

Sandnes Sparebank

Results 3rd Quarter 2019

Oslo, 6 November

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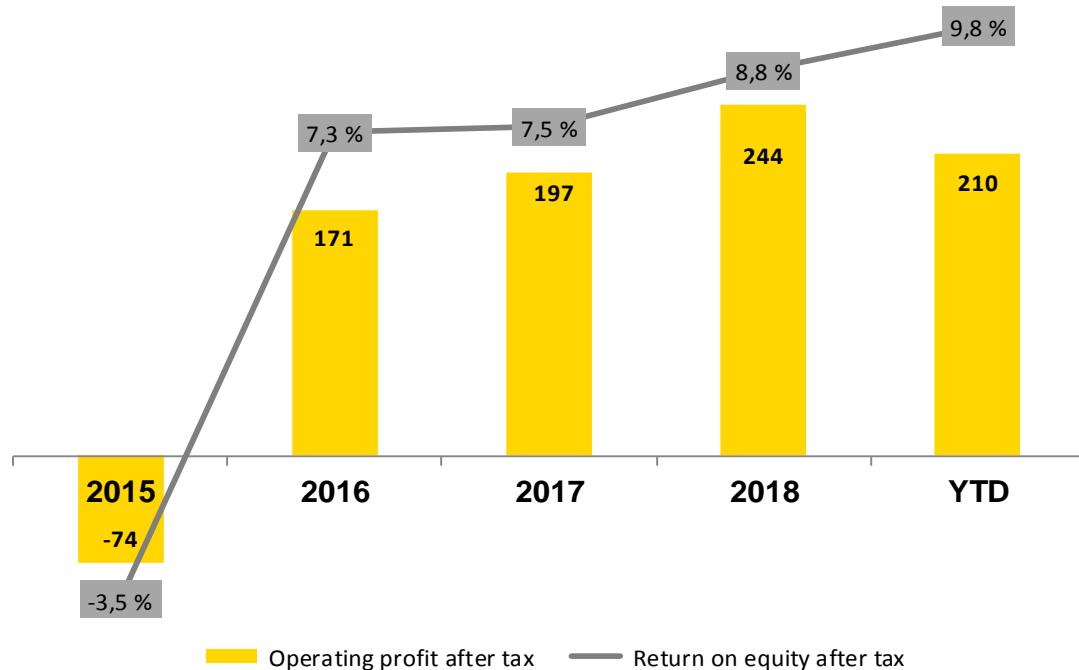
"VI SKAL VÆRE BEST I KLASSEN PÅ GODE
OG PERSONLIGE KUNDEOPPLEVELSER."



Good Results – Growth in Lending and Low Losses

Continuous effort to create value for our customers – creating results over time

Earnings and ROE



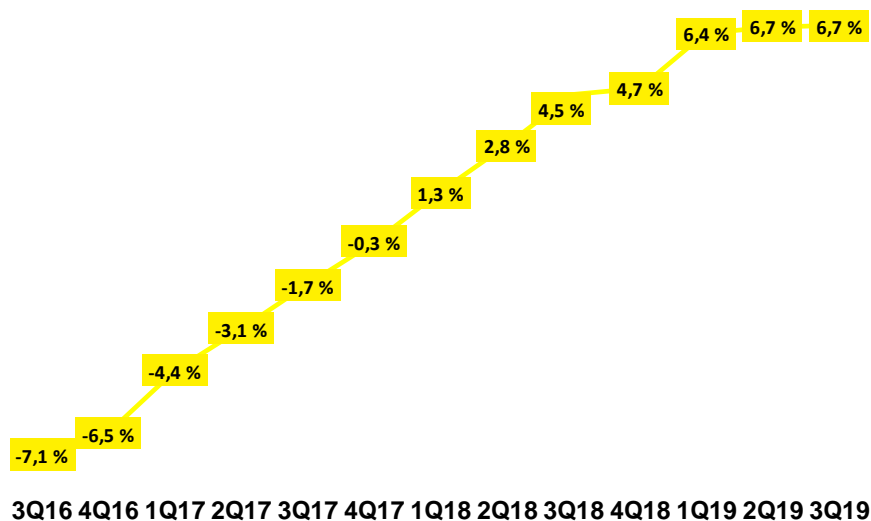
Summary YTD

- After tax profit of MNOK 210 (183)
- ROE at 9,8 % (8,9 %)
- 3.4% lending growth YoY, 2.8% YTD
- Improved interest margin
- Strong cost control
- Low loan losses, MNOK 15.4 (29.6)
- A solid bank with 16% CET1 (17.3% incl. YTD results)

Lending Growth of 3.4% YOY

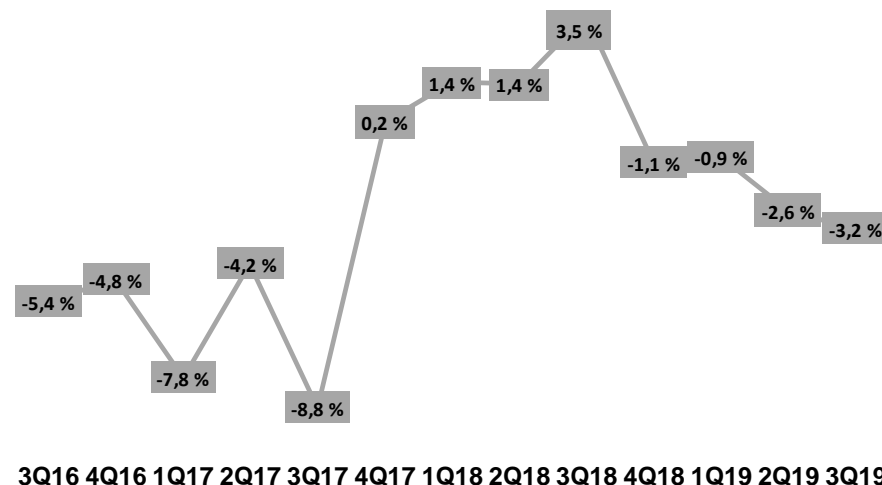
The positive trend continues within retail lending

Retail lending growth (12mth)



- Loan volume up by MNOK 992 (6,7 %) YOY
- Lending increased by MNOK 240 (1,5 %) last quarter
- YOY market growth is 3,0% (according to Early Warning)
- Continued increase in retail market share

Corporate lending growth (12mth)



- Corporate lending is down MNOK 237 (-3,2 %) YOY
- Last quarter lending volume was reduced by MNOK 152 (-2,1%)

**Increased Market Share in Retail and
Improved Customer Satisfaction**

Improved Reputation

Not translated

- Mer fornøyde kunder
- Kundeopplevelsesindeksen har økt betydelig fra 2016 til 2019:
 - Privatmarkedet fra 50 i 2016 til 69 siste kvartal
 - Bedriftsmarkedet fra 69 i 2016 til 80 siste kvartal
- Klar strategi for merkevarebygging
- Økt merkevarekjennskap
- Generelt bedre omdømme og økt tillit i markedet



Competence As a Strategic Advantage

- Inngående forståelse for kundens behov og en bevisst strategi for kompetansebygging
- Kundeinnsikt, kundeforståelse og lokal kjennskap
- Kredittanalyse, markedsanalyse, teknisk kompetanse
- Utvikling av lederkompetanse
- Kulturutvikling
 - Økt medarbeiderengasjement fra 77 i 2016 til 88 i 2019

The Future Local Bank

Not translated

- Kompetansebygging, gjennomførte endringer fra 2017
 - Ny kompetanse eksternt, 32 nyrekrutteringer (25%)
 - Attraktive i markedet og god tilgang til relevant kompetanse
 - Intern kompetansebygging
 - 35 personer har endret rolle – karrieremuligheter, bygge bredde og forståelse
 - Stadig justering av organisasjonen
 - Gjennomført hele 17 større og mindre reorganiseringer
- Betydelig styrket endringskompetanse



Increased ESG-focus



- Våre bærekraftsmål vil bli en større del av bankens strategi:
 - miljø, samfunnsansvar og selskapsstyring
- Signert FN sine prinsipper for ansvarlig bankdrift
 - Sikre integrasjon av bærekraft i alle forretningsområder i banken
 - Forplikter å sette konkrete mål for håndtering av positive og negative klimakonsekvenser
 - Bidra til nasjonale og internasjonale klima- og bærekraftsmål
- Etisk bankguide - rangert blant de tre beste sparebankene i 2018



PRINCIPLES FOR
RESPONSIBLE
BANKING

EtiskBankGuide
Norge

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Local Macroeconomics

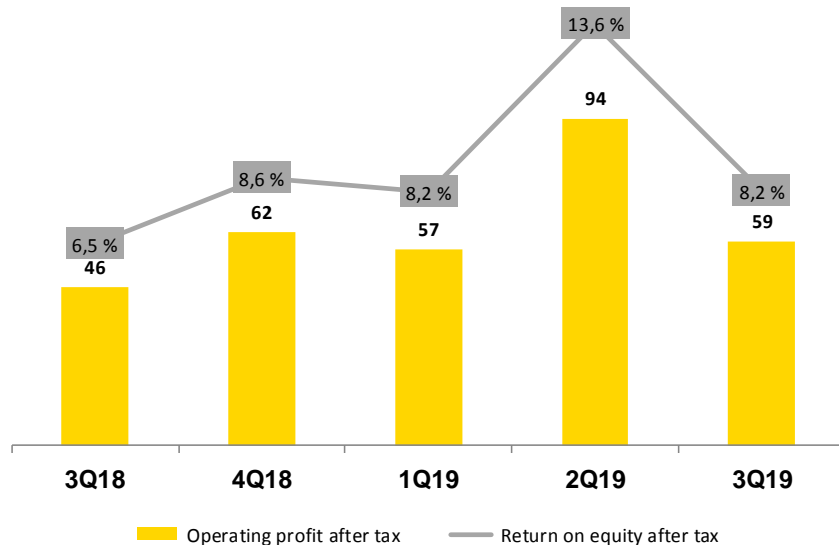
"VI SKAL VÆRE BEST I KLASSEN PÅ GODE
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Financial Results

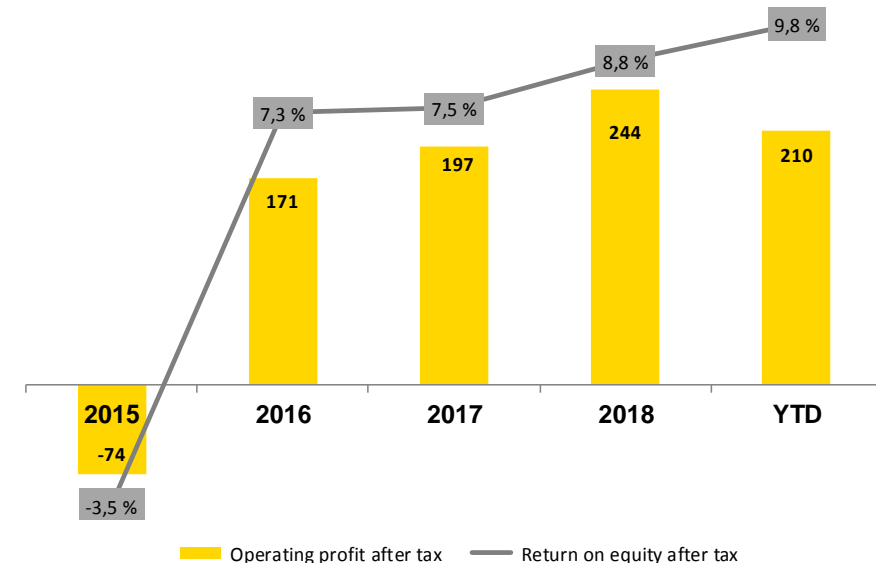
Stable and positive development in earnings

Profit after tax, quarterly.



- EPS last quarter of NOK 1.7 (1.3)
- MNOK 42 in dividend from Eika booked in Q2

Profit after tax, EOY / YTD

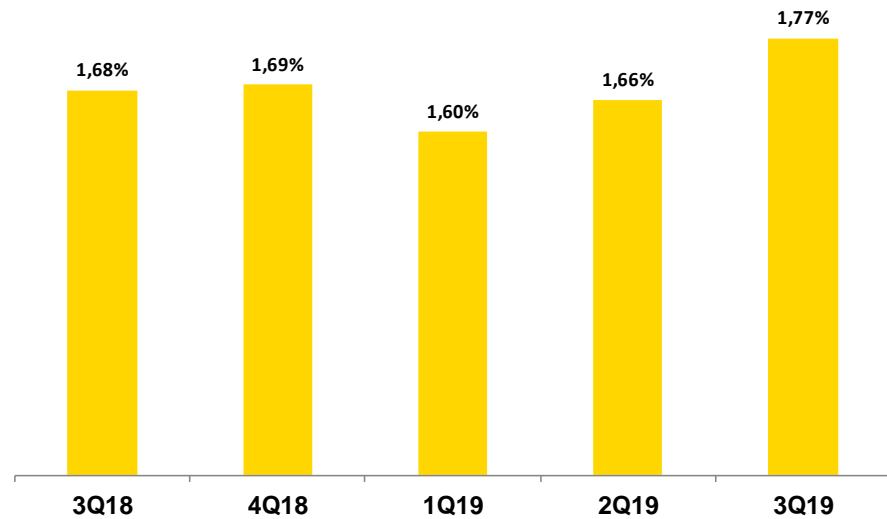


- EPS of 6.0 (5.1) YTD
- The total tax-effect related to disbursement of customer dividends has been fully accounted for in the first half (MNOK 13)

Net Interest Margin

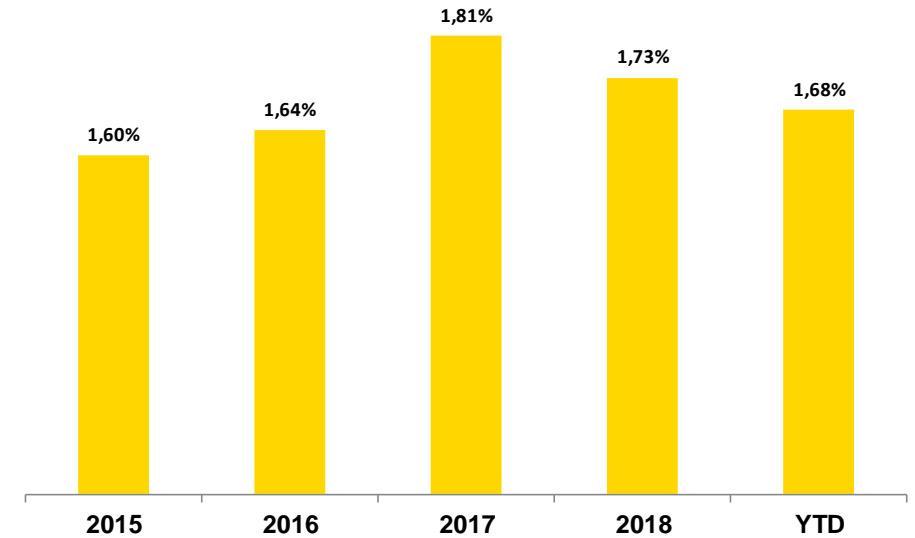
Improved last quarter

Net Interest Margin, quarterly



- Increased net interest margin, despite negative growth in corporate lending
- Strong competition in retail market, but the bank has substantially improved its competitiveness the last two years

Net Interest Margin, EOY/YTD

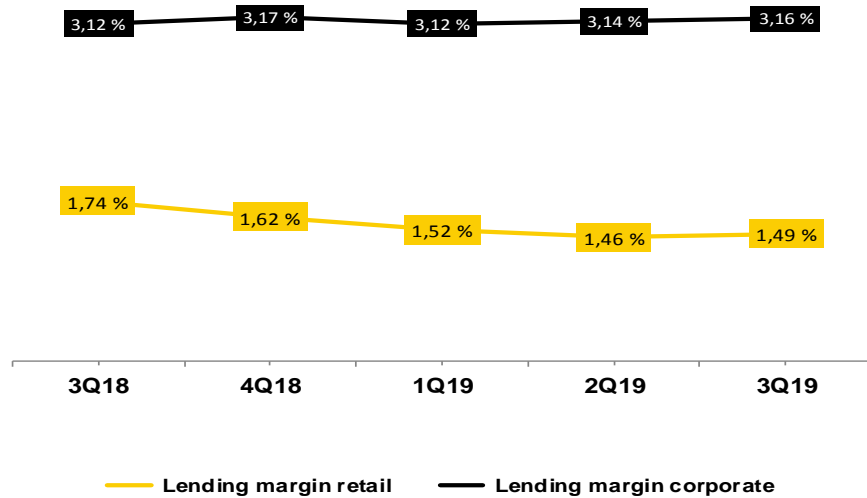


- Due to Norges Bank's interest rate hike in September the the lending and deposit rates will be increased by up to 0,25% effective 4. november
- The bank has performed four hikes to interest rates over last 12 months

Margins on Loans and Deposits

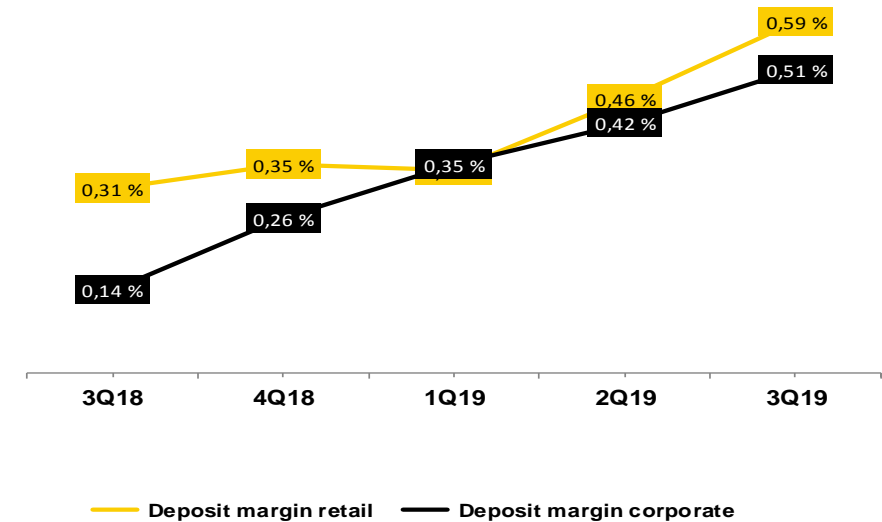
Strong competition in retail market, stable in corporate market

Lending Margins



- High and stable lending margin on corporate loans
- Pressure on margins in retail segment due to increasing Nibor
- Interest rates in retail segment increased by up to 0.25 % effective primo Nov.

Deposit Margins

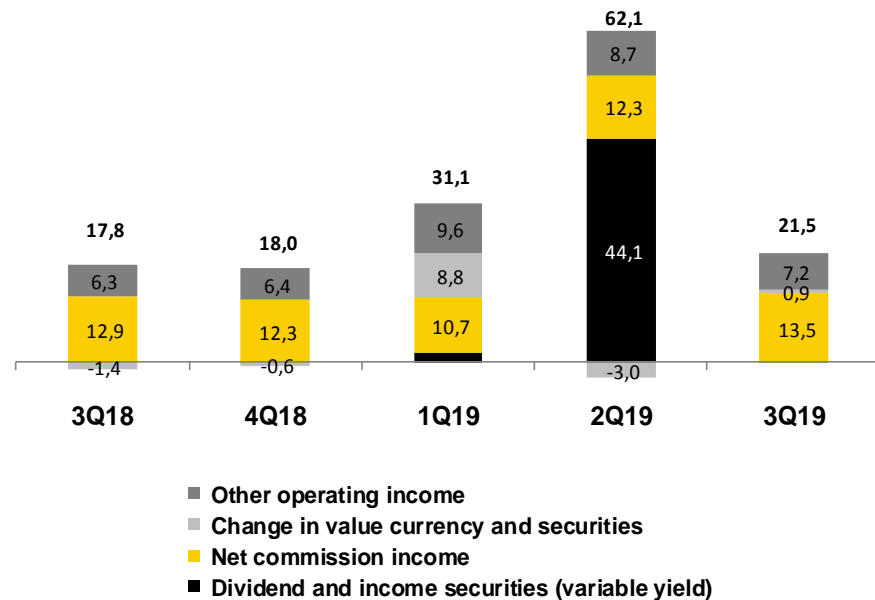


- Increased margins due to higher NIBOR-rates

Other Income

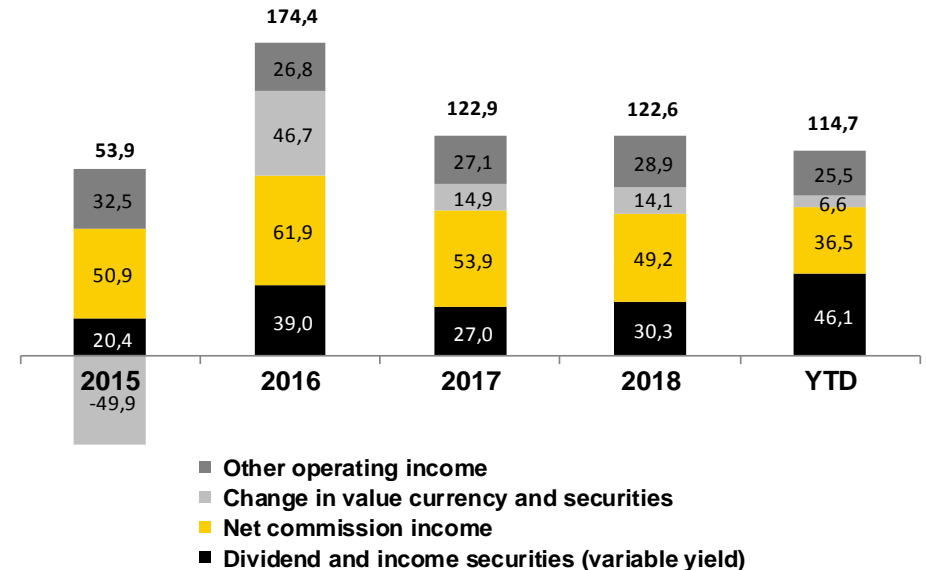
Dividend of MNOK 42 (29) from Eika Gruppen booked in Q2

Other Income, quarterly



- MNOK 42 in dividend from Eika booked in Q2
- Contributions from subsidiaries are limited to Aktiv Eiendom

Other Income, EOY/YTD

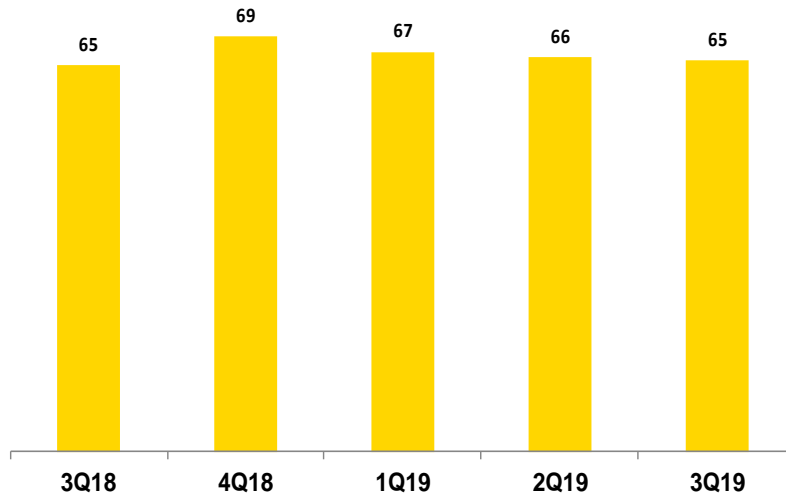


- Increased volume in savings and insurance, pressure on margins
- Pressure on fees

Operating Cost

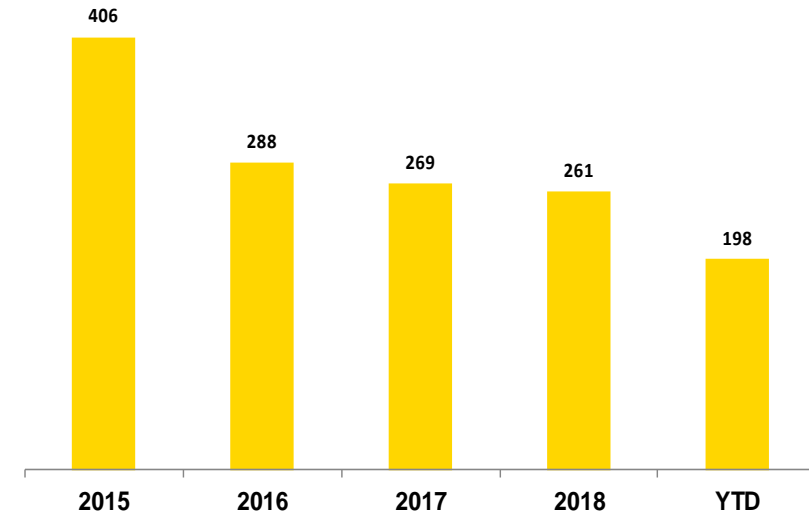
Good cost control | Cost to income ratio at 43% YTD

Other operating costs, quarterly



- Stable development in costs
- Some additional costs related to digitalization and AML/compliance

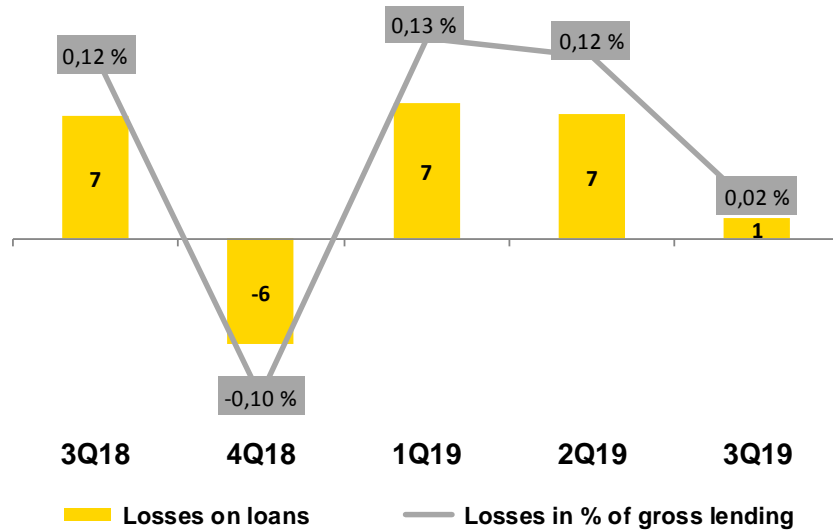
Other operating costs, EOY / YTD



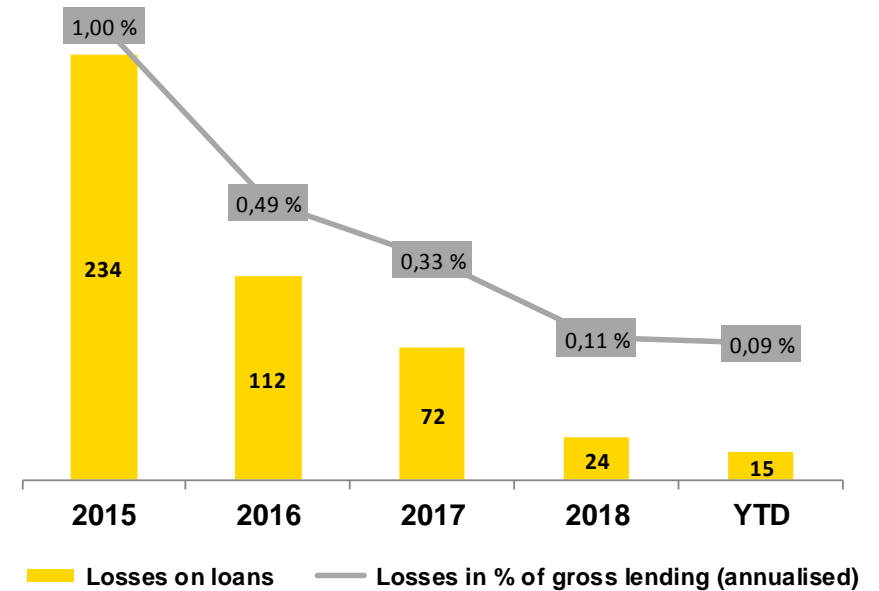
Losses on Loans and Guarantees

At normalized levels

Losses on loans and guarantees, quarterly



Losses on loans and guarantees, EOY/YTD

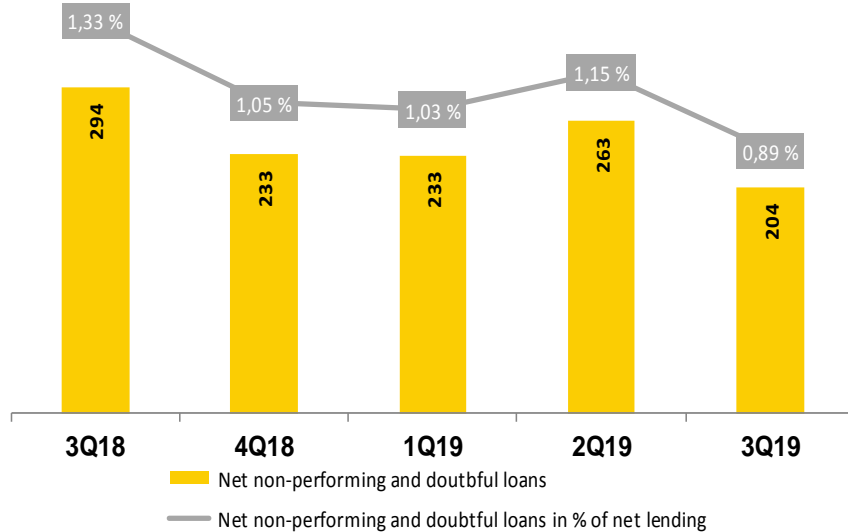


- Stable at low levels last quarters
- Last quarter MNOK 1,1 (7)
- MNOK 15,4 (29,6) YTD

Non-performing and Doubtful Loans

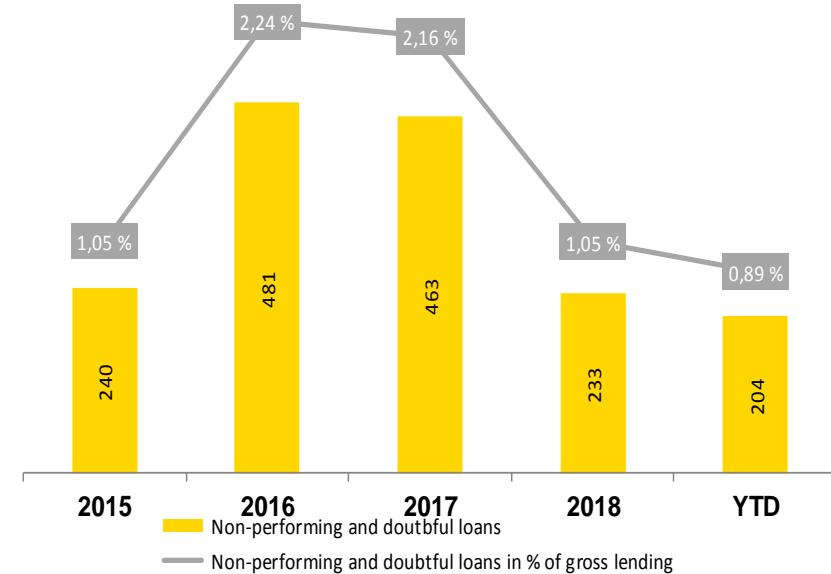
More than halved over the last 5 years

Net non-performing and doubtful loans, quarterly



- Generally more favourable macroeconomic conditions in the region

Net non-performing and doubtful loans, EOY / YTD

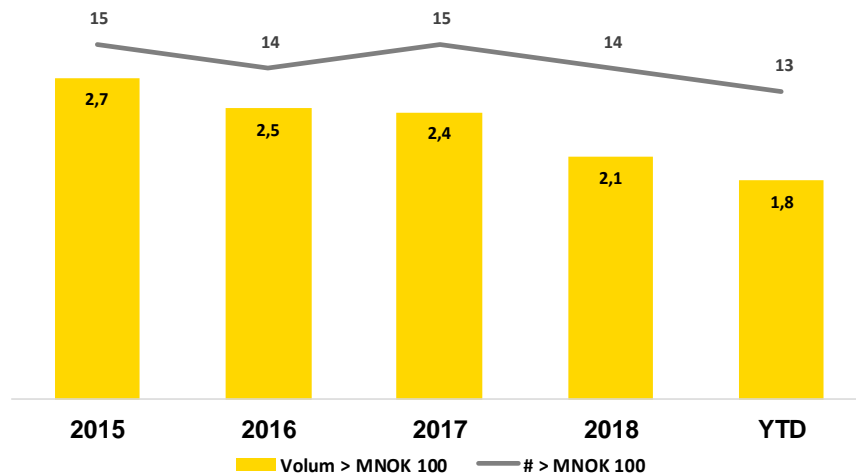


- Restructuring of loans contribute to a reduction in doubtful loans

Loans to Customers

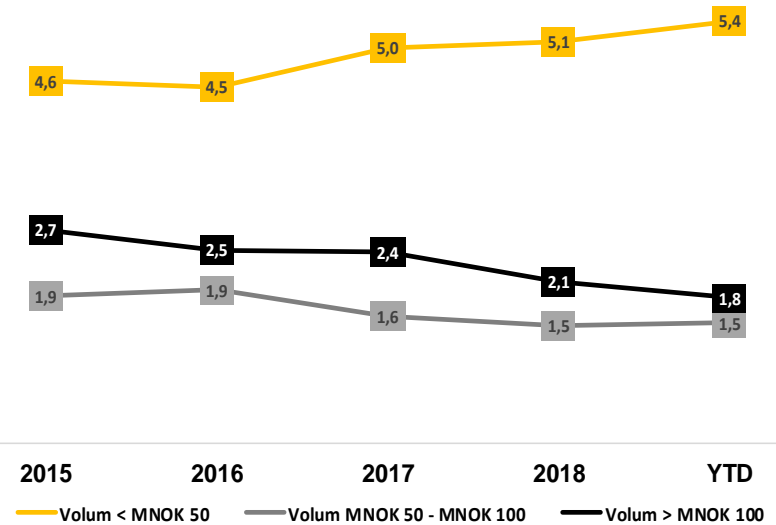
Growth in SME | Reduction in large loans above MNOK 100

Loan size > MNOK 100, volume and # of customers



- Total volume of loans > MNOK 100 continue to decrease
- # of customers with exposure > MNOK 100 is stable, loan volume is decreasing
- Avg. Loan size of new loans granted is halved since 1st half of 2017
- # of new customers is almost doubled last two years

Loan size distribution, volume



- Continued strategy to reduce concentration risk in corporate loan book

Innhold

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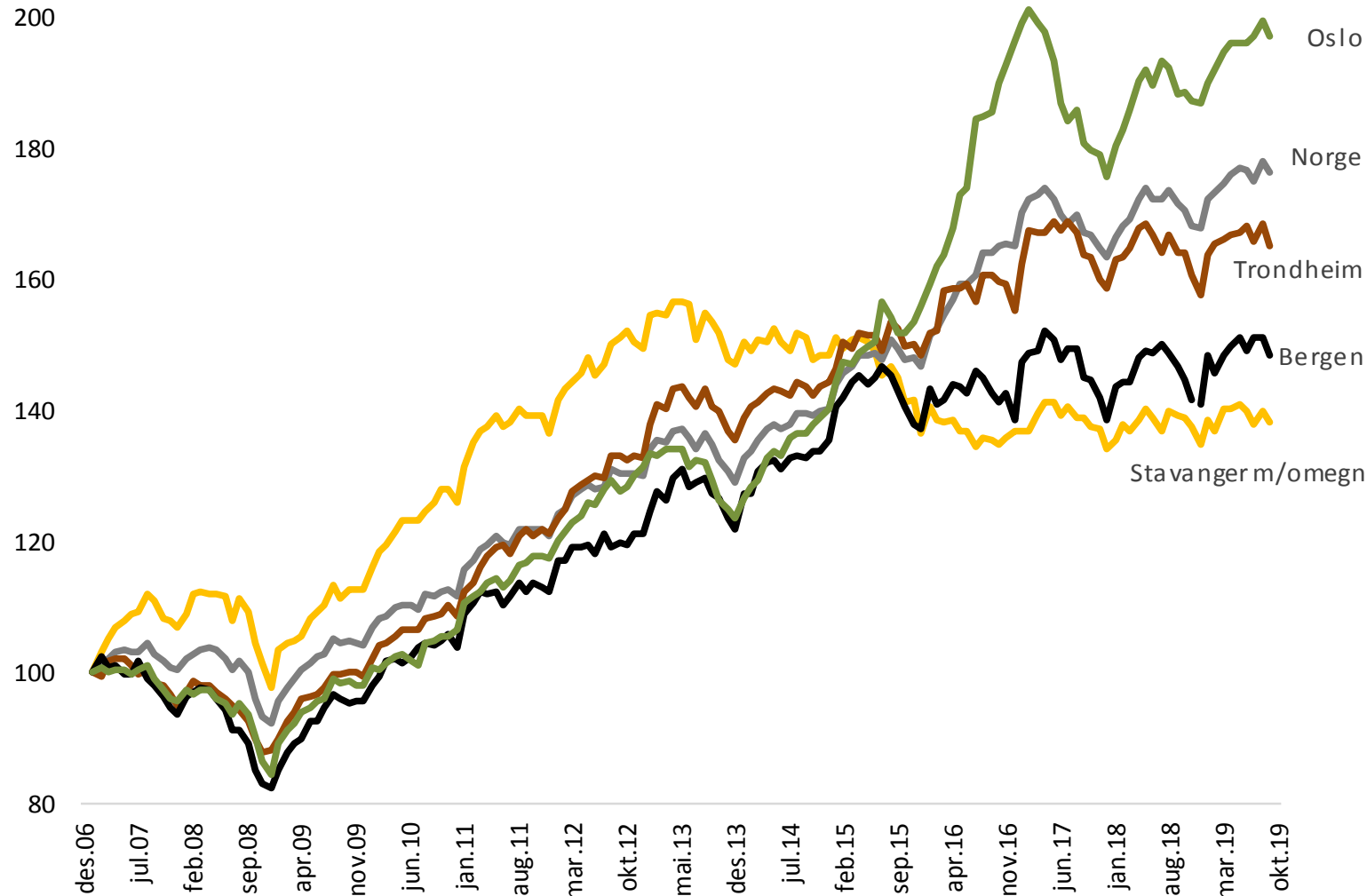
Local Macroeconomics

"VI SKAL VÆRE BEST I KLASSEN PÅ GODE
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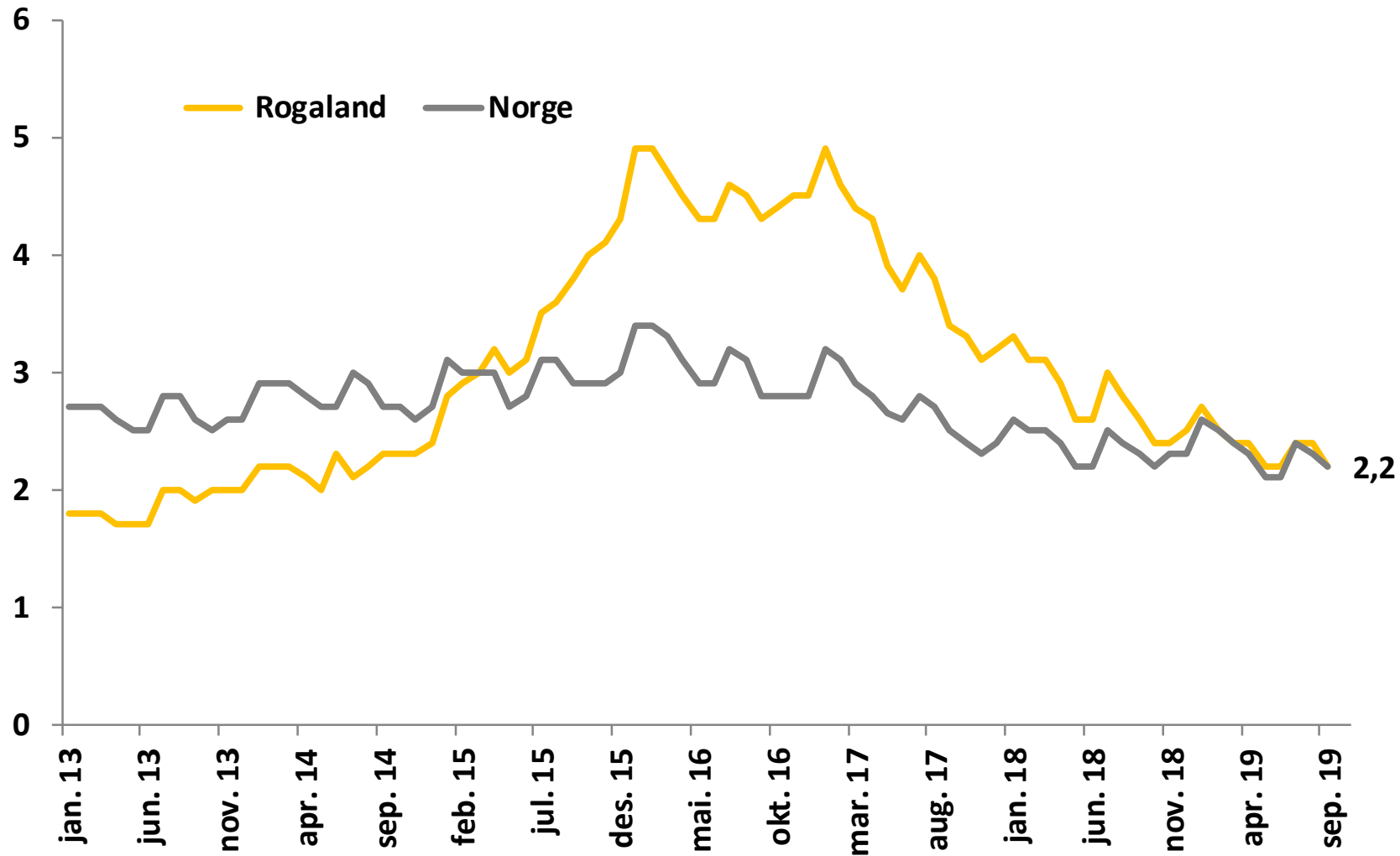
Real Estate Prices

Stavanger area vs rest of Norway | Peaked in the summer of 2013, sideways last two years



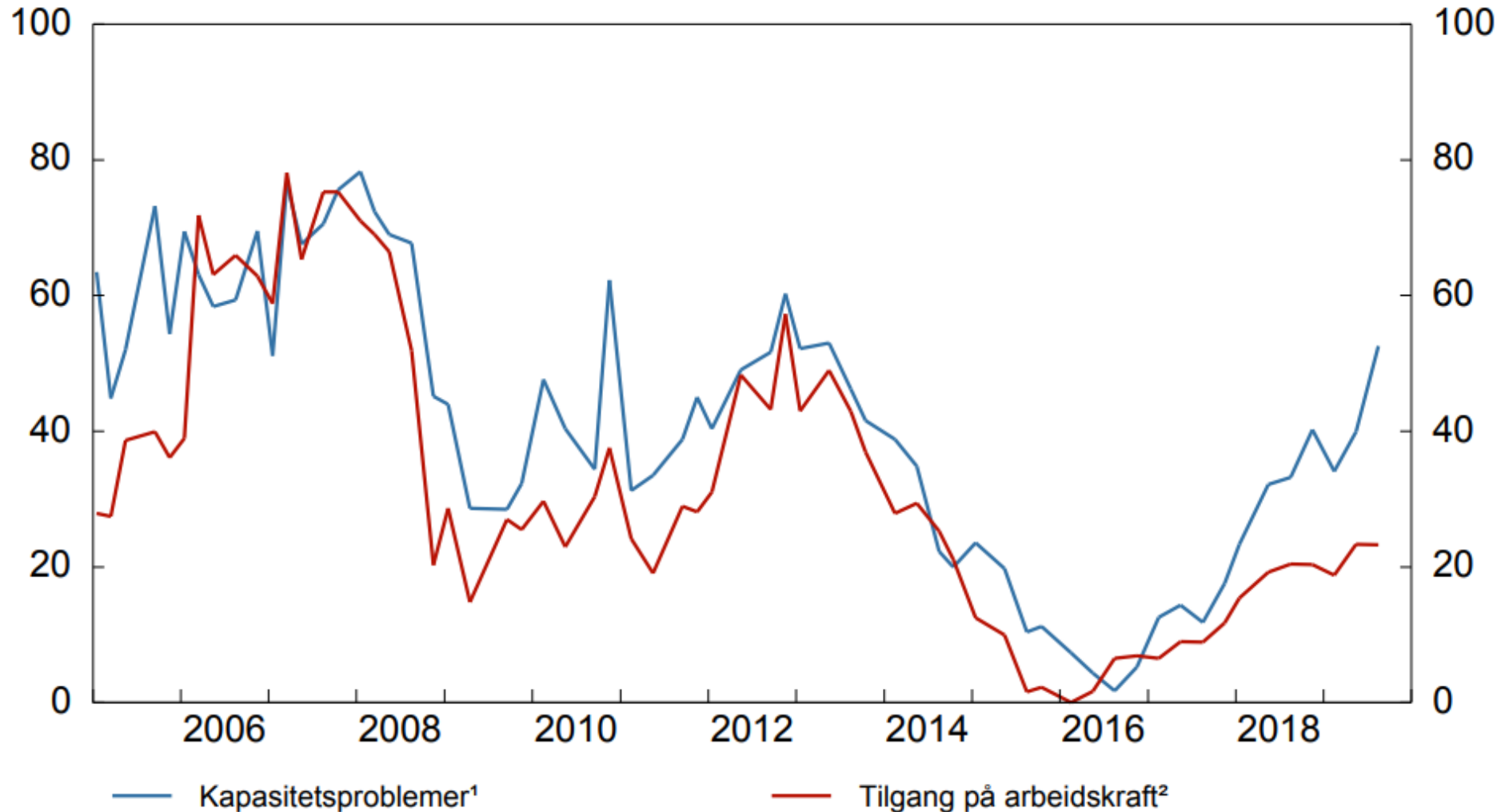
Unemployment Rate in Rogaland

Approaching the national average



Norges Bank – Regional Network

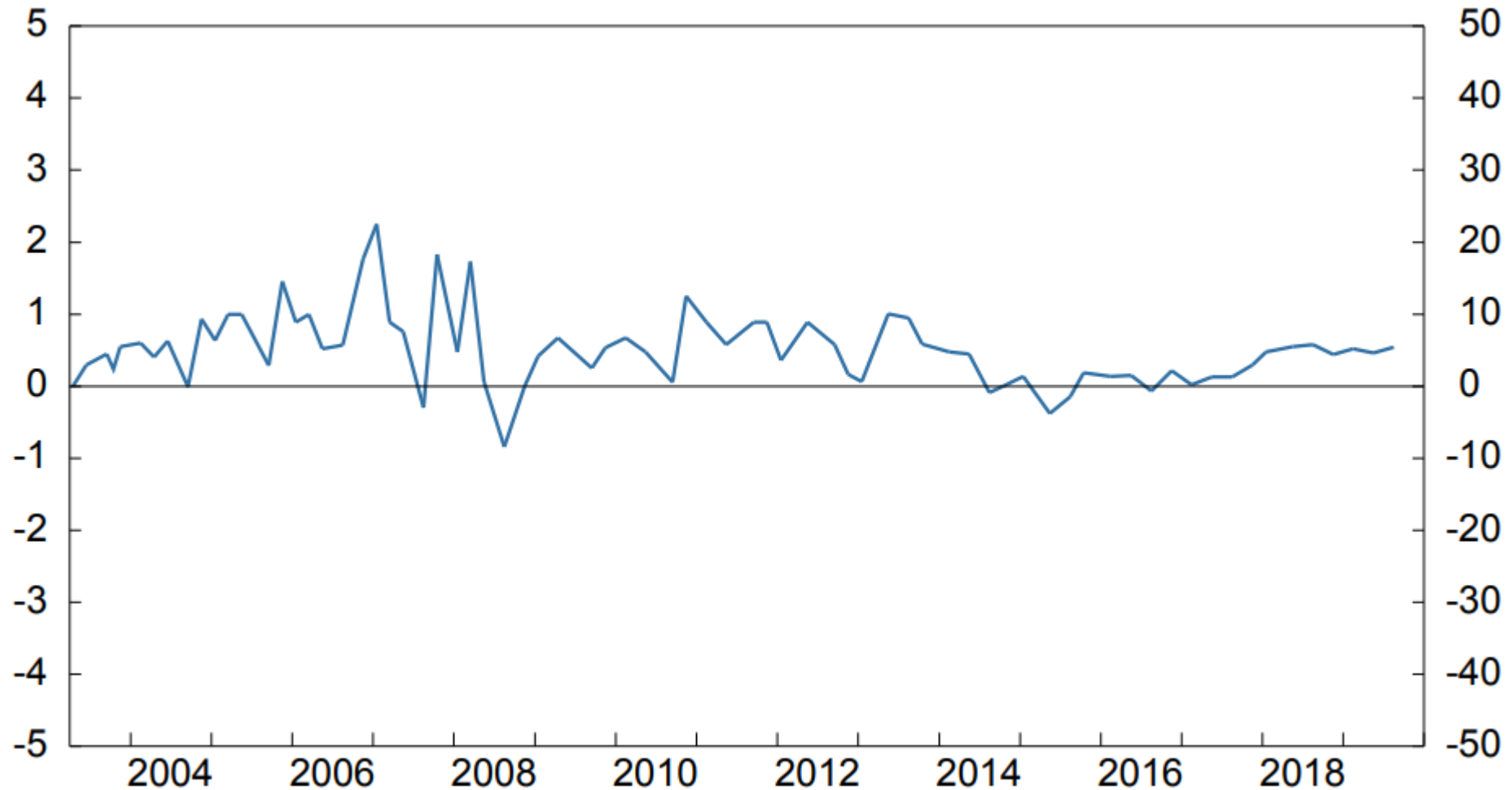
Region Sørvest – Pressure on capacity and access to labour



¹) Andel av kontaktbedrifter som vil ha noen eller betydelige problemer med å møte en vekst i etterpørselen. ²) Andel av kontakter som svarer at tilgangen på arbeidskraft begrenser produksjonen

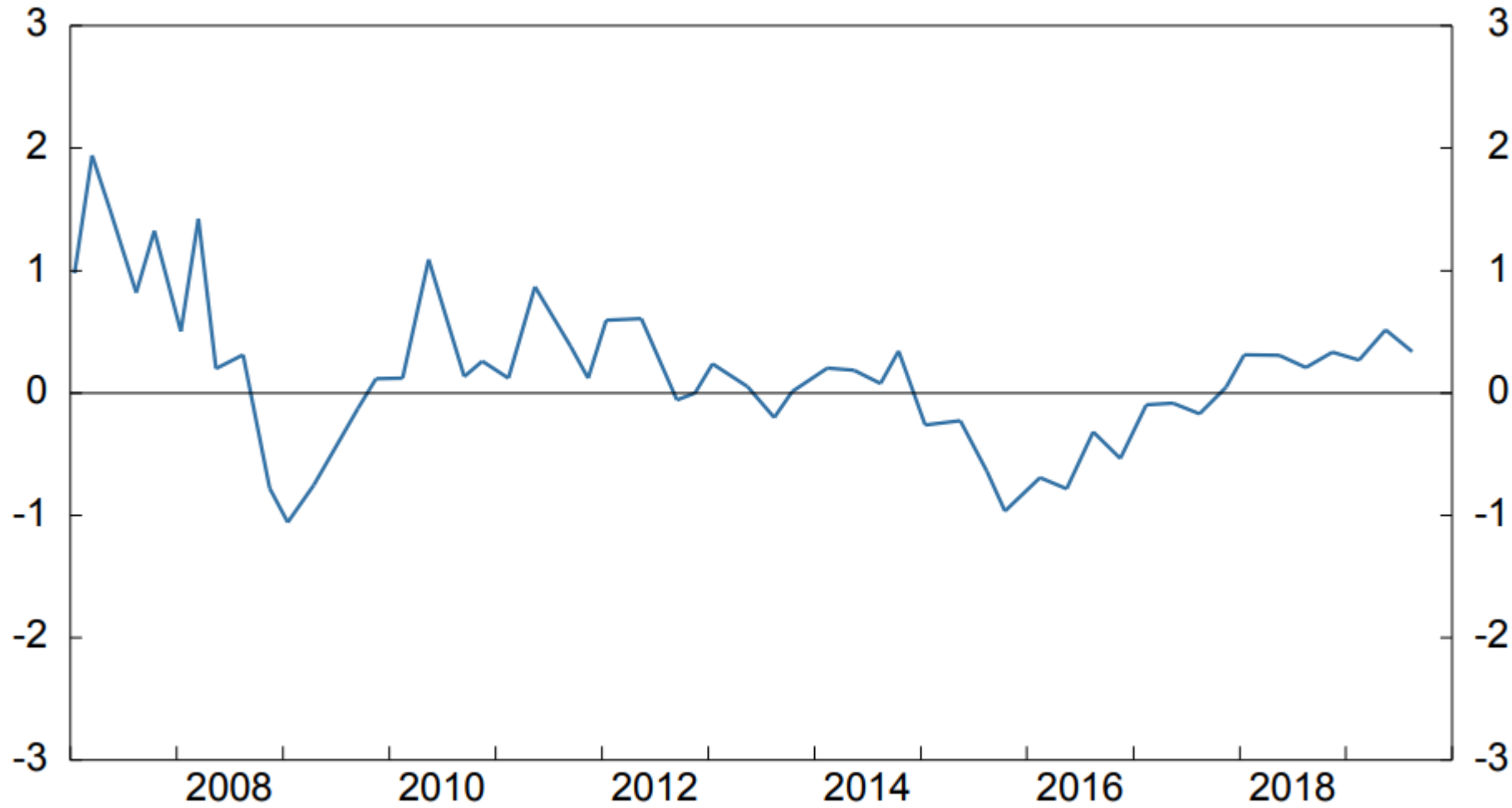
Norges Bank – Regional Network

Region Sørvest – Investment Growth



Norges Bank – Regional Network

Region Sørvest – Growth in profitability (change in operating margins 3 months rolling)



 Kongeparken Sparebank
- enklere valg

 Holmavika Sparebank
- enklere valg

 Dusavikå Sparebank
- enklere valg

 Sparebank
- enklere valg

 Indre Vågen Sparebank
- enklere valg

 Ruten Sparebank
- enklere valg

 Bråstein Spa
- enklere valg

 Postveien Sparebank
- enklere valg

 Ølbergstranda Sparebank
- enklere valg

 Sølvberget Sparebank
- enklere valg

 Vålandstårnet Sparebank
- enklere valg

 Arneageren Sparebank
- enklere valg

 Dalsnuten Sparebank
- enklere valg

 Austråttbakken Sparebank
- enklere valg

 Bybruå Sparebank
- enklere valg

 Badedammen Sparebank
- enklere valg



Appendices

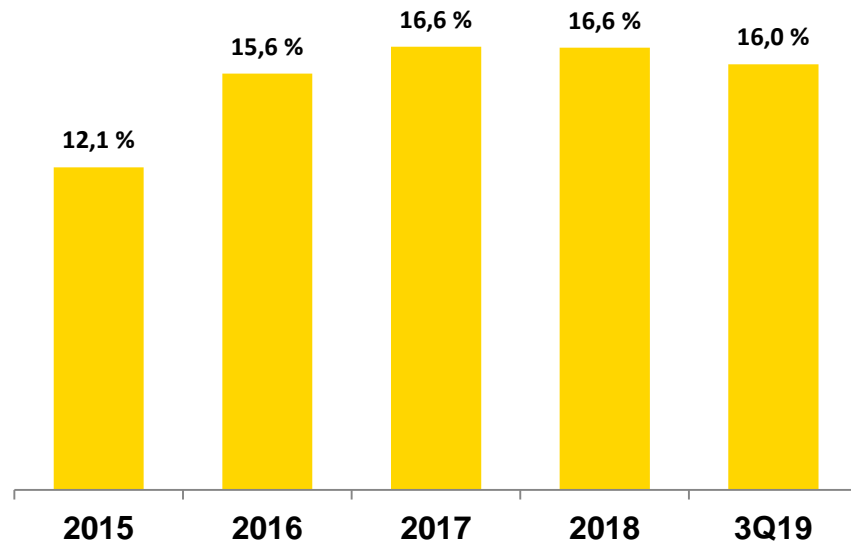
Strategy Period 2017-2020 including targets

	Results 2016	Results 2017	Results 2018	Target 2020
ROE	7.3 %	7.5 %	8.8 % <small>(8.1 % uten Vipps)</small>	> 9 %
Dividend Payout Ratio	26 %	50 %	75 %	50-75 %
CET 1 <small>Will be updated in 2019 after update of Pillar II requirement</small>	15.6 %	16.6 %	16.6 %	> 15.2 %
<small>Improvement in customer satisfaction index in %</small> Satisfied Customers <small>(Accumulated change since 2016)</small>	-	11 %	21 %	30 %
Profitable Growth (Corporate/Retail) <small>Gross lending growth per segment</small>	-4.8 %/-6.5 %	0.2 %/-0,3 %	-1.1%/4.7%	> credit growth

Strong Capitalisation

CET1 at 17.3 % incl. YTD profits

CET1

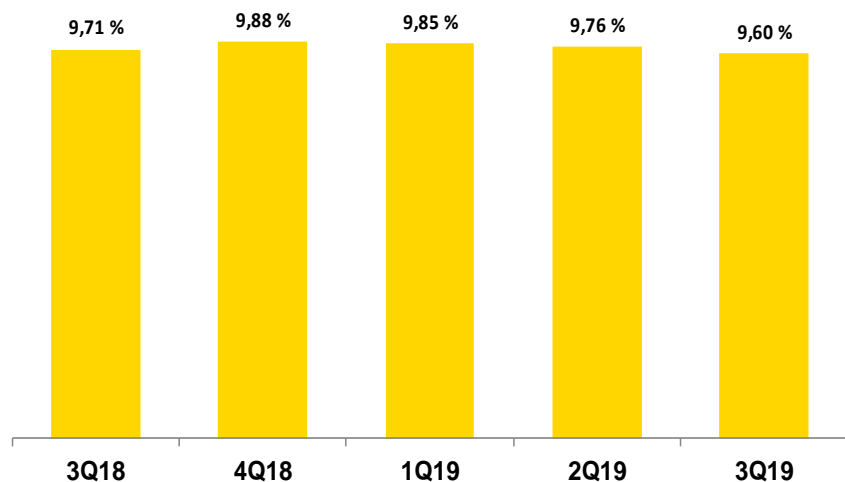


Strong capitalization

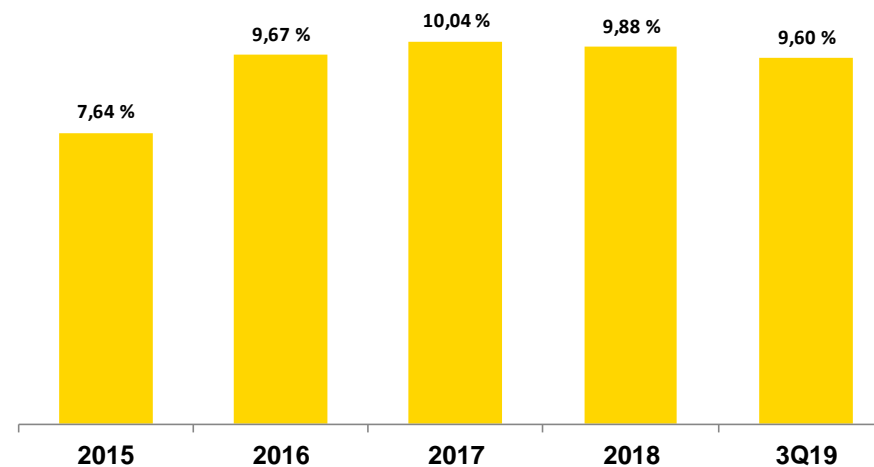
- FSA min. req. of 14.5% CET1 per Q3-2019
- CCB increases by 0.5% EOY
- Proposed increase in systemic risk buffer by 0.5% EOY
- Expected +0.3% from SME-discount EOY
- Expect updated Pillar II-req. by EOY

Solidity – Leverage Ratio

Leverage (Equity/Total assets), quarterly



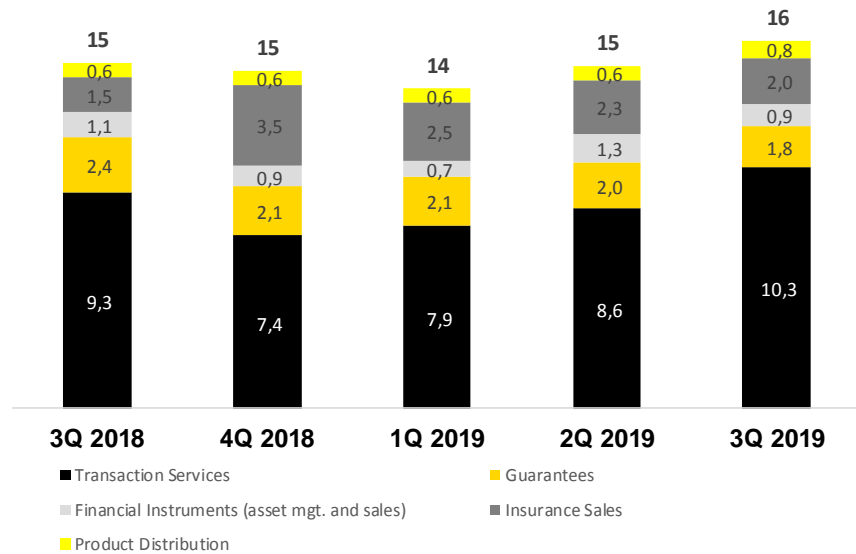
Leverage (Equity/Total assets), EOY / YTD



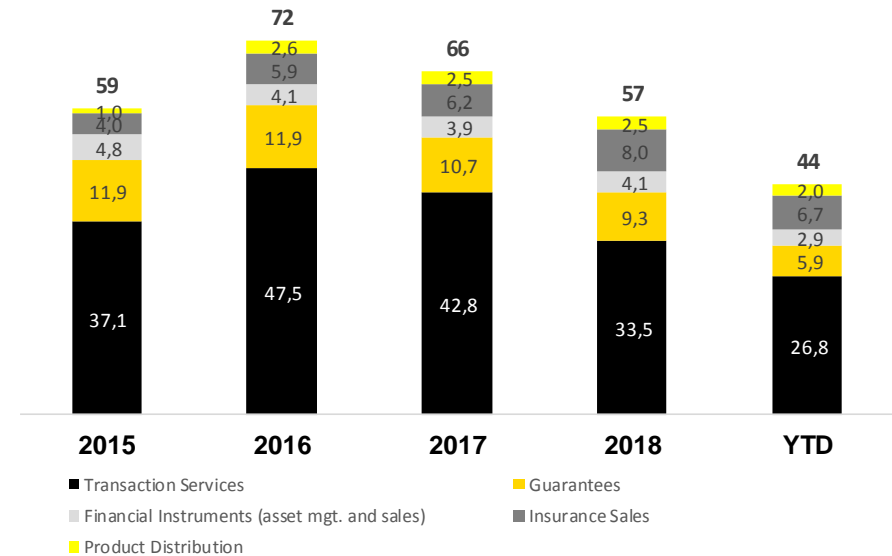
Gross Commissions

Transaction fees are under pressure | Positive development in insurance sales

Gross commission income, quarterly



Gross commission income, EOY/YTD.

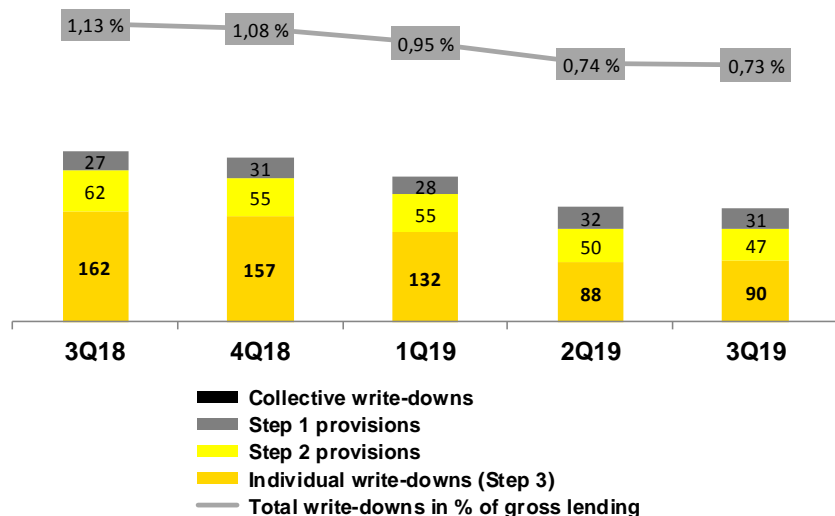


- Increased volume in savings and insurance, but reduced margins
- Reduced income due to lower volume of guarantees

Write-downs on Loans

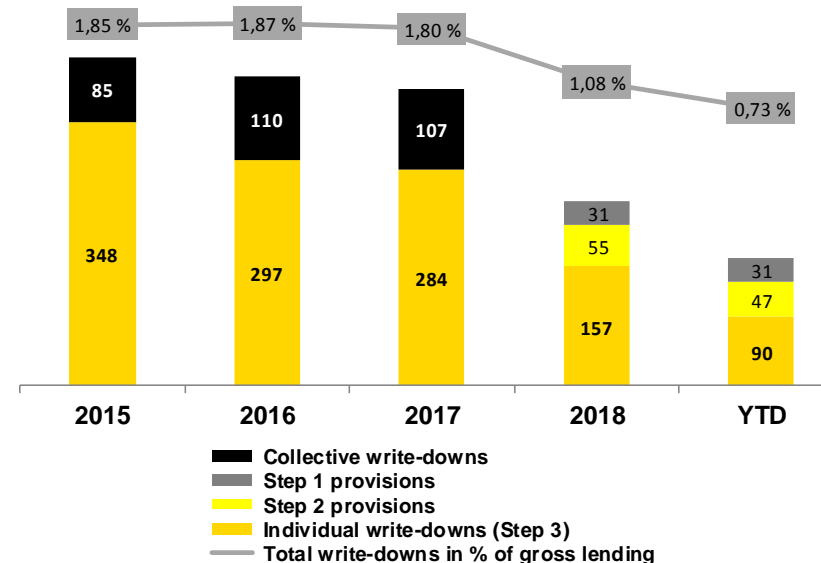
Reduction due to realization on doubtful loans with previous provisions

Write-downs, last 5 quarters



- Step 3 provisions increased by MNOK 2
- Step 1 og 2 reduced by MNOK 4

Write-downs, last 5 years

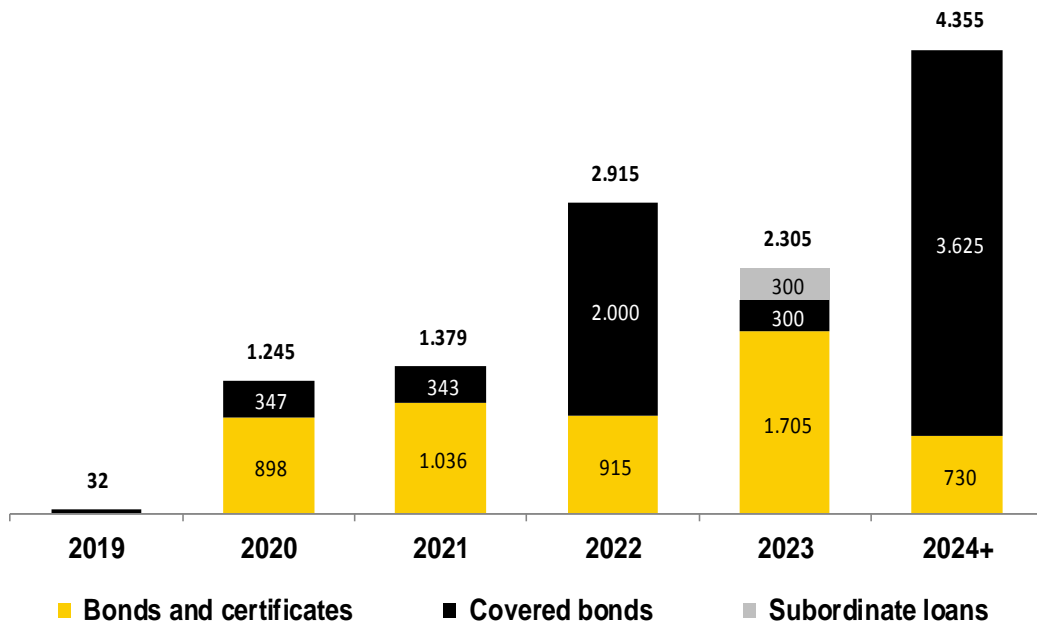


- Step 3 provisions increased by MNOK 67 YTD
- Step 1 og 2 reduced by MNOK 8

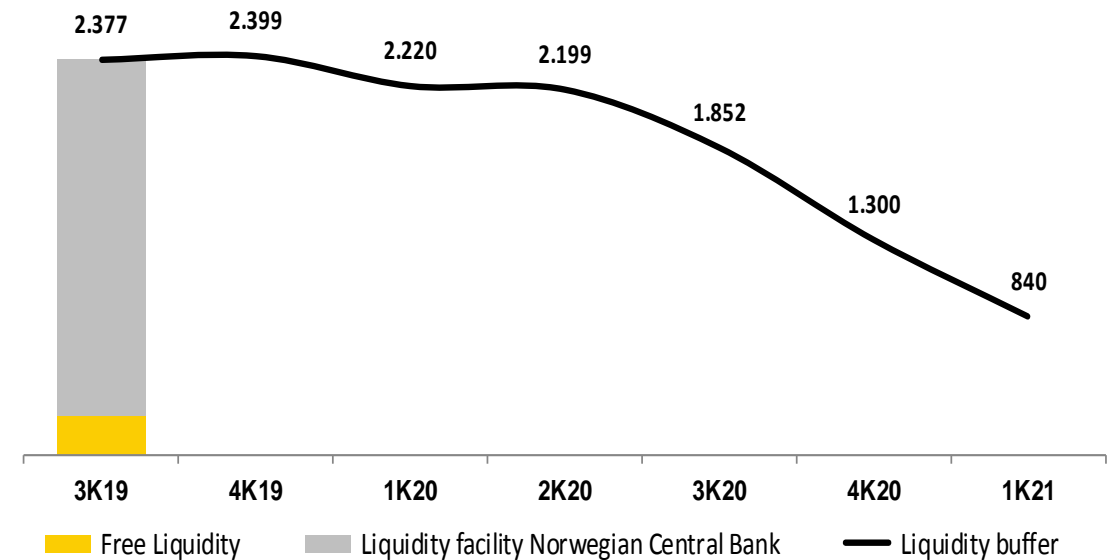
Liquidity

Good Liquidity | 2019 Refinanced | LCR 217% | NSFR 133%

Net Maturities (MNOK)



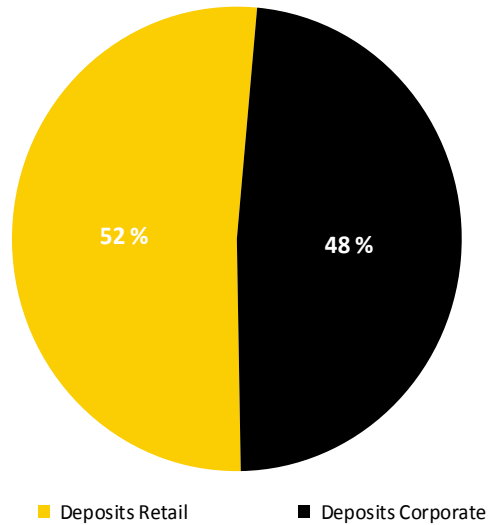
Liquidity Reserve (MNOK)



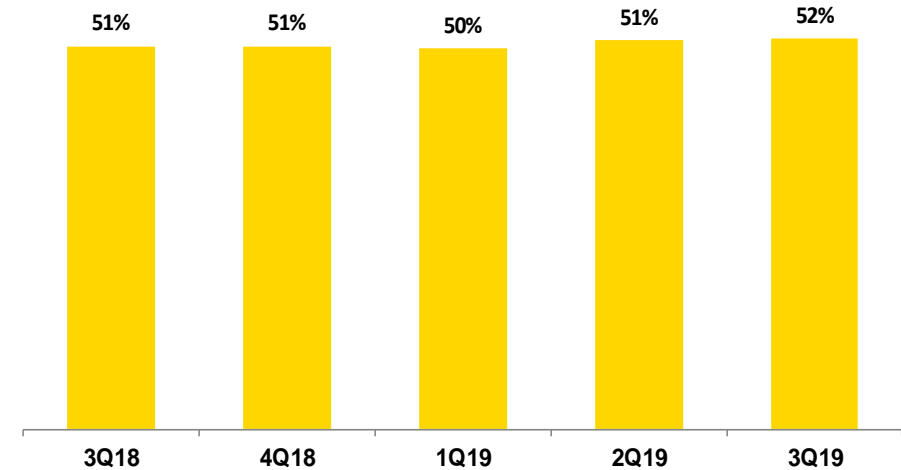
Deposits from customers

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

Divisional distribution



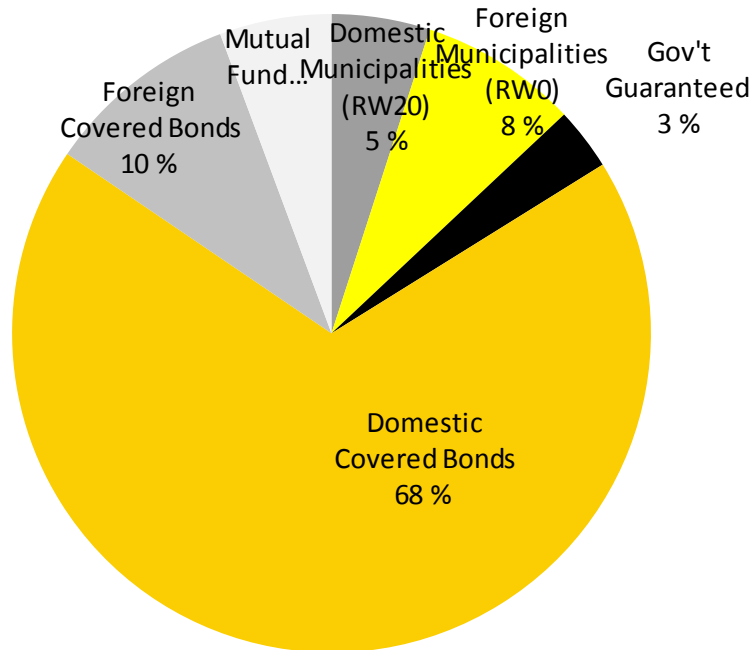
Deposit-to-loan ratio



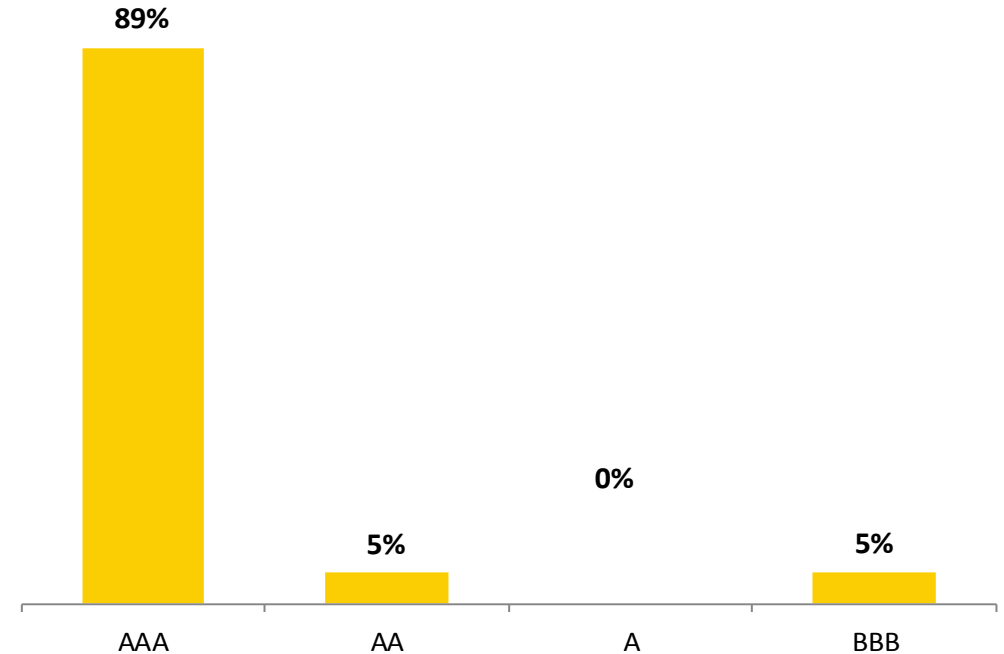
Liquidity Reserve

NOK 3,6 bn. ex. cash | 94 % AA-rated or above

Composition of liquidity reserve



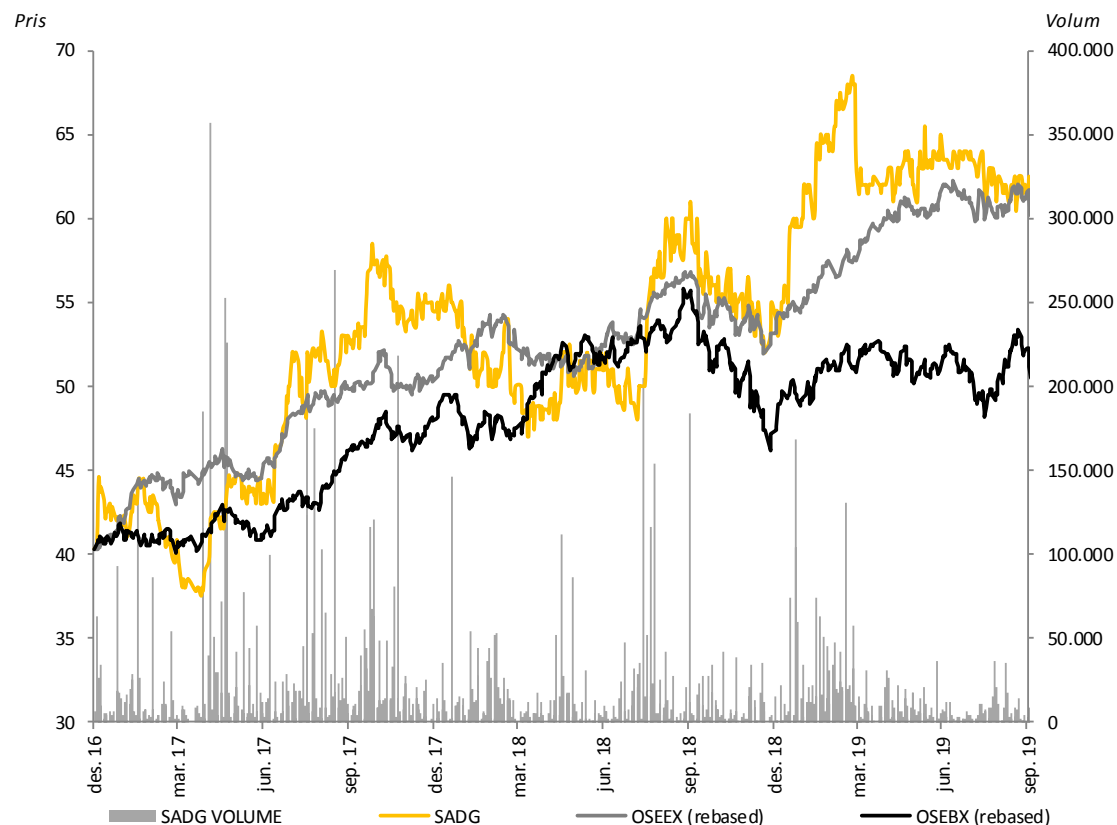
Liquidity reserve distributed by ratings



The Equity Capital Certificate

Performance and 20 largest shareholders

SADG: Development on the OSE



Shareholders

20 largest owners of equity certificates as at 30.09.2019	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. AS Clipper	1.088.738	4,73 %
4. VPF EIKA Egenkapital C/O Eika Kapitalforvaltning	928.839	4,04 %
5. Espedal & Co AS	886.861	3,85 %
6. Wenaasgruppen AS	650.000	2,82 %
7. Holmen Spesialfond	600.000	2,61 %
8. Salt Value AS	555.000	2,41 %
9. Skagenkaien Investering AS	500.000	2,17 %
10. Nordhaug Invest AS	280.957	1,22 %
11. Meteva AS	261.881	1,14 %
12. Bergen Kommunale Pensjonkasse	261.478	1,14 %
13. Kristian Falnes AS	260.000	1,13 %
14. Innovemus AS V/Oskar Bakkevig	185.000	0,80 %
15. Hausta Investor AS	185.000	0,80 %
16. Barque	159.651	0,69 %
17. Tirna Holding AS	156.255	0,68 %
18. Velde Holding AS	154.353	0,67 %
19. Verdipapirfondet Nordea Avkastning	129.119	0,56 %
20. Inge Steenslands Stiftelse	127.304	0,55 %
Sum	13.125.528	57,0 %
Totalt	23.014.902	100,00 %

Key Figures

	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	9M18	9M19
Growth assets	0,6 %	0,3 %	2,1 %	1,1 %	0,7 %	1,0 %	-0,5 %	1,2 %	4,1 %	2,4 %
Growth lending	2,0 %	0,4 %	1,2 %	0,5 %	0,6 %	1,6 %	0,8 %	0,4 %	4,1 %	3,4 %
Growth deposits	1,8 %	1,7 %	3,7 %	-2,4 %	0,6 %	1,0 %	3,2 %	0,8 %	4,9 %	5,8 %
Net interest margin	1,85 %	1,82 %	1,76 %	1,68 %	1,69 %	1,60 %	1,66 %	1,77 %	1,75 %	1,68 %
Other income % of total income	13,2 %	14,3 %	36,7 %	13,6 %	13,5 %	22,3 %	35,4 %	15,0 %	23,2 %	25,0 %
Cost-to-income ratio	48,7 %	46,7 %	34,6 %	49,1 %	52,0 %	47,9 %	37,5 %	45,4 %	42,5 %	43,1 %
Costs as % of av. total assets	1,0 %	1,0 %	1,0 %	1,0 %	1,0 %	1,0 %	1,0 %	0,9 %	1,0 %	1,0 %
Return on equity before tax	7,5 %	8,2 %	17,1 %	8,6 %	9,8 %	9,4 %	14,8 %	10,8 %	11,1 %	11,5 %
Return on equity after tax	5,6 %	6,1 %	14,3 %	6,5 %	8,6 %	8,2 %	13,6 %	8,2 %	8,9 %	9,8 %
Capital adequacy ratio	20,0 %	19,5 %	18,4 %	18,3 %	18,6 %	18,2 %	18,1 %	17,9 %	18,3 %	17,9 %
Tier 1 capital ratio	18,1 %	18,3 %	17,7 %	17,7 %	17,3 %	17,0 %	16,8 %	16,6 %	17,7 %	16,6 %
CET1	16,6 %	16,8 %	16,3 %	16,2 %	16,6 %	16,3 %	16,2 %	16,0 %	16,2 %	0,0 %
Risk-weighted assets	15.440	15.371	15.570	15.630	15.538	15.652	15.754	15.725	15.630	15.725
Number of man-years	135	134	138	135	136	136	131	136	135	136
Stock exchange price	55	50	51	60	55	64	65	62	60	62
Equity capital certificate % of equity	64,5	65,1	65,2	65,3	65,3	65,3	65,4	65,4	65,3	65,4
Earnings per equity capital certificate	1,1	1,1	2,7	1,3	1,7	1,6	2,7	1,7	5,2	6,0
Book value per equity capital certificate	76,6	75,6	78,4	79,7	81,1	78,4	80,1	81,4	79,7	81,4
Individual write-downs in % of gross lending	1,30 %	1,11 %	1,16 %	0,73 %	0,70 %	0,58 %	0,38 %	0,39 %	0,73 %	0,39 %
Coll. write-downs in % lending after ind. wr.-d.	0,50 %	0,53 %	0,44 %	0,40 %	0,38 %	0,37 %	0,36 %	0,34 %	0,40 %	0,34 %
Deposits to loans ratio	50,6 %	51,1 %	52,4 %	50,7 %	50,7 %	50,3 %	51,4 %	51,7 %	50,7 %	51,7 %
Deposits to loans ratio parent bank	73,3 %	73,7 %	78,0 %	74,7 %	76,0 %	76,4 %	77,7 %	78,1 %	74,7 %	78,1 %

Definition of Key Figures

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

Net Interest Income (NII)

Interest income – interest expenses

Interest margin

$((\text{Net interest income} / \text{days in the period}) \times \text{days in a year}) / \text{average total assets}$

Lending margin

Average loan rate – rolling average of 3month NIBOR rate

Deposit Margin

Rolling average of 3month NIBOR rate – average deposit rate

Cost / income ratio

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

Costs as a percentage of average total assets

$((\text{Total operating costs} / \text{days in the period}) \times \text{days in a year}) / \text{average total assets}$

Return on equity before tax

$(\text{Operating profit before taxes} / \text{days in the period} \times \text{days in a year}) / ((\text{OB total equity} + \text{IB total equity}) / 2)$ [excl. T1 hybrid instruments]

Return on equity after tax

$(\text{Operating profit after taxes} / \text{days in the period} \times \text{days in a year}) / ((\text{OB total equity} + \text{IB total equity}) / 2)$ [excl. T1 hybrid instruments]

Equity certificate capital in % of equity

$(\text{Equity certificate capital} + \text{own equity certificate} + \text{share premium} + \text{dividend equalisation reserve}) / (\text{Equity certificate capital} + \text{own equity certificate} + \text{share premium} + \text{dividend equalisation reserve} + \text{savings bank`s fund} + \text{gift fund})$

Earnings per equity certificate

$(\text{Operating profit after taxes} \times \text{equity certificate capital in \% of equity}) / \text{number of equity certificates}$ **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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