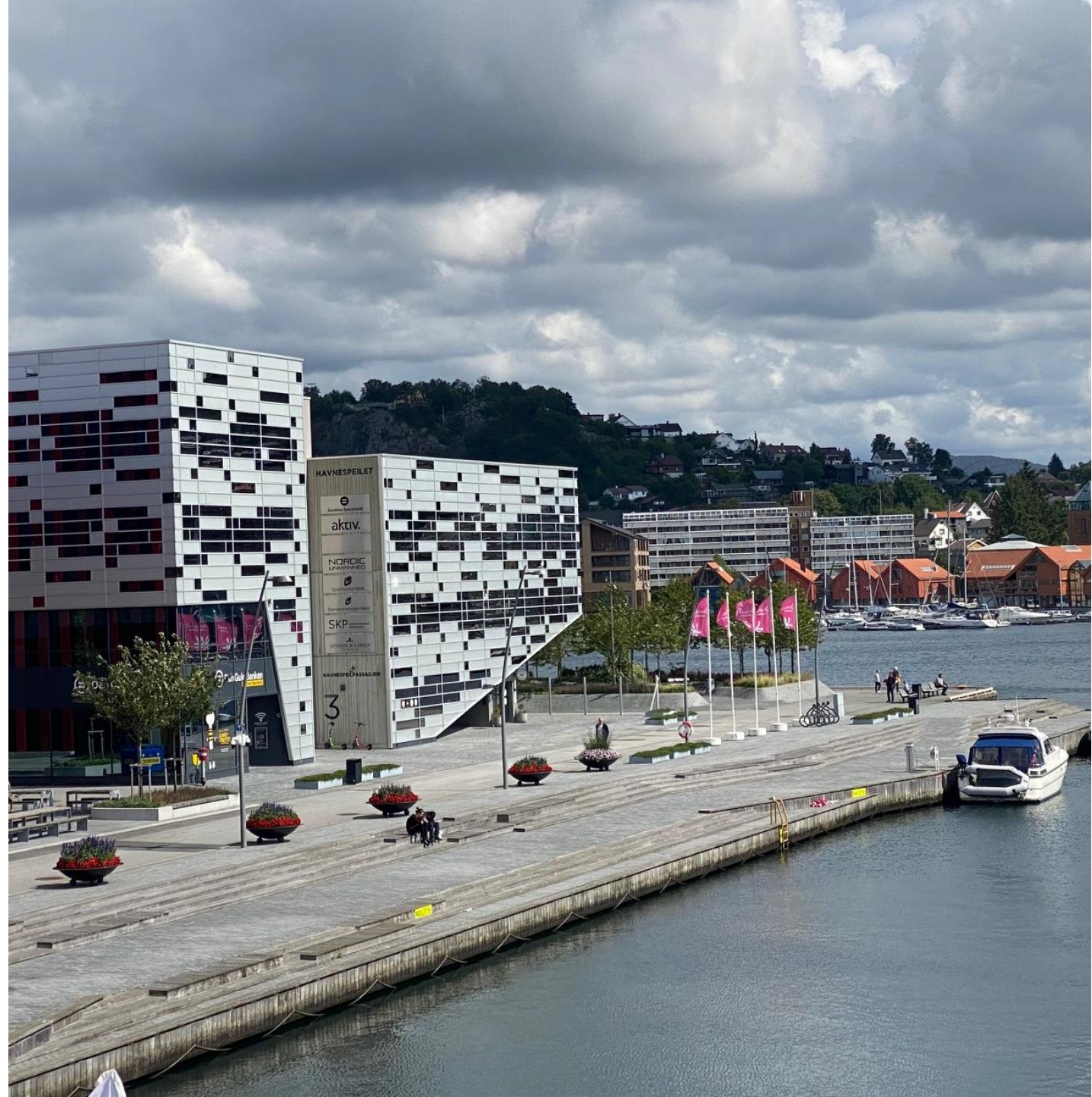


Financial Reporting

1st Quarter 2023

Sandnes 11.05.2023



Agenda

- Good and improved banking
- Strong market position
- Key Figures
- Local macro



JCDecaux



Vil du ha en
bank som
kjenner deg?



Hos oss får
du din egen
rådgiver!

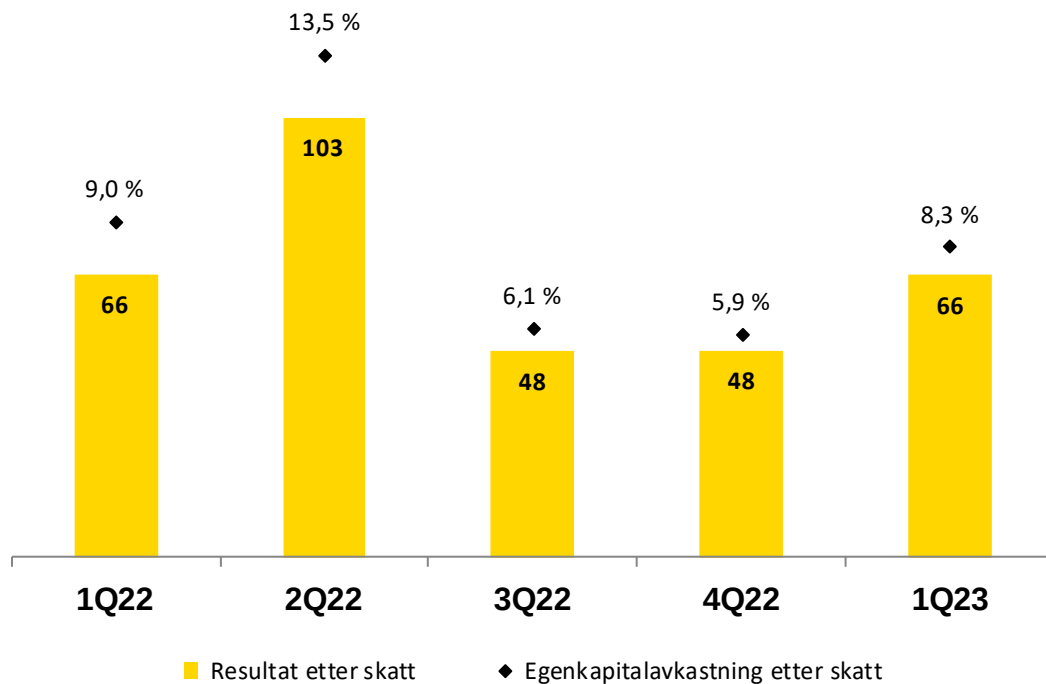


Den
Gule
Banken
Sandnes Sparebank

Den Gule Banken, Sandnes Sparebank

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

ROE



Summary

- Profit after tax MNOK 66,2 (66,4)
- ROE on equity after tax 8,3 % (9,0 %)
- Profit per ECC (EPS) of NOK 2,0 (2,0)
- Lending growth last 12 months of 7,6 % (5,2 %)
- Net interest margin of 1,72 % (1,52 %)
- Net loss of MNOK 1,4 (1,5)
- Costs MNOK 89 (77)
- Solid bank with CET1 17,5 % (16,3 %)

Agenda

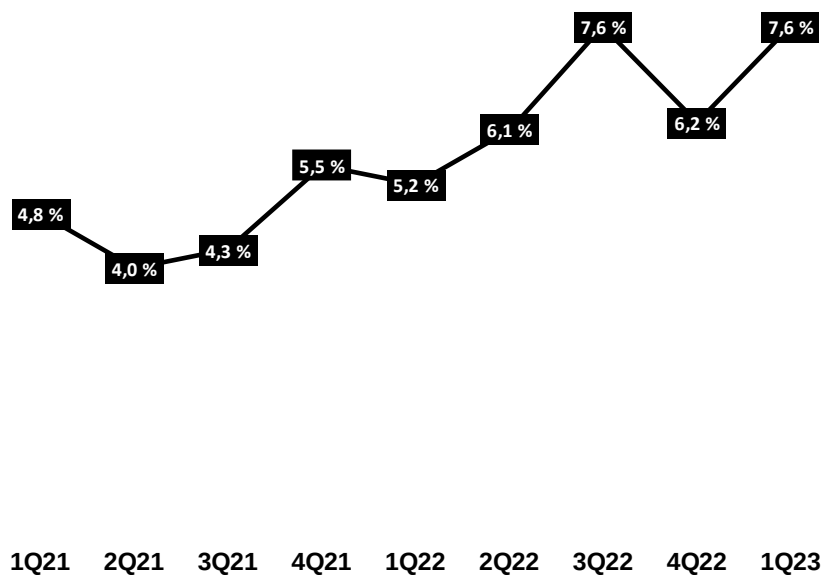
- Good and improved banking
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Loan growth at 7,6 % YoY

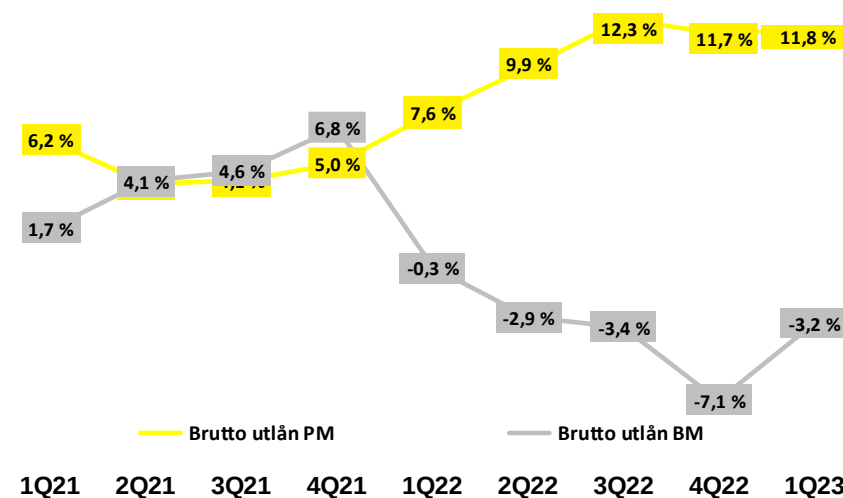
Solid growth in retail market

Group level (12 months)



- Total lending increased by NOK 2,0 mrd (7,6 %) YoY
- Total lending increased by MNOK 713 (2,6 %) QoQ

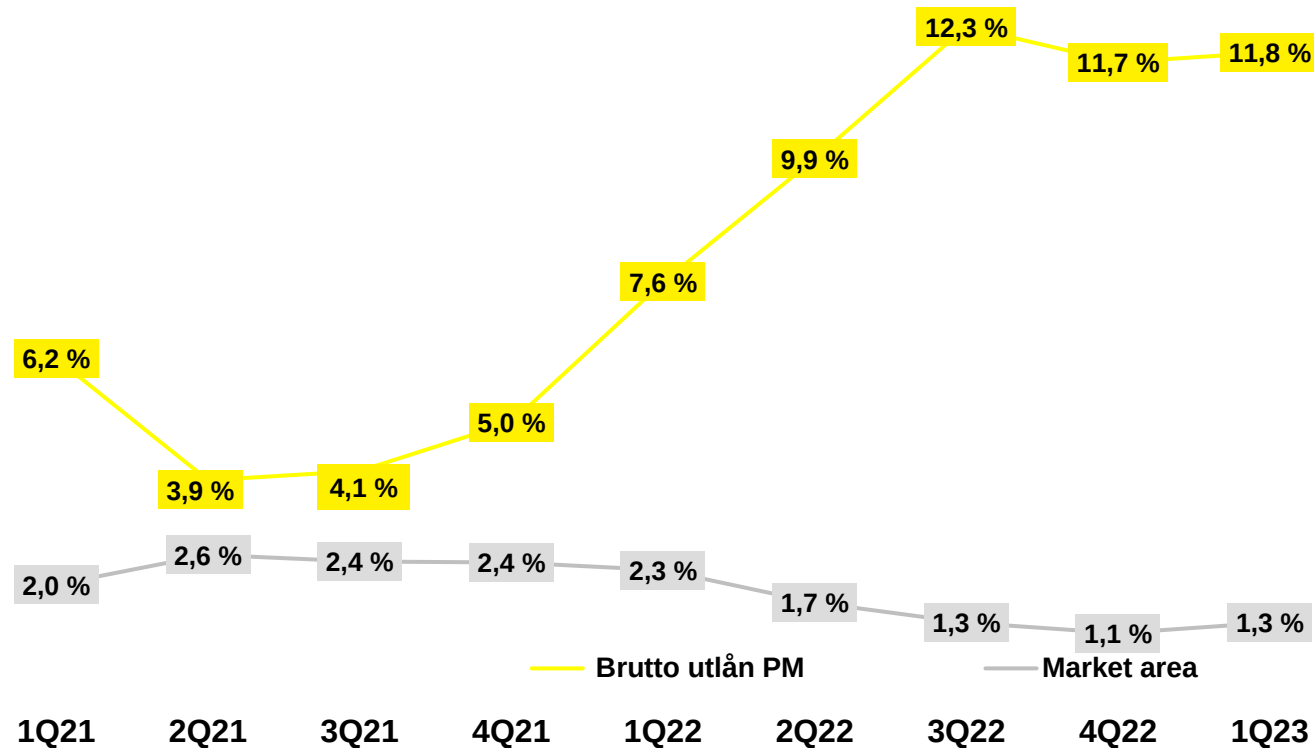
Growth by Division (12 months)



- Retail lending increased by NOK 2,2 mrd (11,8 %) YoY. VS market growth of 1,1 %*. Last quarter retail lending increased by MNOK 581 (2,9 %).
- Corporate lending decreased by MNOK 230 (-3,2 %) YoY., and increased by MNOK 132 (1,9 %) QoQ

Strategic organic growth in the retail market

Growth retail lending YoY



- Customer experiences as a basis for growth
- Growth of 11,8 % VS credit growth of 1,3 %
- Retail lending increased by NOK 2,2 mrd (11,8 %) YoY
- Retail lending increased by MNOK 581 (2,9 %) QoQ
- Low credit growth in the region

Agenda

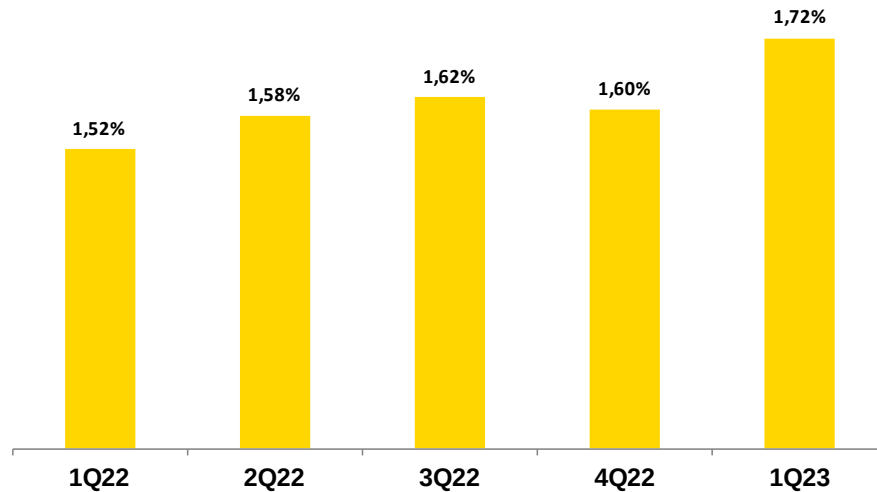
- Good and improved banking
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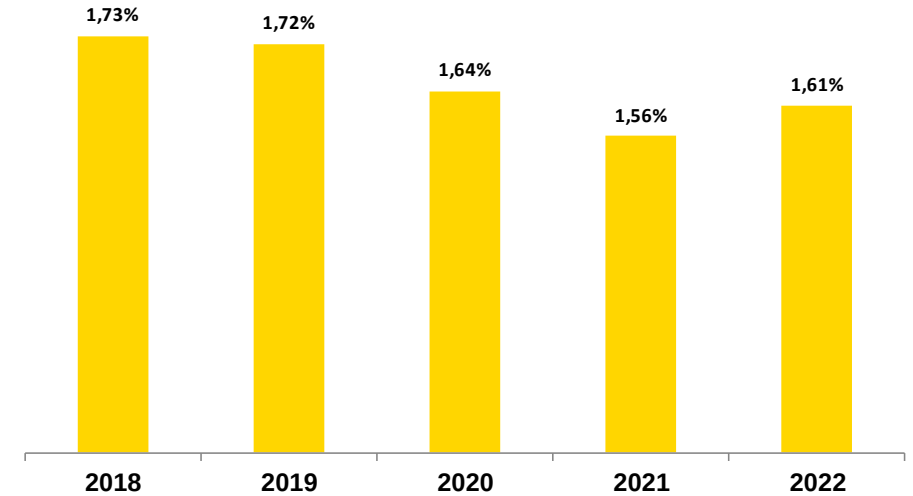
Net Interest Margin

Interest rate changes towards customers are beginning to take effect. Still som lag in interest margin as a result of an increase in Nibor

Net interest Margin, Quarterly



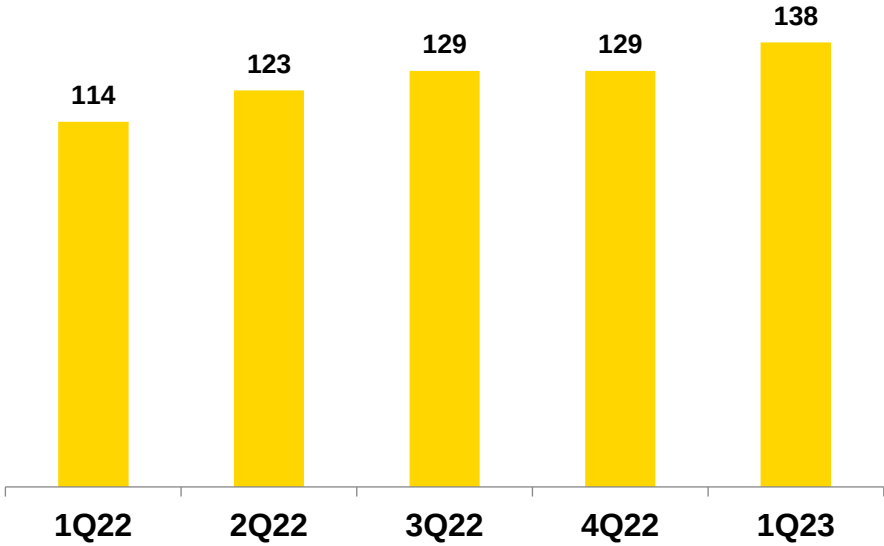
Net Interest Margin, Yearly



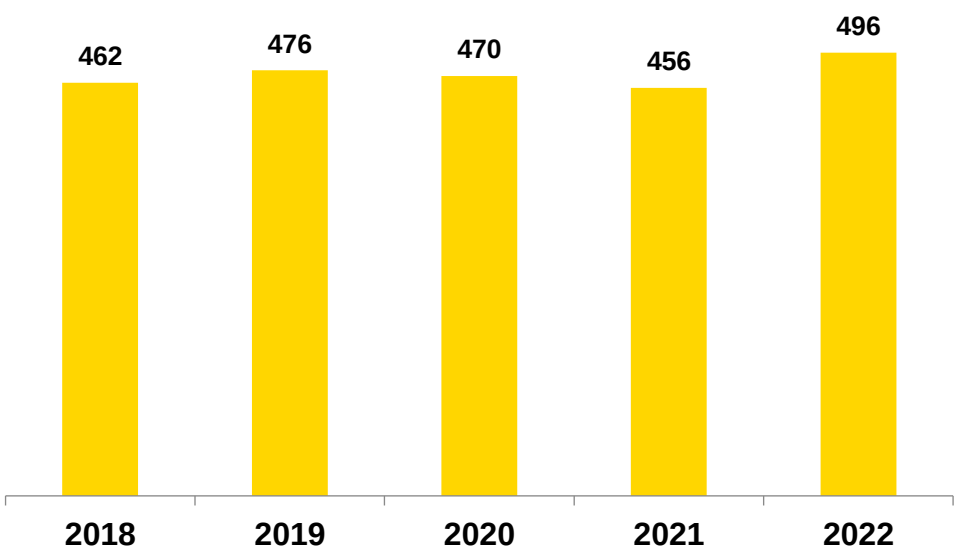
- The Interest rate change in the retail market entails som time lag (6 weeks notice period)
- The interest change in the corporate market has a rapid effect (2 weeks notice period)

Net Interest

Net Interest, Quarterly



Net Interest, yearly

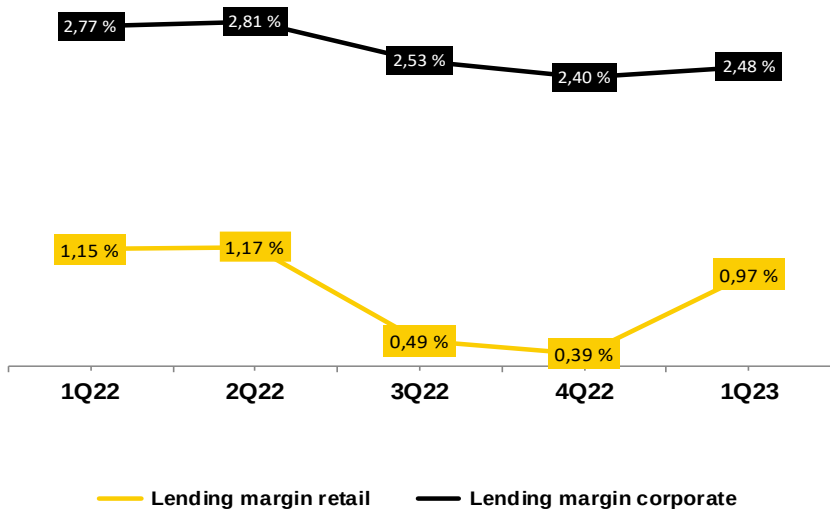


- Despite the falling margin, net interest has remained stable in recent years due to loan growth

Margins on Loans and Deposits

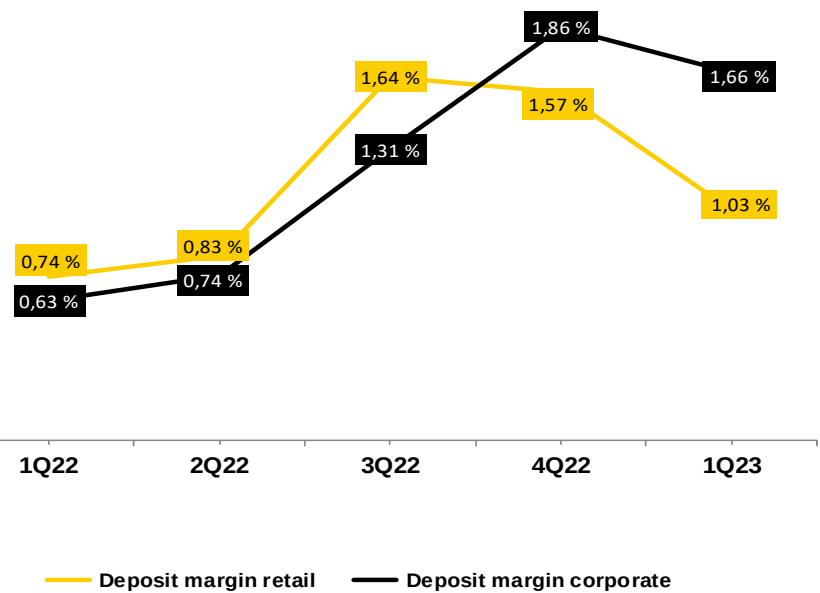
Strong competition and rising NIBOR-rates affects margins

Lending margins



- Developments in the key interest rate and Nibor affect the lending margin. Especially in the retail market

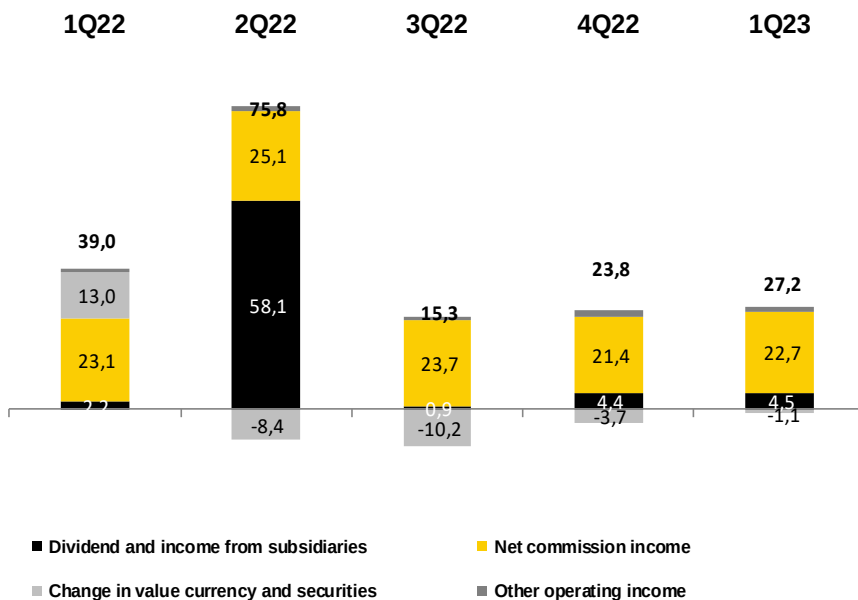
Deposit margins



Other income

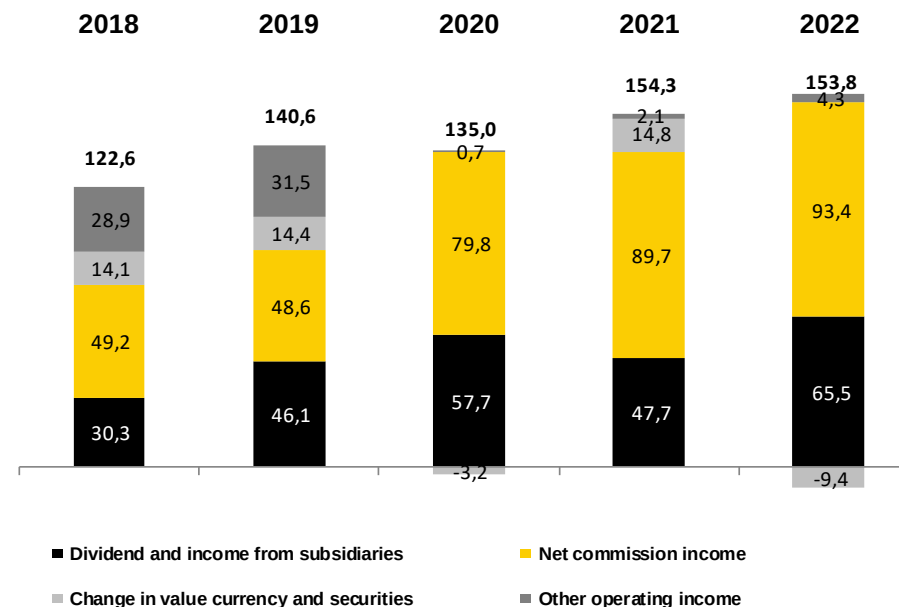
Good results from net provision income and investments

Other income, Quarterly



- Dividend from Eika gruppen amount to MNOK 44,8 (54,1) for 2022. This will be booked in the second quarter
- Good results from the investments in Kjell Haver regnskap and Jæren Sparebank
- Increased credit spreads lead to changes in the value of financial securities

Other income, Yearly

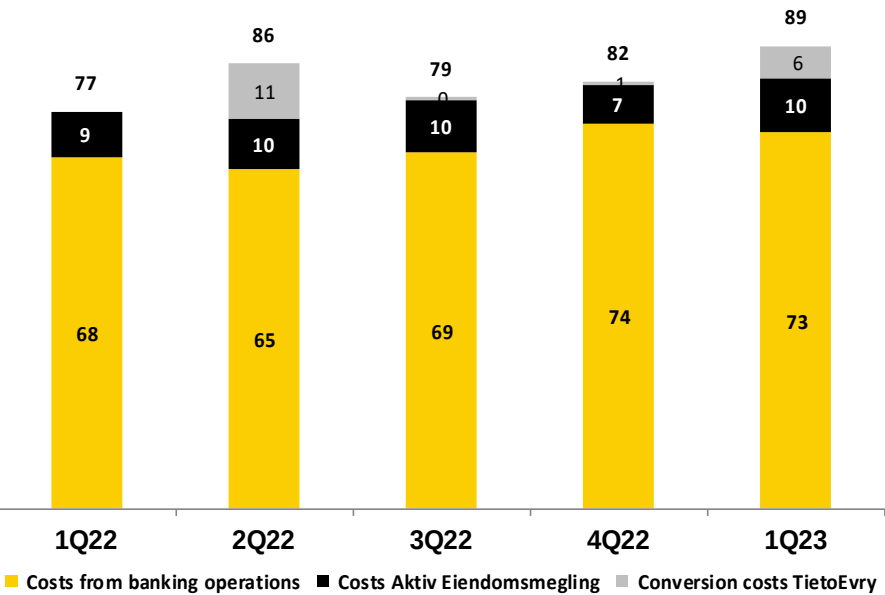


- Steady increase in all types of commission income
- Solid results from the banks investments
- The change in principle for bookkeeping of the real estate business has not been made for 2018.

Operating Costs

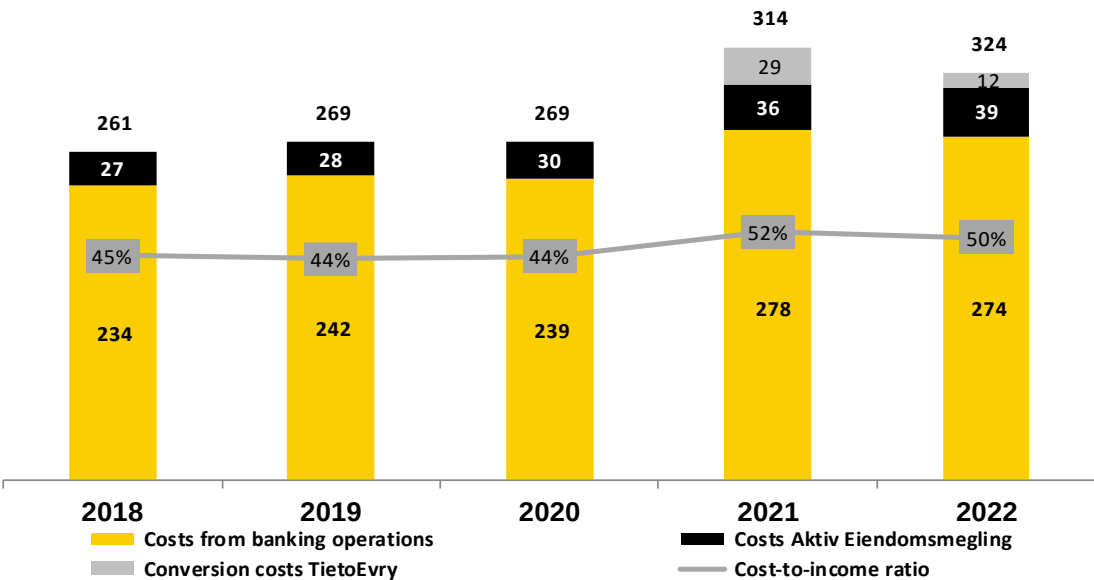
Some increase in personellcost, Conversion of the core bank system is carried out according to plan

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 117 to 128 recent year
- Operating costs is somewaht up as a result of a generally higher price level

Other Operating Costs, Yearly

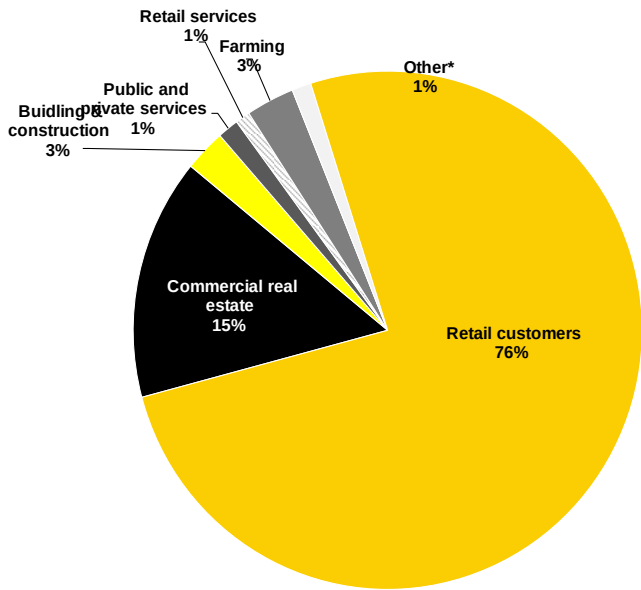


- The cost ratio of operations in the parent bank is 45%
- Changing the core system from SDC to TietoEvry entails investments in between 50-60 MNOK 47 MNOK is expensed in 2021-2023. inflation and depreciation of the NOK entails some cost overrun

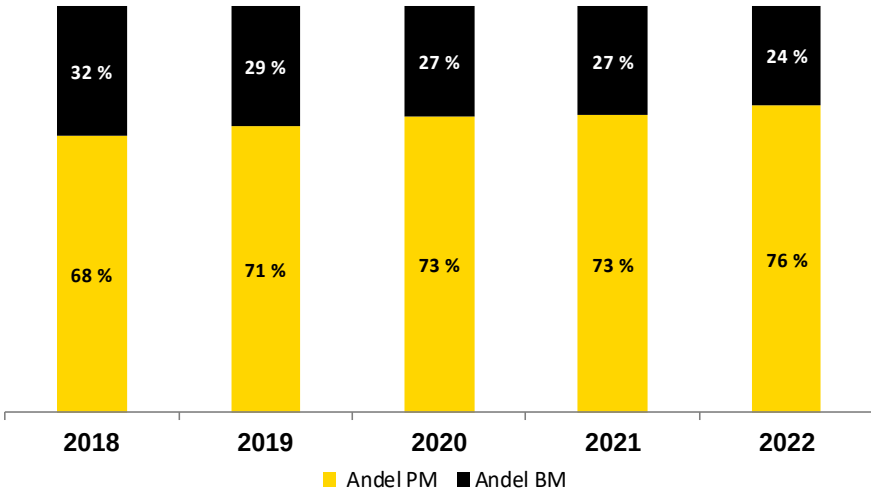
Loans to Customers by Division

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

Distribution by sector



Distribution by division

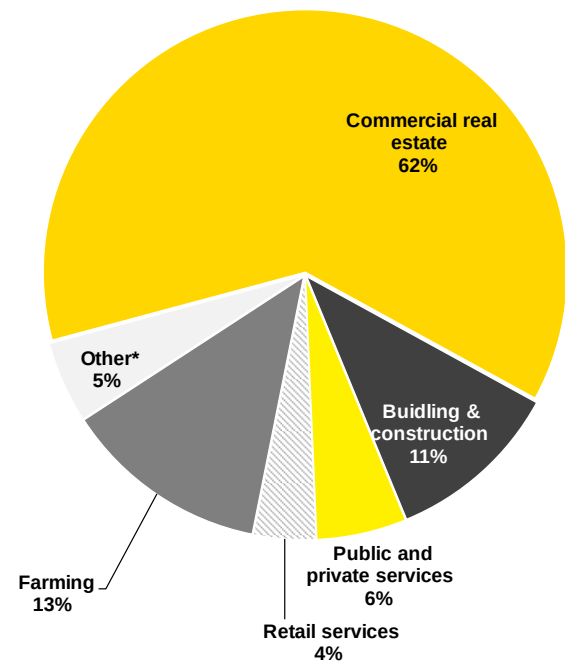


- Low exposure to cyclical industries
- Agriculture will continue to be an important focus area in the future
- Insignificant direct exposure to oil-related activities
- Insignificant exposure to the tourism industry

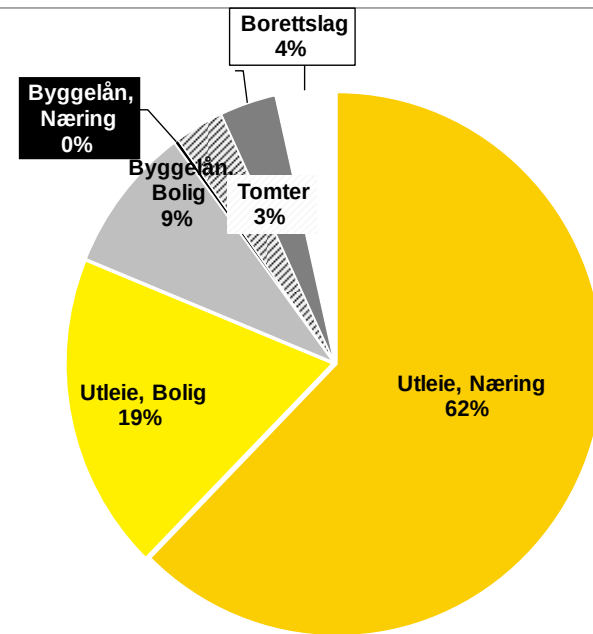
Loans to Corporate Customers by Sector-24% of total lending

Largest growth in agriculture and SME

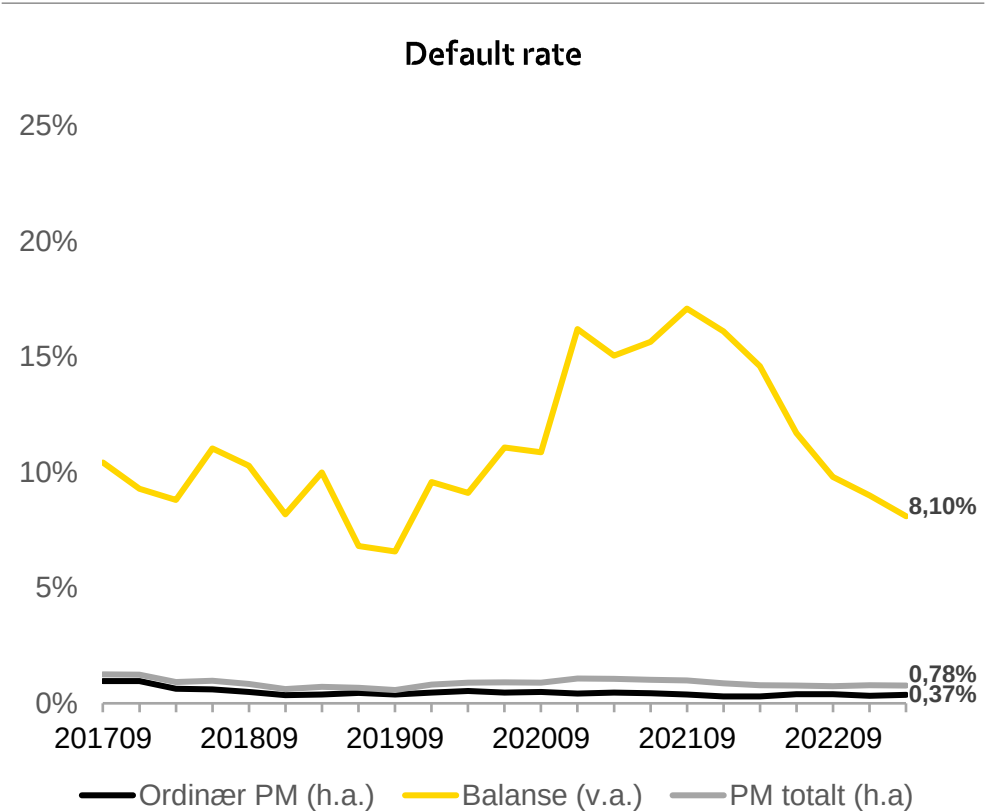
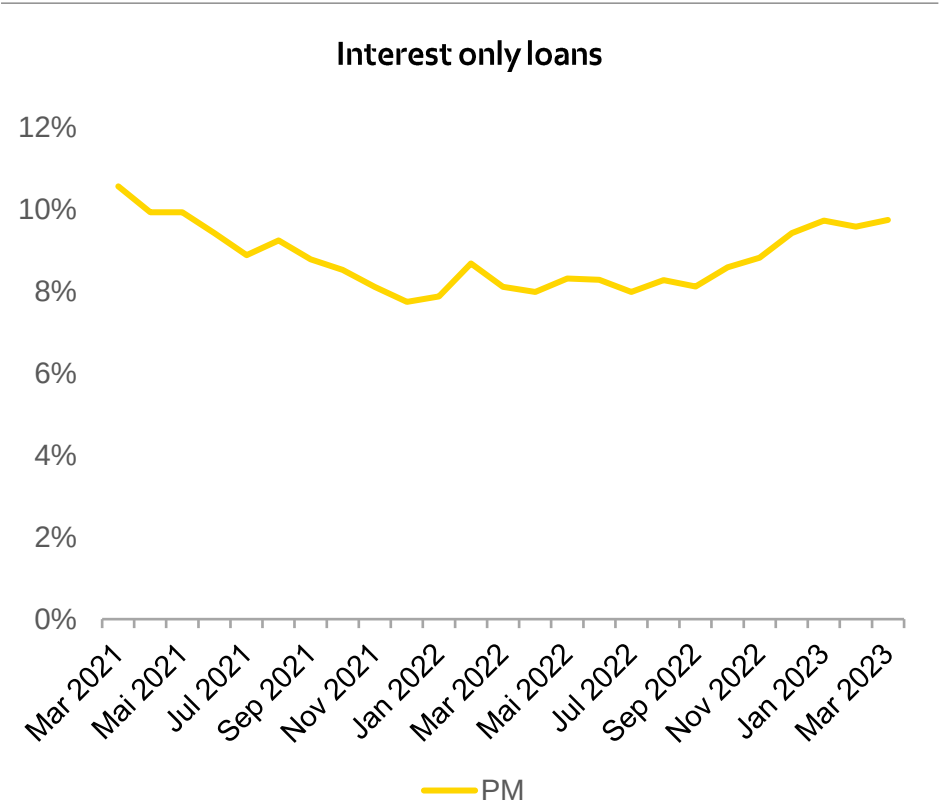
Distribution by sector



Corporate loans to real estate



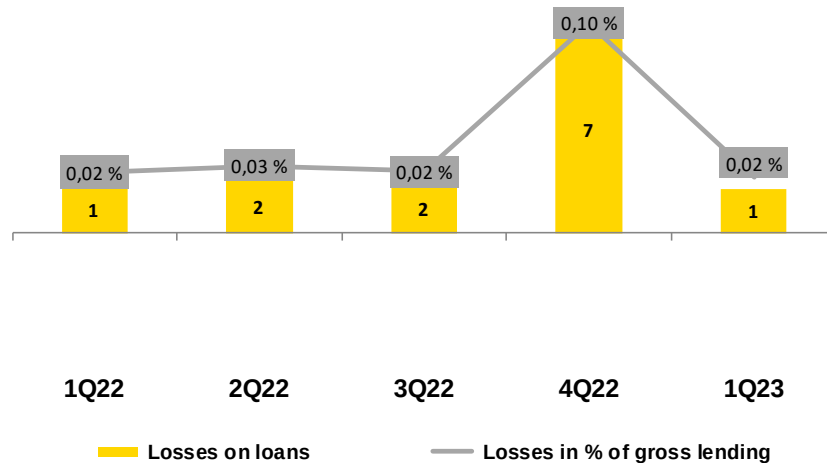
Interest only loans and default rate PM



Losses on Loans and Guarantees

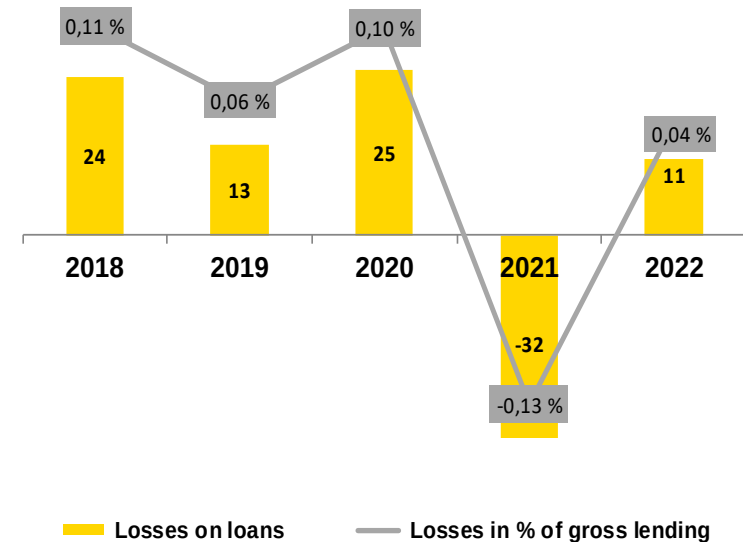
Stable low losses in spite of troubled financial markets and macroeconomic uncertainty

Losses on loans and guarantees, QoQ



- Step distribution first quarter of 2023
 - Step 1: 0,8 MNOK
 - Step 2: - 2,9 MNOK
 - Step 3: 3,5 MNOK

Losses on loans and guarantees, YoY

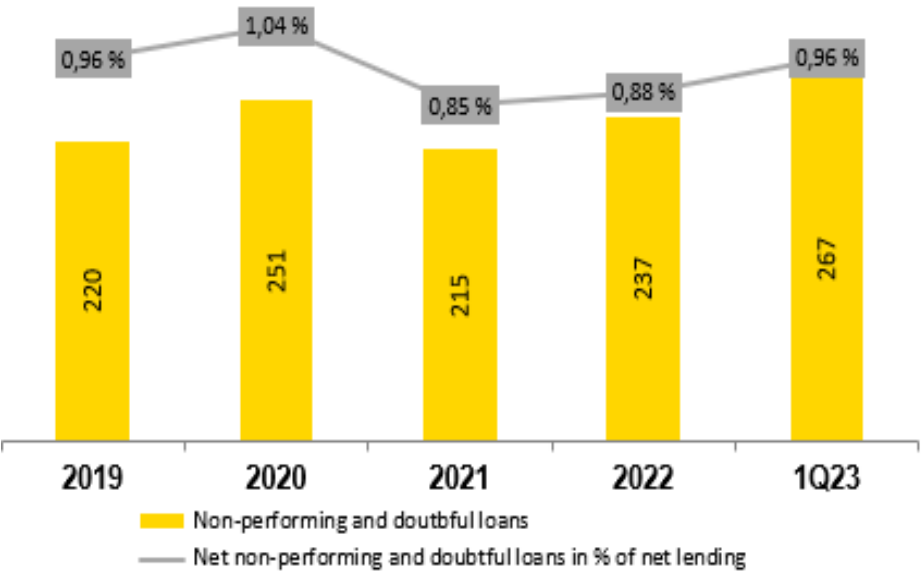


- Step distribution in 2022
 - Step 1: 5,2 MNOK
 - Step 2: - 2,2 MNOK
 - Step 3: 8,4 MNOK

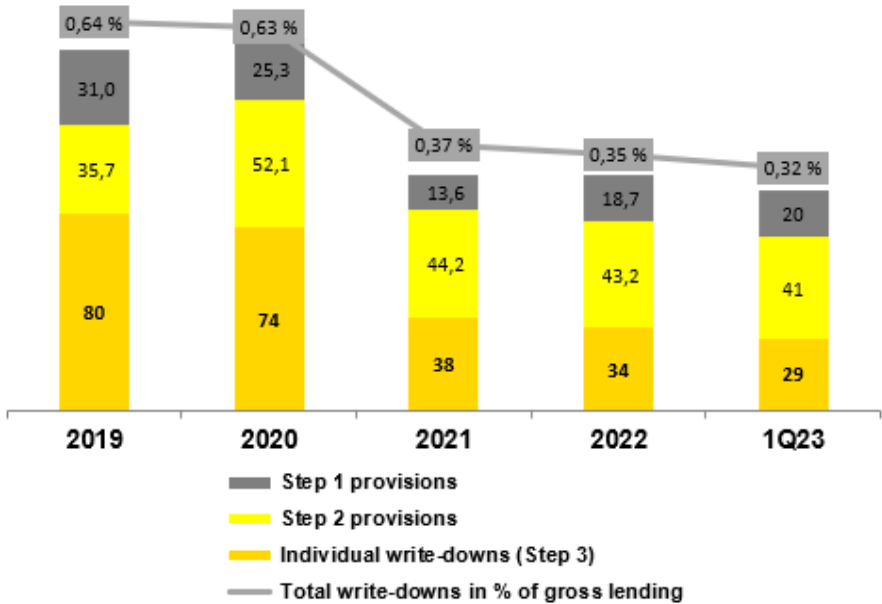
Non-Performing and Doubtful Loans

Stable level on non-performing and doubtful loans

Non-performing and doubtful loans, EOY



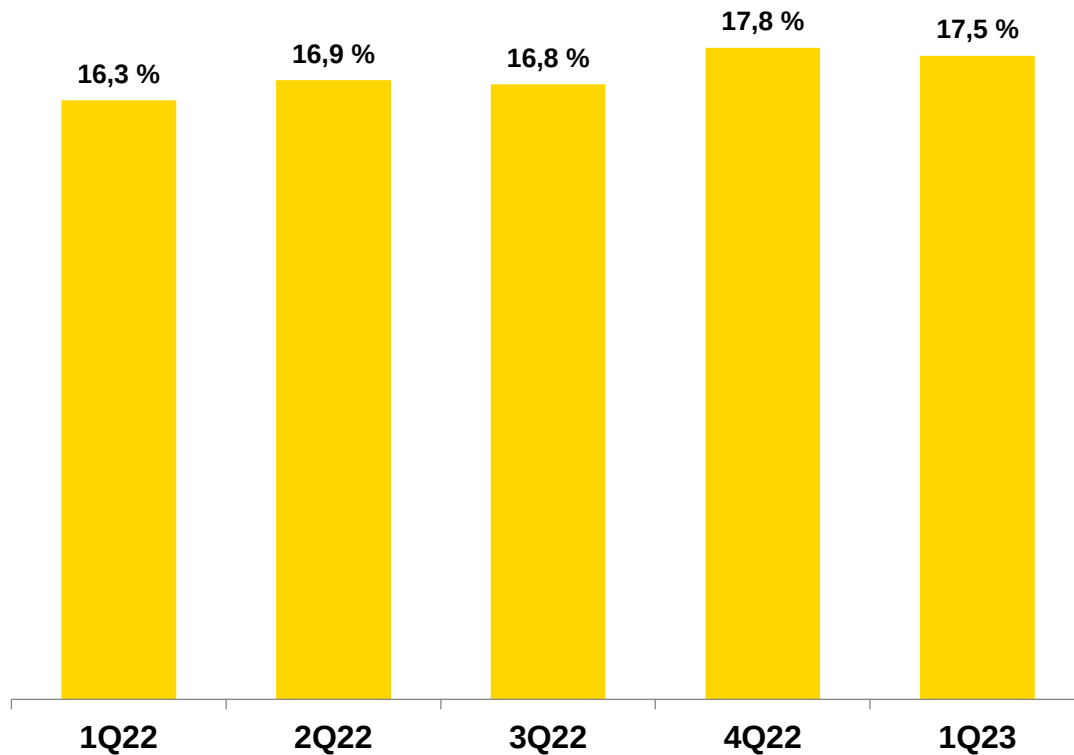
Write-downs EOY



Well Capitalized and Equipped for Furter Growth

Common equity capital ratio of 17,9 % including this years result. Leverage ratio 9,3 %

CET-1



En godt kapitalisert bank

- Counter-Cyclical Buffer increased to 2,5% 31.03.2023
- 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

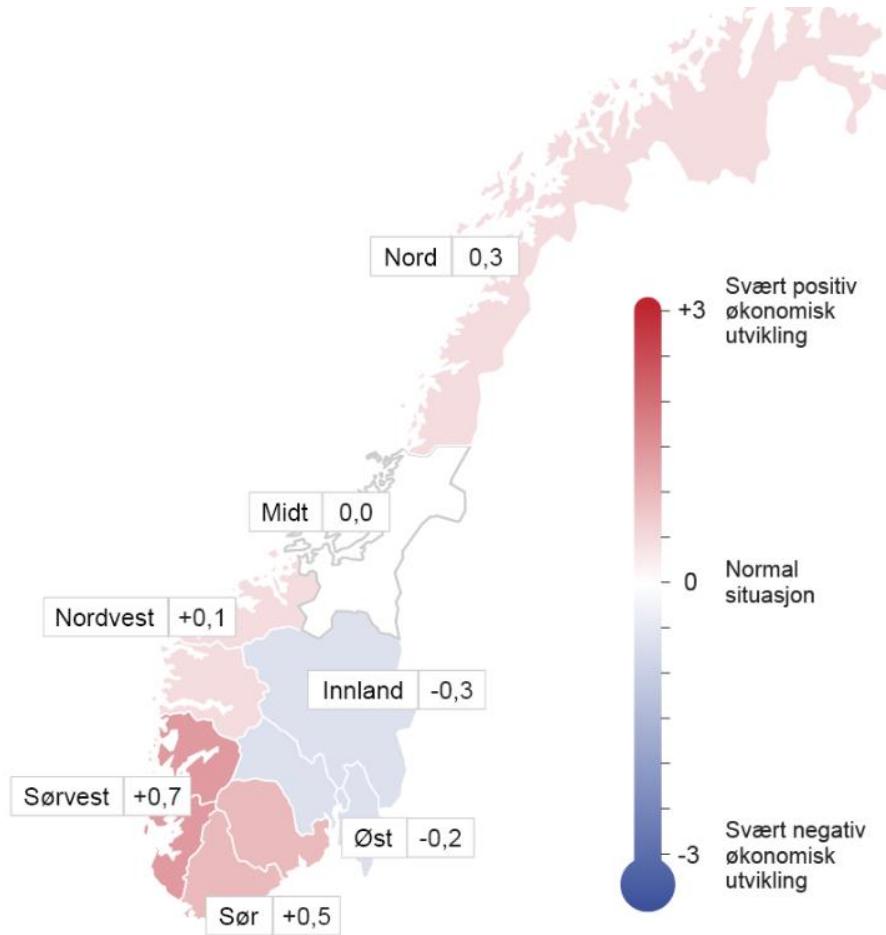
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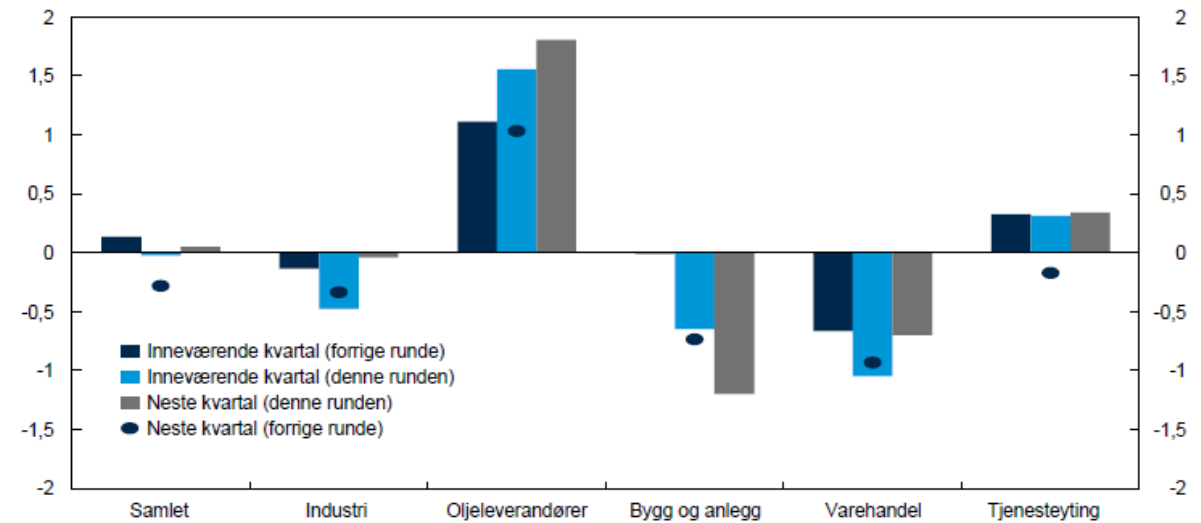
Norges Bank Regionalt nettverk

Still strong growth prospects in the region

Regionale indikatorer



Expected production growth. All industries, the whole country



- High activity within energy-related industries

Low unemployment in the region – many vacancies

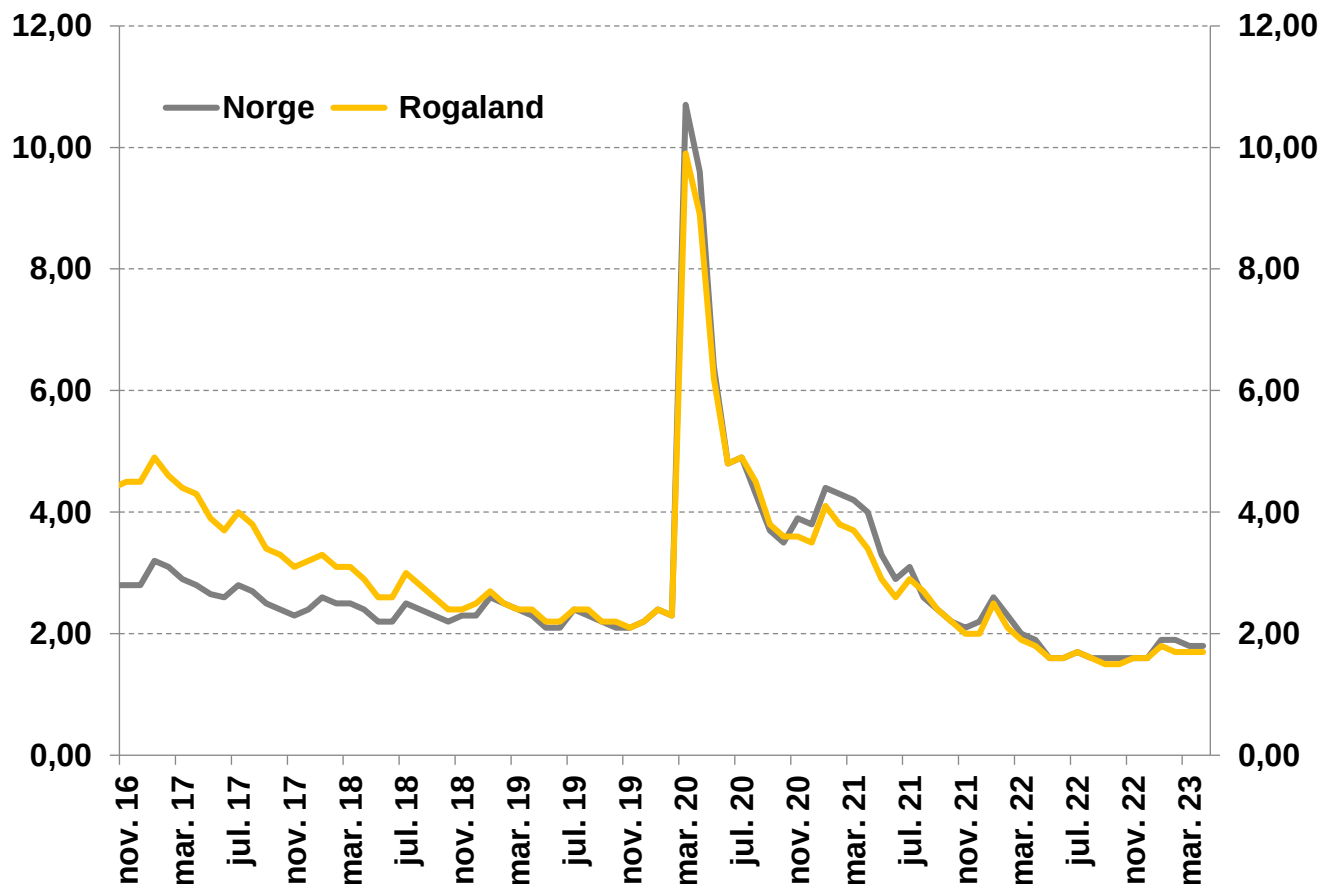
3 449 advertised positions

3 449 utlyste stillinger i Rogaland

I mars ble det utlyst 3 449 stillinger i Rogaland. Flest ledige stillinger var innenfor helse, pleie og omsorg med 1 059 stillinger. Deretter fulgte undervisning med 376 stillinger og butikk- og salgsarbeid med 282 stillinger. Også innenfor industriarbeid og ingeniør- og ikt-fag var det et betydelig antall ledige stillinger. Selv om antall utlyste stillinger har gått ned med 20 prosent sammenlignet med samme måned i fjor, ligger det fremdeles på et høyt nivå.

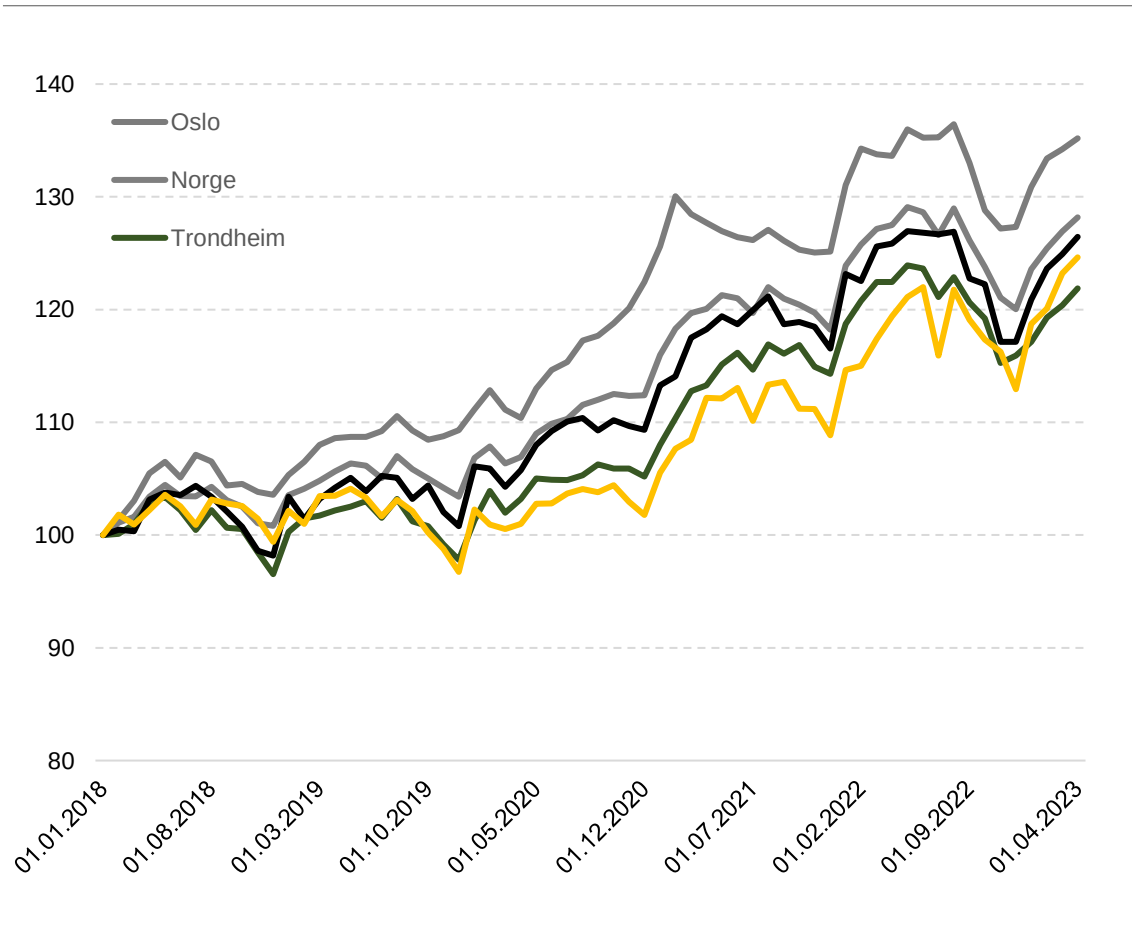
– Det høye antallet ledige stillinger vitner om at mange bransjer fortsatt sliter med å få tak i kompetansen de trenger. Helse, pleie og omsorg dominerer som vanlig stort og står for 30 prosent av de utlyste stillingene i fylket, sier Haftorsen

Unemployment in Rogaland at 1,7 %

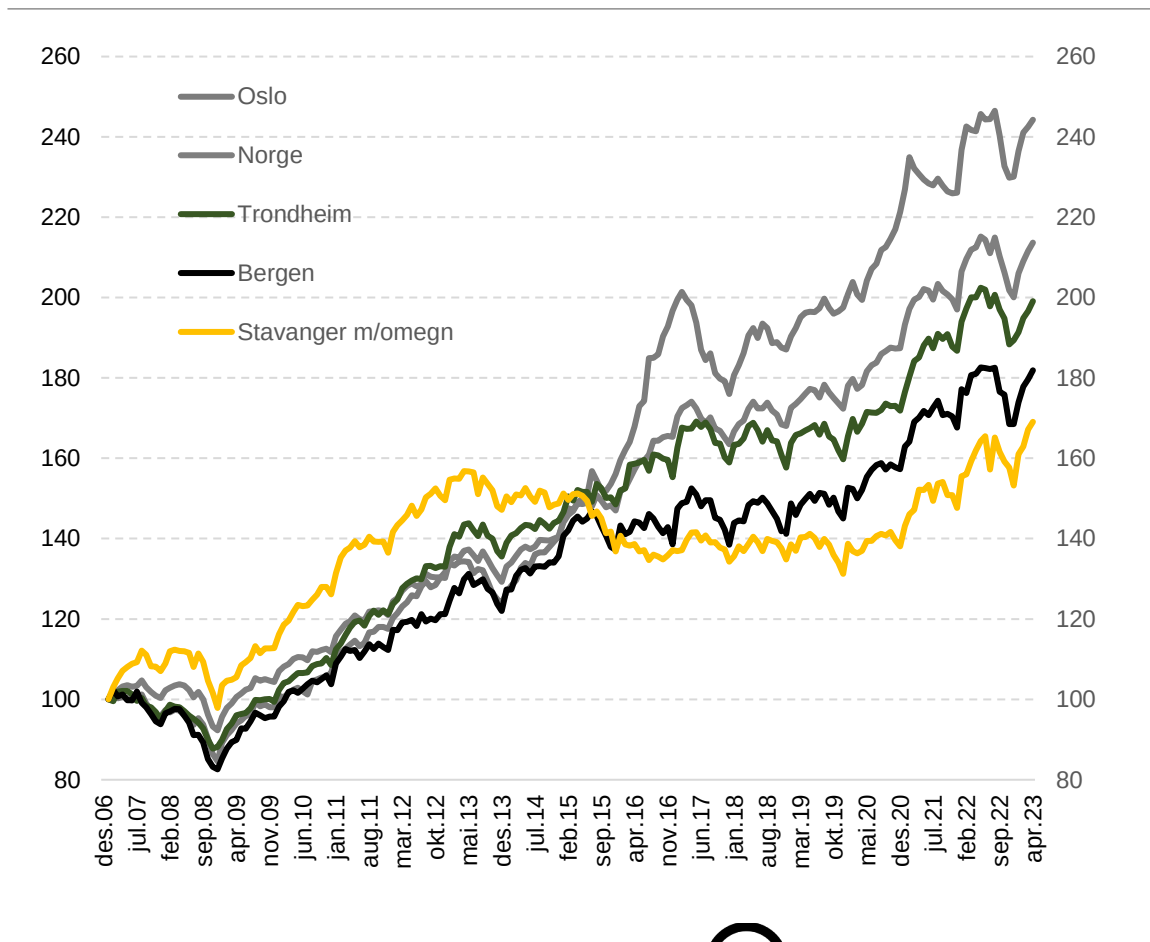


Pricedevlopment in the Stavanger area is up 4,4% YoY, and 0,5% in the country as a whole

House price development in the last 5 years



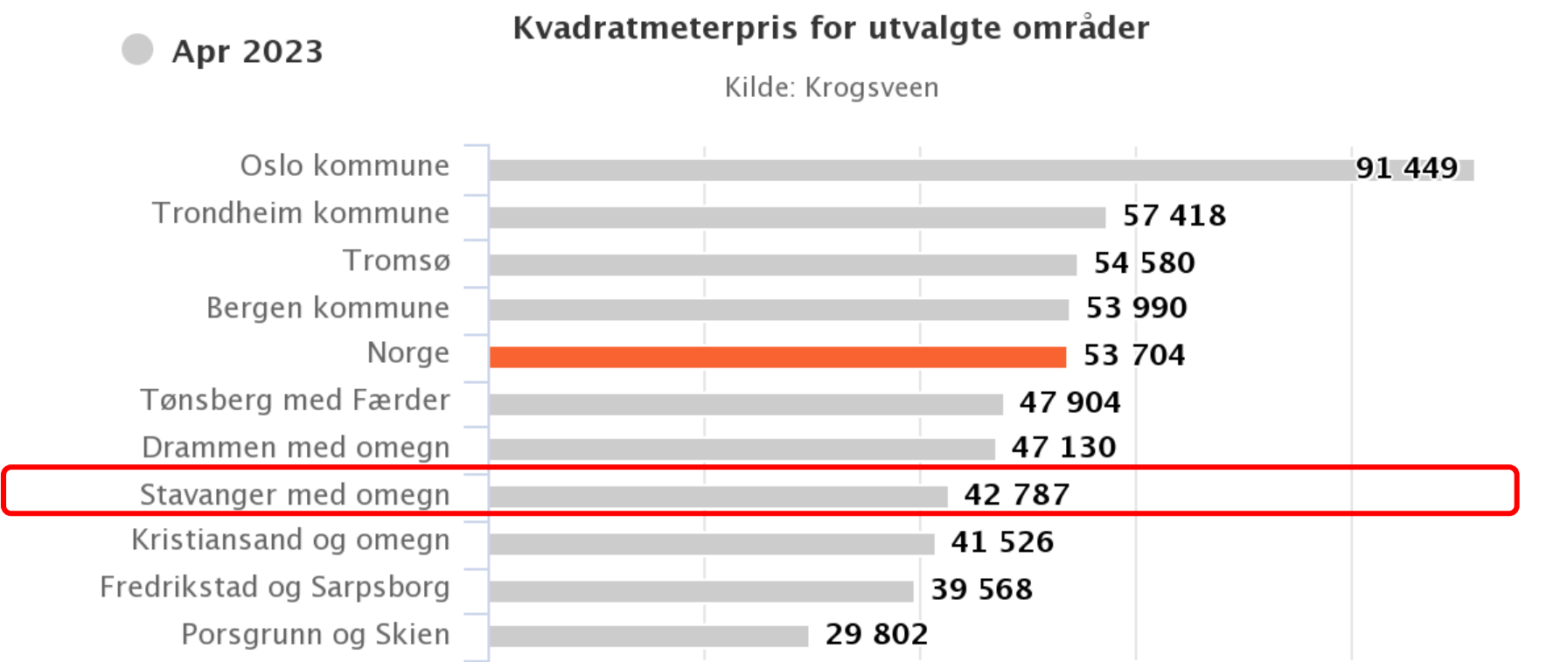
House price development from 2005



The region has a housing market that most people can take part in

- Moderate house prices
- 50% below Oslo
- 30%-40% below other cities
- Broadly the same income level
- Lower debt
- Withstands interest rate increases better
- More money for other things
- Moderate house prices mean that the potential drop is lower

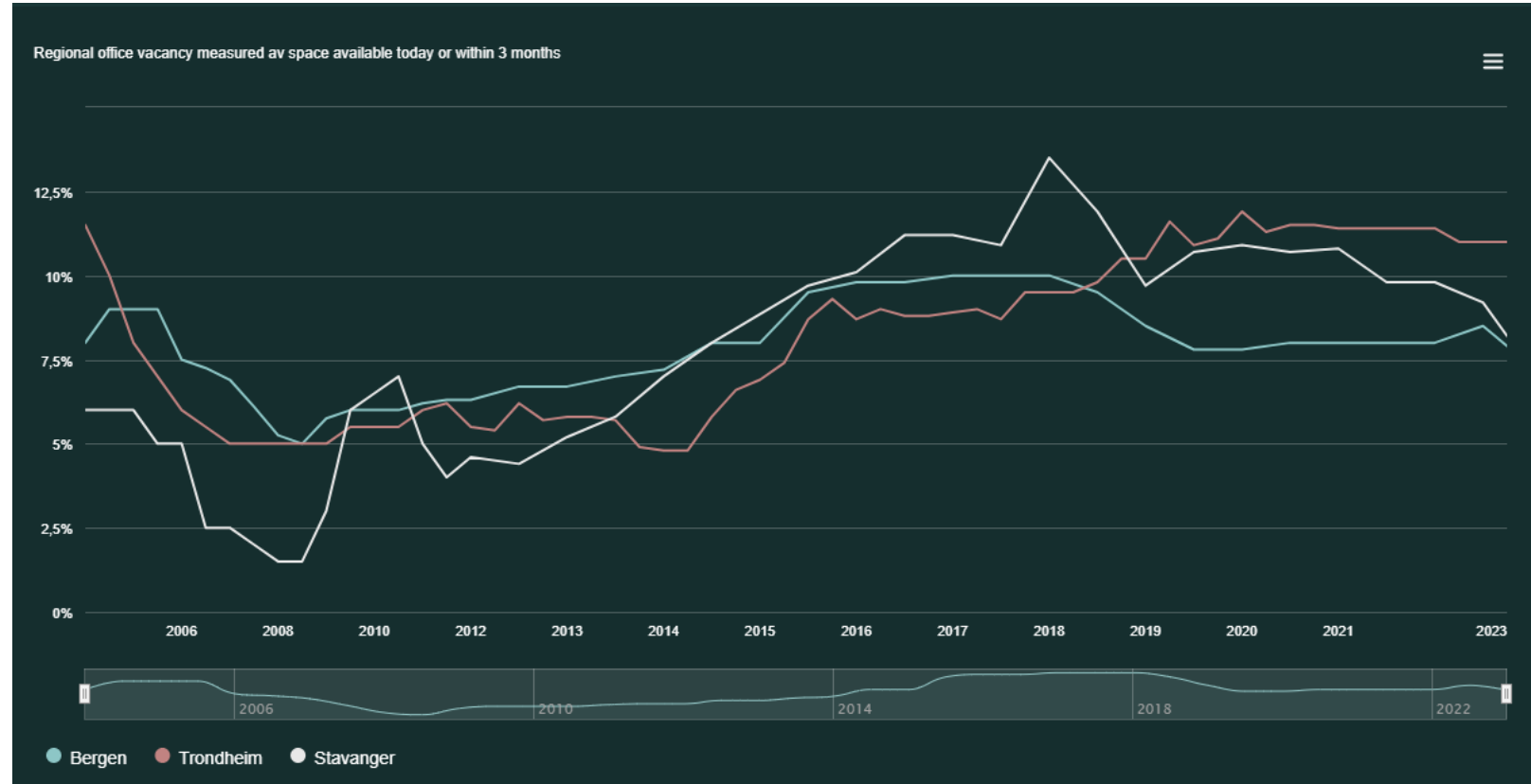
The price per square meter varies between cities



Improvement in commercial property in the region

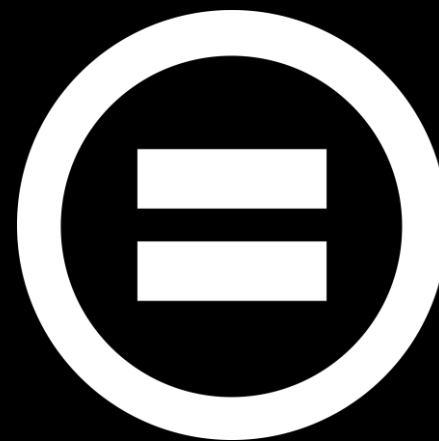
High activity in the region is reflected in the commercial property market

- The total vacancy is 4,3 % (4,6 %), corresponding to 289.000 sqm
- Vacancy in office space is 8,2 % (8,6 %), corresponding to 197.000 sqm
- Vacancy in combined area is 2,8 % (2,9 %), corresponding to 77.000 sqm
- Ledigheten på Vacancy on retail space is 1,0 % (1,4 %), corresponding to 15.000 sqm
- Stable rental prices
- Low volume so far this year on transactions



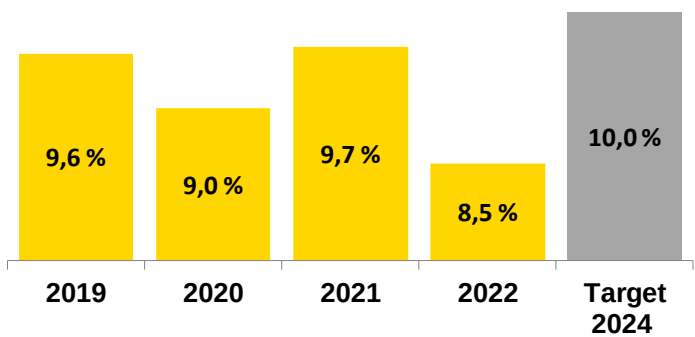
Kilde: Akershus Eiendom

TAKK.

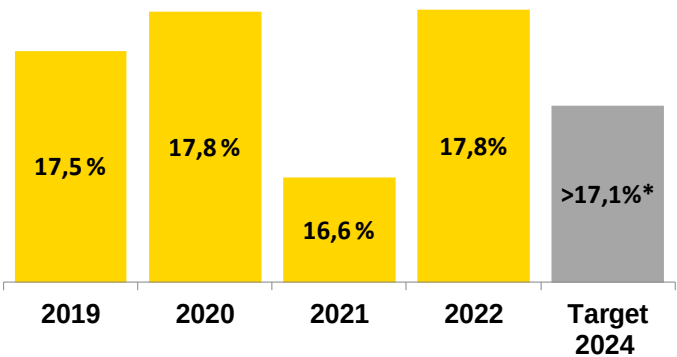


Financial Targets for 2021-2024

ROE

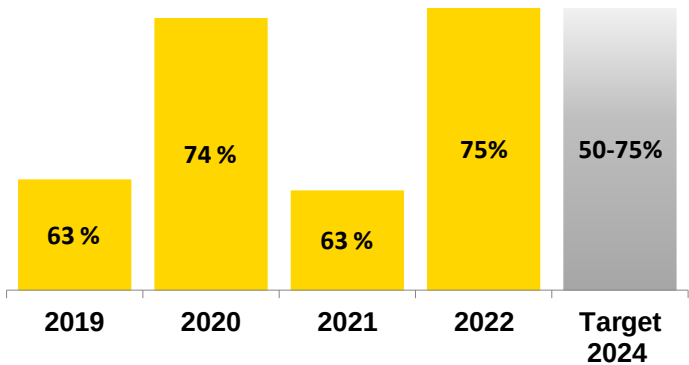


CET1

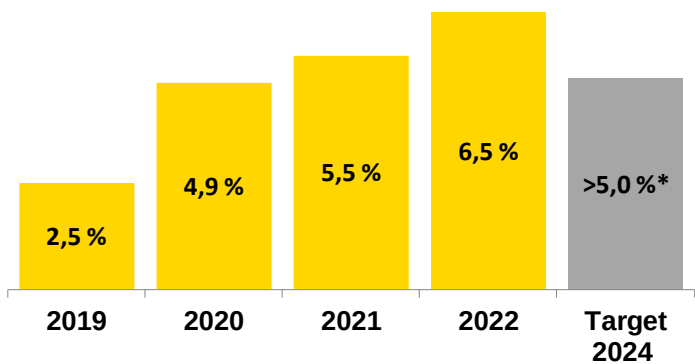


* Internt mål om + 1 % management buffer over det til enhver tid gjeldende myndighetskrav

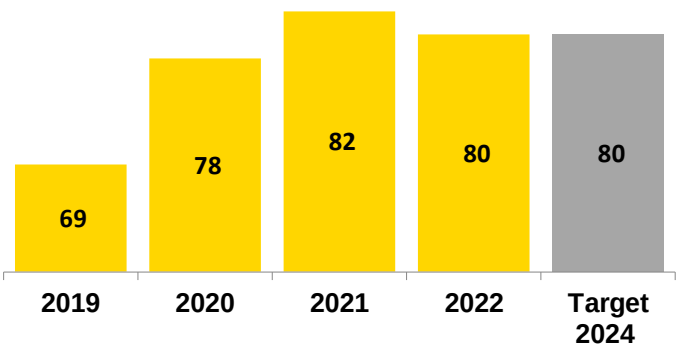
Dividends



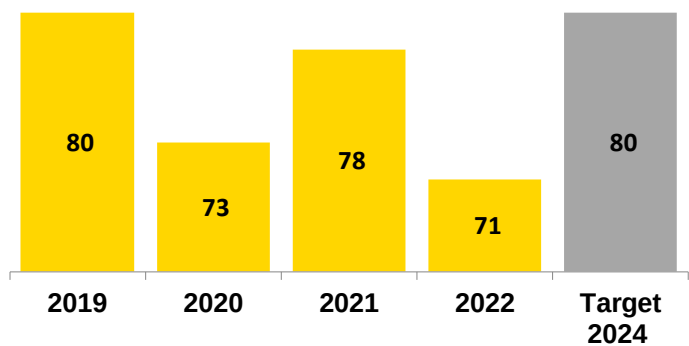
Profitable Growth



Customer Satisfaction Retail



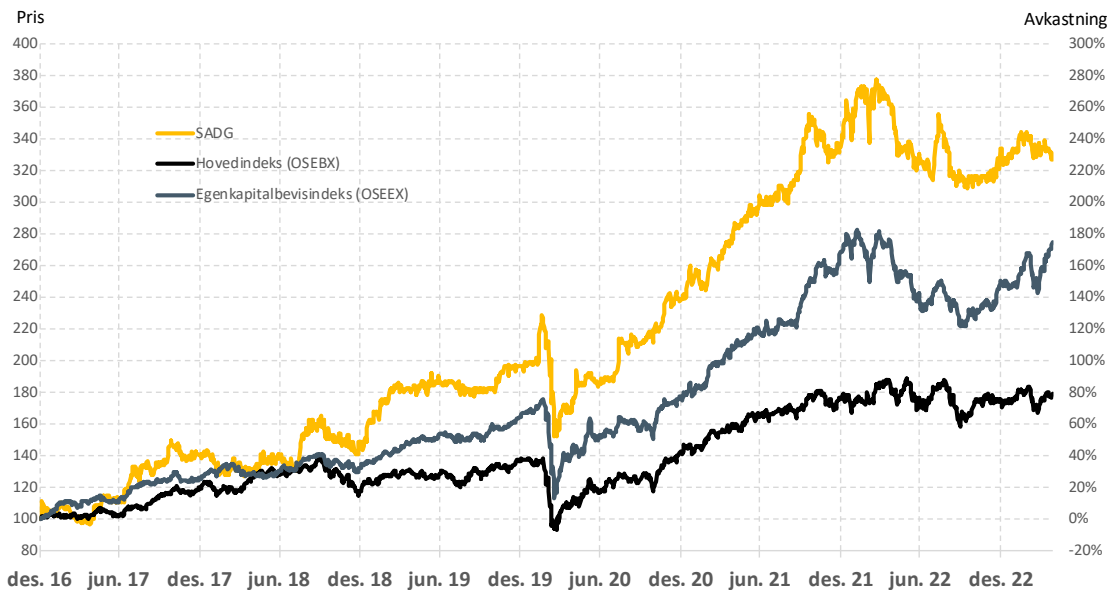
Customer Satisfaction



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

The Equity Certificate

SADG: Development in price and volume on OSE



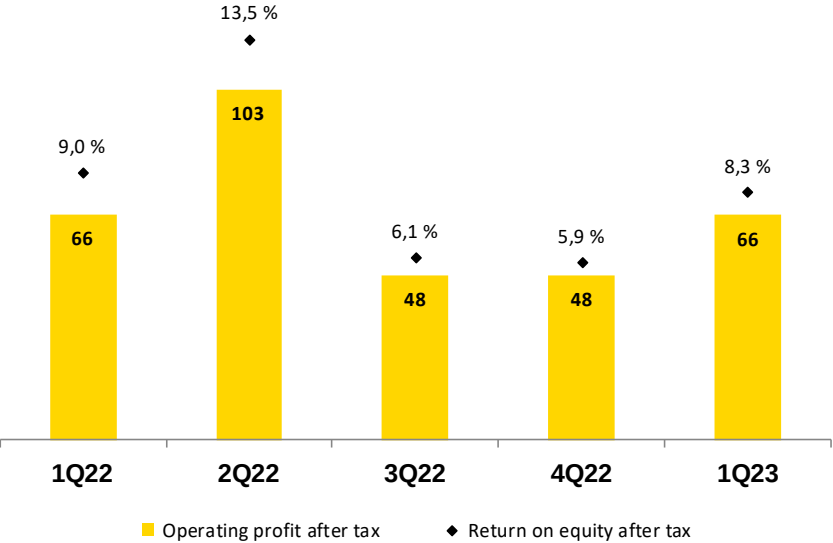
The Equity Certificate Holders

20 largest owners of equity certificates as at 31.03.2023	No. of equity certificates	Share
1. SPAREBANK 1 SR-BANK ASA	3.485.009	15,14 %
2. SANDNES SPAREBANK	2.042.783	8,88 %
3. HOLMEN SPESIALFOND	1.522.323	6,61 %
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	300.829	1,31 %
13. SPESIALFONDET BOREA UTBYTTE	290.117	1,26 %
14. HAUSTA INVESTOR AS	217.500	0,95 %
15. CORNELIUSSEN INVEST AS	205.574	0,89 %
16. NORDHAUG INVEST AS	184.374	0,80 %
17. VELDE HOLDING AS	180.501	0,78 %
18. TIRNA HOLDING AS	156.255	0,68 %
19. KRISTIAN FALNES AS	134.825	0,59 %
20. METEVA AS	131.881	0,57 %
Sum	14.603.215	63,5 %
Totalt	23.014.902	100,00 %

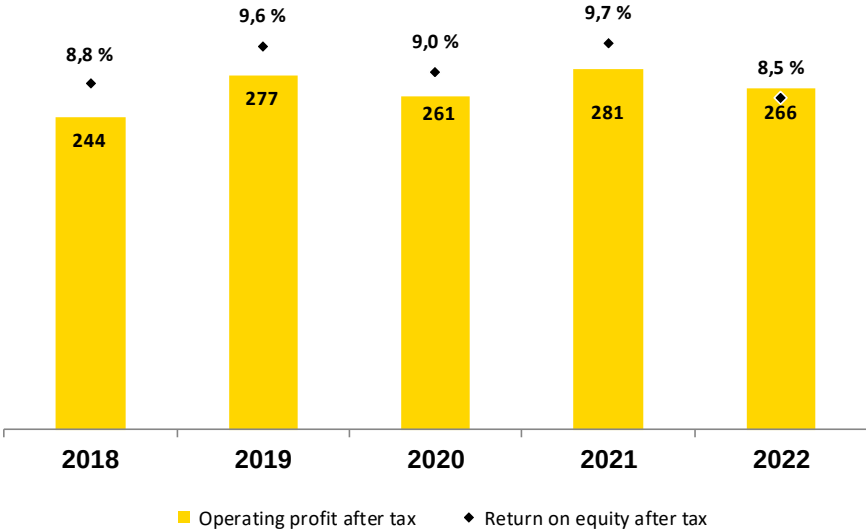
Profitability

Improvements in underlying banking operations

ROE, Quarterly



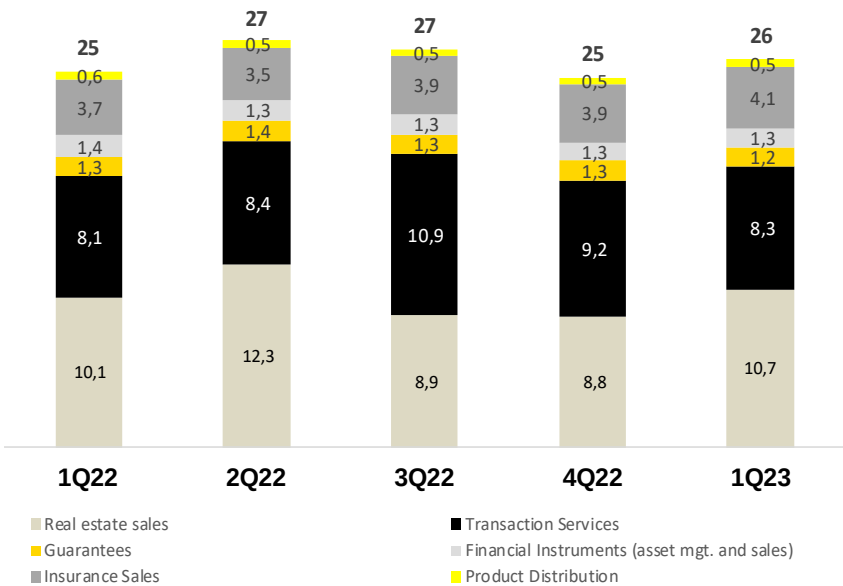
ROE, Yearly



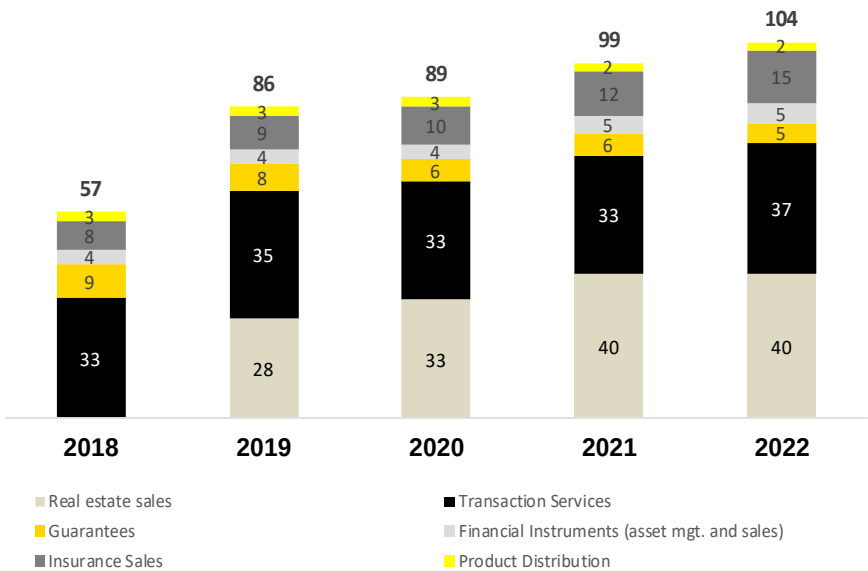
Gross Commission Income

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

Gross commission, quarterly



Gross commision, Yearly

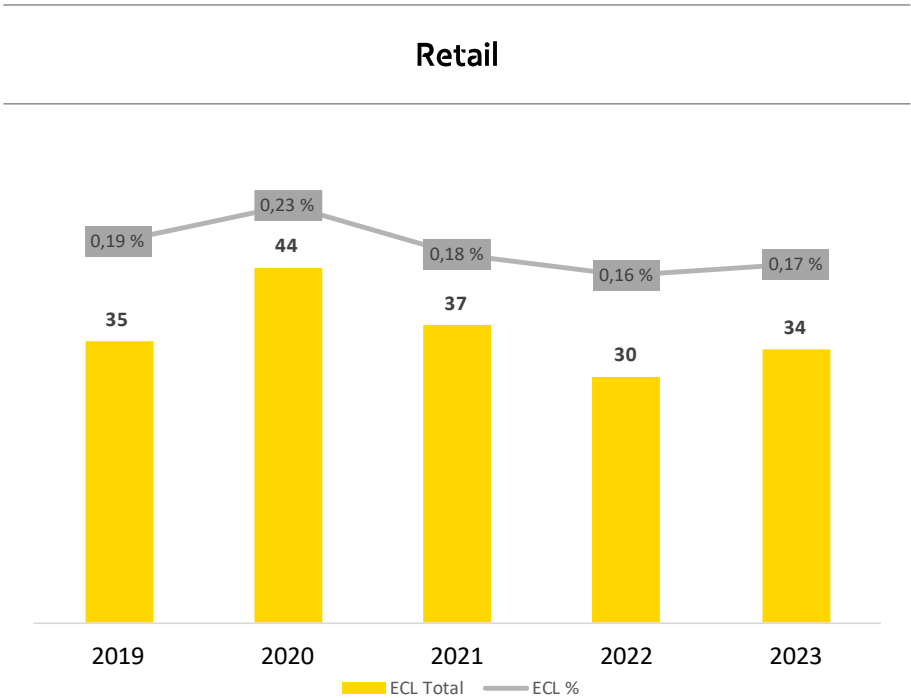


- Steady increase in all types of commision income
- The change in principle for bookkeeping of the real estate business has not been made for 2018.

Loans to Customers by Division, Credit Risk

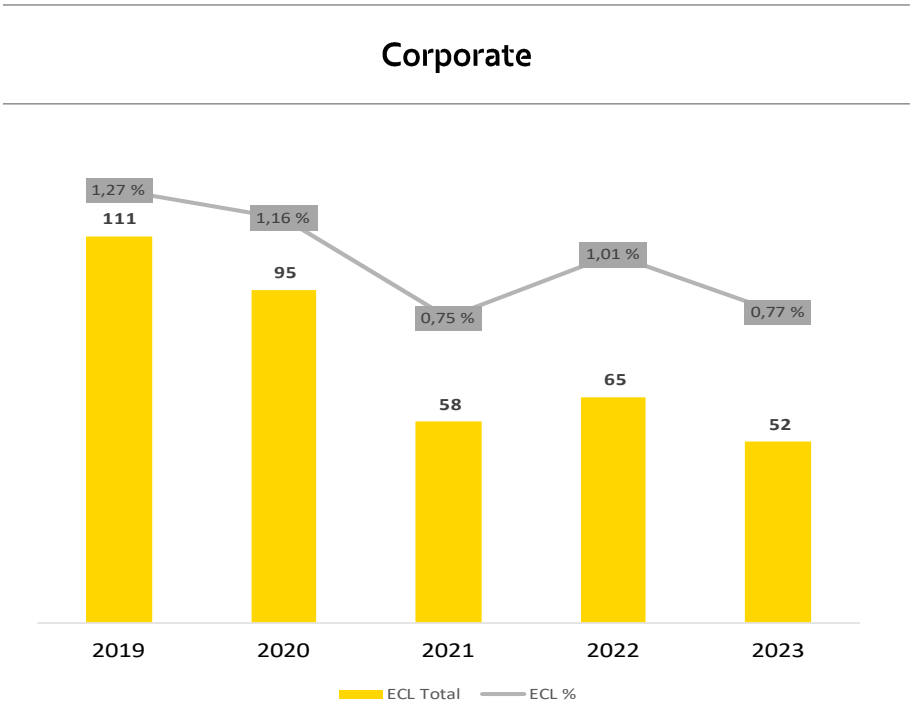
Risk expressed by expected credit loss (ECL, PDxLGD)

Retail



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

Corporate

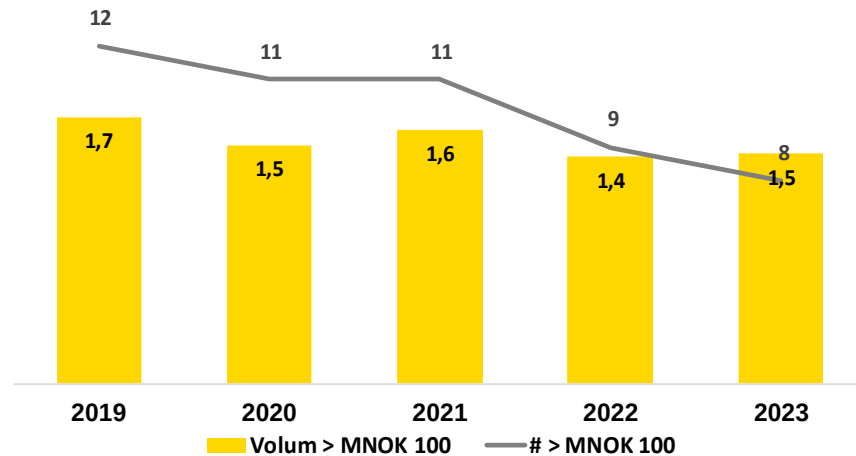


- Low level, extra provisions in certain branches in 2022
- Continued low level of defaults

Focus on reduced risk in the portfolio

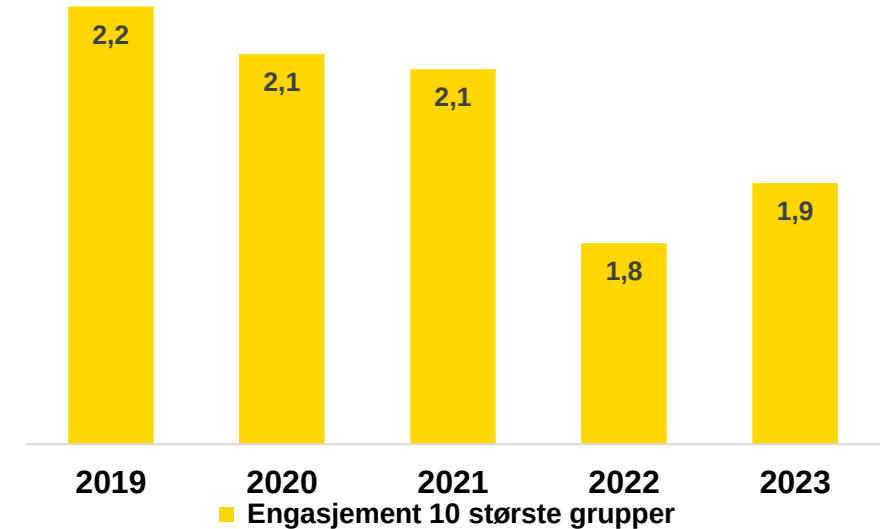
Growth in small businesses| Reduction in large corporates

loans > MNOK 100, volume and # customers



- Reduction in the number of loans over MNOK 100

Sum 10 største engasjement (mrd.)

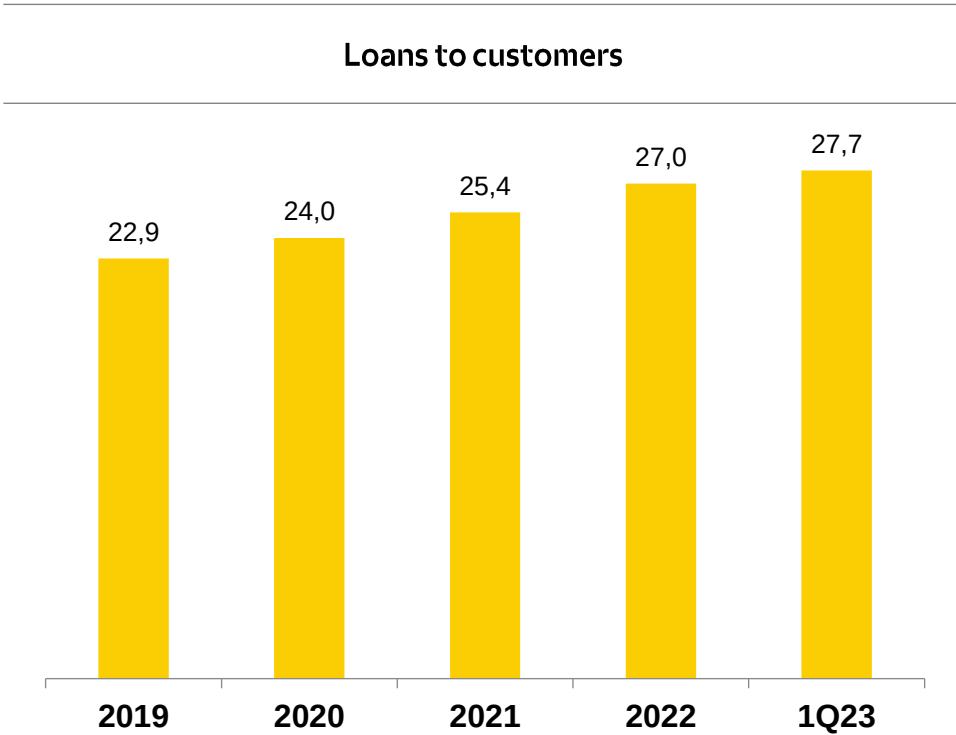


- Deliberate strategy to reduce the concentration risk within the corporate market

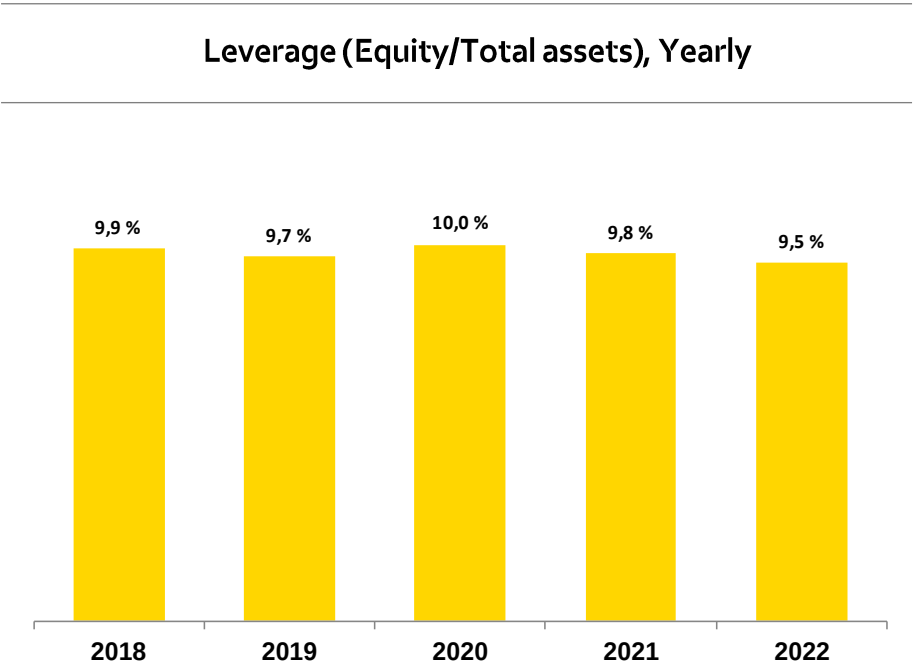
Increase in lending volume and continued strong capital position

Volume growth in retail and SME requires less capital (Leverage at 9,3% 1Q23)

Loans to customers

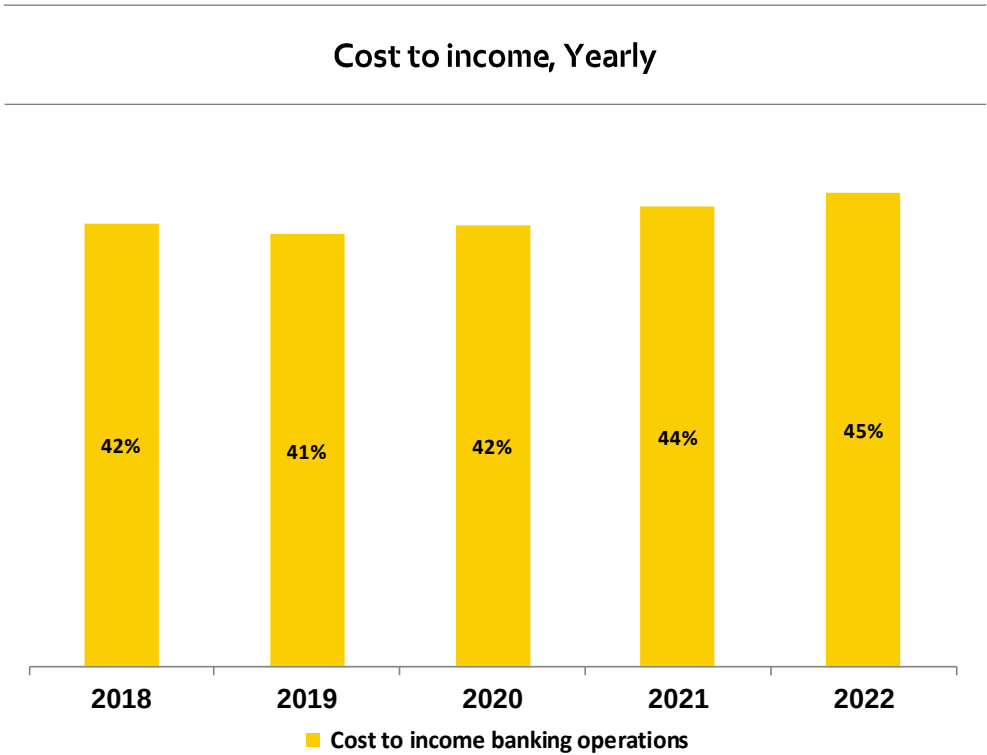
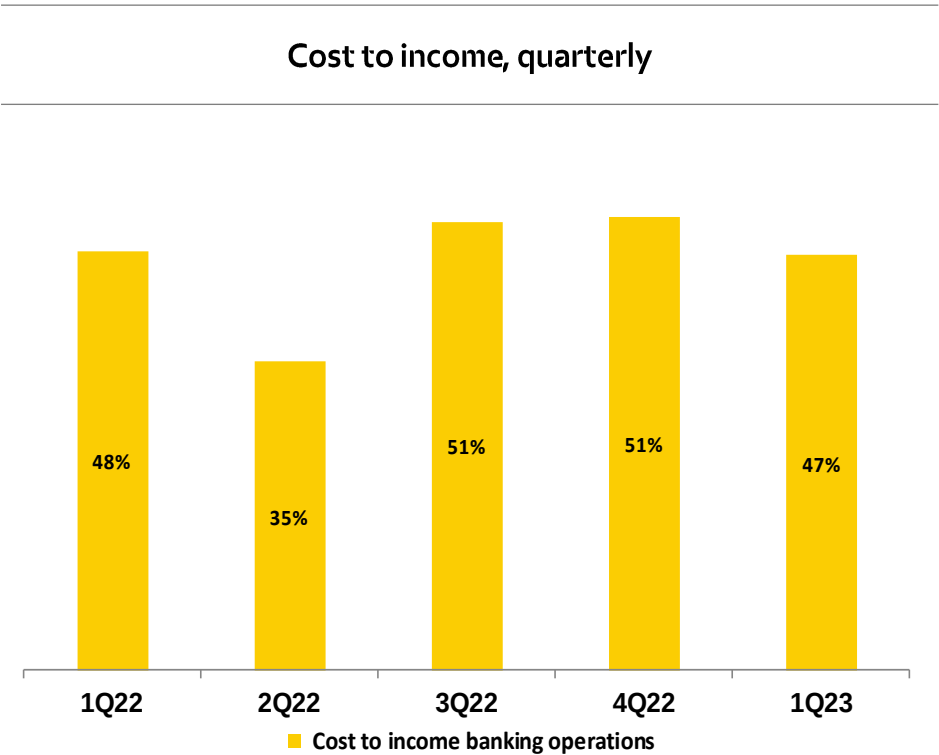


Leverage (Equity/Total assets), Yearly



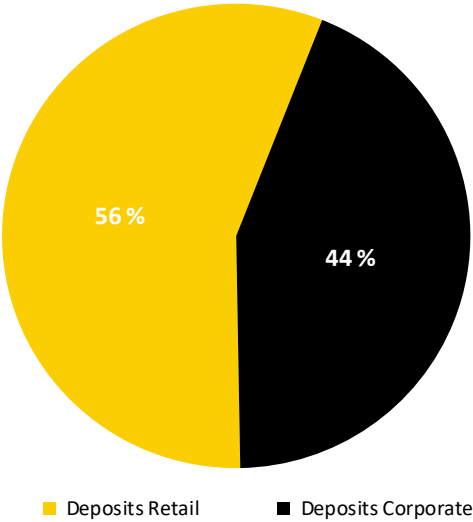
Cost to Income Banking Operations

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

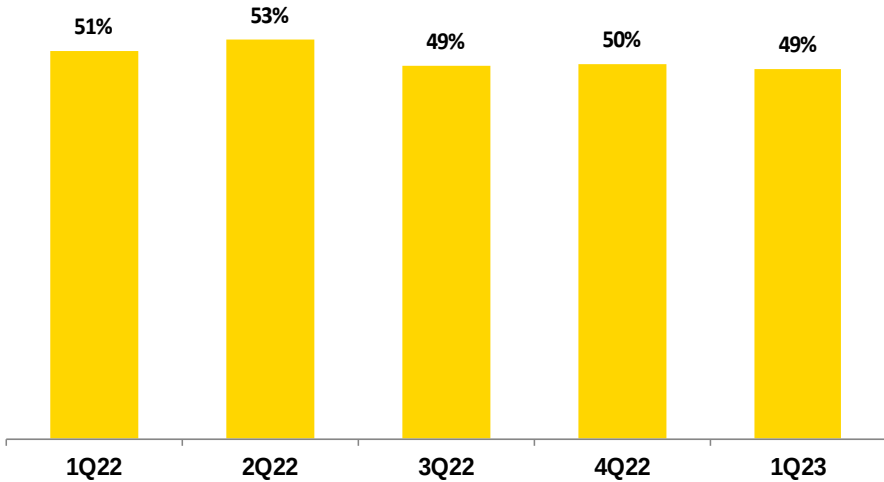


Deposits From Customers

By division



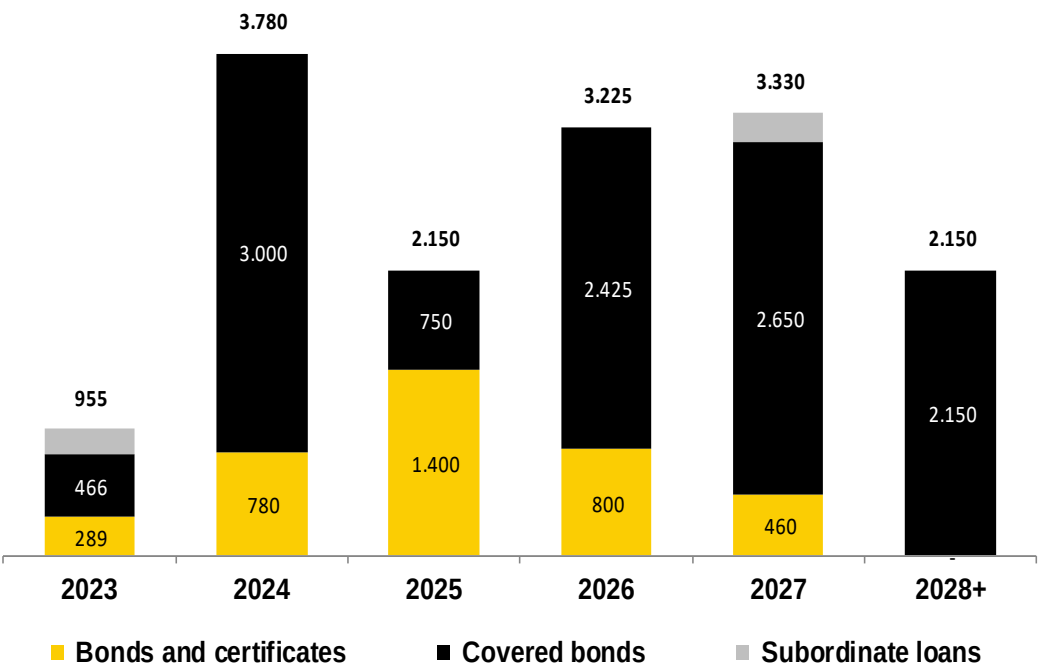
Deposit-to-loan ratio



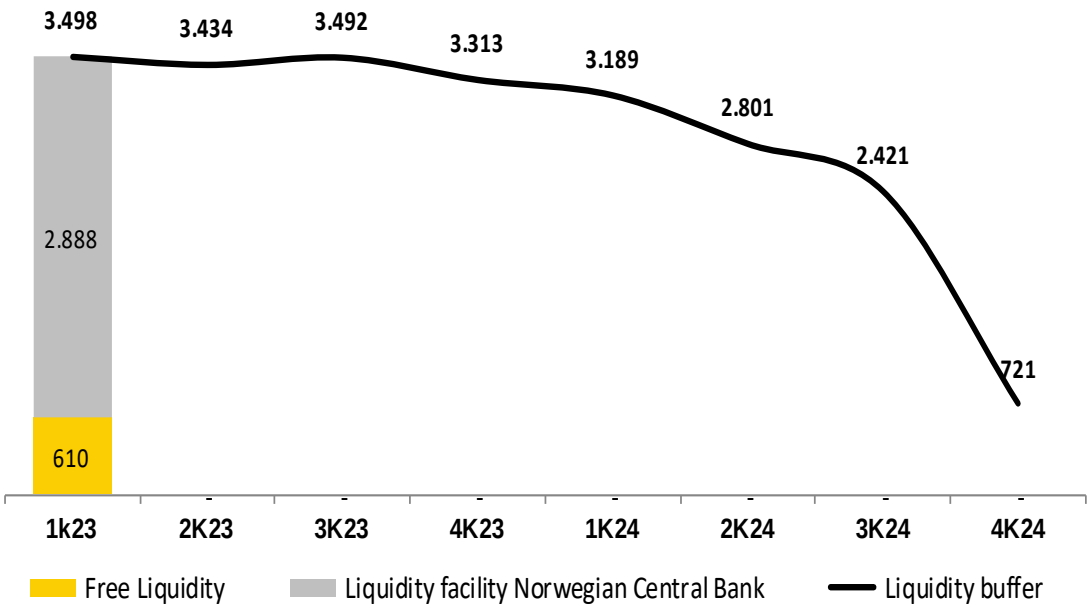
Liquidity

LCR at 329 % | NSFR at 132 %

Funding (MNOK)



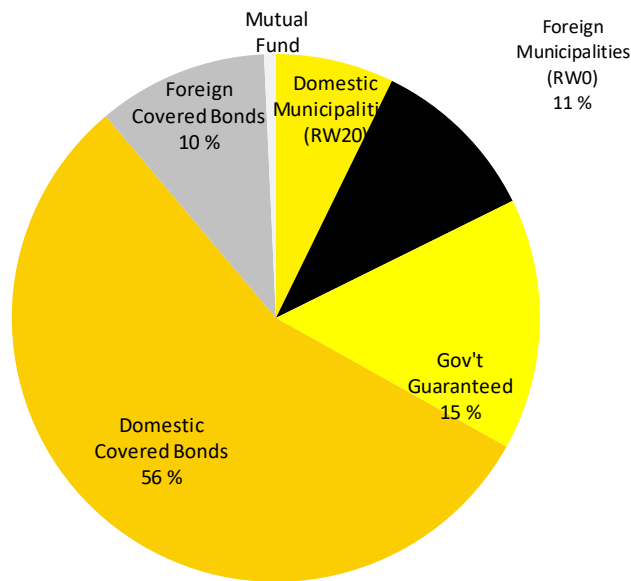
Liquidity reserve, (MNOK)



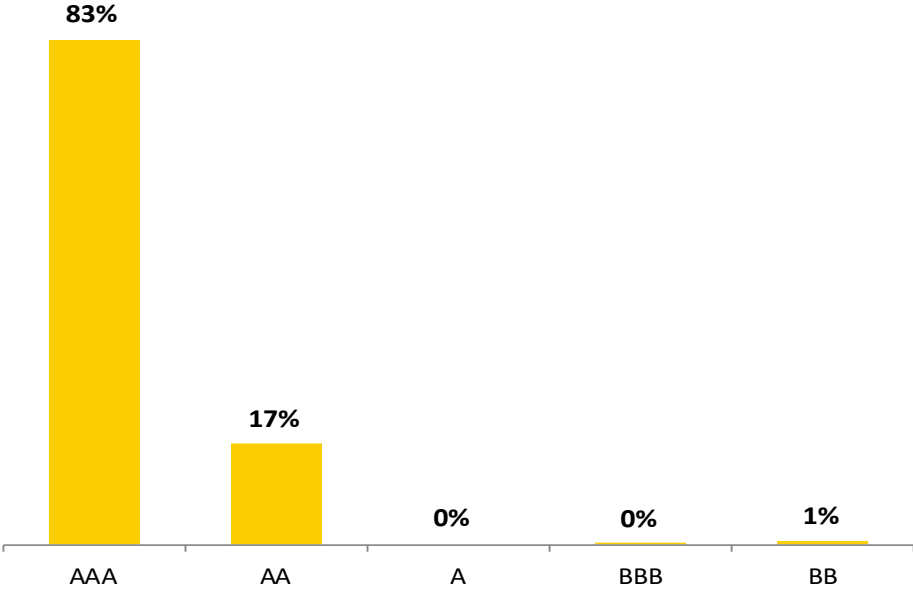
Liquidity

NOK 3,6 bn. ex. cash

Composition liquidity portfolio



Rating distribution



- BB is an interest fund

Nøkkeltall

	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2021	2022
Growth assets	5,2 %	-2,6 %	-1,1 %	5,7 %	1,1 %	2,5 %	0,2 %	2,2 %	0,5 %	9,7 %
Growth lending (net)	1,2 %	1,3 %	1,4 %	1,3 %	2,0 %	2,8 %	0,0 %	2,6 %	5,5 %	6,2 %
Growth deposits	4,7 %	-0,3 %	0,4 %	2,7 %	5,0 %	-4,0 %	0,5 %	1,5 %	7,7 %	4,1 %
Net interest margin	1,54 %	1,54 %	1,54 %	1,52 %	1,58 %	1,62 %	1,60 %	1,72 %	1,56 %	1,61 %
Other income % of total income	34,8 %	21,5 %	23,0 %	25,6 %	38,1 %	10,6 %	15,5 %	16,4 %	25,3 %	23,7 %
Cost-to-income ratio	55,2 %	49,7 %	49,2 %	50,2 %	43,1 %	54,8 %	53,7 %	53,9 %	51,5 %	49,9 %
Costs as % of av. total assets	1,3 %	1,0 %	1,0 %	1,0 %	1,1 %	1,0 %	1,0 %	1,1 %	1,1 %	1,1 %
Return on equity before tax	12,6 %	8,7 %	10,3 %	10,1 %	14,6 %	8,1 %	7,9 %	9,4 %	11,3 %	10,0 %
Return on equity after tax	10,7 %	7,8 %	9,6 %	9,0 %	13,5 %	6,1 %	5,9 %	8,3 %	9,7 %	8,5 %
Capital adequacy ratio	18,9 %	17,8 %	18,5 %	18,2 %	18,8 %	19,7 %	20,7 %	20,2 %	18,5 %	20,7 %
Tier 1 capital ratio	17,6 %	16,5 %	17,2 %	17,0 %	17,5 %	17,4 %	18,4 %	18,2 %	17,2 %	18,4 %
CET1	17,0 %	15,9 %	16,6 %	16,3 %	16,9 %	16,8 %	17,8 %	17,5 %	16,6 %	17,8 %
Risk-weighted assets	16.706	16.706	16.689	16.944	16.369	16.452	16.638	16.841	16.689	16.638
Number of man-years	132	133	138	140	147	147	151	155	138	151
Stock exchange price	95	100	99	103	92	89	94	87	99	94
Equity capital certificate % of equity	63,7	63,8	63,4	63,5	63,5	63,5	63,8	63,5	63,4	63,8
Earnings per equity capital certificate	2,4	1,8	2,2	2,0	3,1	1,5	1,5	2,0	8,5	8,1
Book value per equity capital certificate	91,3	93,1	90,2	91,6	94,7	96,1	100,4	96,2	90,2	100,4
Individual write-downs in % of gross lending	0,18 %	0,14 %	0,15 %	0,15 %	0,12 %	0,12 %	0,12 %	0,11 %	0,15 %	0,12 %
Coll. write-downs in % lending after ind. wr.-d.	0,22 %	0,26 %	0,23 %	0,22 %	0,23 %	0,23 %	0,23 %	0,22 %	0,23 %	0,23 %
Deposits to loans ratio	51,9 %	51,1 %	50,6 %	51,3 %	52,8 %	49,3 %	49,6 %	49,0 %	50,6 %	49,6 %
Deposits to loans ratio parent bank	86,0 %	84,5 %	82,5 %	83,3 %	90,0 %	84,7 %	88,8 %	93,7 %	82,5 %	88,8 %

Definisjoner av utvalgte nøkkeltall

Innskuddsdekning

UB innskudd fra kunder/UB netto utlån til kunder

Likviditetsindikator (LCR)

Likvide aktiva / netto likviditetsutgang innen 30 dager i et stressscenario

Net Stable Funding Ratio (NSFR)

Tilgjengelig stabil finansiering / nødvendig stabil finansiering

Rentenetto

Renteinntekter - rentekostnader

Netto rentemargin

$((\text{Rentenetto} / \text{dager i perioden}) \times \text{dager i året}) / \text{gjennomsnittlig forvaltningskapital}$

Utlånsmargin

Gjennomsnittlig kunderente – glidende gjennomsnitt av 3mnd Nibor

Innskuddsmargin

Glidende gjennomsnitt av 3mnd Nibor – gjennomsnittlig kunderente

Kostnadsgrad

$\text{Sum driftskostnader} / (\text{netto renteinntekter} + \text{sum andre driftsinntekter})$

Totale kostnader i % av gj.sn. forvaltningskapital

$((\text{Sum driftskostnader} / \text{dager i perioden}) \times \text{dager i året}) / \text{gjennomsnittlig forvaltningskapital}$

Egenkapitalavkastning før skatt

$(\text{Resultat før skatt} / \text{dager i perioden} \times \text{dager i året}) / ((\text{UB sum egenkapital} + \text{IB sum egenkapital}) / 2)$ [beregnes eks. hybridkapital]

Egenkapitalavkastning etter skatt

$(\text{Resultat etter skatt} / \text{dager i perioden} \times \text{dager i året}) / ((\text{UB sum egenkapital} + \text{IB sum egenkapital}) / 2)$ [beregnes eks. hybridkapital]

Egenkapitalbevisprosent

$(\text{Egenkapitalbeviskapital} + \text{egne egenkapitalbevis} + \text{overkurs} + \text{utjevningssfond}) / (\text{egenkapitalbeviskapital} + \text{egne egenkapitalbevis} + \text{overkurs} + \text{utjevningssfond} + \text{sparebankens fond} + \text{gavefond})$

Fortjeneste per egenkapitalbevis

$(\text{Resultat etter skatt} \times \text{egenkapitalbevisprosent}) / \text{antall egenkapitalbevis}$

Bokført egenkapital per egenkapitalbevis

$(\text{UB sum egenkapital} - \text{UB hybridkapital}) \times \text{egenkapitalbevisprosent} / \text{antall egenkapitalbevis}$

Pris/Bokført egenkapital (P/B)

$\text{Børskurs} / \text{bokført egenkapital per egenkapitalbevis}$

Resultat av drift før tap og skatt

$\text{Resultat etter skatt} + \text{skattekostnad} + \text{nedskrivninger og tap på utlån og garantier}$

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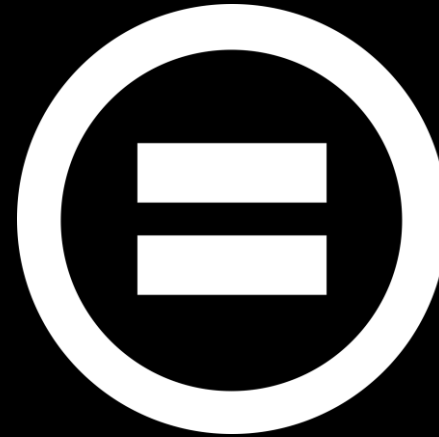
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