

# Den Gule Banken, Sandnes Sparebank

## Financial Reporting

### 1<sup>st</sup> Quarter 2024

Sandnes 08.05.2024



**Den Gule Banken**  
Sandnes Sparebank

# Agenda

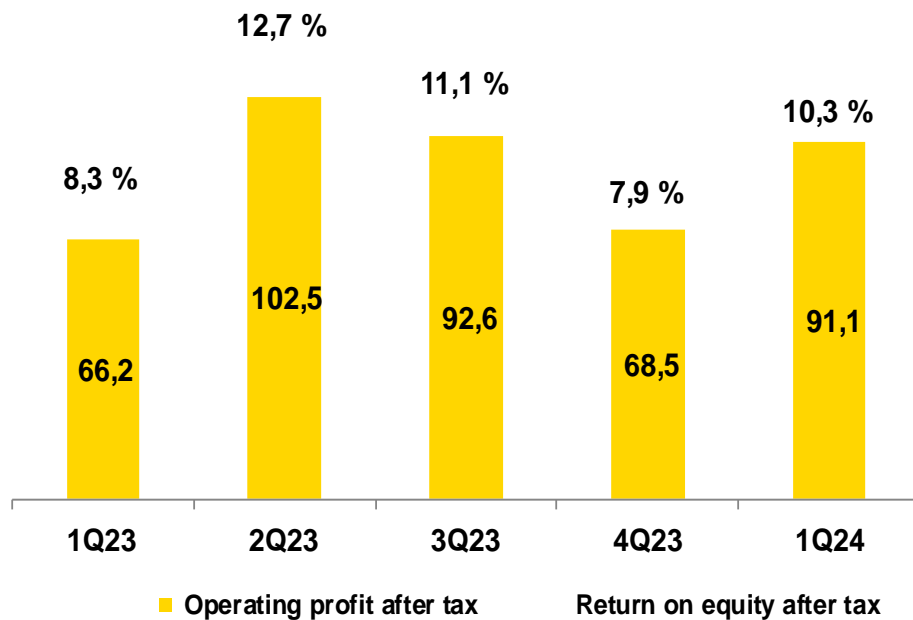
- Strong momentum
- Key figures continue to improve
- Solid creditquality in a stable market
- Good activity in the region



# Den Gule Banken, Sandnes Sparebank

A solid result for the bank, strong development in underlying banking operations

## ROE

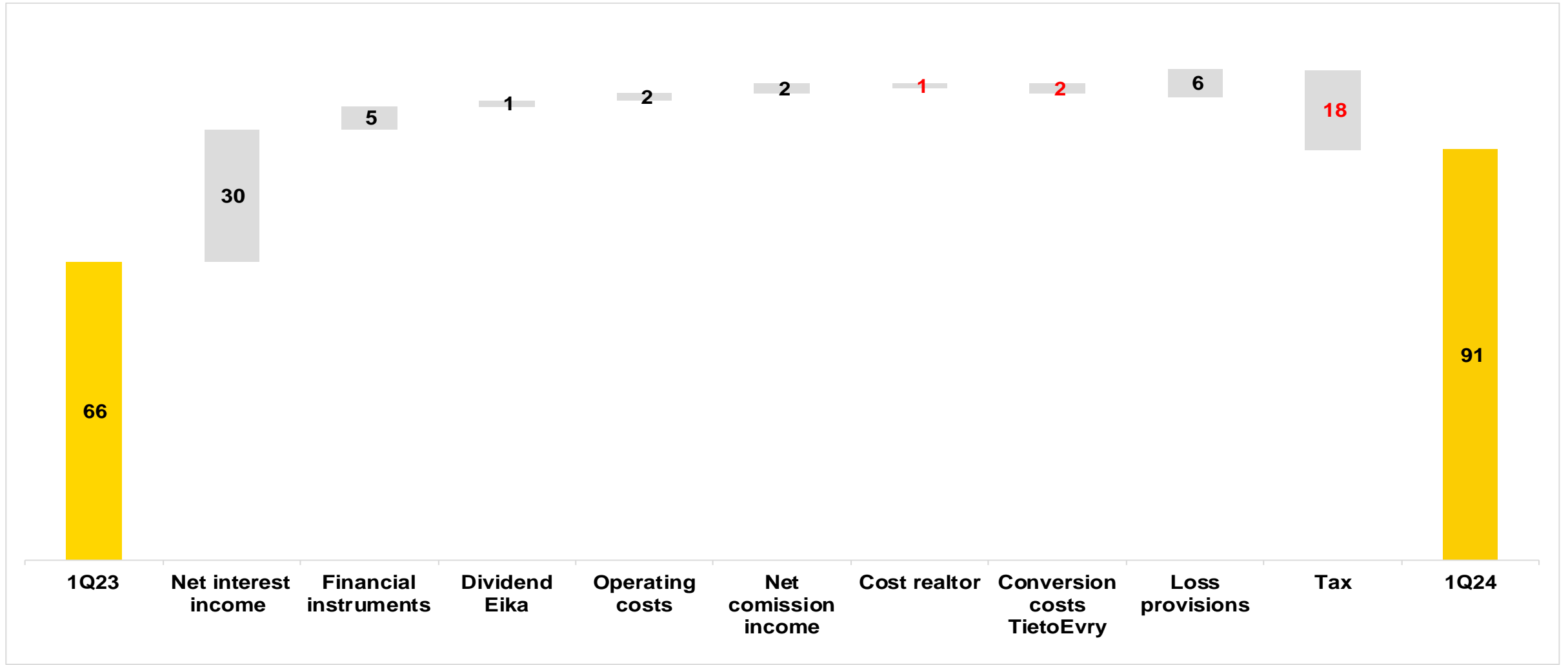


## Summary

- Profit after tax MNOK 91,1 (66,2)
- ROE on equity after tax 10,3 % (8,3 %)
- Profit per ECC (EPS) of NOK 2,8 (2,0)
- Lending growth last 12 months of 8,2 % (7,6 %)
- Net interest margin of 1,94 % (1,72 %)
- Net loss of MNOK 0,1 (1,4)
- Solid bank with CET1 17,4 % (17,5 %)
- Costs MNOK 82,2 (89,2)

# Performance development

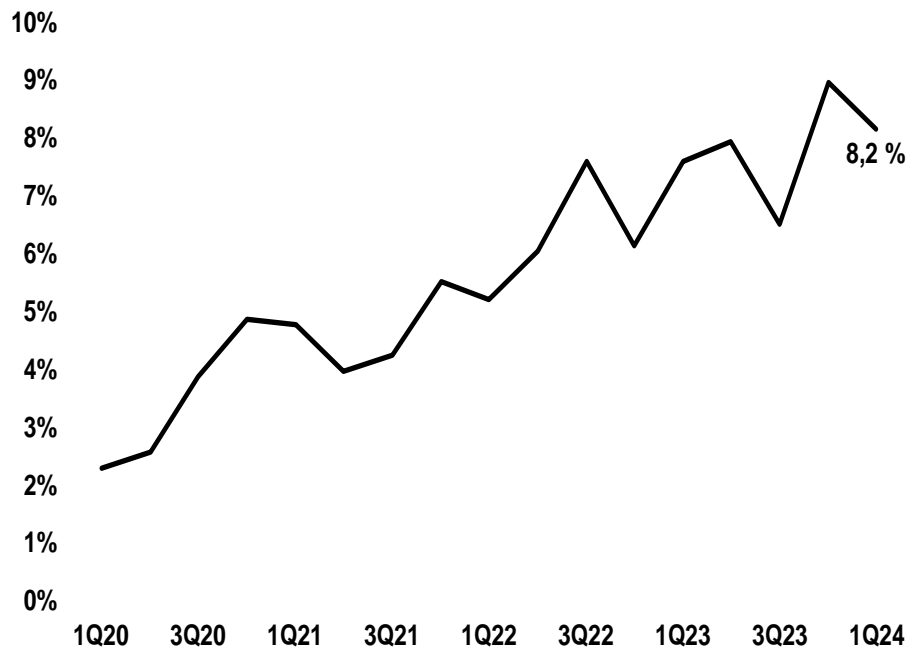
Improvement in underlying banking



# Loan growth at 8,2 % YoY

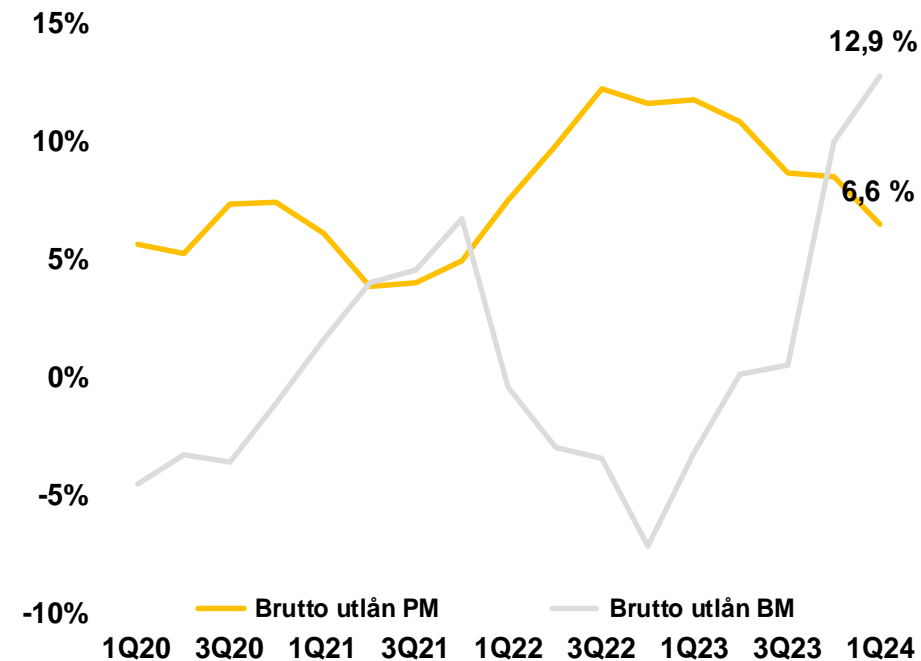
Solid growth, Increasing market share in both segments

Group level YoY



- Total lending increased by NOK 2,3 bn (8,2 %) YoY
- Total lending increased by MNOK 540 (1,9 %) QoQ

Growth by Division YoY

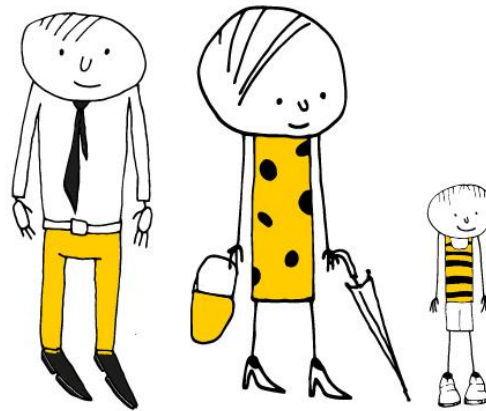
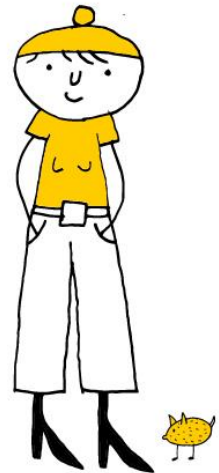


- Retail lending increased by NOK 1,4 mrd (6,6 %) YoY. And by MNOK 205 (0,9 %) QoQ.
- Corporate lending increased by MNOK 909 (12,9%) YoY, and by MNOK 345 (4,5 %) QoQ

# Customer dividend for the seventh consecutive year!

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

2023	2 811
2022	2 336
2021	2 150
2020	2 600
2019	2 250
2018	2 500
2017	1 000
<b>Totalt</b>	<b>kr 15 647</b>



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

2023	11 430
2022	9 460
2021	8 707
2020	10 530
2019	9 113
2018	10 125
2017	4 050
<b>Totalt</b>	<b>kr 63 415</b>

\*medlåntaker på lånet.

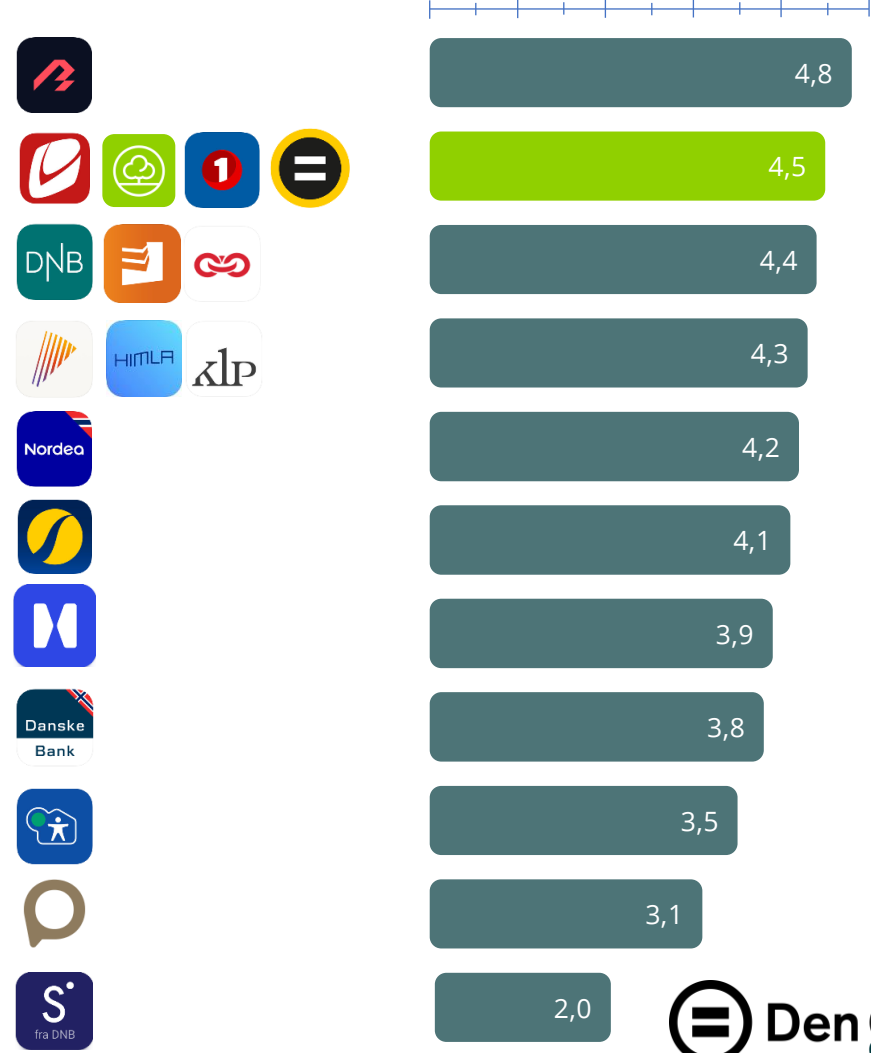
Deposits and loans up to MNOK 2 qualify for calculation of customer dividend.  
Customer dividend will vary for year to year as a result of the bank's performance and dividend rate

# Eika and Den Gule Banken have one of the country's best-liked mobile banks

## AppStore



## Google Play

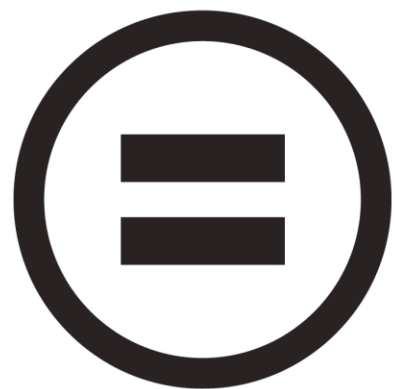


# Employees

- Strong culture
- Competence and standing in the market
- Two savings banks will become one







# Rogaland Sparebank

# Agenda

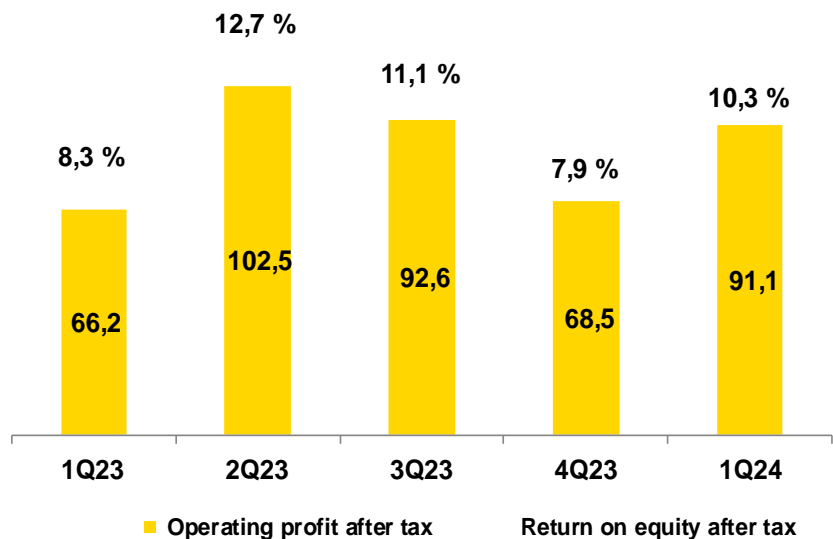
- Strong momentum
- Key figures continue to improve
- Solid creditquality in a stable market
- Good activity in the region



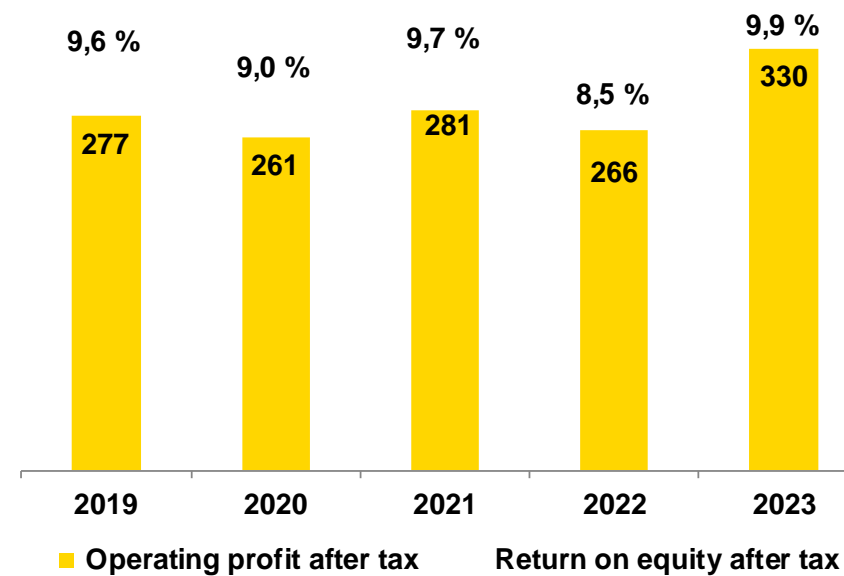
# Profitability

Improvement in underlying banking

ROE, Quarterly



ROE, Yearly

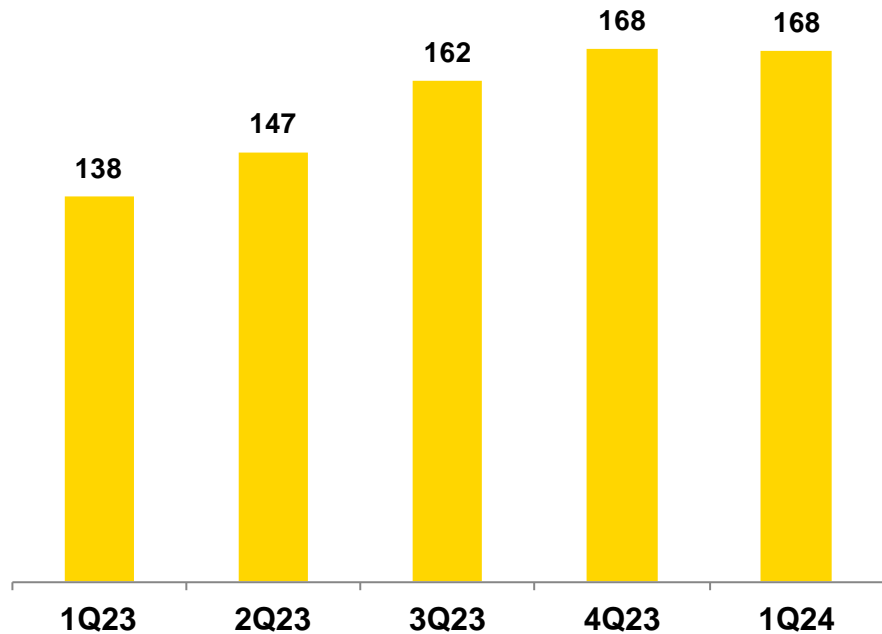


- ROE 2023 without conversion costs 10,5 % (8,7 %)

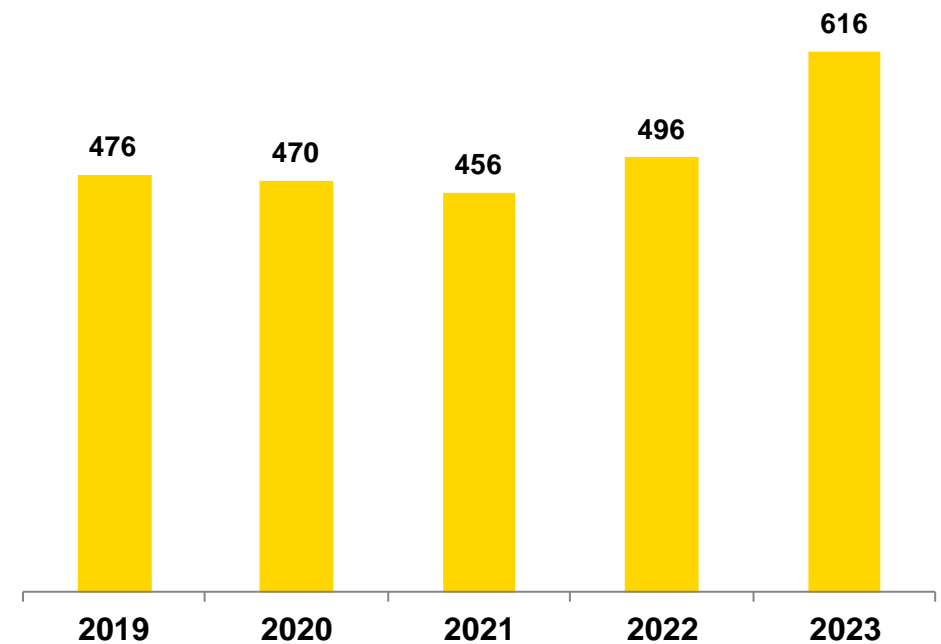
# Net Interest Margin

High growth and increasing interest rates increases NIM

Net Interest Margin, Quarterly



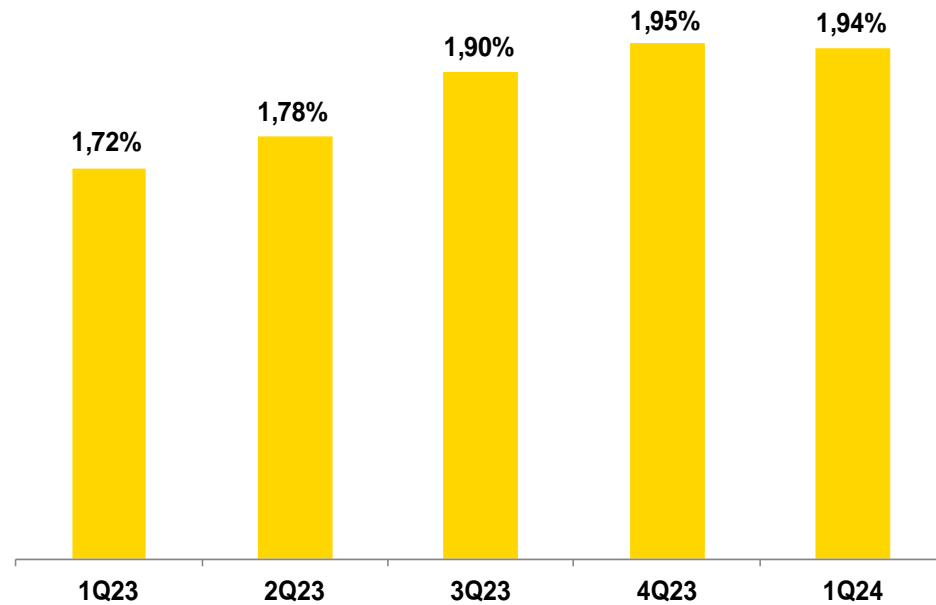
Net Interest Margin, Yearly



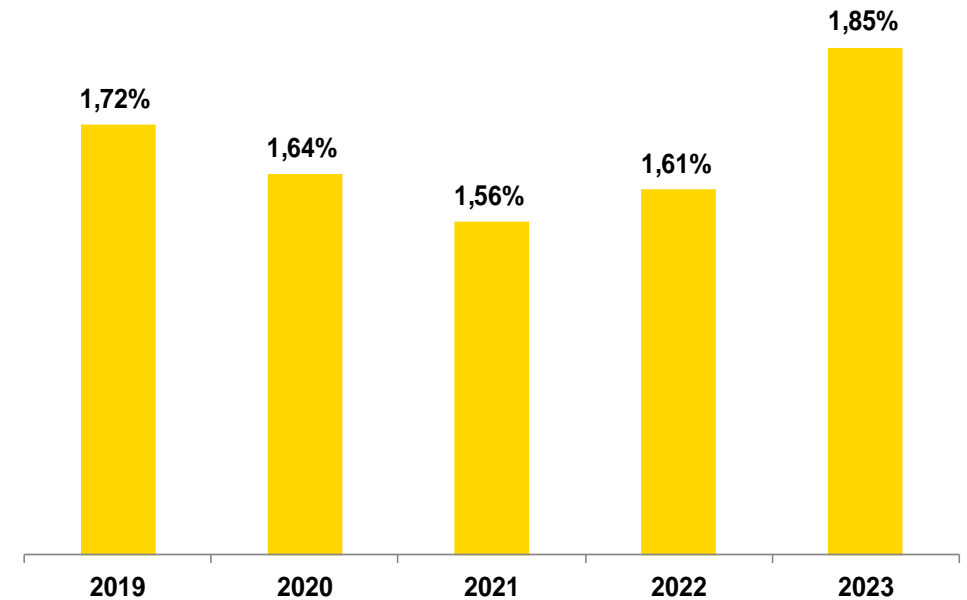
# Net Interest Margin

Stabile Net Interest Margin – The last interest rate hike took effect in March for the retail market

Net Interest Margin, QoQ



Net Interest Margin, YoY



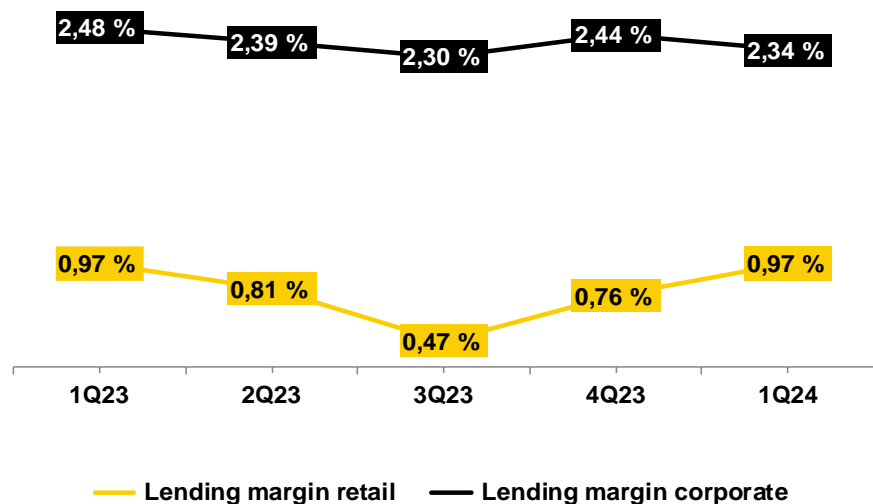
- The interest rate change in the retail market entails som time lag ( 8 weeks notice period)
- The interest rate change in the corporate market has a rapid effect (2 weeks notice periode)
- 48% deposit coverage

- Net Interest Margin parent bank 2,52 % (2,17 %)

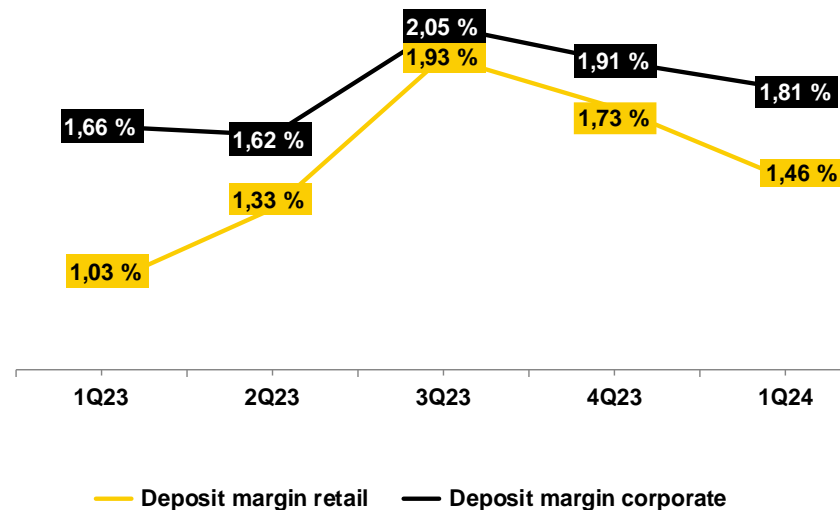
# Margin on Loans and Deposits

Stabile Nibor increases lending margin and reduces deposit margins in the retail market

## Lending margins

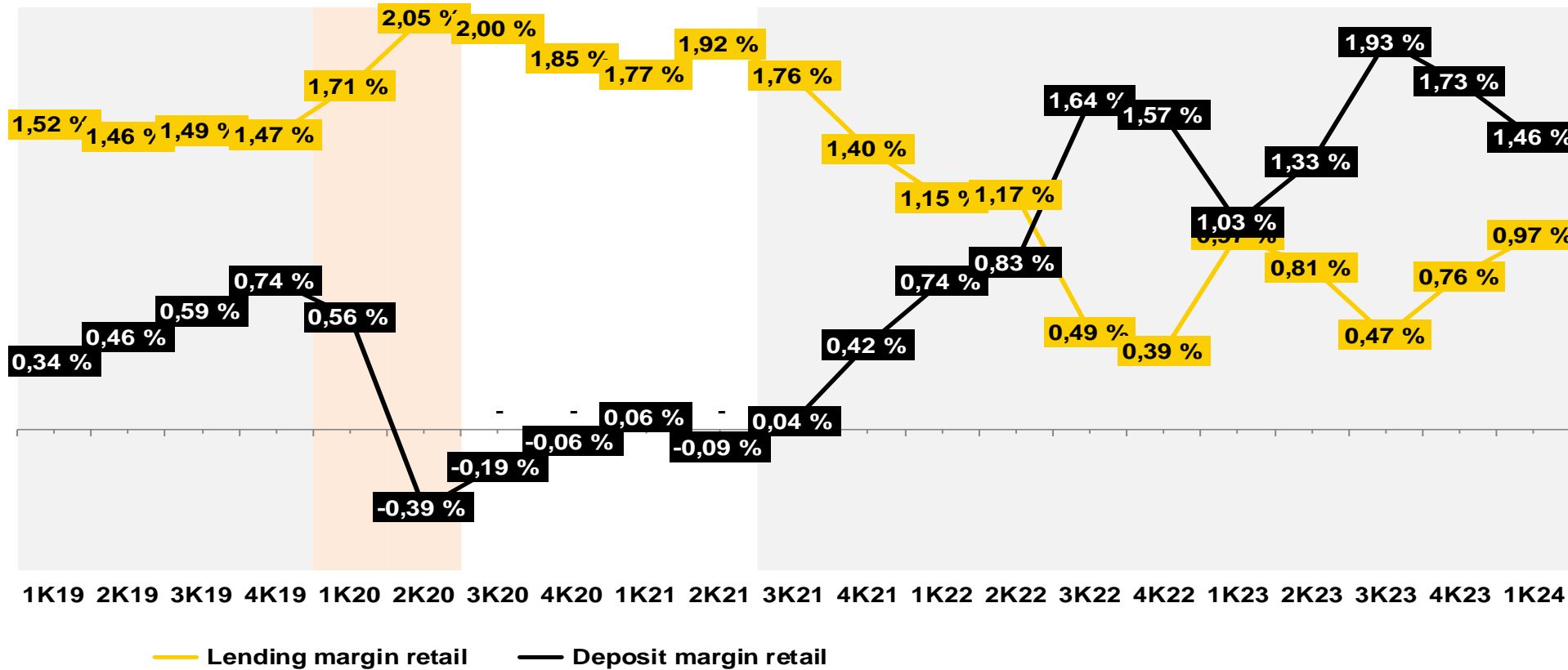


## Deposit margins



# Margins Retail – Low lending margins due to increasing interest rates from Norges Bank

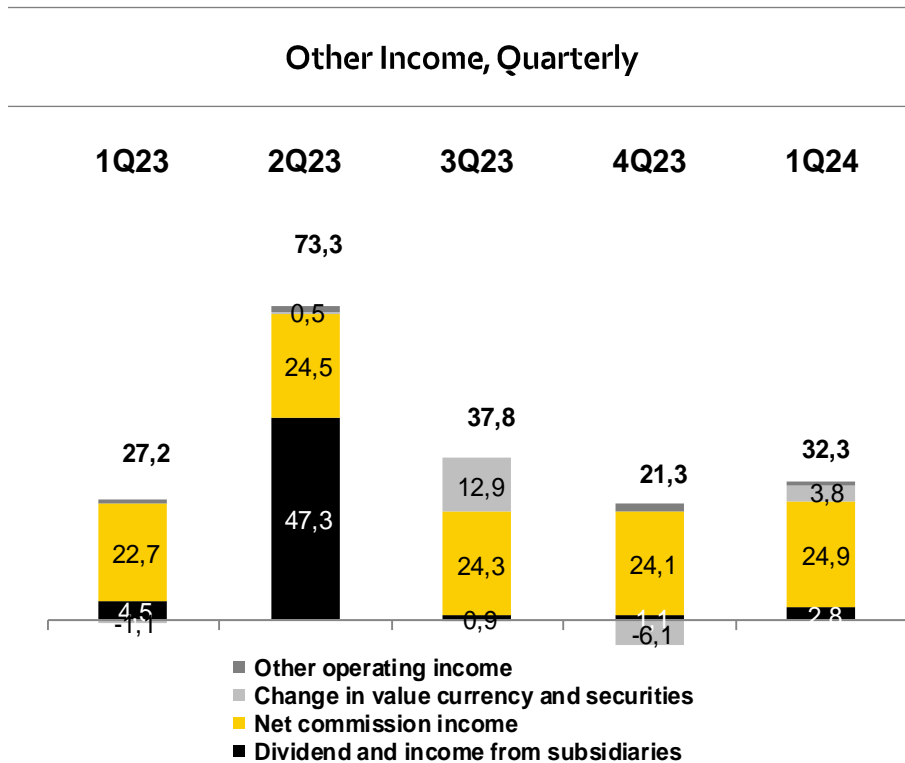
Deposit coverage retail ca 37 % , Retail accounts for 74 % of the banks total lending



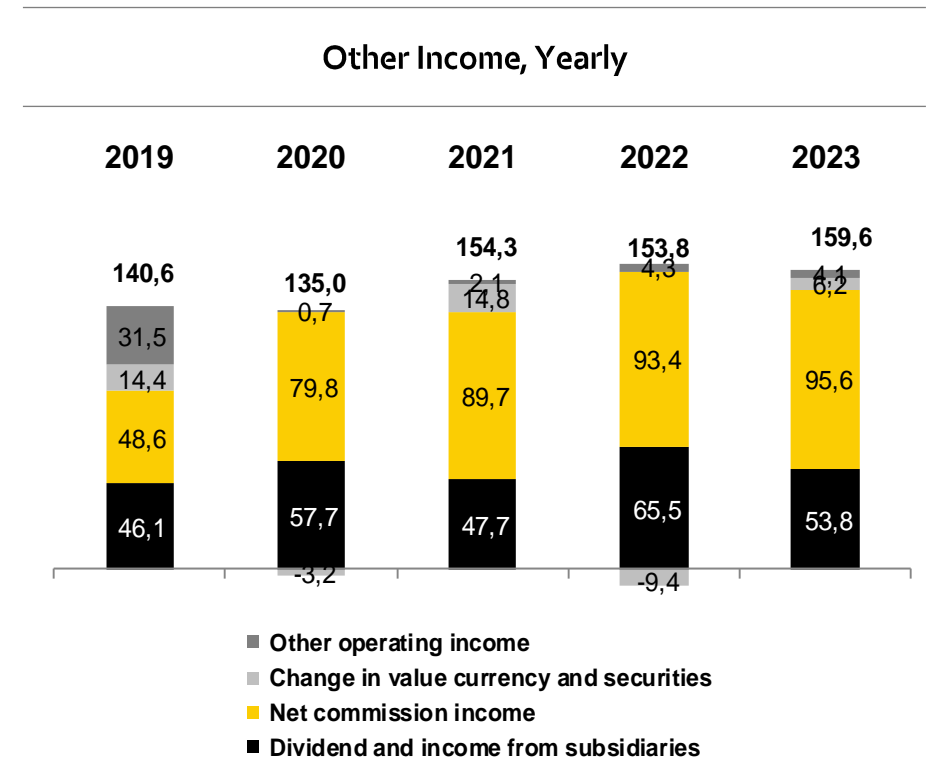
Norges Bank increasing rates in grey, decreasing in red and unchanged in white

# Other Income

Improvement in other income for the quarter



- Dividend from Eika Gruppen for 2023 MNOK 28,4 (44,8) booked in the 2nd quarter
- Some improvement in net commission income

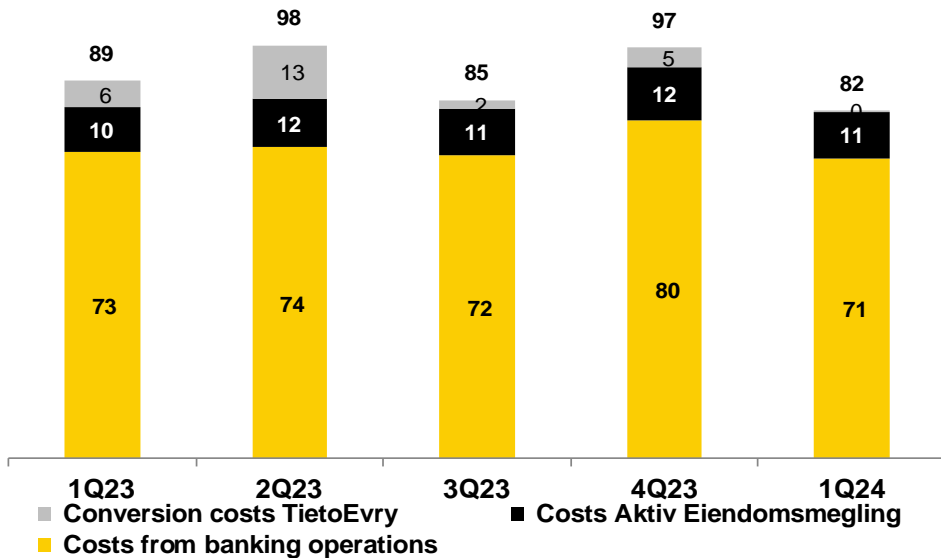




# Operating Costs

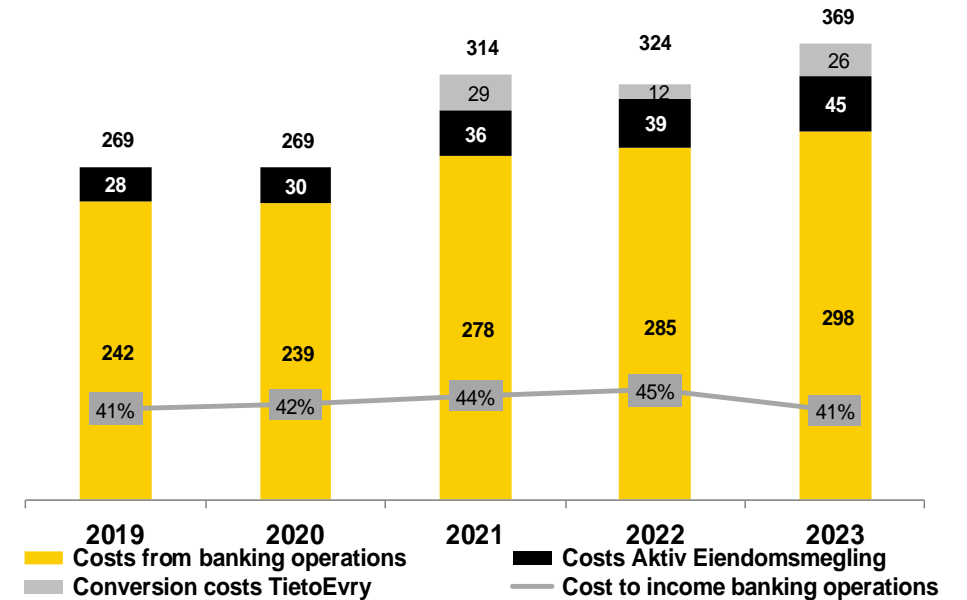
Some reduction in costs in spite of high price growth

Operating Costs, Quarterly



- The number of employees in the parent bank is stable around 125 employees
- Some reduction in IT costs and operating costs counteracts increased personell costs
- Mergercosts with Hjelmeland sparebank will be booked in the second half of 2024

Operating Costs, Yearly



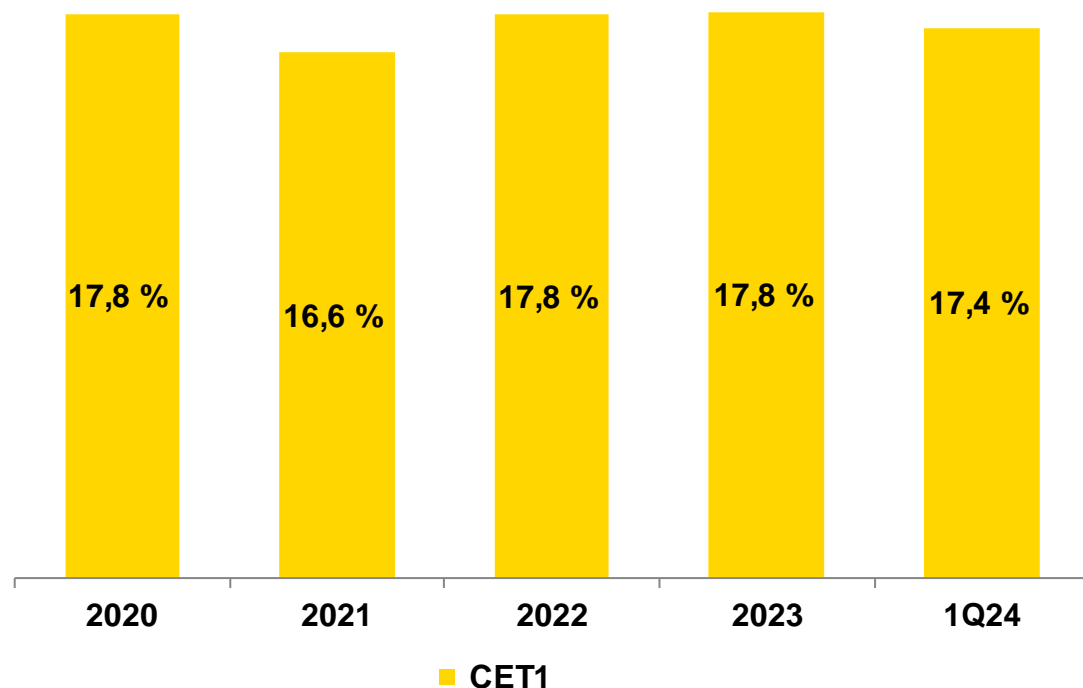
- The cost ratio in the parent bank is 41% for 2023\*
- Changing the core system from SDC to TietoEvry is expensed 67 MNOK in the periode 2021-2023. Conversion completed in April 2023 and is in full booked

Cost ratio include parent bank and SSBB

# Well Capitalized and Equipped for Furter Growth

Common Equity capital ratio of 17,9 % including this year's result. Leverage ratio of 9,2 %

CET-1



A Well Capitalized Bank

- Systemic Risk Buffer increased from 3 % to 4,5 % 31.12.23
- Updated Pillar-2 composure reduced CET-1 requirement by 0,9%
- CET-1 requirement of 15,2 % from 31.12.23
- Internal target of + 1.0 % management buffer above the regulatory requirements
- Preliminary estimates of new standard method (Basel IV) increases CET-1 by ca 2,6%

# Agenda

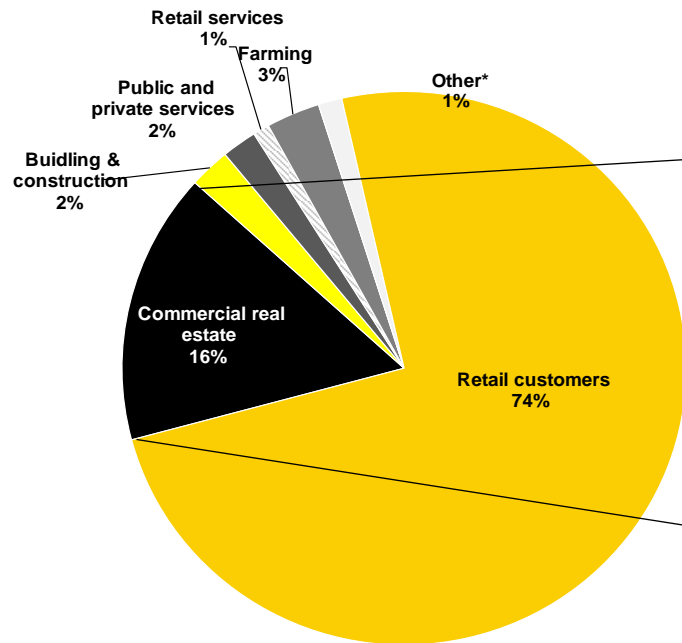
- Strong momentum
- Key figures continue to improve
- Solid creditquality in a stable market
- Good activity in the region



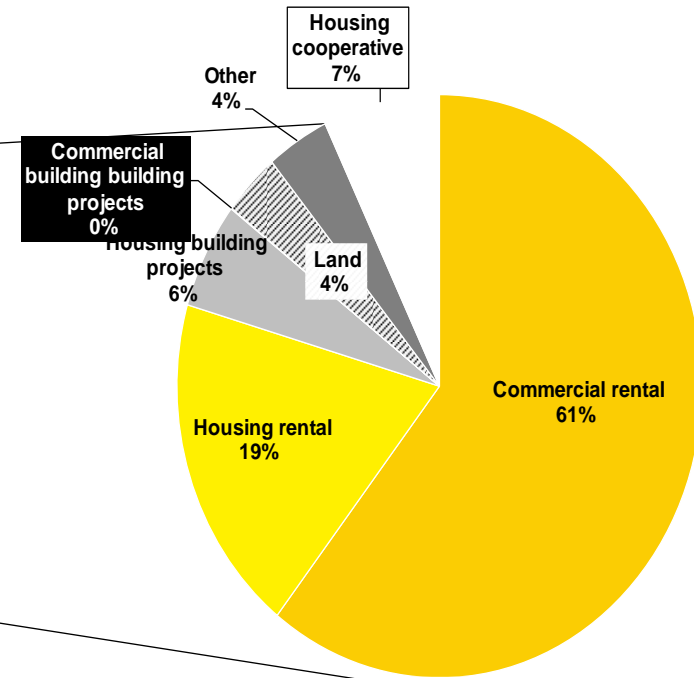
# Loans to customers

The share of retail loans has increased significantly over the last 5 years. Low exposure towards real estate development

Distribution by sector



Corporate loans to real estate

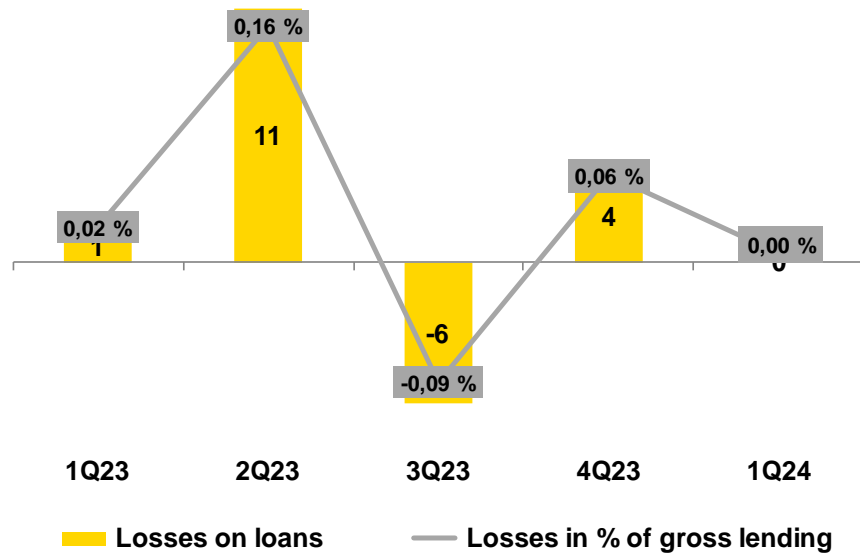


- Low exposure to cyclical industries
- Insignificant direct exposure to the oil industry
- Stable exposure towards real estate

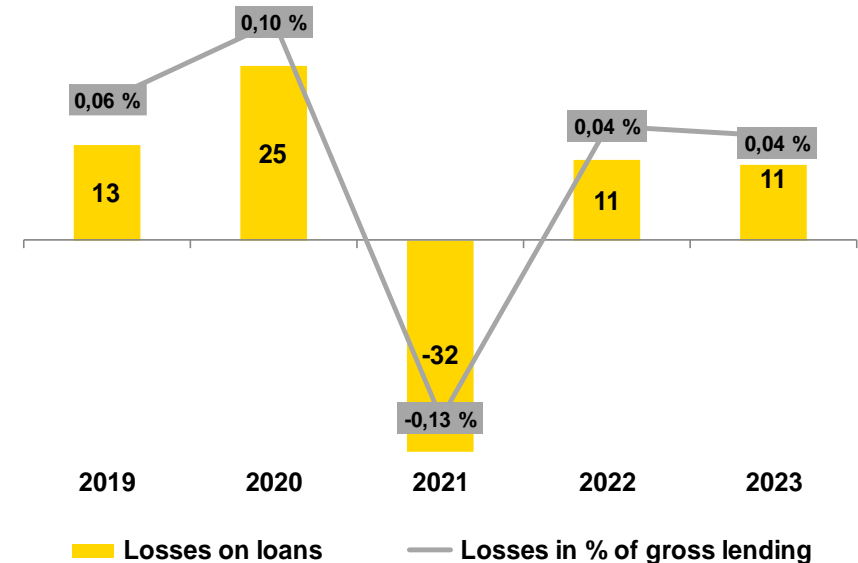
# Losses on Loans and Guarantees

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

Losses on loans and guarantees, QoQ



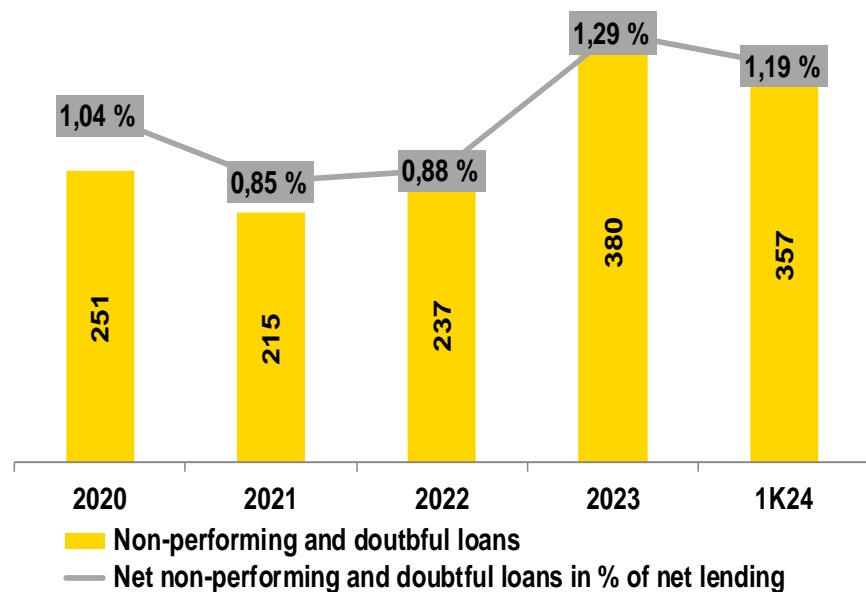
Losses on loans and guarantees, YoY



# Non-Performing and Doubtful Loans

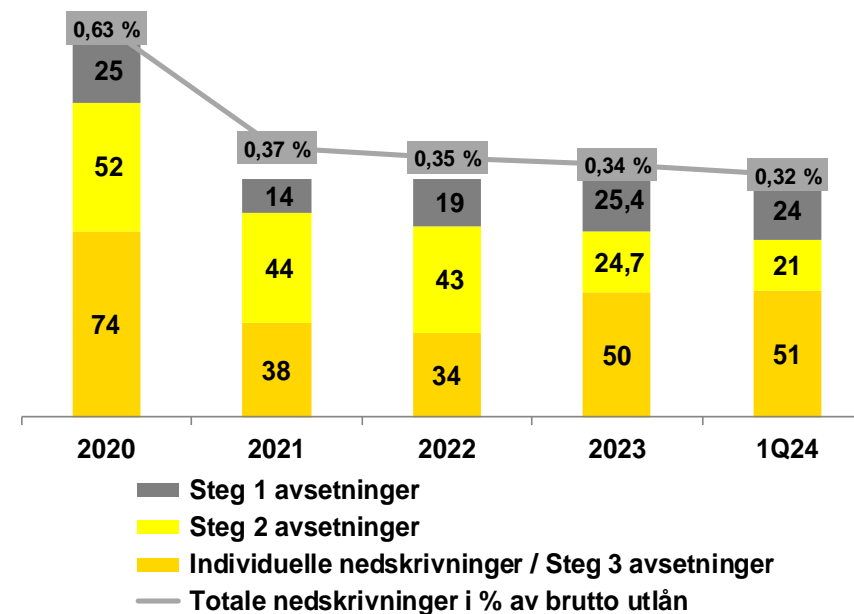
Some increase in Non-Performing Loans within the segment Balanse Bank

Non-performing and doubtful loans



- The increase in non-performing and doubtful loans is mainly linked to the restart bank, Balansebank, which is in line with its mandate

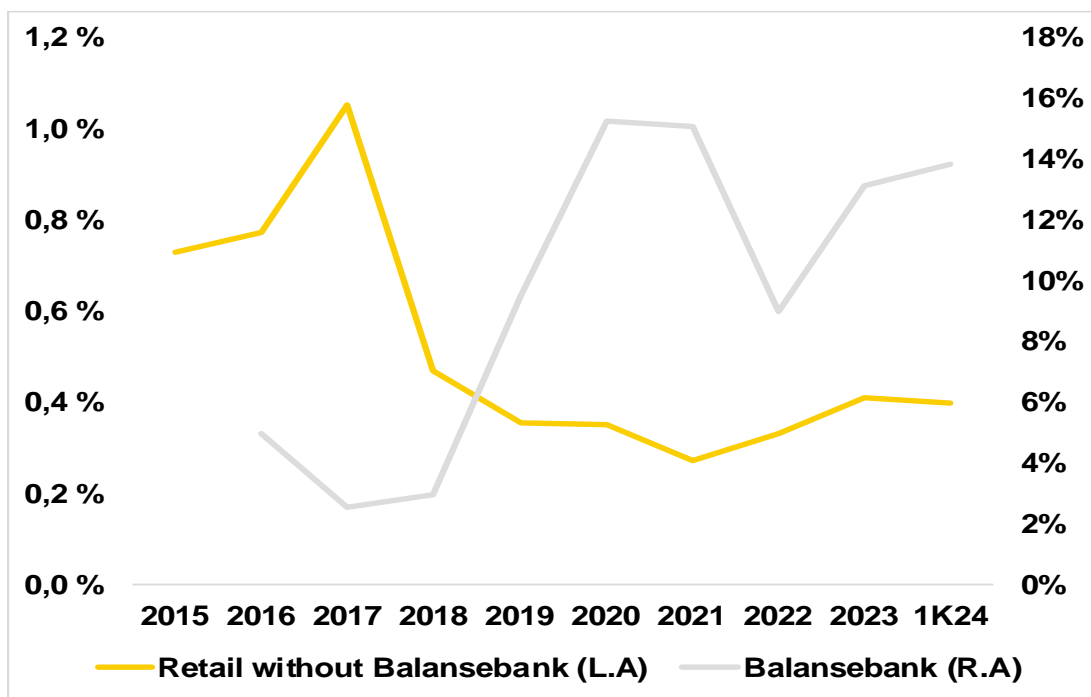
Write-downs



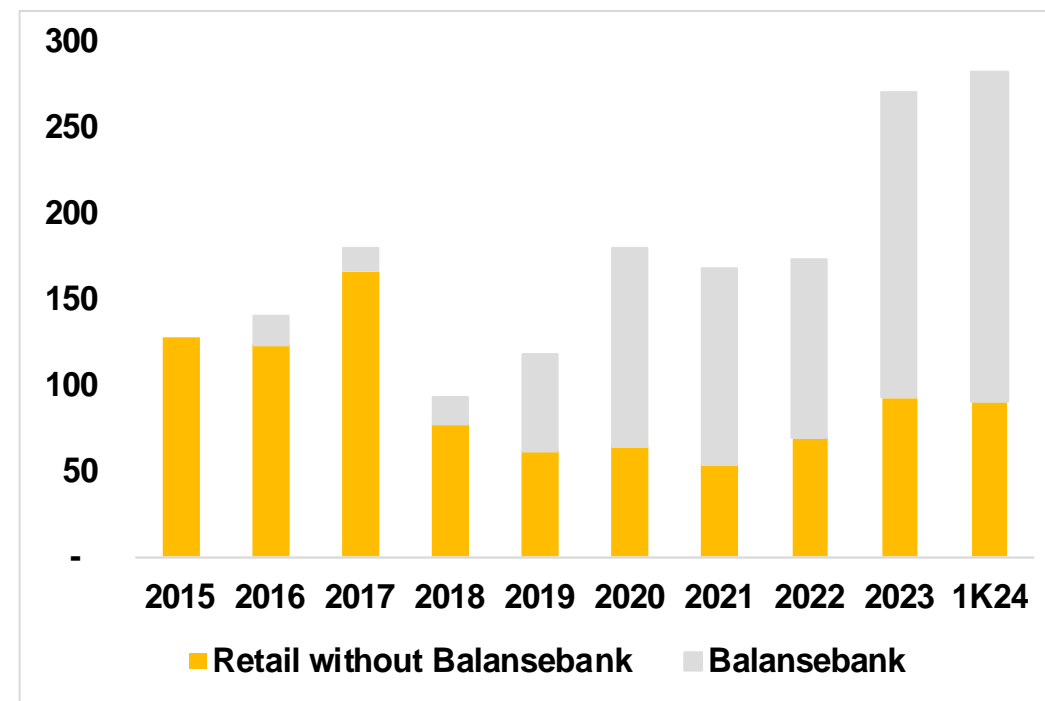
# Non-Performing and Doubtful Loans Retail

Stabile and low Non-Performing Loans in ordinary retail. Somewhat higher in Balansebank than normal

Gross default rate retail (over 90 days)



Gross default rate retail (over 90 days)

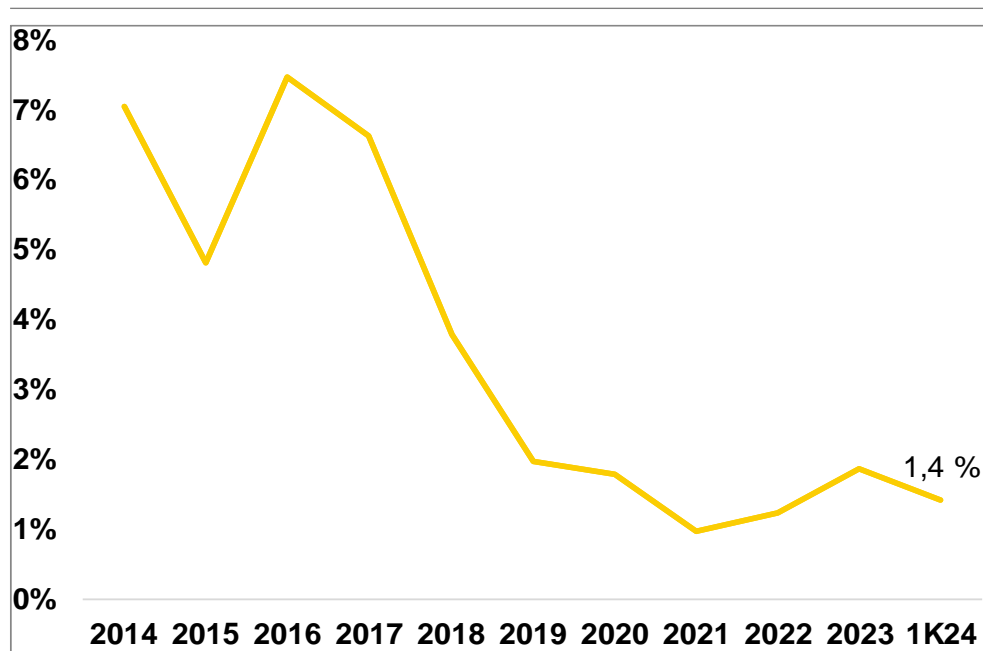


Expected Non-Performing and Doubtful loans in Balanse Bank is 10%. All loans in Balansebank is secured with residential buildings within 85% LTV

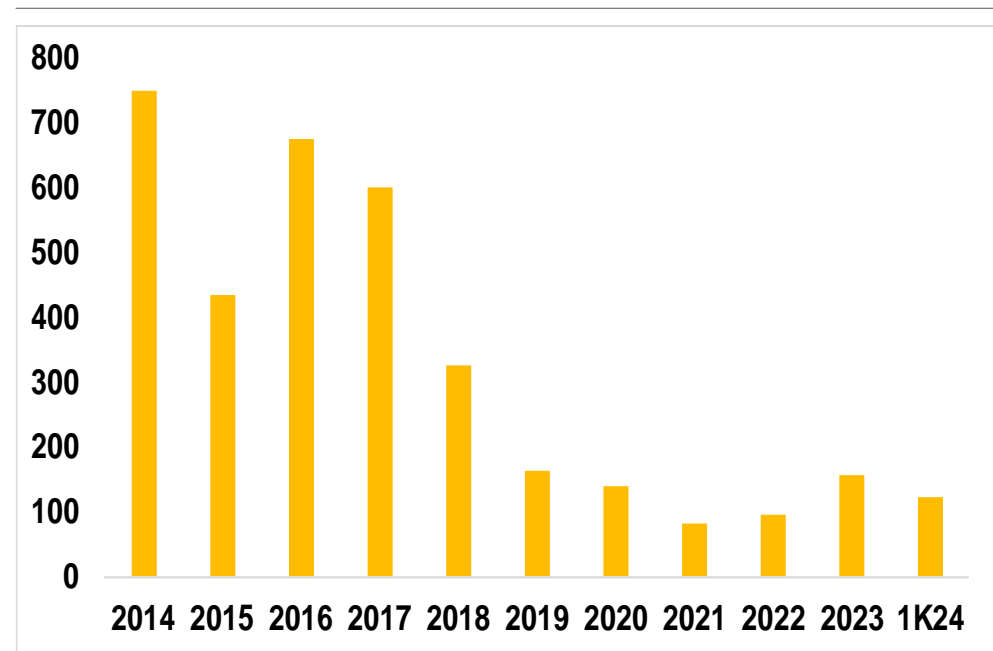
# Non-Performing and Doubtful Loans Corporate

Reduction in risk for corporate loans over several years entail less pressure in the portfolio given today's market situation

Gross default rate Corporate (over 90 days)



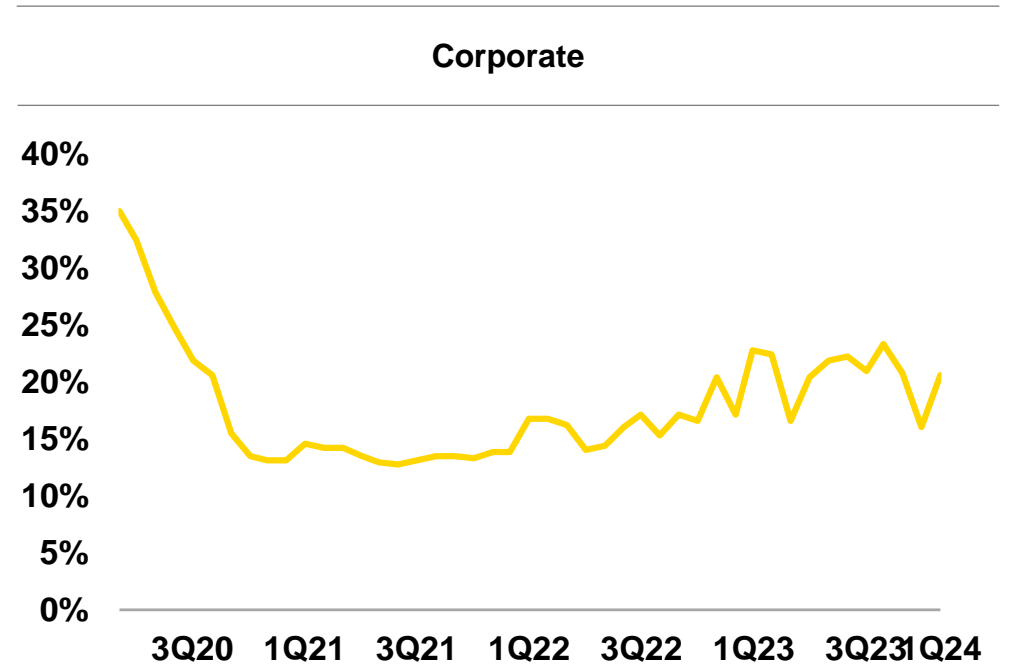
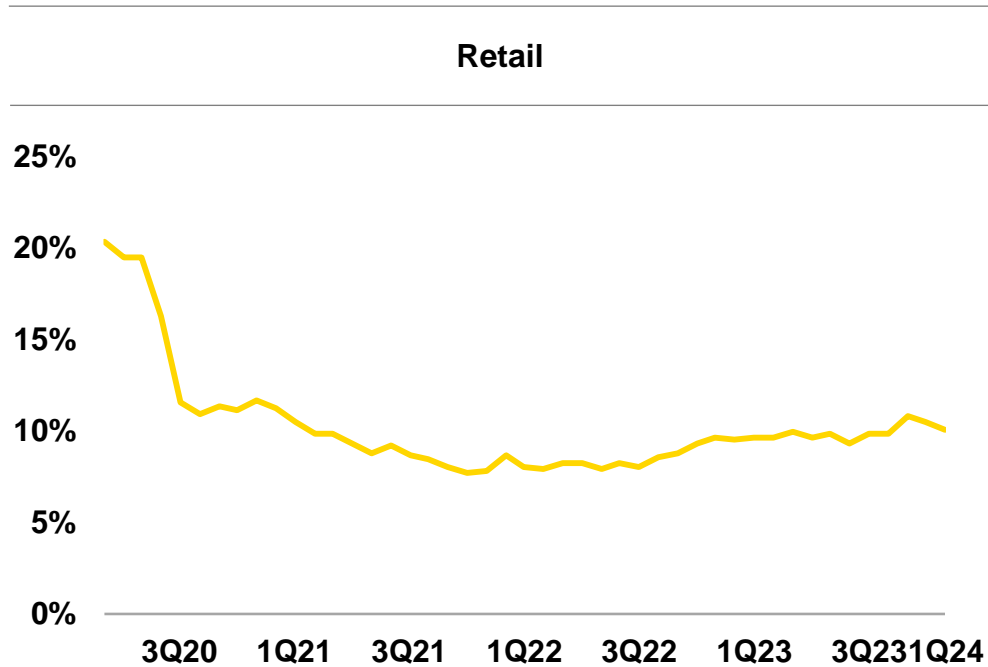
Gross default rate Corporate (over 90 days)





# Interest only loans

Low increase in interest only loans in spite of challenging times

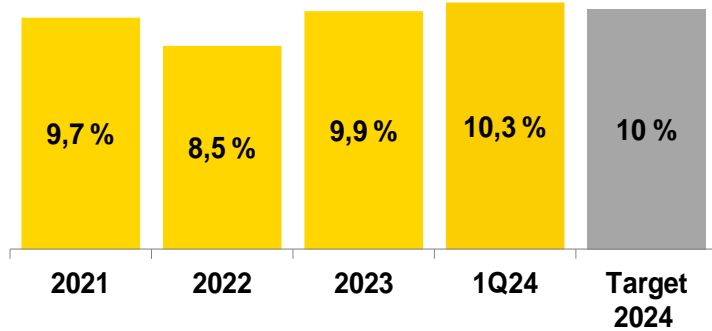


Customers with LTV < 60% can choose themselves if they want interest only loans

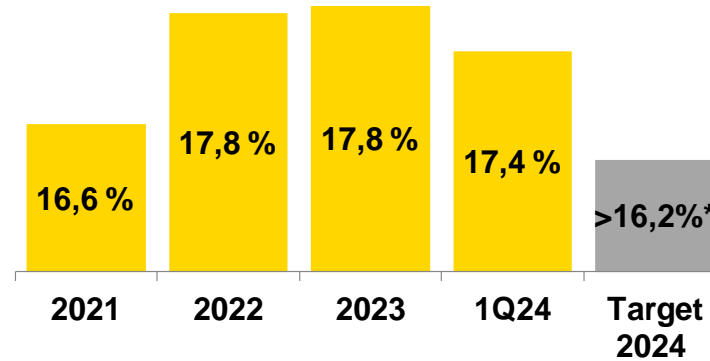
Land loans normally have installment-free repayments

# Financial targets for the strategy period 2021-2024

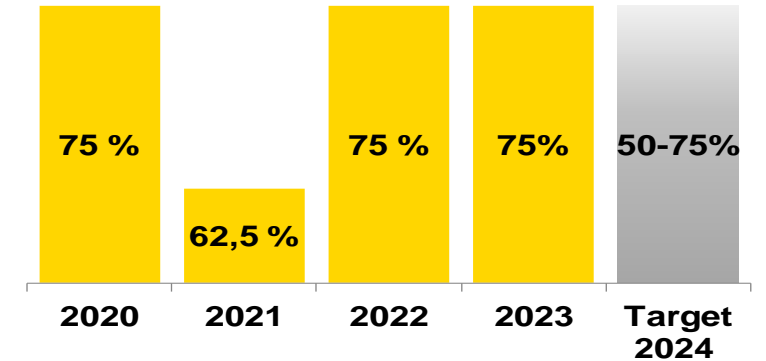
## ROE



## CET1

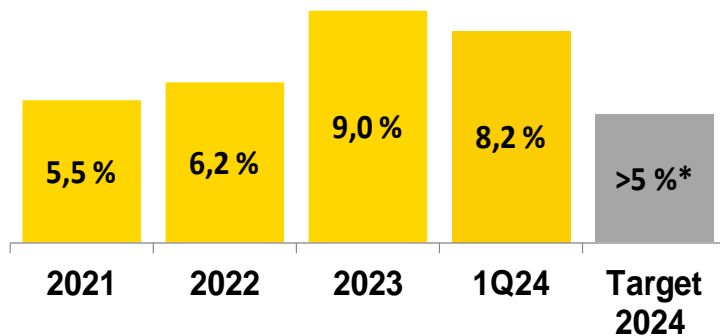


## Dividends

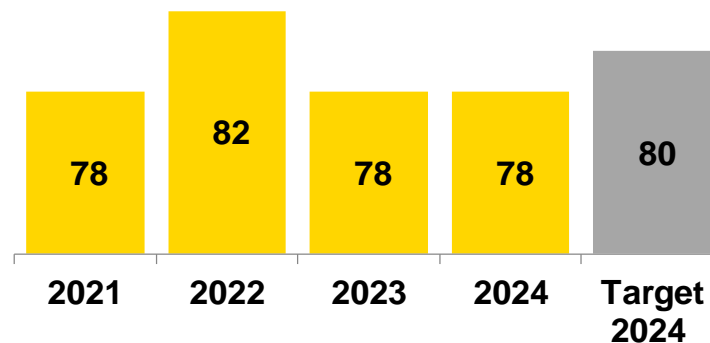


\* Internal target of + 1% management buffer above the applicable authority requirement at all times

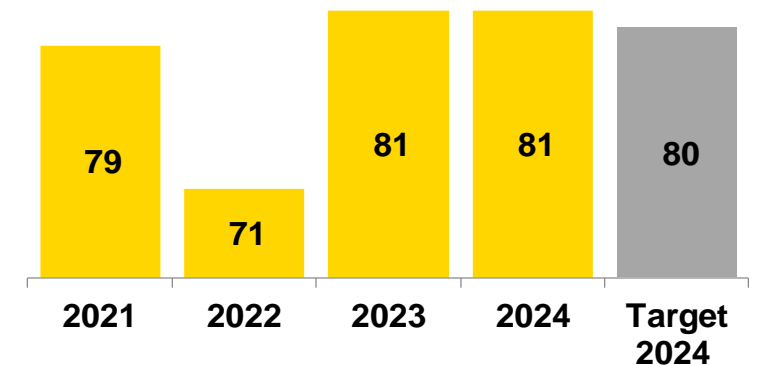
## Profitable Growth



## Customer Satisfaction Retail



## Customer Satisfaction Corporate



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

# Agenda

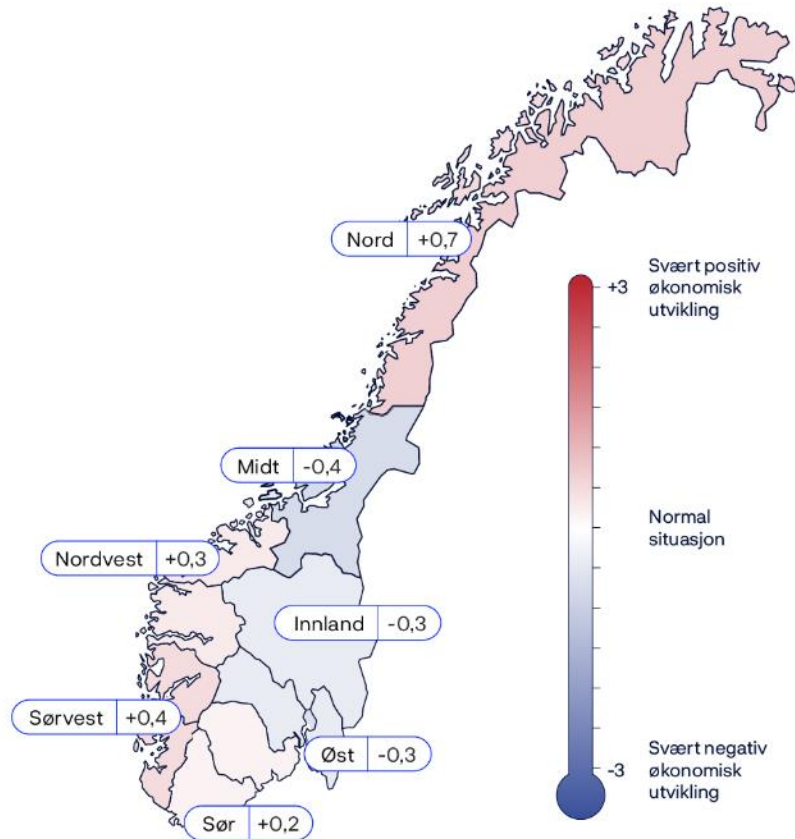
- Strong momentum
- Key figures continue to improve
- Solid creditquality in a stable market
- Good activity in the region



# High activity level in the region

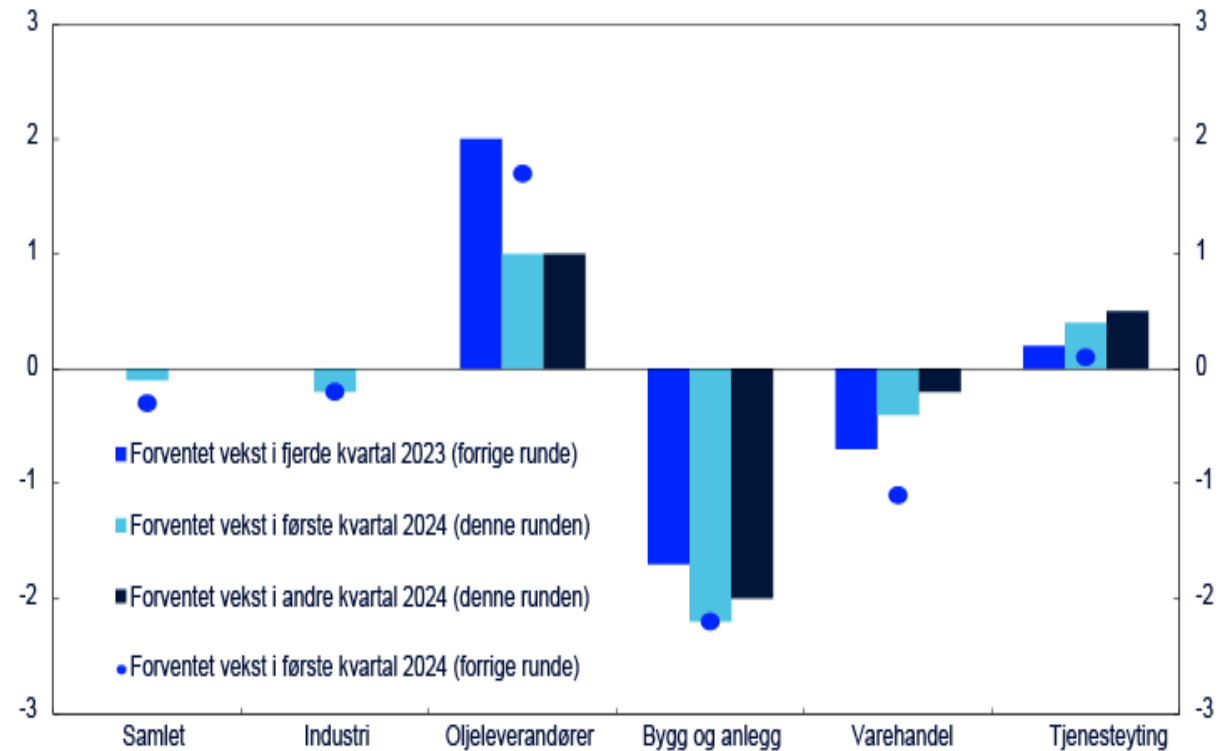
Good prospects, but some labor shortages in some sectors

Still high activity level in the southwest region



Kilde : Norges bank, regionalt nettverk 15 mars

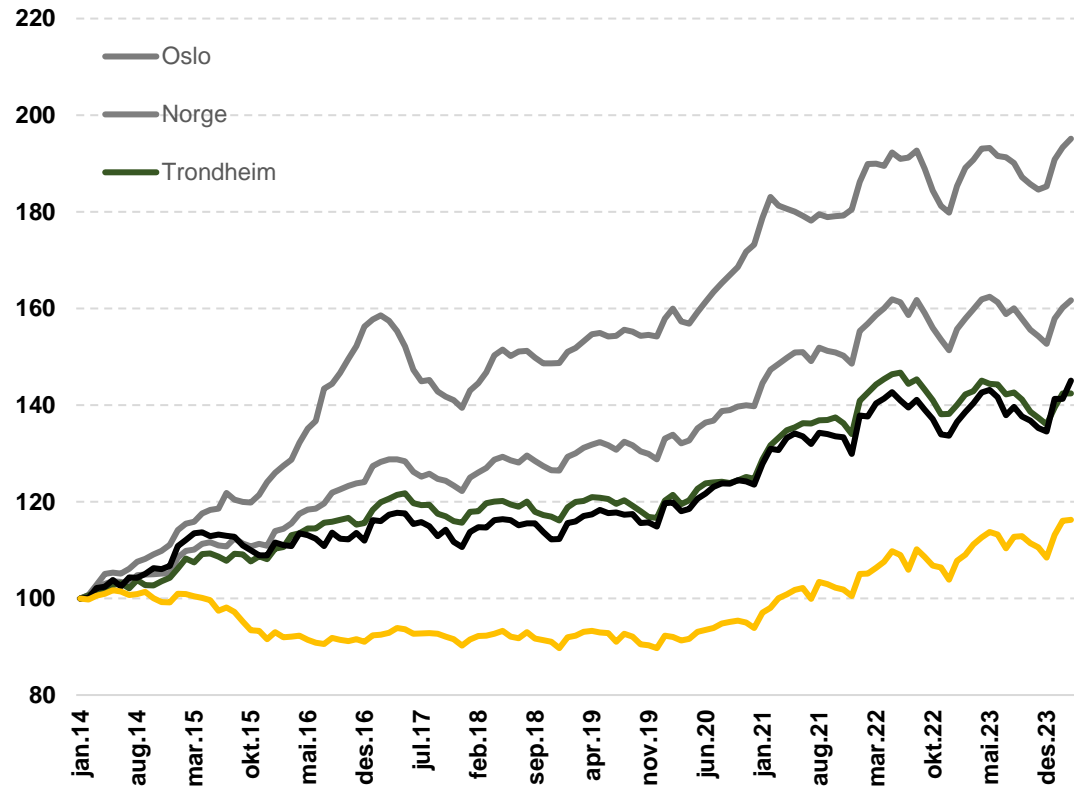
Still high activity level for the energy supply sector, demanding for the construction sector



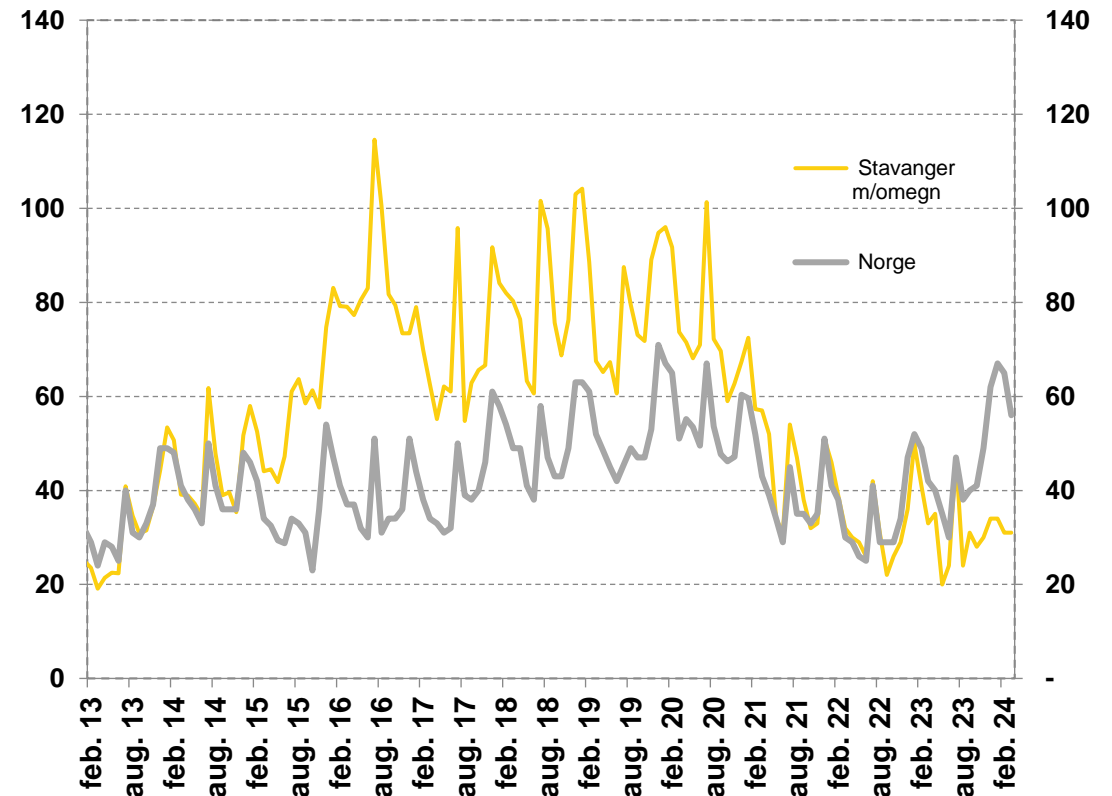
# Housing

Housing prices have risen by 4,9% in Stavanger and 1,1% in Norway over the past year

### Housing prices

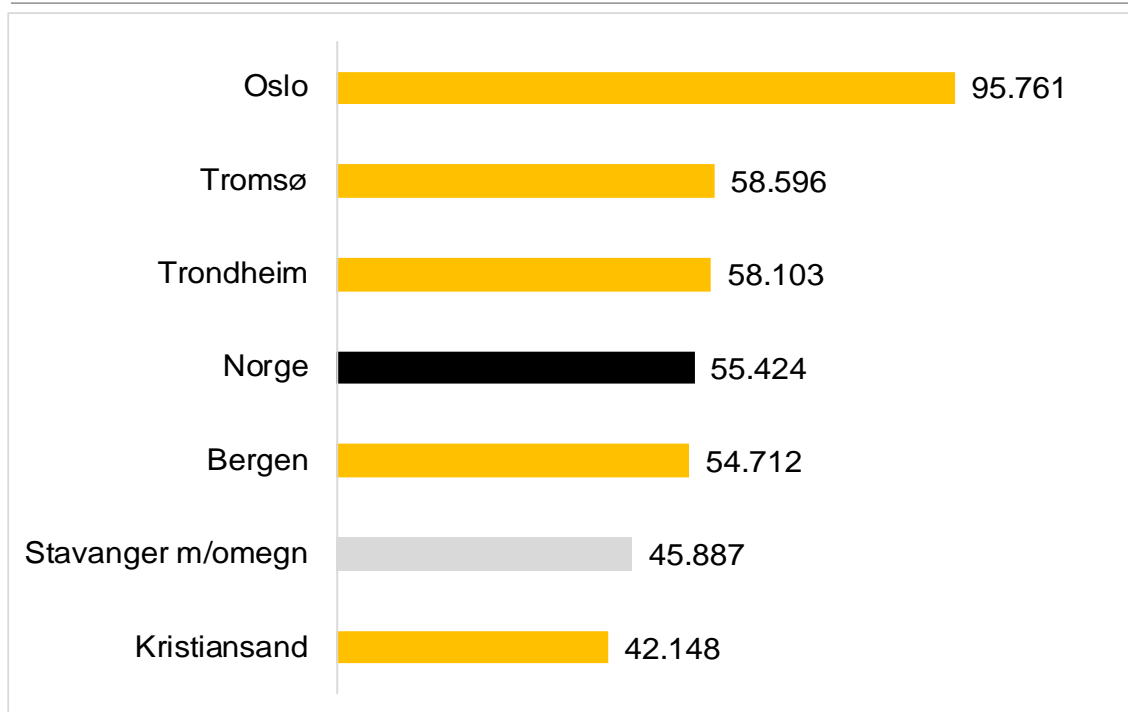


### Time to sell

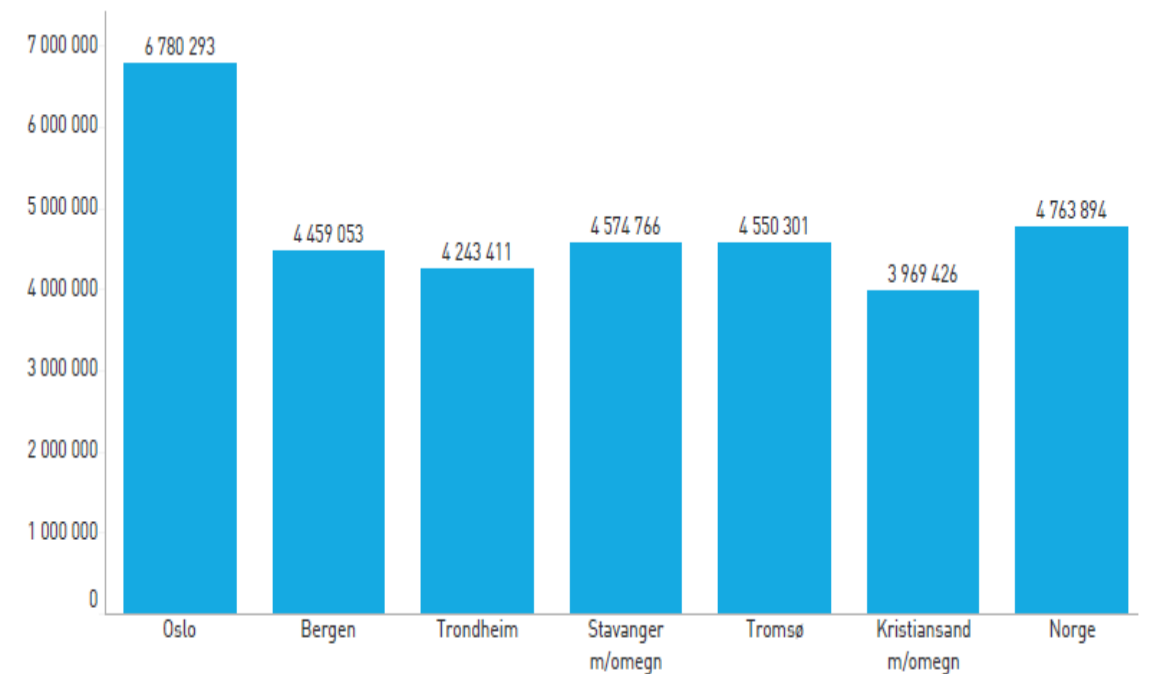


# Housing prices in Kroner – perhaps more interesting!

Price per square meter



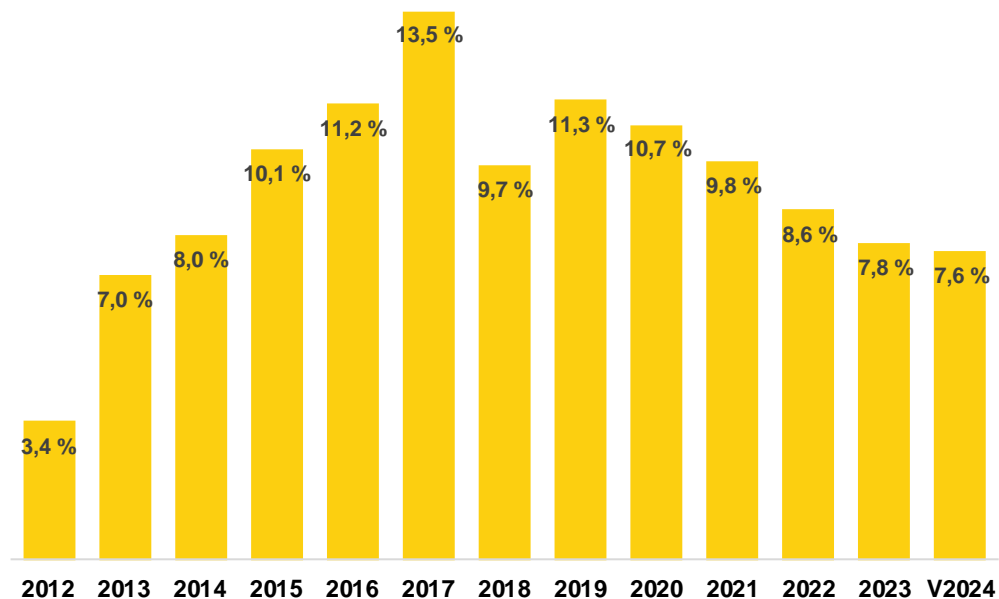
Average price of homes sold



# Commercial property – the local market

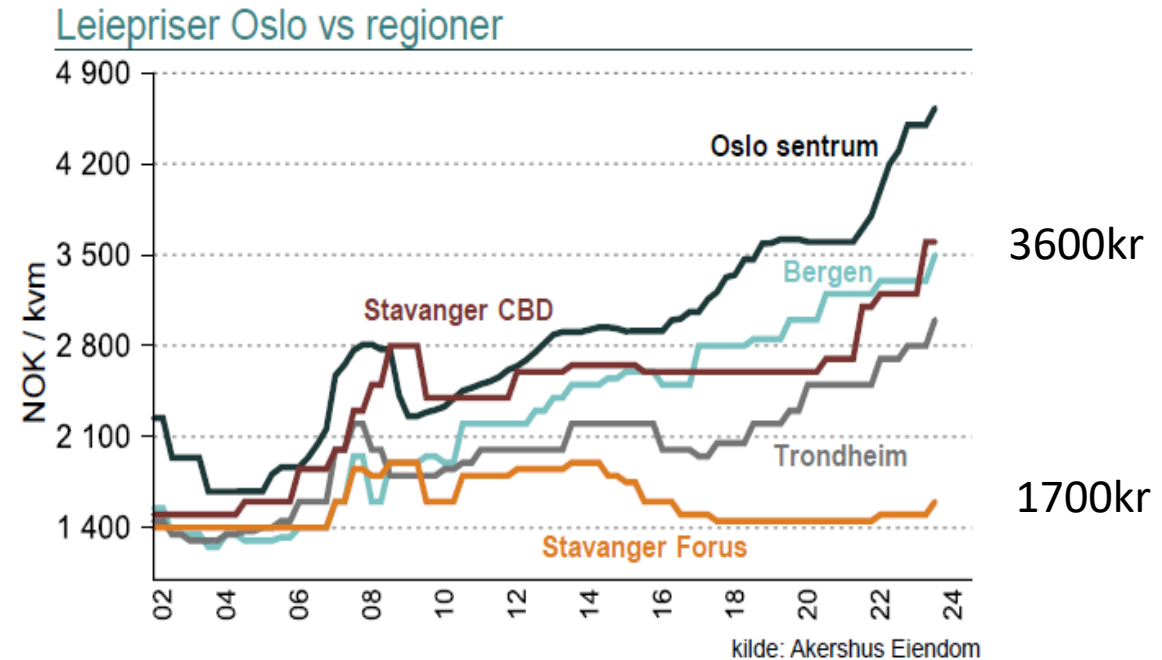
High activity in the region increases the demand for office space. The correction in connection with the oil downturn in 2014-2016 results in a lower drop height than other parts of the country

Total vacancies offices



Little new construction after the oil downturn 2014-2016

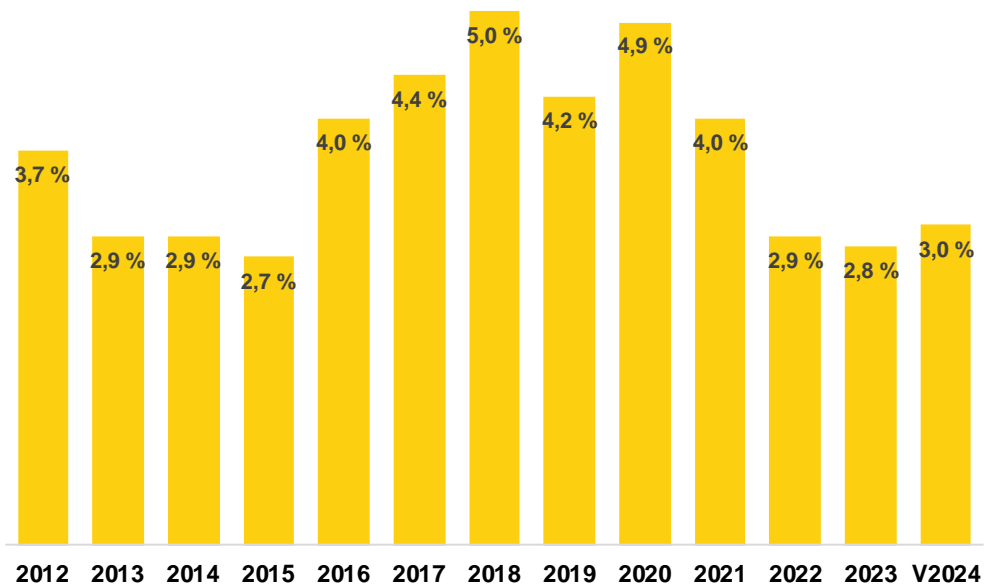
Rental prices – largest cities in Norway



# Commercial property – the local market

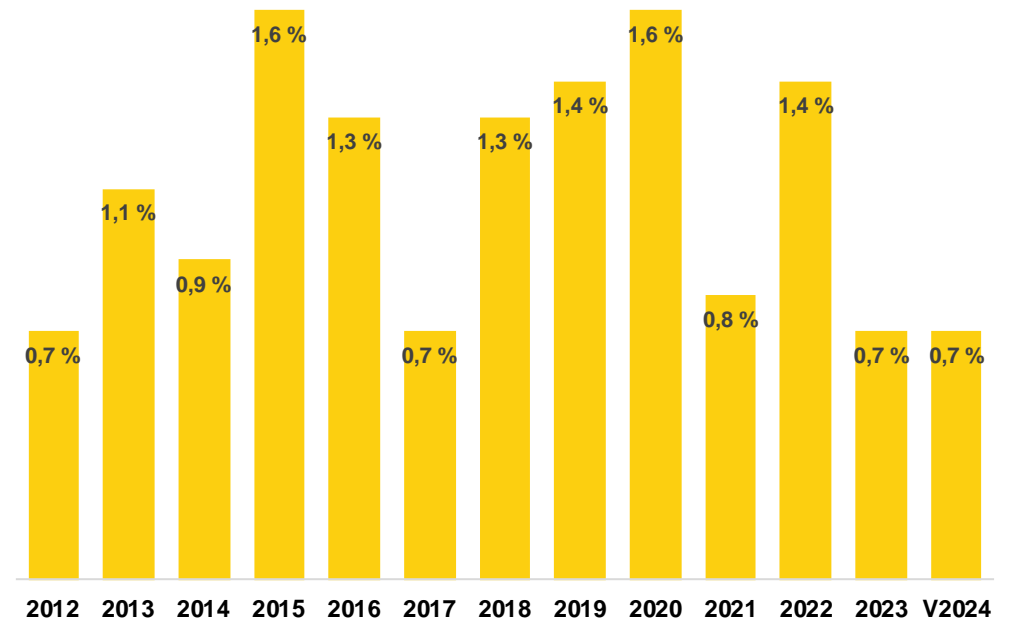
Mixed use properties and commercial buildings are the segments with the lowest vacancy rate

Total vacancies mixed use properties



Mixed use properties are multi activity buildings that typically contain a workshop/warehouse/office in the same building

Total vacancies commercial buildings



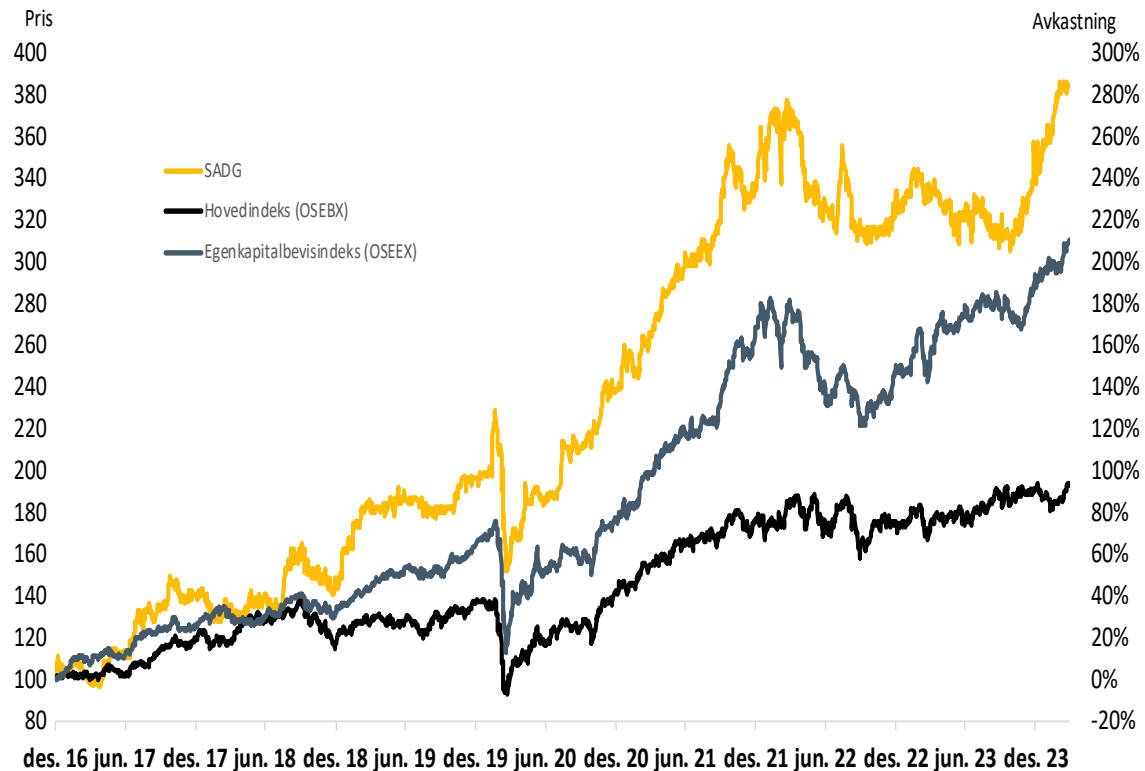


**Questions?**



# The Equity Certificate

## SADG: Development in price and volume on OSE



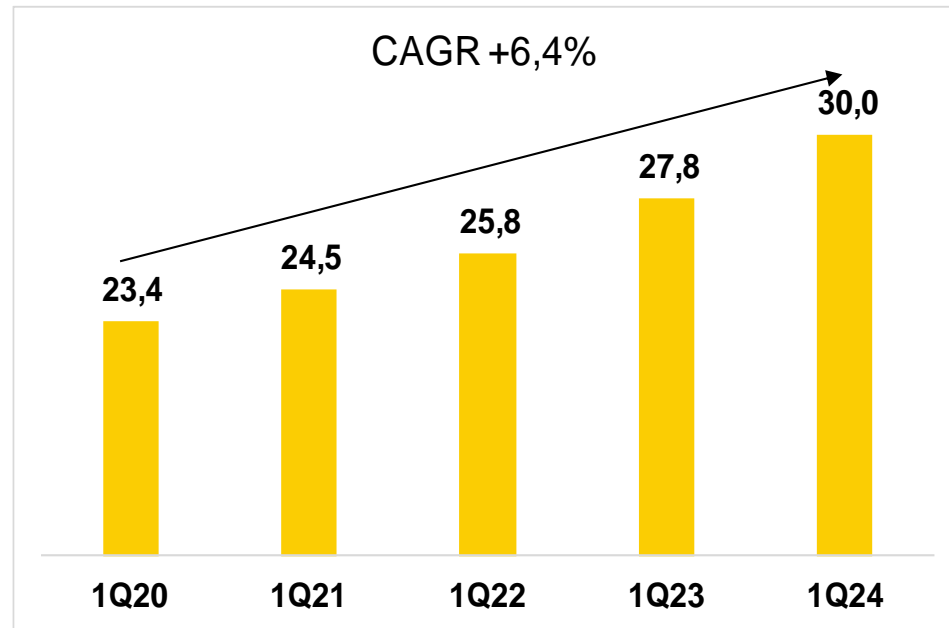
## The Equity Certificate Holders

20 largest owners of equity certificates as at 31.03.2024	No. of equity certificates	Share
1. SPAREBANK 1 SR-BANK ASA	3.485.009	15,14 %
2. SANDNES SPAREBANK	1.971.095	8,56 %
3. HOLMEN SPESIALFOND	1.883.101	8,18 %
4. AS CLIPPER	1.248.389	5,42 %
5. VPF EIKA EGENKAPITALBEVIS	1.138.909	4,95 %
6. ESPEDAL & CO AS	886.861	3,85 %
7. SPAREBANKEN VEST	775.486	3,37 %
8. SALT VALUE AS	680.000	2,95 %
9. WENAASGRUPPEN AS	625.000	2,72 %
10. SKAGENKAIEN INVESTERING AS	500.000	2,17 %
11. INNOVEMUS AS	318.542	1,38 %
12. KOMMUNAL LANDSPENSJONSKASSE GJENSI	304.311	1,32 %
13. HAUSTA INVESTOR AS	260.000	1,13 %
14. SPESIALFONDET BOREA UTBYTTE	206.283	0,90 %
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	150.000	0,65 %
19. METEVA AS	131.881	0,57 %
20. CATILINA INVEST AS	124.000	0,54 %
<b>Sum</b>	<b>15.235.070</b>	<b>66,2 %</b>
<b>Totalt</b>	<b>23.014.902</b>	<b>100,00 %</b>

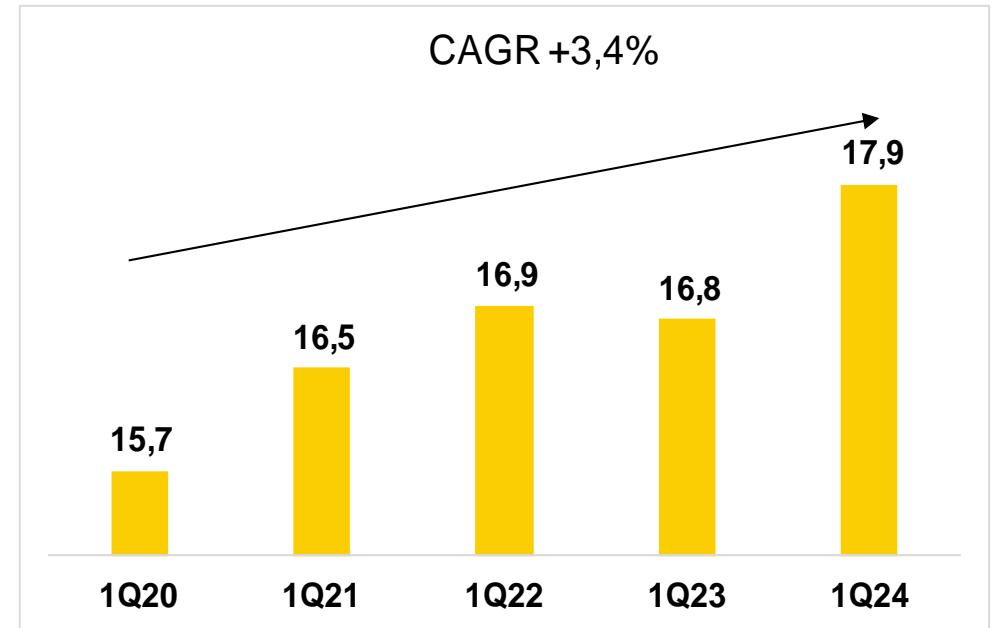
# The increase in lending volume has lower capital tie-up

Volume growth within the retail and SME companies requires less capital

Lending



Risk weighted assets

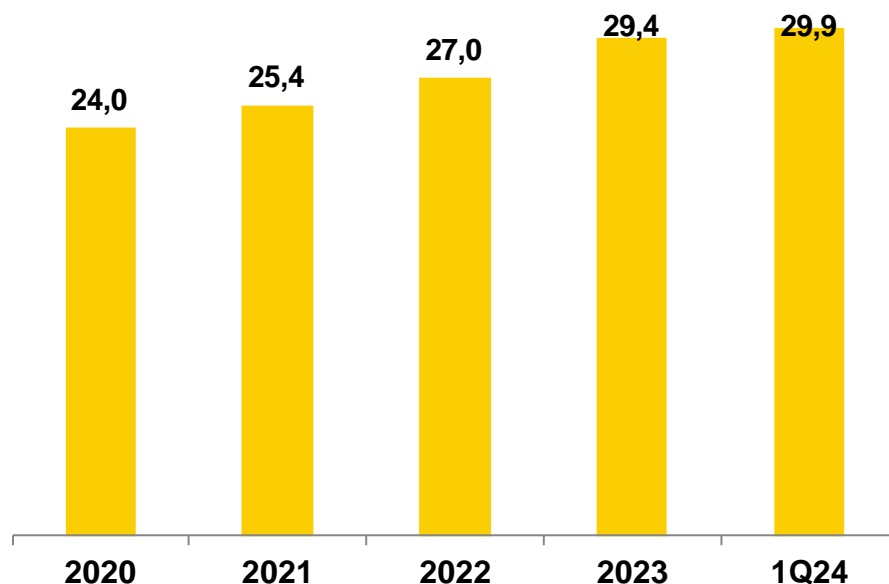


- Risk-weighted assets is risk-adjusted lending volume and is used for capital calculation (capital tie-up)

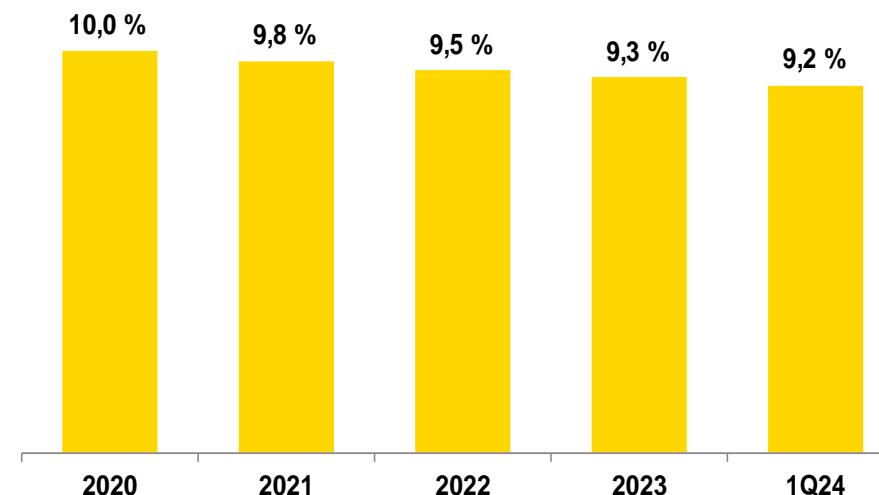
# Increase in lending volume and continued strong CET1

Volume growth in retail and SME requires less capital (Leverageratio 9,2%)

Loans to customers



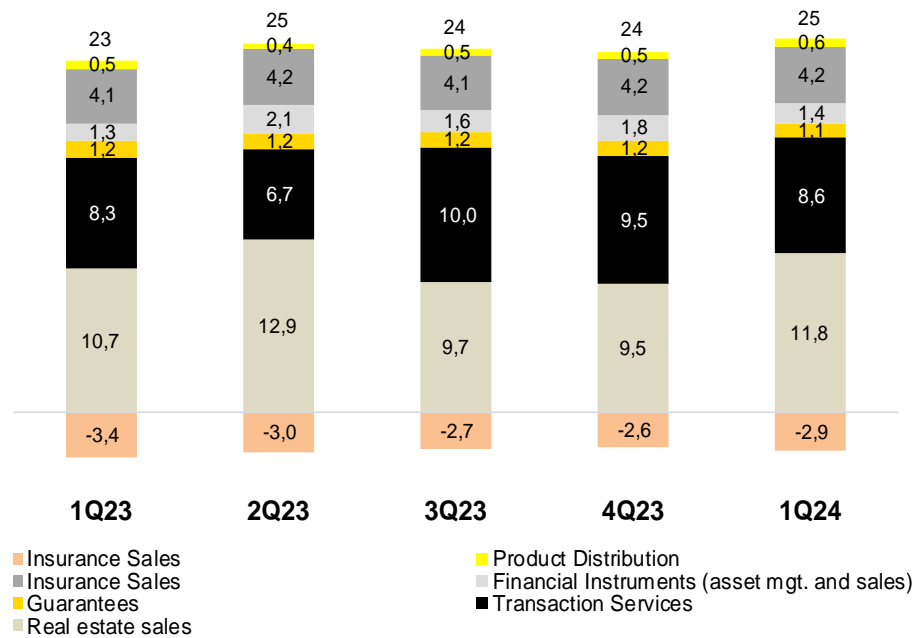
Leverage (Equity/Total assets), Yearly



# Gross Commission Income

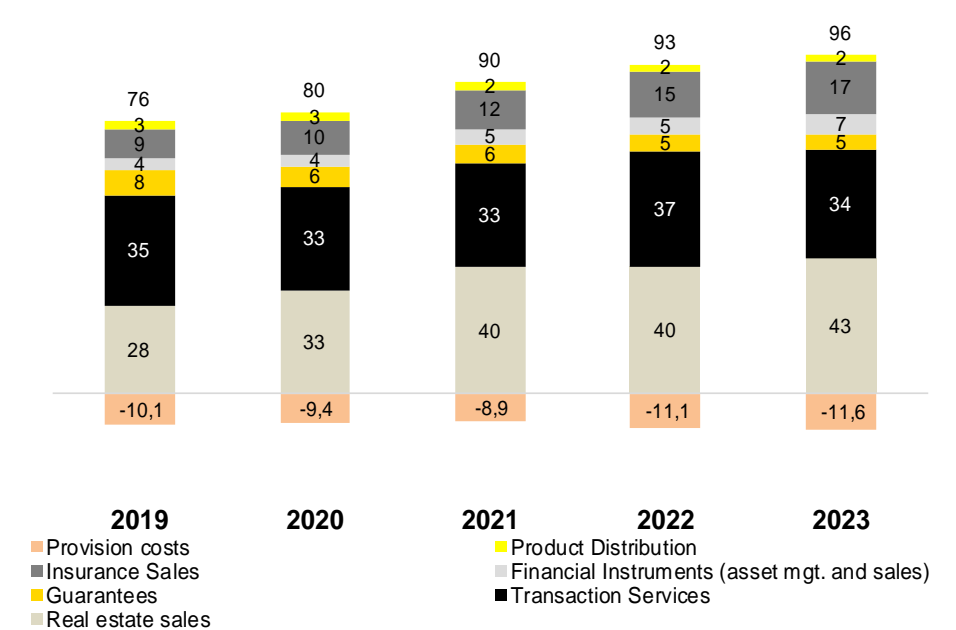
Steady increase in all types of commission income – High internal focus over time creates results

Gross commission, quarterly



- Some backlog on gross commission due to conversion in april 2023

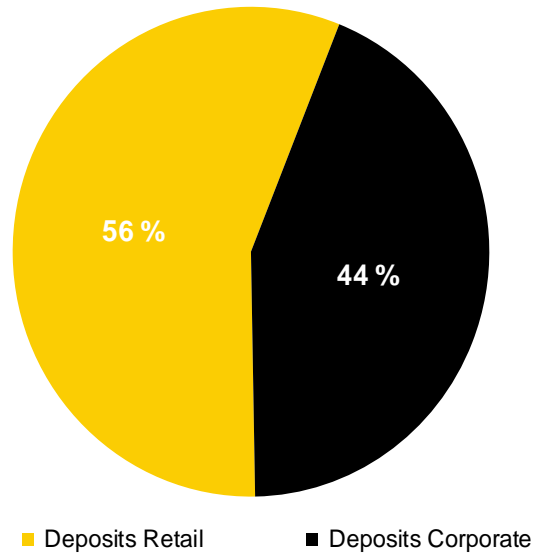
Gross commision, Yearly



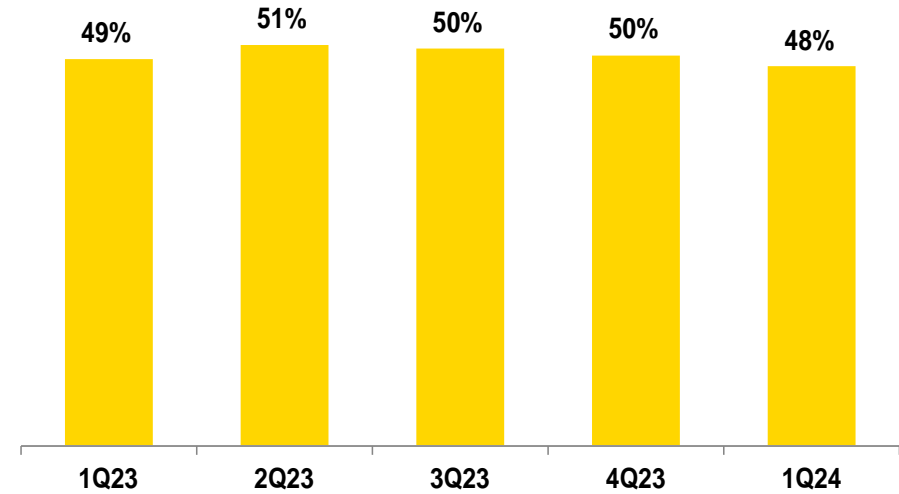
- Steady increase in all types of commision income

# Deposits From Customers

By division



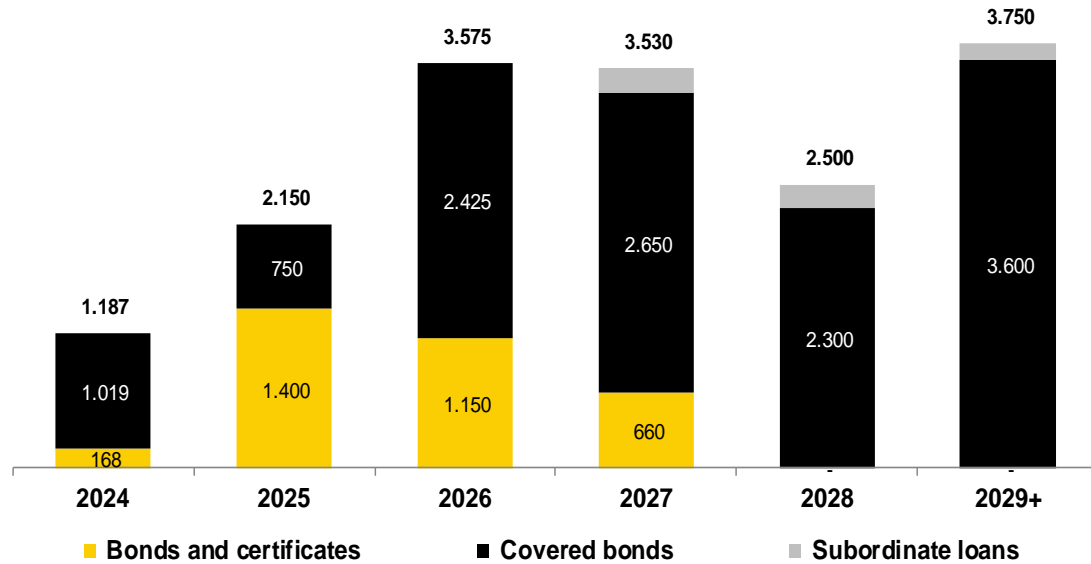
Deposit-to-loan ratio



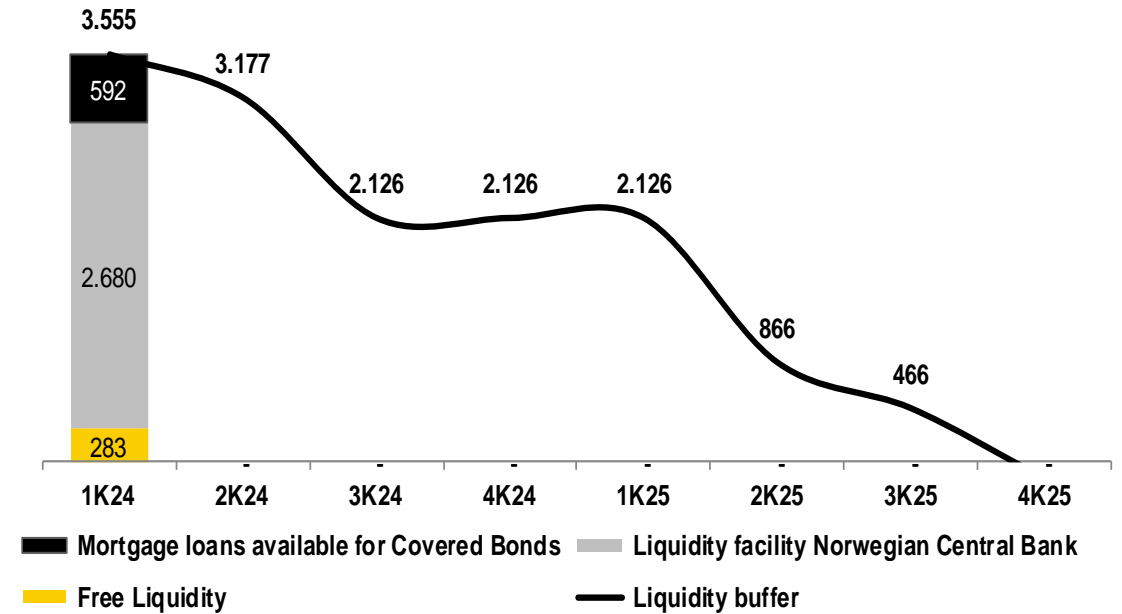
# Liquidity

LCR at 265 % | NSFR at 132 %

Funding (MNOK)



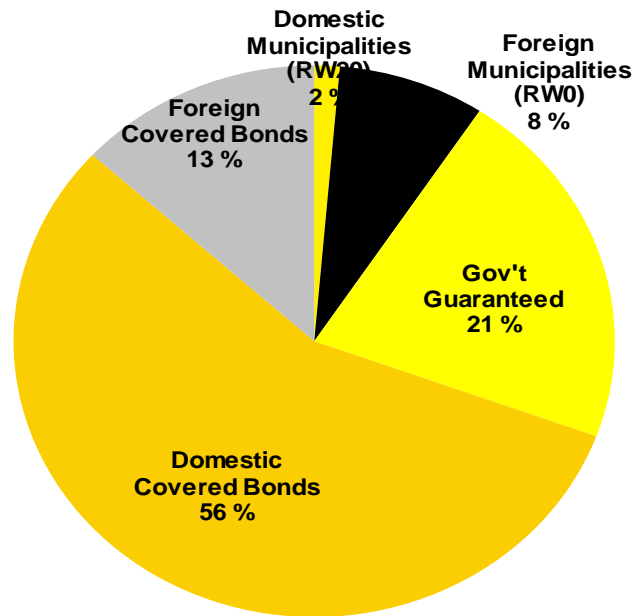
Liquidity reserve, (MNOK)



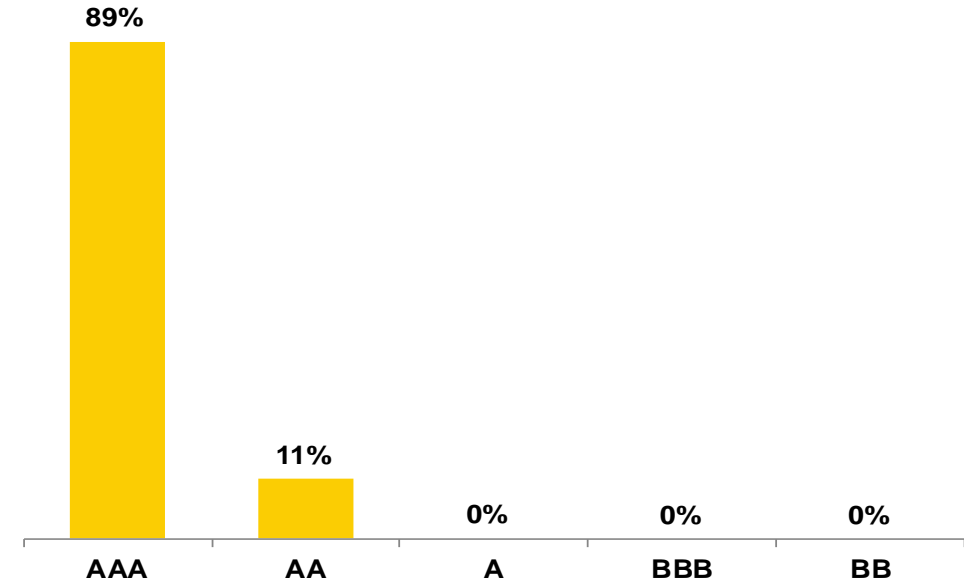
# Liquidity

NOK 3,7 bn. ex. cash

Composition liquidity portfolio



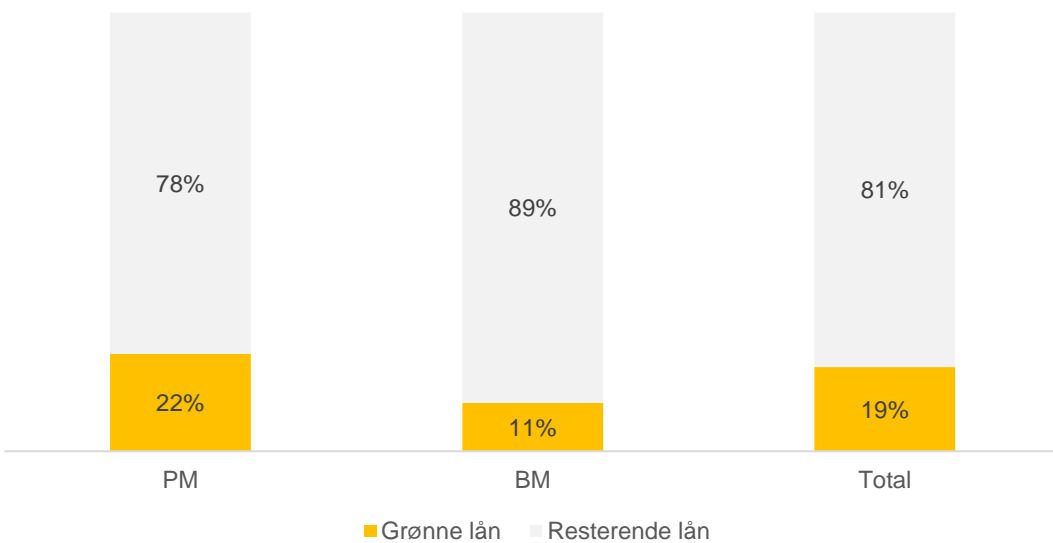
Rating distribution



- Norske kommuner internrates AA



# Green fraction - lending



4.900 MNOK qualifies as green retailloans  
900 MNOK qualifies as green corporate loans

Outstanding green coveredbonds amount to 3.300 MNOK



# Key Figures

	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2022	2023
Growth assets	1,1 %	2,5 %	0,2 %	2,2 %	2,0 %	1,5 %	1,1 %	2,1 %	9,7 %	6,8 %
Growth lending (net)	2,0 %	2,8 %	0,0 %	2,6 %	2,4 %	1,4 %	2,3 %	1,9 %	6,2 %	9,0 %
Growth deposits	5,0 %	-4,0 %	0,5 %	1,5 %	6,2 %	0,3 %	0,9 %	-1,2 %	4,1 %	9,0 %
Net interest margin	1,58 %	1,62 %	1,60 %	1,72 %	1,78 %	1,90 %	1,95 %	1,94 %	1,61 %	1,85 %
Other income % of total income	38,1 %	10,6 %	15,5 %	16,4 %	33,2 %	19,0 %	11,2 %	16,2 %	23,7 %	20,6 %
Cost-to-income ratio	43,1 %	54,8 %	53,7 %	53,9 %	44,3 %	42,4 %	51,2 %	41,1 %	49,9 %	47,6 %
Costs as % of av. total assets	1,1 %	1,0 %	1,0 %	1,1 %	1,2 %	1,0 %	1,1 %	1,0 %	1,1 %	1,1 %
Return on equity before tax	14,6 %	8,1 %	7,9 %	9,4 %	13,9 %	14,5 %	10,2 %	13,3 %	10,0 %	11,9 %
Return on equity after tax	13,5 %	6,1 %	5,9 %	8,3 %	12,7 %	11,1 %	7,9 %	10,3 %	8,5 %	9,9 %
Capital adequacy ratio	18,8 %	19,7 %	20,7 %	20,2 %	20,1 %	20,1 %	20,4 %	20,7 %	20,7 %	20,4 %
Tier 1 capital ratio	17,5 %	17,4 %	18,4 %	18,2 %	18,2 %	18,2 %	18,5 %	18,0 %	18,4 %	18,5 %
CET1	16,9 %	16,8 %	17,8 %	17,5 %	17,1 %	17,5 %	17,8 %	17,4 %	17,8 %	17,8 %
Risk-weighted assets	16.369	16.452	16.638	16.841	17.236	16.868	17.410	17.898	16.638	17.410
Number of man-years	147	147	151	155	155	155	154	152	151	154
Stock exchange price	92	89	94	87	85	83	91	101	94	91
Equity capital certificate % of equity	63,5	63,5	63,8	63,5	63,6	63,6	63,6	63,6	63,8	63,6
Earnings per equity capital certificate	3,1	1,5	1,5	2,0	3,1	2,8	2,1	2,8	8,1	10,0
Book value per equity capital certificate	94,7	96,1	100,4	96,2	99,3	102,0	106,6	109,3	100,4	106,6
Individual write-downs in % of gross lending	0,12 %	0,12 %	0,12 %	0,11 %	0,11 %	0,11 %	0,17 %	0,17 %	0,12 %	0,17 %
Coll. write-downs in % lending after ind. wr.-d.	0,23 %	0,23 %	0,23 %	0,22 %	0,24 %	0,23 %	0,17 %	0,15 %	0,23 %	0,17 %
Deposits to loans ratio	52,8 %	49,3 %	49,6 %	49,0 %	50,8 %	50,2 %	49,5 %	48,1 %	49,6 %	49,5 %
Deposits to loans ratio parent bank	90,0 %	84,7 %	88,8 %	93,7 %	95,0 %	95,5 %	96,0 %	94,4 %	88,8 %	96,0 %

# 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

# Contacts

Trine Karin Stangeland  
CEO

Phone: +47 934 88 117

E-mail: [trine.stangeland@sandnes-sparebank.no](mailto:trine.stangeland@sandnes-sparebank.no)

Tomas Nordbø  
Deputy CEO/CFO

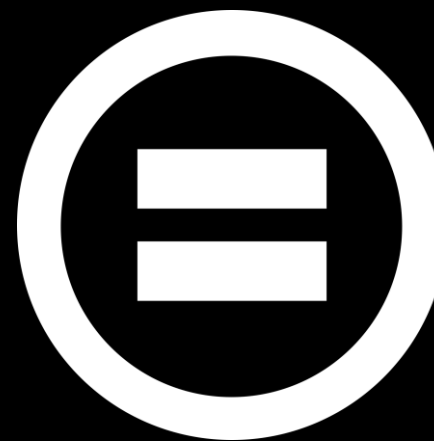
Phone: +47 922 11 865

E-mail: [tnm@sandnes-sparebank.no](mailto:tnm@sandnes-sparebank.no)

Johan Erik Flaatin  
Head of Treasury

Phone: +47 51 67 67 21

E-mail: [joef@sandnes-sparebank.no](mailto:joef@sandnes-sparebank.no)



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