



# Investor Presentation

## First quarter 2020

# SpareBank 1 Østlandet – Where we are



## Norway

- Population ~5.4 million
- One of the highest GDP per capita in the world
- Excellent financial position proved good in the coronavirus pandemic
- EEA member
- GDP from above trend – to downturn in 2020
- Increase in unemployment due to Covid-19 – but falling trend from peak (5.7 % from 2.3 % in February)



**SpareBank 1**  
NORD-NORGE

## SpareBank 1 Østlandet's home market

- Population 1.7 million
- The fastest growing region of Norway for both population and job creation
- Cyclical stable region
- Normally low unemployment and high economic activity – affected as the country in the coronavirus pandemic
- Market leader in the Inland region, challenger in the Capital region
- 354,000 customers

**SpareBank 1**  
ØSTLANDET

**SpareBank 1**  
SAMSPAR

**SpareBank 1**  
SR-BANK

**SpareBank 1**  
ØSTLANDET

# Executive summary



SpareBank 1 Østlandet

- Norway's fourth largest savings bank
- One of the best capitalised regional savings bank in Norway - CET1 17.0 %, Capital adequacy ratio of 19.6 %, Leverage ratio 7.0 %
- Low risk bank book with a 73 % retail share
- Diversified income stream
- Long history of solid returns and profits. Stable low loan losses over time.
- Largest owner of SPABOL, The SpareBank 1 Alliance's covered bond issuer

Funding and rating

- Rated Aa3 (stable outlook) by Moody's
- Deposit coverage ratio 73.4 %
- Liquidity coverage ratio (LCR) 151.3 %
- Access to covered bond financing through SpareBank 1 Boligkreditt (SPABOL)

Norwegian economy

- One of the highest GDP per capita in the world
- Excellent financial position provides a solid buffer during Covid-19
- Sovereign Wealth Fund accounting for almost three times GDP

Home market

- The fastest growing region of Norway for both population and job creation
- Low unemployment and high economic activity – but affected as the country during Covid-19.
- Market leader in the Inland region, challenger in the Capital region

# Aa3 Moody's Senior Unsecured rating with stable outlook

Based on Credit Action as of 5 March 2020

SpareBank 1 Østlandet		
Moody's Org ID: 807607120 LEI: 549300VRM6G42M8OWN49 Market Segment: Financial Institutions		
Industry: NON-U.S. BANK Domicile: NORWAY		
<b>LONG TERM COUNTERPARTY RISK RATING</b>	<b>LONG TERM DEPOSIT</b>	<b>LONG TERM DEBT</b>
Rating: <b>Aa3</b> , Not on Watch	Rating: <b>Aa3</b> , Not on Watch	Rating: <b>Aa3</b> , Not on Watch
Type: <b>LT Counterparty Risk Rating - Fgn Curr</b>	Type: <b>LT Bank Deposits - Fgn Curr</b>	Type: <b>Senior Unsecured - Fgn Curr</b>
Date: <b>05 Mar 2020</b>	Outlook: <b>Stable</b>	Outlook: <b>Stable</b>
	Date: <b>05 Mar 2020</b>	Date: <b>05 Mar 2020</b>
<b>SHORT TERM COUNTERPARTY RISK RATING</b>	<b>SHORT TERM DEPOSIT</b>	<b>BASELINE CREDIT ASSESSMENT</b>
Rating: <b>P-1</b> , Not on Watch	Rating: <b>P-1</b> , Not on Watch	Rating: <b>a3</b> , Not on Watch
Type: <b>ST Counterparty Risk Rating - Fgn Curr</b>	Type: <b>ST Bank Deposits - Fgn Curr</b>	Date: <b>05 Mar 2020</b>
Date: <b>05 Mar 2020</b>	Date: <b>05 Mar 2020</b>	
<b>ADJ BASELINE CREDIT ASSESSMENT</b>	<b>OTHER DEBTS</b>	
Rating: <b>a3</b> , Not on Watch	No	
Date: <b>05 Mar 2020</b>		

**Moody's INVESTORS SERVICE**

**Rating Action: Moody's takes rating action on seven Norwegian savings banks and a covered bond company**

05 Mar 2020

Limassol, March 05, 2020 – Moody's Investors Service (Moody's) has today taken action on seven Norwegian savings banks' Baseline Credit Assessments (BCAs) and ratings, in addition to the ratings of a covered bond issuance company. The rating actions on the seven banks fall into three categories: 1) Moody's has upgraded the BCAs and deposit/debt ratings with stable outlook for SpareBank 1 Østlandet and SpareBank 1 Nord-Norge; 2) The rating agency has also affirmed the BCA and ratings of Sparebanken Vest and changed the outlook to positive from stable; and 3) Moody's has affirmed the BCA, where applicable, and ratings with stable outlook for SpareBank 1 SR-Bank ASA (SpareBank 1 SR), SpareBank 1 SMN, SpareBank 1 BV, SpareBank 1 Boligkredit (SpaBo) and Helgeland Sparebank.

Today's rating actions reflect, to differing degrees, the Norwegian savings banks resilience through the economic cycle, coupled with Moody's expectation of steady profitability and low levels of asset risk. The rating action also takes into account the supportive operating environment in Norway, characterised by unique countercyclical mechanisms, which will continue to help offset downside risks related to the banks' relatively narrow geographic focuses and high credit concentrations in cyclical sectors.

Rating actions include:

- Upgrade of SpareBank 1 Østlandet's long-term deposit and senior unsecured debt ratings to Aa3, from A1, with a stable outlook. Upgrade of the bank's BCA and Adjusted BCA to a3 from baa1;
- Upgrade of SpareBank 1 Nord-Norge's long-term deposit and senior unsecured debt ratings to Aa3, from A1, with a stable outlook. Upgrade of the bank's BCA and Adjusted BCA to a3 from baa1;
- Affirmation of Sparebanken Vest's A1 long-term deposit and senior unsecured debt, with the outlook changed to positive from stable. Affirmation of the bank's baa1 BCA and Adjusted BCA.
- Affirmation of SpareBank 1 SR's A1 long-term deposit and senior unsecured debt, with a stable outlook. Affirmation of the bank's baa1 BCA and Adjusted BCA.
- Affirmation of SpareBank 1 SMN's A1 long-term deposit and senior unsecured debt, with a stable outlook. Affirmation of the bank's baa1 BCA and Adjusted BCA.
- Affirmation of SpareBank 1 BV's A2 long-term deposit and issuer ratings, with a stable outlook. Affirmation of the bank's baa1 BCA and Adjusted BCA.
- Affirmation of Helgeland Sparebank's A3 long-term deposit and issuer ratings, with a stable outlook. Affirmation of the bank's baa2 BCA and Adjusted BCA.
- Affirmation of SpaBo's A2 issuer rating with a stable outlook, which is the covered bond issuer for the SpareBank 1 Alliance Banks.

A full list of the banks' ratings is provided at the end of this press release.

## Main take aways

- “Consistently stronger financial performance compared to peers”
- “Particularly resilient asset quality and strong capital metrics throughout the credit cycle”
- “Despite sizable exposures to commercial real-estate. They have demonstrated a strong track record”
- “Moody's believes that SpareBank 1 Østlandet will continue to boast high capital metrics”
- “The upgrade also considers the bank's good recurring profitability with no exposure to the cyclical oil sector”
- “The bank also has a comfortable liquidity and funding profile”

- **Rating Action – 5 March 2020:** Moody's has upgraded the BCAs and deposit/debt ratings with stable outlook for SpareBank 1 Østlandet and SpareBank 1 Nord-Norge.





# Introduction to SpareBank 1 Østlandet

Region, strategy and ambitions

Asset quality, rating and  
funding plans

Appendix

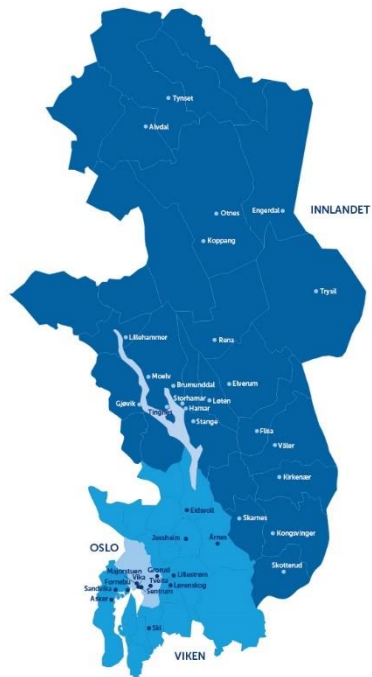
# SpareBank 1 Østlandet celebrates its 175th anniversary in 2020



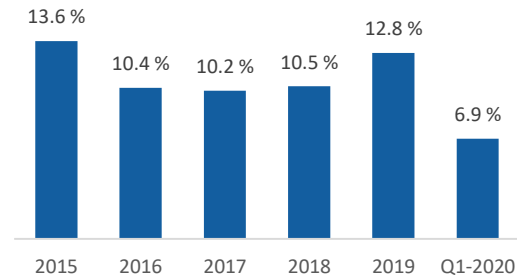
## SpareBank 1 Østlandet at a glance

### Highlights

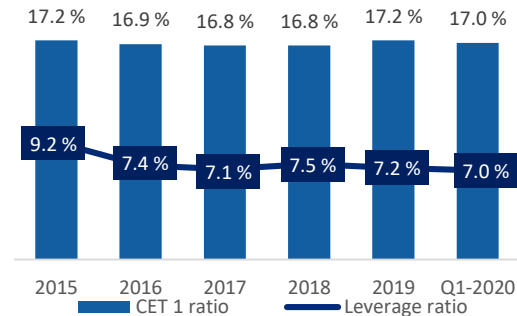
- Celebration: Established in 1845 – known as Sparebanken Hedmark (“SBHE”) until 1 April 2017.
- Norway’s fourth largest savings bank – total adjusted assets\* of approx. NOK 189 billion.
- Operations in the Inland and Capital Regions – a market with 1/3 of Norway’s population.
- Head office in Hamar (90 minute drive north of Oslo) – 37 bank branches and 1,148 FTEs.
- 352,000 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 (%)



# Diversified main activities

Several sources of income - parent bank, subsidiaries and other ownership interests

## Operational divisions\*

	Retail Segment
	Corporate Segment
	Organisations & Capital Markets
	Administration & Support

## Selected key subsidiaries

100%	<b>EiendomsMegler 1 Innlandet AS</b> <i>Real estate agent</i>
100%	<b>EiendomsMegler 1 Oslo Akershus AS</b> <i>Real estate agent</i>
95%	<b>SpareBank 1 Finans Østlandet AS</b> <i>Financing/Leasing</i>
~71%	<b>SpareBank 1 Østlandet VIT AS</b> <i>Accounting/financial advisory</i>

## Selected other ownership interests

~25%	<b>Totens Sparebank</b> <i>Savings bank</i>
~24%	<b>KOMM-IN AS</b> <i>Local venture capital</i>
9.99 %	<b>BN Bank ASA</b> <i>Commercial bank</i>
100%	<b>Youngstorget 5 AS</b> <i>Real estate SPV</i>
100%	<b>Vato AS</b> <i>Property management</i>

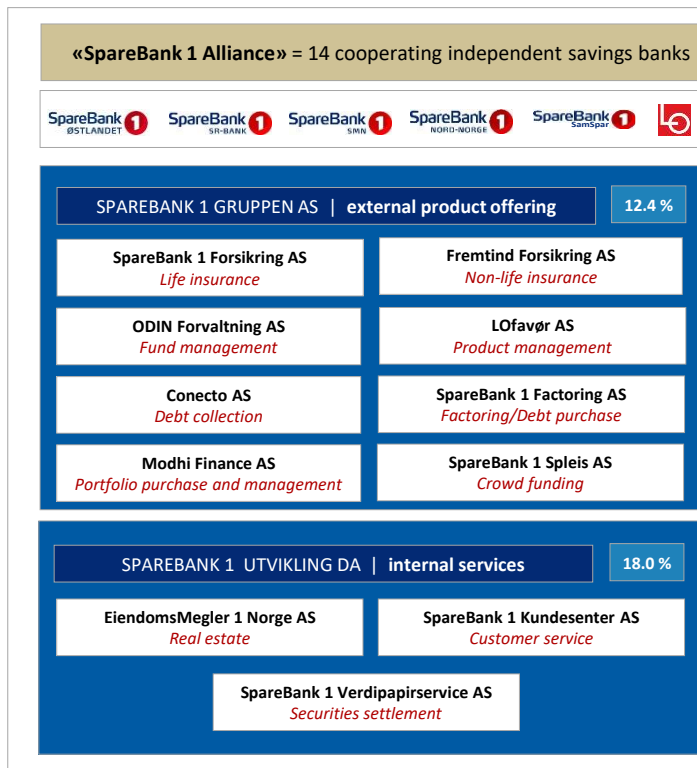
# Part of the SpareBank 1 Alliance

Provides operational and financial economies of scale as well as diversified product offering

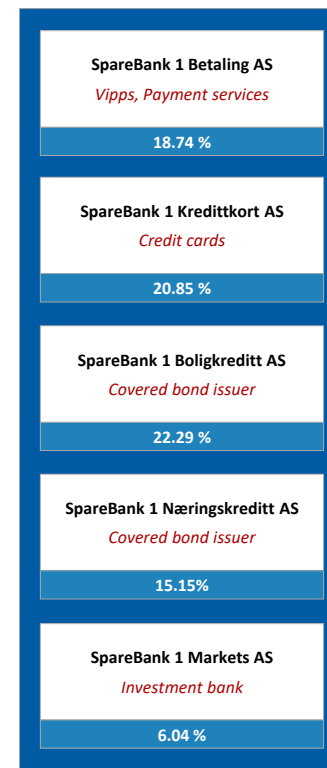
## Key comments

- Total number of branches: 301
- Total number of FTEs: 6,000
- 14 independent Savings Banks
  - 6 listed equity capital certificate (ECC) banks.
  - 1 public listed ordinary share bank (SR-Bank).
  - 7 traditional Savings Banks with ECCs.
- The SpareBank 1 Alliance is Norway's second largest\* financial group in terms of total assets.
- The SpareBank 1 Alliance was created in 1996 to strengthen each local bank's competitiveness, profitability and solvency, as well as to ensure each bank's future independence and regional ties.

## Key joint ventures



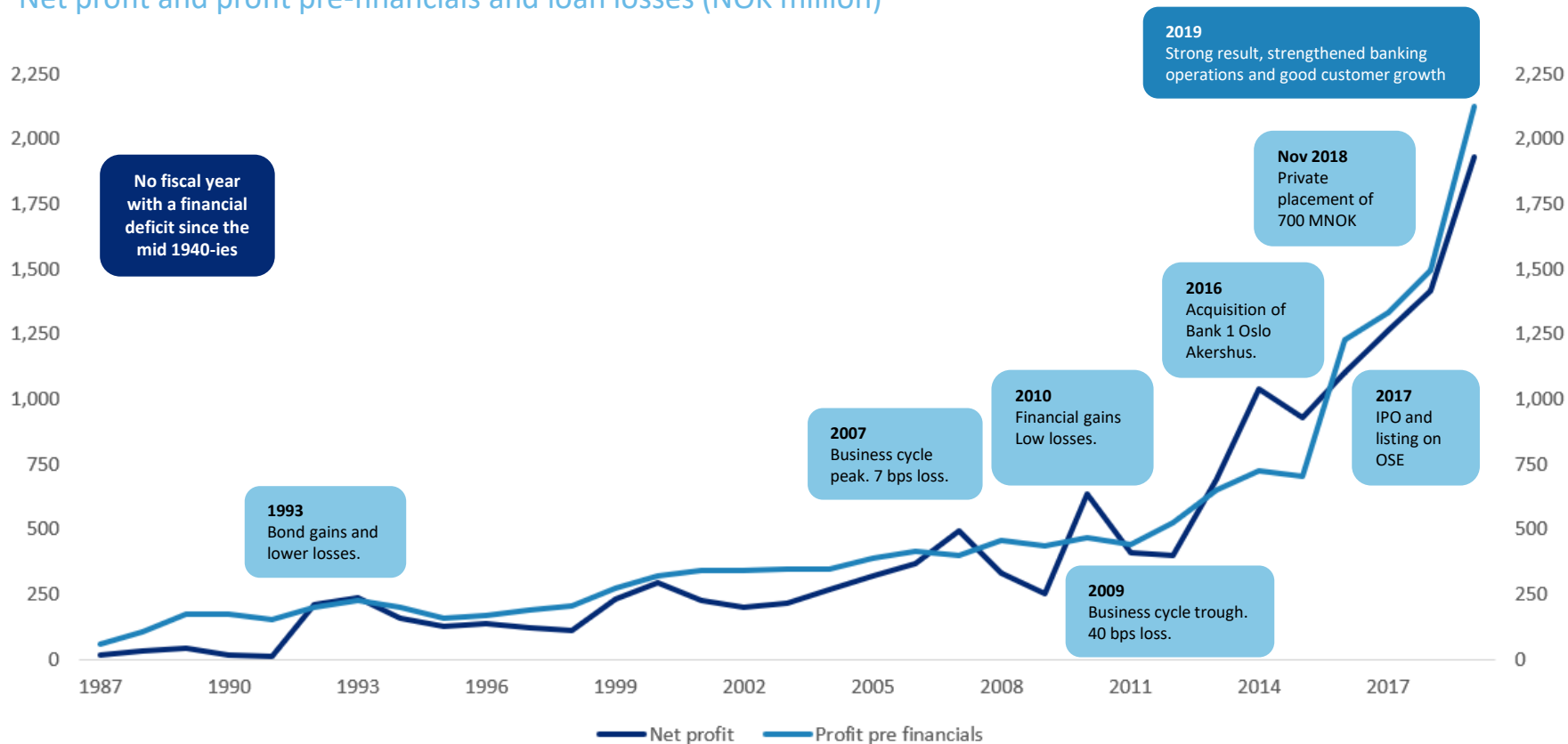
## Key associated companies





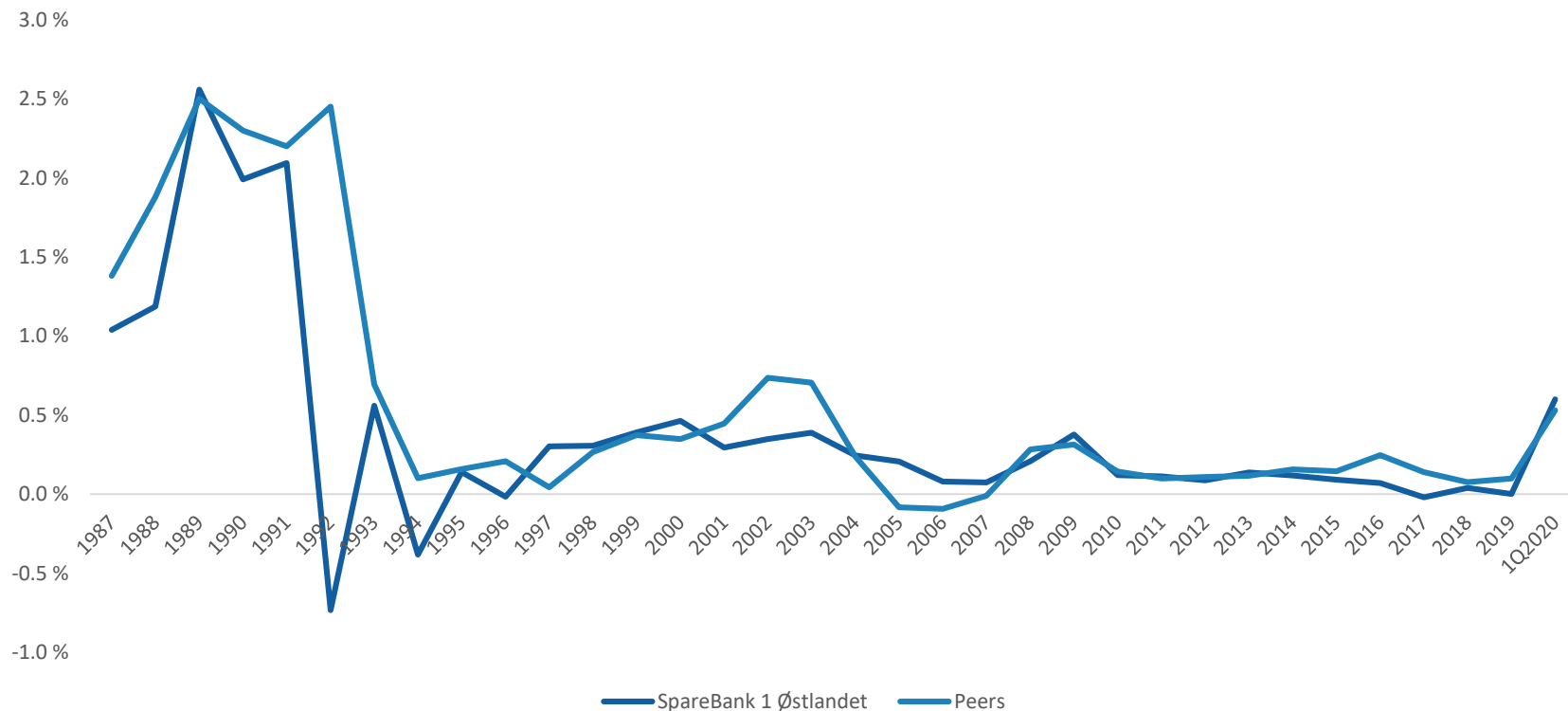
# The Bank has a history of increasing profits

Net profit and profit pre-financials and loan losses (NOK million)



# Long history of low loan losses – still at moderate level

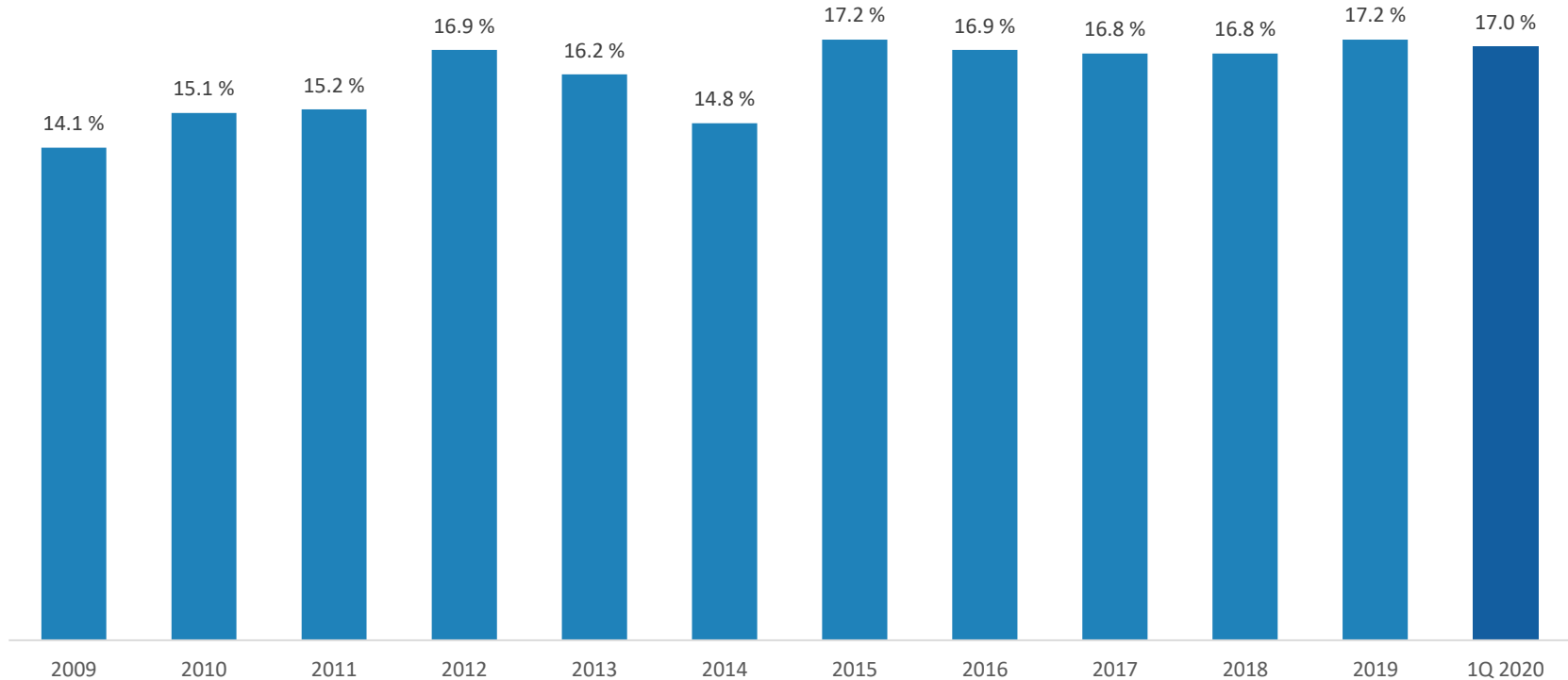
Impairments on loans as a percentage of gross loans\*



Source: Bank reports and SpareBank 1 Markets 1Q 2020. Peers: NONG, SRBANK, MING, MORG, SVEG  
(\* ) Included loans transferred to covered bond companies

# High and stable capitalization

Common Equity Tier 1 ratio (Group)



# The financial accounts show impact from the coronavirus pandemic

Financial accounts 1Q 2020 (last year's figures in brackets)

Reduced profitability

Pre-tax profit in 1Q-20 NOK 266 million (NOK 757 million).

Lower return on equity

ROE in 1Q-20 6.9% (21.2%).

Very solid capitalization

CET 1 ratio 17.0 % (16.9 %).  
Leverage ratio 7.0 % (7.4 %).

Continued lending growth

Lending growth in 1Q-20 2.1 %  
Lending growth 9.1 % (6.5 %) (incl. covered bond companies) last 12 months.

Increased deposit growth

Deposit growth in 1Q-20 1.8 %.  
Deposit growth 10.4 % (9.5 %) last 12 months.

Increased impairments

Impairments on loans and guarantees NOK 151 million in 1Q-20 (NOK – 33 million).





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funding plans

Appendix

# Our market position gives ample opportunities to grow the bank

By the end of 2021 – our strategy pillars



We are the third largest savings bank in Norway.



We have one of the most attractive equity certificates on Oslo Stock Exchange.



We have differentiated ourselves from the main competition and have increased our market share.



We have made banking easy for our customers and employees.



Best at cross-sales in the alliance and have utilised the profitable potential in the Group.



We have established ourselves as a bank with a distinct ESG profile.

# Solid position and growth opportunities

Market leader in former Hedmark county - market challenger in other counties

## Former Hedmark county

Population	197, 920
Market share* RM	45 %
Market share CM	46 %
Position	market leader
Unemployment	4.7 %

## Former Oppland county

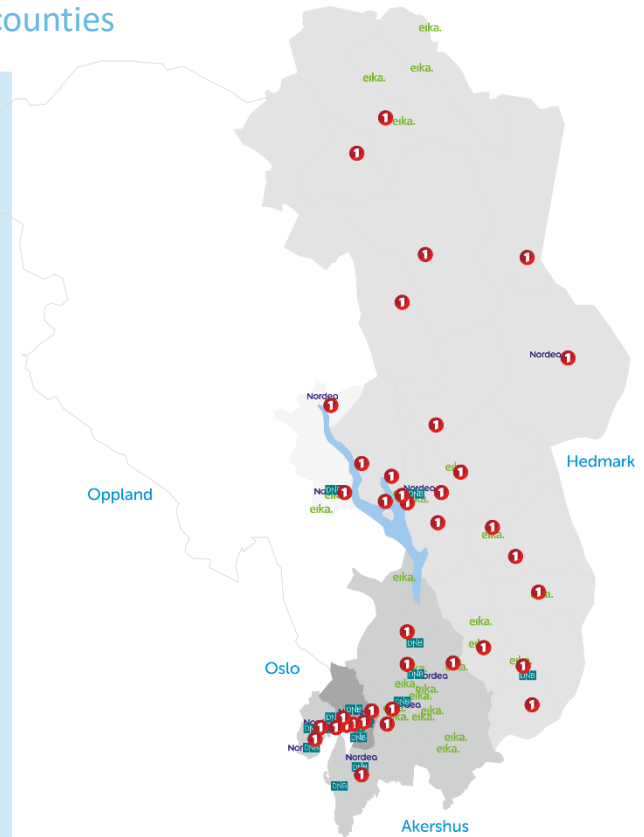
Population	172,890
Market share RM	4 %
Market share CM	8 %
Position	challenger
Unemployment	4.7 %

## Oslo

Population	694,657
Market share RM	4 %
Market share CM	4 %
Position	challenger
Unemployment	7.6 %

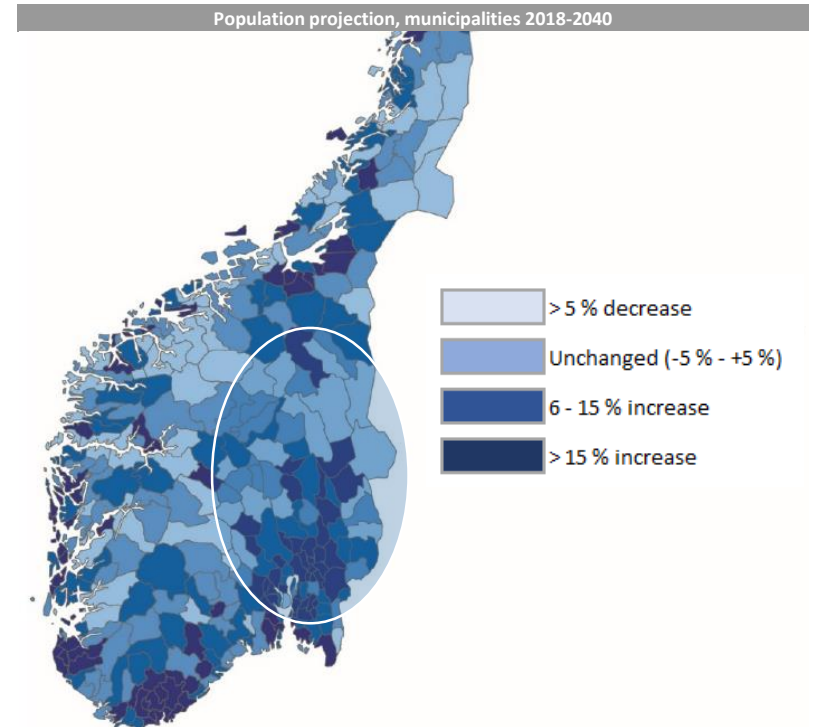
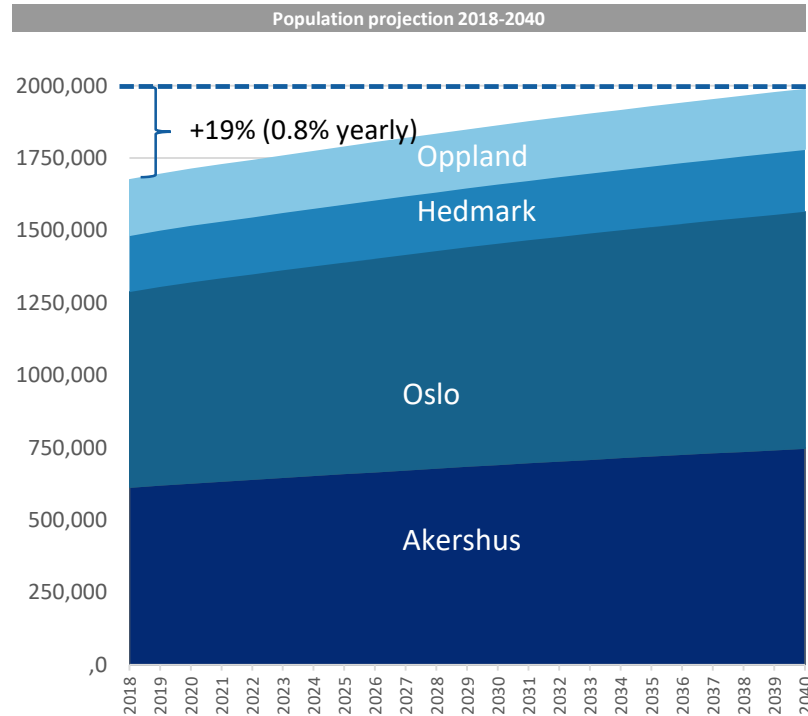
## Former Akershus county

Population	630,752
Market share RM	5 %
Market share CM	4 %
Position	challenger
Unemployment	6.1 %



# A market area with long term growth potential

Considerable population growth in the Greater Capital Area

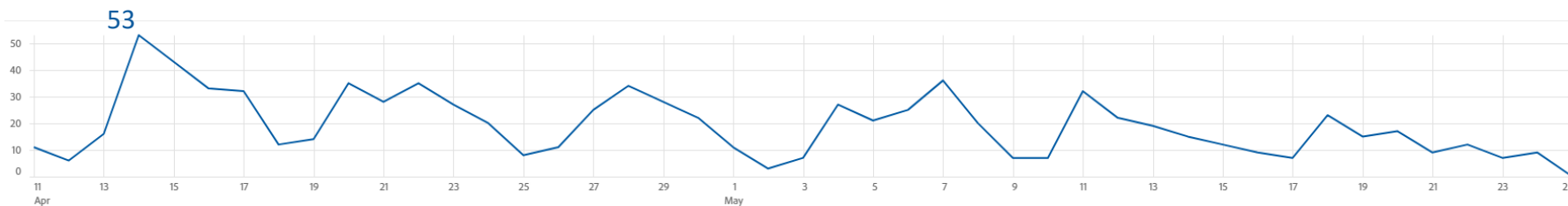




# Applications for payment holidays on housing mortgages declining to a normal level

## Personal Banking and the coronavirus pandemic

- Retail customers were quick to apply for installment deferrals in March, but demand has been declining strongly through April and May.
  - 3,360 applications in March (after 13 March)
  - 831 applications in April
  - 372 applications in May (as of 26 May)
- The bank show considerably flexibility in installment deferral when needs are assumed to be temporary.
- Marked increase in ordinary mortgage applications after the Easter holiday.
- Closed offices has lead to increased digital meeting activity.
  - Increased demand for personal advisory related to savings and personal finance.
  - The offices are planned to reopen gradually throughout May and June.



# Applications for liquidity loans among corporate customers are decreasing

## Corporate Banking and the coronavirus pandemic

- Corporates are pro-active in seeking dialogue with the Bank.
- Customers in vulnerable industries are monitored and followed up more closely.
- The Bank offers several options for temporary relief
  - Installment deferrals – mainly limited to 3 months
  - State guaranteed liquidity loans
  - Contingency loans
- Top 5 industries requesting assistance (based on number of customers in the industry):
  1. Commercial real estate
  2. Retail and merchants
  3. Agriculture
  4. Hotels, restaurants and tourism
  5. Public and social services
- By the end of May, approximately 730 installment deferrals had been granted.

# The Bank's ESG work gains further recognition

ESG news 1Q-2020

- In March, SpareBank 1 again was named the financial industry winner by the Sustainable Brand Index.
- The Bank is climate neutral as of 1Q-2020.
- Partner and sponsor of the Development Goals Forum (DGF 2020).
- In March, the Bank reported emissions related to the corporate portfolio for the first time.
- SpareBank 1 Østlandet was recently re-rated and confirmed with an «A» rating from MSCI ESG Ratings.



The consumers verdict: We are the ESG industry winners



ECO-lighthouse certification for the entire bank

[ESG in SpareBank 1 Østlandet](#)

## Bransjeviss beregning av karbonrelatert kredittesporing

Netting	Utsatt på kredittportefølje	Utsatt på kredittportefølje etter nettoverføring	Nettoverføring	Nettoverføring per USD utstøtt	Nettoverføring per USD utstøtt (inkludert)
Utsatt på kredittportefølje	700 844	2,3%	430*	0,60	0,93
Utsatt på kredittportefølje etter nettoverføring**	117 017	4,4%	1 209**	11,10	17,6
Jordbruk og tilknyttede tjenester	61 270	8,4%	4 876	79,58	405,7
Skogbruk og tilknyttede tjenester	4 603	25,2%	39	8,47	9,8
Fast og transport	80 138	4,7%	-	-	-
Transport, oppdrag og andre tjenester	67 386	2,3%	970	14,66	19,6
Industri***	62 232	2,8%	2 746***	44,13	70,1
Bilger og antagelsesrettet eiers****	59 495	1,8%	661**	11,10	12,2
Tjenesteytende næringer ellers	69 966	1,3%	477	6,91	6,1
Overmålings- og servicekompanier	15 130	3,9%	136	8,99	5,1
Finansiell eiers og leasing****	87 125	6,9%	3 084****	34,48	17,4
Dr. geo.- demp. og annen finansiering	42 733	0,4%	1 840	43,08	8,2

Carbon related credit exposure – by industry



Innovation camp with beetle brownies on the menu





## Introduction to SpareBank 1 Østlandet

Region, strategy and ambitions

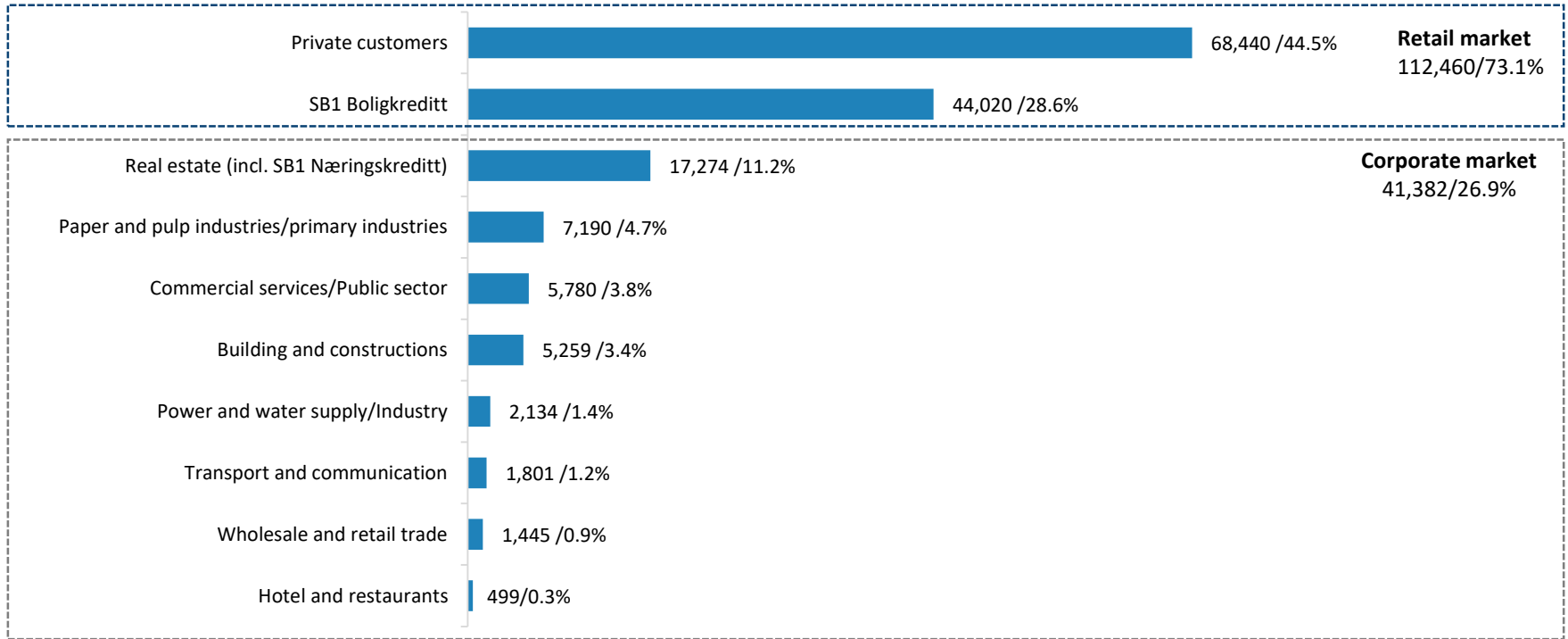
Asset quality, rating and  
funding plans

Appendix



# Low direct Covid-19 exposure in the lending portfolio due to governmental fiscal policy measures

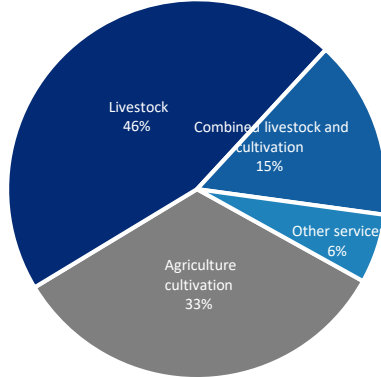
Lending to customers per sector (NOK million and %)



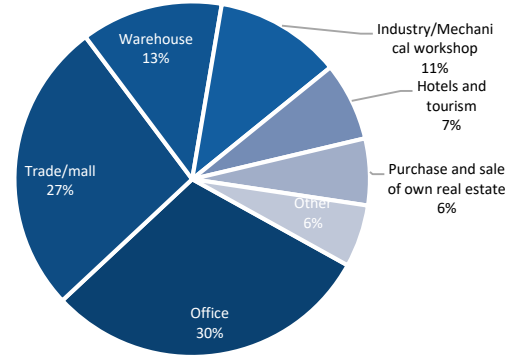
# Loan book specification

Lending to customers per sector (NOK million and %)

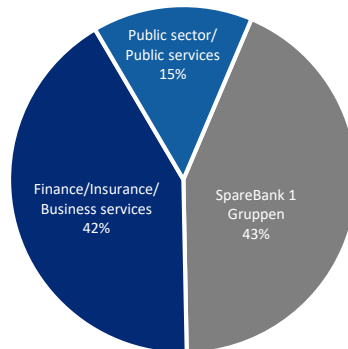
**Primary industries\***  
(NOK 4,724 million/3.1 %)



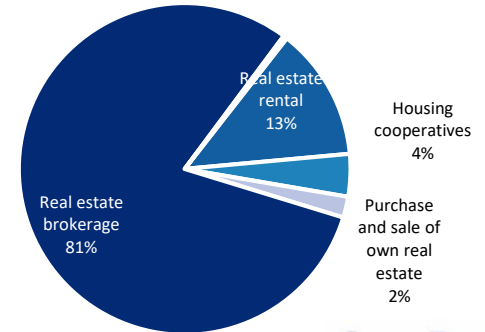
**Real Estate\***  
(NOK 16,103 million/10.5 %)



**Commercial Services\***  
(NOK 4,775 million/3.1 %)

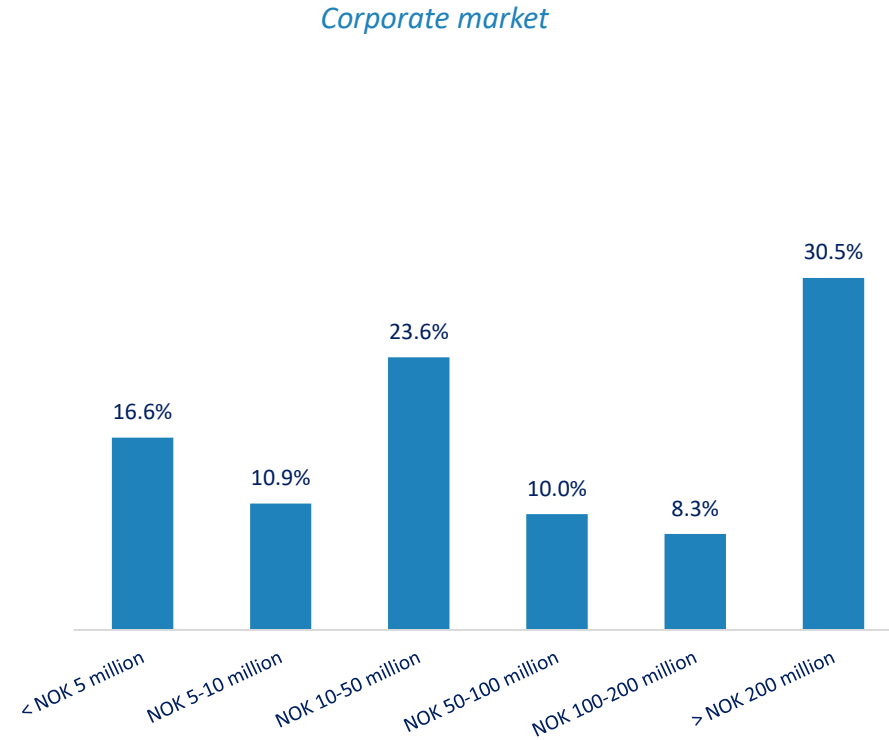
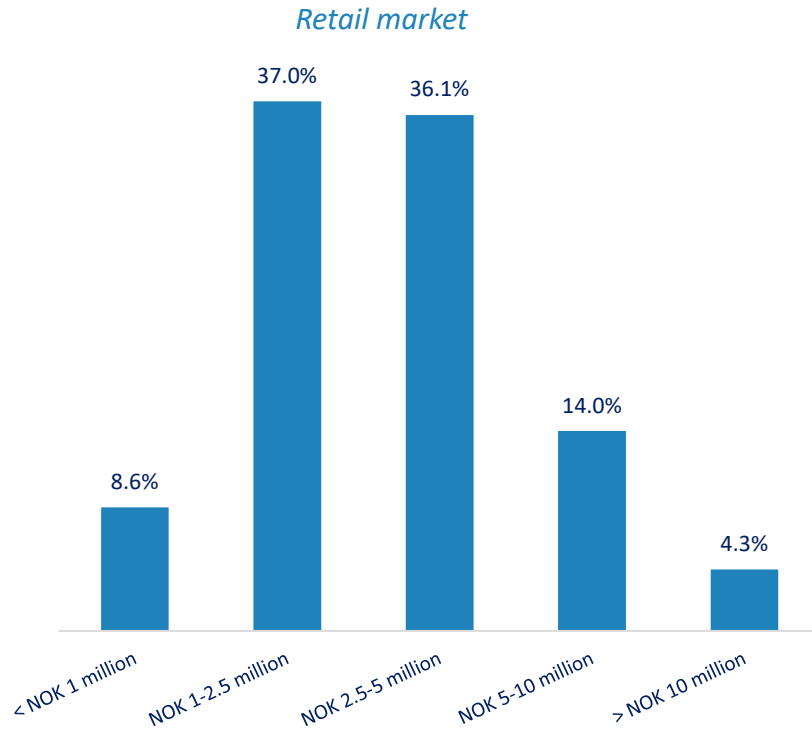


**Building and construction\***  
(NOK 4,143 million/2.7 %)



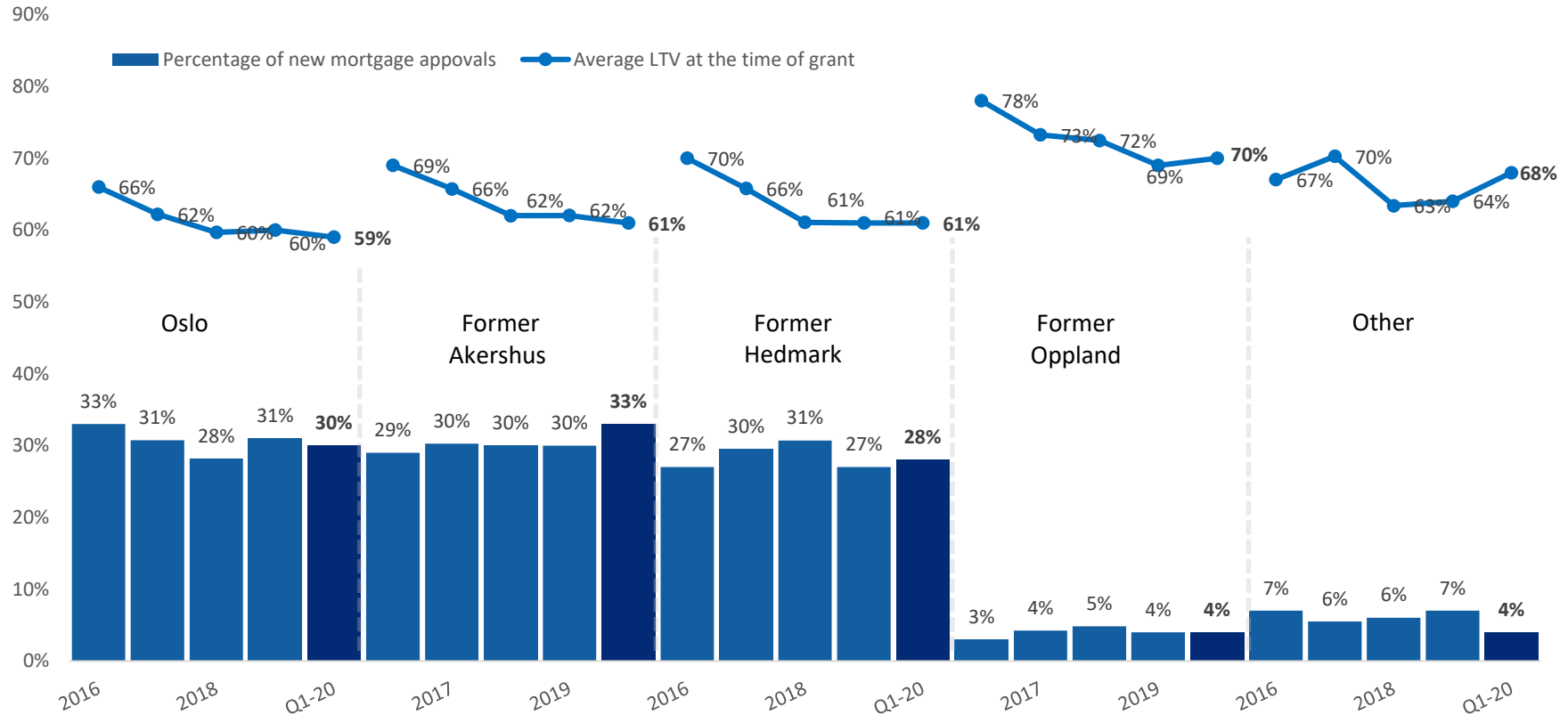
# Size concentration risk in the lending book is low

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



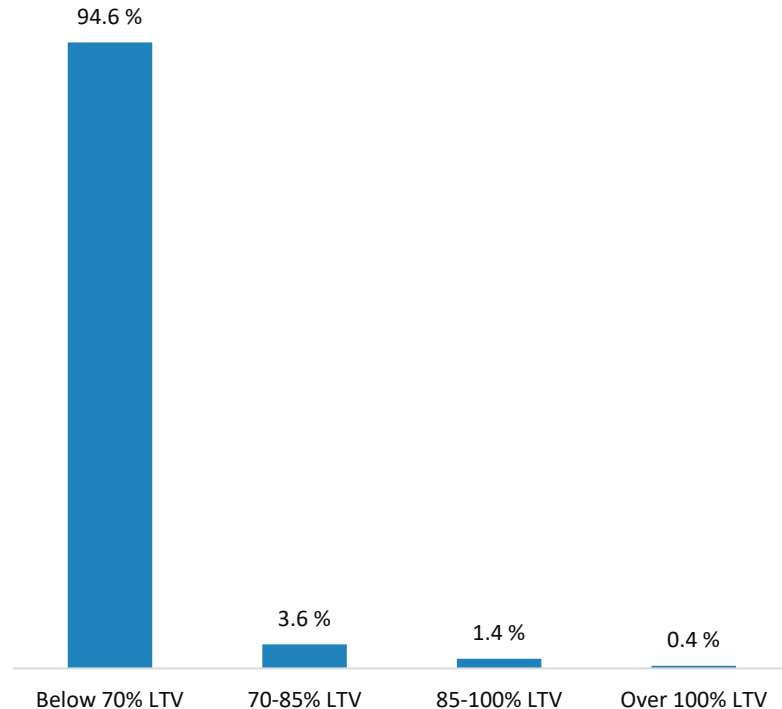
# High quality credit processes lead to low and stable LTV

Percentage of new mortgage approvals and average LTV per period and county



# Temporary changes in the Mortgage Regulation due to Covid-19 with effect from 2Q-20 <sup>1)</sup>

Exposure per LTV bucket in the residential mortgage portfolio



Mortgages - Utilisation of flexibility quota in 1Q-20<sup>1</sup>

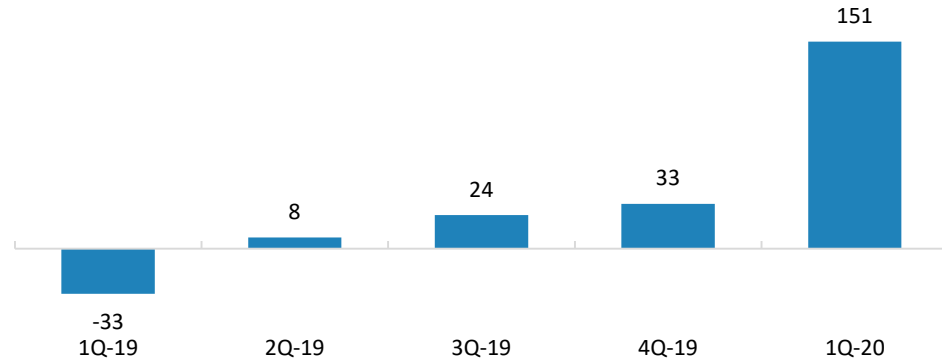
City of Oslo  
7.2 % (8 % quota)

Other areas  
8.2 % (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”

# Covid-19 measures and assumed consequences drive loss provisions

Impairments on loans and guarantees (NOK million)



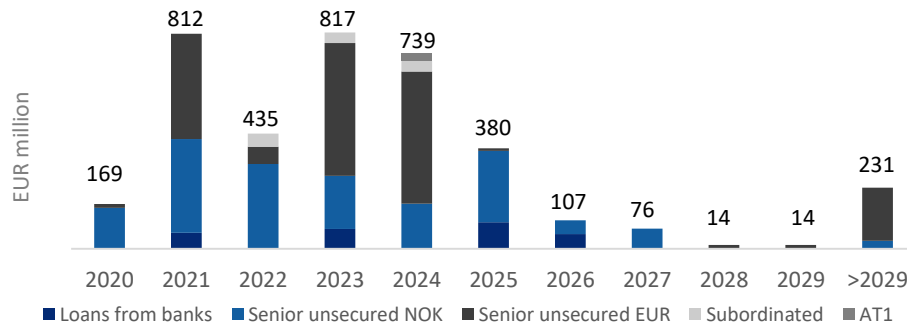
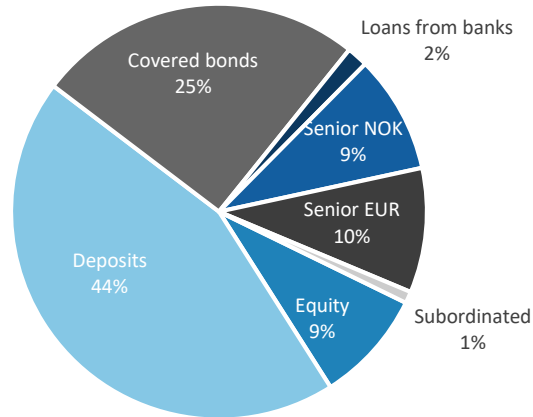
	Retail market	Corporate market	Parent bank	SB1FØ	Group
<b>Isolated loss effects</b>					
Change ECL due to period growth and migration	-2	2	0	-4	-4
Change ECL due to adjusted key assumptions (PD / LGD)	3	38	41	17	58
Change ECL due to changed scenario weighting	14	26	41	3	44
<b>Change in model-based loss provisions</b>	<b>16</b>	<b>66</b>	<b>82</b>	<b>16</b>	<b>98</b>
Post model adjustments	0	35	35	5	40
Change individual loss provisions	-3	10	7	2	9
Net write-offs	3	3	6	-1	4
<b>Total losses</b>	<b>16</b>	<b>114</b>	<b>130</b>	<b>21</b>	<b>151</b>

- Impairments on loans and guarantees in 1Q-20 were NOK 151 million.
  - Parent bank NOK 130 million
  - SB1 Finans Østlandet NOK 21 million
- Model based provisions related to Covid-19 are to NOK 142 million
  - Change in model-based loss provisions increase with NOK 98 million due to increased weighting in the downside scenario and increased PD estimates in the base scenario.
  - A post model adjustment (PMA) was also made for estimated, not observed, migration from Stage 1 to Stage 2 equivalent to NOK 40 million.
- Last year's numbers were colored by a reduction in the loss provisions following validation of the loss model showing that the earlier LGD estimates were significantly higher than realized loss rates.



# The bank's funding ambitions

Today's funding mix and thoughts on funding going forward



- Deposits are and will continue to be the Bank's most important funding source.
- The Bank exclusively uses SPABOL for covered bond funding.
- Senior unsecured in EUR will be increasingly more important in the funding mix going forward.
  - Building a senior unsecured curve in EUR.
  - Planning at least one EUR benchmark issue every 18 months going forward.
  - Active curve in PP with tenors up to 15 years.

# Minimum Requirement for Own Funds and Eligible Liabilities

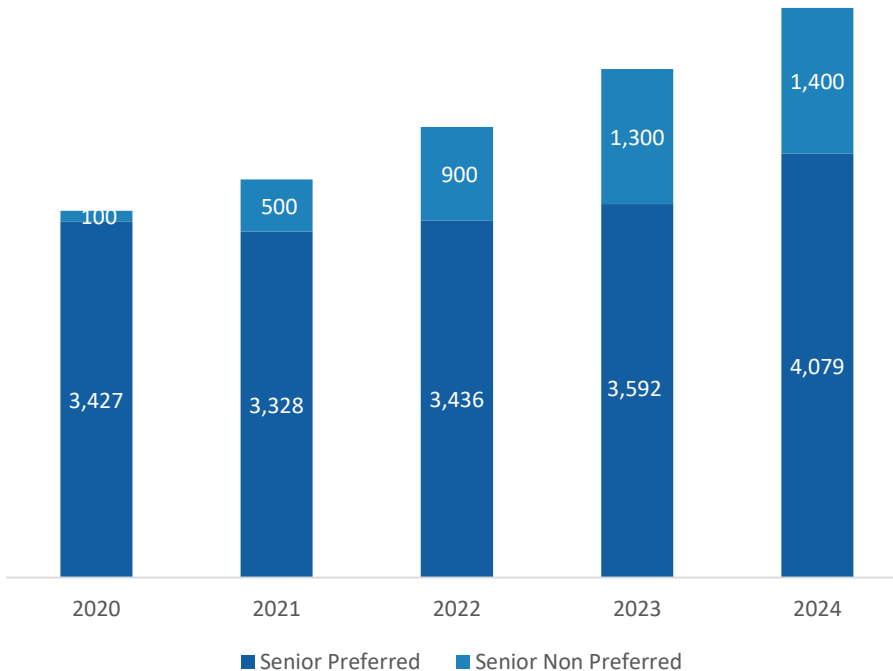
MREL – The Norwegian legislation



- Loss absorbing amount equal to Pillar 1 and Pillar 2 requirements and combined buffer requirement:
  - Covered by AT1 and Tier 2
- Recapitalization amount equal to Pillar 1 and Pillar 2 requirements and combined buffer requirements except countercyclical buffer.
  - Covered by excess capital and capital subordinated to senior debt.
- Transitional period is extended from 31 December 2022 to 1 January 2024.
- Includes an increase in the systemic risk buffer of 1.5 % to 4.5 % from YE 2020 and re-introduced countercyclical buffer at 2.5 %.

# MREL needs going forward

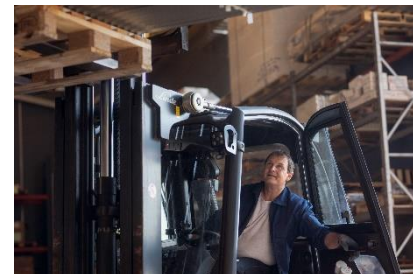
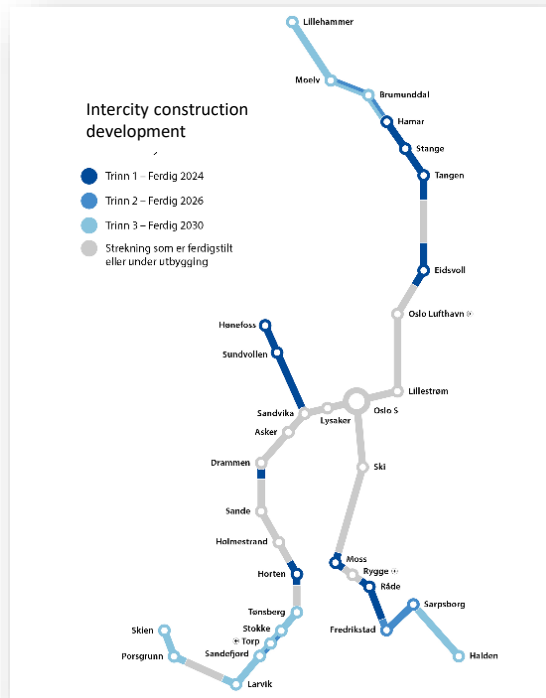
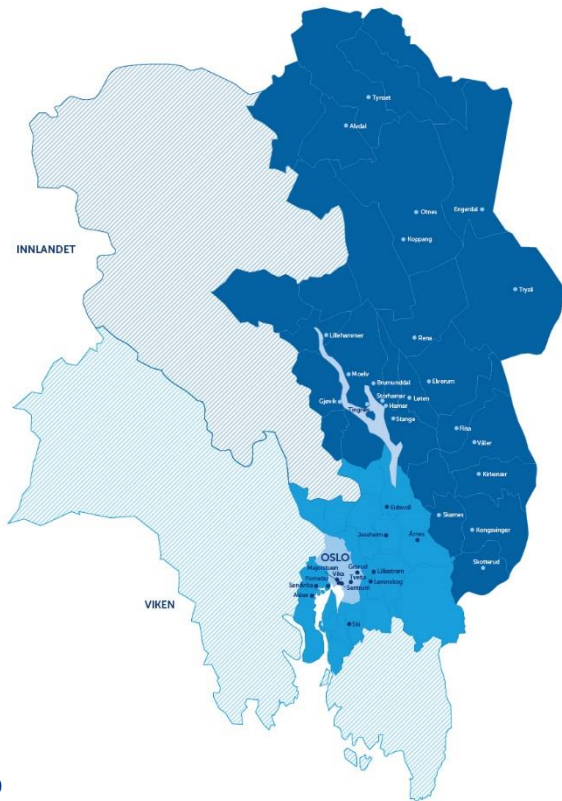
## Still some regulatory uncertainty



- Base scenario:
  - The Norwegian legislation with increased systemic risk buffer and countercyclical buffer.
  - App. EUR 1.3 bn SNP debt by YE2023.
  - Depending on lending growth.
- Uncertainty:
  - BRRD2 into Norwegian legislation.
  - Lower requirements?
- The Bank's response
  - MREL - Gradually refinancing of maturing senior debt with SNP until YE2023.
  - Starting in the Norwegian market.

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

## Summary



# Contact details



Geir-Egil Bolstad

CFO

Phone: +47 918 82 071

[geir-egil.bolstad@sb1ostlandet.no](mailto:geir-egil.bolstad@sb1ostlandet.no)



Cathrine Mordal

Head of Treasury

Phone: +47 62 51 09 10

[cathrine.mordal@sb1ostlandet.no](mailto:cathrine.mordal@sb1ostlandet.no)



Runar Hauge

Portfolio Manager/IR

Phone: +47 482 95 659

[runar.hauge@sb1ostlandet.no](mailto:runar.hauge@sb1ostlandet.no)



## Introduction to SpareBank 1 Østlandet

Region, strategy and ambitions

Asset quality, rating and  
funding plans

Appendix





## APPENDIX

### Norwegian and regional outlook

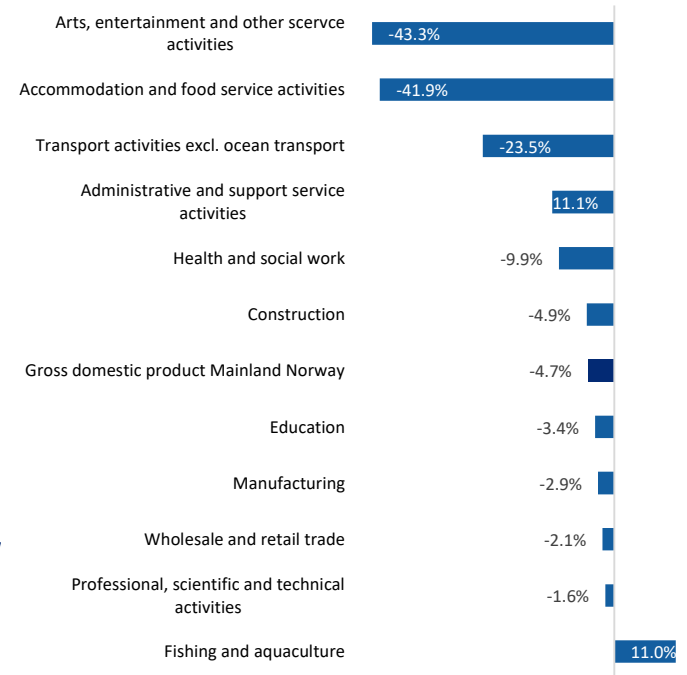
### Financial Accounts 1Q 2020

# Sharp GDP downturn due to Covid-19 also affects Eastern Norway – but trending back in May

## Economic Activity

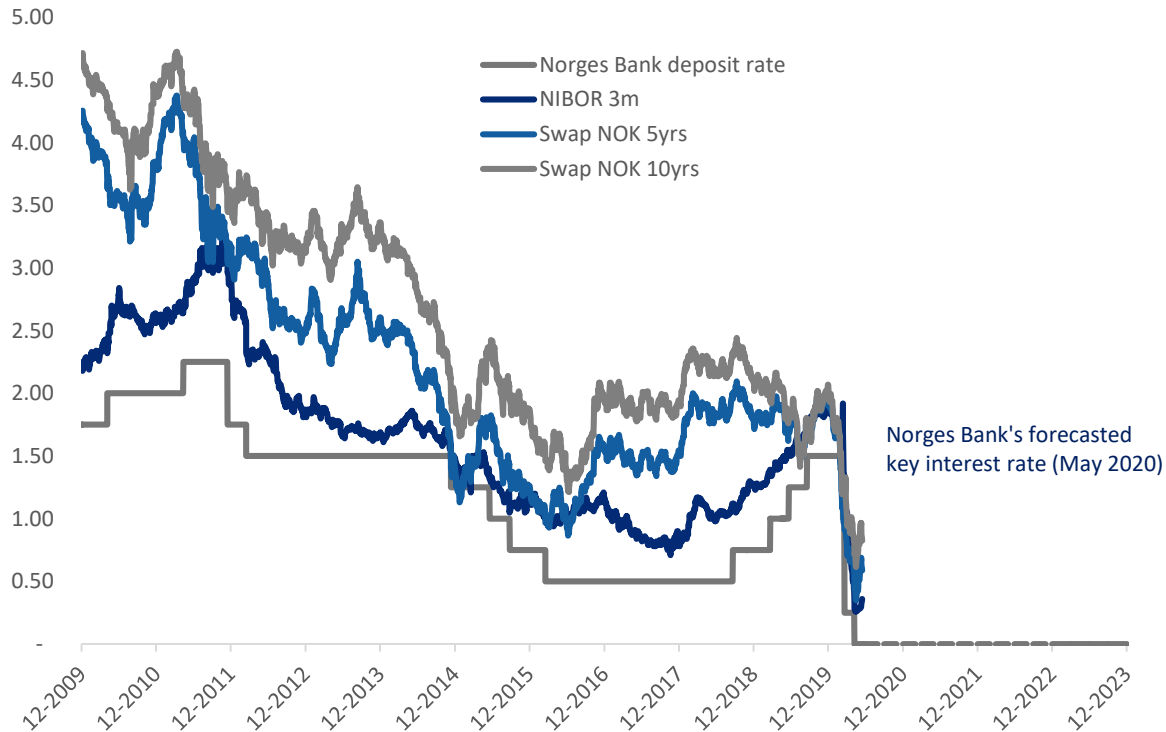
- The coronavirus measures has lead to a sharp downturn in the Norwegian economy.
  - Norwegian mainland GDP shows a 4.7 % decline in April 2020<sup>1</sup>.
  - Statistics Norway’s forecast is negative 3.9 % for 2020.
  - Largest impact in industries that were shut down early for infection reasons.
- May have long-term impacts.
  - Low oil price and low offshore related investments.
  - Low wage growth and low consumption.
- Powerful fiscal and monetary policy measures are dampening the effects.
  - Record high government spending – oil-adjusted national deficit of NOK 450 bn.
  - Low interest rate. Norges Bank reduces the policy rate from 1.50 % to 0.00 %<sup>3</sup>
  - NOK is trending back from record weak levels mid March (+11.6 %) <sup>4</sup>.
- SpareBank 1 Østlandet’s market area strongly affected by Covid-19
  - Traditionally a cyclical stable region – but Oslo strongly affected by the shut-dow
- The Bank has limited direct exposure to the most affected sectors.

Change in GDP– selected industries April 2020<sup>2</sup>



# Norges Bank: Responds quickly to dampen the economic downturn

## Macro outlook - Norwegian reference interest rates



- A sharp downturn in both global and Norwegian economic activity and very low oil prices, lead to quick response from the Central Bank.
  - 2 cuts in March and 1 in May moved the policy rate from 1.5 % to 0 %.
  - Projections from Norges Bank indicates a low interest rate level for a long time.

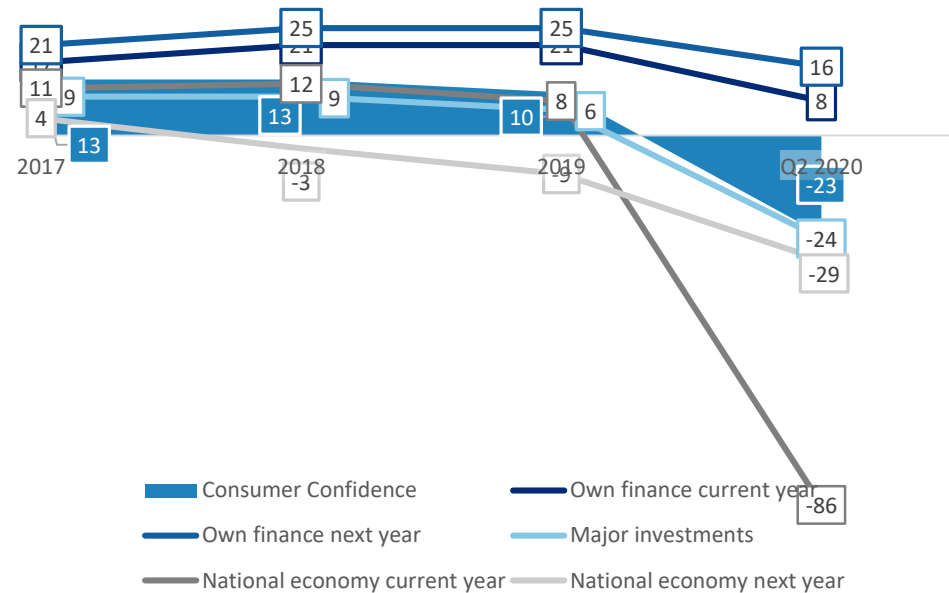
Source: Norges Bank Monetary Policy Update May 2020/Bloomberg

# Lower overall expectations – but still positive in own finances

Consumer confidence with sub-indicators for Eastern Norway

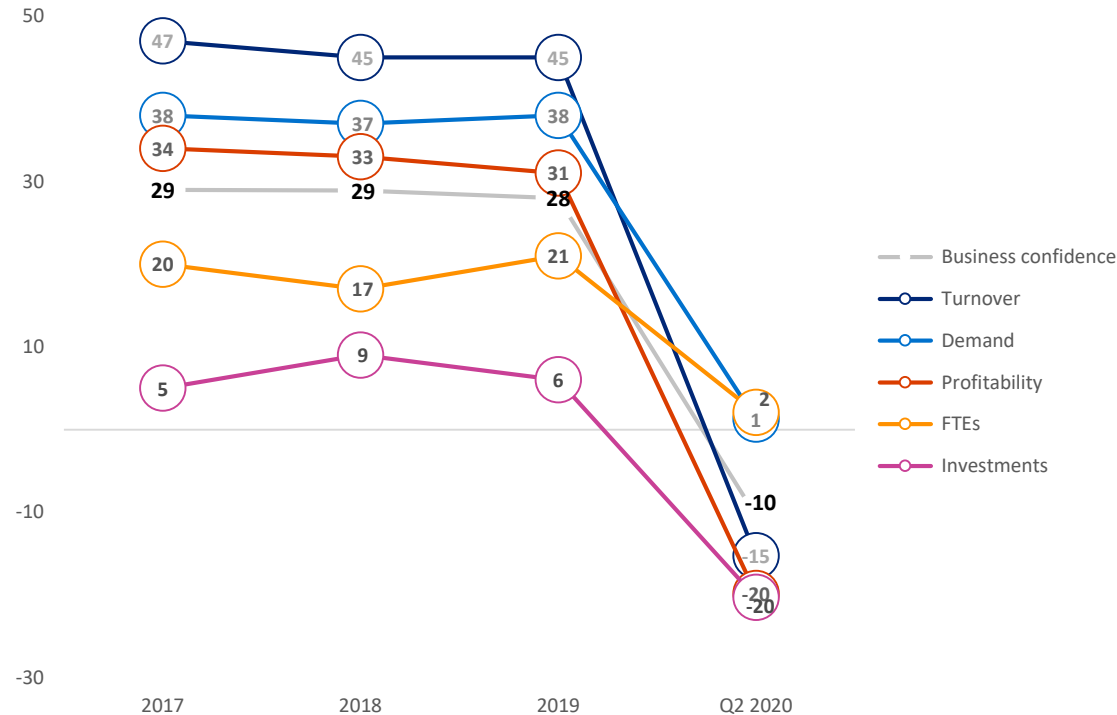
## Consumer confidence for Eastern Norway

- Largest reduction in consumer confidence for the national economy.
- Better expectations for own finances – although a slight reduction in the sub-indicator.
- 6 out of 10 plans for major investments the coming year (unchanged from Q4-19).
- Only 4 % of the households have significantly reduced fixed costs due to the coronavirus pandemic.



# No fear for bankruptcy despite lower confidence

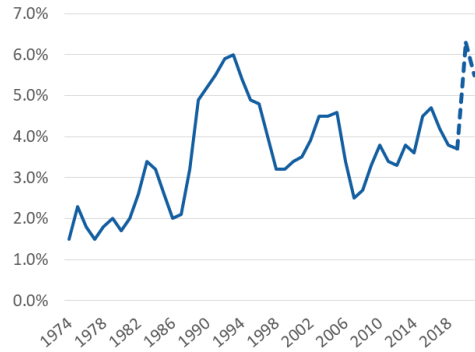
## Business confidence in Eastern Norway



- Still positive expectations for demand and labor (FTE).
- Lowest confidence for tourism, industry and commercial services.
- Manufacturing and primary industries have the highest confidence score.
- 86% expect lower growth in the Norwegian economy for the next year compared with last year.
- One out of two businesses (53%) operates as normal.
- 2 out of 10 have changed their business model or found new sources of income.
- 80% think the need for restructuring will increase in the next 12 months.
- 95% are not afraid of bankruptcy.

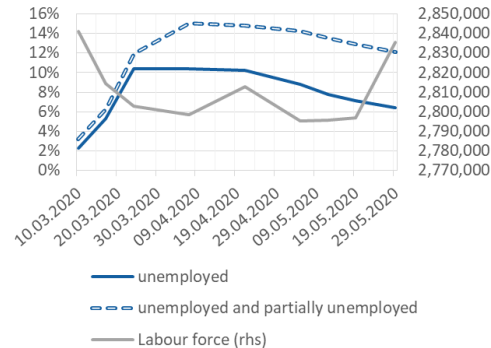
# Employment

## Unemployment



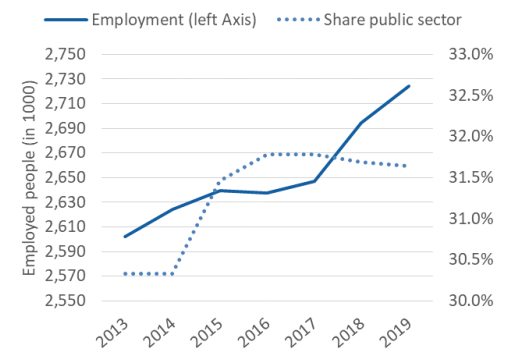
- SSBs forecast for the unemployment rate (unemployment survey) shows a 6.3% unemployment rate for 2020 and 5.5% for 2021

## Unemployment and labour force, weekly trend



- The unemployment rate (registered employment seekers fully unemployed) went down from 10% in April to just above 6% in May

## Sector employment



- The public sector is a large employer and absorbs employment in stressed times



# Which measures have been introduced to mitigate impact?



Unemployment: extended salary payments for 20 days ; afterwards unemployment benefits at 60% of pay (capped)

*+ Banks granting instalment deferrals on mortgages on request for up to 6 months*



Cost covering payments for companies that had to closed or lost revenue



Tax measures (reductions, delays) for companies, people and municipalities



Government loan guarantees for companies of all size



Government bond investment fund: Investment Grade and High Yield Bonds – last active during the 2008-09 financial crisis



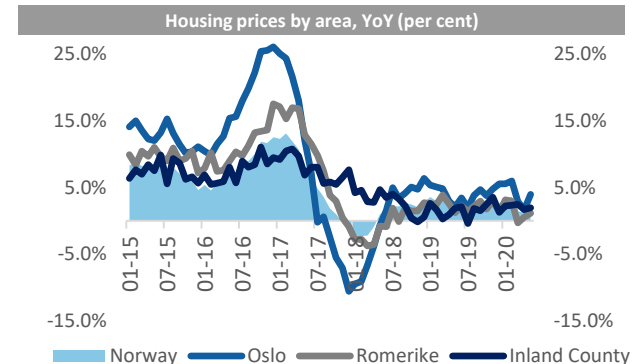
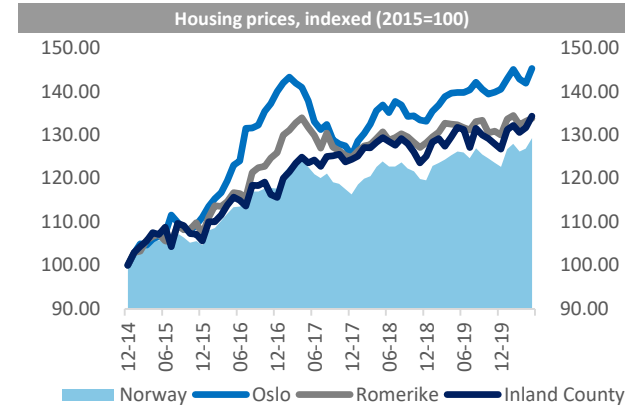
Central bank

- 12 month tenor liquidity loans against covered bond collateral. 30 bps above policy rate, also available in USD. Unlimited.
- Policy rate 0% (from 1.5%)

# Record one month housing price increase in May

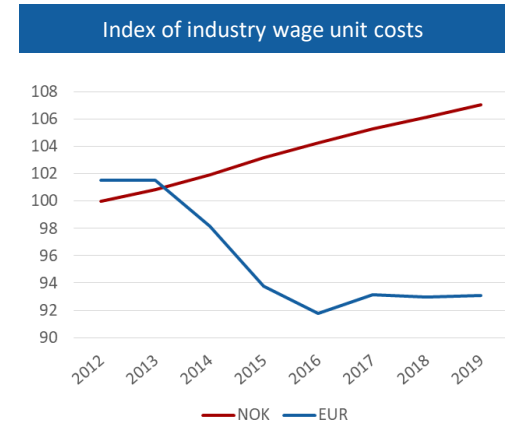
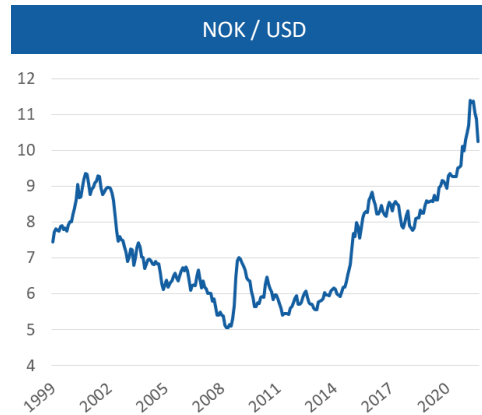
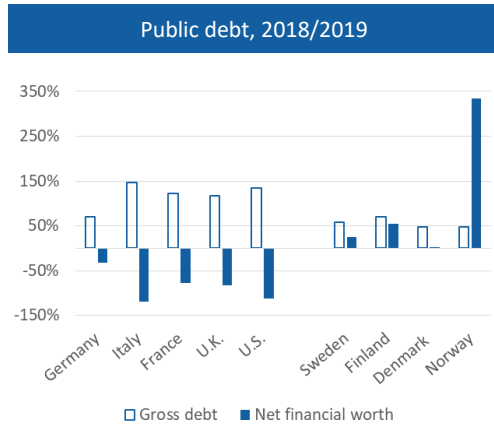
Housing price developments for relevant areas compared with Norway

- High price increase but still low transaction volumes
  - Highest one month price increase in history
  - 5.5 % lower transaction volume than YTD 2019
  - The Inland Region is still on trend, and experiences the highest transactions volumes YTD since the Financial Crisis.
  - Marginally higher time-to-sale: 54 days (51 in February)
    - Oslo shortest time-to-sale: 24 days
- Housing prices for Norway in May + 1.9 % / seasonally adjusted + 1.4 %
  - Oslo: + 2.4 %
  - The Inland Region: + 2.0 %
- Housing prices for Norway (12 months): + 1.2 %
  - Oslo: + 3.9 %
  - The Inland Region: + 2.0 %

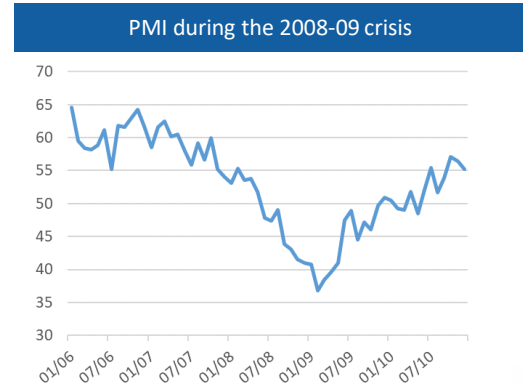
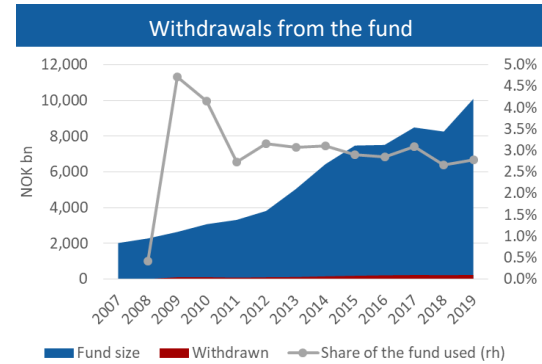
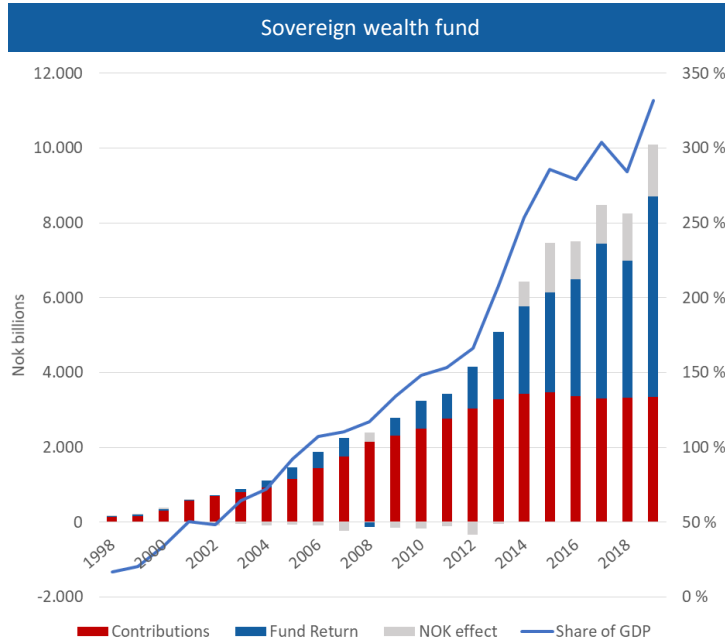


# Norway has a good starting point for a crisis

- ▶ Sound public finances
- ▶ Low unemployment
- ▶ Floating exchange rate

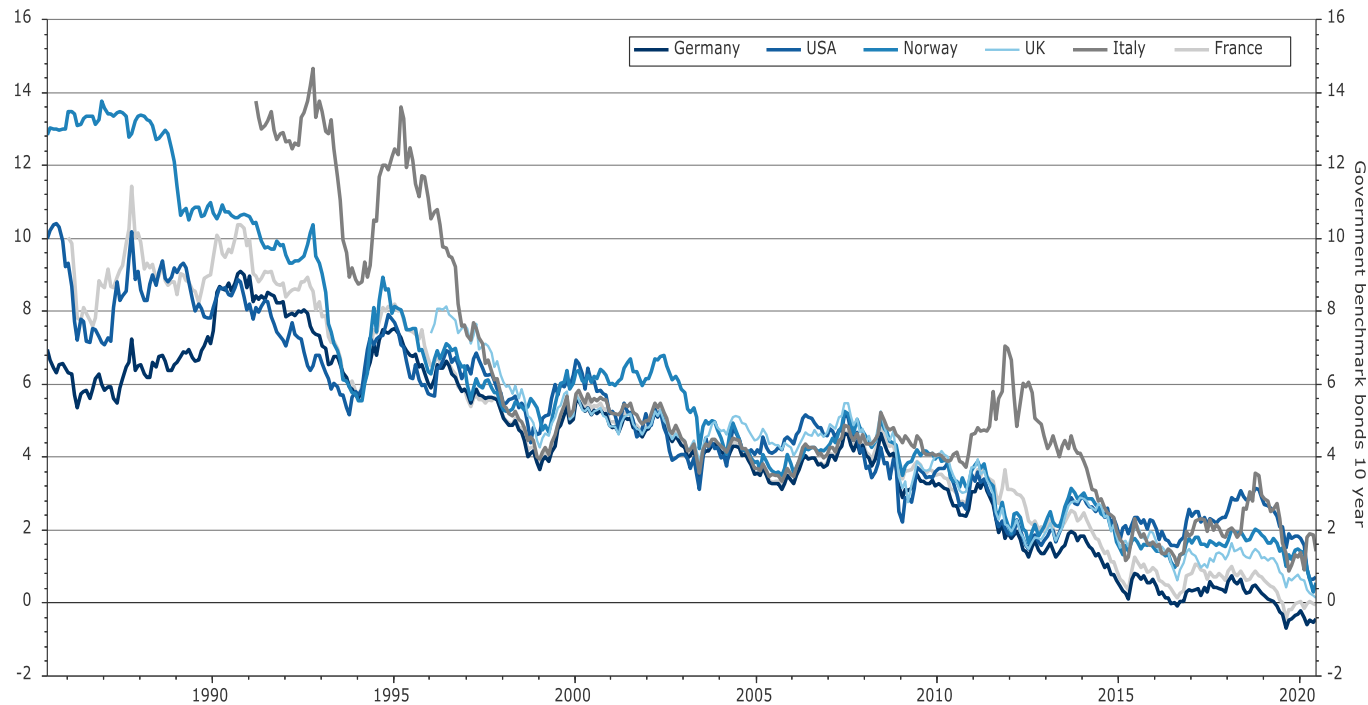


# Sovereign Wealth Fund



# Dovish international sentiment sends interest rates down – as well as the Norwegian long end

International government benchmark bonds



# Mortgage market: key characteristics

Mortgage Market	<ul style="list-style-type: none"><li>• Total size approximately NOK 3,000 billion (USD 375 billion, €330 billion)</li><li>• Private banks (incl. savings banks) are the dominant suppliers of mortgages with over 95% market share</li><li>• Scheduled repayment mortgages: 83.4%, flexible: 16.6%</li><li>• Typical maturity: 25 years</li><li>• First priority security market with thorough documentation vetting</li></ul>
Home Ownership	<ul style="list-style-type: none"><li>• Over 80% of households owner occupied (little buy to let)</li><li>• Between 50 and 60% are detached one-family houses</li></ul>
Social security	<ul style="list-style-type: none"><li>• Unemployment benefits represents ca 60% of salary for 2 years</li></ul>
Personal Liability	<ul style="list-style-type: none"><li>• Borrowers are personally liable for their debt</li><li>• Swift foreclosure regime upon non-payment</li><li>• Transparent information about borrowers</li></ul>
Regulation	<ul style="list-style-type: none"><li>• Loan to value: 85% (75% legal limit for cover pool)</li><li>• Flexible repayment mortgages: max 60% LTV</li><li>• 5% mortgage interest rate increase as stress test</li><li>• High risk weighting for banks for mortgage lending (20-25%)</li><li>• Maximum 5x debt / gross income for borrowers</li></ul>
Interest Payments	<ul style="list-style-type: none"><li>• 90-95% of mortgages are variable rate</li><li>• Interest rates can be reset at the lender's discretion, by giving the debtor 6 weeks notice</li></ul>
Tax Incentives	<ul style="list-style-type: none"><li>• 24% of interest paid is tax deductible (equal to the basic rate of tax)</li><li>• Low effective real estate tax (lower net worth tax on real estate than financial assets)</li></ul>



## APPENDIX

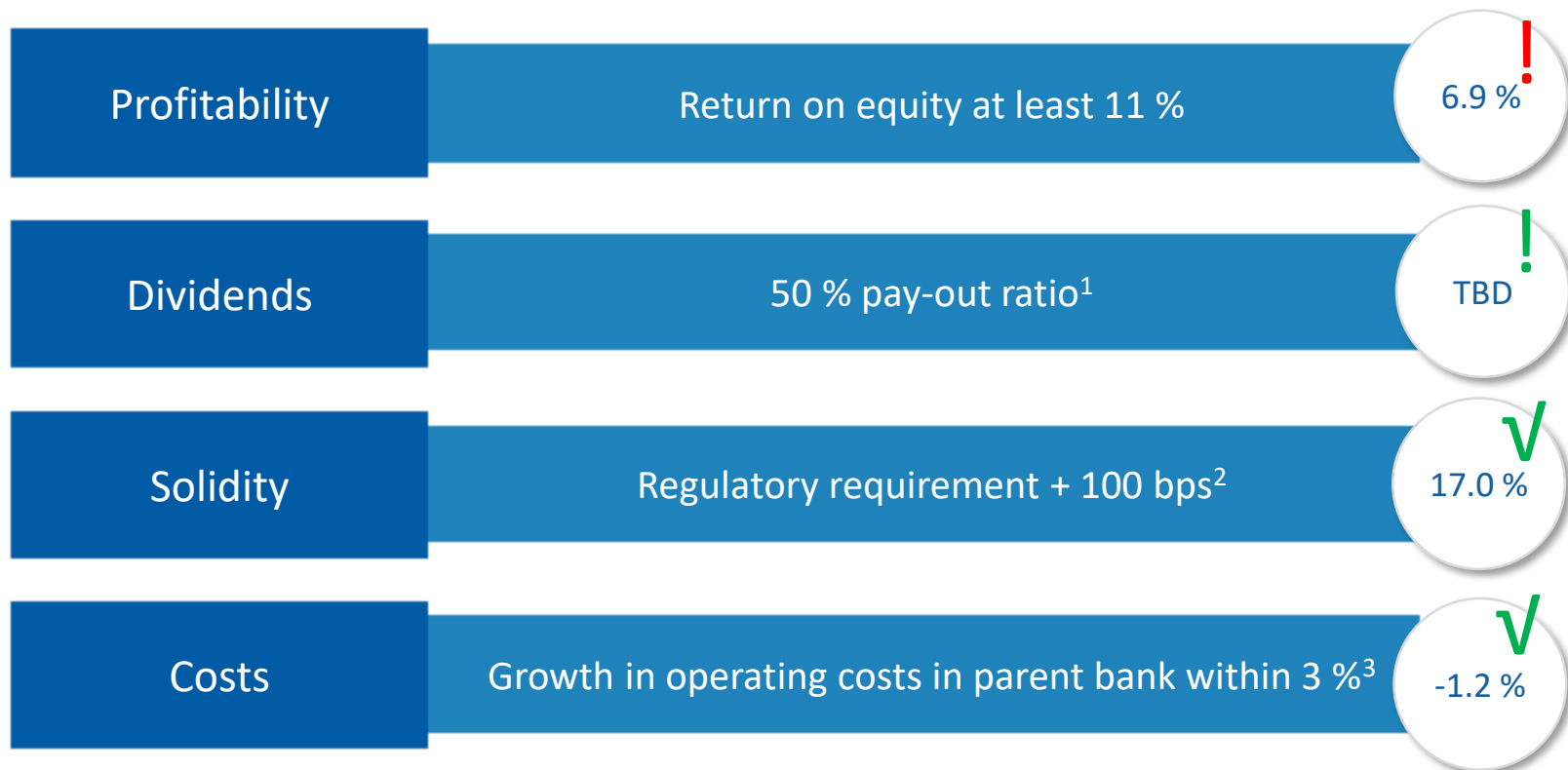
### Norwegian and regional outlook

### Financial Accounts 1Q 2020



# Covid-19 will affect profitability and dividend in 2020

Long term financial targets and actual performance as of 1Q-2020



1. With reference to EBA's "Statement on dividends distribution (...)", 31 March 2020. Dividend for 2020 will be decided on basis of dividend policy, market situation and regulatory requirements when presenting the financial accounts for 2020. The Bank's dividend policy is long-term oriented and firm.

2. Currently 15.3 % | 3. After restructuring costs

# Income statement 1Q 2020 (1Q 2019)

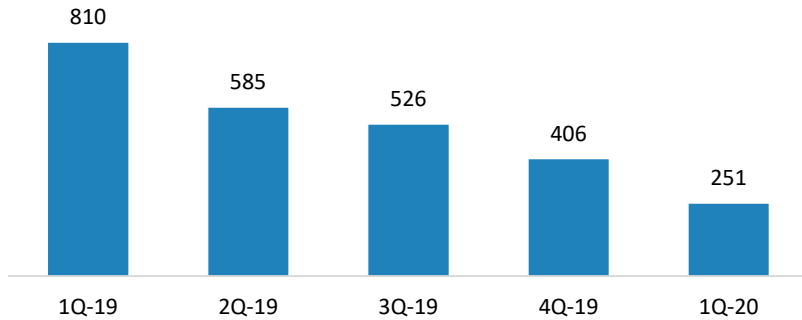
## Group

	1Q 2020	1Q 2019	2019
Net interest income	594	508	2,166
Net commission income	279	273	1,152
Other income	64	67	236
Dividends	12	12	19
Net profit from ownership interest	115	346	519
Net income from financial assets/liabilities	-175	65	197
Total operating expenses	487	494	1,930
<b>Operating profit before losses on loans and guarantees</b>	<b>402</b>	<b>777</b>	<b>2,359</b>
Impairment on loans and guarantees	151	-33	32
<b>Pre-tax operating profit</b>	<b>251</b>	<b>810</b>	<b>2,326</b>
Tax expense	-16	54	398
<b>Profit/loss after tax</b>	<b>266</b>	<b>757</b>	<b>1,928</b>
Return on equity capital after tax	6.9 %	21.2 %	12.8 %
Total operating expenses in relation to total income	54.7 %	38.8 %	45.0 %
Losses on loans as a percentage of gross loans	0.56 %	-0.14 %	0.03 %

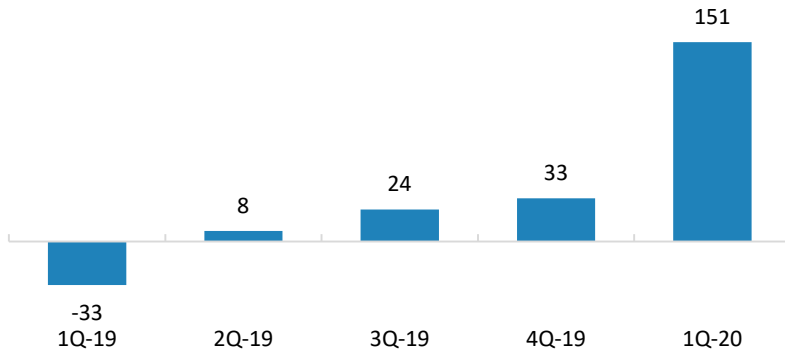
# Key financials – quarterly

(1)

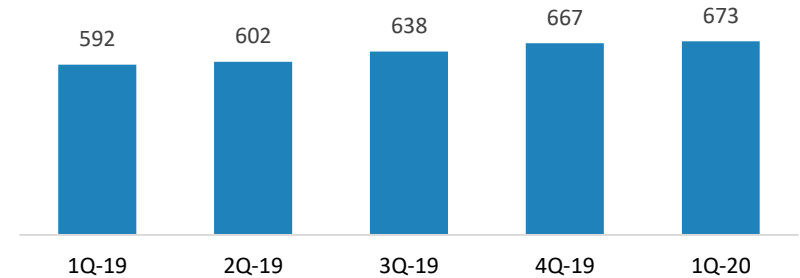
Pre-tax profit (NOK million)



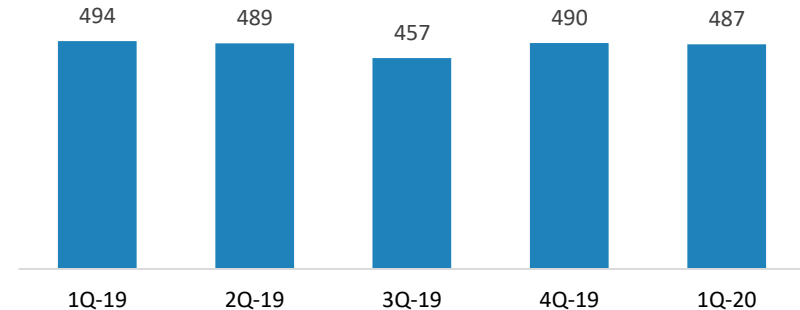
Impairments on loans and guarantees (NOK million)



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



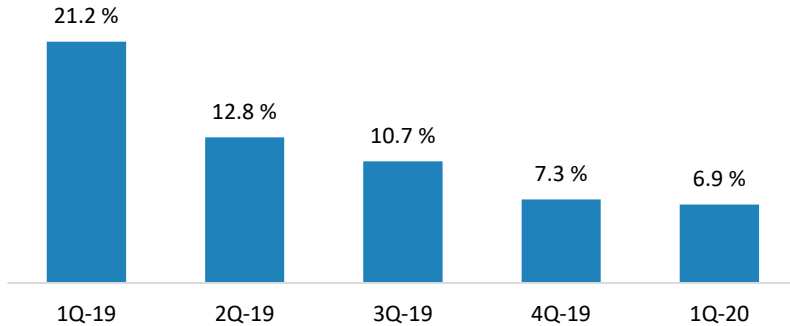
Total operating costs (NOK million)



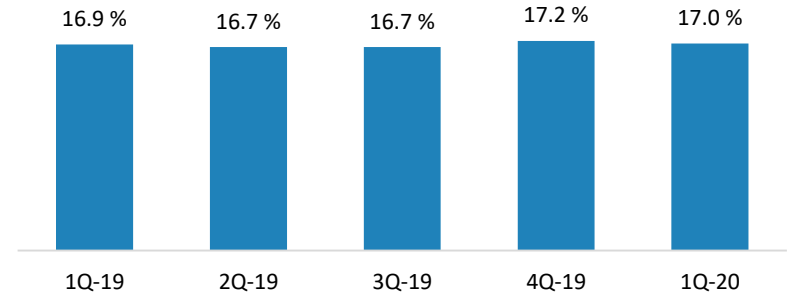
# Key financials – quarterly

(2)

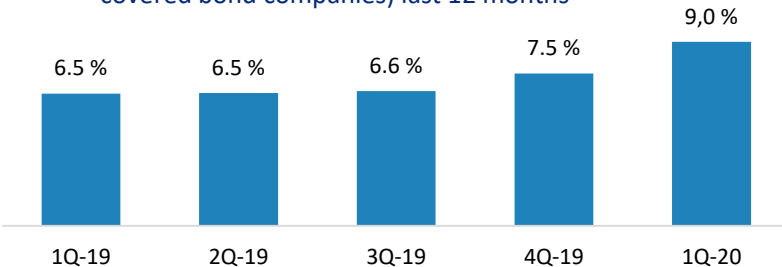
### Return on equity



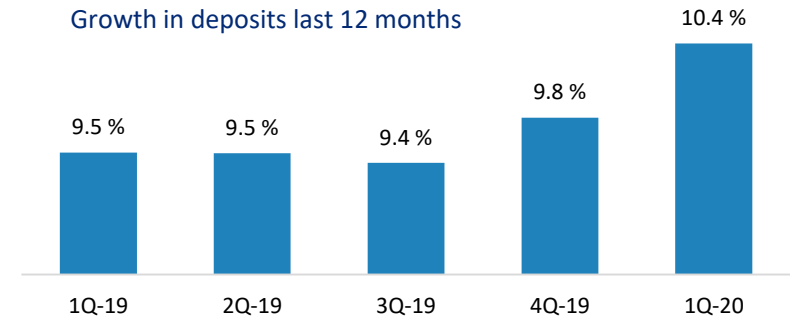
### CET 1 ratio



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

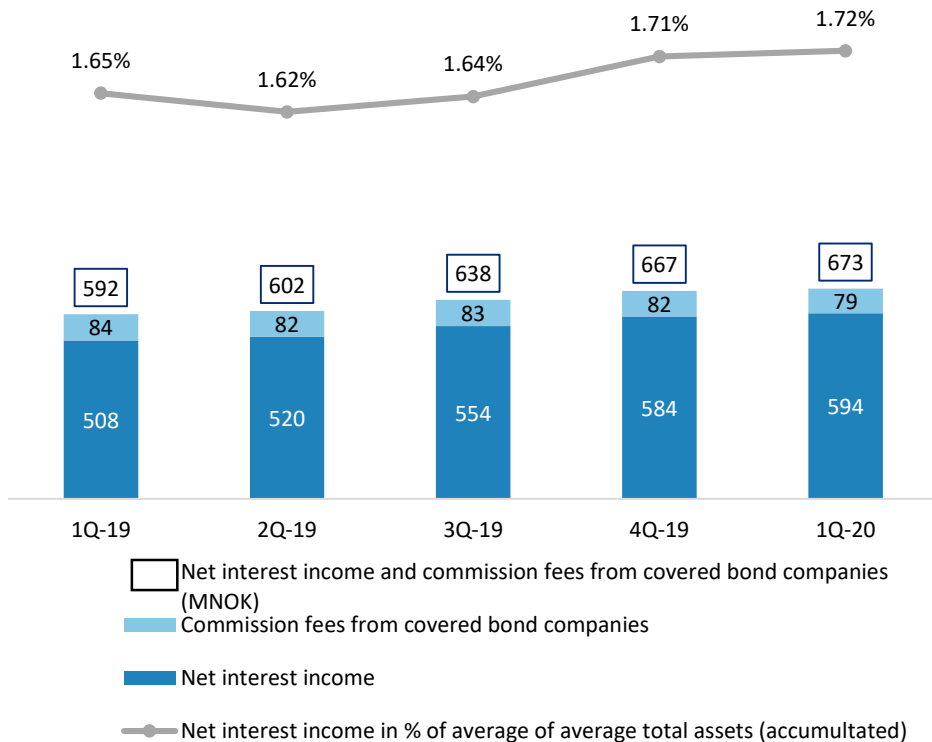


### Growth in deposits last 12 months



# Continued growth in net interest income

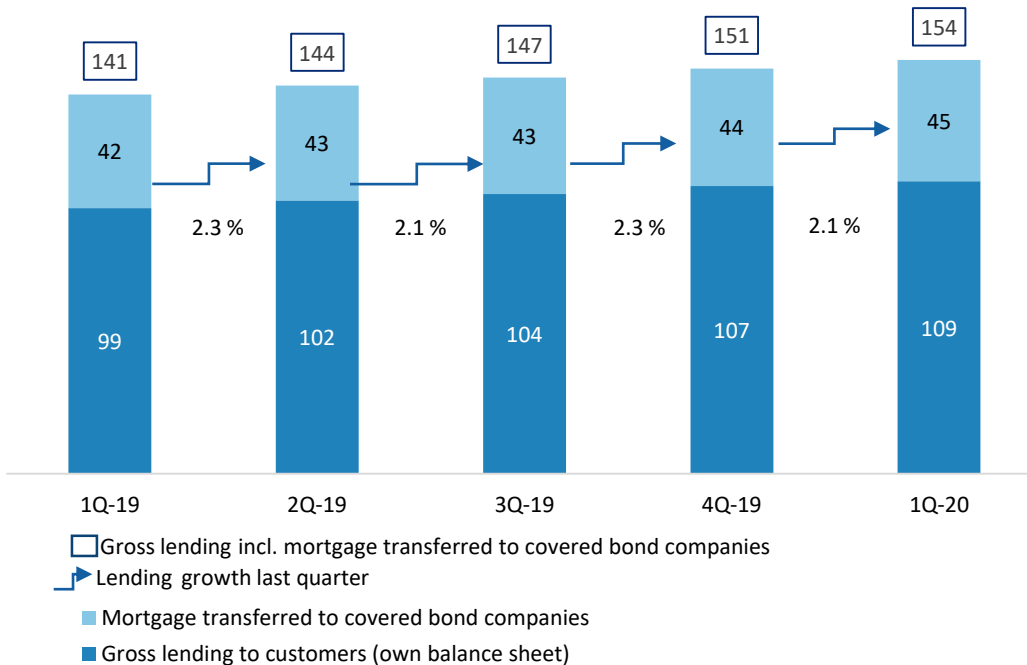
Net interest income incl. commissions from covered bond companies



- Growth in net interest income in 1Q-20, as a combination of margins and volume
- Reduced commission income from covered bond companies.

# Continued strong lending growth

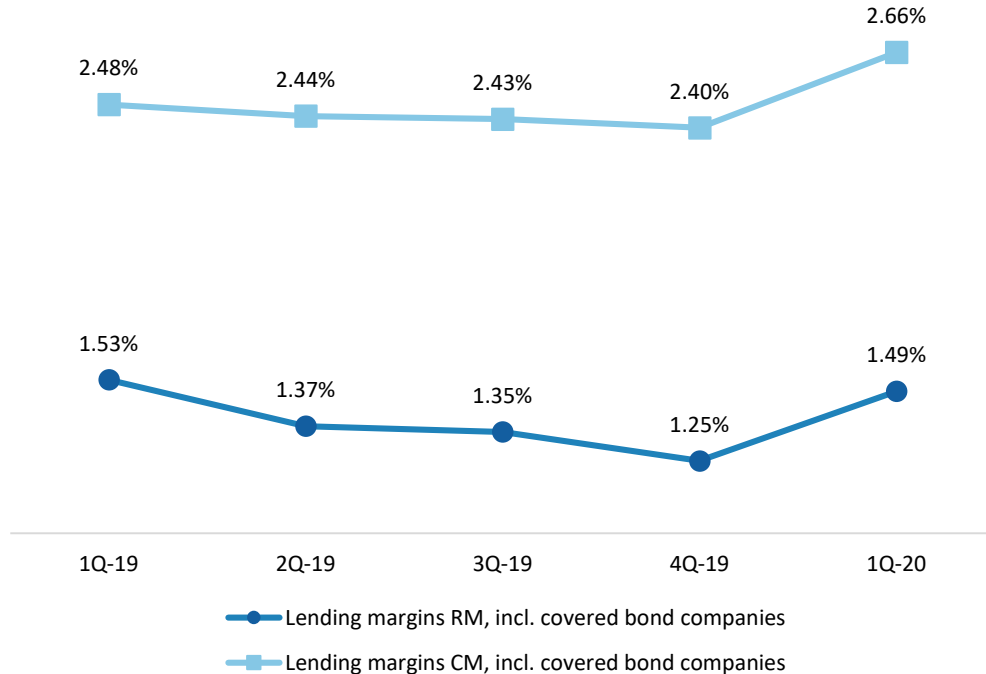
Lending volume (Group, NOK billion)



- Total lending in the Group, including mortgages transferred to covered bond companies, increased by NOK 3.2 billion in 1Q-20.
- This is equivalent to a 2.1 % lending growth in the quarter.
- Lending growth last 12 months was 9.0 % (6.5 %)
  - Retail lending growth was 7.7 %
  - Corporate lending growth was 12.9 %
- Credit growth in Norway last 12 months
  - Households 4.7 %
  - Non-financial corporations 4.0 %

# Increased lending margins

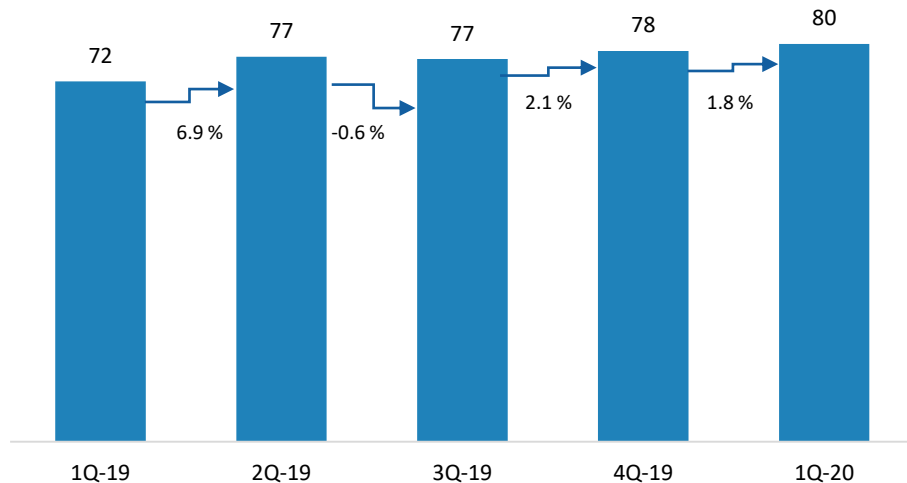
Retail and corporate divisions (parent bank)



- Lending margins in the parent bank - both within the CM and the RM – increased in 1Q-2020.
- Average 3M Nibor was 1.66 % in 1Q-20 – a reduction of 18 bps from 4Q-2019.
- Due to the coronavirus pandemic lending rates were reduced with swift execution. The interest rates were mainly reduced by 0.85 %-points effective 6 April for retail customers.

# Deposit coverage ratio in line with targets

Deposit volume and deposit growth (Group – NOK billion)

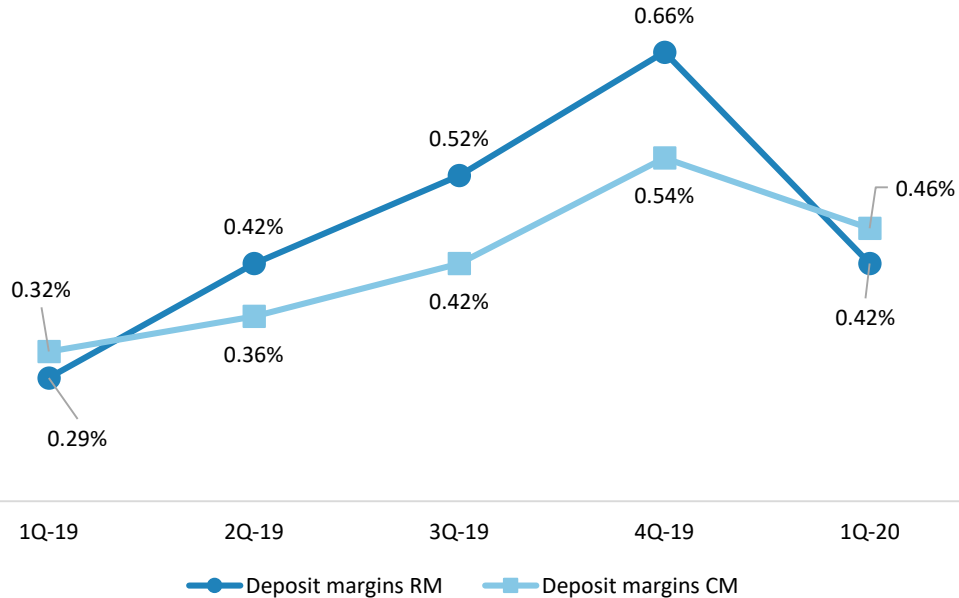


- Deposits growth of 1.8 % (2.1 % in 4Q-19).
- Deposit growth last 12 months: 10.4 % (9.5 %).
  - Retail deposit growth + 9.4 %.
  - Corporate deposit growth + 11.7 %.
- Deposit coverage ratio 73.4 % (73.3 %).
- Deposit coverage ratio - including mortgages transferred to the covered bond companies 51.9 % (51.3 %).



# Reduced deposit margins last quarter

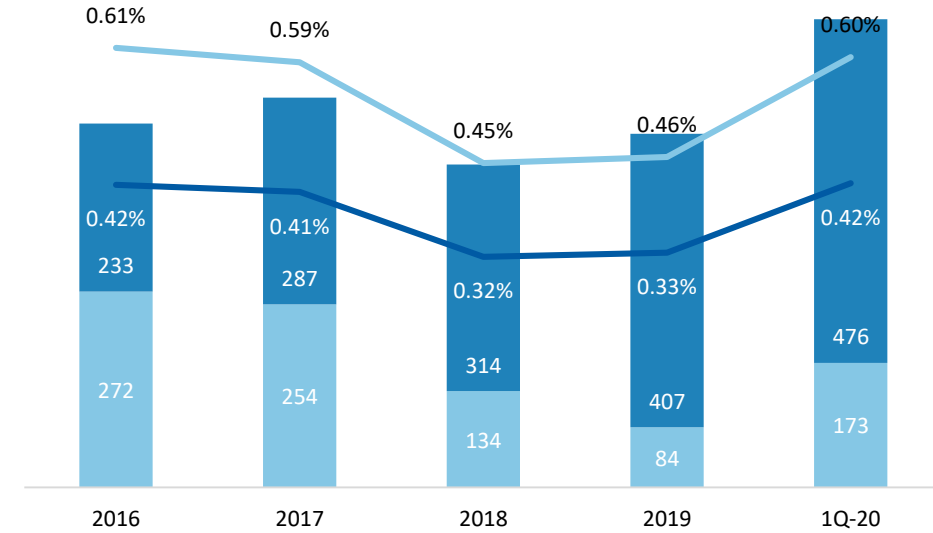
Retail and corporate divisions (parent bank)



- Reduced deposit margins in the parent bank both within RM and CM.
- Average 3M Nibor was 1.66 % for 1Q-20. A reduction of 18 bps from 4Q-19.
- Customers are given notice of deposit rate reductions from 10 April for corporate customers and 27 May for retail customers
  - The interest rate on savings accounts will mainly be reduced with 0.80 bps.
  - The rate reductions on checking and operating account will be mainly 0.10 bps.

# Increased proportion of problem loans – but still at low levels

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



■ Gross defaulted commitments for more than 90 days

■ Gross doubtful commitments (not in default)

— Gross doubtful (not in default) and gross defaulted commitments as % of gross loans

— Gross doubtful and gross defaulted commitments as % of gross loans incl. loans transferred to covered bond companies

- The proportion of problem loans increased in 1Q-20.
- The proportion of problem loans are back at 2016/2017 levels – after a couple of years with extraordinary low levels.
- The levels must still be characterised low as of 1Q-20, and are expected to rise.

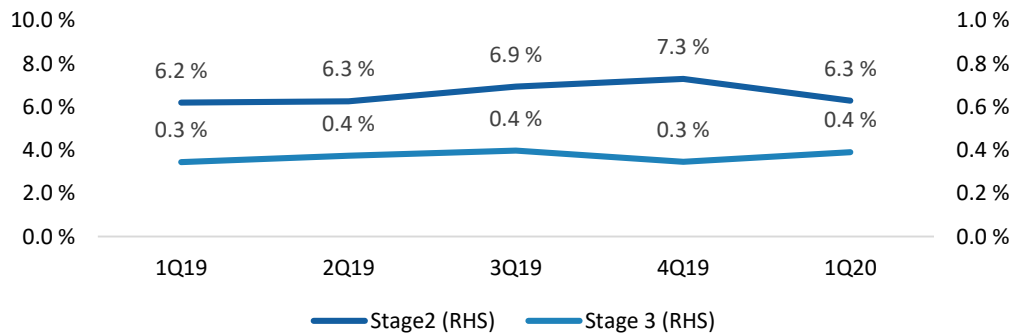
# Continued low impairments and net exposure in stages 2 and 3

Specification of impairments and net exposure (NOK million)

## Impairments per segment - quarterly

	1Q-20	4Q-19	3Q-19	2Q-19	1Q-19
Personal customers	16.0	8.8	1.2	-0.2	-8.6
Corporate customers	114.5	9.0	11.8	2.8	-36.0
SB 1 Finans Østlandet	20.9	15.0	11.4	5.4	11.6
<b>Total</b>	<b>151.4</b>	<b>32.8</b>	<b>24.5</b>	<b>8.1</b>	<b>-32.9</b>

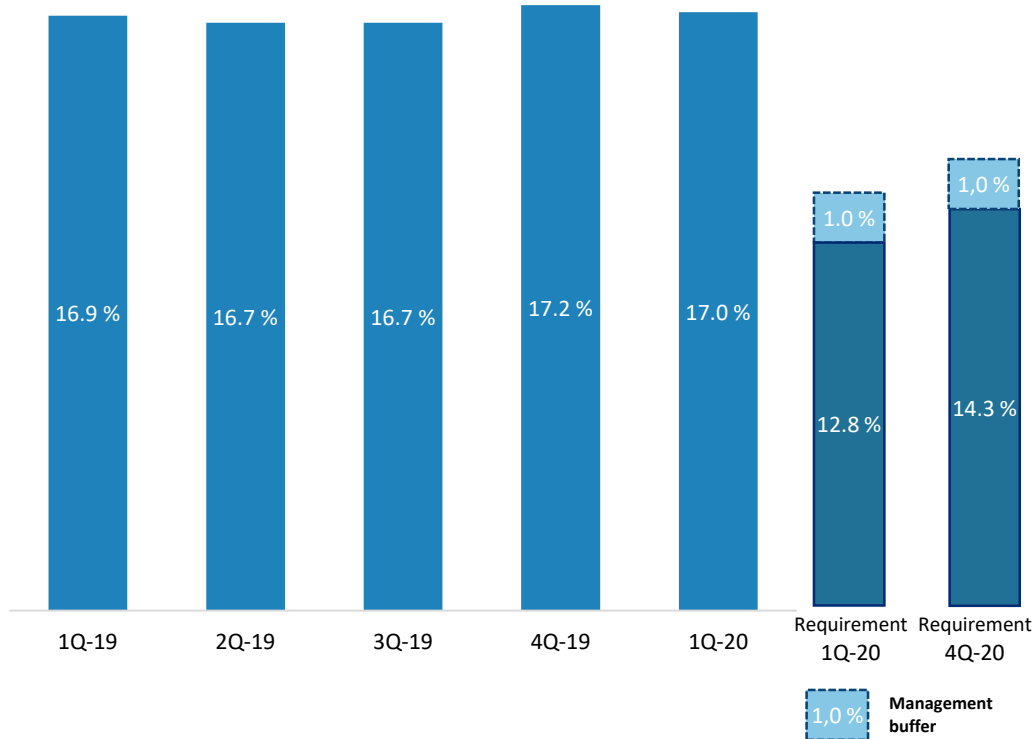
## Maximum exposure net of accumulated impairments (on and off-balance sheet items)



- Gross loans and receivables defined as Stage 3 amounted to NOK 518 (427) million.
- This is equivalent to 0.5 % (0.4 %) of gross loans.
- Provisions for Stage 3 exposures at NOK 101 (88) million.

# Stable CET 1 with significant buffer over regulatory requirement

## Common Equity Tier 1 ratio (Group)



- The Group's long term CET 1-target is the regulatory requirement with an added management buffer of 100 bps.
  - March 13 the countercyclical buffer was reduced to 1 %. The regulatory requirement, incl. 1.8 percentage point Pillar 2 requirement, is currently 12.8 %.
  - The systemic risk buffer will be increased by 1.5 percentage points from 31 December 2020.
- The CET 1 ratio was 17.0 % by Q1-20.
  - A simplified audit has been completed for 1Q-20, and profit after assumed tax and dividend in line with the dividend policy is included.
- The leverage ratio was 7.0 %.

# Disclaimer

- 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