

# Financial reporting 2<sup>nd</sup> quarter 2023

Sandnes 08.09.2023

Den Gule Banken  
Sandnes Sparebank

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Sandnes Sparebank

 Den Gule Ban  
Sandnes Sp



Blinken 2023

Photo: Kjetil Dalseth



# Agenda

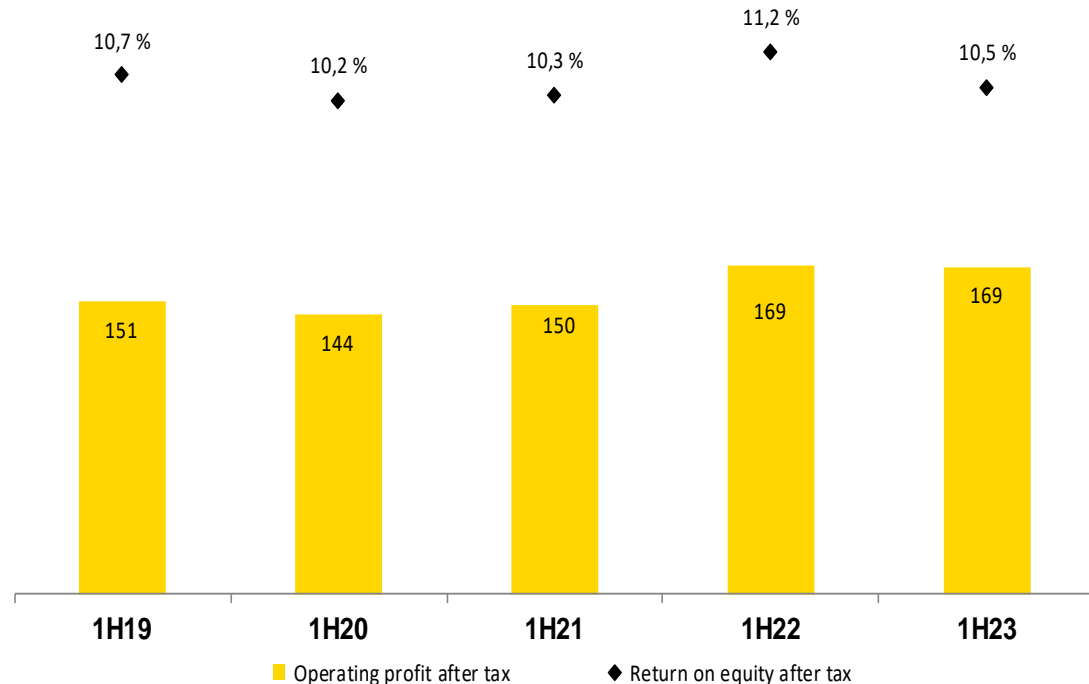
- Growth and improved banking
- Key figures
- Credit quality



# Den Gule Banken, Sandnes Sparebank

Good start to the year, strong development in underlying banking operations

## ROE

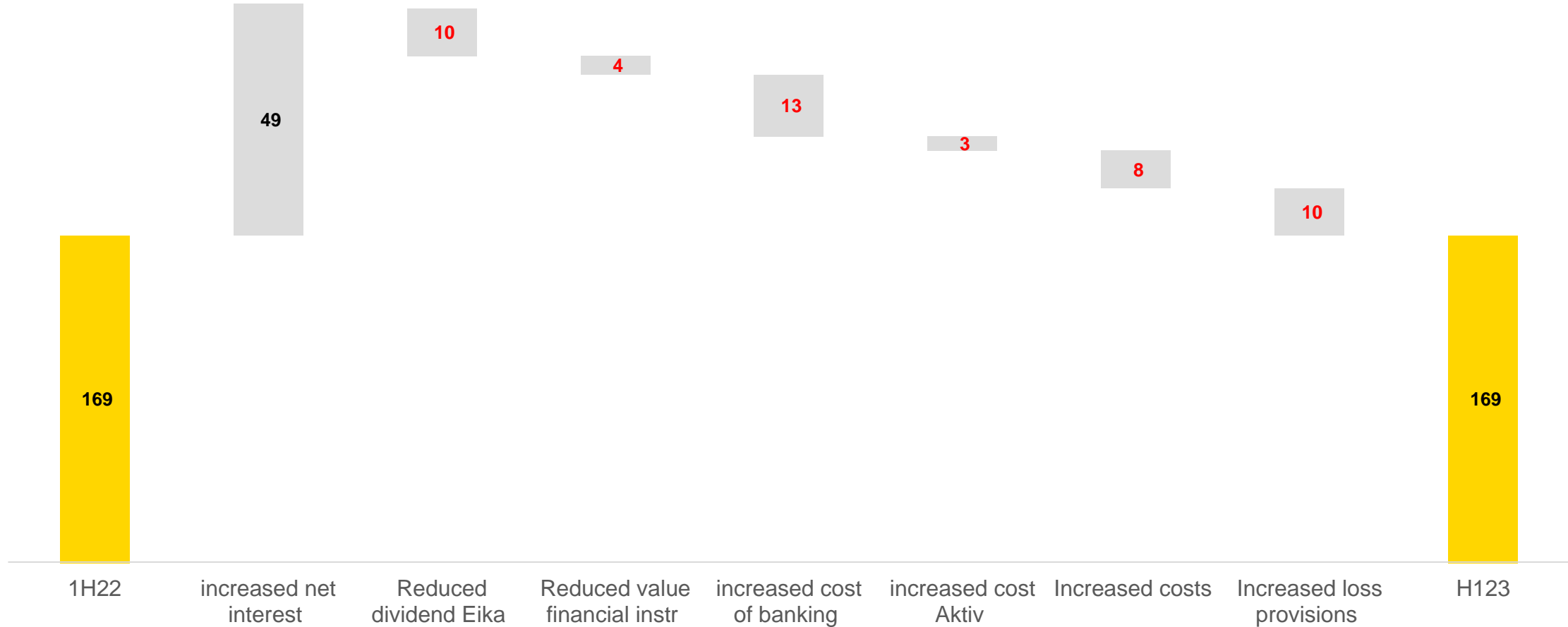


## Summary

- Profit after tax MNOK 168,7 (169,4)
- ROE on equity after tax 10,5 % (11,2 %)
- ROE on equity after tax, without conversion costs, first half of the year 11,3 % (11,7 %)
- Profit per ECC (EPS) of NOK 5,1 (5,1)
- Lending growth last 12 months of 8,0 % (6,1 %)
- Net interest margin of 1,75 % (1,57 %)
- Net loss of MNOK 12,8 (3,2)
- Costs MNOK 187 (162,5)
- Solid bank with CET1 17,1 % (16,9 %)

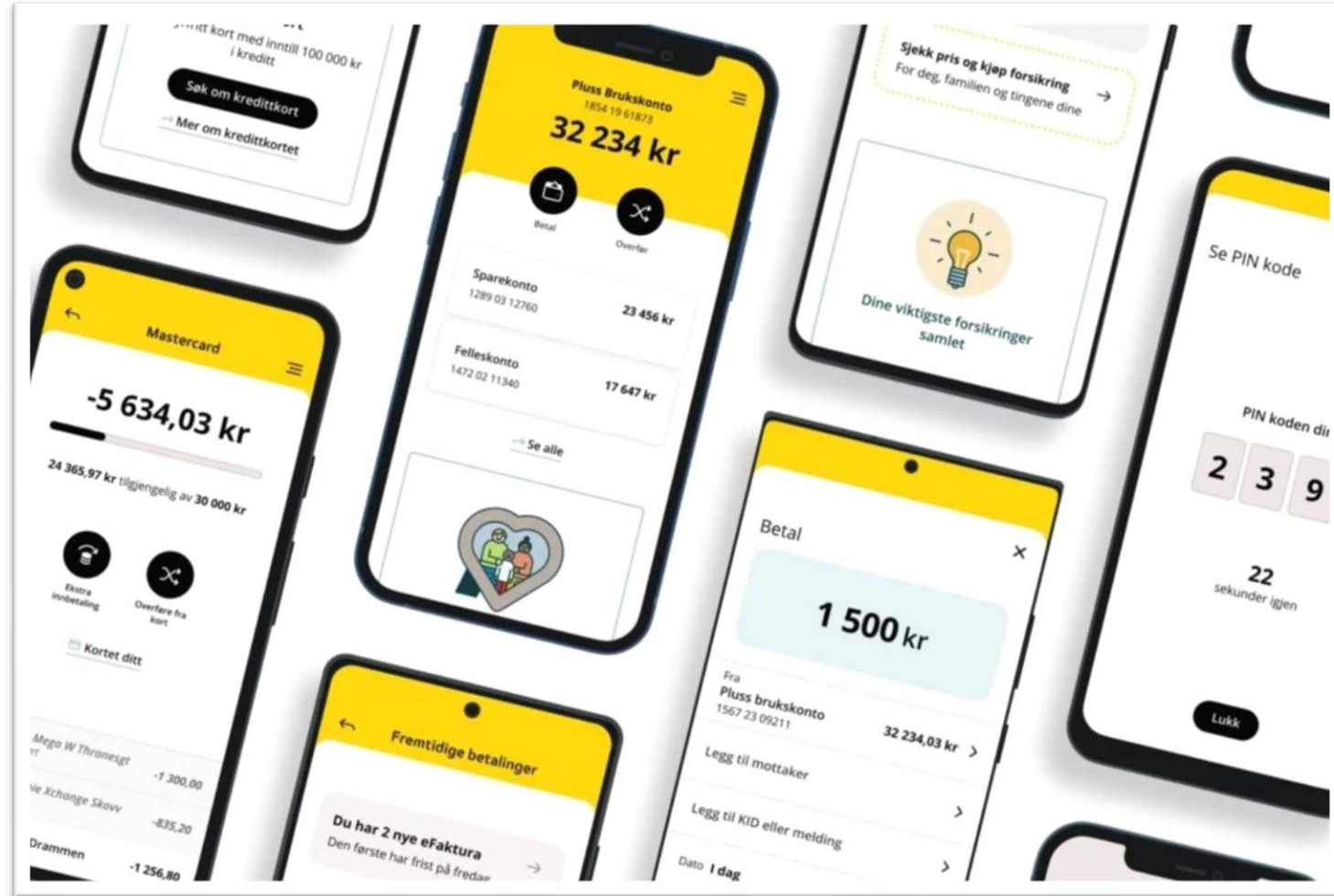
# Profit after tax - main contributors

Improvement in underlying results



# Conversion new core system

- Successful completion on the weekend of 21-23 April, customer activity started a week after conversion
- Focus on improvements, ongoing optimization of projects/activities and more to be initiated during the autumn
- Aim to continue growth without further hiring
- Total cost of conversion MNOK 60, final settlement in December 2023. Do not expect severe extra costs

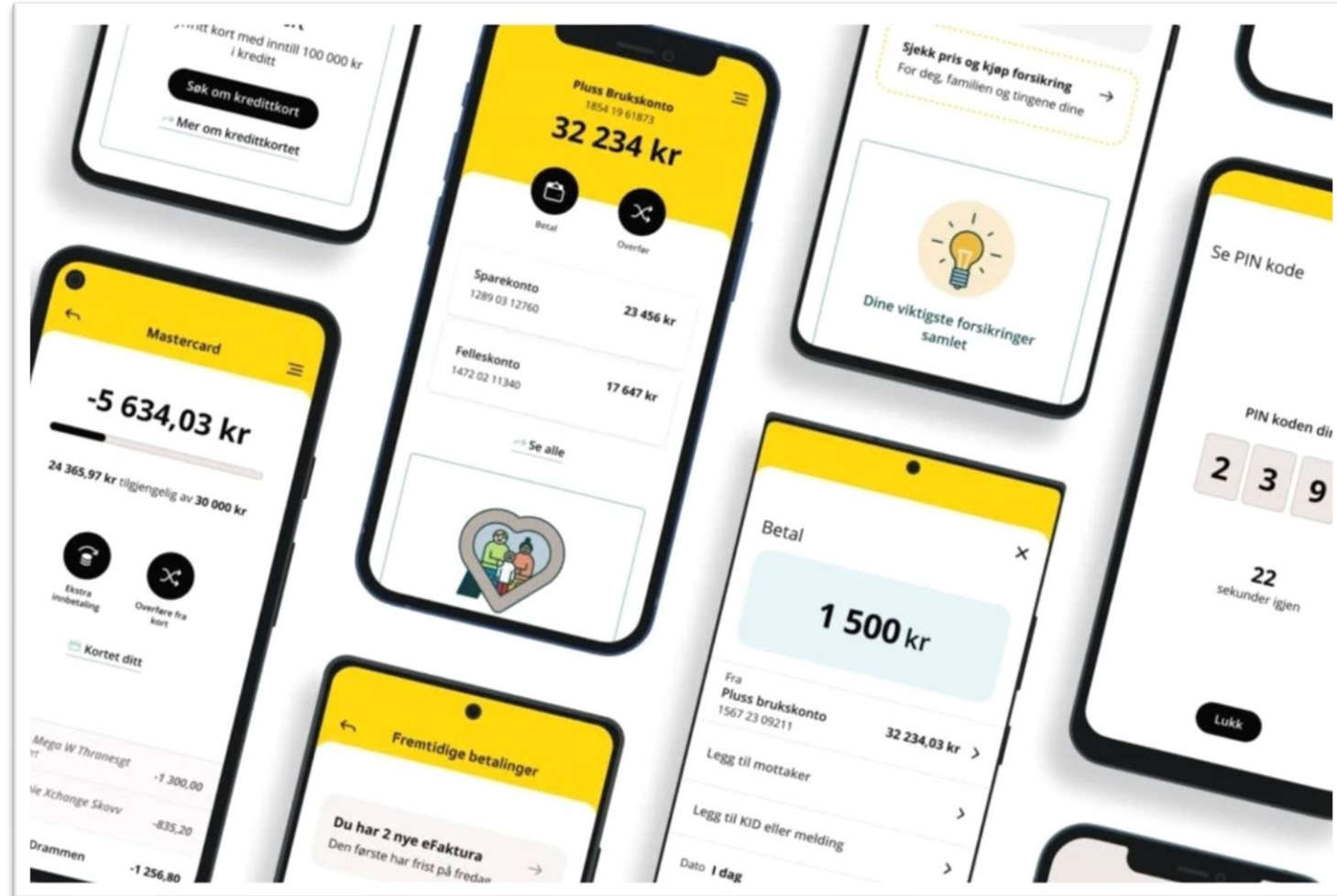




# Conversion new core system

## Change in IT operating costs in 2024.

- Contract with previously IT supplier would have resulted in increased operating cost of MNOK 5 in 2024, compared with 2022.
- Contract with new supplier will give a reduction of yearly costs of MNOK 10-15. This will be offset somewhat by growth (volumebased costs).
- Other IT costs will increase in line with price- and volume growth



# The fight against fraud

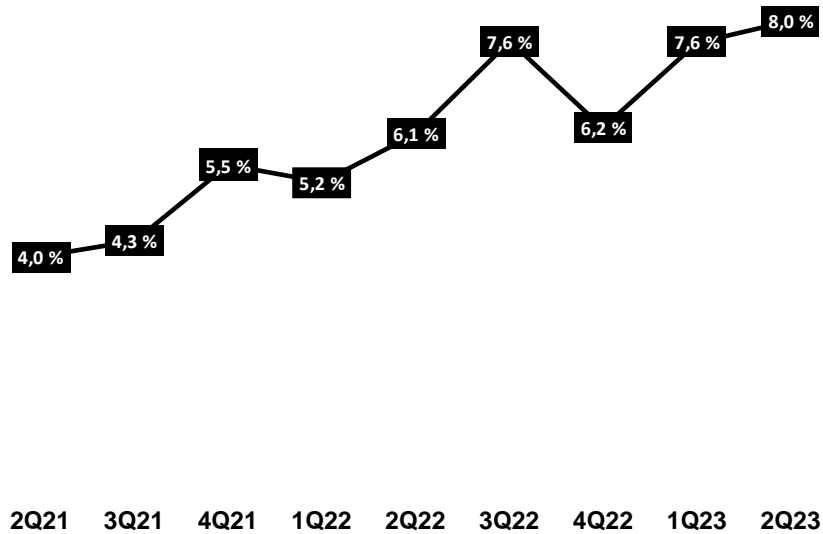
- **The fight against fraud continues, BankID is key**
- **Greater responsibility to the banks**
- **Small business benefits because we know our customers**
- **Economies of scale via the Eika collaboration**



# Loan growth at 8,0 % YoY

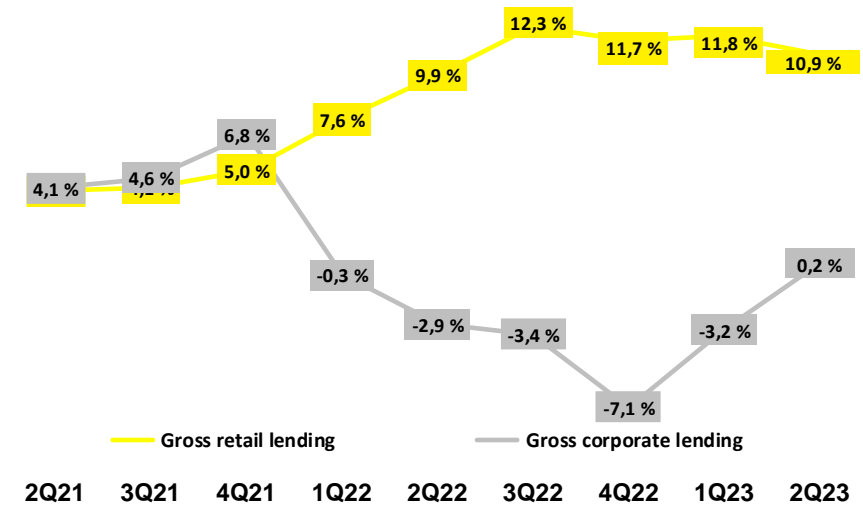
Solid growth in retail market, Improvement in corporate lending

Group level (12 months)



- Total lending increased by NOK 2,1 mrd (8,0 %) YoY
- Total lending increased by MNOK 654 (2,4 %) QoQ

Growth by Division (12 months)



- Retail lending increased by NOK 2,1 mrd (10,9 %) YoY. VS market growth of 0,9 %\*. Last quarter retail lending increased by MNOK 487 (2,4 %).
- Corporate lending increased by MNOK 15 (0,2YoY., and increased by MNOK 167 (2,4 %) QoQ



**RA** HELG Dagsvisen

**Vil gjerne ha regi**

**Slik ville vi spart 50.000 kroner**

**Få tips fra en rekke økonomer og spesialister:**

**Fleire i aktivitet**

**SA LG**

Salg i hele juli

**Nyheter**  
Personlig økonomi

**Ekspertenes tips: Slik kan du låne mer enn fem ganger inntekt**

Låntagere får nå maksimalt lånefem ganger inntekt. Men gjennom ulike grep kan du øke lånebeløpet ytterligere. Forutsatt at økonomien din tåler det.

**Geir Arntsen**

Bankene har et mål om å øke lånebeløpet til fem ganger inntekt. Men gjennom ulike grep kan du øke lånebeløpet ytterligere. Forutsatt at økonomien din tåler det.

**Nyheter**

**Silje satser på solceller: - Tror det er en lønnsom investering**

Silje Nilsen har investert i solceller på sin bolig. Hun tror det er en lønnsom investering.

**Front Nilsen i Komp**

Front Nilsen er i Komp. Hun er en av de som har investert i solceller.

**Nyheter**

**Verden havner pluss!**

Verden havner pluss! Dette er en positiv utvikling som vi bør være opptatt av.

**Nyheter**

**Flere har tilpasset seg høyere rente**

**Positive lånetrender**

Flere har tilpasset seg høyere rente. Dette har resultert i positive lånetrender.

**Nyheter**

**2500 elever i seg som trol**

2500 elever i seg som trol. Dette er en imponerende prestasjon.

**Nyheter**

**Melder om nedetid i helgen**

Melder om nedetid i helgen. Dette er viktig informasjon for alle som bruker banken.

**Nyheter**

**Kraftig vekst i utlån til private**

Kraftig vekst i utlån til private. Dette er et positivt tegn på økonomisk aktivitet.

**Nyheter**

**- Uforståelig at O investere direkte**

- Uforståelig at O investere direkte. Dette er en kritikk av offentlig økonomisk politikk.

**Nyheter**

**Nytt rentehopp: Har du pengeproblemer- Ikke stikk hodet i sanden**

Nytt rentehopp: Har du pengeproblemer- Ikke stikk hodet i sanden. Dette er en advarende melding om økonomisk situasjon.

**Nyheter**

**ANNONSØRINNHOOLD**

ANNONSØRINNHOOLD. Dette er en oversikt over aktuelle annonser.

**Nyheter**

**Andrea (23) fikk sommerjobben mange drømmer om: - Dette er gull verd på CVen**

Andrea (23) fikk sommerjobben mange drømmer om: - Dette er gull verd på CVen. Dette er en inspirerende historie om arbeid og utdanning.

**Nyheter**

**Banker har redusert risikofaktoren for bedriftsfinansiering**

Banker har redusert risikofaktoren for bedriftsfinansiering. Dette er en positiv utvikling for små og mellomstore bedrifter.

**Nyheter**

**Ljefondet ikke kan på norsk sokkel**

Ljefondet ikke kan på norsk sokkel. Dette er en viktig melding om energi og miljø.

**Nyheter**

**Aldri før har det blitt kysset like mye på Lura boas - Lillian klasket til da hun fikk sjansen**

Aldri før har det blitt kysset like mye på Lura boas - Lillian klasket til da hun fikk sjansen. Dette er en humoristisk og inspirerende historie.

**Nyheter**

**Nær en halv million tåler ikke uforutsette utgifter**

Nær en halv million tåler ikke uforutsette utgifter. Dette er en viktig melding om økonomisk sikkerhet.



# Blinken i Sandnes

- The city's bank is visible and present
- A part of the banks strategy
- Contribution from the bank's endowment fund, free concert with Kurt Nilsen for the whole city
- Organizer of the attractive business lunch together with among others, Sandnes municipality
- The bank has strong momentum and is perceived to be competitive in the market, both in the corporate and retail market



Photo: Svein Erik Fylkesnes

# Agenda

- Growth and improved banking
- Key figures
- Credit quality

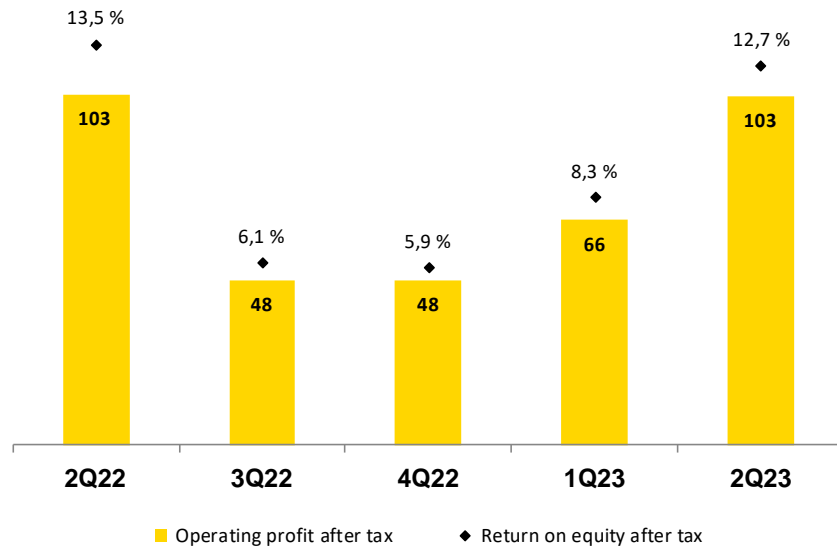




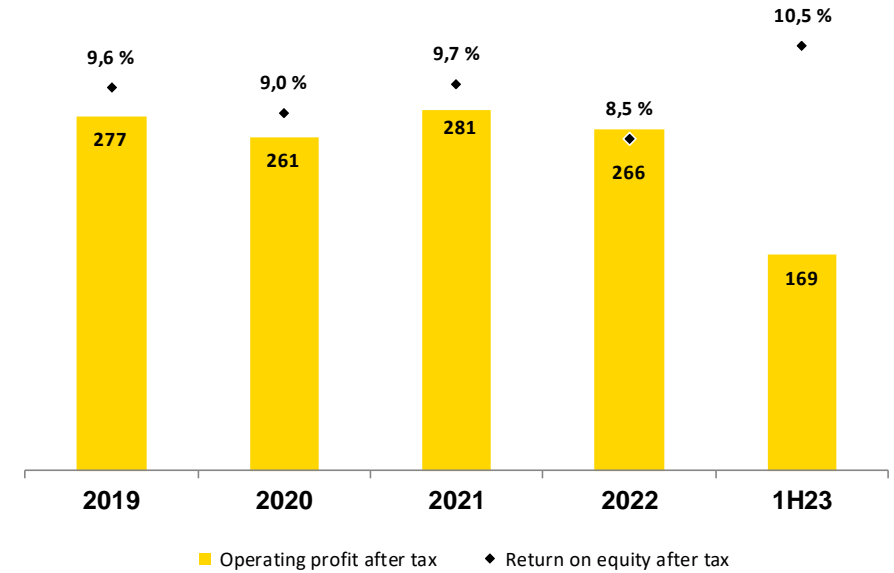
# Profitability

Improvements in underlying banking operations

ROE, Quarterly



ROE, Yearly

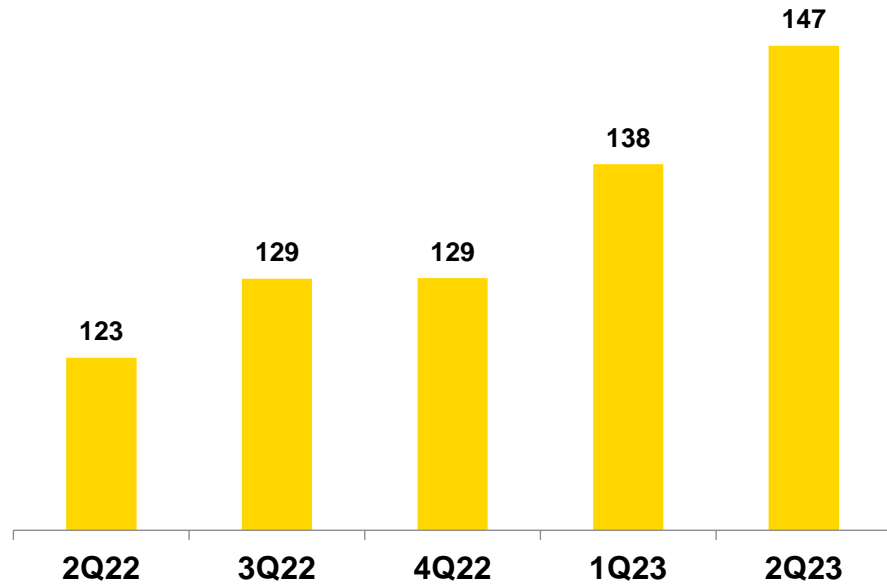


- ROE without conversion costs in the first half of the year 11,3% (11,7%)

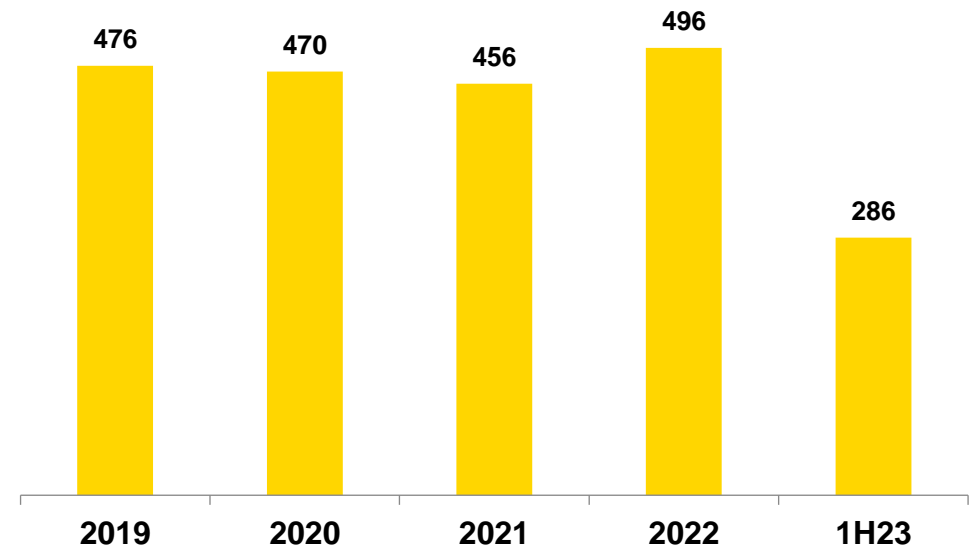
# Net Interest

Strong growth and effect of interest rate changes entails growth in net interest

Net Interest, Quarterly



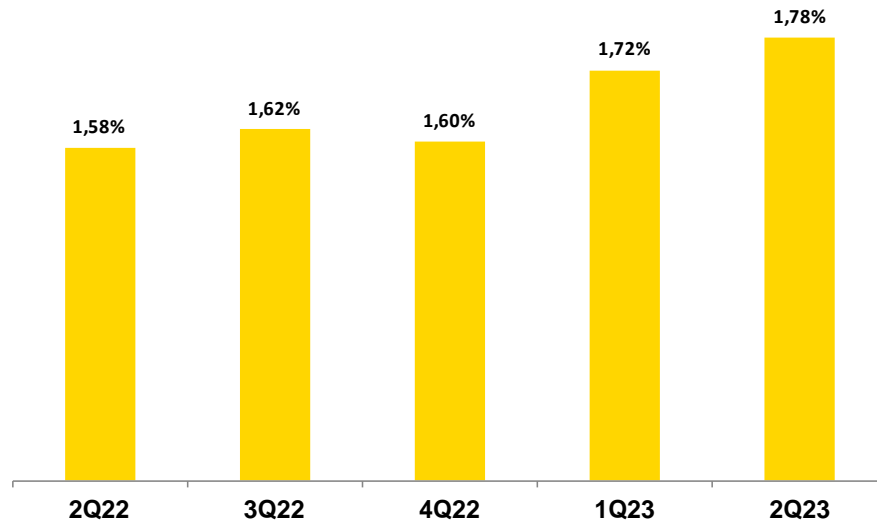
Net Interest, yearly



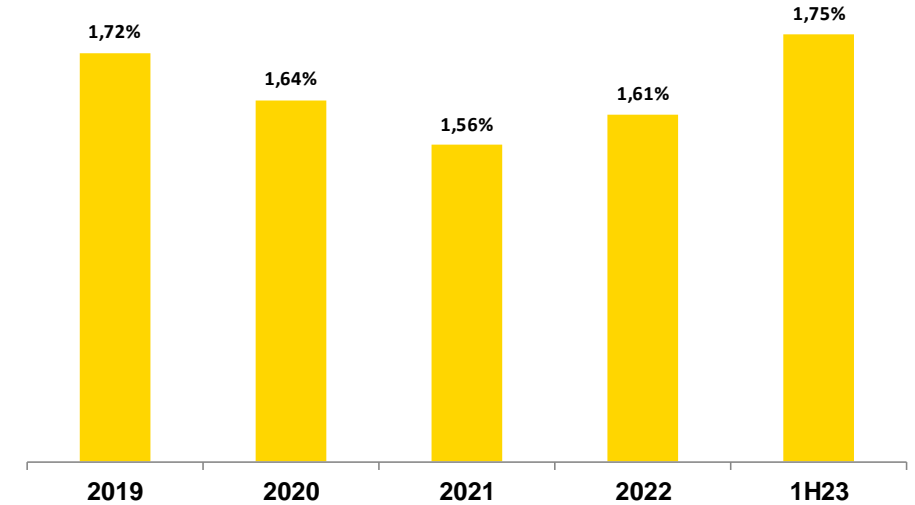
# Net Interest Margin

Positive development in Net interest margin. Still some lag in interest margin as a result of an increase in Nibor

Net interest Margin, Quarterly



Net Interest Margin, Yearly



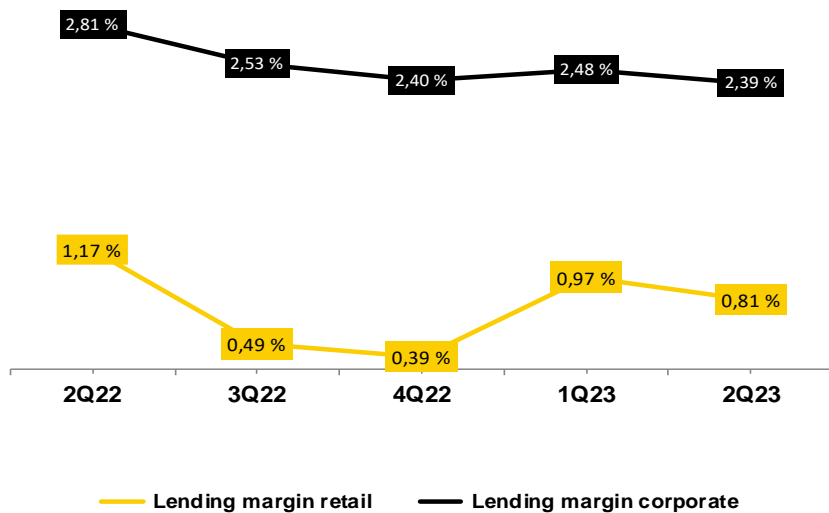
- The Interest rate change in the retail market entails some time lag ( 6 weeks notice period)
- The interest change in the corporate market has a rapid effect (2 weeks notice period)



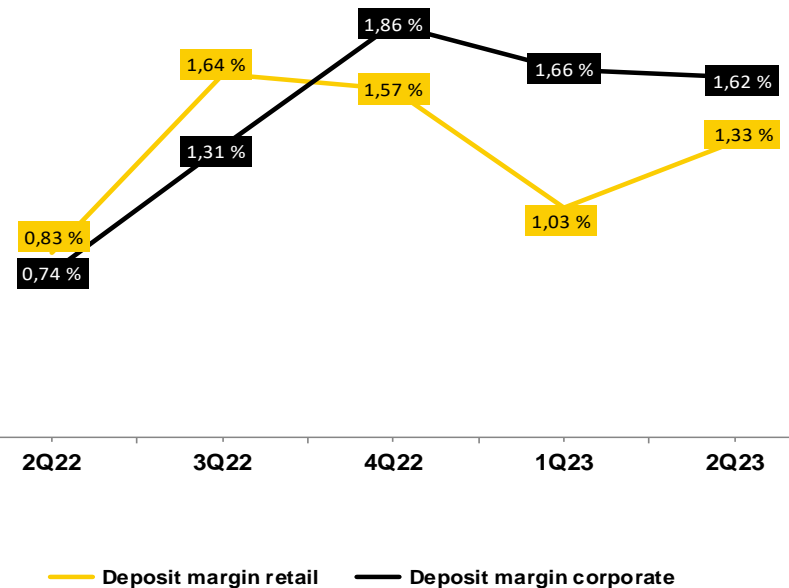
# Margins on Loans and Deposits

Strong competition and rising NIBOR-rates affects margins

## Lending margins



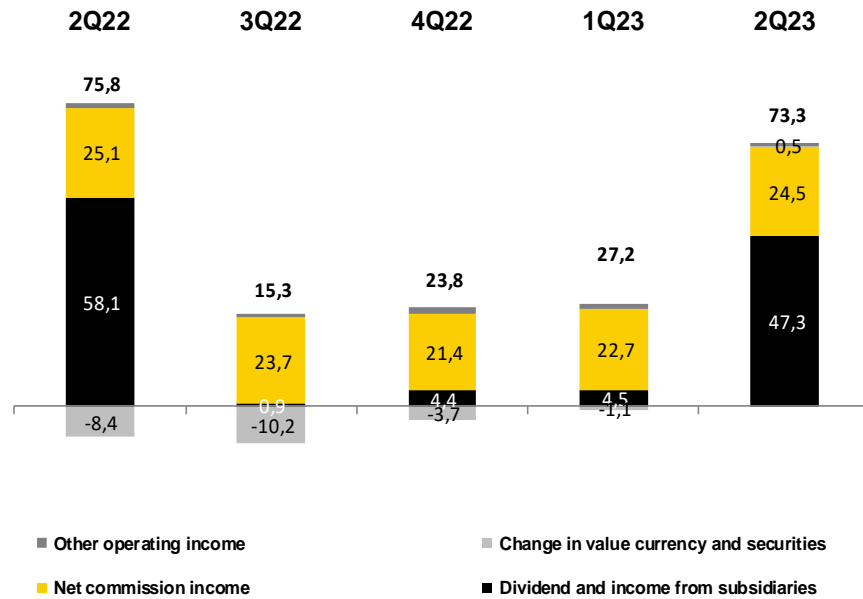
## Deposit margins



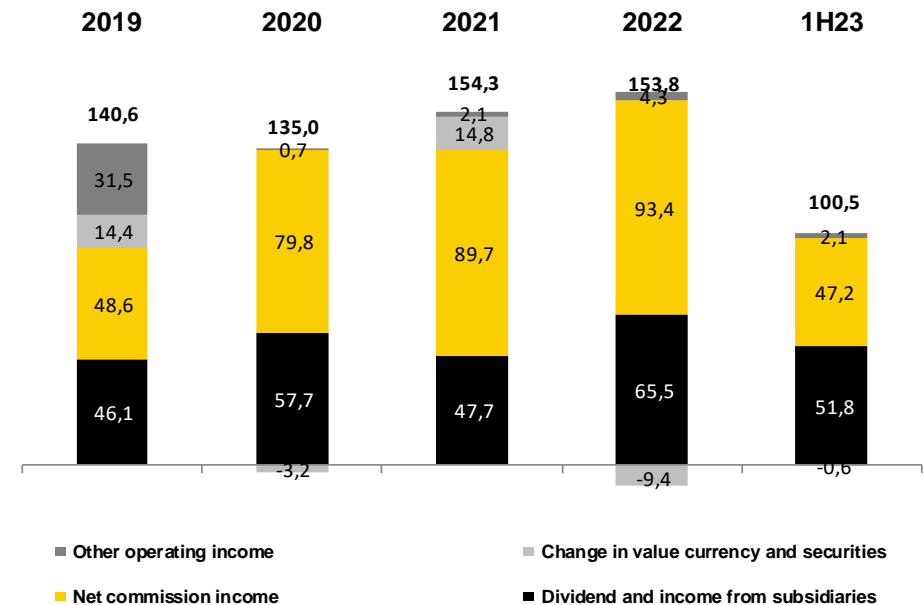
# Other income

Dividend from Eika Gruppen booked in the 2nd quarter 44,8 MNOK

Other income, Quarterly



Other income, Yearly

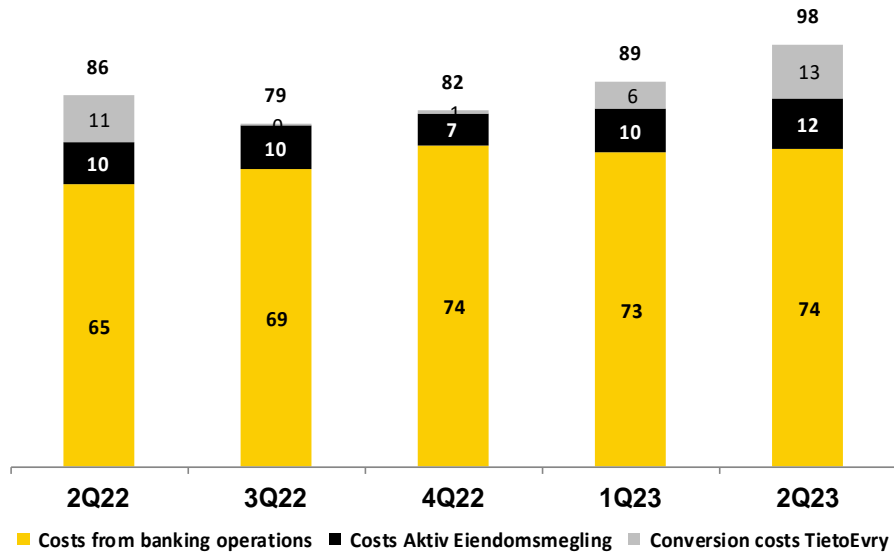


- Dividend from Eika Gruppen amount to MNOK 44,8 (54,1) booked in the second quarter
- Stable commission income

# Operating Costs

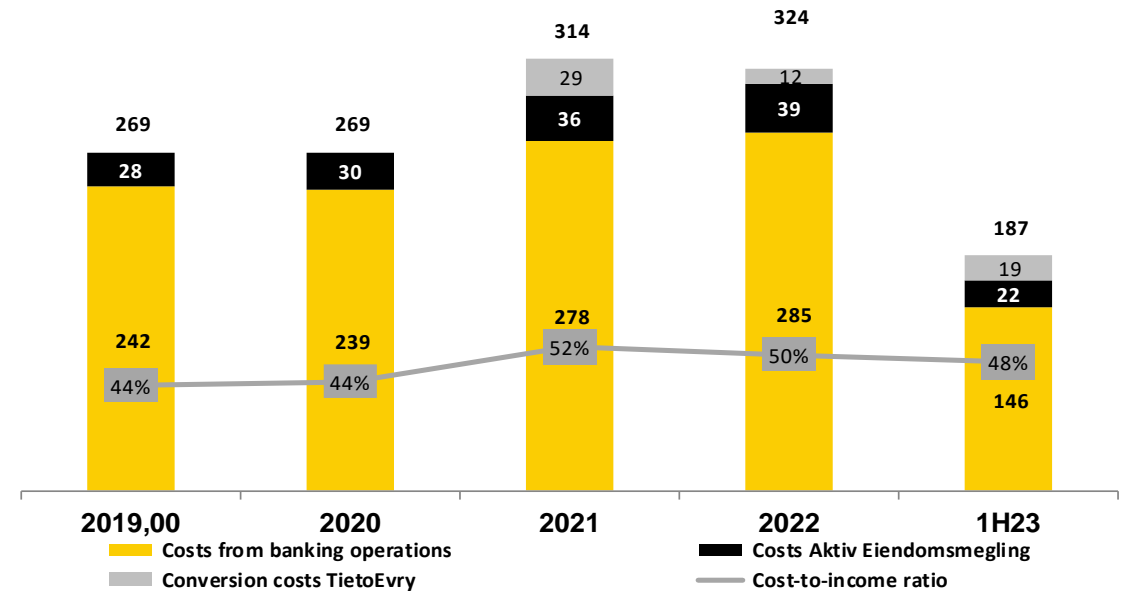
Some increase in costs, primarily related to the conversion of the core banking system in the 2<sup>nd</sup> quarter of 2023

Other Operating Costs, quarterly



- Increased efforts the Stavanger market in the private market entails somewhat increased salary costs. The number of employees in the parent bank has been increased from 124 to 129 recent year
- Operating costs is somewhat up as a result of a generally higher price level

Other Operating Costs, Yearly



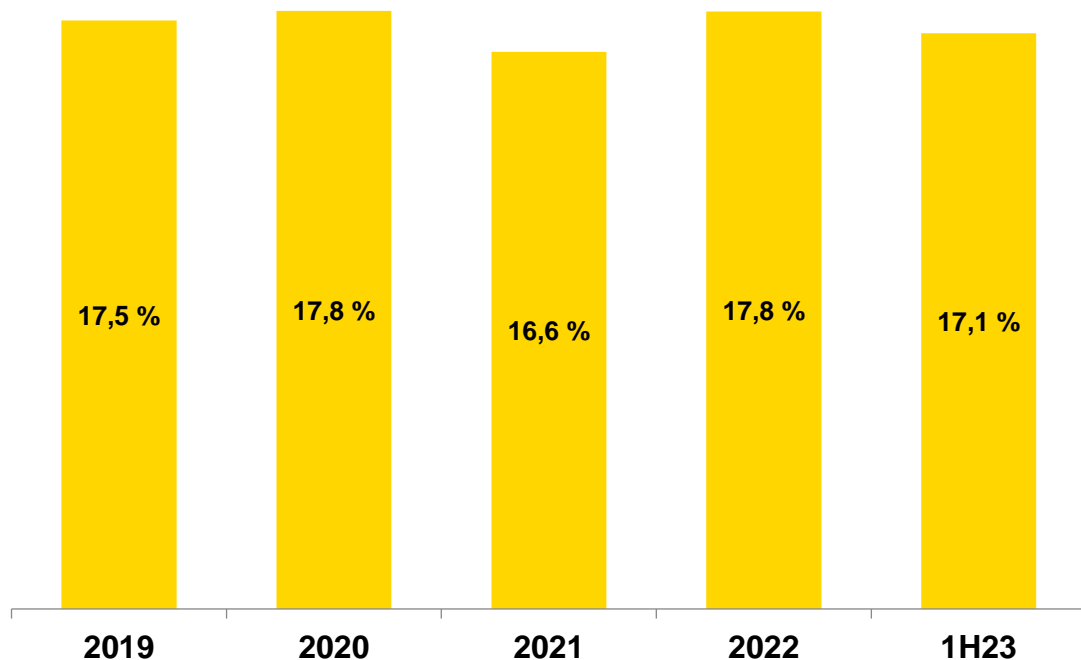
- The cost ratio of operations in the parent bank is 40% for the first half of 2023
- Changing the core system from SDC to TietoEvry entails investments of ca. 60 MNOK in the periode 2021-2023. Conversion completed in April 2023, some remaining costs may arise in the second half of 2023.



# Well Capitalized and Equipped for Furter Growth

Common equity capital ratio of 18,1 % including this years result. Leverage ratio 9,1 %

CET-1



A well capitalized bank

- Systemic Risk Buffer increases from 3 % to 4,5 % from 31.12.2023
- CET1-requirement of 14,6 % pr 31.03.2023
- Expected CET1-requirement of 16,1 % 31.12.2023
- **Internal target of + 1.0 % management buffer above the regulatory requirements**

# Agenda

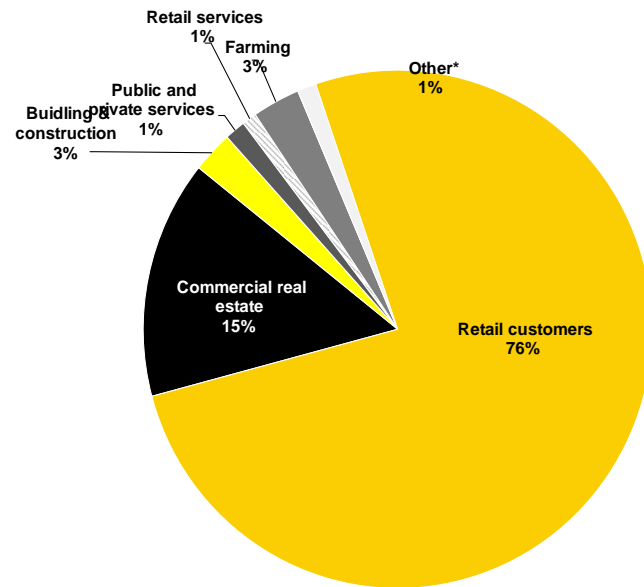
- Growth and improved banking
- Key figures
- Credit quality



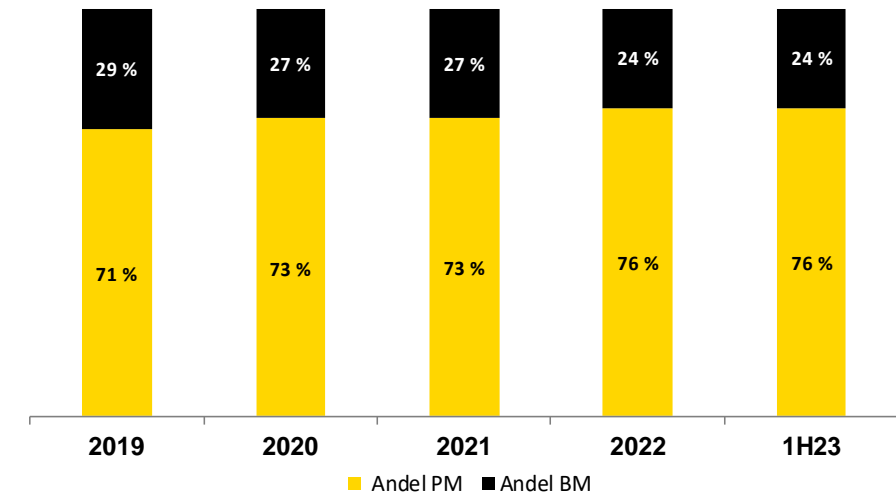
# Loans to Customers by Division

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

Distribution by sector



Distribution by division

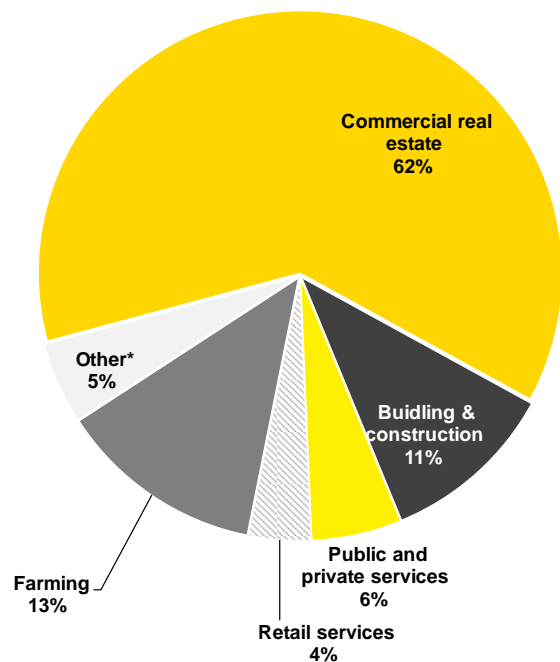


- Low exposure to cyclical industries
- Agriculture will continue to be an important focus area in the future
- Insignificant direct exposure to oil-related activities
- Stable in commercial real estate

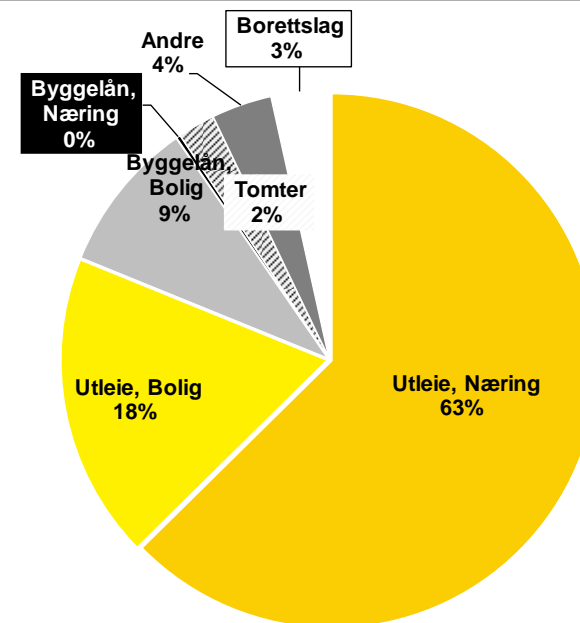
# Loans to Corporate Customers by Sector-24% of total lending

Largest growth in SME, healthy development within commercial property in the region

Distribution by sector



Corporate loans to real estate

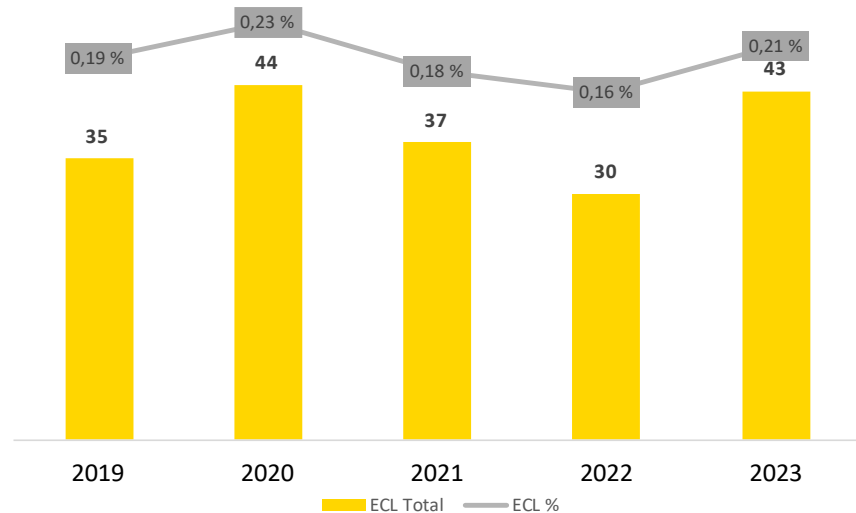




# Loans to Customers by Division, Credit Risk

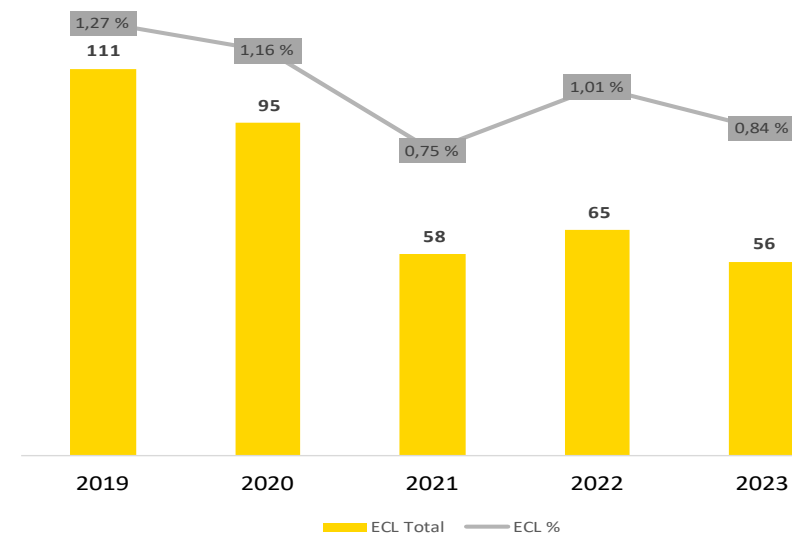
Risk expressed by expected credit loss (ECL, PDxLGD)

## Retail



- Increased housing prices in the market area, despite increasing interest rates
- Continued low level of defaults

## Corporate

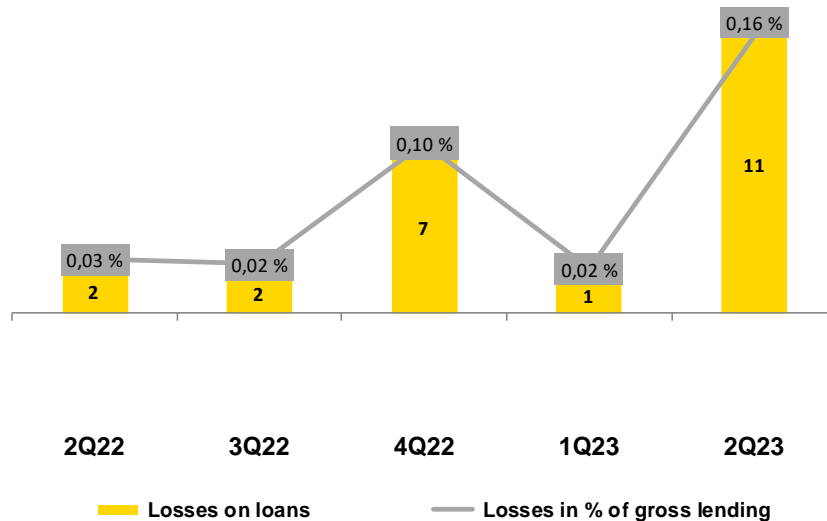


- Low level, extra provisions in certain branches in 2022
- Continued low level of defaults

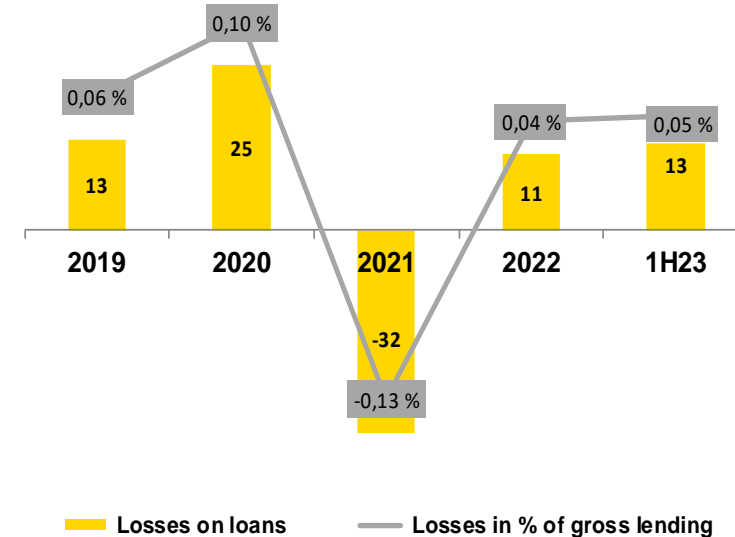
# Losses on Loans and Guarantees

Stable low losses in spite of troubled financial markets and macroeconomic uncertainty

Losses on loans and guarantees, QoQ



Losses on loans and guarantees, YoY



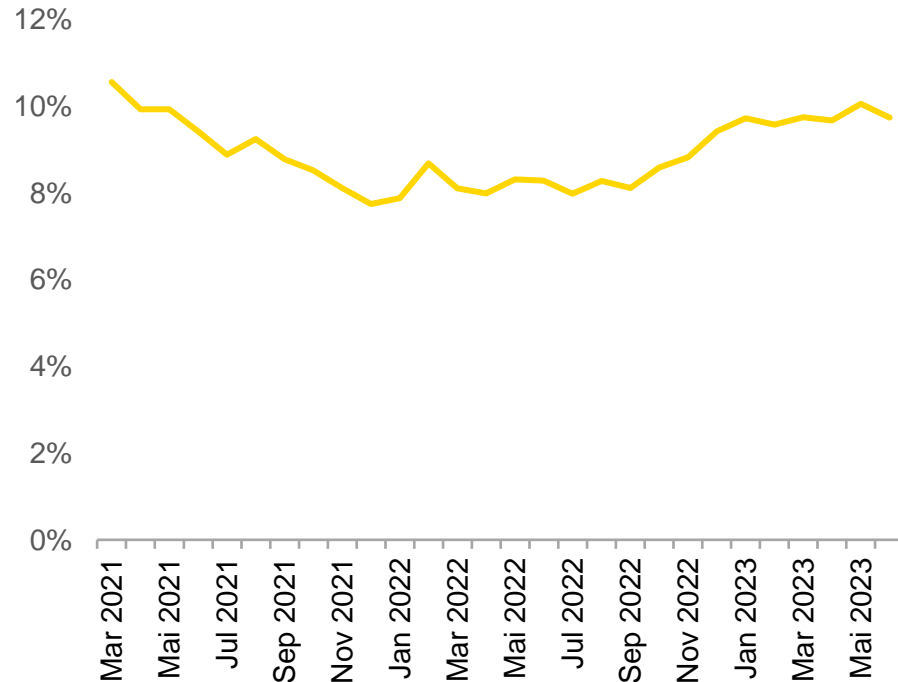
- Step distribution 2nd quarter of 2023
  - Step 1: -3,6 MNOK
  - Step 2: 10,8 MNOK
  - Step 3: 4,2 MNOK

- Step distribution first half of 2023
  - Step 1: -2,9 MNOK
  - Step 2: 7,9 MNOK
  - Step 3: 7,8 MNOK

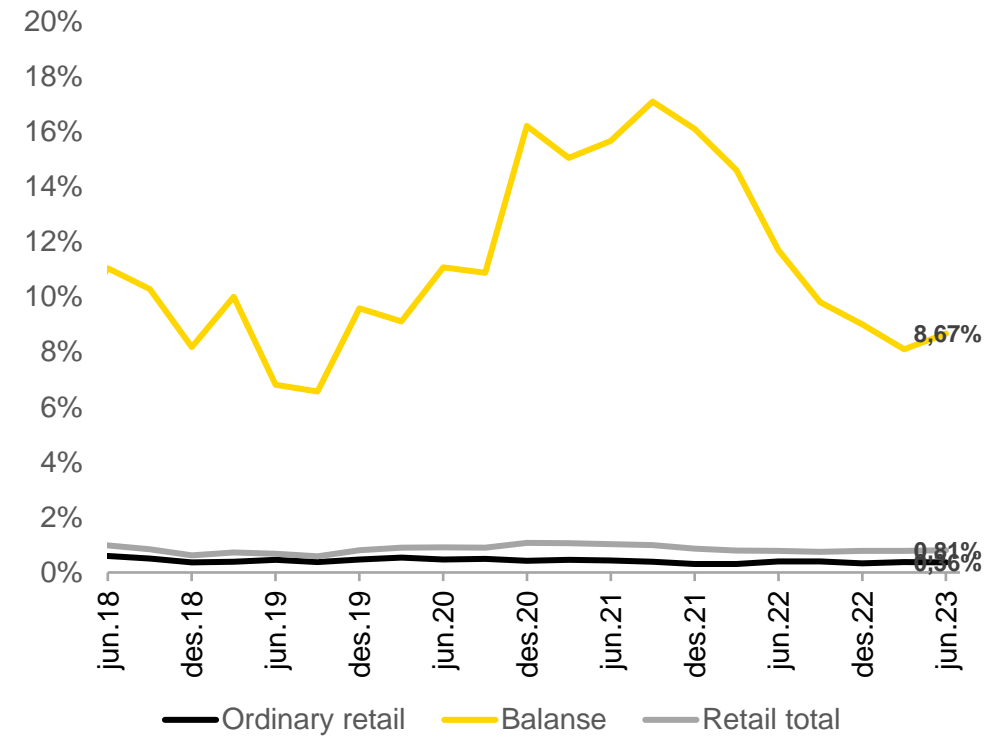
# Interest only and default rate retail

Some increase in interest only loans, still low default rate

### Interest only retail loans

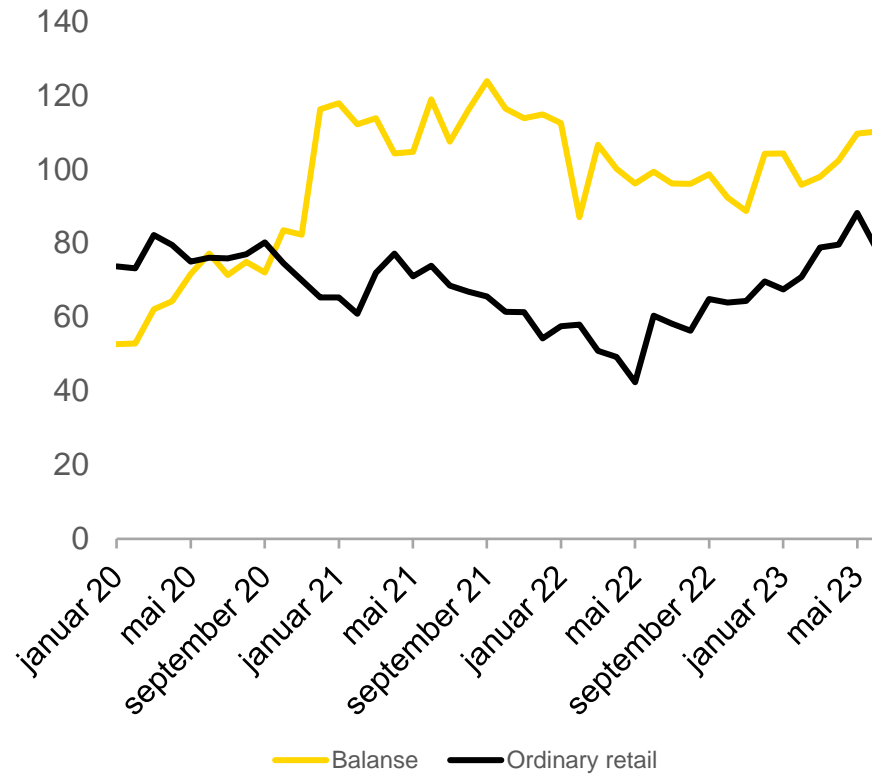


### Default rate retail loans

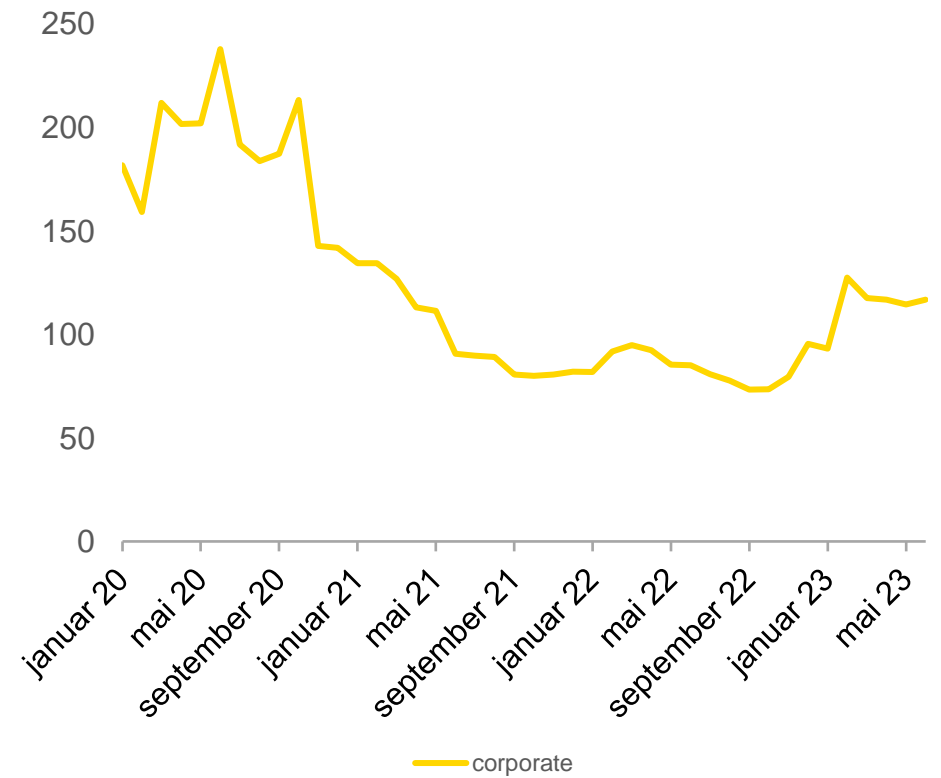


# Defaulted and doubtful loans

## Ordinary Retail and Balansebank



## Corporate

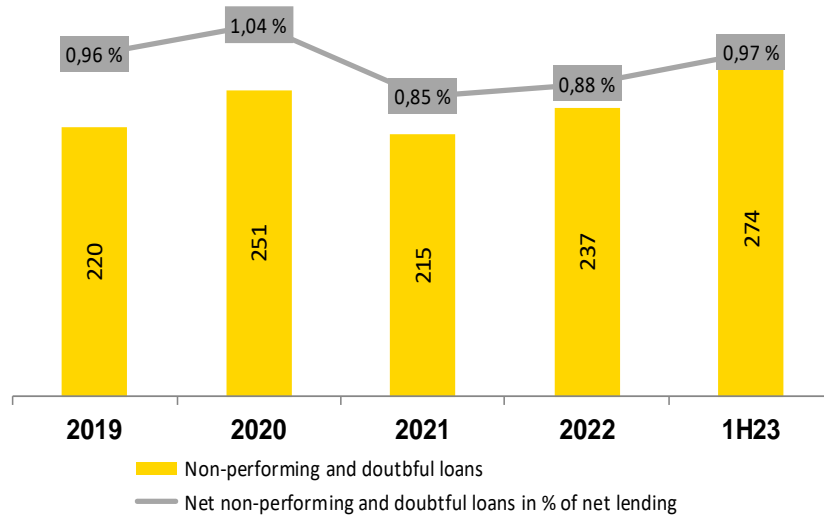




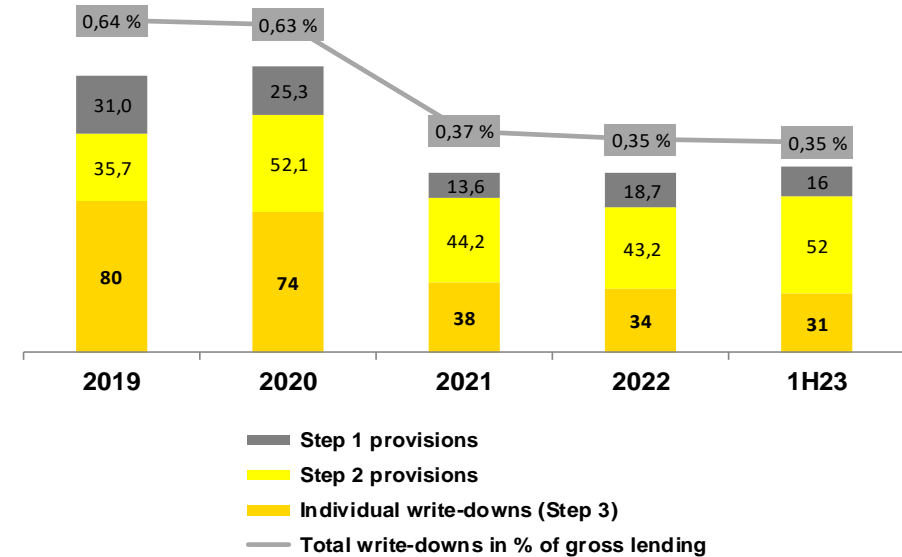
# Non-Performing and Doubtful Loans

Stable level on non-performing and doubtful loans

## Non-performing and doubtful loans, EOY



## Write-downs EOY

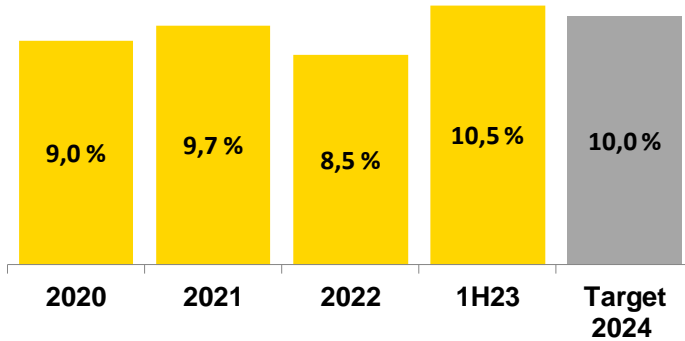


Thank you for your attention

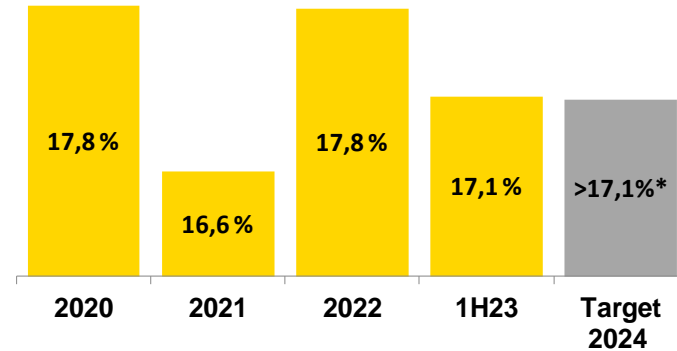


# Financial Targets for 2021-2024

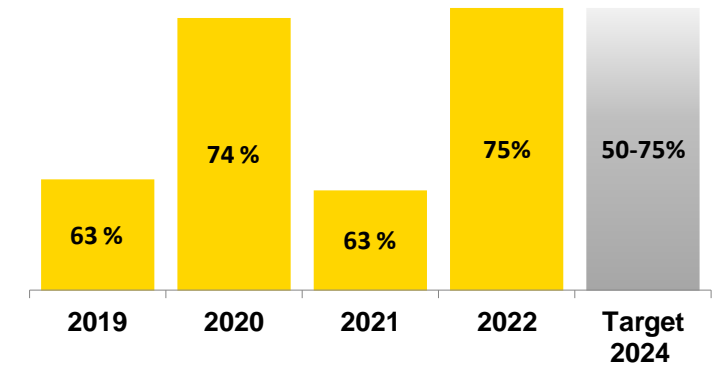
## ROE



## CET1

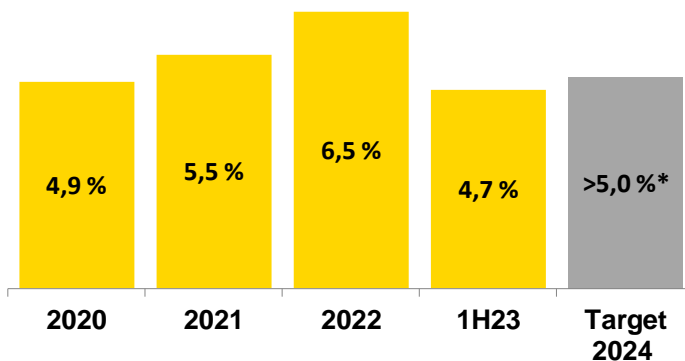


## Dividends

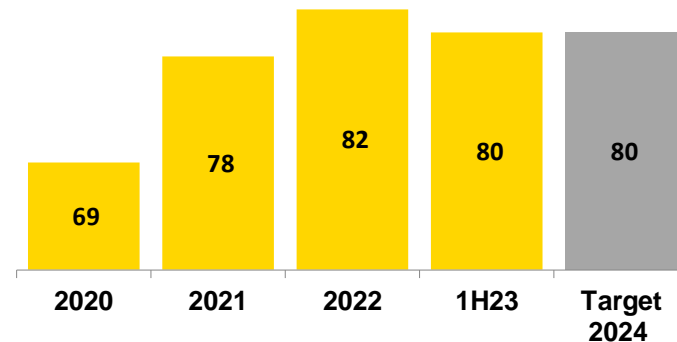


\* Internt mål om + 1 % management buffer over det til enhver tid gjeldende myndighetskrav

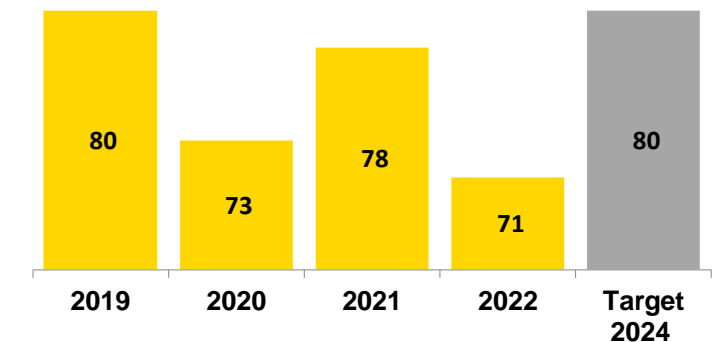
## Profitable Growth



## Customer Satisfaction Retail



## Customer Satisfaction Corporate



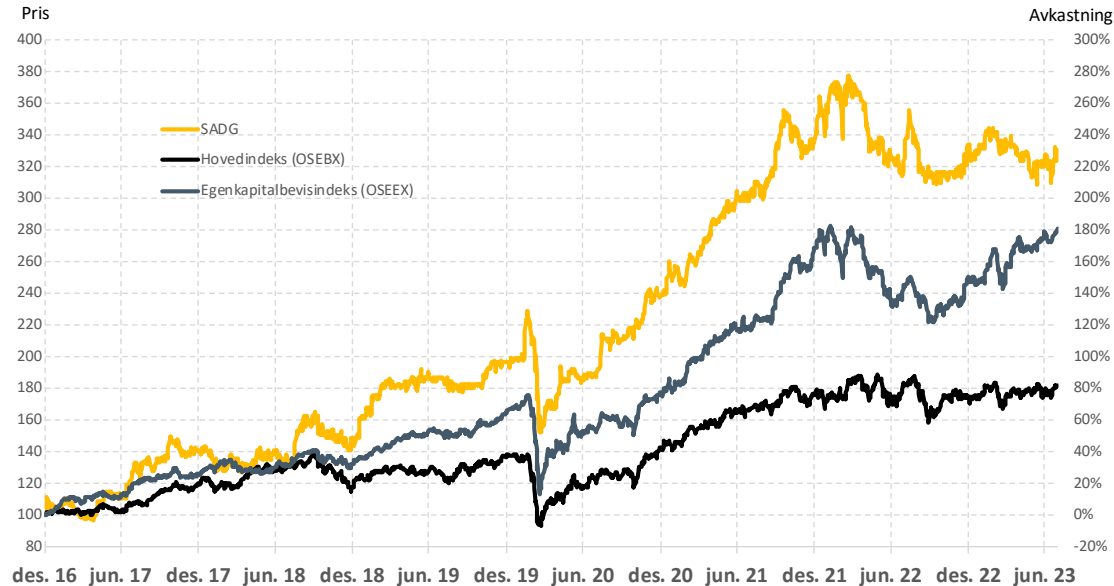
\*Vil være avhengig i kredittveksten i markedsområdet

\*Økt satsning i Stavanger vil medføre høyere vekst



# The Equity Certificate

SADG: Development in price and volume on OSE



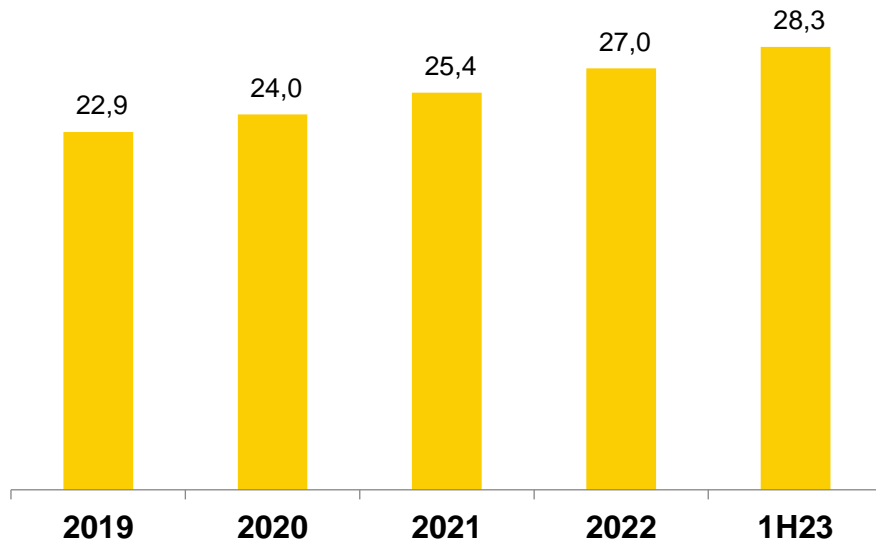
The Equity Certificate Holders

20 largest owners of equity certificates as at 30.06.2023	No. of equity certificates	Share
1. SPAREBANK 1 SR-BANK ASA	3.485.009	15,14 %
2. SANDNES SPAREBANK	2.029.856	8,82 %
3. HOLMEN SPESIALFOND	1.712.323	7,44 %
4. AS CLIPPER	1.248.389	5,42 %
5. VPF EIKA EGENKAPITALBEVIS	1.096.793	4,77 %
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. INNOVEMUS AS	318.542	1,38 %
12. KOMMUNAL LANDSPENSJONSKASSE GJENSI	304.311	1,32 %
13. SPESIALFONDET BOREA UTBYTTE	290.117	1,26 %
14. HAUSTA INVESTOR AS	238.500	1,04 %
15. CORNELIUSSEN INVEST AS	205.574	0,89 %
16. NORDHAUG INVEST AS	184.374	0,80 %
17. TIRNA HOLDING AS	156.255	0,68 %
18. KRISTIAN FALNES AS	137.663	0,60 %
19. METEVA AS	131.881	0,57 %
20. NORGESINVESTOR PROTO AS	125.000	0,54 %
<b>Sum</b>	<b>14.752.107</b>	<b>64,1 %</b>
<b>Totalt</b>	<b>23.014.902</b>	<b>100,00 %</b>

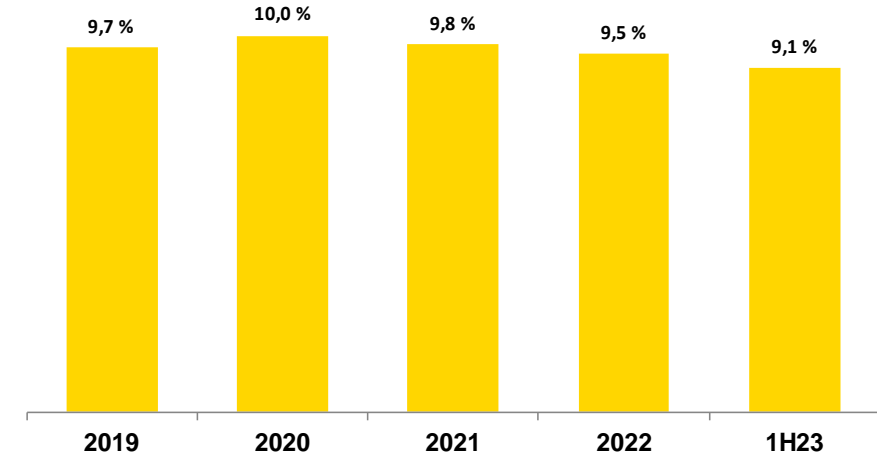
# Increase in lending volume and continued strong capital position

Volume growth in retail and SME requires less capital

Loans to customers



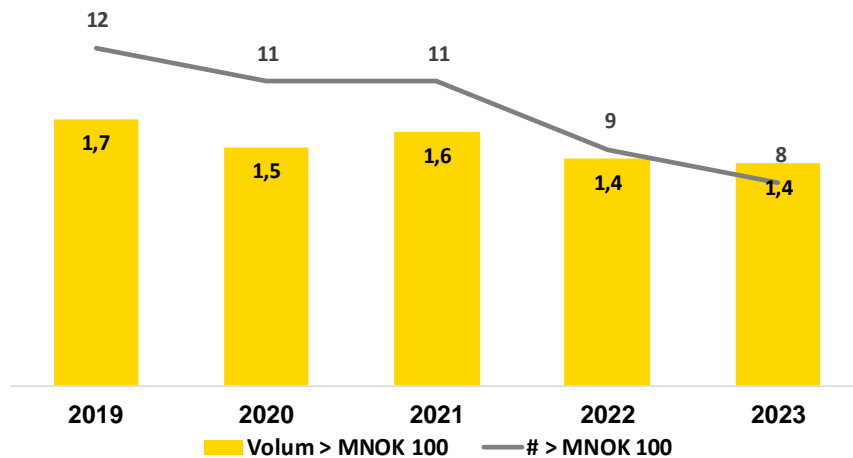
Leverage (Equity/Total assets), Yearly



# Focus on reduced risk in the portfolio

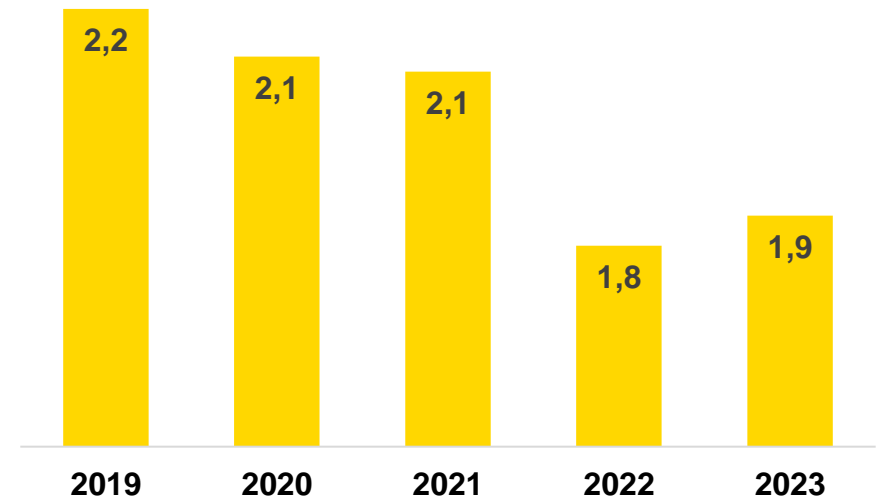
Growth in small businesses| Reduction in large corporates

Loans > MNOK 100, volume and # customers



- Reduction in the number of loans over MNOK 100

Sum of the 10 largest commitments (bn.)

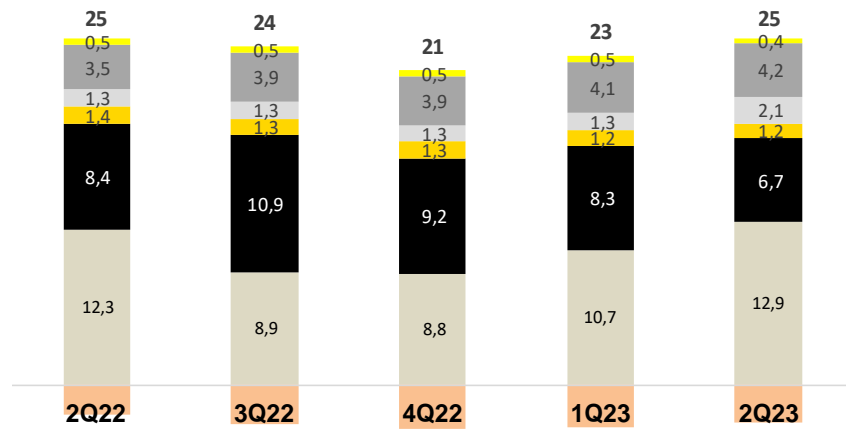


- Deliberate strategy to reduce the concentration risk within the corporate market

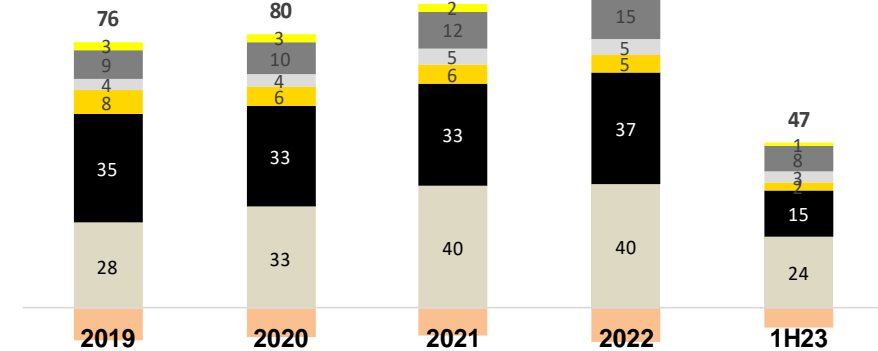
# Gross Commission Income

Steady increase in all types of commission income – High internal focus over time creates results

Gross commission, quarterly



Gross commission, Yearly



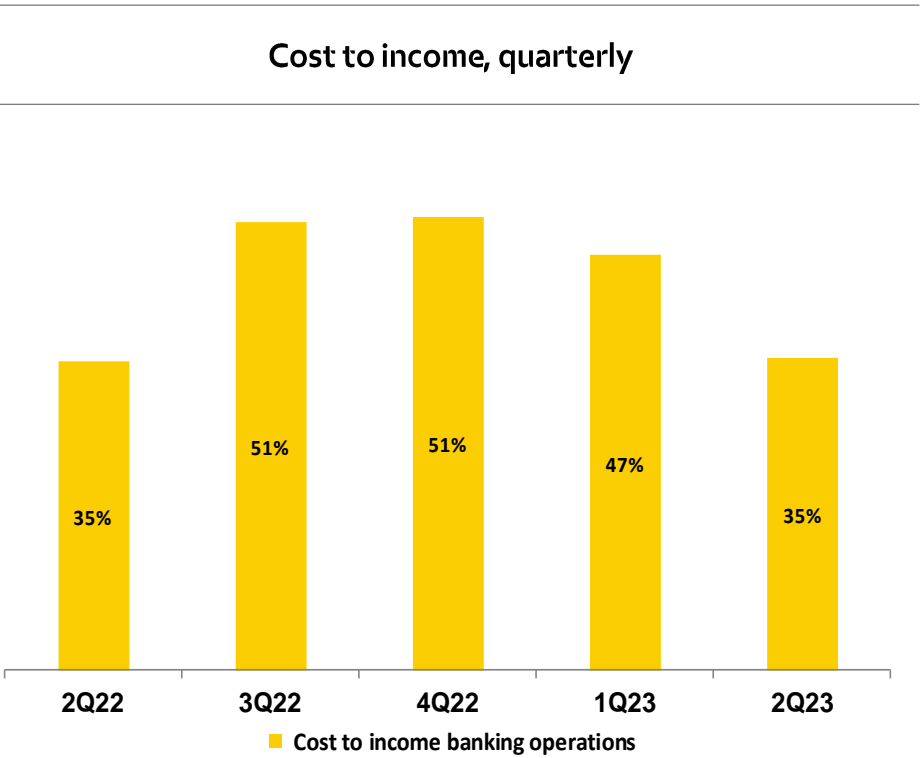
- Steady increase in all types of commission income



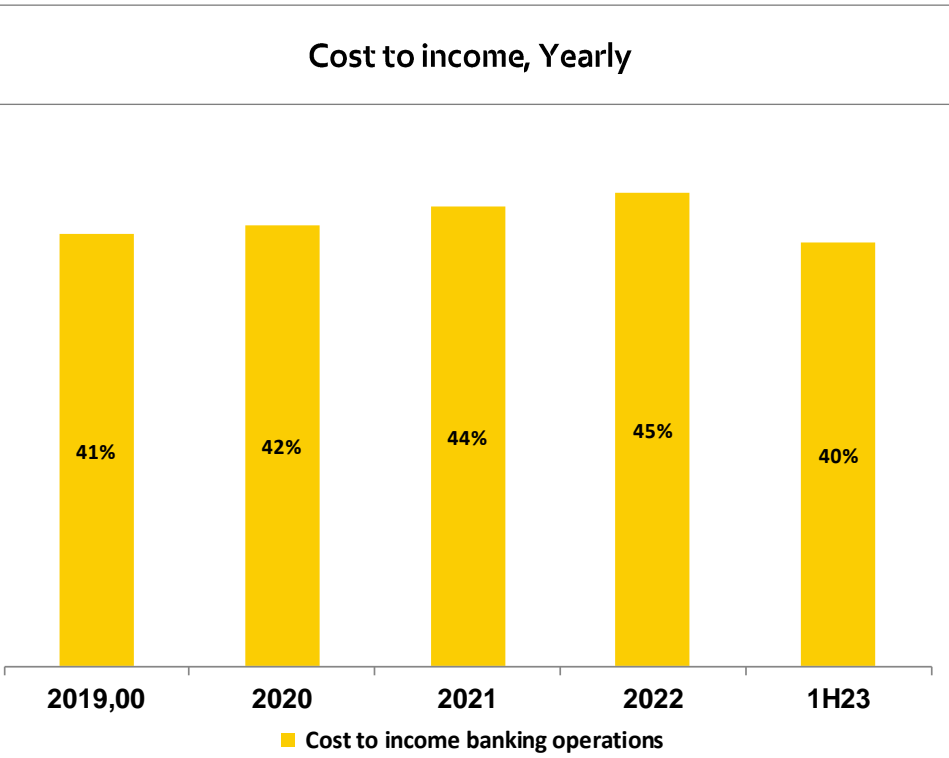
# Cost to Income Banking Operations

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

Cost to income, quarterly

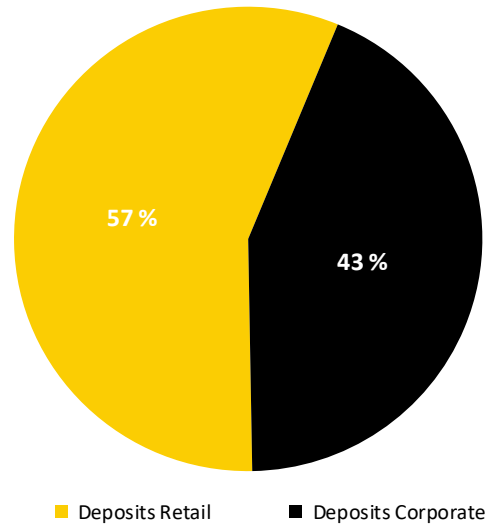


Cost to income, Yearly

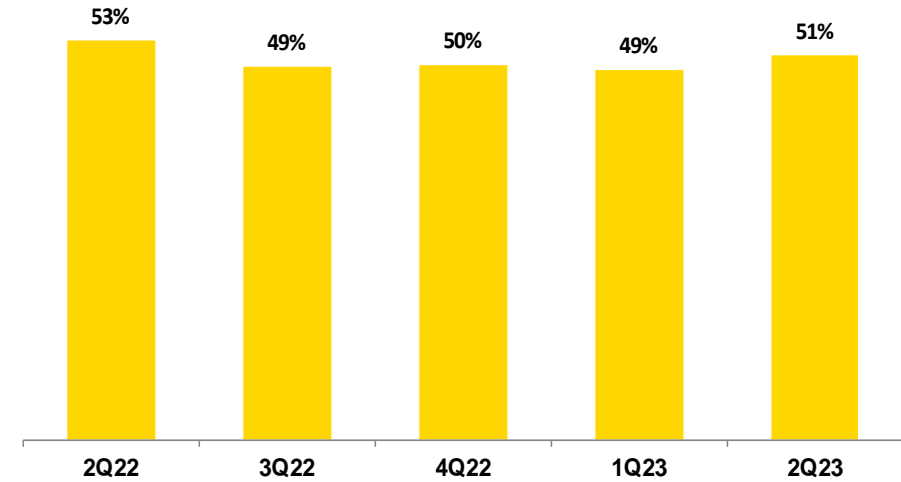


# Deposits From Customers

By division



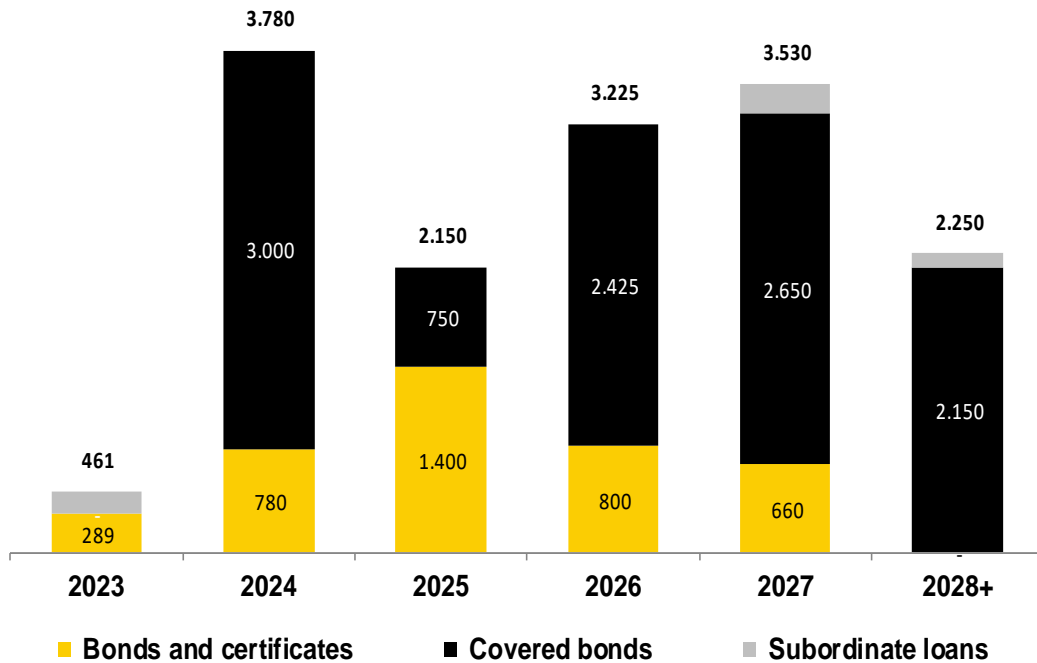
Deposit-to-loan ratio



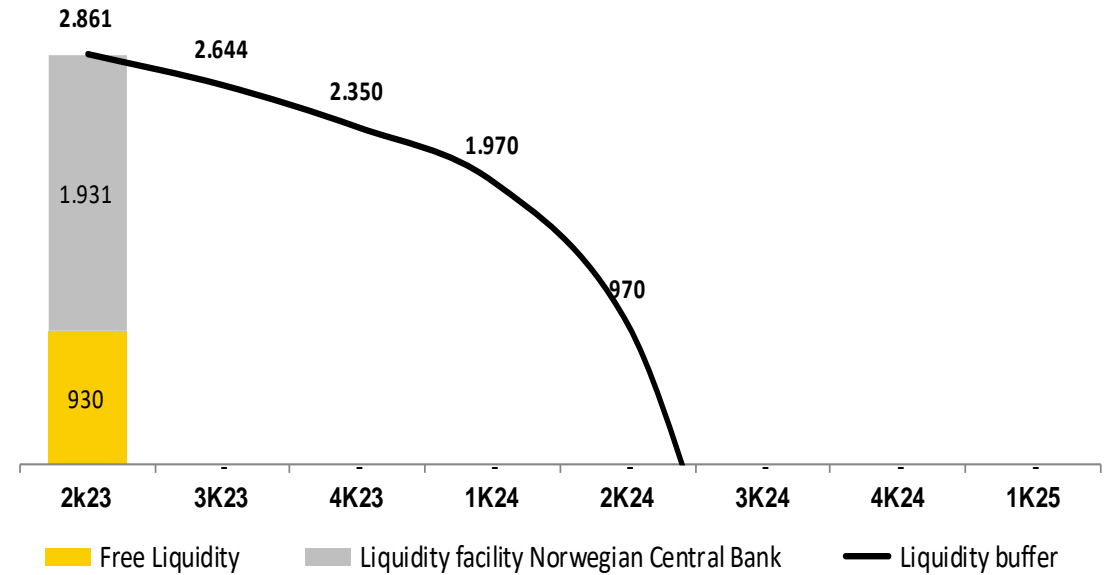
# Liquidity

LCR at 466 % | NSFR at 129 %

### Funding (MNOK)



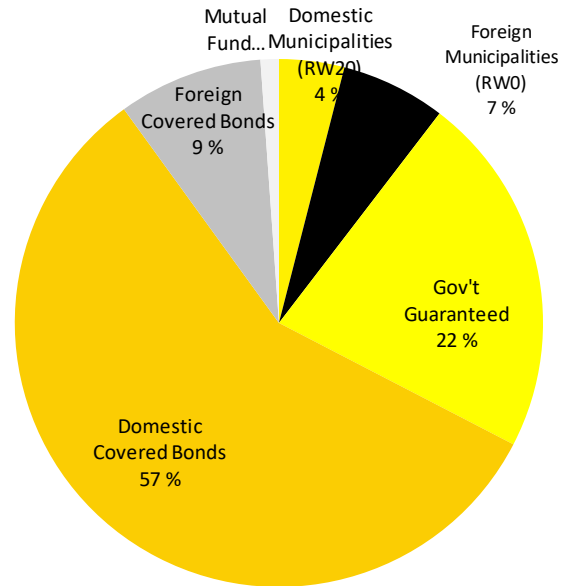
### Liquidity reserve, (MNOK)



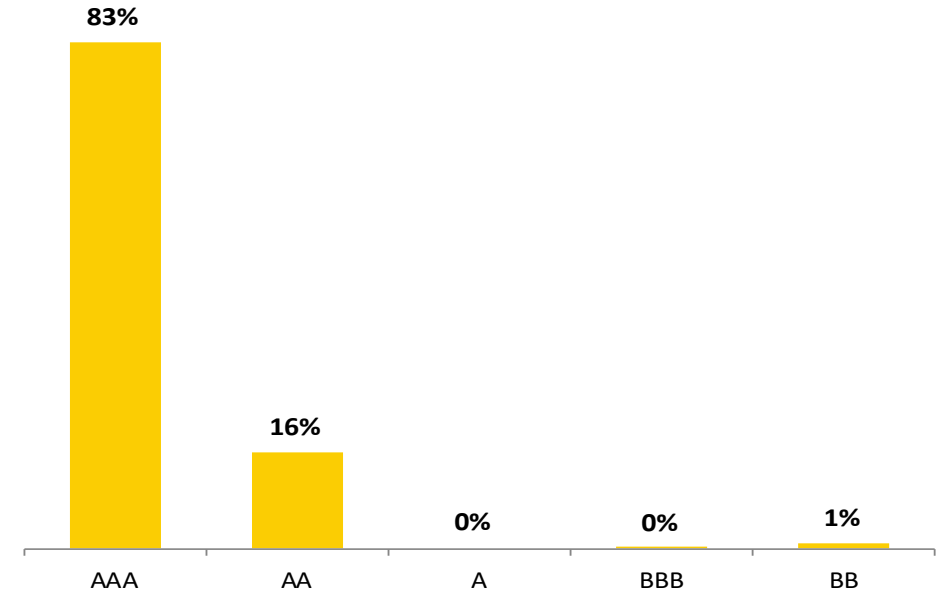
# Liquidity

NOK 3,2 bn. ex. cash

Composition liquidity portfolio



Rating distribution



- BB is an interest fund



# Nøkkeltall

	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	1H22	1H23
Growth assets	-2,6 %	-1,1 %	5,7 %	1,1 %	2,5 %	0,2 %	2,2 %	<b>2,0 %</b>	2,9 %	<b>7,0 %</b>
Growth lending (net)	1,3 %	1,4 %	1,3 %	2,0 %	2,8 %	0,0 %	2,6 %	<b>2,4 %</b>	6,1 %	<b>8,0 %</b>
Growth deposits	-0,3 %	0,4 %	2,7 %	5,0 %	-4,0 %	0,5 %	1,5 %	<b>6,2 %</b>	8,0 %	<b>3,9 %</b>
Net interest margin	1,54 %	1,54 %	1,52 %	1,58 %	1,62 %	1,60 %	1,72 %	<b>1,78 %</b>	1,57 %	<b>1,75 %</b>
Other income % of total income	21,5 %	23,0 %	25,6 %	38,1 %	10,6 %	15,5 %	16,4 %	<b>33,2 %</b>	32,6 %	<b>26,0 %</b>
Cost-to-income ratio	49,7 %	49,2 %	50,2 %	43,1 %	54,8 %	53,7 %	53,9 %	<b>44,3 %</b>	46,2 %	<b>48,4 %</b>
Costs as % of av. total assets	1,0 %	1,0 %	1,0 %	1,1 %	1,0 %	1,0 %	1,1 %	<b>1,2 %</b>	1,1 %	<b>1,1 %</b>
Return on equity before tax	8,7 %	10,3 %	10,1 %	14,6 %	8,1 %	7,9 %	9,4 %	<b>13,9 %</b>	12,3 %	<b>11,6 %</b>
Return on equity after tax	7,8 %	9,6 %	9,0 %	13,5 %	6,1 %	5,9 %	8,3 %	<b>12,7 %</b>	11,2 %	<b>10,5 %</b>
Capital adequacy ratio	17,8 %	18,5 %	18,2 %	18,8 %	19,7 %	20,7 %	20,2 %	<b>20,1 %</b>	18,8 %	<b>20,1 %</b>
Tier 1 capital ratio	16,5 %	17,2 %	17,0 %	17,5 %	17,4 %	18,4 %	18,2 %	<b>18,2 %</b>	17,5 %	<b>18,2 %</b>
CET1	15,9 %	16,6 %	16,3 %	16,9 %	16,8 %	17,8 %	17,5 %	<b>17,1 %</b>	16,9 %	<b>17,1 %</b>
Risk-weighted assets	16.706	16.689	16.944	16.369	16.452	16.638	16.841	<b>17.236</b>	16.369	<b>17.236</b>
Number of man-years	133	138	140	147	147	151	155	<b>155</b>	147	<b>155</b>
Stock exchange price	100	99	103	92	89	94	87	<b>85</b>	92	<b>85</b>
Equity capital certificate % of equity	63,8	63,4	63,5	63,5	63,5	63,8	63,5	<b>63,6</b>	63,5	<b>63,6</b>
Earnings per equity capital certificate	1,8	2,2	2,0	3,1	1,5	1,5	2,0	<b>3,1</b>	5,1	<b>5,1</b>
Book value per equity capital certificate	93,1	90,2	91,6	94,7	96,1	100,4	96,2	<b>99,3</b>	94,7	<b>99,3</b>
Individual write-downs in % of gross lending	0,14 %	0,15 %	0,15 %	0,12 %	0,12 %	0,12 %	0,11 %	<b>0,11 %</b>	0,12 %	<b>0,11 %</b>
Coll. write-downs in % lending after ind. wr.-d.	0,26 %	0,23 %	0,22 %	0,23 %	0,23 %	0,23 %	0,22 %	<b>0,24 %</b>	0,23 %	<b>0,24 %</b>
Deposits to loans ratio	51,1 %	50,6 %	51,3 %	52,8 %	49,3 %	49,6 %	49,0 %	<b>50,8 %</b>	52,8 %	<b>50,8 %</b>
Deposits to loans ratio parent bank	84,5 %	82,5 %	83,3 %	90,0 %	84,7 %	88,8 %	93,7 %	<b>95,0 %</b>	90,0 %	<b>95,0 %</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

((Net interest income / days in the period) x days in a year) / 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

((Total operating costs / days in the period) x days in a year) / average total assets

## Return on equity before tax

(Operating profit before taxes / days in the period x days in a year) / ((OB total equity + IB total equity) / 2 [excl. T1 hybrid instruments])

## Return on equity after tax

(Operating profit after taxes / days in the period x days in a year) / ((OB total equity + IB total equity) / 2 [excl. T1 hybrid instruments])

## Equity certificate capital in % of equity

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

## Earnings per equity certificate

(Operating profit after taxes x equity certificate capital in % of equity) / number of equity certificates

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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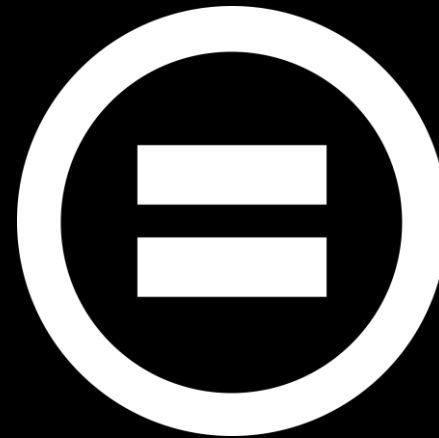
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