Sandnes Sparebank

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F3
Viability Rating	bbb
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term IDR	AAA

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Sandnes Sparebank

	30 Sep 14	31 Dec 13
Total assets (USDm)	4,425	4,723
Total assets (NOKm)	28,553	28,715
Total equity (NOKm)	2,143	2,046
Operating profit (NOKm)	172	229
Net income (NOKm)	123	169
Comprehensive income (NOKm)	123	153
Operating ROAA (%)	0.8	0.8
Operating ROAE (%)	11.0	11.6
Internal capital generation (%)	6.4	6.8
Fitch Core Capital/weighted risks (%)	12.4	11.8
Core Tier 1 ratio (%)	11.9	11.6

Related Research

Sandnes Sparebank – Ratings Navigator (November 2014)

Analysts

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Key Rating Drivers

Standalone Strength Drives Ratings: Sandnes Sparebank's ratings reflect its healthy profitability, sound asset quality, solid capitalisation and entrenched regional presence in south-west Norway. They also factor in its smaller franchise and capital relative to its rated Norwegian peers, which constrain the ratings. The bank's wholesale funding reliance and geographical concentration are also factored in.

Company Profile Constrains Ratings: Sandnes' smaller size and geographical concentration compared with international and domestic peers constrain the ratings.

Regional Franchise in Benign Environment: Sandnes' small but locally entrenched franchise supports stable customer relationships, thereby generating satisfactory earnings. It benefits from strong growth driven by oil-linked industries. Fitch Ratings expects the Norwegian economy to remain strong, with continued low unemployment and solid wage growth. Investments in the oil industry have reduced, but remain significant.

Legacy Impaired CRE Loans: Non-performing loans remain modest, although impaired (but still performing) loans are more material. These loans essentially relate to legacy commercial real estate (CRE) lending and is a sensitivity for the bank due to some single-name concentration. Fitch expects Sandnes to continue to reduce these impaired exposures, and that lower loan-to-values (LTVs) when granting CRE loans should support improving asset quality.

Solid Capital Ratios, Small Volume: The bank's capital ratios compare well with its domestic and international peers, despite its use of the standardised approach to calculate capital requirements. Its leverage ratio is particularly strong for a retail-focused bank in Europe. Nonetheless, its small absolute size of capital can leave it vulnerable to shocks.

Wholesale Funding Reliance: Like most Nordic peers, Sandnes relies on the capital markets for part of its structural funding, primarily through its wholly owned covered bond issuing vehicle. Fitch expects Sandnes to maintain access to wholesale funding, although maintaining a large liquidity buffer will be key to mitigating refinancing risks.

Sovereign Support Not Relied On: Sandnes' Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that extraordinary support from the Norwegian authorities cannot be relied on, due to the bank's small franchise.

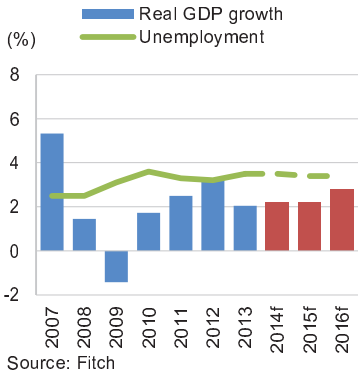
Rating Sensitivities

Strong Operating Environment: The Stable Outlook reflects Fitch's expectation that the operating environment in Norway will remain sound, supporting Sandnes' asset quality and working out of impaired exposures, and access to market funding.

Upgrade Currently Unlikely: An upgrade is currently unlikely because the bank's small size makes it relatively sensitive to shocks, particularly in the context of its narrow geographical operating market and some legacy CRE exposures.

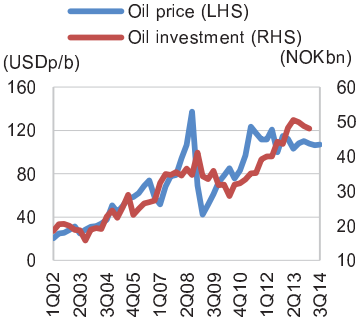
House Prices, Funding Access: Sandnes' ratings are sensitive to reduced activity in the region should it lead to a significant house price correction or increased losses in the corporate sector. A dislocation in debt capital markets making Sandnes unable to obtain competitively priced funding is a further sensitivity.

Figure 1
Norway Economy



Source: Fitch

Figure 2
Oil Investment and Oil Prices



Source: Datastream, Statistics Norway

Operating Environment

Oil Driven Regional Economy with High Competition in 'AAA' Rated Sovereign

Fitch expects the Norwegian banking sector to continue to benefit from Norway's favourable economic environment with comparatively solid GDP growth forecasts and low unemployment.

Sandnes' regional banking focus within Rogaland, one of Norway's main regions for oil production, exposes the bank to potential shocks in the oil industry. Its performance will be closely linked to that of Rogaland's economy. Oil prices have fallen by around 40% since June 2014, which is a rating sensitivity, and Fitch expects oil investments to fall somewhat. Historically, the high levels of oil investments have presented opportunities for Sandnes, and the high number of start-up companies and SMEs that operate in and around Rogaland continues to grow, fuelling demand for labour. House prices in south-west Norway have stabilised after a rapid increase driven by wage growth and net migration to the region combined with limited building activity.

The Norwegian banking sector contains a very high number of savings banks (around 200) and Sandnes faces fierce competition in its operating region, which has put pressure on lending margins. Sparebank 1 SR-Bank (A−/Stable), the largest bank in the Sparebank 1 Alliance (which also holds a 10% stake in Sandnes) and DNB Bank, Norway's largest banking group, operate in the region.

Company Profile

Moderate Franchise with Retail and SME Focus

Sandnes is a small savings bank (around 130 staff at end-September 2013) focused on the retail and SME segments in its region, where it serves about 40,000 retail customers and 5,000 small businesses. In a national context its market share is minimal, but in its region Sandnes has market share of 14% in the SME sector and 11% in households.

The bank offers simple saving and lending products to individuals and SMEs. Its loan book is weighted towards retail (representing around 65% of the loan book at end-September 2014), essentially relating to mortgage loans. The bank's business mix highlights its exposure to the area's real estate, with CRE loans (16%) and building and construction (6%) the second- and third-largest exposure groups. The rest is well diversified by business but ultimately most sectors around Sandnes are directly or indirectly oil dependent.

Sandnes' traditional commercial banking business generates stable earnings driven by net interest income (retail around 40% and SME 60%). Sandnes Sparebank Boligkredit (Boligkreditt), the entity's covered bond issuing vehicle, is fully consolidated by the bank.

Management

Improving Track Record and Consistent Strategy

The management team has been in place since 2009 and has embarked on a simplification strategy, focused on retail and SME customers. This marked a change from pre-crisis strategy, which increased exposures to larger SMEs and property development, and also outside Sandnes' home market. The quality of some of these exposures started to suffer in 2008 and the bank's stock of doubtful loans jumped.

At the heart of the present strategy is the scaling down of the bank's presence outside its regional market, a reduction in its product offering, and the implementation of a robust risk management framework. The bank will not compete on price but on quality of service, to differentiate itself from its larger competitors, particularly as it is at a funding disadvantage in wholesale markets.

Related Criteria

Global Financial Institutions Rating Criteria (January 2014)

Sandnes recently announced that it will enter into the Eika Alliance of banks. This could improve its franchise with a more complete and competitive product range. It could also result in some limited efficiency improvements as IT costs – which can represent a large proportion of smaller banks' total costs – will be shared with other member banks (much like banks in the Sparebank 1 Alliance). The bank's strategy is to remain independent.

Corporate governance principles are in line with the Norwegian code on corporate governance. Internal control processes appear adequate. Sandnes' owners are the holders of equity capital certificates. Representatives of the owners, together with public appointees, employees and customer representatives, sit on the supervisory board, whose nomination committee appoints the board of directors.

Risk Appetite

Low Risk Appetite Strategy

Underwriting standards have improved significantly compared with pre-crisis credit standards, in line with the new management's regionally focused strategy and lower risk tolerance. Some material single-name concentrations still exist as result of legacy CRE lending, but significant efforts to reduce these exposures, shorten maturities and reduce high LTV loans in this segment demonstrate the bank's improved risk culture. Despite the increase in house prices in Norway, mortgage lending at Sandnes is prudent, and partly constrained by the 85% LTV cap imposed by the regulator (75% LTV cap for mortgage loans used in covered bonds). The bank also stresses borrower repayment capacity with interest rate increases of 5pp.

Additional focus on risk management became an integral part of the reshaping and Fitch views risk controls as robust in the context of the bank's size and the complexity of its business model. Internal capital generation has exceeded asset growth since end-2011, demonstrating its low risk appetite.

Market risk measurement is based on the standardised approach. The bank has conservative market risk limits and uses derivatives to hedge exposures. Interest rate exposure is measured at three-monthly intervals from 0 to 10 years. At end-2013, a 200bp parallel shift in the yield curve would have had a low NOK3.7m (or 2.2%) impact on net income, well within board limits.

At end-2013, 8% of Sandnes' total balance-sheet assets were denominated in foreign currencies, dominated by Swiss francs and euros. The risk limits were reduced in early 2014 to NOK45m intraday and NOK40m overnight. The bank measures currency risk daily on the basis of net positions in different currencies.

Financial Profile

Improving Asset Quality

Ratios Inflated by Legacy CRE Exposures

Sandnes is virtually only exposed to credit risk. Gross loans and fixed-income securities represented around 95% of the bank's total assets at end-September 2014, and credit risk represented 95% of capital requirements at the same date.

Fitch expects the ratio of impaired loans to gross loans (2% at end-September 2014) to continue to decrease as legacy loans are worked out. However, it is likely to remain somewhat weaker than its Norwegian peers'. Sandnes' asset-quality ratios have to be seen both in the context of its legacy book, which include large exposures to property development, and the fact that 1.5pp of these impaired exposures are still performing. Unreserved impaired loans represented less than 15% of Fitch Core Capital at end-September 2014, a manageable amount in Fitch's view. The agency nevertheless considers the bank's CRE portfolio to remain a key risk.

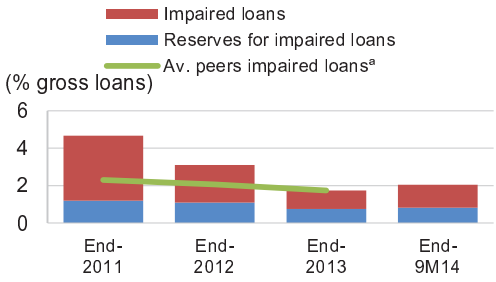
Residential Mortgage Lending Supports Asset Quality

Retail lending accounted for around two-thirds of total loans at end-September 2014, most of which related to low-risk mortgage loans. Fitch expects this segment to continue to perform well (impaired loans ratio of 15bp at end-2013), supported by the strong macro environment. Fitch expects unemployment, a key driver of retail defaults, to remain low.

Around half of Sandnes' liquidity and investment portfolio was Nordic covered bonds at end-September 2014. Its investment policy is for at least two-thirds of securities to have a minimum rating of 'BBB+'.

Figure 3

Asset Quality

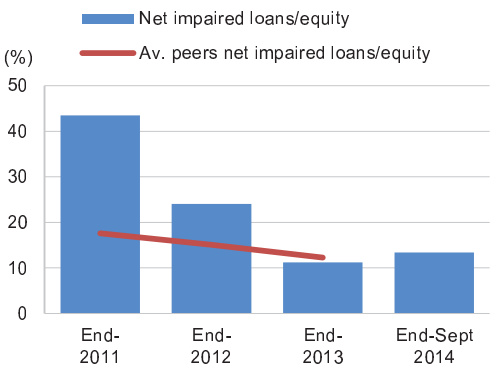


[a] Average impaired loans for Sandnes, Sparebanken Vest (VR: a-), Sparebank 1 SR Bank (a-), Sparebank 1 SMN (a-), Sparebank 1 SNN (a), Principality BS (bbb+) and Skipton BS (bbb). (Peer data unavailable for September 2014)

Source: Banks, adjusted by Fitch

Figure 4

Net Impaired Loans/Equity



Source: Banks, adjusted by Fitch

Net Interest Income Drives Earnings

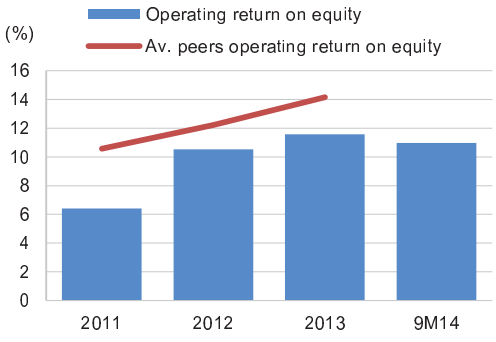
Fitch expects Sandnes to continue to benefit from strong revenue generation, sound cost efficiency and low LICs. Net interest income represents around three-quarters of total income and the strong regional franchise supports revenue generation. The net interest margin should remain stable in 2015. Lending margins are under pressure from intense competition, but Fitch does not expect the bank to materially lower them. The agency also expects LICs to remain low in 2015.

Sandnes lacks the diversification from non-interest revenue that its larger peers have; this is an area management wants to improve. The alliance with the Eika group of banks could lead to a gradual improvement in commission income due to a more complete product offering. Income from fees and commissions was virtually flat year on year.

Sandnes' tight cost control and a more focused business model has led to a reduction in staff numbers to around 130 at end-September 2014, from 240 since its strategy overhaul. Its cost/income ratio has improved as a result, and is in line with that of other rated Norwegian savings banks. Fitch expects it to remain around the bank's 55% target. Other operational expenses could reduce in the medium to long term through the cost sharing of IT systems with the Eika Alliance.

Figure 5

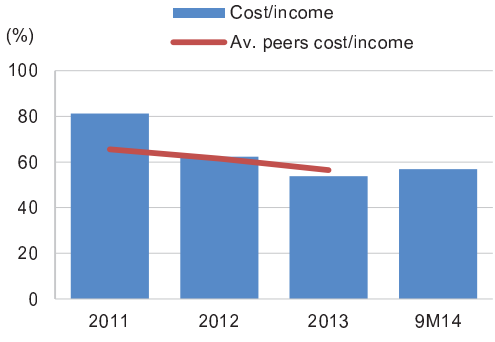
Profitability



Source: Banks, adjusted by Fitch

Figure 6

Cost Efficiency



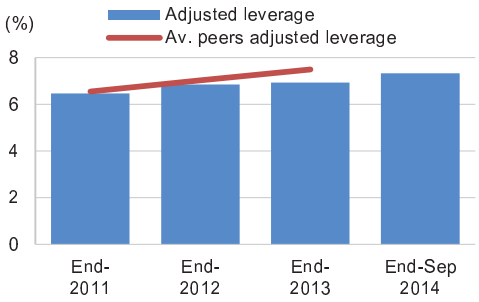
Source: Banks, adjusted by Fitch

Solid Capitalisation and Low Leverage

Sandnes reports solid capital and leverage ratios, but its equity base is small in absolute terms, leaving it vulnerable to shocks. Its Fitch Core Capital to weighted risks ratio of 12.4% at end-September 2014 was somewhat weaker than domestic peers', but should be seen in light of the higher risk-weighted assets used under the standardised method. Sandnes' leverage is low in a European context, particularly for a retail-focused bank, and compares well with its Norwegian peers.

Figure 7

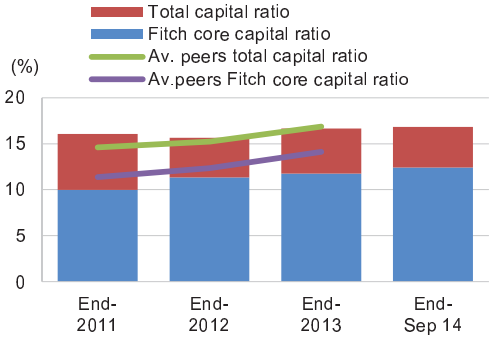
Adjusted Leverage[a]



[a] Tangible common equity/tangible assets excluding insurance assets and netting derivatives
Source: Banks, adjusted by Fitch

Figure 8

Risk-Weighted Capital Ratios



Source: Banks, adjusted by Fitch

Wholesale Funding Reliance, Sound Liquidity Buffer

Fitch expects customer deposits to continue to represent Sandnes' largest funding source, although the bank is looking to source more long-term funding through covered bond issuance. The bank's loans/deposits ratio of 165% at end-September 2014 was broadly in line with local rated peers, but does highlight its reliance on wholesale funding. The deposit base is quite granular owing to the bank's retail focus and has proved stable. Sandnes fully consolidates its covered bond issuing vehicle, which makes a direct comparison to some rated domestic peers less meaningful.

At end-September 2014 the bank had transferred NOK6.7bn to Boligkreditt and issued NOK5.4bn of covered bonds. The bank's internal limit on the amount of loans that can be transferred to Boligkreditt is the higher of 45% of retail loans or 30% of total loans, meaning a limit of around NOK7bn. The bank's reported Net Stable Funding Ratio was over 100% at the same date.

The liability maturity profile is well spread in general, and the bank maintains good liquidity. The bank reported a Liquidity Buffer Indicator (LBI; the Norwegian central bank's Liquidity Coverage Ratio, LCR, equivalent) of 140% at end-September 2014. The LBI is similar to the LCR, but allows for a more generous treatment of domestic covered bonds. All the assets in the liquidity buffer are central bank eligible. Fitch expects Sandnes to realign its liquidity buffer towards more LCR-eligible assets over time, although Fitch expects this to have more impact on profitability as the volume should already be there.

Support

Sovereign Support Possible but Cannot be Relied Upon

Sandnes' Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that the propensity of state support to the bank, if ever required, cannot be relied on due to its very limited market shares in Norway.

Sandnes Sparebank
Income Statement

9 Months - 3rd Quarter ths - 3rd Quarter	30 Sep 2014 USDm Unaudited	30 Sep 2014 NOKm Unaudited	30 Sep 2014 As % of Earning Assets	31 Dec 2013 Year End NOKm Unqualified	31 Dec 2013 As % of Earning Assets	31 Dec 2012 Year End NOKm Unqualified	31 Dec 2012 As % of Earning Assets	31 Dec 2011 Year End NOKm Unqualified	31 Dec 2011 As % of Earning Assets
1. Interest Income on Loans	n.a.	n.a.	-	21.3	0.08	32.4	0.12	1,053.1	4.02
2. Other Interest Income	136.8	882.4	4.25	1,180.5	4.23	1,113.7	4.18	122.4	0.47
3. Dividend Income	0.0	0.1	0.00	0.7	0.00	0.6	0.00	0.6	0.00
4. Gross Interest and Dividend Income	**136.8**	**882.5**	**4.25**	**1,202.5**	**4.31**	**1,146.7**	**4.30**	**1,176.1**	**4.49**
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	363.9	1.30	323.6	1.21	317.3	1.21
6. Other Interest Expense	82.3	530.9	2.55	381.6	1.37	463.8	1.74	514.3	1.96
7. Total Interest Expense	**82.3**	**530.9**	**2.55**	**745.5**	**2.67**	**787.4**	**2.95**	**831.6**	**3.17**
8. Net Interest Income	**54.5**	**351.6**	**1.69**	**457.0**	**1.64**	**359.3**	**1.35**	**344.5**	**1.31**
9. Net Gains (Losses) on Trading and Derivatives	0.0	0.0	0.00	2.3	0.01	51.4	0.19	n.a.	-
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	2.3	15.0	0.07	(16.7)	(0.06)	(32.0)	(0.12)	12.0	0.05
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	7.0	45.3	0.22	61.1	0.22	54.7	0.21	55.3	0.21
14. Other Operating Income	2.9	18.8	0.09	39.4	0.14	88.7	0.33	46.9	0.18
15. Total Non-Interest Operating Income	**12.3**	**79.1**	**0.38**	**86.1**	**0.31**	**162.8**	**0.61**	**114.2**	**0.44**
16. Personnel Expenses	17.4	112.3	0.54	109.5	0.39	143.4	0.54	158.5	0.60
17. Other Operating Expenses	20.5	132.4	0.64	182.3	0.65	182.1	0.68	214.2	0.82
18. Total Non-Interest Expenses	**37.9**	**244.7**	**1.18**	**291.8**	**1.05**	**325.5**	**1.22**	**372.7**	**1.42**
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	**28.8**	**186.0**	**0.90**	**251.3**	**0.90**	**196.6**	**0.74**	**86.0**	**0.33**
21. Loan Impairment Charge	2.2	14.3	0.07	22.4	0.08	3.1	0.01	(25.3)	(0.10)
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	**26.6**	**171.7**	**0.83**	**228.9**	**0.82**	**193.5**	**0.73**	**111.3**	**0.42**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	**26.6**	**171.7**	**0.83**	**228.9**	**0.82**	**193.5**	**0.73**	**111.3**	**0.42**
30. Tax expense	7.5	48.4	0.23	60.0	0.21	44.9	0.17	32.4	0.12
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	**19.1**	**123.3**	**0.59**	**168.9**	**0.60**	**148.6**	**0.56**	**78.9**	**0.30**
33. Change in Value of AFS Investments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	(15.5)	(0.06)	26.9	0.10	n.a.	-
37. Fitch Comprehensive Income	**19.1**	**123.3**	**0.59**	**153.4**	**0.55**	**175.5**	**0.66**	**78.9**	**0.30**
38. Memo: Profit Allocation to Non-controlling Interests	(0.6)	(3.6)	(0.02)	3.1	0.01	1.8	0.01	(0.3)	(0.00)
39. Memo: Net Income after Allocation to Non-controlling Interests	19.7	126.9	0.61	165.8	0.59	146.8	0.55	79.2	0.30
40. Memo: Common Dividends Relating to the Period	3.3	21.3	0.10	30.1	0.11	21.4	0.08	2.3	0.01
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = NOK6.45000		USD1 = NOK6.08000		USD1 = NOK5.57000		USD1 = NOK5.99000	

Sandnes Sparebank
Balance Sheet

	30 Sep 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	9 Months - 3rd Quarters - 3rd Quarter USDm	NOKm	As % of Assets	Year End NOKm	As % of Assets	Year End NOKm	As % of Assets	Year End NOKm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	3,622.2	23,363.5	81.82	23,434.1	81.61	22,912.7	83.36	22,308.7	83.83
6. Less: Reserves for Impaired Loans	29.6	190.6	0.67	178.6	0.62	249.3	0.91	266.3	1.00
7. Net Loans	**3,592.7**	**23,172.9**	**81.16**	**23,255.5**	**80.99**	**22,663.4**	**82.45**	**22,042.4**	**82.83**
8. Gross Loans	**3,622.2**	**23,363.5**	**81.82**	**23,434.1**	**81.61**	**22,912.7**	**83.36**	**22,308.7**	**83.83**
9. Memo: Impaired Loans included above	74.0	477.3	1.67	407.6	1.42	712.0	2.59	1,042.8	3.92
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	128.8	830.8	2.91	365.9	1.27	631.4	2.30	1,131.7	4.25
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	553.8	3,572.3	12.51	4,137.8	14.41	3,107.2	11.30	n.a.	-
4. Derivatives	30.0	193.6	0.68	144.5	0.50	190.8	0.69	117.2	0.44
5. Available for Sale Securities	2.1	13.8	0.05	15.5	0.05	15.5	0.06	15.5	0.06
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Equity Investments in Associates	n.a.	n.a.	-	n.a.	-	46.6	0.17	49.0	0.18
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	2,730.4	10.26
9. Total Securities	**586.0**	**3,779.7**	**13.24**	**4,297.8**	**14.97**	**3,360.1**	**12.22**	**2,912.1**	**10.94**
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	120.8	0.45
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	**4,307.5**	**27,783.4**	**97.30**	**27,919.2**	**97.23**	**26,654.9**	**96.97**	**26,207.0**	**98.48**
C. Non-Earning Assets									
1. Cash and Due From Banks	87.5	564.1	1.98	581.5	2.03	579.4	2.11	94.0	0.35
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	4.2	26.9	0.09	36.3	0.13	73.0	0.27	100.2	0.38
5. Goodwill	n.a.	n.a.	-	1.7	0.01	1.7	0.01	n.a.	-
6. Other Intangibles	5.6	36.1	0.13	35.2	0.12	33.8	0.12	26.3	0.10
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	3.6	23.0	0.08	21.7	0.08	14.6	0.05	41.4	0.16
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	18.6	119.9	0.42	119.0	0.41	129.3	0.47	143.1	0.54
11. Total Assets	**4,426.9**	**28,553.4**	**100.00**	**28,714.6**	**100.00**	**27,486.7**	**100.00**	**26,612.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	2,199.3	14,185.7	49.68	14,030.9	48.86	11,865.5	43.17	11,584.5	43.53
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	615.5	2.14	815.9	2.97	n.a.	-
4. Total Customer Deposits	**2,199.3**	**14,185.7**	**49.68**	**14,646.4**	**51.01**	**12,681.4**	**46.14**	**11,584.5**	**43.53**
5. Deposits from Banks	40.1	258.4	0.90	1,162.9	4.05	2,625.9	9.55	4,674.9	17.57
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Deposits, Money Market and Short-term Funding	**2,239.4**	**14,444.1**	**50.59**	**15,809.3**	**55.06**	**15,307.3**	**55.69**	**16,259.4**	**61.10**
9. Senior Debt Maturing after 1 Year	1,649.7	10,640.6	37.27	9,632.6	33.55	9,131.6	33.22	7,121.4	26.76
10. Subordinated Borrowing	127.5	822.3	2.88	349.5	1.22	102.5	0.37	1,063.0	3.99
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	**1,777.2**	**11,462.9**	**40.15**	**9,982.1**	**34.76**	**9,234.1**	**33.59**	**8,184.4**	**30.75**
13. Derivatives	21.9	141.4	0.50	158.2	0.55	136.1	0.50	138.4	0.52
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Funding	**4,038.5**	**26,048.4**	**91.23**	**25,949.6**	**90.37**	**24,677.5**	**89.78**	**24,582.2**	**92.37**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	1.1	6.8	0.02	7.9	0.03	33.2	0.12	70.9	0.27
4. Current Tax Liabilities	8.4	54.4	0.19	50.7	0.18	32.3	0.12	14.5	0.05
5. Deferred Tax Liabilities	0.1	0.4	0.00	0.6	0.00	3.9	0.01	4.4	0.02
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	46.6	300.3	1.05	160.1	0.56	167.4	0.61	154.3	0.58
10. Total Liabilities	**4,094.6**	**26,410.3**	**92.49**	**26,168.9**	**91.13**	**24,914.3**	**90.64**	**24,826.3**	**93.29**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	500.0	1.74	650.0	2.36	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	330.8	2,133.5	7.47	2,031.5	7.07	1,904.5	6.93	1,761.3	6.62
2. Non-controlling Interest	1.5	9.6	0.03	14.2	0.05	17.9	0.07	24.4	0.09
3. Securities Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	**332.3**	**2,143.1**	**7.51**	**2,045.7**	**7.12**	**1,922.4**	**6.99**	**1,785.7**	**6.71**
7. Total Liabilities and Equity	**4,426.9**	**28,553.4**	**100.00**	**28,714.6**	**100.00**	**27,486.7**	**100.00**	**26,612.0**	**100.00**
8. Memo: Fitch Core Capital	323.2	2,084.4	7.30	1,989.4	6.93	1,877.9	6.83	1,718.0	6.46
9. Memo: Fitch Eligible Capital	323.2	2,084.4	7.30	1,989.4	6.93	1,877.9	6.83	1,718.0	6.46

Sandnes Sparebank
Summary Analytics

	30 Sep 2014 9 Months - 3rd Quarter	31 Dec 2013 Year End	31 Dec 2012 Year End	31 Dec 2011 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	n.a.	0.09	0.14	4.57
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	2.59	2.71	2.82
3. Interest Income/ Average Earning Assets	4.23	4.33	4.40	4.58
4. Interest Expense/ Average Interest-bearing Liabilities	2.71	2.86	3.23	3.38
5. Net Interest Income/ Average Earning Assets	1.69	1.64	1.38	1.34
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.62	1.56	1.37	1.44
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	1.69	1.64	1.38	1.34
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	18.37	15.85	31.18	24.90
2. Non-Interest Expense/ Gross Revenues	56.81	53.73	62.34	81.25
3. Non-Interest Expense/ Average Assets	1.14	1.02	1.21	1.40
4. Pre-impairment Op. Profit/ Average Equity	11.89	12.71	10.70	4.95
5. Pre-impairment Op. Profit/ Average Total Assets	0.87	0.88	0.73	0.32
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	7.69	8.91	1.58	(29.42)
7. Operating Profit/ Average Equity	10.98	11.58	10.53	6.41
8. Operating Profit/ Average Total Assets	0.80	0.80	0.72	0.42
9. Taxes/ Pre-tax Profit	28.19	26.21	23.20	29.11
10. Pre-Impairment Operating Profit / Risk Weighted Assets	1.48	1.49	1.19	0.50
11. Operating Profit / Risk Weighted Assets	1.37	1.35	1.17	0.65
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	7.88	8.54	8.09	4.54
2. Net Income/ Average Total Assets	0.58	0.59	0.55	0.30
3. Fitch Comprehensive Income/ Average Total Equity	7.88	7.76	9.55	4.54
4. Fitch Comprehensive Income/ Average Total Assets	0.58	0.54	0.65	0.30
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	0.98	1.00	0.90	0.46
7. Fitch Comprehensive Income/ Risk Weighted Assets	0.98	0.91	1.06	0.46
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	12.40	11.76	11.34	9.99
2. Fitch Eligible Capital/ Risk Weighted Assets	12.40	11.76	11.34	9.99
3. Tangible Common Equity/ Tangible Assets	7.32	6.94	6.84	6.47
4. Tier 1 Regulatory Capital Ratio	14.70	14.60	15.10	13.70
5. Total Regulatory Capital Ratio	16.80	16.60	15.60	16.10
6. Core Tier 1 Regulatory Capital Ratio	11.90	11.60	11.10	9.90
7. Equity/ Total Assets	7.51	7.12	6.99	6.71
8. Cash Dividends Paid & Declared/ Net Income	17.27	17.82	14.40	2.92
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	17.27	19.62	12.19	2.92
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Internal Capital Generation	6.36	6.78	6.62	4.29
E. Loan Quality				
1. Growth of Total Assets	(0.56)	4.47	3.29	(1.19)
2. Growth of Gross Loans	(0.30)	2.28	2.71	(6.37)
3. Impaired Loans/ Gross Loans	2.04	1.74	3.11	4.67
4. Reserves for Impaired Loans/ Gross Loans	0.82	0.76	1.09	1.19
5. Reserves for Impaired Loans/ Impaired Loans	39.93	43.82	35.01	25.54
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	13.75	11.51	24.64	45.20
7. Impaired Loans less Reserves for Impaired Loans/ Equity	13.38	11.19	24.07	43.48
8. Loan Impairment Charges/ Average Gross Loans	0.08	0.10	0.01	(0.11)
9. Net Charge-offs/ Average Gross Loans	0.06	0.05	0.02	(0.16)
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass	2.04	1.74	3.11	4.67
F. Funding				
1. Loans/ Customer Deposits	164.70	160.00	180.68	192.57
2. Interbank Assets/ Interbank Liabilities	321.52	31.46	24.05	24.21
3. Customer Deposits/ Total Funding (excluding derivatives)	54.76	56.79	51.67	47.39

Sandnes Sparebank
Reference Data

	30 Sep 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	9 Months - 3rd Quarters - 3rd Quarter USDm		As % of Assets	Year End NOKm	As % of Assets	Year End NOKm	As % of Assets	Year End NOKm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	806.0	2.81	669.3	2.43	810.1	3.04
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	3,472.2	12.09	3,281.9	11.94	n.a.	-
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Business Volume	4,426.9	28,553.4	100.00	32,992.8	114.90	31,437.9	114.37	27,422.1	103.04
8. Memo: Risk Weighted Assets	2,605.5	16,805.7	58.86	16,912.9	58.90	16,562.6	60.26	17,202.9	64.64
9. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Risk Weighted Assets	2,605.5	16,805.7	58.86	16,912.9	58.90	16,562.6	60.26	17,202.9	64.64
B. Average Balance Sheet									
Average Loans	3,631.8	23,425.4	82.04	23,386.9	81.45	22,458.3	81.71	23,024.3	86.52
Average Earning Assets	4,322.5	27,880.3	97.64	27,783.9	96.76	26,070.3	94.85	25,666.1	96.45
Average Assets	4,444.5	28,666.9	100.40	28,606.7	99.62	26,857.9	97.71	26,655.2	100.16
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	4,055.0	26,154.8	91.60	26,093.9	90.87	24,382.4	88.71	24,603.4	92.45
Average Common equity	322.3	2,079.1	7.28	1,959.0	6.82	1,814.0	6.60	1,719.7	6.46
Average Equity	324.2	2,090.9	7.32	1,977.3	6.89	1,837.7	6.69	1,737.3	6.53
Average Customer Deposits	2,281.9	14,718.3	51.55	14,035.4	48.88	11,945.1	43.46	11,260.1	42.31
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	127.5	822.3	2.88	349.5	1.22	102.5	0.37	1,063.0	3.99
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	332.3	2,143.1	7.51	2,045.7	7.12	1,922.4	6.99	1,785.7	6.71
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	332.3	2,143.1	7.51	2,045.7	7.12	1,922.4	6.99	1,785.7	6.71
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	332.3	2,143.1	7.51	2,045.7	7.12	1,922.4	6.99	1,785.7	6.71
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	5.6	36.1	0.13	35.2	0.12	33.8	0.12	26.3	0.10
6. Deferred tax assets deduction	3.5	22.6	0.08	21.1	0.07	10.7	0.04	41.4	0.16
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**323.2**	**2,084.4**	**7.30**	**1,989.4**	**6.93**	**1,877.9**	**6.83**	**1,718.0**	**6.46**
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	**323.2**	**2,084.4**	**7.30**	**1,989.4**	**6.93**	**1,877.9**	**6.83**	**1,718.0**	**6.46**
Exchange Rate		USD1 = NOK6.45000		USD1 = NOK6.08000		USD1 = NOK5.57000		USD1 = NOK5.99000	

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