Sandnes Sparebank Issuer Rating Report

SCOPE A- STABLE

Scope's credit view (summary)

Sandnes Sparebank is a well-established local savings bank operating in south-west Norway. The bank enjoys significant benefits from being a member of the Eika Alliance, including the ability to offer a broad range of financial services, economies of scale and digital capabilities. Further, the focus on retail clients and mortgage lending supports earnings stability.

Sandnes actively embraces developments in the area of sustainability. This includes developing further competence to evaluate and report on potential ESG risks in the loan portfolio, assisting the transition efforts of clients and upgrading the bank's digital infrastructure. Sustainability is also a key component of the bank's 2021-2024 strategic plan.

Following de-risking efforts and a focus on strengthening the business franchise in recent years, Sandnes' operating performance is consistently solid. For 2022, the group reported a return on equity of 8.5% while absorbing costs related to the planned IT conversion project. Asset quality remains sound and there is no direct exposure to the more cyclical oil and gas industry.

The bank maintains a sound solvency position and has incorporated the expected increase of the systemic risk buffer in its capital planning. Management targets a buffer of at least 1% above minimum requirements.

As with other Norwegian banks, Sandnes relies on market funding, including covered bonds. Customer deposits meet about half of its funding needs. At the same time, liquidity metrics are maintained comfortably above requirements.

The A- issuer rating of SSB Boligkreditt, a wholly owned subsidiary, is aligned with that of Sandnes. With the issuance of covered bonds, SBB Boligkreditt provides secured funding for its parent. We expect it would likely benefit from full support from its parent in case of need. We rate the covered bonds issued by SSB Boligkreditt at AAA.

Outlook

The Stable Outlook reflects our expectation for the bank's business and operating performance to remain resilient in a more uncertain macroenvironment.

What could move the rating up:

- Sustained strengthening of market position accompanied by consistent earnings and sound prudential metrics

What could move the rating down:

- A deterioration in the operating environment materially impacting earnings
- The inability to balance business growth with maintaining sufficient buffers above regulatory capital requirements

Ratings & Outlook

Issuer rating	A-
Senior unsecured debt rating	A-
Senior unsecured (subordinated) debt rating	BBB+
Covered bond rating	AAA
Outlook	Stable

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Bloomberg: RESP SCOP

Issuer profile

Founded in 1875, Sandnes Sparebank is a local savings bank operating in the county of Rogaland in south-west Norway. The bank serves about 42,000 personal and 5,000 business customers from its head office and branch in Sandnes as well as a branch in Stavanger. The bank is the second largest savings bank in Rogaland, competing with SpareBank 1 SR-Bank, DNB Bank, Danske Bank, and other smaller players.

Since the autumn of 2021, the bank's brand name has been Den Gule Banken (The Yellow Bank). Sandnes Sparebank, however, remains the bank's legal name.

The bank has been part of the Eika Alliance since October 2015 and is its largest member. The bank's CEO is the deputy chairman of the alliance's board.

Sandnes has its own covered bond issuing entity, SSB Boligkreditt. In addition, the bank owns 60% of Aktiv Eiendomsmegling Jaeren AS, a real estate broker, and 49.5% of Kjell Haver Regnskapsservice AS, an accounting firm.

Sandnes has equity capital certificates outstanding and has been listed on the Oslo Stock Exchange since 1995. As of end-2022, the equity capital certificate ratio was about 64%, with the largest holder being Sparebank 1 SR-Bank with a stake of around 15%.

The group had total assets of NOK 32bn and about 150 employees as of end-2022.

Recent events:

- For 2022, Sandnes reported a profit of NOK 266m and a return on equity of 8.5%. Performance was impacted by higher expenses, including NOK 12m for the IT conversion project, as well as more normalised credit costs compared to significant reversals in 2021. Sandnes' ownership stake in Eika Gruppen was revalued by NOK 236m and recognised in other comprehensive income, positively impacting common equity tier 1 (CET1) capital. As of end-2022, the CET1 ratio stood at 17.8%, up from 16.6% YoY (proportional consolidation basis).
- Sandnes increased its stake in Eika Gruppen to 8.8% from 8.4% in 2022, following the exit of several member banks from the Eika Alliance and a redistribution of ownership.

Summary rationale for the rating construct

<table>
<tr><th colspan="2">Step</th><th>Assessment</th><th>Summary rationale</th></tr>
<tr><td rowspan="24">STEP 1</td><td rowspan="5">Operating environment</td><td>Very supportive</td><td rowspan="5">Wealthy economy with well-developed capital markets and a strong record of economic resilience
Supportive operating environment for banks
Relatively stringent and active financial regulator</td></tr>
<tr><td>Supportive</td></tr>
<tr><td>Moderately supportive</td></tr>
<tr><td>Constraining</td></tr>
<tr><td>Very constraining</td></tr>
<tr><td rowspan="5">Business model</td><td>Very resilient</td><td rowspan="5">Savings bank with a focus on personal customers and mortgage lending
Significant benefits from being a member of an alliance
Operations concentrated in south-west Norway</td></tr>
<tr><td>Resilient</td></tr>
<tr><td>Consistent</td></tr>
<tr><td>Focused</td></tr>
<tr><td>Narrow</td></tr>
<tr><td rowspan="2">Mapping refinement</td><td>High</td><td rowspan="2">Well-established in local market with resilient operating performance</td></tr>
<tr><td>Low</td></tr>
<tr><td>Initial mapping</td><td>bbb/bbb+</td><td></td></tr>
<tr><td rowspan="5">Long-term sustainability</td><td>Best in class</td><td rowspan="5">Currently upgrading digital infrastructure
Actively embracing developments in sustainability. Further developing capabilities to assess ESG risks in loan portfolio</td></tr>
<tr><td>Advanced</td></tr>
<tr><td>Developing</td></tr>
<tr><td>Constrained</td></tr>
<tr><td>Lagging</td></tr>
<tr><td>Adjusted anchor</td><td>bbb</td><td></td></tr>
<tr><td rowspan="17">STEP 2</td><td rowspan="5">Earnings capacity & risk exposures</td><td>Very supportive</td><td rowspan="5">De-risking and strengthening of business franchise in recent years supports earnings resilience
Sound asset quality and low credit losses</td></tr>
<tr><td>Supportive</td></tr>
<tr><td>Neutral</td></tr>
<tr><td>Constraining</td></tr>
<tr><td>Very constraining</td></tr>
<tr><td rowspan="6">Financial viability management</td><td>Ample</td><td rowspan="6">Sound prudential metrics. Pending increase in solvency requirements has been incorporated into management’s capital planning
Reliance on market funding, including more stable covered bonds
Liquidity metrics remain comfortably above requirements</td></tr>
<tr><td>Comfortable</td></tr>
<tr><td>Adequate</td></tr>
<tr><td>Limited</td></tr>
<tr><td>Stretched</td></tr>
<tr><td>At risk</td></tr>
<tr><td rowspan="5">Additional factors</td><td>Significant support factor</td><td rowspan="5">No further considerations</td></tr>
<tr><td>Material support factor</td></tr>
<tr><td>Neutral</td></tr>
<tr><td>Material downside factor</td></tr>
<tr><td>Significant downside factor</td></tr>
<tr><td>Standalone</td><td>a-</td><td></td></tr>
<tr><td>STEP 3</td><td>External support</td><td>Not applicable</td><td></td></tr>
<tr><td colspan="2">Issuer rating</td><td>A-</td><td></td></tr>
</table>

Well-established local savings bank operating in south-west Norway

The 'very supportive' operating environment assessment reflects Norway's wealthy and resilient economy as well as the supportive operating environment for banking activities. The bank's operations are concentrated in Rogaland, the third largest urban area in Norway and the centre of the country's oil and gas industry.

The 'focused' business model assessment reflects Sandnes' well-established savings bank franchise in its local area and the focus on retail customers. The bank's competitive position is further enhanced by its membership in the Eika Alliance, where it is the largest member.

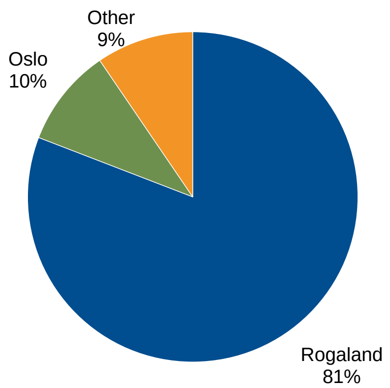
Activities concentrated in Rogaland

Sandnes is a savings bank operating primarily in the country of Rogaland in Norway. Due to its position in the heart of the oil and gas region, the local economy is exposed to the cyclical nature of the energy industry. Prior to the Covid-19 pandemic in 2020, Rogaland was steadily recovering from the impact of the 2014-2015 oil price downturn.

Consequently, house prices in Rogaland remain lower than in other parts of the country and have experienced more moderate price inflation over the past ten years (Figure B). Meanwhile, with the current high level of activity in the oil and gas industry, the economy has been on a positive trajectory. The county is benefiting from strong job growth, with unemployment below pre-pandemic levels.

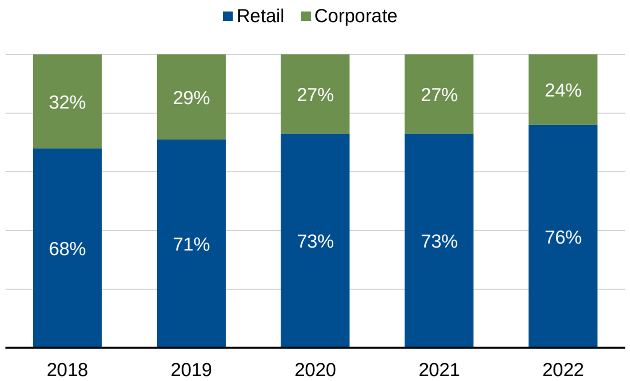
Sandnes has historically focused on corporate lending and real estate development. Over the last few years, however, management has successfully shifted the priority to personal customers. Having returned to its savings bank roots, Sandnes continues to develop and strengthen its business franchise.

Figure 1: Loan book by geography (end-2022)



Source: Company data, Scope Ratings

Figure 2: Loan book by customer segment (%)



Source: Company data, Scope Ratings

Continued focus on retail customers

The rebranding to Den Gule Banken has enhanced the bank's visibility to customers in a broader geographic area and is supporting growth. This year, Sandnes aims to further expand in the retail market in Stavanger, the administrative capital of Rogaland and the fourth largest city in Norway.

Strategic plan well underway

Management is executing its 2021-2024 strategic plan, which builds on the achievements of the last few years. The focus remains on enhancing the customer experience to generate profitable growth. Reflecting the bank's business model, the plan incorporates the priorities of various stakeholders, including employees and the local community. Management believes that integrating sustainability and social responsibility within the business will eventually lead to outperformance against banks who do not do the same.

Box A: Focus on Sandnes Sparebank's country of domicile: Norway

Macroeconomic assessment

- With a population of 5.4m and a GDP of USD 482bn, Norway is a relatively small open economy with one of the world's highest per capita incomes.
- The Norwegian economy proved relatively resilient to the Covid-19 pandemic, with a limited GDP contraction in 2020 and a strong rebound from 2021.
- Thanks to robust growth, low unemployment and higher-than-targeted inflation, the central bank has been increasing the policy rate since September 2021.
- Very strong government fiscal position provides ample capacity to support the economy as needed. Savings are accumulated through the world's largest sovereign wealth fund, the Government Pension Fund Global.
- The high home ownership rate of around 80% is a driver for high levels of household debt, both in historical terms and in comparison to other countries. Macroprudential measures concerning mortgages and consumer debt are in place to manage risks. Mortgage debt is primarily floating rate.
- Property prices are high. House prices have risen over a long period and remain higher than prior to the pandemic although price growth is flattening. Commercial property prices have also been rising over many years.
- The reliance on the oil and gas sector exposes the country to long-term transition challenges.

Soundness of banking sector

- The Norwegian banking system is dominated by DNB Bank, who holds a market share above 25%. Nordea and other foreign banks account for about 20% of the retail market and 35% of the corporate market. There are also nearly 90 savings banks with their size ranging from less than NOK 5bn to NOK 350bn in assets. Savings banks tend to operate locally or regionally and are part of alliances.
- Smaller savings banks are consolidating due to increasing competitive and regulatory pressures.
- Residential mortgages account for nearly 50% of total lending while the commercial real estate sector accounts for around 45% of corporate lending.
- Digitalisation is high and the use of cash is amongst the lowest in the world.
- A comparatively rigorous regulatory framework, with some of the highest solvency requirements amongst European banks.
- Norwegian banks are generally profitable, cost efficient and exhibit sound asset quality and solvency metrics.
- The use of market funding is material, with covered bonds being an important funding source.

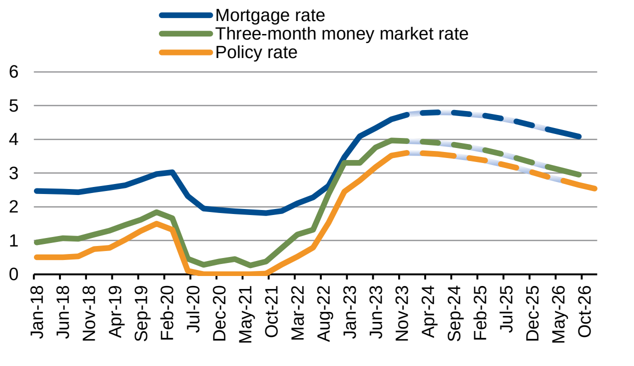
Key economic indicators	2019	2020	2021	2022F	2023F
GDP per capita (USD' 000s)	76.5	68.0	90.2	NF	NF
Real GDP, % change	1.1	-1.9	4.0	3.2	1.4
Unemployment rate, %	3.7	4.6	4.4	3.2	3.6
CPI, % change	2.2	1.3	3.5	NF	NF
Policy rate, %	1.50	0.00	0.50	2.75	3.50
General government debt, % of GDP	40	45	43	40	41

Note: NF = not forecasted
Source: SNL, Scope Macroeconomic Council forecasts

Banking system indicators	2017	2018	2019	2020	2021
ROAA, %	0.9	1.0	1.1	0.8	1.0
ROAE, %	10.1	11.0	11.3	8.6	10.3
Net interest margin, %	1.6	1.8	1.8	1.7	1.7
CET1 ratio, %	16.2	16.4	17.4	17.9	18.1
Problem loans, % of gross customer loans	1.1	1.4	1.4	1.7	1.5
Loan-to-deposit ratio, %	152.7	154.5	151.4	139.9	131.0

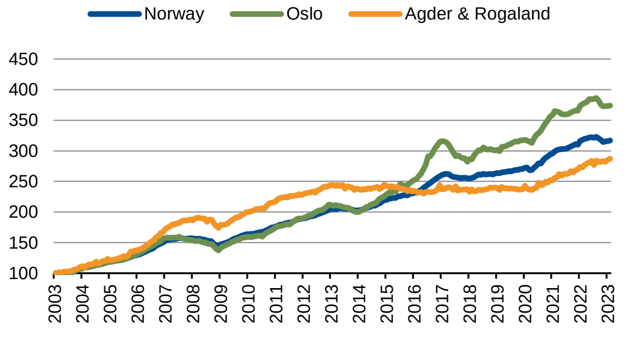
Source: SNL

Figure A: Interest rates (%)



Source: Norges Bank, March 2023 MPR

Figure B: House price index (Jan 2003 = 100)



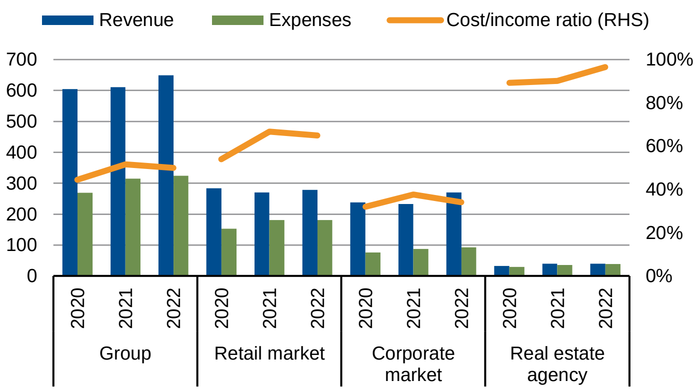
Source: Eiendom Norge, Macrobond, Scope Ratings

Customer satisfaction is continually improving and the bank has been achieving above market growth with personal customers. As part of the strategic plan, the bank targets a customer satisfaction score of 80 with both retail and corporate customers in 2024 (2022: 80 for retail and 71 for corporate).

Alliance membership strengthens competitive position

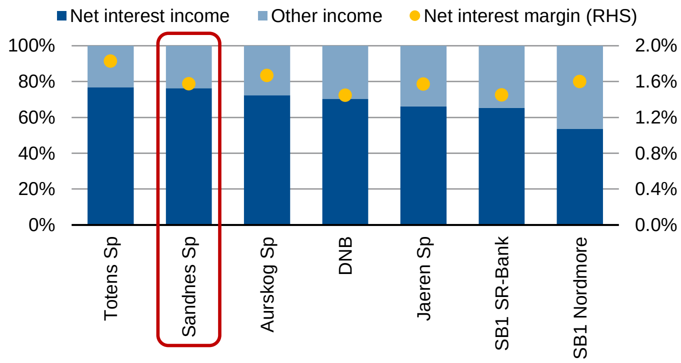
Sandnes is also a member of the Eika Alliance, a strategic alliance of about 50 local banks that collectively account for more than 10% of the retail loan market in the country[1]. Being a member of the alliance enables the bank to meet the broad financial needs of its customers, including asset management, insurance, credit cards, car loans and leasing. It also supports cost efficiency, particularly in banking operations and IT infrastructure.

Figure 3: Key segment information (NOK m)



Source: Company data, Scope Ratings

Figure 4: Revenue composition – peer comparison (%)



Note: Three-year average for 2020-2022
Source: SNL, Scope Ratings

Addressing ESG-related risks and further enhancing IT capabilities

The 'developing' long-term sustainability assessment reflects the bank's ongoing and active management of ESG-related factors. Further, the bank's digital capabilities are strong and in line with the Norwegian banking sector. The progress made is tangible but does not warrant further credit differentiation.

Figure 5: Exposure and management of key ESG-D factors[2]

Source: Scope Ratings

Sustainability is a key part of the group's 2021-2024 strategic plan. Last autumn, the group updated the materiality analysis that was initially performed at the end of 2019 and the beginning of 2020. The group has developed its sustainability strategy with input from employees as well as various stakeholders, including Finance Norway, the Norwegian FSA and the Eika Alliance. Key priorities include supporting customers' transition efforts

[1] Norges Bank, Financial Stability Report, December 2022. Data as of 30 June 2022.
[2] The overview table illustrates how each factor informs our overall long-term sustainability assessment. The materiality table shows how we view the credit relevance of each factor for the industry at large. The exposure table shows how we see the issuer's degree of exposure to each ESG-D factor. The management table shows how we view the issuer's management of these exposures.

through advice and product offerings, ensuring responsible lending and investment as well as ESG risk management.

Developing expertise to manage ESG-related risks

Since 2020, Sandnes has been assessing ESG factors and climate-related risks in its credit granting process for corporate customers. With a tool developed by the Eika Alliance, all corporate customers with an exposure above NOK 10m undergo an ESG assessment. Last year, the bank's advisors were provided with sector-specific credit modules for agricultural and commercial property to enhance their understanding of the potential impact of climate change and transition.

In addition, the group performed a qualitative assessment of ESG risks as part of the corporate market credit assessment in its 2022 internal capital adequacy process. This year, Sandnes aims to further develop its capabilities to calculate exposures and determine capital needs for climate-related risks.

Sandnes is also considering using the Partnership for Carbon Accounting Financials (PCAF) standard to facilitate the measurement of financed emissions. Other focus areas include taxonomy reporting and further developing risk management/pricing models to incorporate the probability of default related to stranded assets and loss given default related to collateral.

Last year, the group updated its green bond framework to include a wider use of proceeds and to allow for the issuance of green senior unsecured bonds. The group's covered bond issuing entity, Sandnes Sparebank Boligkreditt, issued its first green bond in 2020. In addition, the change enables the group to begin mapping its loan portfolio to the EU Taxonomy and provides a basis for reporting the green asset ratio.

Improving digital capabilities is a strategic priority

Sandnes is currently in the process of upgrading its digital infrastructure to meet the evolving demands of customers and increase the efficiency of internal operations. The conversion to a new technology provider and core platform is being done through the Eika Alliance. Once fully implemented in 2024, management expects NOK 15m-20m in annual savings. The bank believes the improvements to the front-end of its systems will also improve customer satisfaction. The project is proceeding as planned, with the bank set to transfer to the new system in Q2 2023.

Close ties to local community underpin business franchise

Inherent to its savings bank roots, Sandnes is an active participant in its community, supporting schools, associations and local events through its gift fund. In 2022, the bank allocated NOK 12m to the gift fund.

The continuous shift toward retail clients supports solid operating performance

The 'supportive' earnings capacity and risk exposures assessment reflects the group's consistently solid earnings and low credit losses. Asset quality remains sound, following years of de-risking and the ongoing shift of the loan portfolio to personal customers from corporates.

De-risking of business activities over time

Along with strengthening the group's business franchise and internal capabilities, management over the years has addressed issues arising from previous more aggressive and riskier business practices. For example, Sandnes no longer has a trading portfolio and foreign exchange loans are no longer actively marketed to existing or potential clients. Consequently, revenue generation has become more consistent while impairments have fallen (Figure 6).

The shift away from larger corporates and a reduced risk appetite have led to some moderation in the margins for this segment. At the same time, Sandnes has been steadily growing fee and commission income with the real estate brokerage business as well as through the sales of insurance and savings products.

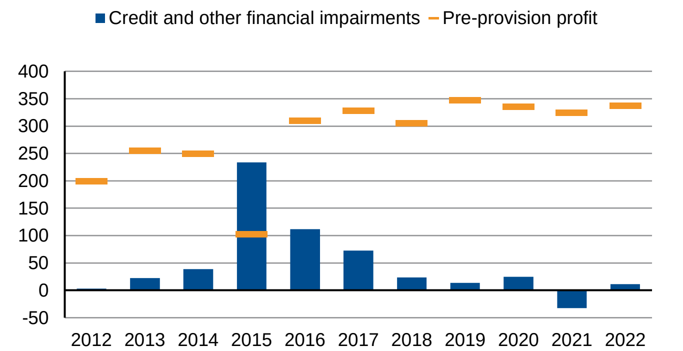
The upgrading of the core banking system increased costs in 2021 and 2022. Expenses of NOK 41m have been incurred so far, with another NOK 12m expected for this year as the project is completed. Over the 2021-2024 strategy period, management targets a return on equity of at least 10%, underpinned by profitable loan growth of at least 5%. This, however, will depend on credit growth in the local area. Meanwhile, the increased investment in Stavanger is expected to support higher growth.

More granular credit exposures

The loan book has become more granular as the share of lending to personal customers (primarily mortgages) has increased to around 75% (Figure 8). Further, the magnitude and concentration of large business loan exposures have been significantly reduced and are being replaced by a greater number of smaller loans to SMEs. Management's policy of avoiding direct exposure to the oil and gas industry as well as to more cyclical industries such as hotels and restaurants has also supported asset quality.

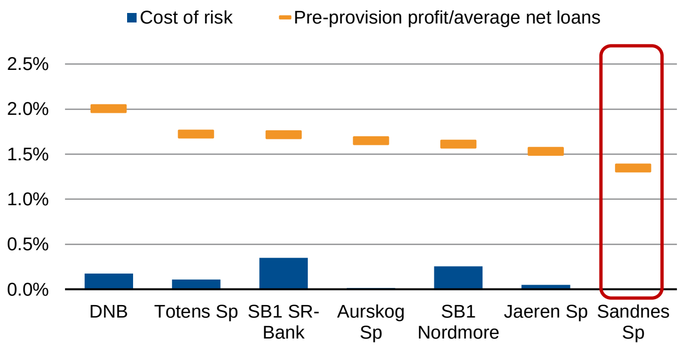
With the de-risking of the loan book and the close monitoring of risk exposures, asset quality remains sound. Stage 3 exposures remained relatively stable throughout 2022, with a Stage 3 ratio of 1% as of end-2022, which is comparable to peers (Figure 11). There was an increase in demand for interest-only periods from retail customers in H2 2022. However, the total amount of loans subject to forbearance was lower than in the previous year (2022: NOK 0.7bn; 2021: NOK 1.2bn).

Figure 6: Pre-provision income versus impairments (NOK m)



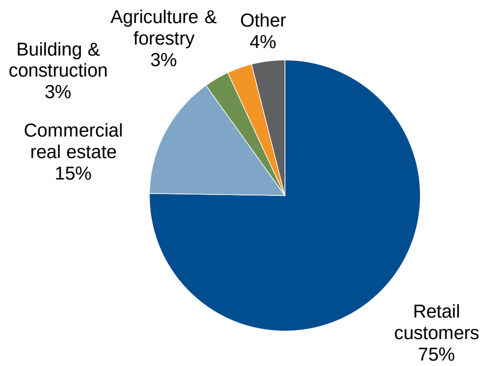
Source: Company data, Scope Ratings

Figure 7: Pre-provision profitability versus cost of risk, peer comparison (%)



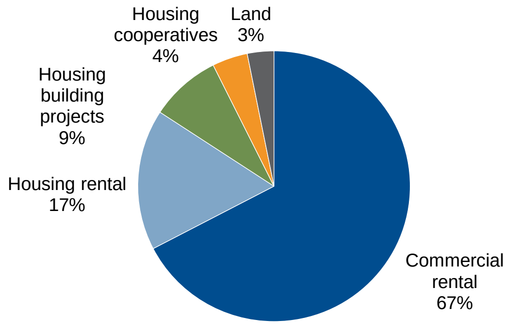
Note: Three-year averages for 2020-2022.
Source: SNL, Scope Ratings

Figure 8: Loan book (end-2022)



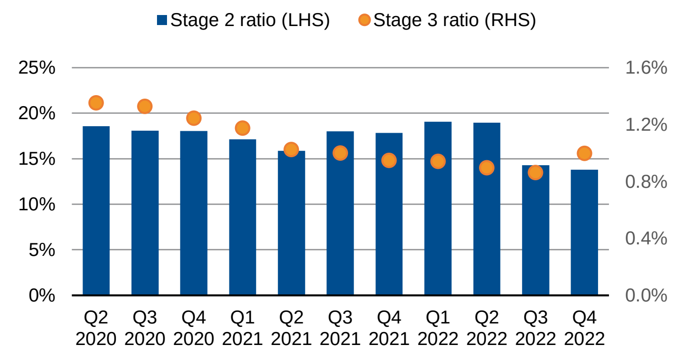
Source: Company data, Scope Ratings

Figure 9: Commercial real estate exposures – further details (end-2022)



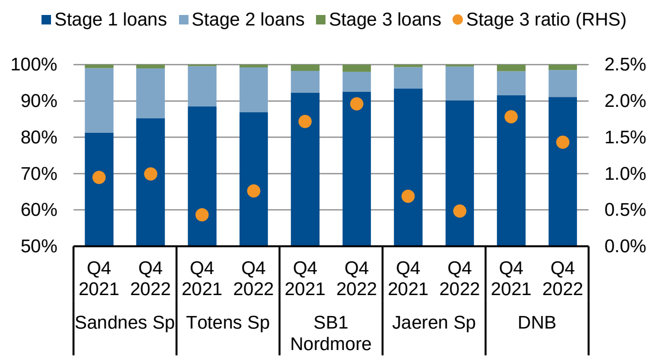
Source: Company data, Scope Ratings

Figure 10: Stage 2 and Stage 3 ratio development (%)



Source: Company data, Scope Ratings

Figure 11: Asset quality profile - peer comparison



Source: SNL, Scope Ratings

Sound capital, funding and liquidity metrics

The 'comfortable' financial viability management assessment reflects the group's sound solvency and liquidity positions. As with other Norwegian banks, there is a reliance on market funding, including covered bonds.

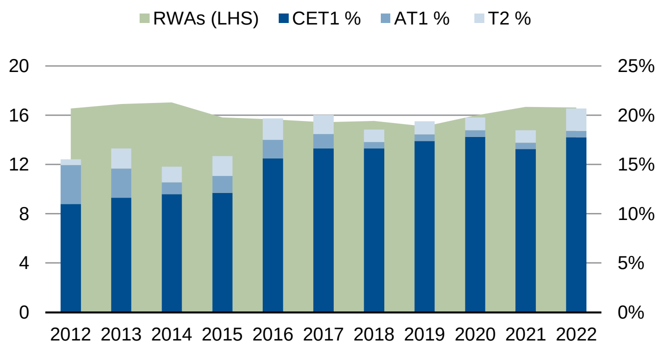
Meeting relatively high requirements

The current minimum CET1 capital requirement for Norwegian banks is a relatively high 12.5%, which includes a 3% systemic risk buffer and a countercyclical buffer of 2.5%. In addition, Sandnes is subject to a Pillar 2 requirement of 2.1%. In line with the Norwegian FSA's review cycle, management expects an updated Pillar 2 requirement this year.

The systemic risk buffer is scheduled to increase to 4.5% from 3% at end-2023 for banks like Sandnes using the standardised approach. The increase had been postponed by one year amidst discussions about appropriate solvency requirements for Norwegian banks. The group has incorporated this pending increase in its capital planning and targets a buffer of at least 1% above requirements.

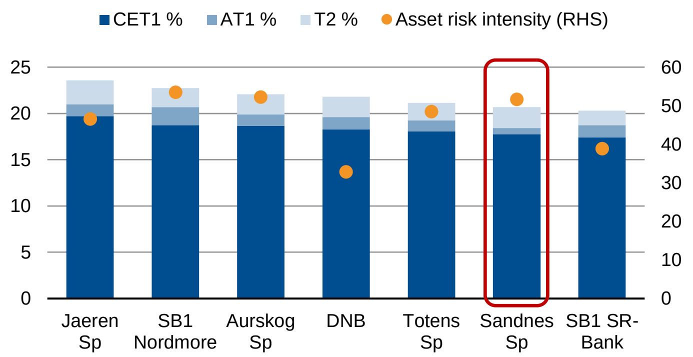
Over the 2021-2024 strategic period, the group aims for a dividend pay-out ratio of 50%-75%. When determining the level of dividend distributions, the board of directors' priority is to ensure the group's balance sheet strength. Sandnes also makes use of customer dividends to support customer retention and its business franchise.

Figure 12: Capital (%) and RWA (NOK bn) development



Source: SNL, Scope Ratings

Figure 13: Capital metrics - peer comparison (%)



Note: Data as of end-2022
Source: SNL, Scope Ratings

Reliance on market funding, including covered bonds

Like other Norwegian banks, Sandnes relies on market funding to a substantial degree, with deposits accounting for about half of funding needs (Figure 14). Management considers a 50% deposit-to-loan ratio to be the natural level for the bank. While more deposits could be obtained, this would likely mean attracting less stable, larger deposits or being more aggressive with deposit pricing.

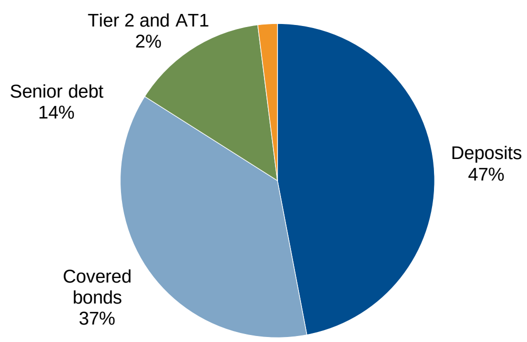
Covered bonds that have proven to be a reliable source of market funding account for more than 35% of the bank's funding. The bank has its own covered bond issuing entity, SSB Boligkreditt, but also has flexibility to issue from the covered bond issuing entity of the Eika Alliance. The remaining funding source is primarily senior unsecured debt.

To mitigate refinancing risks, Sandnes maintains a high-quality liquidity portfolio. As of end-2022, the liquidity portfolio amounted to NOK 3.6bn excluding cash and was comprised primarily of high quality domestic covered bonds, municipal and government guaranteed bonds. Additionally, the bank prefers to issue debt in smaller amounts to manage refinancing risks.

Liquidity metrics comfortably above requirements

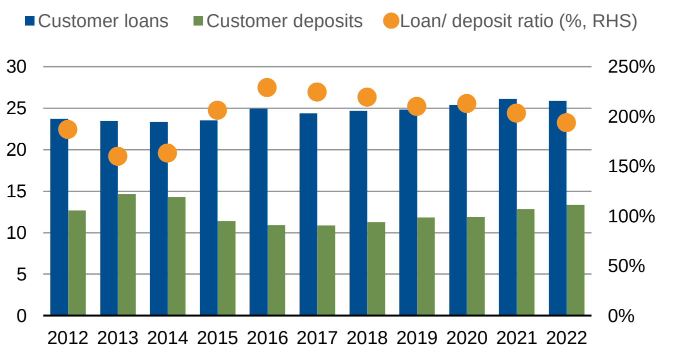
The group's liquidity policy requires holding enough strategic liquid assets to allow for operations of at least six months without the addition of new liquidity. As of end-2022, Sandnes had sufficient liquidity to continue operations for more than 18 months. Further, the bank's liquidity indicators remain sound and comfortably above requirements, with the LCR at 293% and the NSFR at 131% as of end-2022.

Figure 14: Funding profile (end-2022)



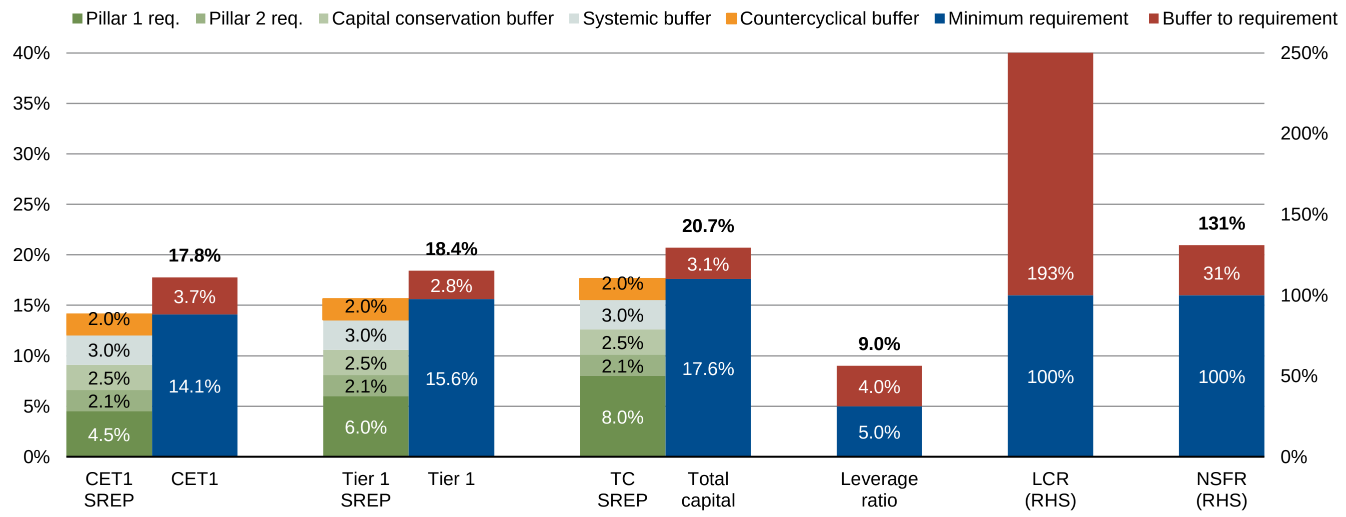
Source: Company data, Scope Ratings

Figure 15: Loans and deposits (NOK bn)



Source: Company data, Scope Ratings

Figure 16: Overview of positioning vs key regulatory requirements (end-2022)



Source: Company data, Scope Ratings

Debt ratings

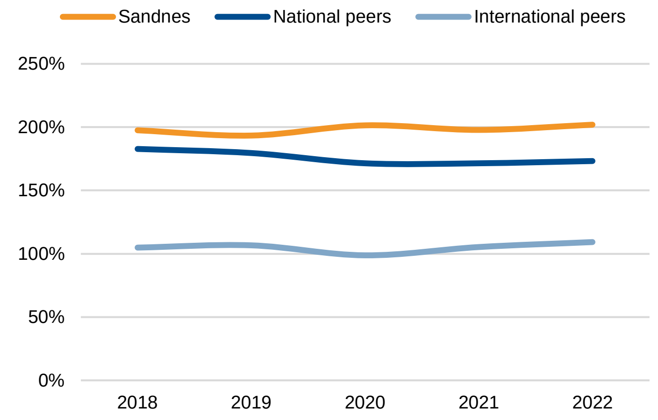
In line with Scope's rating methodology, the senior unsecured debt rating is aligned with the A- issuer rating on Sandnes while the senior unsecured (subordinated) debt rating is one notch below at BBB+.

Issuer rating on subsidiary

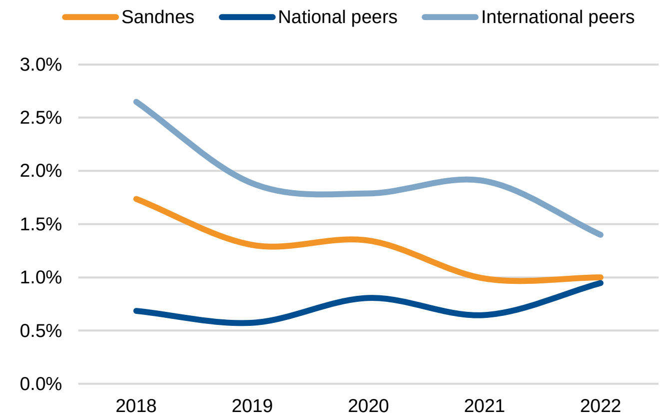
SSB Boligkreditt's A- issuer rating is aligned with that of Sandnes. SSB Boligkreditt is a wholly owned subsidiary whose function is to provide secured funding for its parent through the issuance of covered bonds. We expect it would likely benefit from full support from its parent in case of need.

I. Appendix: Peer comparison

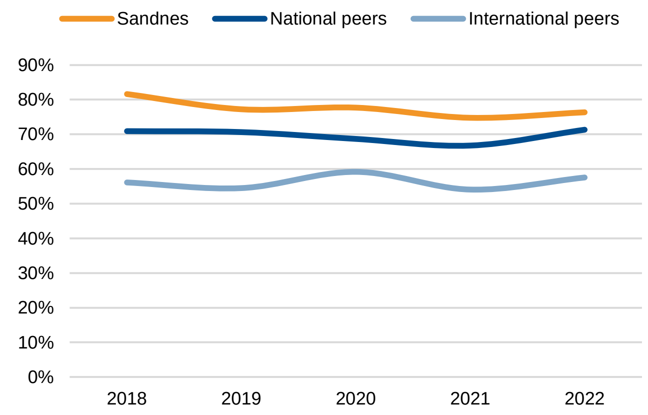
Net loans/ deposits (%)



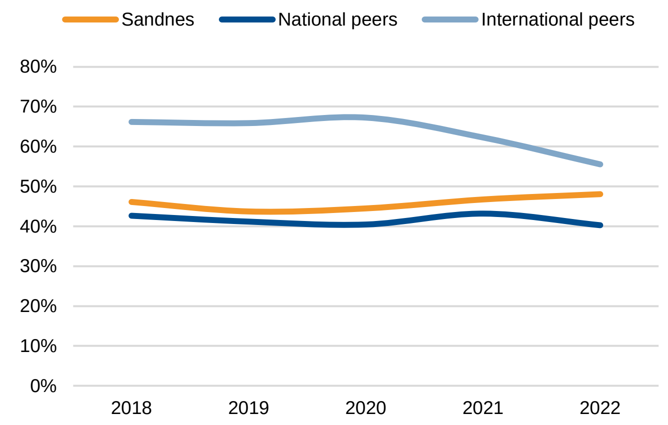
Problem loans/ gross customer loans (%)



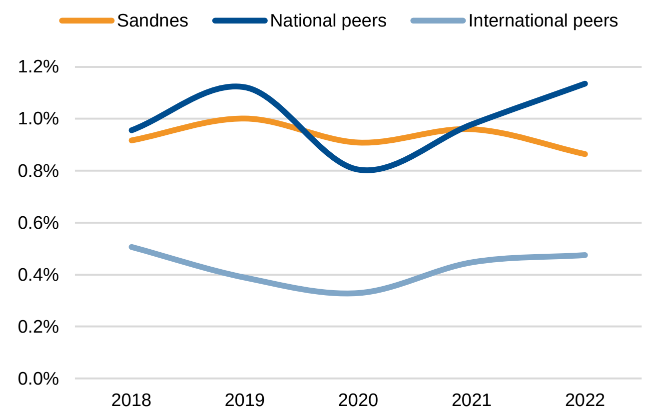
Net interest income/ operating income (%)



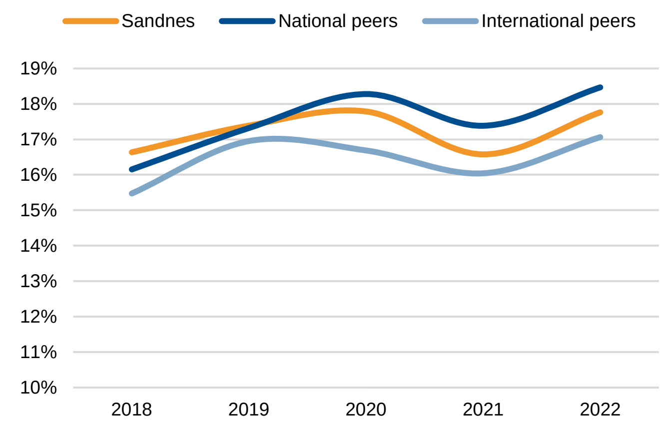
Costs/ income ratio (%)



Return on average assets (%)



CET1 capital ratio (%)



Notes: SB1 Nordmore's figures have not been restated for the years 2018-2021. 2022 data is unavailable for Bausparkasse Wustenrot.
National peers: Jaeren Sparebank, Totens Sparebank, Aurskog, SpareBank 1 SR-Bank, DNB, SpareBank1 Nordmore.
International peers: Bausparkasse Wustenrot AG, Banca Popolare di Sondrio SpA, Credito Emiliano SpA, Kutxabank SA, TSB Banking Group Plc, Sparbanken Sjuharad AB.
Source: SNL

II. Appendix: Selected financial information – Sandnes Sparebank

	2018	2019	2020	2021	2022
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	656	574	489	440	502
Total securities	4,270	4,524	4,567	3,374	4,582
of which derivatives	150	113	326	142	151
Net loans to customers	22,214	22,878	24,000	25,392	26,964
Other assets	69	182	180	167	173
Total assets	**27,209**	**28,158**	**29,235**	**29,373**	**32,221**
Liabilities					
Interbank liabilities	50	44	1,472	99	104
Senior debt	12,318	12,800	12,379	12,911	14,651
Derivatives	148	111	146	47	147
Deposits from customers	11,252	11,833	11,926	12,842	13,365
Subordinated debt	318	201	201	201	369
Other liabilities	163	150	159	198	187
Total liabilities	**24,248**	**25,139**	**26,283**	**26,298**	**28,824**
Ordinary equity	2,857	2,916	2,847	2,970	3,293
Equity hybrids	100	100	100	100	100
Minority interests	4	3	5	5	4
Total liabilities and equity	**27,209**	**28,158**	**29,235**	**29,373**	**32,221**
Core tier 1/common equity tier 1 capital	*2,585*	*2,625*	*2,843*	*2,766*	*2,956*
Income statement summary (NOK m)					
Net interest income	462	476	470	456	496
Net fee & commission income	49	77	80	90	93
Net trading income	-4	14	-3	15	-9
Other income	59	49	58	50	70
Operating income	**566**	**616**	**605**	**610**	**649**
Operating expenses	261	269	269	285	311
Pre-provision income	**305**	**347**	**336**	**325**	**338**
Credit and other financial impairments	24	13	25	-32	11
Other impairments	0	0	0	0	1
Non-recurring income	18	0	0	0	0
Non-recurring expense	0	0	0	29	12
Pre-tax profit	**300**	**333**	**311**	**328**	**314**
Income from discontinued operations	0	0	0	0	0
Income tax expense	55	56	50	47	48
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	1	1	0
Net profit attributable to parent	**244**	**277**	**260**	**280**	**266**

Source: SNL

III. Appendix: Selected financial information – Sandnes Sparebank

	2018	2019	2020	2021	2022
Funding and liquidity					
Net loans/ deposits (%)	203%	198%	198%	197%	203%
Liquidity coverage ratio (%)	171%	209%	247%	198%	293%
Net stable funding ratio (%)	125%	138%	130%	101%	131%
Asset mix, quality and growth					
Net loans/ assets (%)	81.6%	81.2%	82.1%	86.4%	83.7%
Problem loans/ gross customer loans (%)	1.7%	1.3%	1.3%	1.0%	1.0%
Loan loss reserves/ problem loans (%)	60.3%	46.3%	44.7%	35.7%	35.3%
Net loan growth (%)	3.5%	3.0%	4.9%	5.8%	6.2%
Problem loans/ tangible equity & reserves (%)	12.3%	9.6%	10.5%	8.0%	7.8%
Asset growth (%)	4.3%	3.5%	3.8%	0.5%	9.7%
Earnings and profitability					
Net interest margin (%)	1.7%	1.7%	1.6%	1.5%	1.6%
Net interest income/ average RWAs (%)	3.0%	3.0%	3.0%	2.8%	3.0%
Net interest income/ operating income (%)	81.6%	77.2%	77.7%	74.7%	76.3%
Net fees & commissions/ operating income (%)	8.7%	12.5%	13.2%	14.7%	14.4%
Cost/ income ratio (%)	46.1%	43.7%	44.5%	46.8%	47.9%
Operating expenses/ average RWAs (%)	1.7%	1.7%	1.7%	1.7%	1.9%
Pre-impairment operating profit/ average RWAs (%)	2.0%	2.2%	2.1%	2.0%	2.0%
Impairment on financial assets / pre-impairment income (%)	7.8%	3.9%	7.4%	-10.0%	3.4%
Loan loss provision/ average gross loans (%)	0.1%	0.1%	0.1%	-0.1%	0.0%
Pre-tax profit/ average RWAs (%)	1.9%	2.1%	2.0%	2.0%	1.9%
Return on average assets (%)	0.9%	1.0%	0.9%	1.0%	0.9%
Return on average RWAs (%)	1.6%	1.8%	1.7%	1.7%	1.6%
Return on average equity (%)	8.7%	9.4%	9.1%	9.2%	8.3%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	16.6%	17.4%	17.8%	16.6%	17.8%
Common equity tier 1 ratio (%, transitional)	16.6%	17.4%	17.8%	16.6%	17.8%
Tier 1 capital ratio (%, transitional)	17.3%	18.1%	18.5%	17.2%	18.4%
Total capital ratio (%, transitional)	18.6%	19.4%	19.8%	18.5%	20.7%
Leverage ratio (%)	9.9%	9.3%	9.5%	9.2%	9.0%
Asset risk intensity (RWAs/ total assets, %)	57.1%	53.6%	54.7%	56.8%	51.6%
Market indicators					
Price/ book (x)	0.7x	0.8x	0.8x	1.1x	0.9x
Price/ tangible book (x)	0.7x	0.8x	0.8x	1.1x	0.9x
Dividend payout ratio (%)	75.4%	63.3%	NA	62.9%	74.7%

Source: SNL

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