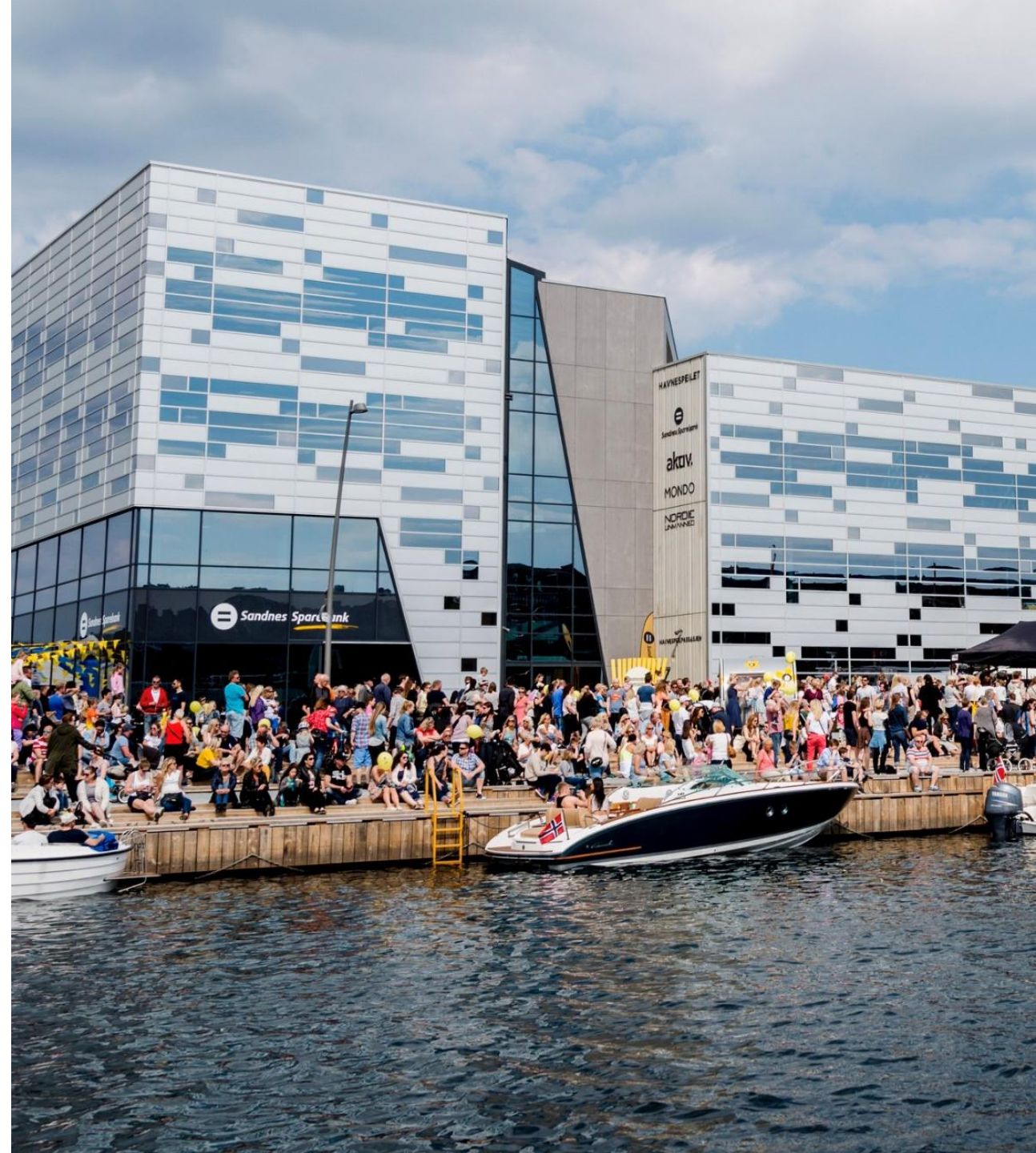


# Financial Reporting

## 1<sup>st</sup> Quarter 2022

Sandnes 05.12.2022



# **Content:**

**Q1 Summary**

**Customers and Market**

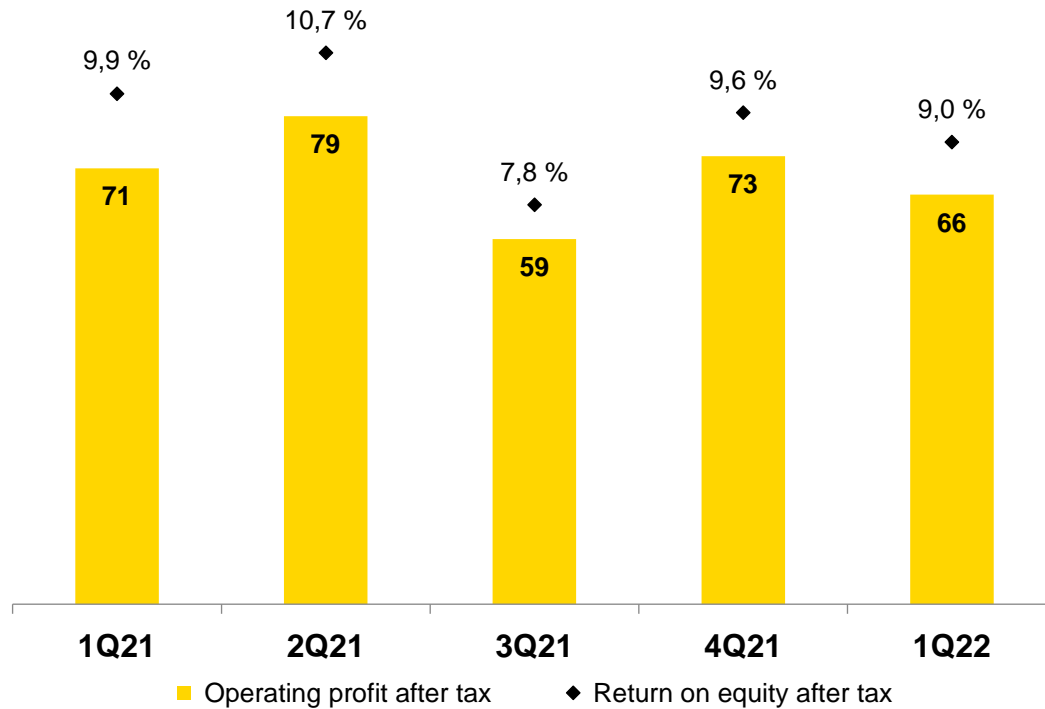
**Key Figures**

**Local Macro**



# Den Gule Banken, Sandnes Sparebank

## ROE



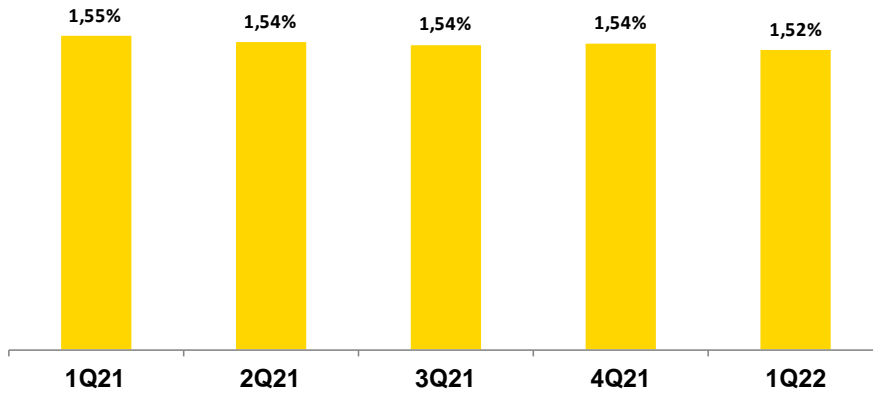
## Summary:

- Profit after tax MNOK 66,4 (70,6)
- ROE on equity after tax 9,0 % (9,9 %)
- Profit per ECC (EPS) of NOK 2,0 (2,1)
- Lending growth of 1,3 % (1,5 %)
- Net interest margin of 1,52 % (1,55 %)
- Net reversal of losses MNOK 1,5 (-23). Good credit quality
- Costs MNOK 76,6 (71,2)
- Solid bank with 16,3 % CET1 (17,3%)

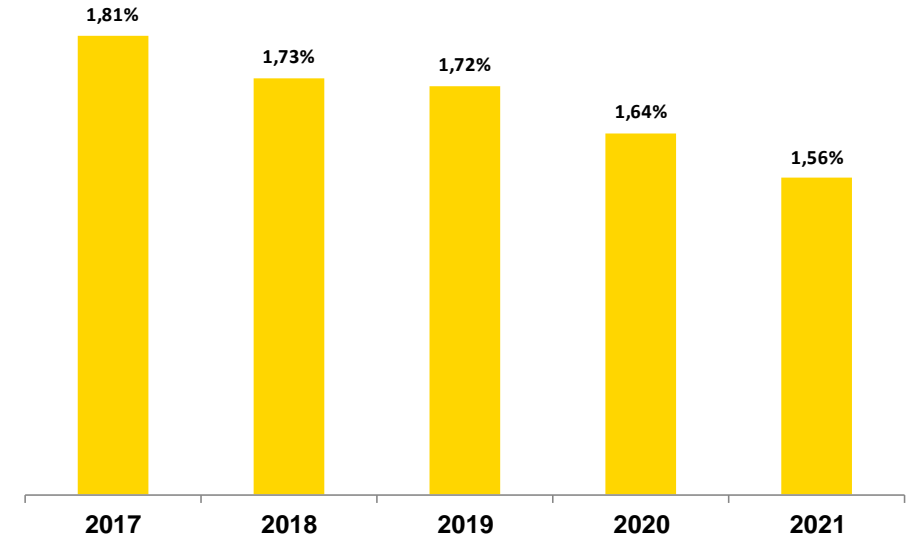
# Net Interest Margin

Pressure on interest margin as a result of increase in Nibor – Delay against customer interest rates

Net interest Margin, Quarterly



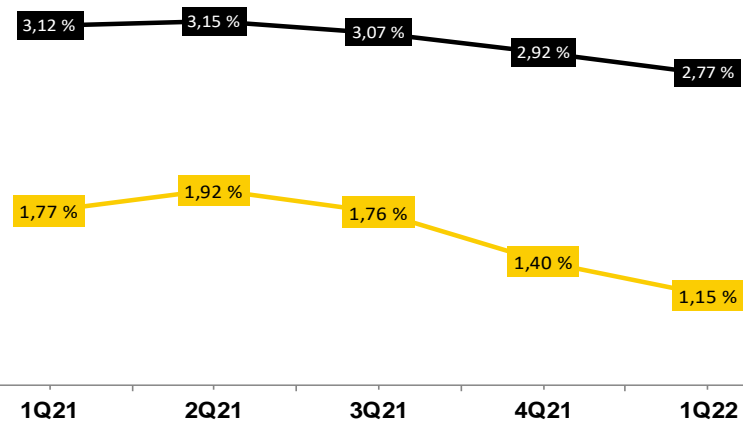
Net Interest Margin, Yearly



# Margins on Loans and Deposits

Strong competition and rising NIBOR-rates affects margins

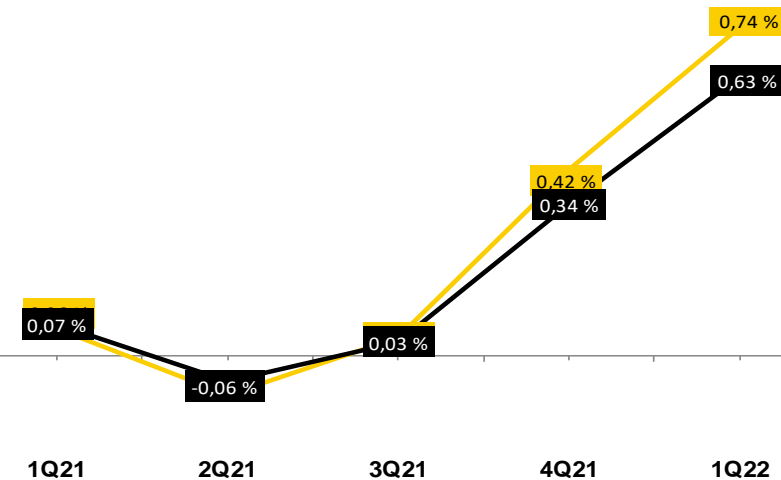
## Lending Margins



— Lending margin retail — Lending margin corporate

- Higher Nibor lowers the lending margins

## Deposit Margins



— Deposit margin retail — Deposit margin corporate

- Higher Nibor strengthens the deposit margins

# **Content:**

**Q1 Summary**

**Customers and Market**

**Key Figures**

**Local macro**





Karen Høyland Ollestad  
Kundeservice

**Nå deler vi ut  
kundeutbytte  
for femte gang!**

Få en bit av kaken du også.

dengu



Henning Rosenvold  
Rådgiver

**Nå deler vi ut  
kundeutbytte  
for femte gang!**

Få en bit av kaken du også.

denguleb



Kristian Lode Arnevik  
Rådgiver

**Nå deler vi ut  
kundeutbytte  
for femte gang!**

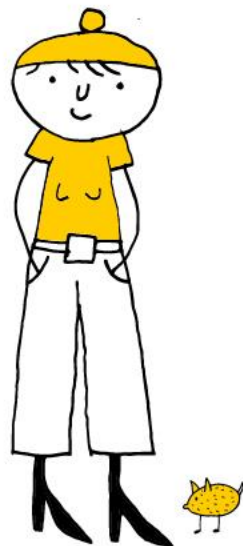
Få en bit av kaken du også.

dengulebanken.no

# Customer dividends five years in a row – a differentiator

**Kunde uten boliglån, men med kr 1 million i innskudd.**

2021	2 150
2020	2 600
2019	2 250
2018	2 500
2017	1 000
<b>Totalt</b>	<b>kr 10 500</b>



**Familie med kr 4 millioner i lån\* og kr 50 000 i innskudd.**

2021	8 707
2020	10 530
2019	9 113
2018	10 125
2017	4 050
<b>Totalt</b>	<b>kr 42 525</b>

\*medlåntaker på lånet.

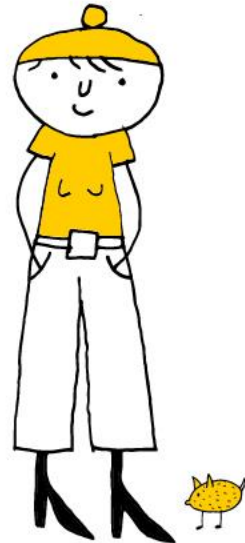
- Deposits and loans up to 2 MNOK qualifies in the calculation of customer dividends.
- Customer dividends will vary from year to year depending on the bank's results and dividend ratio.
- The final dividend for 2021 was approved by the Board of Trustees on March 23, 2022.



# Customer dividends five years in a row – a differentiator

**Kunde uten boliglån, men med kr 1 million i innskudd.**

2021	2 150
2020	2 600
2019	2 250
2018	2 500
2017	1 000
<b>Totalt</b>	<b>kr 10 500</b>



ons. 20. apr., 12:22

Jippi! Om kort tid betaler vi ut ditt kundeutbytte! Vi setter inn 9755 kr på din konto. Totalt har du mottatt [46915](#) kr siden vi startet med kundeutbytte i 2017. Håper kronene kommer godt med og gir deg en fin og glad dag! Hilsen oss i Den Gule Banken, Sandnes Sparebank.



Tekstmelding



- Deposits and loans up to 2 MNOK qualifies in the calculation of customer dividends.
- Customer dividends will vary from year to year depending on the bank's results and dividend rate.
- The final dividend for 2021 was approved by the Board of Trustees on March 23, 2022

# Siddisløpet – Den Gule Banken-løpet i Stavanger



- Brand building in general and Stavanger in particular
- A bank for the region as a whole
- Colored the race yellow
- Large, well-known race with long traditions – fits well together with Den Gule Banken

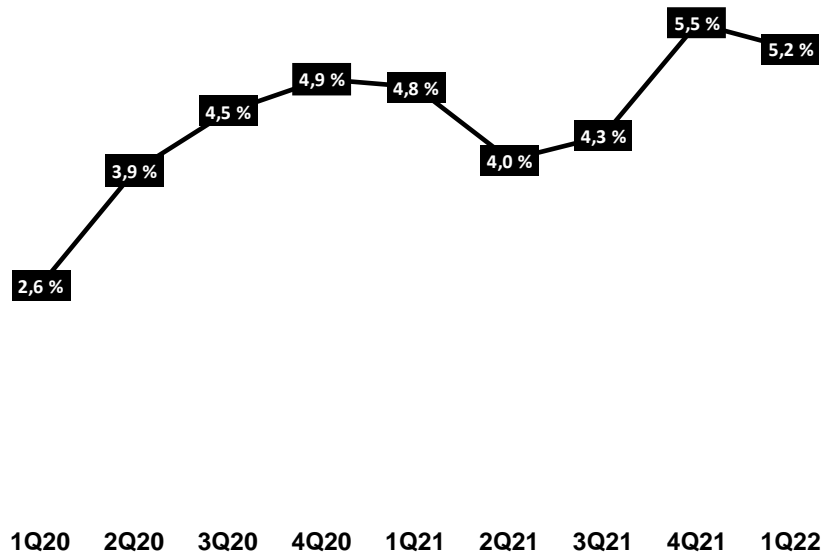
## Lokalt næringsliv

- High level of activity and optimism
- Increased material and energy prices
- Proactivity in the market
- New organization and new competence
- Operation and service model

# Loan growth at 5,2 % YoY

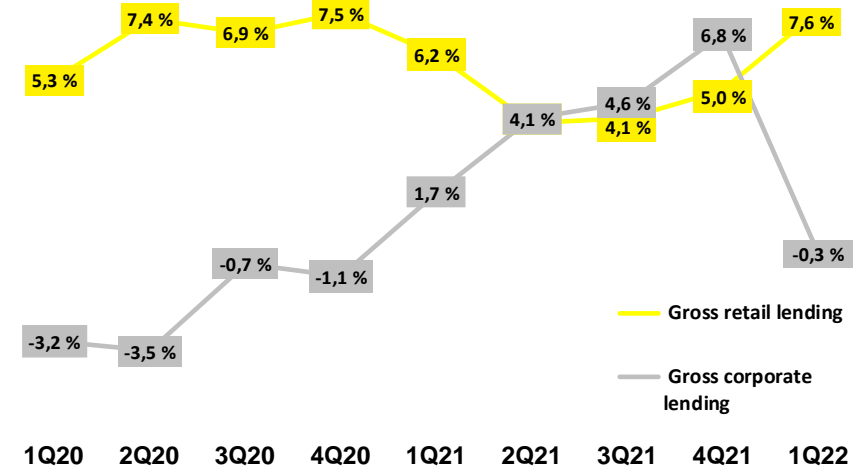
Solid growth in retail market

Group level (12 months)



- Total lending increased by NOK 1,3 mrd (5,2 %) YoY
- Lending increased by MNOK 321 (1,3 %) QoQ

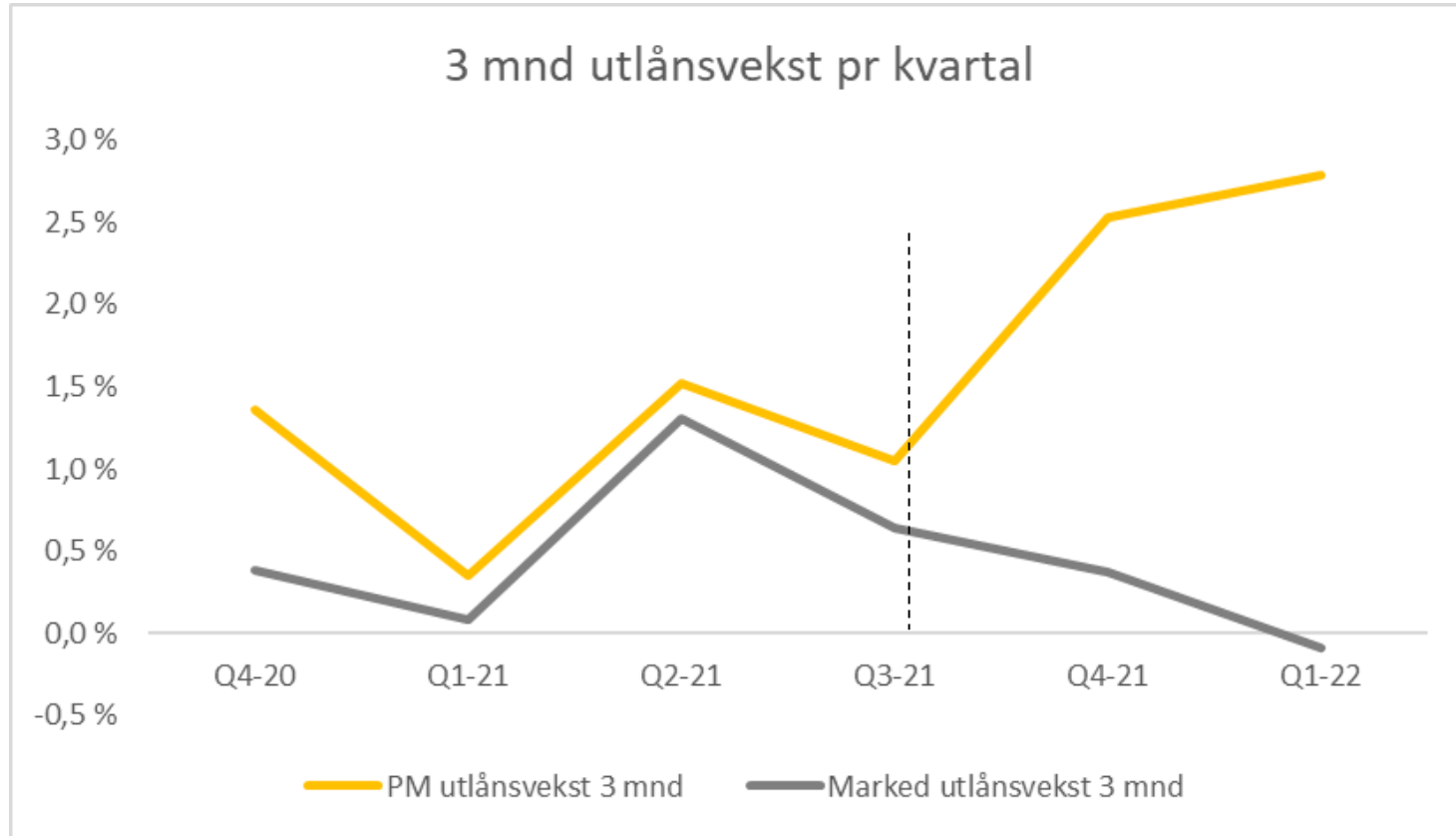
Growth by Division (12 months)



- Retail lending increased by NOK 1,3 mrd (7,6 %) YoY vs. Market growth of 2,3 %\*. Last quarter retail lending increased by MNOK 490 (2,7 %)
- Corporate lending decreased by MNOK 25 (-0,3 %) YoY. Last quarter lending volume decreased by MNOK 169 (- 2,3 %)

\*Kilde: Early Warning

# Growth strategy in the private market and further investment in Stavanger



- New employment in the fall of 2021 contributes to strong growth in the volume of lending
- Growth in the volume of lending in the private market significantly increased in the last two quarters, against decreasing market growth
- The growth is in line with the business case
- The number of employees and costs are in line with the business case

# **Content:**

**Q1 Summary**

**Customers and Market**

**Key Figures**

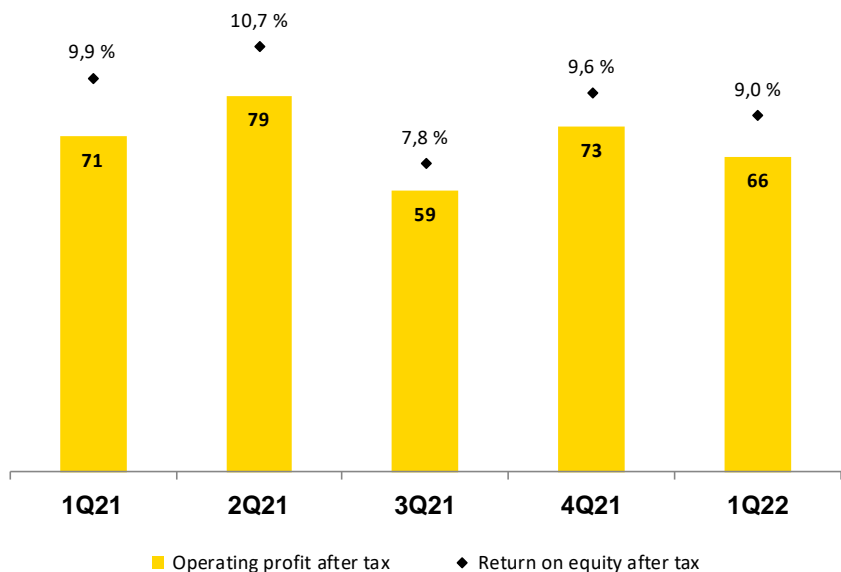
**Local macro**



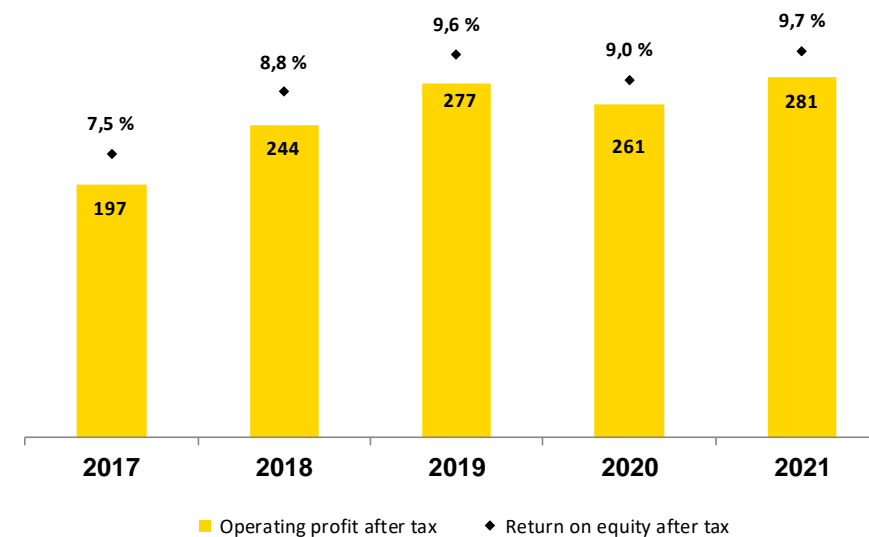
# Profitability

Stable improvement in the result year by year

ROE, Quarterly



ROE, Yearly

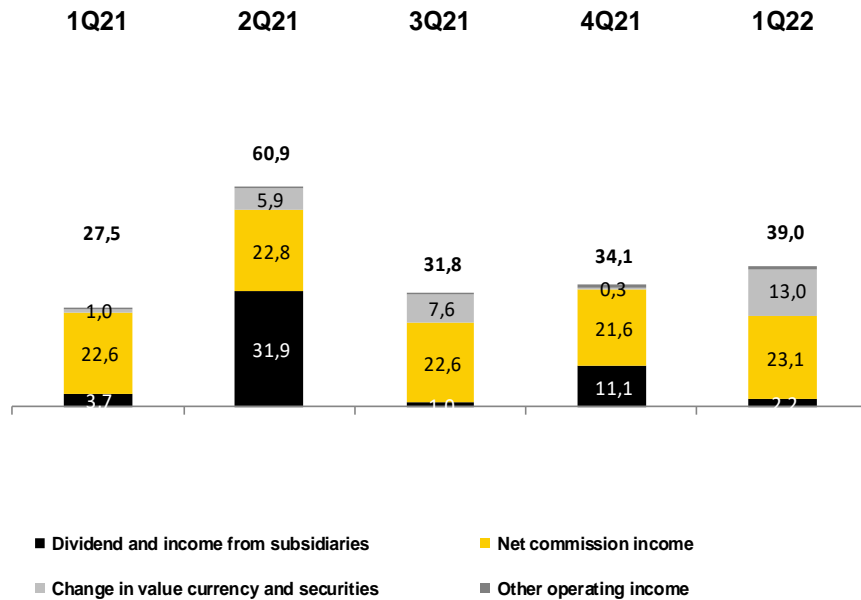


- Non-recurring effect on value increase of shares in Eika Gruppen AS in connection with the transaction in March. Recognized as income 144 MNOK in the quarter over extended profit.
- See separate stock exchange announcement 03.15.22 <https://newsweb.oslobors.no/message/556616>
- In connection with the transaction, the bank increased its ownership in the Eika Group from 8,4 % to 8,75 %.
- The increase in value entails an increase of CET1 by 0,5 %, but no effect on ROE

# Other income

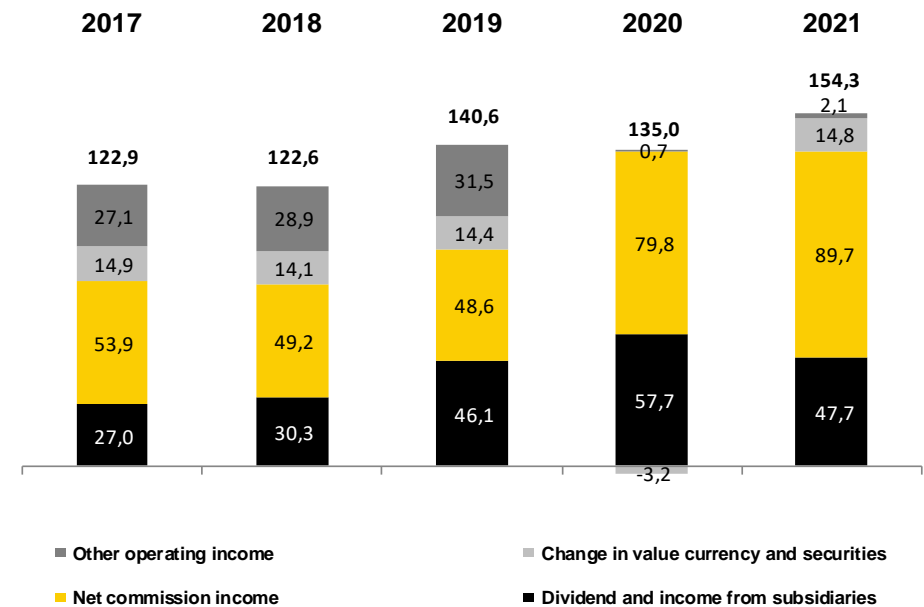
Stable increase in other income over time

Other Income, quarterly



Increase in net commission income, primarily driven by better results from Aktiv Eiendomsmebling

Other Income, EOY

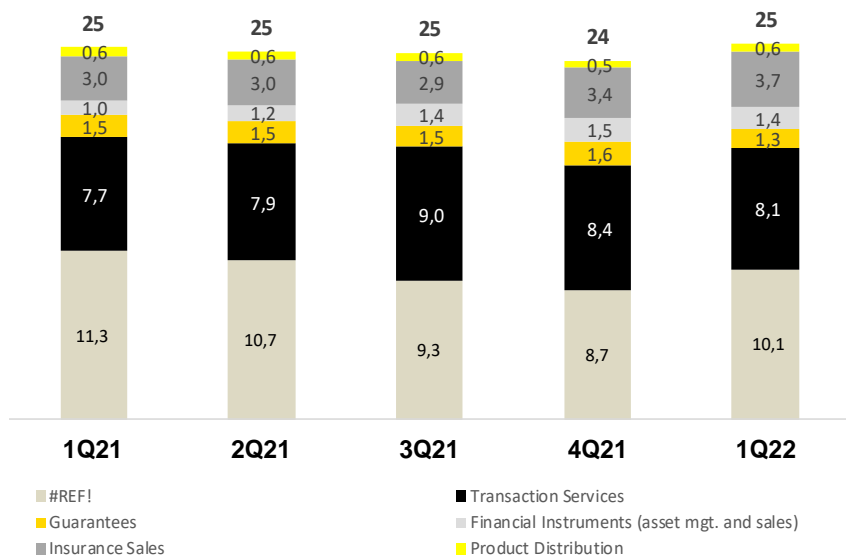




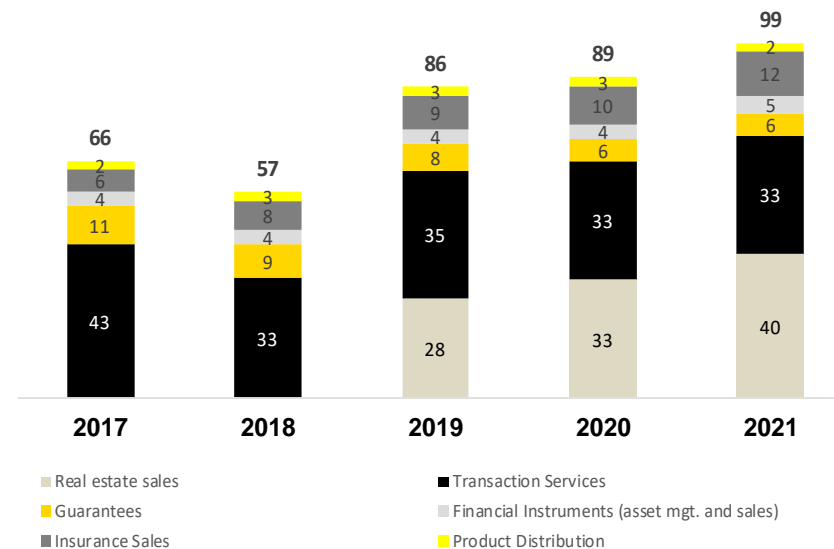
# Gross Commission Income

Increased activity in AktivEiendom, continuous improvement in the sale of insurance and mutual funds

Gross commission, quarterly



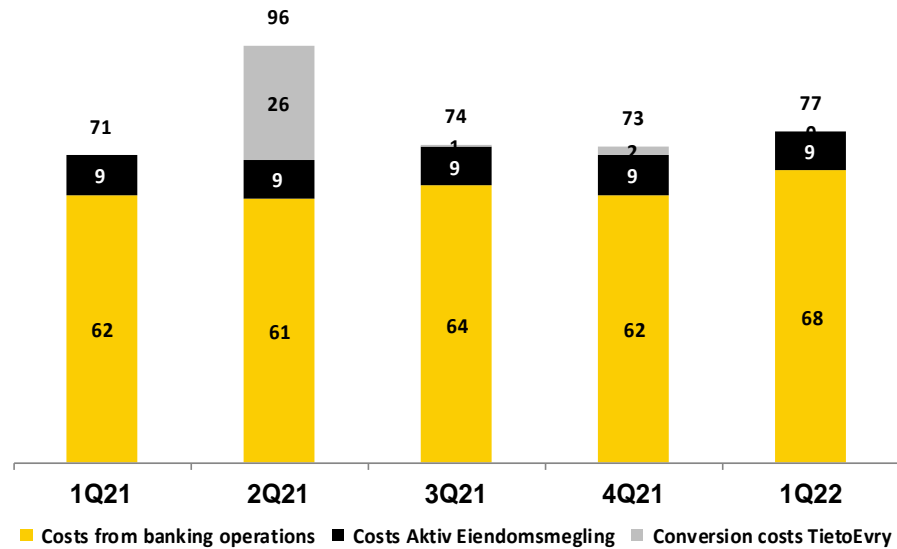
Gross commission, EOY



- The change in principle for bookkeeping of the real estate business has not been made for 2017-2018

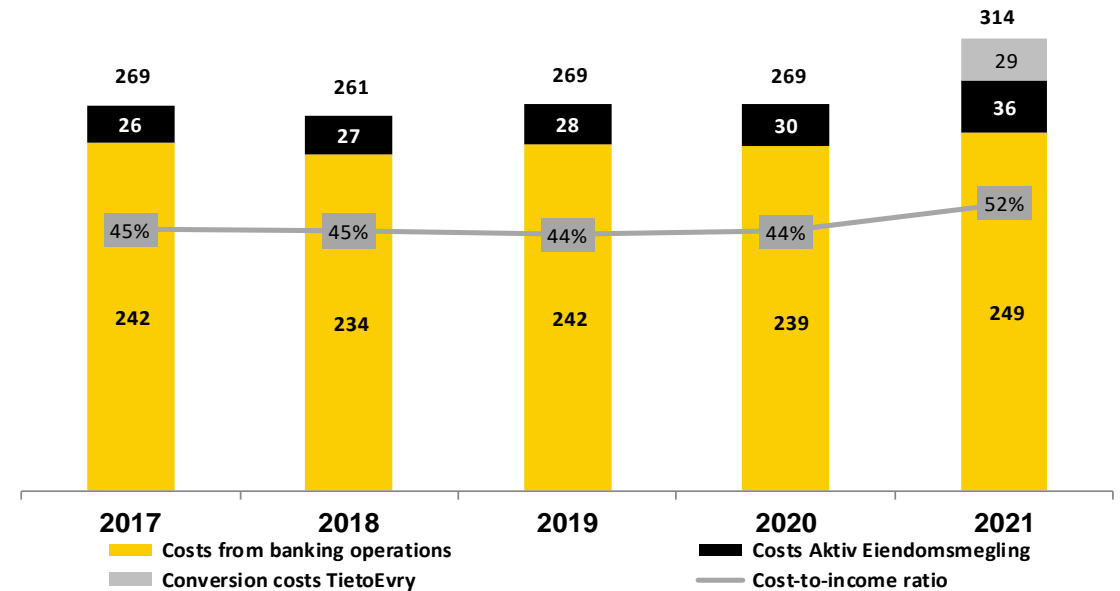
# Operating Costs

## Other Operating Costs, quarterly



- Increased efforts the Stavanger market in the private market entails somewhat increased salary costs
- Replacement of core system from SDC to TietoEvry entails investments of between 50-60 MNOK which will be expensed in 2021 and 2022

## Other Operating Costs, EOY

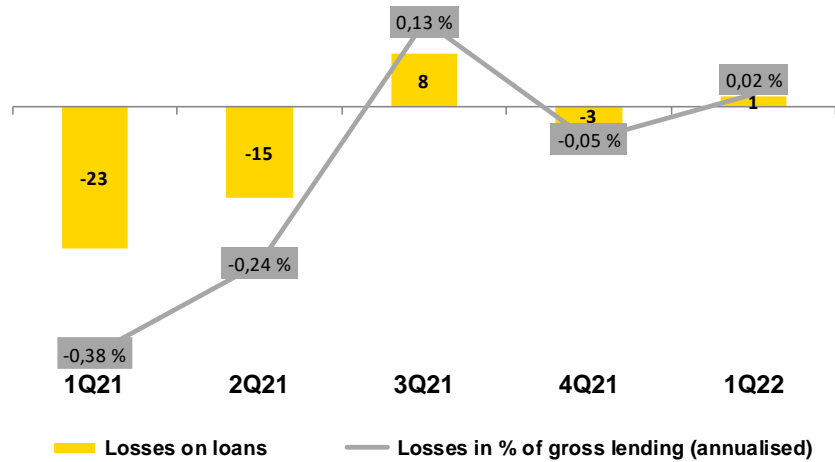


- The increase in costs within banking operations in 2021 is due to increased personnel costs, ie. salary settlements and an increased number of advisers in the private market.
- The increase in costs for AktivEiendomis due to record sales and record profit. Active Real Estate has a Cost / Income of 90%

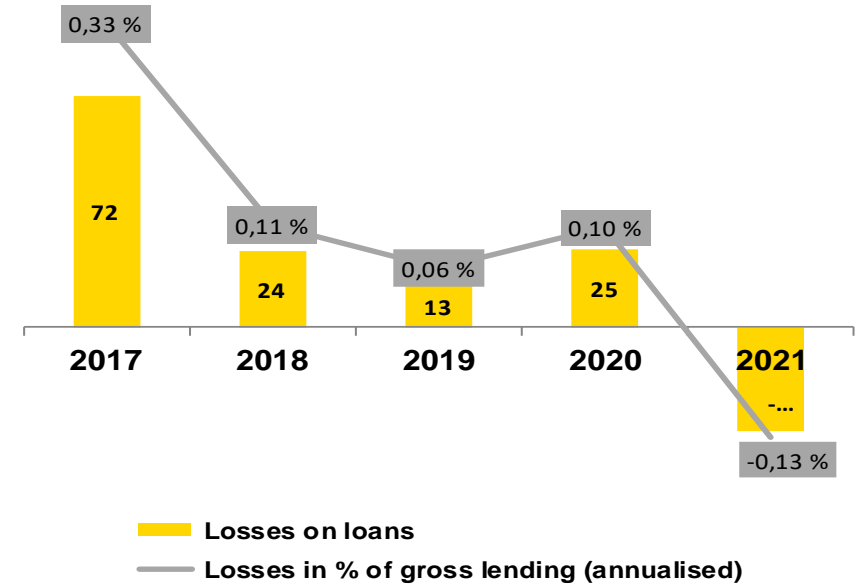
# Losses on Loans and Guarantees

Stable, low losses

Losses on loans and guarantees, quarterly



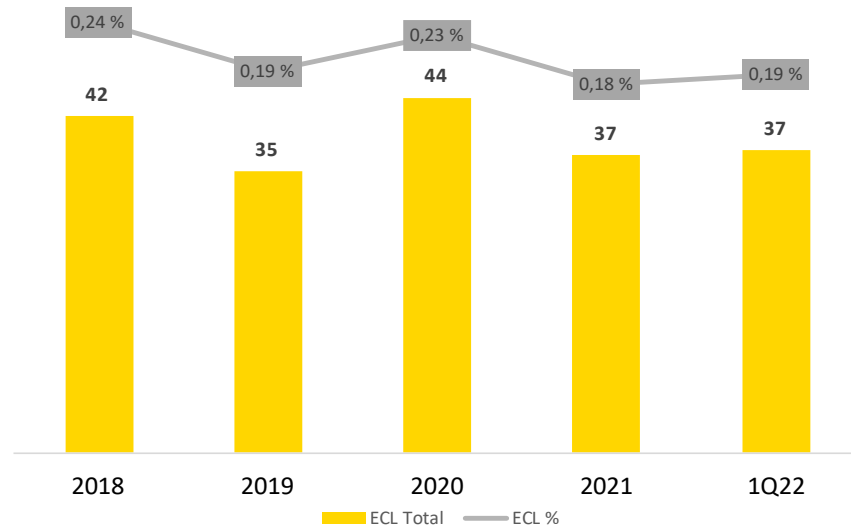
Losses on loans and guarantees, EOY



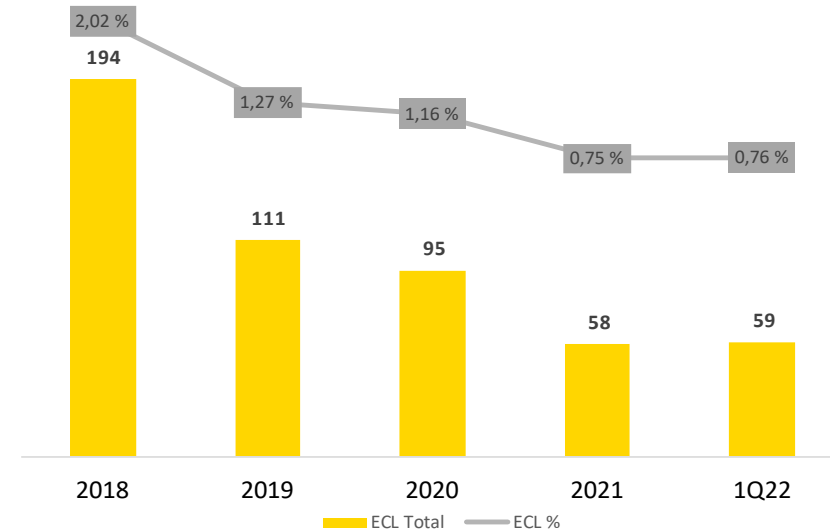
# Loans to Customers by Division, Credit Risk

Risk expressed by expected credit loss (ECL, PDxLGD)

## Retail



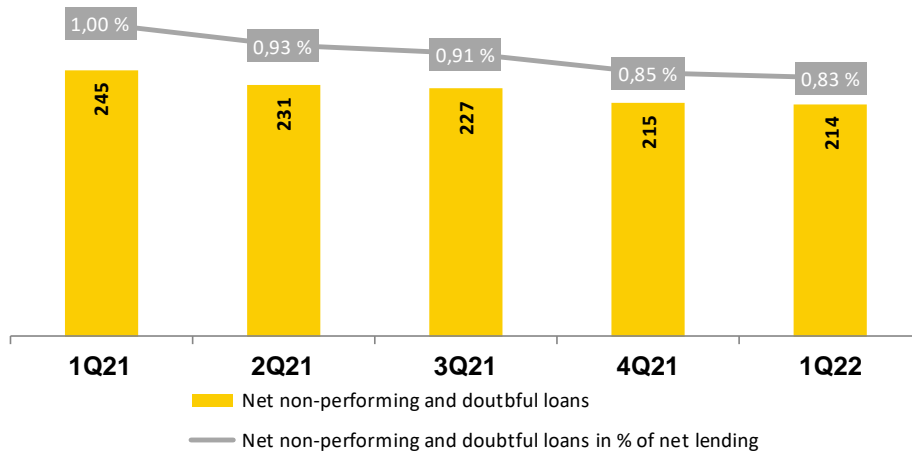
## Corporate



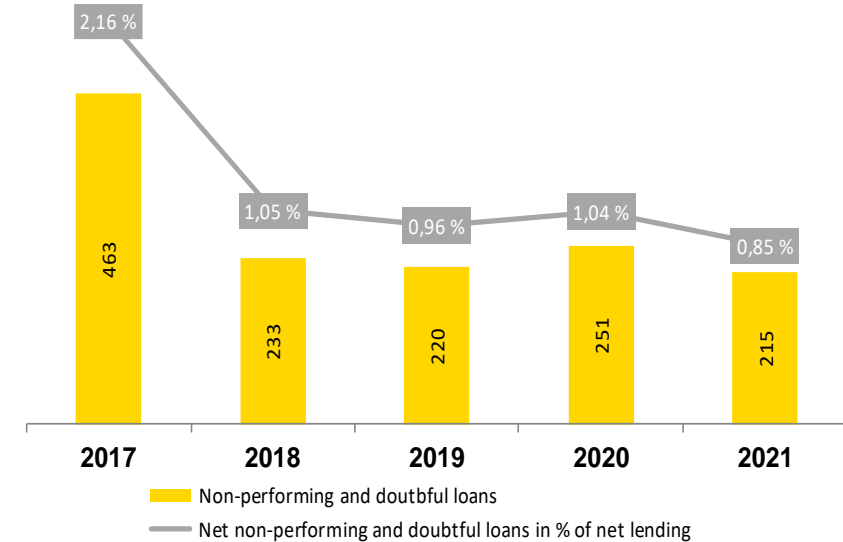
# Non-Performing and Doubtful Loans

Stable and declining levels

Non-performing and doubtful loans, quarterly



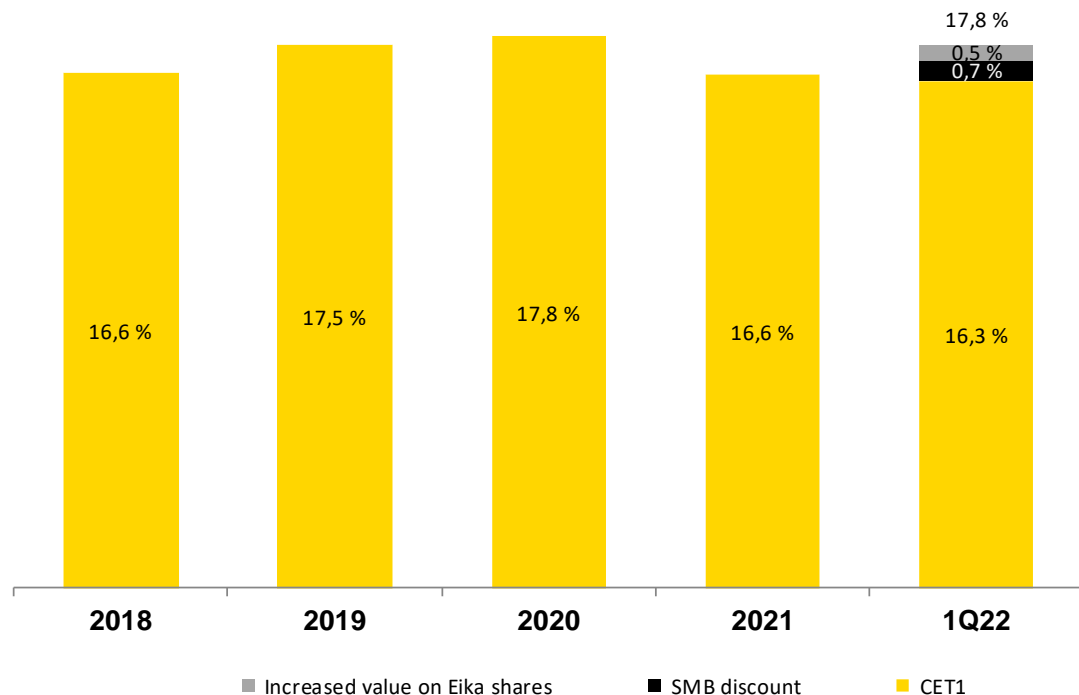
Non-performing and doubtful loans, quarterly



# Well Capitalized and Equipped for Furter Growth

CET 16,7 % including profit for the year | Leverage ratio 9,2 %

## CET-1

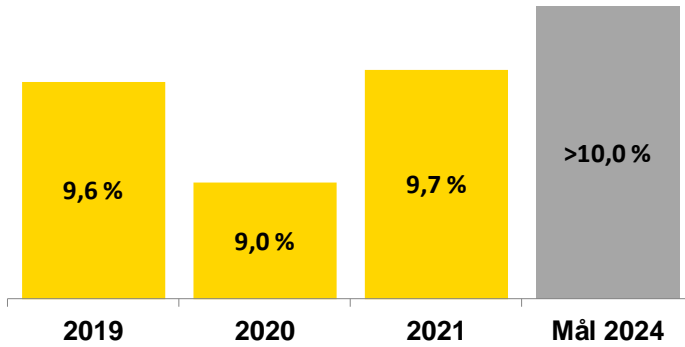


## A well kapitalized bank

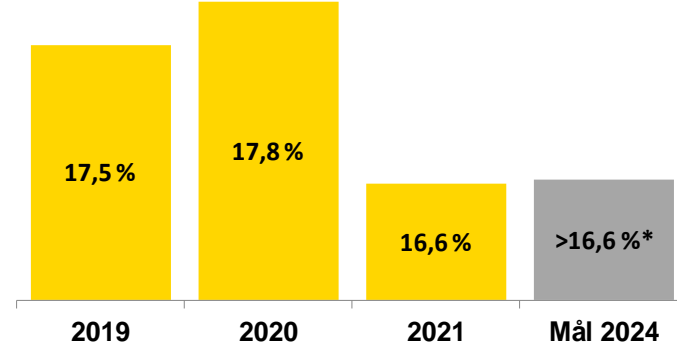
- Effect by implementation of SME-2 + 0,7% CET-1
- Increased value of ownership in Eika increases CET-1 with 0,5% by year-end
- Counter-Cyclical Buffer increase from 1,0 % to 1,5 % 30.06.2022, and furter to 2,0% from 31.12.2022 og firter to 2,5% from 31.03.2023
- Systemic Risk Buffer increases from 3 % to 4,5 % from 31.12.2022
- Regulatory CET1-requirement at 13,1% as of 31.12.2021
- Expected CET1-requirement of 15,6% by year-end
- **Internal target of + 1.0 % management buffer above the regulatory requirements**

# Financial Targets for 2021-2024

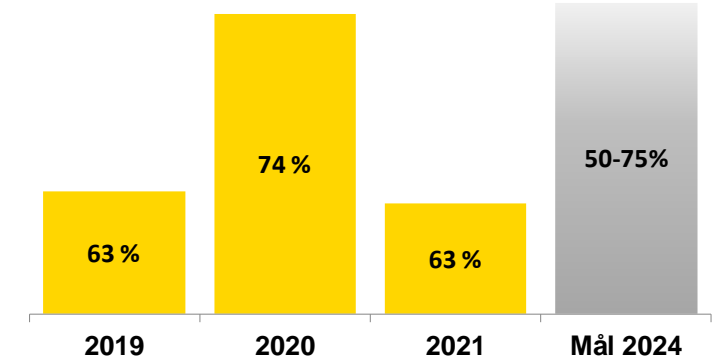
## ROE



## CET1

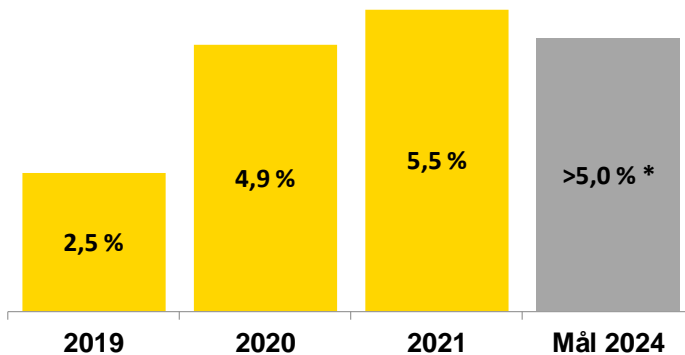


## Dividends

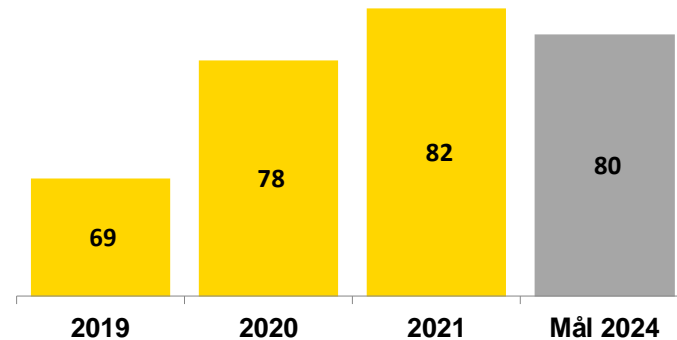


\* Internt mål om + 1 % management buffer over det til enhver tid gjeldende myndighetskrav

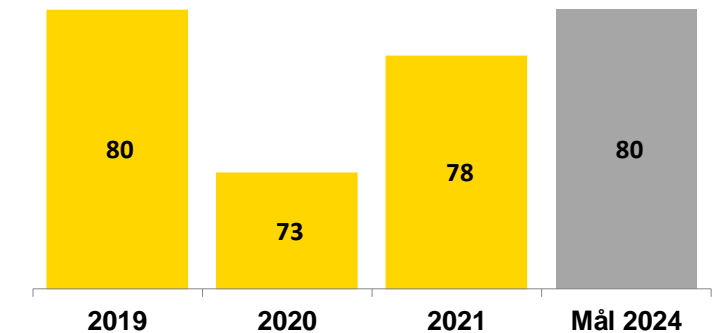
## Profitable Growth



## Customer Satisfaction Retail



## Customer Satisfaction Corporate



\* Will be dependent on credit growth in the market area  
\*Increased investment in Stavanger will lead to higher growth

# **Content :**

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**Key Figures**

**Local macro**

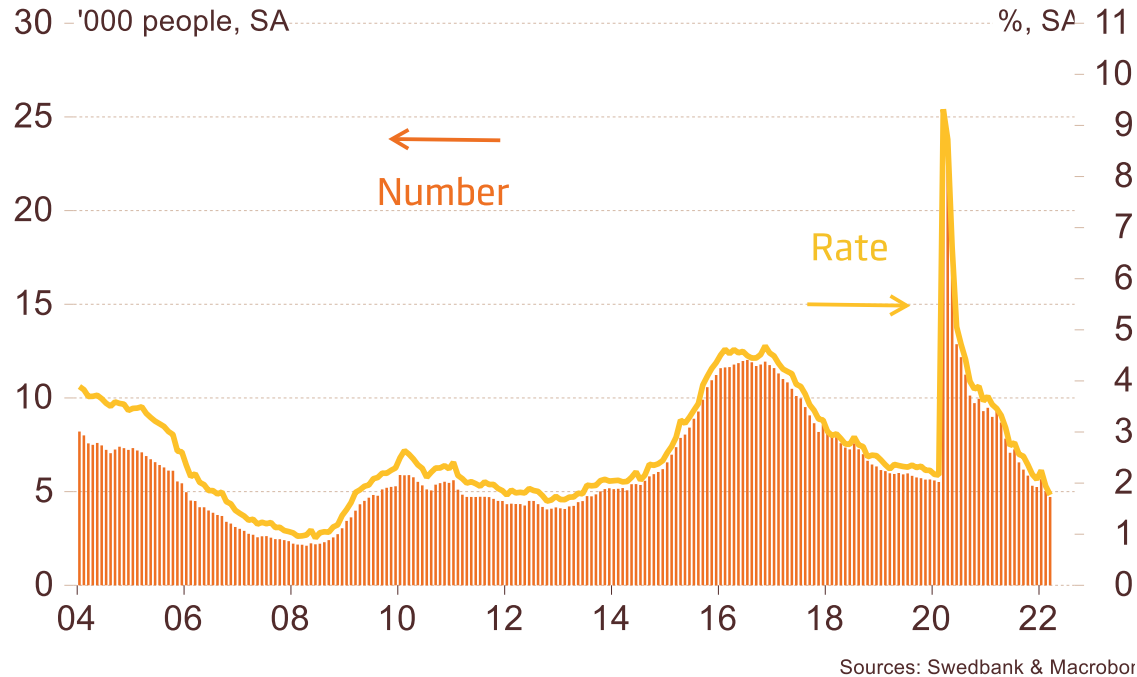




# Unemployment under pre-pandemic levels

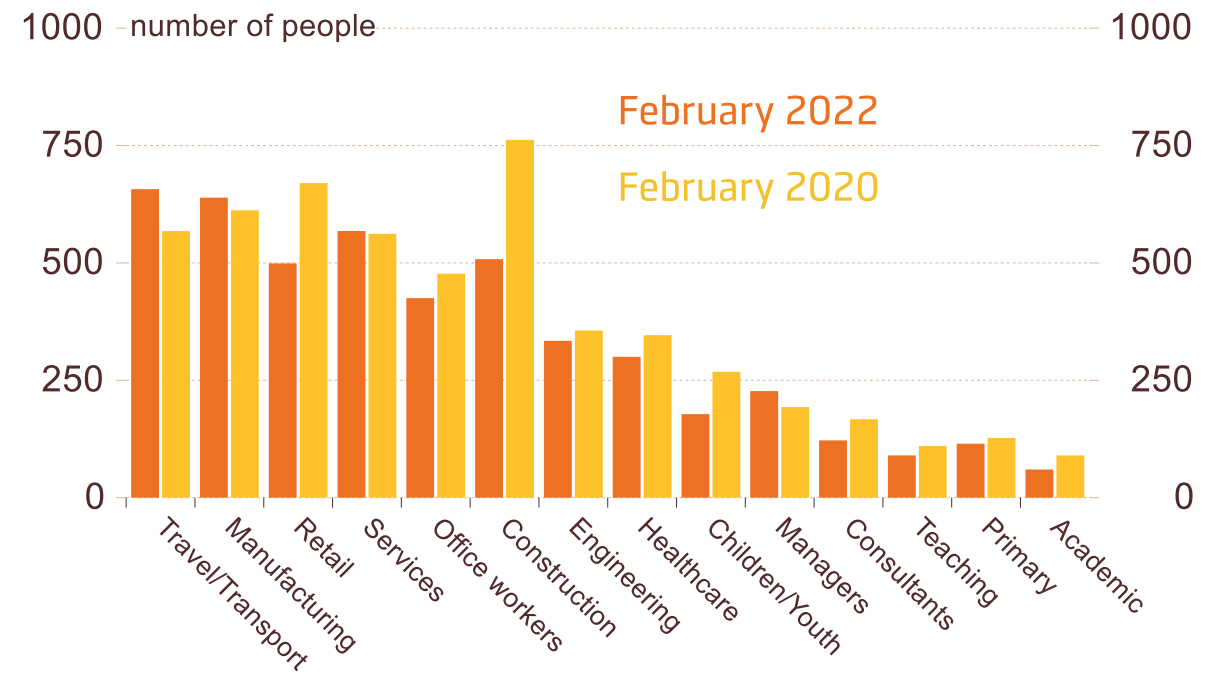
## Unemployment at 1.9%

Rogaland: Unemployment



## Unemployment by sector

Rogaland: Unemployment by profession

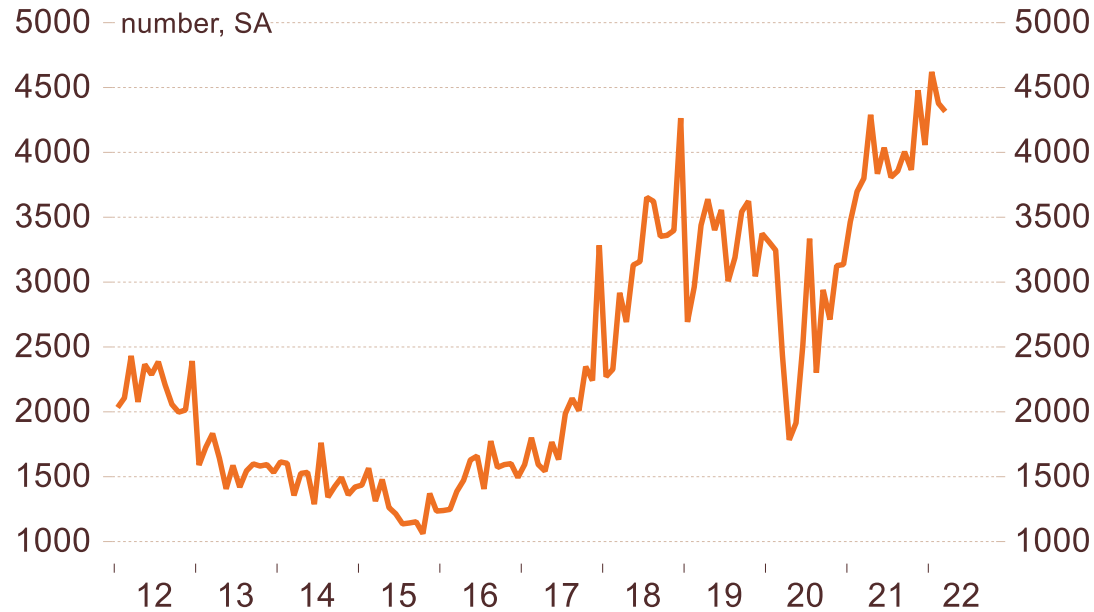


- Still some unemployment within the travel and transportation sector.
- Significant decrease in unemployment in the construction sector.

# Hectic labor market in Rogaland

## Ledige stillinger

Rogaland: New Vacancies

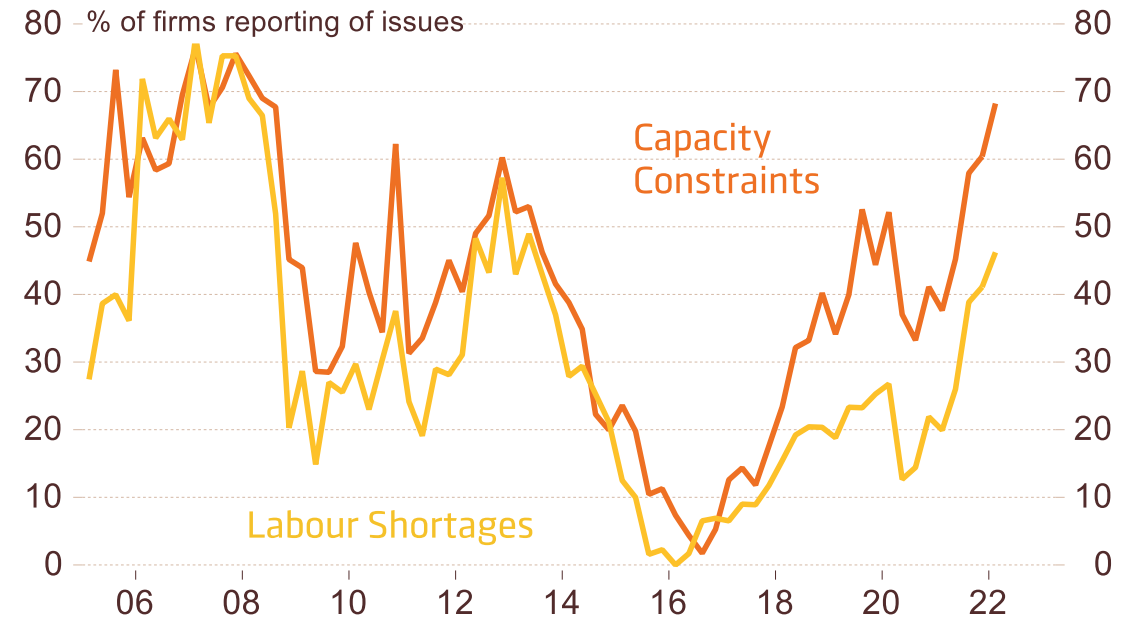


Sources: Swedbank & Macrobor

- The number of new vacancies in Rogaland remains at a record high level, but has decreased slightly in the last two months

## Bedrifter som melder om kapasitetsproblemer

Region Sørvest: Regional Network - Capacity Constraints



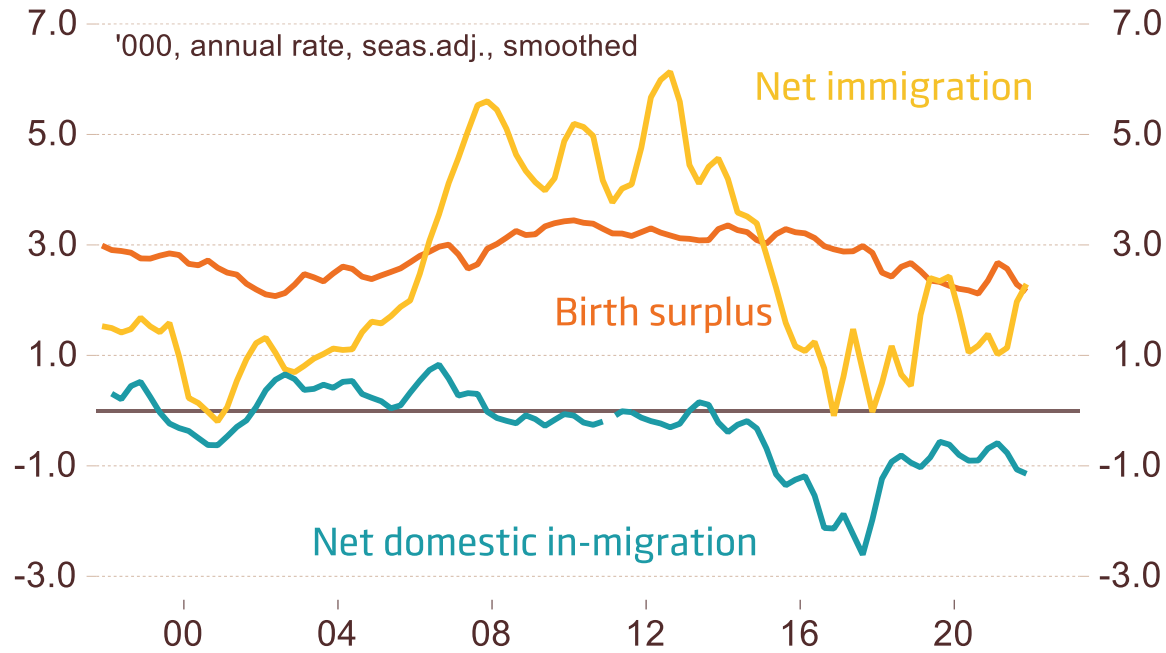
Sources: Swedbank & Macrobor

- Corresponding numbers for the Southwest region are equivalent to the national average, but the capacity utilization is higher

# Low population growth, increased labor immigration

## Low population growth in Rogaland

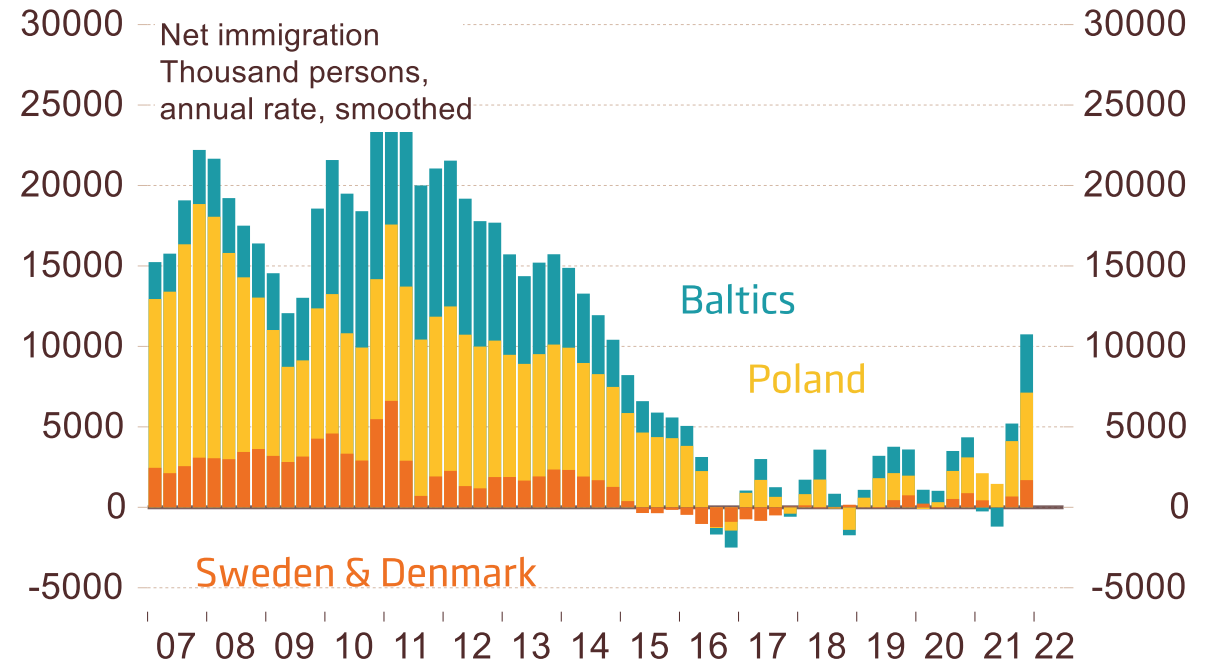
Rogaland: Population growth



Sources: Swedbank & Macrobor

## Increasing labor immigration

Norway Immigration by EU citizenship

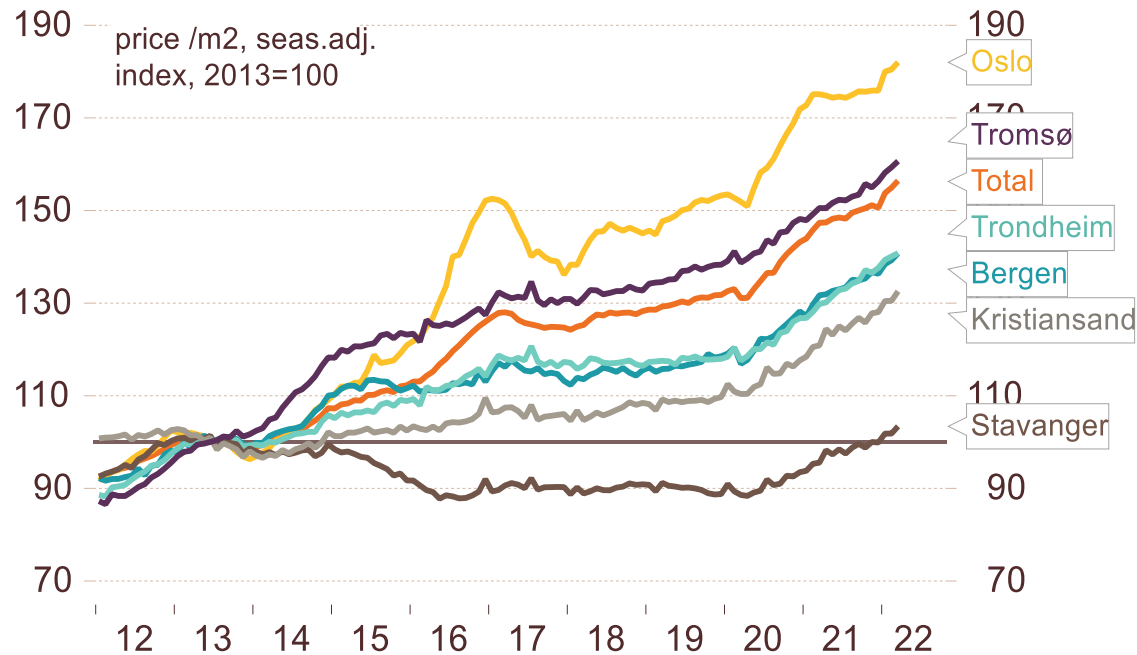


Sources: Swedbank & Macrobor

# The housing market, with and without inflation

## Nominal housing prices

Norway: Nominal house prices

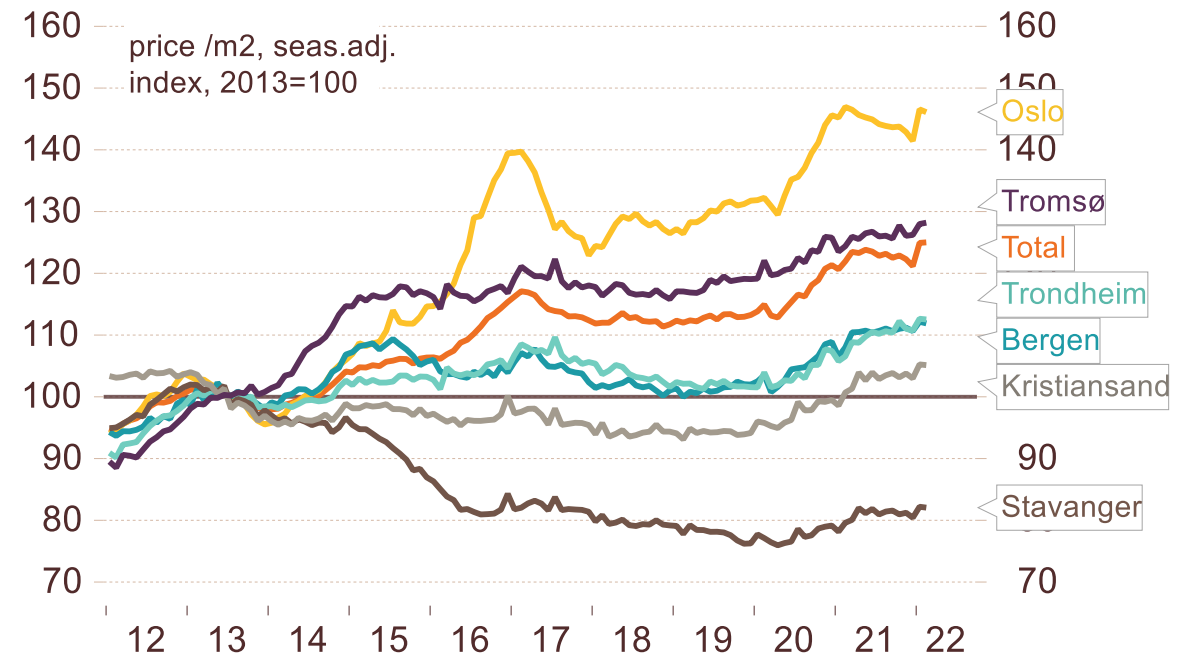


Sources: Swedbank & Macrobor

- Snitt m2 pris i Stavanger på 40.000 kr, første gang siden 2013

## Housing prices adjusted for inflation

Norway: Real house prices

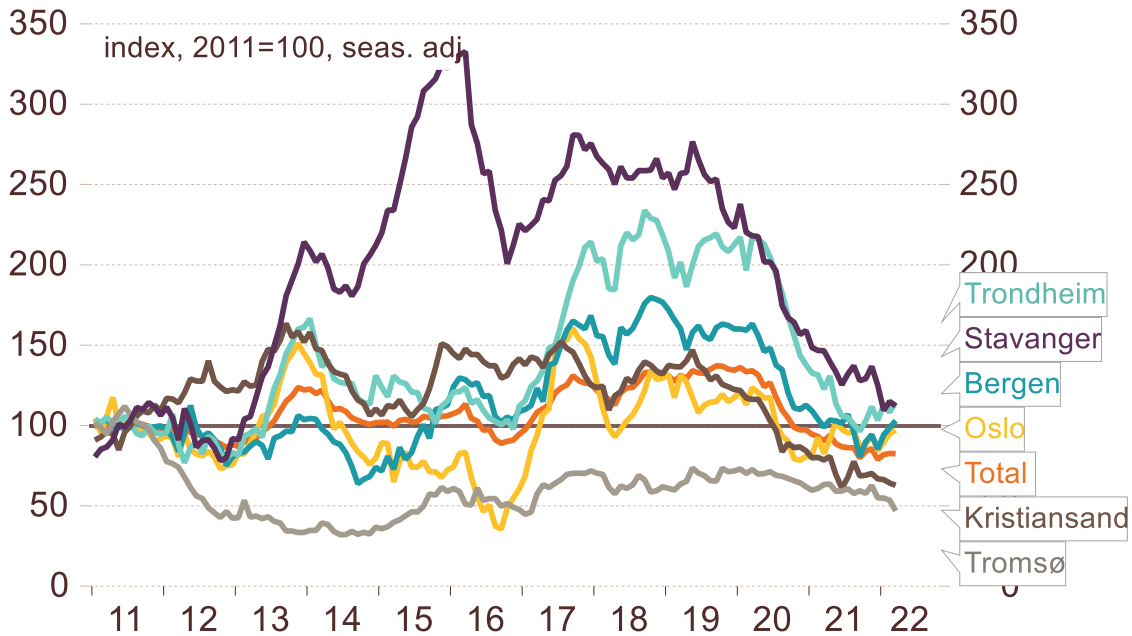


Sources: Swedbank & Macrobor

# A normalized housing market in the region

## Number of homes for sale

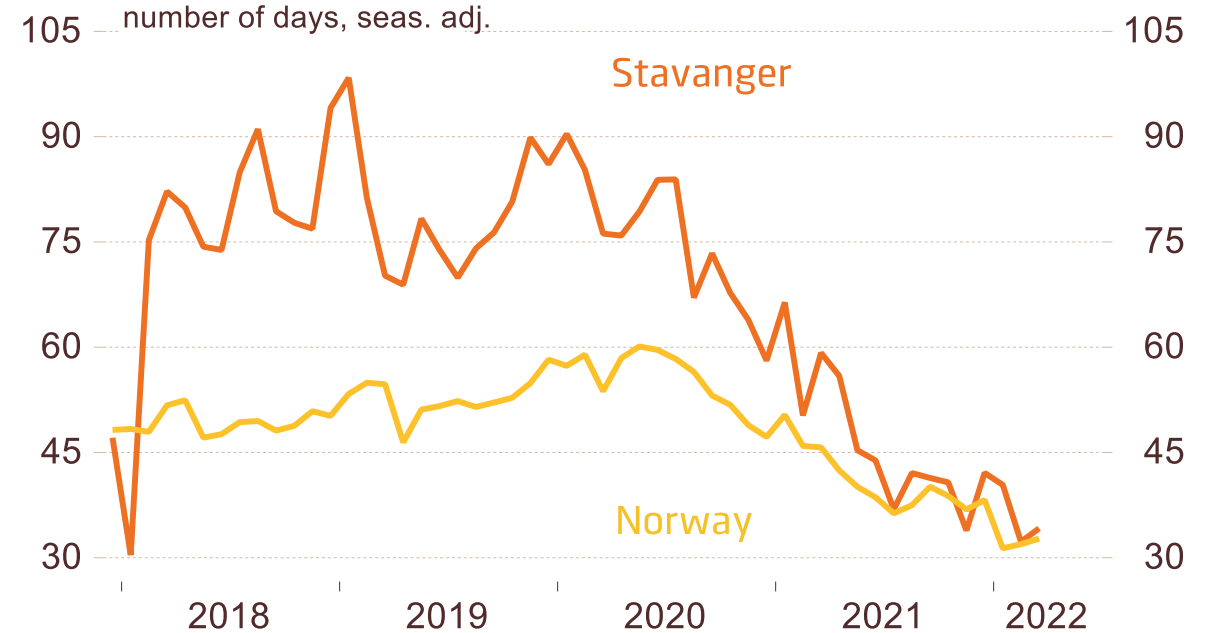
Norway: Homes for sale



Sources: Swedbank & Macrobor

## Average time to sell a home

Stavanger: Average time to sell

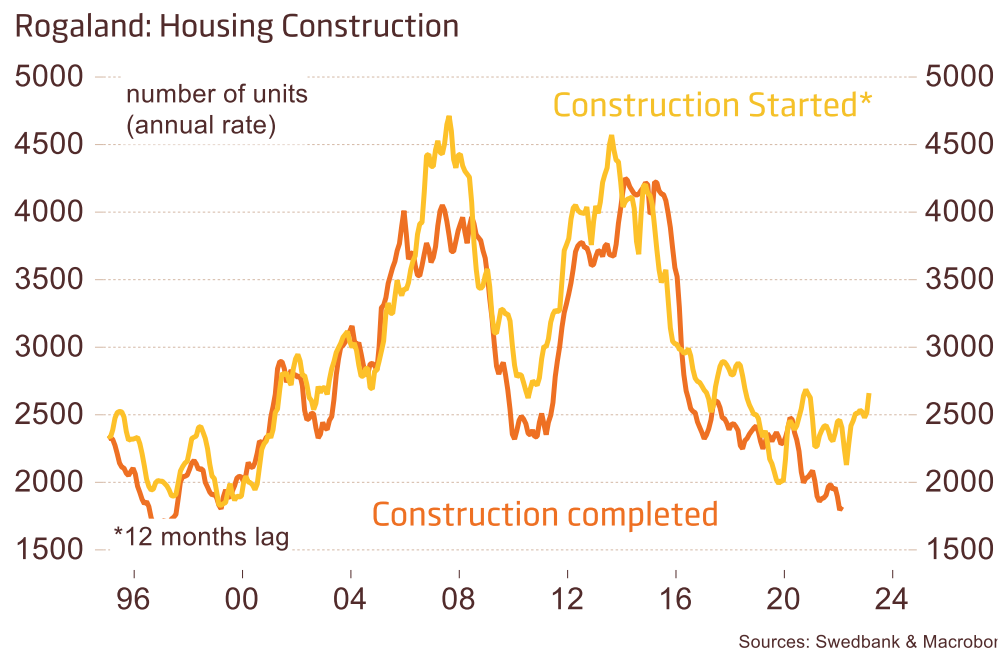


Sources: Swedbank & Macrobor

- Strong growth in housing prices since new years due to new regulations has created bottlenecks. The bottlenecks are expected to resolve in the coming months.

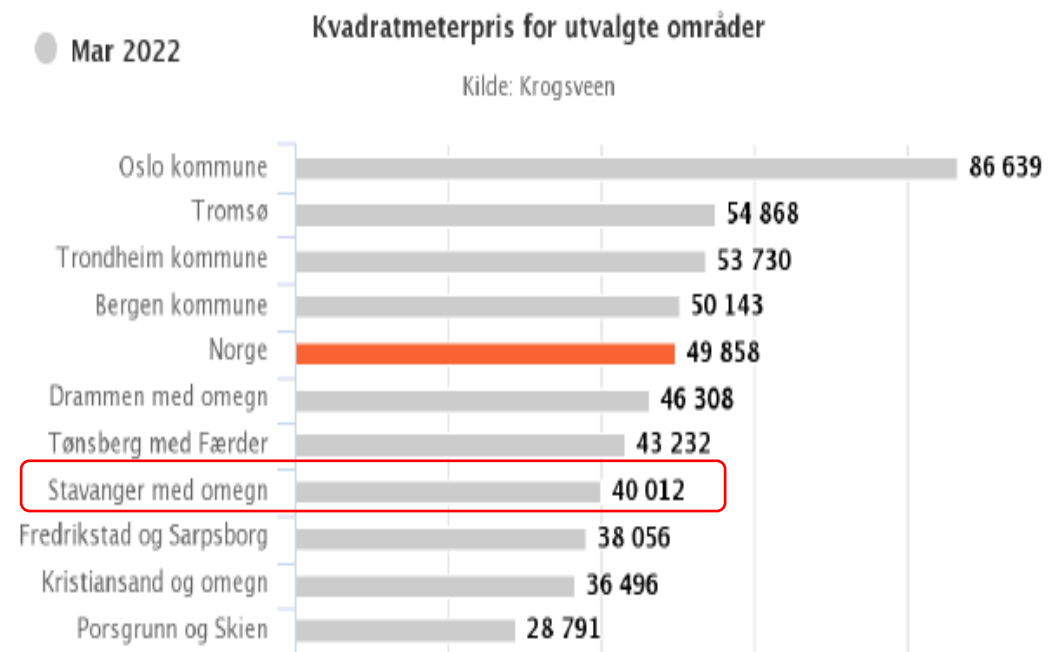
# Decreasing growth in housing prices; increasing construction of new homes, increasing number of unsold homes, and increased interest rates

## Increasing construction of new homes



- The growth in housing prices is expected to subside within the coming months

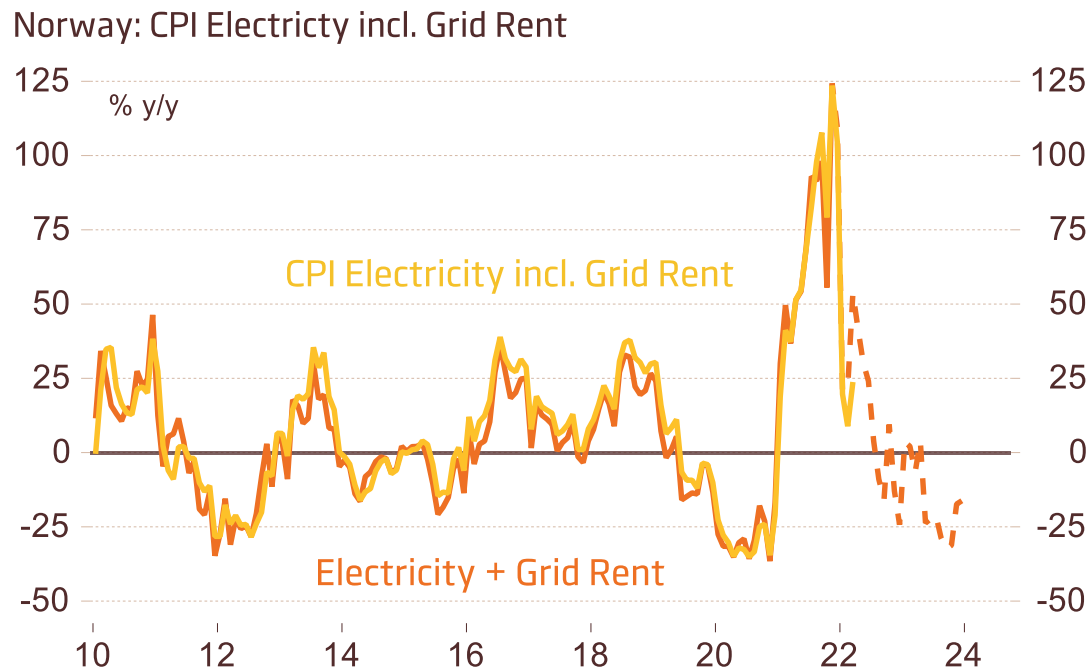
## Low price per square meter in the Stavanger area



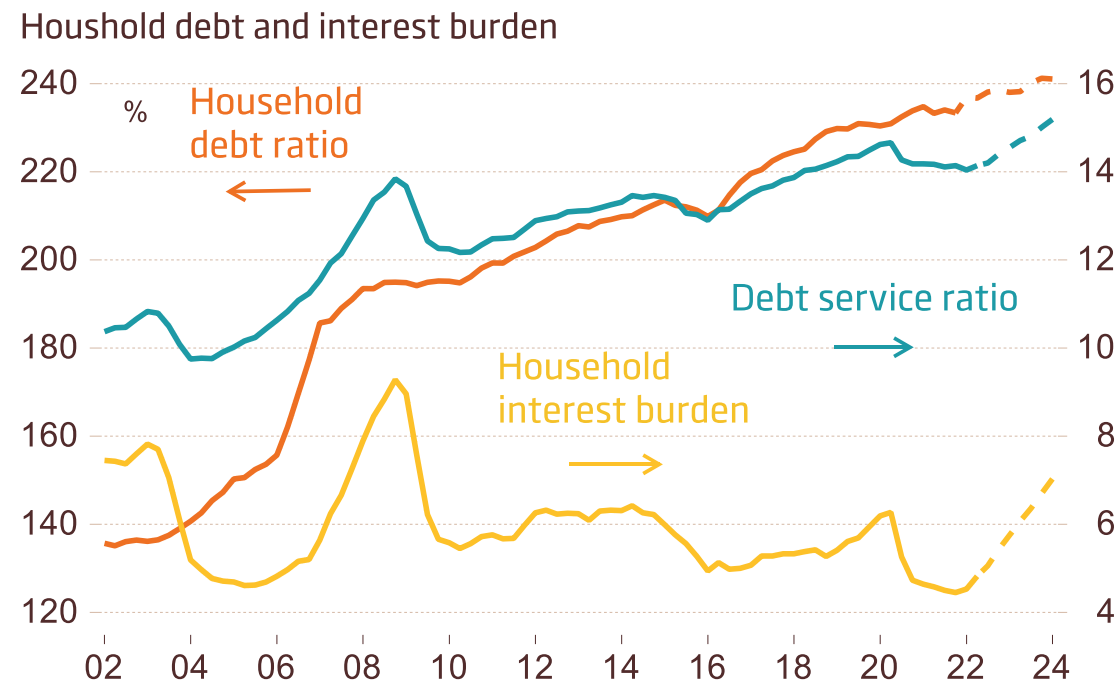
Kvadratmeterpris. Kilde: Krogsvveen/earlyWarning

# Increasing electricity prices and mortgage rates decreases the purchasing power

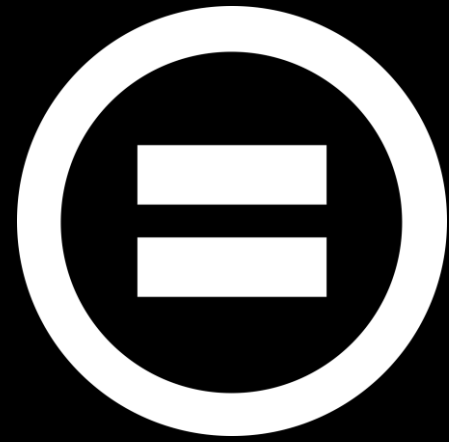
## Electricity prices



## Debt ratio and interest burden



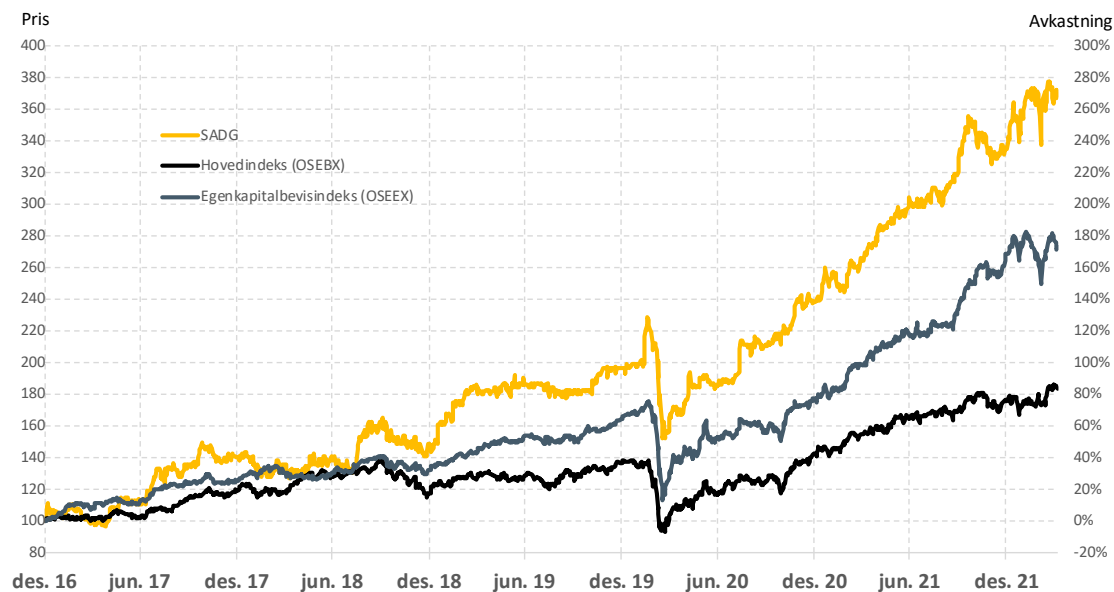
TAKK.





# The Equity Certificate

## SADG: Development in price and volume on OSE



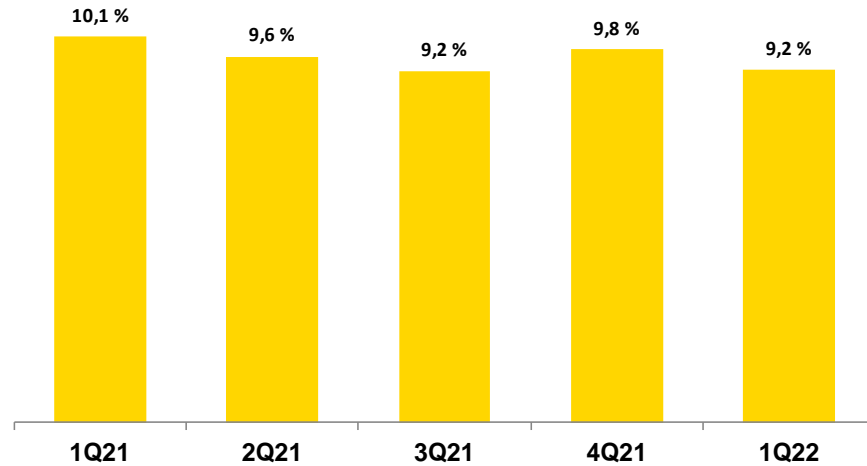
## The Equity Certificate Holders

### 20 største egenkapitalbeviserne per 31.03.2022

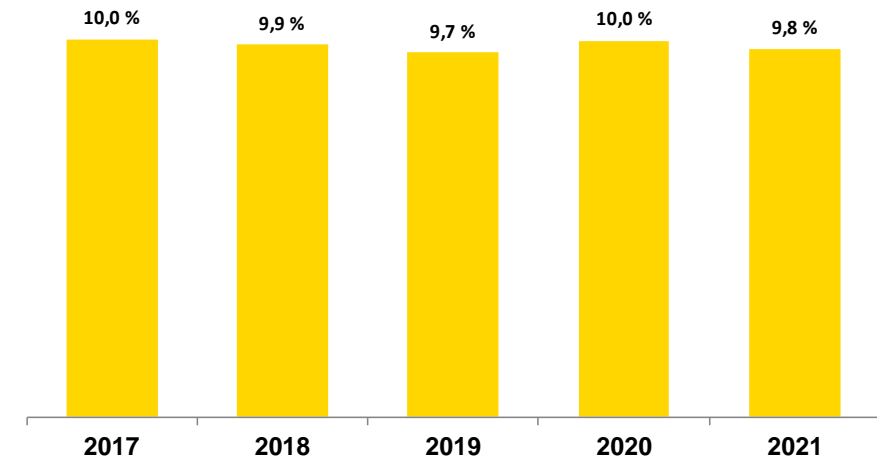
	# egenkapitalbevis	Andel
1. Sparebank 1 SR-Bank ASA, Finansavdelingen	3.485.009	15,14 %
2. Sandnes Sparebank	2.080.288	9,04 %
3. Holmen Spesialfond	1.359.823	5,91 %
4. VPF EIKA Egenkapitalbevis C/O Eika Kapitalforvaltning AS	1.119.097	4,86 %
5. AS Clipper	1.088.738	4,73 %
6. Espedal & Co AS	886.861	3,85 %
7. Salt Value AS	680.000	2,95 %
8. Wenaasgruppen AS	650.000	2,82 %
9. Skagenkaien Investering AS	500.000	2,17 %
10. Sparebanken Vest	370.659	1,61 %
11. Spesialfondet Borea Utbytte	287.717	1,25 %
12. Hausta Investor AS	220.000	0,96 %
13. Innovemus AS	185.000	0,80 %
14. Nordhaug Invest AS	184.374	0,80 %
15. Barque AS	159.651	0,69 %
16. Tirna Holding AS	156.255	0,68 %
17. Elgar Kapital AS	145.200	0,63 %
18. Kristian Falnes AS	145.000	0,63 %
19. Meteva AS	131.881	0,57 %
20. Catilina Invest AS	124.000	0,54 %
<b>Sum</b>	<b>13.959.553</b>	<b>60,7 %</b>
<b>Totalt</b>	<b>23.014.902</b>	<b>100,00 %</b>

# Solidity –Leverage Ratio

Leverage (Equity/Total assets), quarterly



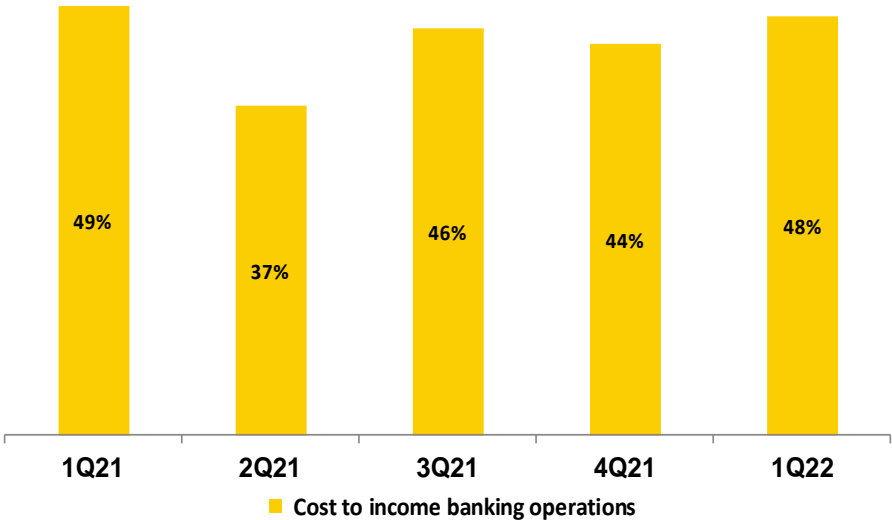
Leverage (Equity/Total assets), EOY



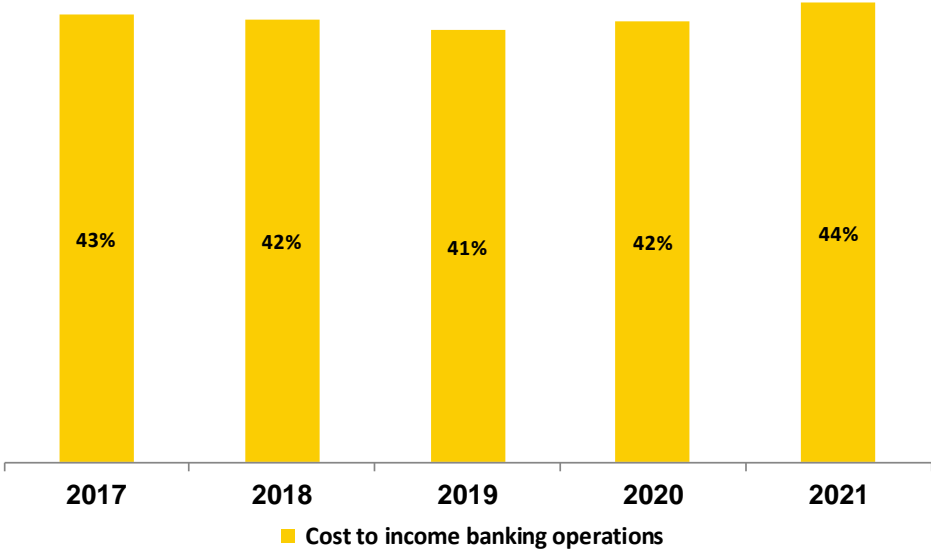
# Cost to Income Banking Operations

Cost ratio without real estate and conversion costs related to core banking systems

Cost to income, quarterly



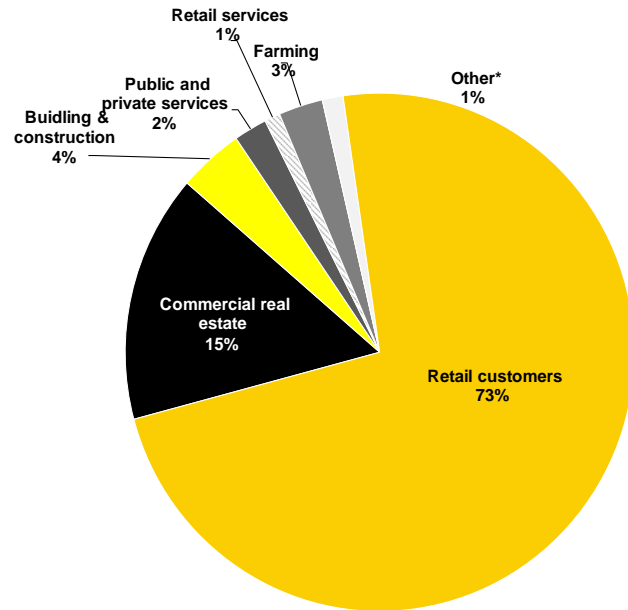
Cost to income, EOY



# Loans to Customers by Division

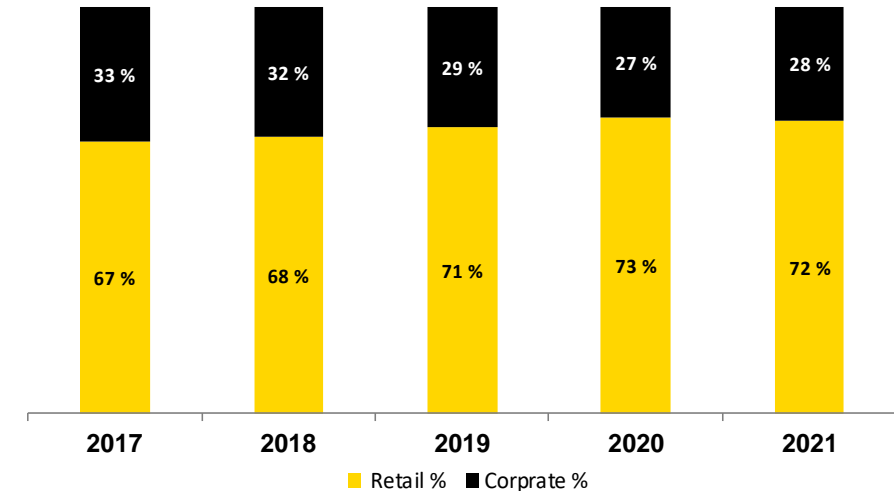
The share of lending to the retail market has increased significantly over the past 5 years

Distribution by sector



- Low exposure to cyclical industries
- Largest growth in agriculture.
- Agriculture will continue to be an important focus area in the future
- Insignificant direct exposure to oil-related activities
- Insignificant exposure to the tourism industry

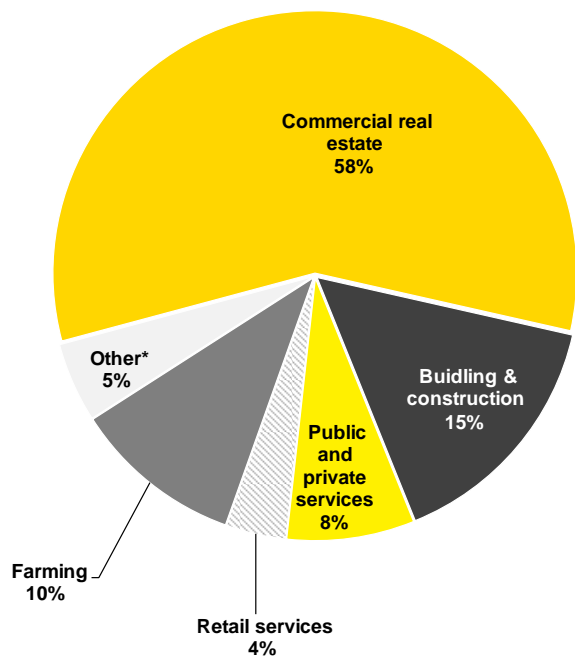
Distribution by division



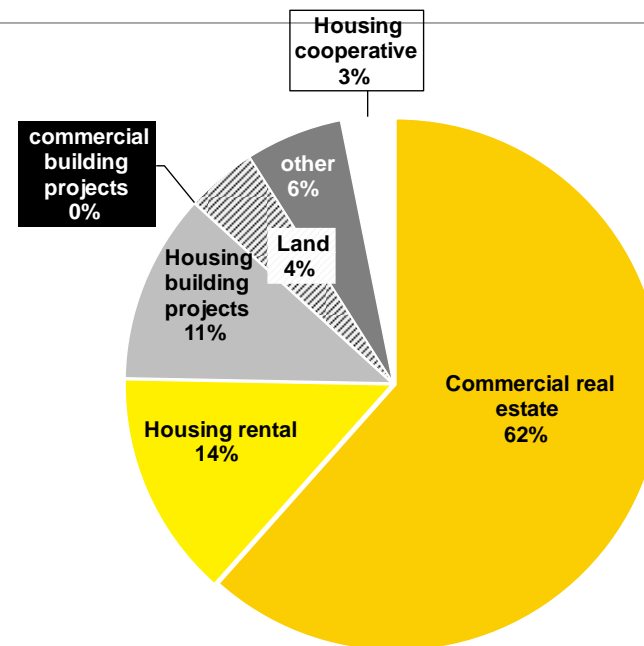
# Loans to Corporate Customers by Sector-28% of total lending

Focus on reducing risk over time | Strongest growth in farming and SME

Utlån til bedrifter, bransjefordelt



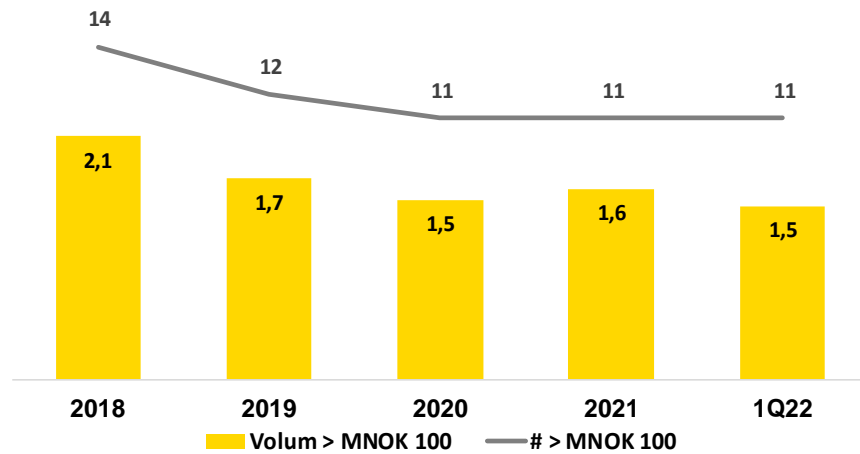
Utlån til eiendom



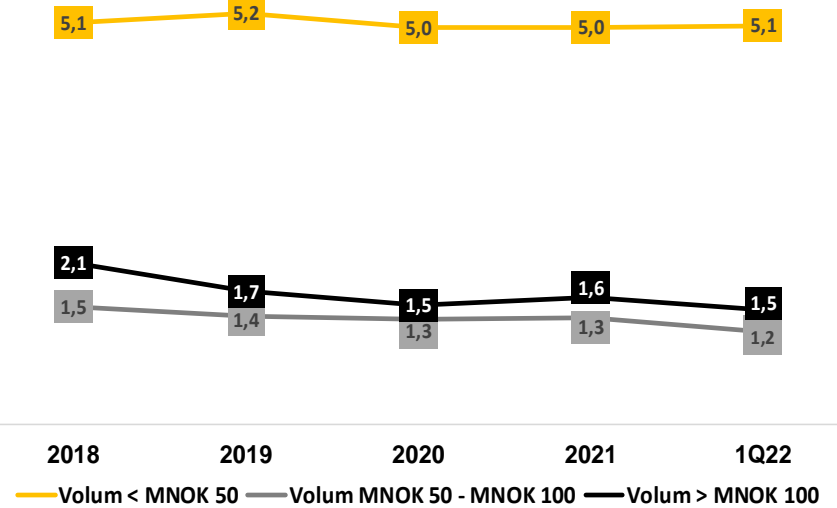
# Lending to corporate customers by size

Growth in small businesses| Reduction in large corporates over MNOK 100

loans > MNOK 100, volume and # customers

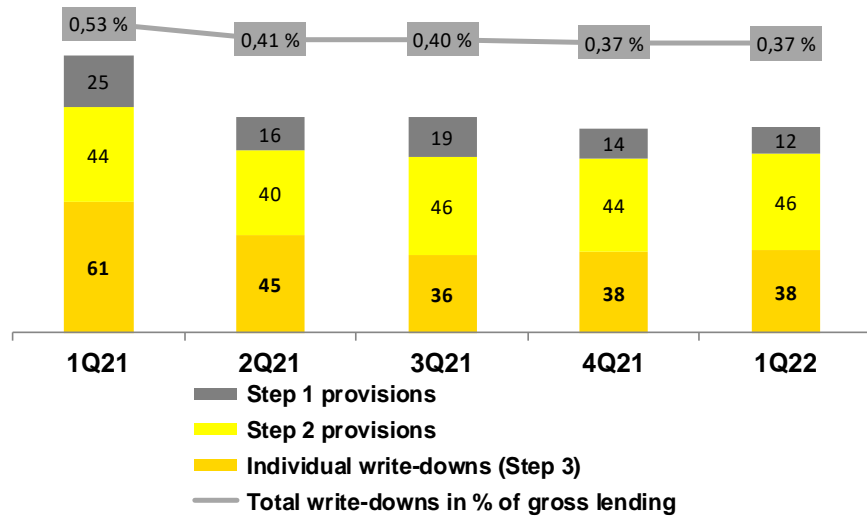


Distribution loan size, volume

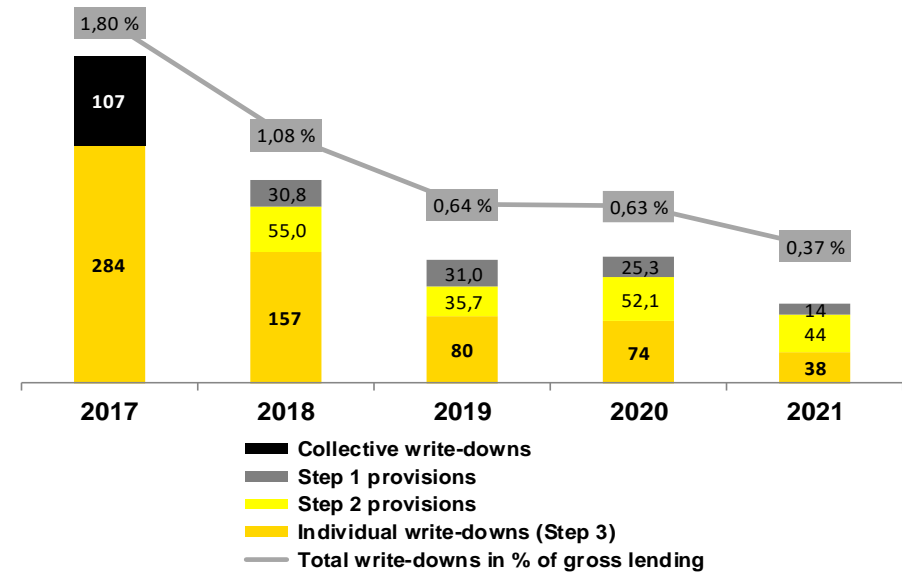


# Write-downs on Loans

Write-downs, quarterly

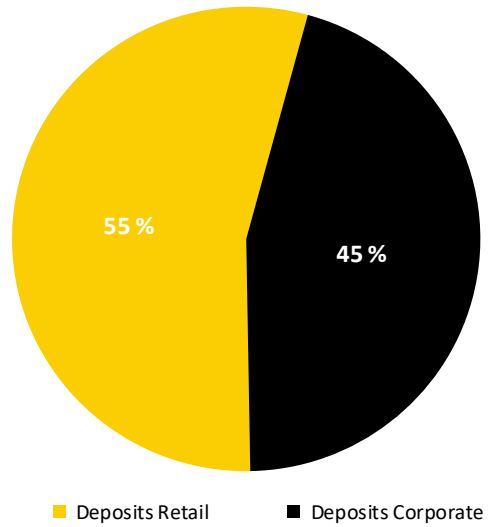


Write-downs, EOY

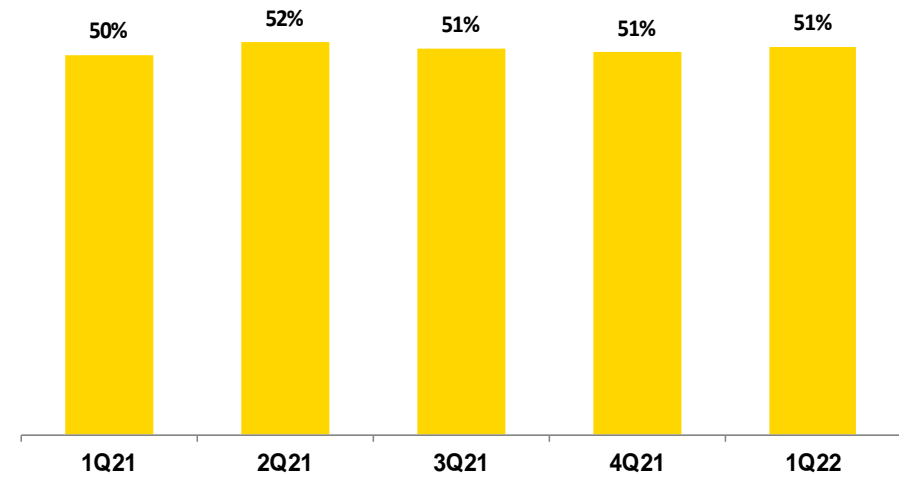


# Deposits From Customers

By division



Deposit-to-loan ratio

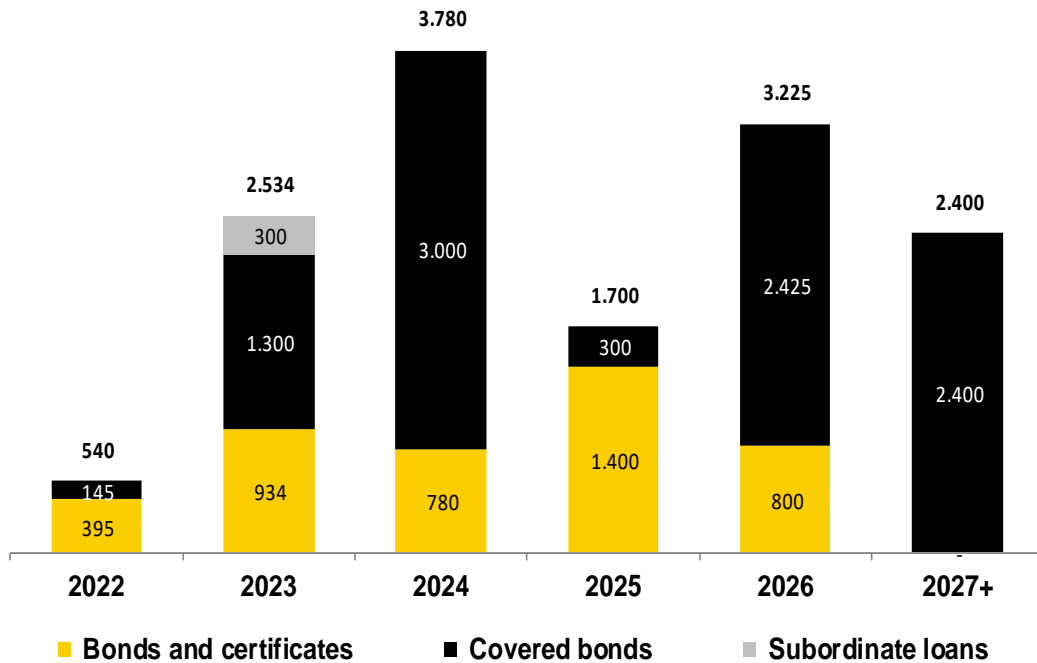




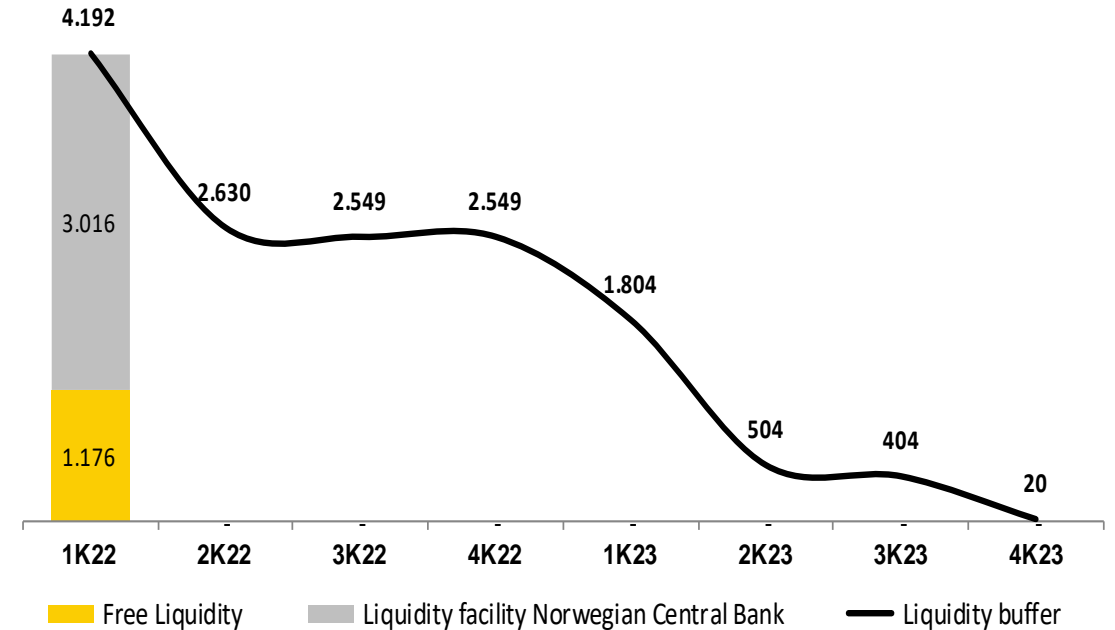
# Liquidity

LCR at 242 % | NSFR at 131 %

### Funding (MNOK)



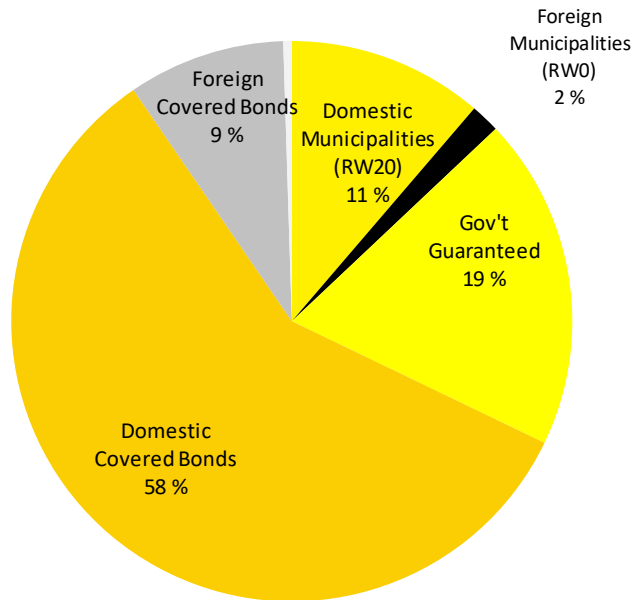
### Liquidity reserve, (MNOK)



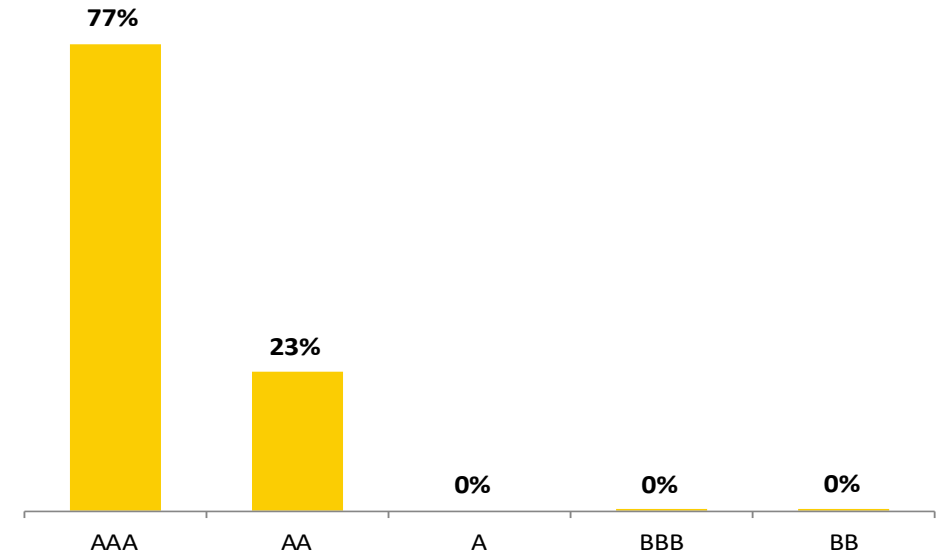
# Liquidity

NOK 3,7 bn. ex. cash | 100 % AA-rating or above

Composition of portfolio



Rating distribution



# Key Figures

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2020	2021
Growth assets	5,8 %	-6,2 %	0,1 %	-0,9 %	5,2 %	-2,6 %	-1,1 %	<b>5,7 %</b>	3,8 %	<b>0,5 %</b>
Growth lending (net)	2,0 %	1,0 %	0,1 %	1,5 %	1,2 %	1,3 %	1,4 %	<b>1,3 %</b>	4,9 %	<b>5,5 %</b>
Growth deposits	6,2 %	-4,3 %	0,4 %	2,7 %	4,7 %	-0,3 %	0,4 %	<b>2,7 %</b>	0,8 %	<b>7,7 %</b>
Net interest margin	1,48 %	1,52 %	1,61 %	1,55 %	1,54 %	1,54 %	1,54 %	<b>1,52 %</b>	1,64 %	<b>1,56 %</b>
Other income % of total income	42,8 %	19,2 %	19,2 %	19,8 %	34,8 %	21,5 %	23,0 %	<b>25,6 %</b>	22,3 %	<b>25,3 %</b>
Cost-to-income ratio	32,7 %	46,4 %	49,4 %	51,3 %	55,2 %	49,7 %	49,2 %	<b>50,2 %</b>	44,5 %	<b>51,5 %</b>
Costs as % of av. total assets	0,8 %	0,9 %	1,0 %	1,0 %	1,3 %	1,0 %	1,0 %	<b>1,0 %</b>	0,9 %	<b>1,1 %</b>
Return on equity before tax	18,6 %	11,2 %	10,5 %	12,7 %	12,6 %	8,7 %	10,3 %	<b>10,1 %</b>	10,8 %	<b>11,3 %</b>
Return on equity after tax	16,6 %	8,5 %	8,0 %	9,9 %	10,7 %	7,8 %	9,6 %	<b>9,0 %</b>	9,0 %	<b>9,7 %</b>
Capital adequacy ratio	18,0 %	18,4 %	19,8 %	19,2 %	18,9 %	17,8 %	18,5 %	<b>18,2 %</b>	19,8 %	<b>18,5 %</b>
Tier 1 capital ratio	16,7 %	17,1 %	18,5 %	17,9 %	17,6 %	16,5 %	17,2 %	<b>17,0 %</b>	18,5 %	<b>17,2 %</b>
CET1	16,0 %	16,4 %	17,8 %	17,3 %	17,0 %	15,9 %	16,6 %	<b>16,3 %</b>	17,8 %	<b>16,6 %</b>
Risk-weighted assets	16.055	15.709	15.982	16.460	16.706	16.706	16.689	<b>16.944</b>	15.982	<b>16.689</b>
Number of man-years	133	132	132	134	132	133	138	<b>140</b>	132	<b>138</b>
Stock exchange price	58	66	74	83	95	100	99	<b>103</b>	74	<b>99</b>
Equity capital certificate % of equity	63,4	63,4	63,6	63,7	63,7	63,8	63,4	<b>63,5</b>	63,6	<b>63,4</b>
Earnings per equity capital certificate	3,4	1,8	1,7	2,1	2,4	1,8	2,2	<b>2,0</b>	7,9	<b>8,5</b>
Book value per equity capital certificate	83,3	85,1	86,8	88,9	91,3	93,1	90,2	<b>91,6</b>	86,8	<b>90,2</b>
Individual write-downs in % of gross lending	0,35 %	0,31 %	0,31 %	0,25 %	0,18 %	0,14 %	0,15 %	<b>0,15 %</b>	0,31 %	<b>0,15 %</b>
Coll. write-downs in % lending after ind. wr.-d.	0,34 %	0,33 %	0,32 %	0,28 %	0,22 %	0,26 %	0,23 %	<b>0,22 %</b>	0,32 %	<b>0,23 %</b>
Deposits to loans ratio	52,4 %	49,6 %	49,7 %	50,2 %	51,9 %	51,1 %	50,6 %	<b>51,3 %</b>	49,7 %	<b>50,6 %</b>
Deposits to loans ratio parent bank	84,4 %	79,8 %	79,1 %	81,1 %	86,0 %	84,5 %	82,5 %	<b>83,3 %</b>	79,1 %	<b>82,5 %</b>

# Definition of Key Figures

## Rate of deposits to loans

OB net loans to customers / OB deposits from customers

## Liquidity coverage ratio (LCR)

Liquid assets / net liquidity output within 30 days in a stress scenario

## Net Interest Income (NII)

Interest income – interest expenses

## Interest margin

$((\text{Net interest income} / \text{days in the period}) \times \text{days in a year}) / \text{average total assets}$

## Lending margin

Average loan rate – rolling average of 3month NIBOR rate

## Deposit Margin

Rolling average of 3month NIBOR rate – average deposit rate

## Cost / income ratio

Total operating costs / (net interest income + total other operating revenues)

## Costs as a percentage of average total assets

$((\text{Total operating costs} / \text{days in the period}) \times \text{days in a year}) / \text{average total assets}$

## Return on equity before tax

$(\text{Operating profit before taxes} / \text{days in the period} \times \text{days in a year}) / ((\text{OB total equity} + \text{IB total equity}) / 2)$  [excl. T1 hybrid instruments]

## Return on equity after tax

$(\text{Operating profit after taxes} / \text{days in the period} \times \text{days in a year}) / ((\text{OB total equity} + \text{IB total equity}) / 2)$  [excl. T1 hybrid instruments]

## Equity certificate capital in % of equity

$(\text{Equity certificate capital} + \text{own equity certificate} + \text{share premium} + \text{dividend equalisation reserve}) / (\text{Equity certificate capital} + \text{own equity certificate} + \text{share premium} + \text{dividend equalisation reserve} + \text{savings bank`s fund} + \text{gift fund})$

## Earnings per equity certificate

$(\text{Operating profit after taxes} \times \text{equity certificate capital in \% of equity}) / \text{number of equity certificates}$  **Book value per equity certificate**

$\text{OB total equity} \times \text{equity certificate capital in \% of equity} / \text{number of equity certificates}$

## Price / Book (P/B)

Market price / book value per equity certificate

## Operating profit before write downs and taxes

Operating profit after tax + tax cost + write downs on lending and guarantees

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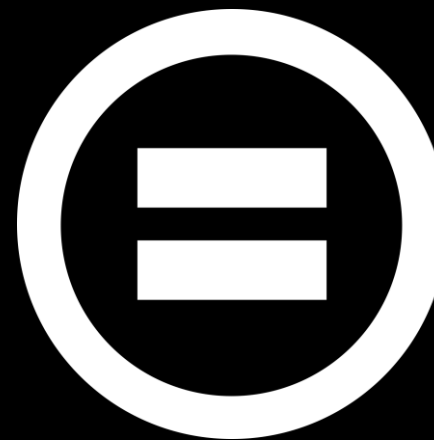
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