Presentation of accounting figures, Q3 2020

Jan Erik Kjerpeseth
CEO
Low complexity

Conservative loan book

Digital leadership

High rate of return
Third biggest savings bank in Norway

- Established in 1823 and listed on Oslo Børs since 1995
- Head office in Bergen. 33 branch offices and 743 full-time equivalents
- Diversified product portfolio. Biggest shareholder in Frende Forsikring and Brage Finans (leasing)
- Several digital initiatives, like the first Norwegian mobile-only banking concept, Bulder Bank
- NOK 225 bill. in assets under management, approx. 284,000 retail customers and 13,000 corporate customers
- 75% of lending to the retail market
- Long-term ROE target of 12%

Home market

- Approx. 1.1 million inhabitants, corresponding to 21% of the Norwegian population
- Bergen and Stavanger are among the three biggest regions in Norway
- Important industries: Oil and gas, aquaculture and fisheries, public services and other industry
- Bulder Bank signals the launch of Norway’s first mobile-only banking concept

Market areas

Vestland
28.3%

Rogaland
6.7%

1) Market share (capital) in the retail market
Source: Statistics Norway
A bank with low complexity

**Corporate market**
- 25% of total lending
- NOK 44.4 bill. in loans
- 13,150 customers
- Diversified portfolio

**Retail market**
- 75% of total lending
- NOK 136.3 bill. in loans
- 284,200 customers
- Includes Bulder Bank

**FrendeForsikring**
- 41.4% holding
- 23.2% ROE in 2019
- Mainly general insurance

**EiendomsmeglerVest**
- 100% ownership
- Estate agency
- 120 full-time equivalents
- Important for loans

**49.99% holding**
- Leasing and financing
- Balance sheet, NOK 13.6 bill.
Low losses over time

- Conservative choices and good banking over time limit risk of losses in challenging times
- High proportion of retail customers
- Diversified corporate market portfolio
- Moderate losses even in challenging times – loss of NOK 76 mill. in the quarter
Norway’s best mobile banking solution since 2016
Important success criterion: in-house development team

Average customer rating in App Store (iPhone) and Google Play (Android)
Figures from 13 October 2020
Best ROE over time

Peer 1  Peer 2  Peer 3  Peer 4  Peer 5  Peer 6  Peer 7  Peer 8  Peer 9  SVEG
4.7%  8.7%  9.2%  11.4%  11.6%  11.7%  12.1%  12.2%  12.3%  12.4%

The selection consists of SVEG, DNB, NONG, MING, SR, MØRE, SPOG, SOR, HELG, SADG 2012 – H1 2020
• Good underlying banking operations
• Moderate risk and low losses
• Strategic priorities
Key developments – Q3
- good ROE and sound capital adequacy

ROE as percentage

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
<th>Q2 20</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>12.7%</td>
<td>12.1%</td>
<td>7.7%</td>
<td>12.2%</td>
<td>10.5%</td>
</tr>
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</table>

CET1 as percentage

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
<th>Q2 20</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1</td>
<td>17.0%</td>
<td>17.5%</td>
<td>17.3%</td>
<td>18.1%</td>
<td>17.8%</td>
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</tbody>
</table>

Profit per equity certificate

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
<th>Q2 20</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>1.80</td>
<td>1.76</td>
<td>1.12</td>
<td>1.79</td>
<td>1.59</td>
</tr>
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</table>

Book value per equity certificate

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q3 19</th>
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<th>Q1 20</th>
<th>Q2 20</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book</td>
<td>56.9</td>
<td>58.6</td>
<td>58.5</td>
<td>59.3</td>
<td>60.7</td>
</tr>
</tbody>
</table>

Dividend paid: NOK 2.42
Good cost discipline, moderate losses and strong contributions from ACs
Slight increase in net interest income from previous quarter
- pressure on margins, lower interest rates and reduced deposit margins

Note: Average assets under management have risen significantly more than gross lending in the period. This contributes to reducing net interest income as % of assets under management despite the rise in nominal net interest income.
Low deposit margins reduce the interest margin
Lending: Good growth in both RM and CM over time

Note: NOK 1.3 bill. moved from CM to RM in Q1 2020. Growth figures adjusted accordingly

*Not adjusted for exchange rate effects
Deposits: Good growth in both segments

Note: NOK 0.5 billion moved from CM to RM in Q1 2020. Growth figures adjusted accordingly.
Good contribution to profits from Frende Forsikring and Brage Finans

Frende Forsikring
• Strong profit growth in both general insurance and life insurance
• Good development in claims frequency and fewer large losses compared with 2019
• Growth in premiums of 2.8% over the past 12 months
• Return on equity: 26.5% annualised

Brage Finans
• Lending volume of NOK 13.6 bill., 20% growth in past 12 months
• Pre-tax profit of NOK 61.6 mill., an improvement of 35% compared with Q3 2019
• Return on equity for the year to date of 8.3% (8.6%)
Flat cost development and significant shift in cost structure

Cost development past seven years*

- Costs excl. IT
  - 1,305 NOK mill. (2012)
  - 1,270 NOK mill. (2019)

- IT
  - 16% increase

Cost development Q3 2020**

- Costs excl. IT
  - 364 NOK mill. (Q3 2019)
  - 347 NOK mill. (Q3 2020)

* Parent bank + Covered Bonds subsidiary, adjusted for non-recurring effects and bonus. ** IT costs are the total costs of IT in the parent bank, including payroll expenses, external fees, ICT costs and other operating costs.

** Cost development for the Group, including the Bulder Bank concept, NOK 14.6 mill. in Q3 2020 and NOK 8.5 mill. in Q3 2019.
Good liquidity and diversified maturity structure

- Liquidity portfolio of approx. NOK 30 bill.
- LCR ¹ well above requirement – 151%
- 53% of financing with remaining term to maturity of more than 3 years
- The housing credit company issued the first green covered bond in the quarter of EUR 500 mill.
- A further EUR 500 mill. in covered bond financing was raised in September 2020, on historically favourable terms
- The bank raised a total of NOK 1,200 mill. in Tier 3 bonds in the quarter to meet the bank’s MREL requirement

¹) LCR – Liquidity Coverage Rate: liquid assets divided by net liquidity output over a 30-day serious stress scenario
Regulatory capital requirements met by a good margin

CET1 ratio

- Q3 19: 17.0%
- Q4 19: 17.5%
- Q1 20: 17.3%
- Q2 20: 18.1%
- Q3 20: 17.8%

Requirement 12.7%*

Leverage ratio

- Q3 19: 7.1
- Q4 19: 7.4
- Q1 20: 7.0
- Q2 20: 7.0
- Q3 20: 6.9

Requirement 5%

* Current requirement: 12.7%, increases to 14.2% at year-end 2020
10.5% return on equity and sound capital adequacy

**Income**
- Net interest income NOK 750 (808) mill. driven by low deposit margins and interest rate pressure from customers
- Reduction in commission income driven by reduced volume of card transactions
- Net contribution from financial instruments of NOK -41 (-30) mill.

**Costs**
- Low costs of NOK 347 (364) mill. driven by strong discipline and continued high focus on costs
- Well within maximum cost growth target of 2% for 2020
- Targeted work on measures to ensure very moderate cost development in 2021

**Write-downs**
- Model-based and individual provision primarily targeting the maritime segment
- Total write-downs of NOK 76 (12) mill. in the quarter

**Profit**
- Q3 pre-tax profit: NOK 551 (643) mill.
- ROE: 10.5% (12.7%)
- Profit per equity certificate: NOK 1.59 (1.80)

**CET1**
- Sound CET1 ratio: 17.8% (17.0%)
- Good margin to regulatory capital requirements, both current; 12.7%, and from year-end 2020; 14.2%

Note: Q3 2019 in brackets
• Good underlying banking operations
• Moderate risk and low losses
• Strategic focus
Conservative loan book dominated by housing loans

**Gross lending by business area**

- **Retail market: 75 %**
  - Mortgages 99%
  - Other Retail Market 1%

- **Corporate market: 25 %**
  - Real Estate 34%
  - Building and construction 13%
  - Agriculture, forestry and fishing 14%
  - Shipping and offshore 16%
  - Services 8%
  - Other 16%

**Gross lending by region, Q3 2020**

- Vestland 73.7%
- Rogaland 18.7%
- Rest of Norway 7.2%
- Abroad 0.4%
- Rest of the world 7.2%

**Comments**

- The retail market accounts for 75% of loans, 99% of which are housing loans.
- Real estate, shipping and primary industries are the biggest sectors in the corporate market, the former accounting for 34%.
Low risk in the retail market portfolio
- 99% of the lending portfolio secured by residential mortgage. Moderate price development reduces risk

1. Only the part of a loan that exceeds the LTV threshold is shown in a higher LTV interval

2. Statistics Norway (2014 = 100; 2014 - Q3 2020)
Limited COVID-19 impact on the retail market portfolio
- significant reduction in loan relief on housing loans over time

- The volume of instalment-free housing loans has decreased considerably since Q1
- The bank has stayed in close contact with customers who have applied for loan relief due to being laid off
- Good servicing ability, also on loans for which loan relief has been granted
- The LTV on instalment-free loans is largely on a par with the rest of the portfolio
- About 85% of granted loan-relief periods are for less than three months, about two-thirds of loan relief decisions are for less than one month

1) Includes instalment-free periods granted after payment of the loan; only loans with a 60% LTV are included
Positive risk development in the corporate market portfolio
- quicker recovery from the impact of COVID-19 than previously assumed

Moderately affected by COVID-19: Decrease of NOK 0.3 bill.
- Primarily companies engaged in the hotel industry or shipping and certain real estate companies
- They have greater leeway due to liquidity buffers or lower LTV ratio
- Typically good owners willing and able to raise new capital

Severely affected by COVID-19: Decrease of NOK 0.1 bill.
- Primarily companies in tourism, restaurants and certain real estate companies
- These are commitments that we expect may have difficulties meeting loan terms due to COVID-19
- The main challenge is liquidity. Most of the customers have been helped by support schemes/loan relief

Severely affected by the fall in oil prices Decrease of NOK 0.1 bill. due to redemption.
- This mainly concerns the offshore portfolio
- The situation is stable in relation to the previous quarter
Decrease in relief applications in the corporate market portfolio

- The instalment-free periods are short (up to 3 months)
- Give the bank increased flexibility and greater leeway compared with longer instalment-free periods
- Only approx. NOK 0.5 bill. of loans have been granted a loan-free instalment period beyond the end of the year
- Demonstrates an improvement in our borrowers' debt-servicing ability

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1) Only includes instalment-free periods granted in the period 1 Jan. 2020 until 20 Oct. 2020
Reduced exposure in the Offshore segment - simple offshore portfolio with a percentage provided for of approx. 22%

- Decrease in exposure of approx. 0.1 bill. due to the sale of one ship (covers outstanding loan in full), reduction in currency hedge agreements and instalment servicing
- Relatively concentrated around Subsea, a segment that has historically been less affected than other segments, but is now suffering under the lack of contracts
- No ships in cold lay-up, but increase in the number of unchartered ships
- The bank has not cancelled or converted debt into equity
- Provision increased by approx. 4 percentage points since the last quarter

Low offshore proportion

- PSV: 21%
- Subsea: 69%
- Seismic: 5%
- MRV: 4%

NOK 1.2 bill. 0.65% of lending

Few customers

- Subsea and PSV
- Subsea
- PSV
- Subsea
- Seismic
- MRV
- PSV

- Paying full instalments
- Paying reduced instalments
- Undergoing restructuring

NOK mill.
Risk in the lending portfolio still at a moderate level - although the risk has increased as a result of COVID-19 and lower oil prices

Retail market
• Overall, the quality of the housing loan portfolio is considered good
• Reduced defaults for the RM portfolio due to the positive development in defaults of payment
• Percentage provided for accounts for 30.6%

Corporate market
• Increase in defaults and potential bad debt primarily attributed to negative risk development in a few shipping exposures
• A material increase in overdue payments and defaults has still not been observed. Developments monitored closely, focusing on affected industries
• Percentage provided for accounts for 65.5%

1) Percentage provided for = Total provision / defaults and other potential bad debt
Loss provision driven by weaker development in offshore and shipping

- Increase in model provision in 2020 primarily driven by the development in oil prices and COVID-19
- Significant proportion of the increase in the individual provisions in the quarter linked to a few shipping exposures
- Percentage provided for accounts for 30.6% and 65.5% for RM and CM respectively.
- Reversals of approx. NOK 15 mill have been carried out during the quarter.
- Confirmed losses in the quarter limited to NOK 41 mill. (covers an exposure with a confirmed loss of NOK 25 mill. which was previously included under loss provision)
Low losses over time
- but COVID-19 and the oil price development lead to higher provision in 2020

Quarterly development – losses on loans and guarantees

Losses as a percentage of gross lending
• Good underlying banking operations
• Moderate risk and low losses
• Strategic priorities
Norway’s best mobile banking app since 2016
– record score of 4.7

Average customer rating in App Store (iPhone) and Google Play (Android)
Figures from 13 October 2020
We are going against the tide
– increased customer satisfaction for the third year in a row

“worth noting that [...] Sparebanken Vest [...], well helped by its capable customer advisers, can report increased customer satisfaction for the third year in a row.” EPSI 2020.
New fund page launched

- We provide our customers with a good, simple overview of all our funds
- Customers can add a number of funds to their trolley and buy them together in one order
- New customers are onboarded during the process
Good feedback from customers on digital services

Almost 80,000 customers have started using ‘My subscriptions’

8,300 subscriptions have been terminated, leading to savings of NOK 16 mill. for customers

Strong growth in use of the bank’s mobile app

Nine out of ten young people use the mobile banking solution, strong growth in the oldest customer segment where one in three aged over 67 now use the mobile banking solution
Sale of Jonsvollskvartalet AS to KLP

• We are in negotiations with KLP regarding the sale of Jonsvollskvartalet, the bank’s head office in Bergen
• The sale will release capital for other value-creating purposes
• The transaction is based on a property value of NOK 1,620 mill.
• This represents a one-off gain of around NOK 250 mill.

The conclusion of the transaction is dependent on a final agreement between the parties
Our value proposal

A PERSONAL ‘SIGNATURE’

SIMPLE DIGITAL SERVICES

SOCIAL COMMITMENT TO WESTERN NORWAY

CUSTOMER DIVIDEND
MWB #5.0
- four quick sprints starting this autumn

#1
‘Best on losses’

#2
‘Flat cost development’

#3
‘Simplify internal work process for housing loans’

#4
‘Higher RM growth’
Low losses over time
- cement our position and manage uncertainty going forward

Further strengthen our credit processes:
• Practical learning from loss cases throughout the organisation
• Competence-raising
• Differentiated and more risk-based credit processes
NOK 35 mill. in rationalisation to secure 0% cost growth - further upsides identified
Considerable synergy effects from Bulder
- From 50 to 10 minutes per case with the help of optimisation and robotisation

Analysis of points of improvement  
Better user experience  
Automation of case processing
Simplify internal housing loan process

1. Automate data registration and documentation
2. Create flow and remove bottlenecks in the process
3. Radical outlook for loans in SPV
VIS AT DU BRYR DEG

GJØR DET ENKELT FOR MEG

GI MEG TYDELIGE RÅD

1 2 3 4

SI HVA JEG KAN FORVENTE

OPPDATER MEG UNDERVEIS

HOLD DET DU LOVER

SPAREBANKEN VEST
Personal advisory services in digital interfaces

**Current solution**

**Without an advisor**

- Hi Trine, All of our housing loan customers are assigned a personal advisor and I am delighted to have been appointed your advisor. I will be happy to discuss your economy with you if you so wish. Click here to see when I’m available.

**With an advisor**

- Min rådgiver
  - Klara Klok
  - Jonsvoll

  Hi Trine, All of our housing loan customers are assigned a personal advisor and I am delighted to have been appointed your advisor. I will be happy to discuss your economy with you if you so wish. Click here to see when I’m available.

- Avtal møte
- Ring
- Email: klara.klok@spv.no
- Innboks: 2 uleste meldinger
- Chat med kundeservice - Åpen til 22:30

**New solution**

**Without an advisor**

- Vi er her for deg
  - Kundeservice er åpen alle dager fra 07:23.

- Ring
- Innboks: 2 uleste meldinger
- Avtal rådgivning
- Chat med oss - Åpen til 22:30

**With an advisor**

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We will redefine banking – starting with housing loans
Status as of 20.October 2020

- **NOK 6.7 bill.**  
  Volume of housing loans

- **45%**  
  Average LTV

- **NOK 2.2 mill.**  
  Average housing loan

- **9,700**  
  Total number of customers

- **3,000**  
  Loan customers
A simple master plan

- Increase volume through good pricing and smarter housing loans
- Built robust, fully automatic processes

- Build higher deposit coverage through a complete day-to-day banking service
- Increase the range of housing loan products to meet customer expectations

- Increase earnings through more products from the financial services group Sparebanken Vest

Time

Current
Savings concept initially launched on IOS, followed by Android

Launch of spending overview service imminent

Much better overview of property value and loans launched

Good progress in the development of the app

Savings concept initially launched on IOS, followed by Android
Good underlying banking operations

Moderate risk and low losses

Strategic priorities
ROE
- ROE of 11.5 – 12.0%, (including expected one-offs)

Dividend
- Dividend policy of a dividend ratio of up to 50% lays firm
- The dividend level is based on the bank’s growth ambitions and capital adequacy, and regulatory framework conditions

CET1
- Sound CET1 of 17.8%. One-offs in Q4 is expected to slightly improve CET1 ratio
- Good margin to regulatory capital requirements, both current (12.7%) and from year-end 2020 (14.2%)

Net interest income
- Expect slight increase in net interest income towards the end of the year
- Measures to improve margins are expected to take effect mainly from 2021

Costs
- Flat cost development for 2020
- Targeted work on measures to ensure very moderate cost development in 2021
Why invest in Sparebanken Vest?

- Low risk and complexity
- At the forefront of digital developments
- Attractive customer dividend for investors
- Strong ESG focus
- Strong performance culture
- Leading in terms of ROE – target 12%
Investor contacts

Jan Erik Kjerpeseth
CEO
Tel.: (+47) 951 98 430
jan.kjerpeseth@spv.no

Frank Johannesen
EVP CFO
Tel.: (+47) 952 65 971
frank.johannesen@spv.no

Hans Olav Ingdal
Director Finance and IR
Tel.: +47 948 09 328
hans.ingdal@spv.no