

Sbanken

Q4 – 2019

Sbanken group



Sbanken – the leading digital challenger



Leading digital retail bank in Norway with more than 460 000 customers



Loan book growth above 40 per cent since IPO November 2015



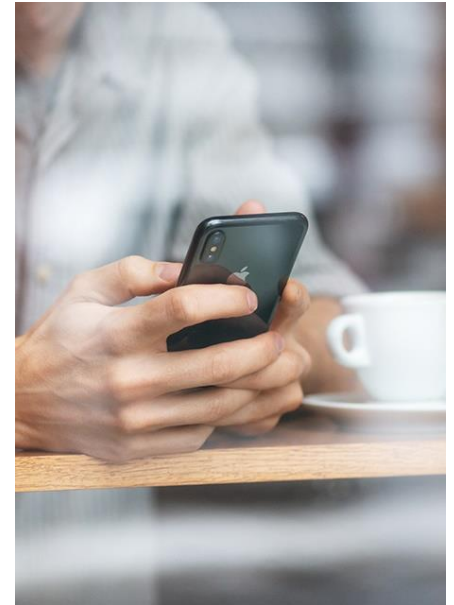
High profitability – average ROE of 12.5 per cent last three years



Most satisfied customers in the last 18 years

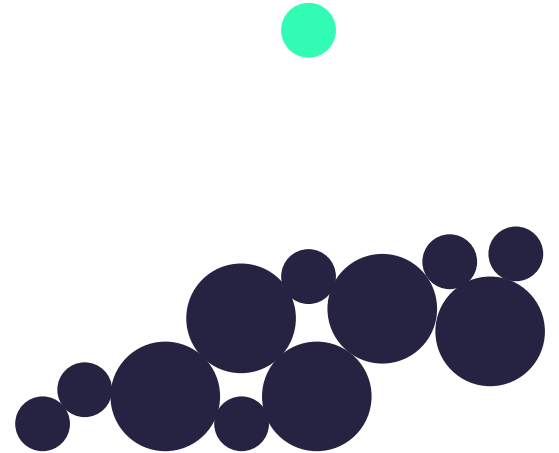


In 2019 launched game changing offering for SMEs and long-term savings



Developments in the quarter

- Continued improvement in net interest margin
- Growth in savings - FuM at 16bn and NCCF 1bn
- SME making progress, 4 000 customers and 0.6bn deposit
- 150bp increase in systemic risk buffer postponed to year-end 2022
- Flat mortgage book development
- Strong capital position – capacity for growth
- Non-recurring items of NOK 50.7 million
- Record high dividend of NOK 1.90 per share – 29.9 per cent payout ratio



Financial highlights

	Q4-2019	Q4-2019 adj*	Q4-2018
Net interest income (NOK million)	429.1		362.1
Net fee and commission (NOK million)	53.5		49.8
Profit before loan losses (NOK million)	264.0	297.3	253.2
Net profit (NOK million)	163.0	201.6	169.2
Earning per share (NOK)	1.44	1.80	1.52
ROE (per cent)	10.0	12.5	11.5
Cost-to-income (per cent)	45.4	38.6	38.8
Loan-loss-ratio (per cent)	0.24	0.16	0.14
NIM (per cent)	1.81		1.56
CET1** (per cent)	15.6		14.6

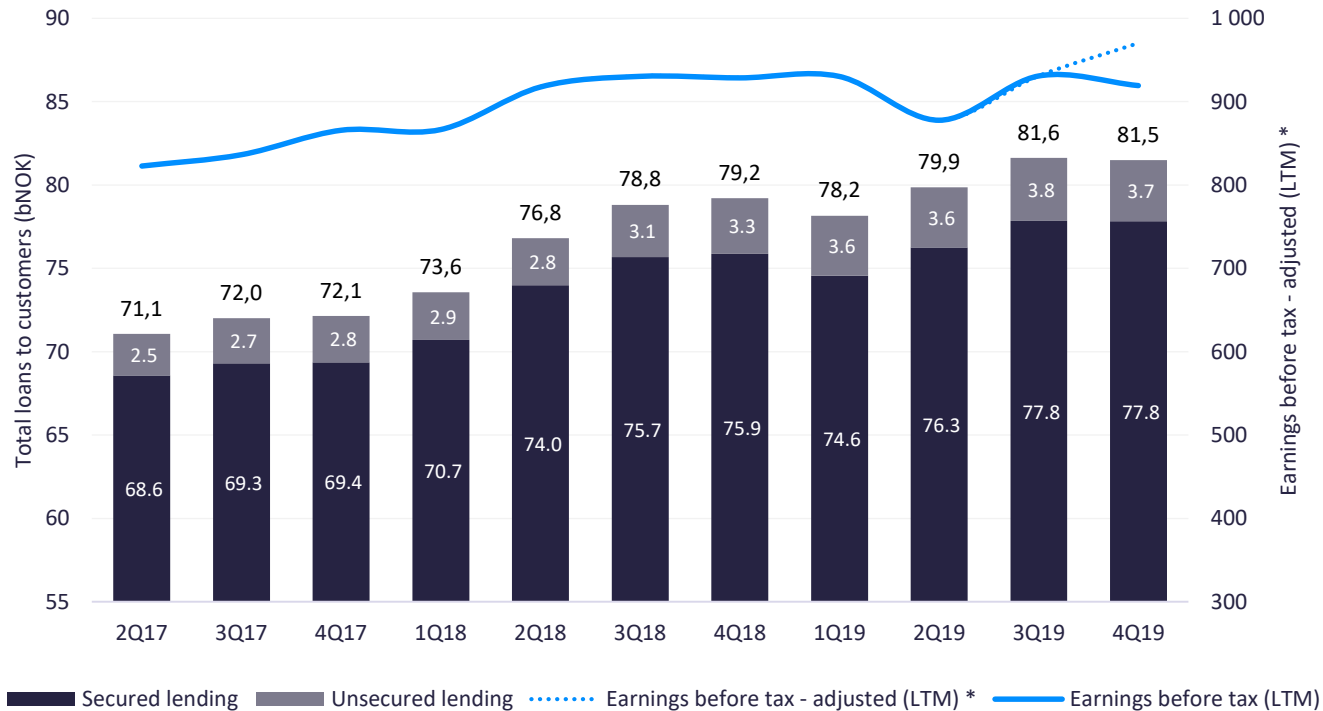
One-off items totalling NOK 50.7 million before tax

- 23.5 million in write-down of intangibles
- 9.8 million in management restructuring costs
- 17.4 million loss due to sale of non-performing loan portfolio

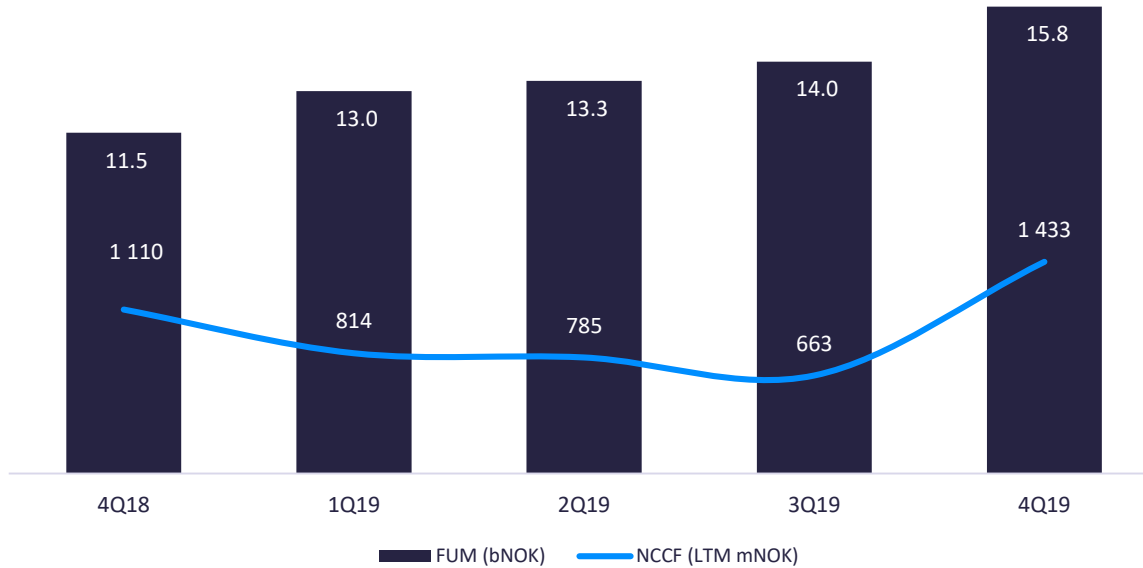
* Adjusted for one-off items totalling NOK 50.7 million.

** Year-end 2018 is based on actual dividend. Year-end 2019 is based on proposed dividend.

Profitable growth through scale and diversification



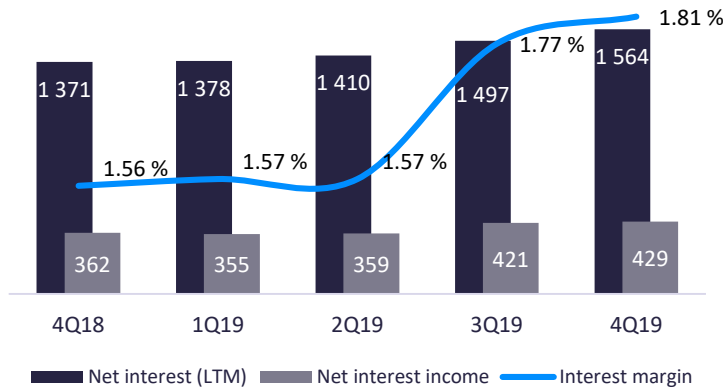
High growth in savings



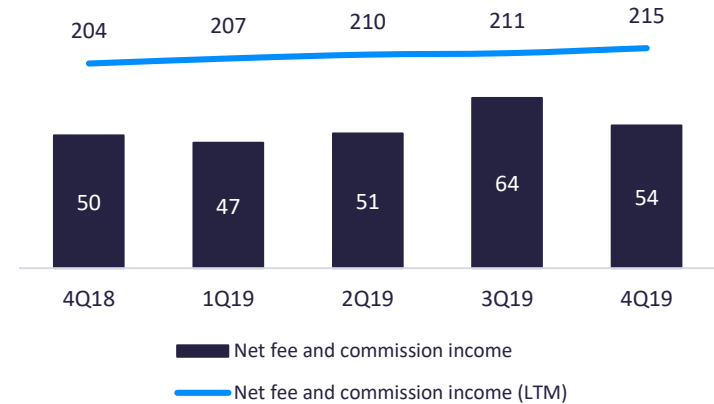
- Large inflows following new savings model launched in August
- Net client cash flow NOK 957 million in the quarter
- 18.0 per cent market share of retail fund inflows, including migrations

Revenues

Net interest income



Net fee and commission income

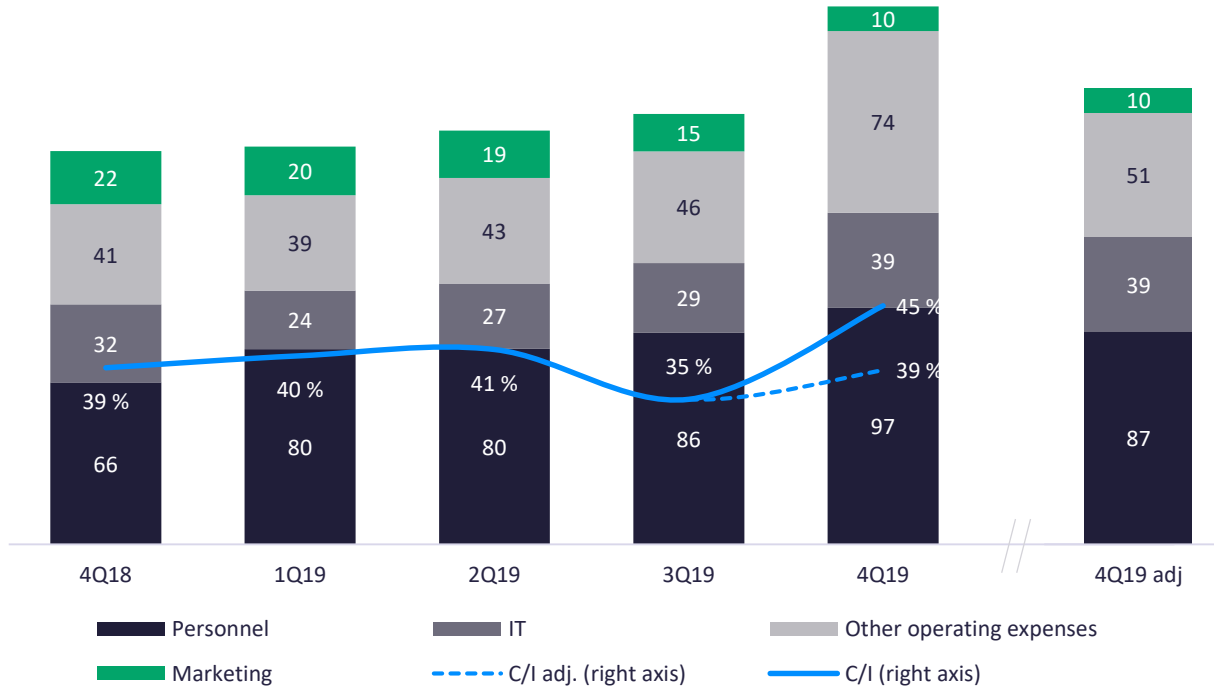


- NII increase with loan book repricing

- Positive development in income from card transactions
- Strong growth in net client cash flow in mutual funds

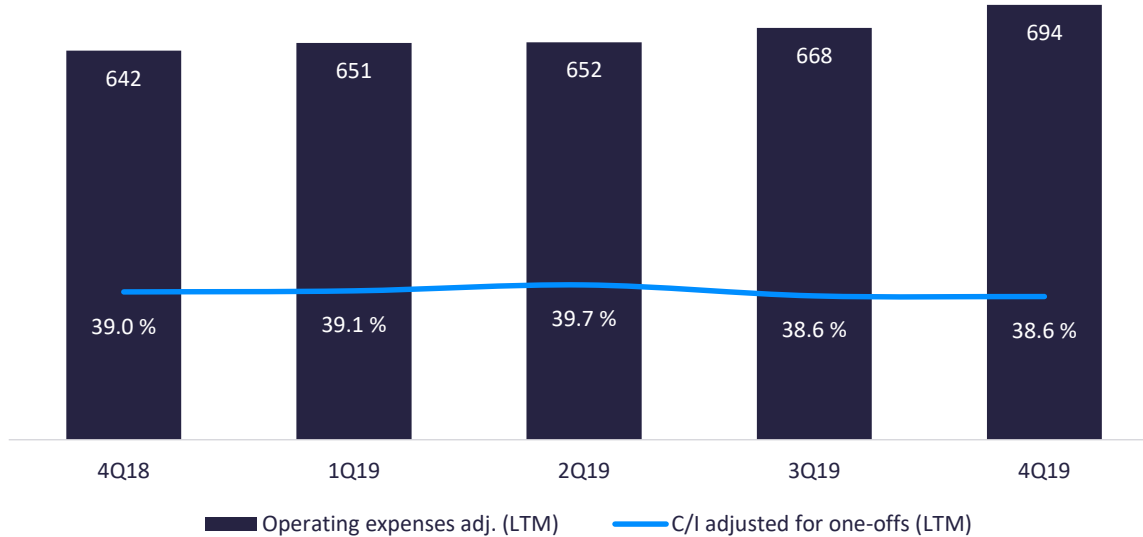
Operating cost

NOK million



- One-off items related to write-down of intangibles and management restructuring
- Reduction of marketing costs

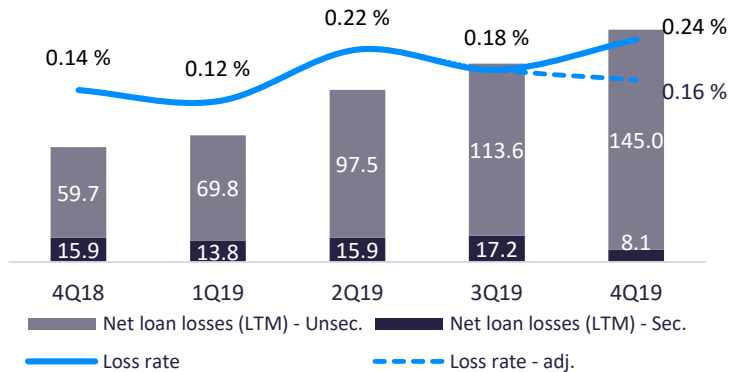
Cost and cost-to-income



- Cost-income target of 34% mid-term
- Cost-to-income of 45.4 per cent in the quarter, 38.6 per cent when adjusting for one-off items

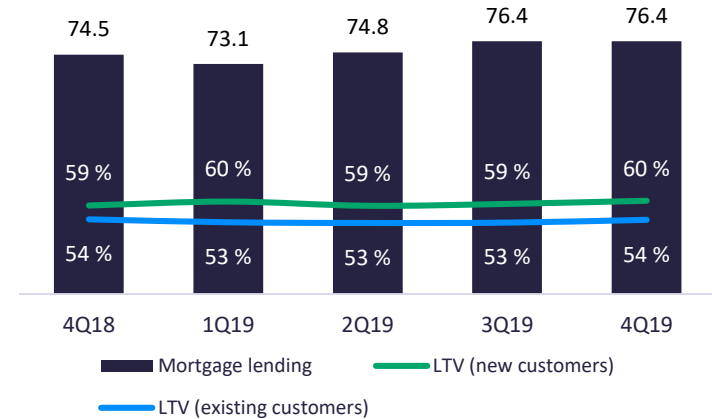
Asset quality

Net loan losses and loss ratio



- Losses for consumer loans increased
- One-off sale of NPL portfolio – underlying loss level of 0.16 %
- Loss level expected to trend around 0.20 % for 2020

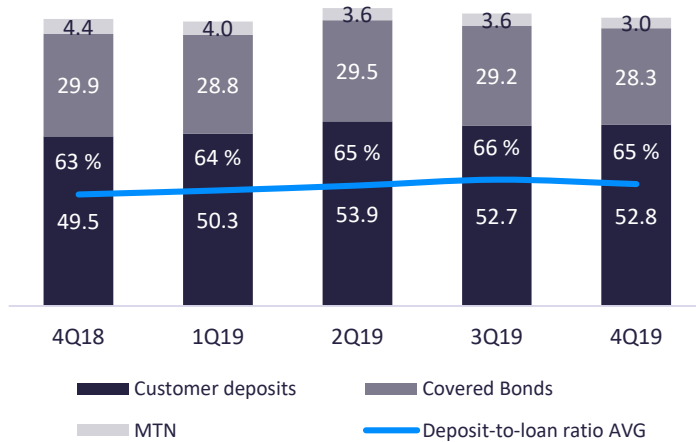
Mortgage lending and LTV



- Average LTV stable both for existing portfolio and new loans

Funding and capital

Funding

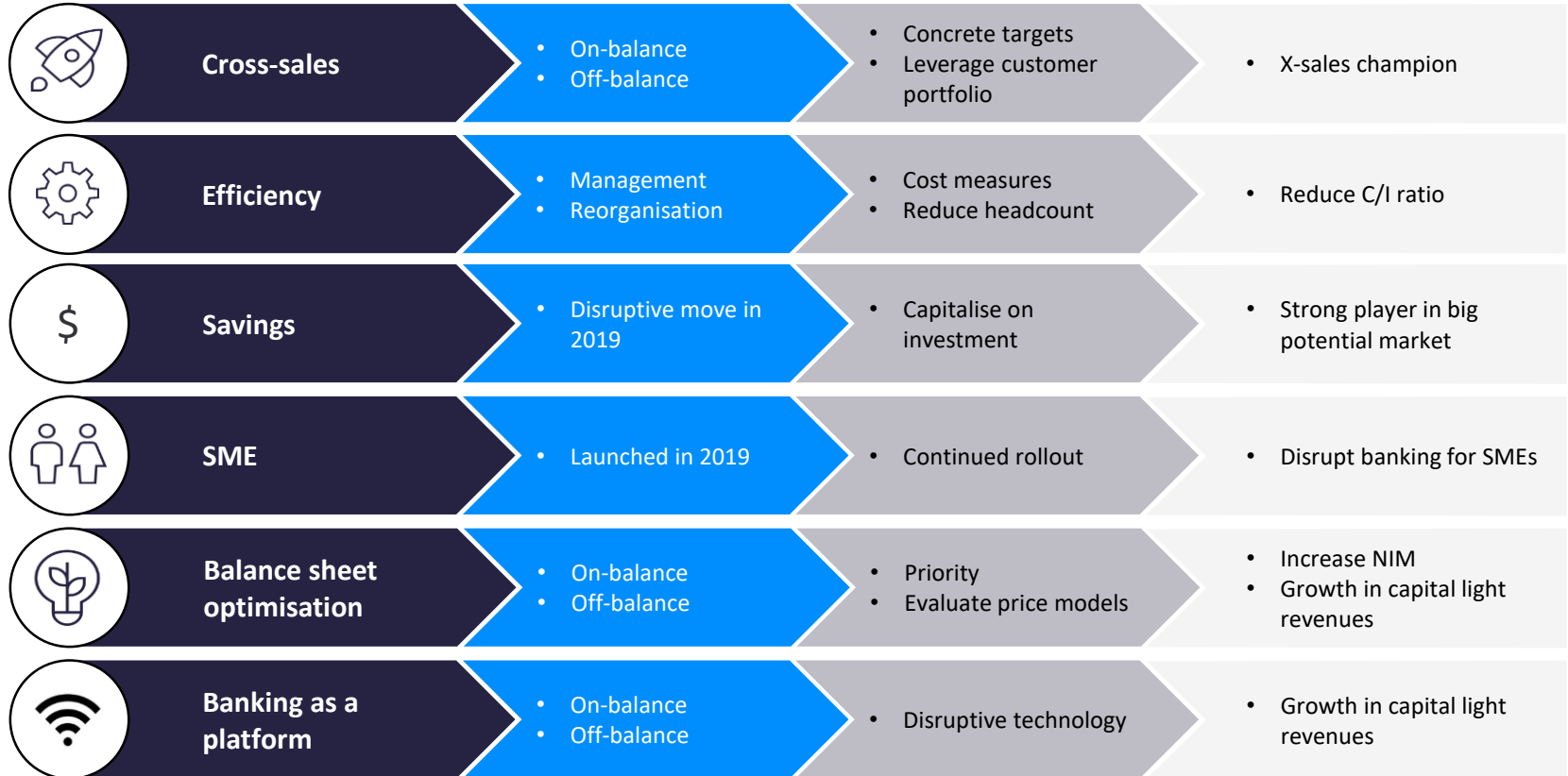


Capital








- MoF decided to postpone 1.50 percentage points increase in SRB until year-end 2022 for standardised method banks
- Strong capital position
- Clarity on capital requirements going forward

Status of activities



Financial targets 2020 - 2022

	Targets 2020 - 2022	2019
 Return on equity	14.0 %	12.1 %*
 LTM EPS growth	> 10 %	2.8 %*
 Payout ratio	Up to 30 %	29.9 %
 CET1 ratio	14.5 %	15.6 %**
 Cost-to-income ratio	< 34 %	38.6 %*

* Excluding non-recurring items.

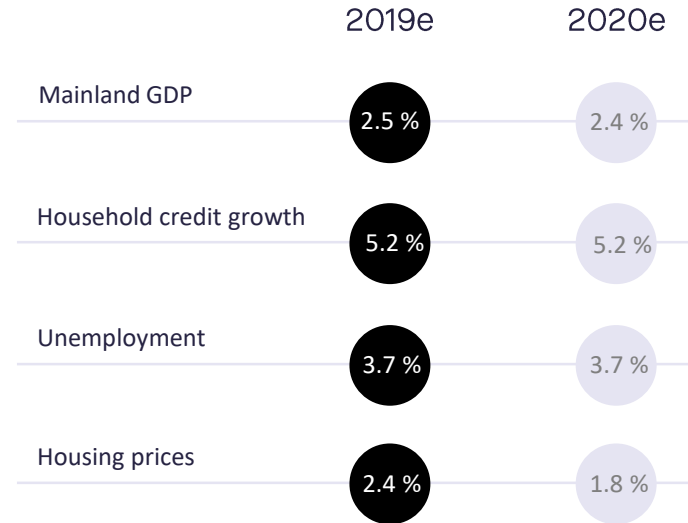
** Including actual dividend for 2018 and proposed dividend for 2019.

Note: Targets are subject to the current capital requirements. Any future regulatory changes could imply a change to the target

Outlook for 2020



- Growth rate expected to slow somewhat going forward
- Stable unemployment and credit growth
- Low and stable growth in housing prices indicate a balanced market
- Strengthened position in the savings market
- Targeting NOK 5bn in SME deposits at year-end 2020
- Overall loss level for 2020 expected to trend around 20 basis points
- Will capitalise on strong customer portfolio through cross-sales, technical disruption and operation excellence



Important information

Sbanken ASA and its wholly-owned covered bond subsidiary, Sbanken Boligkreditt AS, constitute the Sbanken group.

This presentation contains certain forward-looking statements relating to the business, financial performance and results of the group. No representation is made that any of these forward-looking statements or forecasts will come to pass or that any forecast result will be achieved and any reader is cautioned not to place any undue reliance on any forward-looking statement. The information obtained from third parties has been accurately reproduced and, as far as the company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information to be inaccurate or misleading.

This presentation contains alternative performance measures, or non-IFRS financial measures. Definitions and calculations are presented in our quarterly report.

Appendix

Income statement

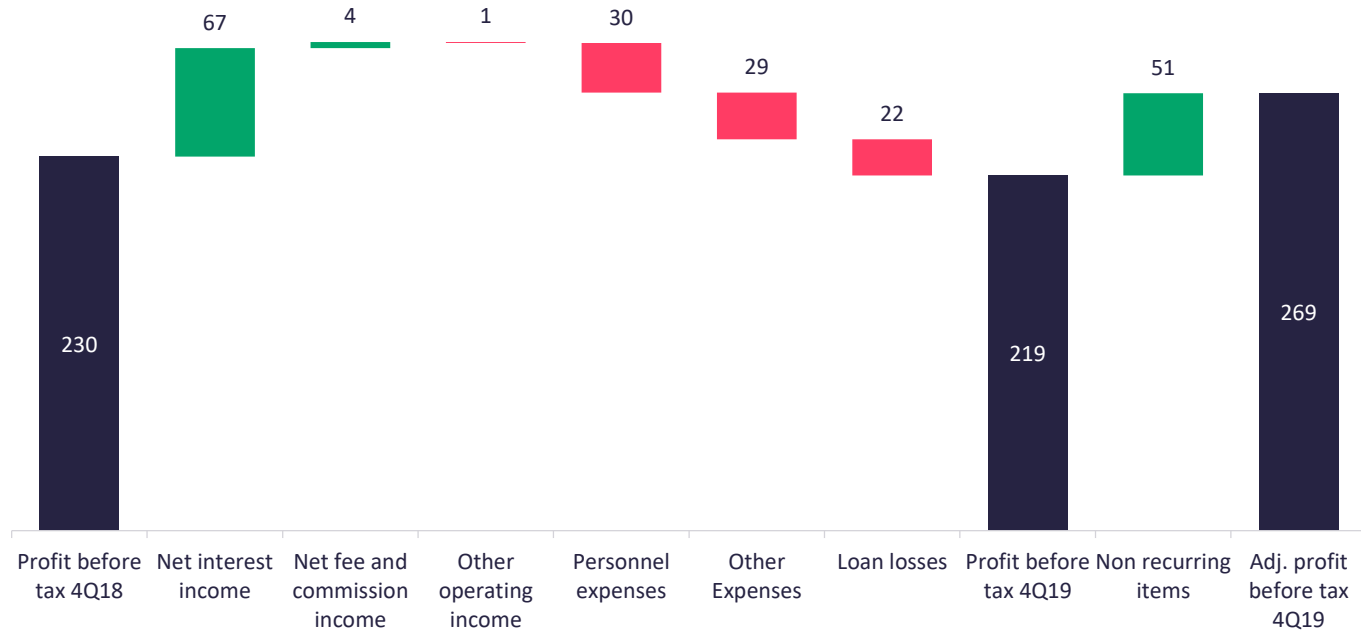
In NOK thousand	Note	Q4 19	Q4 18	2019	2018
Interest income from financial instruments using the effective interest method	12	745 153	608 584	2 719 164	2 275 239
Other interest income	12	0	0	0	0
Interest expense	12	-316 096	-246 493	-1 155 037	-903 999
Net interest income		429 057	362 091	1 564 127	1 371 240
Commission and fee income	13	89 629	74 455	344 607	314 056
Commission and fee expense	13	-36 100	-24 643	-129 683	-110 457
Net commission and fee income		53 529	49 812	214 924	203 599
Net gain/(loss) on financial instruments	14	1 133	1 794	20 553	71 256
Other income		100	119	225	119
Other operating income		1 233	1 913	20 778	71 376
Personnel expenses	15	-96 576	-66 112	-342 921	-282 150
Administrative expenses	15,20	-82 499	-90 267	-303 070	-345 811
Depreciation and impairment of fixed and intangible assets		-40 758	-4 249	-81 249	-14 031
Profit before loan losses		263 986	253 188	1 072 589	1 004 223
Loan losses	8	-49 845	-27 507	-153 149	-75 513
Profit before tax		214 141	225 681	919 440	928 710
Tax expense	16	-51 166	-56 479	-209 388	-205 990
Profit for the period		162 975	169 203	710 052	722 720
Attributable to					
Shareholders		154 080	162 717	678 080	697 339
Additional Tier 1 capital holders	11	8 895	6 486	31 972	25 381
Profit for the period		162 975	169 203	710 052	722 720

Balance sheet

In NOK thousand	Note	31/12/19	31/12/18
Assets			
Cash and receivables with central bank	5	1 587 606	393 148
Loans to and receivables from credit institutions	5	286 802	229 401
Loans to customers	5, 6, 7, 17, 18	81 233 217	79 020 747
Net loans to customers, central bank and credit institutions		83 107 625	79 643 295
Commercial paper and bonds at fair value through OCI	17, 19	9 087 319	11 244 999
Shares and funds	17, 18, 19	171 680	156 769
Derivatives	19	201 975	201 977
Intangible assets		135 376	110 624
Deferred tax assets	16	17 915	17 253
Property, plant and equipment		164 782	18 607
Other assets		88 588	93 702
Advance payment and accrued income		30 425	23 481
Total assets		93 005 685	91 510 707
Liabilities			
Loans and deposits from credit institutions	17, 18	0	0
Deposits from customers	17, 18	52 844 881	49 534 250
Debt securities issued	10, 17, 18	31 304 025	34 309 941
Derivatives		0	0
Taxes payable	16	208 769	209 036
Pension commitments		27 494	30 797
Other liabilities		834 679	578 022
Subordinated loans	10, 17, 18	899 438	649 294
Total liabilities		86 119 287	85 311 340
Equity			
Share capital		1 068 693	1 068 693
Share premium		2 625 895	2 625 895
Additional Tier 1 capital	11	705 858	504 978
Other equity		2 485 952	1 999 801
Total equity		6 886 398	6 199 367
Total liabilities and equity		93 005 685	91 510 707

Change in profit before tax

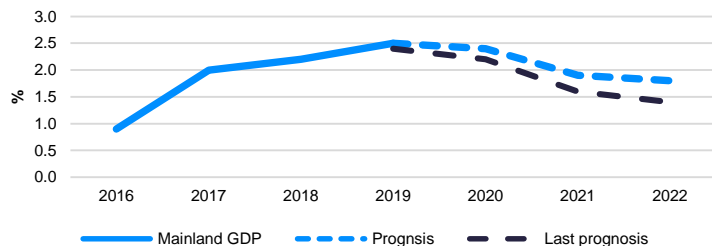
NOK million



Norwegian macro development

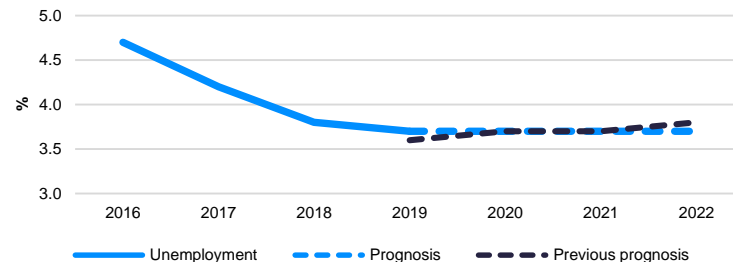
GDP

Mainland GDP - SSB (y/y)



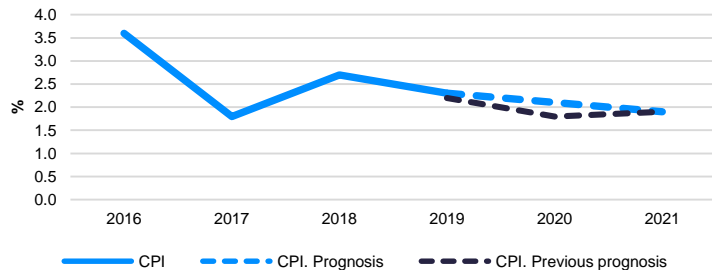
Unemployment (AKU)

Unemployment rate (level) - SSB



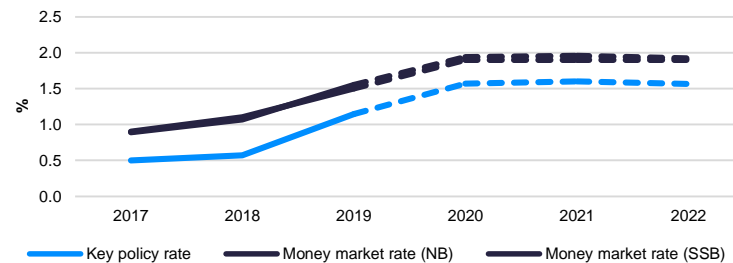
CPI

CPI - SSB (y/y)



Interest rates

Key policy rate and Money market rate



Interest bearing lending and funding

Interest bearing lending

NOKm		2018	2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Home loans	Volume	74 495	76 427	73 139	74 838	76 447	76 427
	Interest income	1 733	2 024	473	475	513	563
	Effective rate ¹	2.41 %	2.71 %	2.57 %	2.59 %	2.71 %	2.94 %
Car loans	Volume	1 188	1 121	1 184	1 180	1 154	1 121
	Interest income	60	62	15	16	15	16
	Effective rate ¹	4.91 %	5.27 %	5.01 %	5.36 %	5.23 %	5.48 %
Consumer loans	Volume	1 934	2 263	2 209	2 325	2 341	2 263
	Interest income	157	234	52	59	63	60
	Effective rate ¹	9.80 %	10.36 %	9.92 %	10.44 %	10.68 %	10.38 %
Other credit products ²	Volume	1 596	1 684	1 632	1 521	1 681	1 684
	Interest income	178	188	46	47	46	49
	Effective rate ¹	10.96 %	11.30 %	11.52 %	11.26 %	11.03 %	11.40 %
Interest bearing securities	Volume	11 245	9 087	10 244	10 080	10 215	9 087
	Interest income	136	189	43	45	50	51
	Effective rate ¹	1.27 %	1.82 %	1.61 %	1.71 %	1.87 %	2.10 %
Total	Volume	91 511	93 006	91 072	94 959	94 107	93 006
	Interest income	2 275	2 719	633	647	694	745
	Effective lending rate ¹	2.55 %	2.93 %	2.76 %	2.83 %	2.94 %	3.17 %

Interest bearing funding

NOKm		2018	2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Deposits	Volume	49 534	52 845	50 256	53 930	52 654	52 845
	Interest expense	340	430	102	104	108	115
	Effective rate ¹	0.69 %	0.83 %	0.83 %	0.82 %	0.81 %	0.86 %
	Bank guarantee fee	37	62	25	26	-8	15
	Effective rate incl. fee ¹	0.77 %	0.94 %	1.03 %	1.02 %	0.75 %	0.97 %
Debt securities in issue	Volume	34 310	31 304	32 817	33 050	32 769	31 304
	Interest expense	507	636	142	151	151	177
	Effective rate ¹	1.51 %	1.93 %	1.71 %	1.83 %	1.98 %	2.20 %
Other int. bearing funding ³	Volume	0	0	0	0	0	0
	Interest expense	0	0	0	0	0	0
	Effective rate ¹	N/A	N/A	N/A	N/A	N/A	N/A
Total	Volume	84 493	84 048	83 847	87 755	87 469	85 048
	Interest expense	904	1 155	277	288	273	316
	Effective funding rate ¹	1.01 %	1.24 %	1.22 %	1.26 %	1.15 %	1.33 %

Note: total includes lending to credit institutions and lending to the central bank

(1) Effective lending and funding rates calculated as the interest income or expense (annualised for quarterly figures) as a percentage of average balance in the period; (2) Other credit products include account credit, credit cards and custody account lending; (3) Other interest bearing funding includes debt to credit institutions and subordinated debt but excluding hybrid capital.

Non-performing and doubtful loans per product

Credit-impaired assets		31/12/19					
In NOK thousand	Principal type of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
Loans to customers:							
Home loans	Residential property	251 016	-36 484	214 532	210 342	4 190	89.7%
Car Loans	Vehicle	10 299	-3 897	6 402	5 445	957	80.3%
Custody account credits	Listed securities	0	0	0	0	0	Na
Unsecured loans	None	299 939	-127 033	172 906	0	172 906	42.4%
Total credit-impaired assets		561 254	-167 413	393 840	215 787	178 053	48.5%

Financial calendar

01.04.2020

Annual report FY 2019

15.05.2020

Quarterly report Q1 2020

15.07.2020

Quarterly report Q2 2020

