

Sandnes Sparebank

Capital Markets Day

Sandnes, May 18th 2017



1

Our Bank

2

Strategy 2020

3

Key Figures

4

Credit Quality

5

Funding



Sandnes Sparebank

2nd largest savings bank in Rogaland | Strong position in local market | 140 years of operations



Market

- Local relationships and close proximity to key markets are essential traits in any ambitious savings bank
- SADG covers 9 municipalities in Rogaland: Gjesdal, Time, Klepp, Sola, Sandnes, Stavanger, Randaberg, Hå and Bjerkreim
- Key markets measure almost 300,000 people and 26,000 businesses

Organization

- 140 years of banking operations
- 132 man years
- SSB Boligkreditt was established in 2008 as a wholly owned subsidiary of SADG. The goal is to secure long-term funding for the bank by issuing covered bonds
- Sandnes Sparebank eier 60% av AKTIV Eiendomsmebling Jæren

Locations



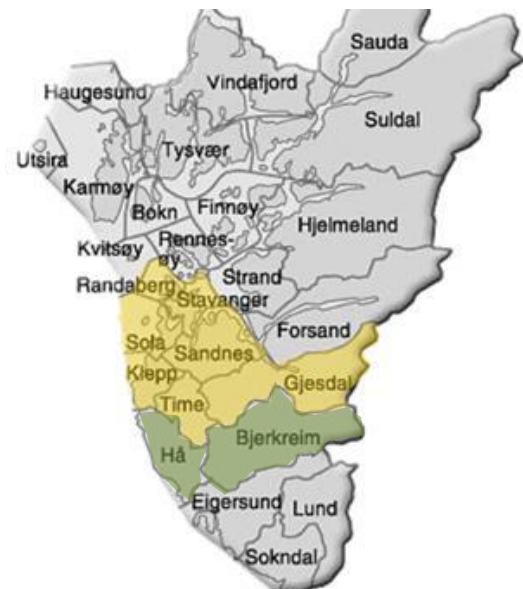
Sandnes: Rådhusgata 3



Stavanger: Haakon VII's gate 7



Oslo: Dronning Mauds gate 10



60%

100%

**AKTIV
Eiendoms-
mebling
Jæren AS**

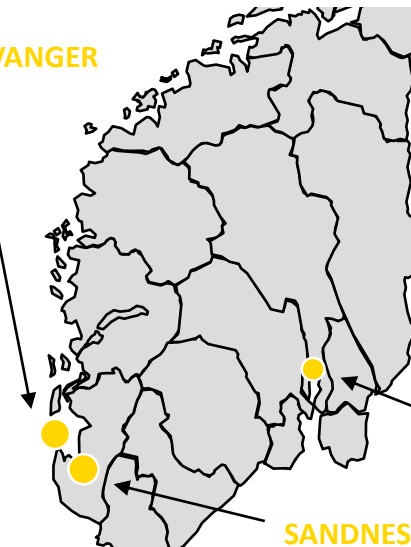
**SSB
Boligkreditt
AS**

STAVANGER



OSLO

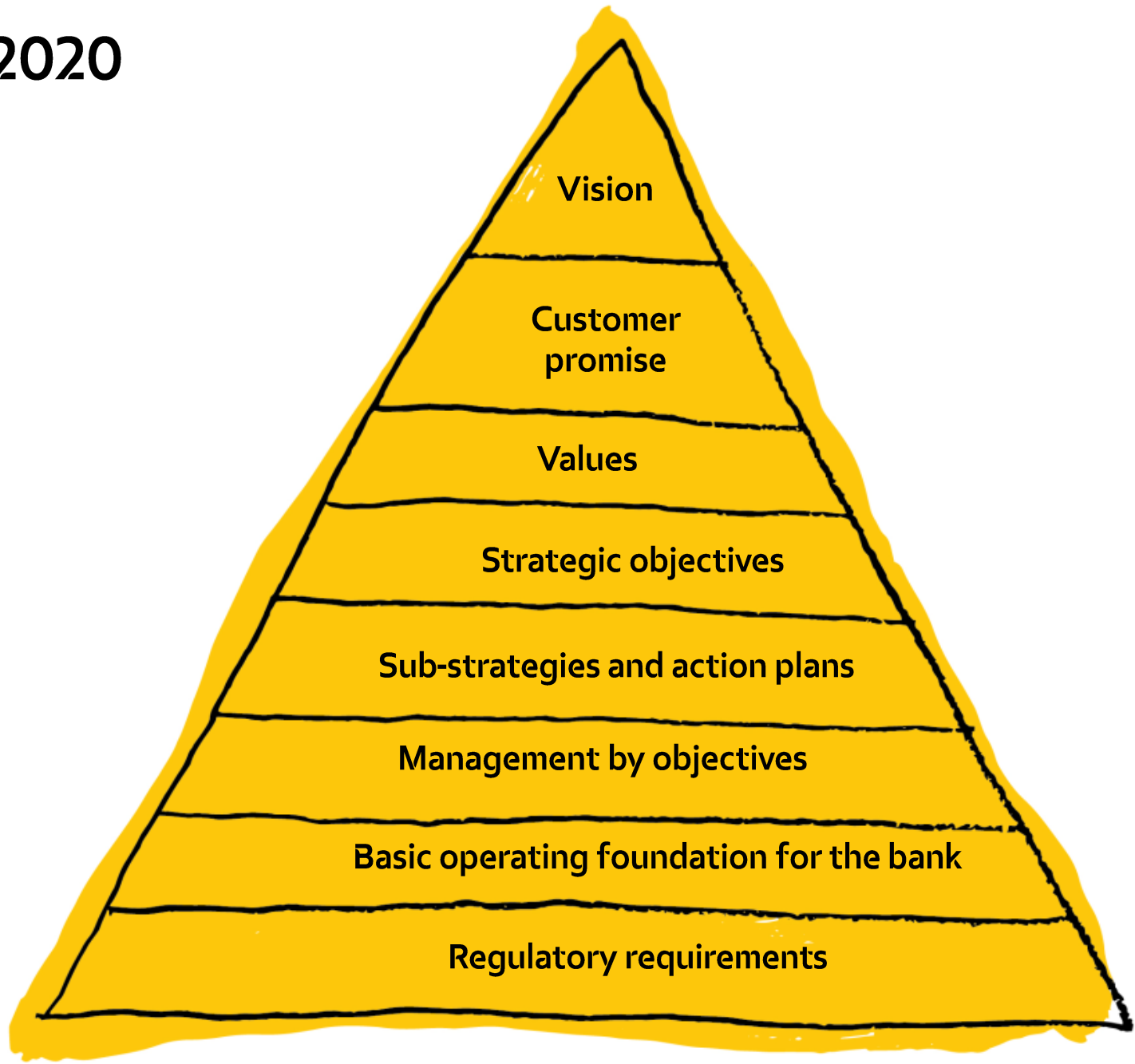
SANDNES

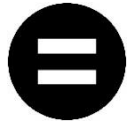




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It's all about increasing customer value

The second largest savings bank in Rogaland | Strong position in the local market | 140 years of banking

Customer growth

Profitability

Customer value

Customer experience

Market awareness



☰ It's our job to increase customer value



≡ Vision

"VI SKAL VÆRE BEST I KLASSEN PÅ GODE
OG PERSONLIGE KUNDEOPLEVELSER."



Enklere valg



(Simple choices)

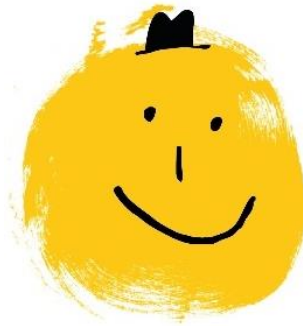
Our Values

**ENKLERE
BEDRE
GLADERE**

(Easier, better, happier)

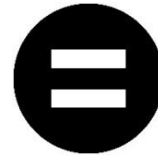
Strategic objectives

**Very satisfied customers
and a strong reputation**



Profitable growth

**Competent, committed
and performance focused
employees**



**Return on equity
above average**

☰ Strategic objectives

Competent, committed and performance focused employees

- Employee commitment over 80 p
- Attractive place to work
- Absence due to illness below 3.5%
- Right person, right skills, right role
- Systematic management by objectives



Strategic objectives

Very satisfied customers and a strong reputation

- KOI better than peer banks by 2020
- Strong brand. Awareness above 60%
- Market confidence (funding cost. Gr3)



Strategic objectives

Return on equity above average

- Benchmark over a 3 year period
- Peer banks
 - other local banks of similar size, comparable funding cost and standard bank weighting of capital risk

Given today's regulatory requirements, lending margins, and interest level the objective is to deliver 9% return on equity by 2020



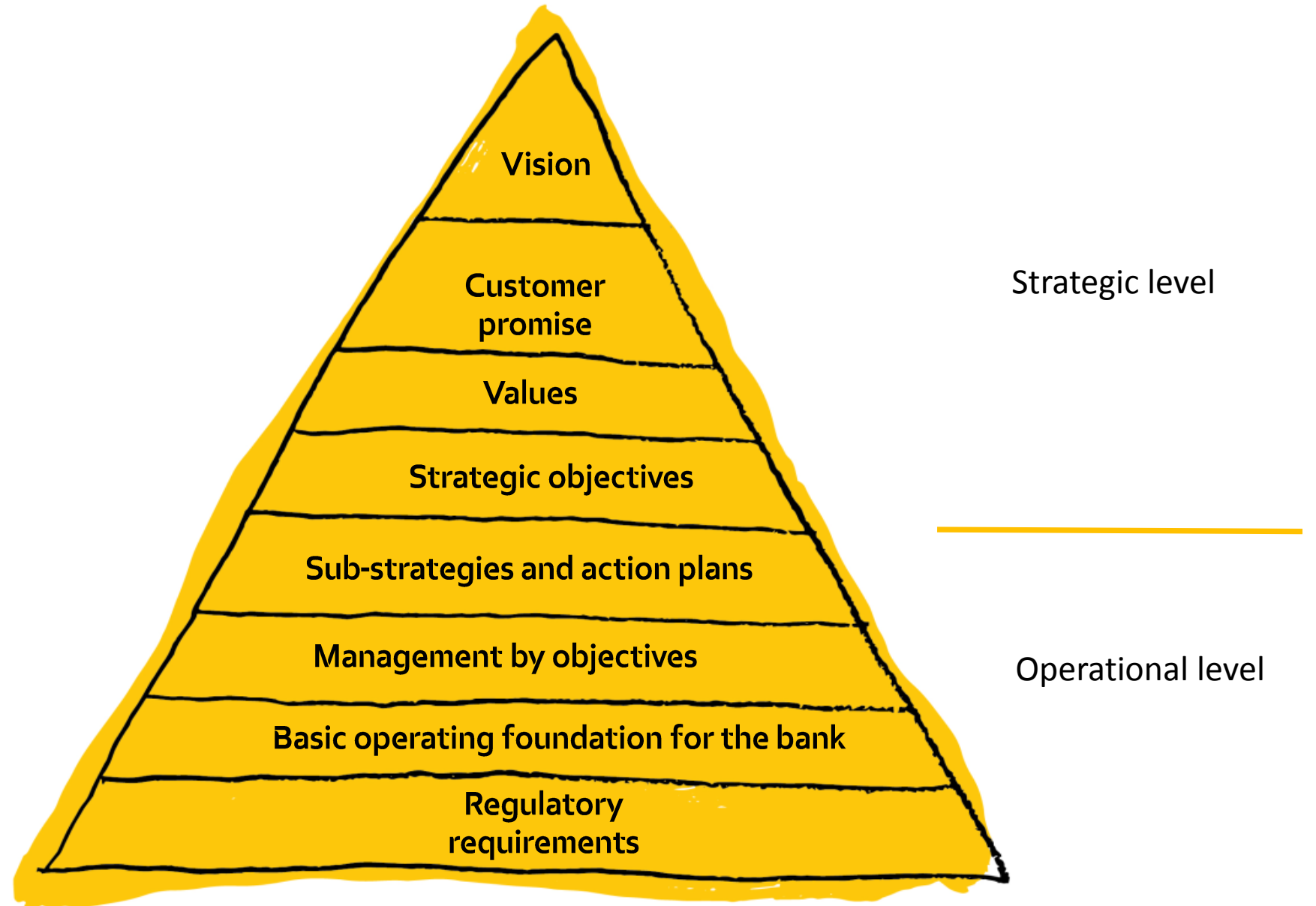
Strategic objectives

Profitable growth

- Volume growth in lending
- Share of income from other products
- Net interest income
- Total expense ratio
- Losses/total assets

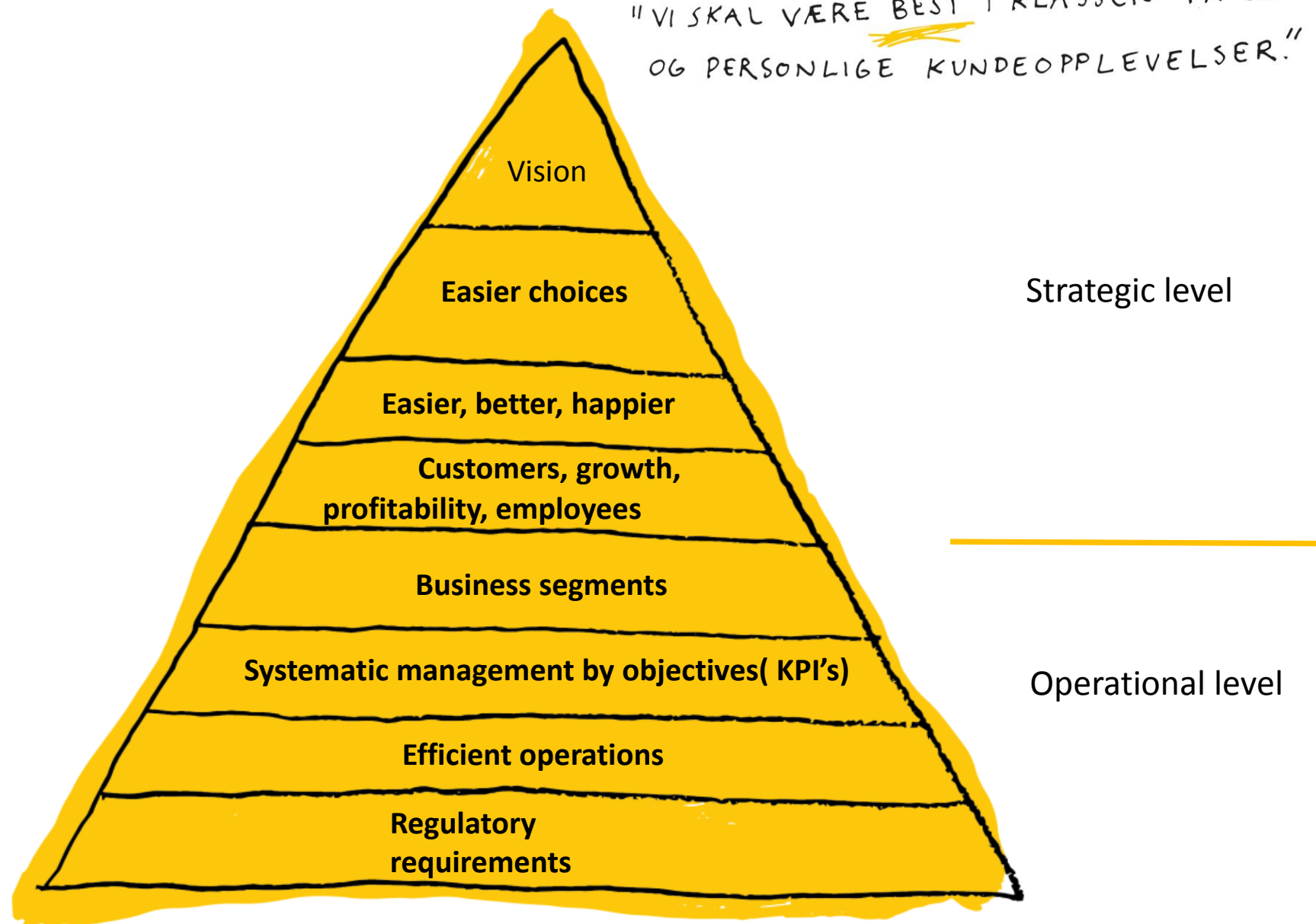


Strategic platform



Strategic platform

"VI SKAL VÆRE BEST I KLASSEN PÅ GODE OG PERSONLIGE KUNDEOPPLEVELSER."



⊞ Operational level

- Sub-strategies
- Action plans
- Multi-level KPI's
- Balanced scorecard



The Sandnes Sparebank brand

- Good and personal customer experiences – shall provide us with positive ambassadors and loyal customers
- Building a strong and positive reputation
- More active marketing, also to strengthen the associations for which we wish to be known
- An active sponsor
- Create involvement and enthusiasm for the Sandnes Sparebank Gift Fund
- Presence in local media
- Active in social medias
- Director of Customer Experiences, Lene Nordahl, recently hired



☰ Personal advisory and 100% digital



Eika and Sandnes Sparebank

- Alliance bank since October 19, 2015
- Largest bank in the alliance, largest shareholder
- Cooperation on a broad range of products and services
- Collaboration on new and innovative technological solutions
- Improved development power, future oriented bank
- Independent bank with local affiliation and local significance
- Economies of scale (common IT platform) (common customer service center)
- Our managing director, Trine Stangeland, is the vice-chairman of the board of the Eika Gruppen



≡ Retail Market

- Improved visibility in market
- Advice/digital
- Help customer to make easier choices
- Project “Customer driven bank” – retail market
- Development of the service concept
- Balance, a separate concept for customers who have ended up in a situation characterized by economic imbalance
- New director of Retail Market, Erik Kvist Hansen, in place on July 1



Corporate Market

- Close to the customers
- Local knowledge
- Focus on flexibility, and capable employees who understand customer requirements
- Help customer to make easier choices
- The “Customer driven bank” project has started with the Retail Market, and the Corporate Market will be in the next phase.
- Development of the service concept, also for corporate segment
- Long-term, predictable, proactive, quick feedback





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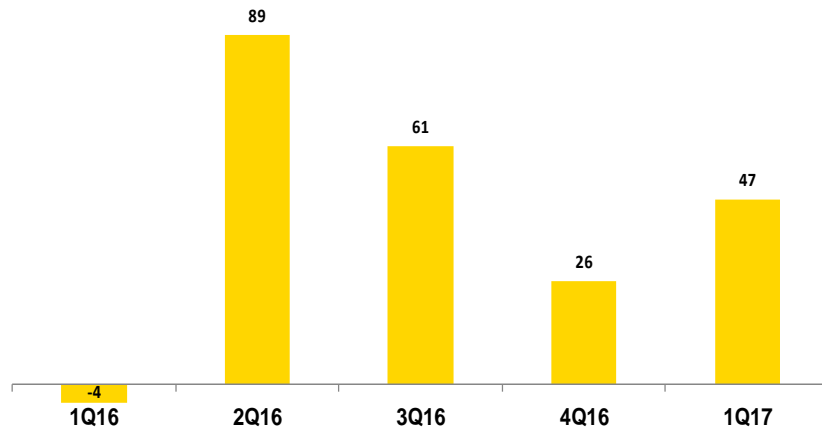


Financial Results

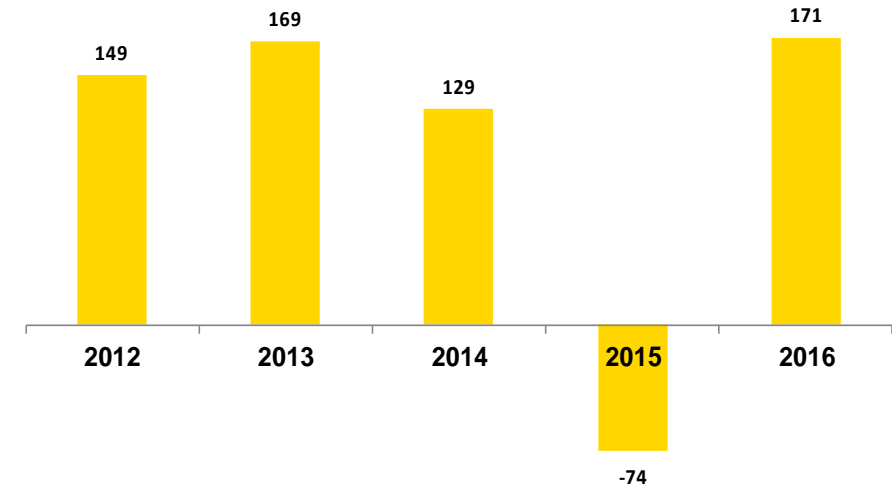
Positive development last 12 months | Stable underlying operations



Profit after tax, last 5 quarters



Profit after tax, last 5 years

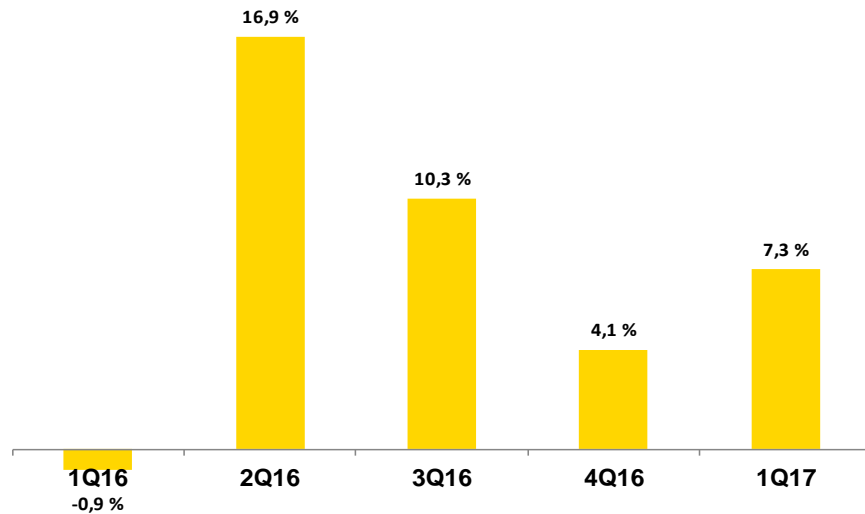


Return on Equity

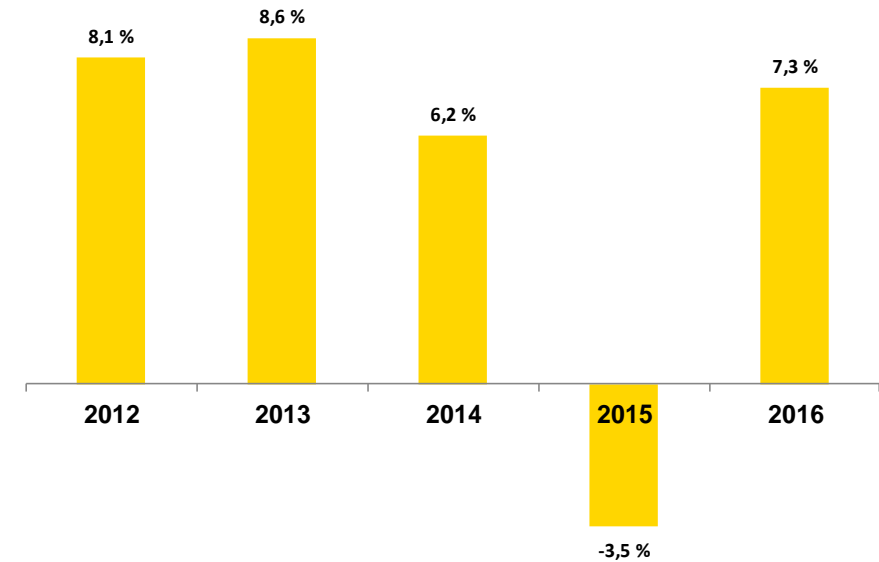
Positive development last 12 months | Stable underlying operations



ROE, last 5 quarters



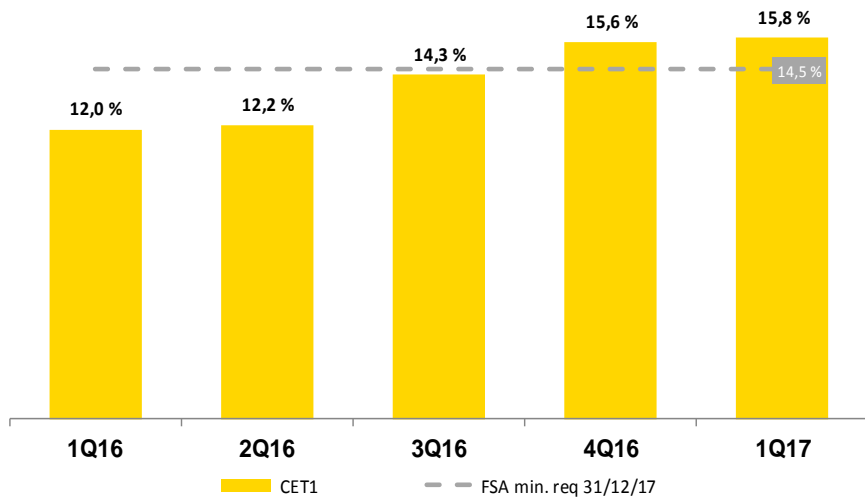
ROE, last 5 years



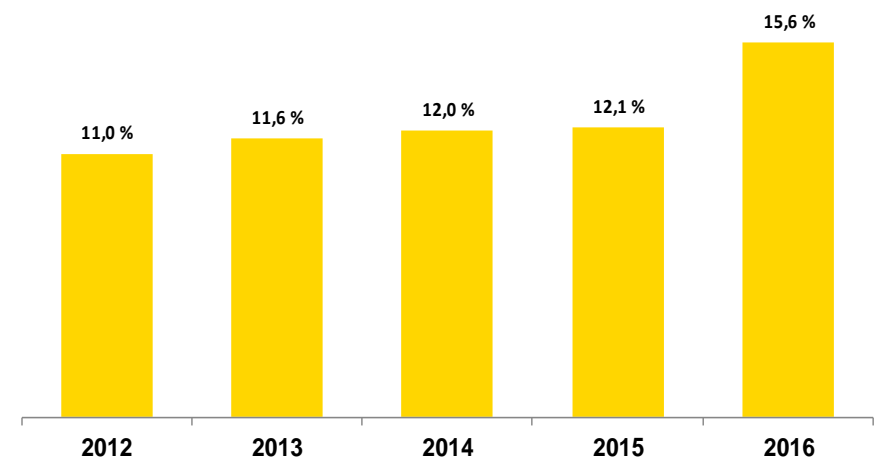


Target:
> 15,2 %

CET1, last 5 quarters



CET1, last 5 years

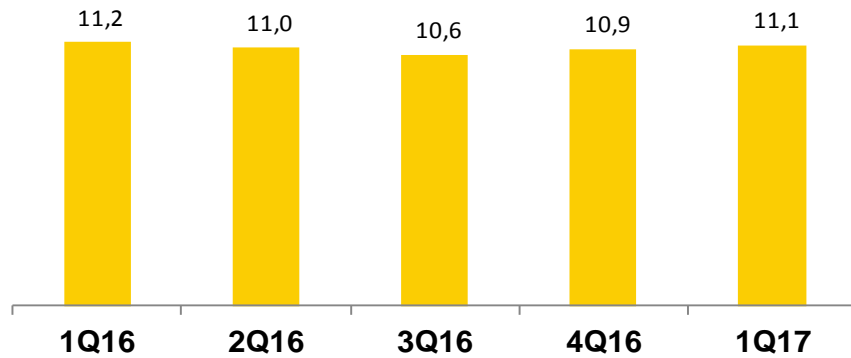


Customer Deposits

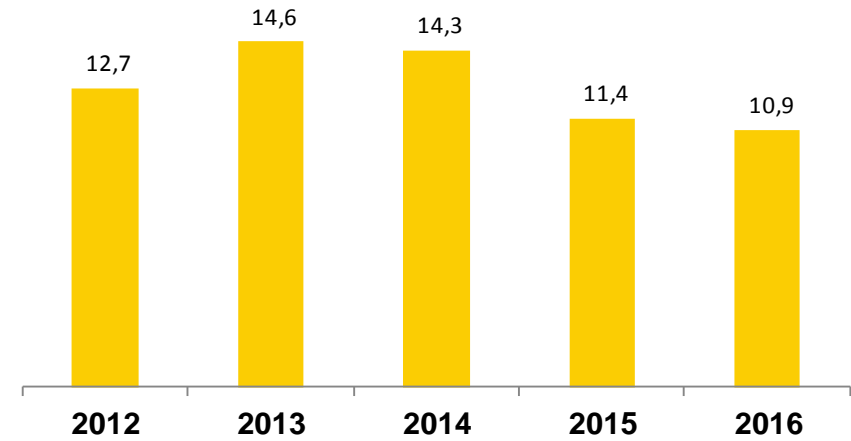
Stable volume | Deposit-to-loan ratio above 50%



Deposit volume, last 5 quarters



Deposit volume, last 5 years

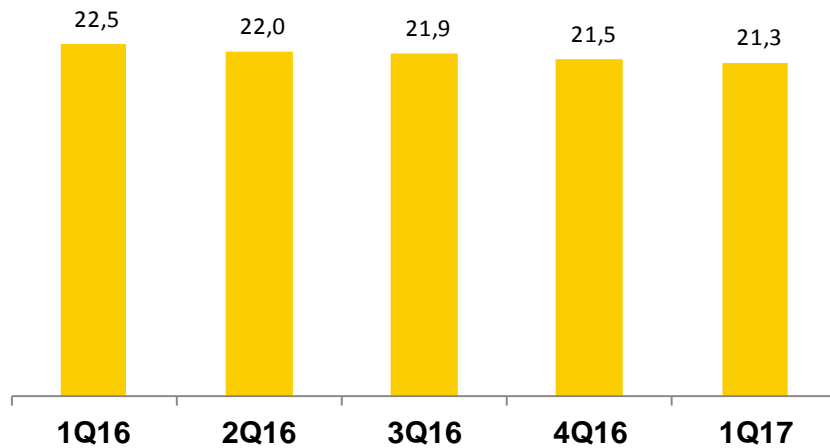


Lending to Customers

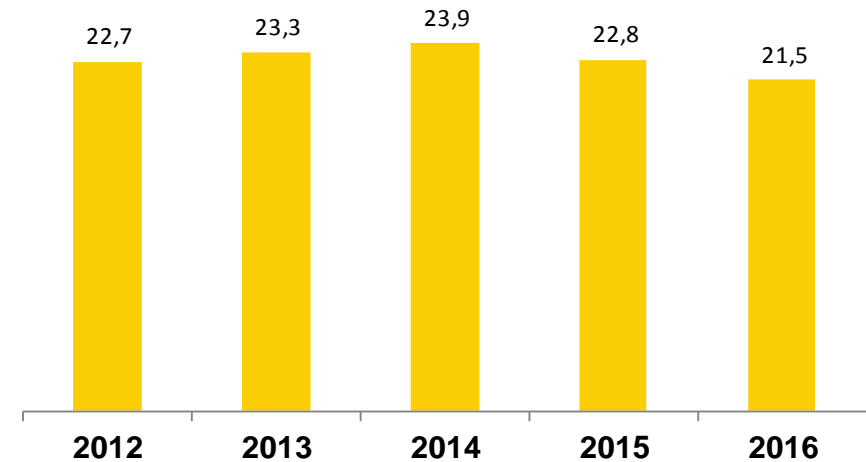
Marginal reduction last quarter, focus on implementing growth creating measures



Net lending, last 5 quarters



Net lending, last 5 years

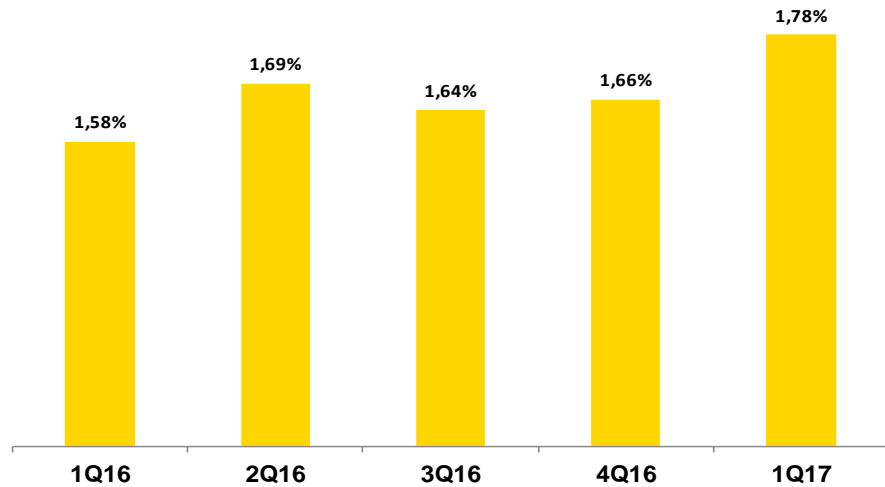


Net Interest Margin

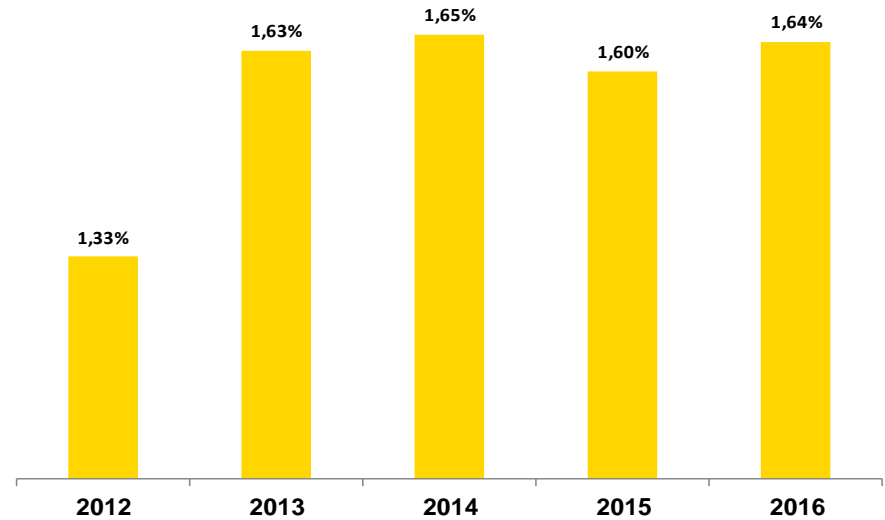
Increased margin



Net interest margin, last 5 quarters



Net interest margin, last 5 years

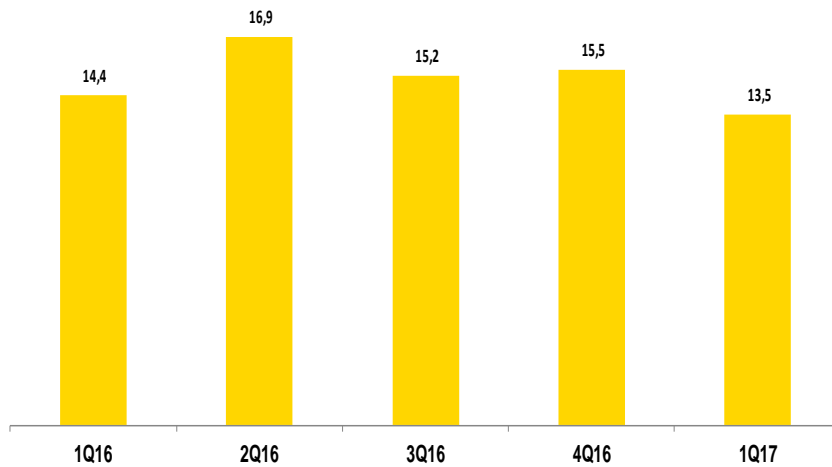


Commision Income

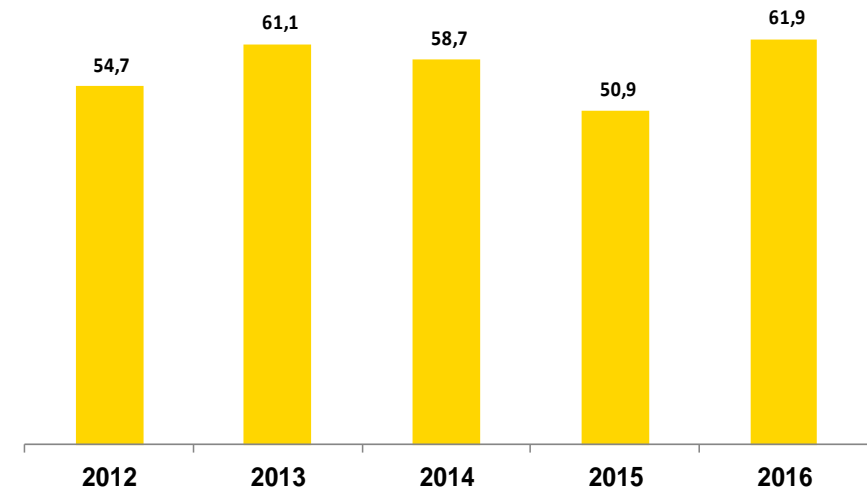
Somewhat weaker last quarter



Net commissions, last 5 quarters



Net commissions, last 5 years



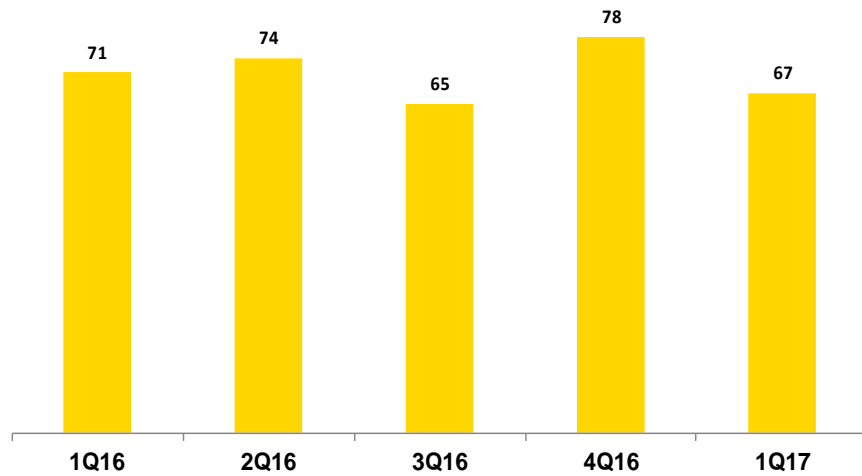
Development in Costs

Within guidance for 2017

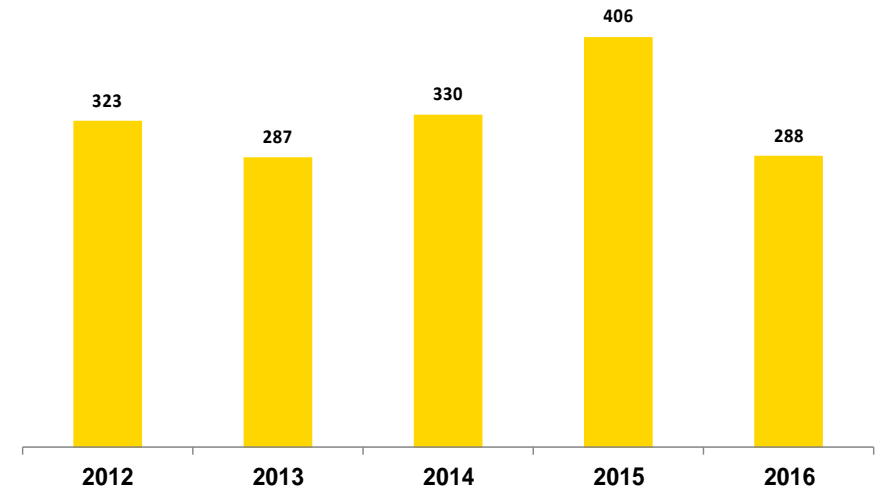


Estimate:
< 290 NOKm

Other operating costs, last 5 quarters



Other operating costs, last 5 years

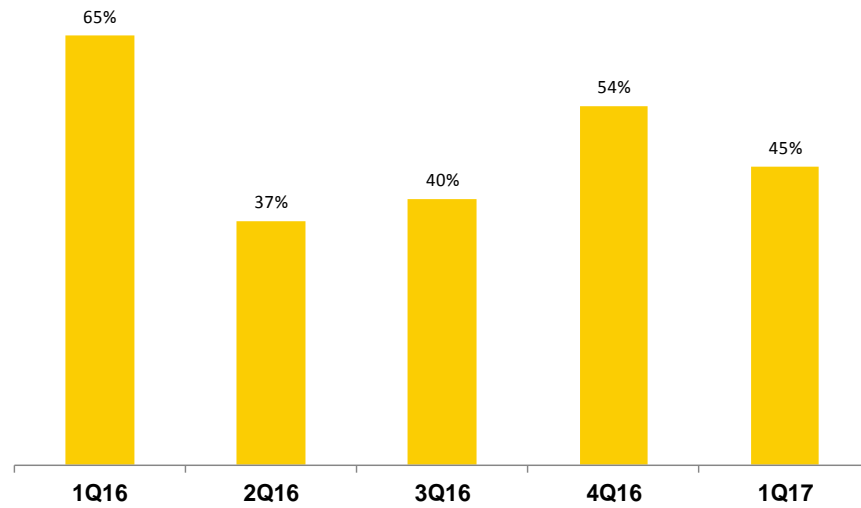


Cost-to-Income

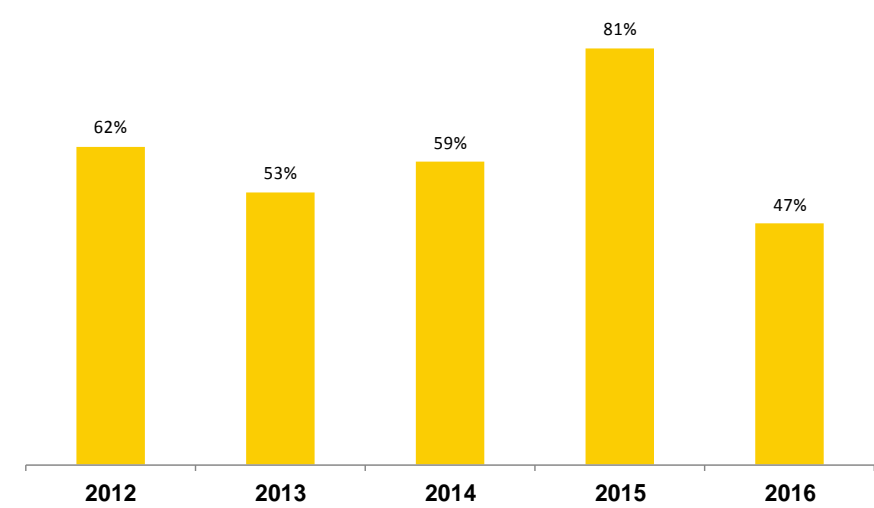
Positive trend last 12 months



Cost-to-income, last 5 quarters



Cost-to-income, last 5 years





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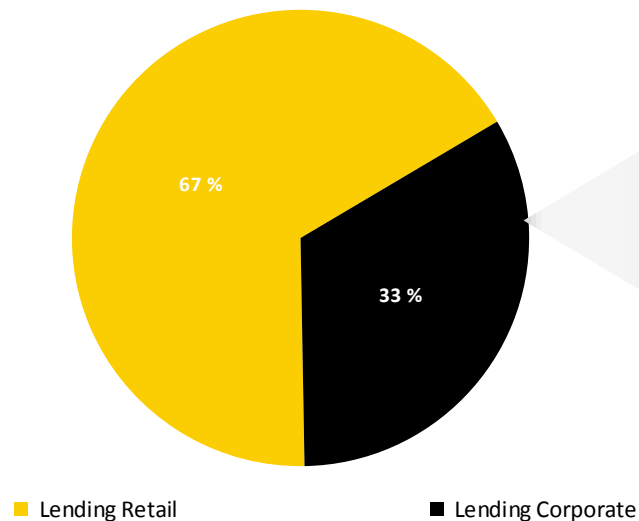


Diversified Loan Book

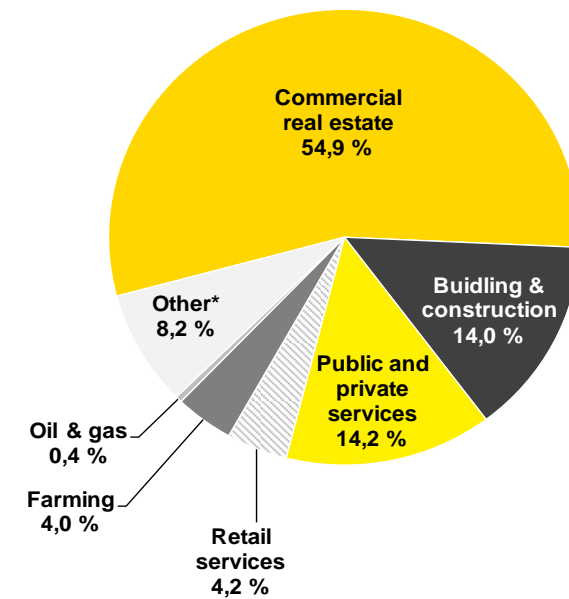
67% to retail segment | Stable composition | No direct exposure to oil & gas segment



Net lending to customers



Details corporate lending



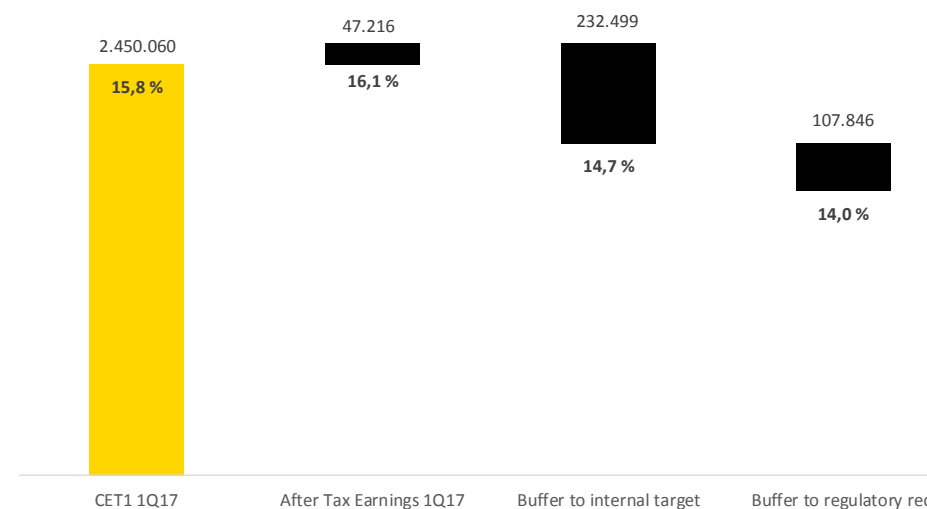
Note(*): other sectors = (industrial + hotel & restaurant + transportation)



10 largest exposures secured on CRE

Debtor	Size (NOKm)	Location	Length of tenancy *	Tenant	Comments
1	297	Forus	Long	Oil related	
2	260	Forus	Medium	Oil related	
3	202	Forus	Short	Diversified	Development
4	164	Sandnes	Long	Diversifisert	
5	144	Oslo	n.a.	Residential	
6	127	Sandnes	Short	Diversified	Development
7	116	Sola	Medium	Oil related	
8	113	Stavanger	Long	Retail	
9	93	Forus	Medium	Oil related	
10	74	Forus	Short	Diversified	
Sum	1591				

Loss absorbing capacity as of 1Q17



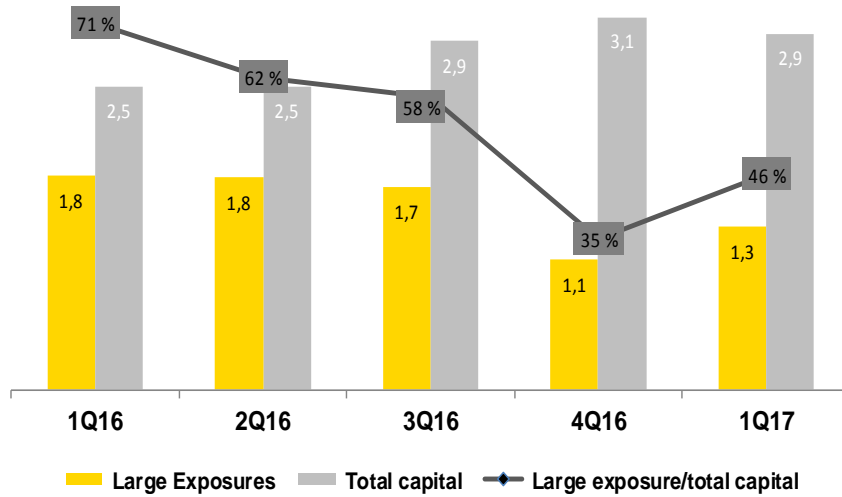
- 10 largest exposures within CRE are down 128 NOKm last 12 months
- Continued strategy to reduce large exposures and strengthen SME segment
- Loss-absorbing capacity as per 1Q17 of 340 NOKm before CET1 drops below regulatory requirement of 14%
- Future earnings increases loss-absorbing capacity

Large exposures

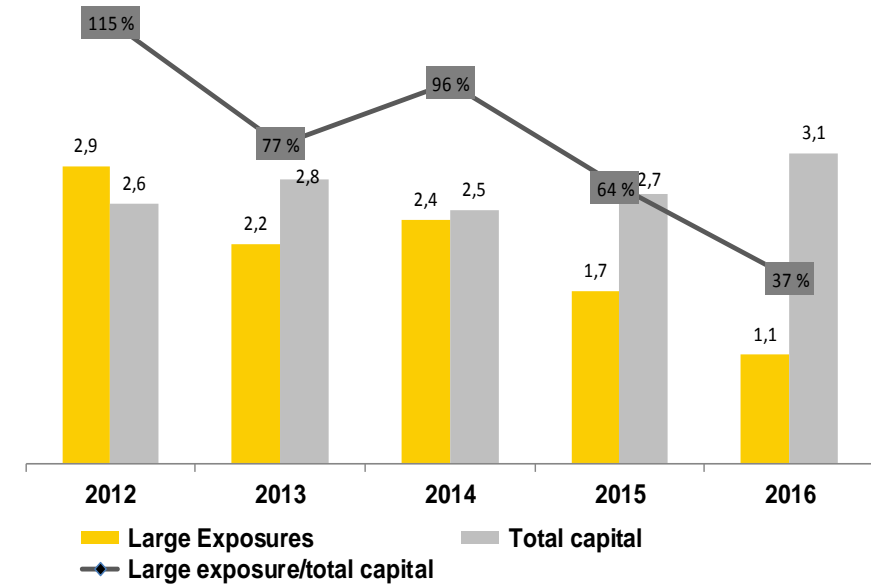
Significant reduction last few years | Positive development in 2016



Large exposures, last 5 quarters



Large exposures, last 5 years



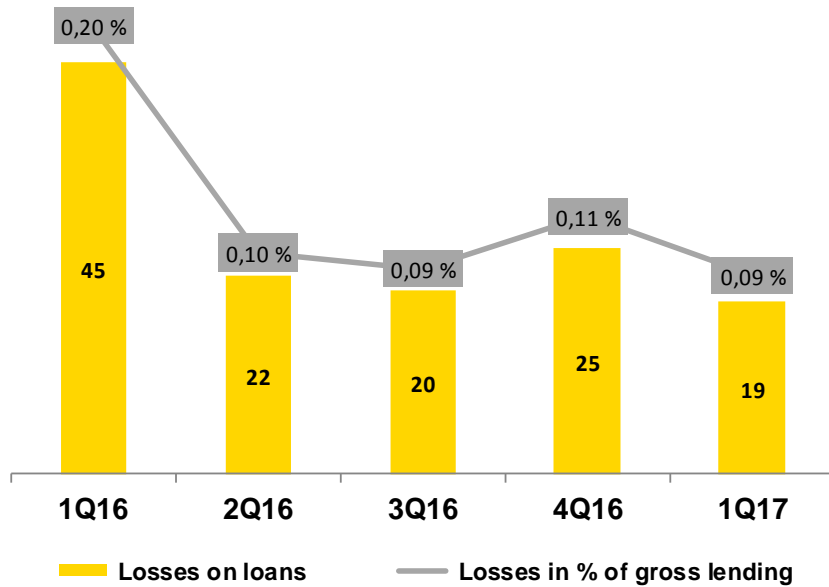
Losses and write-downs

Within guidance for 2017

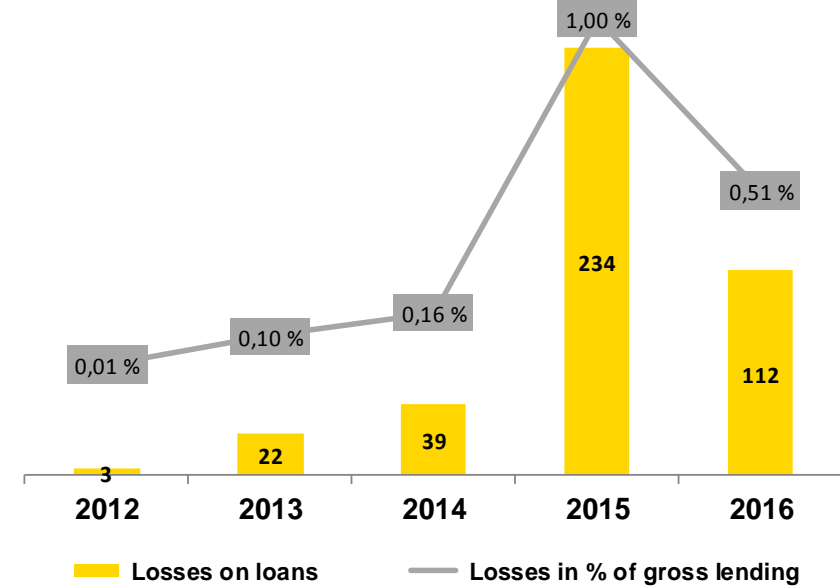


Estimate:
60-100 NOKm

Losses on loans and guarantees, last 5 quarters



Losses on loans and guarantees, last 5 years

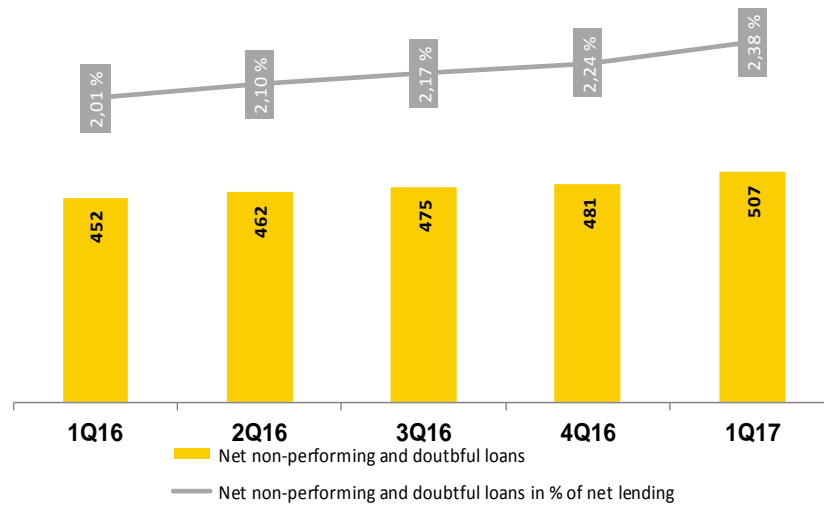


Non-performing and Doubtful Loans

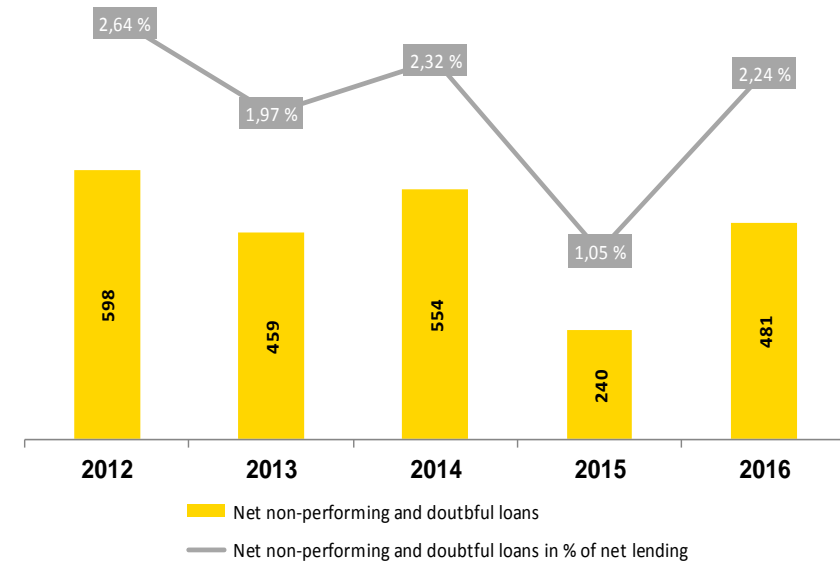
Slight increase in net doubtful loans | As expected given current macro conditions



Net non-performing and doubtful loans, last 5 quarters

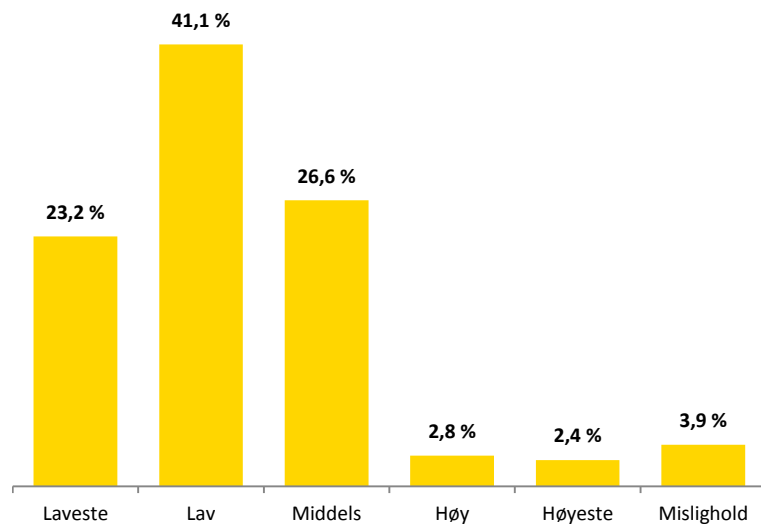


Net non-performing and doubtful loans, last 5 years

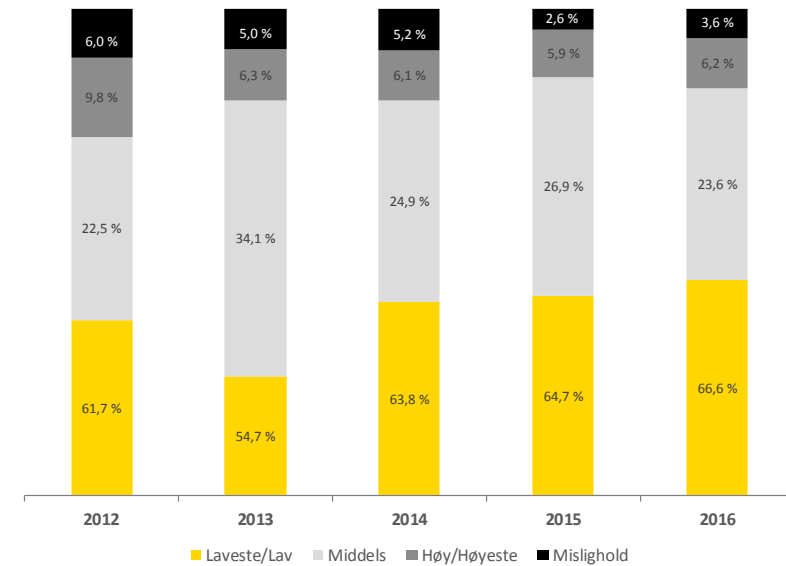




Risk classification as per 1Q17

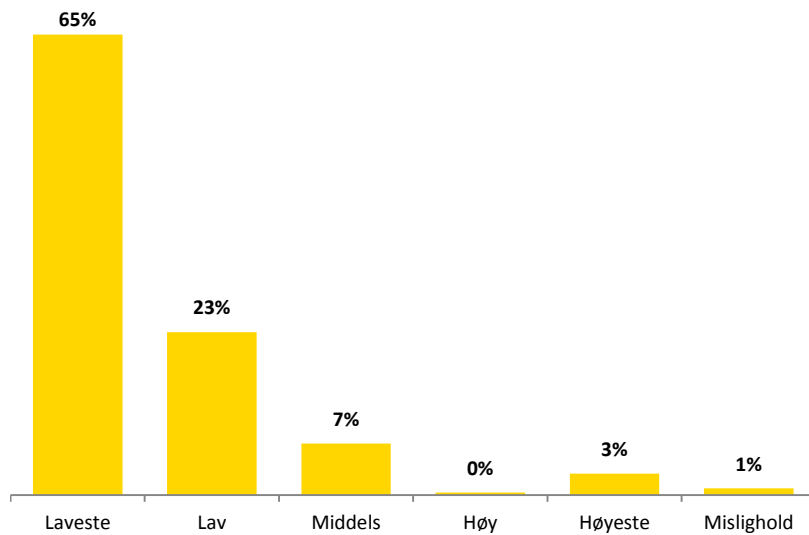


Risk classification last 5 years

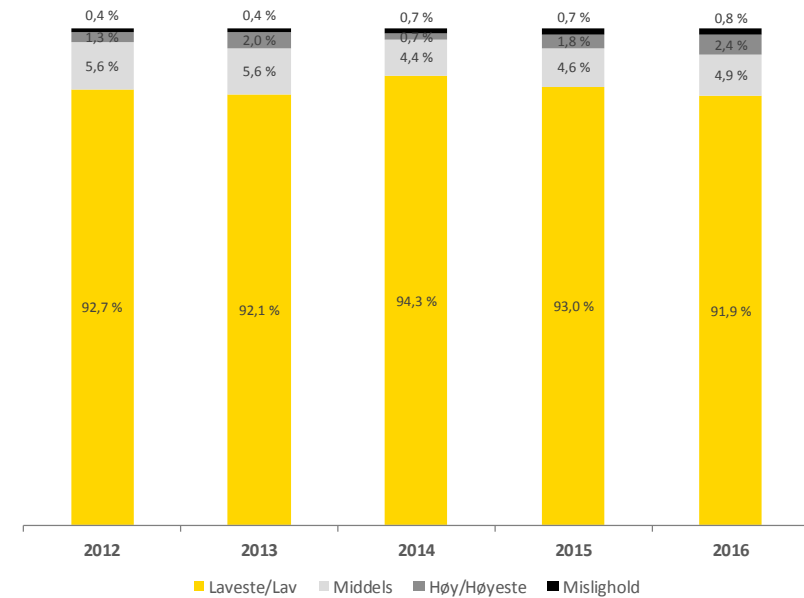




Risk classification as per 1Q17



Risk classification last 5 years





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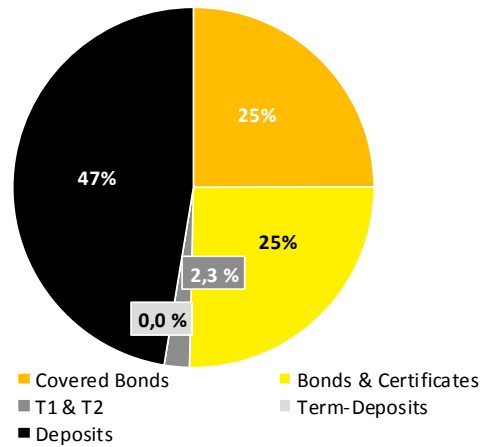


Whole sale funding

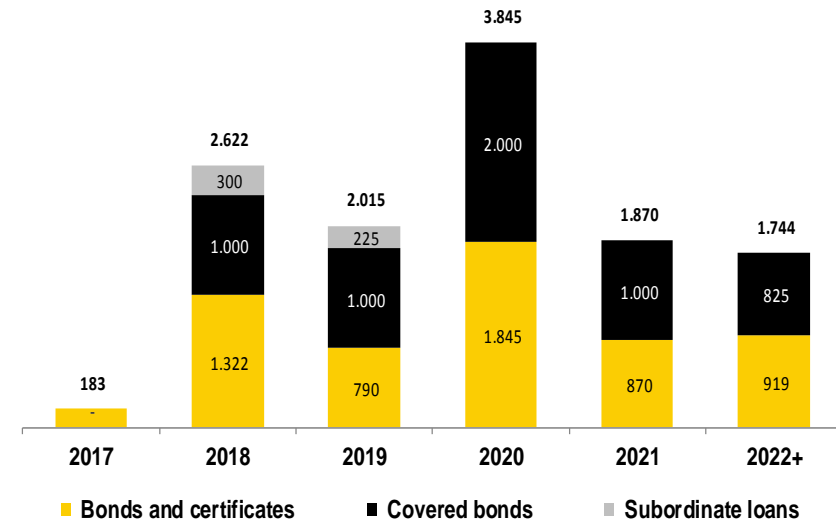
Well diversified across sources and maturities



Funding sources



Net maturities (MNOK)

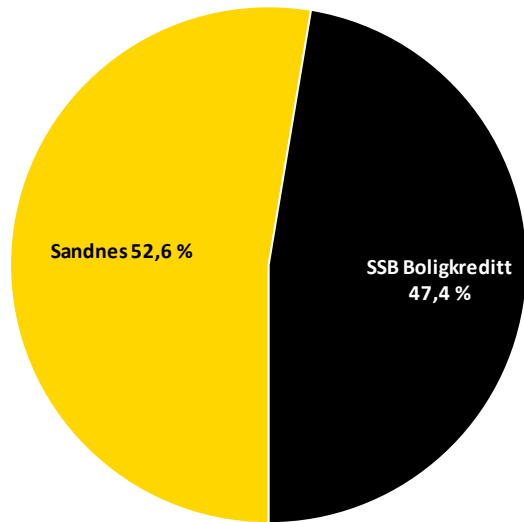


Covered bond funding

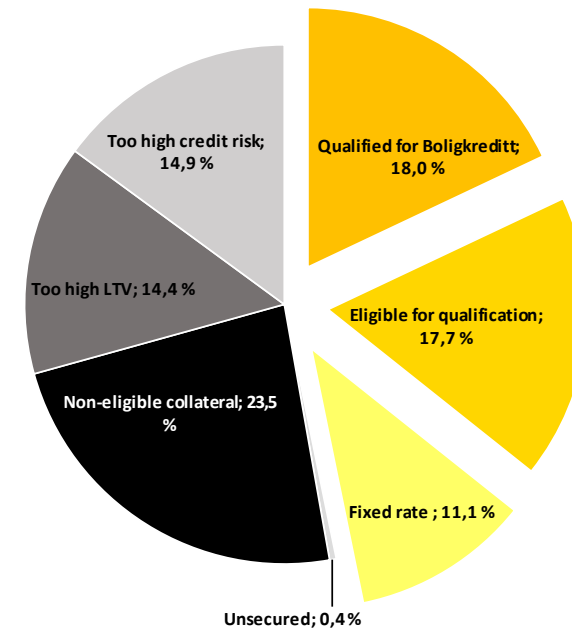
Transferred 47 % loans secured on residential RE | 47 % of remaining qualifies for covered bonds



Transferred to SSB Boligkreditt



Qualification for covered bonds

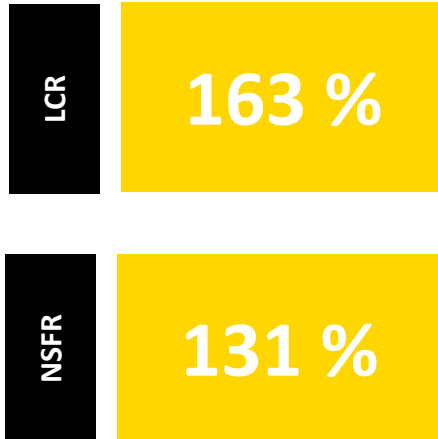


Liquidity

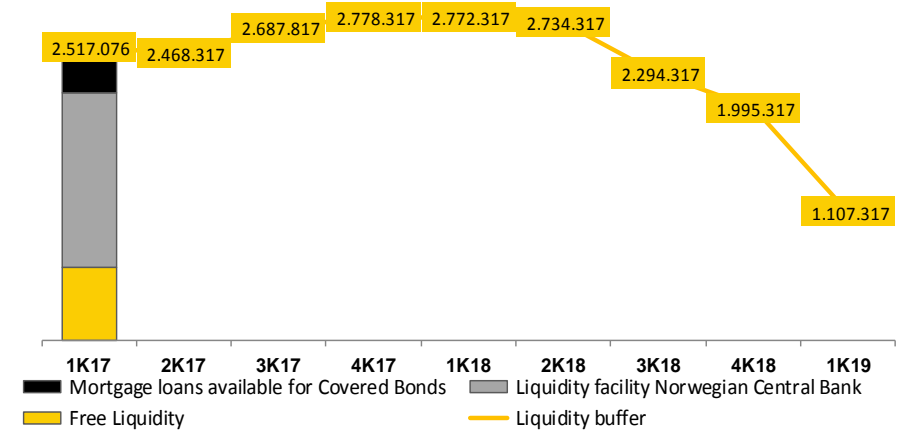
Solid liquidity - compliant with all regulatory requirements



Liquidity indicators



Liquidity reserve (MNOK)





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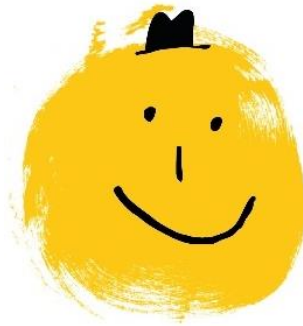




Operating Costs	< 290 NOKm
Loan Losses	60-100 NOKm
CET1	> 15,2 %
Dividend Payout Ratio	25-50 %



**Very satisfied customers
and a strong reputation**



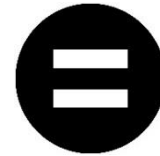
Profitable growth



**Competent, committed
and performance focused
employees**



**Return on equity
above average**





| Sandnes: Rådhusgata 3 | Stavanger: Haakon VIIIs gate 7 | Oslo: Dronning Mauds gate 10 |

| Telephone: 03260 | www.sandnes-sparebank.no |



Appendiks

Financial Results

Strong solidity| Stable operations| Good cost control



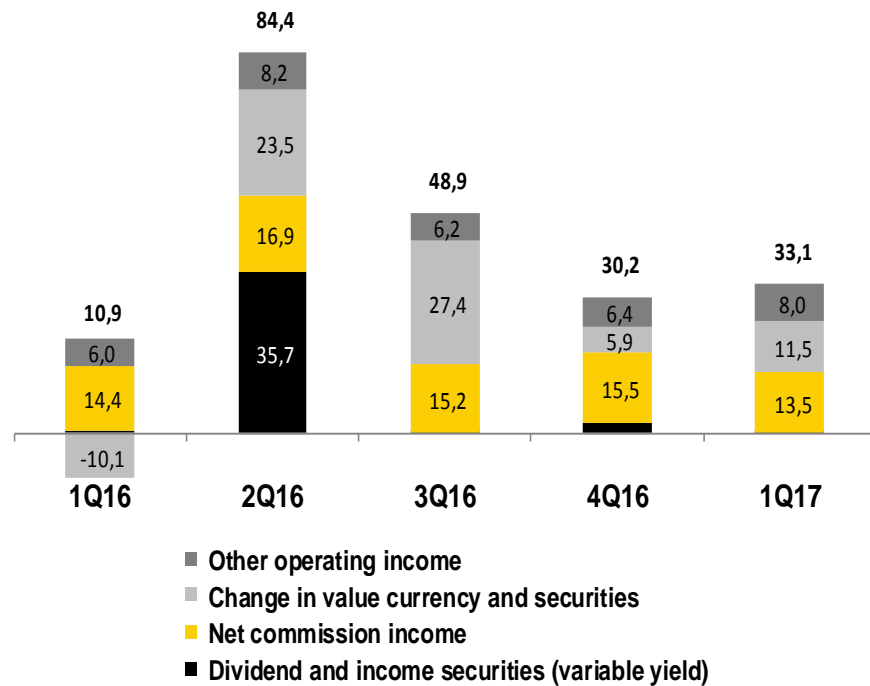
Figures in thousand NOK	1Q17	1Q16	2016	2015
Net interest income	115.998	98.792	441.797	448.124
Net commission income	13.511	14.354	61.909	50.941
Other operating income	19.543	-3.414	112.520	2.923
Total other operating income	33.054	10.940	174.429	53.864
Total other operation costs	67.137	71.174	288.347	406.315
Operating profit before tax and losses	81.915	38.559	327.880	95.673
Losses on lending and guarantees	18.859	45.115	109.928	204.668
Operating profit before tax	63.057	-6.556	217.952	-108.995
Tax	15.841	-2.076	46.483	-34.554
Net after tax profit business for sale	-	-	-	-
Operating profit after tax	47.216	-4.480	171.469	-74.442
Earnings per equity capital certificate	1,3	-0,4	4,8	-2,2
Return on equity after tax	7,3 %	-0,9 %	7,3 %	-3,5 %

Other Income

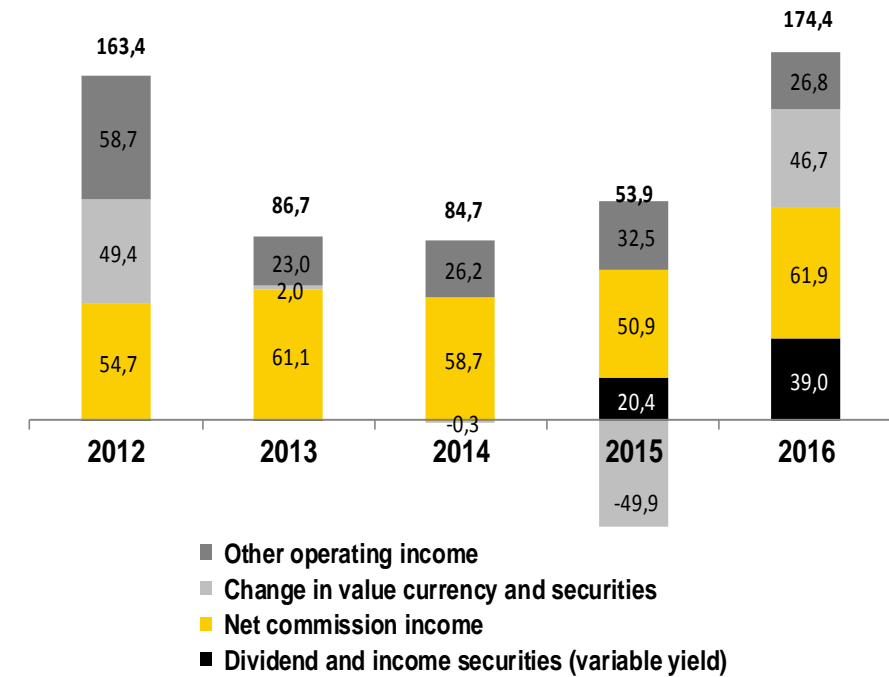
Volatility in financial instruments | Stability in general operations



Other income, last 5 quarters



Other income, last 5 years

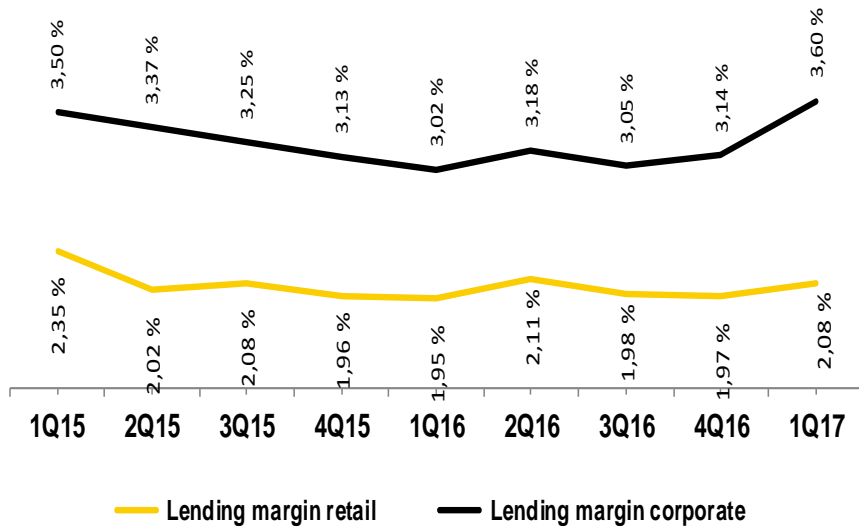


Details in Net Interest Margin

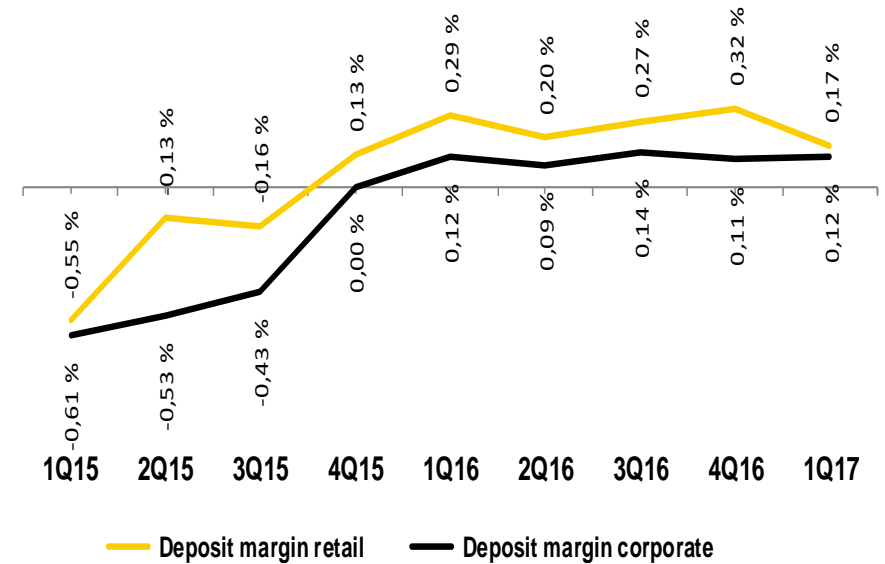
Increased margin | Boosted by one-off effect from one specific loan



Lending margins



Deposit margins

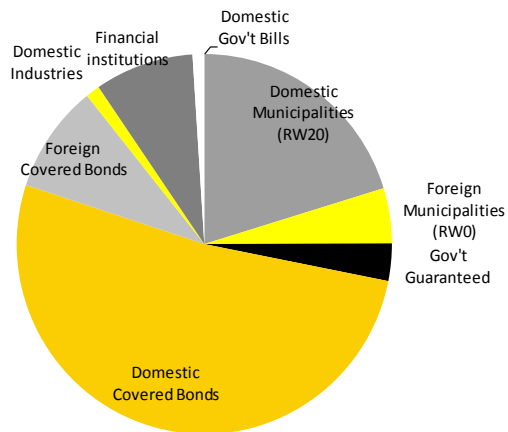


Liquidity Reserve

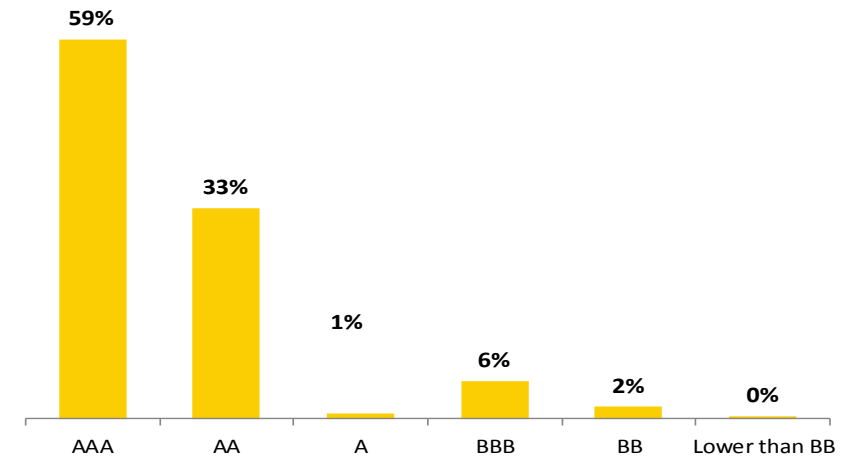
MNOK 3.146 excl. cash | 91 % with AA-rating or above



Liquidity portfolio



Rating distribution

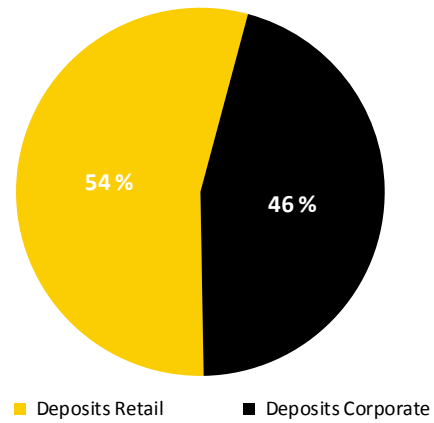


Deposits from customers

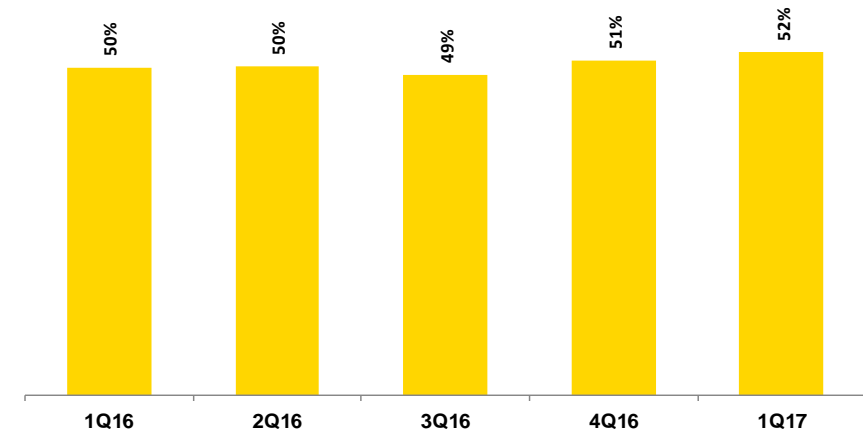
Satisfactory mix and deposit-to-loan ratio within targeted range



Divisional distribution



Deposit-to-loan ratio

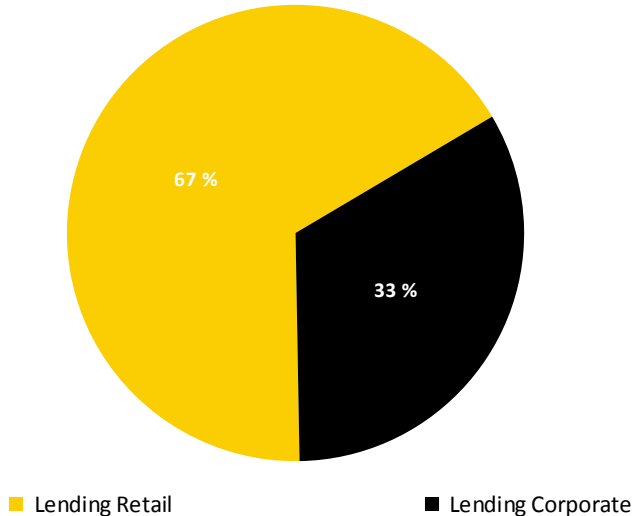


Diversified Loan Book

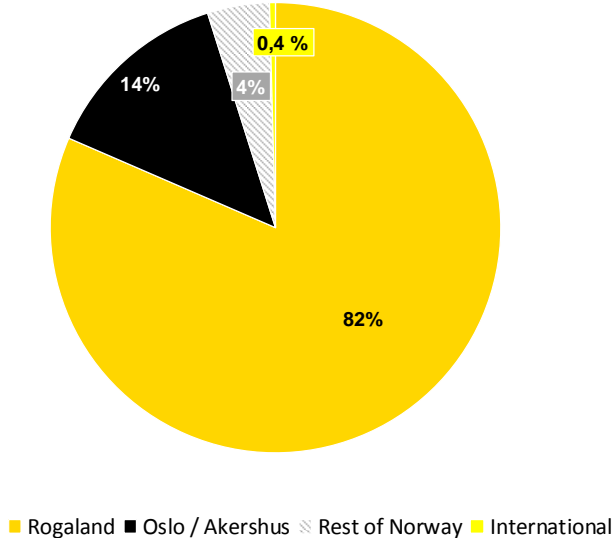
67% to retail segment



Divisional distribution

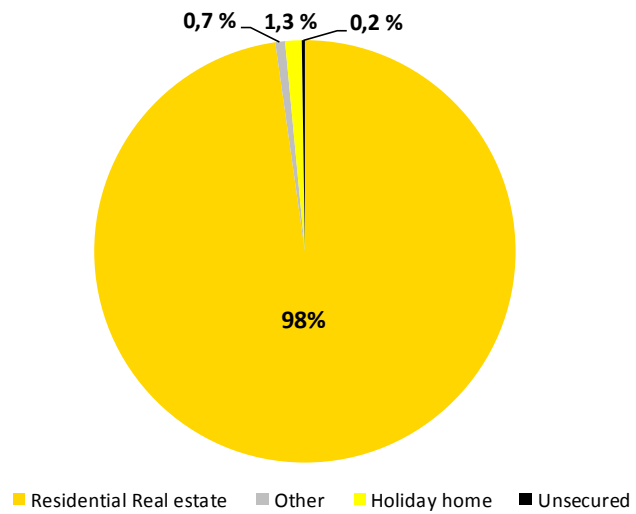


Geographical distribution

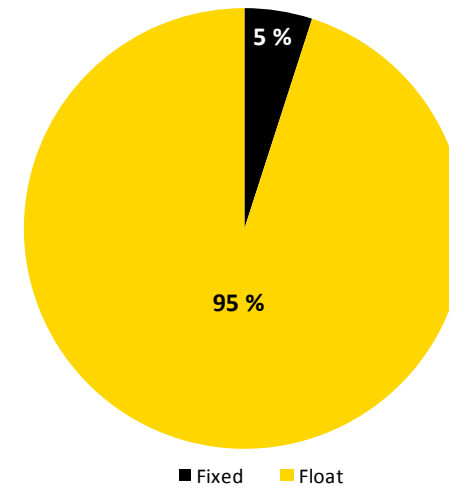




Collateral type



Interest rate type



Key-figures



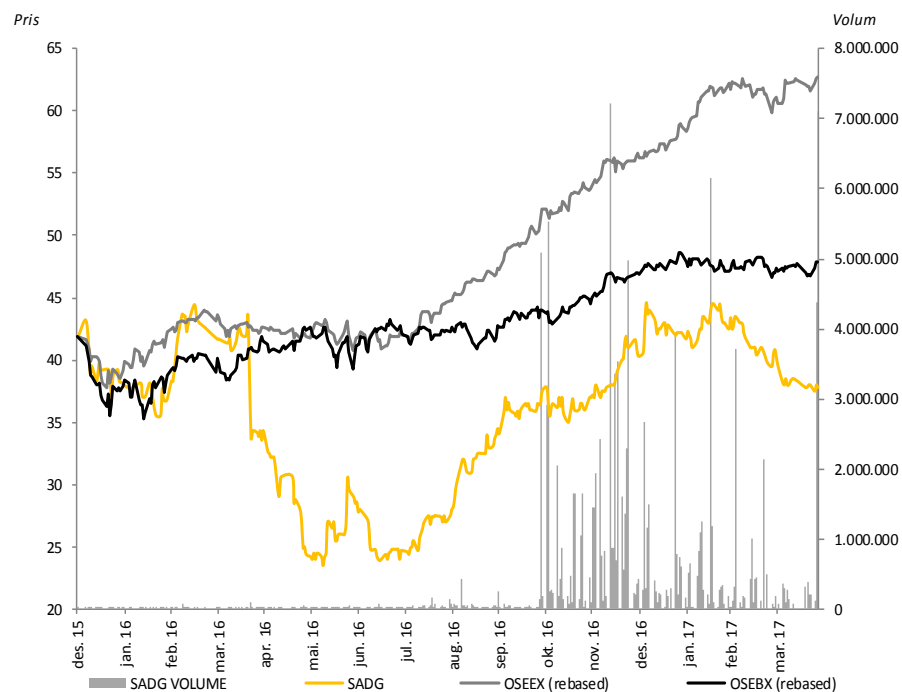
	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2015	2016
Growth assets	-0,1 %	-0,7 %	-7,1 %	-0,4 %	-2,2 %	0,1 %	-0,7 %	-0,2 %	-5,3 %	-3,2 %
Growth lending	0,3 %	-0,9 %	-2,8 %	-1,3 %	-2,0 %	-0,5 %	-2,1 %	-1,0 %	-3,4 %	-5,9 %
Growth deposits	1,5 %	-3,7 %	-17,1 %	-2,1 %	-1,9 %	-3,1 %	2,7 %	1,5 %	-20,3 %	-4,4 %
Interest margin % av. total assets	1,50 %	1,46 %	1,57 %	1,46 %	1,74 %	1,68 %	1,70 %	1,78 %	1,60 %	1,64 %
Other income % of total income	28,9 %	-19,4 %	7,0 %	10,0 %	42,0 %	30,2 %	21,0 %	22,2 %	10,7 %	28,3 %
Cost-to-income ratio	88,2 %	96,8 %	81,1 %	64,9 %	36,9 %	40,2 %	54,2 %	45,0 %	80,9 %	46,8 %
Costs as % of av. total assets	1,9 %	1,2 %	1,4 %	1,0 %	1,1 %	1,0 %	1,2 %	1,0 %	1,4 %	1,1 %
Return on equity before tax	0,5 %	-0,6 %	-27,9 %	-1,3 %	20,3 %	12,9 %	6,4 %	9,8 %	-5,2 %	9,3 %
Return on equity after tax	1,1 %	-1,0 %	-19,5 %	-0,9 %	16,9 %	10,3 %	4,1 %	7,3 %	-3,5 %	7,3 %
Capital adequacy ratio	15,3 %	15,6 %	15,9 %	15,9 %	16,2 %	18,3 %	19,7 %	19,1 %	15,9 %	19,7 %
Tier 1 capital ratio	13,4 %	13,7 %	13,8 %	13,8 %	14,0 %	16,1 %	17,5 %	17,2 %	13,8 %	17,5 %
CET1	11,9 %	12,1 %	12,1 %	12,0 %	12,2 %	14,3 %	15,6 %	15,8 %	12,1 %	15,6 %
Risk-weighted assets	17.279	16.886	15.818	15.765	15.501	15.779	15.659	15.407	15.818	15.659
Number of man-years	135	141	140	137	137	136	136	132	140	136
Stock exchange price	97	91	68	68	28	34	40	40	68	40
Equity capital certificate % of equity	57,2	57,2	58,6	58,6	58,8	65,2	64,9	64,9	58,6	64,9
Earnings per equity capital certificate	0,5	-0,4	-3,0	-0,4	7,4	1,7	0,7	1,3	-2,2	4,8
Book value per equity capital certificate	174,8	174,2	171,6	171,4	177,7	72,0	72,8	74,3	171,6	72,8
Individual write-downs in % of gross lending	0,65 %	0,74 %	1,49 %	1,62 %	1,70 %	1,75 %	1,36 %	1,20 %	1,49 %	1,36 %
Coll. write-downs in % lending after ind. wr.-d.	0,30 %	0,32 %	0,37 %	0,40 %	0,44 %	0,47 %	0,51 %	0,53 %	0,37 %	0,51 %
Deposits to loans ratio	59,8 %	58,1 %	50,0 %	49,7 %	49,8 %	48,6 %	50,8 %	52,0 %	50,0 %	50,8 %
Deposits to loans ratio parent bank	83,1 %	82,5 %	72,1 %	72,1 %	72,7 %	70,7 %	73,6 %	76,0 %	72,1 %	73,6 %

The Equity Capital Certificate (ECC)

Development and 20 largest shareholders as per Q1-17



SADG: Development in price and volume on OSE



Shareholders

20 largest owners of equity certificates as at 31.03.2017	No. of equity certificates	Share
1. Sparebank 1 SR-Bank C/O SR-Investering	3.485.009	15,14 %
2. Merrill Lynch	2.270.083	9,86 %
3. Clipper AS C/O Inge Steensland	1.088.738	4,73 %
4. Eika Utbytte VPF C/O Eika Kapitalforvaltning	898.876	3,91 %
5. Espedal & Co AS	886.861	3,85 %
6. Wenaasgruppen AS	650.000	2,82 %
7. Sparebanken Vest	425.790	1,85 %
8. Bergen Kommunale Pensjonskasse	402.086	1,75 %
9. Skagenkaien Holding AS	350.000	1,52 %
10. Nordhaug Invest AS	318.629	1,38 %
11. Wimoh Invest AS	261.881	1,14 %
12. Kristian Falnes AS	251.845	1,09 %
13. Portia AS	250.000	1,09 %
14. Profond AS C/O A.G. Regnskap AS	240.000	1,04 %
15. Jal Holding AS	202.598	0,88 %
16. Mertoun Capital AS	200.000	0,87 %
17. Innovemus AS V/Oskar Bakkevig	185.000	0,80 %
18. Herfo Finans AS	180.701	0,79 %
19. Kjell Madland	178.068	0,77 %
20. Tirna Holding AS	162.150	0,70 %
Sum	12.888.315	56,00 %



Fitch Ratings

Sandnes Sparebank, 21 October 2016

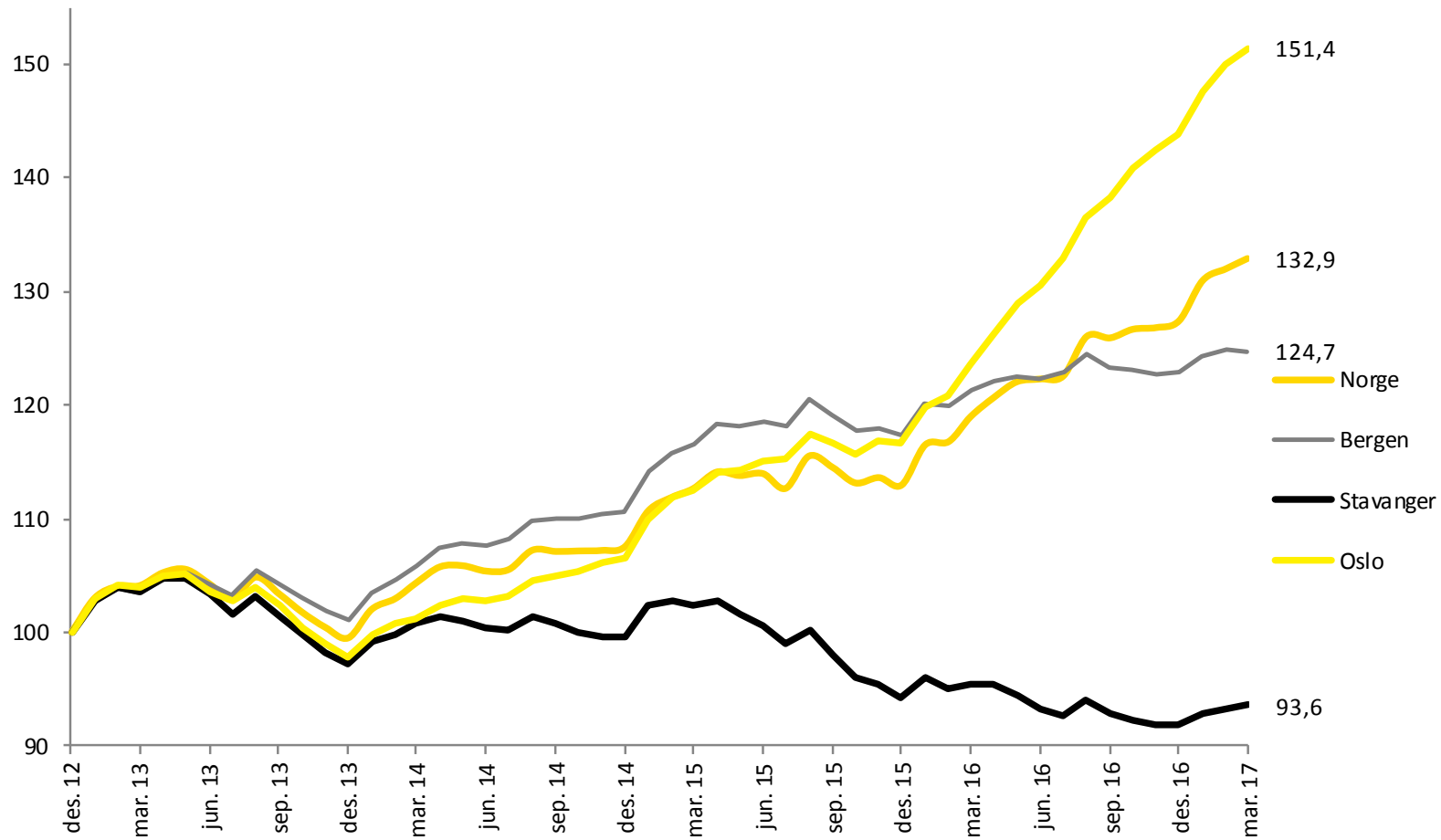
- *Sandnes's ratings reflect good pre-impairment profitability, adequate asset quality and good capitalisation, and it's entrenched regional presence in south-west Norway. Its ratings are constrained by the banks's smaller franchise relative to domestic peers, and by still significant geographical and obligor loan concentration.*
- Long term rating: BBB
- Outlook: Stable

SSB Boligkreditt, 21 November 2016

- *Fitch Ratings has upgraded Sandnes Boligkreditt's (SSBB) mortgage covered bonds to 'AAA' from 'AA'. The outlook on SSBB's covered bonds is stable.*
- Long term rating: AAA
- Outlook: Stable

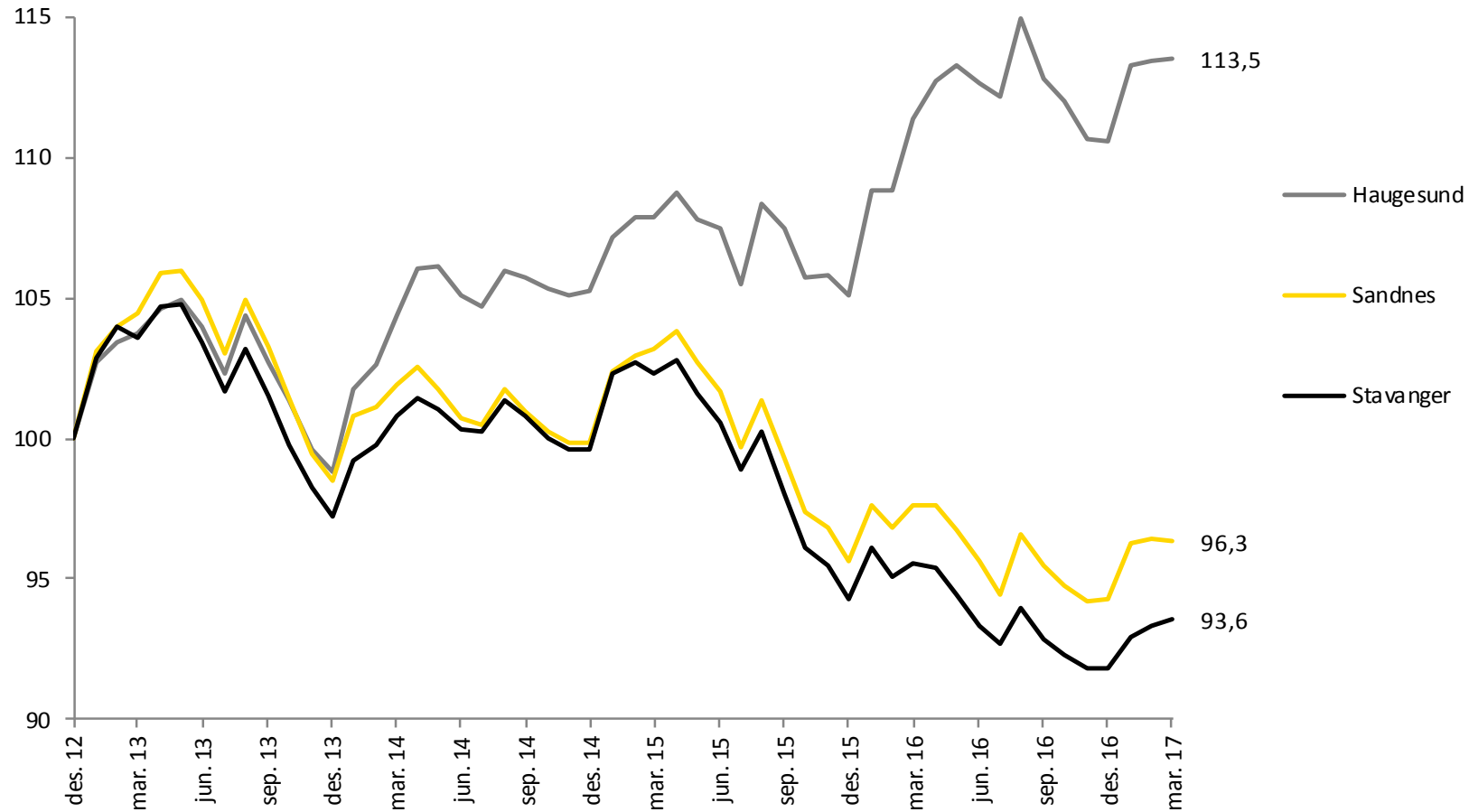
Residential Real Estate Prices

FSA lending guidelines slowing down Oslo | Rogaland more sideways



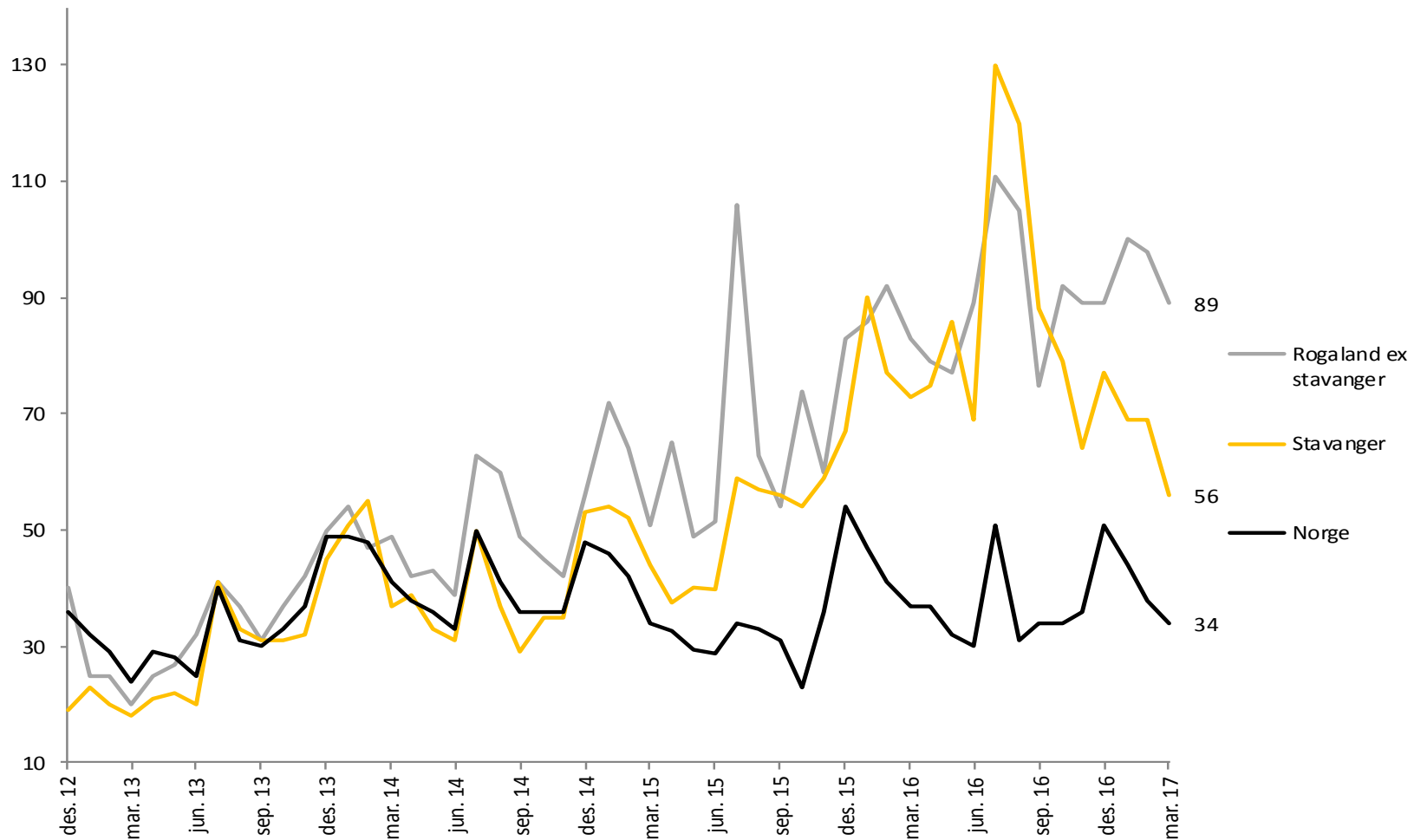
Residential Real Estate Prices

Signs of local markets bottoming out



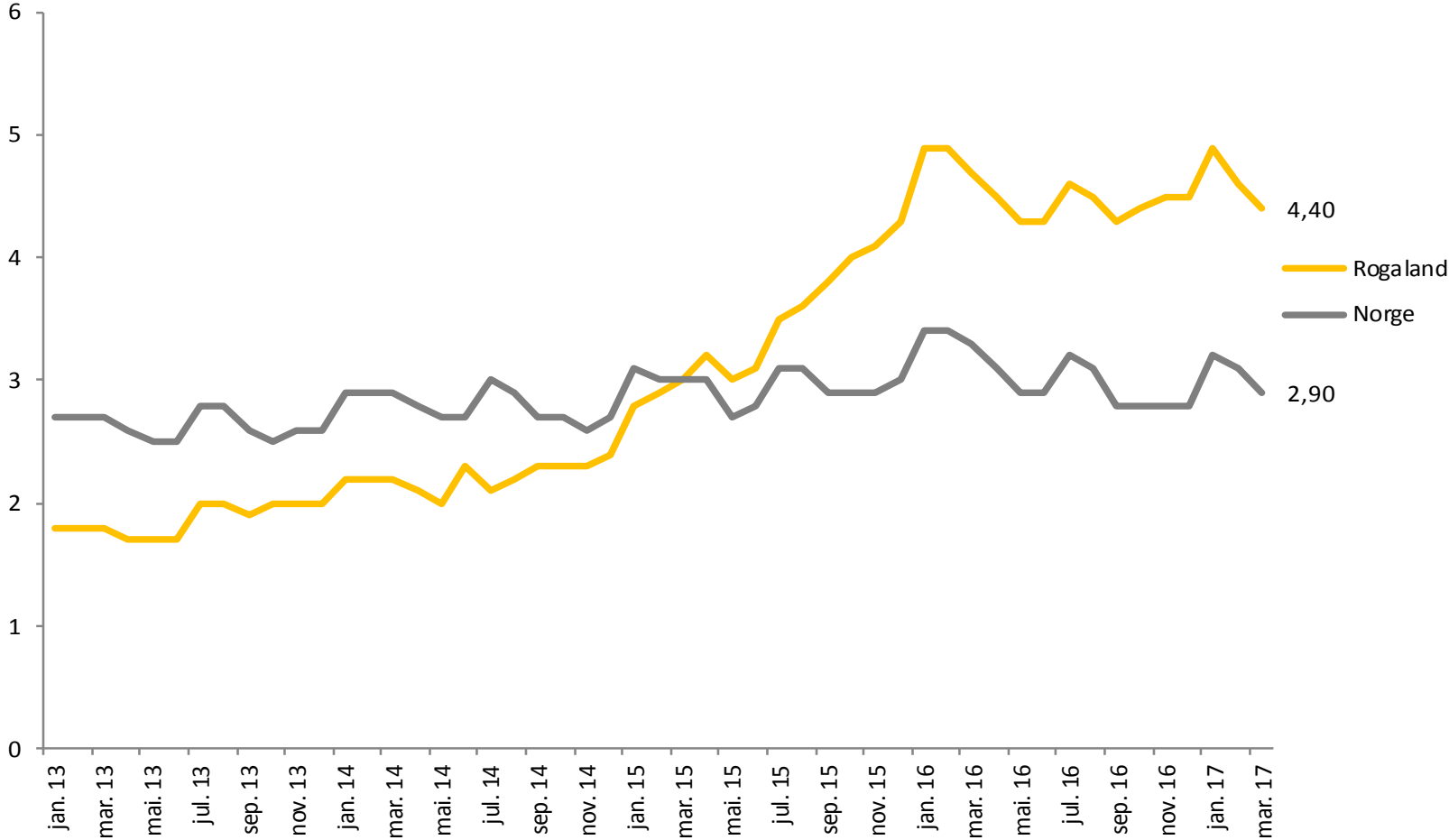
Residential Real Estate Prices

Avg. number of days to to conduct a sale coming down



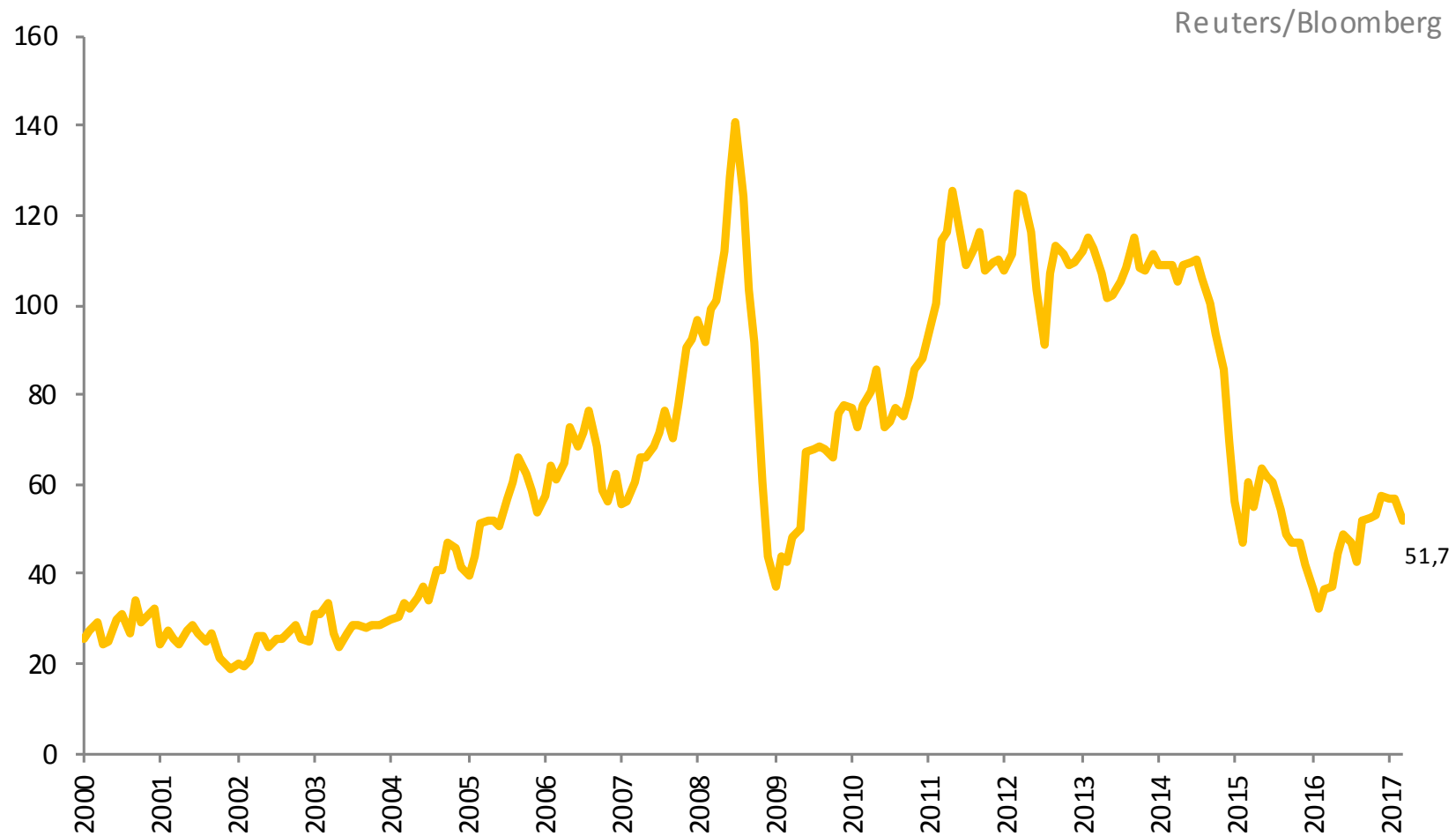
Unemployment Rate

Small improvement in Rogaland last month



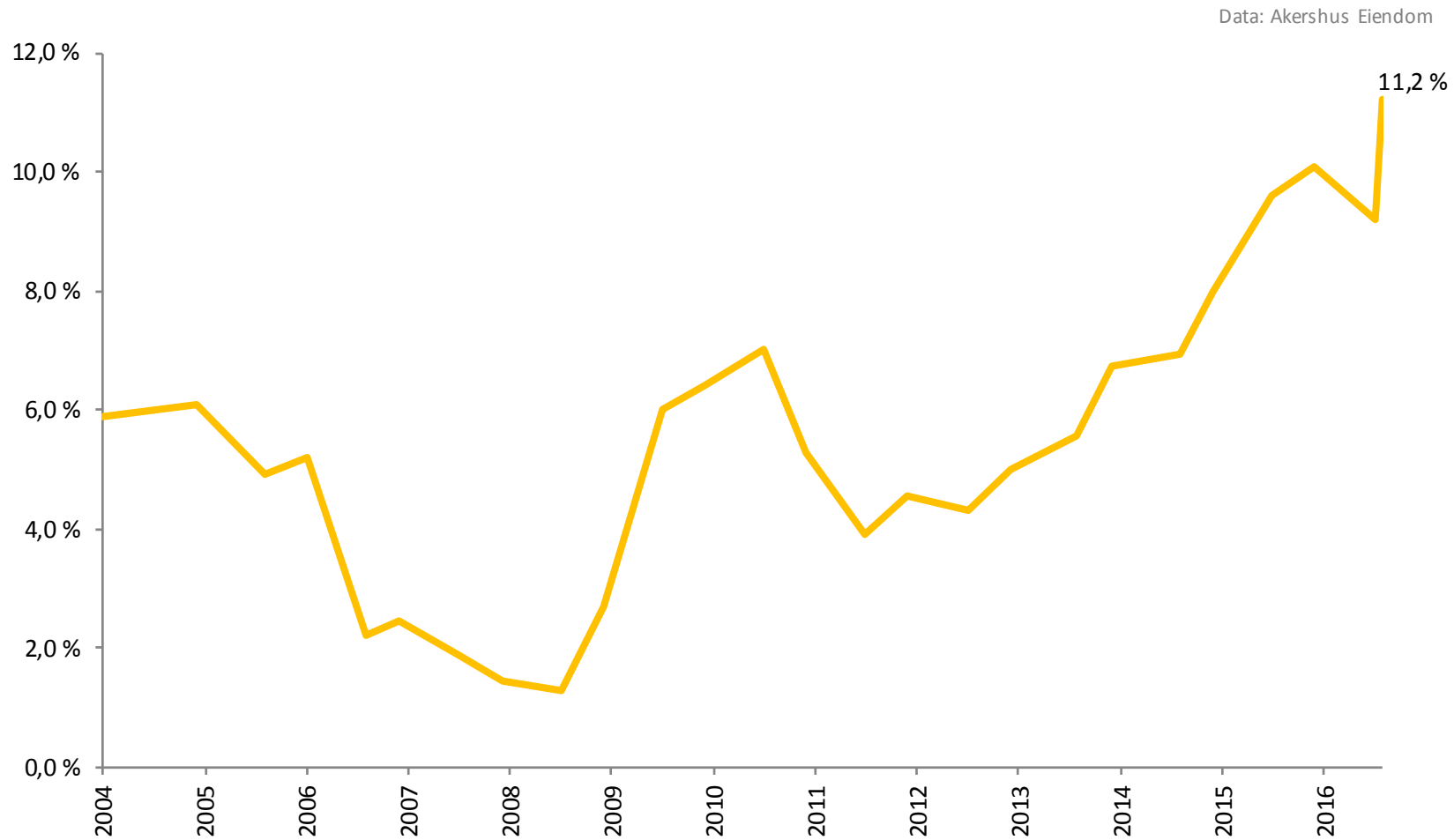
Oil Price

Down 10% YTD



Commercial Real Estate, Office Space

Available space is up | Further increase expected in Stavanger Oil | CBD more stable

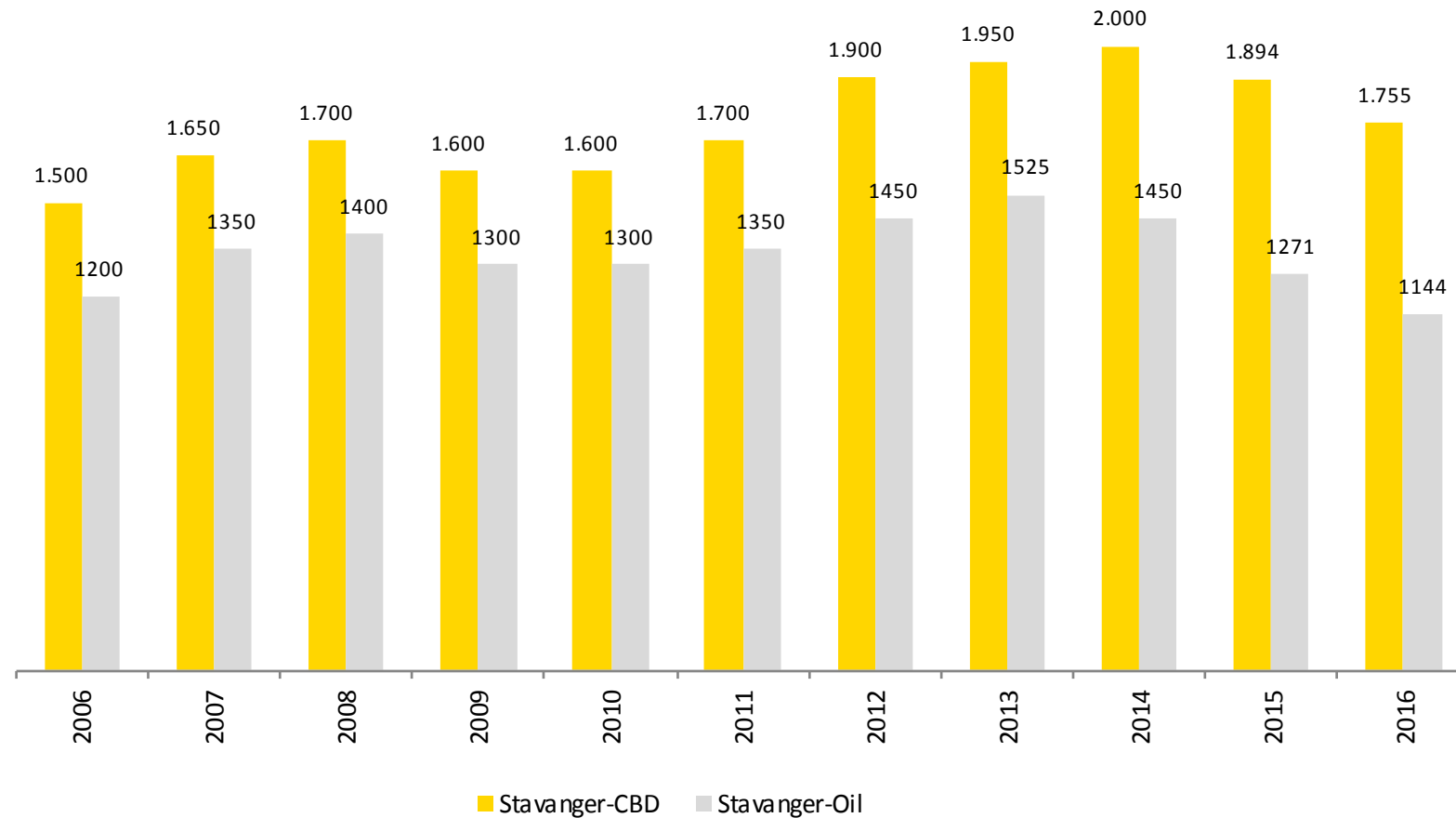


Commercial Real Estate, Office Space

Rental prices down YOY | Increased spread between CBD and Stavanger Oil



Data: Akershus Elendom



Definition of Certain Key Figures

Key figures focused on by investors and analysts



Rate of deposits to loans

OB net loans to customers / OB deposits from customers

Liquidity coverage ratio (LCR)

Liquid assets / net liquidity output within 30 days in a stress scenario

Interest margin

((Net interest income / days in the period) x days in a year) / average total assets

Interest margin incl. fee to the Norwegian Investor Compensation Scheme

((Net interest income incl. fee to the Norwegian Investor Compensation Scheme / days in period) x days in a year) / average total assets

Cost / income ratio

Total operating costs / (net interest income + total other operating revenues)

Costs as a percentage of average total assets

((Total operating costs / days in the period) x days in a year) / average total assets

Return on equity before tax

(Operating profit before taxes / days in the period x days in a year) / ((OB total equity + IB total equity) / 2)

Return on equity after tax

(Operating profit after taxes / days in the period x days in a year) / ((OB total equity + IB total equity) / 2)

Equity certificate capital in % of equity

(Equity certificate capital + own equity certificate + share premium + dividend equalisation reserve) / (Equity certificate capital + own equity certificate + share premium + dividend equalisation reserve + savings bank's fund + gift fund)

Earnings per equity certificate

(Operating profit after taxes x equity certificate capital in % of equity) / number of equity certificates

Book value per equity certificate

OB total equity x equity certificate capital in % of equity / number of equity certificates

Price / Book (P/B)

Market price / book value per equity certificate

Operating profit before write downs and taxes

Operating profit after tax + tax cost + write downs on lending and guarantees

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