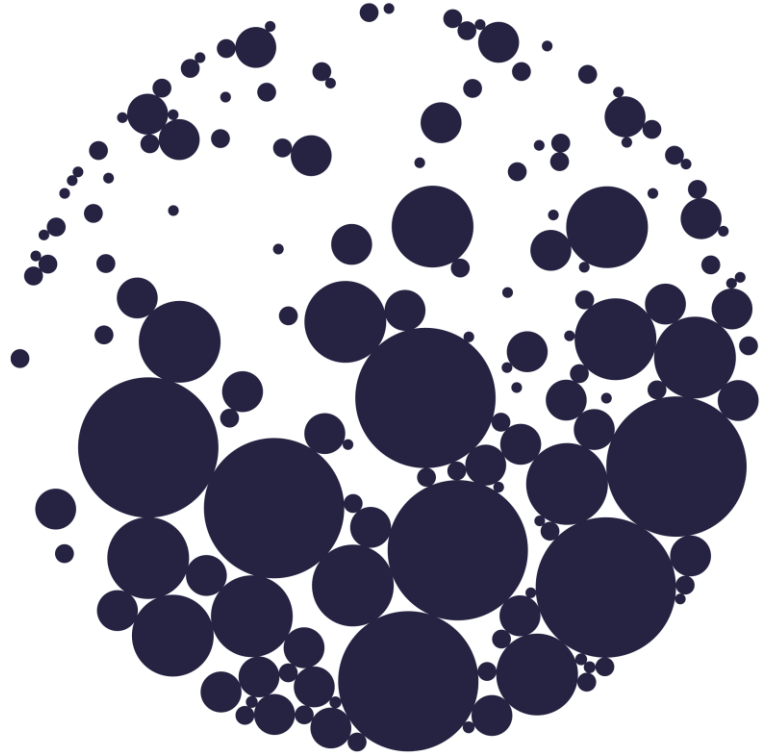


Sbanken

Q2

Second quarter 2020

Sbanken group



# Sbanken – the leading digital challenger



Leading digital retail bank in Norway with 470 000 customers



CAGR loan growth 9.2 % since IPO November 2015



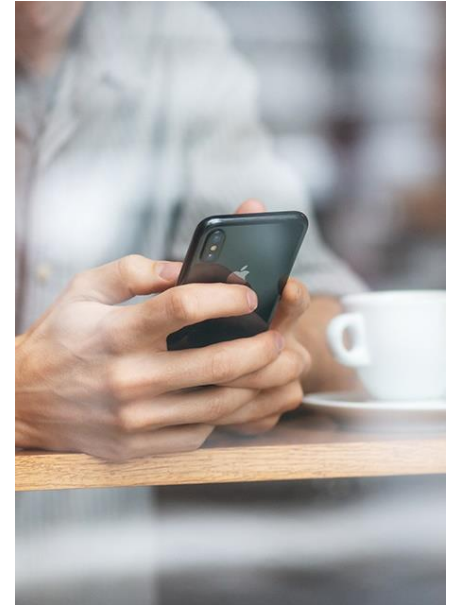
Average ROE of 12.3 % last four years



Most satisfied customers in the last 19 years



Capitalising on investments made in SME offering and long-term savings



# Developments in the quarter

## Gaining market share in mortgages

- Quarterly growth in mortgages 2.1 %
- Unsecured credit volumes slightly down

## Savings – record high growth

- FuM increased to NOK 17bn
- Market share increased to 7.1 %

## Cost level below Q4 guiding

- Operation costs NOK 170m against 175m guiding

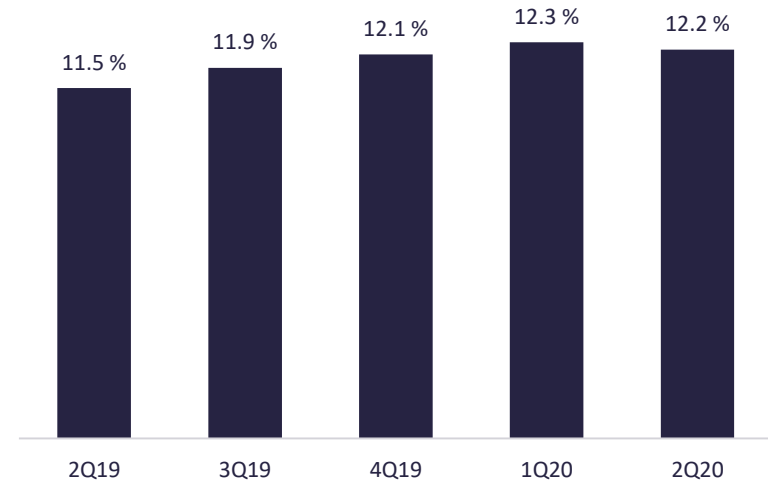
## Net interest margin affected by rate cuts

## Strong operations through COVID-19 pandemic

## Norwegian macro outlook improving – but still uncertain

- Overall loan loss ratio 0.24 %,
- ECL model calibrations - NOK 46.2m provision increase for unsecured credit

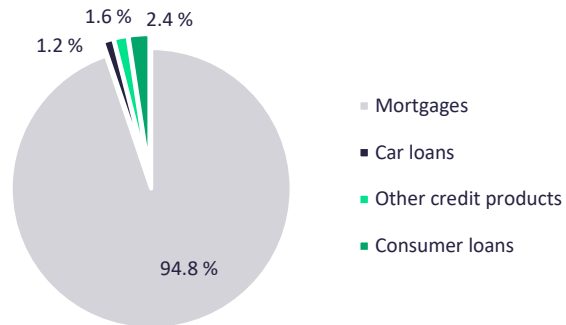
## Return on Equity\* (LTM)



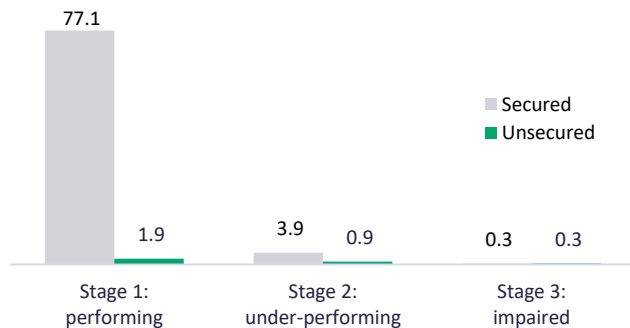
\* Adjusted for non-recurring items

# Conservative lending portfolio

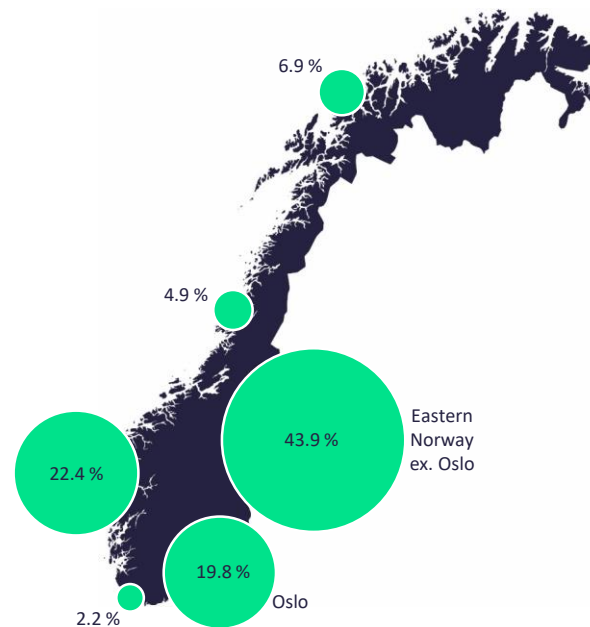
## Product distribution



## Risk classification (bnNOK)



## Mortgage lending centred in urban areas

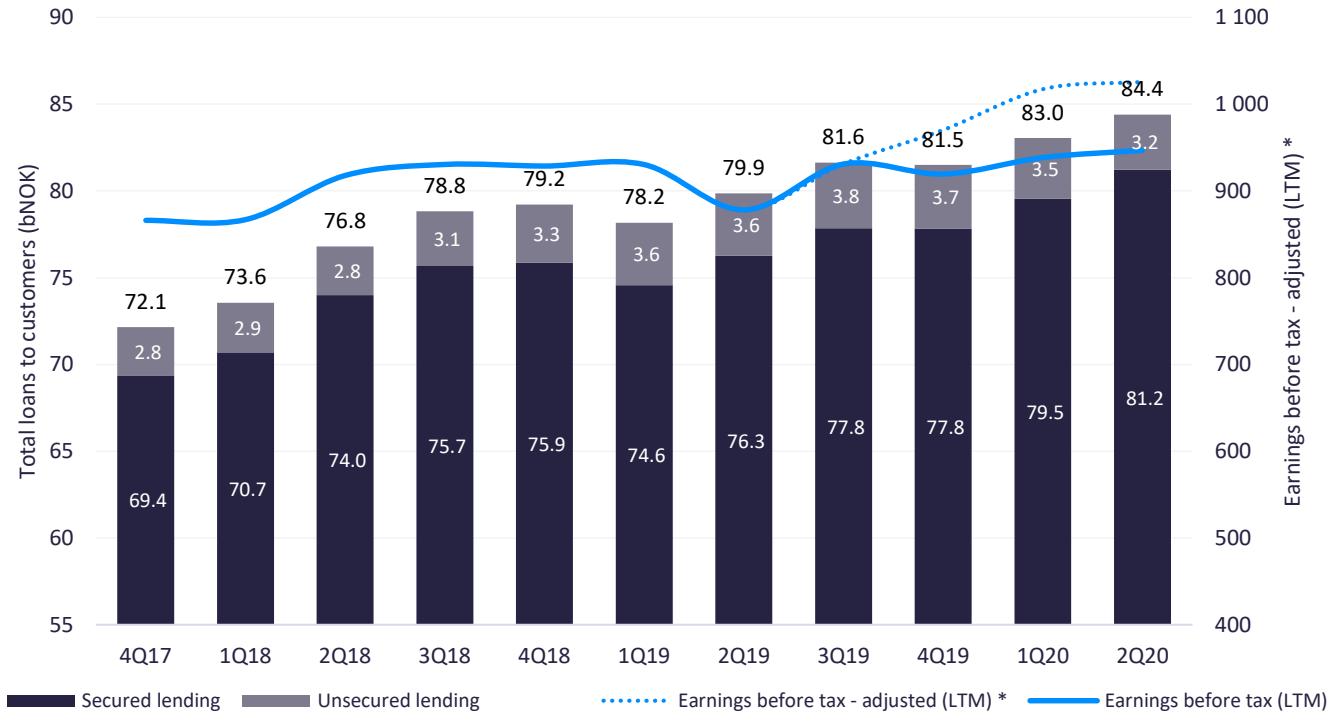


# Financial highlights

	Q2 2020	Q2 2019	12-month growth
Net interest income (NOK million)	384.0	359.1	6.9 %
Net fee and commission (NOK million)	42.5	50.5	-15.8 %
Profit before loan losses (NOK million)	260.1	245.5	5.9 %
Net profit (NOK million)	165.8	157.8	5.1 %
Earning per share (NOK)	1.47	1.40	
ROE (per cent)	9.8	10.3	
Cost-to-income (per cent)	39.5	40.8	
Loan-loss-ratio (per cent)	0.24	0.22	
NIM (per cent)	1.51	1.57	
CET1 (per cent)	15.9*	14.9	

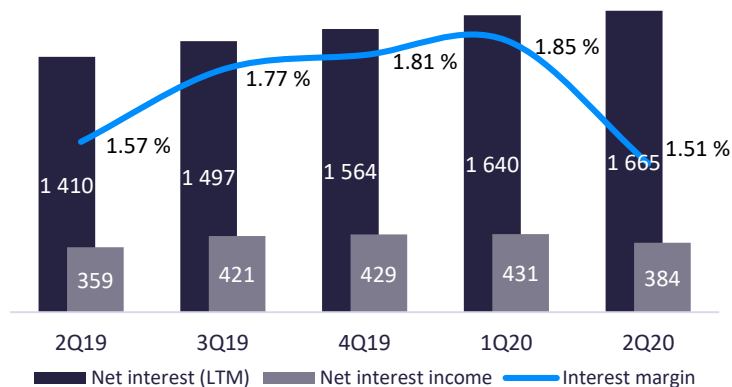
\* Including 70 per cent retained earnings for first half-year of 2020 and 100 per cent retained earnings for 2019 following the Board's revised dividend proposal

# Profitable growth through scale and diversification



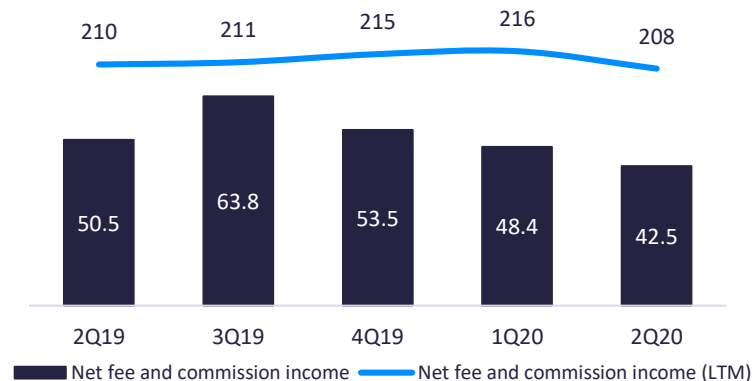
# Revenues

## Net interest income



- NII compression with rate cuts effectuated earlier for lending than for deposits
- NIM expected to strengthen short term as effect of unmatched timing dissipates

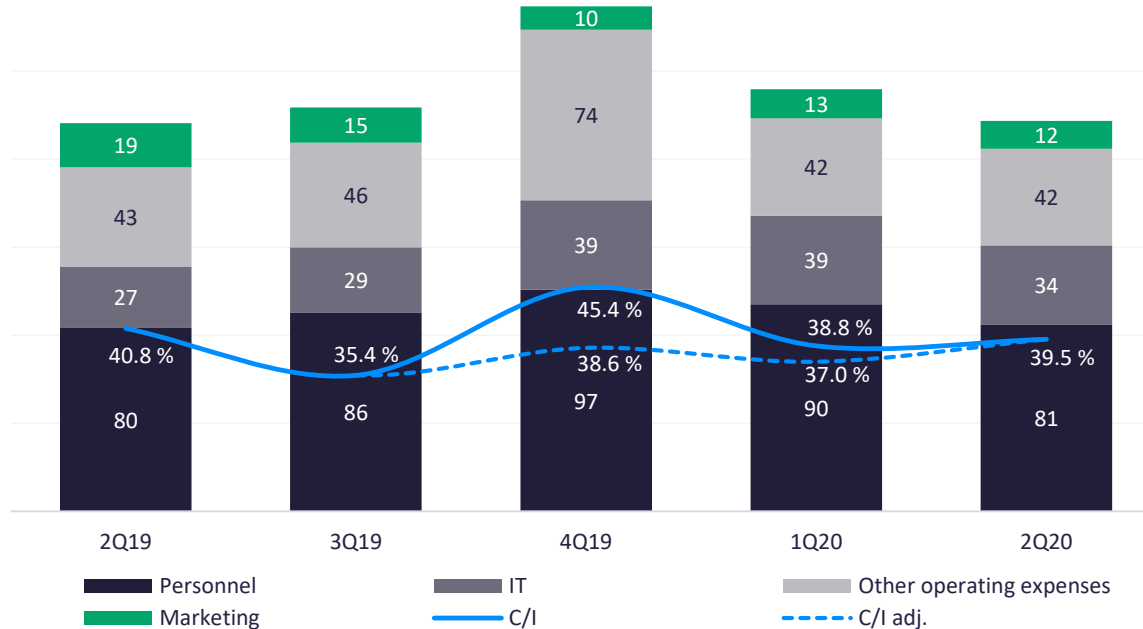
## Net fee and commission income



- Reduced revenues from card transactions as customers' travel activity fell during COVID-19 pandemic

# Operating costs

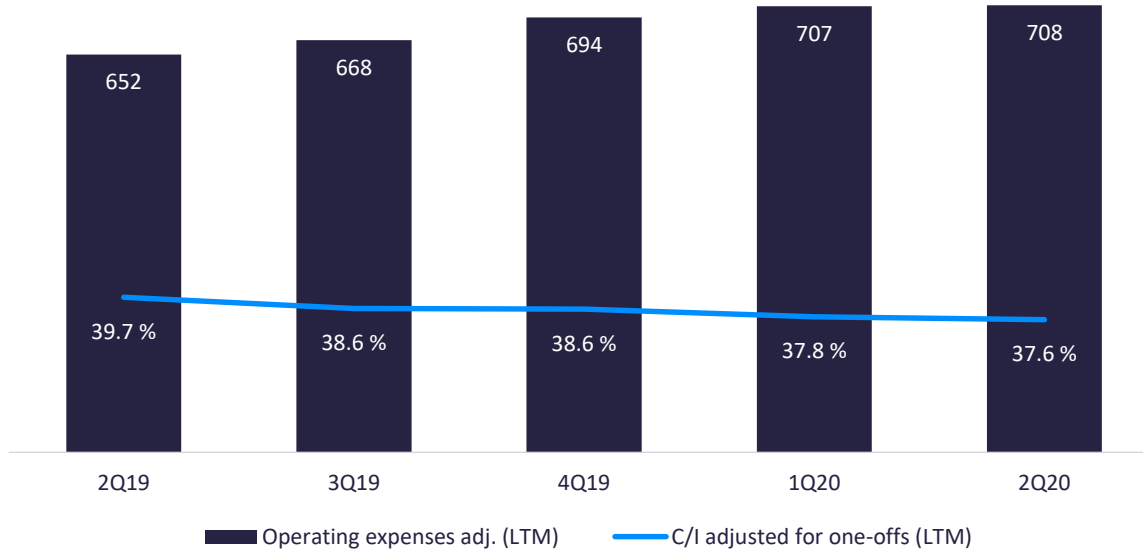
NOK million



- Cost base 170m – below Q4 2020 guidance
- Reduction in capitalisation of development projects
- Reduced marketing towards consumer loans and increased mobile advertising



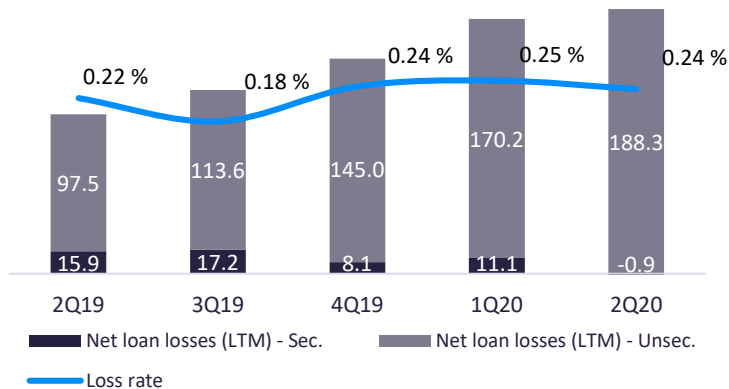
# Cost and cost-to-income



- Cost-income target of 34 % mid-term
- Cost-to-income of 39.5 % in the quarter, negatively affected by NII compression from rate cuts

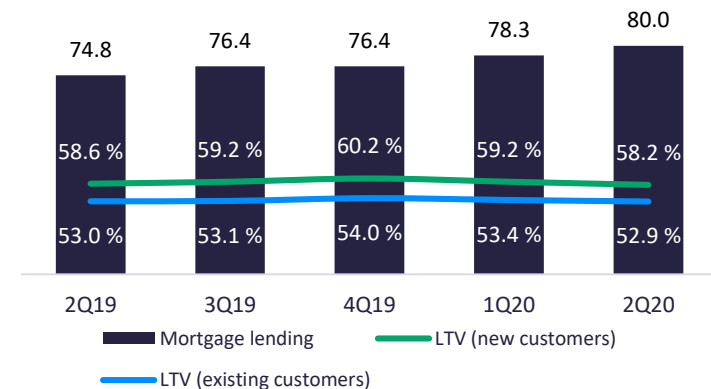
# Asset quality

## Net loan losses and loss ratio



- ECL for unsecured credit influence by model calibrations in light of new macro assumptions
- Cost of risk is expected to trend lower in the coming quarters

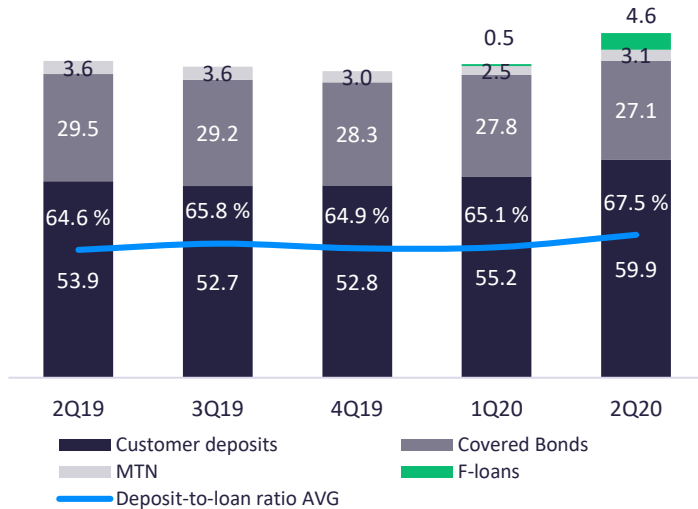
## Mortgage lending and LTV



- Average LTV stable both for existing portfolio and new loans

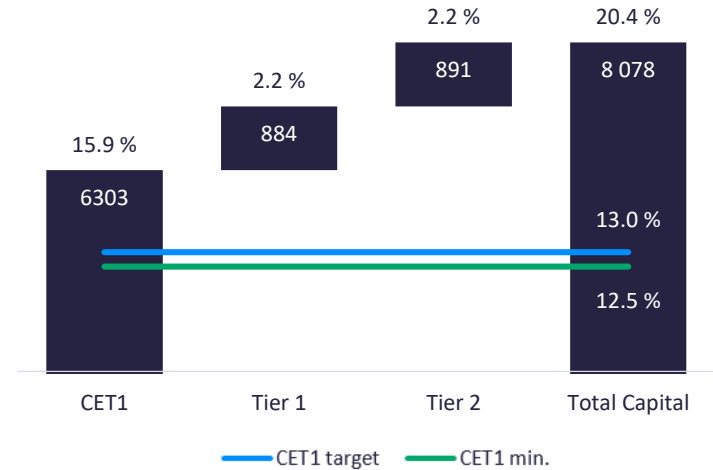
# Funding and capital

## Funding



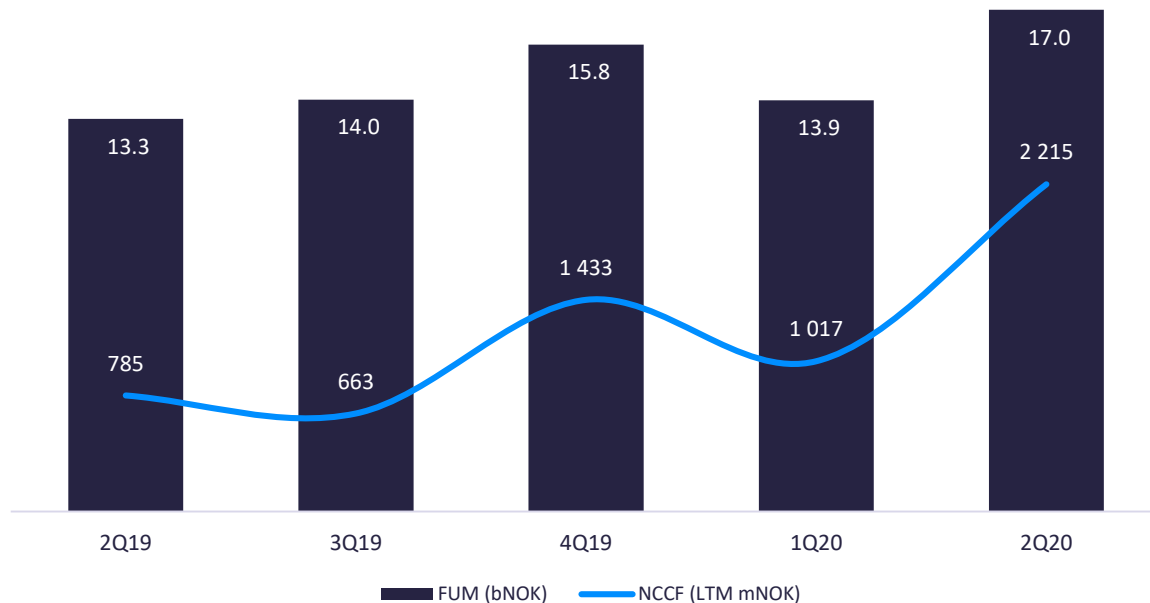
- Healthy liquidity position with increased deposit ratio towards quarter-end
- F-loans used as funding for liquidity portfolio investments

## Capital



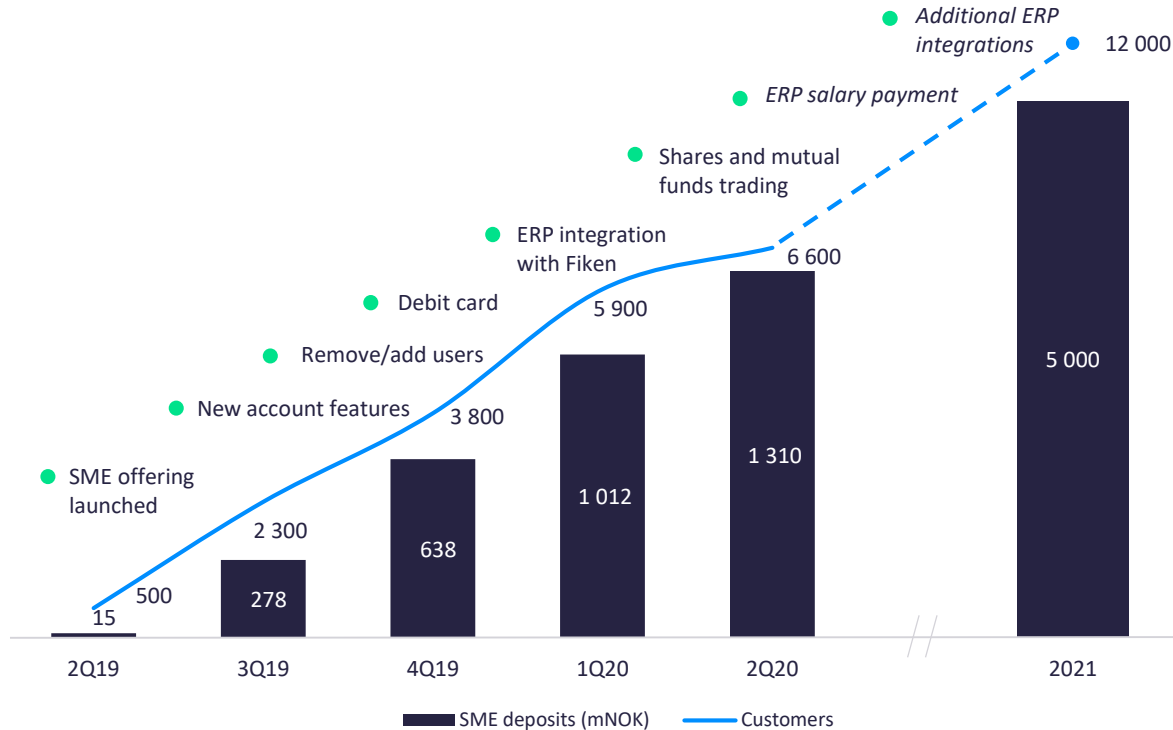
- Strong capital position - CET1 at 15.9 %
- MoF favourable decision on leverage ratio requirement for parent company – improves capital flexibility

# Gaining market share in savings



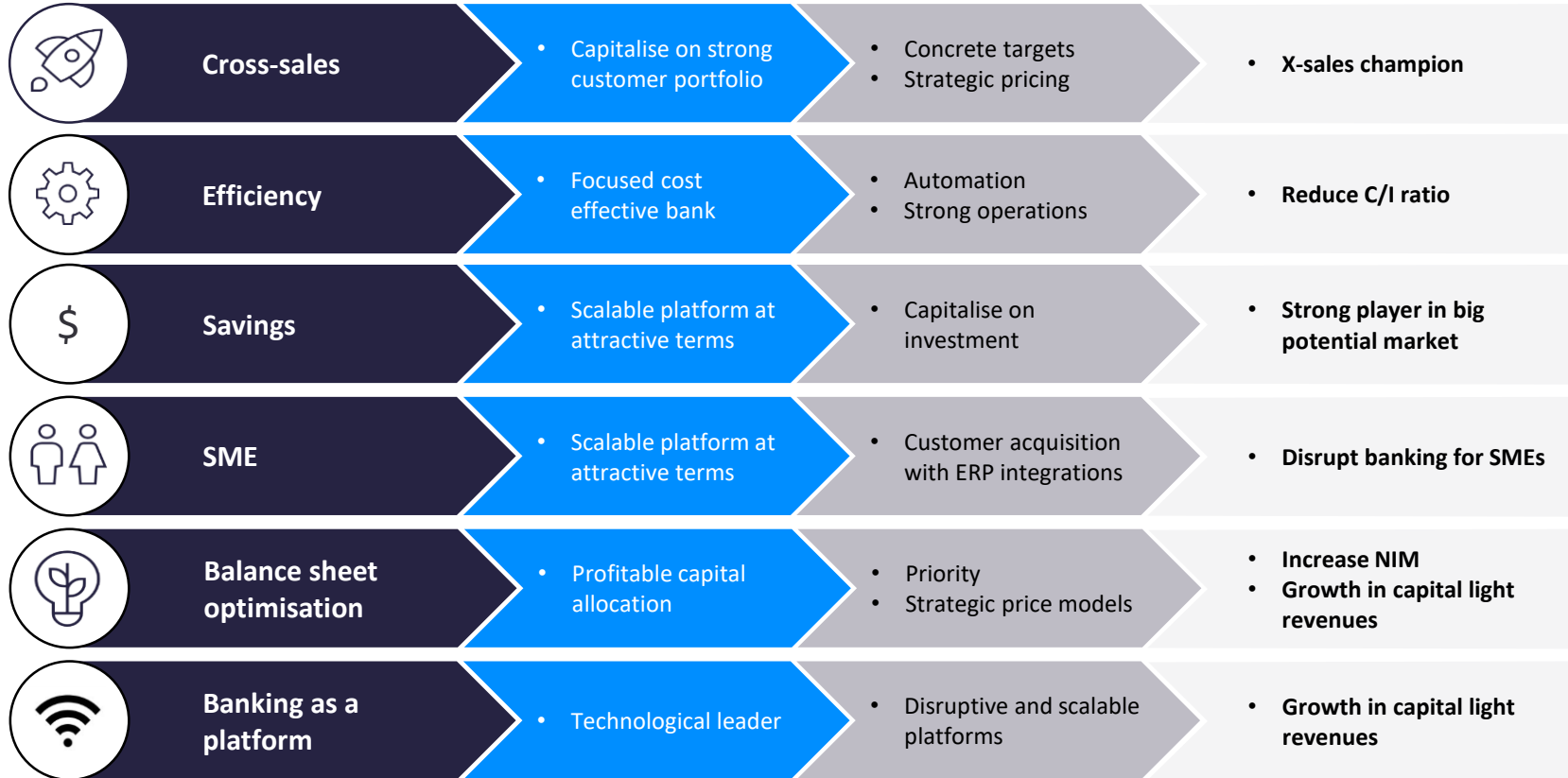
- Strong growth in FuM – improved market sentiment and high inflow of customers' funds
- Net client cash flow record high NOK 1 318 million in the quarter
- High volume of shares trading
- Scalable low cost model – gaining market share

# SMEs








- Disrupting the banking market for small SMEs – an underserved customer group
- Cost-effective solutions on cutting-edge technological platform
- Primary short-term focus on launching further ERP integrations
- COVID-19 increases uncertainty concerning reaching growth objectives

# Status of activities



# Financial targets 2020 - 2022

		<b>Targets 2020 - 2022</b>	<b>Q2 2020</b>	<b>2019</b>
	<b>Return on equity</b>	<b>14.0 %</b>	<b>9.8 %</b>	<b>12.1 %*</b>
	<b>LTM EPS growth</b>	<b>&gt; 10 %</b>	<b>7.1 %</b>	<b>2.8 %*</b>
	<b>Payout ratio</b>	<b>Up to 30 %</b>	<b>N/A</b>	<b>29.9 %**</b>
	<b>CET1 ratio</b>	<b>13.0 %</b>	<b>15.9 %**</b>	<b>15.6 %**</b>
	<b>Cost-to-income ratio</b>	<b>&lt; 34 %</b>	<b>39.5 %</b>	<b>38.6 %*</b>

\* Excluding non-recurring items.

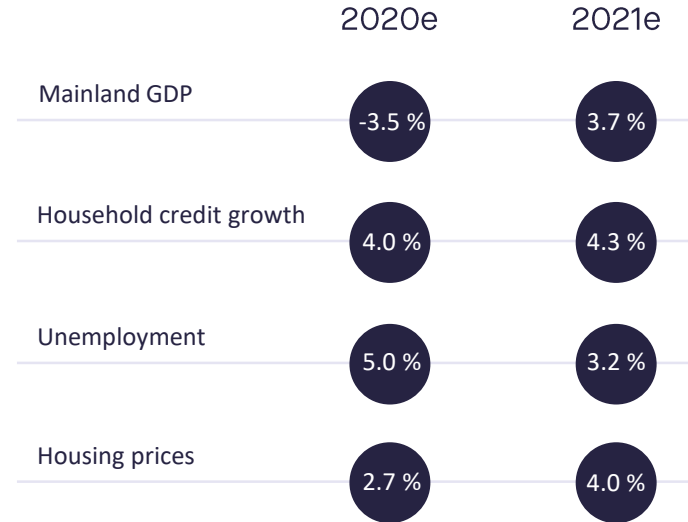
\*\* 2019 is based on proposed dividend. Q2 2020 follows the revised dividend proposal to not distribute 2019 dividends at this point in time.

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

# Outlook 2020 - 2021



- Compared to previous quarter, there are now clear signs of an improved economic outlook for Norway
- Uncertainty regarding economic forecasts still persists
- Record low key policy rate puts downward pressure on interest margin
- Cost of risk expected to trend lower in coming quarters
- Expects to take market share in mortgages and retail savings





# 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

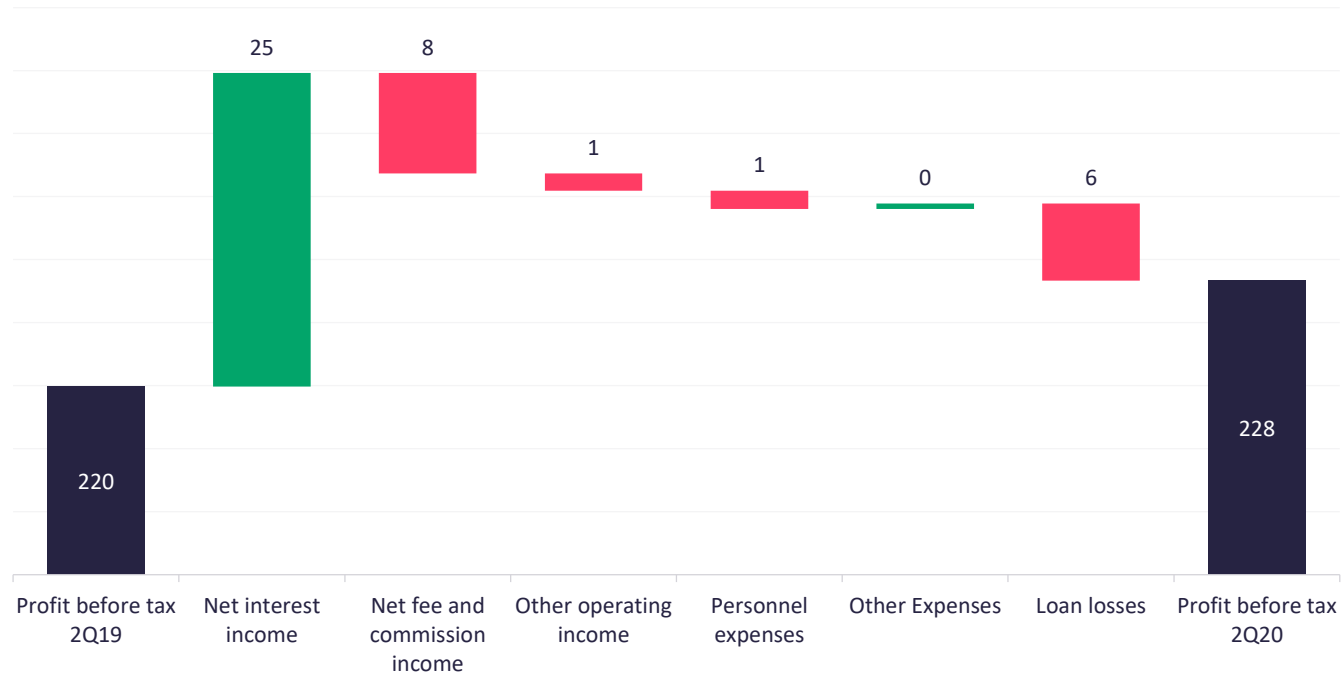
In NOK thousand	Note	Q2 20	Q2 19	Jan-Jun 20	Jan-Jun 19	2019
Interest income from financial instruments using the effective interest method	12	600 508	647 252	1 347 762	1 279 752	2 719 164
Other interest income	12	0	0	0	0	0
Interest expense	12	-216 512	-288 149	-533 134	-565 512	-1 155 037
<b>Net interest income</b>		<b>383 996</b>	<b>359 103</b>	<b>814 628</b>	<b>714 240</b>	<b>1 564 127</b>
Commission and fee income	13	78 262	81 226	165 210	157 859	344 607
Commission and fee expense	13	-35 741	-30 723	-74 286	-60 285	-129 683
<b>Net commission and fee income</b>		<b>42 521</b>	<b>50 503</b>	<b>90 924</b>	<b>97 574</b>	<b>214 924</b>
Net gain/(loss) on financial instruments	14	3 580	4 928	-1 731	7 999	20 553
Other income		0	0	0	0	225
<b>Other operating income</b>		<b>3 580</b>	<b>4 928</b>	<b>-1 731</b>	<b>7 999</b>	<b>20 778</b>
Personnel expenses	15	-81 310	-79 852	-171 460	-159 603	-342 921
Administrative expenses	15,20	-72 316	-74 889	-149 672	-146 368	-303 070
Depreciation and impairment of fixed and intangible assets		-16 413	-14 263	-32 657	-25 541	-81 249
<b>Profit before loan losses</b>		<b>260 059</b>	<b>245 530</b>	<b>550 032</b>	<b>488 300</b>	<b>1 072 589</b>
Loan losses	8	-49 508	-43 381	-100 527	-66 237	-153 149
<b>Profit before tax</b>		<b>210 551</b>	<b>202 149</b>	<b>449 505</b>	<b>422 063</b>	<b>919 440</b>
Tax expense	16	-44 746	-44 381	-99 657	-92 694	-209 388
<b>Profit for the period</b>		<b>165 805</b>	<b>157 767</b>	<b>349 848</b>	<b>329 369</b>	<b>710 052</b>
<b>Attributable to</b>						
Shareholders		156 856	149 717	330 872	314 643	678 080
Additional Tier 1 capital holders	11	8 949	8 050	18 976	14 726	31 972
<b>Profit for the period</b>		<b>165 805</b>	<b>157 767</b>	<b>349 848</b>	<b>329 369</b>	<b>710 052</b>

# Balance sheet

In NOK thousand	Note	30.06.20	30.06.19	31.12.19
<b>Assets</b>				
Cash and receivables with central bank	5	1 885 119	3 267 987	1 587 606
Loans to and receivables from credit institutions	5	2 075 942	288 253	286 802
Loans to customers	5, 6, 7, 17, 18	84 057 144	79 614 300	81 233 217
<b>Net loans to customers, central bank and credit institutions</b>		<b>88 018 205</b>	<b>83 170 540</b>	<b>83 107 625</b>
Commercial paper and bonds at fair value through OCI	17, 19	14 854 822	11 079 915	9 087 319
Equity and funds	17, 18, 19	218 207	161 989	171 680
Derivatives	19	747 223	144 742	201 975
Intangible assets		125 844	153 807	135 376
Deferred tax assets	16	18 039	12 760	17 915
Property, plant and equipment		143 545	160 140	164 782
Other assets		78 874	43 501	88 588
Advance payment and accrued income		64 466	31 495	30 425
<b>Total assets</b>		<b>104 269 225</b>	<b>94 958 890</b>	<b>93 005 685</b>
<b>Liabilities</b>				
Loans and deposits from central bank	17,18	4 550 000	0	0
Loans and deposits from credit institutions	17, 18	708 707	0	0
Deposits from customers	17, 18	59 901 290	53 930 170	52 844 881
Debt securities issued	10, 17, 18	30 147 666	33 050 095	31 304 025
Derivatives		35 135	0	0
Taxes payable	16	103 025	94 653	208 769
Pension commitments		27 494	30 797	27 494
Other liabilities		506 624	638 198	834 679
Subordinated loans	10, 17, 18	889 923	774 461	899 438
<b>Total liabilities</b>		<b>96 869 865</b>	<b>88 518 373</b>	<b>86 119 287</b>
<b>Equity</b>				
Share capital		1 068 693	1 068 693	1 068 693
Share premium		2 625 895	2 625 895	2 625 895
Additional Tier 1 capital	11	887 612	605 338	705 858
Other equity		2 817 159	2 140 590	2 485 952
<b>Total equity</b>		<b>7 399 360</b>	<b>6 440 517</b>	<b>6 886 398</b>
<b>Total liabilities and equity</b>		<b>104 269 225</b>	<b>94 958 890</b>	<b>93 005 685</b>

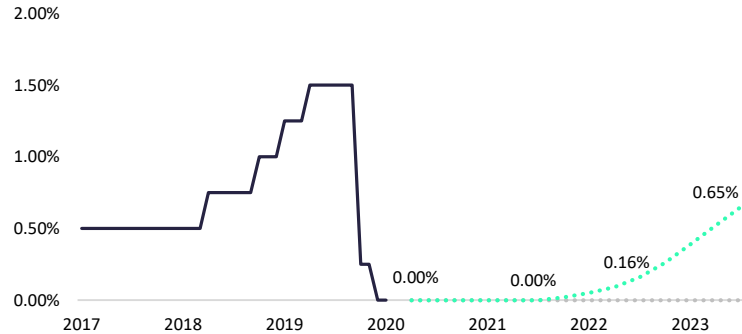
# Change in profit before tax

NOK million

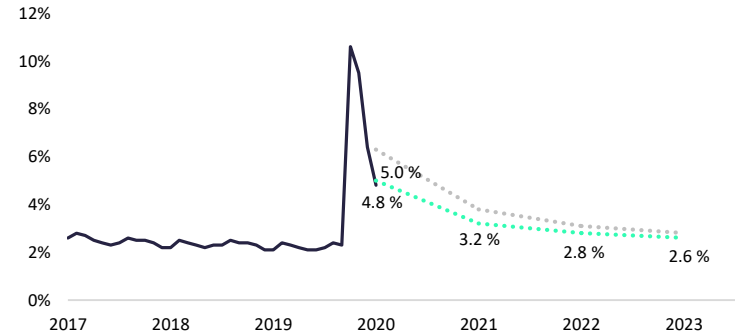


# Norwegian macro development

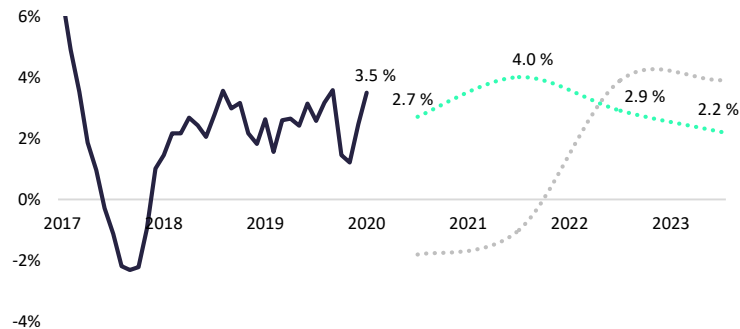
## Key policy rate



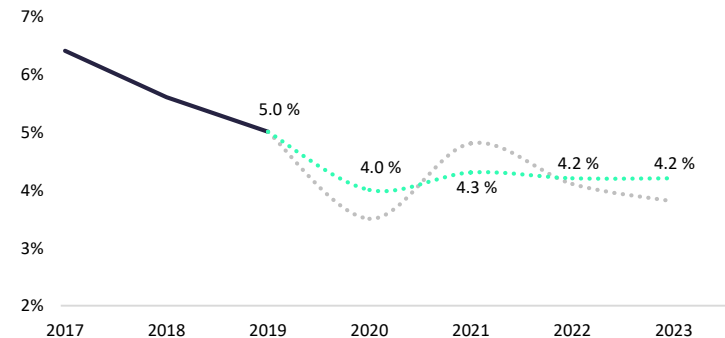
## Unemployment (registered)



## Housing prices (12-month rolling)



## Credit to households (C2)



# Interest bearing lending and funding

## Interest bearing lending

NOKm		2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Home loans	Volume	76 427	74 838	76 447	76 427	78 318	79 995
	Interest income	2 024	475	513	563	570	443
	Effective rate <sup>1</sup>	2.71 %	2.59 %	2.71 %	2.94 %	2.98 %	2.23 %
Car loans	Volume	1 121	1 180	1 154	1 121	1 098	1 033
	Interest income	62	16	15	16	16	15
	Effective rate <sup>1</sup>	5.27 %	5.36 %	5.23 %	5.48 %	5.70 %	5.55 %
Consumer loans	Volume	2 263	2 325	2 341	2 263	2 187	2 027
	Interest income	234	59	63	60	58	54
	Effective rate <sup>1</sup>	10.36 %	10.44 %	10.68 %	10.38 %	10.33 %	10.36 %
Other credit products <sup>2</sup>	Volume	1 684	1 521	1 681	1 684	1 443	1 339
	Interest income	188	47	46	49	48	43
	Effective rate <sup>1</sup>	11.30 %	11.26 %	11.03 %	11.40 %	11.81 %	12.34 %
Interest bearing securities	Volume	9 087	10 080	10 215	9 087	9 631	14 855
	Interest income	189	45	50	51	51	44
	Effective rate <sup>1</sup>	1.82 %	1.71 %	1.87 %	2.10 %	2.21 %	1.31 %
Total	Volume	93 006	94 959	94 107	93 006	96 352	104 269
	Interest income	2 719	647	694	745	747	601
	Effective lending rate <sup>1</sup>	2.93 %	2.83 %	2.94 %	3.17 %	3.21 %	2.37 %

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

## Interest bearing funding

NOKm		2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Deposits	Volume	52 845	53 930	52 654	52 845	55 239	59 901
	Interest expense	430	104	108	115	117	84
	Effective rate <sup>1</sup>	0.83 %	0.82 %	0.81 %	0.86 %	0.88 %	0.59 %
	Bank guarantee fee	62	26	-8	15	16	16
Debt securities in issue	Effective rate incl. fee <sup>1</sup>	0.94 %	1.02 %	0.75 %	0.97 %	1.00 %	0.71 %
	Volume	31 304	33 050	32 769	31 304	30 327	30 148
	Interest expense	636	151	151	177	174	107
	Effective rate <sup>1</sup>	1.93 %	1.83 %	1.98 %	2.20 %	2.27 %	1.37 %
Other int. bearing funding <sup>3</sup>	Volume	0	0	0	0	0	4 550
	Interest expense	0	0	0	0	0	2
	Effective rate <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	0.24 %
Total	Volume	84 048	87 755	87 469	85 048	86 496	95 524
	Interest expense	1 155	288	273	316	317	217
	Effective funding rate <sup>1</sup>	1.24 %	1.26 %	1.15 %	1.33 %	1.36 %	0.85 %

(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, but excludes subordinated debt and hybrid capital.

# Non-performing and doubtful loans per product

Credit-impaired assets		30.06.20					
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
<b>Loans to customers:</b>							
Home loans	Residential property	247 940	-35 350	212 590	211 075	1 515	95.9%
Car Loans	Vehicle	12 145	-4 478	7 667	7 629	38	99.2%
Custody account credits	Listed securities	0	0	0	0	0	Na
Unsecured loans	None	343 551	-191 933	151 618	0	151 618	55.9%
<b>Total credit-impaired assets</b>		<b>603 636</b>	<b>-231 761</b>	<b>371 875</b>	<b>218 704</b>	<b>153 171</b>	<b>60.2%</b>



# Financial calendar

13.11.2020

Quarterly report    Q3 2020

11.02.2021

Quarterly report    Q4 2020

01.04.2021

Annual report    FY 2020

