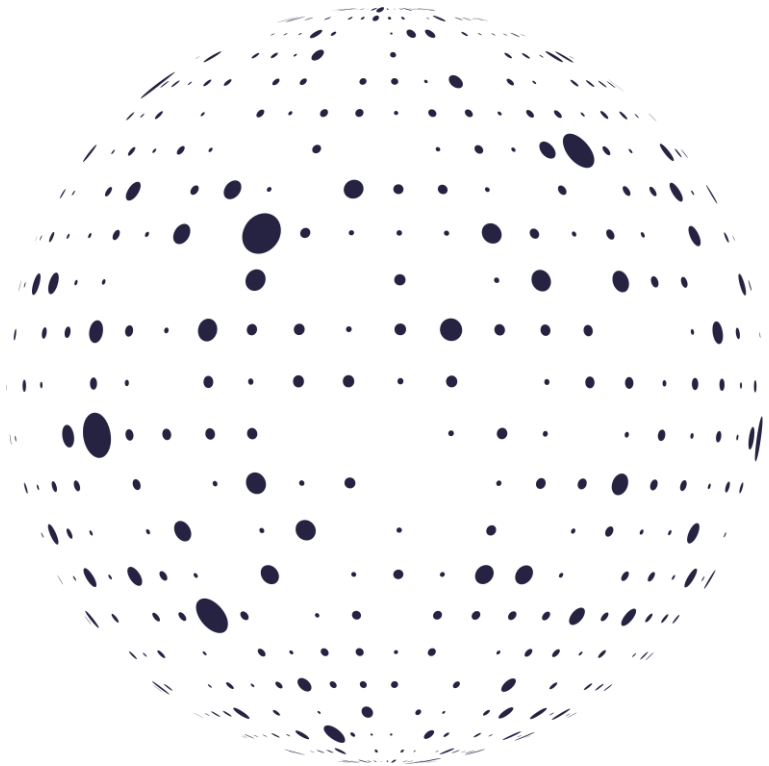


Sbanken

Q1

First quarter 2020

Sbanken group



# Sbanken – the leading digital challenger



Leading digital retail bank in Norway with 470 000 customers



CAGR loan growth 9.4 % since IPO November 2015



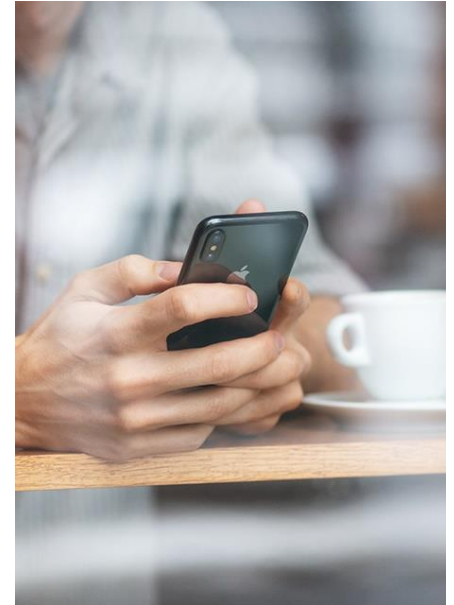
High profitability – average ROE of 12.5 per cent last four years



Most satisfied customers in the last 19 years



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



# Developments in the quarter

## Handling of COVID-19 pandemic

- Priority on customers, staff and business continuity
- Fully digital business model supports normal operations
- Taking lead with immediate mortgage price cut to all customers
- Granted 2 200 applications for mortgage instalment deferrals

## Strong interest margin – NIM 1.85 %

## Increased lending growth

- Customer centric approach lead to increased lending growth
- Quarterly growth in home loans 2.5 %

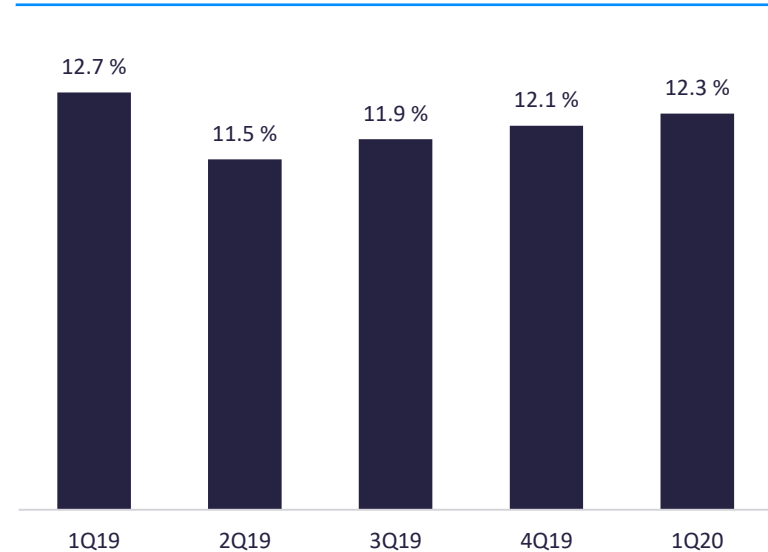
## Solid capital position

- CET1 increased to 16.1 % vs. minimum requirement of 12.5 %

## Increased uncertainty for Norwegian macro outlook

- Underlying loss ratio 0.15 %, home loans 0.03 %
- NOK 19.5m discretionary credit loss provision for COVID-19

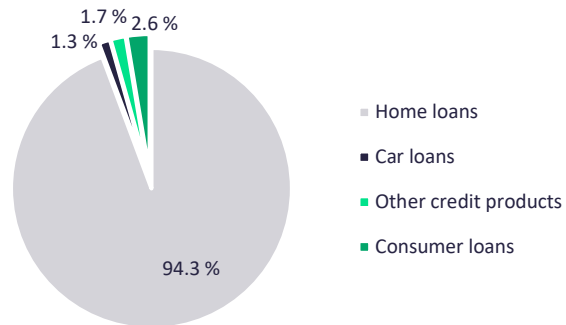
## Return on Equity\* (LTM)



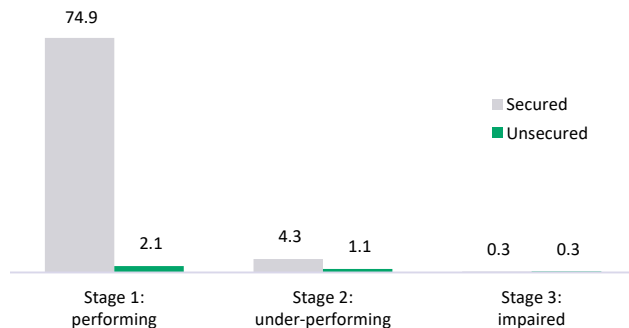
\* Adjusted for non-recurring items

# Conservative lending portfolio

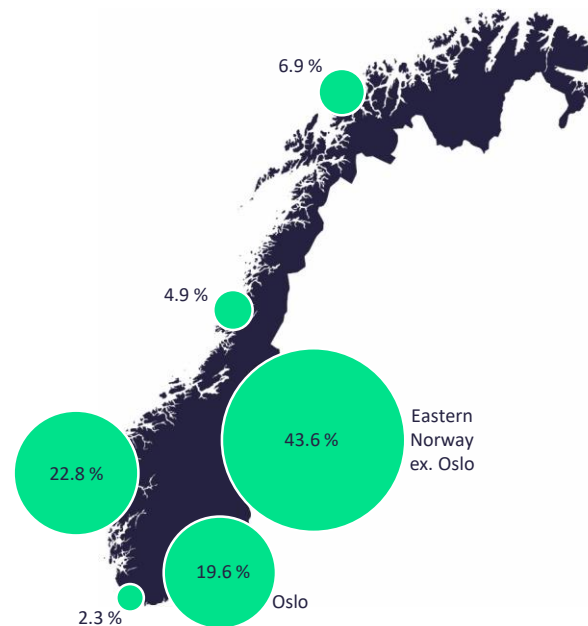
## Product distribution



## Risk classification (bnNOK)



## Home loans centred in urban areas



# Financial highlights

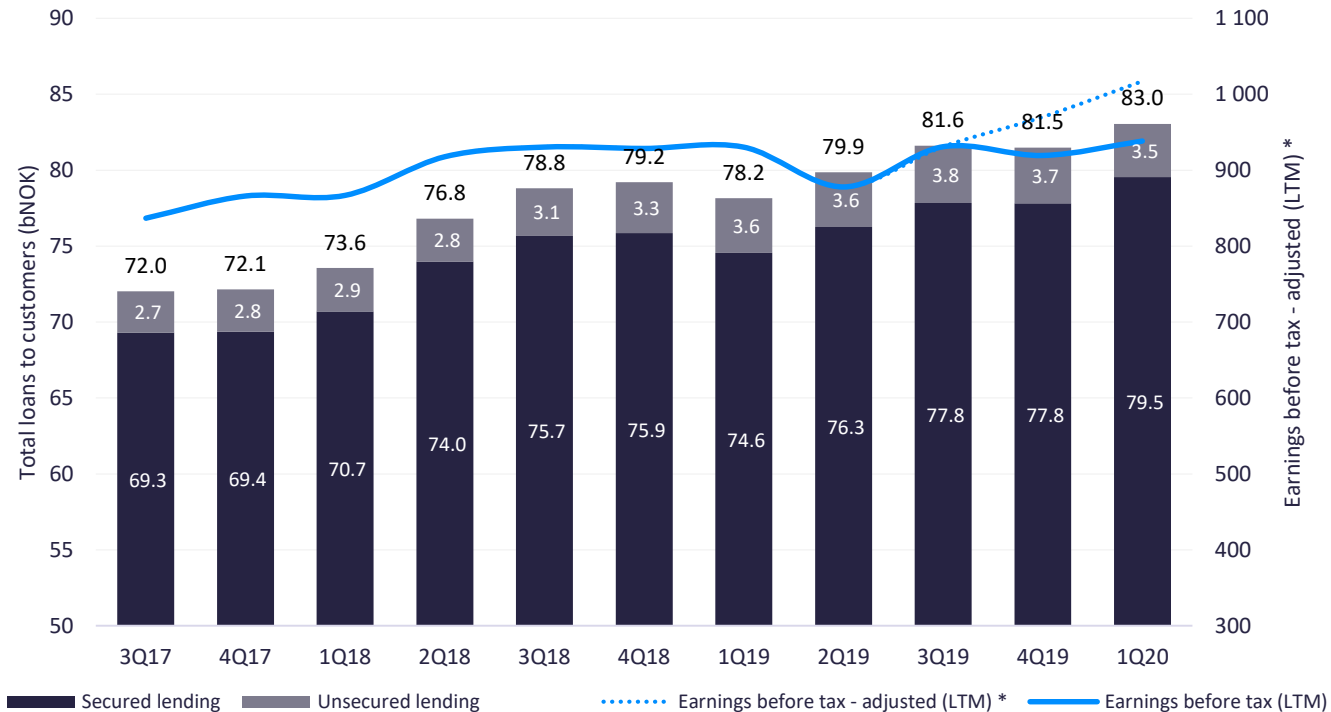
	Q1-2020	Q1-2019	12 month growth
Net interest income (NOK million)	430.6	355.1	21.3 %
Net fee and commission (NOK million)	48.4	47.1	2.8 %
Profit before loan losses (NOK million)	290.0	242.8	19.4 %
Net profit (NOK million)	184.0	171.6	7.3 %
Earning per share (NOK)	1.63	1.54	
ROE (per cent)	11.2	11.6	
Cost-to-income (per cent)	38.8	40.1	
Loan-loss-ratio (per cent)	0.25	0.12	
NIM (per cent)	1.85	1.57	
CET1 (per cent)	16.1*	14.9	

One-off items for Q1 2020 totalling NOK 28.1 million before tax

- 19.5 million credit loss provision relating to outbreak of COVID-19
- 8.6 million in severance pay related to cost-cutting initiatives
- Adjusted ROE 12.5 % and cost-to-income 37.0 %

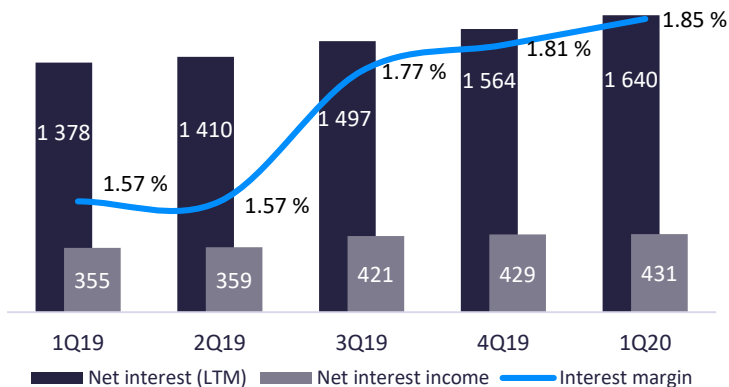
\* Including 70 per cent retained earnings for Q1 2020 and 100 per cent retained earnings for 2019 following the Board's revised dividend proposal

# Profitable growth through scale and diversification



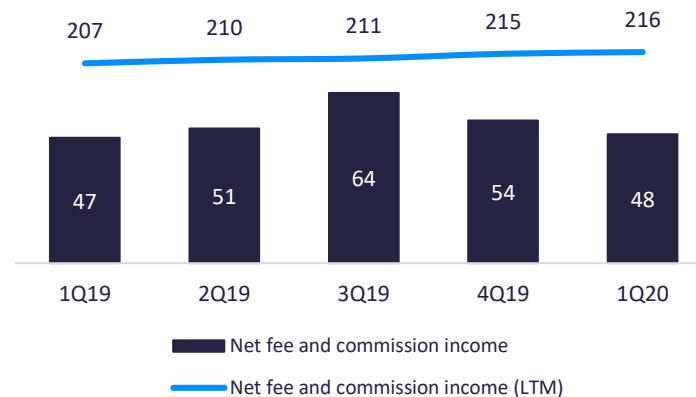
# Revenues

## Net interest income



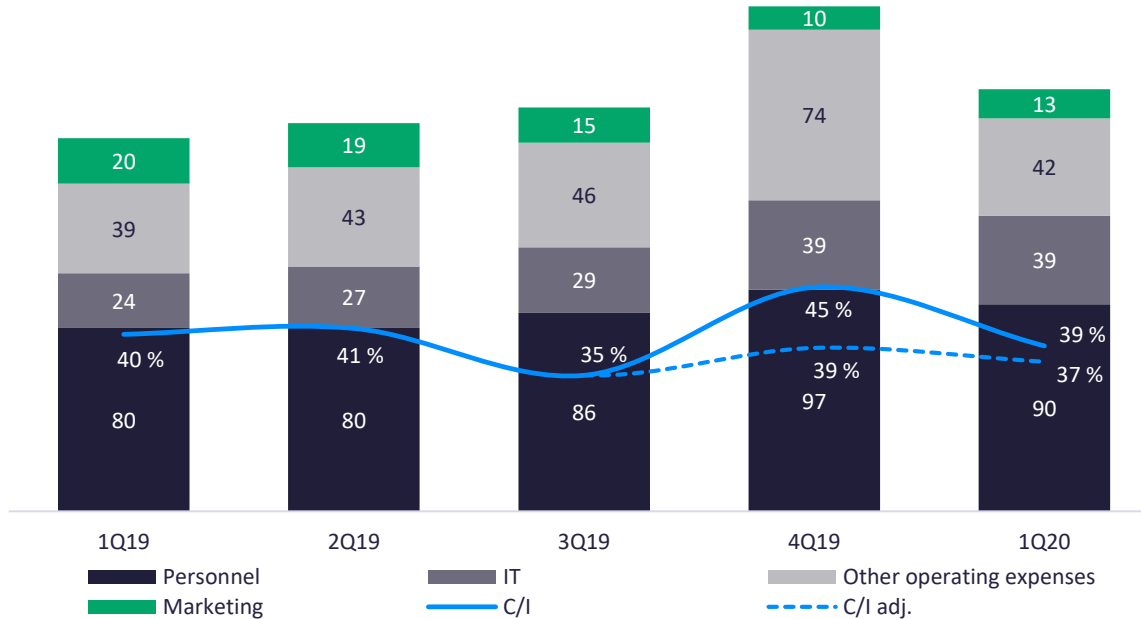
- NIM increase with full loan book repricing effect
- NII expected to weaken in short term due to interest rate cuts

## Net fee and commission income



- Positive development in card transaction income compared to 1Q19

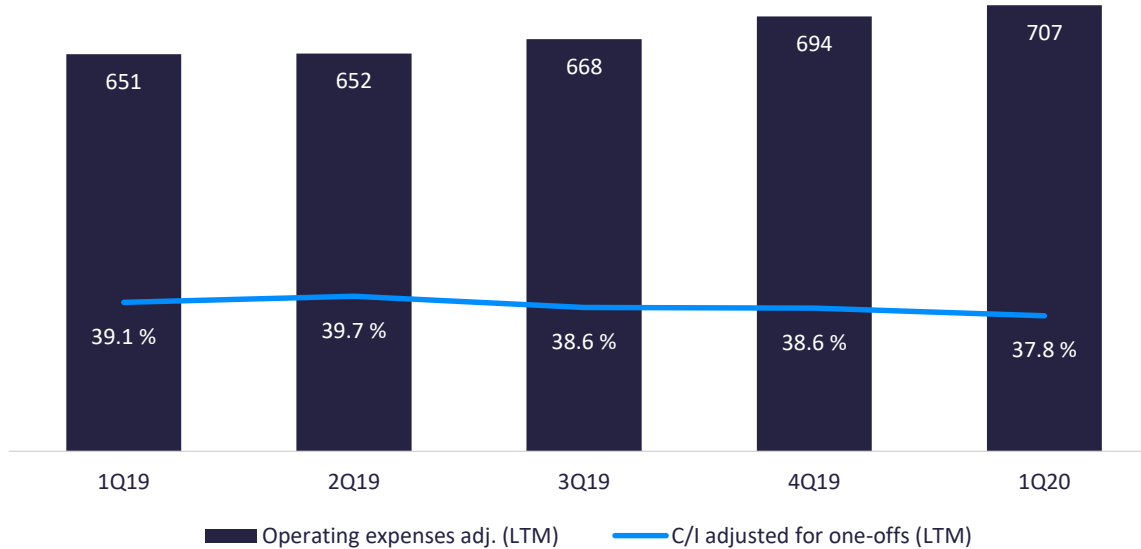
# Operating cost



- NOK 8.6 million in severance pay related to cost reduction initiatives
- Reduction in capitalisation of projects
- Reduced marketing towards consumer loans and increased mobile advertising



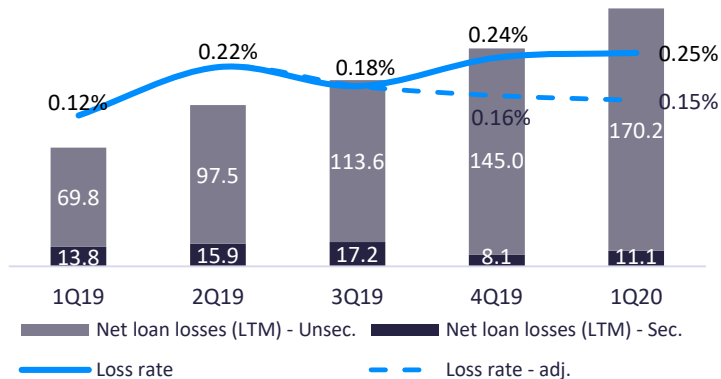
# Cost and cost-to-income



- Cost-income target of 34 % mid-term
- Cost-to-income of 38.8 % in the quarter, 37.0 % when adjusting for one-offs relating to severance pay

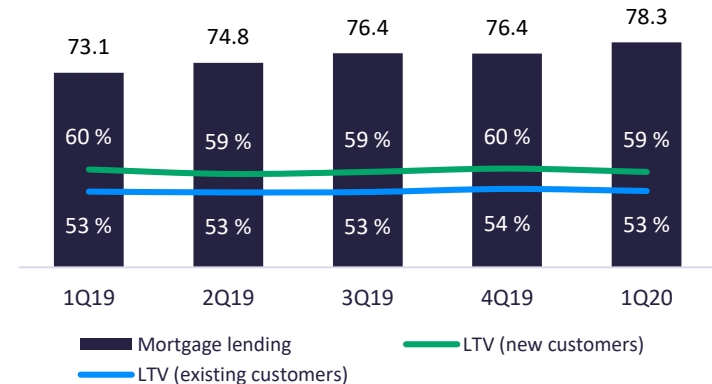
# Asset quality

## Net loan losses and loss ratio



- NOK 19.5 million additional discretionary provision to account for adverse effects related to outbreak of coronavirus
- No change in 2020 guidance of 0.20 % at this point in time, but uncertainty has increased

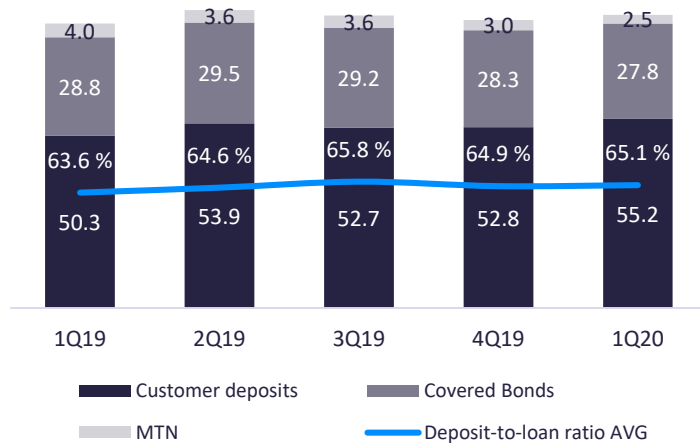
## Mortgage lending and LTV



- Average LTV stable both for existing portfolio and new loans

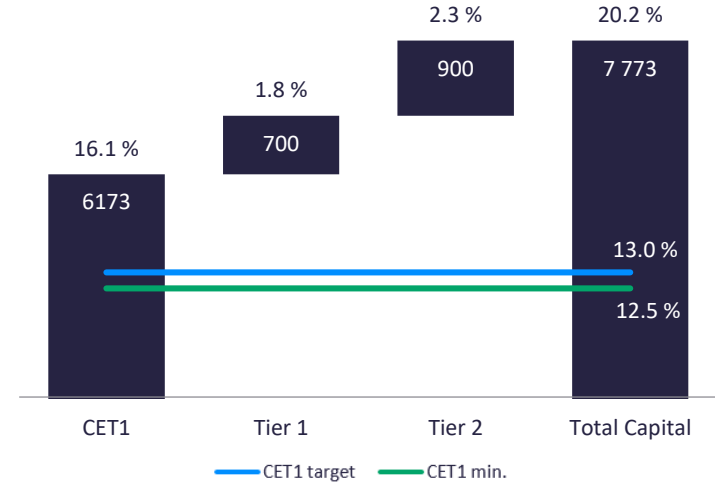
# Funding and capital

## Funding



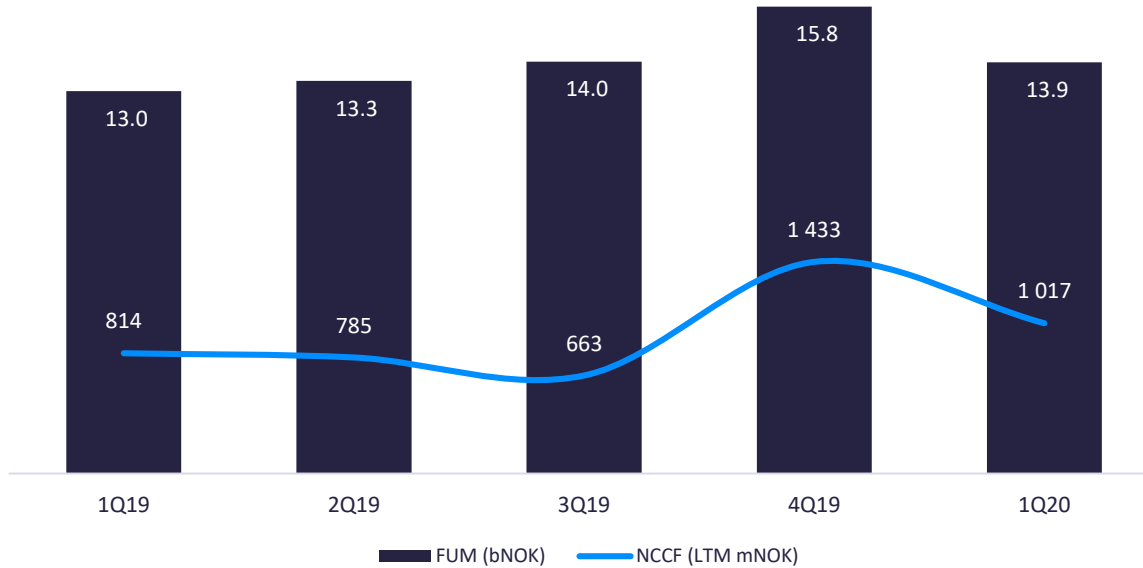
- Healthy liquidity position with increased deposit ratio towards quarter-end
- Norges Bank offering F-loans to support liquidity in the banking market

## Capital



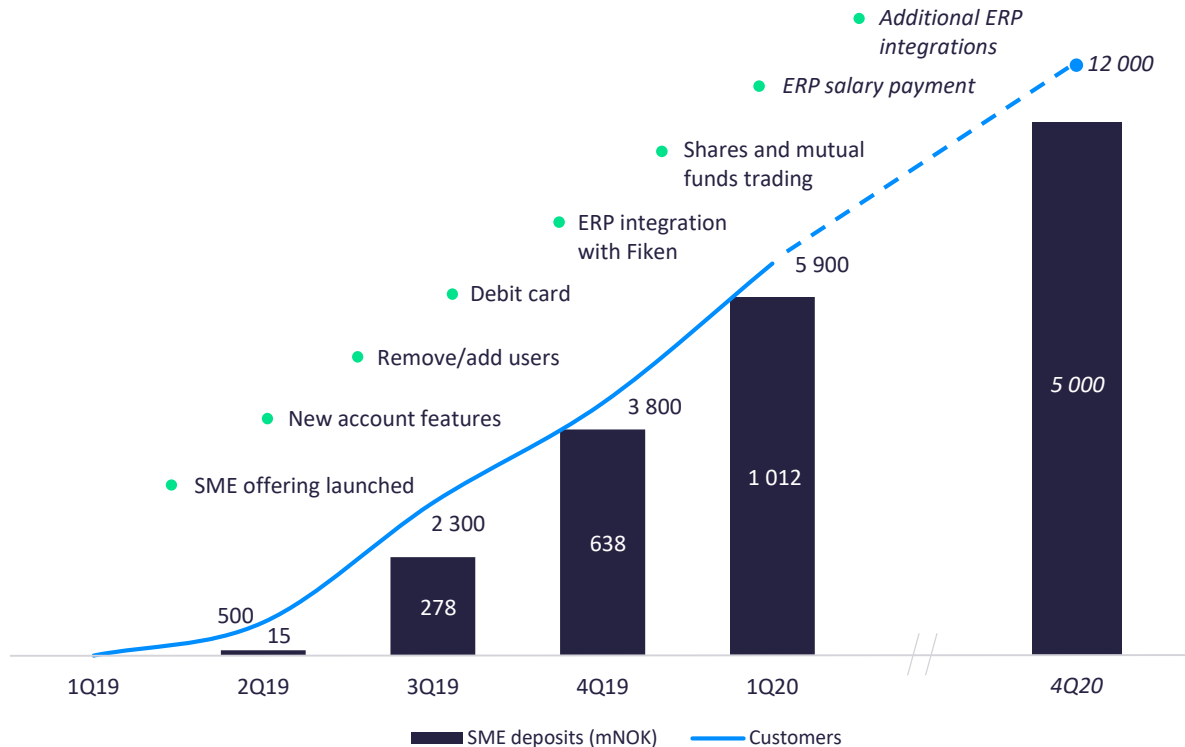
- MoF reduced CCB to 1.0 % - CET1 target lowered to 13.0 %
- Strong capital position - CET1 increased to 16.1 %
- Revised dividend decision resulted in 0.5 %-points increase in CET1 ratio

# Savings








- Market value of investments fell with stock market correction in February and March
- Net client cash flow negative NOK 194 million in the quarter – customers redeposit funds in the bank
- Scalable low cost model – positioned to increase market share

# SMEs



- Disrupting the banking market for small SMEs – an underserved customer group
- Cost-effective solutions on cutting-edge technological platform
- COVID-19 increases uncertainty concerning reaching our objectives

# Financial targets 2020 - 2022

		<b>Targets 2020 - 2022</b>	<b>Q1 2020</b>	<b>2019</b>
	<b>Return on equity</b>	<b>14.0 %</b>	<b>12.5 %*</b>	<b>12.1 %*</b>
	<b>LTM EPS growth</b>	<b>&gt; 10 %</b>	<b>4.3 %*</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>16.1 %**</b>	<b>15.6 %**</b>
	<b>Cost-to-income ratio</b>	<b>&lt; 34 %</b>	<b>37.0 %*</b>	<b>38.6 %*</b>

\* Excluding non-recurring items.

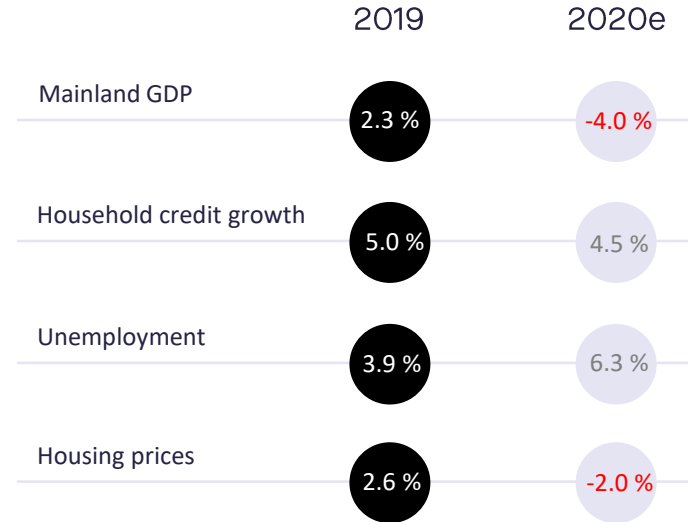
\*\* 2019 is based on proposed dividend. Q1 2020 follows the revised dividend proposal to not distribute 2019 dividends at this point in time.

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

# Outlook for 2020



- Significantly altered the outlook for the Norwegian economy
- High uncertainty regarding economic forecasts
- Record low key policy rate puts downward pressure on interest margin
- Fully digital business model supports continuity
- Increased uncertainty on potential losses from unsecured exposure
- Will increase market share in savings and SME deposits



# 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

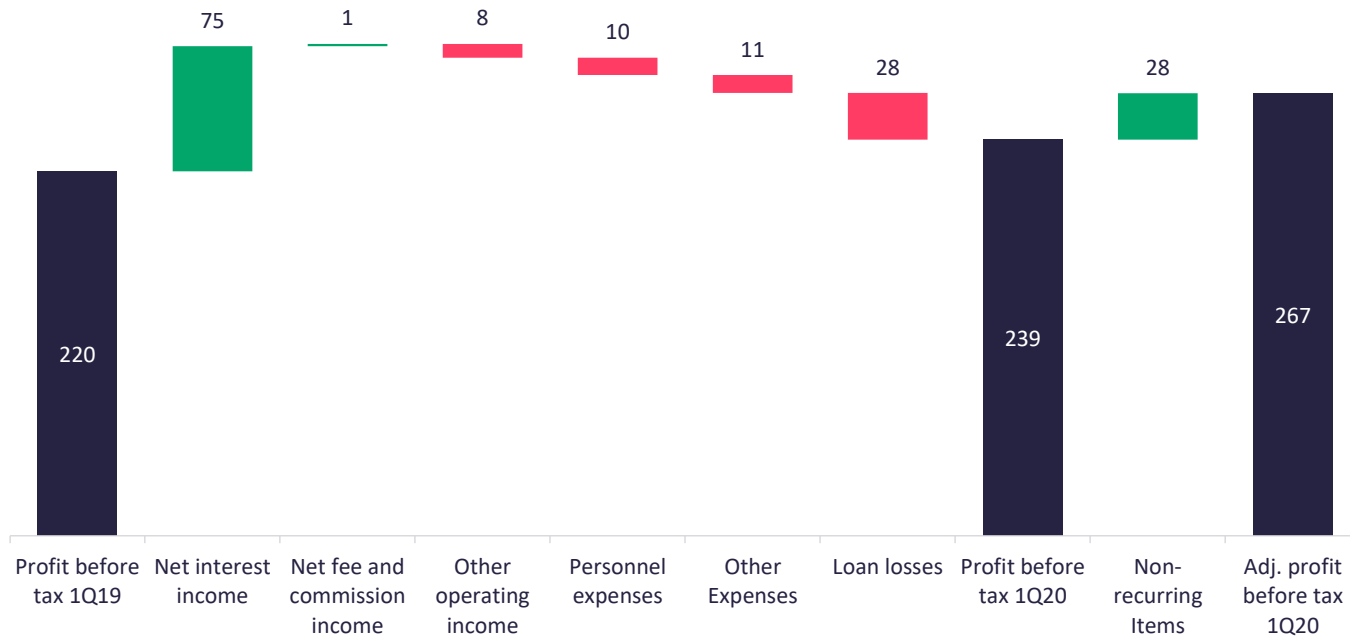
# Income statement

In NOK thousand	Note	Q1 20	Q1 19	2019
Interest income from financial instruments using the effective interest method	12	747 254	632 500	2 719 164
Other interest income	12	0	0	0
Interest expense	12	-316 622	-277 363	-1 155 037
<b>Net interest income</b>		<b>430 632</b>	<b>355 137</b>	<b>1 564 127</b>
Commission and fee income	13	86 948	76 633	344 607
Commission and fee expense	13	-38 545	-29 562	-129 683
<b>Net commission and fee income</b>		<b>48 403</b>	<b>47 071</b>	<b>214 924</b>
Net gain/(loss) on financial instruments	14	-5 311	3 071	20 553
Other income		0	0	225
<b>Other operating income</b>		<b>-5 311</b>	<b>3 071</b>	<b>20 778</b>
Personnel expenses	15	-90 150	-79 751	-342 921
Administrative expenses	15,20	-77 357	-71 479	-303 070
Depreciation and impairment of fixed and intangible assets		-16 243	-11 278	-81 249
<b>Profit before loan losses</b>		<b>289 973</b>	<b>242 771</b>	<b>1 072 589</b>
Loan losses	8	-51 019	-22 856	-153 149
<b>Profit before tax</b>		<b>238 955</b>	<b>219 915</b>	<b>919 440</b>
Tax expense	16	-54 911	-48 313	-209 388
<b>Profit for the period</b>		<b>184 043</b>	<b>171 602</b>	<b>710 052</b>
<b>Attributable to</b>				
Shareholders		154 080	162 717	678 080
Additional Tier 1 capital holders	11	8 895	6 486	31 972
<b>Profit for the period</b>		<b>162 975</b>	<b>169 203</b>	<b>710 052</b>

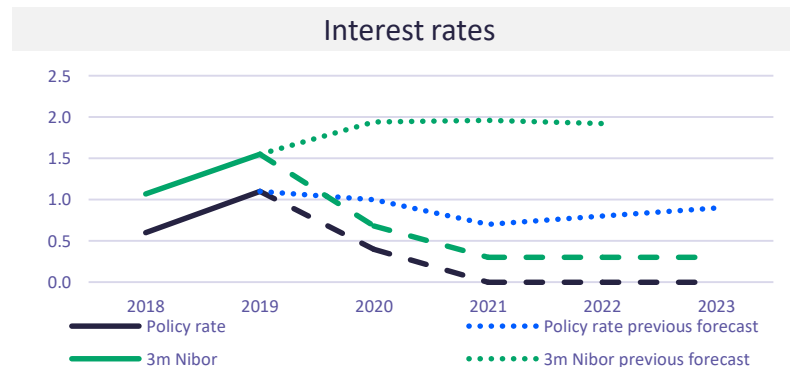
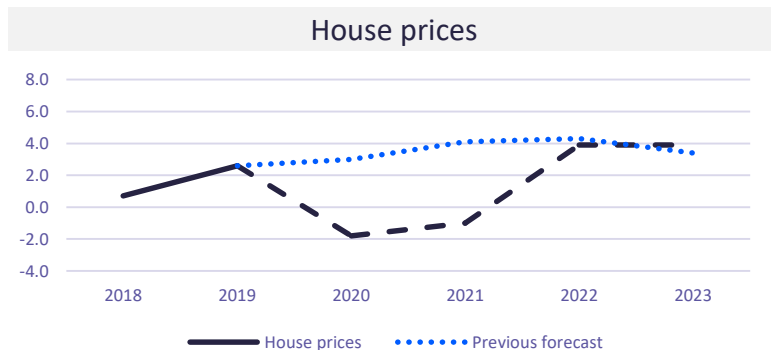
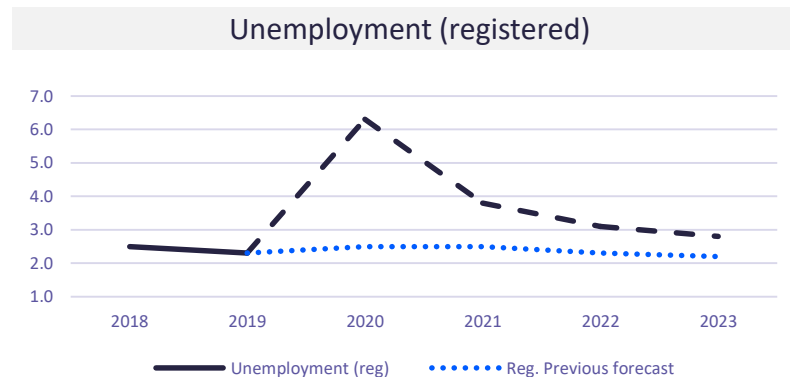
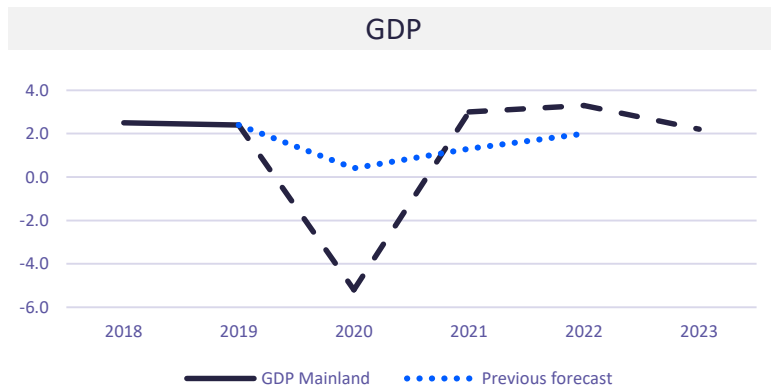
# Balance sheet

In NOK thousand	Note	31.03.20	31.03.19	31.12.19
<b>Assets</b>				
Cash and receivables with central bank	5	1 046 441	516 156	1 587 606
Loans to and receivables from credit institutions	5	1 176 530	1 716 890	286 802
Loans to customers	5, 6, 7, 17, 18	82 748 395	77 956 447	81 233 217
<b>Net loans to customers, central bank and credit institutions</b>		<b>84 971 367</b>	<b>80 189 493</b>	<b>83 107 625</b>
Commercial paper and bonds at fair value through OCI	17, 19	9 630 644	10 224 275	9 087 319
Equity instruments and funds	17, 18, 19	191 137	170 396	171 680
Derivatives	19	1 069 828	81 105	201 975
Intangible assets		130 931	131 208	135 376
Deferred tax assets	16	27 358	15 617	17 915
Property, plant and equipment		151 836	167 249	164 782
Other assets		104 498	75 323	88 588
Advance payment and accrued income		74 628	30 386	30 425
<b>Total assets</b>		<b>96 352 228</b>	<b>91 085 053</b>	<b>93 005 685</b>
<b>Liabilities</b>				
Loans and deposits from central bank	17, 18	500 000	0	0
Loans and deposits from credit institutions	17, 18	0	0	0
Deposits from customers	17, 18	55 239 466	50 255 533	52 844 881
Debt securities issued	10, 17, 18	30 327 081	32 816 932	31 304 025
Derivatives		30 169	0	0
Taxes payable	16	162 704	153 727	208 769
Pension commitments		27 494	30 797	27 494
Other liabilities		2 126 550	585 638	834 679
Subordinated loans	10, 17, 18	899 521	774 378	899 438
<b>Total liabilities</b>		<b>89 312 986</b>	<b>84 617 005</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	705 872	605 030	705 858
Other equity		2 638 781	2 168 430	2 485 952
<b>Total equity</b>		<b>7 039 241</b>	<b>6 468 048</b>	<b>6 886 398</b>
<b>Total liabilities and equity</b>		<b>96 352 228</b>	<b>91 085 053</b>	<b>93 005 685</b>

# Change in profit before tax



# Norwegian macro development



# Interest bearing lending and funding

## Interest bearing lending

NOKm		2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Home loans	Volume	76 427	73 139	74 838	76 447	76 427	78 318
	Interest income	2 024	473	475	513	563	570
	Effective rate <sup>1</sup>	2.71 %	2.57 %	2.59 %	2.71 %	2.94 %	2.98 %
Car loans	Volume	1 121	1 184	1 180	1 154	1 121	1 098
	Interest income	62	15	16	15	16	16
	Effective rate <sup>1</sup>	5.27 %	5.01 %	5.36 %	5.23 %	5.48 %	5.70 %
Consumer loans	Volume	2 263	2 209	2 325	2 341	2 263	2 187
	Interest income	234	52	59	63	60	58
	Effective rate <sup>1</sup>	10.36 %	9.92 %	10.44 %	10.68 %	10.38 %	10.33 %
Other credit products <sup>2</sup>	Volume	1 684	1 632	1 521	1 681	1 684	1 443
	Interest income	188	46	47	46	49	48
	Effective rate <sup>1</sup>	11.30 %	11.52 %	11.26 %	11.03 %	11.40 %	11.81 %
Interest bearing securities	Volume	9 087	10 244	10 080	10 215	9 087	9 631
	Interest income	189	43	45	50	51	51
	Effective rate <sup>1</sup>	1.82 %	1.61 %	1.71 %	1.87 %	2.10 %	2.21 %
Total	Volume	93 006	91 072	94 959	94 107	93 006	96 352
	Interest income	2 719	633	647	694	745	747
	Effective lending rate <sup>1</sup>	2.93 %	2.76 %	2.83 %	2.94 %	3.17 %	3.21 %

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

## Interest bearing funding

NOKm		2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Deposits	Volume	52 845	50 256	53 930	52 654	52 845	55 239
	Interest expense	430	102	104	108	115	117
	Effective rate <sup>1</sup>	0.83 %	0.83 %	0.82 %	0.81 %	0.86 %	0.88 %
	Bank guarantee fee	62	25	26	-8	15	16
	Effective rate incl. fee <sup>1</sup>	0.94 %	1.03 %	1.02 %	0.75 %	0.97 %	1.00 %
Debt securities in issue	Volume	31 304	32 817	33 050	32 769	31 304	30 327
	Interest expense	636	142	151	151	1771	1741
	Effective rate <sup>1</sup>	1.93 %	1.71 %	1.83 %	1.98 %	2.20 %	2.27 %
Other int. bearing funding <sup>3</sup>	Volume	0	0	0	0	0	0
	Interest expense	0	0	0	0	0	0
	Effective rate <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Total	Volume	84 048	83 847	87 755	87 469	85 048	86 496
	Interest expense	1 155	277	288	273	316	317
	Effective funding rate <sup>1</sup>	1.24 %	1.22 %	1.26 %	1.15 %	1.33 %	1.36 %

(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		31.03.20					
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	265 893	-38 065	227 828	225 830	1 998	95.0%
Car Loans	Vehicle	11 679	-4 176	7 503	7 473	30	99.3%
Custody account credits	Listed securities	0	0	0	0	0	Na
Unsecured loans	None	319 147	-156 613	162 534	0	162 534	49.1%
<b>Total credit-impaired assets</b>		<b>596 719</b>	<b>-198 854</b>	<b>397 865</b>	<b>233 303</b>	<b>164 562</b>	<b>54.7%</b>

# Financial calendar

15.07.2020

Quarterly report    Q2 2020

13.11.2020

Quarterly report    Q3 2020

