

Financial Reporting

1st Quarter 2021





Sandnes Sparebank

- enklere valg

Content:

Q1 Summary

Growth and Market

Credit Quality and Solidity

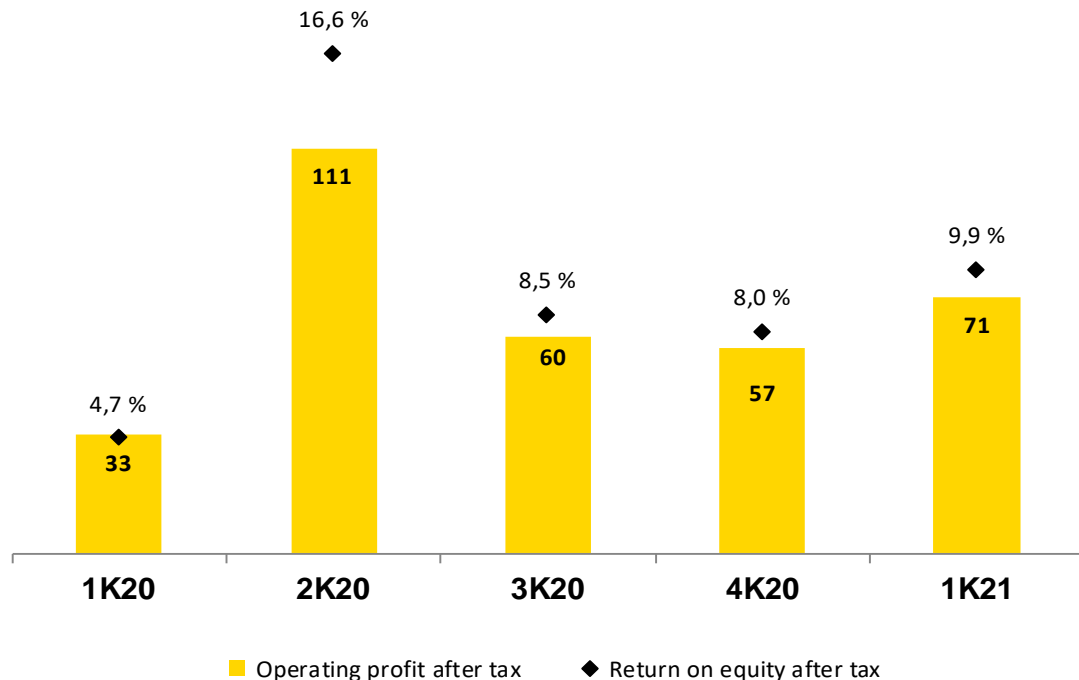
Lokal Macro



Solid start to 2021

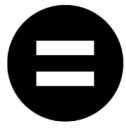
We are constantly striving to create good customer experiences - creating results over time

ROE



YTD Summary

- Profit after tax MNOK 71 (33)
- Return on equity after tax of 9.9% (4.7%)
- Profit per ECC (EPS) of NOK 2.1 (1.0)
- Lending growth of 4.8% (2.6%)
- Net interest margin of 1.55% (1.73%)
- Net reversal of losses of MNOK -23 (13). Good credit quality
- Good cost control
- Solid bank with 17.7% CET1 (incl. YTD results)



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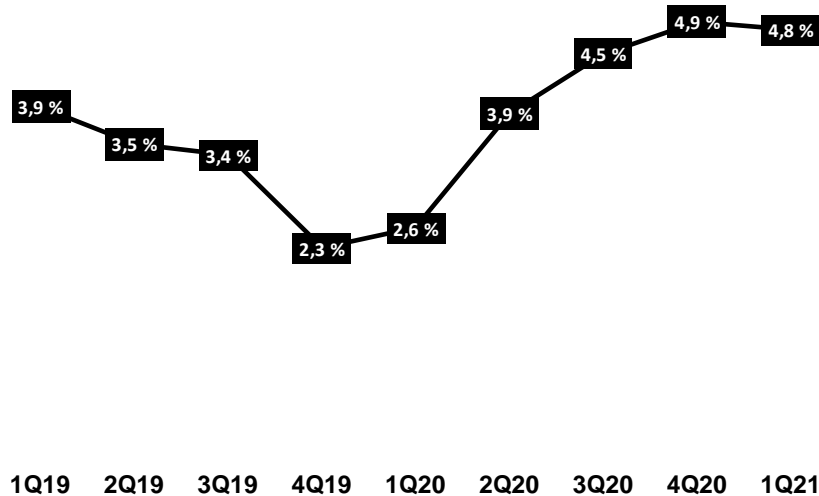
Lokal Macro



4,8 % Loan Growth YOY

Continued increase in retail market share

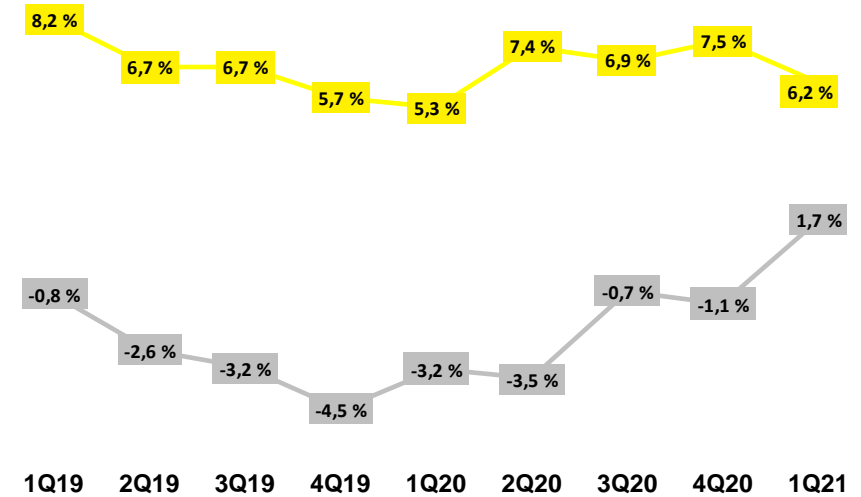
Lending Growth (12mth)



- Total lending has increased by NOK 1 billion (4.8%) in the last 12 months.
- Last quarter, lending to customers increased by MNOK 373 (1.5%)
- Retail credit growth in the market area was 2.8% last 12 months *

*Soure: Early Warning

Lending Growth by Division (12mth)

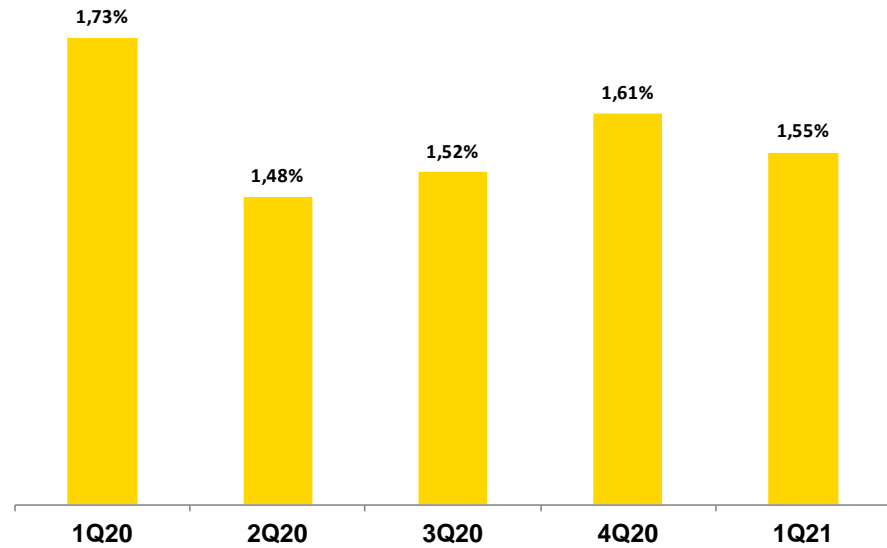


- Lending to private individuals is up NOK 1 billion (6.2%) in the last 12 months. and MNOK 40 (0.2%) last quarter
- Gross lending volume for the corporate market is up MNOK 120 (1.7%) in the last 12 months.
- Last quarter, lending to corporate customers was up MNOK 333 (4.8%)

Net Interest Margin

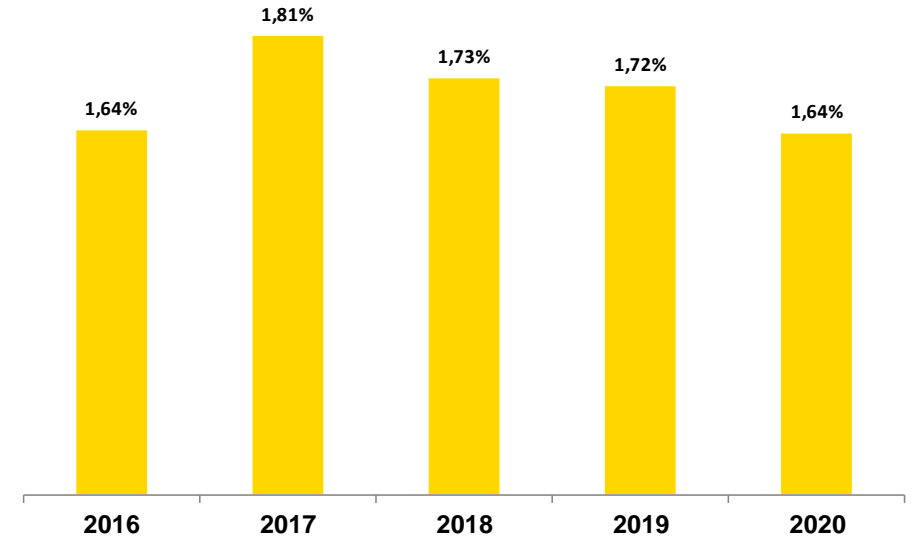
Solid interest margin despite low key interest rates

Net Interest Margin, quarterly



- Refinancing of covered bonds results in a temporary drop in the interest margin
- Higher Nibor rates put pressure on interest margins
- Stable customer interest rates

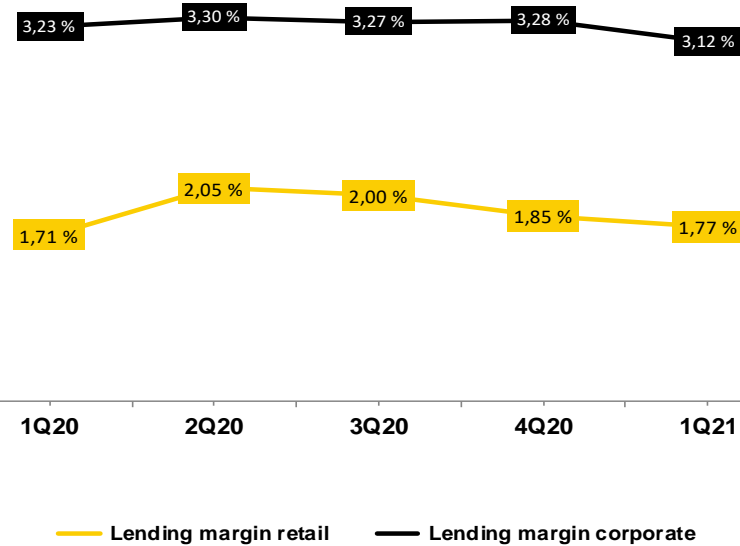
Net Interest Margin, EOY/YTD



Margins on Loans and Deposits

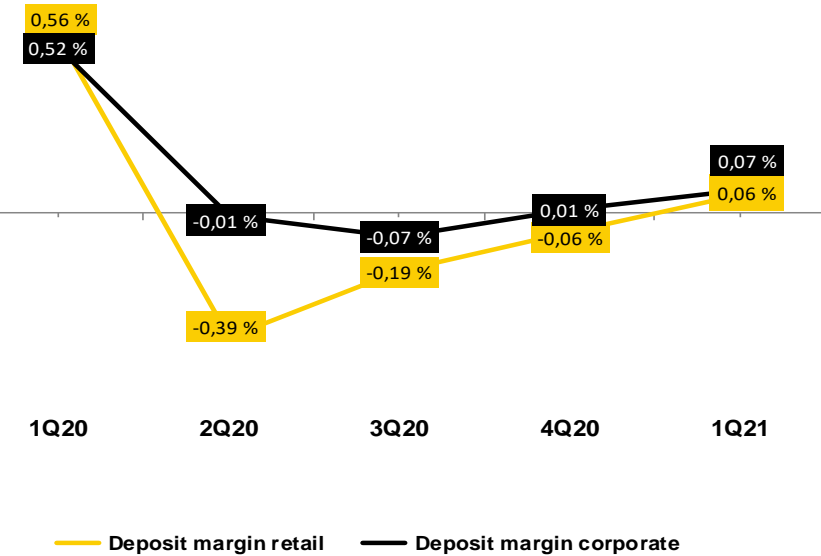
Strong competition for mortgage customers, stable margin in the corporate market

Ledning Margins

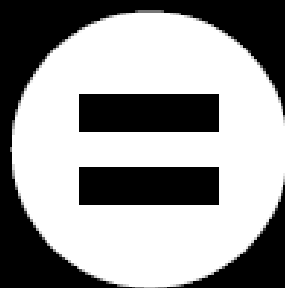


- Stable customer interest rates, but higher Nibor interest rates put pressure on the lending margin
- Average Nibor was about 7 bp higher in Q1-21 compared to Q4-20

Deposit Margins



- Bedret innskuddsmargin som følge av høyere Nibor-rente



Den Gule Banken



Sandnes Sparebank

Additional Growth Potential in Existing Market

Strong momentum in the retail market

HEI.

VI ER EN GUL BANK

SOM GIR DEG KUNDEUTBYTTE,
DIN EGEN RÅDGIVER OG
KNALLGOD KUNDESERVICE.

BYTT BANK OG FÅ
EN BANK FOR LIVET.

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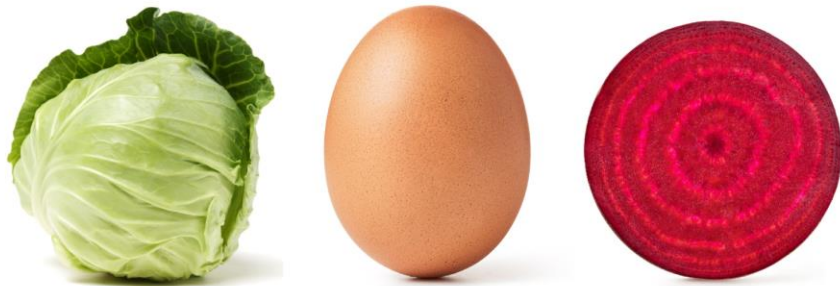
Growth in Corporate Customers

Especially within SME and Farming

Hei, du som skaffer
oss mat på bordet.

Vi er banken din

DEN ER GUL.



Bedrifter i Sandnes vil ha
en bank som er akkurat
passe stor.

DEN ER GUL.

Mange kunder ønsker seg en bank
som er mer enn bare finansiering.

DEN ER GUL.

Good internal performance and solid culture

- Delivers on target
- Delivers with quality
- Customer experiences in the center
- Have fun at work

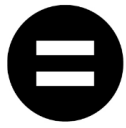


Cooperation between Eikabankene - for the benefit of our customers

- Conversion to new core banking systems
- Economies of scale
- Focus on standardization and simplification



eika.



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Q1 Summary

Growth and Market

Credit Quality and Solidity

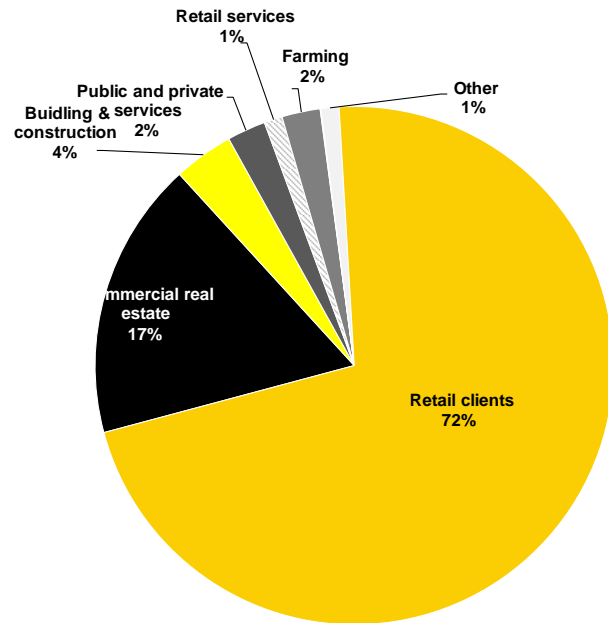
Lokal Macro



Lending to Customers

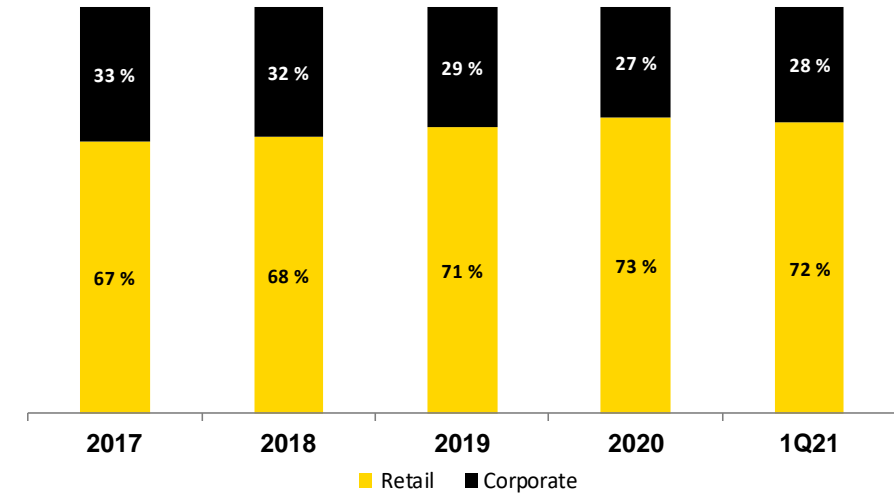
The share of lending to the retail market has increased significantly in the last 5 years

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

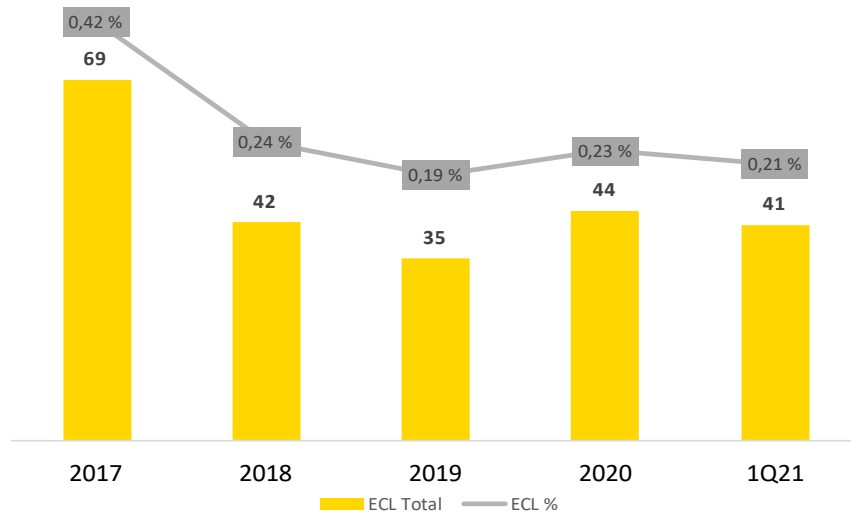
Loans to customers, by division



Loans to Customers by Division, Credit Risk

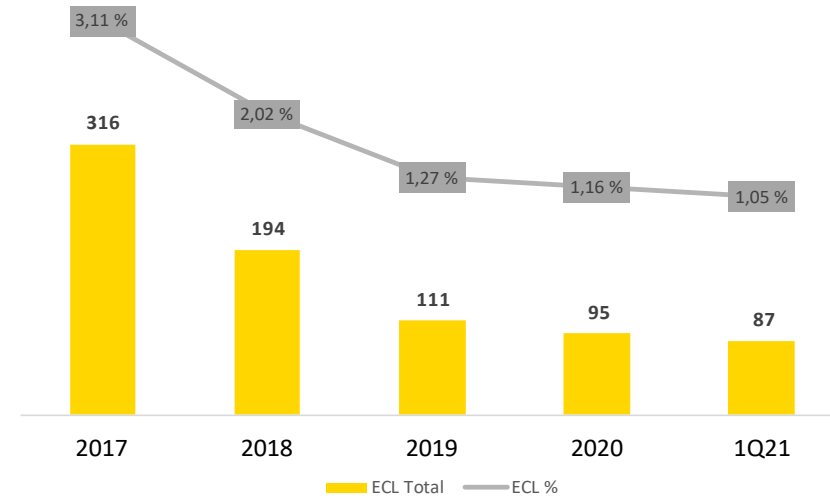
Risk expressed by expected credit loss (ECL)

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
- tap

Corporate

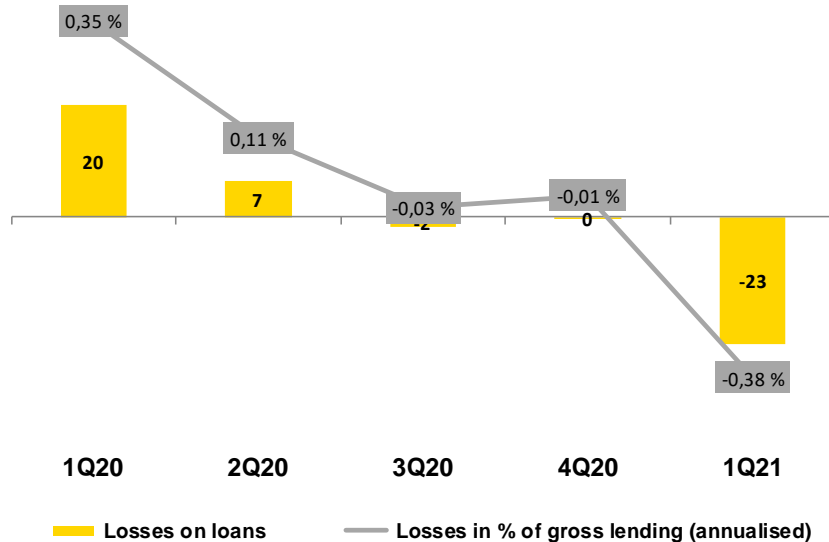


- Added macro factor in 1Q20 which increases ECL by stressing customer PD
- Adjustment based on sector
- Adjustment gives a relative increase in individual PD's of 12 %

Losses on Loans and Guarantees

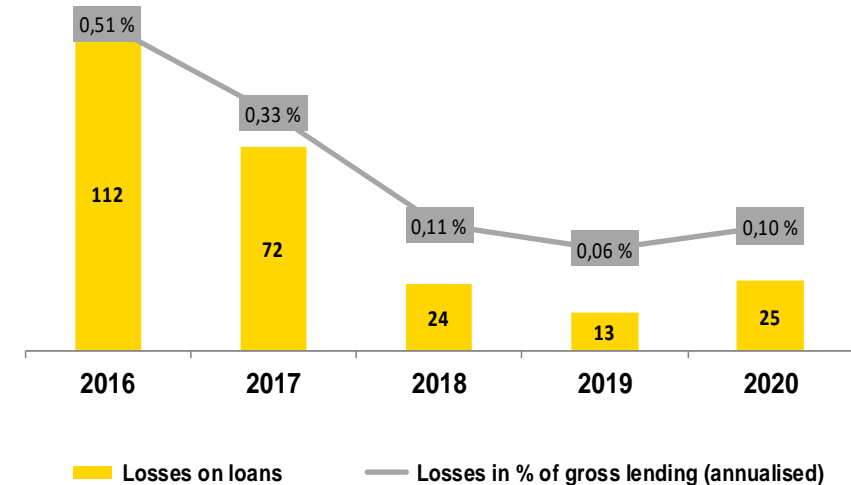
Positive development in loss provisions

Losses on loans and guarantees, quarterly



- Change in loss provisions per step in 1Q21 – MNOK +23
 - + 0,6 MNOK Step 1
 - + 8,4 MNOK Step 2
 - + 14,0 MNOK Step 3
- Reversal is mainly due to termination of a client and better macro environment

Losses on loans and guarantees, EOY/YTD

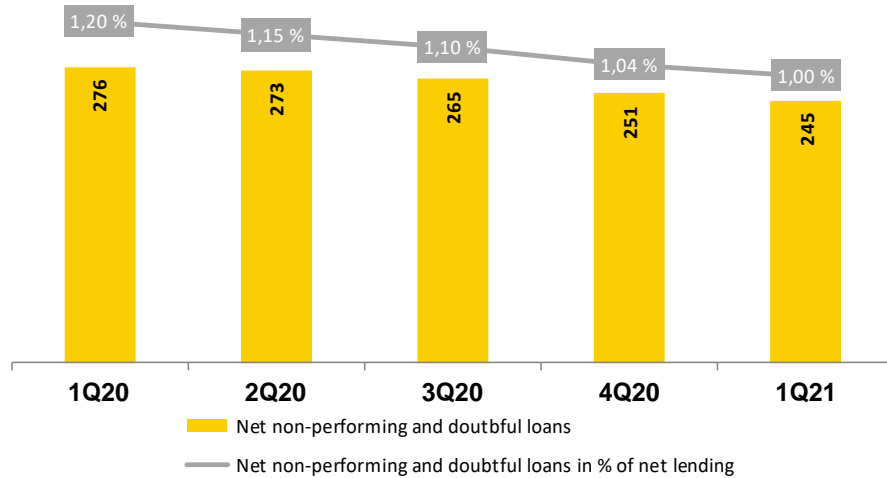


- Change in loss provisions per step in 2020 – MNOK -25
 - + 5,7 MNOK Steg 1
 - 23,5 MNOK Steg 2
 - 6,9 MNOK Steg 3

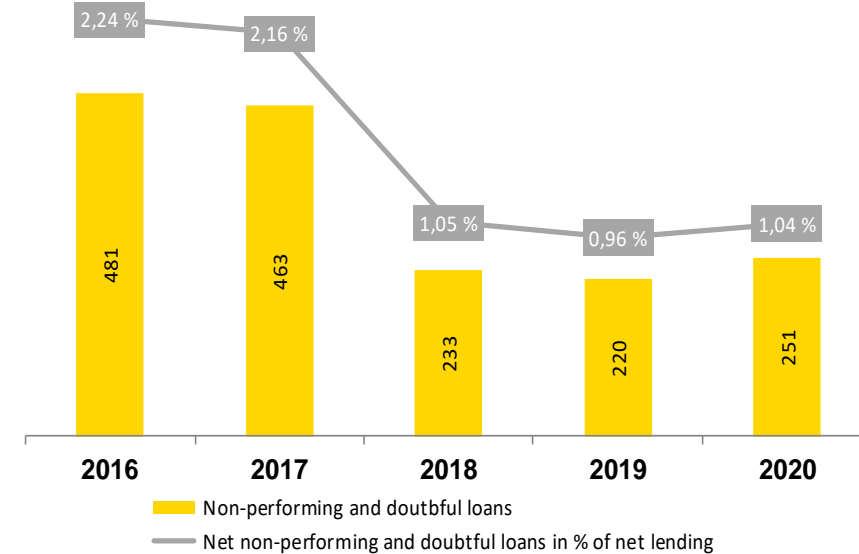
Non-Performing and Doubtful Loans

Stable levels, somewhat increase in 2020 due to market conditions

Non-performing and doubtful loans, quarterly



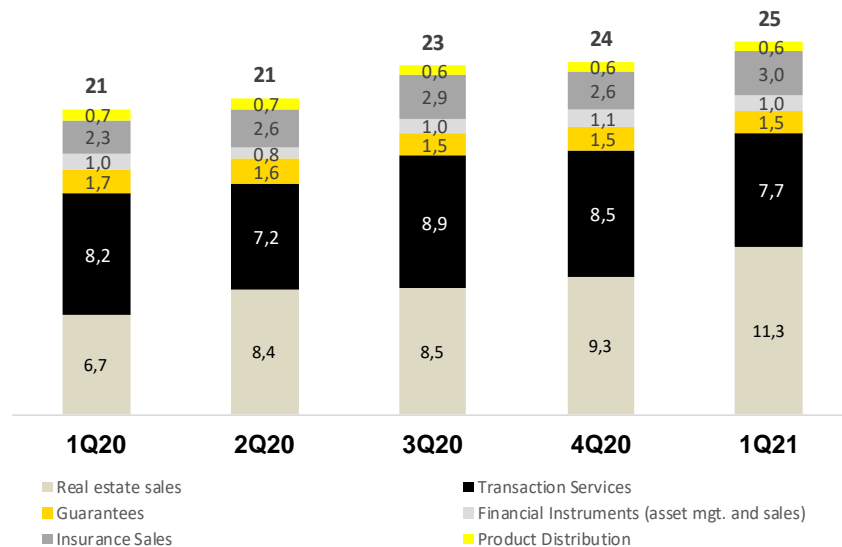
Non-performing and doubtful loans, quarterly



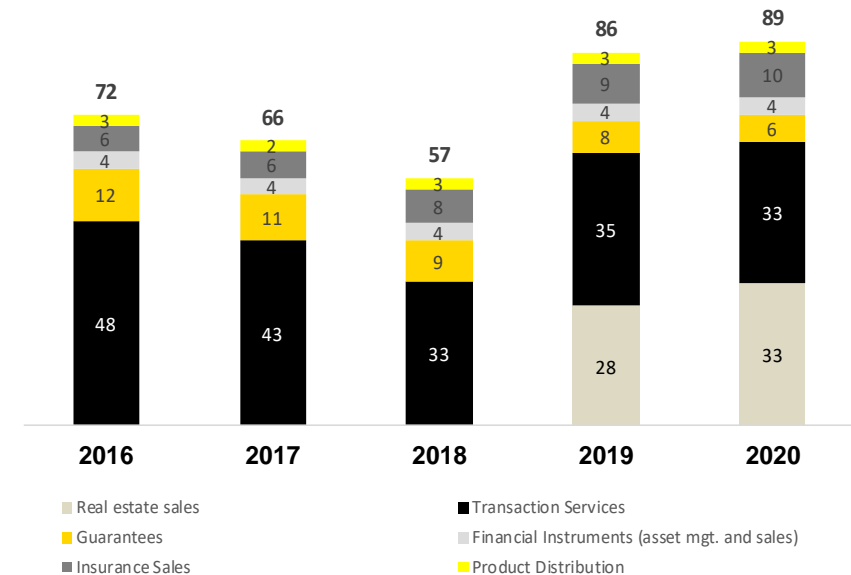
Gross Commission Income

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

Gross commission, quarterly



Gross commissions, EOY/YTD.



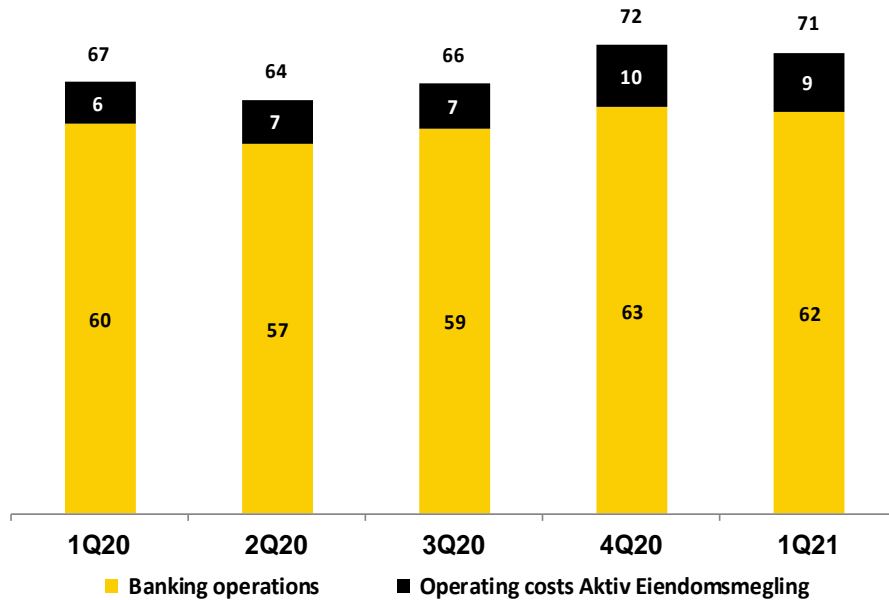
- Good growth in Aktiv Eiendom
- Decline in payment processing revenues due to less travel activity
- Increasing income from insurance sales

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

Operating Costs

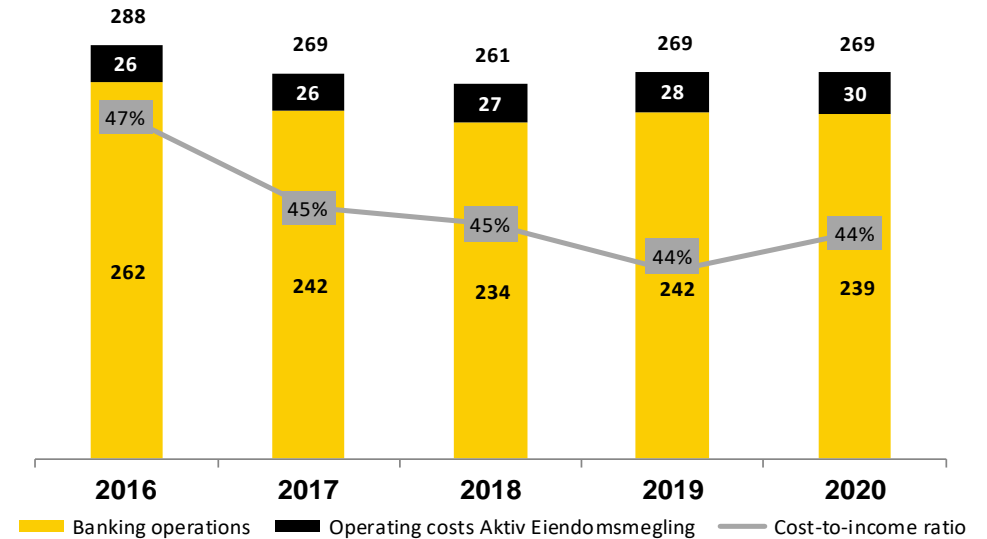
Strong cost control | Increased activity in Aktiv Eiendom (real estate agent)

Other Operating Costs, quarterly



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

Other Operating Costs, EOY / YTD

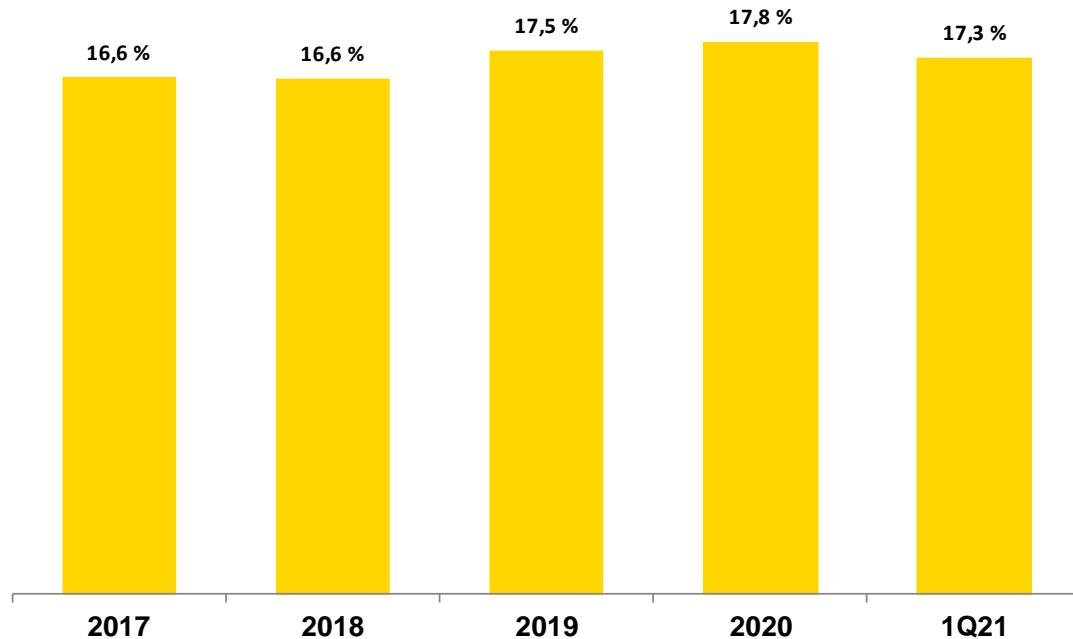


- Expect moderate cost development in ordinary operations in 2021
- Changing the core banking system from SDC to TietoEvry entails investments of between 50-60 MNOK which will be expensed in 2021 and 2022

Well Capitalized and Equipped for further growth

Common equity tier 1 capital ratio of 17.7% 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 bank successfully repurchased equity certificates in February 2020. The repurchase reduced CET1 by \approx 1%

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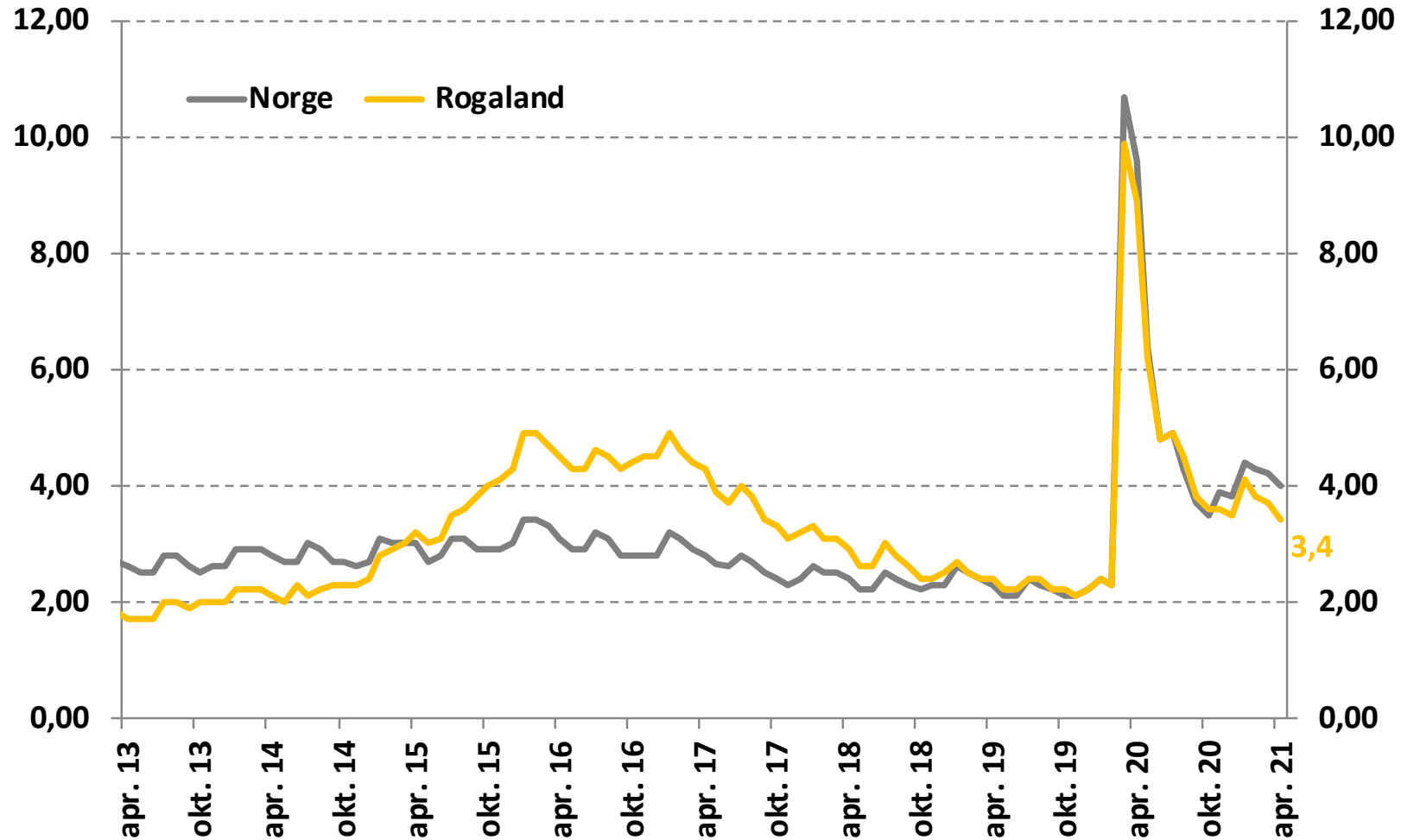
Credit Quality and Solidity

Lokal Macro



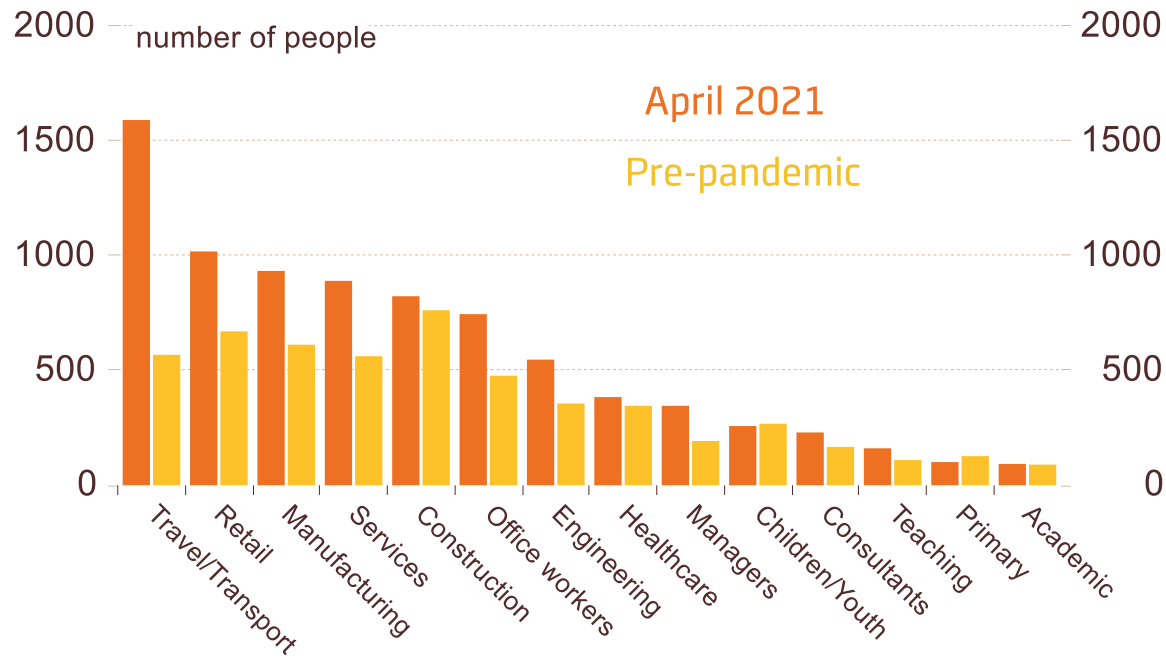
Unemployment Rate in Rogaland at 3.4%

Slightly lower than the national average, no signs of abnormal unemployment in the energy industry



The labor market is improving, some occupational groups are still lagging

Rogaland: Unemployment by profession



Sources: Swedbank & Macrobor

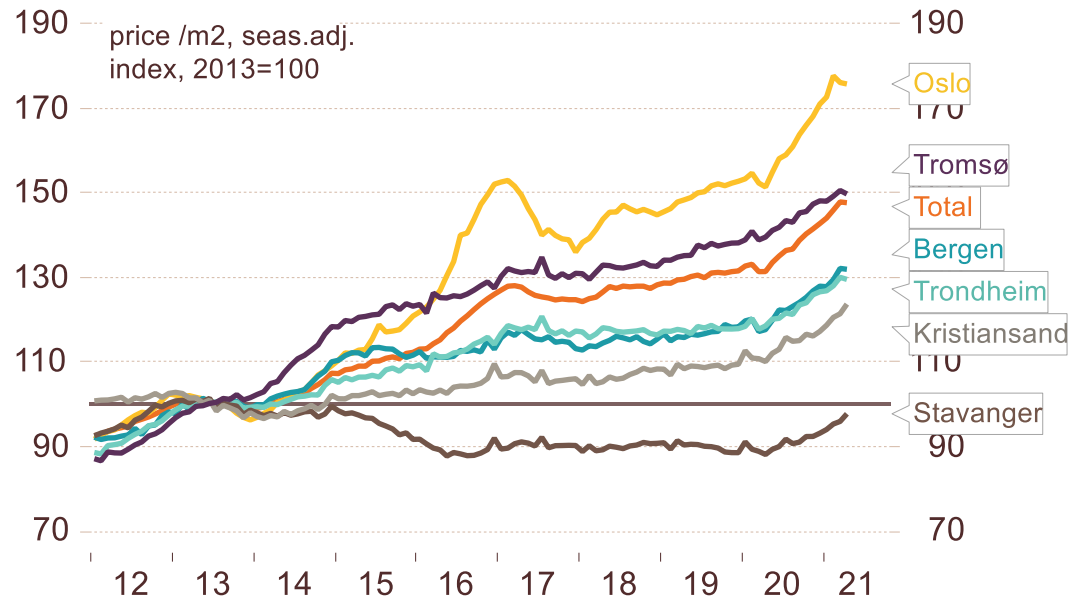
900 Rogalanders left the unemployment queue in April.

15,842 people are registered as jobseekers in Rogaland at the end of April. That is over 900 fewer compared to March. At the same time, 4,900 new positions were announced. - A very positive development, comments Merethe P. Haftorsen, director of NAV Rogaland.

Throughout April, unemployment in Rogaland has moved slowly but surely downwards. The largest decline is among the completely unemployed. 8,715 people are completely out of work. This corresponds to 3.4 per cent of the labor force and is 845 fewer people than in March. On a national basis, the share of the completely unemployed is 4.0 per cent of the labor force. - In Rogaland, we have had a demanding winter where severe coronary restrictions hit many workers and employers hard. Developments in recent weeks have gone in the right direction, and now we see a clear tendency for unemployment to be declining. If we continue with low infection rates throughout the spring and summer, we expect unemployment to continue to fall further, says Merethe P. Haftorsen. SOURCE: NAV 30.04.21

Nominal house prices are approx. back to 2014 level, adjusted for inflation prices are still 20% below

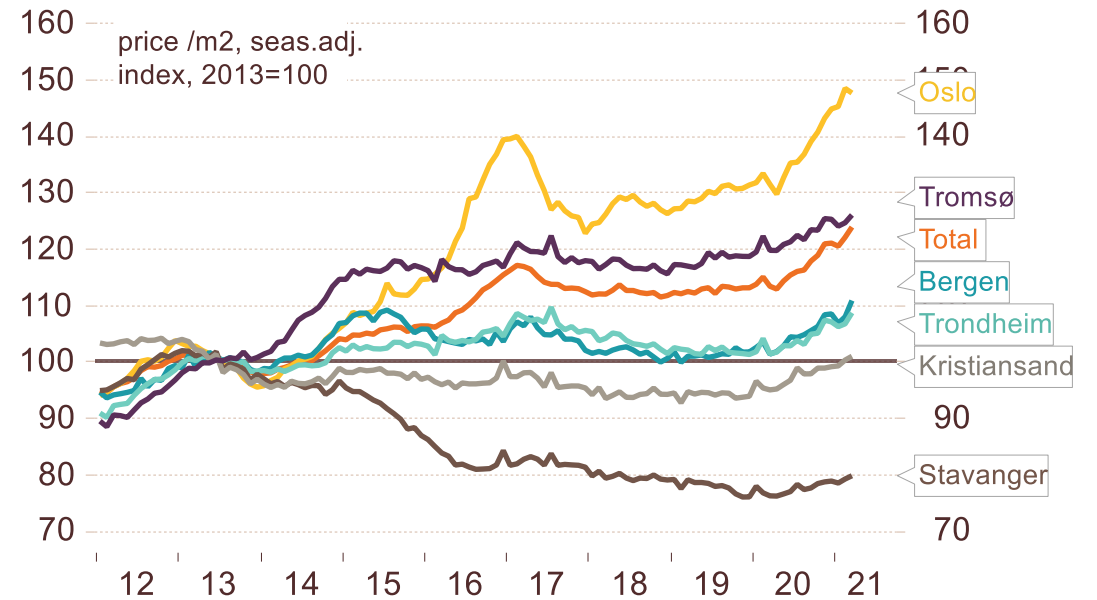
Norway: Nominal house prices



Sources: Swedbank & Macrobor

In Stavanger and the surrounding area, prices are up 3.2% so far in 2021 (incl. April) and 10.8% last 12 months

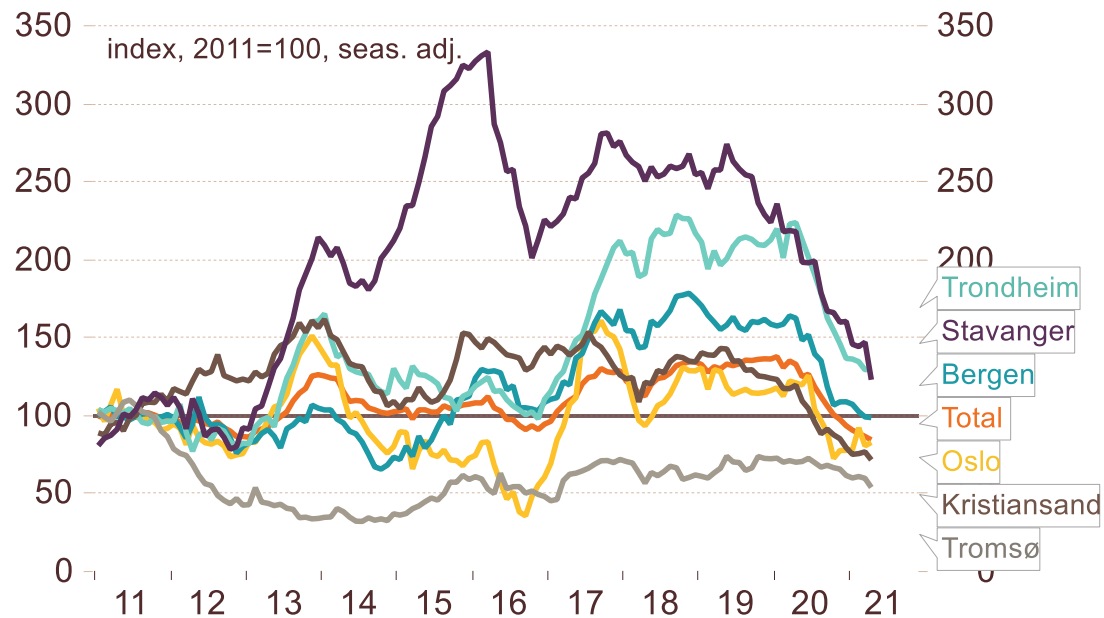
Norway: Real house prices



Sources: Swedbank & Macrobor

Reduction in the number of homes for sale - moderate house prices provide good serviceability

Norway: Homes for sale



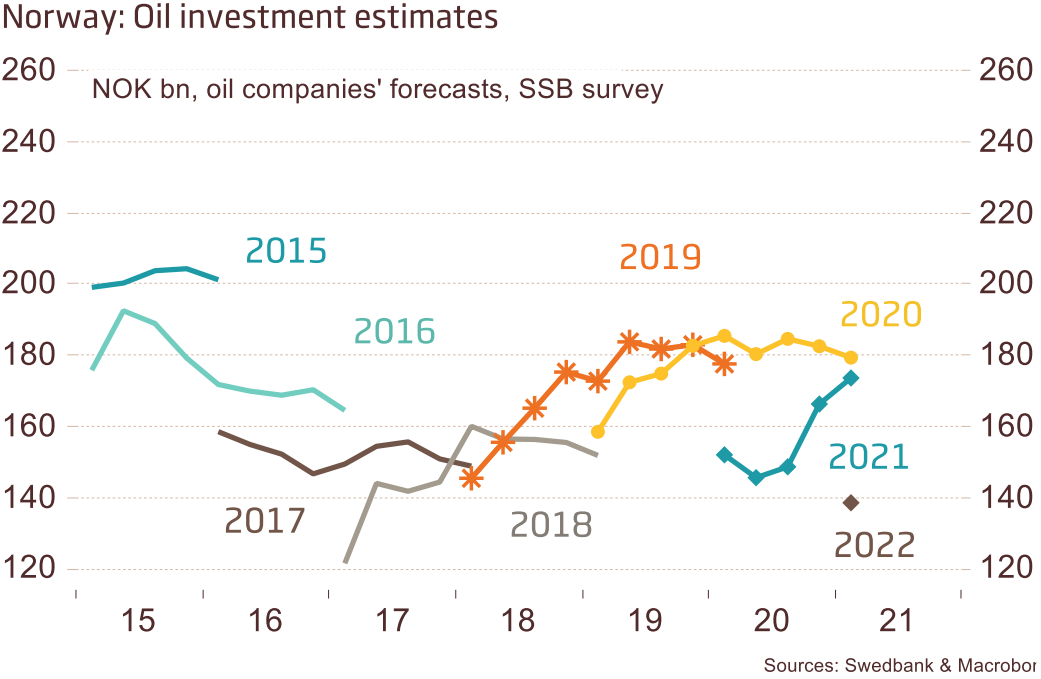
Sources: Swedbank & Macrobor

House prices Norwegian cities (NOK)

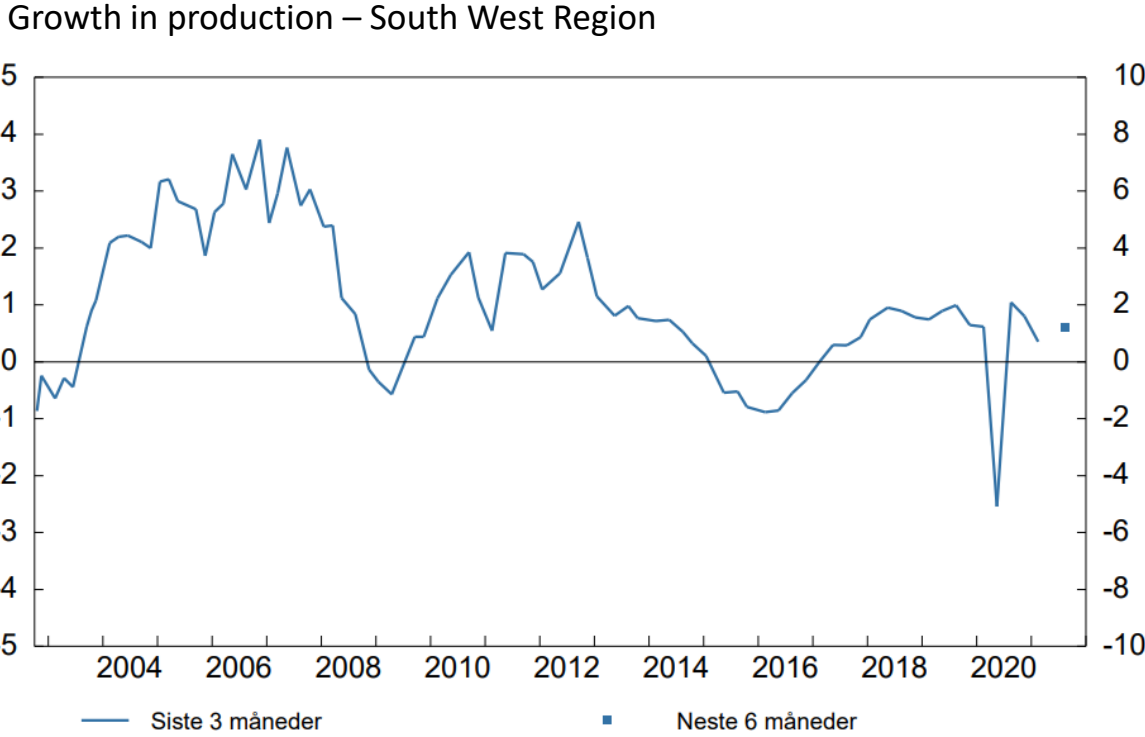
Område	Gjennomsnitt kvm. pris	Gjennomsnittspris
Oslo	86 371	6 022 272
Bergen	48 821	3 842 060
Trondheim	52 271	4 052 592
Stavanger m/omegn	38 307	4 066 162
Tromsø	52 738	4 382 254
Kristiansand	34 968	3 399 587
Norge	49 359	4 307 663

Kilde: Eiendom Norge April 2021

Oil investments will only fall marginally this year. The tax package for the oil industry has meant a lot for the activity in the region



Anslagene oppjusteres normalt utover i hvert år, etter hvert som nye prosjekter blir vedtatt



Kilde: Norges bank mars 2021

TAKK.



Den Gule Banken



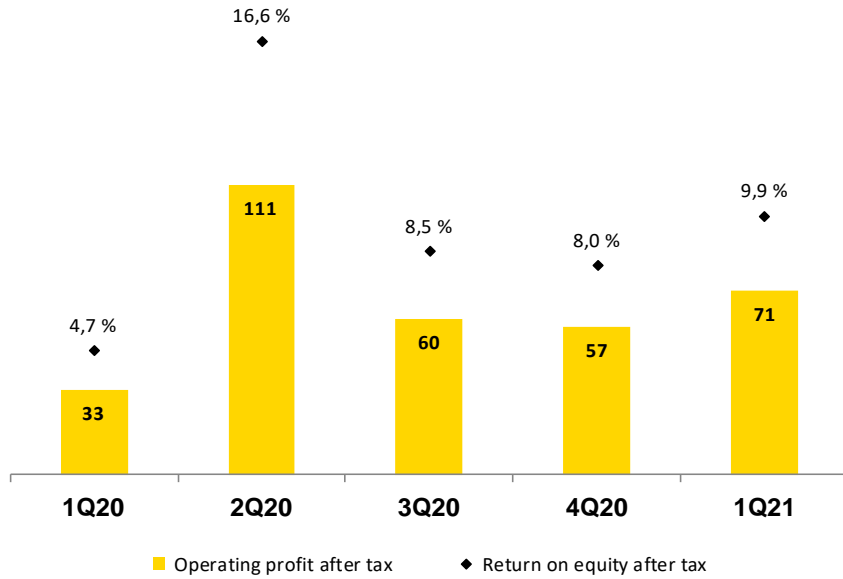
Sandnes Sparebank



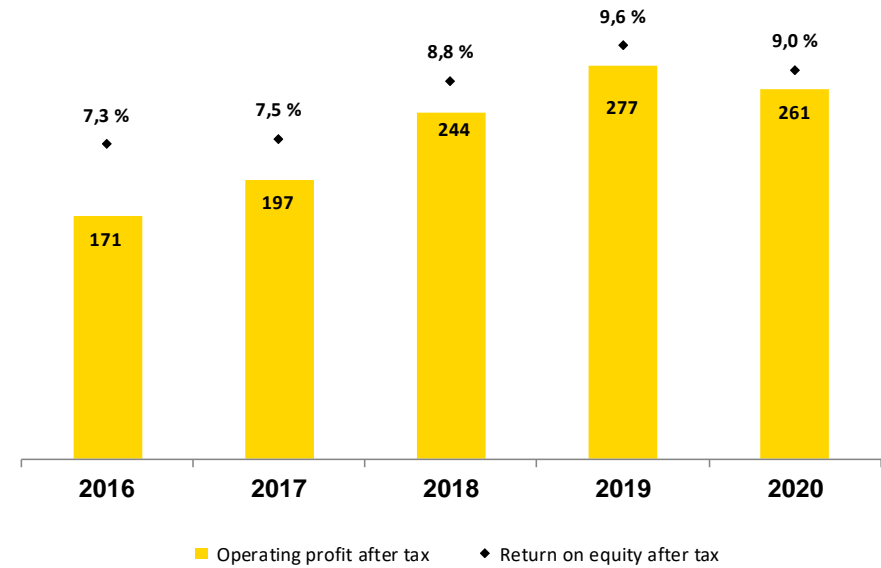
Appendices

Profitability

ROE, Quarterly

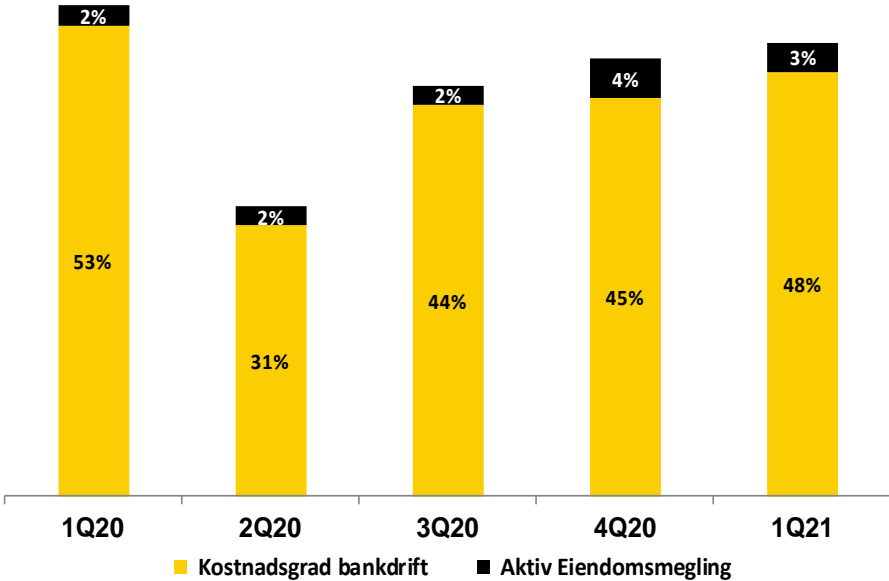


ROE, YOY/YTD

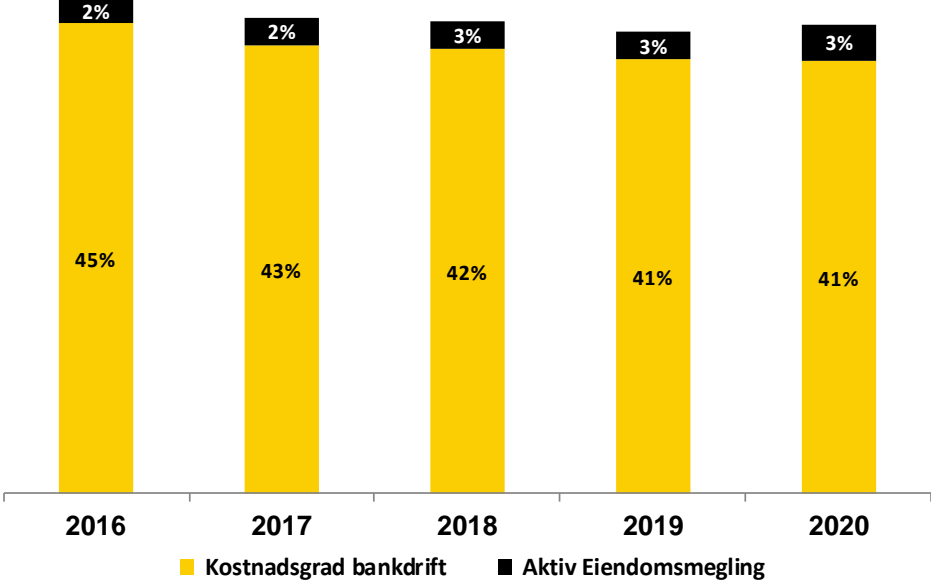


Cost to Income

Cost to income, quarterly

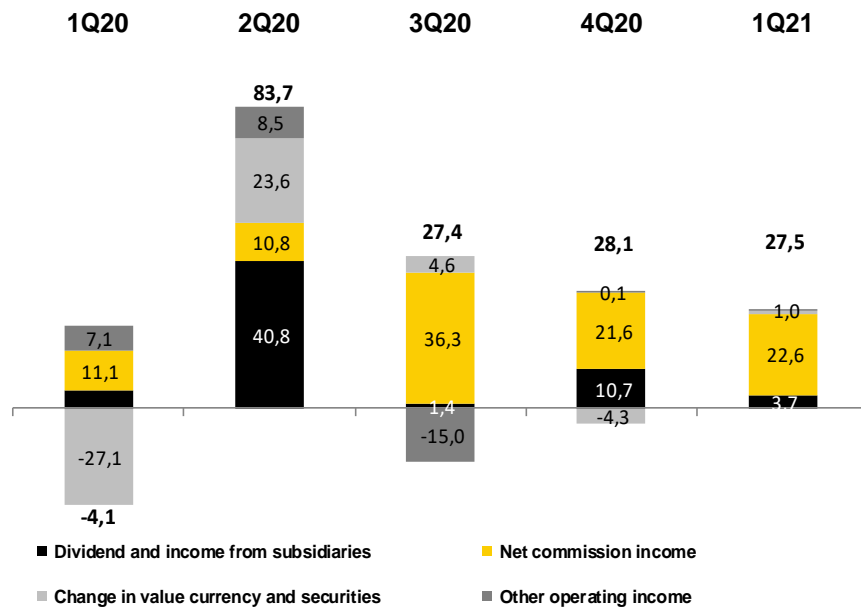


Cost to income, EOY/YTD

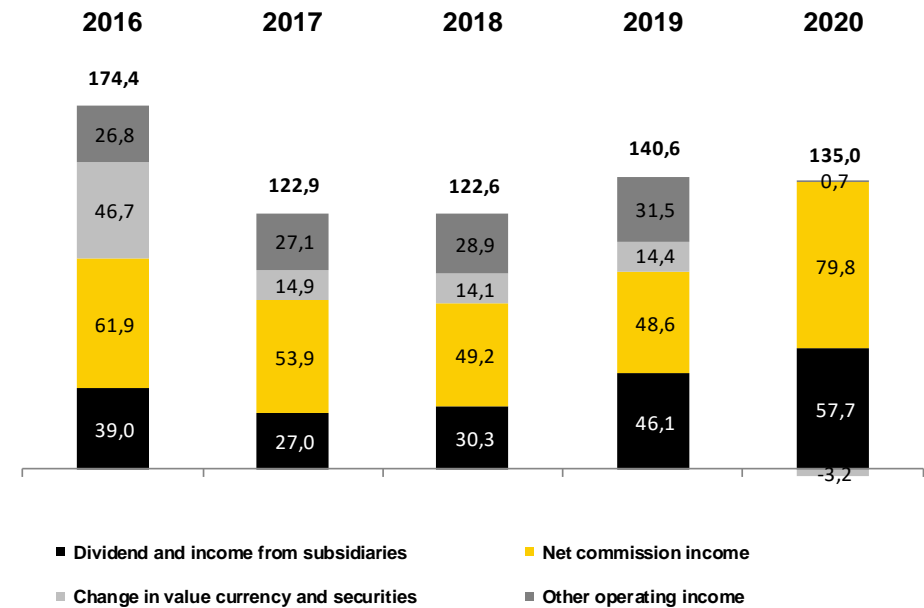


Other Income

Other Income, quarterly

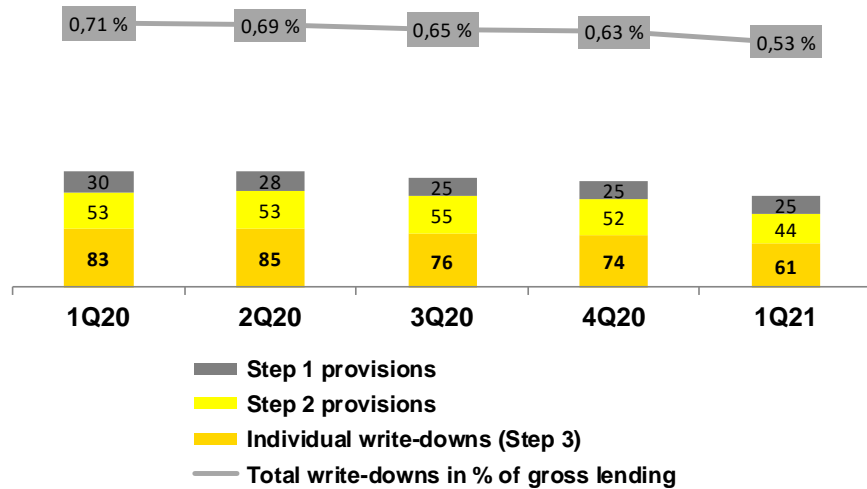


Other Income, EOY/YTD

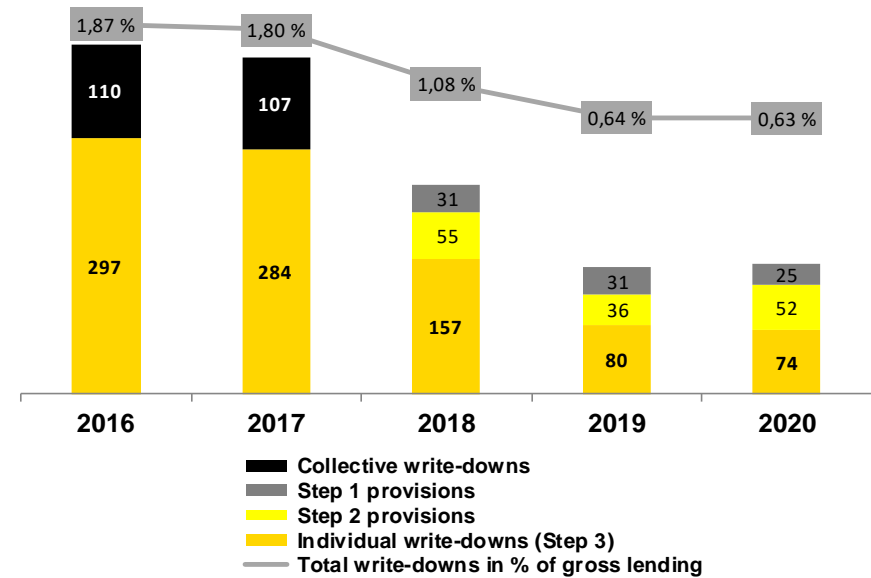


Write-downs on Loans

Write-downs, quarterly



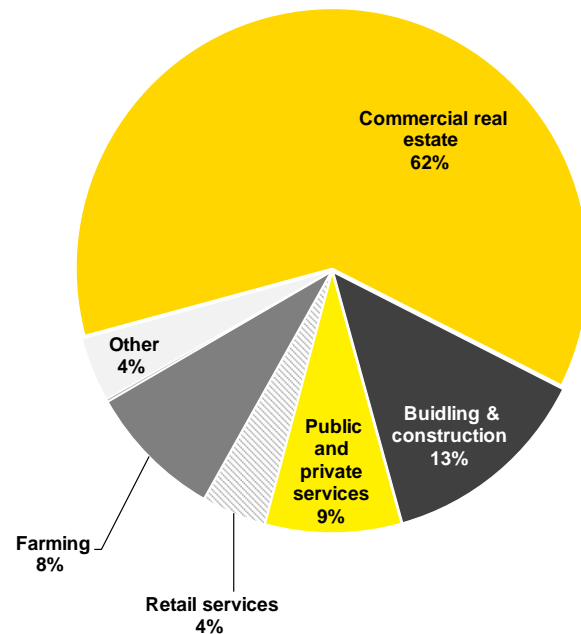
Write-downs, EOY/YTD



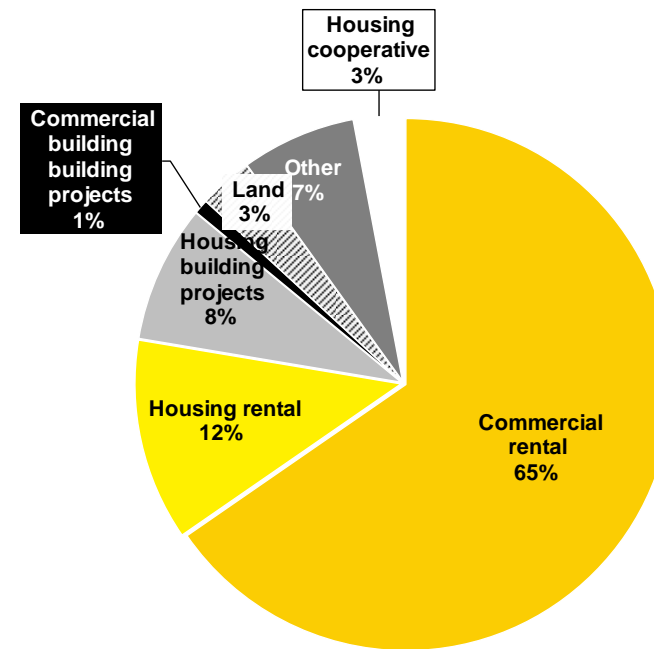
Loans to Corporate Customers by Sector

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

Distribution by sector



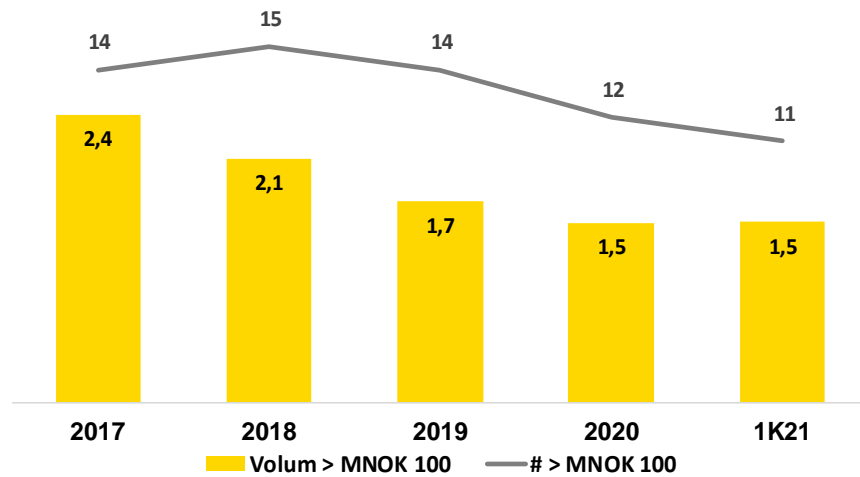
Corporate loans to real estate



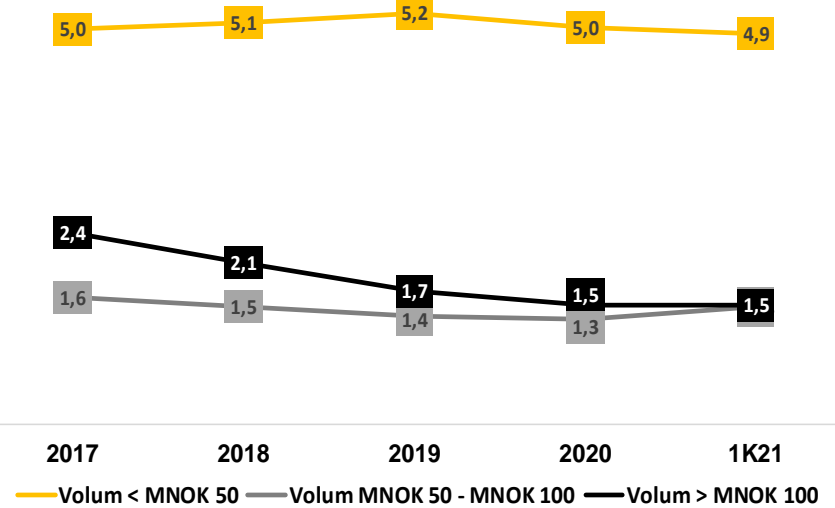
Corporate Loans by Size

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

Loan balance > MNOK 100, volume and # customers



Loan size distribution, volume



Sustainability in Sandnes Sparebank

2020

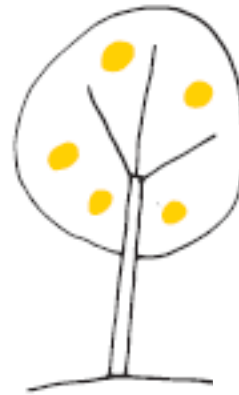
2021



Retail

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

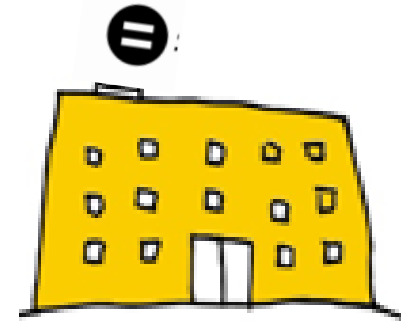
- Green transition loans
- Growth in green lending
- Competence development



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

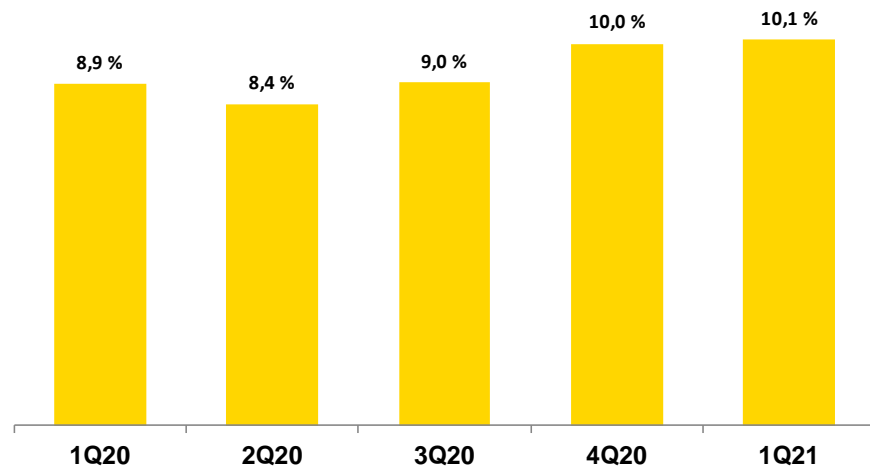
ca. 1 000 kr

ca. 4 050 kr

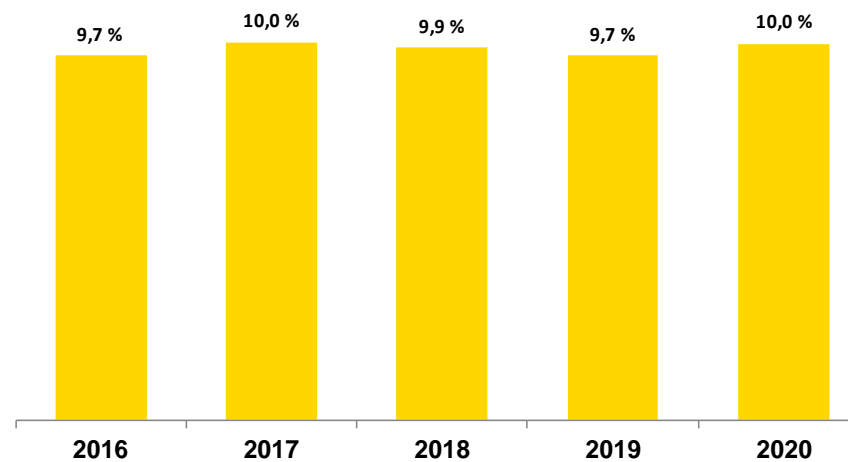
ca. 3 500 kr

Solidity – Leverage Ratio

Leverage (Equity/Total assets), quarterly

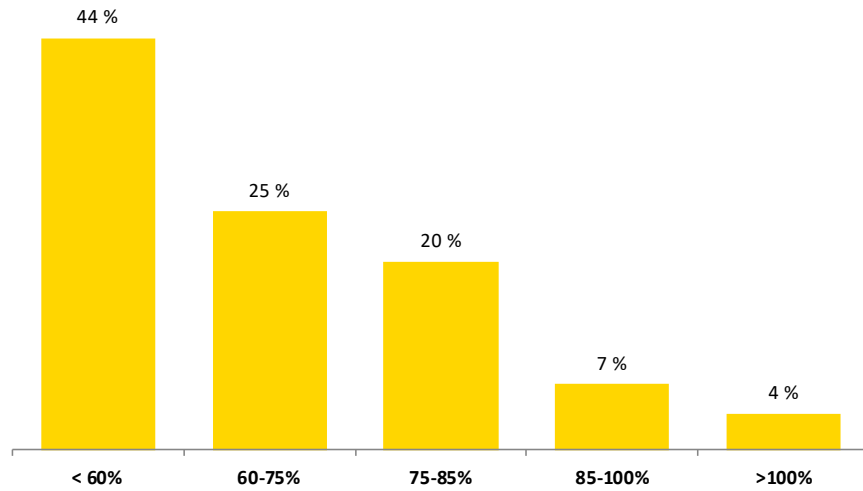


Leverage (Equity/Total assets), EOY / YTD

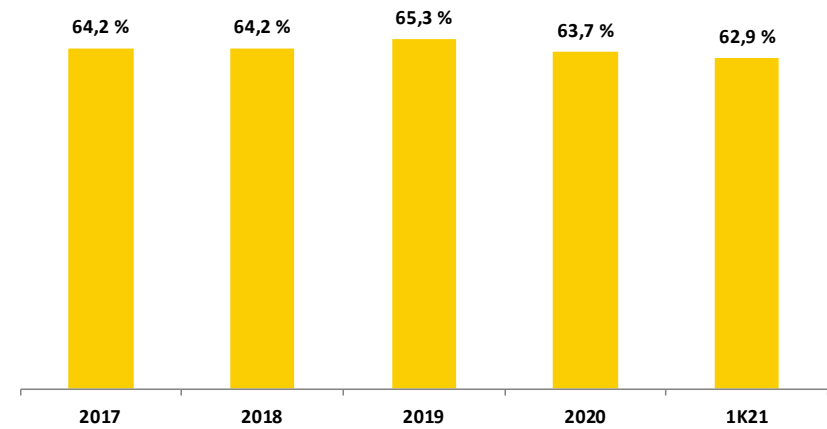


Retail Loan Portfolio

LTV distribution

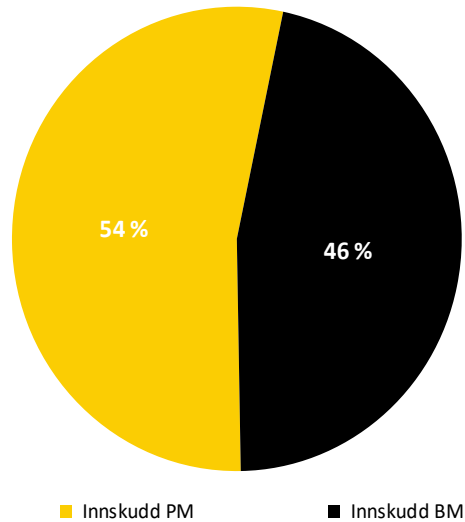


Weighted average LTV

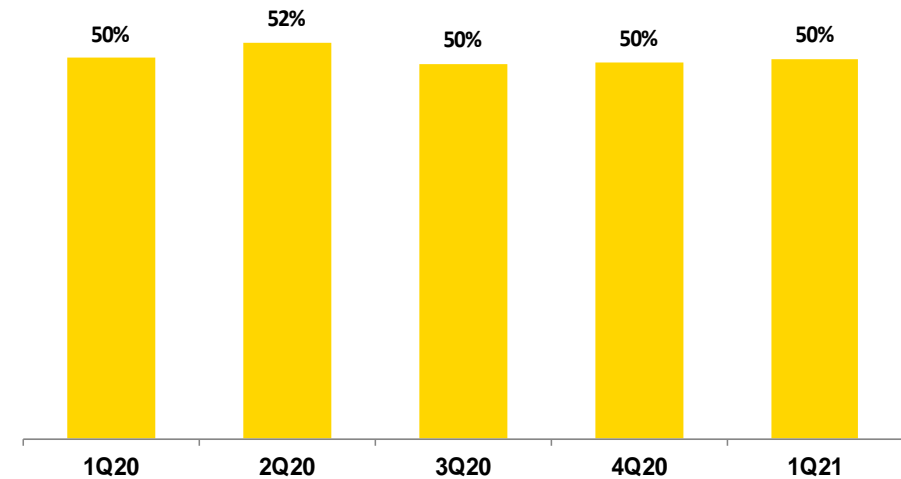


Deposits From Customers

By division



Deposit-to-loan ratio

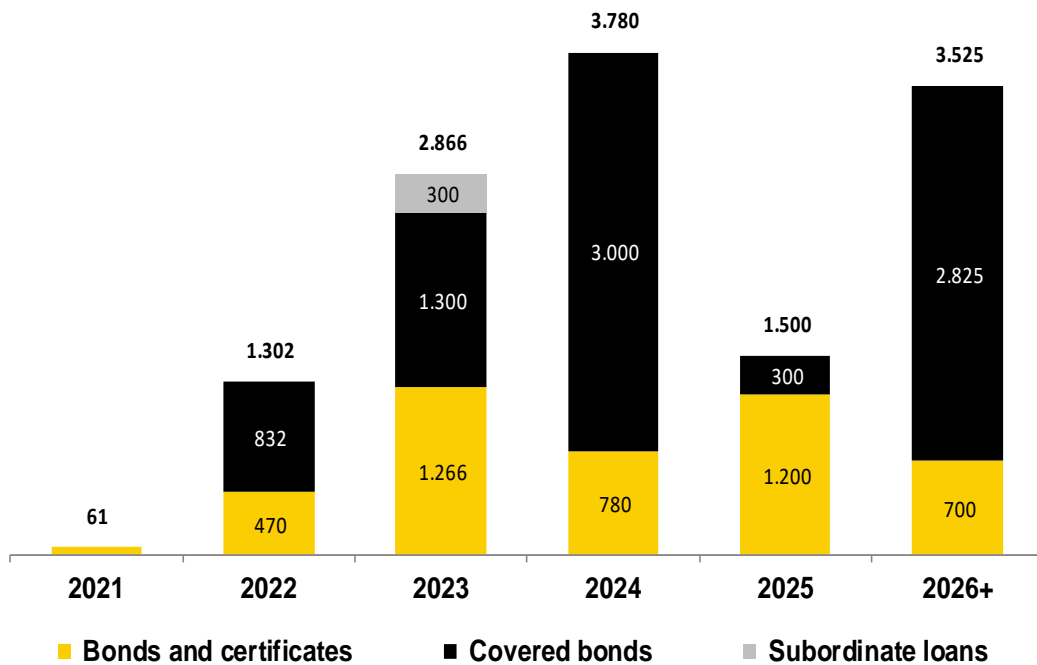


- Deposit to loan ration at parent bank is 81%
- Deposit growth 4.7% YOY

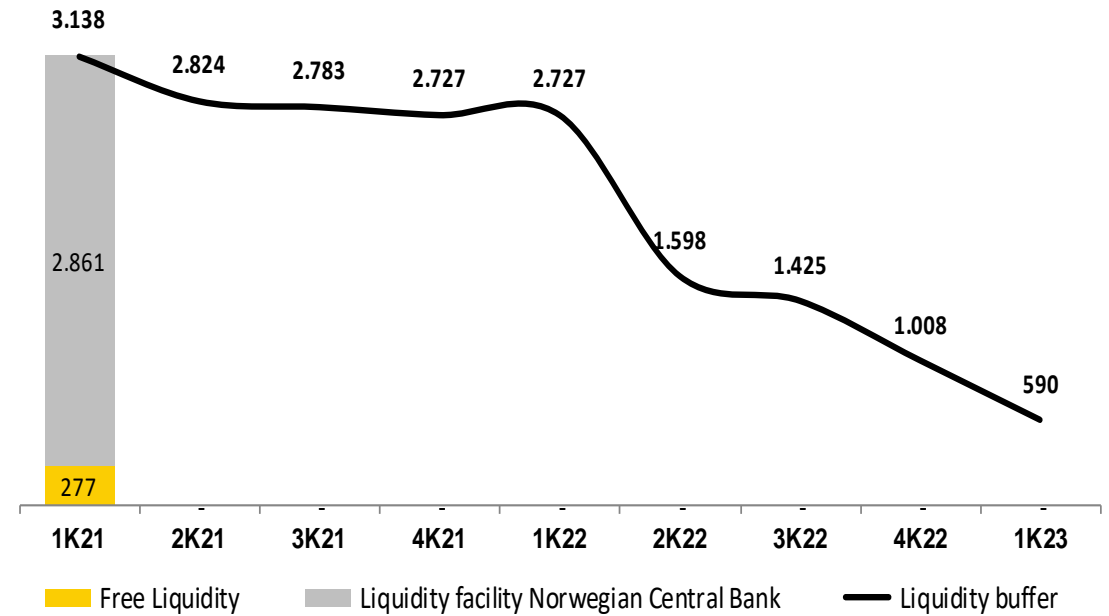
Liquidity

LCR 241% | NSFR 133%

Funding (MNOK)



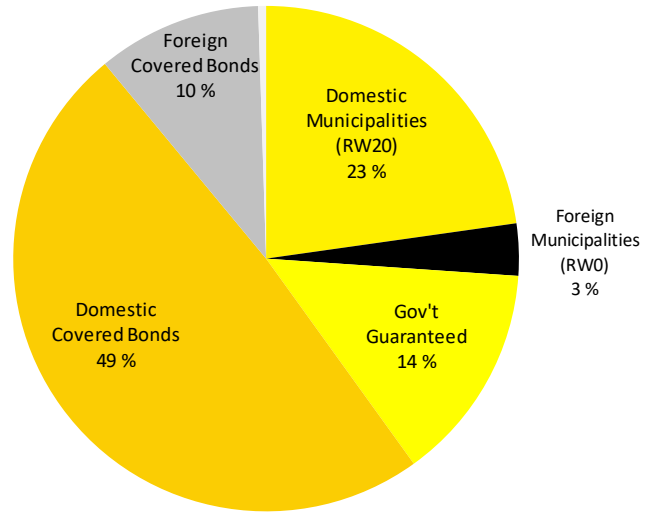
Liquidity reserve, (MNOK)



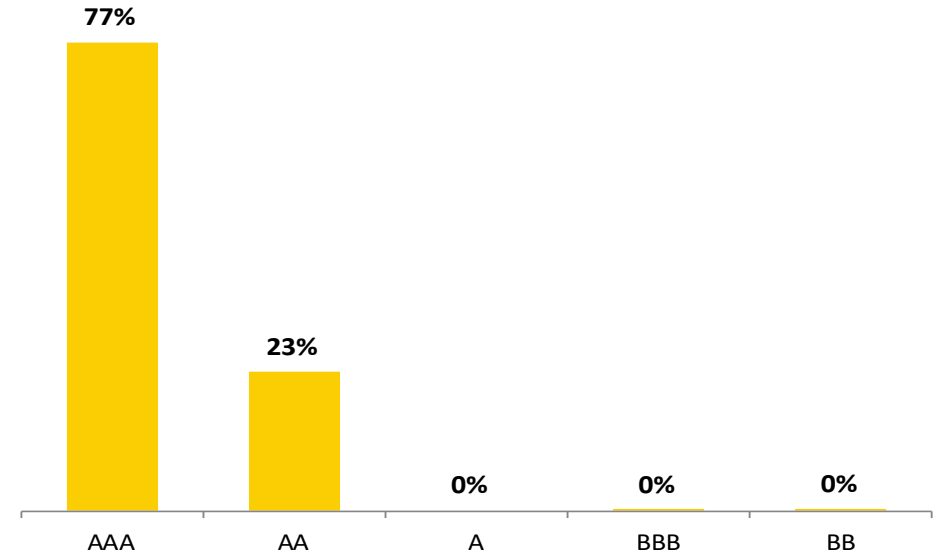
Liquidity Reserves

NOK 3.9 bn ex. cash | 100 % AA-rated or above

Composition of portfolio

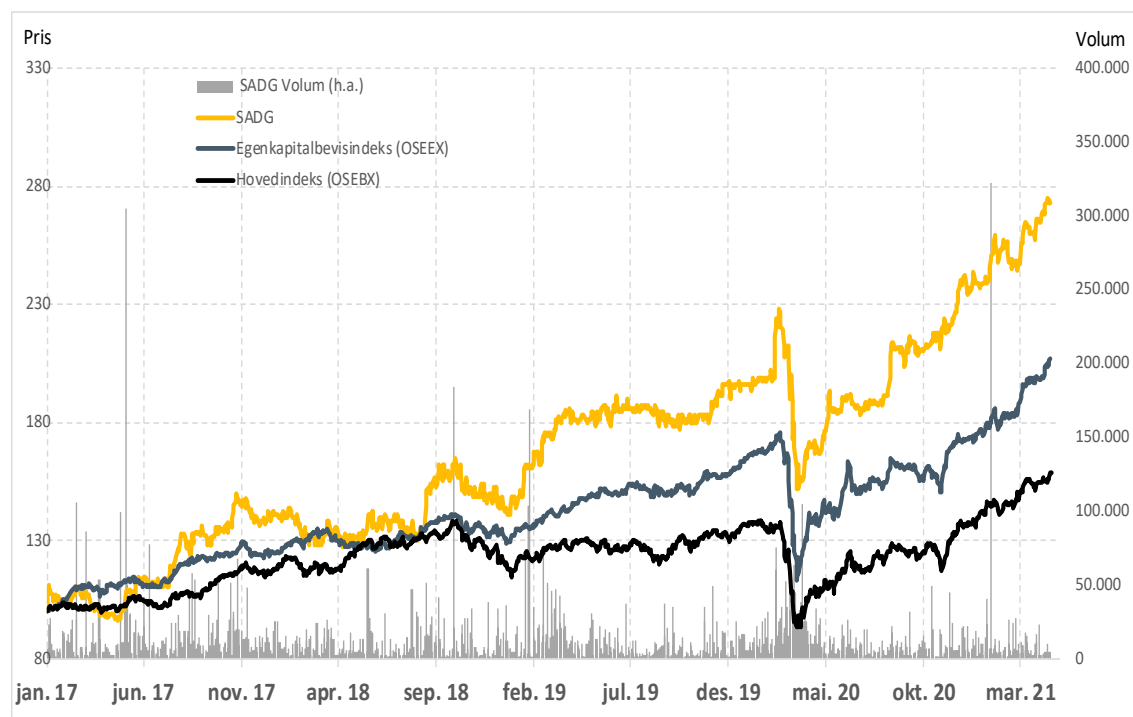


Rating distribution



The Equity Capital Certificate

SADG development on OSE



ECC-ownership

20 largest owners of equity certificates as at 31.03.2021	No. of equity certificates	Share
1. Sparebank 1 SR-Bank C/O SR-Investering	3.485.009	15,14 %
2. Sandnes Sparebank	2.102.362	9,13 %
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. Hausta Investor AS	220.000	0,96 %
13. Kristian Falnes AS	200.000	0,87 %
14. Innovemus AS	185.000	0,80 %
15. Spesialfondet Borea Utbytte	184.734	0,80 %
16. Nordhaug Invest AS	184.374	0,80 %
17. Barque AS	159.651	0,69 %
18. Tirna Holding AS	156.255	0,68 %
19. Catilina Invest AS	124.000	0,54 %
20. Norgesinvestor Proto AS	120.551	0,52 %
Sum	14.034.247	61,0 %
Totalt	23.014.902	100,00 %

Key Figures

	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2019	2020
Growth assets	-0,5 %	1,2 %	1,8 %	4,5 %	5,8 %	-6,2 %	0,1 %	-0,9 %	3,5 %	3,8 %
Growth lending (net)	0,8 %	0,4 %	-0,2 %	1,6 %	2,0 %	1,0 %	0,1 %	1,5 %	2,5 %	4,9 %
Growth deposits	3,2 %	0,8 %	0,0 %	-1,2 %	6,2 %	-4,3 %	0,4 %	2,7 %	5,2 %	0,8 %
Net interest margin	1,66 %	1,77 %	1,87 %	1,73 %	1,48 %	1,52 %	1,61 %	1,55 %	1,72 %	1,64 %
Other income % of total income	35,4 %	15,0 %	16,4 %	-3,5 %	42,8 %	19,2 %	19,2 %	19,8 %	22,8 %	22,3 %
Cost-to-income ratio	37,5 %	45,4 %	45,5 %	55,5 %	32,7 %	46,4 %	49,4 %	51,3 %	43,7 %	44,5 %
Costs as % of av. total assets	1,0 %	0,9 %	1,0 %	0,9 %	0,8 %	0,9 %	1,0 %	1,0 %	1,0 %	0,9 %
Return on equity before tax	14,8 %	10,8 %	12,1 %	4,8 %	18,6 %	11,2 %	10,5 %	12,7 %	11,5 %	10,8 %
Return on equity after tax	13,6 %	8,2 %	9,2 %	4,7 %	16,6 %	8,5 %	8,0 %	9,9 %	9,6 %	9,0 %
Capital adequacy ratio	18,5 %	18,3 %	19,6 %	18,1 %	18,0 %	18,4 %	19,8 %	19,2 %	19,6 %	19,8 %
Tier 1 capital ratio	17,2 %	17,0 %	18,2 %	16,8 %	16,7 %	17,1 %	18,5 %	17,9 %	18,2 %	18,5 %
CET1	16,5 %	16,3 %	17,5 %	16,1 %	16,0 %	16,4 %	17,8 %	17,3 %	17,5 %	17,8 %
Risk-weighted assets	15 754	15 725	15 094	15 665	16 055	15 709	15 982	16 460	15 094	15 982
Number of man-years	131	136	133	132	133	132	132	134	133	132
Stock exchange price	65	62	67	57	58	66	74	83	67	74
Equity capital certificate % of equity	65,4	65,4	65,4	63,3	63,4	63,4	63,6	63,7	65,4	63,6
Earnings per equity capital certificate	2,7	1,7	1,9	1,0	3,4	1,8	1,7	2,1	7,9	7,9
Book value per equity capital certificate	80,1	81,4	83,0	79,9	83,3	85,1	86,8	88,9	83,0	86,8
Individual write-downs in % of gross lending	0,38 %	0,39 %	0,35 %	0,35 %	0,35 %	0,31 %	0,31 %	0,25 %	0,35 %	0,31 %
Coll. write-downs in % lending after ind. wr.-d.	0,36 %	0,34 %	0,29 %	0,36 %	0,34 %	0,33 %	0,32 %	0,28 %	0,29 %	0,32 %
Deposits to loans ratio	51,4 %	51,7 %	51,7 %	50,3 %	52,4 %	49,6 %	49,7 %	50,2 %	51,7 %	49,7 %
Deposits to loans ratio parent bank	77,7 %	78,1 %	79,0 %	79,2 %	84,4 %	79,8 %	79,1 %	81,1 %	79,0 %	79,1 %

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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Den Gule Banken

Sandnes Sparebank

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