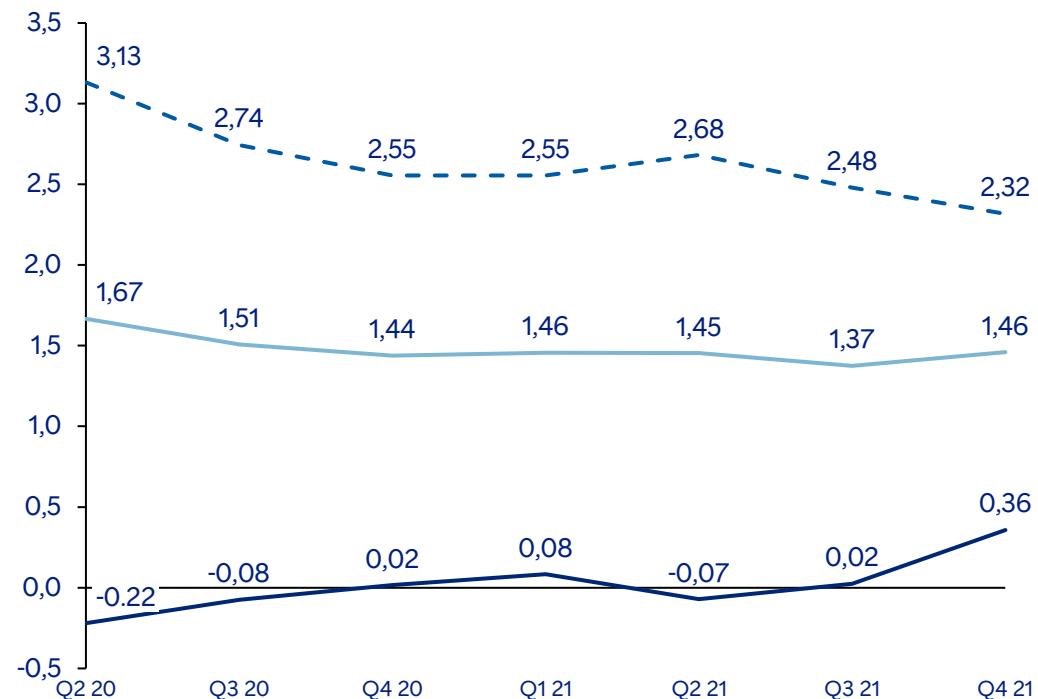
Pro forma



Interest on lending includes loans transferred to mortgage company.  
3M NIBOR is calculated as average 3M NIBOR in the quarter.

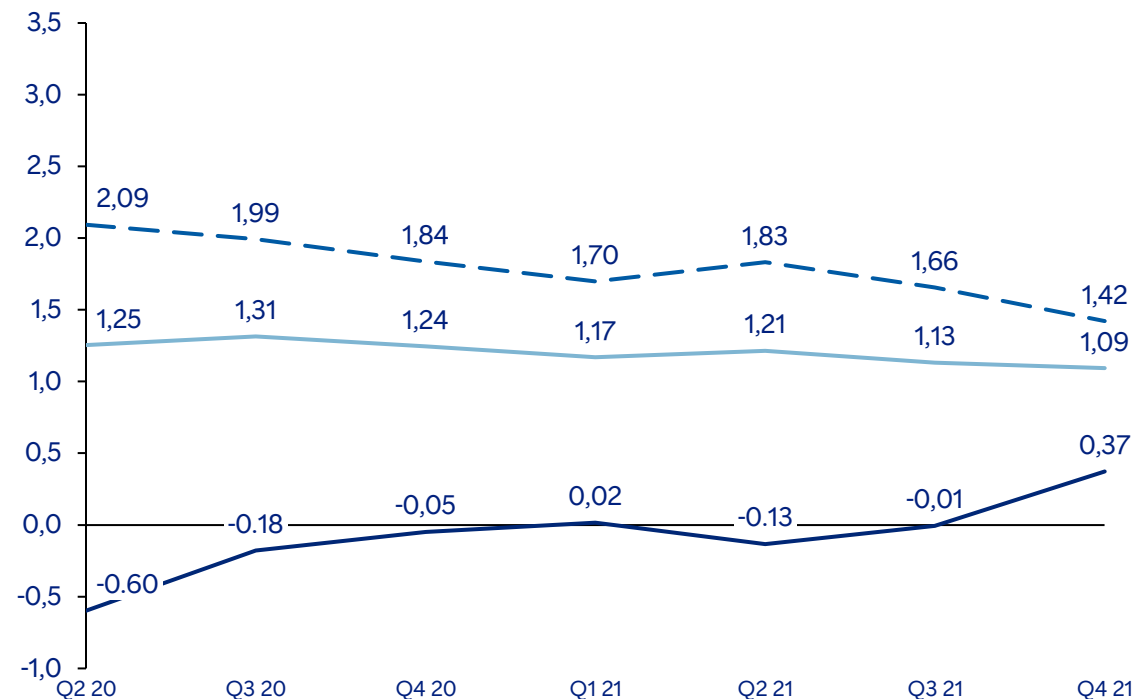
# Stable margin in corporate and retail portefolio

Corporate market  
percentage points



- - Lending rate corporate market vs. NIBOR
- Deposit rate corporate market vs. NIBOR
- Volume-weighted interest margin

Retail market  
percentage points

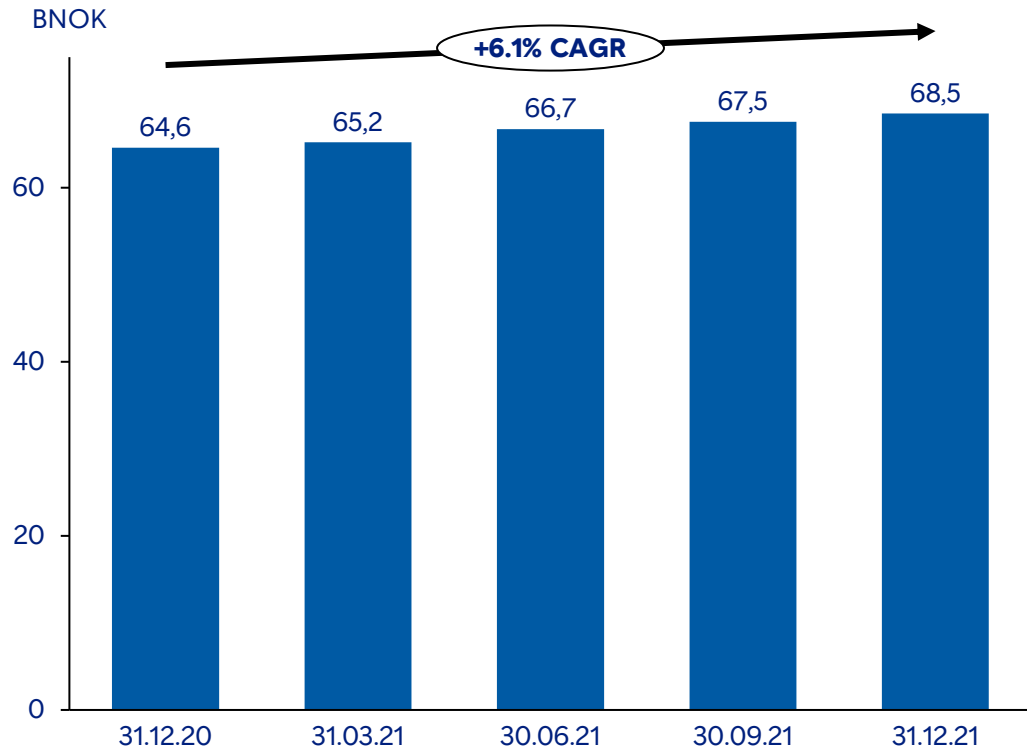


- - Lending rate retail market vs. NIBOR
- Deposit rate retail market vs. NIBOR
- Volume-weighted interest margin

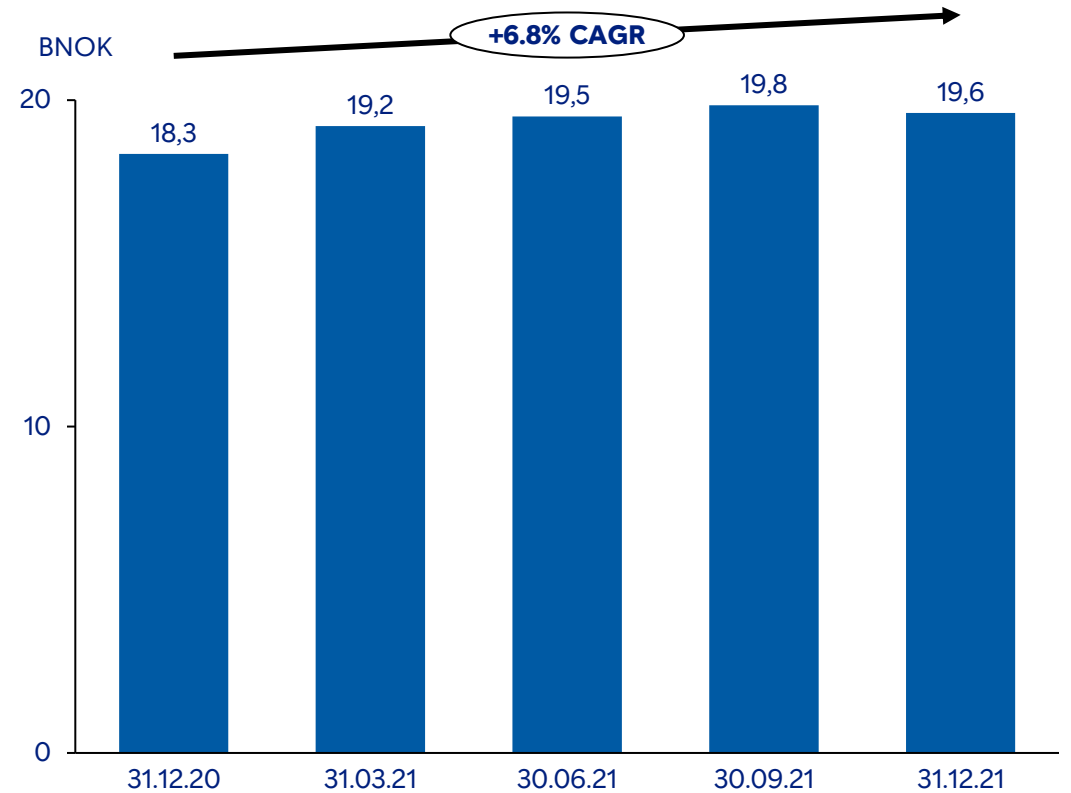
Pro forma  
Note 3M NIBOR is calculated as averaging 3M NIBOR in the quarter. Interest on lending includes loans transferred to mortgage  
co

# Strong growth in lending

Retail market

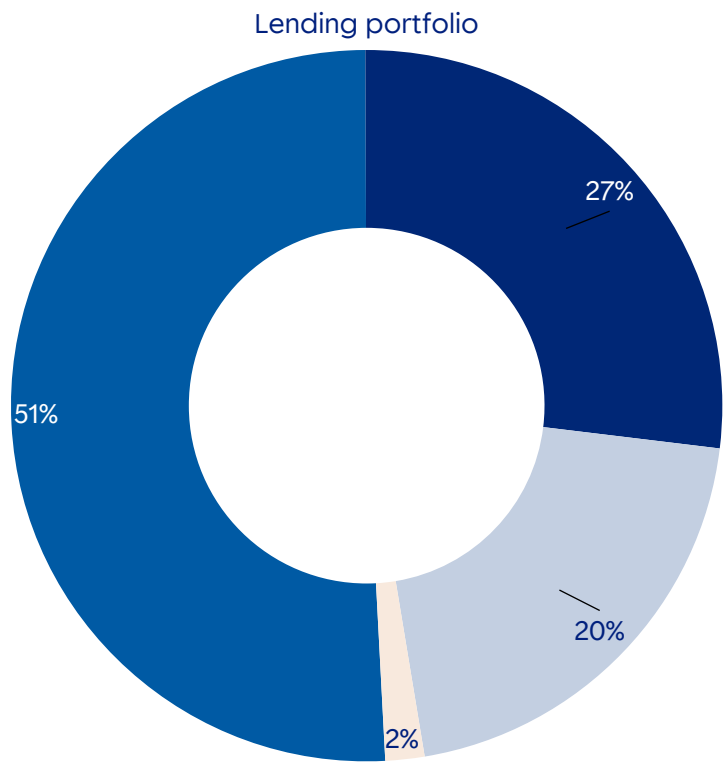


Corporate market

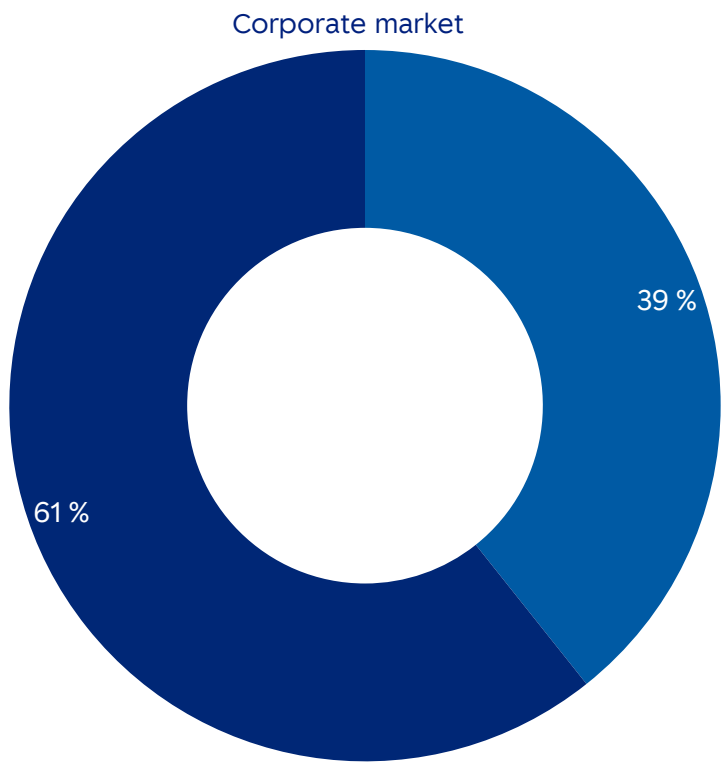


Pro forma CAGR: Compound growth rate.

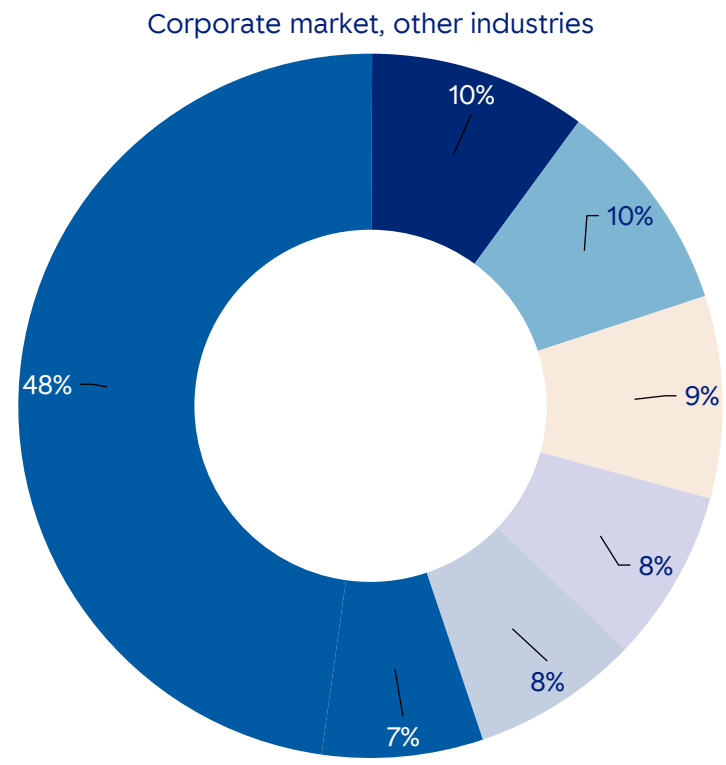
# High proportion of loans to the retail market



- Retail market, own balance sheet
- Loans transferred to SB1 Boligkreditt AS
- Corporate market, own balance sheet
- Loans transferred to SB1 Næringskreditt

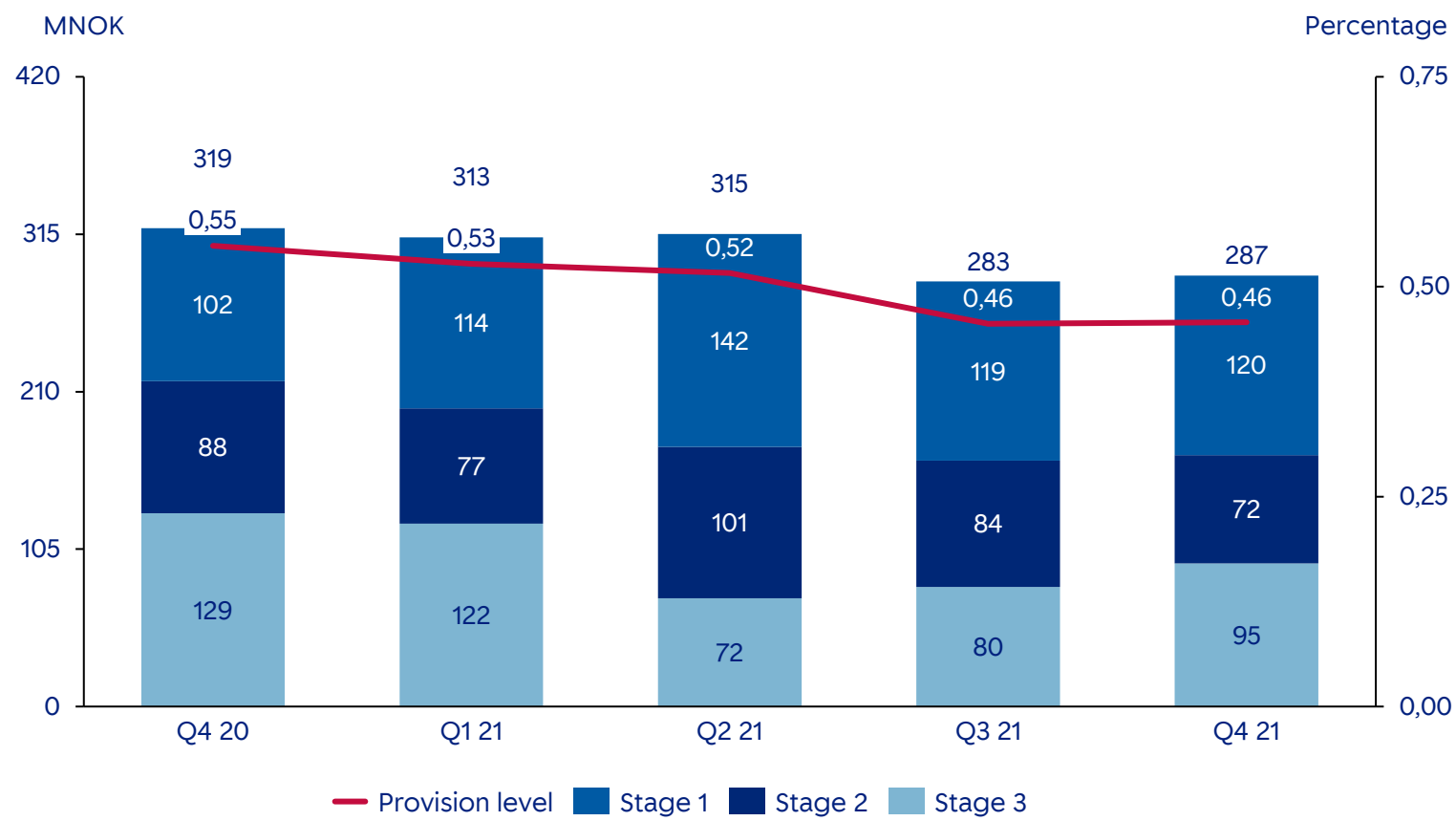


- Commercial property
- Other industries



- Housing cooperatives
- Transport and service industries
- Agriculture/forestry
- Production (manufacturing)
- Construction
- Other

# Stable and low loss provisions



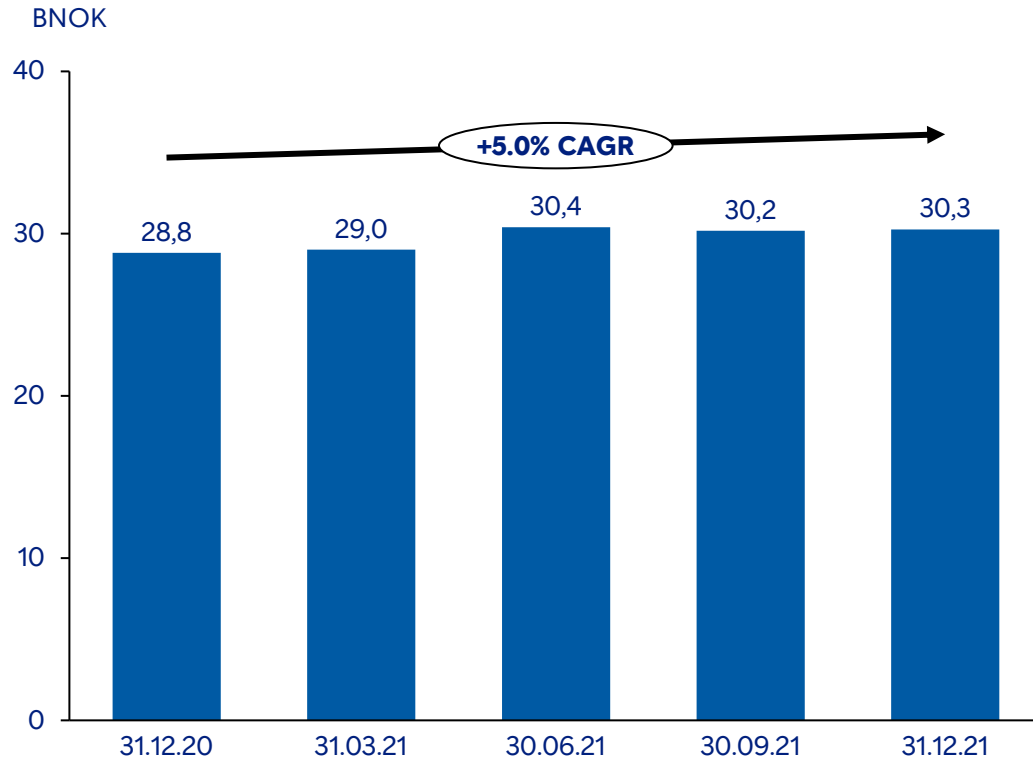
No change in scenario weighting in Q4.

Note that Q4 2020 and Q1 2021 are not completely comparable as the loss assumptions for Telemark and BV were not aligned until after the merger.

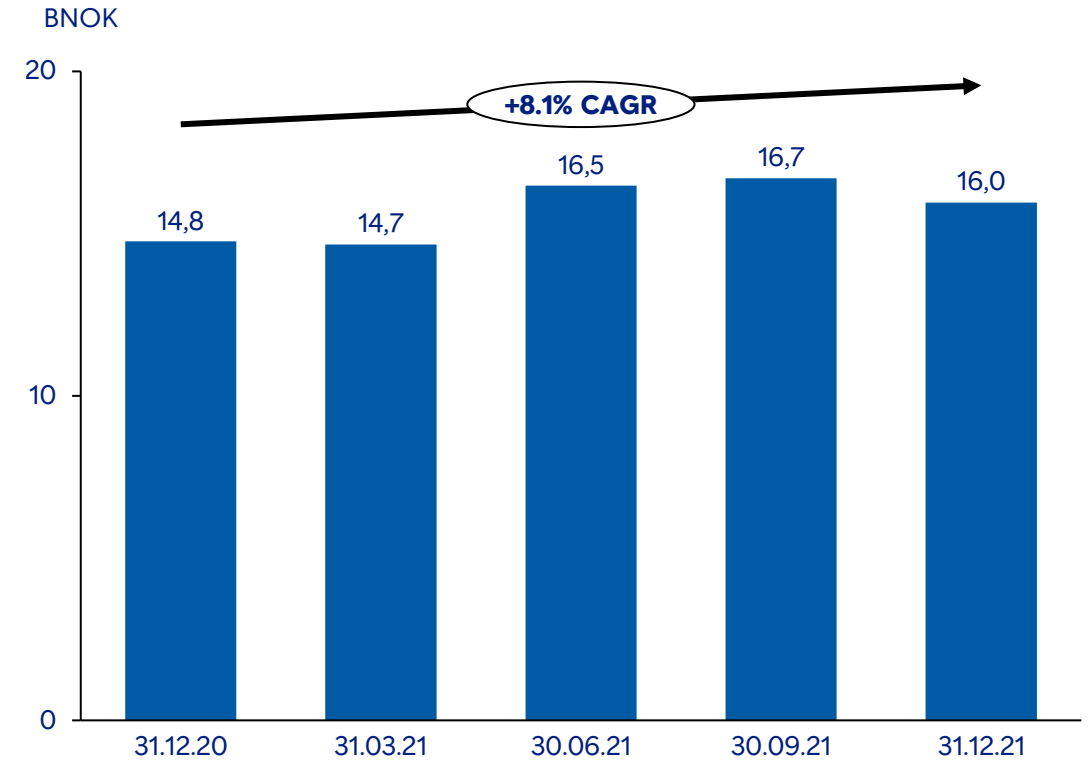
Actual losses in 2021 were NOK 28 (44) million.

# Stable deposits

Retail market



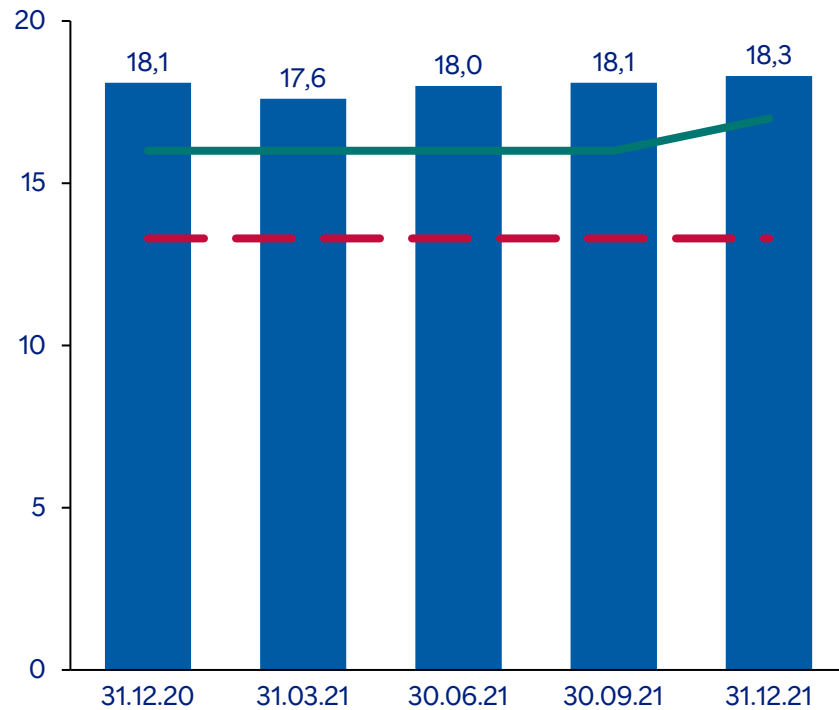
Corporate market



# High solvency

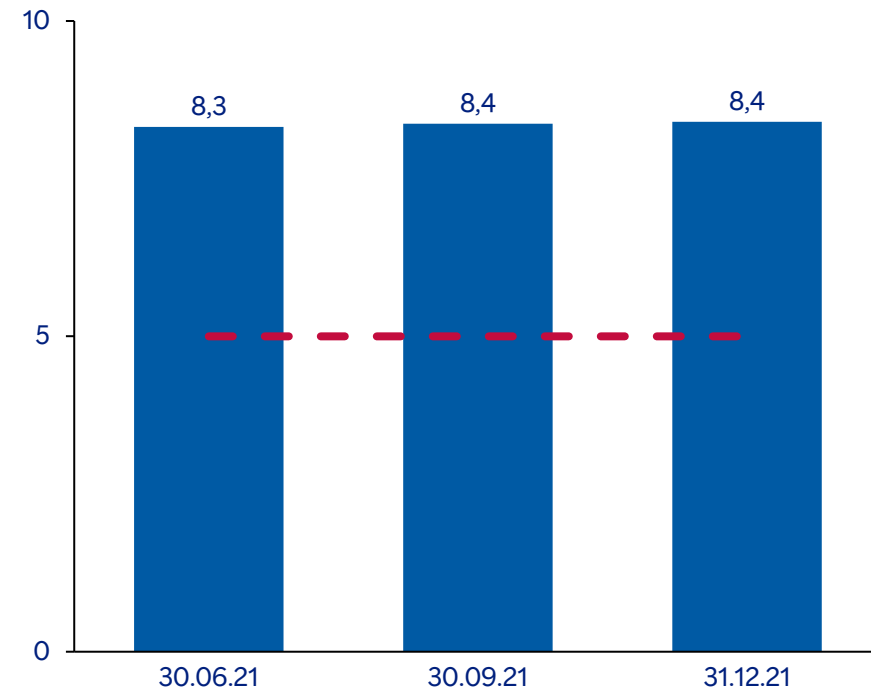
Change in proportionally consolidated common equity Tier 1 capital ratio.

Percentage



■ Common equity Tier 1 capital ratio  
— Internal target  
- - - Regulatory requirement

Percentage



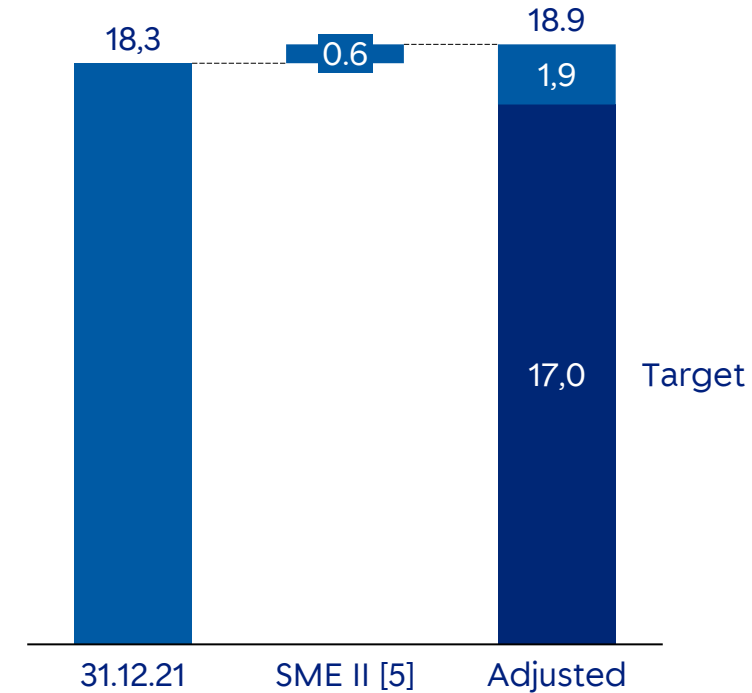
■ Leverage ratio  
- - - Regulatory requirement

Pro forma

# Good financial strength – buffers for future requirements

Common equity Tier 1 capital ratio - prop. consolidated

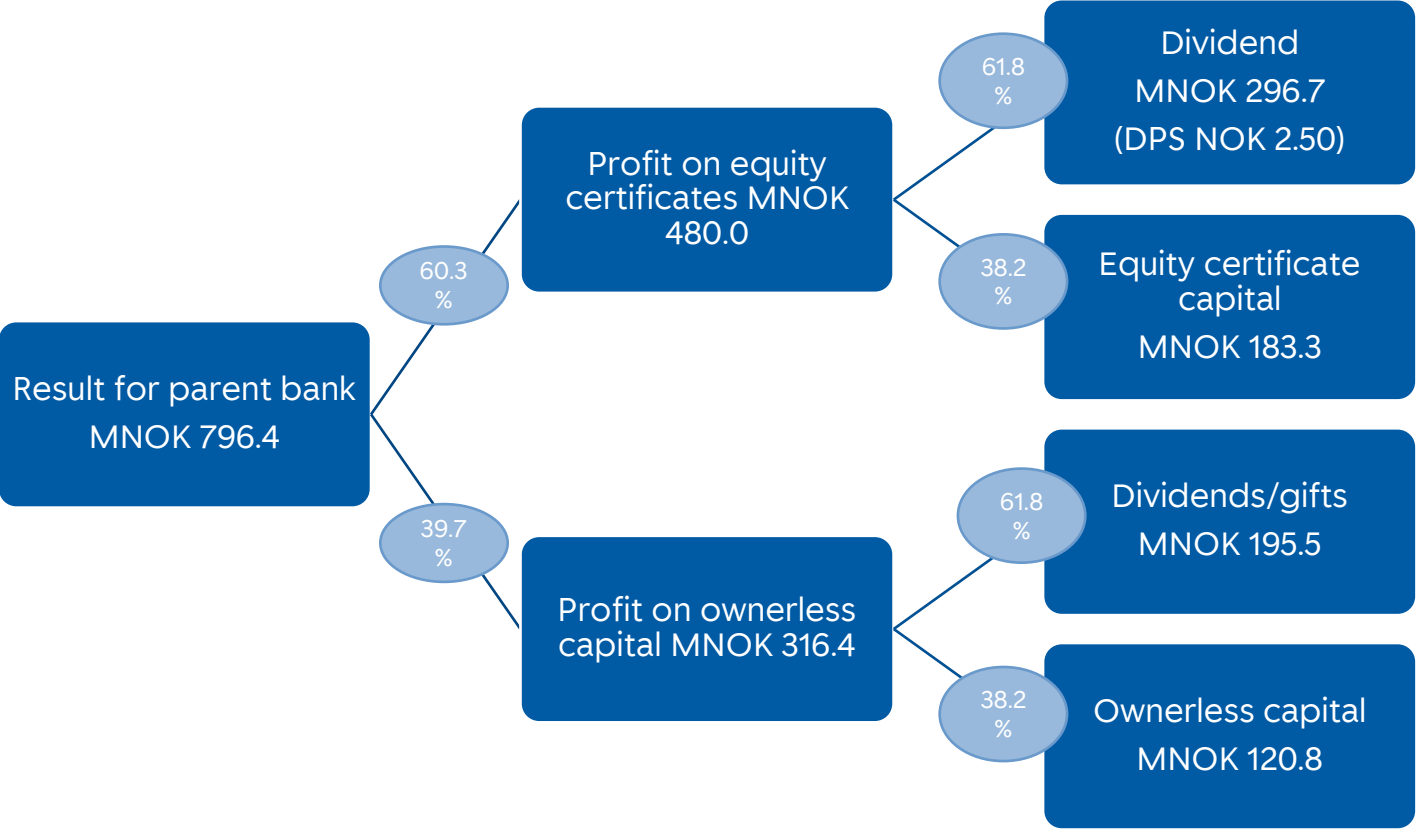
|  | Current requirement | Requirement 31.12.22 |
|--|---------------------|----------------------|
| Minimum requirement for common equity Tier 1 capital | 4.5%                | 4.5%                 |
| Capital conservation buffer                          | 2.5%                | 2.5%                 |
| Systemic risk buffer [1]                             | 3.0%                | 4.5%                 |
| Countercyclical buffer [2]                           | 1.0%                | 2.0%                 |
| Pillar 2 requirement [3]                             | 2.3%                | 2.3%                 |
| P2 guidance [4]                                      | 1.0%                | 1.0%                 |
| <b>Requirement for common equity Tier 1 capital</b>  | <b>14.3%</b>        | <b>16.8%</b>         |



- 1) The Ministry of Finance has laid down a transitional rule for banks which uses the standard method, increasing the systemic risk buffer requirement from 3.0 to 4.5 percentage points from 31 December 2022.
- 2) The countercyclical buffer will increase by 1.0 percentage point in 2022, and may increase by a further 0.5 percentage point in 2023.
- 3) The Bank was given a Pillar 2 requirement from the FSA of Norway of 2.3 percentage points at the time of the merger between Sparebanken Telemark and SpareBank 1 BV.
- 4) SpareBank 1 Sørøst-Norge currently has a management buffer requirement of 1 percentage point.
- 5) The SME discount part 2 is estimated at approx 0.6 percentage point. No infrastructure discount has been estimated.

# Dividend ratio of 62 % based on official result parent company

Board recommendation for distribution in 2021  
NOK 2.50 per equity certificate  
MNOK 195.5 to be allocated to social capital

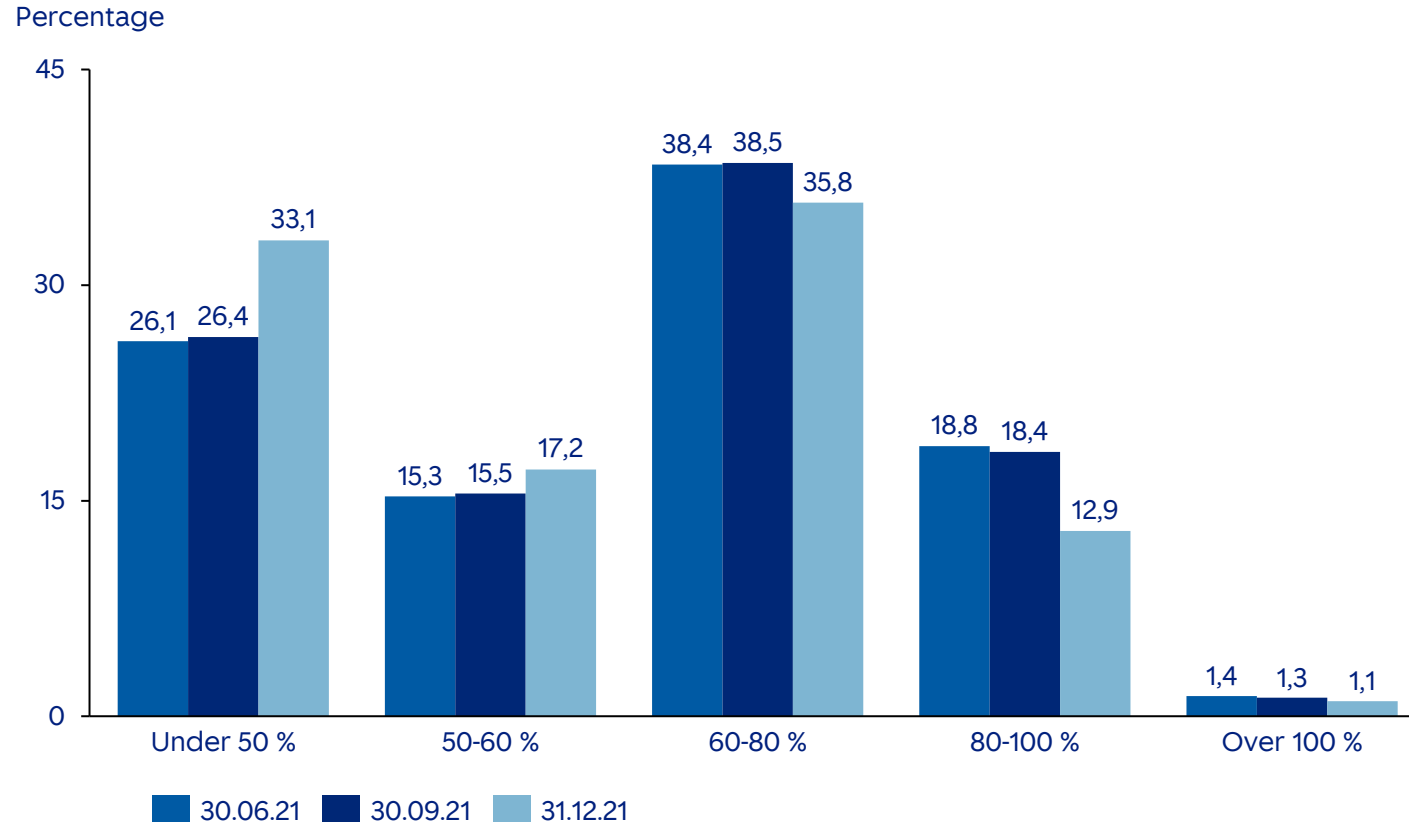


|                      |               |
|----------------------|---------------|
| Last day (inclusive) | 22 March 2022 |
| Ex-date              | 23 March 2022 |
| Record date          | 24 March 2022 |
| Payment date         | 30 March 2022 |

Ownership interest,  
equity certificate holders  
60.3%

Ownership interest in  
social capital 39.7%

# Low risk mortgages incl. BK (total-distributed)



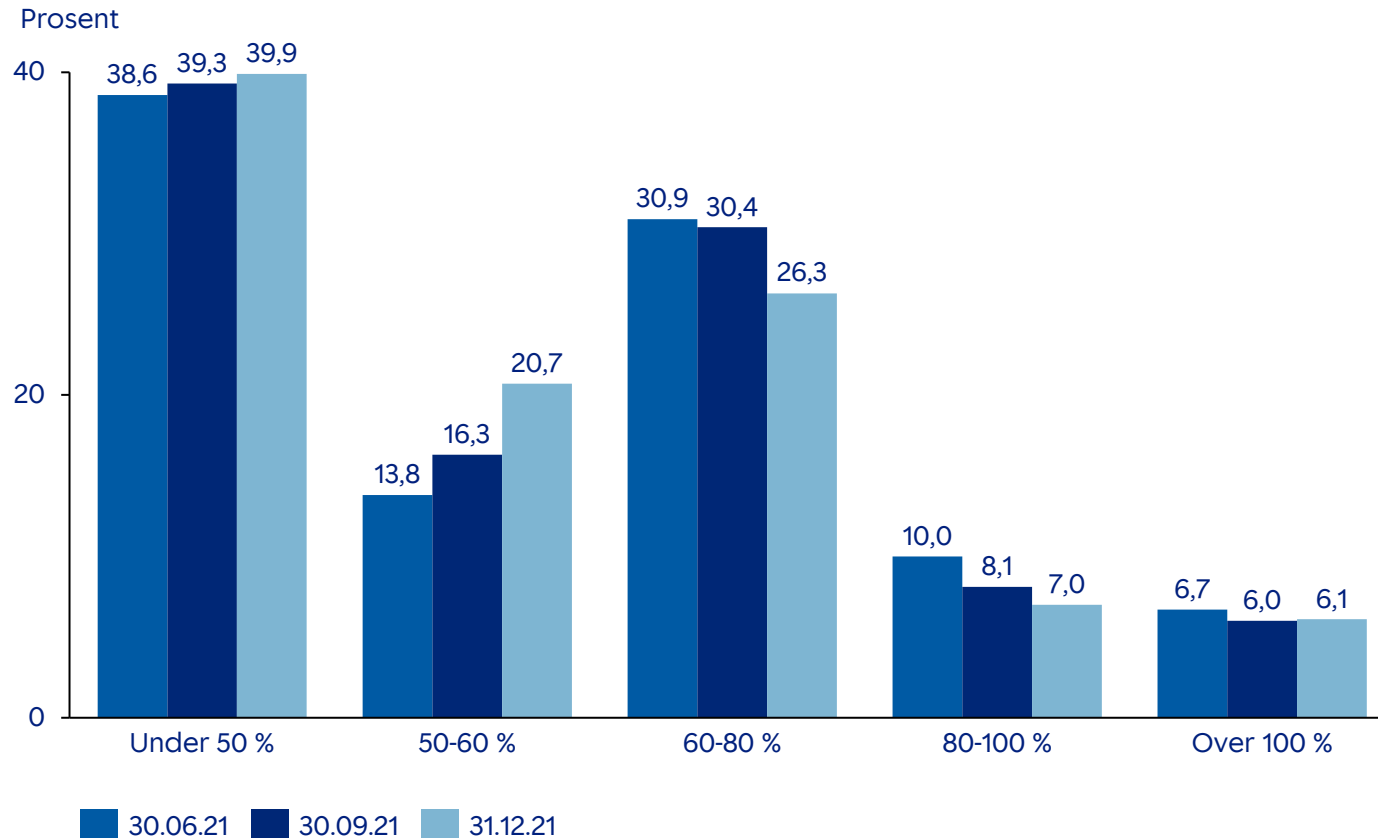
LTV total-distributed ; The calculation of LTV is based on the market value of the collateral. With total-distributed LTV, the whole of the loan is assigned to the same interval. The figures include portfolio transferred to SpareBank 1 Boligkreditt AS.

Average LTV on the mortgage portfolio incl. loans transferred to SB1 Boligkreditt is 48.3%, which is an improvement of 4.3 percentage points on the previous quarter (52.6%).

The improvement is mainly due to changes in the procedure for updating property value from rolling 24 months to rolling 3 months.

Similarly, LTV on own balance sheet decreased from 57.9% in the previous quarter to 53.9% at the end of the year.

# Low leverage on commercial loans (total-distributed)

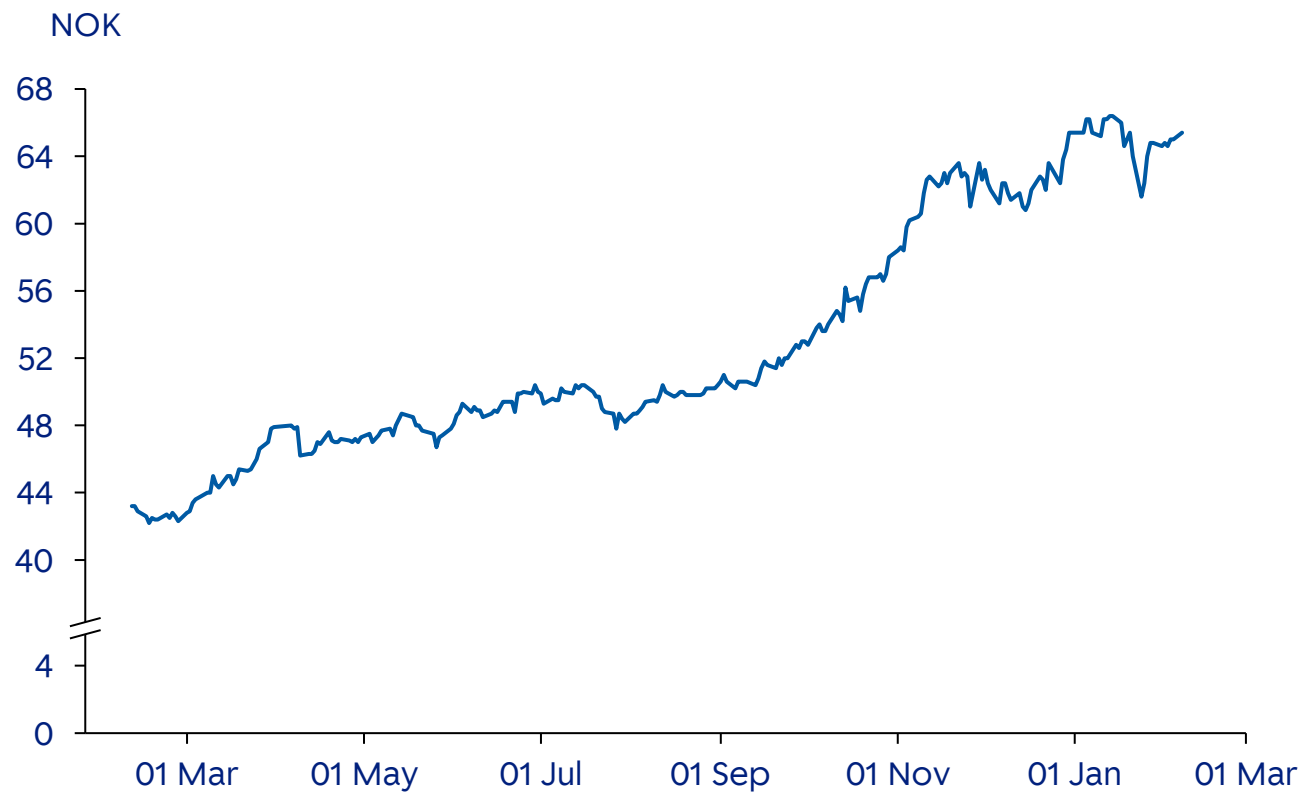


The average LTV on commercial loans secured on property including loans transferred to SB1 Næringskreditt is 43.2% which is slightly down from the previous quarter (43.8%).

LTV on own balance sheet is 44.0% compared to 44.6% the previous quarter

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.

# Strong performance in SOON last 12 months



|  | 31.12.21 | 30.09.21 | 30.06.21 |
|--|----------|----------|----------|
| Market price (in NOK)                              | 65.40    | 53.00    | 50.00    |
| Market value (in MNOK)                             | 7.762    | 6.291    | 5.934    |
| Book equity per equity certificate (Group, in NOK) | 49.45    | 48.41    | 47.11    |
| Earnings per equity certificate (Group, in NOK)    | 5.03     | 3.91     | 2.56     |
| Price/book equity (Group)                          | 1.32x    | 1.09x    | 1.06x    |

# Agenda

Financial targets, dividend basis and profit and loss 2021

## **Merger costs and synergies**

Key figures in the region

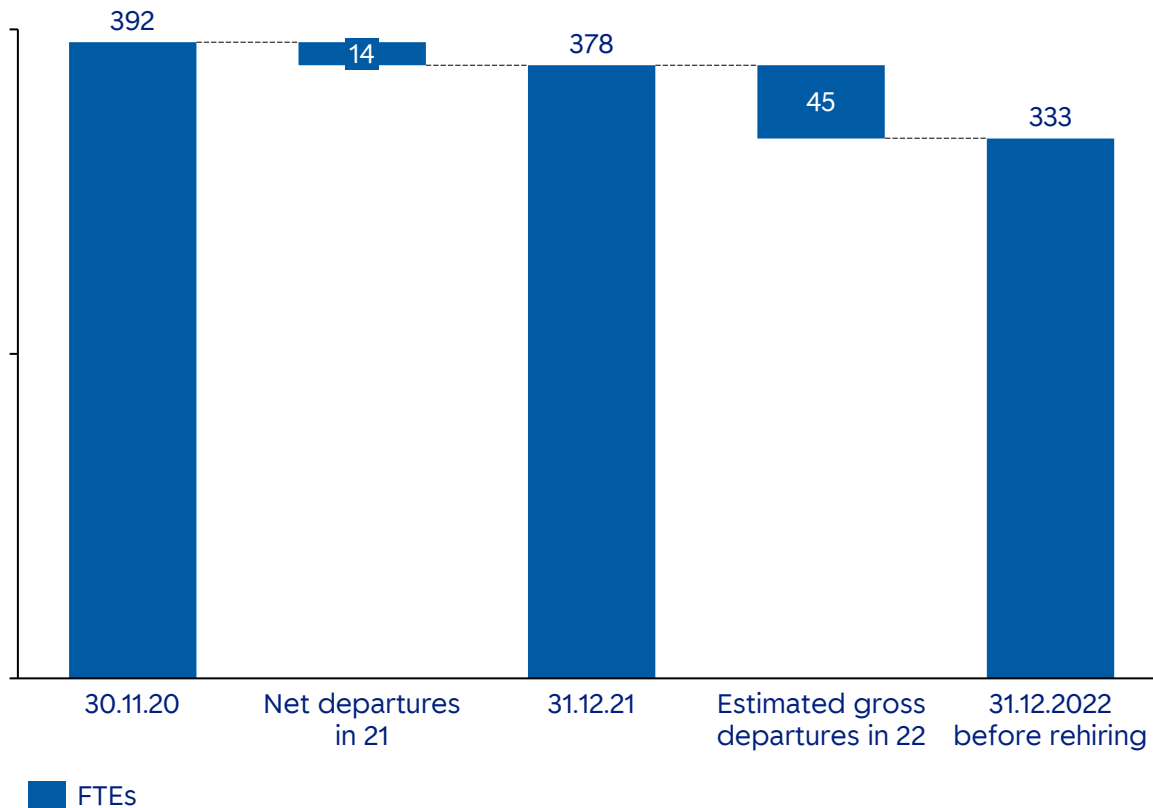
SpareBank 1 Sørøst-Norge

Attachments

# Synergy and one-off costs, merger between BV and Telemark

- Synergies fully phased in by 2024:
  - Estimate revised from MNOK 80 to 90 per year.
  - Mainly cost synergies within funding, staffing, IT, marketing and area costs.
- Transaction and implementation costs for 2021 – 2022:
  - Provisional estimate MNOK 110 to 130.
  - Remainder estimated at approx. MNOK 80 in 2022.

# Synergy from merger between BV and Telemark at end of 2021 and estimate for 2022



- As of the end of 2021, the parent bank had 378 FTEs. At the time of the merger negotiations in autumn 2020, both banks had a total of 392 FTEs. Net departures in the last year total 14 FTEs, which will have their full cost effect from 2022 – estimated at approx. MNOK 13
  - Synergy effect in 2021 is an average of 3-6 months salary savings
- On 1 February, the Bank launched a cost synergy programme offering severance packages to those born in 1960 and earlier.
  - Approx. 45 full- time equivalents (FTEs).
  - The deadline for acceptance is 28 February 2022 and the latest end date is 31.12.2022
  - One-time cost in Q1 2022 assuming 100% acceptance is just under MNOK 45
  - Synergy effect of departures will only show full effect from 2023

# Agenda

Financial targets, dividend basis and profit and loss 2021

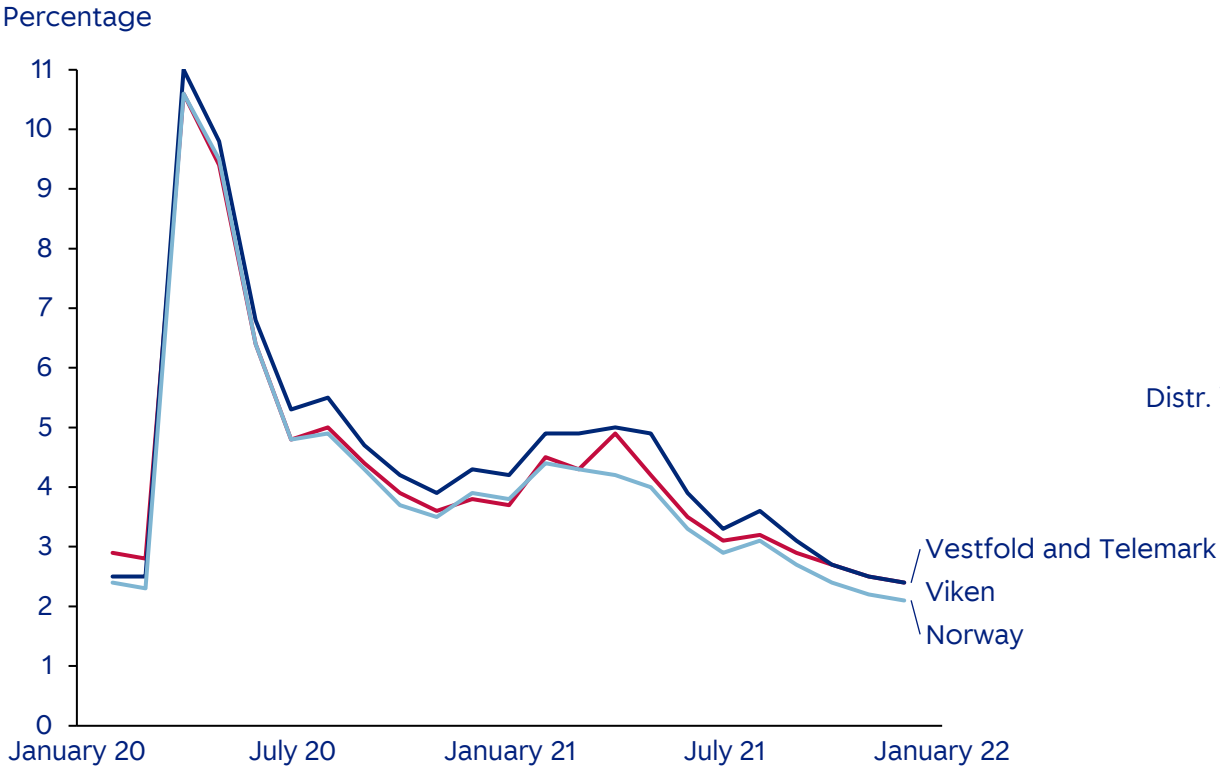
Merger costs and synergies

**Key figures in the region**

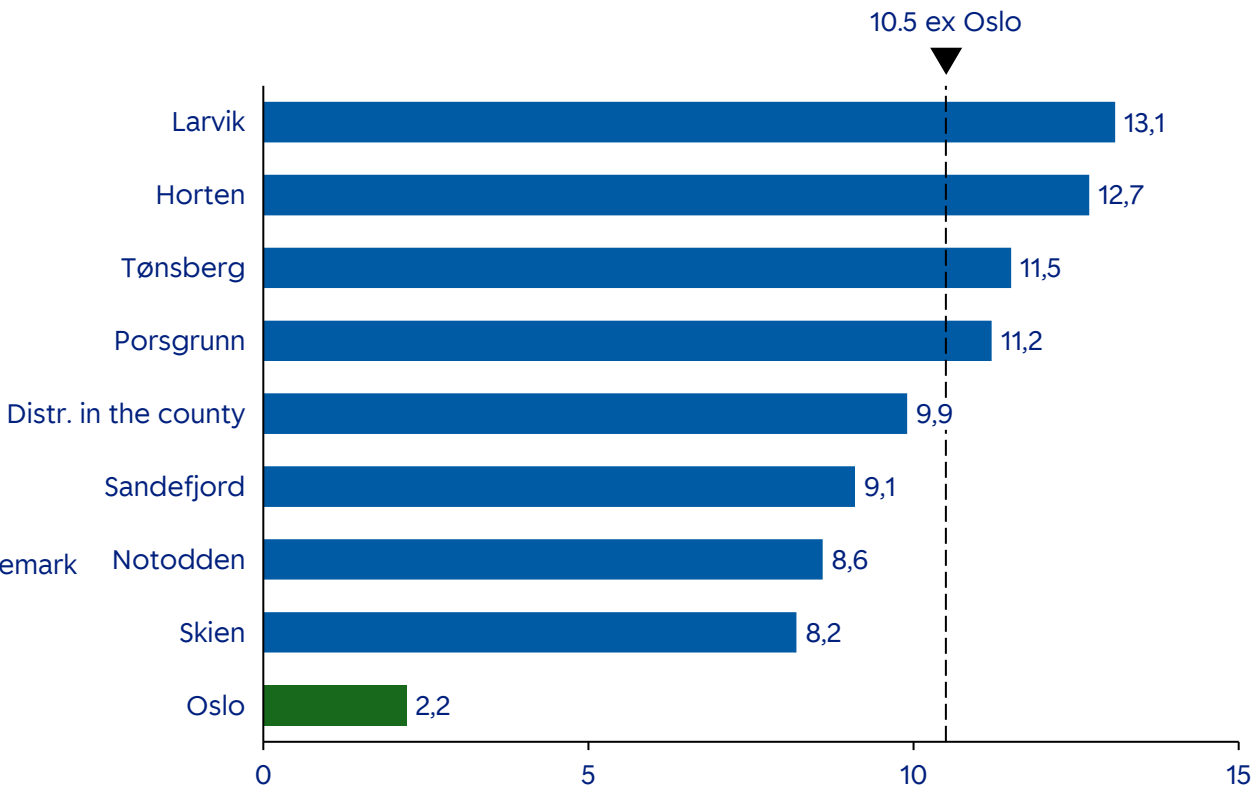
SpareBank 1 Sørøst-Norge

Attachments

# Falling unemployment – rising trend in house prices

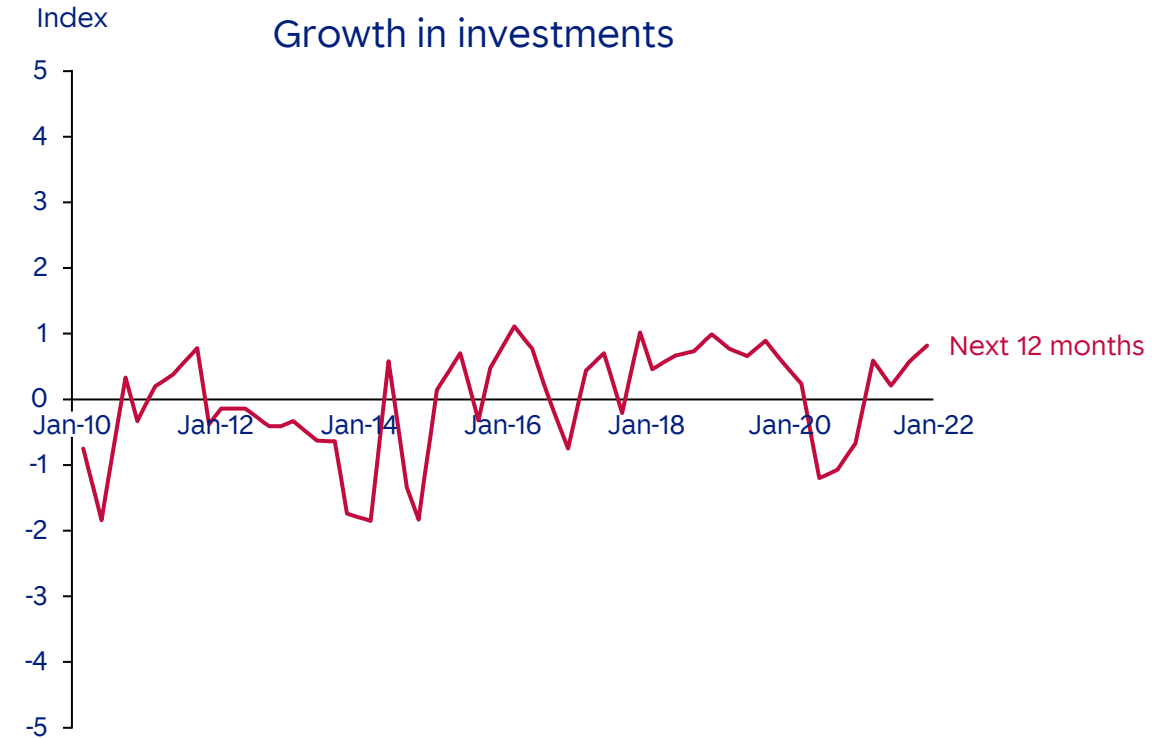
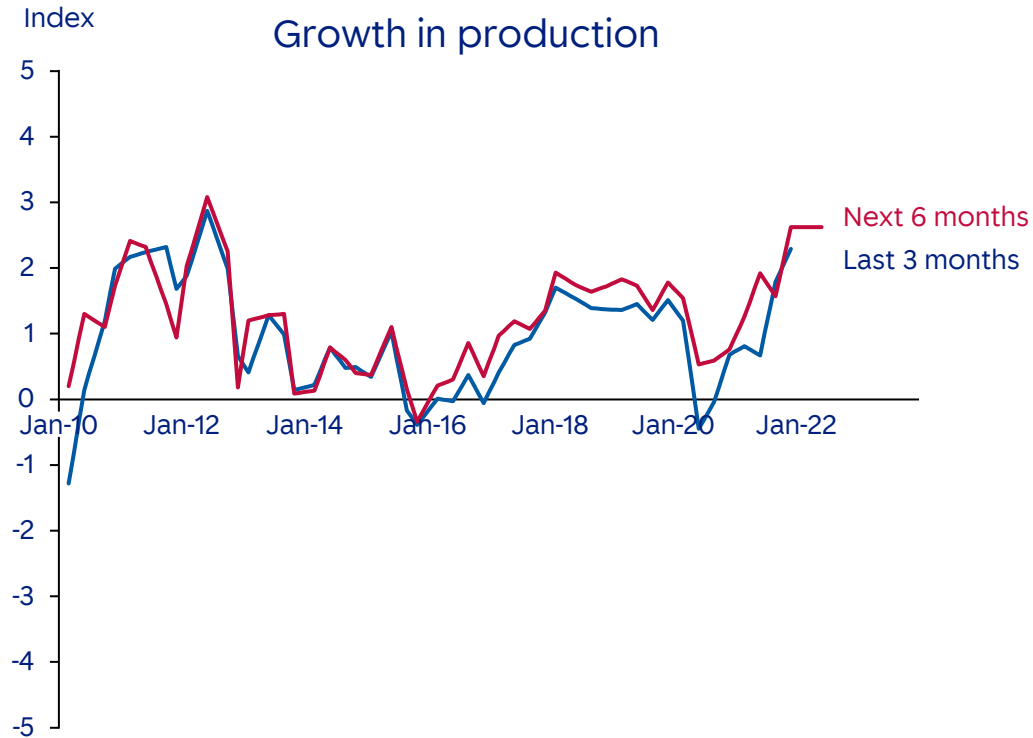


Source: NAV. Completely unemployed as a percentage of the labour force



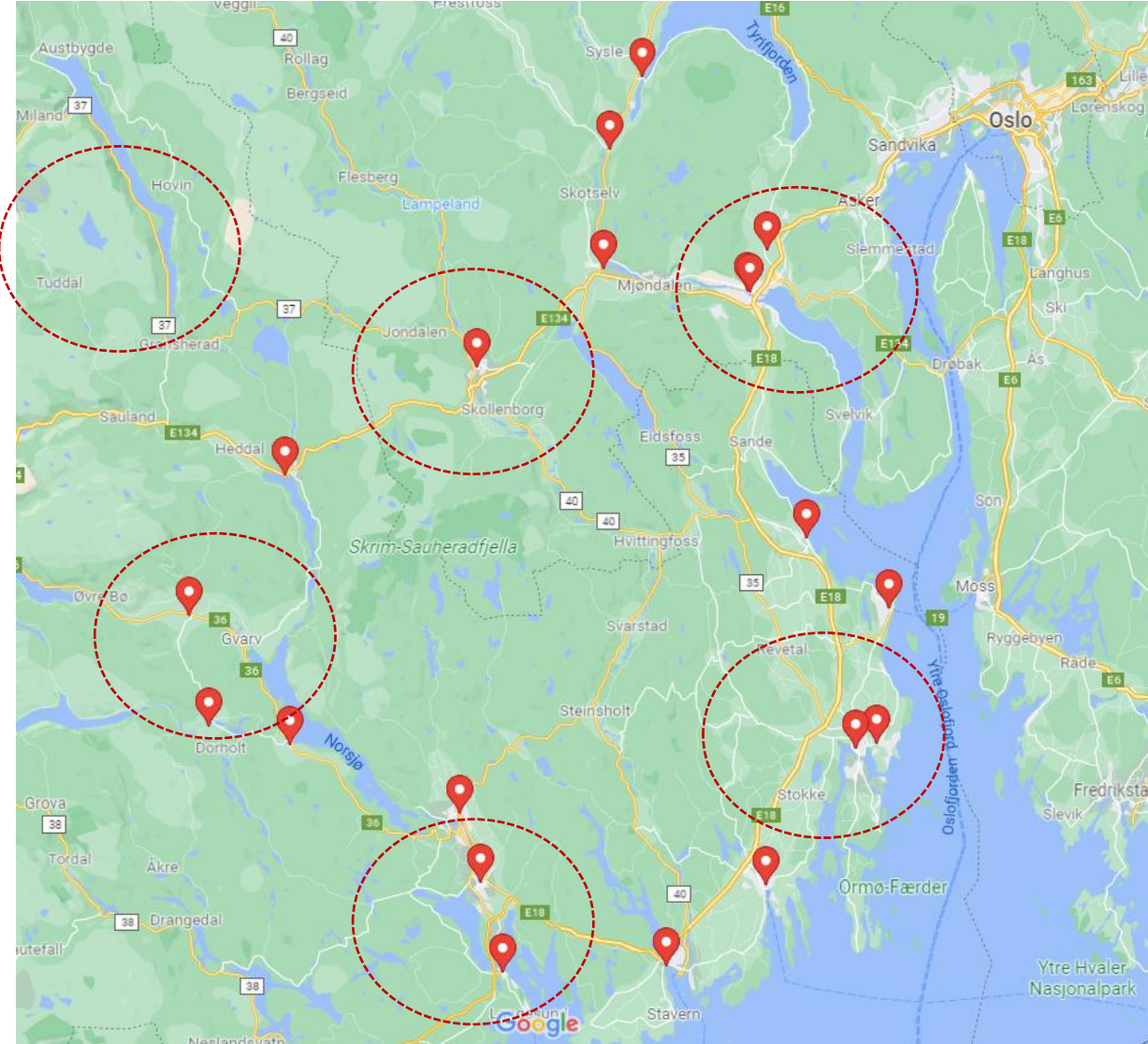
Source: Property value.  
Regional report fourth quarter  
4-quarter growth

# Positive expectations in the business sector



Source: Norges Bank. Regional network 4/2021. South Region

# Diversified business sector



# Agenda

Financial targets, dividend basis and profit and loss 2021

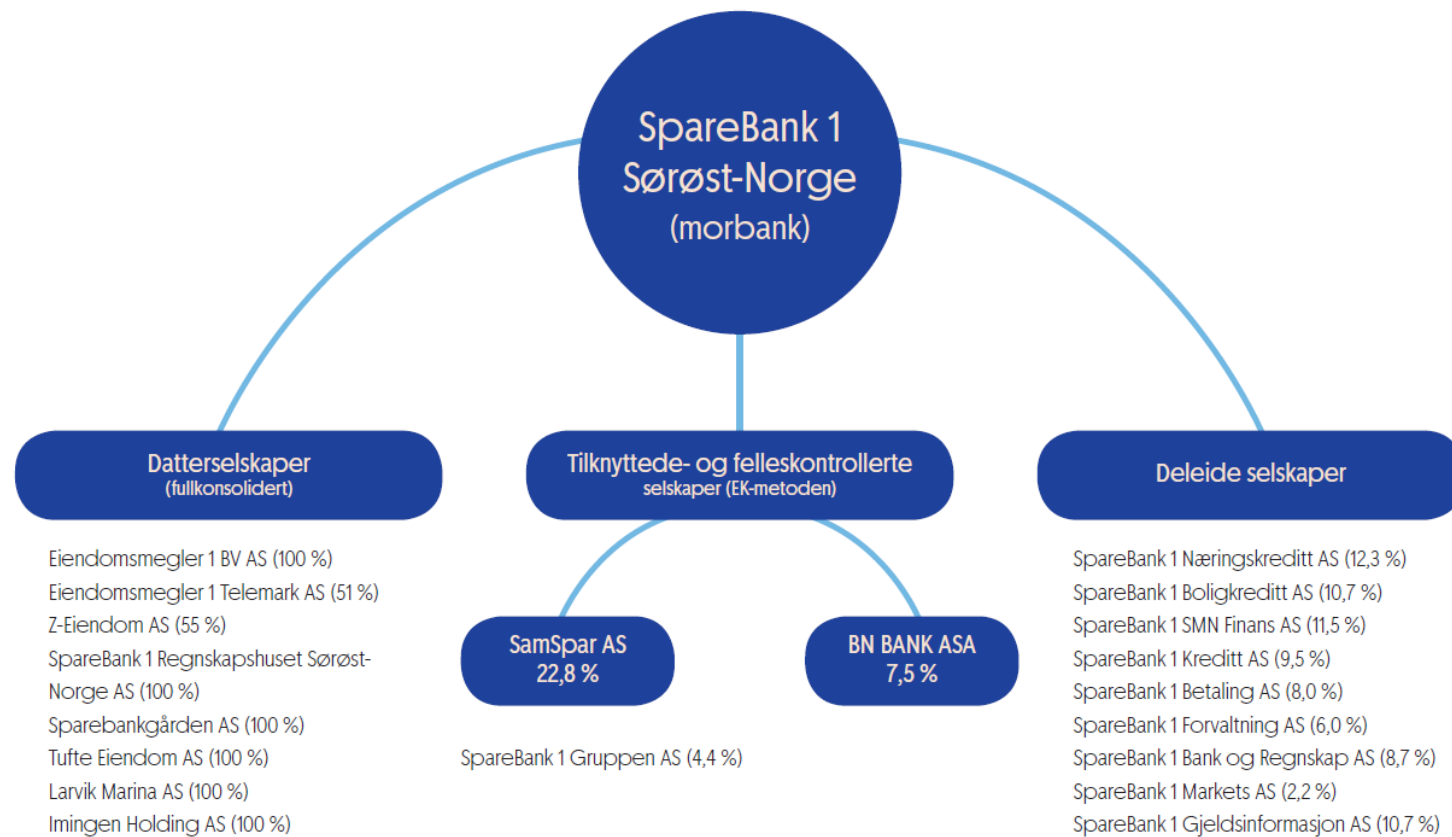
Merger costs and synergies

Key figures in the region

**SpareBank 1 Sørøst-Norge**

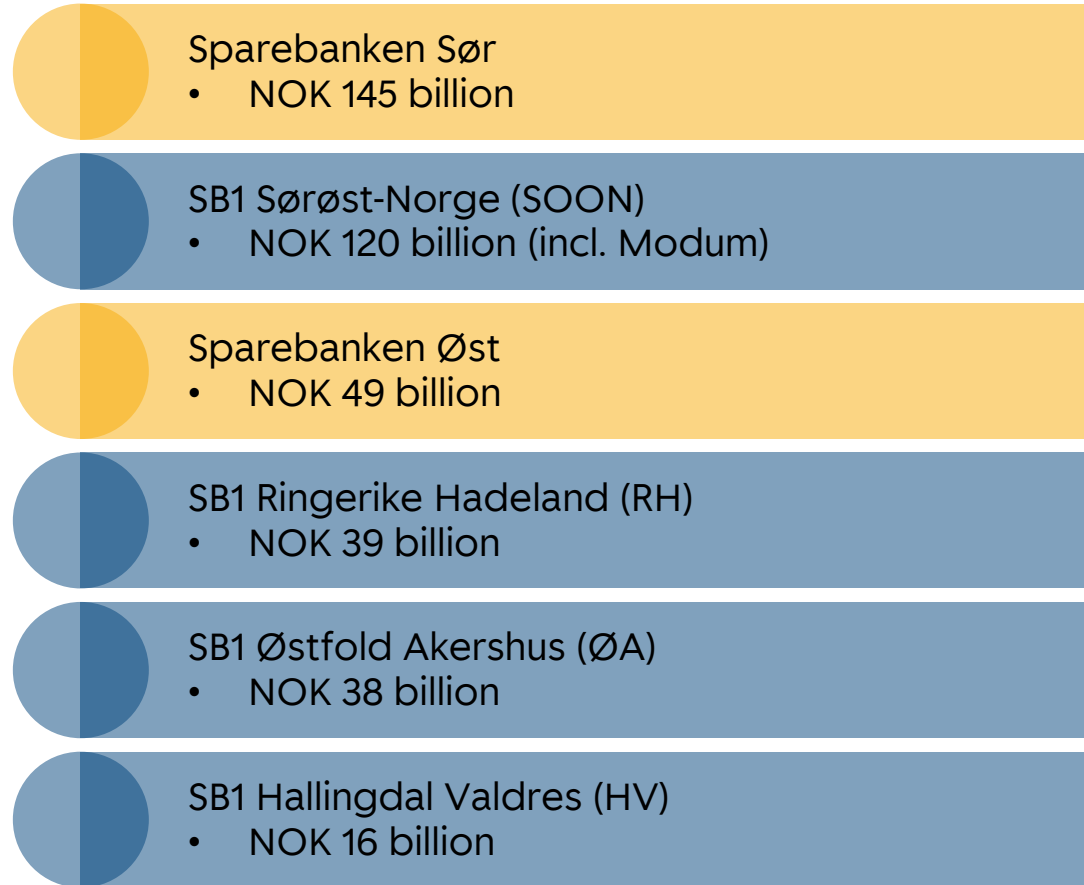
Attachments

# SpareBank 1 Sørøst-Norge Group

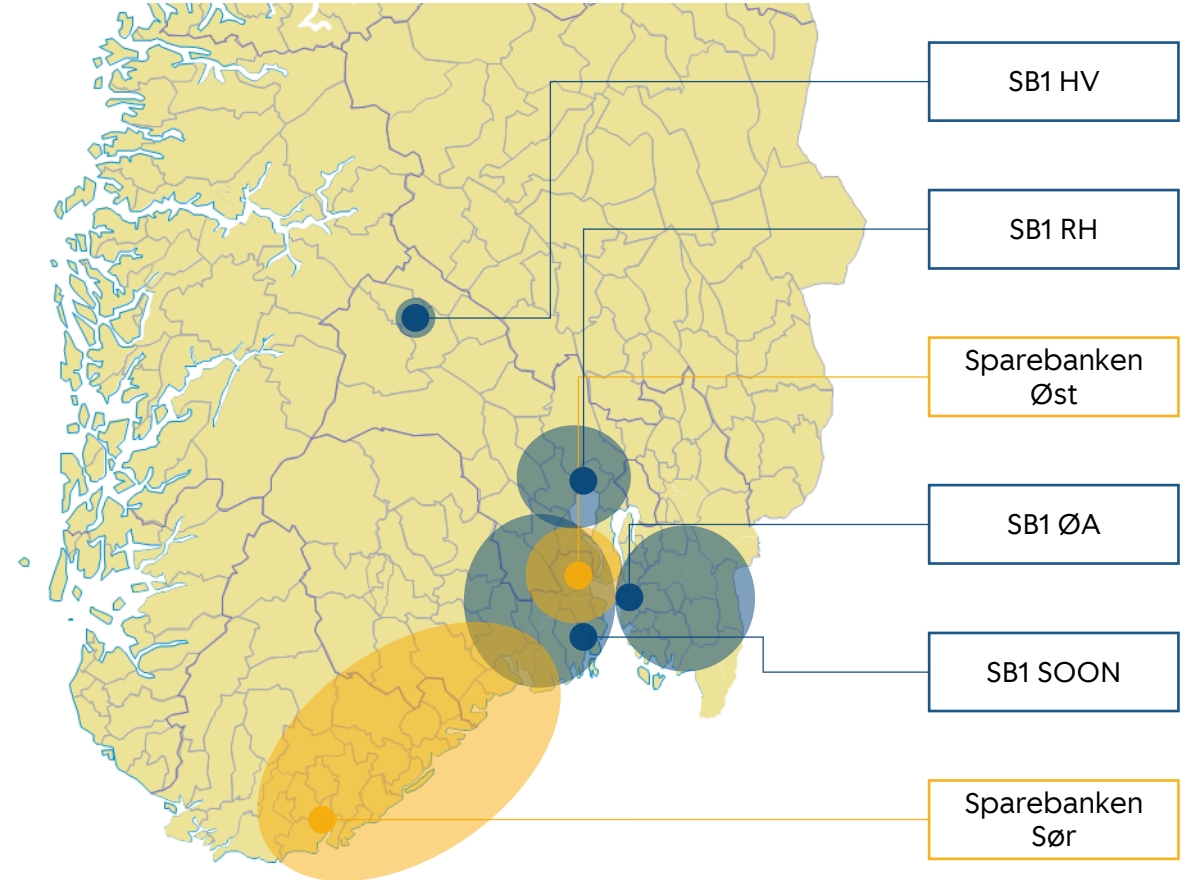


# Strong position in a growth market

## Competitor overview and size (total assets incl. mortgage companies)



## Geographical centre of gravity and catchment area<sup>1</sup>



# Strategic focus areas



Strengthen  
the top line



Customer-  
oriented



Sustainability



Attractive  
place to  
work



Data- and  
insight-driven



Quality



Ambitions as  
regional  
bank

# Customer orientation and top-line growth in the retail market to increase revenue and strengthen long-term profitability

## Service concept



**Better customer experience and greater efficiency with effective use of different channels.**

## Local strategies



**Exploit the location and size of the offices and define the content of the “firm” of the future.**

## Interaction



**Achieve economies of scale by establishing a strong collaborative culture.**

## Customer insights



**Create strong and lasting customer relationships that make a difference.**

## Growth and profitability

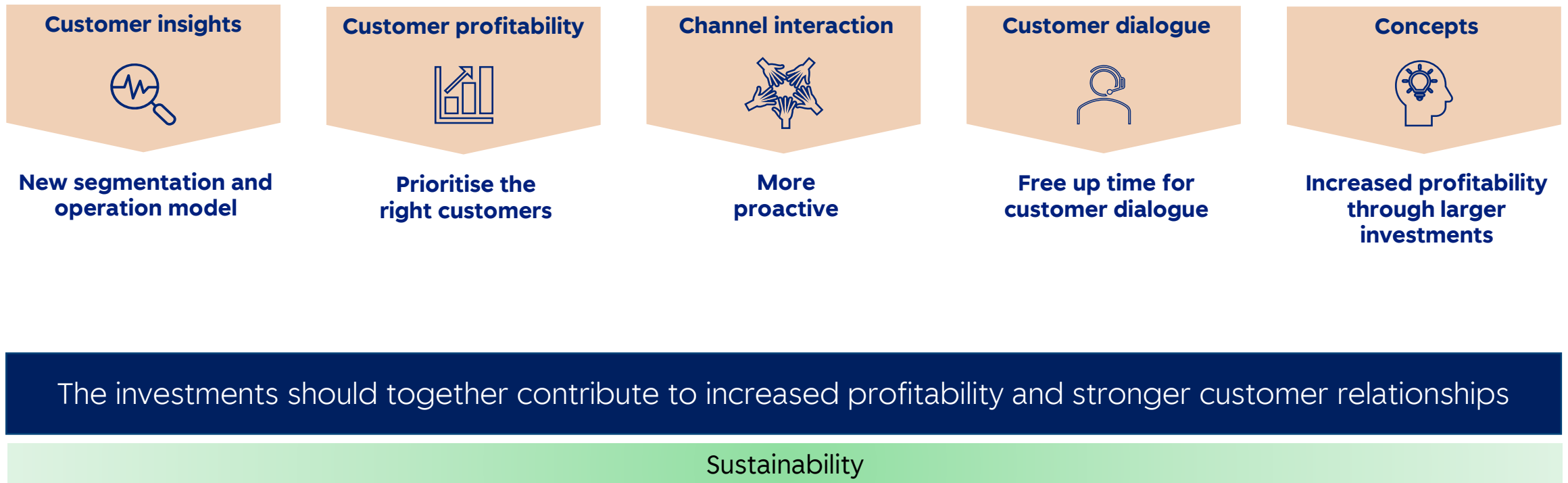


**Increase existing revenue streams while seeking new sources of revenue.**

We aim to strengthen our position, to be perceived as a local bank that can be trusted. Customers should notice a difference.

Sustainability

# Bigger, stronger and more competitive SME bank



# Contact details

## Address

Anton Jenssens gate 2  
Postboks 75  
N-3101 Tønsberg

[kundeservice@s1bv.no](mailto:kundeservice@s1bv.no)  
[post@sb1telemark.no](mailto:post@sb1telemark.no)

## Group management



Per Halvorsen  
CEO  
Tel +47 934 07 441  
E-mail: [Per.Halvorsen@sb1telemark.no](mailto:Per.Halvorsen@sb1telemark.no)



Geir Årstein Hansen  
Dept. CEO/IR  
Tel +47 913 22 137  
E-mail: [geir.aarstein.hansen@sparebank1bv.no](mailto:geir.aarstein.hansen@sparebank1bv.no)



Roar Snippen  
CFO  
Tel +47 976 10 360  
E-mail: [Roar.Snippen@sb1telemark.no](mailto:Roar.Snippen@sb1telemark.no)

# Agenda

Financial targets, dividend basis and profit and loss 2021

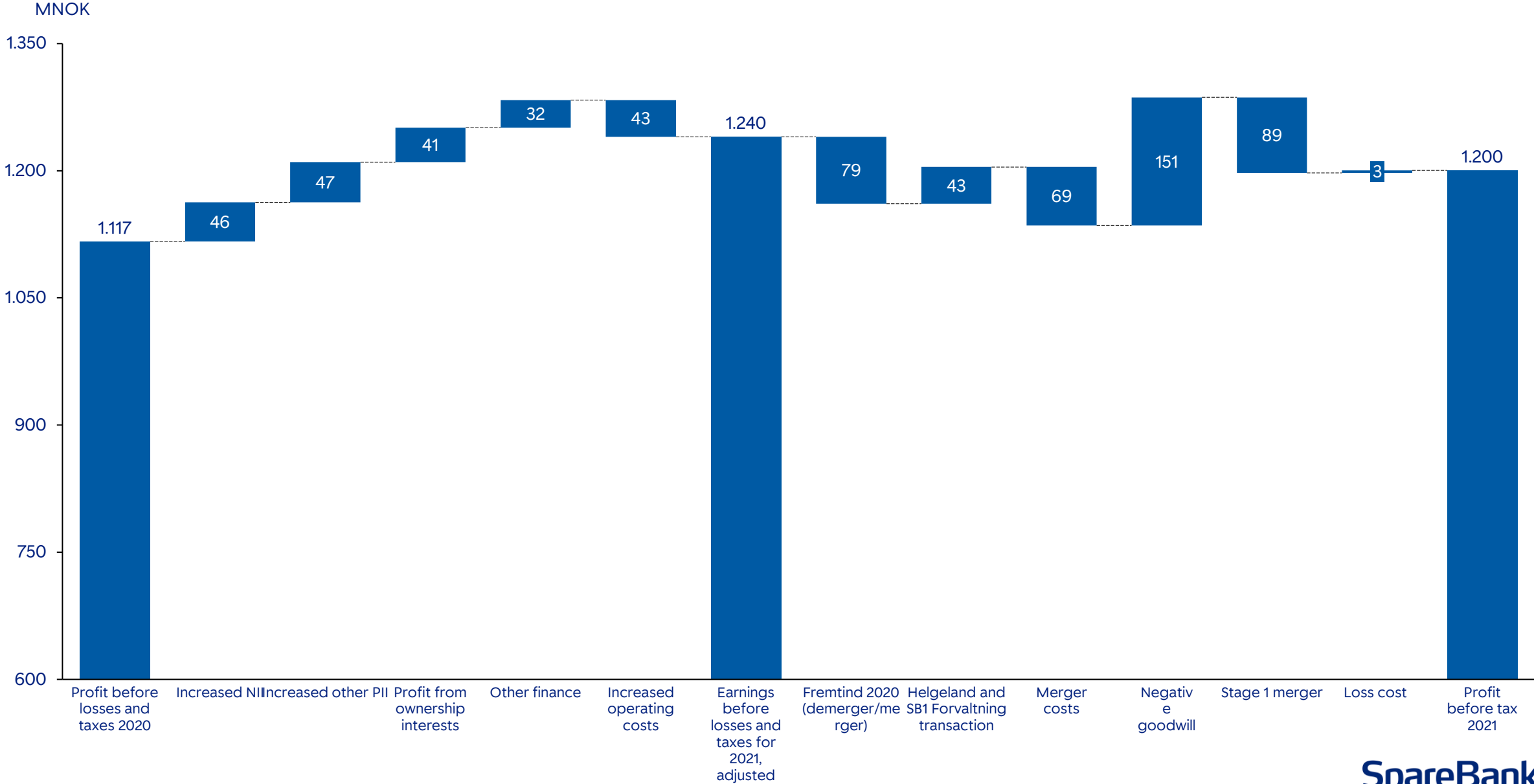
Merger costs and synergies

Key figures in the region

SpareBank 1 Sørøst-Norge

**Attachments**

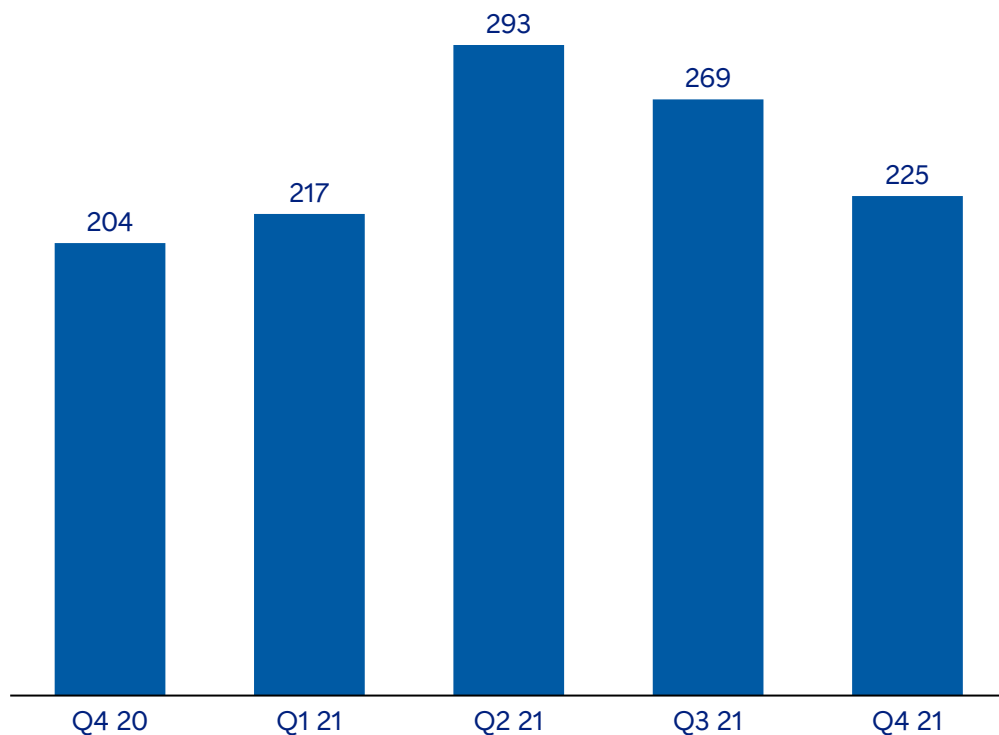
# Change in ordinary profit before tax, 2020 to 2021



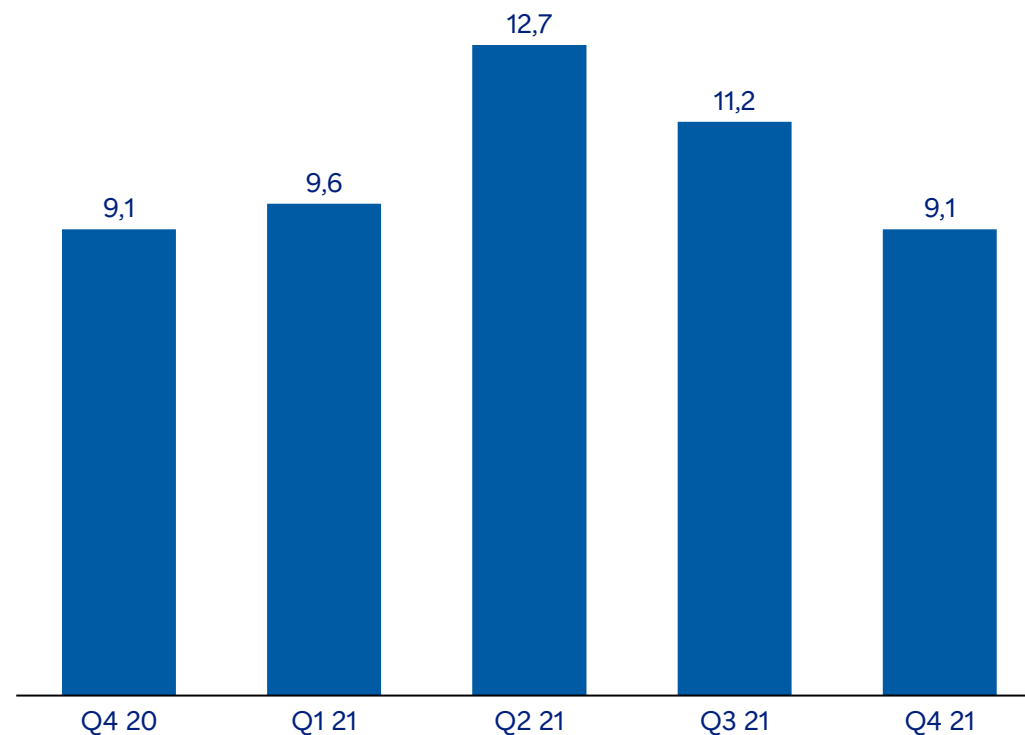
Pro forma

# Strong profit growth in 2021

Profit after tax



Return on equity



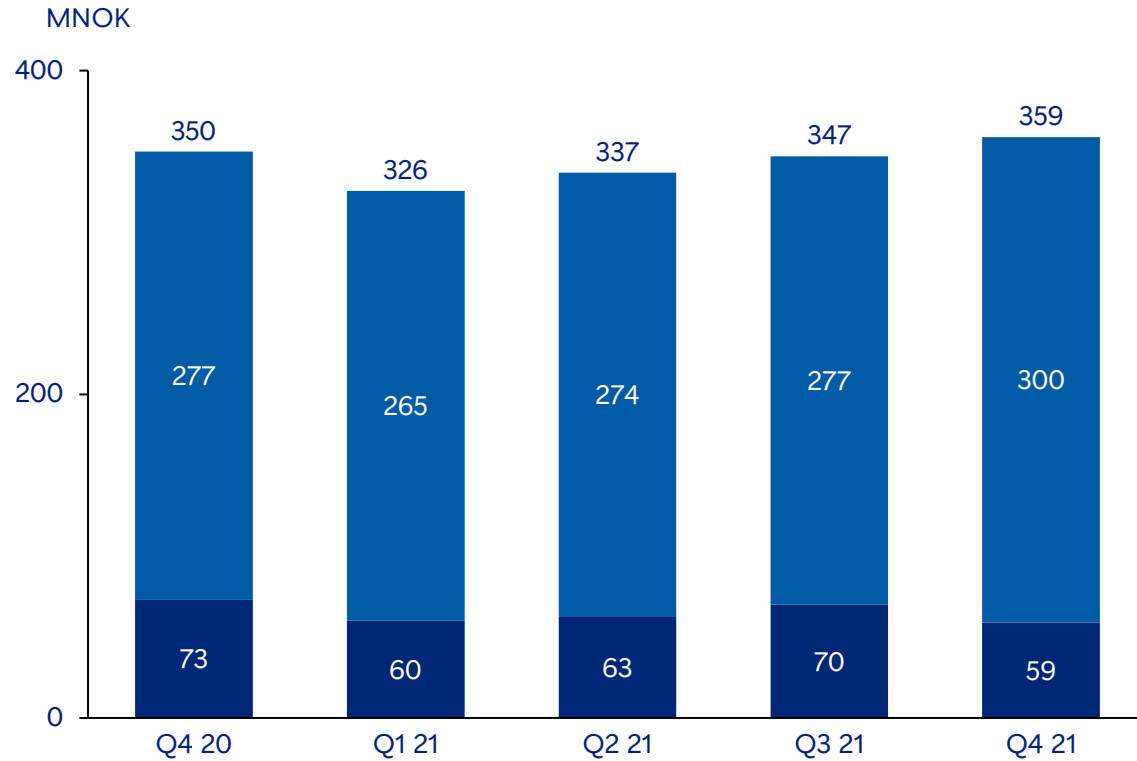
Amounts in MNOK

Per cent - annualised

Pro forma

# Change in net interest

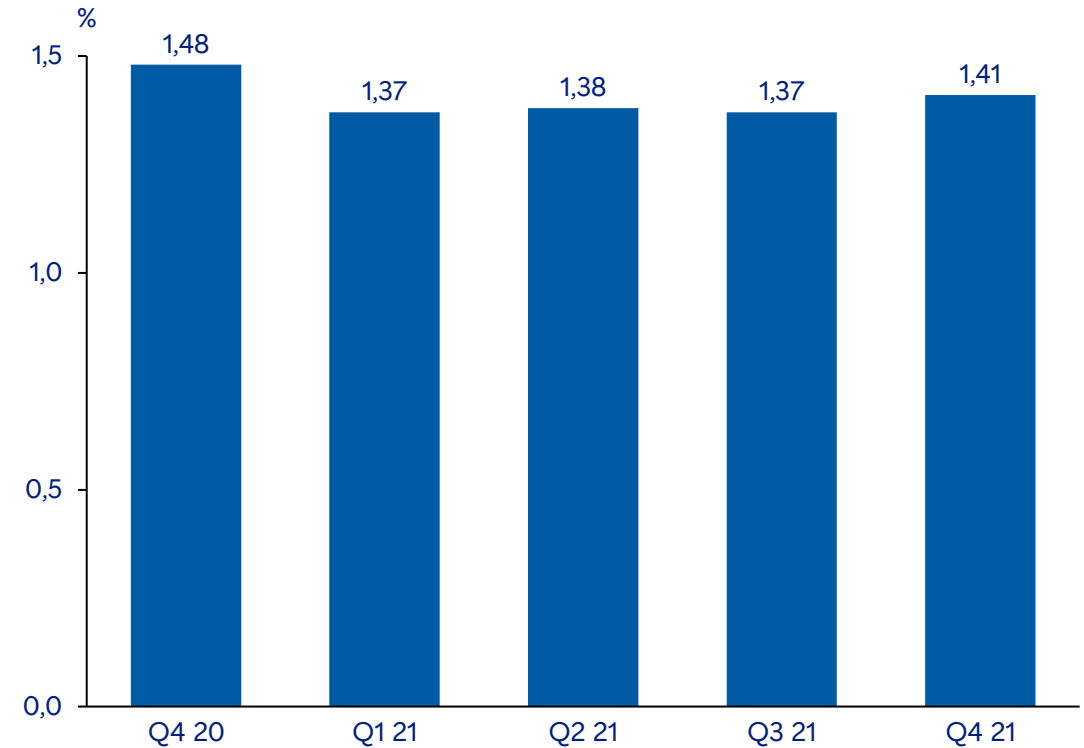
Net interest amount



■ NII ■ Mortgage company

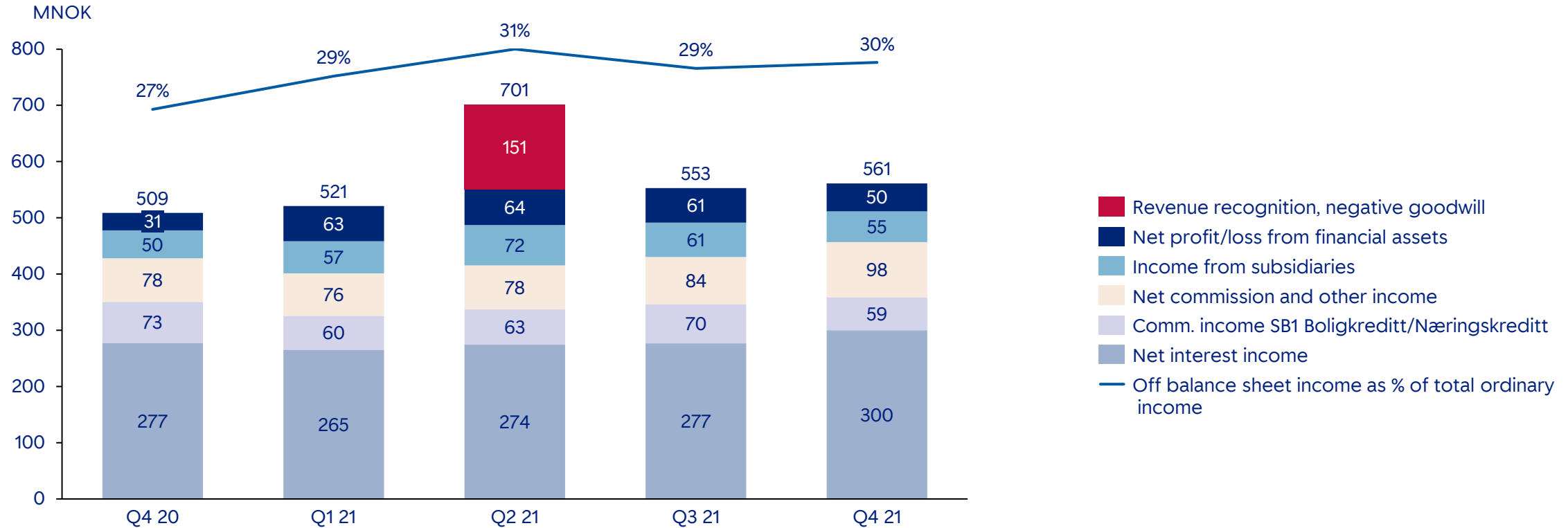
Pro forma

Net interest incl. mortgage co %



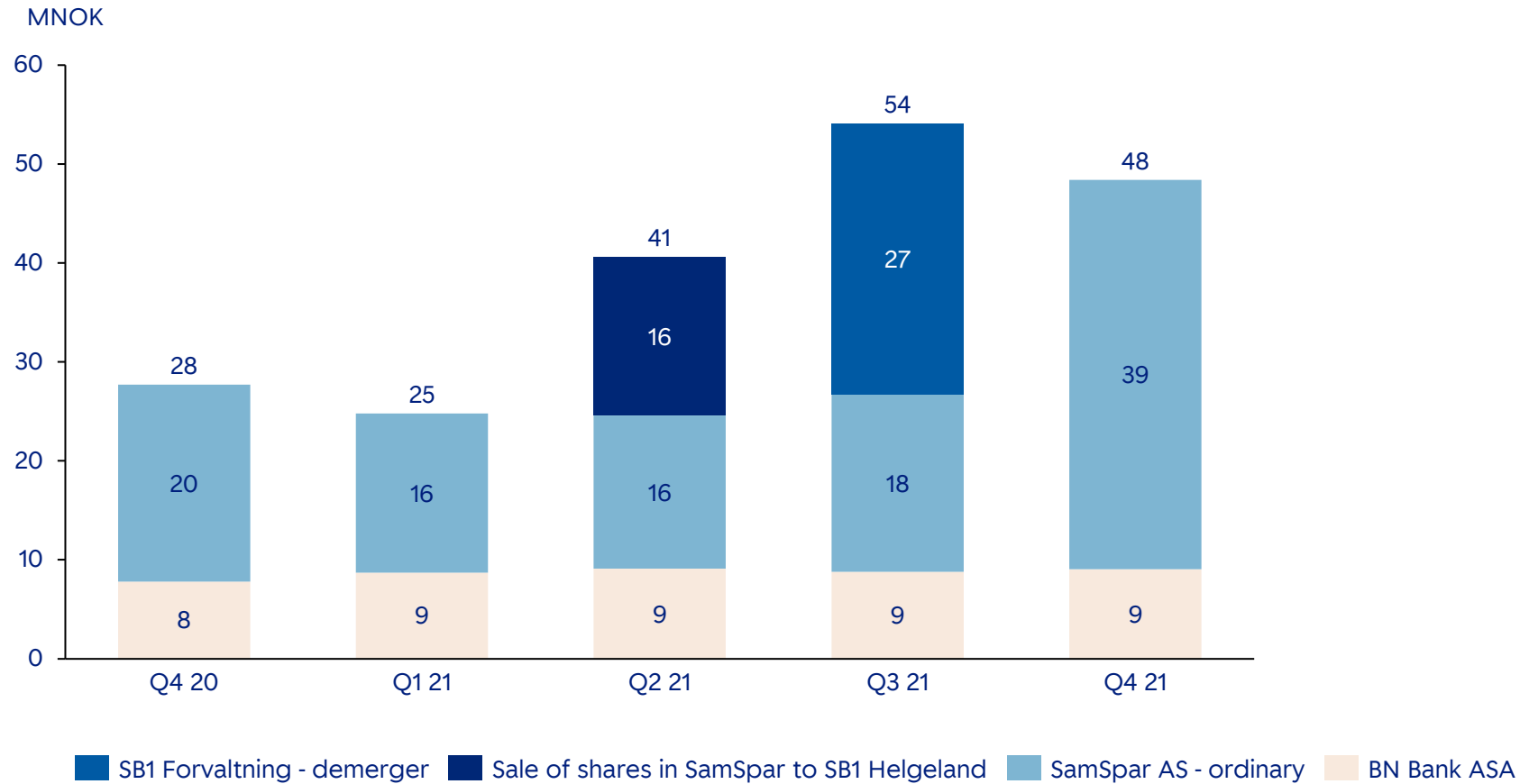
Per cent - annualised

# Increased commission income in 2021



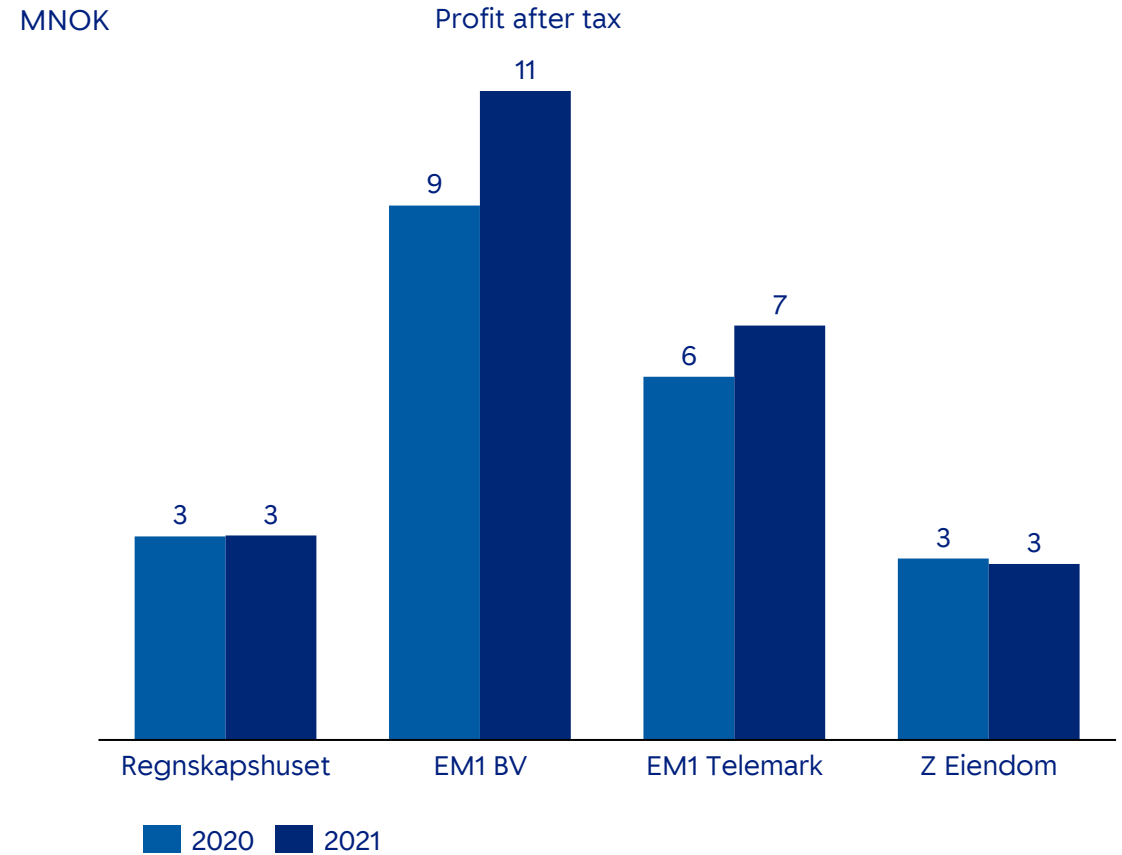
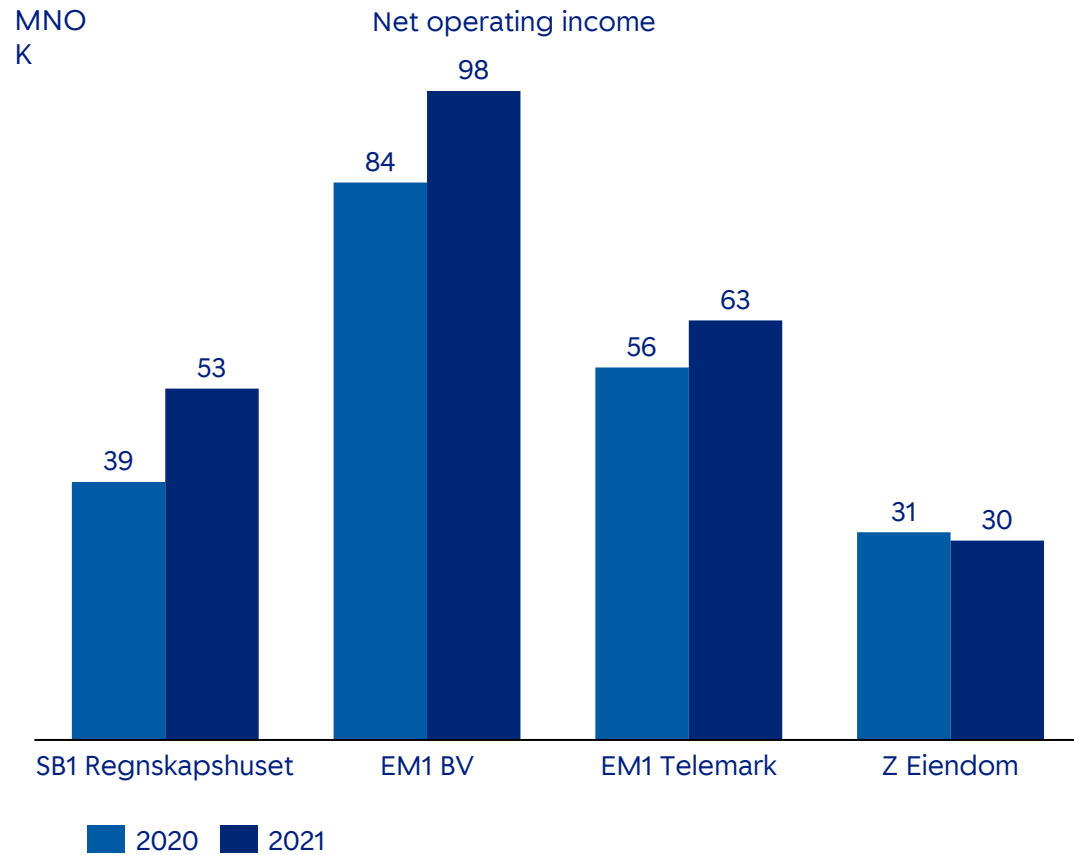
Pro forma

# Positive contributions from SB1 Grupperen and BN Bank ASA



Pro forma

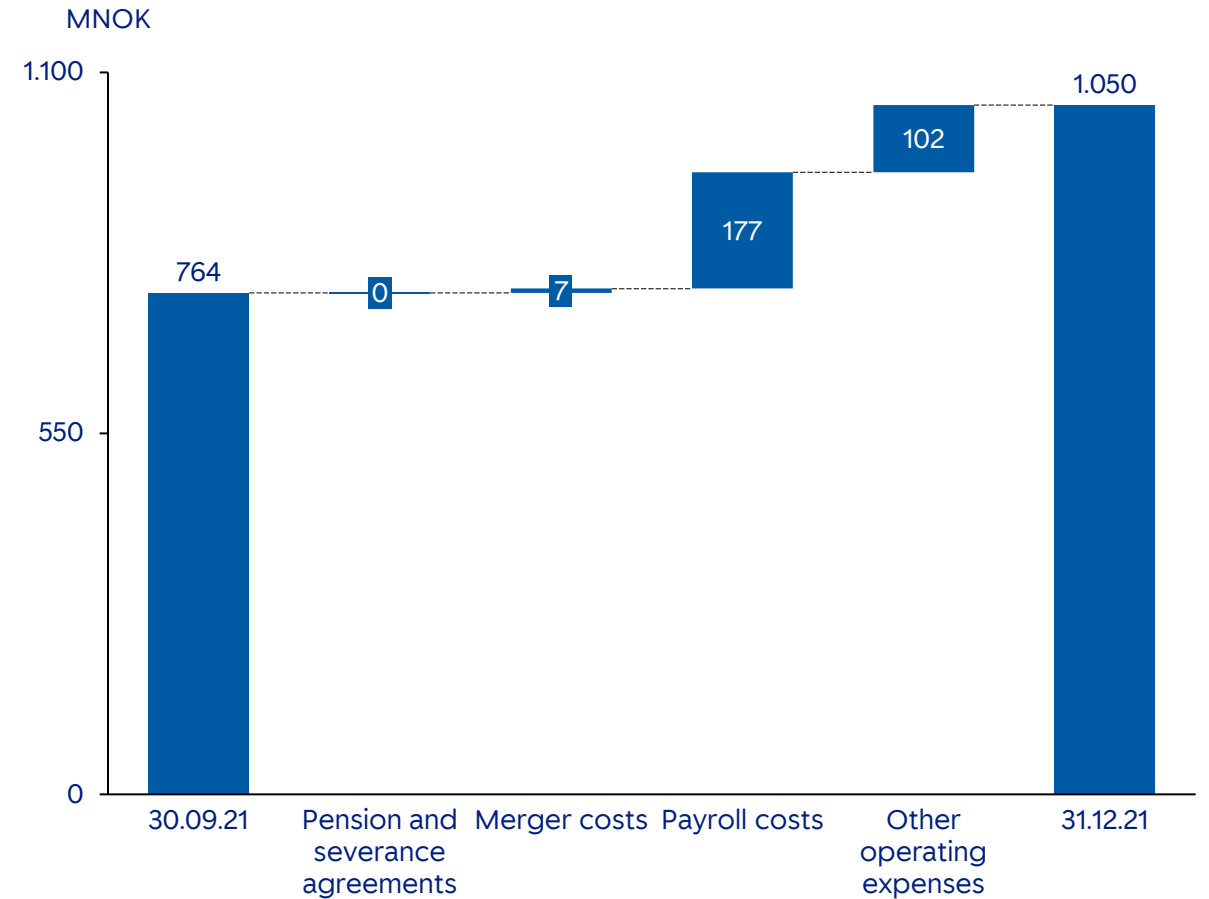
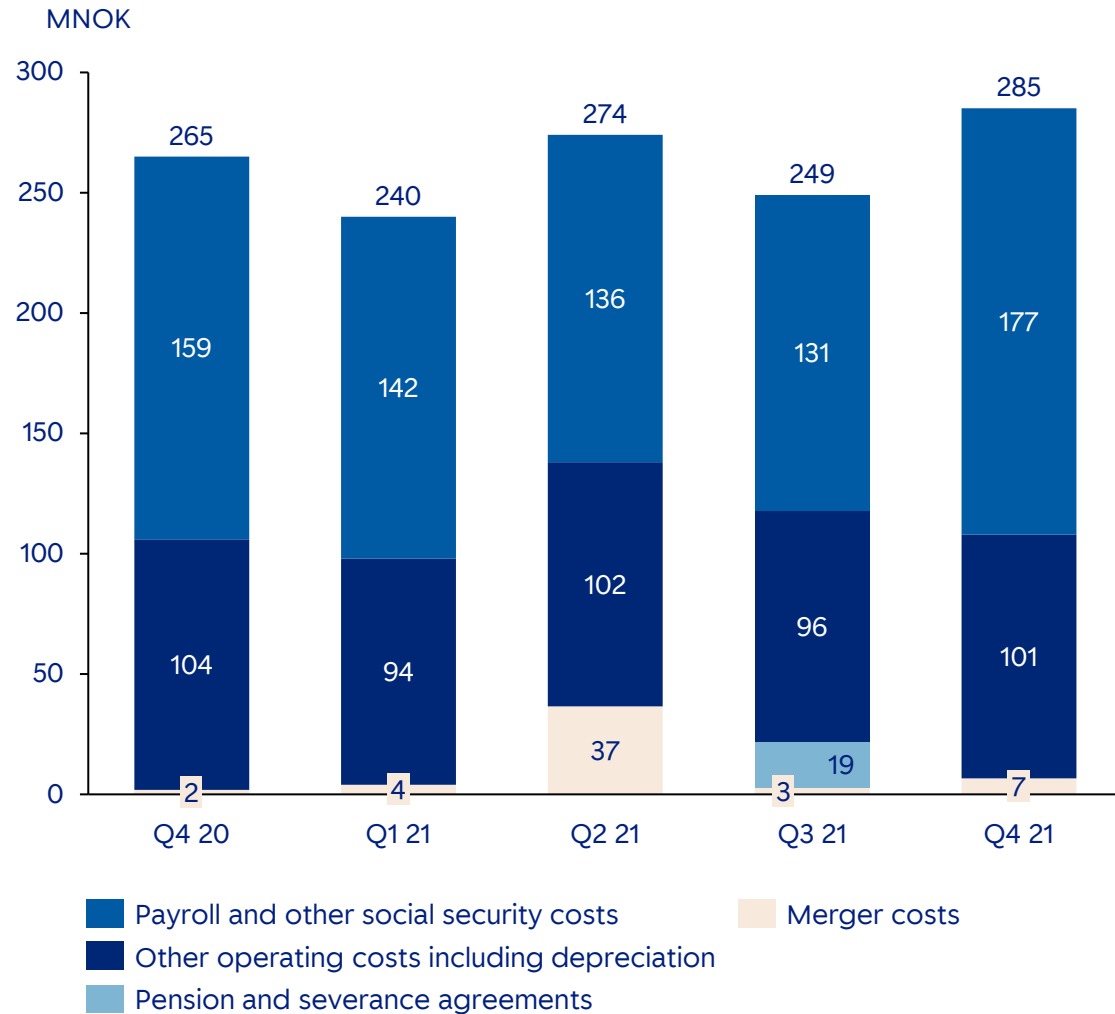
# Positive development in the subsidiaries



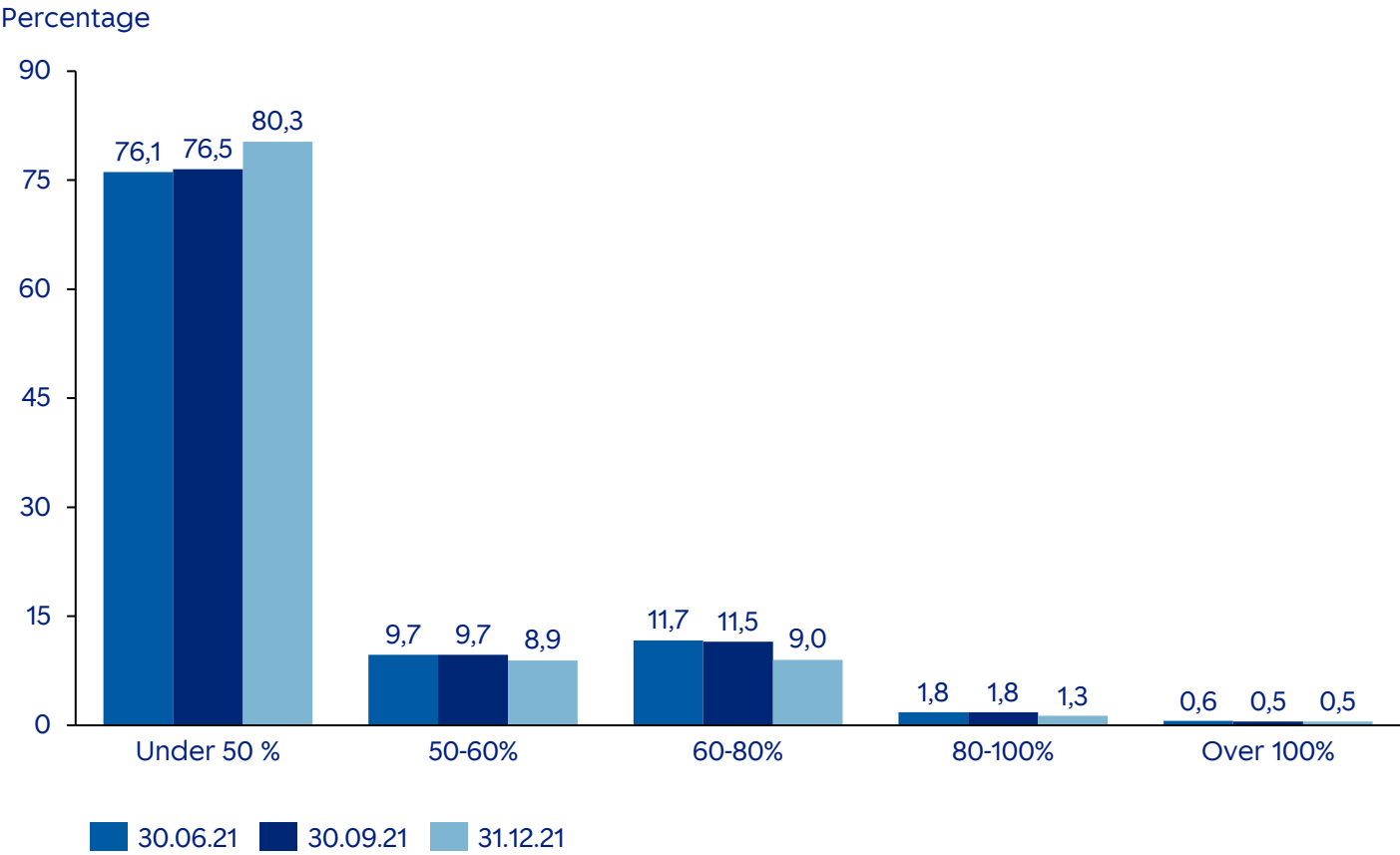
# Breakdown of net commission and other income by quarter

| <i>(amount mnok)</i>                    | Q1 2020      | Q2 2020      | Q3 2020      | Q4 2020      | Q1 2021      | Q2 2021      | Q3 2021      | Q4 2021      |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Commission income</b>                |              |              |              |              |              |              |              |              |
| Guarantee commission                    | 2,7          | 2,7          | 2,6          | 2,6          | 2,5          | 2,6          | 2,8          | 2,8          |
| Interbank commission                    | 0,3          | 0,3          | 0,3          | 0,2          | 0,2          | 0,3          | 0,3          | 0,3          |
| Fee SB1 Kreditt AS                      | 3,5          | 3,2          | 3,5          | 4,0          | 2,9          | 2,8          | 2,8          | 3,3          |
| Savings/placements                      | 6,9          | 7,9          | 7,8          | 8,7          | 8,2          | 10,1         | 9,0          | 10,6         |
| Payment facilities                      | 43,9         | 39,3         | 40,2         | 41,7         | 39,2         | 39,9         | 45,4         | 50,7         |
| Insurance products                      | 23,5         | 24,4         | 24,9         | 25,7         | 26,2         | 27,0         | 27,5         | 28,9         |
| Other                                   | 1,8          | 6,1          | 2,1          | 3,1          | 3,7          | 3,3          | 3,6          | 2,8          |
| Commission SB1 Bolig- og Næringskreditt | 44,3         | 32,7         | 70,4         | 73,0         | 61,0         | 62,6         | 69,5         | 58,8         |
| <b>Total commision income</b>           | <b>127,0</b> | <b>116,7</b> | <b>151,9</b> | <b>159,1</b> | <b>144,1</b> | <b>148,6</b> | <b>160,8</b> | <b>158,1</b> |
| <b>Commission cost</b>                  |              |              |              |              |              |              |              |              |
| Interbank cost                          | 0,5          | 0,4          | 0,5          | 0,4          | 0,2          | 0,3          | 0,3          | 0,3          |
| Payment facilities                      | 7,5          | 6,4          | 7,1          | 7,1          | 6,0          | 6,2          | 5,9          | 7,1          |
| Other                                   | 1,4          | 1,7          | 2,8          | 2,1          | 2,3          | 2,1          | 3,4          | 3,1          |
| <b>Total commision cost</b>             | <b>9,4</b>   | <b>8,4</b>   | <b>10,4</b>  | <b>9,6</b>   | <b>8,5</b>   | <b>8,6</b>   | <b>9,6</b>   | <b>10,5</b>  |
| <b>Net commision income</b>             | <b>117,6</b> | <b>108,2</b> | <b>141,5</b> | <b>149,5</b> | <b>135,6</b> | <b>140,0</b> | <b>151,2</b> | <b>147,7</b> |
| <b>Other income</b>                     |              |              |              |              |              |              |              |              |
| Custome fee real estate                 | 34,7         | 52,0         | 46,7         | 41,5         | 40,4         | 55,9         | 48,0         | 49,7         |
| Custome fee accounting                  | 10,7         | 9,7          | 8,3          | 8,4          | 13,7         | 13,0         | 11,4         | 8,8          |
| Othter                                  | 5,7          | 8,9          | 7,9          | 1,0          | 3,2          | 2,6          | 2,2          | 5,5          |
| <b>Total other income</b>               | <b>51,1</b>  | <b>70,6</b>  | <b>62,9</b>  | <b>50,8</b>  | <b>57,3</b>  | <b>71,5</b>  | <b>61,6</b>  | <b>64,0</b>  |
| <b>Net commission and other income</b>  | <b>168,8</b> | <b>178,8</b> | <b>204,4</b> | <b>200,4</b> | <b>192,8</b> | <b>211,5</b> | <b>212,7</b> | <b>211,7</b> |

# Operating costs



# LTV on mortgages incl. BK - LTV interval-distributed

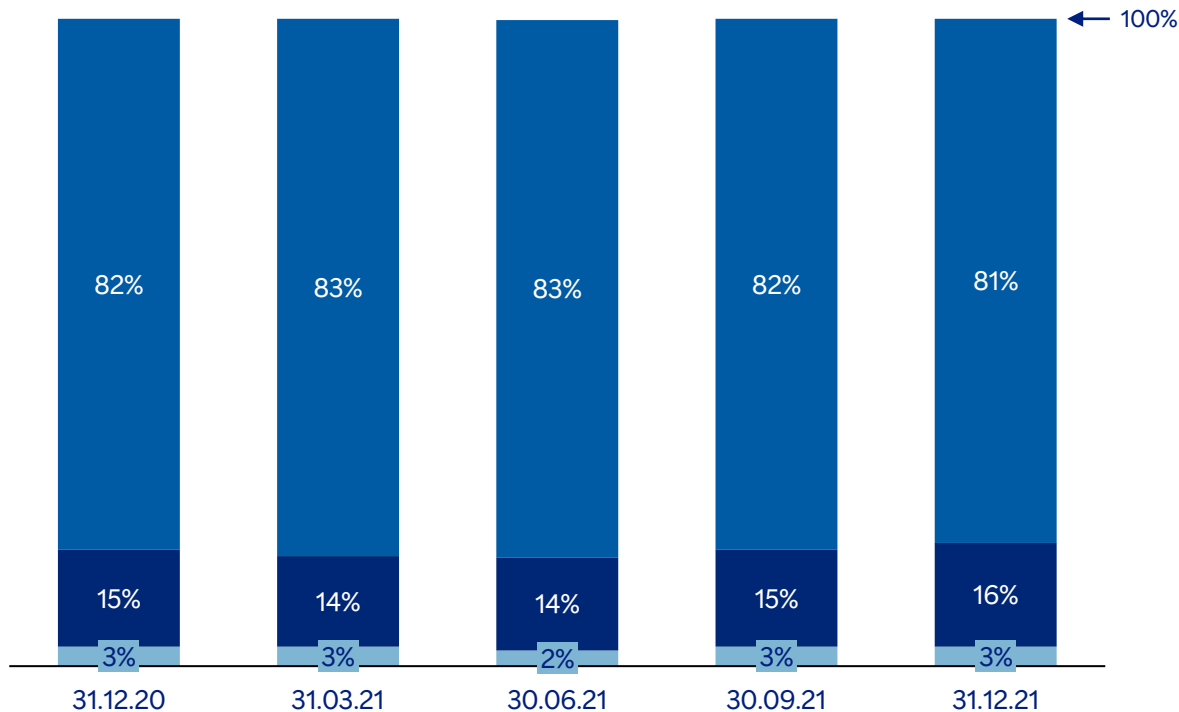


Improvement in interval > 50% in last quarter is mainly due to changes in the procedure for updating property value from rolling 24 months to rolling 3 months

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

# Risk profile – lending in the retail market

Old BV up to Q1 21. New Sørøst-Norge from Q2 21.

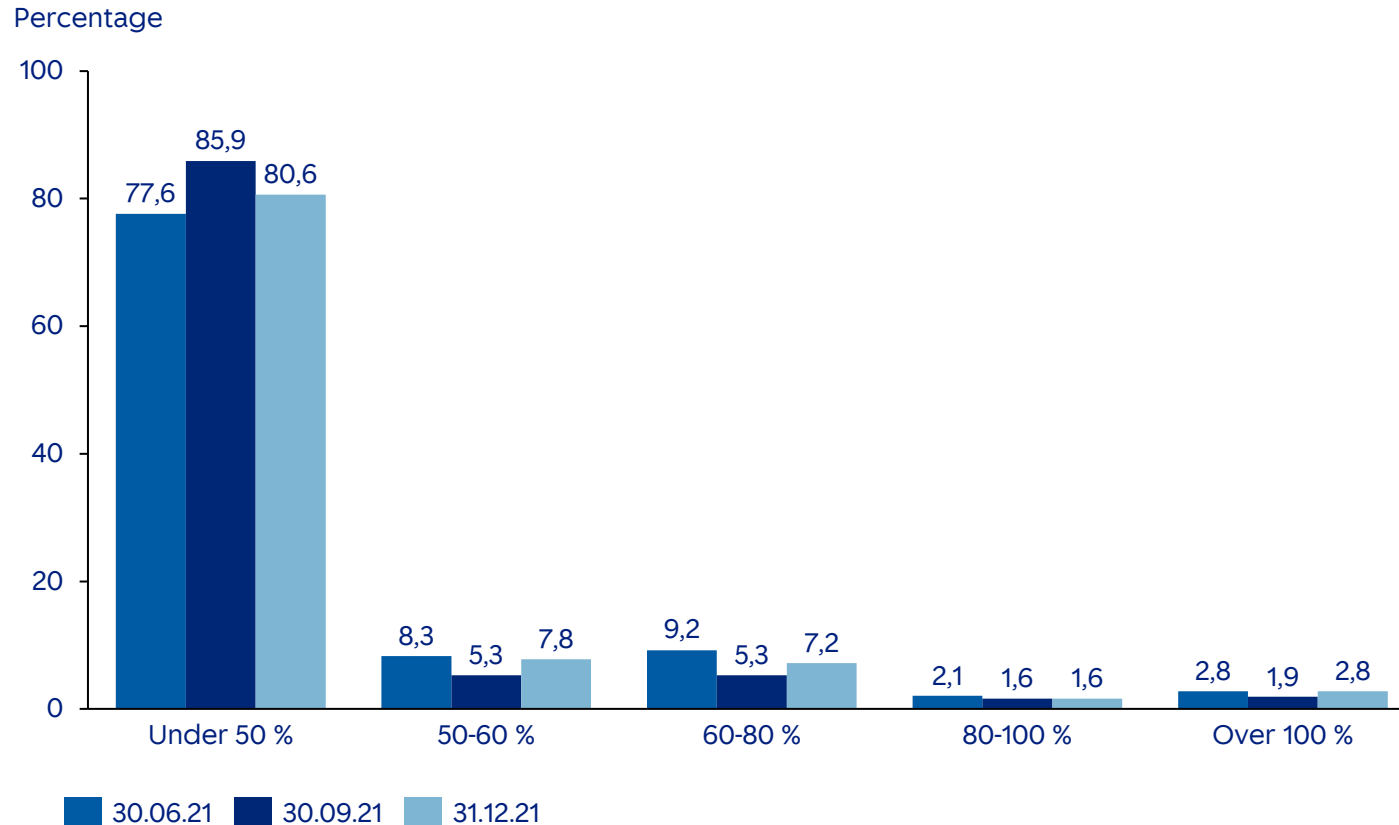


The retail market portfolio is stable over time, and has strong overweighting and a positive trend in volume in good risk classes.

A new composite portfolio for SB1 Sørøst-Norge also has a solid overweighting of good risk classes.

- PD < 0.5% (risk class A-C)
- PD 0.5 - 2.5% (risk class D-F)
- PD > 2.5% (risk class G-K)

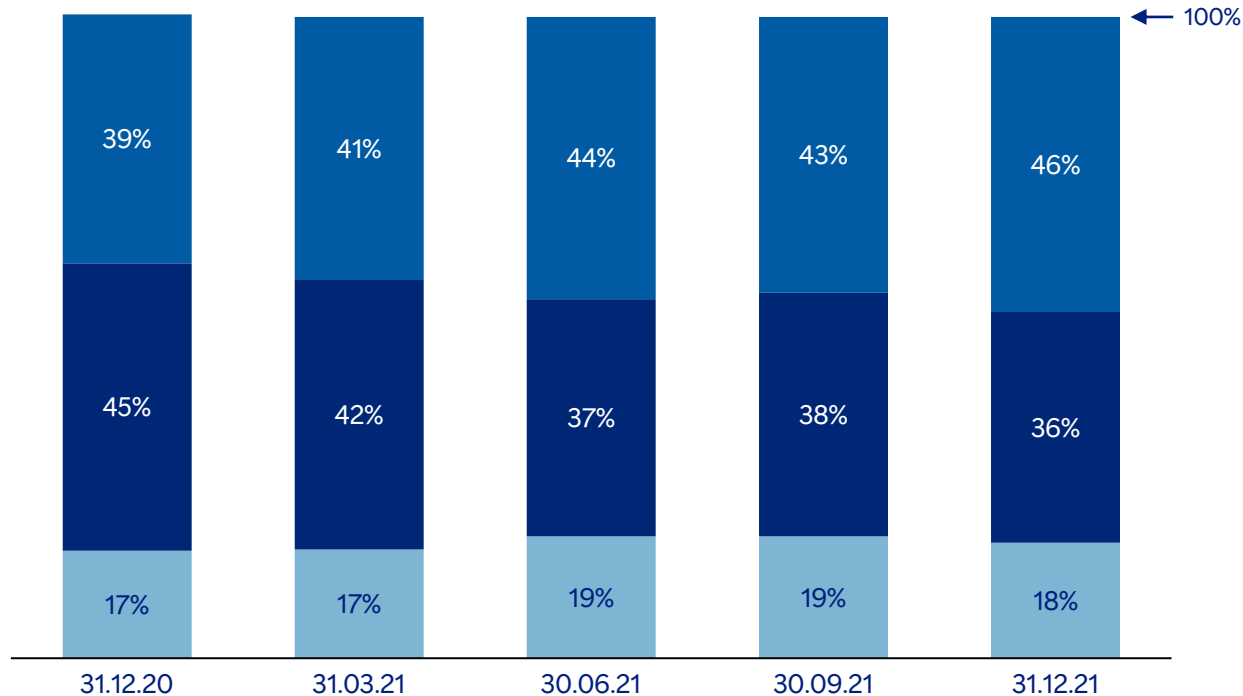
# LTV on commercial loans – LTV interval-distributed



LTV total 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.

# Risk profile - corporate lending

Old BV up to Q1 21. New Sørøst-Norge from Q2 21.

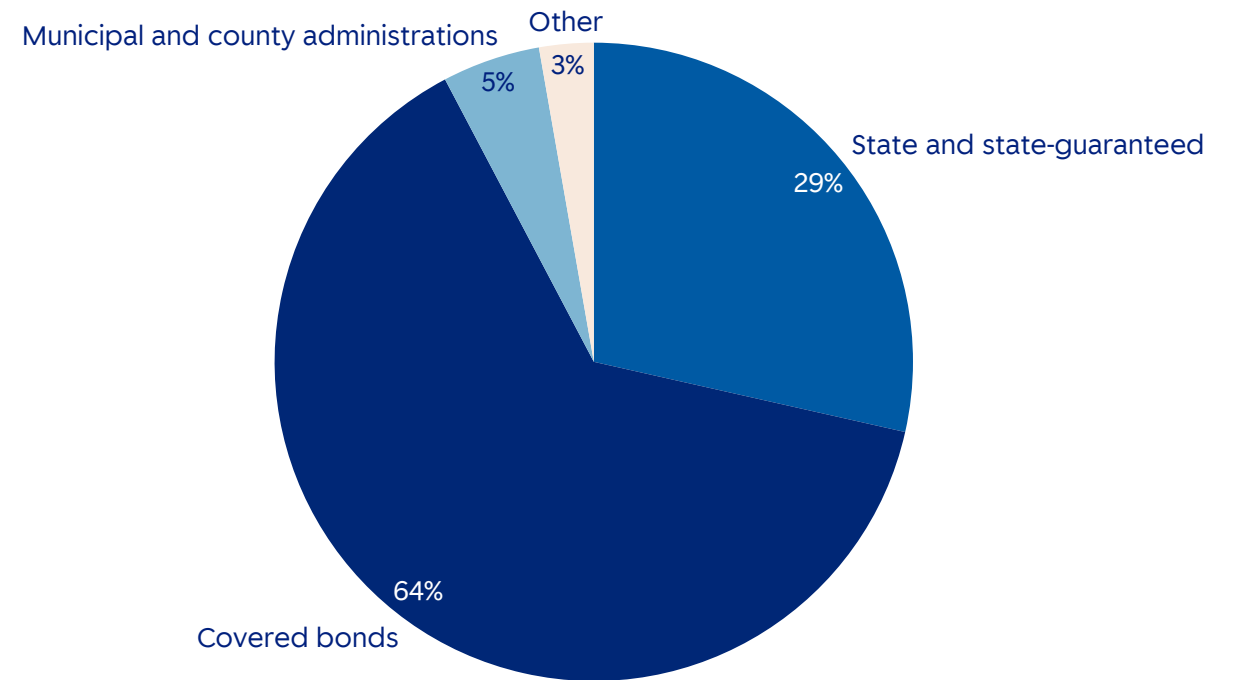
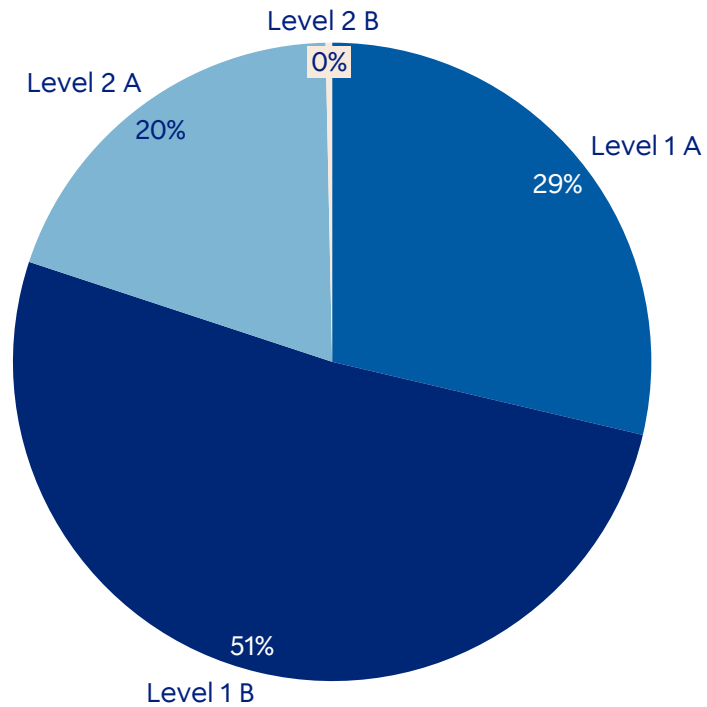


Stable development in the fourth quarter.

The changes are due to the composition of the portfolio in the new SB1 Sørøst-Norge.

- PD < 0.5% (risk class A-C)
- PD 0.5 - 2.5% (risk class D-F)
- PD > 2.5% (risk class G-K)

# LCR portfolio 31.12.21



At the end of the quarter, the LCR portfolio was NOK 6.1 billion with an LCR of 175% (average 166% in 2021).

Good liquidity situation.

# Biggest owners of equity certificates

| <b>20 største ekenkapitalbeviserne</b>      | <b>Antall</b> | <b>% av<br/>totalt<br/>antall ek-<br/>bevis</b> |
|---|---------------|---|
| SPAREBANK 1 STIFTELSEN BV                   | 24.141.356    | 20,3 %  |
| SPAREBANKSTIFTELSEN TELEMAR - GRENLAND      | 18.910.174    | 15,9 %  |
| SPAREBANKSTIFTELSEN NØTTERØY-TØNSBERG       | 10.925.503    | 9,2 %   |
| SPAREBANKSTIFTELSEN TELEMAR - HOLLA OG LUND | 10.273.723    | 8,7 %   |
| VPF EIKA EGENKAPITALBEVIS                   | 3.838.504     | 3,2 %   |
| SPECIALFONDET BOREA UTBYTTE                 | 2.456.235     | 2,1 %   |
| PARETO INVEST AS                            | 1.771.308     | 1,5 %   |
| LANDKREDITT UTBYTTE                         | 1.100.000     | 0,9 %   |
| MELESIO INVEST AS                           | 928.150       | 0,8 %   |
| CATILINA INVEST AS                          | 912.032       | 0,8 %   |
| WENAASGRUPPEN AS                            | 907.432       | 0,8 %   |
| SANDEN AS                                   | 707.494       | 0,6 %   |
| FORETAKSKONSULENTER AS                      | 621.230       | 0,5 %   |
| KOMMUNAL LANDSPENSJONSKASSE GJENSIDIGE      | 582.614       | 0,5 %   |
| AARS AS                                     | 534.737       | 0,5 %   |
| SKOGEN INVESTERING AS                       | 520.000       | 0,4 %   |
| SALT VALUE AS                               | 497.211       | 0,4 %   |
| ELGAR KAPITAL AS                            | 468.000       | 0,4 %   |
| BABORD AS                                   | 421.266       | 0,4 %   |
| HAUSTAD INVESTOR AS                         | 420.000       | 0,4 %   |
| Sum 20 største eiere                        | 80.936.969    | 68,2 %  |
| SpareBank 1 Sørøst-Norge (egne bevis)       | 188.826       | 0,2 %   |
| Øvrige eiere                                | 37.564.122    | 31,6 %  |
| Utstedte egenkapitalbevis                   | 118.689.917   | 100,0 %   |

- At the end of the quarter, the number of equity certificate holders is 5,929.
- The 20 largest owners are listed with 68.2% of the ownership capital. Of this, the four savings bank foundations own 54.1%, which is the same as the end of the previous quarter
- At the end of the year, the price of the Bank's equity certificate was NOK 65.40

