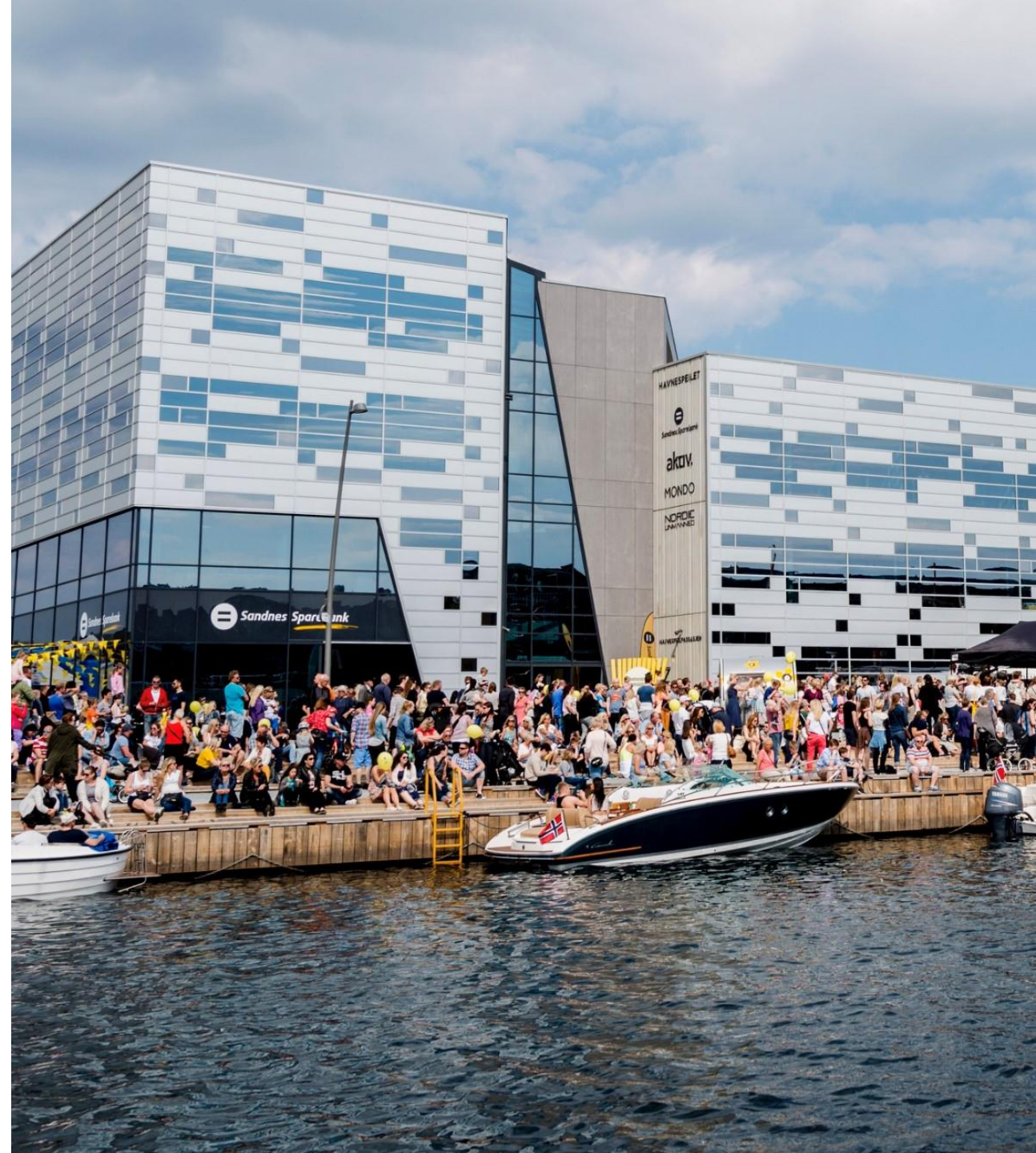


Financial Reporting

2nd Quarter 2021



Content:

Q2 Summary

Growth and Market

Credit Quality and Solidity

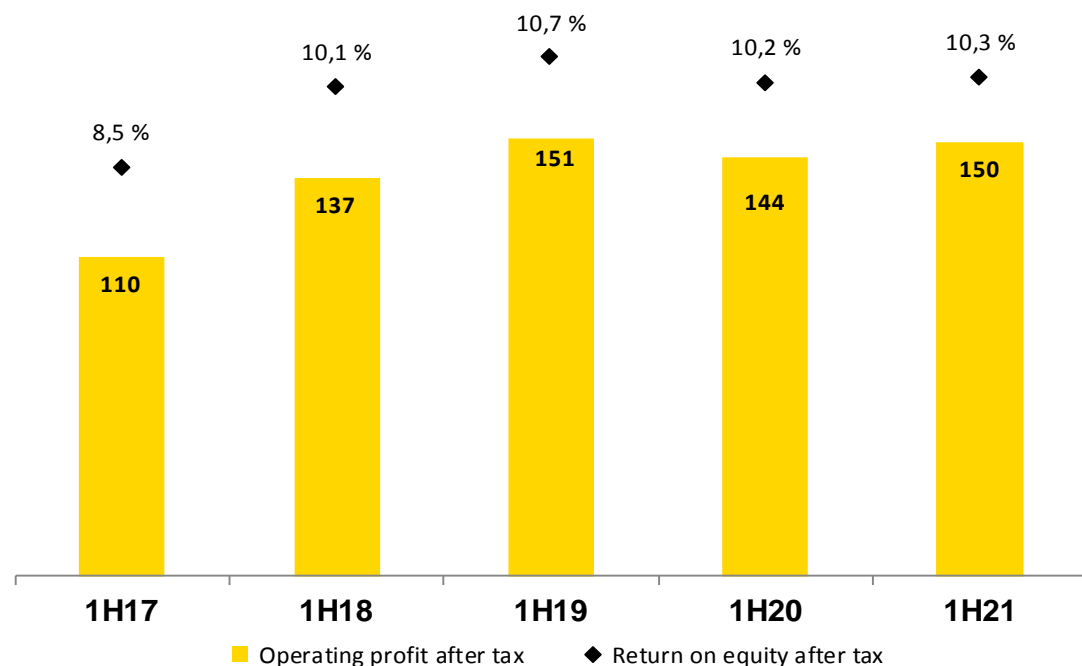
Lokal Macro



Sandnes Sparebank continues the good trend

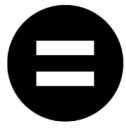
We are constantly striving to create good customer experiences - creating results over time

ROE



YTD Summary

- Profit after tax MNOK MNOK 150 (144)
- Return on equity after tax of 10.3% (10.2%)
- Profit per ECC (EPS) of NOK 4.6 (4.4)
- Lending growth of 4.0% (3.9%)
- Net interest margin of 1.52% (1.60%)
- Dividend from Eika Gruppen of MNOK 30.5 (41.3)
- Net reversal of losses of MNOK -38 (27). Good credit quality
- Good cost control – Conversion costs of MNOK 26
- Solid bank with 17.9% CET1 (incl. YTD results)



Sandnes Sparebank

- enklere valg

Content:

Q1 Summary

Growth and Market

Credit Quality and Solidity

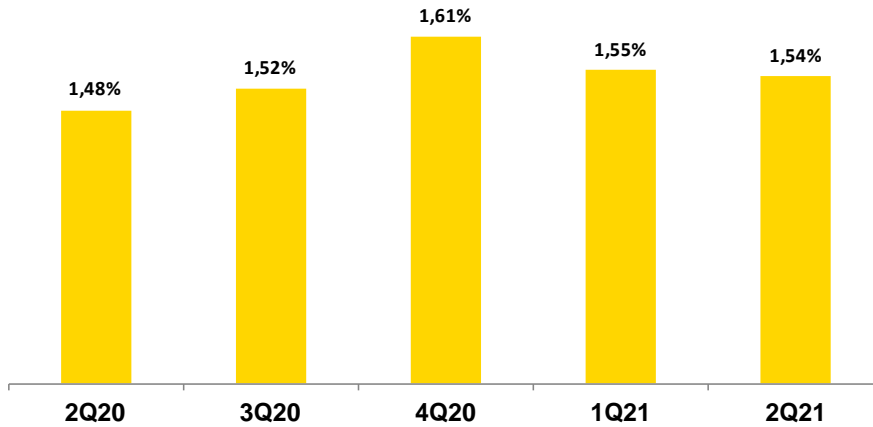
Lokal Macro



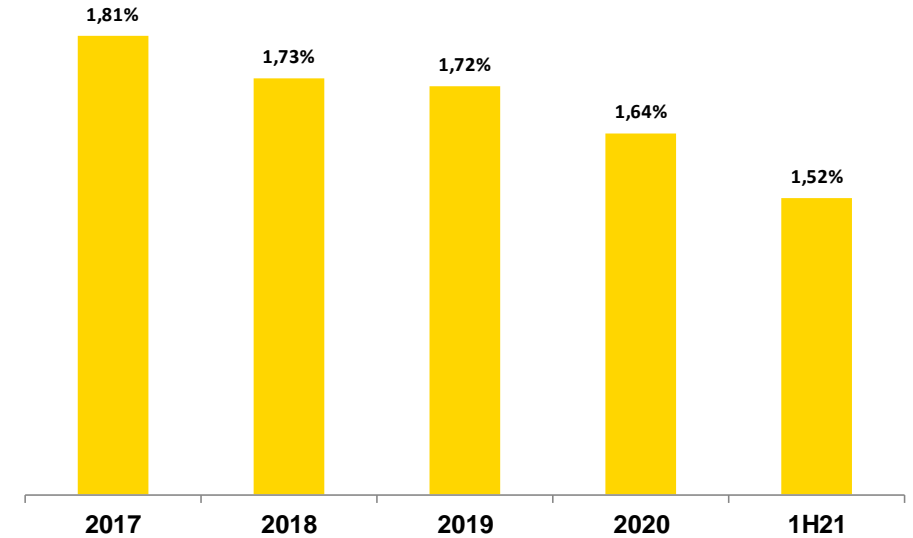
Net Interest Margin

Solid interest margin despite low key interest rates

Net Interest Margin, quarterly



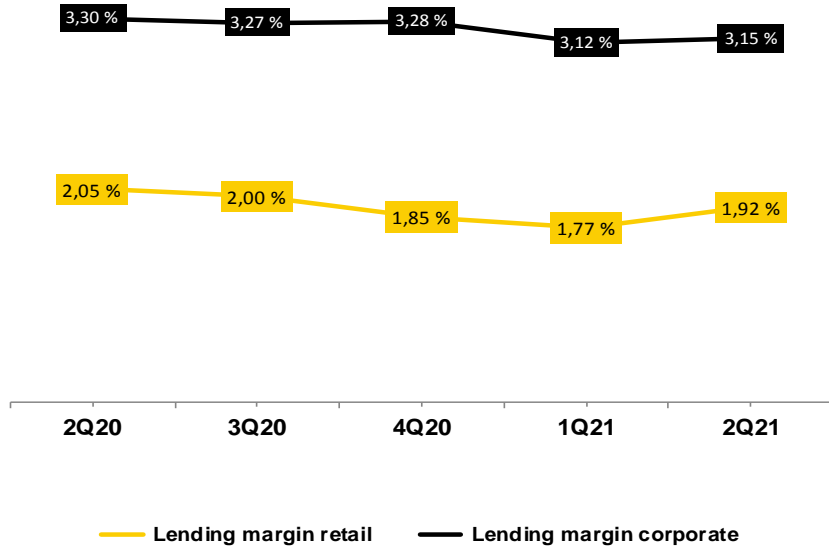
Net Interest Margin, EOY/YTD



Margins on Loans and Deposits

Strong competition and low policy rate influences margins

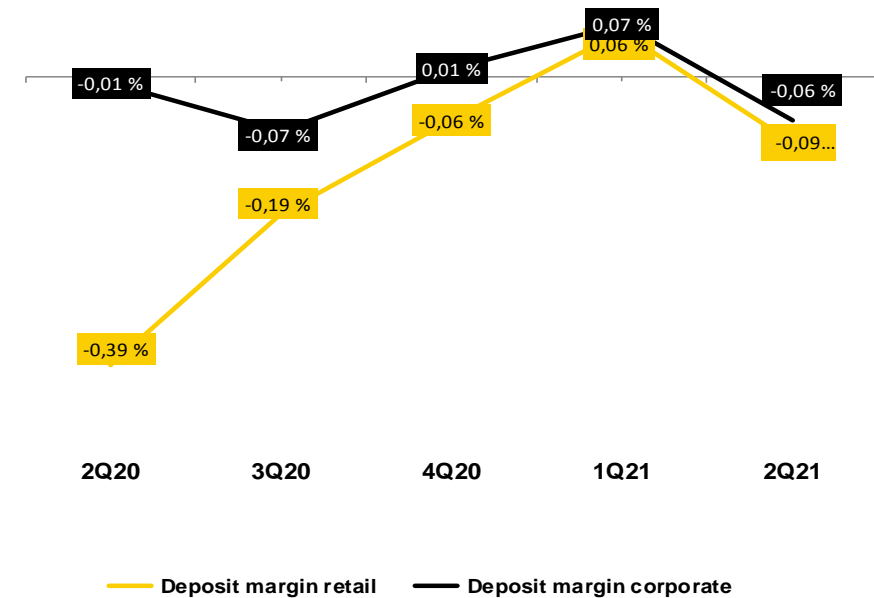
Lending Margins



- Stable customer interest rates, but lower Nibor rates improves the lending margin
- Average Nibor was about 19 bp lower in Q2-21 compared to Q1-21
- A lower risk profile in the corporate loan book puts a downward pressure on the lending margin

The margin is calculated as the difference between the average customer interest rate and the average Nibor3m.

Deposit Margins

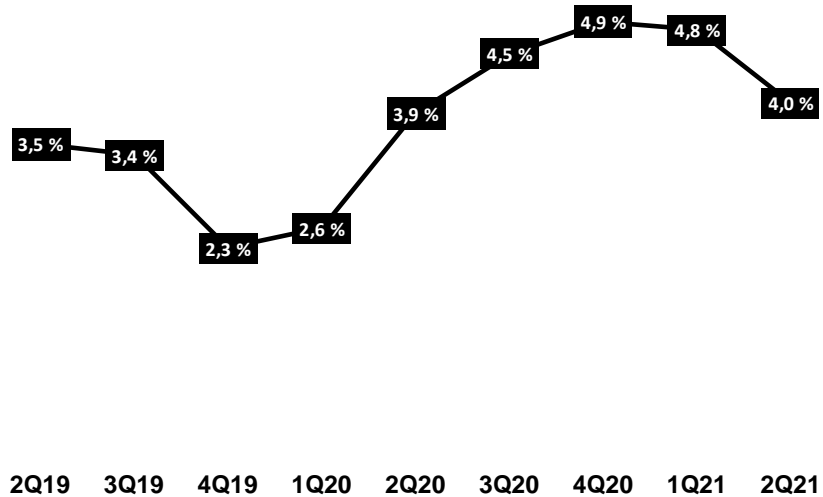


- Lower deposit margin last quarter due to lower Nibor rates

4.0% Loan Growth YOY

Continued increase in retail market share

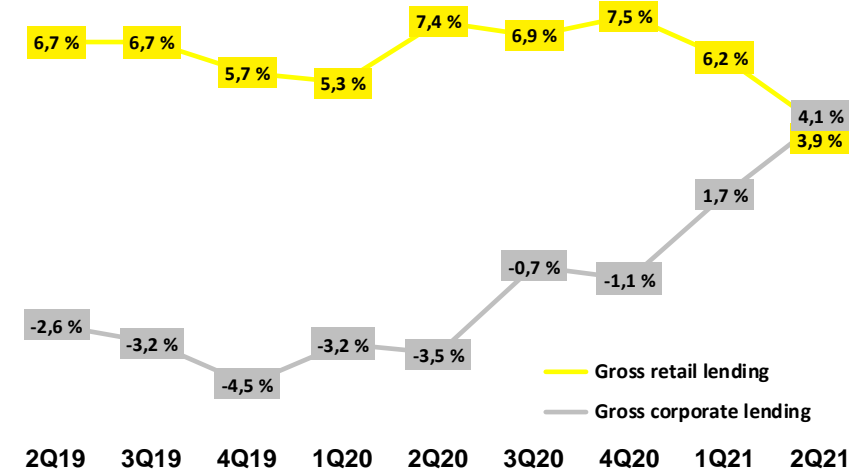
Lending Growth (12mth)



- Total lending increased by MNOK 949 (4.0%) YOY.
- Last quarter, lending to customers increased by MNOK 301 (1.2%)

*Sourc: Early Warning

Lending Growth by Division (12mth)



- Lending to private individuals is up MNOK 659 (3.9%) YOY, and MNOK 189 (1.1%) last quarter
- Retail credit growth in the market area was 2.8% YOY*
- Gross lending volume for the corporate market is up MNOK 291 (4.1%) YOY
- Last quarter, lending to corporate customers was up MNOK 111 (1.5%)

Further Investment in Profitable Growth in Stavanger

- Increased market shares in the retail market over the past three years
- High customer satisfaction
- Strong brand
- Solid competence and culture
- Attractive employer
- Great potential in a well-known market



Erik Kvía Hansen, Direktør personmarked og Lene Nevland Sivertsen, banksjef personmarked, Stavanger

Further Investment in Profitable Growth in Stavanger

Success criteria

- Proper competence
 - Several new and competent advisers have been hired this spring / summer
- Further development of the concept
 - Personal advisor
 - The best customer service, both personal and digital
 - Customer dividend
 - Local, strong and personal profile
 - Competence, culture and organization
- Positive contribution within 2-3 years
 - Gradually increased revenues
 - Increased operating costs from Q3-21



Rådgivere: Annette Kyia, Daniel Friestad og Tone Meling

New Profile

- New name, new logo
- Change
- A bank for the region
- Sandnes is still the home market
- Known and accepted in the market
- Sandnes Sparebank is the legal name



⌘ Sandnes Sparebank ↘ DEN GULE BANKEN. ⌘ Sandnes



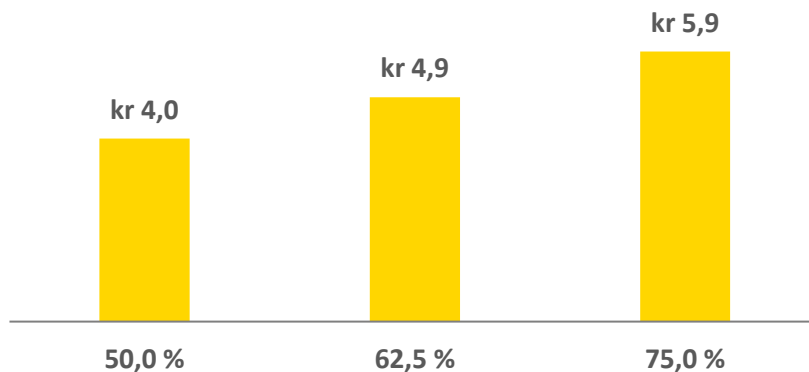
Foto: Blink/Njål Arnar Johansen

Status Dividends For 2020

Cash dividend

- No dividend paid for 2020
- Distribution Policy within 50% - 75% of the result
- NOK 7.9 earnings per. ECC in 2020
- Temporary regulations valid until 30.09.21 limit the right to pay dividends

Cash dividend with different degrees of distribution



4th year with customer dividends



Innskudd: kr 1 million



Lån: kr 4 millioner *
Innskudd: kr 50 000

2019

ca. 2 250 kr

ca. 9 112 kr

2018

ca. 2 513 kr

ca. 10 176 kr

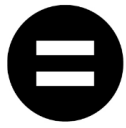
2017

ca. 1 000 kr

ca. 4 050 kr

Customer dividends for 2020 are expected to be approximately at the same level as in previous years

* Lån med medlåntaker



Sandnes Sparebank

- enklere valg

Content:

Q1 Summary

Growth and Market

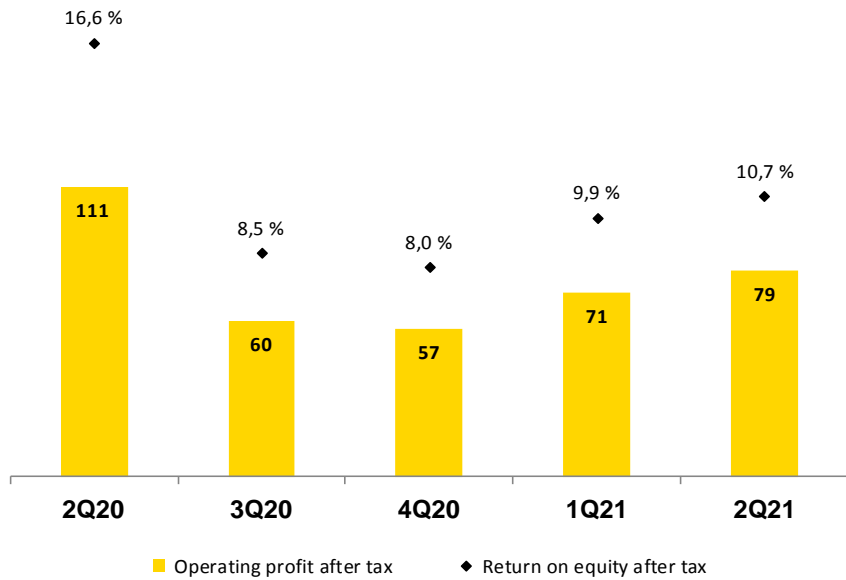
Credit Quality and Solidity

Lokal Macro

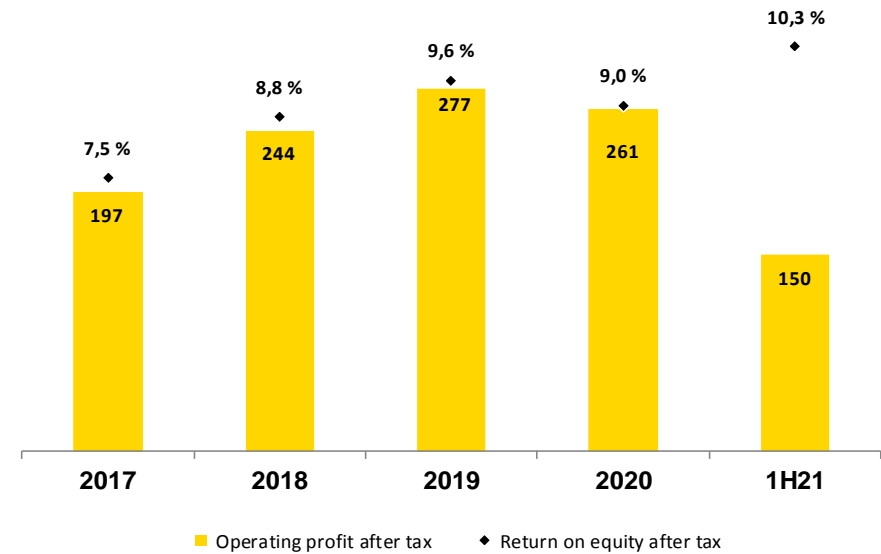


Profitability

ROE, Quarterly

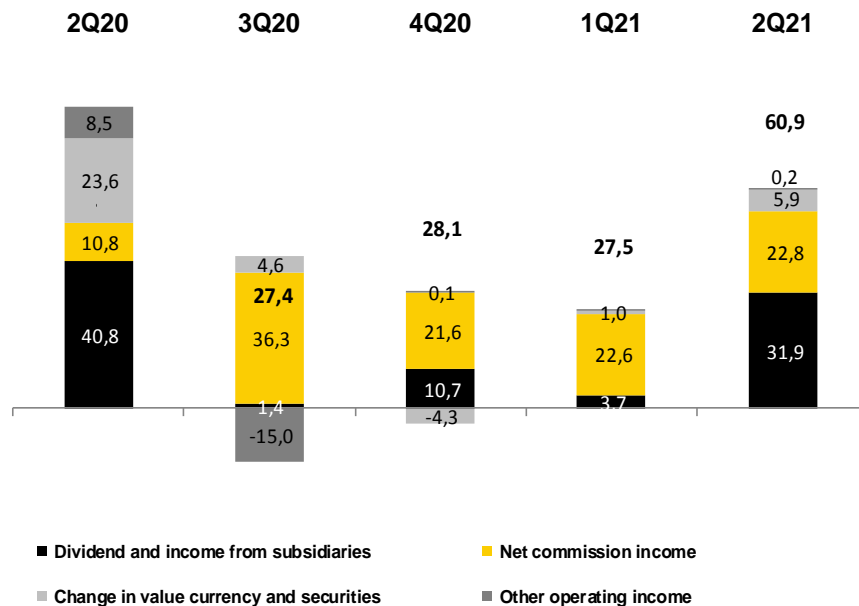


ROE, YOY/YTD



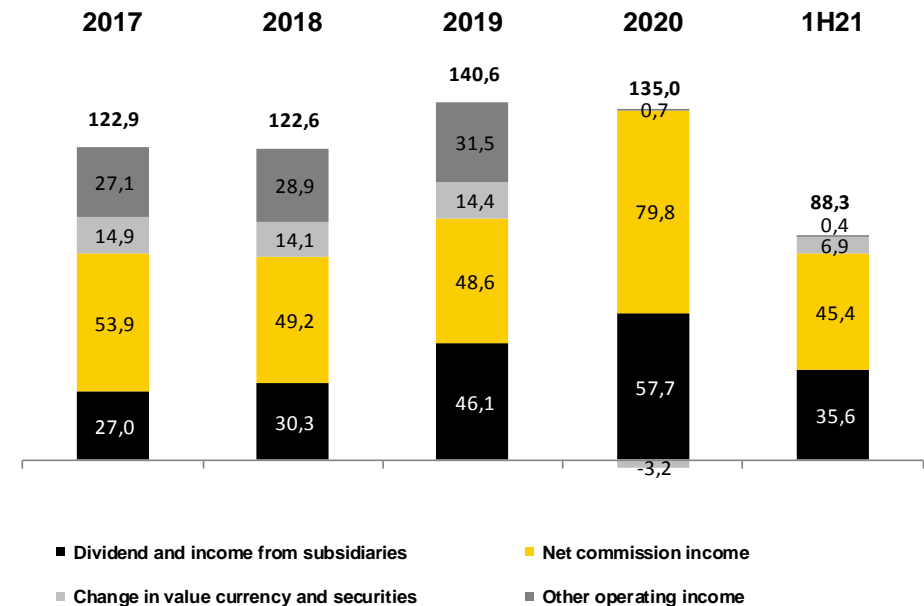
Other Income

Other Income, quarterly



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

Other Income, EOY/YTD

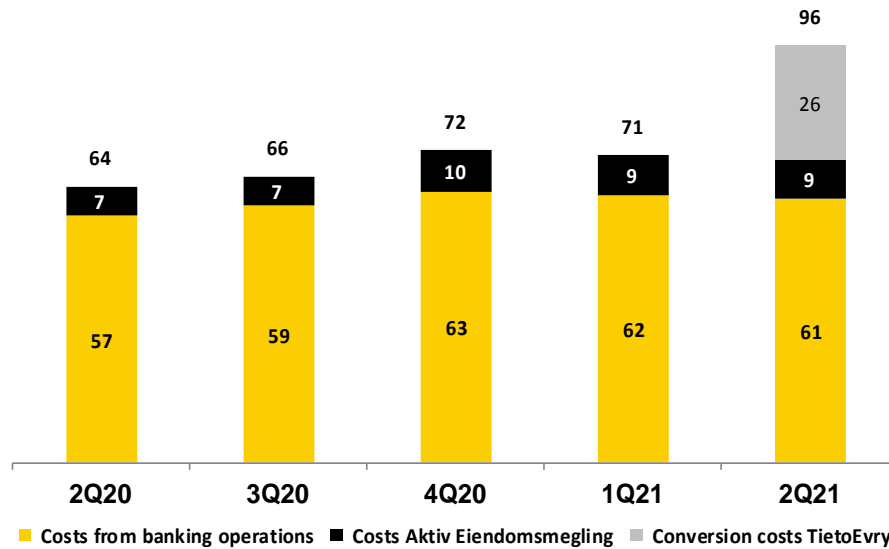


- Dividend from the Eika Group amounts to MNOK 30.5 (41.3)
- Eika Gruppen has withheld parts of the result for 2020 at the general request of the authorities
- Earnings per share in Eika Gruppen was NOK 20.84 in 2020 against NOK 22.06 in 2019

Operating Costs

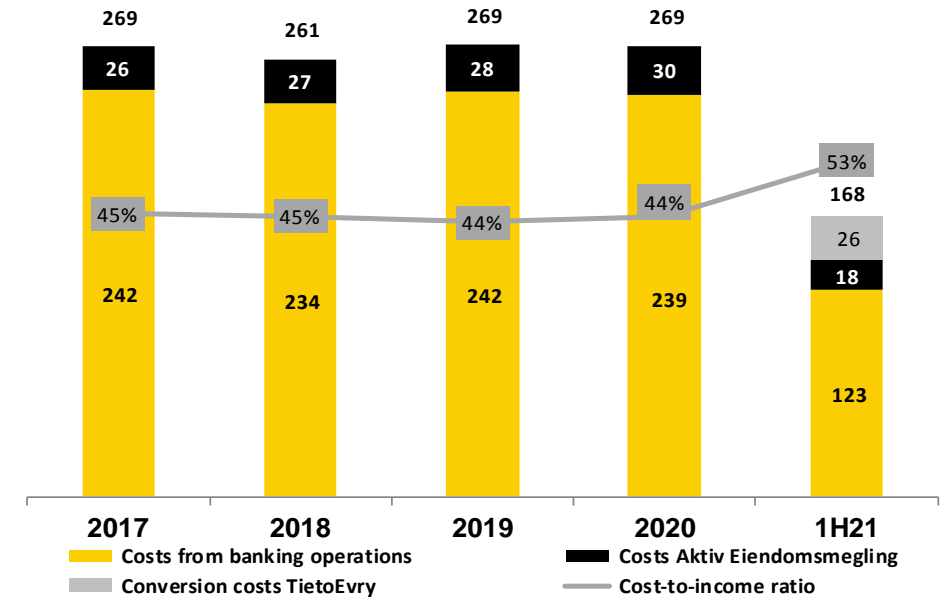
Strong cost control | Increased activity in Aktiv Eiendom (real estate agent)

Other Operating Costs, quarterly



- Improving the operations of Aktiv Eiendom entails higher costs, for ordinary banking operations the costs are stable
- 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 / YTD

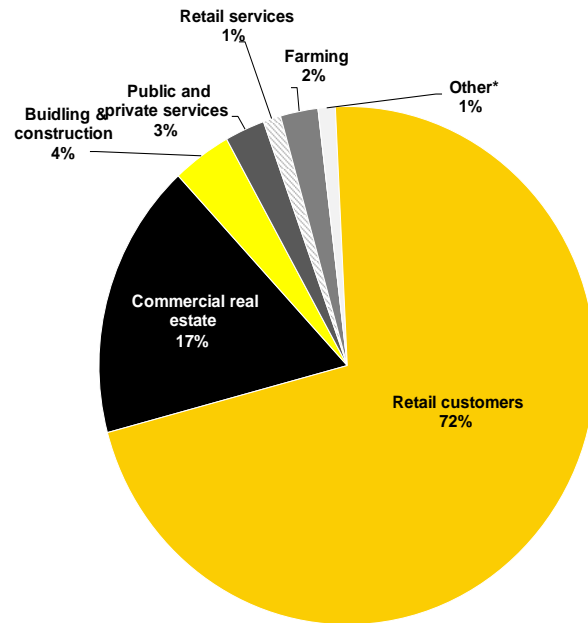


- Expect moderate cost development in ordinary operations in 2021

Lending to Customers

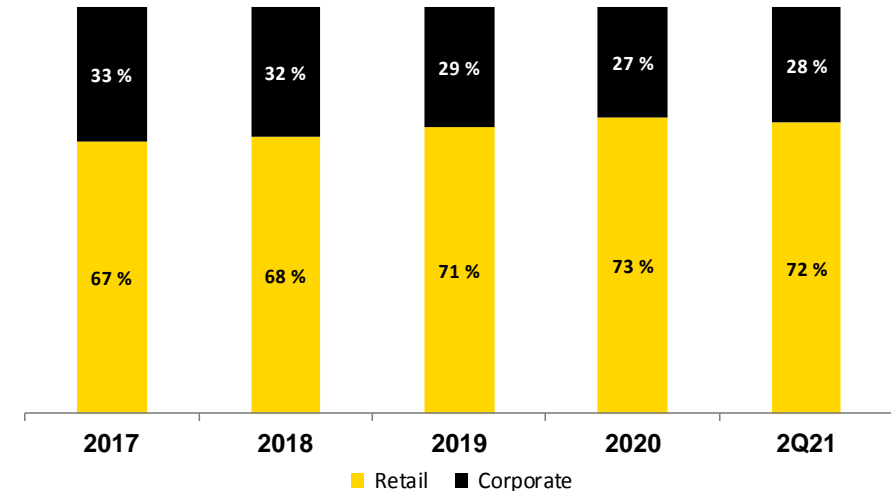
The share of lending to the retail market has increased significantly in the last 5 years

Loans to customers, 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

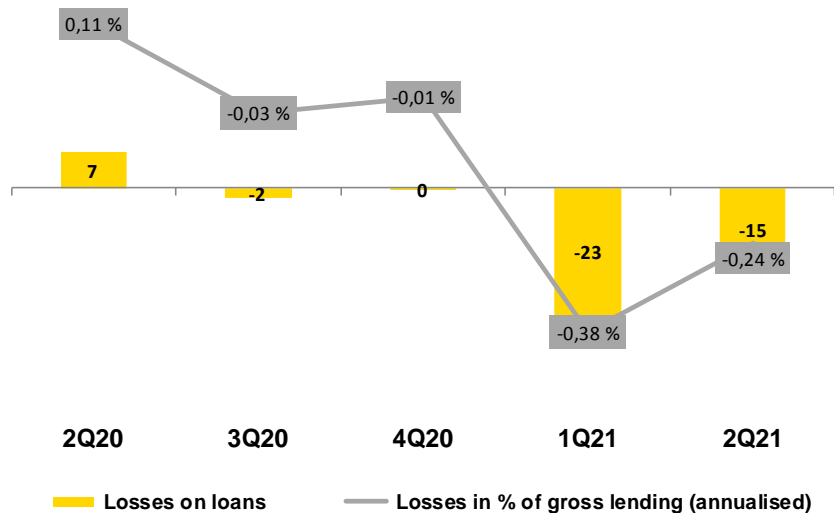
Loans to customers, by division



Losses on Loans and Guarantees

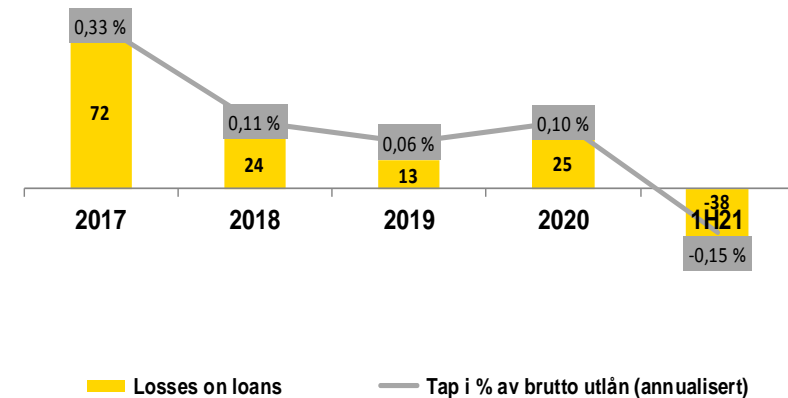
Positive development in loss provisions

Losses on loans and guarantees, quarterly



- Change in loss provisions in QOQ – MNOK 14.7 in reversals
 - 9 MNOK Step 1
 - 5 MNOK Step 2
 - 0.7 MNOK Step 3
- The change from the previous quarter is mainly due to the transition to new credit models

Losses on loans and guarantees, EOY/YTD

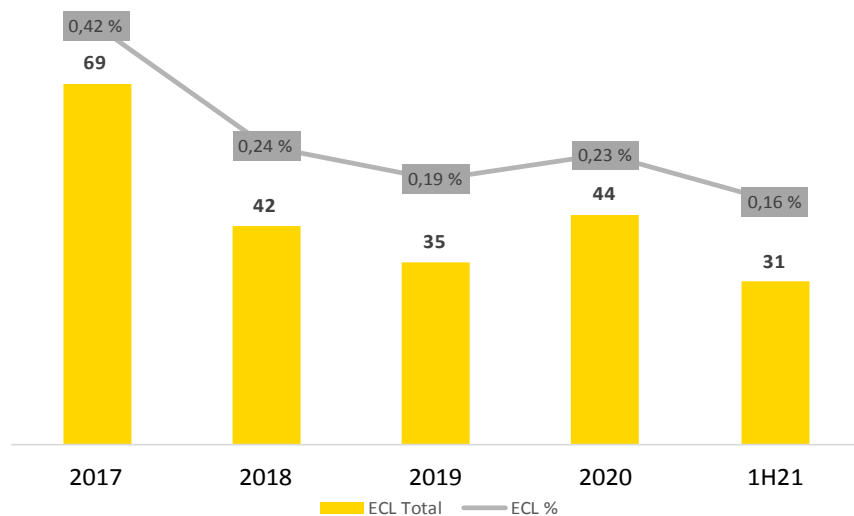


- Change in loss provisions YTD – MNOK 37.6 in reversals
 - 9.6 MNOK Step 1
 - 13.4 MNOK Step 2
 - 14.7 MNOK Step 3

Loans to Customers by Division, Credit Risk

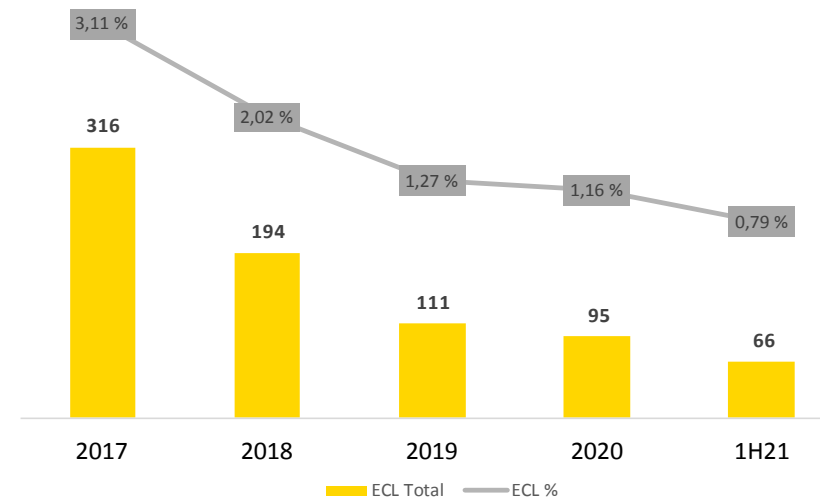
Risk expressed by expected credit loss (ECL)

Retail



- Added macro factor in 1Q20 which increases ECL by stressing customer PD
- Adjustment gives a relative increase in individual PD's of 40 %
- Expected increase in unemployment increases ECL

Corporate

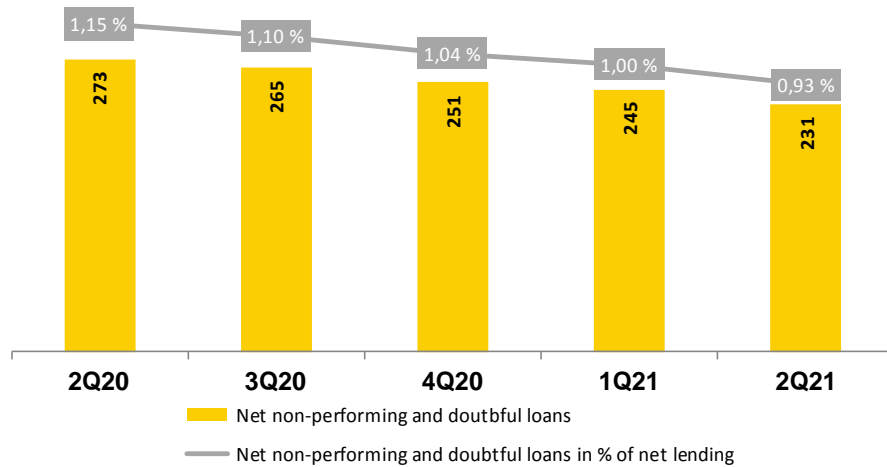


- Added macro factor in 1Q20 which increases ECL by stressing customer PD
- Adjustment based on sector
- Adjustment gives a relative increase in individual PD's of 12 %

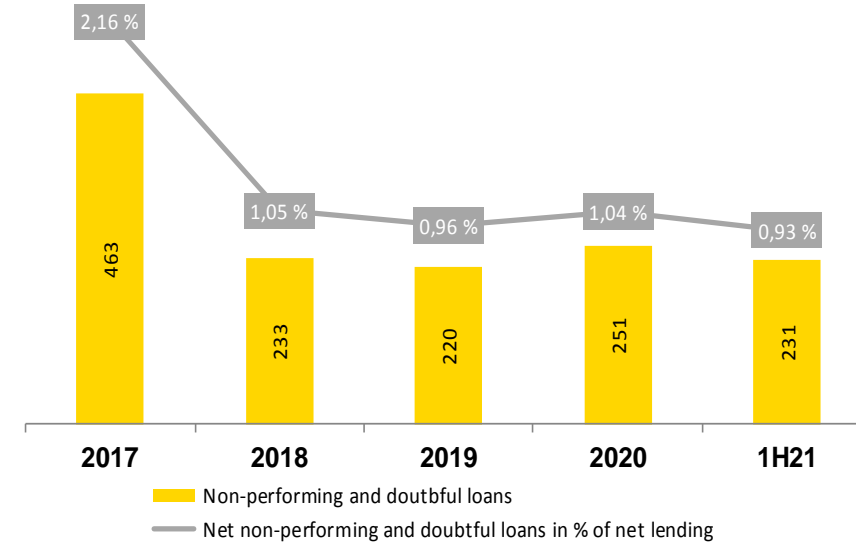
Non-Performing and Doubtful Loans

Stable levels, somewhat increase in 2020 due to market conditions

Non-performing and doubtful loans, quarterly



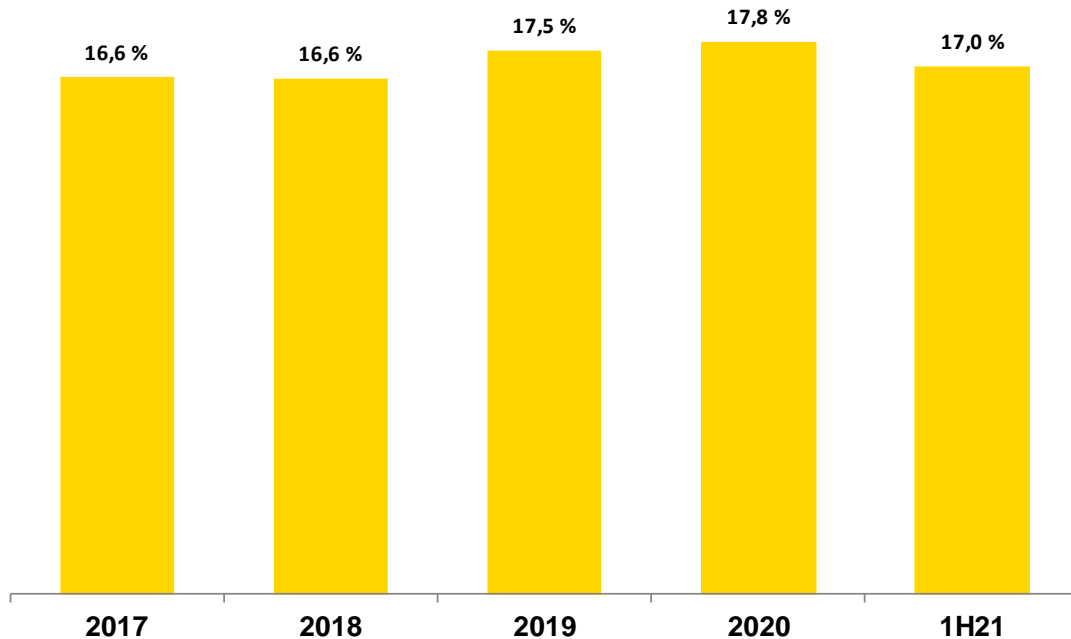
Non-performing and doubtful loans, quarterly



Well Capitalized and Equipped for further growth

Common equity tier 1 capital ratio of 17.9% including profit YTD

Common Equity Tier 1 Ratio (CET1)



A well-capitalized bank

- FSA minimum CET 1 requirement of 13.1%
- Pillar-2 requirement of 2.1%,
- **Target for Common Equity Tier 1 capital (CET1) > 14.1%**
-
- Dividend for 2020 within 50% -75% will lead to a reduction in CET1 of between 0.8% - 1.2%
- The Counter-Cyclical-Buffer increases from 1.0% to 1.5% from 30.06.2022
- Leverage ratio (equity/total assets) at 9.6%



Sandnes Sparebank

- enklere valg

Content:

Q1 Summary

Growth and Market

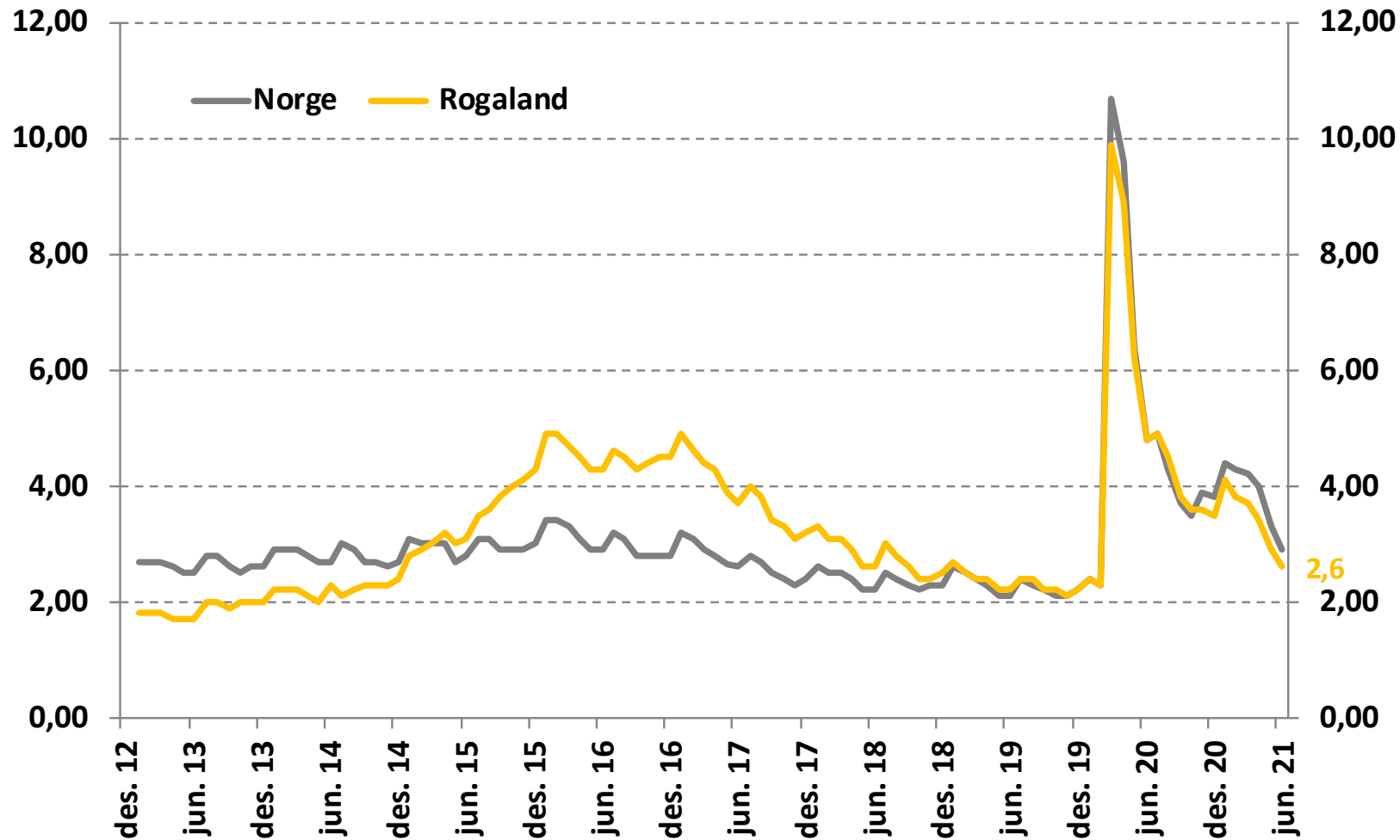
Credit Quality and Solidity

Lokal Macro



Unemployment Rate in Rogaland at 2.6%

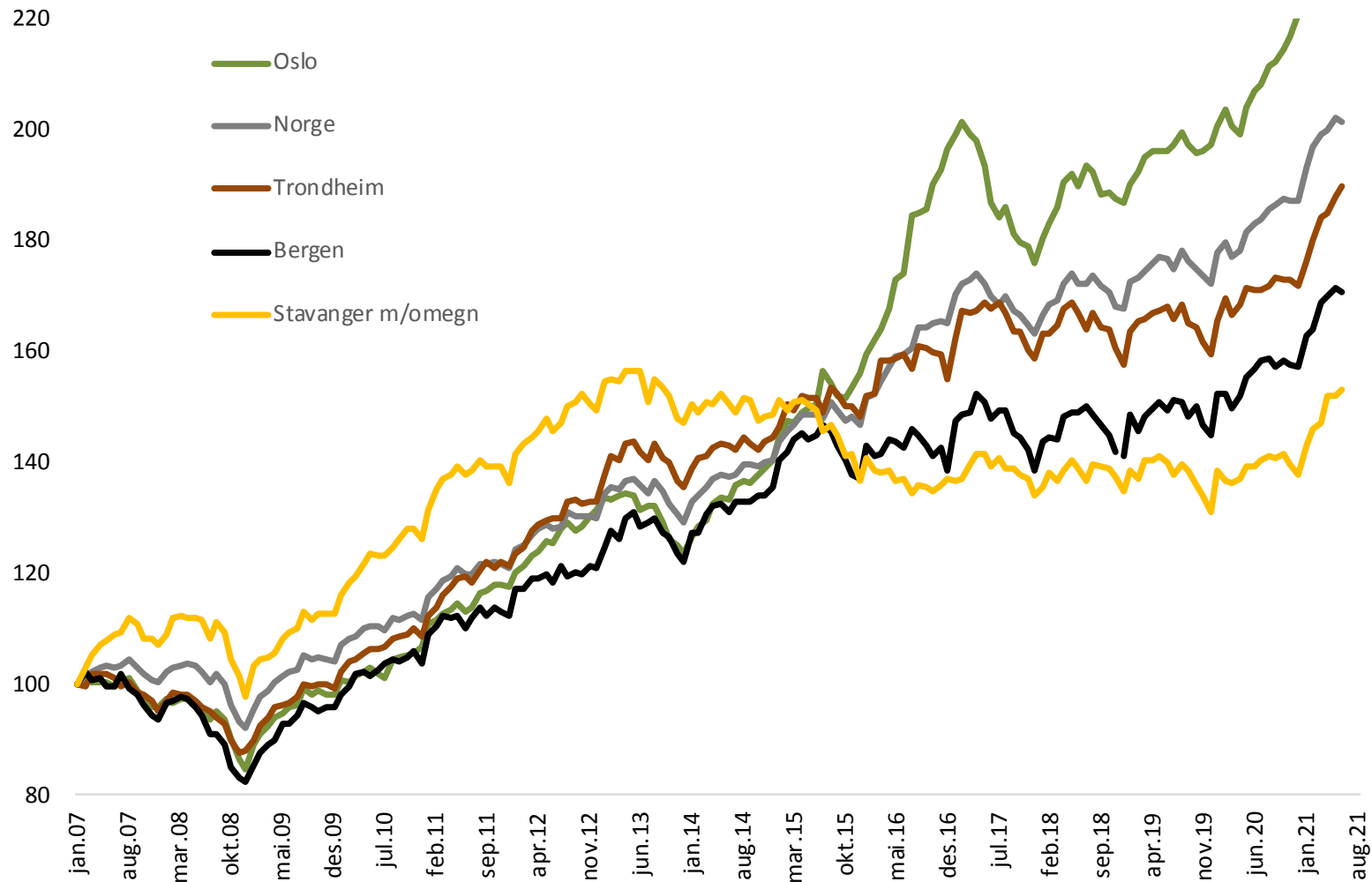
Slightly lower than the national average



– The trend that unemployment is falling is significant. In May, we saw that 1,455 people disappeared from our unemployment statistics. In June, the figures show a further decline of 1,337 people, says Merethe P. Haftorsen, director of NAV Rogaland. The decline in unemployment is across all age groups, from 20 to 67 years. 6,760 people are completely unemployed in Rogaland. It makes up 2.6 percent of the workforce in the county. 4,967 people are registered as partially unemployed and make up 1.9 per cent of the labor force.

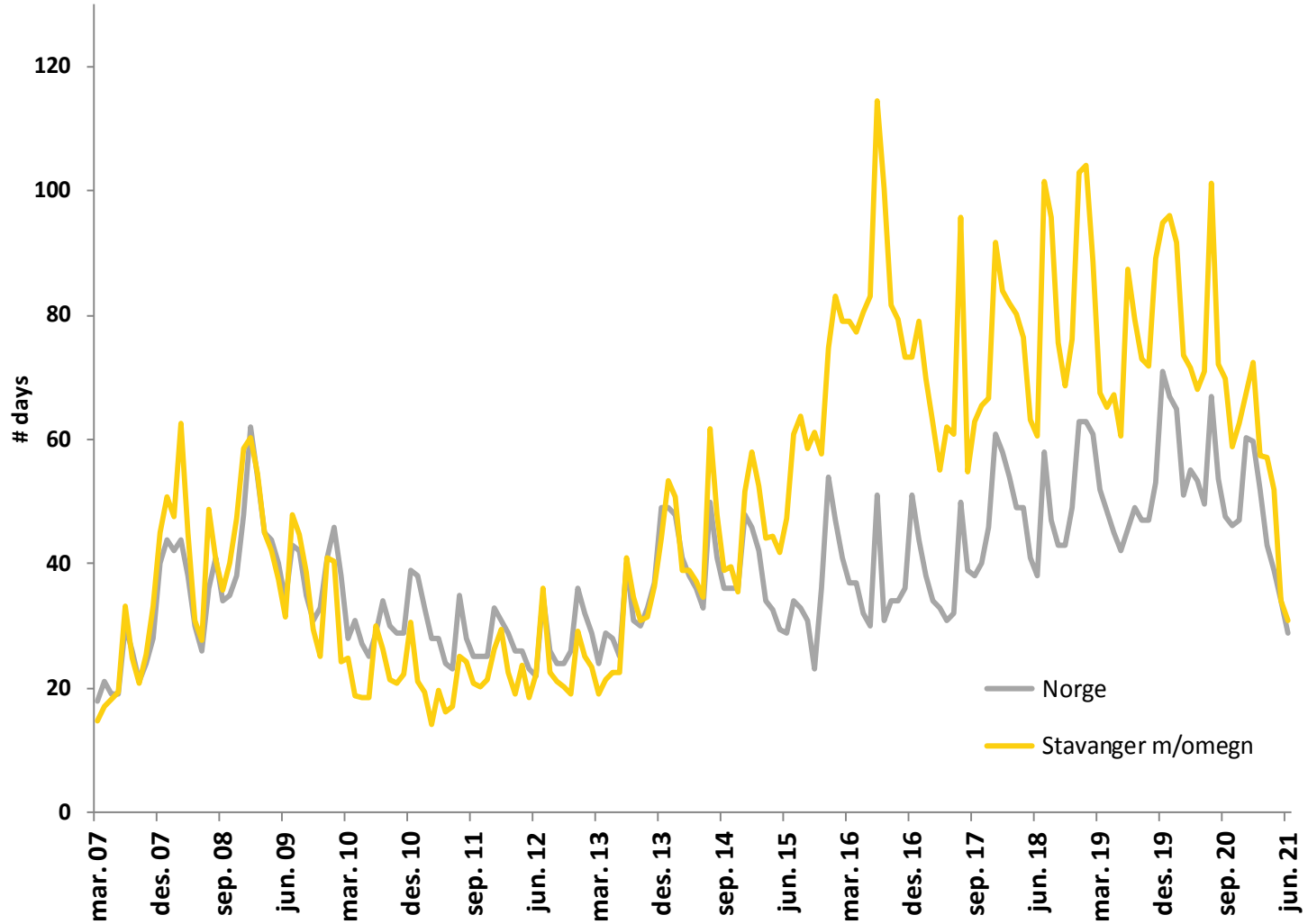
Residential Real Estate Index

Prices in Stavanger area increased 10% YOY



Average Number of Days to Conduct a Sale

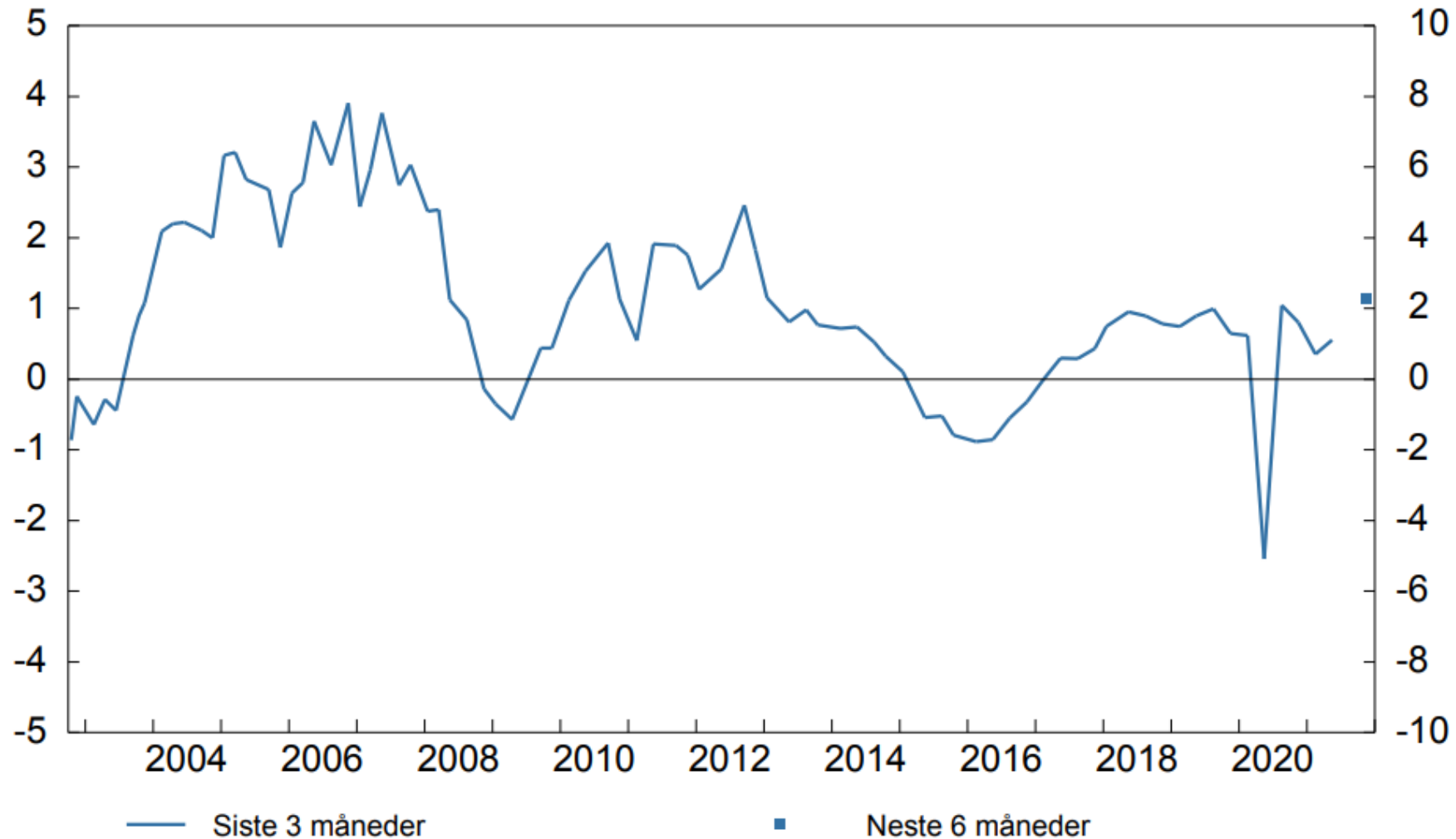
Stavanger area vs rest of Norway



Kilde: Eiendomsverdi

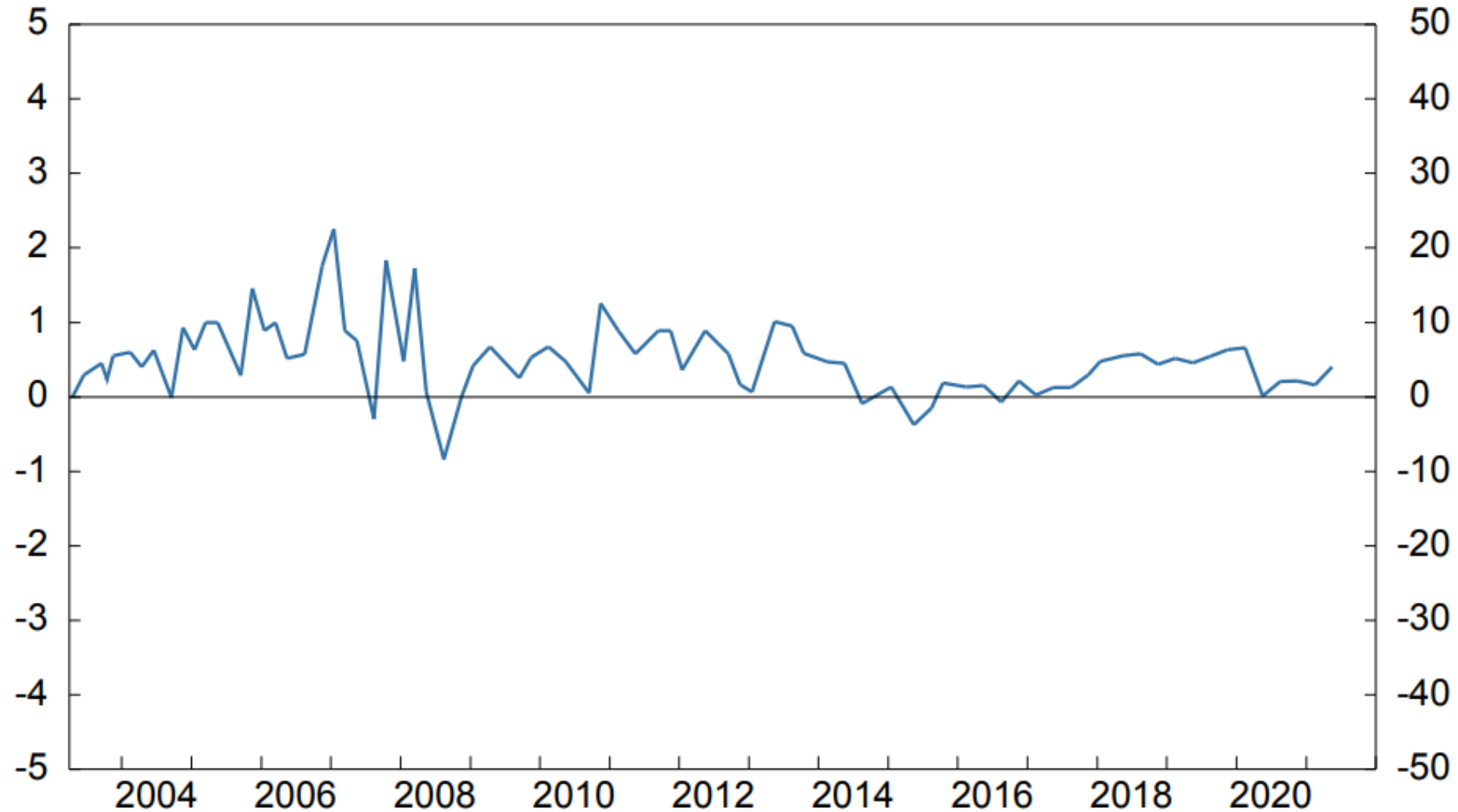
Norges Bank's Regional Network Survey

South West Region - growth in production



Norges Bank's Regional Network Survey

South West Region - growth in investments



TAKK.



Den Gule Banken



Sandnes Sparebank



Appendices

Sustainability in Sandnes Sparebank

2020

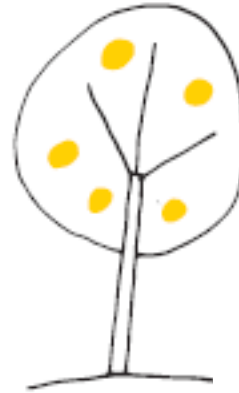
2021



Retail

- Green mortgage
- Green car loan 40% share
- Responsible savings
- Balansebank

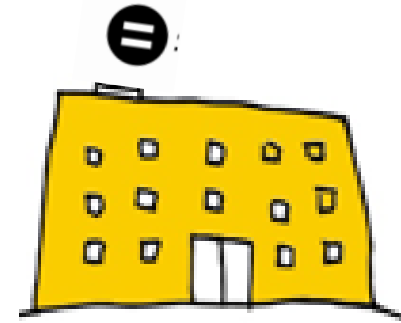
- Green transition loans
- Growth in green lending
- Competence development



Corporate

- Green agricultural loan
- ESG risk in credit
- Assistance - Covid-19

- System support
- Energy labelling of CRE
- Competence development



The Bank

- Climate-neutral bank
- Reduction target achieved
- Electric car and electric bike leasing
- Certified reporting

- Ambitious reduction targets
- Follow-up of suppliers



SANDNES
SPAREBANKS
GAVEFOND

CSR

- Fulfilled goals - green gift fund purposes
- Yellow Christmas presents

- Dedicated 10% for green purposes
- The Sustainability Games

Customer Dividends 4 Years Running

Not translated



Lån: kr 2 millioner
Innskudd: kr 500 000



Innskudd: kr 1 million



Lån: kr 4 millioner *
Innskudd: kr 50 000



Lån: kr 20 millioner
Innskudd: kr 1,5 million

2020

Utbetaling av kundeutbytte for året 2020 blir på omtrent samme nivå som fjoråret og planlegges utbetalt i løpet av høsten 2021

2019

ca. 5 625 kr

ca. 2 250 kr

ca. 9 112 kr

ca. 7 875 kr

2018

ca. 6 281 kr

ca. 2 513 kr

ca. 10 176 kr

ca. 8 794 kr

2017

ca. 2 500 kr

ca. 1 000 kr

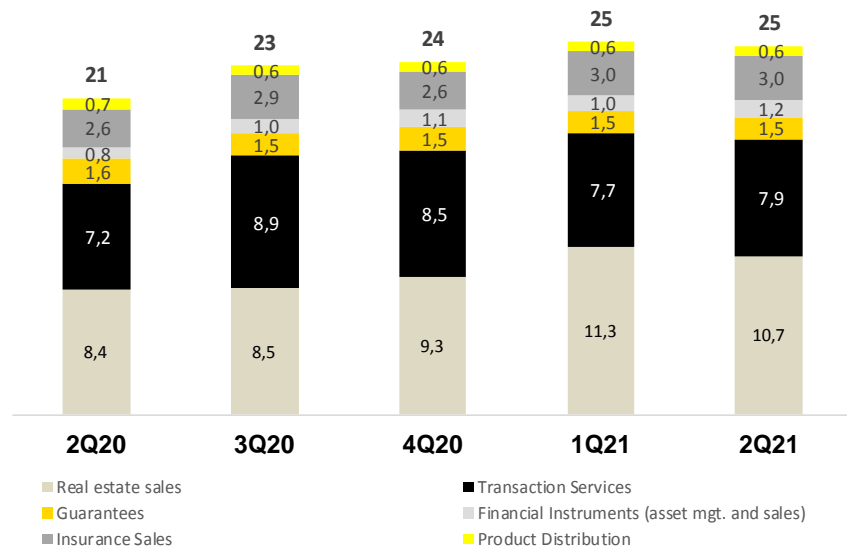
ca. 4 050 kr

ca. 3 500 kr

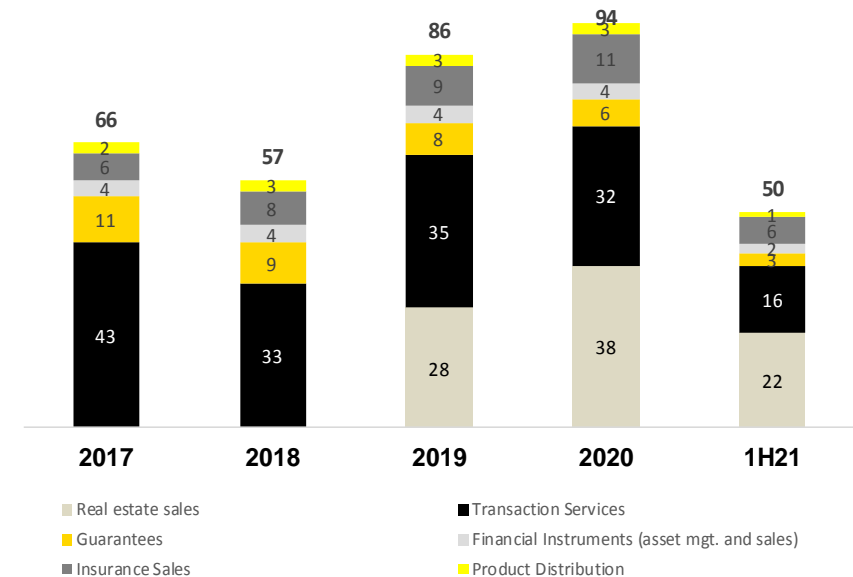
Gross Commission Income

Increased activity in Aktiv Eiendom, some reduction in transaction related revenues

Gross commission, quarterly



Gross commissions, EOY/YTD.



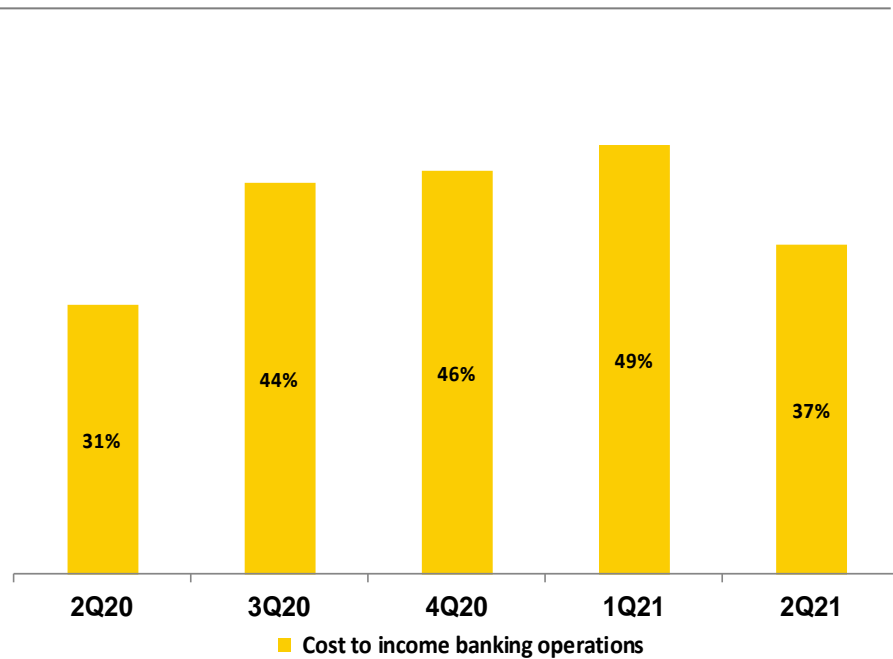
- Good growth in Aktiv Eiendom
- Decline in payment processing revenues due to less travel activity
- Increasing income from insurance sales

- The change in principle for bookkeeping of the real estate business has not been made for 2016-2018.

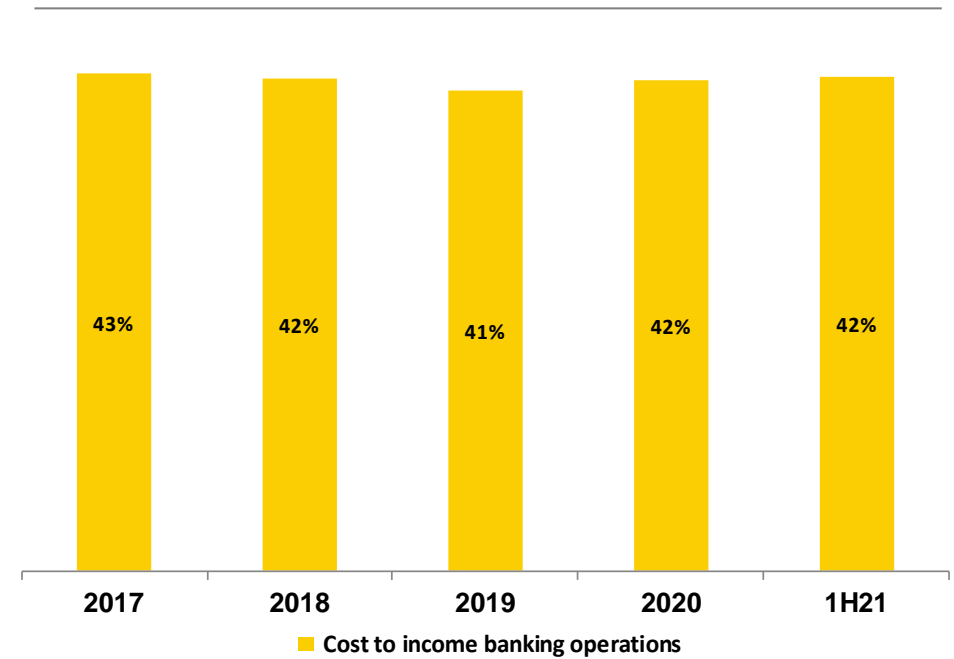
Cost to Income Underlying Banking Operations

Cost to income ratio without real estate brokerage and conversion costs related core IT-systems

Cost to income, quarterly



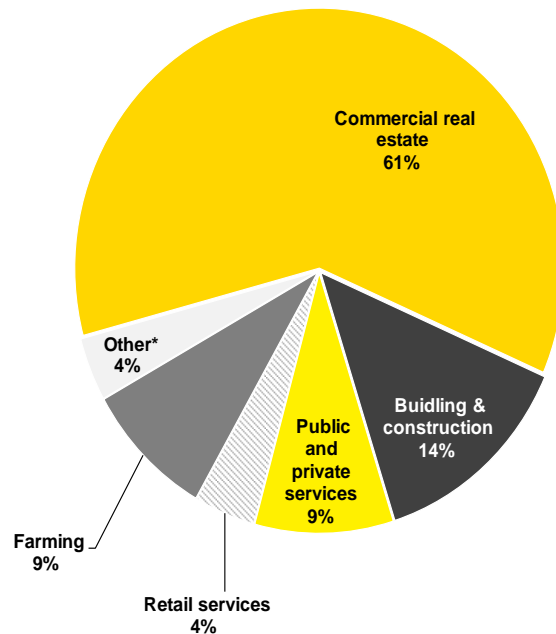
Cost to income, EOY/YTD



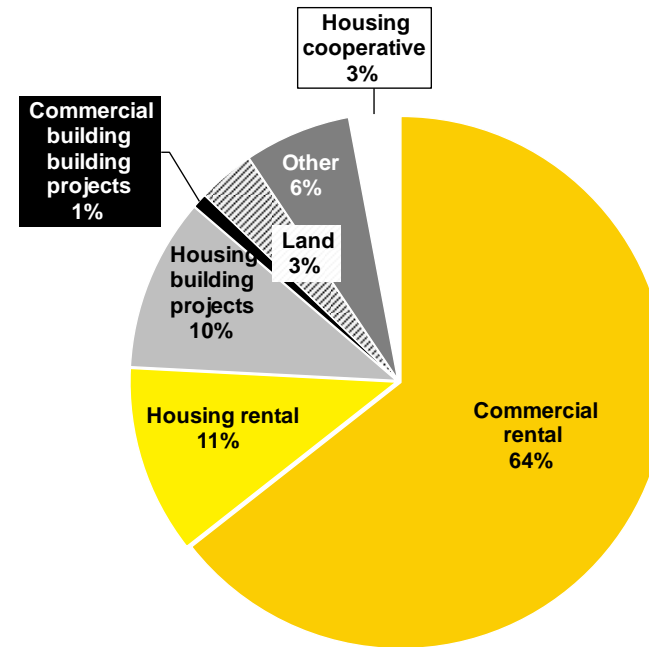
Loans to Corporate Customers by Sector

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

Distribution by sector



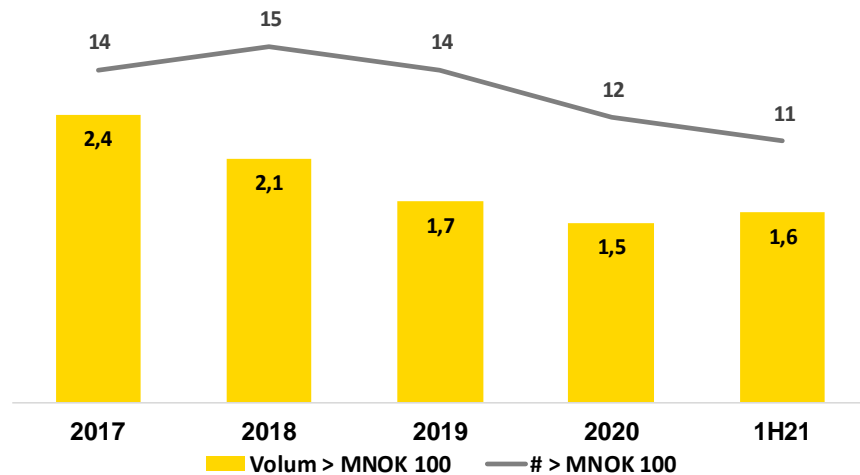
Corporate loans to real estate



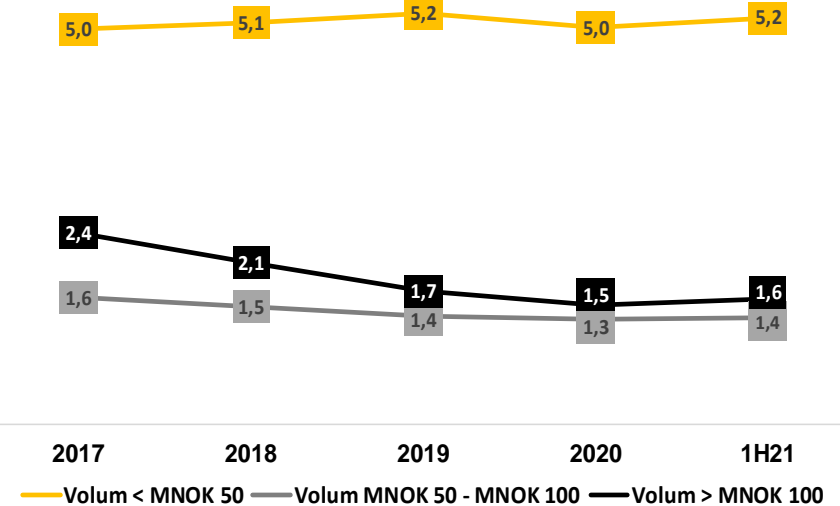
Corporate Loans by Size

Growth in smaller loans (SME) | Reduction in loans above MNOK 100

Loan balance > MNOK 100, volume and # customers

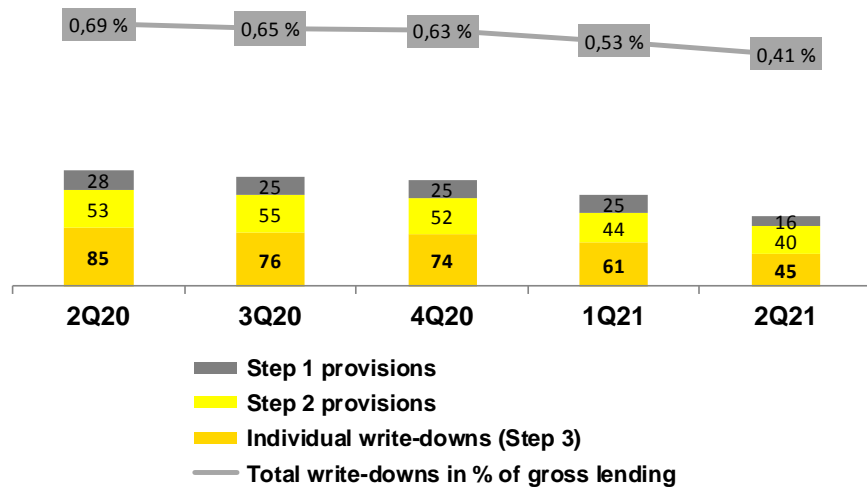


Loan size distribution, volume

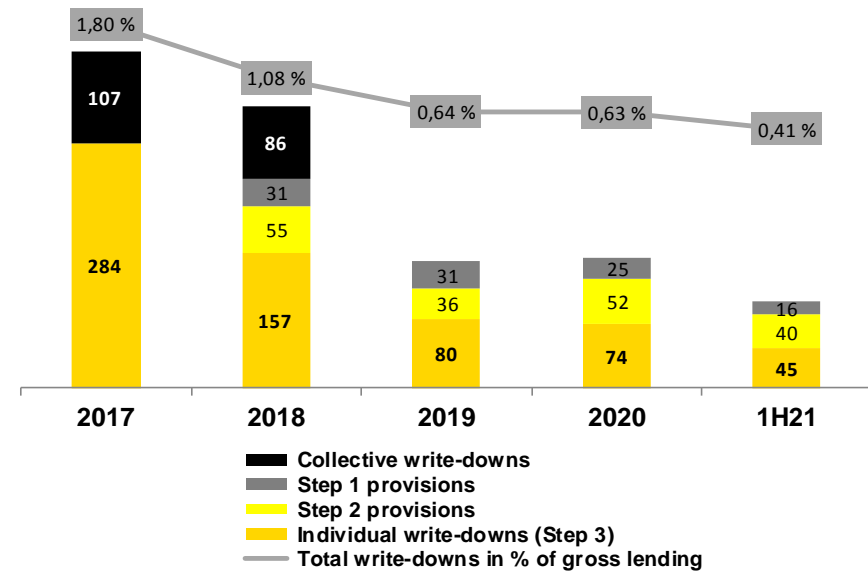


Write-downs on Loans

Write-downs, quarterly



Write-downs, EOY/YTD



Transition to common Eika credit model

Switching from in-house model to common credit model for all Eika-banks from 01.04.2021

- Common Eika credit model provides better statistical basis and less vulnerable operations
- In-house developed model was based on 12-15 year old data and thus outdated and less accurate against the current loan portfolio

Share of write-downs of total loans as of 31.06.21

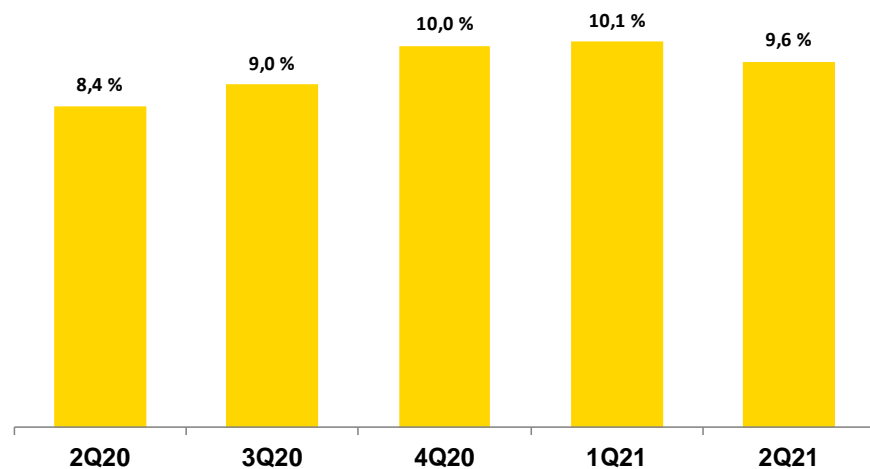
Nedskrivning	Totalt	BM:	PM:
Steg 1:	0,08 %	0,20 %	0,02 %
Steg 2:	1,00 %	1,39 %	0,64 %
Steg 3:	17,68 %	40,88 %	8,12 %

Steg	Tapsavsetninger per 30.06.21	Tapsavsetninger per 31.03.21	Totale endringer i kvartalet	Endringer som skyldes endret modell	Endringer som skyldes endringer i porteføljen
1	15 727	24 722	-8 995	-12 584	3 589
2	39 815	44 077	-4 262	-2 598	-1 664
3	45 274	61 324	-16 050	-1 153	-14 897
Totalt	100 816	130 123	-29 307	-16 334	-12 973

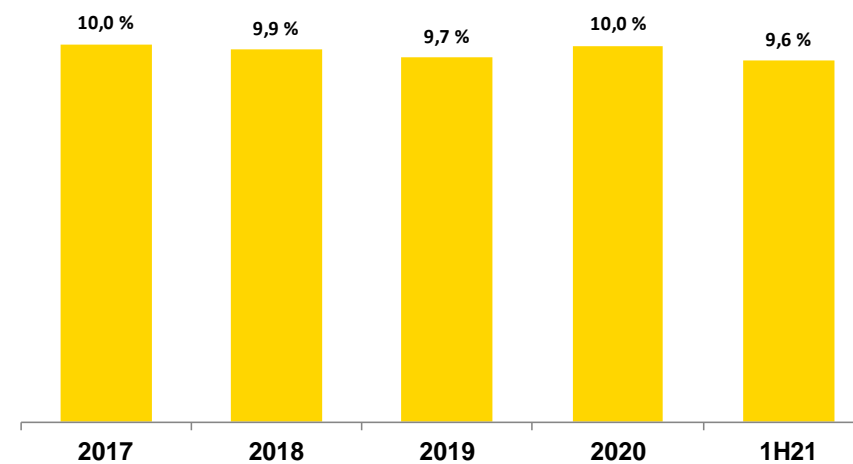
Excerpt note 1, quarterly accounts 2Q21

Solidity – Leverage Ratio

Leverage (Equity/Total assets), quarterly

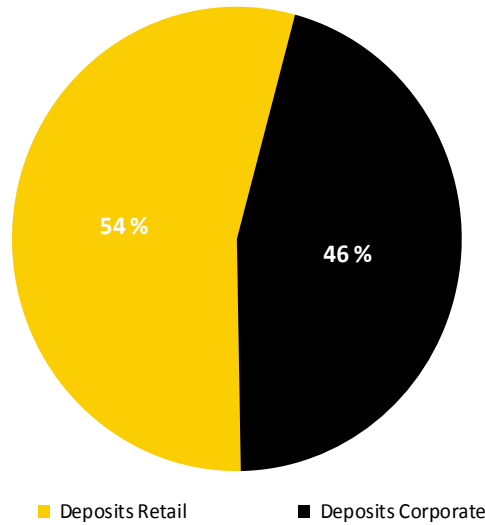


Leverage (Equity/Total assets), EOY / YTD

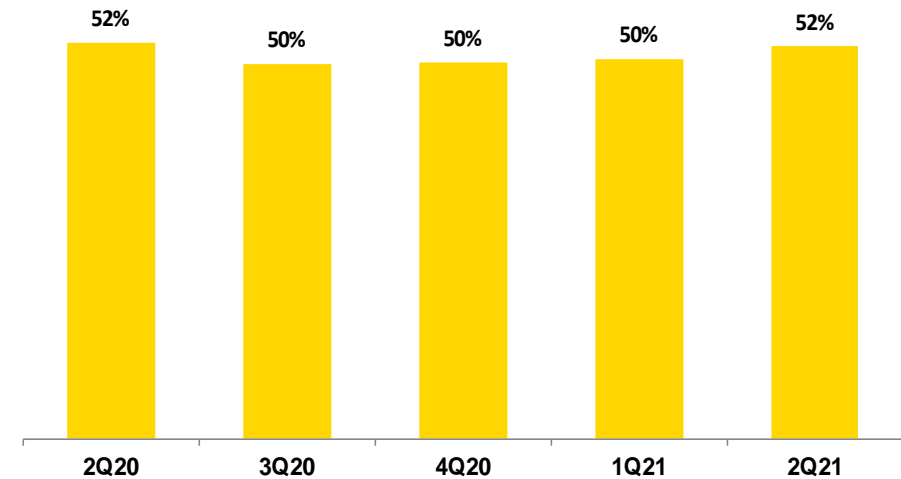


Deposits From Customers

By division



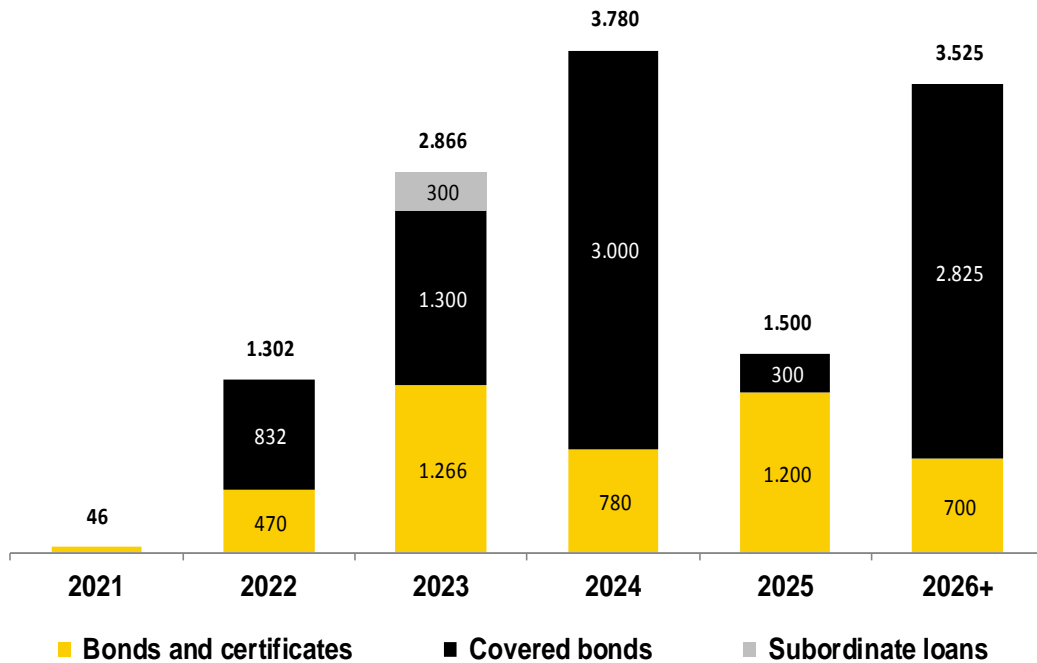
Deposit-to-loan ratio



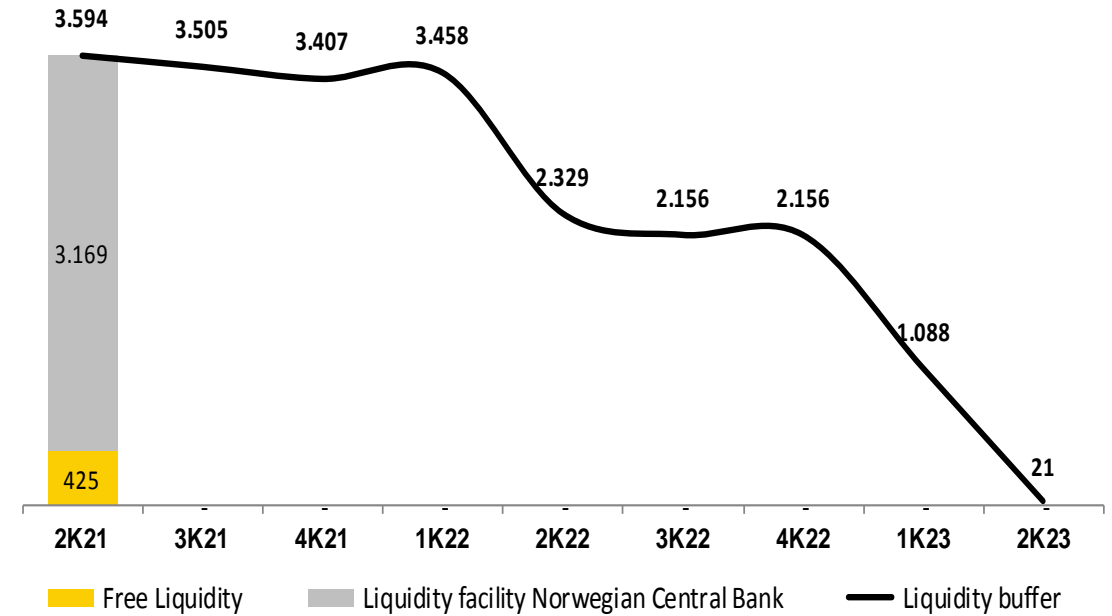
Liquidity

LCR 251% | NSFR 128%

Funding (MNOK)



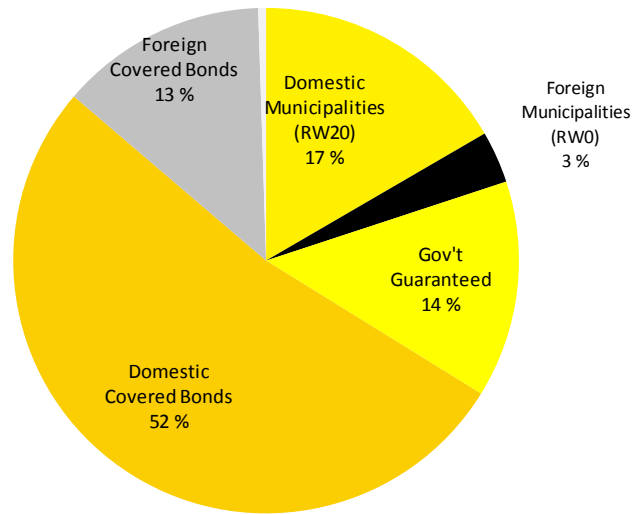
Liquidity reserve, (MNOK)



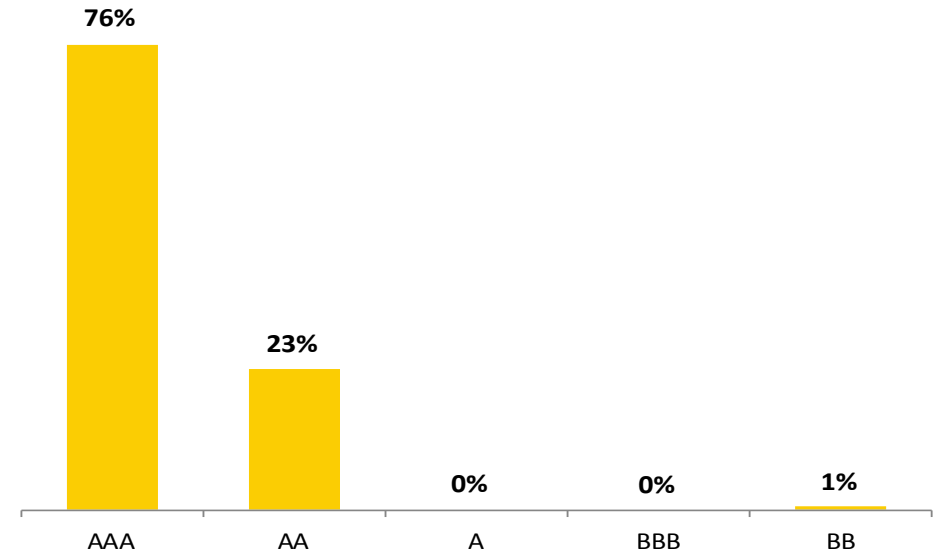
Liquidity Reserves

NOK 3.6 bn ex. cash | 100 % AA-rated or above

Composition of portfolio

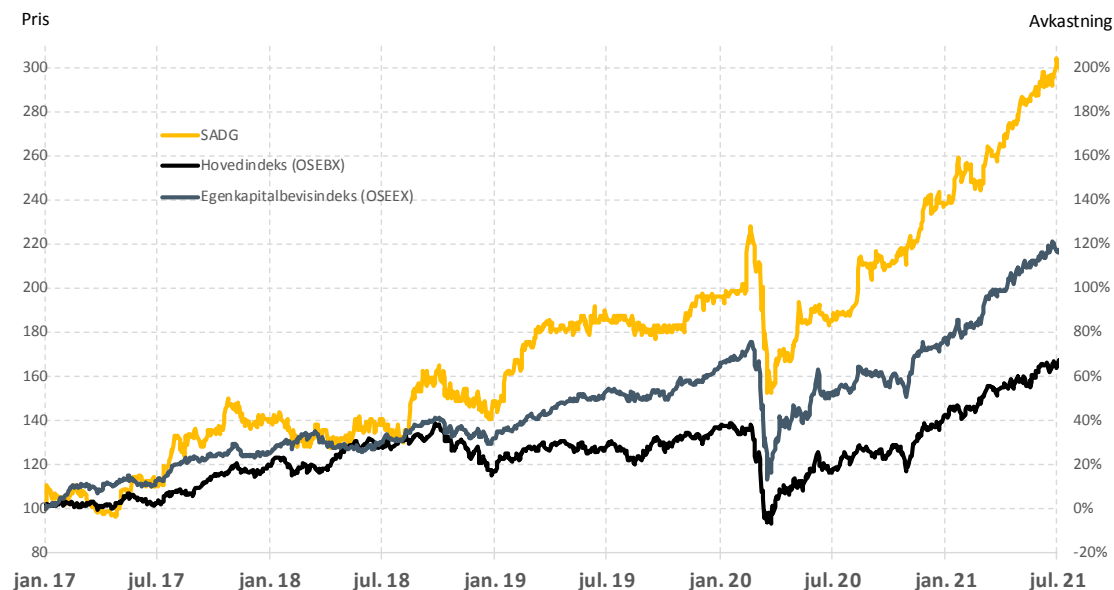


Rating distribution



The Equity Capital Certificate

SADG development on OSE



ECC-ownership

20 largest owners of equity certificates as at 30.06.2021	No. of equity certificates	Share
1. Sparebank 1 SR-Bank C/O SR-Investering	3.485.009	15,14 %
2. Sandnes Sparebank	2.092.914	9,09 %
3. Holmen Spesialfond	1.359.823	5,91 %
4. VPF EIKA Egenkapital C/O Eika Kapitalforvaltning	1.114.349	4,84 %
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. Meteva AS	261.881	1,14 %
12. Spesialfondet Borea Utbytte	223.022	0,97 %
13. Hausta Investor AS	220.000	0,96 %
14. Innovemus AS	185.000	0,80 %
15. Nordhaug Invest AS	184.374	0,80 %
16. Kristian Falnes AS	181.283	0,79 %
17. Barque AS	159.651	0,69 %
18. Tirna Holding AS	156.255	0,68 %
19. Catilina Invest AS	124.000	0,54 %
20. Elgar Kapital AS	124.000	0,54 %
Sum	14.047.819	61,0 %
Totalt	23.014.902	100,00 %

Key Figures

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	1H20	1H21
Growth assets	1,2 %	1,8 %	4,5 %	5,8 %	-6,2 %	0,1 %	-0,9 %	5,2 %	13,9 %	-2,1 %
Growth lending (net)	0,4 %	-0,2 %	1,6 %	2,0 %	1,0 %	0,1 %	1,5 %	1,2 %	3,9 %	4,0 %
Growth deposits	0,8 %	0,0 %	-1,2 %	6,2 %	-4,3 %	0,4 %	2,7 %	4,7 %	5,8 %	3,3 %
Net interest margin	1,77 %	1,87 %	1,73 %	1,48 %	1,52 %	1,61 %	1,55 %	1,54 %	1,60 %	1,52 %
Other income % of total income	15,0 %	16,4 %	-3,5 %	42,8 %	19,2 %	19,2 %	19,8 %	34,8 %	25,2 %	28,2 %
Cost-to-income ratio	45,4 %	45,5 %	55,5 %	32,7 %	46,4 %	49,4 %	51,3 %	55,2 %	41,3 %	53,5 %
Costs as % of av. total assets	0,9 %	1,0 %	0,9 %	0,8 %	0,9 %	1,0 %	1,0 %	1,3 %	0,9 %	1,1 %
Return on equity before tax	10,8 %	12,1 %	4,8 %	18,6 %	11,2 %	10,5 %	12,7 %	12,6 %	11,2 %	12,7 %
Return on equity after tax	8,2 %	9,2 %	4,7 %	16,6 %	8,5 %	8,0 %	9,9 %	10,7 %	10,2 %	10,3 %
Capital adequacy ratio	18,3 %	19,6 %	18,1 %	18,0 %	18,4 %	19,8 %	19,2 %	18,9 %	18,0 %	18,9 %
Tier 1 capital ratio	17,0 %	18,2 %	16,8 %	16,7 %	17,1 %	18,5 %	17,9 %	17,6 %	16,7 %	17,6 %
CET1	16,3 %	17,5 %	16,1 %	16,0 %	16,4 %	17,8 %	17,3 %	17,0 %	16,0 %	17,0 %
Risk-weighted assets	15.725	15.094	15.665	16.055	15.709	15.982	16.460	16.706	16.055	16.706
Number of man-years	136	133	132	133	132	132	134	132	133	132
Stock exchange price	62	67	57	58	66	74	83	95	58	95
Equity capital certificate % of equity	65,4	65,4	63,3	63,4	63,4	63,6	63,7	63,7	63,4	63,7
Earnings per equity capital certificate	1,7	1,9	1,0	3,4	1,8	1,7	2,1	2,4	4,4	4,6
Book value per equity capital certificate	81,4	83,0	79,9	83,3	85,1	86,8	88,9	91,3	83,3	91,3
Individual write-downs in % of gross lending	0,39 %	0,35 %	0,35 %	0,35 %	0,31 %	0,31 %	0,25 %	0,18 %	0,35 %	0,18 %
Coll. write-downs in % lending after ind. wr.-d.	0,34 %	0,29 %	0,36 %	0,34 %	0,33 %	0,32 %	0,28 %	0,22 %	0,34 %	0,22 %
Deposits to loans ratio	51,7 %	51,7 %	50,3 %	52,4 %	49,6 %	49,7 %	50,2 %	51,9 %	52,4 %	51,9 %
Deposits to loans ratio parent bank	78,1 %	79,0 %	79,2 %	84,4 %	79,8 %	79,1 %	81,1 %	86,0 %	84,4 %	86,0 %

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**

OB total equity x equity certificate capital in % of equity / 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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