



# Company Presentation

Fourth quarter 2019 and preliminary accounts 2019



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2019 in perspective

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Preliminary Financial Accounts  
2019

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Revised Financial Targets

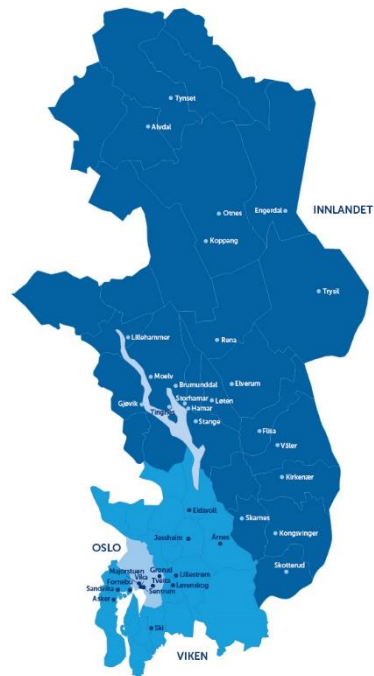
# SpareBank 1 Østlandet celebrates its 175th anniversary in 2020

SpareBank 1 Østlandet at a glance

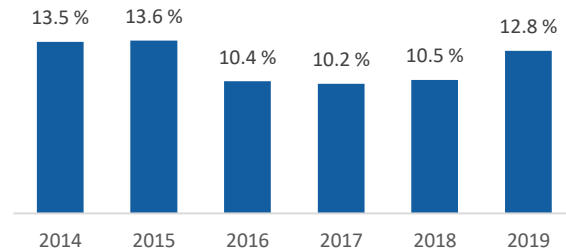


## Highlights

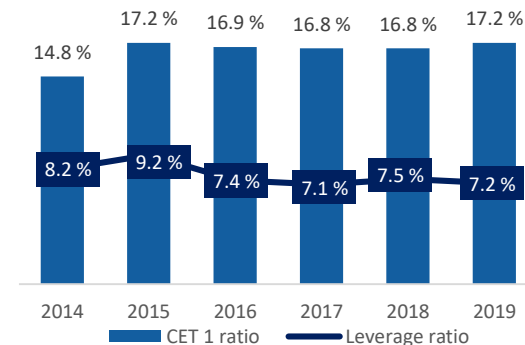
- Celebration: Established in 1845 – known as Sparebanken Hedmark (“SBHE”) until 1 April 2017.
- Norway’s fourth largest savings bank – total adjusted assets (incl. cov. bonds) of approx. NOK 178 bn as of 4Q-19.
- Operations in the Inland and Capital Regions – a market with 1.7 million inhabitants.
- Head office in Hamar (90 minute drive north of Oslo) – 37 bank branches and 1,127 FTEs as of 4Q-19.
- 354,000 customers – retail share of total lending 73 %.
- Diversified product offering – provides banking, leasing, accounting and real estate brokerage services.
- Part of the SpareBank 1 Alliance – owns 12.4% of SpareBank 1 Gruppen AS.



## Return on Equity (ROE) (%)



## CET 1 ratio & Leverage ratio (%)





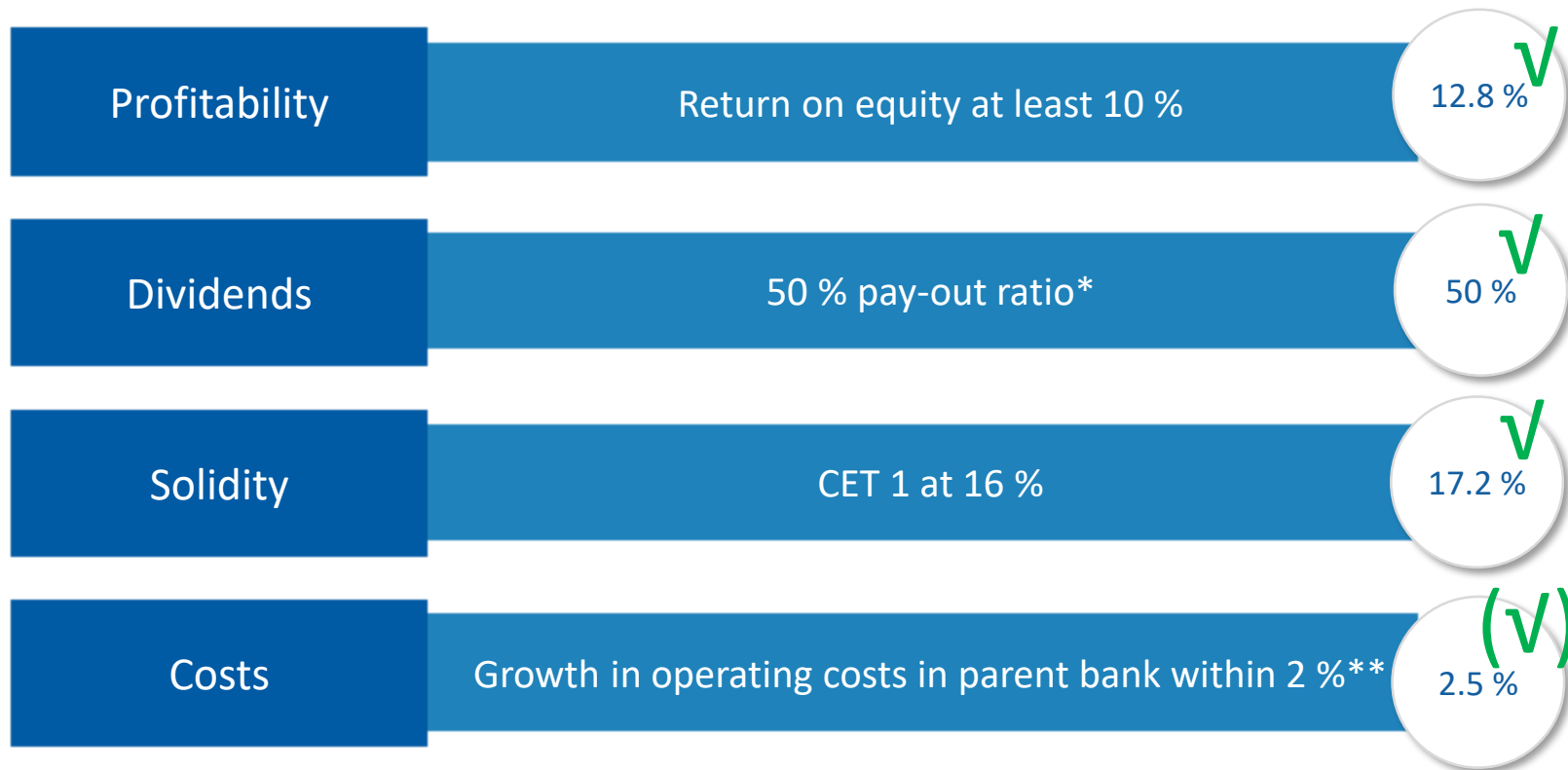
# Highlights 2019

## Summary

- Entered into partnership with The Norwegian Confederation of Trade Unions (“LO”) becoming a preferred partner for providing housing mortgages to LO’s more than 900,000 members.
- The customer growth continues.
- Increased net interest income and stable lending growth.
- Solid contributions from ownership interests and financials.
- Record sales in insurance.
- ESG high on the daily agenda.
- Reduced headcount and declining growth in operating costs.
- Still low loan losses.
- CET 1 ratio and ROE above target.

# High profitability – reduced growth in operating costs

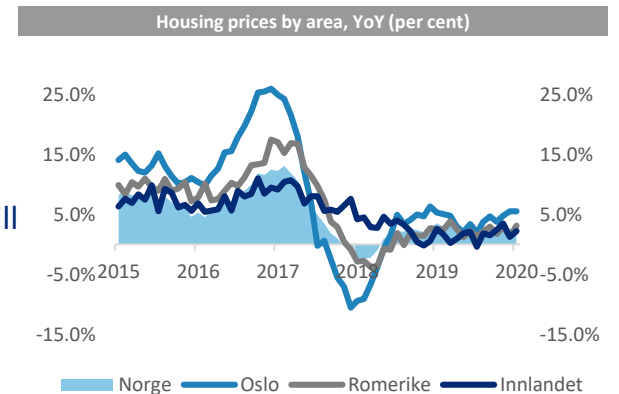
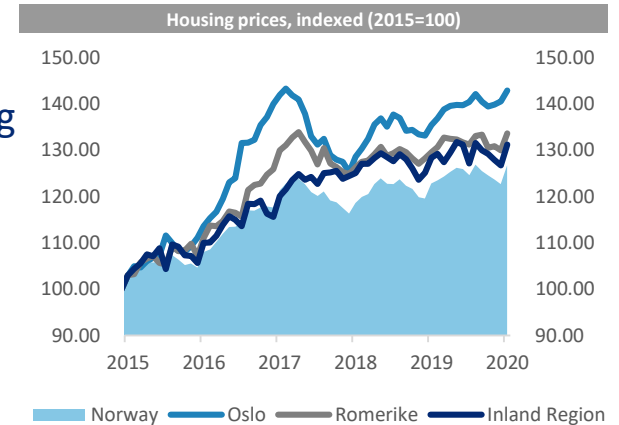
Financial targets 2019 and actual performance



# Solid and stable price development in the Capital Area in 2019

## Housing price developments for relevant areas compared with Norway

- A normal start of the new year for the Capital Region – strong increase for the rest of the country
  - Norway: Nominal January +3.3 %/seasonally adjusted +0.9 %
    - Oslo: +1.7 %
    - The Inland Region: +3.6 %
  - Housing price growth – YoY: +3.2 %
    - Oslo: +5.5 %
    - The Inland Region: +2.2 %
- Still high market activity
  - 1.7 % more units sold this January compared to the corresponding month in 2019
  - Number of homes sold and number of new homes in the market is still high. This indicates a good balance in the market.
  - Short lead times – marginally higher than last year
    - Shortest lead time in the Capital Region



# Still high economic activity – but softer expectations on a national level

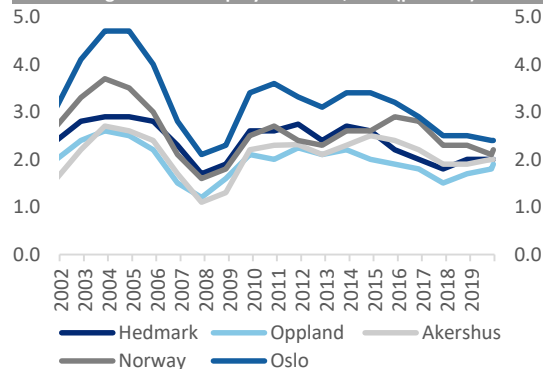
Decreasing production growth – but still low unemployment in the market area

- Solid economic growth in Norway and Eastern Norway
  - Economic growth above trend – Norway in an international unique position
  - Global economic uncertainty spill over to national expectations
  - High capacity utilization
  - Stable low unemployment rate
  - Improved cost competitiveness
  - Low interest rates
  - Weak Norwegian currency (NOK)
- SpareBank 1 Østlandet's market area
  - The Capital area – highest economic growth in Norway last 5 years
  - Cyclically stable region
  - High expected long term population growth

Growth in production, q/q and forecast for 6 months (per cent)



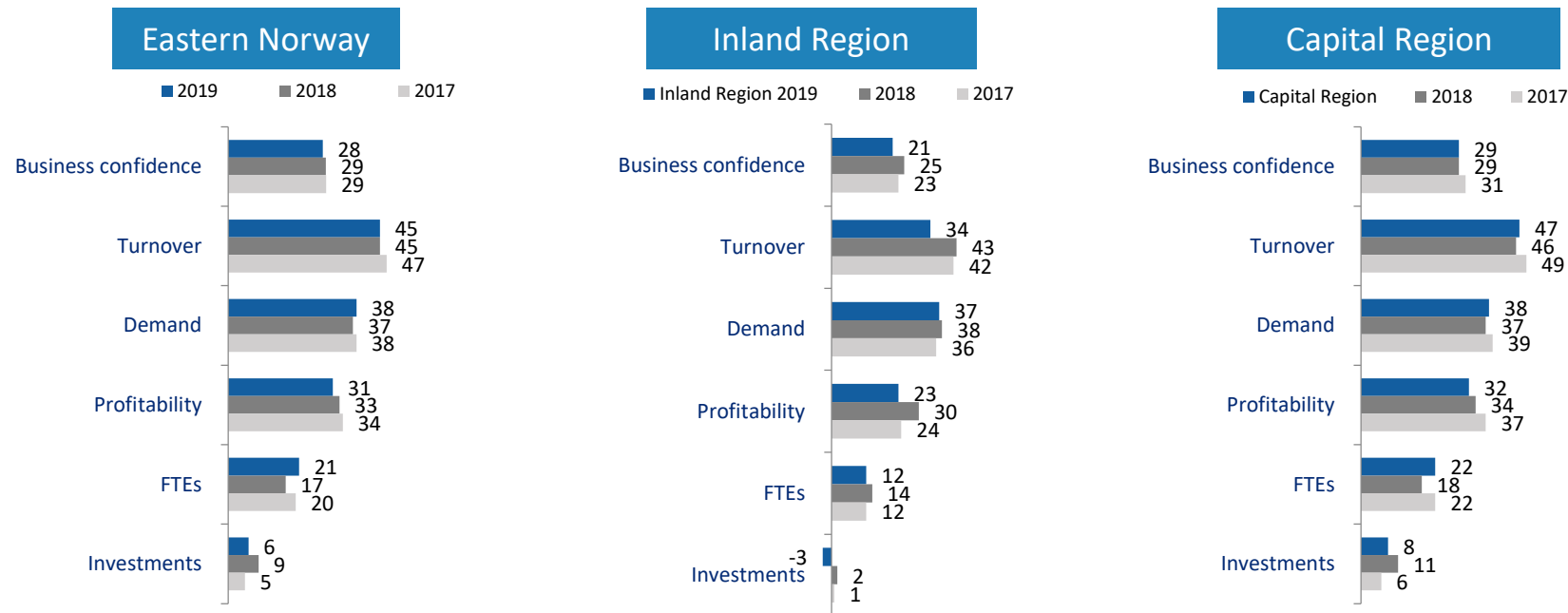
Registered unemployment rate, NAV (per cent)





# Still good growth expectations in the market area

Business confidence and sub indicators for corporates in 2020 (a zero score is neutral)



The business confidence is calculated on 5 base elements: Expected numbers of FTEs, turnover, profitability, investments and demand for 2020. The sub indicators are calculated on difference between optimistic and pessimistic replies on the 5 questions. The business confidence is the average of the sub indicators. The selection is 1,000 corporates in SpareBank 1 Østlandet's market area. All interviews was executed between 14 and 27 October 2019. The indicators are weighted to ensure validation.



# Employment growth the main driver behind economic growth

New jobs and gross product growth

«Two out of three new jobs in Norway, are in the Capital Area»

## Stor-Oslo får to av tre jobber

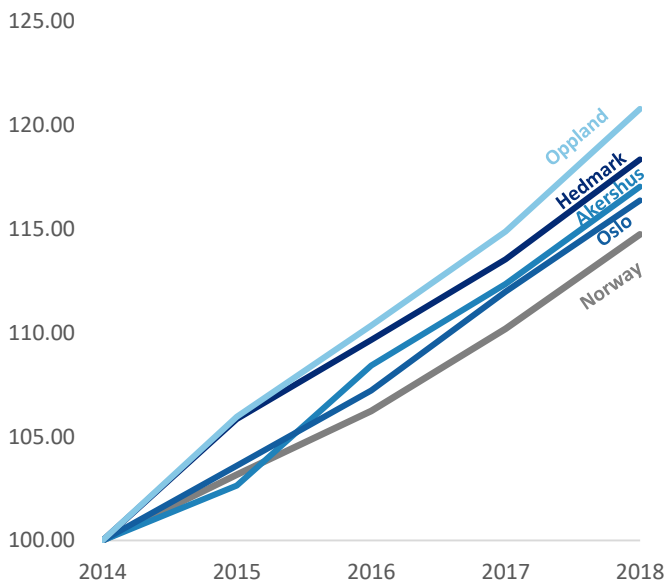
Ap-nestleder Hadia Tajik mener regjeringen fører en distriktsfientlig politikk fordi de fleste arbeidsplassene blir skapt i Oslo og Akershus.

### SYSSELSETTING:

• I tredje kvartal 2019 var 68,6 prosent av alle personer mellom 15 og 74 år i arbeid. Arbeidsstyrken (sysselsatte pluss arbeidsledige) var på 71,3 prosent.

• Fra 2006 til 2013 ble det skapt 246.000 nye jobber i Norge. 86.000 av dem kom i Oslo og Akershus.

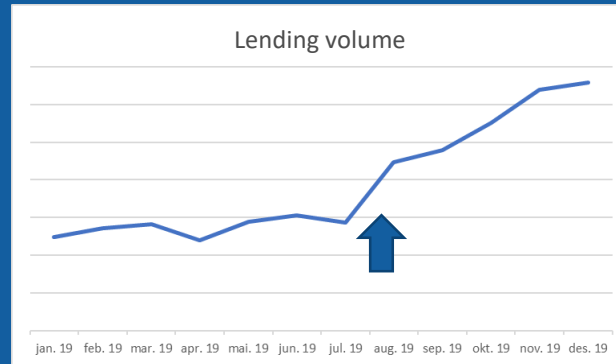
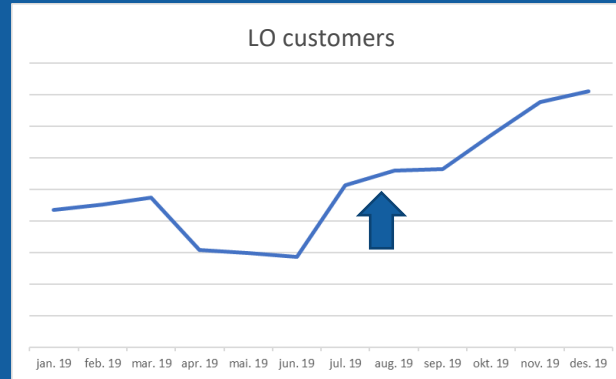
• Fra 2013 til 2018 ble det skapt 91.000 nye jobber, 50.000 av dem i Oslo og Akershus.



- 40 % of the Norway's mainland GDP is created within our market area
- Value creation in the region is well above the national average
- Growth in value creation per county since 2014:
  - **Norway:** +14,7 %
  - Oppland: +20,8 %
  - Hedmark: +18,3 %
  - Akershus: +17,0 %
  - Oslo: +16,4 %



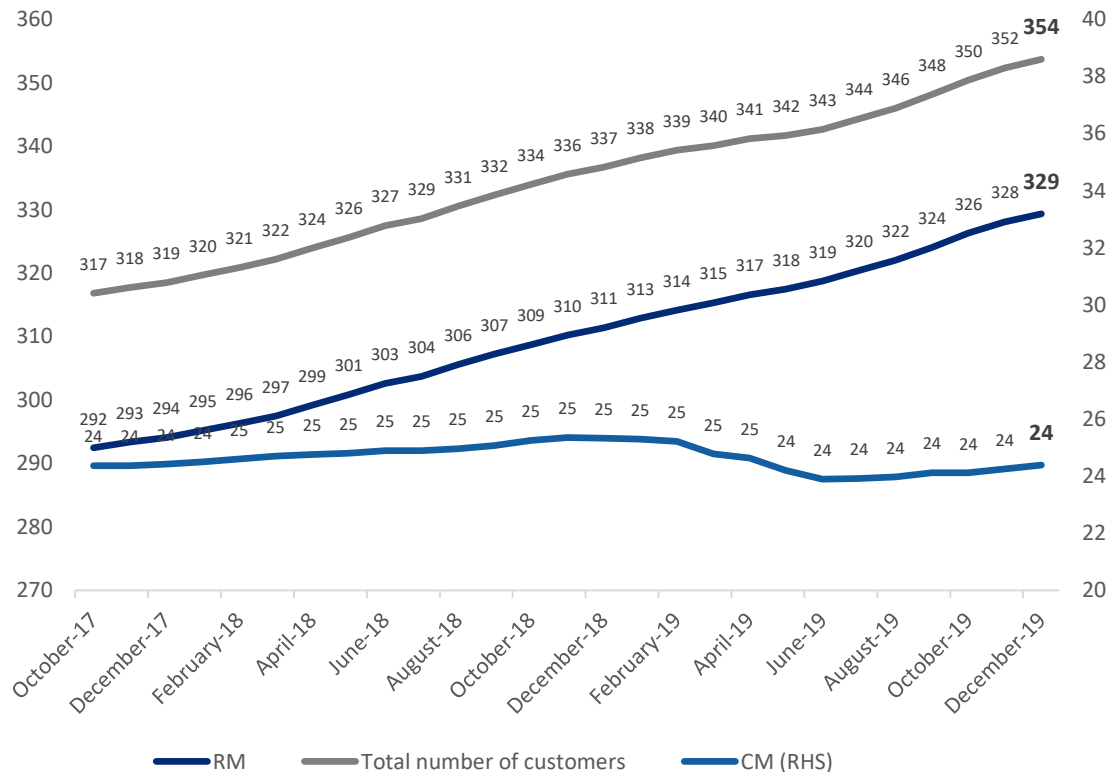
## The agreement with The Norwegian confederation of trade unions – LO – is showing promising signs



- The agreement was signed 19 August 2019
- Marketing commenced in September
- A strong increase in the number of LO customers under the agreement
- A solid contribution to lending growth

# Still steady customer growth

## Numbers of customers in parent bank



- 2019 has been characterized by off-boarding of some customers with low account activity.
  - During 2019 the Bank carried out a large project validating the KYC documentation for customers on-boarded before 2009 in accordance with new AML requirements.
  - Customers who had failed to update documentation in line with the Bank's request, had their accounts closed.
  - Limited negative feedback from customers.
  - Total costs of this project was approximately NOK 11 million in 2019.
- Despite the off-boarding – the net customer growth in the Bank the last 12 months was 5.0 %.



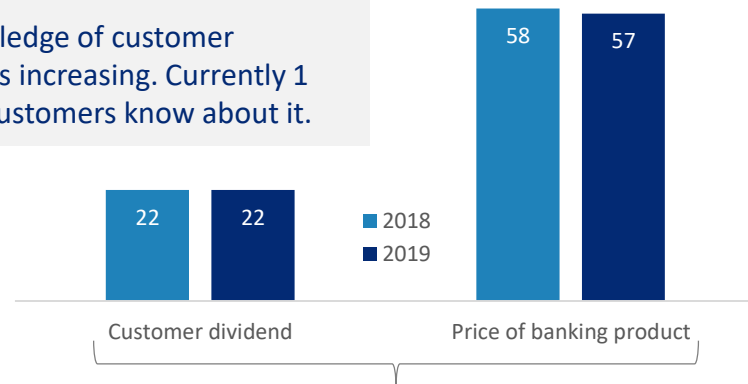
# High satisfaction with the customer dividend

The first bank in Norway with customer dividend in 2017

**The proposed customer dividend for 2020 is NOK 266 million for customers with loans and deposits during 2019\*.**  
(NOK 222 million in 2018, NOK 204 million in 2017)

- The knowledge and satisfaction with the customer dividend is increasing in all regions according to surveys.
- The knowledge of customer dividend is increasing. Currently 1 out of 4 customers know about it.

8 out of 10 who have received customer dividend like it



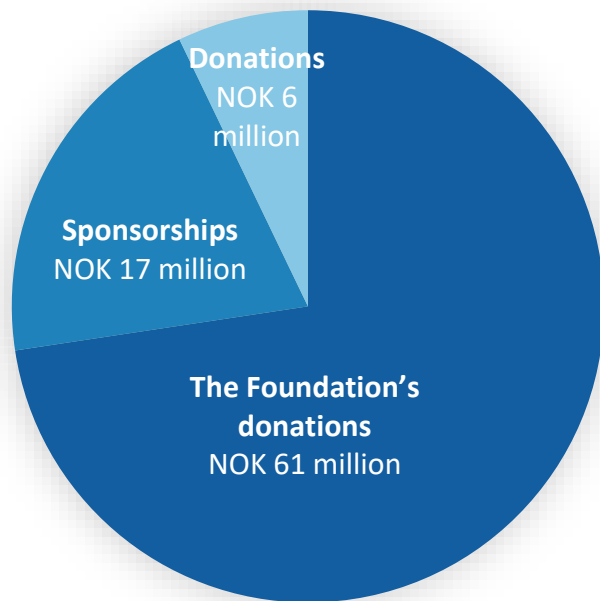
*What is the most important factor?\*\*\**

\* Pending approval from the Supervisory Board

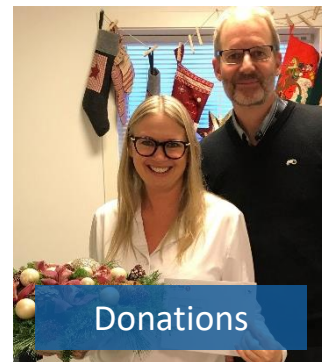
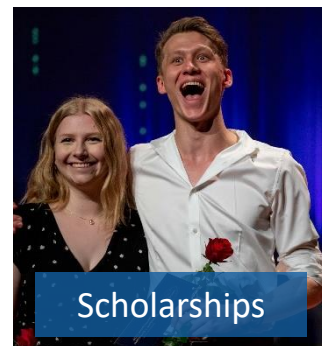
\*\*\* Survey based on population of both current customers and "non-customers"

# SpareBank 1 Østlandet - an important local contributor

Donations and sponsorships in 2019



■ Sparebankstiftelsen Hedmark ■ Sponsorships ■ Donations





# An unique owner – the bank's dividend is returned to the society

Sparebankstiftelsen Hedmark – «The Savings Banks Foundation»

## Donations per category

Purpose	Share	Amount (NOK)
Knowledge	29%	63,600,000
Entrepreneurship	25%	55,000,000
Sports and outdoor recreation	21%	46,000,000
Culture and society	20%	45,300,000
Humanitarian	5%	11,700,000
<b>Total donations (2017-2019)</b>		<b>221,600,000</b>



# Fremtind - solid growth in market shares in 2019

Fremtind – the non-life insurer

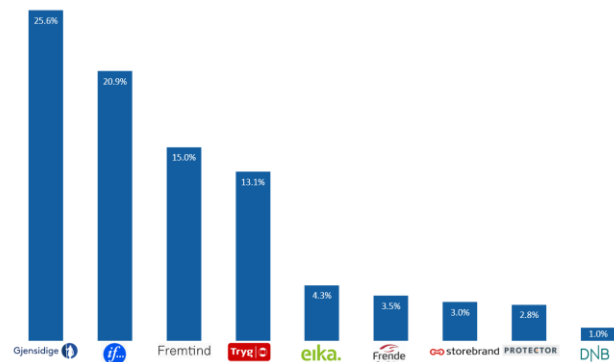
Fremtind

Insurance solutions for the future

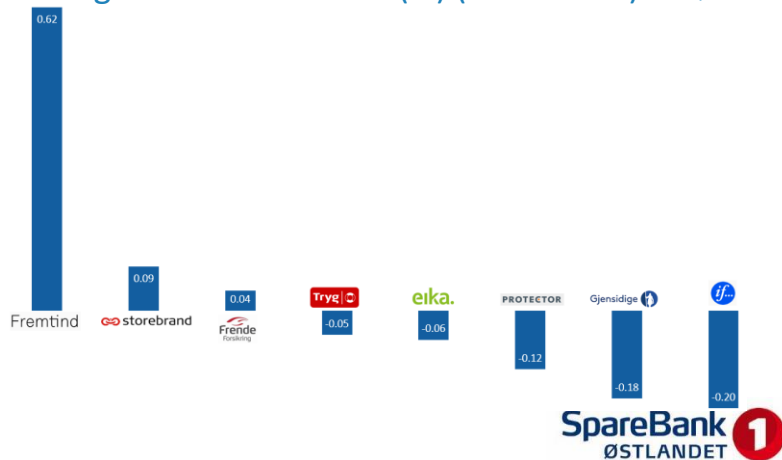
Aim to make «insurance in banking» attractive and normal for the customers

- Fremtind is ranked number 3 in the market with a market share of 15 %.
- Fremtind is ranked number 2 in the retail non-life insurance market.
- Fremtind is ranked number 1 in the retail life insurance market.

Market shares as of 3Q-19 - Premiums



Change in market shares (%) (12 months) – Q3-19





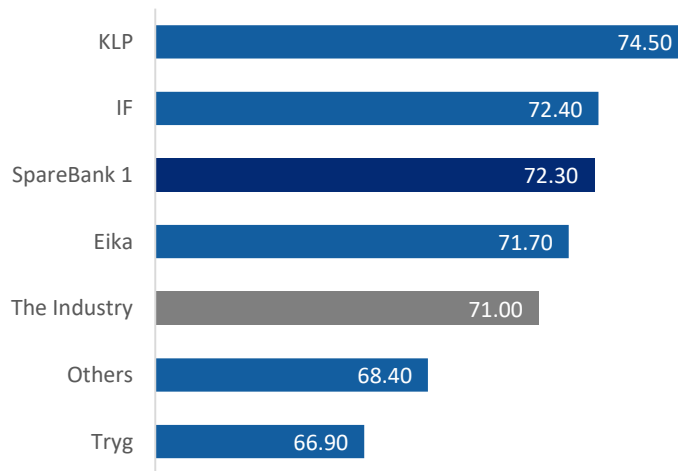
# High insurance premium growth in SpareBank 1 Østlandet

Insurance for SMEs and agriculture

- Non-life insurance for the corporate and agriculture market in SpareBank 1 Østlandet reached NOK 200 million in 2019.
- The market for corporate non-life insurance increased with 255 new customers in 2019.
- The increase in premiums was 10 % for corporates, and 6 % for agriculture in 2019.

## SpareBank 1 Corporate Non-Life Insurance advances

The 2019 survey shows the best score for SpareBank 1 Corporate Non-Life Insurance in history. As the only participant in the survey – SpareBank 1 shows a better score in customer satisfactions this year.



# High premium growth from private pension schemes in 2019

## Pension

- SpareBank 1 Østlandet had a very strong year in private pension schemes in 2019, with a sale of above NOK 100 million.
- This is equivalent to a premium growth of 21.5 % in 2019.
- All customer segments are represented, and the contribution is from both existing and new customers. Organizational interaction has been crucial for success.



### Facts:

- New deals: 3,250
- New members: 25,000
- Underlying pension portfolio: 2,100 MNOK
- Total premium: 480 MNOK

The growth in numbers of members has been 31 % for the period 2016-2019 for SpareBank 1 Østlandet.

In the same period, SpareBank 1 Forsikring had the highest growth in market shares.

# ESG is even stronger on the agenda in 2019

## ESG areas of focus in 2019

- Conducted overall ESG analyzes on risk and opportunities.
- ESG due diligence in progress for almost all corporate customers.
- Climate risk integrated in the credit process.
- The second Norwegian bank to sign the ambitious UNEP FI's Collective Commitments to Climate Action.
- Thorough work on evaluating and labeling all mutual funds. Labeling towards the investors next in line.
- Solid ESG ratings from Sustainalytics and MSCI.



# SpareBank 1 Østlandet – a driver for ESG in the market area

## ESG areas of focus

### The Bank aims to be a driver for sustainable development in the market area

- A market area with low physical climate risk.
- A portfolio with a low CO2 footprint.
- The Bank has established green mortgages and green agricultural loans.
- SpareBank 1 is perceived as the most sustainable financial institution by the customers.
- The Governance Group scores SpareBank 1 Østlandet among the top companies on Oslo Stock Exchange when it comes to ESG reporting.

### Internalizing ESG in all decision processes

- Integrated in the liquidity portfolio management.
- Integrated in the procurement processes.
- Evaluation of all available mutual funds offered by the Bank.
- Integration of ESG in the retail and corporate credit processes.
- A pilot project on publishing carbon related credit exposure.



# SpareBank 1 Østlandet with special focus on the agricultural industry

ESG focus towards the agricultural industry in 2019

## Agriculture in SpareBank 1 Østlandet

- Agriculture constitute 17 % of the Bank's corporate lending book.
- Largest sub-segment is livestock with 36 % of the agri portfolio
- The growth in 2019 was 10 %, with highest growth in agricultural cultivation

## Trends and development

- Agriculture has a physical climate exposure.
- There is a political will to maintain a viable Norwegian agricultural industry.
- High productivity growth and increased focus on precision agriculture and robotics.
- Restructuring in the dairy industry: Declines 7 percent.
- Low level of bankruptcy even after the dry summer of 2018.

## The Bank's approach to agriculture in 2019

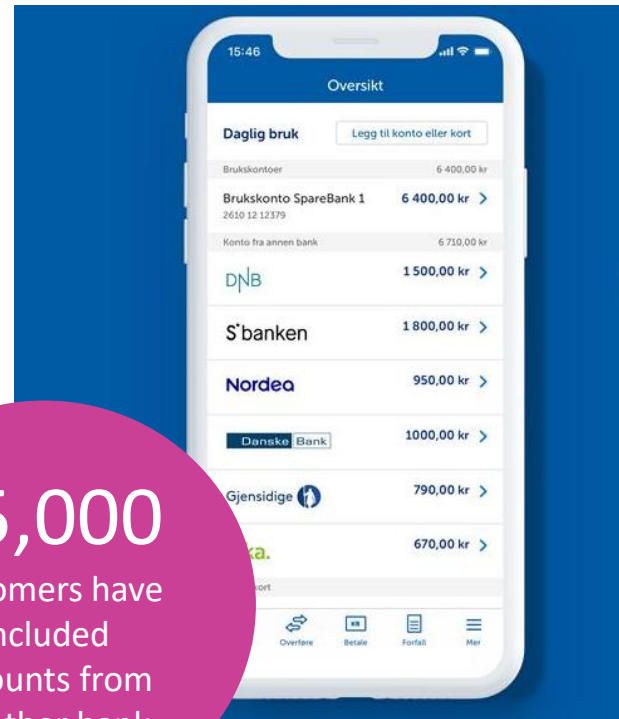
- Green agricultural loan.
  - First bank to launch this product in Norway.
- ESG analysis.
  - ESG as an integrated part of the credit process.
- Development of expertise.
  - The Bank cooperates extensively with several players on the development of expertise in the field of climate and ESG in agriculture.



# The development of digital solutions continues at full force

New functionality in the digital bank in 2019

- PSD2 account information and payment from other bank's accounts
- Widget (balance without a log-in)
- Notifications
- Open architecture for «non-customers»
- Transfer money from an other bank
- Separate overview for children
- Deep links from websites to the digital bank
- The mobile bank and Spink in «dark mode»
- Minna subscription management



55,000

customers have  
included  
accounts from  
an other bank



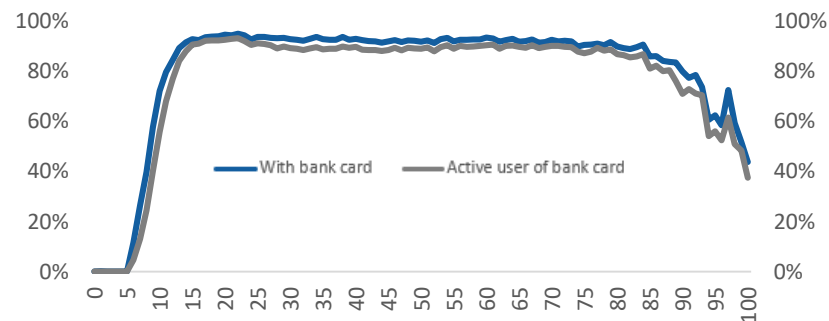
# The seniors are more digital



## How digital are the active\* customers?

Age	Digital Share as of September 2018	Digital Share as of September 2019
18	92%	93%
20	95%	97%
30	96%	97%
40	95%	96%
50	94%	95%
60	89%	92%
70	77%	84%
80	51%	54%
90	17%	21%

## Bank cards\*



\*) Customers with transactions on account last 60 days





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# The financial accounts show significant improvements from last year

Financial accounts 4Q-19 and for 2019 (last year's figures in brackets)

## Strong profitability

Pre-tax profit in 4Q-19 NOK 291 million (NOK 322 million).  
Pre-tax profit YTD NOK 1,928 million (NOK 1,414 million).

## Increased return on equity

ROE in 4Q-19 7.3% (9.1%).  
ROE YTD at 12.8% (10.5%).

## Solid capitalization

CET 1 ratio 17.2 % (16.8 %).  
Leverage ratio 7.2 % (7.5 %).

## Improving lending growth

Lending growth in 4Q-19 2.3%  
Lending growth 7.5 % (8.2 %) (incl. covered bond companies) last 12 months.

## Solid deposit growth

Deposit growth in 4Q-19 2.1 %.  
Deposit growth 9.8 % (8.4%) last 12 months.

## Low loan losses

Impairments on loans and guarantees NOK 33 million in 4Q-19 isolated.  
Impairments on loans and guarantees YTD NOK 32 million (NOK 35 million).

# Profit contributions from subsidiaries

Profit contribution 2019 (2018)



## **SpareBank 1 Finans Østlandet AS**

- Profit after tax NOK 118 million (NOK 139 million).
- Still high lending growth and strong income stream.
- Increased loan losses from retail customers. Last year saw a one-off gain from sale of portfolio.



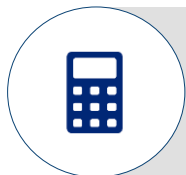
## **EiendomsMegler 1 Innlandet AS\***

- Profit after tax NOK 5 million (NOK 8 million).
- Higher income related to new home sales.
- Increased costs from establishment of a real estate project brokerage.



## **EiendomsMegler 1 Oslo Akershus AS**

- Profit after tax NOK 7 million (NOK 3 million).
- Increased income drives improved profit. Reversal of tax costs of NOK 3 million.
- Increased costs from recruitment process.



## **SpareBank 1 Østlandet VIT AS\*\***

- Profit after tax NOK -7 million (NOK -9 million).
- Restructuring still in progress.
- Increased activity level and chargeability.

# Contribution from joint ventures (1)

Profit contribution 2019 (2018)



## **SpareBank 1 Gruppen**

- Profit after tax NOK 1,503 million (NOK 1,480 million).
- Ownership 12.4 %.
- A year characterized by major one-off effects.



## **SpareBank 1 Boligkreditt AS**

- Profit after tax NOK 169 million (NOK 5 million).
- Ownership 22.29 %.
- Improved profit driven by return on liquid assets.

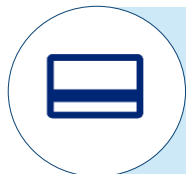


## **SpareBank 1 Næringskreditt**

- Profit after tax NOK 45 million (NOK 36 million).
- Ownership 17.7 %.
- Improved profit driven by higher margins.

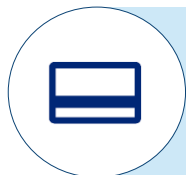
# Contribution from joint ventures (2)

Profit contribution 2019 (2018)



## **SpareBank 1 Kredittkort**

- Profit after tax NOK 75 million (NOK 131 million)
- Ownership 20.85 %
- Lower earnings based on reduced commission income and higher losses



## **SpareBank 1 Betaling AS**

- Profit after tax NOK -35 million (NOK -38 million)
- Ownership 18.7 %



## **BN Bank ASA**

- Profit after tax NOK 232 million (NOK 212 million)
- Ownership 9.99 %
- Owner since 24 May 2019

# Income statement 4Q 2019 and 2019

## Group

	4Q 2019	4Q 2018	2019	2018
Net interest income	584	544	2,166	2,074
Net commission income	296	265	1,152	1,106
Other income	37	48	236	181
Dividends	0	0	19	13
Net profit from ownership interest	-1	57	519	198
Net income from financial assets/liabilities	12	-51	197	80
Total operating expenses	490	506	1,930	1,881
<b>Operating profit before losses on loans and guarantees</b>	<b>438</b>	<b>358</b>	<b>2,359</b>	<b>1,770</b>
Impairment on loans and guarantees	33	11	32	35
<b>Pre-tax operating profit</b>	<b>406</b>	<b>346</b>	<b>2,327</b>	<b>1,735</b>
Tax expense	114	25	398	321
<b>Profit/loss after tax</b>	<b>291</b>	<b>322</b>	<b>1,928</b>	<b>1,414</b>
Return on equity capital after tax	7.3 %	9.1 %	12.8 %	10.5 %
Total operating costs in relation to total income	52.7 %	58.6 %	45.0 %	51.5 %
Losses on loans as a percentage of gross loans	0.12 %	0.05 %	0.03 %	0.04 %

# Special items 2019 - 1

## Description and effects

### Fremtind Forsikring AS

1. Fremtind Forsikring AS was established 1 January 2019 as a consequence of the merger between SpareBank 1 Skadeforsikring AS and DNB Skadeforsikring AS. DNB ASA increased its ownership 1 January 2019 to 35 % in Fremtind. DNB ASA owns a call option to increase its stake to 40 % in Fremtind. The option expires 31 March 2020.
  - SpareBank 1 Gruppen received a tax free gain of app. NOK 1.7 bn. as a result of the sell-off. This gain has been paid out as an extraordinary dividend to the owners of SpareBank 1 Gruppen. The transaction lead to an increase in equity for the SpareBank 1 Gruppen of NOK 4.7 bn.
  - For SpareBank 1 Østlandet the accounting effects were:
    - Parent Bank: Extraordinary dividend received was NOK 211 million.
    - Group: The share of the increase in equity in SpareBank 1 Gruppen was NOK 291 million.
2. On 2 September Fremtind Forsikring AS was granted permission by the Norwegian FSA to operate life insurance activities through its wholly-owned subsidiary Fremtind Livsforsikring AS. The establishment of Fremtind Livsforsikring will be implemented by the demerger of assets and liabilities from SpareBank 1 Forsikring AS and DNB Livsforsikring AS respectively. The demerger means that the individual personal risk insurances from SpareBank 1 Forsikring AS and DNB Livsforsikring AS, as well as the personal risk insurance cover paid for by companies, from SpareBank 1 Forsikring AS, are transferred to Fremtind Livsforsikring AS. The demerger is expected to be effective 1 January 2020.
  - In the agreement that was concluded between SpareBank 1 Gruppen AS and DNB ASA on 24 September 2018, the total value of the personal risk area was established as being NOK 6.25 billion. The demerger will result in increased equity for SpareBank 1 Gruppen AS at the group level. The majority interest's (the SpareBank 1 banks and the Norwegian Federation of Trade Unions) share of this increase will be NOK 1.7 billion. SpareBank 1 Østlandet's share of this increase (12.4 percent) will amount to apprx. MNOK 210 and will be recognized in the income statement in the consolidated financial statements (Group) in the first quarter of 2020.

### Income reclassification for SpareBank 1 Finans Østlandet

- As of 2019 some income items are reclassified from "Net Interest Income" to "Commissions and Other Income" in SpareBank 1 Finans Østlandet AS.
- This reclassification gives no effect on total profits, but reduced/increased the above mentioned items with NOK 101 million YTD 2019. The reclassification will affect future periods to a similar extent.



# Special items 2019 - 2

## Description and effects

### Tax deductibility of customer dividend

- On January 28 January the Bank received a binding ruling from The Norwegian Tax Administration stating that the customer dividend paid by the bank is tax deductible.
- The Supervisory Board decided on 28 March 2019 to pay NOK 222 million in customer dividend for 2018.
- A tax deduction of NOK 55 million was booked in 1Q-19.

### Raise of equity

- A subsequent offering towards owners not taking part in the private placement in November 2018, a repair offering directed towards LO and an employee offering were executed in January 2019 raising a gross proceed of NOK 37.3 million by issuing 510,268 new ECCs.
- Employees received a 20 % discount on the subscription price for subscriptions up to NOK 125,000. The discount totaled NOK 7.3 million and was booked as personnel costs in 1Q-19.

### Impairment losses on loans and guarantees

- Net losses of NOK 32 million for the Group in 2019.
- Loan loss provisions in the parent bank were reduced by NOK 48 million due to IFRS9 loan loss model validation in 1Q-19. Based on a significantly expanded data set for validation of LGD, it was concluded that actual historical LGD is considerably lower than previously assumed in the LGD estimates.

### Acquisition of a 9.99 % stake in BN Bank ASA

- On 24 May the Bank acquired a stake of 9.99 % in BN Bank ASA as part of the restructuring of the ownership in BN Bank ASA. BN Bank ASA is fully owned by SpareBank 1 Alliance banks.
- The Bank also acquired 9.99 % of the B-shares in SpareBank 1 Næringskreditt following BN Bank.
- The total purchase price was NOK 505 million, with an estimated effect on CET1 of -0.12 % in 2Q-19.

### Revaluation of properties in SpareBank 1 Forsikring

- In 2Q-19 SpareBank 1 Forsikring (a subsidiary of SpareBank 1 Gruppen) revalued investment properties with a positive P&L effect of NOK 596 million.
- The revaluations were conducted by independent external surveyors in conjunction with planned transactions in the investment property portfolio of SpareBank 1 Forsikring.

# Special items 4Q-2019 - 3

## Description and effects

### Strengthening of administrative reserves in SB1 Forsikring

- In the 4th quarter the life insurance subsidiary of SpareBank 1 Gruppen, SpareBank 1 Forsikring AS, strengthened the administrative reserves on free policies in the company.
- This negatively effected the quarterly profit of the SpareBank 1 Gruppen AS.

### Consolidation of BN Bank for capital adequacy purposes.

- From 4th quarter of 2019 the bank consolidates the stake in BN Bank for capital adequacy purposes.
- The NFSA has ordered the bank to consolidate the stake in BN Bank.
- The bank does not agree on the NFSA's interpretation of «cooperating group» underlying the decision, but is complying with the NFSA's decision.
- The isolated effect of the change is estimated at 0.4 percentage points.

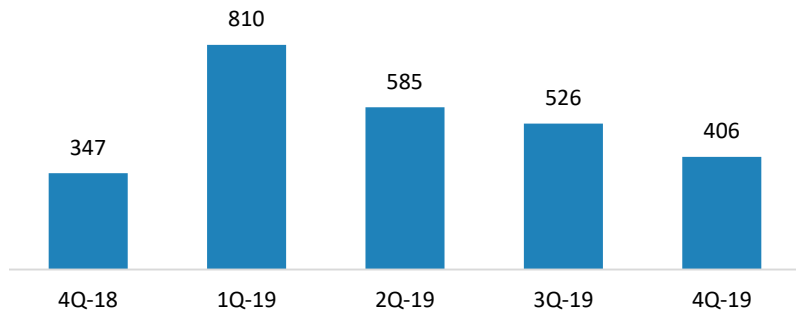
### Classification of distributions of gifts and customer dividends under IFRS

- The bank's auditor has expressed an assessment that the current practice for classifications of distributions from the ownerless capital (gifts and customer dividends) for savings banks as an "equity transaction" must be amended to ensure compliance with IFRS.
- The Bank is of the opinion that the financial institutions act's regulation of distributions implies that a change in classification shall not affect the bank's dividend capacity, distribution of profits between ownerless capital and the equity certificate capital or the bank's capital adequacy.
- The Bank has initiated a process to clarify the question related to classification of distributions from the ownerless capital under IFRS and will update the market with further information once clarified.

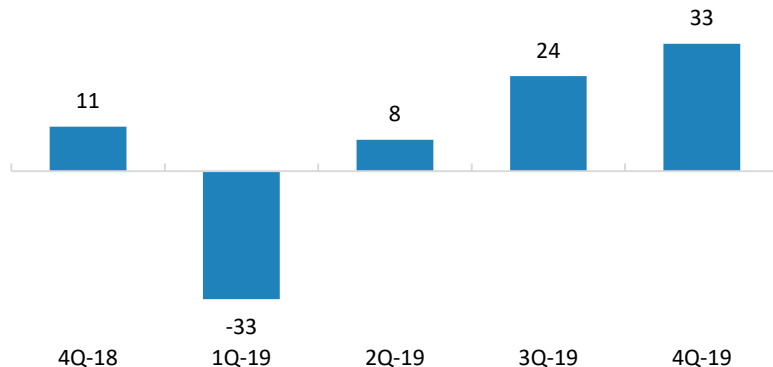
# Key financials – quarterly

(1)

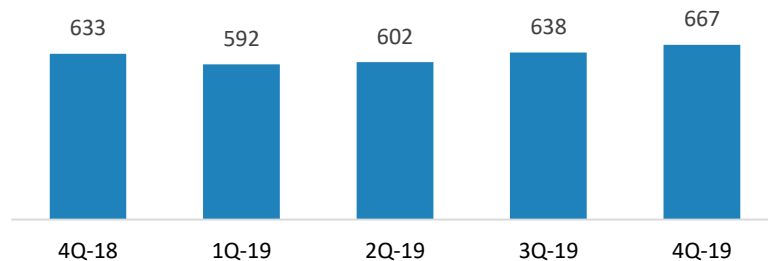
Pre-tax profit (NOK million)



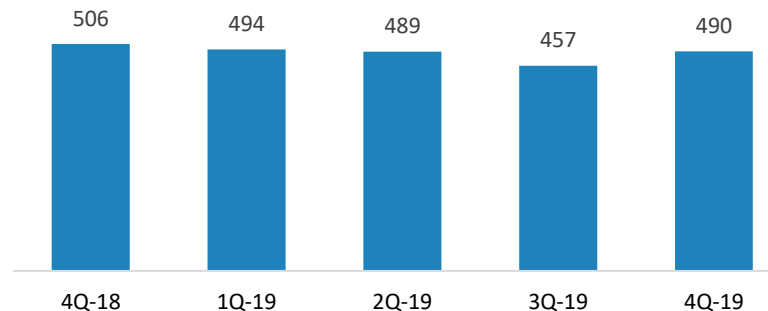
Impairments on loans and guarantees (NOK million)



Net interest income and commission fees from covered bond companies (NOK million)



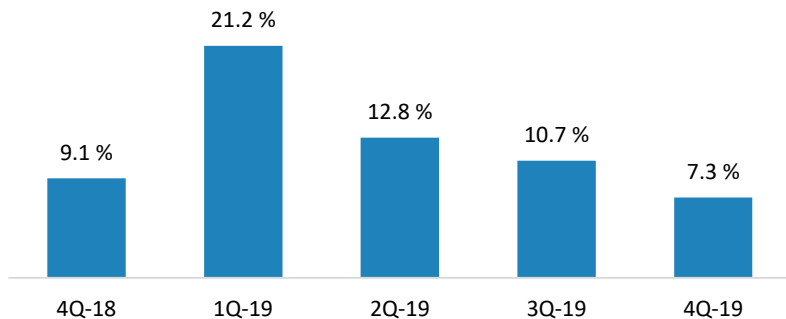
Total operating costs (NOK million)



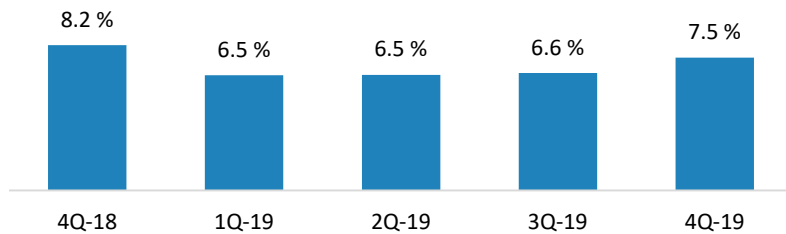
# Key financials – quarterly

(2)

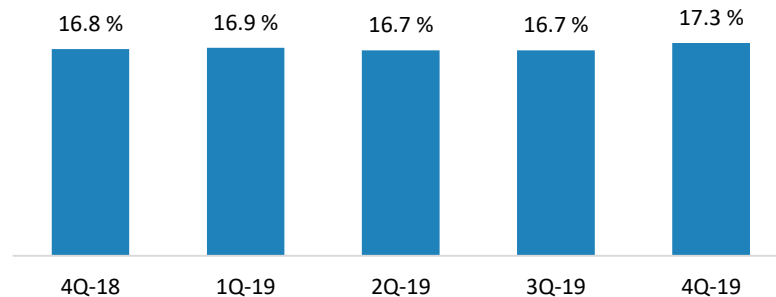
Return on equity



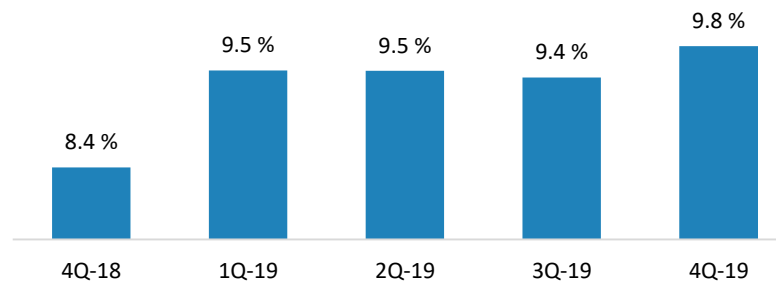
Lending growth (including mortgage transferred to covered bond companies) last 12 months



CET 1 ratio

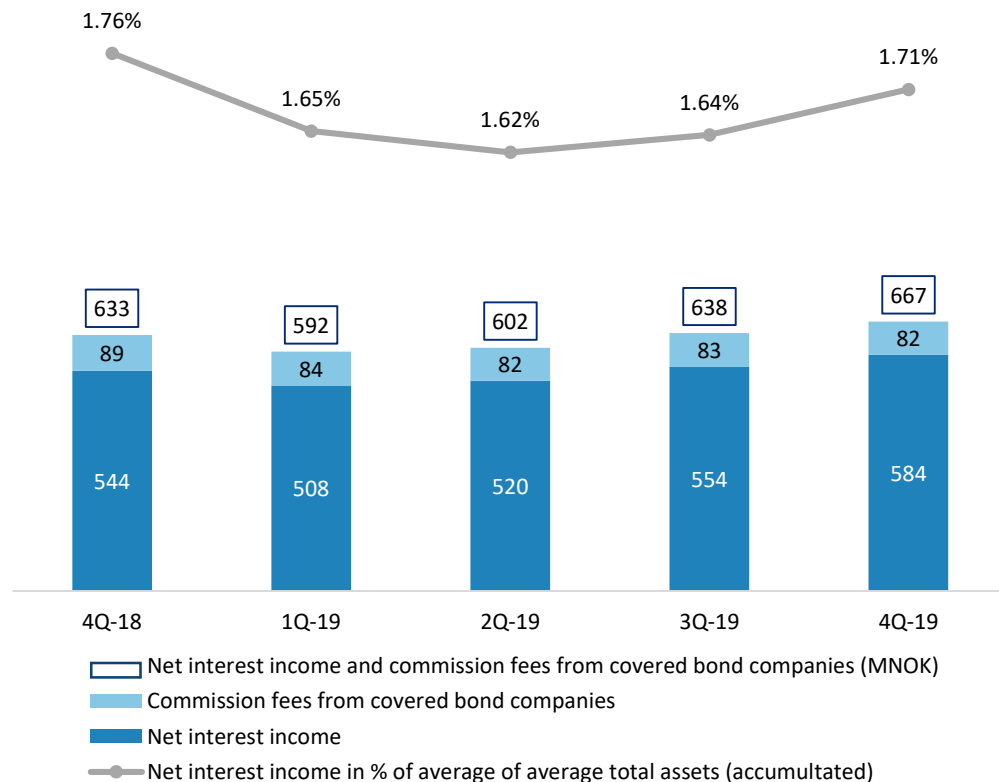


Deposit growth last 12 months



# Strong growth in net interest income

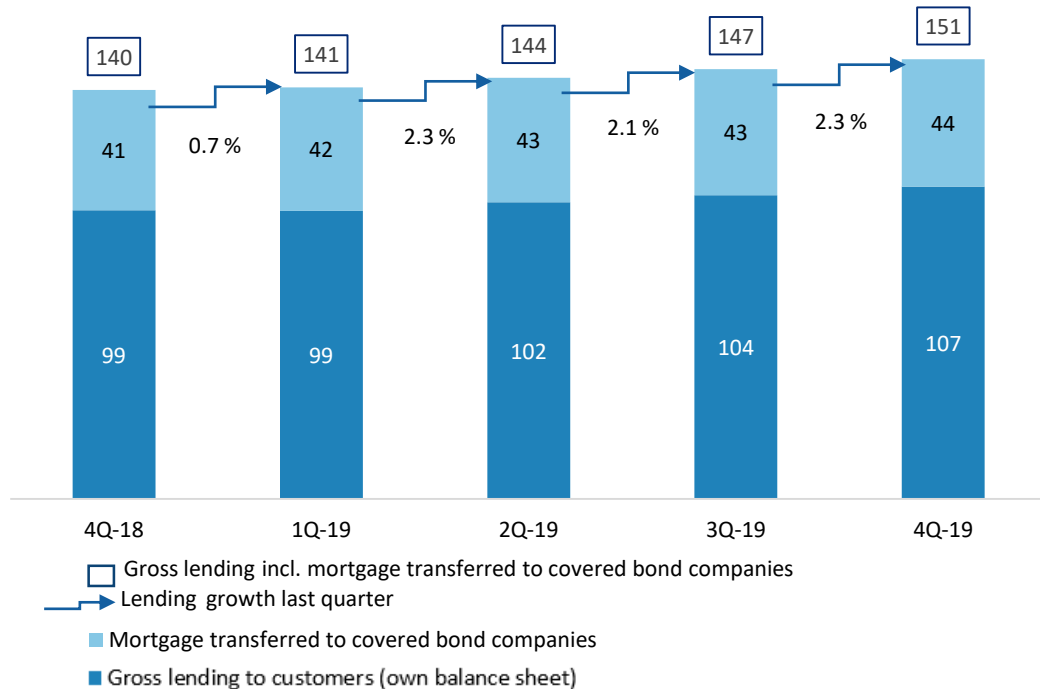
Net interest income incl. commissions from covered bond companies



- Strong growth in net interest income in 4Q-19, based on a combination of margins and volume.
- In the subsidiary SB1 Finans Østlandet there has been a reclassification of certain items from net interest income to other commission income.
  - The effect was a NOK 26 million reduction of net interest income in 4Q-19.
  - The effect is a NOK 101 million reduction of net interest income for 2019 as a total.
  - The effect corresponds to a 8 bps isolated reduction of the net interest margin YTD.

# Solid lending growth the last three quarters

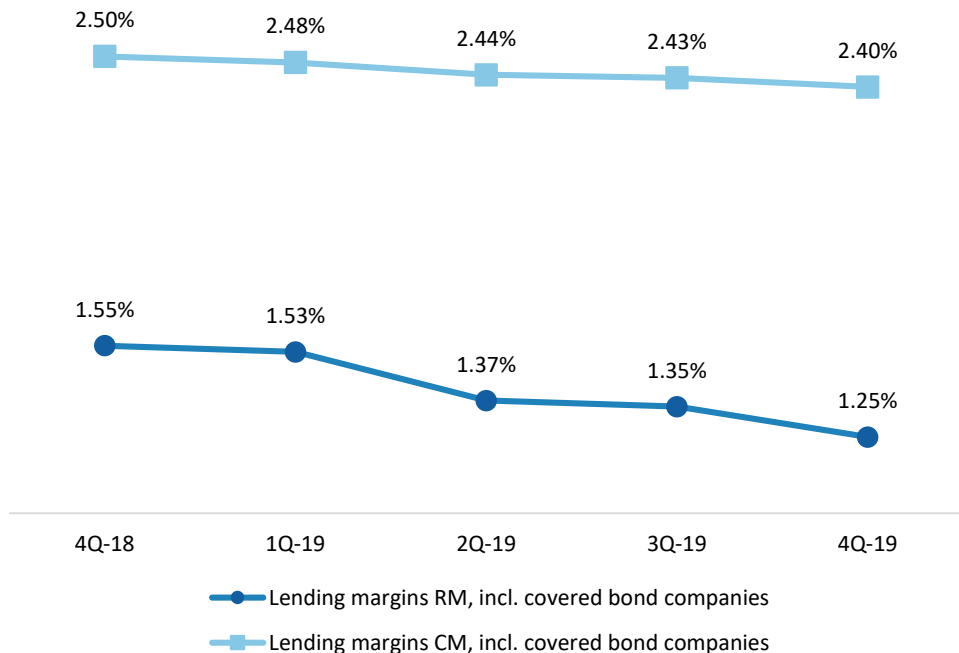
Lending volume (Group, NOK billion)



- Total lending in the Group, including mortgages transferred to covered bond companies, increased by NOK 3.4 billion in the third quarter.
- This is equivalent to a 2.3 % lending growth in the quarter and 9.5 % on an annual basis.
- Lending growth last 12 months was 7.5 % (8.2 %)
  - Retail lending growth was 6.7 %
  - Corporate lending growth was 9.7 %
- Credit growth in Norway last 12 months
  - Households 5.1 %
  - Non-financial corporations 4.9 %

# Lending margins

Retail and corporate divisions (parent bank)



- The lending margins in the parent bank - both within the CM and the RM - saw a marginal reduction the last quarter.
- The reduction is largely explained by the 22 bps increase in average 3M Nibor during the quarter.
- The last interest rate increases were announced 30 September, and had full effect medio 4Q-19.

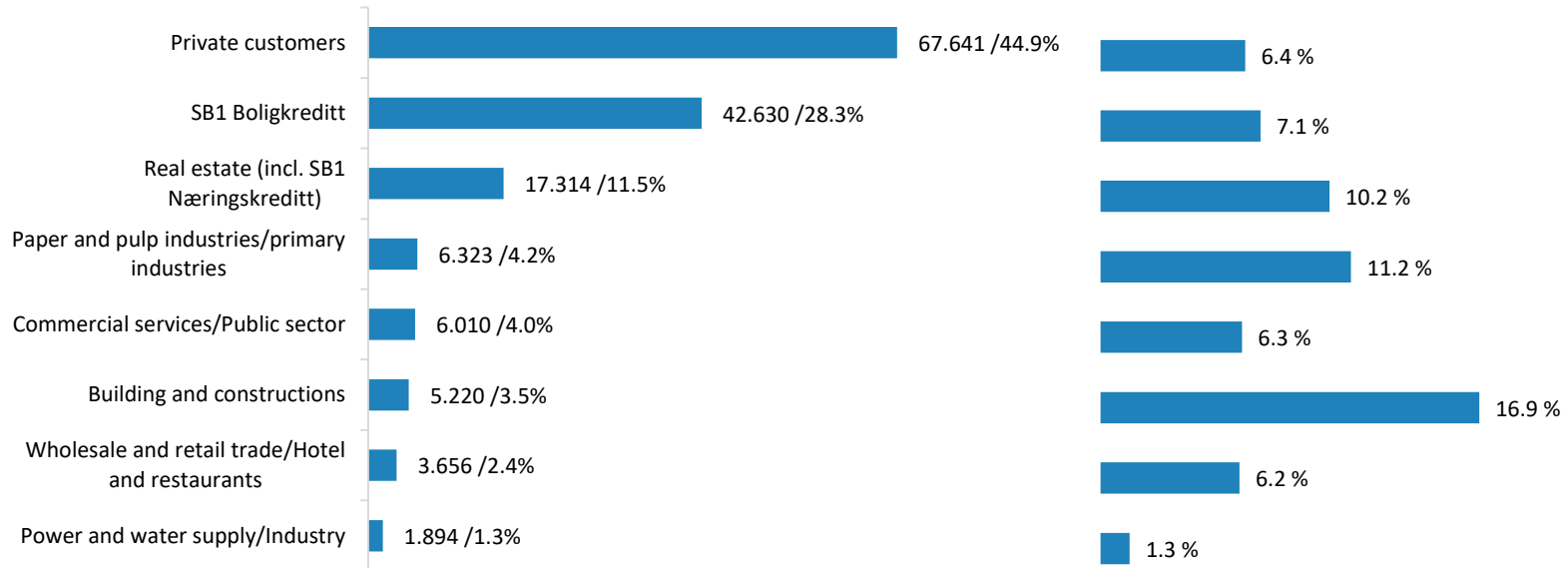


# Loan book dominated by retail and SME lending

Lending to customers per sector (NOK million and %)

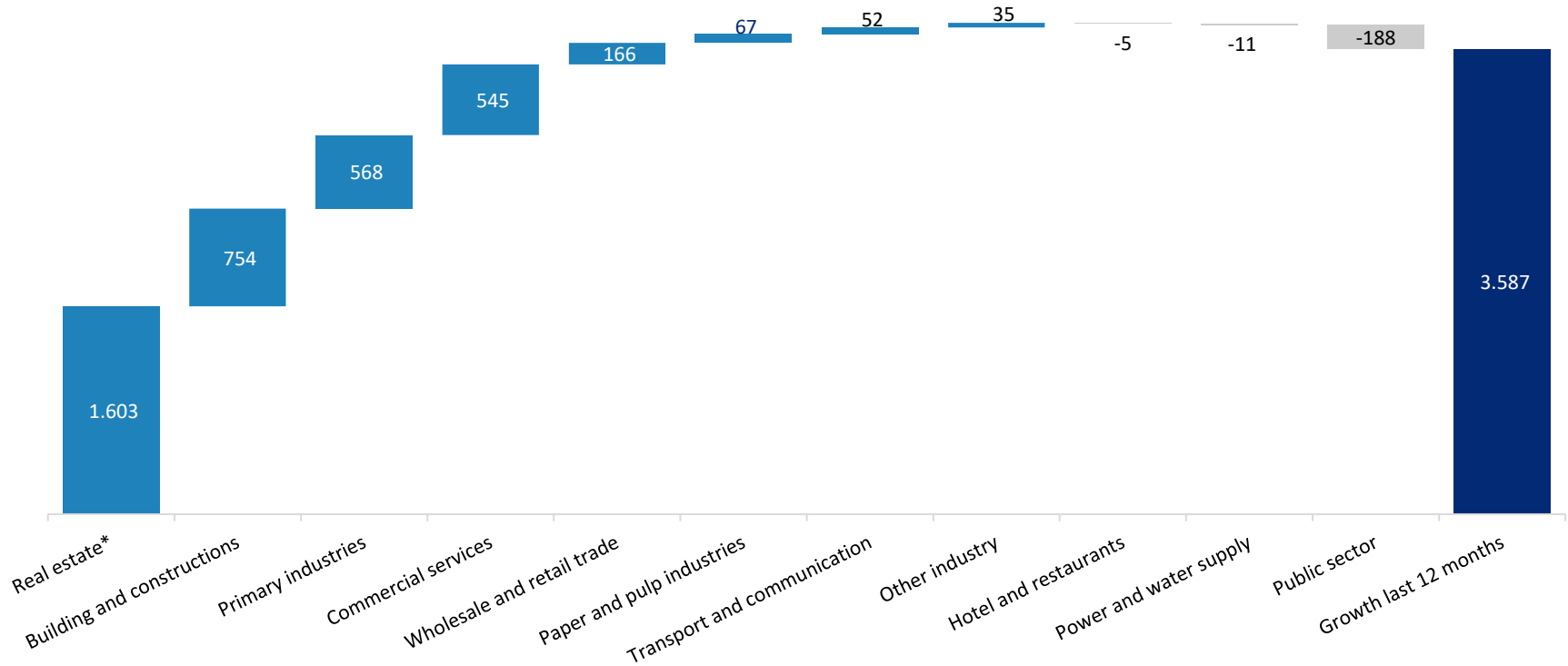
*Lending to customers per sector (volume/share in %)*

*Changes last 12 months*



# Highest credit growth within real estate, building and constructions and primary industries

Corporate lending growth YoY – sector (NOK million)

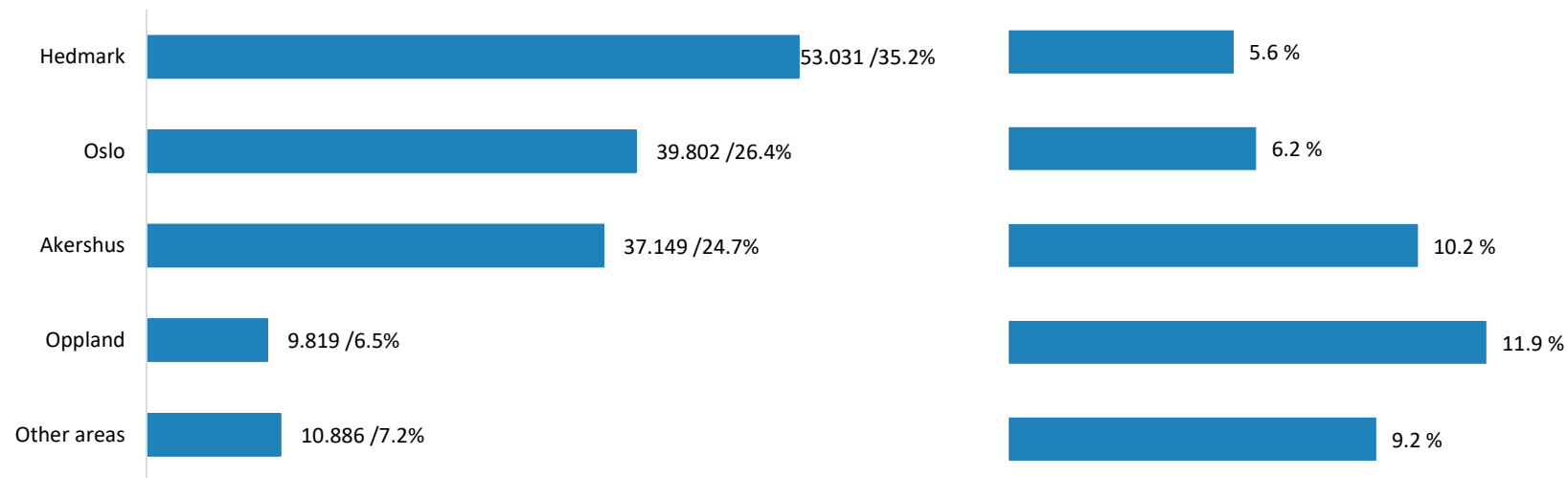


# The Bank's lending growth is geographically diverse

Lending to customers per geographic area and change last 12 months (NOK million and %)

*Lending to customers per sector (volume/share in %)\**

*Changes last 12 months*



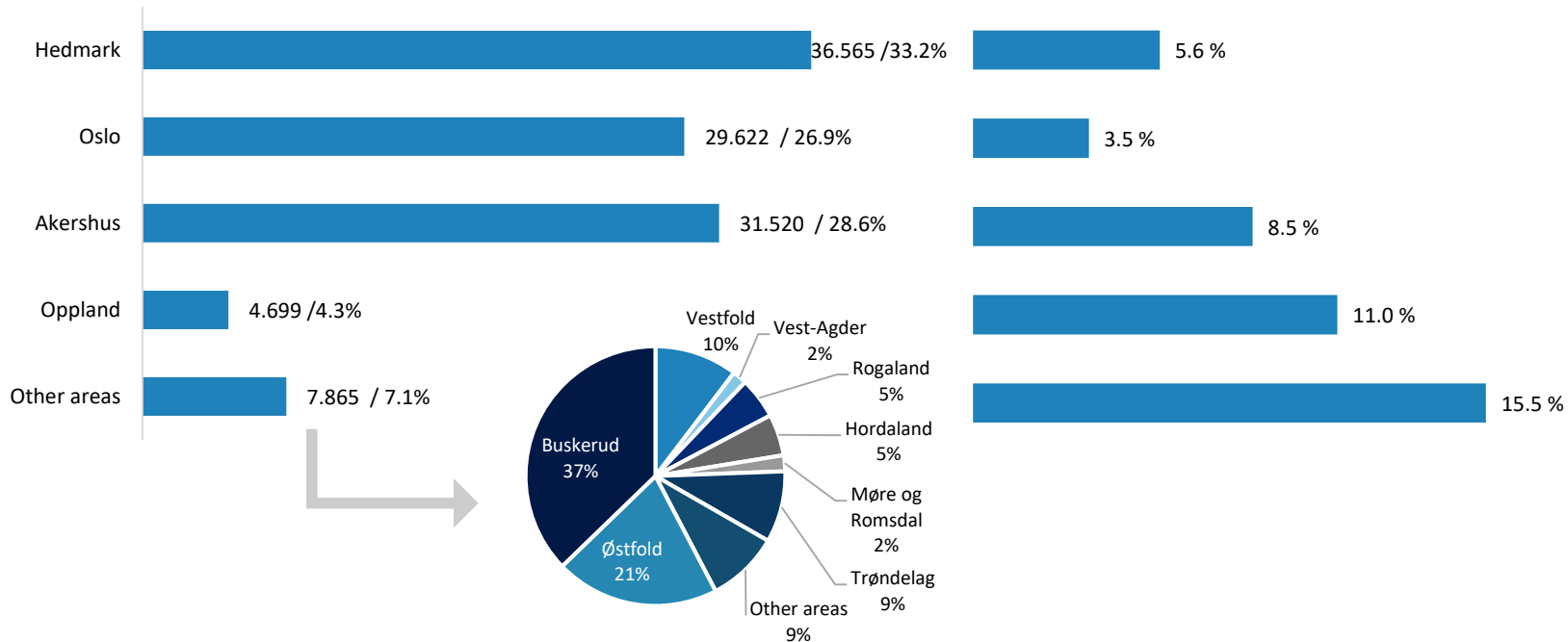
\* Mortgages transferred to covered bond companies are included and distributed between retail and SME lending.

# Retail lending growth is highest in new market areas

Lending to customers per geographic area and change last 12 months (NOK million and %) – Retail market

*Lending to retail customers by geographic area (volume/share in %)\**

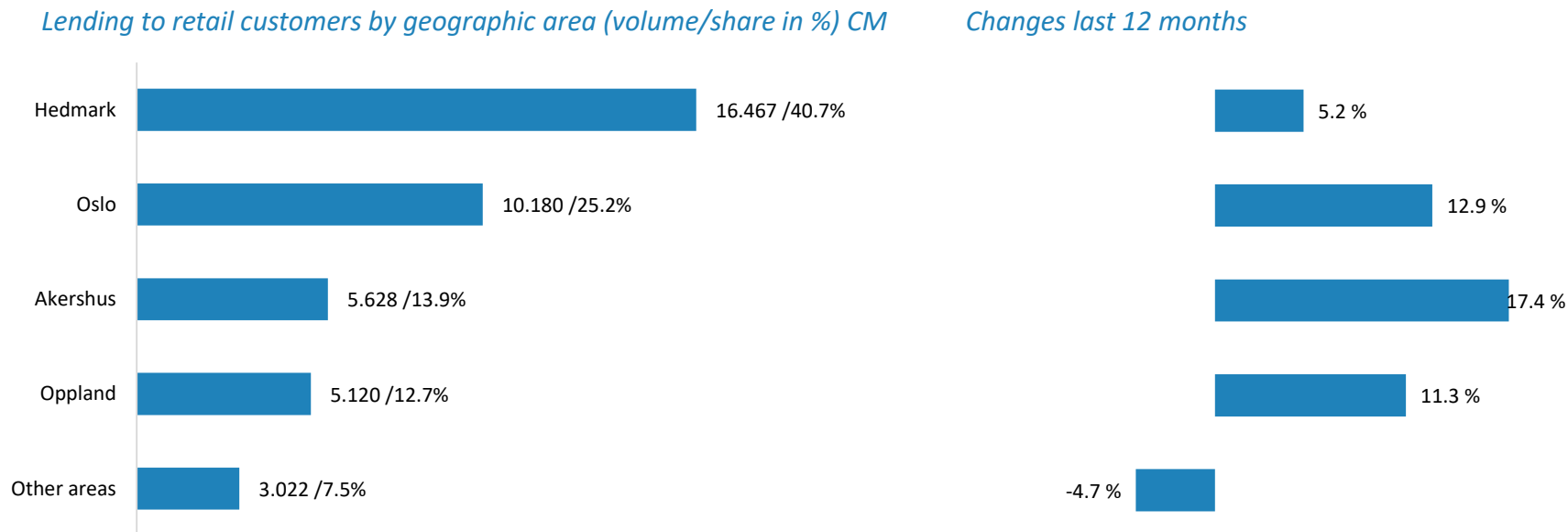
*Changes last 12 months*



\* Mortgages transferred to covered bond companies are included and distributed between retail and SME lending.

# The SME credit growth is highest in Akershus and Oslo

Lending to customers per geographic area and change last 12 months (NOK million and %) – Corporate market

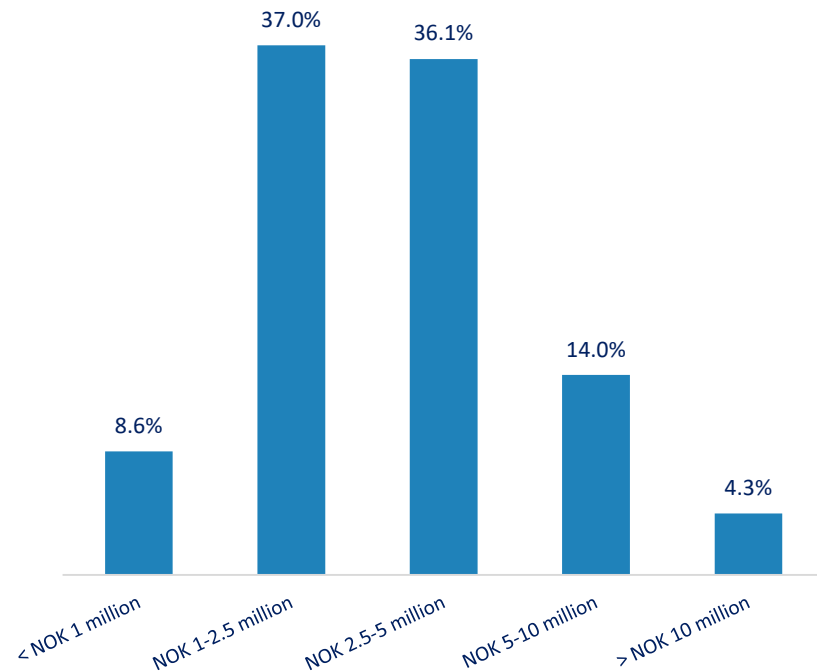


\* Mortgages transferred to covered bond companies are included and distributed between retail and SME lending.

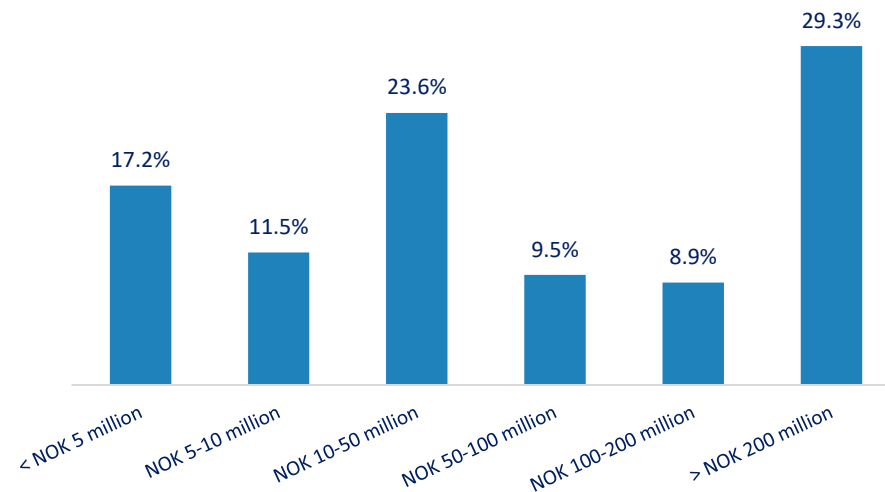
# The concentration risk is low

Retail and corporate loans by size (% share)\*

*Retail market*

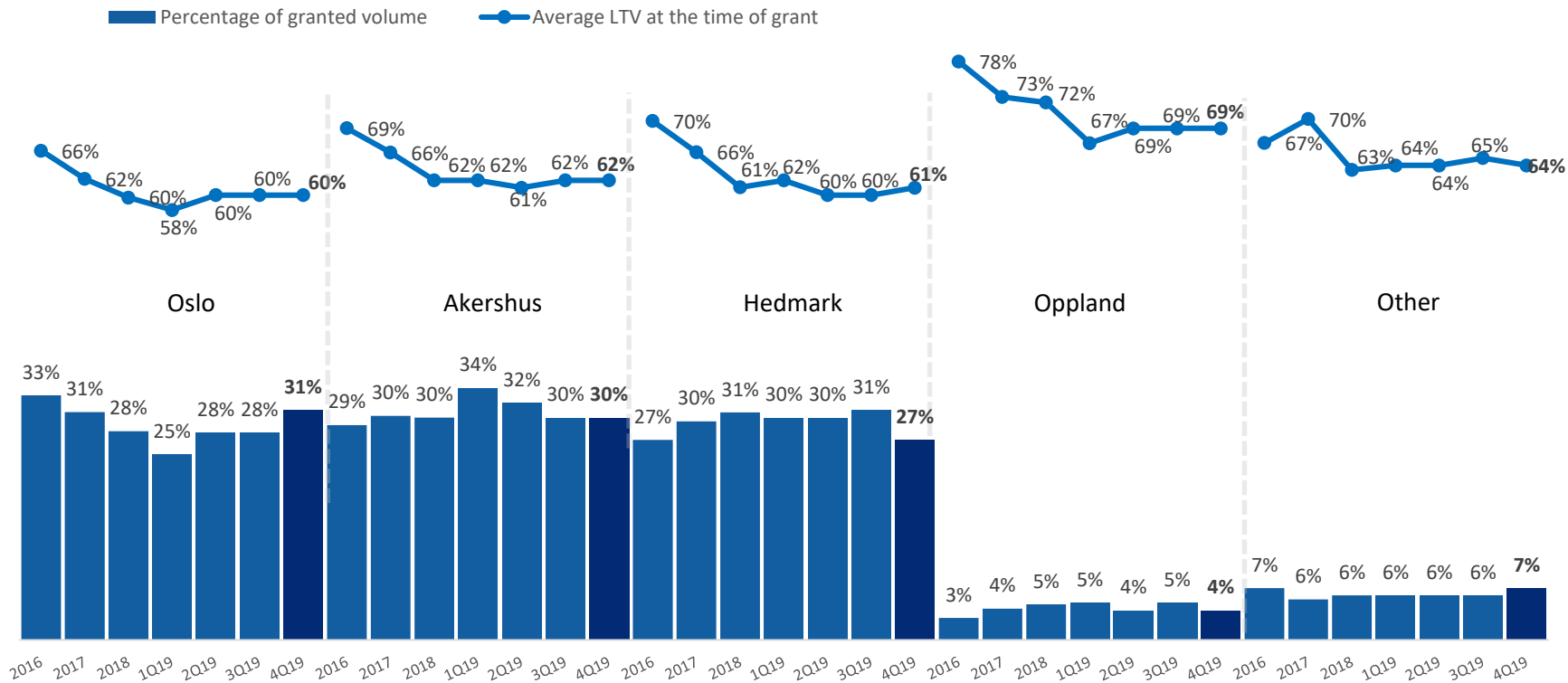


*Corporate market*



# High quality credit process leads to low and stable LTV

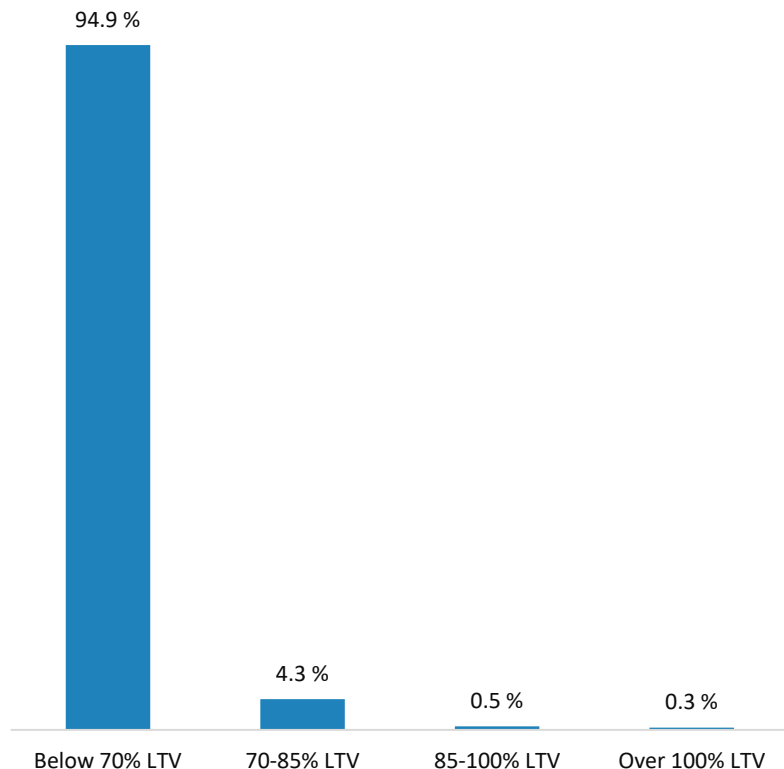
Percentage of granted mortgages and average LTV per period and county





# Mortgage regulation – targeted utilisation of the flexibility quota

Exposure per LTV bucket in the residential mortgage portfolio



Mortgages - Utilisation of flexibility quota in 3Q-19:

City of Oslo  
6.4 % (8 % quota)

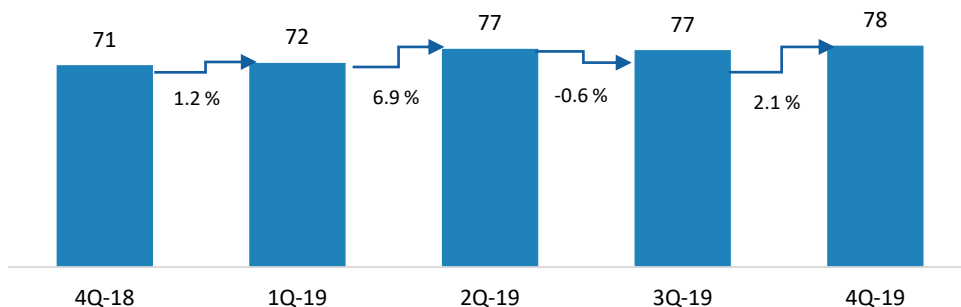
Other areas  
6.2 % (10 % quota)

- The mortgage regulation\* constrains housing mortgage lending through defined requirements:
  - Debt servicing capacity
    - Stress test of 5 % mortgage rate increase
  - Maximum loan to value
    - 85 % LTV on new lending
    - (A stricter 75 % LTV legal requirement in the SB1 Boligkreditt cover pool)
  - Gearing
    - Total debt must not exceed five times gross annual income
  - Requirement of installment payment
- Exceptions are permitted within 10 % (8 % for Oslo) of the total granted volume each quarter
  - The so called “Flexibility quota”

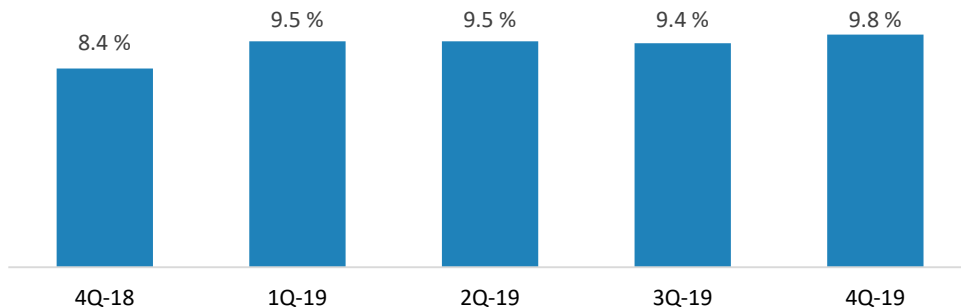
# Deposit coverage ratio in line with ambitions

## Deposit volume and deposit growth (Group)

Deposit volume (NOK billion)



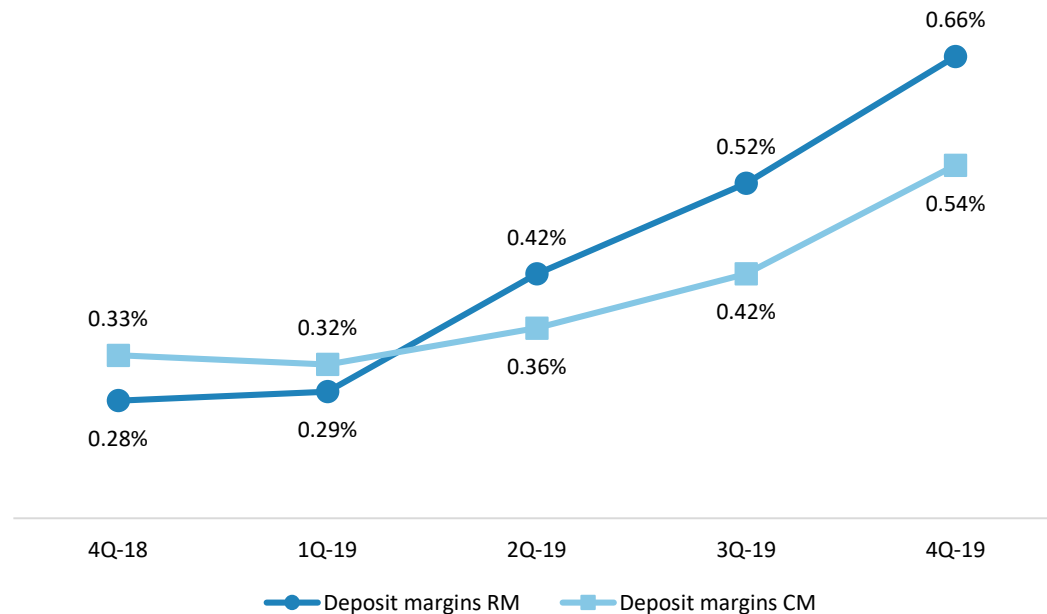
Deposit growth YoY (%)



- Deposits growth of 2.1% (- 0.6% in 3Q-19).
- Deposit growth last 12 months: 9.8% (8.4 %).
  - Retail deposit growth +7.3 %.
  - Corporate deposit growth +13.1 %.
- Deposit coverage ratio 73.3 % (72.3 %).
- Deposit coverage ratio - including mortgages transferred to the covered bond companies 52.1 % (51.0 %).

# Improving deposit margins

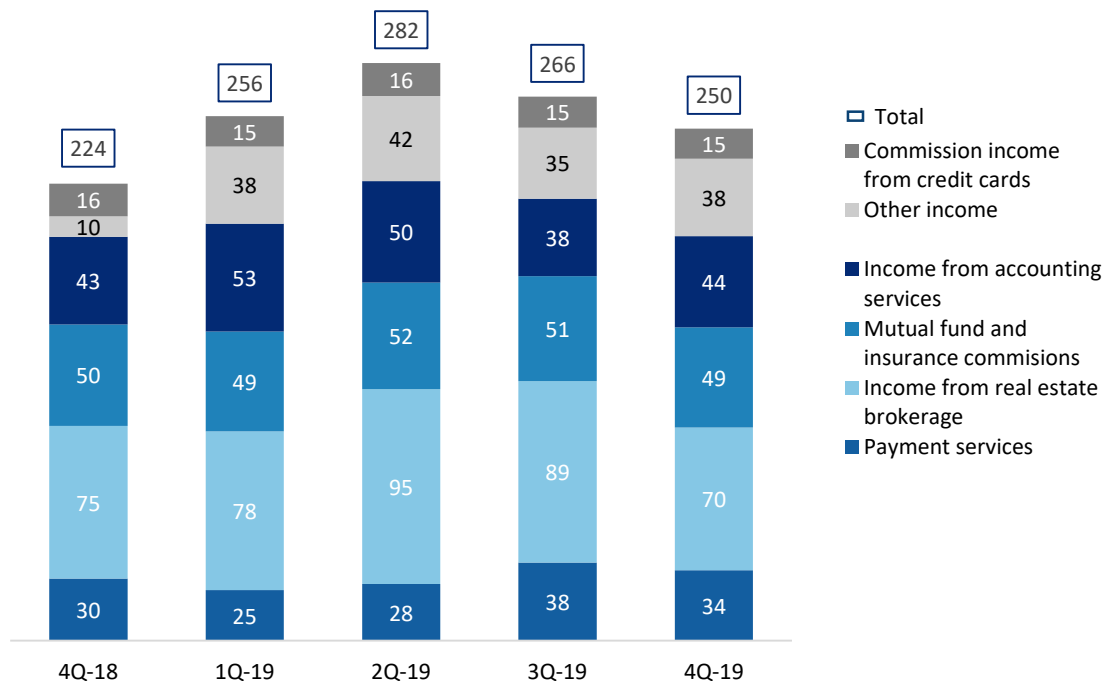
Retail and corporate divisions (parent bank)



- Strong improvement in deposit margins in the parent bank both within RM and CM.
- The improvement is largely explained by the 22 bps increase in average 3M Nibor from 3Q-19 to 4Q-19.
- Last interest rate increases were announced 30 September, and received full effect from medio 4Q-19.

# Stable development in other income - reclassification effects taken into account

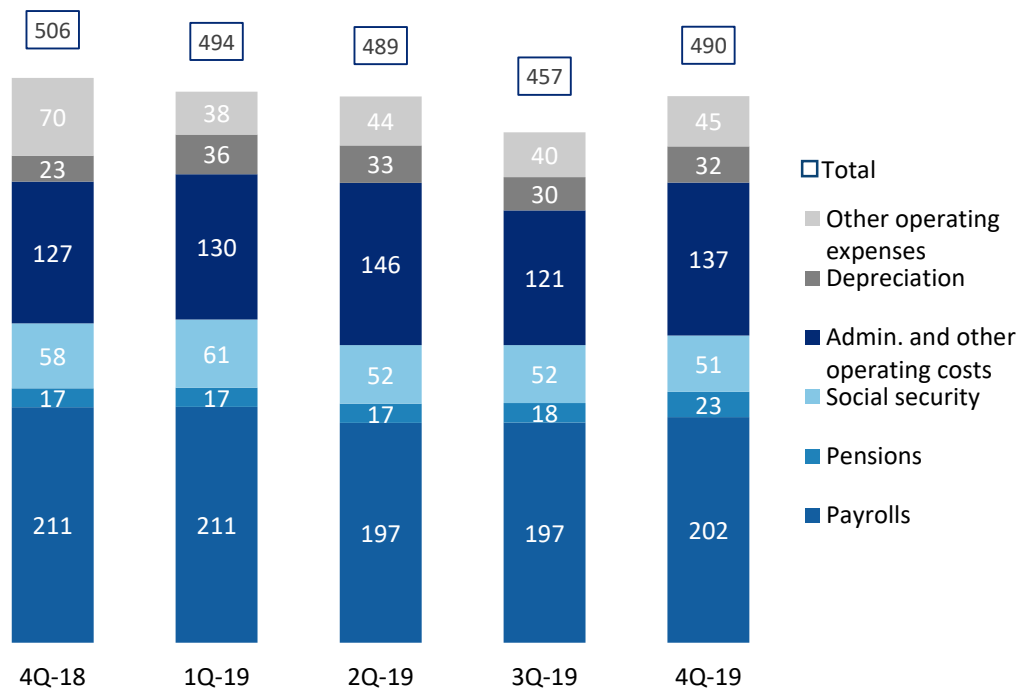
Net commissions and other income (NOK million)



- Reclassification from “Net Interest Income” to “Other Income” of certain income items in SpareBank 1 Finans Østlandet, had positive impact on this income line of NOK 26 million in 4Q-19 and NOK 101 million for 2019 as a total.
- With reclassification taken into account, the level of other income is stable compared to 2018.
- As of 2019, revenues from the real estate brokerage companies include all income from these companies, while numbers from 2018 include commission income only.

# Lower group operating costs in 4Q-19 compared 4Q-18

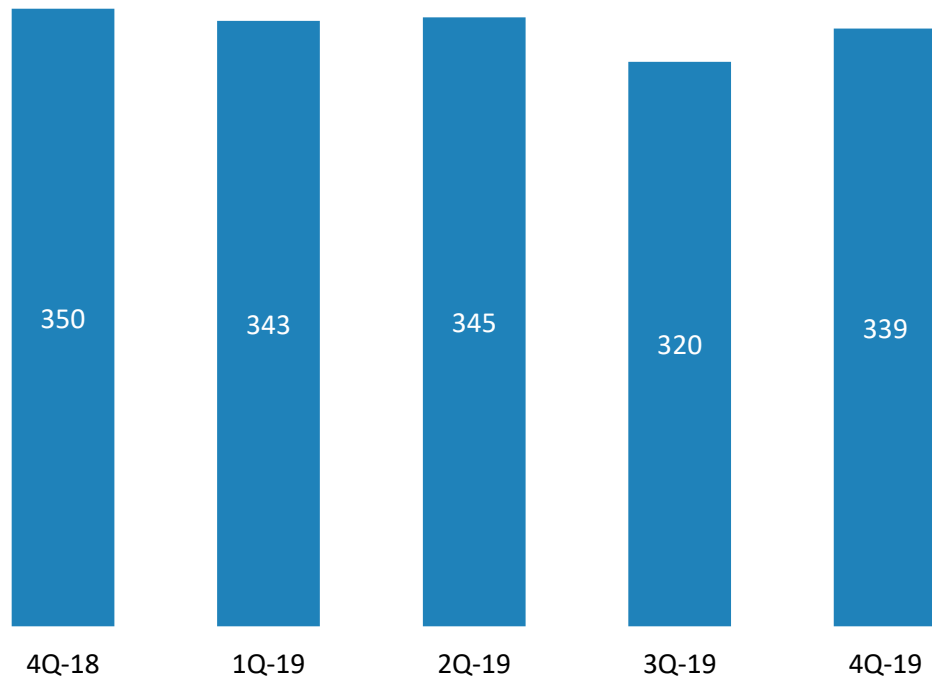
Operating costs per quarter (NOK million)



- The operating costs in 4Q-19 was reduced by 3.2% compared with the corresponding quarter last year.
- The operating costs for 2019 are 2.6 % higher than 2018.
- Higher payroll costs from increased staffing in subsidiaries. Mainly from the merger process in TheVIT AS.
- The discount in the employee offering was NOK 7 million.
- IFRS 16 leads to increased depreciation in real estate.

# Declining operating cost growth in the Parent Bank

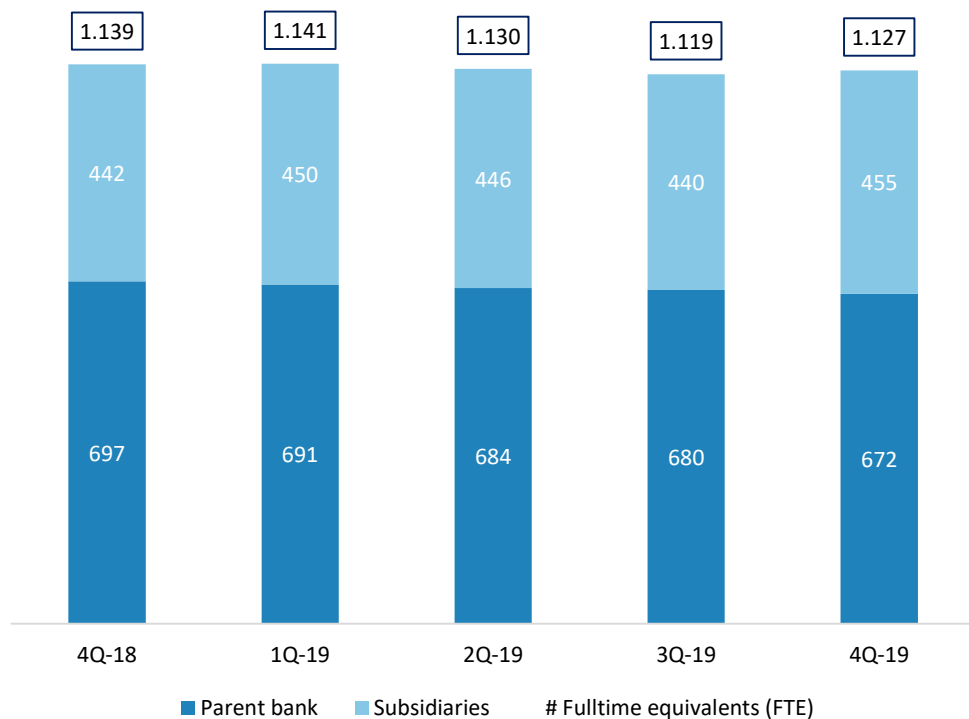
Operating costs per quarter (NOK million)



- The operating costs in the parent bank was NOK 11 million lower in 4Q-19 than for the corresponding period last year. This is equivalent with a reduction of 3.1 %
- The operating costs in 2019 were NOK 37 million higher than 2018.
  - The project validating the KYC documentation for customers (on-boarded before 2009: booked costs of NOK 11 million.
  - The discount in the employee offering was NOK 7 million and was booked as personnel costs in 1Q-19.
  - YTD NOK 5 million is booked as restructuring costs related to severance pay.
- The underlying growth in operating costs is thus NOK 32 million, equivalent to 2.5 % compared to 2018.
  - The trend in cost growth is declining - down from a 12 month growth of 4.5% by 3Q-19 and 6.8 % by 2Q-19.

# Reduced headcount in the parent bank last year

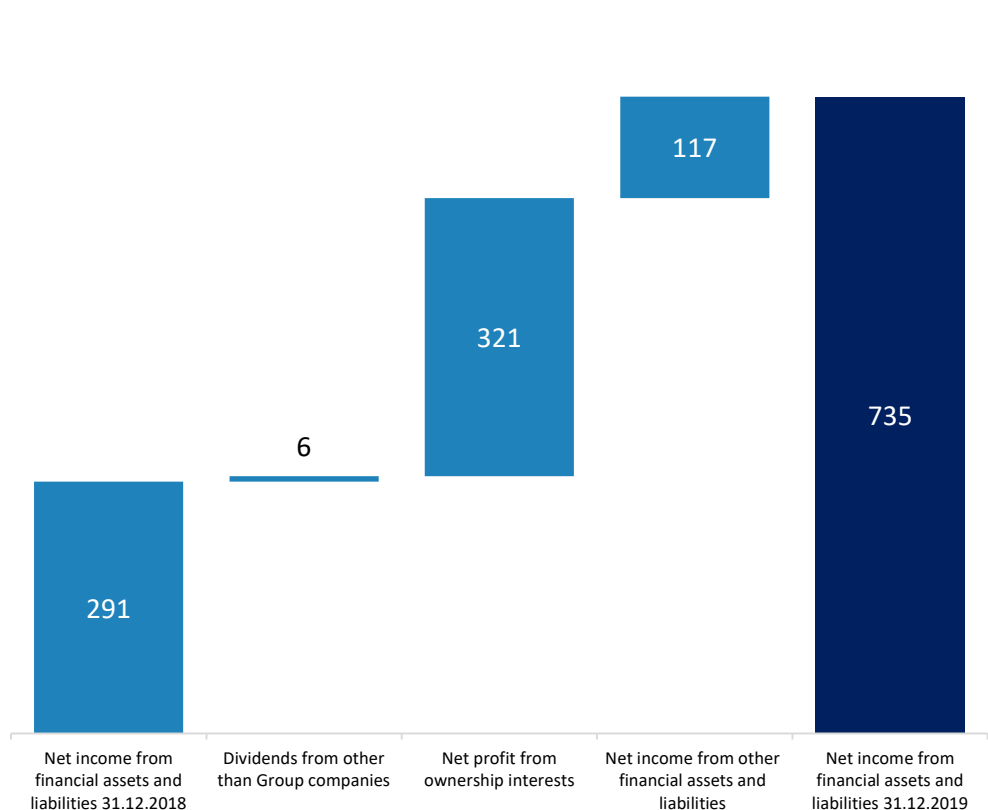
Headcount (FTE)



- Reduced headcount in the Group with 12 FTEs last year.
- Increased staffing in the subsidiaries in line with growth ambitions – a net increase of 13 FTEs.
- Reduced staffing in the parent bank with 25 FTEs in 2019 through a number of different efficiency measures – mainly through retirement and turnover.

# The contribution from financial items has increased

Net income from financial assets and liabilities (NOK millions)

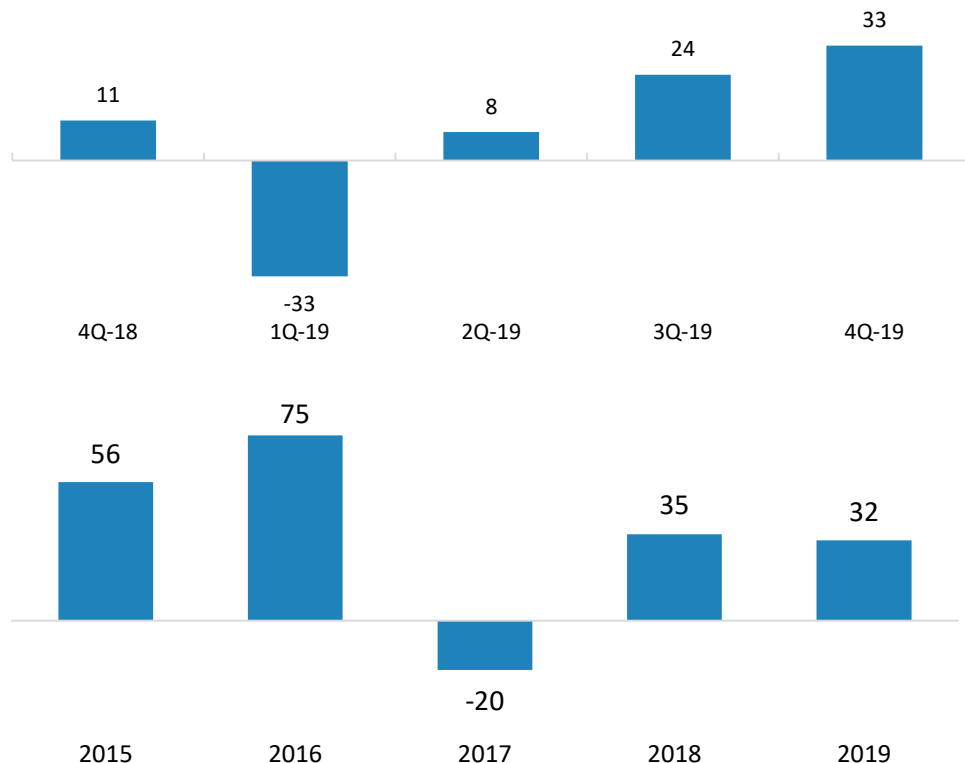


- Increased net profit from ownership interests of NOK 321 million.
  - This is specified in “Contribution from joint ventures”
  - The increase includes effects of NOK 291 million from the Fremtind transaction.
- Net income from other financial assets and liabilities has increased with NOK 117 million.



# Still very low impairments on loans and guarantees

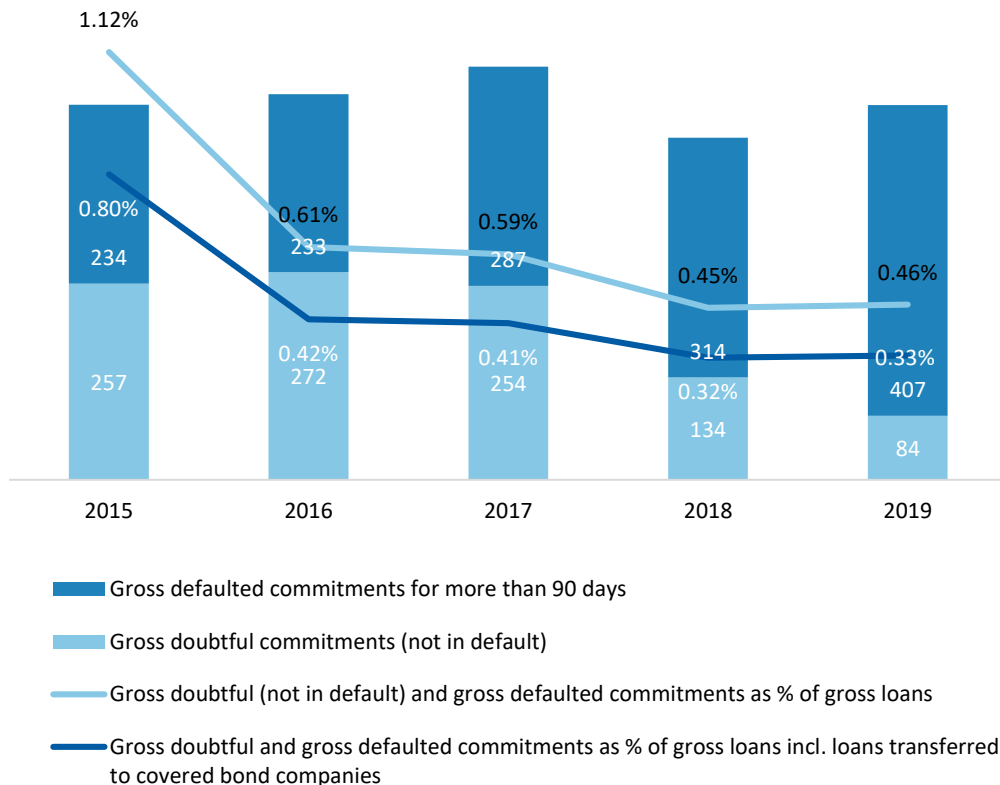
Impairments on loans and guarantees (NOK million)



- Impairments on loans and guarantees in 4Q-19 were NOK 33 million.
  - Parent bank NOK 18 million
  - SB1 Finans Østlandet NOK 15 million
- Impairments on loans and guarantees was NOK 32 (35) million in 2019
  - Reduced provision in 1Q-19 due to a loan loss model validation.
- The impairments in SB1 Finans Østlandet in 4Q-19 is mainly explained by retail losses.
  - Total remaining portfolio of unsecured consumer credit in the company (and Group) is approximately NOK 71 (105) million at the end of 2019.

# The proportion of problem loans has stabilized on low levels

Non-performing and other doubtful commitments (NOK million and %)



- The proportion of problem loans levelled out in 4Q-19.
- The levels must be characterised as “very low”.

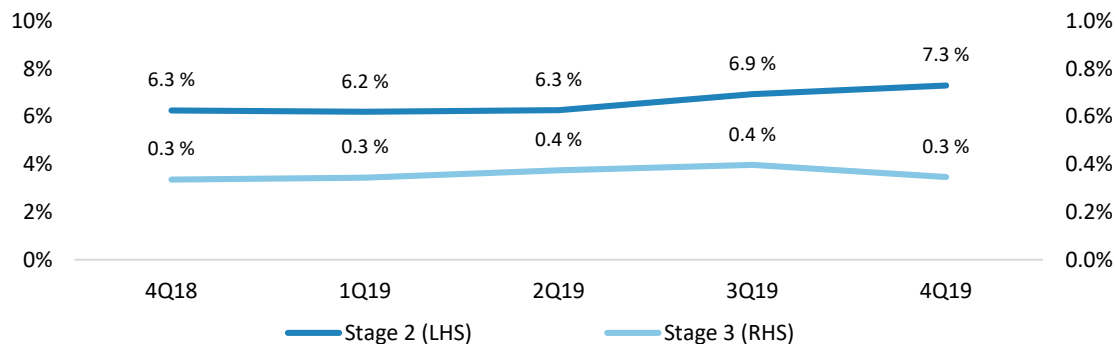
# Low impairments and low net exposure in Stage 3

Specification of impairments and net exposure (NOK million)

Impairments per segment - quarterly

	4Q-19	3Q-19	2Q-19	1Q-19	4Q-18
Personal customers	8.8	1.2	-0.2	-8.6	0.2
Corporate customers	9.0	11.8	2.8	-36.0	4.6
SB 1 Finans Østlandet	15.0	11.4	5.4	11.6	6.7
Total	32.8	24.5	8.1	-32.9	11.4

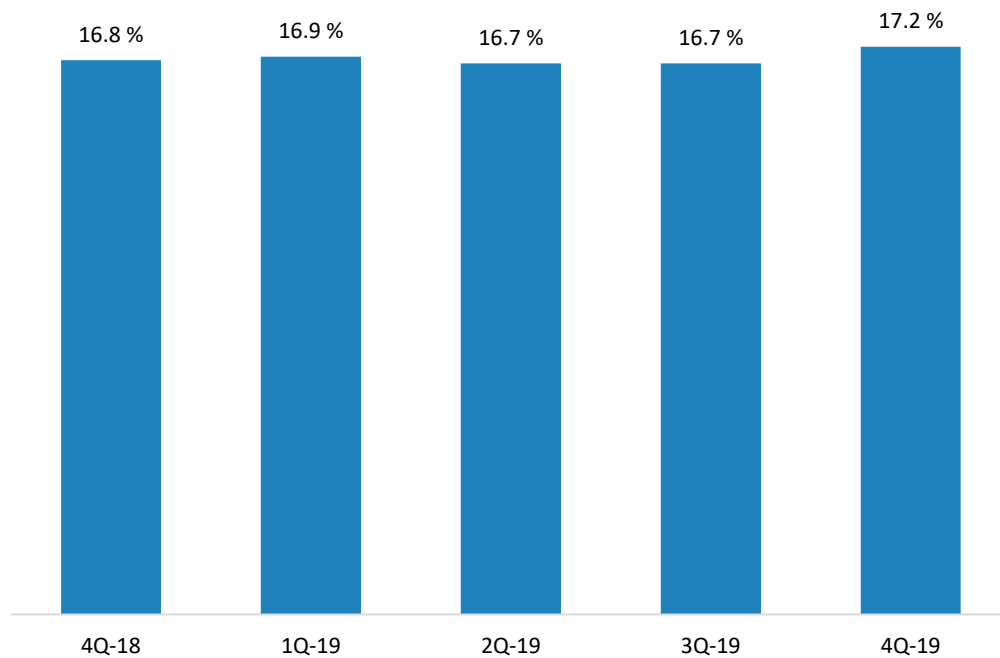
Maximum exposure net of accumulated impairments (on and off-balance sheet items)



- Gross loans and receivables defined as Stage 3 amounted to NOK 456 (427) million.
- This is equivalent to 0.4 % (0.5 %) of gross loans.
- Provisions for credit losses in Stage 3 amounted to NOK 87 (96) million.

# Stable CET 1

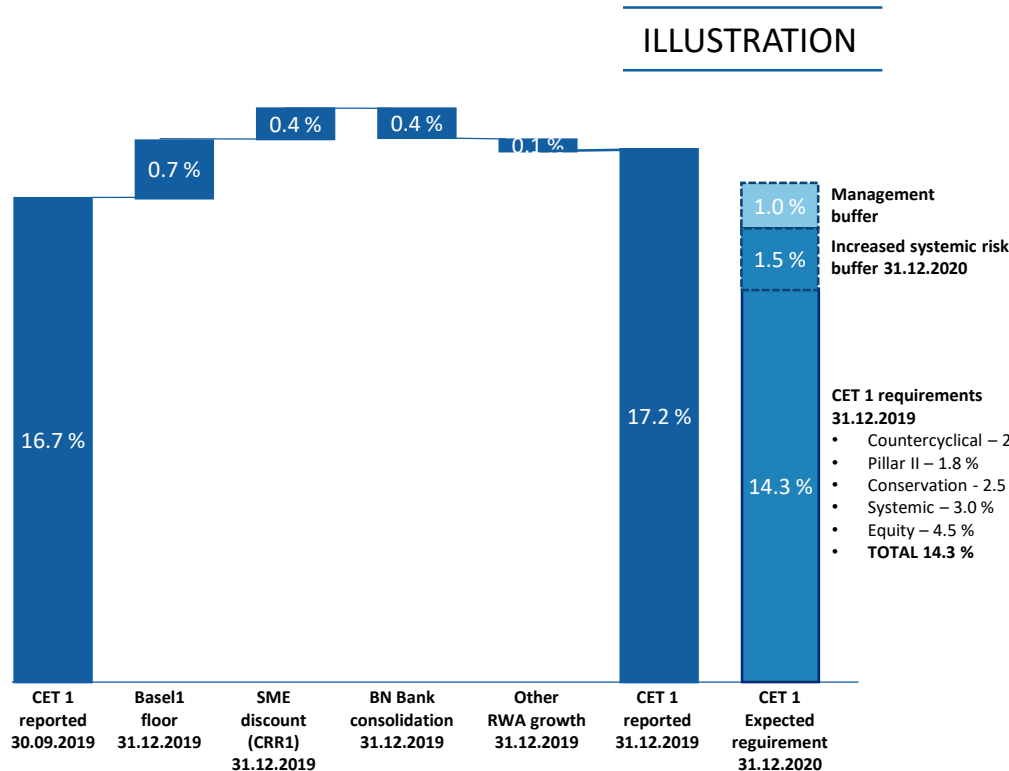
Common Equity Tier 1 ratio (Group)



- The Group's CET 1-target is revised to 16.8 %.
- The CET 1 ratio was 17.2 % by the end of 2019.
  - See next slide for specifications.
- The leverage ratio was 7.2 %.

# Capital adequacy assumptions have changed during the 4. quarter

Group CET 1 (per cent) – and estimated consequences of changes to capital requirements



- Regulatory changes negative in sum for the bank
  - Implementation of CRD4 positive in isolation.
  - The NFSA compensated by adding a safety margin in the bank's LGD estimates for the corporate portfolio reducing the CET1 with approximately 0.8 %.
  - The bank do not consider the decision to be professionally justified. The decision is appealed to the MOF.
  - The MOF has decided on an increase of the systemic risk buffer with 1.5 % effective 31.12.2020.
  - In sum the authorities are overcompensation the effect of CRD4 for SpareBank 1 Østlandet.
- The NFSA has ordered the bank to consolidate the stake in BN Bank. The bank does not agree on the NFSA's interpretation of «cooperating group» underlying the decision, but is complying with the NFSA's decision.
- The Board of Directors has decided on a new CET1 target of 16.8 %
  - Equivalent with regulatory requirements as of 31.12.2020 with an added management buffer of 100 bps.

	31.12.2019
Market price (NOK)	92.50
Market capitalisation (NOK million )	10,714
Book equity per EC <sup>1)</sup>	93.67
Earnings per EC, NOK <sup>2)</sup>	11.55
Price/Earnings per EC <sup>3)</sup>	8.01
Price/book equity <sup>4)</sup>	0.99

1) Group book equity without hybrid capital, minority interest and provision for gifts\* ownership interest / number of EC's as at 31.12.2019.

2) Profit after tax for controlling interests \* Equity capital certificate ratio 31.12.2019 / number of EC's as at 31.12.2019.

3) Market price in NOK/annualized earnings per EC.

4) Market price in NOK\*nu of EC's /book equity (parent bank)\*equity capital certificate ratio 31.12.2019.

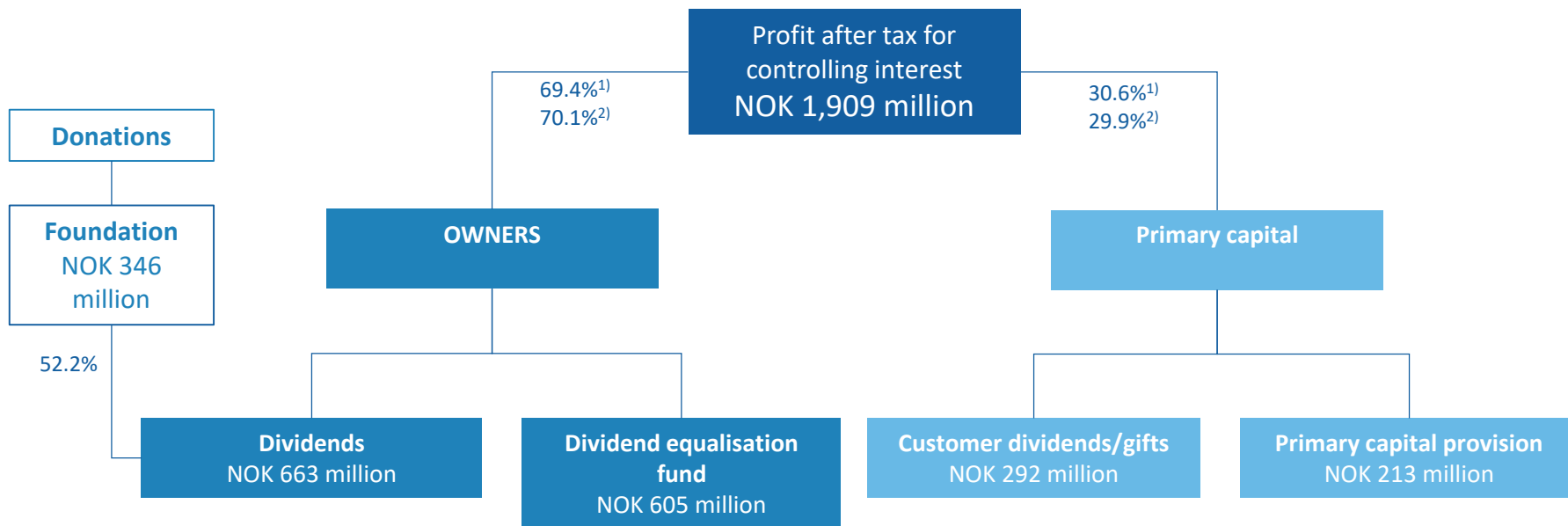
5) Dividend adjusted return

- Higher market price of SPOL during 2019.
  - Return 4Q-19 10.8 %
  - Return 2019<sup>5)</sup> 17.1 %
- Increased liquidity in SPOL in 2019, with a turnover of 9.5 million equity capital certificates.
  - This is equivalent to 46 % higher than in 2018.

# Record high dividends for owners and customers

The Board of Directors proposed allocation of profit

ILLUSTRATION\*



Dividends for the owners and customers equal 50% of the Group's profit after tax\*

1) ECC' ratio before the issuance of new ECC

2) ECC' ratio after the issuance of new ECC

3) The figures in the statement do not add up to 100% because the results in subsidiaries, profit contributions, Bank's donation provisions, fund for unrealised gains and minority interests have been excluded



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01

2019 in perspective

02

Preliminary Financial Accounts  
2019

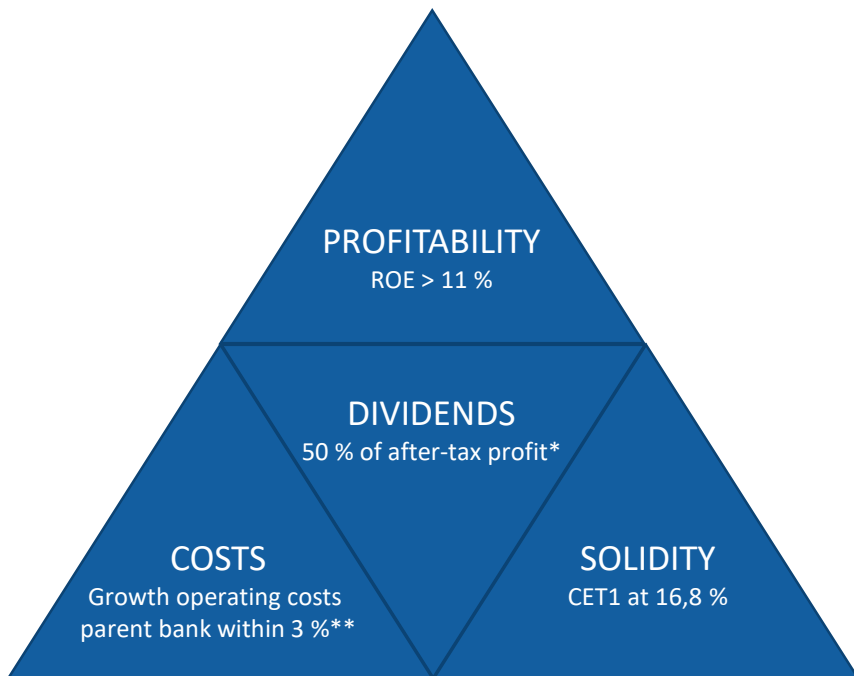
03

Revised Financial Targets



# Ambitious financial targets going forward

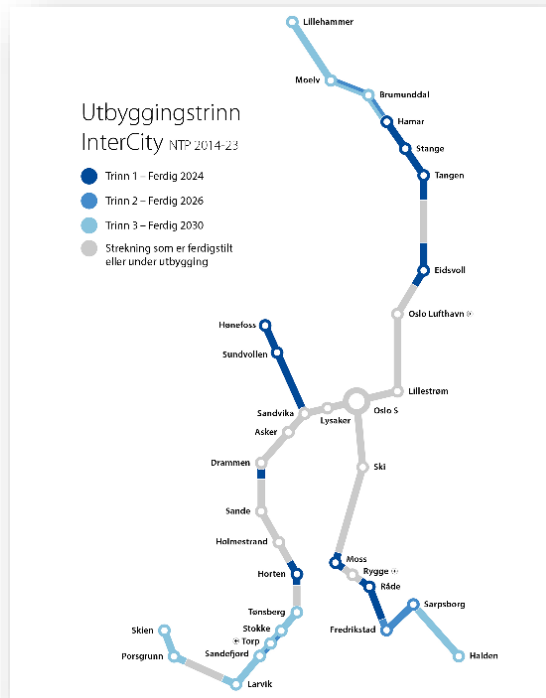
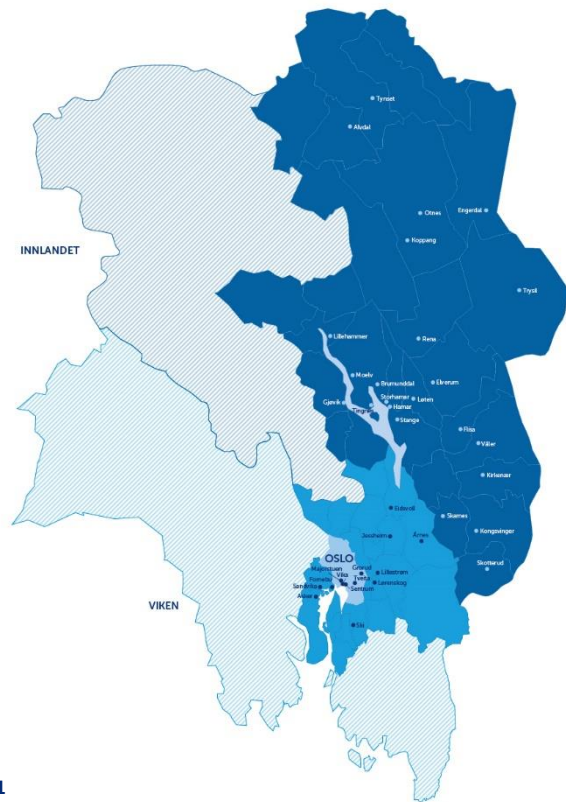
Financial targets effective from FY 2020



- **The bank increases targeted ROE to at least 11 %**
  - The banking operation is fully integrated following the merger and efficiency gains are showing – the bank increases ambitions.
  - Exploiting a solid market position and high customer preference.
- **The bank maintains a targeted payout of 50 %\***
  - The bank has ample growth opportunities
  - Focusing on offering investors a competitive dividend yield
- **Targeted cost inflation in parent bank within 3 % in 2020\*\***
  - Significant synergies realized following the merger, yielding a negative cost inflation in 2018 and a very low cost inflation in 2019.
  - Underlying growth in salaries, compliance costs and IT investments
  - The bank continues its focus on efficiency gains
- **Revised CET 1 target at 16.8 %**
  - Equivalent to regulatory requirements (31.12.2020) + 100 bps management buffer
  - Regulatory requirements contains higher buffers than before
  - Operating in Norway's most stable market area with a low risk lending book

# An ambitious bank in the most interesting market area in Norway

## Summary



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- This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance.
- Although SpareBank 1 Østlandet believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.
- Important factors that may cause such a difference for SpareBank 1 Østlandet are, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.
- This presentation does not imply that SpareBank 1 Østlandet has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

# Together to create