sparebanken
sogn og fjordane

Annual Report
2021

Contents




PHOTO CREDITS: Vidar Helle • Vegard Fimland • Lene Neverdal • Lisa Giil • Rakkar • Arve Ullebø
Jonny Akselsen •Tore Storløpa Sneli • Arve Uglum/Sogn Avis • Hallstein Dvergsdal • Sigve Broch Rasmussen • Elise Angermo Fossland/Firdaposten • Sparebanken Sogn og Fjordane

GRAPHIC DESIGN: Sparebanken Sogn og Fjordane E. Natvik Prenteverk AS
ENGLISH TRANSLATION: Språkverkstaden AS

Key figures, consolidated

AMOUNTS IN MILLIONS OF NOK

INCOME STATEMENT	2019	2020	2021
Net interest income	938	907	945
Dividends and gains/losses on financial instruments	147	114	173
Other operating income	142	138	157
Operating expenses	492	491	483
Profit/loss before impairment loss (incl. gains/losses on fin. instr.)	**736**	**668**	**791**
Profit/loss before impairment loss (excl. gains/losses on fin. instr.)	**588**	**554**	**618**
Impairment loss	40	112	– 37
Profit/loss before taxation	**696**	**557**	**827**
Tax expense	142	113	161
Profit/loss after taxation	**553**	**444**	**666**
Other comprehensive income	– 1	0	0
Comprehensive income	**553**	**443**	**666**

BALANCE SHEET	2019	2020	2021
Assets			
Gross loans and advances to customers	51 090	54 883	57 651
Loss allowance	– 321	– 353	– 307
Security investments (shares, commercial paper and bonds)	5 970	7 166	7 368
Debt and equity			
Deposits from and debt to customers	28 598	30 665	32 536
Debt securities and debt to credit institutions	22 666	25 012	25 835
Equity	5 390	5 727	6 249
Total assets	57 732	62 661	65 808
Average total assets	56 130	60 722	64 604

KEY FIGURES	2019	2020	2021
Profitability			
Net interest margin	1,67 %	1,49 %	1,46 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,25 %	0,23 %	0,24 %
Operating expenses as a % of average total assets	0,88 %	0,81 %	0,75 %
Profit/loss before impairment loss as a % of average total assets	1,31 %	1,10 %	1,22 %
Profit/loss before tax as a % of average total assets	1,24 %	0,92 %	1,28 %
Profit/loss after tax as a % of average total assets	0,99 %	0,73 %	1,03 %
Comprehensive income as a % of average total assets	0,98 %	0,73 %	1,03 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr.	45,55 %	46,96 %	43,87 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	40,08 %	42,33 %	37,93 %
Impairment loss as a % of gross loans	0,08 %	0,20 %	– 0,06 %
Return on equity before tax	14,93 %	11,05 %	15,38 %
Return on equity after tax	11,87 %	8,80 %	12,39 %
Return on equity (comprehensive income)	11,86 %	8,80 %	12,39 %
Consolidated comprehensive income per equity certificate (weighted), in NOK	24,83	19,93	29,91
Dividend payable per equity certificate, in NOK	4,00	6,00	9,00
Capital and liquidity position			
Capital adequacy ratio	19,52 %	18,88 %	19,44 %
Core capital adequacy ratio	17,50 %	17,02 %	17,66 %
Core Tier 1 capital adequacy ratio	16,32 %	15,94 %	16,62 %
Leverage ratio	8,79 %	8,59 %	8,86 %
Liquidity Coverage Ratio (LCR)	160 %	157 %	140 %
Balance sheet history			
Growth in total assets (year-on-year)	6,56 %	8,54 %	5,02 %
Growth in loans to customers (year-on-year)	5,49 %	7,42 %	5,04 %
Growth in customer deposits (year-on-year)	5,18 %	7,23 %	6,10 %
Deposits as a % of gross lending	55,98 %	55,87 %	56,44 %
Employees			
Full-time equivalent employees as at 31 Dec.	267	276	273

CEO's review

Preparing for the future in unusual times

Right since the pandemic struck in spring 2020, our priorities have been clear: infection control; limiting the bank's risk exposure; and helping our customers and local communities through what have been unusual and, for many, challenging times. As the market leader in our core geographical market, the Bank has a symbiotic relationship with its customers and the local community. We take our role extremely seriously.

During the second year of the pandemic, businesses in Sogn og Fjordane have shown their ability to adapt, and in general they have coped well. However, some industries have been hit harder than others, including tourism, hospitality and the cultural sector. For companies in these industries, the constantly changing infection control measures have gradually weakened their capital position and liquidity. Challenges relating to supply shortages, rising prices and changing consumer habits have also left their mark. Our local knowledge and close relationships with our customers have been very valuable when trying to help them overcome these challenges.

A stronger value proposition

Throughout 2021, we saw that our value proposition remains strong. Knowing our customers and having a close relationship with them provides a solid foundation for providing good advice to both individuals and companies.

Industry knowledge and local decision-making is a strength, and we follow our business customers as they develop. Meanwhile, we are delivering smart digital services to retail customers all over Norway. For many years, customers outside Sogn og Fjordane have been responsible for over half of our loan growth in the retail market, and in 2021 that was once again where we achieved strongest growth and obtained most new customers. In the national EPSI customer satisfaction survey covering the retail market, we came first for reputation and customer relations for the third year in a row. We also came second in the category for best mobile banking app, thanks to a solution that was developed in-house. We are grateful for this vote of confidence from our customers, and every single day we work hard to live up to their high expectations.

Engaging with the local community has never been more important. One key aspect of our contribution to society is being the number one source of financing for businesses in Sogn og Fjordane. Society cannot thrive without a successful business community. A thriving local community also needs cultural centres, sports halls and clusters of entrepreneurship. We are proud of the fact that over the past five years we have returned NOK 200 million of our profit to society through gifts and sponsorships to support culture, sport, health care and business development.

Excellent financial results

Sparebanken Sogn og Fjordane can look back on a year where it achieved strong growth while keeping costs under control. Our comprehensive income of NOK 666 million was an impressive NOK 223 million higher than in 2020. This was thanks to healthy growth in lending and deposits, lower loss allowances and a strong contribution from financial instruments. The fact that we have a flexible, forward-looking organisation means that we have weathered the Covid-19 pandemic well. It is particularly pleasing that a strong focus on achieving profitable growth and wide-ranging cost control measures led to a significant improvement in the underlying profitability of our banking operations in 2021. It is impressive to see the work that our employees have done in relation to growth, quality and development, while also implementing challenging adaptations over the past year.
Our return on capital of 12.4% in 2021 gives us the motivation and fire power we need to continue working systematically to develop the bank in 2022.

Sustainability

Sustainability is higher up the agenda than ever before, and that applies to Sparebanken Sogn og Fjordane as well. In 2021 we introduced GRI reporting and added a number of climate modules to our credit checking system. Sustainability cannot be an after-thought, it must be at the heart of everything we do, and we are working systematically to integrate the green transition into all areas of our operations. We believe that Sogn og Fjordane's natural resources and business community put it in a strong position to deal with the changes we face over the coming years.

As a bank, our approach is to actively consult and cooperate with industries and individual customers, so that together we can manage the upcoming demands and changes, and above all seize the business opportunities created by the transition.
As well as working on measures relating to our own operations, we are also setting increasingly specific requirements for our suppliers and business partners.

Ready for the future

Our vision is still to be a driving force for Sogn og Fjordane. In order to realise that vision, we must add value for, and live up to the expectations of, our shareholders, customers, employees and lenders, as well as the authorities and the local communities in our core markets. That is a vital prerequisite for continuing to develop the Bank. We see our future as an independent savings bank primarily focused on our core region, but one that aims to attract retail customers all over Norway. We will continue to build on our biggest competitive advantages: good digital services; strong customer relationships based on providing reliable advice; and a strong relationship with the local community. Those competitive strengths will help us to hold our own, both in 2022 and beyond.

We have rolled out our strategy for achieving our ambitious targets for 2022, and it is by all pulling together that we can exploit the full potential of our organisation. Every single contribution matters. We have been through a changing of the guard, which has included taking on around 110 new employees over the past four years. Our blend of experience and innovative approaches is a recipe for success. Throughout the pandemic we have worked hard to ensure job satisfaction, cooperation and collaboration across our business areas. I believe we have a highly competent organisation that is motivated to continue developing the Bank and the region in partnership with our owners, customers and business partners – in 2022 as in previous years.

Trond Teigene

Trond Teigene,
CEO

Facts about Sparebanken Sogn og Fjordane

Market, total assets and number of employees

Sparebanken Sogn og Fjordane is the largest bank in Sogn og Fjordane, with total assets of NOK 65.8 billion and 273 full-time equivalent employees. The Bank has 12 branches in Sogn og Fjordane. It also has a branch in Bergen.

Retail banking market

The Bank is the dominant player in the retailing banking market in Sogn og Fjordane. We have NOK 43.5 billion in outstanding loans to people in Sogn og Fjordane and the rest of Norway. This comprises 75 percent of the Bank's total lending. Deposits from retail customers total NOK 20.1 billion, comprising 62% of our total deposits. We have regional financial services centres offering financing, investment, estate agency and insurance products. In recent years, an increasing share of our growth has come from outside our core geographical market. Sparebanken Sogn og Fjordane has a 10.4% ownership interest in the insurance company Frende Forsikring AS, which we use as a supplier of various insurance products. In addition, the Bank has a 7.7% interest in SpareBank 1 Finans Midt-Norge AS, and an 11.7% interest in Balder Betaling AS. We also operate twelve cash machines, and 77,136 of our customers have signed up for online banking.

Corporate banking market

Sparebanken Sogn og Fjordane has NOK 14.2 billion of outstanding loans to businesses, primarily in Sogn og Fjordane. This comprises 25 percent of the Bank's total lending. Corporate deposits total NOK 10.0 billion.

Public/financial sector

Many of the municipalities in the region use Sparebanken Sogn og Fjordane as their main bank. In total, the public sector has NOK 1.9 billion of deposits held with us. We also have NOK 0.6 billion of deposits from financial institutions.

The Bank as a driving force for Sogn og Fjordane

Sparebanken Sogn og Fjordane's vision is to be a driving force for the Sogn og Fjordane region. We aim to fulfil this vision by providing good advice and supplying capital to sound commercial projects and private individuals.

We are involved in a wide range of cultural ventures, and recognise the value of culture – in the widest possible sense – to the development of local communities. As part of this, we sponsor most major cultural events in Sogn og Fjordane. Of our profit for 2021, NOK 187.3 million has been allocated for dividends and gifts. Some of this goes to support the voluntary sector. Quality of life, diversity and innovation are the keywords that guide our contributions.

In 2021 we incorporated the Global Reporting Initiative (GRI) index into our annual report and widened our sustainability reporting. We are working systematically to ensure that sustainability becomes an integral part of our operations. The Bank is aiming high with respect to the green transition, as is evident from the annual report for 2021.

Financial calendar

We expect to publish our 2022 interim reports on 4 May 2022 (Q1), 10 August 2022 (Q2) and 25 October 2022 (Q3).

These reports will be published on our website at www.ssf.no, and will be available in English as well.

Consolidated financial statements

In addition to the parent company, the Group operates through three subsidiaries: Bustadkreditt Sogn og Fjordane AS, Eigedomsmekling Sogn og Fjordane AS and Bankeigedom Sogn og Fjordane AS.

Webinar

Julie Vårdal Heggøy

Johannes Årdal

Stine Austreim Hermansen

2021 BRIEF HIGHLIGHTS

Here are some of the things that have happened over the past year:

January, February and March

Roy Stian Farsund (45) took over as Corporate Banking Director.

In February we presented our comprehensive income for 2020, which came to NOK 443 million.

We came fourth out of 94 companies in the equal opportunity index SHE.

Stine Austreim Hermansen (29) took up the position of head of our customer service centre.

We held our first webinar, looking at savings products for retail customers. It was a great success: 800 people signed up, and we were able to meet our customers in a new way.

Q1

April, May and June

In April, Julie Vårdal Heggøy (34) became the Assistant Bank Manager at our branch in Dale. She was given responsibility for the corporate market in HAFS and Gulen.

We have been renovating our premises in Måløy, and in June we opened a new, modern branch there. We also moved in at Vidsyn in Sløvåg.

Through the foundation Sparebankstiftinga Fjaler, we gave three million kroner of our profit to clubs and organisations in Fjaler and Holmedal. One million of that went towards renovating various local village houses.

Normally, one talented young person in the field of sport or culture receives a Furore grant each spring, but in 2021 two grants were awarded. Ski jumper Johannes Årdal (16) and budding musician Kristina Aase Fransson (21) received NOK 50,000 each.

Q2

Q3

July, August and September

We made it easier for organisations to submit a simplified application for grants in conjunction with the reopening of society, thanks to the foundation that owns the bank increasing the amount available through this process from NOK 10,000 to NOK 30,000.

We came second in the EPSI customer satisfaction survey, and first for reputation and customer relations.

Our mobile banking app was voted Norway's second best.

Finally we were able to attend in-person events again: *Heilekonferansen, Kraft i Vest, Tidenes konferanse, Førde Opp*, a careers day at the Western Norway University of Applied Science – to mention just a few of them.

Q4

October, November and December

We also attended the opening of the ViteMeir science centre at Kaupanger. The bank has donated three million kroner of its profit to the centre. On the opening day, we provided a further NOK 100,000 for their e-sports venture.

Over 2,000 people, young and old, enjoyed the remake of the fairy tale *Three Wishes for Cinderella* when we invited people for a Christmas special at cinemas throughout Sogn og Fjordane.

The Sogn og Fjordane branch of the Norwegian Language Society awarded us a prize for our efforts to preserve our linguistic heritage, and for using *nynorsk* as our corporate language.

Heilekonferansen

ViteMeir

Language prize

Christmas film

Sustainability report 2021

Sparebanken Sogn og Fjordane aims to play a positive role in supporting the transition to a more climate-friendly and sustainable society. Sustainability is part of our strategy, so it falls within the remit of the Board of Directors and senior management team. “We shall make sustainability an integral and natural part of our operations across all departments and regions” says our strategy for 2022. At the end of 2021, the Bank adopted the decision to become carbon neutral by 2040, and in the wake of that decision there are many actions we need to take. In 2022 we will specify what we expect of our corporate customers and of ourselves.

The strategy sets out a goal of working with our customers and suppliers to become carbon neutral by 2040. The UN Sustainable Development Goals shall be an integral part of all of our innovation and development processes. In 2021, sustainability took on a more prominent position in the Bank's steering documents and policies.

Specific measures taken include drawing up a plan of action for the first steps towards carbon neutrality. We will put the environment, as well as social and ethical considerations, on the agenda when providing advice, to help minimise factors that have a negative impact on society and the environment. We wish to be a driving force for the environment in Sogn og Fjordane.

In our 2021 annual report, we are for the first time reporting on sustainability in accordance with the Global Reporting Initiative (GRI), which is one of the leading reporting standards for sustainability. The report is a work in progress, and each year we will strive to make it even better. We wish to be transparent and clear in our work on sustainability.

The Bank has a full-time sustainability officer. A working group on sustainability has been created, comprising staff from various disciplines, with responsibility for monitoring progress on implementing the Bank's strategy in the area of sustainability. The working group reports to the senior management team. We also have a dedicated environment working group, which is looking at internal measures relating to environmental issues and sustainability. With their interdisciplinary composition, these working groups will help to spread the word about sustainability to all of our employees.

Sparebanken Sogn og Fjordane is certified as an Eco-Lighthouse. This requires us to demand that our suppliers and partners have a conscious policy on sustainability. In order to demand this of others, we must also put our own house in order. As an Eco-Lighthouse, we set high standards for ourselves. We wish to continuously reduce the environmental impact of our own operations. In order to monitor progress on this, we have started reporting our annual greenhouse gas (GHG) accounts. They are based on the GHG Protocol, which is the most widely used standard for reporting the greenhouse gas emissions of companies. You can read more about our work on environmental issues and find our GHG accounts in the sustainability appendix.

Initiatives we support

UN Sustainable Development Goals

The UN Sustainable Development Goals, which are the world's joint blueprint for a sustainable future, include goals to eliminate poverty, combat inequality and stop climate change by 2030. Sparebanken Sogn og Fjordane supports the UN's 17 Sustainable Development Goals.

As a bank, we can influence many of the goals, and we have identified the ones where our role is particularly important. We will define specific actions in relation to these goals and work systematically to achieve them. The four goals that we consider most relevant to our activities are: Gender Equality, Decent Work and Economic Growth, Sustainable Cities and Communities and Climate Action.

Goal 5: Gender Equality

- Sparebanken Sogn og Fjordane aims to be one of the best places to work in Sogn og Fjordane. Being a good place to work also means providing equal opportunity and fair treatment to all employees. We are therefore working to maintain and increase diversity at the bank, both through our day-to-day operations and in our recruitment policy.

Goal 8: Decent Work and Economic Growth

- The Bank shall help ensure that profitable projects and investments receive financing, and by doing so promote economic growth in Sogn og Fjordane and the rest of Norway.
- The Bank shall itself achieve satisfactory profitability and give its shareholders and society an acceptable return on the capital invested in the Bank. The Bank shall provide an inclusive and safe working environment.

Goal 11: Sustainable Cities and Communities

- Through our work with the business community, as well as gifts and sponsorships, we shall help to create sustainable cities and communities.

Goal 13: Climate Action

- The Bank shall reduce its own greenhouse gas emissions and energy consumption. We shall continue to be Eco-Lighthouse certified.
- The Bank shall offer products and services that encourage customers to choose sustainable options. Spread knowledge and raise awareness. Support initiatives to promote sustainability in the local community.

The UN Global Compact

We have signed up to the UN Global Compact, which is the UN's voluntary set of principles for corporate sustainability. This commits us to running our business in line with ten principles on human rights, labour, the environment and anti-corruption.

WE SUPPORT UN GLOBAL COMPACT

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

The Women's Empowerment Principles

The Bank has also signed up to the Women's Empowerment Principles (WEPs), which consist of seven guiding principles on action to promote equality and increase women's rights in the workplace and in society. The WEPs were drawn up jointly by the UN Global compact and UN Women.

Klimapartnere Vestland

In the autumn of 2020, we joined Klimapartnere Vestland, which helps the public and private sectors to build networks and provides a platform for exercising corporate social responsibility in the region. As the biggest bank in Sogn og Fjordane, we have a responsibility to promote the green transition in the local region. We are proud to be involved in this partnership.

KLIMAPARTNERE 1.5° K

UNEP FINANCE INITIATIVE

CHANGING FINANCE, FINANCING CHANGE

UNEP FI

Sparebanken Sogn og Fjordane has signed the United Nations Environment Programme Finance Initiative (UNEP FI). This is a global partnership between the UN and the finance sector that aims to promote sustainable development in the industry. By signing up to the initiative, Sparebanken Sogn og Fjordane has committed itself to six principles for responsible banking.

Corporate social responsibility

Sparebanken Sogn og Fjordane's biggest responsibility to society is to achieve satisfactory profitability. This is what allows it to promote growth and development in Sogn og Fjordane. The Bank's profit benefits Sogn og Fjordane. The bank shall provide capital to businesses and ordinary people to finance sound projects, enabling us to be a driving force for Sogn og Fjordane. Our good local knowledge and proximity to our customers shall be used to benefit the local business community. Some of our profit is donated and used to generate activity in our local communities.

Good credit scoring models are one of our most important tools for responsible lending. The models estimate the ability and willingness of customers to repay their loans. We must offer the right credit limits to the right customers. Our advisers should be transparent when they explain our products, terms and conditions, interest rates and fees.

Through our lending activities, we can help to promote sustainable development. We shall demonstrate corporate social responsibility and help our customers to take sustainable decisions. One way to achieve that is to offer green products on attractive terms.

Corporate banking market

Sparebanken Sogn og Fjordane shall help ensure that profitable projects and investments receive financing, and by doing so promote economic growth in Sogn og Fjordane and the rest of Norway. We offer green business loans to companies and are supporting the green transition in our region.

We take sustainability into account in our credit checks on corporate customers. In 2021, we added an Environmental, Social and Governance (ESG) and climate risk module to our credit checking system, where we assess companies in relation to all aspects of sustainability. In 2021, we have worked hard to increase our expertise on sustainability. All of our customer advisers who support business customers have taken courses on sustainability, ESG and EU taxonomy. In 2022 we will specify what we expect of our corporate customers. We want to raise their awareness of how they will be affected by climate change and to influence customers to take action to reduce their risk exposure and their own emissions. We offer green business loans to companies that want to make sustainable investments, or that need financing to prepare their operations for the green transition.

Climate change and sustainability are covered by all of our industry reports. In addition, we are providing capital to sustainable projects, for example by creating a green framework for financing renewable energy projects.

As a lender, we want to help to make society more sustainable. For example, we don't want to finance businesses that operate in the following industries:

- Gambling
- Manufacture of controversial weapons or armament manufacture without government approval
- Tobacco
- Companies that produce or help to spread pornographic material

Retail banking market

Sparebanken Sogn og Fjordane wishes to encourage its customers to make sustainable choices by offering them green products on favourable terms. Through SpareBank 1 Finans, we offer green car loans. This gives customers who choose a green car better terms than a normal car loan. We offer green mortgages with more attractive terms for customers who buy energy-efficient homes with an energy performance rating of A or B.

Green home improvement loans offer attractive interest rates to customers who upgrade their homes to make them more energy-efficient. Customers can obtain a loan to finance one or more upgrades, such as replacing windows, retrofit insulation, installing a heat pump or putting up solar panels.

We also offer various kinds of sustainable investment funds through a partnership with Norne and their suppliers of investment funds. For our customers aged 0 to 18, we offer green savings accounts, where we guarantee that the money they save will be used to fund green loans. That means they can help to promote sustainable development, just by having a normal account with us.

We want sustainability to be a natural part of our conversations with customers, and we will focus on standardising this in 2022. We will strive to improve our expertise on sustainability, which will benefit customers and society by allowing us to provide better advice to our customers.

Charitable donations and sponsorships

Sparebanken Sogn og Fjordane's vision is to be a driving force for Sogn og Fjordane. As a local savings bank, we have a longstanding tradition of returning part of our profit to the local community through gifts and sponsorship agreements. In 2021 we allocated NOK 50 million of our profit to the local community, both directly from the bank and through the two foundations that own us, Sparebankstiftinga Sogn og Fjordane and Sparebankstiftinga Fjaler. The bank also sponsors around 50 clubs and organisations all over Sogn og Fjordane.

Sparebankstiftinga Sogn og Fjordane shall make donations to projects that benefit society in general within the fields of healthcare, humanitarian work, physical activity, culture, business development, research and education. Gifts from Sparebankstiftinga Sogn og Fjordane shall promote diversity, quality of life and development. Sparebankstiftinga Fjaler shall make donations that improve quality of life, generate activity and promote solidarity.

Gifts for environmental causes

We are prioritising gifts for environmental causes, which in 2021 included the following:

- NOK 450,000 donated to Hub for Ocean
- NOK 500,000 for the Norwegian Society for the Conservation of Nature in Sogn og Fjordane, towards a plastic clean-up campaign and to subsidise its running costs
- NOK 200,000 to help Malakoff Rock Festival become greener
- NOK 25,000 to Syril sports club for granulate locks.
- NOK 200,000 to the Sogn og Fjordane branch of the Norwegian Football Federation to support green football tournaments throughout Sogn og Fjordane and an environmental mentoring scheme.

Responsible procurement

Sparebanken Sogn og Fjordane imposes ethical and environmental requirements on its suppliers. By setting those requirements, we help to motivate and encourage our suppliers to follow international labour conventions and thereby reduce their carbon footprints. Our suppliers have a duty to follow national laws and regulations, as well as international UN and ILO conventions, and to meet requirements relating to climate neutrality and environmental standards through ISO certification, etc. We have over 150 suppliers, mainly IT providers, who will have to follow the requirements set out in our contracts. Read more about our work on responsible procurement in the sustainability appendix.

Digital security and data protection

As a bank, we process the personal data and financial information of our customers, and information security is therefore vital to us. Sparebanken Sogn og Fjordane shall ensure that all kinds of data are protected against unauthorised alteration, destruction, disclosure or loss. We maintain high levels of expertise on information security in order to ensure that our solutions are secure and robust.

As a bank, we are subject to rules on confidentiality and information security, including the Regulations on the Use of Information and Communication Technology, the Personal Data Act, the General Data Protection Regulation (GDPR) and our banking licence. We also have our own policies on information security and data protection. We take a proactive stance to raising awareness of security issues amongst our own employees, which includes all employees doing a compulsory e-learning course on digital security in 2021.

Equal opportunity and diversity

Sparebanken Sogn og Fjordane shall maintain and increase diversity at the bank, both through our day-to-day operations and in our recruitment policy. We have done a lot of hard work in the areas of diversity and equal opportunity, and in 2021 we came fourth out of 92 participants in the national SHE Index for equal opportunity. Four of our eight Board members are women. The senior management team consists of four women and four men, in addition to the CEO, who is a man. 56% of our employees are women, and 44% are men.

We want to enable women to take up management positions, and we are working systematically to increase the proportion of women managers. In 2021, the proportion of line management positions held by women was 47 percent, which is an increase from 39 percent the previous year. We are in the process of developing local gender pay gap indicators, to help us monitor changes over time and take systematic action to achieve and maintain gender pay equality at the bank. Read more about our work on equality and diversity in the sustainability appendix.

Working conditions

Sparebanken Sogn og Fjordane aims to be one of the best places to work in Sogn og Fjordane. We shall provide a safe and inclusive working environment. Our business culture must be based on our ability to learn, develop, cooperate and communicate openly. We want to enable our employees to obtain the skills needed to help the bank achieve its commercial goals, and as part of that we offer educational grants.

Anti-money laundering and fraud

Sparebanken Sogn og Fjordane takes its responsibility to society seriously by ensuring good compliance with laws and regulations on combating money laundering and the financing of terrorism. This supports financial sustainability and economic development, not just at the local level, but also at the national one. As part of its work, the Bank shall identify and assess the risk of money laundering and the financing of terrorism associated with its clients, and ensure that appropriate countermeasures are taken based on its risk assessment. The Bank has zero tolerance for being used for money laundering or the financing of terrorism. Read more about our work on anti-money laundering and fraud in the sustainability appendix.

News from the local community in 2021

Doubled one million kroner gift

During 2021, we gave NOK 50 million of our profit to clubs and associations in Sogn og Fjordane. The year started with one million becoming almost two.

In January, Sparebankstiftinga Sogn og Fjordane, the foundation that is Sparebanken Sogn og Fjordane's biggest owner, set aside one million kroner: the first ten municipalities to apply for funding for sport and leisure equipment for children and adolescents would receive NOK 100,000 each for equipment. The response was amazing, and a total of 19 municipalities applied. All of them were given funding, which meant that the original million kroner was almost doubled.

"It is fantastic that municipalities are getting on board! The aim of this grant is to increase physical activity levels and to enable more people to try new activities, as well as to provide better access to expensive equipment for struggling families", said Retail Banking Director Linda Vøllestad Westbye when the money was handed out.

Over the course of the year, we gave NOK 50 million of our profit back to the local community. This money was given through the foundations that own us, Sparebankstiftinga Sogn og Fjordane and Sparebankstiftinga Fjaler, as well as through the Bank's own gifts and sponsorship agreements. This is important to the Bank – our profit should support the voluntary sector in Sogn og Fjordane.

Close partners of the business community

Around 60% of all limited companies in Sogn og Fjordane are customers of ours, which makes us the leading bank for businesses in Sogn og Fjordane. In 2021 we gained 500 new business customers, and we provided over NOK 3.5 billion of new loans and guarantees to companies.

We have almost 40 employees who work closely with the business community in the region, and over the two years of the pandemic, they have followed up our customers extra carefully to ensure they get the help they need. After two years of pandemic, it is good to see that the overall outlook for businesses in Sogn og Fjordane is good.

At the end of 2020, we launched the “Studentjobb” project, with NOK 500,000 of funding. This project provides technology students at the Western Norway University of Applied Sciences in Førde relevant work experience while they are doing their degrees. In 2021 the Bank took on three students, and Sparebankstiftinga Sogn og Fjordane also employed one.

Some of our profit was also allocated to gifts to business in 2021, such as the NOK 800,000 donated to Njøs fruit and berry centre in Leikanger and NOK 600,000 to Visit Sognefjord. Akvahub in Hyllestad has previously received one million kroner from us, and just before Christmas in 2021 they received another NOK 360,000.

Good things still come in threes – thanks to our customers

For the third year in a row, we took part in the annual industry survey performed by EPSI Rating – and for the third year in a row, we were the bank with the best reputation!

We also came top for customer relations, while we came second overall.

“We have now put behind us two very unusual years. It is great to know that we have managed to look after and support our customers. This feedback from our customers makes me proud, grateful and humbled”, says Retail Banking Director Linda Vøllestad Westbye.

First class mobile banking

Every day, our technology department works hard to give our customers the best possible Internet and mobile banking solutions. In September, they received a motivating and inspiring recognition for their work:

in EPSI Rating's survey of Norwegian banking customers, our mobile banking solution came in second place!

Festivals with a twist

It was very pleasing that the Førde, Utkant and Malakoff music festivals were able to go ahead within the current Covid-19 rules. As a sponsor of all three of them, we were there, including at Sigrid Moldestad's concert in beautiful surroundings at the day-trip cabin Naustdalskamben in Eid.

NOK 450,000 in grants for talented young people

Nine young talents in the fields of sport and culture each received a NOK 50,000 grant in 2021:

- Kristina Aase Fransson, musician from Førde
- Johannes Årdal, ski jumper from Jølster
- Jakob Stavang Stubhaug, golfer from Florø
- Johanna Reksten, shooter from Eid
- Kristian Stoianov, musician from Førde
- Julia Jordanger Loen, weight lifter from Gloppen
- Sindre Sætren Myklebust, alpine skier from Sogndal
- Tormod Skår Midtbø, dance artist from Fjaler
- Roger Andreas Holme, musician from Gloppen

Christmas present to local athletics

A few days before Christmas Eve, Sogn og Fjordane athletics association received a gift of NOK 500,000. This money will be spent on timekeeping devices that clubs must have for athletics meetings, but which can now be borrowed free of charge from the association.

"This is gift to everyone in Sogn og Fjordane who cares about athletics", said Asgeir Årdal, the head of the athletics association when the gift was awarded.

50 sponsorship agreements

Who we sponsored in 2021

GENERAL SPONSOR:

Florø football club
Førde sports club's football team
Førde volleyball club
Malakoff Rock Festival
Utkant Festival

SPONSOR:

Askvoll og Holmedal sports club
Balestrand sports club
Breimsbygda sports club
Bremanger sports club
Dale sports club's football and handball group
Eid sports club's handball team
Eikefjord sports club
Farnes shooting club
Fjøra football club
Flatraket sports club
Florø sailing club
Florø sports club's handball group
Florø gymnastics and sports club
Florø E-sport
Førde sports club
Førde sports club's cross-country skiing group
Førde sports club's gymnastics group
The Førde Festival
Gaular sports club
Gloppen athletics club
Gloppen handball club
Hafstadparken Førde
Hornindal sports club's football team
Syril sports club
Høyang sports club
Jotun sports club
Jølster sports club
Kaupanger sports club
Leikanger shooting club
Loen Active – Skaala Uphill
Markane sports club
Masfjord football club
Sandane gymnastics and sports club's football group
Skavøypoll sports club's gymnastics group
Svelgen gymnastics and sports club
Football Association of Norway, Sogn og Fjordane
Sogn og Fjordane skiing association
Stryn gymnastics and sports club
Tambarskjelvar sports club
Ungt entreprenørskap Sogn og Fjordane
Våt Moro watersports festival
Øvre Årdal concert band

Førde volleyball club.

Directors' report

Introduction

In 2021, the Sparebanken Sogn og Fjordane Group's comprehensive income amounted to NOK 666 million, a massive NOK 223 million increase over the previous year.

The key factors in 2021 were:

- Strong growth in loans and deposits
- Costs held firmly under control
- Still low, but rising, interest rates
- Lower loss allowances, due to the Covid-19 pandemic having a smaller than expected impact on losses
- Strong contribution from financial instruments
- Good capital and liquidity position
- Our flexible, forward-looking organisation means that we have weathered the Covid-19 pandemic well

The Board of Directors is very satisfied with the Bank's financial results and operations in 2021. It has continued on its positive path of recent years, and has weathered a pandemic that has lasted longer than we had hoped a year ago. The Bank's profit was much higher than in 2020, helped by a reduction in loss impairments and a continuing strong contribution from financial instruments. The underlying performance also improved over the past year. Net interest income rose by NOK 38 million and other non-financial income rose by NOK 19 million. Meanwhile, the Bank kept a firm lid on costs, reducing them by NOK 8 million compared with 2020. Adjusted for the redundancy packages paid to employees, costs were NOK 19 million lower than in 2020.

The Bank is managing to hold its own against its competitors, as is evidenced by strong growth, particularly in loans to retail customers. Once again we achieved extremely good results in EPSI's customer satisfaction surveys, confirming that customers appreciate our offering. For the third year in a row the Bank came second overall, and it was rated the best savings bank in Norway. Looking forward, the Bank will focus on continued growth, keeping costs under control and doing more in the area of sustainability. We believe that Sparebanken Sogn og Fjordane will continue to be in a strong position to compete successfully in the future.

Business operations

Sparebanken Sogn og Fjordane is an independent savings bank with products in banking, financing, insurance, savings, pensions and payment services. Our main market is Sogn og Fjordane, but we are also aggressively targeting the retail market in other parts of Norway.

Our head office is in Førde, and at the end of 2021 we had 12 branches in Sogn og Fjordane, as well as one branch in Bergen.

Sparebanken Sogn og Fjordane sells Frende's insurance products. We also market leases and secured loans offered by SpareBank 1 Finans Midt-Norge AS and Norne Securities AS' investment funds.

The Sparebanken Sogn og Fjordane Group includes three wholly-owned subsidiaries as well as the parent company Sparebanken Sogn og Fjordane. The Group provides estate agency services through Eigedoms-mekling Sogn og Fjordane AS. Bustadkreditt Sogn og Fjordane AS has the aim of buying high-quality residential mortgage loans from Sparebanken Sogn og Fjordane as a basis for issuing covered bonds. Most of the Group's property management activities have been consolidated at Bankeigedom Sogn og Fjordane AS.

Strategy

Sparebanken Sogn og Fjordane's vision is to be a driving force for Sogn og Fjordane. Our most important social responsibility is achieving satisfactory profitability. Improving the quality, efficiency and profitability of our core business is therefore vital to our future development, and provides a platform for implementing our vision.

Our role in society is to have the financial muscle needed to finance and develop the business community in Sogn og Fjordane, at the same time as being a safe, good bank for retail customers in our core region and the rest of Norway. Our profits shall be ploughed back into our region through big and small contributions to business development, education, culture, research, sport and healthcare. In order to help us fulfil our role in society, there are three elements to our business model: we provide a personal touch and are close to our customers; we offer smart digital services; and we have strong community engagement. Our strategic initiatives in 2021 built on these three aspects of our business model: we added a more personal touch to our physical and digital points of contact; we simplified the day-to-day finances of our customers; and we made sustainability a natural, integral part of our corporate social responsibility.

We are the leading bank in our core region, with a strong market position. For a long time our strategy has also been to grow our presence in the retail market outside the region, and this continues to be the case. We are adjusting our pace of development, distribution network and expertise to reflect changes in the banking industry and customer preferences, with the aim of facilitating targeted cross-selling and customer care. We have taken control of several aspects of product and service development in-house. Regular surveys, such as EPSI, reveal high and stable levels of customer satisfaction and loyalty, both within and outside Sogn og Fjordane.

Ownership interests in Frende Holding AS (10.4%), Balder Betaling AS (11.7%) and SpareBank 1 Finans Midt-Norge AS (7.7%) have also strengthened our network and secured us a stake in suppliers of financial products. We are a member of the national fintech cluster Finance Innovation in Bergen.

We are working proactively to maintain high levels of job satisfaction, and to develop a performance culture based around highly skilled employees. It is important to run our business cost-effectively, while also continuing to invest in developing our skills and technology.

Sparebanken Sogn og Fjordane shall be an independent savings bank.

Income statement

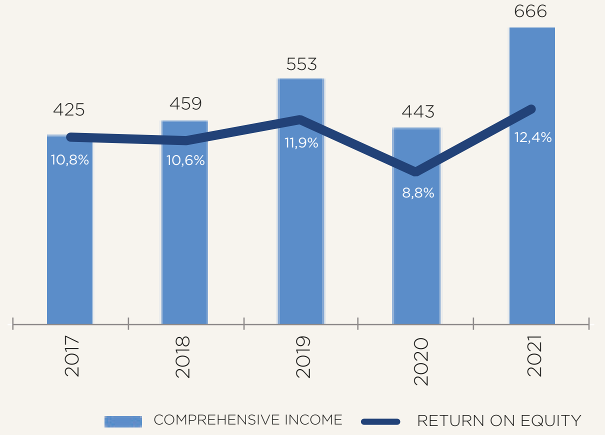
2021 highlights (2020 figures in brackets)

- NOK 945 million (907 million) of net interest income
- Net gain on financial instruments of NOK 173 million (114 million)
- Total revenues of NOK 1,274 million (1,159 million)
- Operating expenses of NOK 483 million (491 million)
- Impairment gain of NOK 37 million (loss of NOK 112 million)
- Pre-tax profit of NOK 827 million (557 million)
- Comprehensive income of NOK 666 million (443 million)
- Return on equity of 12.4% (8.8%)
- Capital adequacy ratio of 19.4% (18.9%)
- Dividend per equity certificate of NOK 9.00 (6.00)
- Proposed allocation for dividends and gifts of NOK 187 million (129 million)

Comprehensive income

Sparebanken Sogn og Fjordane's comprehensive income amounted to NOK 666 million in 2021, compared with NOK 443 million in 2020. This is equivalent to a return on equity of 12.4%, against 8.8% in 2020. The increase in profit is primarily due to a loan impairment gain and a strong contribution from financial investments. In addition, net interest income and commission income grew strongly. A reduction in operating expenses also contributed to the improvement.

Comprehensive income and return on equity
In millions of NOK



Net interest income

Net interest and commission income was NOK 945 million, NOK 37 million (4.1%) higher than in 2020. We saw healthy growth in loans and deposits over the past year, but our customer margin on loans was lower than the previous year. Net interest income therefore rose slightly less than the growth in loans and deposits would imply. In order to reduce our funding costs, we have for some time been working to increase the share of covered bonds in our overall portfolio of debt securities in issue. This made a positive contribution to our net interest income for 2021.

Our net interest margin was 1.46% in 2021, compared with 1.49% in 2020.

Net other income

Net other operating income totalled NOK 329 million in 2021, which was NOK 77 million (30.5%) higher than in 2020. The increase was mainly due to a strong contribution from financial instruments.

Net gains/losses on financial instruments

The Bank had a net gain of NOK 173 million on financial instruments in 2021, against NOK 114 million in 2020. The gain in 2021 was mainly due to NOK 152 million in dividends and gains on long-term shareholdings, which contributed NOK 88 million in 2020. In both 2021 and the previous year, the positive contribution from long-term shareholdings mainly related to dividends and revaluation gains on our stake in Frende. For further details see Note 22.

Commission income and expenses

Net commission income totalled NOK 121 million, which was NOK 17 million (16.3%) higher than in 2020. The increase was due to higher commission income from the sale of investment funds, insurance products and payment services.

Other income

Other income totalled NOK 36 million, which was NOK 2 million (3.8%) higher than in 2020. This increase was mainly due to higher income from our subsidiary Eigedomsmekling Sogn og Fjordane AS.

Operating expenses

Operating expenses came to NOK 483 million in 2021, which was NOK 8 million (1.6%) less than in 2020.

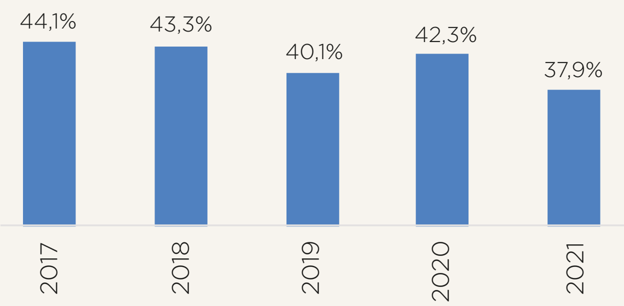
In the first quarter of 2021, a NOK 11 million provision was made for agreed redundancy packages for employees. Adjusted for this item, expenses were NOK 19 million lower than in 2020. In 2020 we embarked on a cost-reduction programme, which aimed to implement measures to ensure we continue to operate our business cost-effectively. This has been a success, and many expense items are falling. Areas where expenses were reduced included IT costs and depreciation, and the comparison also benefited from the fact that a provision was made for the anti-money laundering fee in the fourth quarter of 2020.

Cost-to-income ratio

Operating expenses in 2021 amounted to 0.75% of average total assets against 0.81% in 2020. This key figure demonstrates that our operations have become more cost-efficient, measured in terms of total assets, over the past year. We have seen a gradual improvement in this key figure over an extended period.

Excluding gains and losses on financial instruments, in 2021 operating expenses totalled 43.9% of total income, compared with 47.0% in 2020. Including gains and losses on financial instruments, in 2021 operating expenses totalled 37.9% of total income, compared with 42.3% in 2020.

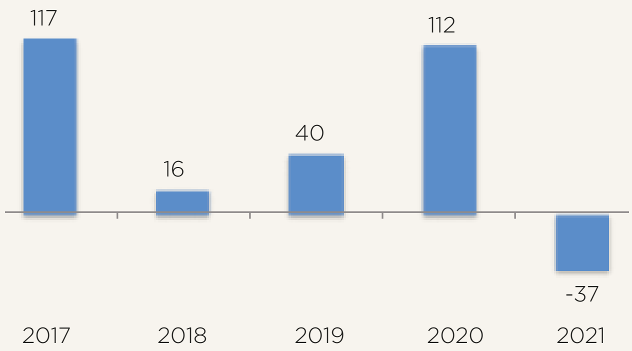
Cost-to-income ratio



Impairment loss

In view of the improved economic outlook and reduced credit risk, in 2021 we recognised a NOK 37 million impairment gain on loans and guarantees, as opposed to a NOK 112 million net impairment loss in 2020. The model-based loss allowance fell by NOK 53 million in 2021. Apart from this, there was a net impairment loss of NOK 16 million on individually assessed loans. In 2020, the model-based loss allowance rose by NOK 107 million. A large proportion of the model-based losses related to the revised economic outlook as a result of the Covid-19 pandemic. At 31 December 2020, they were estimated at approximately NOK 67 million. Some of those impairment losses caused by the Covid-19 pandemic were reversed as an impairment gain in 2021. Most of the Bank's customers have coped better with the pandemic than we feared in 2020, and that is why the loss allowance has been reduced.

Impairment loss
in millions of NOK



Tax expense

The tax expense for 2021 was NOK 161 million, equivalent to 19.5% of pre-tax profit. The 2020 tax expense was NOK 113 million, equivalent to 20.3% of pre-tax profit. The main reason for the fluctuating tax rate is that most gains and losses on shares are covered by the exemption method. The parent company's corporate income tax rate is 25%, whereas its subsidiaries are subject to a tax rate of 22%.

Subsidiaries

Bustadkreditt Sogn og Fjordane AS

Bustadkreditt Sogn og Fjordane AS is a wholly-owned subsidiary of the Bank. At 31 December 2021, the company had a NOK 23.3 billion mortgage portfolio. It has expanded its activities over the past year, and its loan portfolio grew by 6.8% in 2021. The company is well capitalised, with NOK 1.9 billion in equity and a capital adequacy ratio of 19.5% at 31 December 2021. It made a pre-tax profit of NOK 235 million in 2021, compared with NOK 187 million in 2020. The company is important because it gives the Group access to affordable funding by issuing covered bonds.

Bankeigedom Sogn og Fjordane AS

Bankeigedom Sogn og Fjordane AS is a wholly-owned subsidiary, which owns the Group's largest buildings. Its pre-tax profit for 2021 was NOK 5.3 million, compared with NOK 8.2 million in 2020. Profit was lower than in 2020 because in 2020 the company recognised a gain on the sale of a property.

Eigedomsmekling Sogn og Fjordane AS

The estate agency Eigedomsmekling Sogn og Fjordane AS is a wholly-owned subsidiary of the Bank. Revenues from estate agency totalled NOK 33.5 million, which was NOK 3.6 million (11.9%) higher than in 2020. The company made a pre-tax profit of NOK 2.0 million in 2021, compared with NOK 2.3 million in 2020.

Profitability

The Group's comprehensive income after tax for 2021 was NOK 666 million, compared with NOK 443 million in 2020. This corresponds to a return on equity of 12.4% for 2021, against 8.8% in 2020.

The 2021 profit for the year is significantly higher than in previous years, which is mainly due to a loan impairment gain and a strong contribution from financial investments. We saw healthy growth in net interest income and other operating income, while operating expenses were reduced. Sparebanken Sogn og Fjordane has consistently managed to achieve a satisfactory and stable return on equity.

Allocation of the parent company's profit for the year (in NOK)

Profit after taxation, parent company	632.867.673
Interest paid to investors in hybrid capital (hybrid debt)	– 15.437.967
Available	**617.429.706**

At the Annual General Meeting on 30 March 2022, the Board will propose that the profit for the year be allocated as follows:

Dividends (NOK 9.00 per equity certificate)	175.348.683
Gifts	12.000.000
Dividend equalisation reserve	364.743.207
Compensation reserve	65.337.816
Total allocated	**617.429.706**

Balance sheet

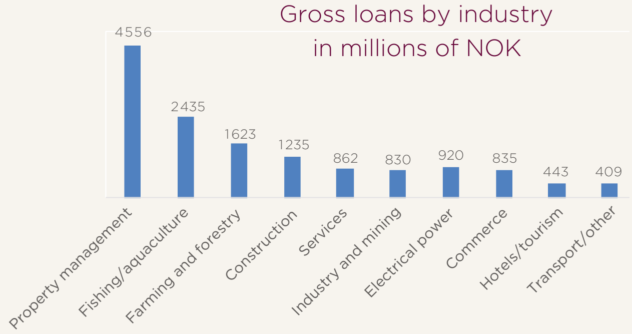
At the close of 2021, the Group had NOK 65.8 billion in total assets, an increase of NOK 3.1 billion, or 5.0%, since 31 December 2020. The increase was mainly due to strong growth in lending to customers and a larger liquidity buffer held as commercial paper and bonds.

Loans to customers

At the end of 2021, Sparebanken Sogn og Fjordane had NOK 57.7 billion of gross outstanding loans. The volume of loans rose by NOK 2.8 billion (5.0%) over the past year. Lending to the retail market rose 6.5% over that period, while lending to the corporate market rose 0.8%.

At 31 December 2021, 75.5% of gross outstanding loans were to retail customers, whilst 24.5% were to the corporate market (incl. the public sector). A year earlier, 25.6% of all lending was to the corporate market.

The figure below shows the distribution of loans to the corporate market by industry at 31 December 2021. The biggest proportion of loans to the corporate market was to property management companies, with NOK 4.6 billion outstanding. This represented 32% of all loans to businesses. The fishing and aquaculture industries had received the next largest share, at NOK 2.4 billion, or 14% of all loans to the corporate market.



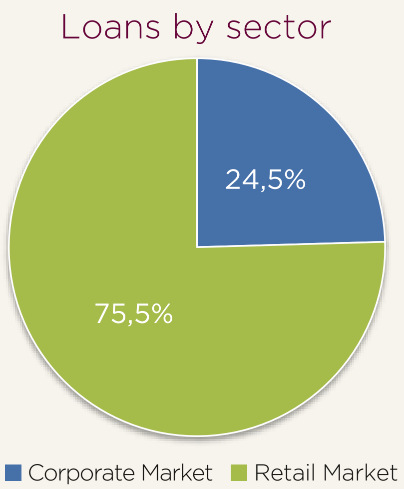
Loss allowance for loans, guarantees and undrawn credit facilities

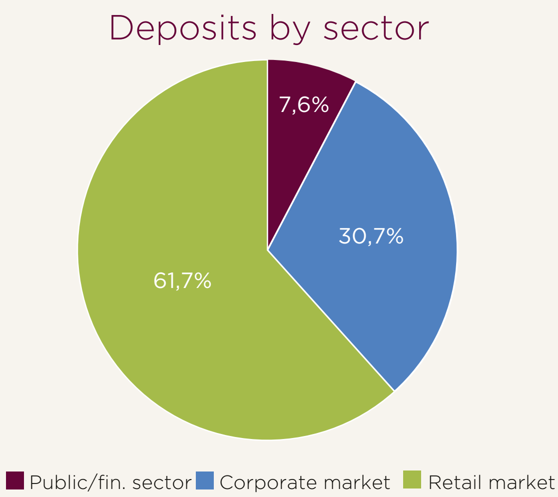
The loss allowance on the balance sheet for expected credit losses on loans, guarantees and undrawn credit facilities totalled NOK 322 million, compared with NOK 378 million the previous year. Of the loss allowance at 31 December 2021, NOK 307 million was for loans. At 31 December 2021, the loss allowance represented 0.53% of gross outstanding loans, compared with 0.64% the previous year. The loss allowance has fallen on account of the improving economic outlook and reduced credit risk. In 2020, extra loss allowances were made in relation to the Covid-19 pandemic. Some of these allowances were reversed in 2021.

Customer deposits and deposit/loan ratio

Customer deposits amounted to NOK 32.5 billion at the end of 2021, up NOK 1.8 billion (6.1%) over the year. Retail deposits increased by 6.0%, whilst deposits from corporate customers, including the public and financial sectors, rose 6.2%.

At 31 December 2020, 61.7% of deposits were from retail customers, 30.7% were from business customers and 7.6% were from the public/financial sectors.





Over the year, the Group's deposit/loan ratio rose slightly from 55.9% at 31 December 2020 to 56.4% at 31 December 2021.

Security investments

Shares, etc.

At 31 December 2021, the carrying amount of our investments in shares was NOK 765 million, against NOK 657 million at 31 December 2020. The Bank's portfolio of shares at 31 December 2021 consists of long-term, strategic investments. Our biggest share-holding at 31 December 2021 was in Frende Holding AS, which had a carrying amount of NOK 409 million. This ownership interest is related to the fact that the Bank sells Frende's insurance products. In 2021 we recognised a NOK 44 million revaluation gain on our ownership interest in Frende.

Commercial paper and bonds

The carrying amount of our investments in commercial paper and bonds was NOK 6.6 billion at the close of the year, compared with NOK 6.5 billion at 31 December 2020. These securities are used to manage liquidity and as a liquidity buffer. Commercial paper and bonds are measured at fair value.

Debt securities in issue

At the close of 2021, we had commercial paper and bonds in issue with a book value of NOK 25.3 billion, against NOK 23.2 billion at 31 December 2020. We had good access to funding throughout 2021, both from bond markets and by using Bustadkreditt Sogn og Fjordane AS to issue covered bonds.

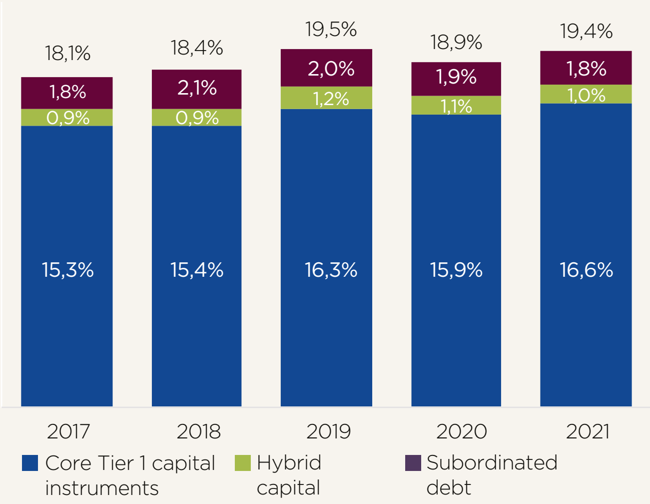
Shareholders' equity and capital adequacy

At 31 December 2021, the Group had NOK 6.2 billion of equity, compared with NOK 5.7 billion at 31 December 2020. Sparebanken Sogn og Fjordane had NOK 4.4 billion of equity share capital and NOK 0.6 billion of primary capital. No new equity certificates were issued in 2021. At 31 December 2021, the Group had hybrid capital consisting of NOK 350 million of hybrid debt, which was unchanged over the past year. Its equity was NOK 522 million, or 9.1%, higher than the figure at 31 December 2020. The increase came from profit over the past year less dividends and gifts disbursed.

It also had NOK 602 million of subordinated debt instruments on its balance sheet. Net equity and subordinated debt, which is used to calculate the capital adequacy ratio, totalled NOK 6.5 billion, after rising NOK 437 million (7.2%) over the past year. For the year to 31 December 2021, the proposed allocation for dividends and gifts is NOK 187 million, compared with NOK 129 million for the year to 31 December 2020. The proposed allocation for dividends and gifts has been deducted when calculating the figure for equity and subordinated debt.

The Group's Capital adequacy ratio at 31 December 2021 was 19.4%, compared with 18.9% at 31 December 2020. The Core Tier 1 capital adequacy ratio was 16.6% at 31 December 2021, against 15.9% at 31 December 2020. The Board of Directors considers shareholders' equity at the close of 2021 to be satisfactory.

The graph shows changes in the Group's capital adequacy ratio over the past five years:



Going concern assumption

The 2021 financial statements have been prepared on the assumption of the business being a going concern.

Post balance sheet events

There have been no post balance sheet events that significantly affect the financial statements presented here.

Rating

As of 31 December 2021, Sparebanken Sogn og Fjordane had a long-term rating of A1 from Moody's, after it was upgraded on 3 February 2021. Bustadkreditt Sogn og Fjordane's covered bond programme has a long-term rating of Aaa.

Corporate governance

Our governance is based on Norwegian law, including the Norwegian Accounting Act and the Financial Institutions Act. In general we follow the corporate governance principles set out by the Norwegian Code of Practice for Corporate Governance.

The General Meeting is the highest decision-making body of Sparebanken Sogn og Fjordane. 25 members attend the General Meeting. The tasks and responsibilities of the General Meeting are defined by Section 3–9 of the Bank's articles of association, and include electing the Board of Directors and the election committee.

The Bank's Board of Directors has eight members, including two employee representatives. The CEO and other senior managers do not sit on the Board. The election of the Board is governed by Section 4-1 of the articles of association. Directors are elected by the General Meeting for a period of up to two years, while deputies are elected for one year. The Board held 18 meetings in 2021. Some of the important topics covered were strategy, financial development, capitalisation, risk management, anti-money laundering, compliance and internal controls.

The Board's work is regulated by rules of procedure and an annual plan for its activities.

The Board shall lead the Bank in accordance with legislation, the articles of association and decisions adopted by the Annual General Meeting. The Board is responsible for managing the Bank's assets, which makes it responsible for the Bank's strategic planning. The Bank's goals, strategies and risk profile are reviewed at least once a year. The Bank wishes to promote sustainable development, and it has made sustainability an integral and natural part of its strategy.

The Board has three sub-committees: the audit committee, risk management committee and remuneration committee.

The audit committee is made up of three Board members. The committee held six meetings in 2021. The audit committee reviews the interim and annual financial statements, with a particular focus on accounting principles, critical estimates and judgements, and the work of the auditor. The committee also evaluates the organisation and implementation of internal controls, with a particular emphasis on financial reporting.

The risk management committee, which held eight meetings in 2021, is made up of three Board members. The committee makes preparations for the Board's assessment of quarterly risk management reports, the annual ICAAP and ILAAP reports, the annual internal control report, the internal auditor's annual report and annual plan and the annual finance strategy and associated limits on risk exposure. The committee prepares items that deal with the monitoring and management of the Bank's individual areas of risk and overall risk, focusing on whether our corporate governance procedures are appropriate for our risk profile and the extent of our business.

The remuneration committee is made up of three Board members. The committee held eight meetings in 2021. The committee is responsible for guidelines on senior management remuneration and proposes the CEO's remuneration, as well as acting as an advisory body for the CEO on matters relating to the remuneration of the rest of the senior management team.

The Company has taken out liability insurance for the Board and CEO, through a joint scheme that the Sparebanken Sogn og Fjordane Group is a part of together with several other financial institutions. For all of the people who are insured through the scheme, the insured amount is up to NOK 120 million per event and in total.

Authorisation related to equity certificates and equity share capital

On 25 March 2021, the AGM authorised the Board to increase the equity share capital by up to 3.5 million new equity certificates, each with a face value of NOK 100. This is so the Group's capital position can be strengthened in conjunction with a possible stock market listing. This authorisation is valid until the next Annual General Meeting (30 March 2022). Meanwhile, the Board was also authorised to buy back equity certificates with a total face value of up to NOK 150 million, in order to sell them on to employees.

Any such decision requires the same majority as for a change to the articles of association, and at least a 2/3 majority of the votes cast by the representatives elected by the owners of equity certificates. The authorisation was used to buy back 20,925 equity certificates and sell them on to the bank's employees.

Ownership structure

Sparebanken Sogn og Fjordane was converted into an equity certificate bank in 2010. Sparebankstiftinga Sogn og Fjordane owns 93.57% of the equity certificates, Sparebankstiftinga Fjaler owns 5.92% and the employees/Board of Directors of Sparebanken Sogn og Fjordane own 0.51%. Sparebankstiftinga Sogn og Fjordane is one of the largest foundations of its kind in Norway.

The bank may decide to list its equity certificates on a stock market, and it is following market developments with that in mind.

Internal controls

Internal controls shall help the Bank to reach its strategic goals by ensuring correct measurement, monitoring and pricing of risk, efficient operation and appropriate risk management procedures. Internal controls comply with the Norwegian Risk Management and Internal Control Regulations.

All managers of business units are responsible for having effective and appropriate internal controls for managing their own risks in general, and for financial reporting in particular. This includes a responsibility for assessing whether the activities of the unit/discipline represent a potential source of errors in financial reporting. Managers shall assess the risk level prior to any measures being taken and assess potential risk-reduction measures. To ensure that the residual risk is acceptable, action shall be taken to assess the need for internal controls, and to ensure that this risk is managed and monitored in a satisfactory manner. Managers of business units must periodically report their findings, and evaluate compliance and the need for additional measures at least once a year. The senior management team periodically monitors the financial results of the various business areas and branches.

The CFO is responsible for the Bank's accounting and finance functions, and is thus responsible for financial reporting and the associated internal controls. This also involves ensuring that financial reporting satisfies current legislation and regulations at all times. Processes and internal control procedures have been established to quality assure financial reporting. These include rules on authorisation, the allocation of responsibilities, reconciliation, IT controls, etc.

The Risk and Compliance department shall make sure that risk management and internal controls at business units are in line with legislation, regulations, internal limits and guidelines. Periodic controls and spot checks are used as a basis for quarterly reports on the current status within the various risk categories. In the annual internal control report, the status of all major risk categories is reviewed and evaluated, with a focus on quality, challenges and areas for improvement. The Board's risk management committee does the preparatory work for the Board's assessment of the various reports. The Board has adopted instructions for the risk management and compliance function. An annual cycle has been established for internal controls at various levels, which specifies risk assessment requirements, including risk-reduction measures, reviews of regulations, monitoring, reporting and confirmation of internal controls.

The internal auditor produces an annual report on risk management and internal controls for the senior management team and Board. The report is based on the auditor's own auditing activities. Auditing projects are set out in the annual plan for the internal auditor adopted by the Board.

Each year, the external auditor writes a report on the results of the financial audit. The report also includes information about any weaknesses and defects, as well as suggested corrective measures. This is then followed up by the relevant units and by the risk management and compliance department. The external auditor also holds annual meetings with the Board, which are not attended by the senior management team.

The Board supervises the procedures for financial reporting, internal controls, risk management and compliance, and has overall responsibility for ensuring that they work properly. It is supported in this work by its own committees, the audit committee and the risk management committee, which prepare the review of the interim and annual reports, and make sure that the Group has an independent and effective external auditor. The annual financial statements are finally approved by the General Meeting, after they have been reviewed by the Group's Board of Directors.

Risk and capital management

The Bank's risk and capital management activities shall help it to achieve its strategic goals. Quarterly reports enable the Board to evaluate the Bank's risk exposure and capital position against the adopted corporate governance goals and frameworks. Each year, the Board reviews and adopts the Bank's capital requirements and planning through the Internal Capital Adequacy Assessment Process (ICAAP). In addition, the Board adopts a credit strategy and finance strategy, as well as limits for capital adequacy, credit risk, liquidity risk and market risk. The Board has also adopted guidelines on risk management at Sparebanken Sogn og Fjordane, which set out how internal controls and risk management activities at the Bank should implemented and who is responsible for them.

The Board believes that the Bank's procedures for risk and capital management work well.

It uses the standardised approach to calculate its capital requirements arising from credit risk, and the basic indicator approach for operational risk. The Pillar 2 capital requirement is calculated using the models explained by the Financial Supervisory Authority of Norway in its circular 12/2016. Supplementary assess-ments and provisions are also made where necessary. Although the Bank does its own calculations of the Pillar 2 capital requirement, it is the Pillar 2 requirement established by the Financial Supervisory Authority of Norway that determines the total capital requirement that applies to the Bank. At the close of 2021, the Pillar 2 requirement was 1.7% of the risk-weighted calculation basis.

Risk levels and capital requirements are reported to the Board through quarterly risk management reports and through the ICAAP report. This means that the Board always knows whether the bank is adequately capitalised and that the limits on risk have not been breached. The Bank also has a contingency plan for liquidity. The Bank's recovery plan also provides a good picture of the Bank's ability to recover in the event of a crisis that causes it to breach its capital and liquidity requirements.

The Bank's operations expose it to various kinds of risks. Those risks are constantly evolving, and new types of risk arise in parallel with changes to the operating environment and society as a result of technological advances, climate change, changing customer preferences and new regulatory requirements.

Credit risk

The Board provides the framework for the Bank's credit risk through its credit policy and rules on the granting of loans and credits. The credit strategy is established each year in light of our overall strategy. The credit strategy provides guidelines for credit activities the following year. The overall credit risk is monitored through monthly reports that show how we are complying with our risk frameworks.

In 2021, the Bank recognised an impairment gain equivalent to 0.06% of gross loans as a result of reversing some past impairment losses. The loss allowance on the balance sheet for expected credit losses on loans, guarantees and undrawn credit facilities was NOK 316 million at 31 December 2021, down NOK 37 million since 31 December 2020. The overall levels of credit-impaired assets in both the corporate and retail markets are well below the limits established by the Board. At the end of 2021, loans to the corporate market represented 24.5% of overall lending. Of the CM loans, 10.0% by volume were defined as high-risk loans at the end of the year.

Risk exposure at the end of 2021 was still affected by the Covid-19 pandemic. Some industries were hit particularly hard by the restrictions that were put in place to stop the spread of the virus, but it will be some time before we completely understand the full consequences of the pandemic. The uncertain future is reflected, for instance, in an expectation that probability of default numbers will rise when calculating the Bank's model-based losses.

Operational risk

Sparebanken Sogn og Fjordane manages its operational risk through procedures and work processes. Many of our systems have integrated automatic controls, and manual controls are also carried out subsequently. The Bank has a separate strategy for managing operational risk. We have also developed an incident database to improve the way in which we manage operational risk, and to learn from operational errors.

The internal control process, including risk assessments, risk-reduction measures and reporting, plays a key role in managing operational risk. Using strategies and forecasts, the Board and executive management set goals for the coming year. The Bank's business areas must then ensure that their operations help to achieve these goals. The business areas perform risk assessments in order to uncover which factors could prevent the goals from being reached. For major risks, risk-reduction measures and controls should be planned to ensure that risks are limited to an acceptable level. The risks identified, and associated plan of action, are used as a basis for monitoring and reporting over the course of the year.

Compliance risk

The complexity of the rules that the Bank must comply with is constantly increasing. That creates a need to familiarise ourselves with the regulations, adapt our operations to comply with the new requirements and, in many cases, introduce new technology to meet reporting requirements. The Bank has invested in that technology, and through projects and in its day-to-day operations it provides training and advice on how to interpret the regulations. This reduces the likelihood of failure to comply with laws and regulations. The Bank has increased the number of people working in both its first and second lines of defence in order to reduce compliance risk.

Market risk

Market risk is managed and measured in three main areas: interest rate risk, equity risk and currency risk. The Board has placed limits on the Bank's permitted interest rate risk and on its exposure to foreign exchange markets. All of its exposure to shares comes from strategic, long-term investments.

Interest rate risk derives from interest-bearing securities, forward contracts, fixed-rate loans and fixed-rate deposits. Interest rate risk is calculated by working out how much financial values will change if interest rates change. The Board adopts limits on exposure within various fixed interest ranges and on overall exposure.

Currency exposure is linked to international payment services, foreign currency holdings, foreign currency loans and futures contracts. Currency risk is managed by setting limits on total exposure to currency risk, as well as limits for individual currencies, and is reported daily.

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to fulfil its obligations and/or finance an increase in assets without significant additional cost, either because it has to realise losses on the sale of assets or because it has to make use of unusually expensive financing. Liquidity risk is managed by creating stress tests, forecasting liquidity needs and drawing up a contingency plan for dealing with any loss of access to liquidity. The results of the stress tests, together with statutory requirements relating to the LCR and NSFR, determine the internal limits established for the size of the Bank's liquidity buffer. The Bank is in a strong position compared with the statutory requirements, and at the close of 2021 its LCR was 140% and its NSFR was 124%.

Money laundering risk

Money laundering refers to actions that in a variety of ways protect the proceeds of criminal activities, by concealing what happens to the proceeds, or who controls them, or by concealing the origins of income or assets. On account of the kind of services they offer, banks in general are considered to face high risks of money laundering. This risk can be reduced by your choice of products, services, customers and customer activities, but good governance and control systems, procedures and training also play a vital role in reducing the risk of money laundering. The vast majority of Sparebanken Sogn og Fjordane's business customers are based in the former county of Sogn og Fjordane. In the retail market, the Bank has customers all over Norway, but the majority are in Vestland county. Having a high proportion of longstanding customer relations, as well as offering a wide range of products, helps to ensure that the Bank knows its customers well, providing a good foundation for managing money laundering risk. It is vital for the whole organisation to have a good understanding of the stipulations of the Anti-Money Laundering Act and a strong focus on compliance. When dealing with customers, employees shall show professional scepticism towards information and documentation provided by customers, and be conscious of indicators of money laundering and terrorist financing.

Cyber risk

The Financial Supervisory Authority of Norway's annual risk and vulnerability analysis shows that the amount of cybercrime is growing. The analysis also points out that financial institutions have developed their detection systems, and that cyberattacks are often headed off before they have serious consequences. The financial services industry also has more knowledge about digital crime and a better understanding of the threats and risks, partly as a result of good cooperation between a variety of players in the industry. Weak points in financial institutions' defences against cybercrime, information leakage, and the operation of ICT systems are the biggest threats associated with the use of ICT systems.

Sparebanken Sogn og Fjordane takes the threat posed by cybercrime very seriously, and is working systematically to implement the measures and investments needed to reduce the risk of cyberattacks.

Climate change risk

Climate change risk is the risk associated with climate change (physical risks and transition risks) leading to an increase in the Bank's credit risk and losses. There is also a risk of loss of reputation if the Bank fails to live up to what is expected and required of the financial services industry by the regulations governing its role in the battle against climate change. An assessment of climate change risk and sustainability is incorporated into the credit checks the Bank performs on its corporate customers. The Bank has started using a module for ESG and climate risk, which when completed provides an ESG analysis of the customer. The aim is to raise corporate customers' awareness of how they will be affected by climate change and to influence customers to take action to reduce their risk exposure and their own emissions. The Bank aims to play a positive role in supporting the transition to a more climate-friendly and sustainable society. Climate risk is included as an assessment factor in all new credit applications, and if customers' failure to act on ESG increases the Bank's risk of losses, this will lead to higher prices, shorter loan terms or applications being rejected.

Other risk categories

In addition to the above risk categories, the Bank is also exposed to other types of risk, such as business risk, shareholder risk and systemic risk. An assessment of these is incorporated into our day-to-day operations, and the Board is kept informed through operational reporting, ICAAP and internal audit reports.

Capital management

Through the annual ICAAP process, the Bank assesses and quantifies the risks it is exposed to, and sets aside capital for the various types of risk. The amount set aside should be forward-looking. In other words, the capital requirement shall not purely be assessed on the basis of exposures at a given point in time, but rather it shall also take into account future growth plans, strategic changes and choices that will affect capital requirements. Financial projections covering at least the next three years shall be drawn up. As a basis for properly assessing capital requirements, scenario analyses shall be carried out showing how negative events would affect the income statement, balance sheet, liquidity and capital adequacy.

Based on the projections and scenario analyses, the Board performs an overall assessment of whether capital levels are acceptable. The Bank shall at all times satisfy statutory capital requirements. In addition, it is important for the Bank to have sufficient capital for organic growth and any acquisitions, as well as to satisfy expectations with respect to dividends and gifts. If the Bank needs a capital increase over and above what the retained earnings from its operations allow, it can increase its core Tier 1 capital by issuing new equity certificates or by reducing its allocation for dividends and gifts. Core capital and total capital can be increased by issuing hybrid debt and subordinated loans.

Balance sheet management is also an important tool in the Bank's capital management. The Bank's recovery plan includes analyses of the impact of various balance sheet management actions on capital adequacy, liquidity and profitability, and of the Bank's capacity to take those kinds of actions.

In recent years, the Bank's capital adequacy ratio and capital surplus (capital surplus = core Tier 1 capital adequacy ratio – regulatory capital requirement) have been as follows:

	31.12.18	31.12.19	31.12.20	31.12.21
Total capital adequacy ratio	18,52 %	19,52 %	18,88 %	19,44 %
Core capital adequacy ratio	16,43 %	17,50 %	17,02 %	17,66 %
Core Tier 1 capital adequacy ratio	15,54 %	16,32 %	15,94 %	16,62 %
Core Tier 1 capital requirement	13,90 %	14,40 %	12,70 %	12,70 %
Capital surplus	1,62 %	1,92 %	3,24 %	3,92 %

The Board considers the capital adequacy ratios to be satisfactory. The Bank is also in a strong position to meet future increases in capital requirements. In 2022, the core Tier 1 capital requirement is expected to rise by 2.5 percentage points, in the shape of higher systemic risk and countercyclical buffers.

Retail Market

2021 was another year marked by the Covid-19 pandemic, but one where our customers and the Bank have adapted to the "new normal". Our excellent employees, combined with good technology, have allowed us to adapt to the various easings and tightenings of restrictions, always being there for our customers regardless of whether we are working from home or in the office.

In spite of record transmission and concerns about vaccination, in September the Norwegian central bank put up its key policy rate for the first time in two years.

This interest rate rise is a positive sign for the Norwegian economy, and an indication from the central bank that we are beginning to return to normal. We expect gradual interest rate rises over the coming years. In combination with high electricity prices, this may be challenging for some of our customers. We are always here for all of our customers, both when they face extra challenges and in the good times.

For the third year in a row we participated in the national EPSI survey, which measures how satisfied retail customers are with their banks. And for the third year in a row, Sparebanken Sogn og Fjordane was one of the very top-rated banks in the survey. Overall, it came second in the industry, which is the same position as in 2019 and 2020. We came first for reputation and service/customer relations, and in second place for our mobile banking app. The latter vote of confidence is particularly pleasing, since we developed the mobile banking app in-house.

By coming in second place overall in the survey, Sparebanken Sogn og Fjordane was the highest rated savings bank.

The results of the EPSI survey are humbling and a source of pride. Particularly since the past few years have been so unusual, and the feedback shows that we have managed to look after and support our customers.

Feedback from our customers is what we value most of all; it is what we work for and it makes us very proud on behalf of all of the excellent staff at the Bank. We believe in offering a combination of good advice, simple digital solutions and a strong commitment to our community. The benefits of that approach can be seen in the fact that lending grew by 6.5% and deposits by 6.0%.

Sparebanken Sogn og Fjordane is a complete provider of financial services that, in addition to providing loans and taking deposits, offers insurance products, services related to savings and investment products, and estate agency. In the areas of car loans and leasing, we work with SpareBank 1 Finans Midt-Norge AS in Trondheim. Frende Forsikring is our supplier of life and non-life insurance products. In 2021, Frende's travel insurance was rated top of its class.

Sparebanken Sogn og Fjordane is the leading provider of savings and investment products in Sogn og Fjordane. 2021 was a good year for our investment fund customers, with an average return of over 20 percent, which is significantly higher than you can expect over the long term. The Bank has experienced strong demand for these products, and both the amount invested in funds and the number of customers rose sharply during 2021. Demand has been boosted by low interest rates and high household savings rates.

In 2021, the total amount invested in funds through SSF increased by 45% to approximately NOK 4.8 billion.

Our impression is also that our customers have become more experienced, which means they are aware that investment fund prices fluctuate, sometimes a great deal, but the vast majority of them stick to their original savings plan and ride out the turbulent times.

Many of our customers make regular monthly investments, of varying sizes, thus reducing the risk associated with investing a large amount of money at a time that in hindsight turns out to be sub-optimal. Our strategy of encouraging customers to gradually build up capital in equity funds through savings agreements remains in place in 2022, and is perhaps more important than ever before.

Sparebanken Sogn og Fjordane's subsidiary Eigedomsmekling Sogn og Fjordane can look back on a very successful year. The property market was very busy throughout the year, and competition amongst estate agents rose. Eigedomsmekling Sogn og Fjordane maintained its position as the market leader in Sogn og Fjordane, and its skilled, qualified staff helped it to deliver a strong result in 2021.

Corporate market

Sogn og Fjordane is the Bank's primary geographical market for corporate customers, and lending to businesses rose by 0.8% in 2021. Growth reflects demand from business customers in our market area and is therefore variable. Once again, businesses were affected by the Covid-19 pandemic in 2021. Large parts of the business community are experiencing rising prices for many inputs, and a number of companies are also finding it difficult to get hold of goods. Strong purchasing power means that many industries are experiencing high demand and sales, but the picture is very varied. Parts of the tourism industry have faced a very challenging situation after another season hit by fewer foreign tourists and cancelled events. Labour shortages are also creating challenges for a number of businesses. The adaptability of the business community, close dialogue with the Bank and government support have been important during what has been a difficult time for many businesses.

The Bank has retained its strong position in Sogn og Fjordane, and 6 out of 10 limited companies are customers. Competition remains strong, particularly for large, low-risk customers with a strong financial position. Our experience is that local decision-making and advisers who are close to our customers are important competitive factors, and ones that are valued highly in uncertain times.

Deposits from companies, financial investors and municipalities saw healthy growth in 2021, rising by 6.2% year-on-year. Many companies have plenty of excess liquidity, and viewed in isolation, deposits from this customer group rose by as much as 11.5%. Low interest rates have led to a lot of work for the customer advisers at the Bank's investment centre, which offers alternative savings products.

There has been high demand for equity and bond funds, with strong growth over the past year.

The non-life insurance products we offer through Frende are an important part of our product range for business customers. Our branch network and strong relationship with the business community is a winning combination, and in 2021 we achieved strong growth in this product area, by gaining new customers and increasing sales to our existing portfolio. Strong demand and a desire to reach even more customers mean that we will reinforce our capacity in this business area in 2022.

Nordea Liv has been the Bank's provider of pension products since November 2020, and existing pension plans have been moved over to the new supplier. Customers appreciate our competitive products, good advice and efficient digital solutions, and we are experiencing solid growth from new customers in this area.

It is important for the Bank to be a complete supplier of financial services, and that was a key consideration when, in 2016, we established our partnership with SpareBank 1 Finans Midt-Norge on the distribution of car leases and loans. Many customers want to consolidate their products at the Bank, and in 2021 we experienced strong growth in this area, both in volumes and the number of contracts.

The knowledgeability of our advisers to the corporate market is an important differentiating factor for the Bank. Having industry experts for 12 different industries ensures that we have specialist knowledge that benefits our customers, but it is also important for managing credit risk in the various industries. Sustainability is a key part of the credit appraisal process for business customers. The Bank is focusing heavily on internal training so that it can provide good advice and ensure that businesses are proactive and ambitious with respect to their ecological footprints.

In addition to our account managers based at local branches in Sogn og Fjordane, in recent years we have built up our corporate banking centre. This ensures accessible and efficient customer service in coordination with the account managers. The advisers also have specialist expertise in online banking for business customers and payment services.

Organisational structure

Employees and training

The Bank has taken on a variety of challenging tasks in recent years, and 2021 was no different in that respect. These tasks have helped to raise the skills of both individuals and the Bank as a whole. We have put a lot of resources into internal courses and training. In 2021, we started using the e-learning tool Motimate. Amongst other things, Motimate has been used for compulsory training on anti-money laundering and IT security, and for annual confirmation of the bank's ethical guidelines.

Motimate is also used during the onboarding process so that all new members of staff get the same basic training. Due to Covid-related restrictions, the Bank's training activities in 2021 took place remotely through webinars, teams meetings, e-learning courses and regular technical training notes sent to all employees each Friday. We have established expert groups for various areas of expertise, and they provide regular suggestions on the Bank's training activities. The Bank offers grants for taking courses and further education. The further education must reflect the Bank's needs and form a part of the individual employee's development plan. The Bank ensures and documents the knowledge of its staff through courses, training and tests.

The Bank is signed up to the financial services industry's certification schemes for savings and investment, credit provision, and non-life and life insurance. These certifications are mandatory for customer advisers in the retail banking market, who must take annual refresher courses for the various certifications. In 2021, important topics covered included sustainability and the new lending regulations.

Organisational development

Sparebanken Sogn og Fjordane constantly adapts its organisational structure in response to changes in the banking industry, regulations and customer behaviour. We have thorough procedures in place for continuous work on organisational development and on making changes to adapt to new needs and requirements. In order to improve our ability to respond to change, we must perform an annual skill survey throughout our organisation. As part of this, we define goals for how the various departments should implement the Bank's strategy, and all employees are directly followed up through employee development reviews over the course of the year. The Bank believes in age-friendly employment, which takes into account the different stages of life and personal situations of staff. This includes a seniors policy, which is based on the fundamental belief that older workers are a resource in possession of valuable expertise needed by the Bank. In order to encourage as many people as possible to continue working for as long as possible, at the age of 60 we have a conversation with staff which aims to make the future more predictable for both parties. We are continuing our work to ensure a minimum level of common practice with respect to employee development at the Bank.

For us to succeed in adapting to the changing times, our managers must also develop their skills. In 2019 and 2020, we implemented a big management development programme for middle managers and management talent. We saw tangible benefits from our investment in management training and built on the programme with new activities in 2021. Four management talents at the Bank have taken part in Innovation Norway's management development programme for women. In January 2021, we created a new forum where managers at the Bank could meet. The management forum is a regular meeting place that provides an opportunity to exchange ideas, develop skills and share information. With a few small adjustments, the management forum will be continued in 2022.

In 2021, the Covid-19 pandemic once again had big impact on our organisation. Our employees have dealt with the necessary adaptations and changes very well, including the use of new digital tools and ways of working. In spring 2021, we kicked off the project "The Bank after Covid-19", which has made an active and dynamic contribution to the process of defining how we will work after the pandemic. Amongst other things, the project has based its work on relevant research literature and valuable input from employees. Important organisational changes were introduced in 2021. The Bank is working to facilitate hybrid working, where staff can sometimes work from home, but where their main place of work is still the office. This has been incorporated into a project called "The office in 2025", which will look at how office design can help to create offices where employees want to spend time, promote an inspiring workday and build trust.

The Covid-19 pandemic, which has led to widespread working from home, has challenged the Bank's corporate culture. The Bank has therefore worked to implement new digital and physical activities to strengthen our business culture. We have worked, and will continue to work, proactively and systematically to organise digital events that provide interaction, inspiration and good experiences for the Bank's employees.

Working environment

Sparebanken Sogn og Fjordane carries out annual surveys to find out how satisfied employees are with their work. 2021 was a challenging year for our employees, with the pandemic, cost-cutting measures and restructuring. That made it especially important to keep a close eye on, and to assess, the working environment at the Bank. During the year, we therefore carried out two shorter employee satisfaction surveys, or so-called pulse surveys. The pulse surveys measure employee satisfaction and engagement, and allow employees to provide feedback on their experience in terms of the flow of information, communication and support. The surveys show that we still have a good working environment, in comparison to the industry and workplaces in general. In areas for improvement and development, action is taken, both at the Group level and in individual departments, to rectify the situation and improve future performance.

Since 2003, we have been signed up to the IA programme for inclusive working life. This means that we have undertaken to work on minimising sickness absence, and on making it possible for employees who develop partial incapacities to continue working. We have set up a dedicated IA committee, whose responsibilities include preparing an action plan for this area. There were no reported occupational lost time injuries in 2021. The Bank's working environment was high up the agenda in 2021.

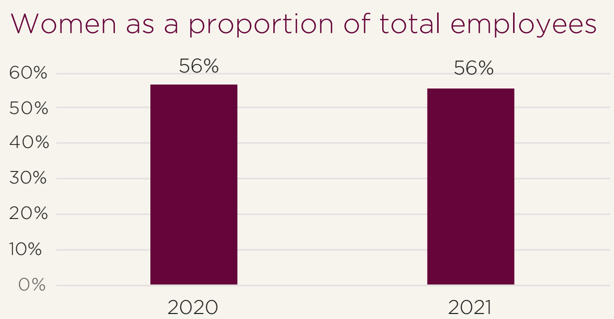
Our working environment committee held four meetings in 2021, and dealt with 2 working environment cases. In addition, strengthening and developing the Bank's working environment were key tools in the Bank's response to the pandemic. The senior safety representative was on the Bank's business continuity team and made important contributions and suggestions in relation to the Bank's business continuity plan for the pandemic.

The average sickness absence rate was 3.45% in 2021, which is higher than in 2020, when it was 2.98%. The increase in the sickness absence rate is due to the threshold for taking time off sick being lower during the pandemic. Long-term sickness absence was stable.

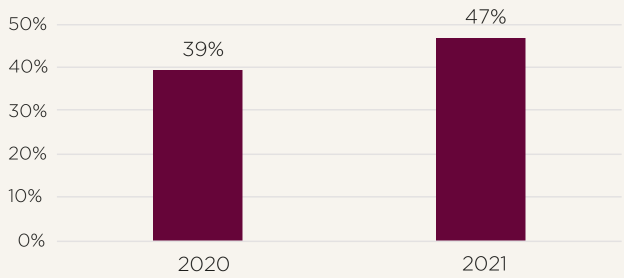
Equal opportunity and diversity

We aim to be one of the best places to work in Sogn og Fjordane. This includes providing equal opportunity and promoting diversity.

We aim to have a system that allows women to take up management positions. Four of our eight Board members are women. The senior management team comprises four women and six men, including the CEO. 56 percent of employees are women and 44 percent are men, unchanged from in 2020. The proportion of line management positions held by women rose from 39% in 2020 to 47% in 2021.



Women in management positions



We are working systematically to increase the proportion of managers who are women, and in 2021 four of the Bank's employees attended Innovation Norway's management development programme for women.

27 of our 276 employees work part time. 17 of them are women and 10 are men. The part-time staff generally work 80 percent of a full-time job, except those at the Student Centre in Bergen. We are not aware of there being any involuntary part-time workers at the Bank.

Part-time staff

Gender	2020		2021	
	% of a full-time position	Number	% of a full-time position	Number
Women	68 %	13	63 %	17
Men	32 %	6	37 %	10
Total at the bank		**19**		**27**

In 2021, the Bank had 11 temporary members of staff. 5 of them were women and 6 were men.

Temporary members of staff

Gender	2020		2021	
	% of a full-time position	Number	% of a full-time position	Number
Women	75 %	6	45 %	5
Men	25 %	2	55 %	6
Total at the bank		**8**		**11**

16 employees took parental leave in 2021. 11 of them were women and 5 were men. The women took a combined 746 days of leave, while the men took 308 days. This means that men who work at the Bank take the minimum father's quota.

Parental leave

Gender	2020			2021		
	Number	Number of working days	Weeks	Number	Number of working days	Weeks
Women	13	1 486	297	11	746	149
Men	5	356	71	5	308	62
Total at the bank	**18**	**1 842**	**368**	**16**	**1 054**	**211**

The equal opportunity company SHE has joined up with the auditors EY to launch a national index to measure the performance of Norwegian companies in the area of equal opportunity. Sparebanken Sogn og Fjordane came fourth in this ranking in 2021, in competition with 94 of the largest companies in Norway. We welcome employees with disabilities and with special requirements and will continue to focus on providing equal opportunities and fair treatment at all levels of the organisation.

Our pay policy

Our vision is to be a driving force for Sogn og Fjordane. It is important for us to have in-house expertise on dealing with the risks that we face. The pay policy shall stimulate and motivate current and future employees. Pay shall be competitive with comparable enterprises in the market and region. The qualifications and areas of responsibility of individual employees are also taken into account. In addition, our pay policy should foster personal development and a team spirit.

We are working proactively to ensure that employees receive equal pay for work of equal value. We have created assessment tools that make it easier to eliminate gender pay gaps at the Bank, and gender pay gap assessments are now a compulsory part of annual salary reviews.

The table below shows women's pay as a % of men's pay, in full-time positions, broken down by grade.

Wage gap

Organisational level	2020	2021
Grade 2 – Senior management team	86 %	86 %
Grade 3 – Other line managers	90 %	83 %
Grade 4 – Technical managers	88 %	87 %
Grade 5 – Advisers/customer service agents	90 %	90 %
Grade 6 – Consultants and others	90 %	90 %
Temporary staff	156 %	98 %
Total at the bank	**85 %**	**87 %**

Average salary

Gender	2020	2021
Women	600 465	599 577
Men	704 083	688 095
Total at the bank	**645 327**	**638 525**

The average salary of both women and men fell from 2020 to 2021. The reason for this is that several highly experienced employees with relatively high salaries compared to the average have left, while new members of staff have been given salaries commensurate with their education, responsibilities and tasks. In addition the bonus payments were lower in 2021 than in 2020.

When calculating the wage gap, we have included basic salary and various extras such as overtime, bonuses and other benefits for 2021. We have also considered the question of equal work of equal value when defining the grades. The grades are based on existing categories of positions at the Bank, and on an assessment of which positions are classified in the various grades.

The wage gap between women and men has largely been due to the majority of management positions being held by men. The Bank has succeeded in increasing the proportion of women in management positions, which is an important step towards reducing the wage gap. Differences over and above that are due to historical circumstances and reasons. The Bank has not been informed of, or uncovered, any cases of wage discrimination.

The Bank will continue to work proactively to reduce the wage gap.

Promoting equality and preventing discrimination

The Bank's decisions shall be based on ethical principles that are in line with society's view of what is right and wrong and reflect the Bank's role in society. It is important to work consciously and proactively to prevent discrimination, in order to reinforce our reputation as an attractive employer, and to meet our strategic goals and obligations with respect to sustainability. The Bank is one of the key businesses in Sogn og Fjordane, and we believe that expressing our views clearly helps to influence the society that we are a part of. The Bank wishes to create a positive working environment that enables personal development and provides challenges. That requires mutual trust, cooperation, inclusiveness, engagement and transparency. All employees have a responsibility for creating a good working environment, and we expect all employees to be polite and to treat each other with consideration and respect. By doing so, they help to facilitate good cooperation.

There shall be no discrimination. We shall provide equal opportunities and equal rights to everyone, and prevent any discrimination on the grounds of ethnicity, sex, age, religion or beliefs, sexual orientation, disability, pregnancy or family plans. No employees shall engage in the harassment, including sexual harassment, of other people. Harassment refers to actions, omissions or words that are intended or perceived as offensive, frightening, hostile, demeaning or humiliating. Sexual harassment refers to any form of unwanted sexual attention that is intended or perceived as offensive, frightening, hostile, demeaning, humiliating or annoying. This prohibition includes harassment based on an existing, possible, past or future relationship.

No cases of discrimination or harassment were reported in 2021.

Principles, procedures and standards relating to equality and discrimination

The Bank is working proactively, systematically and methodically to promote equality and prevent discrimination using a methodology that involves four steps: investigating the risk of discrimination and barriers to equality, analysing their causes, implementing corrective measures and evaluating the results of actions taken. This work covers all potential reasons for discrimination and the methodology is applied to these fives areas: recruitment, pay and conditions, promotion and development opportunities, workplace adaptation, and flexibility with respect to balancing work and family life. The Bank is also striving to prevent harassment, sexual harassment and gender-based violence.

- Our policy on equal opportunity is incorporated into the Bank's strategy, tools and guidelines.
- The Board of Directors, executive management, elected representatives and employees all play a role in our work on equal opportunity.
- Equal opportunity measures are discussed with members of the Bank's work council, which meets at least four times a year.
- A recruitment committee has been established, in accordance with the basic agreement between Finance Norway and the Finance Sector Union of Norway. The committee shall ensure that the principles of equal opportunity and non-discrimination are respected when setting pay and conditions.
- Shaping attitudes through internal and external communication. The Bank is one of the largest, most important businesses in Sogn og Fjordane, and we strive to raise awareness of our work on equal opportunity and diversity.
- We welcome employees with disabilities and with special requirements

Ensuring equal opportunity and non-discrimination in practice

Working with the employee representatives, the employer has used the Norwegian Directorate for Children, Youth and Family Affairs' risk assessment tool to map risks in all areas, analysed their causes and then drawn up measures for implementation in 2021.

- Equal opportunity and diversity is a priority during recruitment. We have zero tolerance for harassment and discrimination, and aim for equal treatment and

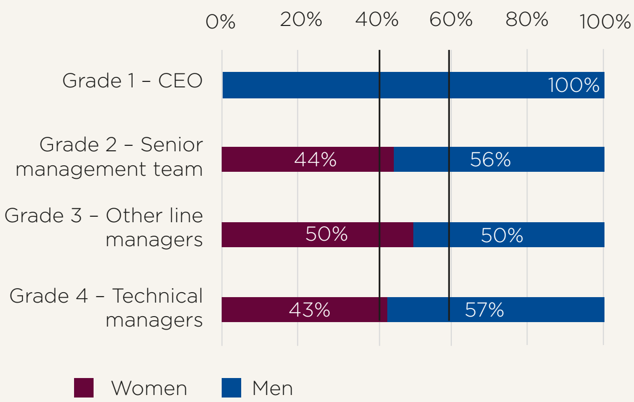
opportunity in our recruitment and staff development processes. One action that has been taken is removing the gender tick box in application forms.
- Equal opportunity is an important consideration in pay negotiation and local wage bargaining. Wage differentials are assessed, and each year we set aside an amount for equal pay, which is used to reduce the wage gaps that have no other explanation than gender.
- Women on maternity leave have a pay review in the same way as other employees.
- The Bank performs employee development reviews for all employees, where personal development is an important topic.
- Spotting employees' talent and ambitions has been a topic of training and discussion for managers.
- Four women attended Innovation Norway's management development programme.
- The Bank helps staff to achieve a good work-life balance. We permit flexible working hours and working from home where the circumstances allow it. Overall, the Bank wants to minimise overtime.
- We have clear guidelines to prevent harassment, sexual harassment and gender-based violence, including a whistleblowing system.
- All employees shall read and commit to the Bank's ethical guidelines each year.
- The topics of equal opportunity and non-discrimination are also covered by our HR policy.
- The Bank performs annual employee satisfaction surveys where we ask if employees have experienced harassment or bullying at their workplace.

Previously, the wage gap between women and men was largely due to the majority of management positions being held by men. The Bank has worked systematically to increase the proportion of female managers, and the table below shows that the number of women in management positions (grades 3 and 4) rose from 2020 to 2021.

GENDER BALANCE		
Proportion of women	2020	2021
Grade 1 – CEO	0 %	0 %
Grade 2 – Senior management team	44 %	44 %
Grade 3 – Other line managers	39 %	50 %
Grade 4 – Technical managers	35 %	43 %
Grade 5 – Advisers/customer service agents	62 %	57 %
Grade 6 – Consultants and others	58 %	62 %
Temporary staff	75 %	45 %
Total at the bank	**56 %**	**56 %**

The long-term goal is to have a reasonably even split between the sexes at all levels and in all business areas, and the Bank's goal is for the proportion of management positions held by women to be between 40 and 60 percent. In 2021 we achieved that goal.

Gender balance in management positions in %



Actions planned for the coming year:
- The Bank is working hard to achieve a reasonably even split between the sexes at all levels and in all business areas, and that will remain an area of focus.
- Increase the pool of talent of women at all levels, by focusing on management talents and women managers at all levels of the organisation.
- Drawing up a policy for equality, diversity and inclusion.
- Complete the process of drawing up local equal pay indicators within our business.
- Continue analysing discrimination risks and barriers to equal opportunity. This includes reviewing recruitment procedures and practices, as well as the physical design of offices. .

Company life
We want to be an attractive place to work, where both employees and our business culture represent important competitive advantages. We are working proactively to further improve our business culture, by cooperating closely with employee representatives, consulting on working conditions, taking measures to increase job satisfaction and providing training. As an IA business we also believe that all people deserve to be treated with equal respect. Both the day-to-day running of our business and our recruitment activities aim to maintain and increase diversity. We believe that employing different kinds of people is important to the future development of the bank.

We take steps to ensure that employees are familiar with and adhere to our ethical guidelines and anti-fraud rules. This is followed up through training programmes for new employees and by raising the issue at staff meetings. We have revised our instructions on fraud committed by employees and elected officers. Our ethical guidelines make it clear that we have zero tolerance for bullying and all forms of harassment. Our managers have a particular responsibility to ensure that they and their subordinates comply with the ethical guidelines, taking the necessary account of the balance of power between the involved parties, for example in terms of differences in age, status and position.

No cases of internal fraud were reported in 2021. The Board considers that Sparebanken Sogn og Fjordane maintains high ethical standards, both internally and in its dealings with customers.

Environment and climate change

Climate change is the biggest challenge of the age. There is great potential for the banking industry to promote sustainable development, and Sparebanken Sogn og Fjordane wants to make a difference.

The Bank doesn't use inputs or production methods that directly pollute the environment. The Bank has health, safety and environmental procedures for purchasing decisions and business travel.

We are certified as an Eco-Lighthouse, we set high standards of ourselves and we aim to continuously reduce the environmental impact of our own operations.

We will publish greenhouse gas (GHG) accounts for 2021 and use them to set goals for further reductions in GHGs. We report in accordance with the GHG Protocol, which is the most widely used standard for reporting the greenhouse gas emissions of companies. We have around 30 permanently installed video conferencing systems as well as several other good communication systems for employees. This has significantly reduced car and air travel, as well as increasing the overall efficiency of the organisation.

For further information about corporate social responsibility, please see the annual report's sustainability appendix.

Corporate social responsibility

Sparebanken Sogn og Fjordane has a close relationship with local communities in Sogn og Fjordane, and their interests and those of the bank are closely intertwined. With 6 out of every 10 limited companies in the region being our customers, we are an important source of financing for the business community, and we see supporting successful, forward-looking companies as our most important corporate social responsibility.

The Bank and the foundations that own it put significant amounts of money back into the local community through gifts and sponsorship agreements.

Taking a high-profile and proactive approach to our corporate social responsibility, focusing on the areas that benefit both society and us, helps to make us more competitive and profitable. Through our lending activities, we can help to promote sustainable development.

By teaching our employees about the importance of social responsibility to the future of the business community, we believe that we can help our corporate customers to take greater responsibility. In a rapidly changing banking industry, using corporate social responsibility to build up a strong local brand is becoming more important than ever. We shall demonstrate corporate social responsibility and help our customers to take sustainable decisions. One way to achieve that is to offer green products on attractive terms.

Our long-term strategy for corporate social responsibility is that we must:

- Develop social responsibility as an integrated part of our corporate culture and strategic planning
- Ensure that social responsibility becomes a natural part of interaction with customers and other stakeholders
- Continue to develop our reputation for corporate social responsibility

For further information about corporate social responsibility, please see our "Sustainability report" and the "Sustainability appendix" to the annual report for 2021.

ECONOMIC CLIMATE

The regulatory burden on banks continued to increase in 2021. The reporting requirements grow year after year, and the new requirements introduced are often complex and challenging to comply with. This is adding to the pressure for consolidation in the industry.

The Bank has put considerably more resources into regulatory compliance over the past few years, and we believe we are in a good position. Looking forward, we particularly expect requirements relating to sustainability to increase, and the Bank is working proactively to prepare for this.

Various aspects of the competitive landscape including capital requirements will continue to create challenges for small and medium-sized banks. Over the coming years we must act where we can, which means continuing to strive for greater efficiency and cost-optimisation, so that we remain competitive at a time of pressure on margins and growing regulatory requirements.

Summary and outlook

The pandemic, rising regulatory requirements and a growing focus on climate change and sustainability were once again key issues in 2021. Unlike 2020, when there was a sharp downturn in the economy due to the pandemic, Norway and the rest of the world experienced strong economic growth in 2021. At the end of 2021, inflation was high and interest rates were rising. The Omicron variant produced a new wave of infection, but the new, milder variant may also provide a possible way out of the pandemic.

The Norwegian economy largely recovered in 2021, after the big hit from the pandemic in 2020. With a few exceptions, economic activity has returned to pre-crisis levels. Unemployment has fallen significantly, and inflation has picked up. After just over a year of interest rates at zero in Norway, Norges Bank started raising rates again, by 0.25% in September and another 0.25% in December.

While the world has been putting all of its efforts into getting through the pandemic, it may appear that efforts to combat the climate crisis have taken a slight hit. Challenges relating to the transition away from nuclear and coal power in Europe, combined with rapid economic growth in the rest of the world, have pushed up oil and gas prices. This has also dragged up the price of electricity in Norway.

For the Norwegian economy as a whole, higher energy prices are beneficial in the short term, particularly through rising revenues from gas exports. However, high electricity prices are creating challenges for Norwegian businesses and households. Inflation, both in electricity prices and more generally, appears to be the big unknown for the economy at the start of 2022. In the longer term, the challenges relating to the climate crisis and sustainability are bigger, so it important that short-term challenges don't get in the way of the long-term job of tackling them.

For the Bank, 2021 was an exceptionally good year. By achieving strong growth and keeping costs under control, our underlying profit rose by a healthy amount. This, combined with falling credit risk and a strong contribution from financial instruments, meant that the Bank achieved a record profit. This also helped to strengthen the Bank's capital position, and at the end of 2021 it was well capitalised, having a core Tier 1 capital adequacy ratio of 16.6% and a total capital adequacy of 19.4%.

This is well above the current requirements, and puts the Bank in a strong position to meet the stricter capital requirements that have been announced for 2022.

We expect competition for the best customers to remain fierce. But we are well prepared for that competition. Our flexible and highly skilled employees will ensure that we manage to continue adapting, developing and adding value. In the corporate market, Sparebanken Sogn og Fjordane's main focus will remain on the geographic region of Sogn og Fjordane, but as before we will seek to capture additional retail customers all over Norway.

The Board of Directors would like to thank all of our employees for their great work during the past year. We would also like to thank our customers and partners for another successful year together.

Førde, 2 March 2022

Sindre Kvalheim
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Marie Heieren

Jo Dale Pedersen

Trond Teigene
CEO

Board of Directors

SINDRE KVALHEIM

Chair

Sindre Kvalheim (1977) lives at Kvalheim in Kinn and is the Managing Director of the LocalHost Group, which he helped to found in 2007. Kvalheim previously worked as head of development at ACOS AS. Over the past ten years, he has helped to set up a number of technology companies in the region. Kvalheim took a basic law course at the University of Bergen and holds a BA in programming and system development from the Norwegian School of Information Technology.Kvalheim has chaired the Board of Directors since March 2019 and has sat on the Board since 2011 (he was a deputy in 2010).

Attended 18 out of 18 Board meetings.

MAGNY ØVREBØ

Deputy Chair

Magny Øvrebø (1970) lives in Os and is the CEO of Holberg Fondene. She has over 20 years' experience from the world of finance at Skandia, Tryg and Nordea. Øvrebø has sat on the boards of a number of companies, particularly in the property and private equity sectors. She holds an MA in Economics from the Norwegian School of Economics and is authorised as a financial analyst and portfolio manager by the Norwegian Society of Financial Analysts. Øvrebø has also taken an MBA specialising in finance at the Norwegian School of Economics. Øvrebø has sat on the Board since March 2019.

Attended 17 out of 18 Board meetings.

MONICA RYDLAND

Monica Rydland (1974) lives in Bergen and works as a programme director at NHH Executive, a researcher (at SNF/NHH Norwegian School of Economics), a consultant and a lecturer. She has over 11 years' management experience, from companies including TrygVesta and Sparebanken Vest. She has also sat on the boards of a number of organisations, in finance, culture and the IT industry. She has a PhD in strategic change from the Norwegian School of Economics. Rydland has sat on the Board since March 2020.

Attended 16 out of 18 Board meetings.

GEIR OPSETH

Geir Opseth (1968) lives in Førde and works as an investor and business development manager at his own companies and start-ups. He also has a part-time job as a business development manager at Kunnskapsparken Vestland AS. He has previously worked as a manager at Dale Skofabrikk AS, Gudbrandsdalen Betongindustri AS, Hellenes AS and Sunnfjord Nærings-utvikling AS. Opseth sits on the boards of several companies, mainly in the fields of industry and business development. Opseth obtained a degree in Finance, Business Management and IT from Hedmark University College after studying there from 1989 to 1992. Opseth has been a full Board member since June 2019, and a deputy member since 2013.

Attended 18 out of 18 Board meetings.

LISE MARI HAUGEN

Lise Mari Haugen (1979) lives in Førde and is the Deputy Chief Executive of Sunnfjord Municipality. She has been Deputy Chief Executive of Førde since 2010. Haugen was previously Chief Executive of both Askvoll and Hornindal municipalities. From 2008 to 2009 she worked as a Senior Associate at PWC. Haugen has a BA in Finance and Business Administration and an MA in Public Sector Auditing from the Norwegian School of Economics. Since 2010 Haugen has sat on the board of Sparebankstiftinga Sogn og Fjordane, and she has been its Chair since 2015. Haugen has sat on the bank's Board since 2016.

Attended 18 out of 18 Board meetings.

Board of Directors

JO DALE PEDERSEN

Jo Dale Pedersen (1969) lives in Florø and is Sparebanken Sogn og Fjordane's Head of Corporate Banking in Florø. Pedersen is also the industry expert for petroleum-related industries, and he has been the Bank's data protection officer since 2019. Pedersen worked as a lawyer for Flora Municipality from 1996 to 2009, at which point he joined the bank. Pedersen is the Chair of the Svanhild foundation. He gained an MA in Law from the University of Bergen in 1996, and he also took courses in Business Law and Company Law at the University of Bergen in 2017. Pedersen has sat on the Board since March 2018.

Attended 18 out of 18 Board meetings.

MARIE HEIEREN

Marie Heieren (1986) lives in Førde and is the technical manager for HR at Sparebanken Sogn og Fjordane. She has occupied that position since 2021. She has previously been the chief union representative and a customer adviser to the retail market. Heieren took a basic law course at the University of Bergen and took a Master of Management at the Norwegian Business School BI in 2019. Heieren was the employee representative on the Board from 2016 to 2017, and has been a Board member since 2018.

Attended 18 out of 18 Board meetings.

JOHNNY HAUGSBAKK

Johnny Haugsbakk (1969) lives in Flekke, and he is currently the CEO of the technology company Metzum, which he co-founded in 2020. Haugsbakk has over 25 years' experience from various positions in the electricity and energy sector, with his core expertise lying in management, sales and commercialisation. In 1999, Haugsbakk become Director of Sales at the technology company Elis AS (subsequently Enoro AS). He took over as the CEO of Enoro in 2007. Haugsbakk currently sits on the boards of Enivest, Wattn and Iteam. Haugsbakk has sat on the Board since March 2019.

Attended 18 out of 18 Board meetings

CEO

TROND TEIGENE

CEO

Trond Teigene (1968) is the CEO of Sparebanken Sogn og Fjordane. He has occupied that position since the spring of 2016. He had previously been the bank's Director of Strategy and Business Development. Teigene has worked at Sparebanken Sogn og Fjordane since 2000. Teigene sits on the boards of Balder Betaling AS and Frende Holding AS. He has an MA in Strategic Management from the Norwegian Business School BI.

Attended 18 out of 18 Board meetings.

Income statement

PARENT COMPANY				CONSOLIDATED	
2020	2021	AMOUNTS IN MILLIONS OF NOK	Note	2021	2020
1 160	1 016	Interest income	**20**	1 420	1 589
454	318	Interest expenses	**20**	476	682
706	**698**	**Net interest income**		**945**	**907**
125	147	Commission income	**21**	149	127
24	28	Commission expenses	**21**	28	24
268	328	Net gains/losses on financial instruments	**22**	173	114
13	11	Other income	**23**	36	34
382	**458**	**Net other operating income**		**329**	**252**
1 088	**1 156**	**Total revenues**		**1 274**	**1 159**
229	244	Wages, salaries, etc.	**24, 25, 26**	263	246
189	169	Other expenses	**24**	182	203
49	40	Depreciation and impairment of fixed assets and intangible assets, and gains/losses	**33, 34, 35**	39	42
467	**453**	**Total operating expenses**		**483**	**491**
620	**703**	**Profit before impairment loss and net gain on fixed assets**		**791**	**668**
109	– 38	Impairment loss	**15**	– 37	112
511	**741**	**Profit/loss before taxation**		**827**	**557**
71	108	Tax expense	**27**	161	113
440	**633**	**Profit/loss for the financial year**		**666**	**444**
		STATEMENT OF COMPREHENSIVE INCOME			
440	**633**	**Profit/loss for the financial year**		**666**	**444**
		Other comprehensive income			
		Other items that may be reclassified subsequently to profit or loss, after tax			
0	0	Gain/loss on available-for-sale financial assets		0	0
		Other items that will never be reclassified to profit or loss, after tax			
0	0	Remeasurements, pensions		0	0
0	**0**	**Total other comprehensive income for the year, after tax**		**0**	**0**
440	**633**	**Comprehensive income**		**666**	**443**
19,78	28,41	Profit per equity certificate (weighted), in NOK		29,91	19,93

Comment:
As of 2021, the line item "Net gain on sale of fixed assets" has been moved to "Depreciation and impairment of fixed assets and intangible assets, and gains/losses", and the figures for 2020 have been restated.

Balance sheet

AMOUNTS IN MILLIONS OF NOK

PARENT COMPANY				CONSOLIDATED	
31.12.20	31.12.21	**ASSETS**	Note	31.12.21	31.12.20
26	22	Cash and cash equivalents		22	26
1 596	1 866	Loans and advances to credit institutions/ central banks	**3, 17, 28**	717	346
32 713	34 047	Loans to customers	**3, 7-16, 28**	57 344	54 530
8 497	8 871	Commercial paper and bonds	**3, 29**	6 603	6 509
395	215	Financial derivatives	**3, 30**	185	374
657	765	Shares	**3, 31**	765	657
3	3	Investments in associates	**32**	3	3
1 812	1 812	Investments in subsidiaries	**32**	0	0
37	24	Intangible assets and goodwill	**33**	26	39
87	79	Fixed assets	**34-35**	92	97
5	18	Deferred tax assets	**27**	11	1
194	44	Other assets	**36**	40	80
46 021	**47 768**	**Total assets**		**65 808**	**62 661**
1 924	642	Debt to credit institutions	**3, 17, 28**	500	1 803
30 700	32 568	Deposits from and debt to customers	**3, 28, 37**	32 536	30 665
6 449	7 308	Debt securities in issue	**3, 28, 38**	25 335	23 209
358	162	Financial derivatives	**3, 30**	121	214
76	121	Tax payable	**27**	172	120
0	0	Deferred tax	**27**	0	0
348	312	Other liabilities and provisions	**39**	294	322
601	602	Subordinated debt instruments	**40**	602	601
40 456	**41 715**	**Total liabilities**		**59 559**	**56 934**
4 139	4 416	Equity share capital	**48**	4 416	4 139
593	645	Primary capital		645	593
354	454	Other equity		650	517
350	350	Hybrid capital		350	350
129	187	Proposed allocation for dividends and gifts	**48**	187	129
5 564	**6 053**	**Total equity**		**6 249**	**5 727**
46 021	**47 768**	**Total debt and equity**		**65 808**	**62 661**

Førde, 2 March 2022

Sindre Kvalheim
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Marie Heieren

Jo Dale Pedersen

Trond Teigene
CEO

Cash flow statement

PARENT COMPANY				CONSOLIDATED	
31.12.20	31.12.21		Note	31.12.21	31.12.20
511	741	Profit/loss before taxation		827	557
2 071	1 868	Increase/(reduction) in customer deposits	**37**	1 871	2 066
- 1 395	- 1 391	Reduction/(increase) in loans to customers	**9**	- 2 873	- 3 796
47	40	Depreciation and impairment of assets	**34**	39	42
109	- 38	Impairment loss	**15**	- 37	112
2	1	Losses/gains on sale of fixed assets		2	0
- 88	- 76	Tax paid	**27**	- 120	- 133
- 71	- 51	Other non-cash transactions		- 163	82
58	189	Adjustment for other items		199	25
1 244	**1 284**	**A) Net cash flow from operating activities**		**- 255**	**- 1 045**
- 78	- 108	Reduction/(increase) in shares and interests in other enterprises	**31**	- 108	- 78
- 1 357	- 387	Reduction/(increase) in investments in commercial paper and bonds	**29**	- 106	- 1 112
- 26	- 34	Investments in fixed assets, intangible assets and goodwill	**33-35**	- 35	- 28
0	1	Sale of fixed assets		1	5
- 1 461	**- 529**	**B) Net cash flow from investment activities**		**- 249**	**- 1 213**
1 568	- 1 282	Increase/reduction in loans from credit institutions	**17**	- 1 302	1 796
- 1 413	915	Increase/reduction in debt securities	**38**	2 297	306
- 1	0	Increase/reduction in subordinated debt instruments	**40**	0	- 1
0	0	Increase in hybrid capital		0	0
- 83	- 122	Dividends and gifts		- 122	- 83
71	**- 489**	**C) Net cash flow from financing activities**		**872**	**2 017**
- 146	**267**	**D) Net cash flow during the year (A+B+C)**		**368**	**- 241**
1 768	1 622	Opening balance of cash and cash equivalents		371	613
1 622	**1 889**	**Closing balance of cash and cash equivalents**		**739**	**371**
		Breakdown of cash and cash equivalents			
26	22	Cash and cash equivalents		22	26
1 596	1 866	Deposits at other financial institutions and central banks		717	346
1 622	**1 889**	**Total**		**739**	**371**

Equity statement

PARENT COMPANY	EQUITY SHARE CAPITAL Equity certificates	Dividend equalisation reserve	Share premium account	Primary capital	Hybrid capital	Reserve for unrealised gains	OTHER EQUITY Other equity	Allocated dividends and gifts	Total
Balance at 31.12.19	**1 948**	**1 985**	**16**	**561**	**350**	**281**	**0**	**90**	**5 231**
Allocated for dividends and gifts	0	0	0	0	0	0	0	– 90	**- 90**
Interest on hybrid capital	0	0	0	0	– 17	0	0	0	**- 17**
Proposed allocation of profit/loss for reporting period	0	190	0	32	17	73	0	129	**440**
Other comprehensive income	0	0	0	0	0	0	0	0	**0**
Balance at 31.12.20	**1 948**	**2 175**	**16**	**593**	**350**	**354**	**0**	**129**	**5 564**
Balance at 31.12.20	**1 948**	**2 175**	**16**	**593**	**350**	**354**	**0**	**129**	**5 564**
Allocated for dividends and gifts	0	0	0	0	0	0	0	– 129	**- 129**
Interest on hybrid capital	0	0	0	0	– 15	0	0	0	**- 15**
Proposed allocation of profit/loss for reporting period	0	277	0	53	15	100	0	187	**633**
Other comprehensive income	0	0	0	0	0	0	0	0	**0**
Balance at 31.12.21	**1 948**	**2 452**	**16**	**645**	**350**	**454**	**0**	**187**	**6 053**

Equity statement (cont.)

CONSOLIDATED	EQUITY SHARE CAPITAL					OTHER EQUITY			
	Equity certi-ficates	Divi-dend equali-sation reserve	Share pre-mium account	Primary capital	Hybrid capital	Reserve for un-realised gains	Other equity	Allo-cated divi-dends and gifts	Total
Balance at 31.12.19	**1 948**	**1 985**	**16**	**561**	**350**	**281**	**160**	**90**	**5 390**
Allocated for dividends and gifts	0	0	0	0	0	0	0	– 90	**– 90**
Interest paid to investors in hybrid capital	0	0	0	0	– 17	0	0	0	**– 17**
Proposed allocation of profit/ loss for reporting period	0	190	0	32	17	73	3	129	**444**
Other comprehensive income	0	0	0	0	0	0	0	0	**0**
Balance at 31.12.20	**1 948**	**2 175**	**16**	**593**	**350**	**354**	**163**	**129**	**5 727**
Balance at 31.12.20	**1 948**	**2 175**	**16**	**593**	**350**	**354**	**163**	**129**	**5 727**
Allocated for dividends and gifts	0	0	0	0	0	0	0	– 129	**– 129**
Interest paid to investors in hybrid capital	0	0	0	0	– 15	0	0	0	**– 15**
Proposed allocation of profit/ loss for reporting period	0	277	0	53	15	100	33	187	**666**
Other comprehensive income	0	0	0	0	0	0	0	0	**0**
Balance at 31.12.21	**1 948**	**2 452**	**16**	**646**	**350**	**454**	**196**	**187**	**6 249**

Explanation of the various types of equity:

Equity share capital:
Equity share capital comprises capital that in accordance with the articles of association is linked to equity certificates. Profit after taxation attributable to equity share capital is allocated to the dividend equalisation reserve in proportion to the ownership ratio, after deducting dividends and a proportionate share of interest paid to investors in hybrid capital. The dividend equalisation reserve may be used to maintain the payment of dividends to the equity certificate holders, if the Bank's equity position allows it.

Primary capital:
Primary capital comprises capital that is not equity share capital. Profit after taxation attributable to primary capital is allocated to primary capital, after deducting gifts and a proportionate share of interest paid to investors in hybrid capital.

Hybrid capital:
Hybrid capital consists of hybrid debt that meets the criteria for being defined as equity and core capital under rules on capital adequacy. Interest on hybrid capital is split between the dividend equalisation reserve and primary capital in proportion to the ownership ratio, and is in practice allocated together with profit.

Reserve for unrealised gains:
The reserve for other unrealised gains comprises unrealised gains on financial instruments whose valuation is different under IFRS and Norwegian accounting principles.

Other equity:
Other equity comprises retained earnings from various subsidiaries and unallocated profit.

Dividends and gifts:
Proposed dividends and gifts are included under equity until their disbursement is adopted by the AGM.

Notes to the financial statements

Note 1 Accounting principles

GENERAL

The 2021 financial statements for Sparebanken Sogn og Fjordane were discussed and adopted at the Board meeting of 2 March 2022.

All amounts in the accounts and notes are given in millions of NOK unless otherwise specifically stated.

Sparebanken Sogn og Fjordane has debt securities listed on Nordic ABM.

ACCOUNTING STANDARDS APPLIED

Sparebanken Sogn og Fjordane's consolidated financial statements and parent company financial statements have been prepared in accordance with the international accounting standards (IFRS – International Financial Reporting Standards) approved by the EU.

CORPORATE STRUCTURE

There were no changes to our corporate structure in 2021.

CHANGES TO ACCOUNTING PRINCIPLES AND DISCLOSURES IN NOTES

As a general rule, all income and expenses are measured through profit or loss. The exception to this rule is the effect of changes to accounting principles. In the event of fundamental accounting reforms/changes to accounting principles, the figures for previous years must be restated to allow accurate comparison. If items in the accounts are reclassified, comparative figures for previous periods shall be calculated and reported in the financial statements.

Under IAS 8, the Group must report any changes that it has implemented during the current accounting period and state what impact they have had on the annual financial statements.

AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPROVED BY THE EU

There were no other changes to standards and/or interpretations that were relevant to the Group in 2021.

Estimates

When preparing the consolidated financial statements, certain estimates and assumptions are made that affect the impact of the accounting principles and hence the reported amounts. Note 2 sets out significant estimates and assumptions in greater detail.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the parent company Sparebanken Sogn og Fjordane and its subsidiaries and associates. The consolidated financial statements have been prepared as if the Group were a single financial entity. For the purposes of consolidation, identical accounting principles have been used for all of the companies included in the consolidated financial statements.

All major intragroup transactions and balances, including unrealised profits and losses on intragroup transactions, have been eliminated in the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Subsidiaries are defined as companies in which Sparebanken Sogn og Fjordane has a controlling stake through direct or indirect shareholdings or for other reasons, and owns more than 50 percent of the voting share capital. Normally Sparebanken Sogn og Fjordane assumes that it has a controlling stake if it owns more than 50 percent of another company, but the Bank also assesses whether it actually has a controlling stake in practice. A subsidiary is consolidated from the date on which the Bank acquired control of it. Subsidiaries that are disposed of are fully consolidated until the date on which risk and control are transferred.

The following companies satisfy our criteria for subsidiaries:

Company	Shareholding and share of voting rights
Bustadkreditt Sogn og Fjordane AS	100 %
Bankeigedom Sogn og Fjordane AS	100 %
Eigedomsmekling Sogn og Fjordane AS	100 %

Associates are companies over which Sparebanken Sogn og Fjordane wields significant influence, i.e. where it can influence the company's financial and operational guidelines, but over which it does not have control or joint control. Sparebanken Sogn og Fjordane assumes that it exercises significant influence over companies in which it has a shareholding of between 20 and 50 percent. Associates are accounted for using the equity method in the consolidated financial statements.

The companies that satisfy our criteria for associates are:

Company	Shareholding and share of voting rights
Fjord Invest AS	45,3 %
Fjord Invest Sør Vest AS	20,1 %

Investments in subsidiaries and associates are included in the company accounts using the cost method.

In accordance with IFRS 10, an assessment must be made as to whether the Group's actual control is greater than its ownership interest in the company would imply. This assessment has been made, and the conclusion is that it is not.

BUSINESS COMBINATIONS

Entities purchased by the Bank are accounted for using the acquisition method. The cost at the time of the acquisition is calculated as the fair value of the assets acquired, equity instruments issued and liabilities taken over.

Identifiable assets and liabilities acquired are measured at their acquisition date fair value. Any cost over and above the fair value of the Group's share of the assets acquired is recorded as goodwill.

Goodwill is tested for impairment annually, or more frequently if there is evidence to suggest that it has fallen in value. If the purchase price is lower than the fair value of the identifiable assets and liabilities, the difference is recognised as income on the transaction date.

CURRENCY

The Norwegian krone (NOK) is the functional currency of the parent company and of all of the subsidiaries in the Group. The Group's financial statements are also presented in NOK. On the balance sheet date, cash items in foreign currency are translated using the exchange rate on the balance sheet date, non-cash items are translated using the historical exchange rate on the transaction date and non-cash items measured at fair value are calculated using the exchange rate on the date on which their value was calculated.

Foreign currency transactions are translated using the exchange rate on the transaction date. Changes in value resulting from exchange rate fluctuations between the transaction date and the payment date are recognised in the income statement.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one enterprise and a financial obligation or an equity instrument of another enterprise.

Classification and measurement under "IFRS 9 Financial Instruments"

Classification is based on whether the instruments are held within a business model whose object is both to collect the contractual cash flows and sell the instrument, and on whether the contractual cash flows are solely payments of principal and interest on fixed dates.

Financial assets are classified in one of the following categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments where the other comprehensive income option has been exercised, and which are measured at fair value through other comprehensive income without recycling

Financial assets measured at amortised cost

The Group measures financial assets at amortised cost if the following criteria are met:

- The financial asset is part of a business model whose objective is to collect contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that solely consist of payments of principal and interest on fixed dates

Subsequent valuations of financial assets measured at amortised cost are based on the effective interest rate method and the assets are tested for impairment. Gains and losses are recognised in the income statement if the asset is derecognised, modified or impaired

The Group's assets measured at amortised cost include loans and deposits held at other banks.

Financial assets measured at fair value through other comprehensive income (FVOCI)

The Group measures debt instruments at fair value through other comprehensive income if the following criteria are met:

- The financial asset is part of a business model whose objective is both to collect contractual cash flows and sell the asset,
- The contractual terms of the financial asset give rise to cash flows that solely consist of payments of principal and interest on fixed dates

Debt instruments measured at fair value through other comprehensive income, interest income, exchange differences, and loss allowances and reversals thereof are recognised in the income statement and estimated in the same way as financial assets measured at amortised cost. All other changes in fair value are recognised under other income and expenses. Upon derecognition, cumulative changes in fair value recognised under other income and expenses are transferred to the income statement.

The Group does not use this category.

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

The following instruments are included in this measurement category:

- Derivatives measured at fair value through profit or loss
- Equity instruments, as a general rule
- Debt instruments held within a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term trading of the instruments in the portfolio in order to make a profit

Sparebanken Sogn og Fjordane uses this category for fixed-rate loans to customers, commercial paper and bonds, shares and derivatives. The interest rates on fixed-rate loans are generally hedged with derivatives or fixed-rate bonds, which are measured at fair value. To avoid an accounting mismatch the fixed-rate loans are also measured at fair value.

Equity instruments where the other comprehensive income option has been exercised, and which are measured at fair value through other comprehensive income without recycling

The Company may elect to present fair value changes of equity instruments in other comprehensive income rather than in the income statement. If this category is chosen, gains and losses are not reclassified to profit or loss on disposal.

Sparebanken Sogn og Fjordane does not use this category.

Derecognition of financial assets

A financial asset is derecognised if:

- The contractual rights to the cash flows from the financial asset expire, or
- The Group has either transferred the contractual rights to the cash flows from the financial asset, or retained the rights to the cash flows from the asset while assuming an obligation to pay the cash flows received from the asset to another party; and either
  a. The Group has transferred substantially all of the risks and rewards of ownership of the asset, or
  b. The Group has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset, but has transferred control of the asset

Financial liabilities

Financial liabilities are classified in one of the following categories:

- Financial liabilities measured at amortised cost
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Financial liabilities at fair value through profit/loss with some gains/losses through OCI

Financial liabilities measured at amortised cost

Sparebanken Sogn og Fjordane uses this category for liabilities to credit institutions, deposits from and debt to customers, most of the interest-bearing debt securities that it has issued and other financial liabilities.

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

The following instruments are included in this measurement category::

- Derivatives measured at fair value through profit or loss
- Equity instruments, as a general rule
- Debt instruments held within a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term trading of the instruments in the portfolio in order to make a profit

Sparebanken Sogn og Fjordane uses this category for fixed-rate customer deposits and derivatives.

Financial liabilities at fair value through profit/loss with some gains/losses through OCI

For financial liabilities designated as at fair value, changes in fair value relating to own credit risk shall be presented separately and be recognised in other comprehensive income (OCI).

Sparebanken Sogn og Fjordane has designated some of its debt securities in issue as at fair value through profit or loss. For these debt securities, any gains or losses due to changes in own credit risk will normally be insignificant, and to date no such gains or losses have been recognised in OCI.

Further details about financial liabilities

On initial recognition, financial liabilities are classified as either borrowings and other liabilities, or as derivatives designated as hedging instruments in an effective hedge. On initial recognition, derivatives are measured at fair value. Borrowings and other liabilities are measured at fair value adjusted for transaction costs that are directly attributable to them.

Derivatives are considered financial liabilities if their fair value is negative, and for accounting purposes they are treated in an equivalent manner to derivatives that are assets.

Borrowings and other liabilities

After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is derecognised. Amortised cost is calculated by taking into account any transaction costs, and any costs and fees that are an integral part of the effective interest. Effective interest is presented in the income statement under interest expenses.

Other liabilities are measured at face value if the effect of discounting is immaterial.

Derecognition of financial liabilities

A financial liability is derecognised if the liability is redeemed, cancelled or expires. If an existing financial liability is replaced by a new financial liability issued by the same lender on significantly different terms, or the terms of an existing liability are significantly modified, the original liability is derecognised and the new liability is recognised. The difference in the carrying amount is recognised in the income statement.

Recognition and derecognition

Assets and liabilities are recognised from the date on which the contractual rights to receive cash flows from the financial assets are transferred to the Group, or on which the Group takes on real liabilities to pay cash flows. Initial recognition is at fair value. Financial instruments are normally initially recognised at the transaction price. After initial recognition, financial instruments are measured as described below under “Valuation”.

Assets are derecognised from the date on which substantially all risks and rewards of ownership of the financial assets have been transferred to another party.

When a financial asset is transferred, an evaluation shall be made of the extent to which the entity will retain the risks and rewards of ownership of the financial asset. In this case:

a) If substantially all the risks and rewards of ownership of the financial asset are transferred to another party, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created by the transfer.
b) If the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognise the financial asset.
c) If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the asset. In this case:
    - If the entity has not retained control of the financial asset, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer
    - If the entity has retained control of the financial asset, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset

Valuation

Definition of fair value

Fair value is defined as the amount that an asset or liability can be sold for in a transaction between independent parties. The valuation methods that we use to calculate fair value depend on the type of financial instrument and on whether or not it is traded in an active market. Instruments are included in one of three valuation categories depending on the kind of information on which the valuation is based. (For definitions of levels 1, 2 and 3, see Note 28.)

Instruments that are traded in an active market

A market is considered active if it is possible to find external, observable prices or rates, and these prices represent actual and frequent market transactions. For instruments that are traded in an active market, we use the listed price obtained from a stock exchange, broker or price-setting firm.

Instruments traded in an active market include financial instruments that are listed on a stock exchange or that are quoted on some other market, such as shares, bonds and commercial paper.

They also include financial derivatives that are based on underlying quoted or stock exchange listed prices/indexes/instruments.

Instruments that are not traded in an active market

Financial instruments that are not traded in an active market are valued using various different valuation techniques that make use of observable market data. If no observable market data or quoted prices are available, we use our own valuation techniques.

Equity investments in shares and ownership interests that are traded in inactive markets are valued at fair value based on the following criteria:

- Price at the time of the last capital increase or last trade between independent parties, adjusted for changes in the market conditions since the capital increase/trade.
- Fair value based on anticipated future cash flows from the investment.

The fair value of the portfolio of fixed interest loans is calculated as the value of the expected cash flows discounted by a market interest rate based on an internal pricing model (further details in Note 2).

Definition of amortised cost

Financial instruments that are not valued at fair value are valued at amortised cost, and income is calculated using the effective interest rate method. This is calculated by discounting contractual cash flows over the anticipated term to maturity. Cash flows include arrangement fees, direct transaction costs that are not covered by the customer and any residual value when the anticipated term to maturity expires. The amortised cost is the present value of these cash flows discounted by the effective interest rate.

Impairment model

The impairment model for financial instruments in IFRS 9 is based on the principle that provisions should be made for expected credit losses. That requires us to estimate future credit losses regardless of whether or not there is objective evidence of a loss event.

The impairment model in IFRS 9 applies to financial assets that are debt instruments. It also covers undrawn credit facilities. See Note 12 for an explanation of the impairment model.

Recognition of losses

A loss shall be recognised (i.e. recorded against the customer) when all collateral has been sold and it is not expected that the bank will receive further payments with respect to the asset. The claim against the customer shall still be pursued after a loss has been recognised, unless an agreement to cancel the debt has been reached with the customer.

PRESENTATION ON THE BALANCE SHEET AND IN THE INCOME STATEMENT

Cash and receivables from Norges Bank

Cash is defined as cash and receivables from Norges Bank.

Loans

Regardless of who the counterparty is, loans are included on the balance sheet as loans and advances to credit institutions, loans to customers measured at amortised cost, loans to customers measured at fair value or loans to customers through other comprehensive income (OCI).
To simplify the balance sheet, all loans to customers are presented jointly on a single line, with the breakdown by category being presented in a note to the financial statements.

Interest income from financial instruments classified as loans is included under “Net interest income” using the effective interest rate method. The effective interest rate method is described under “Amortised cost method”.

Changes in the fair value of loans measured at amortised cost and loans measured at fair value are included under “Impairment loss”. Any portion of the change in the value of fixed-rate loans attributable to changes in interest rate levels is included under “Net gains/losses on financial instruments”.

Commercial paper and bonds

Commercial paper and bonds are managed and evaluated within a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term trading of the instruments in the portfolio in order to make a profit.

Interest income and expenses on commercial paper and bonds are included under “Net interest income” using the effective interest rate method. This method is described in the paragraph on amortised cost.

Other changes in value are included under “Net gains/losses on financial instruments”.

Shares

Shares measured at fair value through profit or loss

Shares measured at fair value through profit or loss include shares, equity certificates and equity funds that have been acquired with the intention of subsequently selling them at a profit. Most of the Group’s portfolio of shares consists of long-term, strategic investments. Changes in the value of shares are included under “Net gains/losses on financial instruments”.

Financial derivatives

A derivative is a financial instrument with the following characteristics:

- The value of the instrument changes as a result of changes to the interest rate, value or price of an underlying asset
- The instrument requires little or no investment at its inception
- The instrument is settled at a future date

Derivatives are initially recognised at their fair value on the date on which the contract was signed, and subsequently at fair value.

Financial derivatives are presented as an asset if they have a positive value and as a liability if they have a negative value. Assets and liabilities are offset against one another if the Bank has a binding contract with its counterparty stating that they will be offset, and if the Bank intends to sell the assets and redeem the liabilities at the same time.

Interest payments on financial derivatives are included under “Net interest income” using the effective interest rate method. This method is explained in the paragraph on amortised cost. Other changes in value are included under “Net gains/losses on financial instruments”.

Debt to credit institutions and customer deposits

Debt to credit institutions and customers is recorded, depending on the counterparty, as either “Debt to credit institutions”, “Customer deposits measured at amortised cost” or “Customer deposits measured at fair value”. Interest expenses on these instruments are included under “Net interest income” using the effective interest rate method. Other changes in value are included under “Net gains/losses on financial instruments”.

To simplify the balance sheet, all customer deposits are presented jointly on a single line, with a more detailed breakdown in a note to the financial statements.

Debt securities in issue

Debt securities in issue include commercial paper and bonds, and they are measured either at amortised cost or at fair value through profit or loss. To simplify the balance sheet, all debt securities in issue are presented jointly on a single line, with a more detailed breakdown in a note to the financial statements.

Interest expenses on these instruments are included under "Net interest income" using the effect interest rate method. Other changes in value are included under "Net gains/losses on financial instruments".

For debt securities in issue measured at fair value, changes in fair value relating to own credit risk shall be presented separately and be recognised in other comprehensive income (OCI). For these debt securities, any gains or losses due to changes in own credit risk will normally be insignificant, and to date no such gains or losses have been recognised in OCI.

Subordinated debt

Subordinated debt includes subordinated debt instruments issued by the Bank and is measured at amortised cost. Interest expenses on these instruments are included under "Net interest income" using the effect interest rate method. Other changes in value are included under "Net gains/losses on financial instruments".

LEASES

IFRS 16 Leases

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard requires a lessee to recognise assets and liabilities for most of its leases.

The lessor shall classify their leases as either operating leases or finance leases, and account for those two types of leases differently.

The Group has recognised its assets and liabilities related to leases and has recorded all relevant leases in a dedicated system. The length of the leases determines the associated assets and liabilities.

The leases involved are mainly leases with fixed expenses such as rental agreements and a small number of car leases.

The lease liability has been calculated by discounting future lease payments using the interest rate implicit in the lease. An interest rate of 2.5% has been used as representative of expected long-term funding costs.

At each interim report, we take into account any changes to leases and if necessary recalculate the liabilities and assets.

IAS 36 is used to assess whether there is any indication that a lease asset has fallen in value and an impairment loss should be recognised.

Leases are classified as finance leases if they transfer the vast majority of the risk and return. The Bank has no finance leases. The leases that we do have are operating leases.

FIXED ASSETS

Tangible assets are valued at their acquisition cost including direct costs, less accumulated depreciation and impairment losses. When assets are sold or disposed of, the acquisition cost and accumulated depreciation are written back, and the gain or loss on the sale/disposal is recognised in the income statement. The historical cost of fixed assets is the purchase price, including taxes/charges and costs directly related to preparing the asset for use. Costs that accrue after the fixed asset has been taken into operation, repairs and maintenance, are charged as expenses. If necessary, individual fixed assets are split into components with different useful lives.

Sites are not depreciated. Based on their historical cost, less any residual values, other fixed assets are depreciated using the straight line method over their anticipated useful lives, which are as follows:

Buildings	30–50 years
Fixtures, fittings and furnishings	7–10 years
Vehicles	5 years
Office equipment	5 years
IT equipment	3–5 years

INTANGIBLE ASSETS IT

IT-systems and software

Software purchased is carried on the balance sheet at its cost plus any expenses involved in preparing the software for use. Identifiable expenses related to in-house software, and where it can be demonstrated that the probable future economic benefits will cover the development cost, are capitalised as intangible assets. Direct expenses include the cost of staff directly involved in developing the software, office equipment and a share of the relevant administration expenses. Expenses related to the maintenance of software and IT systems are expensed directly in the income statement. Capitalised software investments are depreciated over their anticipated useful life, which is normally three years. Any need for impairment is assessed using the same principles as set out in the previous section.

Goodwill

Goodwill arises through the acquisition of other companies, and represents excess value over and above identifiable assets and liabilities. Any such excess value is tested for impairment for each interim report.

TESTING FOR IMPAIRMENT

For each interim report, an assessment is made as to whether there is any evidence that any tangible or intangible assets have fallen in value. If such evidence exists, the recoverable amount is calculated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If the carrying amount is higher than the estimated recoverable amount, the carrying amount is written down to the recoverable amount.

PENSIONS

Defined contribution schemes

With a defined contribution scheme, the Group does not promise to pay a specific amount as a future pension benefit, and instead makes an annual contribution to a group pension scheme. The future pension benefit payable will depend on the size of the contribution and the annual return on the pension fund. The Group's only responsibility in relation to this pension scheme is to make the annual contribution. With a defined contribution scheme, there is no need to make a provision for accrued pension liabilities. Contributions to defined contribution schemes are expensed immediately in the relevant reporting period.

The pension expense for the year is reported on the income statement under "Wages, salaries, etc.". For further information about our pension schemes, see Note 25.

TAX EXPENSE

Deferred tax liabilities and assets are reported on the balance sheet in accordance with "IAS 12 Deferred tax".

The tax expense stated in the income statement includes both tax payable on income and assets, and changes to deferred tax for the financial period. The parent company's deferred tax/deferred tax assets are calculated by applying a 25% tax rate to temporary differences that exist between accounting and taxable values at the close of the year. For subsidiaries, a 22% tax rate is used to calculate deferred tax liabilities/assets. Deferred tax is calculated using the tax rates and regulations that apply on the balance sheet date, or that are likely to be adopted and will apply when the deferred tax asset is realised or the deferred tax liability becomes payable. Deferred tax assets are included on the balance sheet on the assumption that the Bank will have taxable income in future years. Deferred tax liabilities and assets within the Group are offset against one another, and only the net liability or asset is included on the balance sheet.

Tax payable and deferred tax are charged to equity if the tax relates to items that in the current or previous periods have been recognised in comprehensive income/equity.

Single entity for tax purposes

The parent company and subsidiaries in which the parent company holds more than nine tenths of the shares, and has an equivalent share of the votes at AGMs, are treated as a single entity for tax purposes.

ACCRUAL OF INTEREST AND FEES

Interest and commissions are recognised in the income statement as they accrue as income or expenses.

Unrealised and realised gains and losses on interest rate swaps are presented under "Net gains/losses on financial instruments". Interest rate swaps are used as economic hedges and the rules for hedge accounting are also used.

Arrangement fees for loans are included in the cash flow when calculating the amortised cost, and are taken to income under "Net interest income" using the effective interest rate method. Set-up fees for financial guarantees are included in the valuations of the guarantees, and are taken to income under "Net gains/losses on financial instruments".

For any debt repurchase at a discount/premium, the gain/loss is recognised at the time of the repurchase under "Net gains/losses on financial instruments".

REVENUE RECOGNITION

Interest income is recognised in the income statement using the effective interest rate method. This involves taking arising nominal interest plus amortised set-up fees to income.

Interest income is calculated using the effective interest rate method both for balance sheet items measured at amortised cost and for ones measured at fair value through profit or loss. Interest income on impaired loans is calculated as the effective interest rate on the carrying amount.

All charges relating to payment transactions are recognised as they arise. Fees and charges arising from the sale and marketing of shares, equity funds and properties that do not give rise to any asset or liability on the balance sheet are recognised when the trade is completed. Broker commission is recognised once there is a binding agreement between the buyer and seller, which in practice means when a bid is accepted. Customer trading of financial instruments that generates revenues in the form of spreads and commission is recognised when the trade is executed. Dividends from shares are recognised when they have been definitively adopted.

RESTRUCTURING

If restructuring plans have been adopted that will affect the extent or nature of our business, an assessment is made of the need for any provisions for restructuring measures. If restructuring costs will not lead to higher income in subsequent periods, and the future expenses are definite obligations on the balance sheet date, a provision is made on the balance sheet for the net present value of expected future cash flows. This provision is reversed as the expenses are incurred.

CASH FLOW STATEMENT

The indirect method is used to produce the cash flow statement. This is then adjusted for the impact of non-cash transactions, the accrual of future receipts or payments related to operating activities, and revenues or expenses associated with cash flows arising from investing or financing activities.

EQUITY

Equity is made up of equity share capital, primary capital, hybrid capital, a reserve for unrealised gains and other equity. The equity share capital consists of equity certificates and the dividend equalisation reserve. The primary capital consists of primary capital certificates, the compensation reserve and any gift fund. The reserve for unrealised gains relates to changes in the value of financial instruments where there is a discrepancy between the measurement methods used under IFRS and NGAAP. Proposed gifts and dividends are classified as equity until they have been adopted by the Annual General Meeting.

Hybrid capital

Hybrid capital is considered equity and consists of hybrid debt issued by the Bank that meets the criteria for being defined as equity and core capital under rules for calculating capital adequacy.

Hybrid debt is perpetual, which means that the holders cannot demand that it be redeemed. Interest on the hybrid capital is recognised directly in equity and is split between the dividend equalisation reserve and compensation reserve in proportion to the ownership ratio. In accordance with “IAS 12 Income Taxes”, the tax consequences of interest payments on hybrid capital are recognised in the income statement as a reduction in the tax expense.

HEDGE ACCOUNTING

The Group uses hedge accounting for selected fixed-rate bonds issued by the Group and derivatives designed to protect against fluctuations in the value of the bonds in question.

The hedged items (the fixed-rate bonds) are measured at fair value through “Net gains/losses on financial instruments” and the hedging instruments (the derivatives) are measured at fair value through “Net gains/losses on financial instruments”.

Amongst other things, IFRS 9 requires the hedged items and hedging instruments to be formally designated as such, and there must be a close economic relationship between the hedged items and the hedging instruments. It must also be possible to reliably measure the hedge and it must be effective. If the hedge no longer fulfils the hedge effectiveness requirement, hedge accounting shall be discontinued and the resulting adjustment shall be amortised through profit or loss. The amortisation shall be based on the recalculated effective interest rate at the date amortisation begins.

Gains or losses on hedging instruments are recognised in the income statement under “Net gains/losses on financial instruments”. Gains or losses on hedged items are considered an adjustment to the carrying amount of the hedged item and are recognised in the income statement under “Net gains/losses on financial instruments”.

POST BALANCE SHEET EVENTS

Post balance sheet events shall be reported in accordance with IAS 10. Events that are not covered by the financial statements, but that are material to any evaluation of the company’s operations and/or its financial position, shall be disclosed.

ADOPTED ACCOUNTING STANDARDS AND OTHER CHANGES THAT MAY AFFECT FUTURE FINANCIAL REPORTING

Relevant standards and interpretations that have been adopted prior to the presentation of the consolidated financial statements, but that will be implemented at a later date, are listed below. The Group intends to implement relevant changes as and when they come into force, provided that the EU approves them before the financial statements are prepared.

IBOR reform – Phase 2

A global reform of IBORs is underway. Sparebanken Sogn og Fjordane uses NIBOR, for example in its hedge accounting. Our view is that it will not result in any real changes to our financial statements.

No other changes have been adopted that will have a significant impact on the financial statements.

Note 2 Critical accounting estimates and judgements

The Group continuously makes various estimates and judgements, which are based on past experience and expectations of probable future events. Accounting estimates produced on the basis of this rarely entirely correspond with what actually happens. Estimates that represent a significant risk of large changes to balance sheet values are discussed below.

Fair value of financial derivatives and other financial instruments

For securities that are not listed and for which there is not an active market, the Group uses valuation techniques to determine their fair value. The Group makes its assessments and uses methods and assumptions that in so far as possible are based on market conditions on the balance sheet date.

Interest-bearing securities

To value bonds and commercial paper, we obtain valuations from Nordic Bond Pricing.

Shares

The valuation of unlisted shares is based on the most recent transaction price or valuation models. Shares for which there is no recent transaction price are valued based on available financial information and the prices of comparable shares where relevant.

For our investment in Frende, at 31.21.2021 we used a transaction value from June 2020. At 31.12.2021, the value has been set at the transaction value from June 2020 plus the retained earnings from 31.12.2019 up to and including Q3 2021.

Interest rate derivatives

Interest rate derivatives are valued using discounted cash flows based on the swap rate at the reporting date.

Fixed-rate loans and fixed-rate deposits

The value of fixed-rate loans and deposits is calculated as the net present value of their future cash flows. For fixed-rate loans to retail customers and for all fixed-rate deposits, we use a yield curve, which is derived from the average interest rates on fixed-rate products offered by competing banks, to represent the market rate, while for loans to the corporate sector we calculate the cost of alternative sources of financing for the Bank on the reporting date, and then add the appropriate margin for the customer in question.

Also see Note 28 “Fair value of financial instruments”.

Loan portfolio held by Bustadkreditt Sogn og Fjordane

The parent company has transferred mortgage loans to its subsidiary Bustadkreditt Sogn og Fjordane. A number of agreements govern the relationship between the two parties. These agreements transfer the credit risk and entitlement to interest income from the parent company to the subsidiary. The loans have therefore been derecognised from the parent company’s accounts. Also see Note 43 “Related parties”.

Impairment model

There is a detailed explanation of the loan impairment model under IFRS 9 in Note 12 “Explanation of impairment model under IFRS 9”. The method for calculating expected credit losses (ECLs) is based on estimates of the probability of default (PD), loss given default (LGD) and exposure at default (EAD, for all loans and undrawn credit facilities. There are uncertainties associated with estimating ECLs, particularly in relation to the PD, but also the LGD and EAD.

Uncertainties

Measuring expected credit losses is a complex process, and in the case of several of the assumptions used as inputs, the management must exercise its professional judgement.

For assets where a model is used to calculate ECLs, the main uncertainties relate to estimating PD, LGD and EAD. For assets in Stage 3, where expected credit losses are measured individually, judgement is involved in the assumptions used to estimate future cash flows and value collateral.

Other areas involving uncertainty include the choice of various future economic scenarios (including their weighting), assessing significant increases in credit risk and determining whether the criteria for default/ impairment have been met.

Macroeconomic scenarios

ECLs should be calculated by weighting several macroeconomic scenarios. The Company has chosen three future macroeconomic scenarios: a base scenario with a 50% weighting, and one pessimistic and one optimistic scenario each with a 25% weighting. Expected credit losses are weighted based on the outcomes of the three scenarios.

The relationship between the macroeconomic parameters and the PD used to be based on a model developed by the Norwegian Computing Centre, which used future interest rates and unemployment to estimate future default rates for retail banking customers. Due to the unusual macroeconomic situation in which we find ourselves at the moment, the model is not sufficiently good at predicting the future probability of default. We have therefore used internal expert judgements to assess what is likely to happen to the probability of default over the coming five years, based on the impacts of past crises, projections in Norges Bank’s monetary policy report and the long-term expectations prior to the Covid-19 crisis.

On account of the Covid-19 pandemic, more conservative assumptions have been used to estimate collateral values. Adjustments have also been made to the probability of default for all customers in certain industries. This is explained in greater detail in Note 12.

For more information about the scenarios, and their impact on impairment losses, also see Note 16.

Note 3 Classification of financial instruments

CONSOLIDATED

31.12.21	Fair value through profit or loss	Fair value through profit or loss (fair value option)	Fair value through OCI	Amortised cost	Hedge accounting	Total
ASSETS						
Cash and cash equivalents	0	0	0	22	0	22
Loans and advances to credit institutions/central banks	0	0	0	717	0	717
Loans to customers	0	4 044	0	53 300	0	57 344
Commercial paper and bonds	0	6 603	0	0	0	6 603
Financial derivatives	142	0	0	0	43	185
Shares	765	0	0	0	0	765
Total	**907**	**10 647**	**0**	**54 039**	**43**	**65 636**
LIABILITIES						
Debt to credit institutions	0	0	0	500	0	500
Deposits from and debt to customers	0	1 012	0	31 523	0	32 536
Debt securities in issue	0	3 082	0	20 241	2 012	25 335
Financial derivatives	89	0	0	0	31	121
Subordinated debt instruments	0	0	0	602	0	602
Total	**89**	**4 094**	**0**	**52 866**	**2 044**	**59 093**

PARENT COMPANY

31.12.21	Fair value through profit or loss	Fair value through profit or loss (fair value option)	Fair value through OCI	Amortised cost	Hedge accounting	Total
ASSETS						
Cash and cash equivalents	0	0	0	22	0	22
Loans and advances to credit institutions/central banks	0	0	0	1 866	0	1 866
Loans to customers	0	4 013	15 093	14 941	0	34 047
Commercial paper and bonds	0	8 871	0	0	0	8 871
Financial derivatives	215	0	0	0	0	215
Shares	765	0	0	0	0	765
Total	**980**	**12 884**	**15 093**	**16 830**	**0**	**45 787**
LIABILITIES						
Debt to credit institutions	0	0	0	642	0	642
Deposits from and debt to customers	0	1 012	0	31 556	0	32 568
Debt securities in issue	0	3 082	0	4 226	0	7 308
Financial derivatives	162	0	0	0	0	162
Subordinated debt instruments	0	0	0	602	0	602
Total	**162**	**4 094**	**0**	**37 026**	**0**	**41 282**

Note 3 Classification of financial instruments (cont.)

CONSOLIDATED

31.12.20	Fair value through profit or loss	Fair value through profit or loss (fair value option)	Fair value through OCI	Amortised cost	Hedge accounting	Total
ASSETS						
Cash and cash equivalents	0	0	0	26	0	26
Loans and advances to credit	0	0	0	0	0	0
institutions/central banks	0	0	0	346	0	346
Loans to customers	0	4 324	0	50 206	0	54 530
Commercial paper and bonds	0	6 509	0	0	0	6 509
Financial derivatives	227	0	0	0	148	374
Shares	657	0	0	0	0	657
Total	**883**	**10 833**	**0**	**50 577**	**148**	**62 441**
LIABILITIES						
Debt to credit institutions	0	0	0	1 803	0	1 803
Deposits from and debt to customers	0	1 537	0	29 128	0	30 665
Debt securities in issue	0	2 497	0	18 587	2 125	23 209
Financial derivatives	191	0	0	0	23	214
Subordinated debt instruments	0	0	0	601	0	601
Total	**191**	**4 034**	**0**	**50 119**	**2 148**	**56 492**

PARENT COMPANY

31.12.20	Fair value through profit or loss	Fair value through profit or loss (fair value option)	Fair value through OCI	Amortised cost	Hedge accounting	Total
ASSETS						
Cash and cash equivalents	0	0	0	26	0	26
Loans and advances to credit institutions/central banks	0	0	0	1 596	0	1 596
Loans to customers	0	4 173	13 958	14 582	0	32 713
Commercial paper and bonds	0	8 497	0	0	0	8 497
Financial derivatives	395	0	0	0	0	395
Shares	657	0	0	0	0	657
Total	**1 052**	**12 670**	**13 958**	**16 204**	**0**	**43 884**
LIABILITIES						
Debt to credit institutions	0	0	0	1 924	0	1 924
Deposits from and debt to customers	0	1 537	0	29 164	0	30 700
Debt securities in issue	0	2 497	0	3 952	0	6 449
Financial derivatives	358	0	0	0	0	358
Subordinated debt instruments	0	0	0	601	0	601
Total	**358**	**4 034**	**0**	**35 641**	**0**	**40 033**

Note 4 Segment reporting

Geographic segments
All of the segments operate in Norway.

General information about segments
Segments reflect the organisational structure of the Group.

Finance
- Responsible for financing and for managing liquidity

Corporate banking market/public sector/financial sector
- Offers a wide range of financial products and services, such as various types of financing, deposits, investments, insurances, foreign currency services and interest rate instruments to small and medium-sized enterprises, the public sector and financial sector

Retail market including Bustadkreditt
- Offers a wide range of financial products and services, such as various types of financing, deposits, investments, insurances, foreign currency services and interest rate instruments to retail customers

Other
- Includes the supply of services to Sparebankstiftinga Sogn og Fjordane and managing various properties

Estate agency
- Offers estate agency services in conjunction with the purchase and sale of properties

Property management
- Manages the Group's largest properties

2021 INCOME STATEMENT	Total for group	Finance	Corp. Market/ PS/FS	Retail market including Bustad-kreditt	Other	Estate agency	Pro-perty man-age-ment	Elimina-tions
Net interest income and credit commissions	945	– 8	373	580	0	0	0	0
Net other operating income	329	156	57	88	4	33	8	– 17
Total operating income	**1 274**	**148**	**429**	**668**	**4**	**33**	**8**	**– 17**
Operating expenses	483	14	147	293	11	31	3	– 16
Profit/loss before impairment loss	**791**	**134**	**283**	**375**	**– 7**	**2**	**5**	**– 1**
Net gain on fixed assets	0	0	0	0	0	0	0	0
Impairment loss	– 37	0	– 40	3	0	0	0	0
Profit/loss before taxation	**827**	**134**	**323**	**372**	**– 7**	**2**	**5**	**– 1**
BALANCE SHEET AT 31.12.21								
Net loans and advances to customers	57 344	0	13 647	43 697	0	0	0	0
Other assets	8 464	11 408	1 296	1 437	0	25	51	– 5 754
Total assets	**65 808**	**11 408**	**14 943**	**45 134**	**0**	**25**	**51**	**– 5 754**
Deposits from and debt to customers	32 536	0	12 507	20 061	0	0	0	– 32
Other liabilities	27 023	8 916	163	21 841	0	8	8	– 3 913
Equity (incl. profit/loss for the period)	6 249	2 492	2 273	3 232	0	17	43	– 1 808
Total debt and equity	**65 808**	**11 408**	**14 943**	**45 134**	**0**	**25**	**51**	**– 5 754**

Note 4 Segment reporting (cont.)

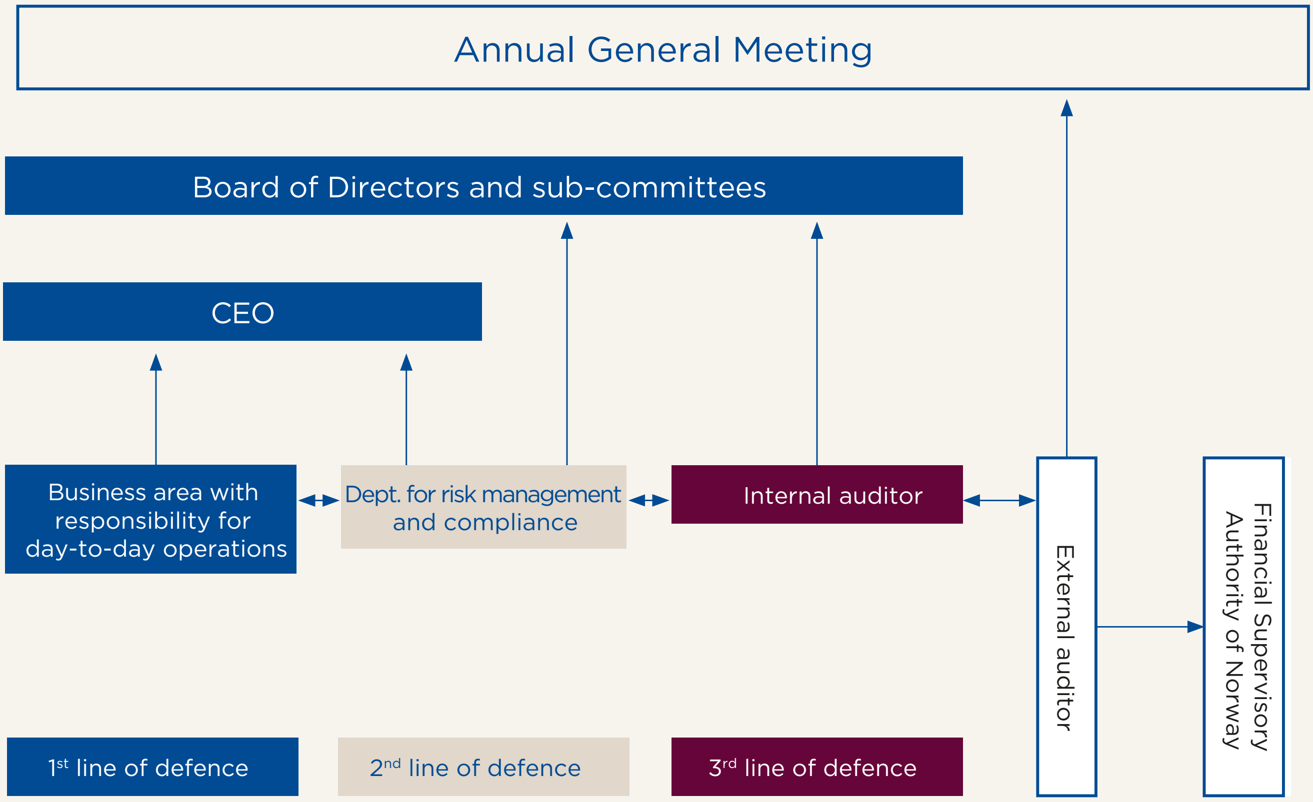
2020 INCOME STATEMENT	Total for group	Finance	Corp. Market/ PS/FS	Retail market including Bustad-kreditt	Other	Estate agency	Pro-perty man-age-ment	Elimina-tions
Net interest income and credit commissions	907	25	346	536	0	0	0	1
Net other operating income	252	95	52	78	6	30	8	– 16
Total operating income	**1 159**	**120**	**398**	**614**	**5**	**30**	**8**	**– 16**
Operating expenses	491	14	149	301	13	27	2	– 15
Profit/loss before impairment loss	**668**	**107**	**249**	**313**	**– 8**	**2**	**6**	**– 1**
Net gain on fixed assets	0	0	0	0	– 2	0	2	0
Impairment loss	112	0	99	12	0	0	0	0
Profit/loss before taxation	**557**	**107**	**149**	**300**	**– 10**	**2**	**8**	**– 1**
BALANCE SHEET AT 31.12.20								
Net loans and advances to customers	54 530	0	13 464	41 063	0	0	0	0
Other assets	8 131	11 702	583	1 589	0	22	56	– 5 821
Total assets	**62 661**	**11 702**	**14 047**	**42 653**	**0**	**22**	**56**	**– 5 821**
Deposits from and debt to customers	30 665	0	11 780	18 920	0	0	0	– 36
Other liabilities	26 269	9 485	164	20 577	0	6	8	– 3 974
Equity (incl. profit/loss for the period)	5 727	2 217	2 102	3 155	0	16	48	– 1 811
Total debt and equity	**62 661**	**11 702**	**14 047**	**42 653**	**0**	**22**	**56**	**– 5 821**

Note 5 Risk management

Risk management is the process of identifying, responding to and monitoring the risks that the Bank's operations expose it to. Overall risk exposure shall reflect the Bank's risk profile, and risk management shall help the Bank to achieve its strategic goals. This shall be done by creating a strong business culture with a good understanding of risk management, and with a good appreciation of the risks that could have a major impact on the profitability of the Bank.

ORGANISATIONAL STRUCTURE

The risk management system is based on there being three lines of defence. The lines of defence represent the Bank's model for risk management, risk control and compliance.



The Bank's various business areas, which represent the f*irst line of defence*, are delegated responsibilities by the CEO. This line of defence also implements risk assessments and risk-reduction measures and controls to ensure that the Bank is operating in accordance with legislation and with internal guidelines and frameworks. One important principle for risk management is that the first line of defence always owns the risks. Both the Board of Directors and the CEO form part of the first line of defence:

Board of Directors

The Board of Directors adopts goals and strategies and is responsible for ensuring that the Bank has effective and adequate risk management systems and internal controls.

The Board has various sub-committees that also play important roles in the risk management process:

The risk ***management committee*** does the preparations for the Board's work on assessing and supervising the Bank's exposure to risk. The committee makes preparations for the Board's assessment of quarterly risk management reports from the executive management, the annual ICAAP and ILAAP reports, the annual internal control report, the internal auditor's annual report and annual plan and the annual finance strategy and associated limits on risk exposure. The committee prepares items that deal with the monitoring and management of the Bank's individual areas of risk and overall risk, focusing on whether our corporate governance procedures are appropriate for our risk profile and the extent of our business.

Note 5 Risk management (cont.)

The tasks of the *audit committee* include monitoring and assessing the independence of the auditor, assessing and recommending auditors, and reviewing and assessing the Bank's financial reporting. The audit committee reviews the interim and annual financial statements, with a particular focus on accounting principles, critical estimates and judgements including for expected credit losses, related parties and the work of the auditor.

The task of the *remuneration committee* is to prepare items relating to remuneration that are to be reviewed by the Board. The committee shall help to ensure that the Bank's remuneration policies, overall goals, risk tolerance and long-term interests are consistent with one another.

CEO

The CEO shall ensure that risk management frameworks, strategies, procedures and guidelines are implemented and communicated throughout the organisation. The CEO is also responsible for ensuring that risk management procedures and internal controls are effective and are documented. Below the CEO, the Bank has created various administrative committees with responsibility for taking decisions about pricing and about the Bank's liquidity, balance sheet and credit management.

The *credit committee* has various tasks relating to the Bank's credit activities. The committee may take decisions on credit applications within the scope of the CEO's authority or by special authorisation from the Board. The committee reviews the register of credit decisions, approves the annual renewal of large credits, takes decisions on impairment, and makes recommendations to the Board on changes to credit policy, credit approval standards and credit strategy. The committee's duties also include approving changes to the credit underwriting guidelines and credit management procedures.

The bank also has a retail *credit committee* for the retail banking market, which takes decisions on credit applications within the scope of the Director of Retail Banking's authority. For applications that go beyond the authority of the Director of Retail Banking, the committee makes a recommendation and passes the matter on to the credit committee.

The *pricing committee* shall ensure that the Bank has a product portfolio that reflects its risk appetite and that will help it to achieve the goals that it has set itself in its top-level strategies. The committee shall also ensure that the portfolio is priced in a way that allows the Bank to meet its target for return on equity. The product structure and pricing of the portfolio shall enable the Bank to compete effectively. The committee is chaired by the CFO.

The *liquidity committee* is an advisory body to the CEO on matters relating to liquidity and funding, as well as managing market risk. The committee shall meet as and when necessary, but at least once a quarter. The committee also discusses matters relating to balance sheet management and capital allocation.

The risk management and compliance department is the Bank's *second line of defence*. This department shall ensure that the first line of defence acts in accordance with guidelines and regulations. It shall also write risk and compliance reports for the Board, as well as reporting any breaches of frameworks and guidelines. The head of the department, who is independent from managers with responsibility for taking risk, does not take part in decision-making directly related to the Bank's various business areas. The department reports directly to the CEO, but it also has a direct line of reporting to the Board for situations where the second line of defence considers this necessary or desirable.

The internal auditor, who reports to the Board, constitutes the *third line of defence*. The internal auditor shall check that the financial institution is organised and run responsibly and in accordance with the relevant laws and regulations. The Board shall organise and establish guidelines for the internal auditor.

The external auditor, who also forms part of the Bank's system for supervision and risk management, performs financial audits. The external auditor is chosen by the Annual General Meeting, on the advice of the audit committee, in accordance with the Financial Institutions Act. Each year, the auditor submits an audit report to the Annual General Meeting, and during the year the auditor meets with the Board. The auditor prepares a "Management Letter" which is presented to the Board. In this letter, the auditor evaluates the Bank's internal controls and identifies possible areas where they should be improved.

Note 5 Risk management (cont.)

THE BANK'S AREAS OF RISK

The Bank's operations expose it to various kinds of risks:

Type of risk	Definition
Credit risk	The risk of losing money as a result of a counterparty being unable or unwilling to fulfil their payment obligations to the Bank.
Concentration risk	The risk of losses that arises from lending a high proportion of your capital to individual enterprises or limited geographic regions or industries.
Liquidity risk	The risk that the Bank will be unable to fulfil its obligations and/or finance an increase in assets without significant additional cost, either because it has to realise losses on the sale of assets or because it has to make use of expensive financing.
Market risk	The risk of losses related to unfavourable fluctuations in the market prices of positions in the interest rate, currency and stock markets.
Operational risk	The risk of losses due to human error or defects in the Bank's systems, procedures and processes.
Business risk	The risk of unexpected fluctuations in revenues or expenses for reasons other than credit risk, liquidity risk, market risk and operational risk.
Shareholder risk	The risk of the Bank incurring losses from strategic ownership interests in companies and/or having to inject more capital into such companies.
Systemic risk	The risk of instability in, or in the worst case the collapse of, the financial system.
Cyber risk	The risk of losses due to either problems with technical infrastructure or the use of technology at the company.
Compliance risk	The risk of the Bank failing to fully comply with laws and regulations, and consequently incurring sanctions, financial losses or reputational damage.
Money laundering risk	The risk of the Bank being used for money laundering, i.e. actions that protect the proceeds of criminal activities, by concealing what happens to the proceeds, or who controls them, or by concealing the origins of income or assets.
Climate and sustainability risk	The risk that climate change or changes in environmental policies will undermine the business models of the Bank's customers in various ways, resulting in the Bank incurring losses. The risk of the operations of the Bank's customers having a negative impact on the climate, ecosystems and health.

See the sections on *Internal controls* and *Risk management* in the Directors' Report for more information about how the Bank performs internal controls and manages its most important types of risk.

Note 6 Capital adequacy

PARENT COMPANY			CONSOLIDATED	
31.12.20	31.12.21	**EQUITY AND SUBORDINATED DEBT**	31.12.21	31.12.20
1 948	1 948	Equity share capital	1 948	1 948
593	645	Primary capital	645	593
16	16	Share premium account	16	16
2 175	2 452	Dividend equalisation reserve	2 452	2 175
129	187	Allocated dividends/gifts	187	129
354	454	Reserve for unrealised gains	454	354
0	0	Other equity	196	163
5 214	**5 703**	**Equity**	**5 899**	**5 377**
		Other core capital		
350	350	Hybrid capital	350	350
		Deductions		
– 5	– 18	Deferred tax assets	– 11	– 1
– 28	– 18	Other intangible assets	– 20	– 30
– 195	– 278	Other deductions	– 278	– 195
5 337	**5 738**	**Net core capital**	**5 939**	**5 502**
4 987	**5 388**	**Core Tier 1 capital**	**5 589**	**5 152**
		Supplementary capital		
600	600	Subordinated debt instruments	600	600
0	0	Ownership interests in other financial institutions	0	0
600	**600**	**Net supplementary capital**	**600**	**600**
5 937	**6 338**	**Net equity and subordinated debt**	**6 539**	**6 102**
		BASIS FOR CALCULATION		
		Credit risk		
45	4	Local and regional authorities	4	45
2 857	2 765	Institutions	143	386
3 172	2 675	Enterprises	2 675	3 172
3 203	4 143	Retail loans	4 572	3 795
11 429	12 281	Residential mortgage loans	20 222	18 735
941	931	Overdue advances	1 045	1 090
743	310	Particularly high-risk assets (property development projects)	310	743
3 343	3 502	Equity investments	1 690	1 531
649	729	Covered bonds	491	439
197	136	Other advances	151	213
26 579	**27 475**	**Total calculation basis for credit risk**	**31 305**	**30 147**
0	0	Currency risk	0	0
1 734	1 846	Operational risk	2 245	2 102
80	92	CVA	82	71
28 393	**29 413**	**Total calculation basis**	**33 631**	**32 321**
3 666	**3 985**	**Excess equity and subordinated debt**	**3 849**	**3 516**
		CAPITAL ADEQUACY		
20,91 %	21,55 %	Capital adequacy ratio	19,44 %	18,88 %
18,80 %	19,51 %	Core capital adequacy ratio	17,66 %	17,02 %
17,56 %	18,32 %	Core Tier 1 capital adequacy ratio	16,62 %	15,94 %
9,17 %	9,45 %	Unweighted core capital ratio	8,86 %	8,59 %

Note 7 Risk classification of loans to customers

Probability of default (PD)
The bank's PD models predict the likelihood of customers going into default over the coming 12 months.
The Bank uses the models to classify all of its loans monthly, in the risk classes A-K, with A being the lowest risk class and K being loans in default. Based on that, it places its customers in three main groups: Low risk (PD of A to D), medium risk (E–G) and high risk (H–K).

	Probability of default (PD)	
Risk class	from	up to
A	0,00 %	0,10 %
B	0,10 %	0,25 %
C	0,25 %	0,50 %
D	0,50 %	0,75 %
E	0,75 %	1,25 %
F	1,25 %	2,00 %
G	2,00 %	3,00 %
H	3,00 %	5,00 %
I	5,00 %	8,00 %
J	8,00 %	100,00 %
K	100,00 %	100,00 %

CONSOLIDATED

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Corporate market	2021	2020	2021	2020	2021	2020
Low risk (A–D)	8 765	8 683	1 762	2 213	22	59
Medium risk (E–G)	3 994	3 986	528	411	38	52
High risk (H–K)	1 394	1 365	221	407	226	229
Total for corporate market	**14 153**	**14 034**	**2 511**	**3 031**	**286**	**340**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	2021	2020	2021	2020	2021	2020
Low risk (A–D)	31 167	29 331	3 246	3 124	3	3
Medium risk (E–G)	11 038	10 327	248	259	7	7
High risk (H–K)	1 293	1 191	10	12	26	27
Total for retail market	**43 498**	**40 849**	**3 504**	**3 396**	**36**	**38**

PARENT COMPANY

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Corporate market	2021	2020	2021	2020	2021	2020
Low risk (A–D)	8 585	8 513	1 751	2 186	22	59
Medium risk (E–G)	3 951	3 911	528	411	38	52
High risk (H–K)	1 382	1 357	221	407	227	230
Total	**13 918**	**13 781**	**2 500**	**3 004**	**286**	**340**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	2020	2019	2020	2019	2020	2019
Low risk (A–D)	13 756	13 238	1 510	1 501	1	1
Medium risk (E–G)	5 996	5 474	170	178	3	3
High risk (H–K)	671	560	6	10	19	21
Total for retail market	**20 423**	**19 272**	**1 687**	**1 689**	**23**	**25**

Note 8 Loans in default and debt relief

Payment default

Retail loans and residential mortgage loans
Accounts are considered to be in payment default when they are past due or overdrawn by an amount of at least NOK 1,000 and by at least 1% of the customer's total balance. If an account is in payment default, all of the customer's other accounts in the same product group are also considered in payment default. If an account that is in payment default represents over 20% of the total exposure to the customer, all of the customer's other accounts are considered in payment default.

For these purposes, the definition of retail loans covers mortgage loans that do not qualify for a 35% risk-weighting, building loans, consumer loans and advances to SMEs.

Other advances
Customers are considered in payment default when at least one of their accounts is past due or overdrawn by an amount of at least NOK 2,000 and by at least 1% of the customer's total balance.

The number of days that a customer is considered to have been in payment default is determined by the account that has been past due for longest.

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
CONSOLIDATED	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
11–30 days past due	25	269	0	1	0	9
31–90 days past due	12	55	0	0	0	2
More than 90 days past due	142	233	1	1	44	62
Total assets more than 10 days past due	**179**	**557**	**1**	**2**	**45**	**73**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
PARENT COMPANY	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
11–30 days past due	10	204	0	1	0	8
31–90 days past due	4	48	0	0	0	2
More than 90 days past due	123	192	1	1	42	60
Total assets more than 10 days past due	**136**	**444**	**1**	**2**	**42**	**70**

Assets in default

Retail loans and residential mortgage loans
An account is considered in default if it is more than 90 days past due and the amount overdue is material. The threshold for being considered material has been set at NOK 1,000 and at least 1% of the customer's total balance. If an account is in default, all of the customer's other accounts in the same product group are also considered in default.

A customer is considered in default if the customer has an account in default that represents over 20% of the total exposure to the customer, or if there is an indication of unlikeliness to pay unless the collateral is realised.

Other advances
A customer is considered in default if at least one of their accounts is more than 90 days past due and the amount overdue is material, or if there is an indication of unlikeliness to pay unless the collateral is realised. The threshold for being considered material has been set at NOK 2,000 and at least 1% of the customer's total balance.

Note 8 Loans in default and debt relief (cont.)

The following are automatically taken as indications of “unlikeliness to pay” and lead to assets being considered in default:

- An individually assessed allowance has been made for the customer
- Insolvency/Bankruptcy
- Debt restructuring
- Debt restructuring/relief that reduces the value of the asset by more than 1%
- Realisation of the collateral under compulsion or pressure from the bank (with some exceptions)
- Expectation of insolvency/bankruptcy or payment default

Other events that lead to an individual assessment of unlikeliness to pay, and which may lead to an asset being considered in default, include:

- Migration to a higher risk class
- Negative company-specific events (e.g. Board resigning)
- Industry downturn

Customers or accounts in payment default have a probation period of at least 3 months.
Customers or accounts in default in conjunction with debt restructuring have a probation period of at least 12 months.
Assets in default shall be considered equivalent to credit-impaired assets as defined in IFRS 9.

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
CONSOLIDATED	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
More than 90 days past due	142	233	1	1	44	62
Other assets at risk of default	928	649	151	262	159	123
Total assets in default and at risk of default	**1 070**	**882**	**152**	**263**	**203**	**185**
Of which in the retail market	*310*	*177*	*2*	*1*	*21*	*23*
Of which in the corporate and public sector markets	*760*	*705*	*150*	*262*	*181*	*162*

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
PARENT COMPANY	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
More than 90 days past due	123	192	1	1	42	60
Other assets at risk of default	832	640	151	262	157	122
Total assets in default and at risk of default	**955**	**832**	**152**	**263**	**199**	**182**
Of which in the retail market	*197*	*133*	*2*	*1*	*18*	*21*
Of which in the corporate and public sector markets	*758*	*699*	*150*	*262*	*181*	*161*

Debt relief

Debt relief refers to changes to the agreed terms and conditions granted because a customer is in financial difficulties that would not have been granted if the customer were in a stronger financial position.

Note 8 Loans in default and debt relief (cont.)

CONSOLIDATED	Gross loans 31.12.21	Gross loans 31.12.20	Guarantees and undrawn credit facilities 31.12.21	Guarantees and undrawn credit facilities 31.12.20	Loss allowance 31.12.21	Loss allowance 31.12.20
Assets with debt relief that are not also in default	305	456	7	7	4	15
Assets with debt relief that are also past due	204	123	17	6	39	31
Total assets with debt relief	**509**	**579**	**24**	**13**	**44**	**47**
Of which in the retail market	*176*	*242*	*0*	*0*	*3*	*2*
Of which in the corporate and public sector markets	*333*	*337*	*24*	*13*	*41*	*45*
Debt relief broken down by asset level						
Stage 2 assets	*305*	*456*				
Stage 3 assets	*204*	*123*				

PARENT COMPANY	Gross loans 31.12.21	Gross loans 31.12.20	Guarantees and undrawn credit facilities 31.12.21	Guarantees and undrawn credit facilities 31.12.20	Loss allowance 31.12.21	Loss allowance 31.12.20
Assets with debt relief that are not also in default	249	354	7	7	4	15
Assets with debt relief that are also past due	185	117	17	6	38	31
Total assets with debt relief	**434**	**471**	**24**	**13**	**43**	**46**
Of which in the retail market	*102*	*136*	*0*	*0*	*2*	*1*
Of which in the corporate and public sector markets	*333*	*335*	*24*	*13*	*41*	*45*
Debt relief broken down by asset level						
Stage 2 assets	*249*	*354*				
Stage 3 assets	*185*	*117*				

New definition of default as of 1 January 2021
In the first quarter of 2021, the Bank started using a new definition of default. The figures in the tables are therefore not comparable with figures from previous quarters. There are several changes in the definition of default that affect the volume of assets in default.

For retail loans and residential mortgage loans, the new definition means that if one account is in default, the customer's other accounts in the same product group are also considered in default. Previously, any default would have meant that all of the customer's accounts would have been considered in default. In addition, a new threshold of 1% of the customer's total balance was introduced for a default to be considered material. This reduces the volume of defaults in retail loans.

For other assets, the threshold for being considered material has been raised to NOK 2,000 (from 1,000) and at least 1% of the customer's total balance.

The new definition of default has introduced a probation period of at least 3 months for payment defaults and at least 12 months for defaults involving debt restructuring. This increases the volume of defaults.

Overall, the default rate has been reduced as a result of the new definition of default. The biggest reduction is for payment defaults in the retail market.

Note 9 Loans by customer groups

CONSOLIDATED	Gross loans 31.12.21	Gross loans 31.12.20	Guarantees and undrawn credit facilities 31.12.21	Guarantees and undrawn credit facilities 31.12.20	Loans in default and at risk of default 31.12.21	Loans in default and at risk of default 31.12.20	Loss allowance 31.12.21	Loss allowance 31.12.20
Wage and salary earners and pensioners	43 498	40 849	3 504	3 396	312	178	36	38
Public sector	5	8	69	77	0	0	0	0
Farming and forestry	1 623	1 626	182	170	27	34	21	25
Fishing and hunting	1 981	2 237	147	186	161	3	4	25
Aquaculture and hatcheries	454	343	88	59	45	1	22	1
Industry and mining	830	1 084	389	726	61	528	26	43
Power/water supply	920	1 073	58	215	5	3	6	5
Building and construction	1 235	1 213	574	550	163	152	48	60
Commerce	835	809	293	370	64	50	34	32
Transport	408	351	146	104	23	24	4	6
Hotels and tourism	443	437	37	33	24	4	4	26
Services	862	826	113	122	89	33	41	25
Property management	4 556	4 016	433	420	247	133	76	92
Other	0	12	0	0	0	0	0	0
Total	**57 651**	**54 883**	**6 032**	**6 427**	**1 222**	**1 145**	**322**	**378**
Of which in the retail market	*43 498*	*40 849*	*3 504*	*3 396*	*312*	*178*	*36*	*38*
Of which in the corporate and public sector markets	*14 153*	*14 034*	*2 528*	*3 031*	*910*	*967*	*286*	*340*

PARENT COMPANY	Gross loans 31.12.21	Gross loans 31.12.20	Guarantees and undrawn credit facilities 31.12.21	Guarantees and undrawn credit facilities 31.12.20	Loans in default and at risk of default 31.12.21	Loans in default and at risk of default 31.12.20	Loss allowance 31.12.21	Loss allowance 31.12.20
Wage and salary earners and pensioners	20 423	19 272	1 687	1 689	199	129	23	25
Public sector	5	8	69	77	0	0	0	0
Farming and forestry	1 598	1 597	178	166	27	34	21	24
Fishing and hunting	1 980	2 235	147	186	161	3	4	25
Aquaculture and hatcheries	454	343	88	59	45	1	22	1
Industry and mining	826	1 081	388	724	61	528	26	43
Power/water supply	920	1 073	58	215	5	3	6	5
Building and construction	1 162	1 143	543	538	162	151	47	60
Commerce	795	769	293	370	64	50	34	32
Transport	376	319	144	102	23	24	4	6
Hotels and tourism	438	435	37	33	24	4	4	26
Services	811	760	107	114	89	33	41	25
Property management	4 552	4 008	449	419	247	133	77	93
Other	0	12	0	0	0	0	0	0
Total	**34 341**	**33 053**	**4 187**	**4 693**	**1 107**	**1 095**	**309**	**366**
Of which in the retail market	*20 423*	*19 272*	*1 687*	*1 689*	*199*	*129*	*23*	*25*
Of which in the corporate and public sector markets	*13 918*	*13 781*	*2 500*	*3 004*	*908*	*966*	*286*	*340*

Note 10 Loans by geographic area

	Gross loans		Percentage of gross loans	
CONSOLIDATED	2021	2020	2021	2020
County				
Vestland	46 662	45 206	80,9 %	82,4 %
Oslo	3 796	3 242	6,6 %	5,9 %
Viken	3 178	2 726	5,5 %	5,0 %
Møre og Romsdal	1 426	1 360	2,5 %	2,5 %
Rogaland	610	588	1,1 %	1,1 %
Trøndelag	407	351	0,7 %	0,6 %
Troms og Finnmark	504	360	0,9 %	0,7 %
Vestfold og Telemark	380	393	0,7 %	0,7 %
Innlandet	334	297	0,6 %	0,5 %
Agder	209	224	0,4 %	0,4 %
Nordland	145	137	0,3 %	0,2 %
Total gross loans	**57 651**	**54 883**	**100,0 %**	**100,0 %**

	Gross loans		Percentage of gross loans	
PARENT COMPANY	2021	2020	2021	2020
County				
Vestland	29 181	28 759	85,0 %	87,0 %
Oslo	1 584	1 155	4,6 %	3,5 %
Viken	1 195	964	3,5 %	2,9 %
Møre og Romsdal	1 025	980	3,0 %	3,0 %
Rogaland	278	294	0,8 %	0,9 %
Trøndelag	170	148	0,5 %	0,4 %
Troms og Finnmark	407	259	1,2 %	0,8 %
Vestfold og Telemark	159	194	0,5 %	0,6 %
Innlandet	148	120	0,4 %	0,4 %
Agder	113	108	0,3 %	0,3 %
Nordland	82	70	0,2 %	0,2 %
Total gross loans	**34 341**	**33 053**	**100,0 %**	**100,0 %**

Note 11 Collateral ratio for loans to customers

In the retail market, the collateral for loans is almost always real property. In the calculation below, properties are valued at their market value based on the estimates of Eiendomsverdi AS, estate agent valuations, assessed valuations or valuations based on our knowledge of the property market. Valuations of collateral provided by retail customers shall be reviewed at least every three years.

In the case of the corporate market, most of the collateral consists of fixed assets such as real property, mortgages on ships, and licences or quotas. Other forms of collateral include liens on current assets such as factored accounts receivable, promissory notes and operating assets, and mortgages, guarantees and insurance contracts. Valuations of collateral provided by corporate customers shall be reviewed at least once a year. It is difficult to calculate the collateral ratio for advances to corporate customers, both because collateral goes across companies and due to greater uncertainty about valuations. The Bank's estimates of collateral ratios at the portfolio level are not sufficiently reliable, so the table below only shows estimates for the retail market.

It gives the proportionate distribution of assets by their collateral ratio. The collateral ratio is calculated at the customer level, by dividing the value of the collateral by that of the outstanding asset. If the collateral ratio is below 100%, the value of the assets exceeds that of the collateral.

CONSOLIDATED

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	2021	2020	2021	2020	2021	2020
No collateral	124	136	554	591	3	6
Collateral ratio of 0–100%	682	766	46	62	7	4
Collateral ratio of 100–150%	26 748	26 561	1 379	1 389	18	16
Collateral ratio of 150–200%	11 944	9 942	1 002	887	1	2
Collateral ratio of over 200%	4 000	3 444	523	466	7	9
Total for retail market	**43 498**	**40 849**	**3 504**	**3 396**	**36**	**37**

PARENT COMPANY

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	2021	2020	2021	2020	2021	2020
No collateral	125	137	555	591	3	6
Collateral ratio of 0–100%	479	523	32	51	6	3
Collateral ratio of 100–150%	14 035	13 904	631	653	8	6
Collateral ratio of 150–200%	4 552	3 685	339	275	0	1
Collateral ratio of over 200%	1 232	1 023	130	119	6	9
Total for retail market	**20 423**	**19 272**	**1 687**	**1 689**	**23**	**25**

Note 12 Explanation of impairment model under IFRS 9

The Bank has developed a model for calculating expected credit losses that meets the requirements of IFRS 9. The model calculates the Expected Credit Loss (ECL) for all loan accounts, guarantees and undrawn credit facilities. The ECL is an unbiased estimate based on several future scenarios.

The model splits loans into three stages. Upon initial recognition, a loan is generally allocated to Stage 1. If the account's credit risk has increased significantly since initial recognition, it is moved to Stage 2. Assets in default are allocated to Stage 3, using the same definition of default as used for internal risk management, as stated in Note 7. An account shall always be allocated to the highest stage that it qualifies for.

For assets in Stage 1, expected credit losses are calculated for the coming 12 months, whereas for Stages 2 and 3, expected credit losses are calculated for the lifetime of the asset.

The ECL is calculated using parameters that estimate the exposure at default (EAD) and loss given default (LGD), as well as the probability of default (PD) for any given period.

Individually assessed allowances

Where observable data indicates that a financial asset is credit-impaired, it is individually assessed for impairment. These events could include migration to a higher risk category, being over-drawn/past due on a credit account or other forms of default. This is also done if our standard interaction with a customer brings to our attention difficulties that cast doubt on the customer's ability to repay the loan. As a general rule, assets worth less than NOK 4 million and loans to retail customers are not assessed individually for impairment. Assets that are not assessed individually for impairment shall nevertheless be reviewed for unlikeliness to pay in accordance with the criteria specified in Note 8. Where it is considered unlikely that the customer will be able to repay the loan without realising the collateral, the customer is manually transferred to Stage 3 and considered in default, generating a model-based loss allowance.

Individually assessed allowances are determined by a probability-weighted calculation of various possible outcomes. Where an individually assessed allowance has been made, this takes precedence over the impairment calculated by the model. Individually assessed allowances are included in Stage 3.

Probability of default (PD)

The Bank has, based on its own default data, developed models for estimating the likelihood of default over the coming 12 months (12-month PD). The likelihood that a customer will default on their obligations during the remaining term of the asset (the lifetime PD) is derived from the 12-month PD, using the assumption that in the long term the PD will migrate towards the average PD of the portfolio.

The Bank has models for application scoring and behavioural scoring at the customer level. The application scoring models are used to estimate the PD when a customer applies for a loan or credit facility. The behavioural scoring models are used to estimate the PD for all existing assets at the end of each month. Scoring is based on external and internal parameters, using separate models for the corporate market and retail market.

Loss given default (LGD)

The LGD represents how much the Bank expects to lose in the event of a default, and it incorporates the following components:

- The likelihood that an asset in default will be cured
- The projected collateral ratio for the exposure
- The expected recovery rate for the unsecured part of an exposure
- External costs associated with debt recovery

A floor is also set for losses if the account is not cured. At 31/12/2021, this floor was 1% for retail customers and 2% for corporate customers.

When calculating the collateral ratio, the expected sales value of the underlying collateral is used. For residential and commercial properties, the sales value is set at 80% of the estimated value. For other kinds of collateral, the value is discounted further depending on the kind of collateral. The projected sales values are based on three future scenarios for house prices.

Exposure at default (EAD)

The EAD represents the expected credit exposure to the customer at a future date. For loans with a contractual loan repayment schedule, that schedule is used as a basis for determining the EAD. An adjustment is made to take into account the likelihood of the customer repaying the loan more quickly than is stipulated by the loan repayment schedule. This includes the likelihood of the customer paying off the loan completely before the maturity date. For credit facilities, it is assumed that the whole credit limit has been drawn at the time of default.

Note 12 Explanation of impairment model under IFRS 9 (cont.)

Expected life

For loans and advances in Stage 2, the ECL shall be calculated for the remaining expected life of the asset. For loans and advances with a contractual term, this is the remaining term to maturity at the reporting date. For undrawn credit facilities, the expected life is based on the average observed life of discontinued credit facilities.

Significant increase in credit risk

Transfers from Stage 1 to Stage 2 are governed by the definition of a significant increase in credit risk. The Bank itself is responsible for defining what constitutes a significant increase in credit risk. There are three elements to how it does this: a quantitative element, a qualitative element and a back stop. The quantitative element is the main driver of transfers from Stage 1 to Stage 2.

Quantitative element: An asset is considered to have experienced a significant increase in credit risk if the PD on the reporting date is at least twice as high as the expected PD calculated at the recognition date, and the change in PD is at least 0.75 percentage points.

Qualitative element: If the customer has been given debt relief on at least one loan, or if the customer is on the Bank's watch list for customers with increased credit risk, all of the customer's accounts shall be transferred to Stage 2 if they don't qualify for Stage 3.

Back stop: If an account is more than 30 days past due, it shall be transferred to Stage 2 regardless of whether or not it meets the requirements of the quantitative and qualitative tests. If an account is more than 90 days past due, it shall be moved to Stage 3.

Exceptions for low credit risk loans

As described above, the Bank applies a threshold for the absolute change to the PD, as well as the relative change, which must be exceeded for an asset to be migrated to Stage 2. In its inspection reports, the Financial Supervisory Authority of Norway has made it clear that it considers absolute thresholds to be an application of the exemption clause in IFRS 9, which allows entities to assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument has low credit risk. If the Bank were to remove the absolute threshold for changes in PD, its loss allowance would increase by around NOK 5 million at 31/12/2012, so the threshold is not considered to have a material impact on the Bank's total loss allowance.

Transfer to lower stages

An account in Stage 2 can be transferred back to Stage 1 if it no longer meets any of the three criteria described above. Assets that are in default will be transferred from Stage 3 to Stage 1 or 2 when they are no longer in default, and once they have completed a three month probation period without any further default events.

Derecognition of loans

A loan is shown as being derecognised if it has been repaid and the loan account has been closed. This applies both if the loan has been repaid by the customer and if it has been refinanced with our bank or another bank.

Macroeconomic scenarios

As previously mentioned, the Bank takes into account information about the future when estimating ECLs. This is done by incorporating three macroeconomic scenarios into the calculation: a base scenario with a 50% weighting, and one pessimistic and one optimistic scenario each with a 25% weighting. ECLs are calculated based on the weighted outcomes of the three scenarios.

The relationship between the macroeconomic parameters and the PD used to be based on a model developed by the Norwegian Computing Centre, which used future interest rates and unemployment to estimate future default rates for retail banking customers. Due to the unusual macroeconomic situation in which we find ourselves as a result of the Covid-19 pandemic, the model is not sufficiently good at predicting the future probability of default. We have therefore used internal expert judgements to assess what is likely to happen to the probability of default over the coming five years, based on the impacts of past crises, projections in the monetary policy report and the long-term expectations prior to the coronavirus crisis.

For residential mortgage loans, the collateral values in the scenarios are projected based on the house price forecast in the monetary policy report. For other kinds of collateral, the values in the scenarios are generally projected based on the forecast for consumer price inflation.

More information about the macroeconomic scenarios can be found in Note 16.

Industry adjustments to the probability of default

For specific industries or big customer groups where the risk of default has increased or is expected to increase, and the PD model does not adequately reflect the future probability of default, it is possible to adjust the estimated PD using a flat and/or proportional risk premium.

Note 12 Explanation of impairment model under IFRS 9 (cont.)

For customers in the property development sector, the PD has been raised by 50%, in view of factors such as strong forces of centralisation and the difficulties faced by physical retailers. For the events industry and hotel and tourism sector, the PD has been doubled on account of the Covid-19 situation. For the agricultural sector, the PD has been raised by 50% due to rising operating expenses.

Corporate governance

The Bank's procedures and guidelines establish a clear system for determining losses. This system gives different departments at the Bank responsibility for different areas, such as developing and maintaining models, preparing macroeconomic scenarios, assessing scenarios and calculating expected credit losses.

Changes to the impairment model in 2021 and their impact on profit

The table below shows which changes were made and how they individually affected our loss allowance at the point at which the change was implemented. For example, the industry adjustment to the probability of default for the agricultural sector increased model-based losses by NOK 4.1 million when it was introduced in Q4 2021. This reduced profit by the same amount: NOK 4.1 million.

Change	When change was introduced	Impact on profit
Industry adjustment for agricultural sector to 150% of current PD when calculating losses	Q4 2021	NOK -4.1 million
Probation period of two months in Stage 2 for loans removed from watch list	Q4 2021	NOK -0.4 million
Transition to the new definition of default; for details see Note 8.	Q1 2021	NOK -1.5 million

Note 13 Assets classified by IFRS 9 stage

CONSOLIDATED

2021	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.2021	**44 902**	**4 799**	**849**	**50 550**
Transferred to Stage 1	1 348	– 1 325	– 23	0
Transferred to Stage 2	– 1 549	1 573	– 24	0
Transferred to Stage 3	– 71	– 293	364	0
New financial assets issued or acquired	15 284	1 385	279	16 948
Derecognised financial assets	– 13 597	– 1 612	– 411	– 15 620
Other changes	1 585	128	8	1 722
Gross loans at amortised cost at 31.12.2021	**47 903**	**4 654**	**1 043**	**53 600**
Loss allowance for loans at amortised cost at 31.12.2021	– 35	– 69	– 196	– 300
Net loans at amortised cost at 31.12.2021	**47 868**	**4 585**	**847**	**53 300**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2021	**3 628**	**396**	**27**	**4 052**
Loss allowance for loans at fair value at 31.12.2021	– 1	– 2	– 5	– 7
Net loans at fair value at 31.12.2021	**3 627**	**394**	**23**	**4 044**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at 31.12.2021	**51 531**	**5 050**	**1 070**	**57 651**
Of which in the retail market	40 206	2 981	310	43 498
Of which in the corporate and public sector markets	11 325	2 068	760	14 153
Loss allowance for loans at 31.12.2021	– 36	– 71	– 200	– 307
Net loans at 31.12.2021	**51 495**	**4 979**	**870**	**57 344**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.2021	**5 468**	**412**	**152**	**6 032**
Of which in the retail market	3 447	54	2	3 504
Of which in the corporate and public sector markets	2 021	358	150	2 528
Loss allowance for guarantees and undrawn credit facilities at 31.12.2021	– 4	– 9	– 3	– 15
Net exposure to undrawn credit facilities and guarantees at 31.12.2021	**5 464**	**404**	**149**	**6 017**

Note 13 Assets classified by IFRS 9 stage (cont.)

CONSOLIDATED

2020	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.2020	**36 613**	**8 704**	**800**	**46 118**
Transferred to Stage 1	3 877	– 3 867	– 10	0
Transferred to Stage 2	– 1 327	1 356	– 29	0
Transferred to Stage 3	– 64	– 135	199	0
New financial assets issued or acquired	15 507	1 150	356	17 013
Derecognised financial assets	– 8 518	– 2 319	– 389	– 11 226
Other changes	– 1 186	– 91	– 77	– 1 354
Gross loans at amortised cost at 31.12.2020	**44 902**	**4 799**	**849**	**50 550**
Loss allowance for loans at amortised cost at 31.12.2020	– 42	– 123	– 179	– 344
Net loans at amortised cost at 31.12.2020	**44 860**	**4 675**	**671**	**50 206**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2020	**3 861**	**439**	**33**	**4 333**
Loss allowance for loans at fair value at 31.12.2020	– 1	– 2	– 6	– 9
Net loans at fair value at 31.12.2020	**3 860**	**437**	**27**	**4 324**

	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.2020	**48 763**	**5 237**	**882**	**54 883**
Of which in the retail market	37 797	2 875	177	40 849
Of which in the corporate and public sector markets	10 966	2 363	705	14 034
Loss allowance for loans at 31.12.2020	– 43	– 125	– 185	– 353
Net loans at 31.12.2020	**48 720**	**5 112**	**698**	**54 530**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.2020	**5 787**	**377**	**263**	**6 427**
Of which in the retail market	*3 339*	*55*	*1*	*3 396*
Of which in the corporate and public sector markets	*2 448*	*322*	*262*	*3 031*
Loss allowance for guarantees and undrawn credit facilities at 31.12.2020	– 6	– 12	– 8	– 25
Net exposure to undrawn credit facilities and guarantees at 31.12.2020	**5 782**	**365**	**255**	**6 402**

Note 13 Assets classified by IFRS 9 stage (cont.)

PARENT COMPANY

2021	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost and fair value through OCI at 01.01.2021	24 787	3 286	799	28 872
Transferred to Stage 1	853	– 840	– 13	0
Transferred to Stage 2	– 1 019	1 029	– 10	0
Transferred to Stage 3	– 45	– 233	278	0
New financial assets issued or acquired	10 436	1 021	277	11 733
Derecognised financial assets	– 8 758	– 1 177	– 398	– 10 333
Other changes	– 38	– 17	– 6	– 49
Gross loans at amortised cost and fair value through OCI at 31.12.2021	**26 292**	**3 102**	**927**	**30 321**
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.2021	– 29	– 65	– 192	– 286
Net loans at amortised cost and fair value through OCI at 31.12.2021	**26 262**	**3 037**	**735**	**30 034**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2021	**3 597**	**396**	**27**	**4 020**
Loss allowance for loans at fair value at 31.12.2021	– 1	– 2	– 5	– 7
Net loans at fair value at 31.12.2021	**3 596**	**394**	**23**	**4 013**

	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.2021	**29 889**	**3 498**	**955**	**34 341**
Of which in the retail market	18 777	1 450	197	20 423
Of which in the corporate and public sector markets	11 112	2 048	758	13 918
Total loss allowance for loans at 31.12.2021	– 30	– 67	– 197	– 294
Total net loans at 31.12.2021	**29 858**	**3 431**	**758**	**34 047**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.2021	**3 653**	**382**	**152**	**4 187**
Of which in the retail market	1 661	24	2	1 687
Of which in the corporate and public sector markets	1 992	358	150	2 500
Loss allowance for guarantees and undrawn credit facilities at 31.12.2021	– 3	– 9	– 3	– 15
Net exposure to undrawn credit facilities and guarantees at 31.12.2021	**3 650**	**373**	**149**	**4 172**

Note 13 Assets classified by IFRS 9 stage (cont.)

PARENT COMPANY

2020	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost and fair value through OCI at 01.01.2020	20 218	5 896	746	26 859
Transferred to Stage 1	2 484	– 2 482	– 2	0
Transferred to Stage 2	– 959	984	– 25	0
Transferred to Stage 3	– 57	– 127	184	0
New financial assets issued or acquired	10 246	804	350	11 401
Derecognised financial assets	– 6 600	– 1 875	– 375	– 8 851
Other changes	– 544	86	– 79	– 537
Gross loans at amortised cost and fair value through OCI at 31.12.2020	**24 787**	**3 286**	**799**	**28 872**
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.2020	– 36	– 120	– 176	– 306
Net loans at amortised cost and fair value through OCI at 31.12.2020	**24 751**	**3 166**	**623**	**28 540**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2020	**3 723**	**425**	**33**	**4 182**
Loss allowance for loans at fair value at 31.12.2020	– 1	– 2	– 6	– 9
Net loans at fair value at 31.12.2020	**3 722**	**423**	**27**	**4 173**

	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.2020	**28 510**	**3 711**	**832**	**33 053**
Of which in the retail market	17 765	1 379	128	19 272
Of which in the corporate and public sector markets	10 745	2 333	704	13 781
Total loss allowance for loans at 31.12.2020	– 37	– 121	– 182	– 340
Total net loans at 31.12.2020	**28 473**	**3 590**	**650**	**32 713**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.2020	**4 079**	**352**	**263**	**4 693**
Of which in the retail market	1 658	30	1	1 689
Of which in the corporate and public sector markets	2 421	322	262	3 004
Loss allowance for guarantees and undrawn credit facilities at 31.12.2020	– 5	– 12	– 8	– 25
Net exposure to undrawn credit facilities and guarantees at 31.12.2020	**4 073**	**340**	**255**	**4 668**

Note 14 Loss allowances classified by IFRS 9 stage

When calculating expected credit losses, loans are split into three stages in line with the requirements in IFRS 9. When a loan is recognised, as a general rule it is allocated to Stage 1. If its credit risk has increased significantly since initial recognition, it is transferred to Stage 2. Assets in default are allocated to Stage 3. Where an individually assessed allowance has been made, this takes precedence over the impairment calculated by the model. Individually assessed allowances are included in Stage 3.

In the first quarter of 2021, the Bank started using a new definition of default, which is described in Note 8. The change to the definition had little impact on the overall loss allowance.

CONSOLIDATED

2021	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost at 01.01.2021	42	123	179	344
Transferred to Stage 1	2	– 25	– 2	– 25
Transferred to Stage 2	– 4	14	– 4	7
Transferred to Stage 3	– 1	– 9	72	62
New financial assets issued or acquired	14	27	28	69
Derecognised financial assets	– 12	– 53	– 42	– 107
Changes to model.macroeconomic parameters	1	1	0	2
Actual losses covered by previous provisions	0	0	– 15	– 15
Other changes	– 7	– 10	– 21	– 37
Loss allowance for loans at amortised cost at 31.12.2021	**35**	**69**	**196**	**300**
Loss allowance for loans at fair value at 31.12.2021	**1**	**2**	**5**	**7**
Total loss allowance for loans at 31.12.2021	**36**	**71**	**200**	**307**
Of which in the retail market	*7*	*8*	*21*	*35*
Of which in the corporate and public sector markets	*30*	*63*	*179*	*272*

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2021	6	12	8	25
Changes during the reporting period	– 2	– 3	– 5	– 10
Loss allowance for undrawn credit facilities and guarantees at 31.12.2021	**4**	**9**	**3**	**15**
Of which in the retail market	*1*	*0*	*0*	*1*
Of which in the corporate and public sector markets	*3*	*9*	*2*	*14*

2020	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost at 01.01.2020	13	59	245	317
Transferred to Stage 1	5	– 16	0	– 12
Transferred to Stage 2	– 2	21	– 1	19
Transferred to Stage 3	0	– 1	5	4
New financial assets issued or acquired	23	30	1	54
Derecognised financial assets	– 3	– 20	– 31	– 53
Changes to model/macroeconomic parameters	13	54	2	69
Actual losses covered by previous provisions	0	0	– 62	– 62
Other changes	– 6	– 5	20	9
Loss allowance for loans at amortised cost at 31.12.2020	**42**	**123**	**179**	**344**
Loss allowance for loans at fair value at 31.12.2020	**1**	**2**	**6**	**9**
Loss allowance for loans at 31.12.2020	**43**	**125**	**185**	**353**
Of which in the retail market	*7*	*8*	*23*	*37*
Of which in the corporate and public sector markets	*37*	*117*	*162*	*316*

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities			**3**	**11**
and guarantees at 01.01.2020	**2**	**6**		
Changes during the reporting period	4	6	4	15
Loss allowance for undrawn credit facilities and guarantees at 31.12.2020	**6**	**12**	**8**	**25**
Of which in the retail market	*1*	*0*	*0*	*1*
Of which in the corporate and public sector markets	*5*	*12*	*8*	*24*

Note 14 Loss allowances classified by IFRS 9 stage (cont.)

PARENT COMPANY

2021	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost and fair value through OCI at 01.01.2021	**36**	**120**	**176**	**332**
Transferred to Stage 1	2	– 23	– 2	– 23
Transferred to Stage 2	– 3	13	– 3	6
Transferred to Stage 3	– 1	– 9	69	60
New financial assets issued or acquired	13	26	28	67
Derecognised financial assets	– 11	– 52	– 41	– 104
Changes to model/macroeconomic parameters	1	0	0	1
Actual losses covered by previous provisions	0	0	– 15	– 15
Other changes	– 7	– 10	– 20	– 37
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.2021	**29**	**65**	**192**	**286**
Loss allowance for loans at fair value at 31.12.2021	**1**	**2**	**5**	**7**
Total loss allowance for loans at 31.12.2021	**30**	**67**	**197**	**294**
Of which in the retail market	*1*	*4*	*18*	*23*
Of which in the corporate and public sector markets	*30*	*63*	*179*	*271*

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2021	6	12	8	25
Changes during the reporting period	– 2	– 3	– 5	– 11
Loss allowance for undrawn credit facilities and guarantees at 31.12.2021	**3**	**9**	**3**	**15**
Of which in the retail market	*0*	*0*	*0*	*0*
Of which in the corporate and public sector markets	*3*	*9*	*3*	*15*

Note 14 Loss allowances classified by IFRS 9 stage (cont.)

PARENT COMPANY

2020	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost and fair value through OCI at 01.01.2020	**9**	**55**	**242**	**306**
Transferred to Stage 1	4	– 13	0	– 9
Transferred to Stage 2	– 1	20	0	18
Transferred to Stage 3	0	– 1	4	3
New financial assets issued or acquired	22	29	1	52
Derecognised financial assets	– 2	– 19	– 30	– 51
Changes to model/macroeconomic parameters	11	53	2	66
Actual losses covered by previous provisions	0	0	– 62	– 62
Other changes	– 6	– 5	20	9
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.2020	**36**	**120**	**176**	**332**
Loss allowance for loans at fair value at 31.12.2020	**1**	**2**	**6**	**9**
Total loss allowance for loans at 31.12.20	**37**	**121**	**182**	**340**
Of which in the retail market	*1*	*4*	*20*	*25*
Of which in the corporate and public sector markets	*36*	*117*	*162*	*315*

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2020	2	6	3	11
Changes during the reporting period	4	6	4	15
Loss allowance for undrawn credit facilities and guarantees at 31.12.2020	**5**	**12**	**8**	**25**
Of which in the retail market	*0*	*0*	*0*	*0*
Of which in the corporate and public sector markets	*5*	*12*	*8*	*25*

Normally, a loss is realised when all collateral has been sold and it is not expected that the bank will receive further payments with respect to the asset. The claim against the customer is still pursued unless an agreement to cancel the remaining debt has been reached with the customer. At 31.12.2021, the outstanding balance for assets with a realised loss that were still being pursued was the same for the parent company and the Group.

	31.12.21	31.12.20
Outstanding balance for assets with a realised loss still being pursued	147	149

Note 15 Impairment loss on loans, guarantees and undrawn credit facilities

	2021	2020
Increase/reduction in individually assessed allowances	3	– 58
Increase/reduction in model-based expected credit losses	– 53	107
Losses realised during period for which a loss allowance had previously been made	15	62
Losses realised during period for which a loss allowance had not previously been made	3	4
Recoveries against previous years' realised losses	– 4	– 4
Impairment loss for the period	**– 37**	**112**

Note 16 Macroeconomic scenarios in the impairment model under IFRS 9

Expected credit losses are calculated on the basis of three macroeconomic scenarios. Scenario 1 reflects the expectations set out in Norges Bank's monetary policy report. In addition, there is an optimistic macroeconomic scenario (scenario 2) where the Norwegian economy performs better than expected, and a pessimistic macroeconomic scenario (scenario 3) where the Norwegian economy performs worse than expected.
See Note 12 for an explanation of the assumptions made when projecting house prices, collateral values and future default levels. The following values have been used in the various scenarios.

Future scenarios for retail market used to measure estimated expected credit losses at 31.12.21	Probability of default starting from 31.12.2021					House prices	
	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Base scenario for retail market	1,60	1,70	1,70	1,80	1,90	2,1 %	50 %
Scenario 2: Optimistic scenario for retail market	1,36	1,45	1,45	1,53	1,62	3,1 %	25 %
Scenario 3: Pessimistic scenario for retail market	2,00	2,13	2,13	2,25	2,38	0,1 %	25 %

Future scenarios for corporate market used to measure estimated expected credit losses at 31.12.21	Probability of default starting from 31.12.2021					Collateral values	
	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Base scenario for retail market	2,10	2,20	2,10	2,00	1,75	2,0 %	50 %
Scenario 2: Optimistic scenario for retail market	1,79	1,87	1,79	1,70	1,49	3,5 %	25 %
Scenario 3: Pessimistic scenario for retail market	2,63	2,75	2,63	2,50	2,19	– 1,0 %	25 %

Sensitivity analysis of changes to assumptions in impairment model under IFRS 9
The table below shows how sensitive the Bank's profitability would be to changes in the parameters presented above. For example, if the probability of default in all of the scenarios had been put 10% higher across the whole 5 years, expected credit losses would have been NOK 10 million higher. This would reduce pre-tax profit by an equivalent amount.

	Change to parameter	Impact on pre-tax profit/loss
Probability of default compared with central assumption	– 20 %	21
	– 10 %	11
	+ 10 %	– 10
	+ 20 %	– 21
Annual change in house prices and collateral values	– 2 pp.	– 9
	– 1 pp.	– 4
	+ 1 pp.	4
	+ 2 pp.	8

Note 16 Macroeconomic scenarios in the impairment model under IFRS 9 (cont.)

The table below shows the impact on pre-tax profit of changing the weighting of the optimistic and pessimistic scenarios. For example, if the pessimistic scenario were to be given a 35% weighting, and the optimistic scenario a 15% weighting, expected credit losses would be NOK 5 million higher. This would reduce pre-tax profit by an equivalent amount.

Weighting of Scenario 1: Base	Weighting of Scenario 2: Optimistic	Weighting of Scenario 3: Pessimistic	Impact on pre-tax profit/loss
50 %	5 %	45 %	– 11
50 %	15 %	35 %	– 5
50 %	35 %	15 %	6
50 %	45 %	5 %	12
100 %	0 %	0 %	4
0 %	100 %	0 %	25
0 %	0 %	100 %	– 33

Note 17 Receivables from, and liabilities to, credit institutions/central banks

PARENT COMPANY			CONSOLIDATED	
2020	2021	**Loans and advances to credit institutions/central banks**	2021	2020
464	734	Sight loans and advances	717	346
1 132	1 132	Loans and advances with an agreed maturity or notice period	0	0
1 596	**1 866**	**Total loans and advances to credit institutions, measured at amortised cost**	**717**	**346**
		Debt to credit institutions		
122	142	Sight loans and advances from credit institutions	0	0
1 802	500	Loans and advances from credit institutions with an agreed maturity or notice period	500	1 802
1 924	**642**	**Total debt to credit institutions, measured at amortised cost**	**500**	**1 803**
		Term to maturity		
		Remaining term to maturity of debt to credit institutions		
122	142	Payable on request/less than one month	0	0
301	0	1–3 months	0	301
1 002	0	3 months–1 year	0	1 002
500	500	1–5 years	500	500
1 924	**642**	**Total**	**500**	**1 803**

Note 18 Market risk

Value at Risk (VaR analysis)
Market risk arises as a result of the Bank having open positions in interest rate, foreign currency and equity instruments, and the risk consists of potential losses due to unfavourable changes in market prices. The capital requirement for market risk is calculated using statistical methods. The model uses a simulation-based methodology to generate the statistical distribution of market losses over a one-year period. The Bank has chosen to use a confidence level of 99.95%. The confidence level expresses the level of security that the Bank wishes to maintain. For example, a confidence level of 99.95% means that there is only a 0.05% probability that future losses will exceed the capital requirement calculated by the Bank.

The model reports VaR. The methodology takes into account market volatility and the correlation between the various types of risk.

However, it does not take into account the diversification effect that results from that correlation.

Financial capital 99.95%	2021	2020
Interest rate risk	17,0	28,9
Equity risk	88,1	82,3
Currency risk	4,5	2,9
Total	**109,6**	**114,1**

Note 19 Liquidity risk

CONSOLIDATED **Liquidity risk – remaining term at 31.12.21**	< 1 month.	1–3 months.	3–12 months.	1–5 years	> 5 years	Perpetual loans	Total
Debt to credit institutions	0	3	11	521	0	0	536
Deposits from/debt to customers	30 030	1 863	510	142	0	0	32 544
Debt securities in issue	24	615	2 409	17 425	6 474	0	26 947
Non interest-bearing debt	0	85	119	0	0	260	463
Subordinated debt instruments	1	106	18	899	0	0	1 024
Unused credit facilities and loans not yet drawn	6 562	0	0	0	0	0	6 562
Financial derivatives, gross payments *)	946	328	280	445	296	0	2 295
Total payments	**37 563**	**3 000**	**3 346**	**19 432**	**6 770**	**260**	**70 371**
**) Financial derivatives, gross receipts*	*1 879*	*312*	*485*	*536*	*440*	*0*	*3 653*
Financial derivatives, net (negative figure implies net receipts)	*- 933*	*16*	*- 205*	*- 91*	*- 144*	*0*	*- 1 358*

Liquidity risk – remaining term at 31.12.20	< 1 month.	1–3 months.	3–12 months.	1–5 years	> 5 years	Perpetual loans	Total
Debt to credit institutions	0	302	1 007	524	0	0	1 834
Deposits from/debt to customers	27 850	2 004	653	168	0	0	30 675
Debt securities in issue	14	280	1 597	16 136	6 277	0	24 304
Non interest-bearing debt	0	59	92	0	0	275	426
Subordinated debt instruments	1	6	170	842	0	0	1 018
Unused credit facilities and loans not yet drawn	5 119	0	0	0	0	0	5 119
Financial derivatives, gross payments *)	857	342	254	396	674	0	2 523
Total payments	**33 843**	**2 992**	**3 773**	**18 065**	**6 951**	**275**	**65 899**
**) Financial derivatives, gross receipts*	*861*	*333*	*290*	*524*	*1 063*	*0*	*3 072*
Financial derivatives, net (negative figure implies net receipts)	*- 4*	*8*	*- 36*	*- 129*	*- 390*	*0*	*- 550*

Note 19 Liquidity risk (cont.)

PARENT COMPANY

Liquidity risk – remaining term at 31.12.21	< 1 month.	1–3 months.	3–12 months.	1–5 years	> 5 years	Perpetual loans	Total
Debt to credit institutions	122	3	11	521	0	0	657
Deposits from/debt to customers	30 062	1 863	510	142	0	0	32 576
Debt securities in issue	5	582	1 156	4 686	1 243	0	7 672
Non interest-bearing debt	0	60	94	0	0	278	431
Subordinated debt instruments	1	106	18	899	0	0	1 024
Unused credit facilities and loans not yet drawn	5 219	0	0	0	0	0	5 219
Financial derivatives, gross payments *)	947	329	307	524	482	0	2 588
Total payments	**36 355**	**2 942**	**2 095**	**6 772**	**1 725**	**278**	**50 167**
**) Financial derivatives, gross receipts*	*1 880*	*316*	*496*	*581*	*540*	*0*	*3 812*
Financial derivatives, net (negative figure implies net receipts)	*– 933*	*13*	*– 189*	*– 58*	*– 57*	*0*	*– 1 224*

Liquidity risk – remaining term at 31.12.20	< 1 month.	1–3 months.	3–12 months.	1–5 years	> 5 years	Perpetual loans	Total
Debt to credit institutions	122	302	1 007	524	0	0	1 955
Deposits from/debt to customers	27 895	2 004	653	168	0	0	30 720
Debt securities in issue	2	260	1 120	5 204	0	0	6 586
Non interest-bearing debt	0	38	66	0	0	305	409
Subordinated debt instruments	1	6	170	842	0	0	1 018
Unused credit facilities and loans not yet drawn	4 607	0	0	0	0	0	4 607
Financial derivatives, gross payments *)	857	342	278	490	446	0	2 414
Total payments	**33 484**	**2 952**	**3 294**	**7 228**	**446**	**305**	**47 709**
**) Financial derivatives, gross receipts*	*861*	*336*	*298*	*559*	*534*	*0*	*2 588*
Financial derivatives, net (negative figure implies net receipts)	*– 4*	*6*	*– 20*	*– 68*	*– 88*	*0*	*– 174*

The tables include interest, based on current interest rates on the reporting date, so it cannot be reconciled with the balance sheet.

Liquidity risk is the risk that the Bank cannot meet its payment obligations when they arise, or replace deposits that are withdrawn, resulting in the Group defaulting on its obligations. Liquidity risk is managed and measured using several methods.

The Board has established a framework that limits the proportion of the Bank's liabilities that mature within certain time periods, and goals for the long-term financing of illiquid assets (liquidity indicator). The Board has also established principles for a liquidity buffer.

Note 20 Net interest income

PARENT COMPANY			CONSOLIDATED	
2020	2021	**Interest income**	2021	2020
25	17	Loans and advances to credit institutions, measured at amortised cost	0	2
503	471	Loans and advances to customers, measured at amortised cost	1 218	1 311
333	305	Loans and advances to customers at fair value through OCI	0	0
132	115	Loans and advances to customers, measured at fair value	118	136
92	55	Interest-bearing securities, measured at fair value	32	65
76	52	Other interest income	52	75
1 160	**1 016**	**Total interest income**	**1 420**	**1 589**
		Interest expenses		
6	9	Debt to credit institutions, measured at amortised cost	7	4
180	94	Customer deposits/advances, measured at amortised cost	94	180
31	11	Customer deposits/advances, measured at fair value	11	31
55	38	Debt securities in issue, measured at amortised cost	176	254
66	65	Debt securities in issue, measured at fair value	110	112
15	12	Subordinated debt, measured at amortised cost	12	15
13	13	Derivatives, measured at fair value	-14	-5
64	46	Other interest expenses	46	63
25	32	Contribution to the Norwegian Banks' Guarantee Fund	35	28
454	**318**	**Total interest expenses**	**476**	**682**
706	**698**	**Net interest income**	**944**	**907**

Note 21 Net commission income

PARENT COMPANY			CONSOLIDATED	
2020	2021		2021	2020
59	65	Payment services	65	59
19	26	Securities services	26	19
15	16	Guarantee commissions	16	15
5	5	Currency services and international payments	5	5
16	21	Insurance services	21	16
11	14	Other commission income	16	14
125	**147**	**Total commission income**	**149**	**127**
1	1	Interbank fees	1	1
18	21	Payment services	21	18
4	7	Cash back Visa credit	7	4
24	**28**	**Total commission expenses**	**28**	**24**
101	**119**	**Net commission income**	**121**	**104**

Note 22 Net gains/losses on financial instruments

PARENT COMPANY			CONSOLIDATED	
2020	2021		2021	2020
12	15	Net gains/losses on foreign currency	15	12
6	26	Net gains/losses on financial derivatives	– 87	159
75	– 94	Net gains/losses on loans measured at fair value	– 96	77
– 1	1	Net gains/losses on deposits measured at fair value	1	– 1
21	– 7	Net gains/losses on commercial paper and bonds	– 8	16
238	307	Net gains/losses on shares	152	88
– 83	81	Net gains/losses on financial liabilities	195	– 237
268	**328**	**Net gains/losses on financial instruments measured at fair value**	**173**	**114**

Note 23 Other income

PARENT COMPANY			CONSOLIDATED	
2020	2021		2021	2020
1	2	Income from property	1	1
0	1	Estate agency	33	29
6	7	Mortgage loan business	0	0
5	2	Other operating income	2	4
13	**11**	**Total other income**	**36**	**34**

Note 24 Operating expenses

PARENT COMPANY			CONSOLIDATED	
2020	2021		2021	2020
163	176	Ordinary wages, salaries, fees, etc.	191	175
27	21	Pension expenses	22	28
34	39	Employer's NI contributions and financial services tax	41	34
6	8	Other staff-related expenses	9	8
229	**244**	**Total wages, salaries, etc.**	**263**	**246**
114	102	IT expenses	105	117
11	11	Marketing	18	17
7	6	Postage, cash transport and telecommunications	6	7
5	8	Office supplies, plastic cards, journals, etc.	8	5
4	3	Travel and training costs	3	4
141	**130**	**Total administration expenses**	**141**	**150**
16	16	Rent	8	8
– 15	– 11	Rent on IFRS 16 leases	– 6	– 7
8	8	Property expenses	8	8
3	2	Auditor's fee	3	3
4	6	External consultants	6	4
5	5	Distribution costs for Vipps	5	5
28	14	Other operating expenses	17	32
49	**39**	**Other expenses**	**41**	**53**
189	**169**	**Total other expenses**	**182**	**203**
33	29	Depreciation of fixed assets and intangible assets	32	36
14	11	Depreciation of IFRS 16 leases	5	7
2	1	Gains/losses on the disposal of fixed assets	2	0
49	**40**	**Depreciation and impairment of fixed assets and intangible assets**	**39**	**42**
467	**453**	**Total operating expenses**	**483**	**491**

Note 25 Pension liabilities

General
The Sparebanken Sogn og Fjordane Group's pension schemes meet its obligations under the Act relating to mandatory occupational pensions. The Group has the following pension schemes:

1. Defined contribution scheme
Sparebanken Sogn og Fjordane has a defined contribution pension scheme. The Group's contributions are 7% of ordinary wages up to 7.1 times the National Insurance Scheme's basic amount "G", and 15% of ordinary wages between 7.1 and 12 times "G". The contributions are paid into a defined contribution pension scheme provided by an insurance company. Employees are free to choose when they want to start receiving their pension, but it cannot be before they turn 62 or after they turn 75. The normal payout period is ten years. The pension contributions plus the accumulated return on them, less management fees, are the property of the individual employee, and pension funds can be inherited if the employee dies before his or her fund has been paid out. The defined contribution pension scheme is not included on the balance sheet. The pension expense for this scheme was NOK 13.9 million in 2021, excluding employer's national insurance contributions. The estimated expense for 2022 is NOK 14.3 million.

2. Compensatory pension
In conjunction with converting our defined benefit pension scheme into a defined contribution scheme in 2016, we agreed to compensate staff for the fact that their future pension funds would be lower than they would have been if the old scheme had been maintained. The compensation scheme is a separate defined contribution scheme (Norw.: driftspensjon) that was established on 01.06.2016. The pension fund is built up through an individually fixed contribution that is earned monthly in arrears. The annual contribution goes up by 2.81% each year. Accrued pension fund assets are paid out as a retirement pension. Accrued pension fund assets receive 5.0% in annual interest during the accumulation period, and interest at the prevailing rate on Sparebanken Sogn og Fjordane's savings accounts during the payout period. Accrued assets up to NOK 2.5G are paid out as income when the employee stops working. The total pension liability at 31.12.2021 was NOK 32.6 million plus employer's NI contributions and financial services tax, and a provision has been made for it in the financial statements. The total expense for 2021 was NOK 6.5 million excluding employer's NI contributions, and the estimated cost for 2022 is NOK 6.4 million.

3. Early retirement scheme (AFP)
Sparebanken Sogn og Fjordane has an early retirement scheme, known as an AFP scheme. For accounting purposes it is considered a multiemployer defined benefit scheme (Norw.: ytingsbasert fleirføretaksordning). The AFP scheme is funded through pension premiums, and it is recognised in the accounts as a defined contribution scheme, because the pension liability cannot be reliably measured. Consequently, no provision has been made on the balance sheet for the scheme. The AFP scheme allows employees to take early retirement on reaching the age of 62. The AFP scheme is based on a three-way collaboration between employers' organisations, employees' organisations and the state. The state covers 1/3 of AFP pension expense, while the employer covers the remaining 2/3. Participating entities are jointly and severally liable for 2/3 of the pension benefit payable. This liability applies in the event of both failure to make contributions and premiums proving to be insufficient. All of the Group's employees are covered by the scheme. If early retirement is taken, the annual benefit is calculated based on the employee's qualifying income up to 7.1G up to and including the year in which they turn 61. The scheme is run by the joint AFP administration, which also determines and collects the premiums. In 2021 the premium was 2.5% of salary between 1G and 7.1G, which was unchanged from 2020. The total cost of the scheme in 2021 was NOK 3.3 million, and we estimate that the cost next year will be NOK 3.4 million.

4. Agreement with former CEO (unfunded)
Supplementary pension
The former CEO, Arvid Andenæs, left the company on 31 March 2016. He is entitled to a supplementary pension which he will continue to receive annually until reaching the age of 82. NOK 9.0 million of the Bank's pension liabilities at 31.12.2021 related to this pension.

5. Agreement with current CEO (funded)
The current CEO took up his position on 1 April 2016. He is covered by the Group's normal pension schemes, as well as having a supplementary defined contribution scheme and disability pension. Under the agreement for the supplementary defined contribution scheme, the Bank pays an annual pension contribution equivalent to 25% of his basic salary. In order to reduce financial risk and simplify the accounting arrangements, the Bank

invests an amount equivalent to the pension contributions in unit trusts through an asset management firm. The supplementary disability pension entitles him to a disability pension equivalent to 70% of his basic salary over and above 12G. The disability pension becomes payable if he is incapable of work for more than 12 months and runs until the month in which he turns 67. The disability pension benefits are guaranteed through insurance premiums paid to an insurance company. The cost of the CEO's pension schemes is shown in Note 26.

Economic assumptions
The Bank used the Norwegian Accounting Standards Board's assumptions as at 31.12.2021 to calculate the liability related to the unfunded agreement with the former CEO.

Parent company and group
There is little difference between the figures for the parent company and group. We have therefore chosen to only show the consolidated figures.

CONSOLIDATED

Economic assumptions for actuarial estimate of agreement with former CEO	2021	2020
Discount rate	1,50 %	1,50 %
Adjustment of the National Insurance Scheme's basic amount "G"	2,25 %	1,75 %
Adjustment of existing pensions	0,00 %	0,00 %
Employer's NI contributions and 5% financial services tax (average rate)	18,9 %	18,9 %
Demographic assumptions		
Life table (death)	K2013 BE	K2013 BE
Life table (disability)	IR02	IR02

ALL AMOUNTS IN MILLIONS OF NOK

Breakdown of net pension expense recognised in income statement based on actuarial estimates	2021	2020
Curtailment/settlement of DBO	0	0
Settlement of pension fund assets	0	0
Net curtailment/settlement incl. NICs	**0**	**0**
Interest expense/(income) on net liabilities	0	0
Net interest expense/(income)	**0**	**0**
Net pension expense/(income) for the period based on actuarial estimates	**0**	**0**
Expenses, other pension schemes		
Defined contribution scheme (DNB Liv)	14	13
Compensatory pension (unfunded)	7	7
AFP contributions and other pension schemes	2	9
Net pension cost	**22**	**28**

CONSOLIDATED

PENSION LIABILITIES ON THE BALANCE SHEET	31.12.21	31.12.20
Opening balance	10	10
Pension benefits paid	– 1	– 1
Remeasurements	0	0
Total actuarial liabilities at 31 Dec.	**9**	**10**
Compensatory pension and other unfunded pension liabilities at 31 Dec.	33	32
Total pension liabilities at 31 Dec. incl. compensatory pension	**42**	**41**
Closing balance of pension fund assets at 31 Dec.	**0**	**0**
Net pension liabilities (pension liabilities – pension fund assets)	**42**	**41**

Note 26 Wages, salaries, etc.

Salaries, fees and other compensation of senior management, directors and committee members

FIGURES IN 000S OF NOK

The Board of Sparebanken Sogn og Fjordane:	Fees	Salary	Benefits in kind	Total compen-sation	Out-standing loans at 31.12.21	Accrued pension expense*
Sindre Kvalheim, Chair of the Board	266	0	0	266	2 895	0
Magny Øvrebø, Deputy Chair	194	0	0	194	0	0
Johnny Haugsbakk, member	174	0	0	174	253	0
Geir Opseth, member	171	0	0	171	4 278	0
Lise Mari Haugen, member	180	0	0	180	3 172	0
Monica Rydland, member	153	0	0	154	0	0
Marie Heieren, employee representative	201	669	11	881	3 201	0
Jo Dale Pedersen, employee representative	174	900	12	1 086	1 557	0
Total for Board of Directors	**1 513**	**1 569**	**24**	**3 106**	**15 355**	**0**
Senior Management Team						
Trond Teigene, CEO	0	2 894	211	3 105	2 900	1 048
Frode Vasseth, CFO	0	1 350	167	1 518	1 914	199
Roy Stian Farsund, Corporate Banking Director	0	1 273	86	1 359	3 399	196
Linda Vøllestad Westbye, Retail Banking Director	0	1 157	191	1 348	10 082	117
Gro Skrede Mardal, Director of Credit Management	0	1 041	180	1 221	2 149	174
Reiel Haugland, Director of Technology and Innovation	0	1 108	147	1 254	3 518	142
Eirik Rostad Ness, Director of Human Resources	0	1 227	10	1 238	1 143	156
Johanne Viken Sandnes, Director of Marketing and Communication	0	953	24	976	4 856	70
Silje Sunde, Director of Business Support	0	964	15	980	2 201	70
Total for senior management	**0**	**11 968**	**1 032**	**13 000**	**32 161**	**2 172**
Director of Risk Management and Compliance						
Harald Slettvoll, Director of Risk Management and Compliance	5	1 095	4	1 105	0	134

* Pension expenses are presented exclusive of employer's NICs in the same way as the other forms of compensation presented in this note.

Total for AGM delegates	**234**			**234**	**43 484**	
Total loans to other employees					**530 306**	

Note 26 Wages, salaries, etc. (cont.)

Details of variable compensation for managers
No directors, committee members or managers are entitled to variable compensation on terms that are better than those that apply to all of the Bank's employees, and the terms should not provide incentives for taking risks. The Bank did have a bonus scheme for all employees, which was discontinued at the end of 2020.

Details of CEO's special benefits
The CEO is entitled to a supplementary defined contribution pension scheme and a disability pension scheme. The schemes are described in greater detail in Note 25 "Pension liabilities".

The CEO is also entitled to severance pay for up to 15 months. In accordance with the Working Environment Act, Chapter 15, Section 15-16 (2), the position is not covered by the standard protections against dismissal.

PARENT COMPANY		FIGURES IN 000S OF NOK	CONSOLIDATED	
2020	2021	**WAGES, SALARIES, ETC.**	2021	2020
160 886	174 662	Wages, salaries and other cash benefits	188 719	173 433
1 712	1 779	Directors' and AGM delegates fees	1 816	1 747
26 918	20 818	Pension expenses	22 478	28 498
34 176	39 130	Employer's NI contributions and financial services tax	41 181	34 181
5 720	7 656	Other social security costs	8 766	8 038
229 413	**244 044**	**Total**	**262 960**	**245 897**

2020	2021	**AUDITOR'S FEES**	2021	2020
901	816	Statutory audits	980	1 087
		Other services not related to auditing:		
148	0	– consultancy on capital structure	0	148
0	0	– inspection of mortgage subsidiary	147	127
20	20	– other	20	20
1 069	**836**	**Total ***	**1 147**	**1 381**

* NOK 45,400 of which is exclusive of VAT (consolidated); other fees include VAT

2020	2021	**INTERNAL AUDITOR'S FEES**	2021	2020
1 627	1 361	Internal auditing	1 361	1 627
2 143	3 796	Other services	3 796	2 143
3 769	**5 156**	**Total ***	**5 156**	**3 769**

* Fees include VAT

Note 27 Tax expense

PARENT COMPANY			CONSOLIDATED	
2020	2021	**Tax expense**	2021	2020
73	119	Tax payable on taxable income	169	118
0	0	Shortfall (+)/surplus (-) calculated last year	0	0
- 5	- 13	Changes to deferred tax	- 11	- 7
69	**105**	**Tax payable on income**	**158**	**111**
2	3	Tax payable on assets	3	2
71	**108**	**Tax expense**	**161**	**113**
		Reconciliation of nominal and actual tax rates		
511	741	Profit/loss before taxation	827	557
128	185	Estimated income tax based on nominal tax rate (see comment)	200	133
		Tax impact of the following items		
0	0	Shortfall/surplus calculated in previous years	0	0
4	13	Non-deductible expenses	13	4
- 20	- 38	Other permanent differences related to shares	- 38	- 20
- 38	- 39	Dividends from companies in Group	0	0
- 6	- 16	Other differences	- 16	- 7
69	**105**	**Tax payable on income**	**158**	**111**
13,5 %	**14,2 %**	**Effective tax rate**	**19,1 %**	**19,9 %**
		Change in capitalised deferred tax assets/(liabilities)		
0	5	Deferred tax assets/(liabilities) at 1 January	1	- 5
5	13	Change recognised in profit or loss	11	6
0	0	Other changes	0	0
5	**18**	**Deferred tax assets (+) deferred tax liabilities (-) at 31 December**	**11**	**1**
		Deferred tax assets and liabilities on the balance sheet relate to the following temporary differences		
9	10	Fixed assets	6	5
- 15	- 3	Financial instruments	- 4	- 13
11	11	Net pension liabilities	12	12
0	0	Other differences	- 3	- 3
5	**18**	**Net deferred tax assets (+) deferred tax liabilities (-)**	**11**	**1**
		Deferred tax in the income statement relates to the following temporary differences		
- 1	- 1	Fixed assets	- 1	- 1
- 2	- 12	Financial instruments	- 9	- 2
- 3	0	Net pension liabilities	0	- 3
0	0	Other differences	- 1	- 1
- 5	**- 13**	**Changes in deferred tax through income statement**	**- 11**	**- 7**

Comments:
Deferred tax assets are only recognised to the extent that it is probable that it will be possible to offset them against future taxable income.

The parent company's tax rate for tax payable and deferred tax was 25% at 31/12/2021. For subsidiaries the tax rate was 22% at 31/12/2021, both for tax payable and deferred tax.

Note 28 Fair value of financial instruments

Method used to calculate fair value of financial instruments

Financial instruments measured at fair value
See Note 1 Accounting Principles.

Financial instruments measured at amortised cost
Market prices are used to price loans and receivables from credit institutions and loans to customers. The value of loans that have been impaired is determined by discounting future cash flows using the internal rate of return based on market conditions for equivalent loans that have not been impaired. For a more detailed explanation of the valuation principles used for loans measured at amortised cost, please refer to Note 1 Accounting principles.

The fair value of short-term liabilities to credit institutions is estimated as being their amortised cost. Long-term liabilities to credit institutions are measured at fair value based on an equivalent interest rate to the one paid by the Bank on its own bonds.

Off balance sheet obligations and guarantees
Other off balance sheet obligations and guarantees are measured at their nominal value. The fair value is shown on the balance sheet under provisions. Mortgaged assets are measured at fair value, cf. Note 1 Accounting principles.

Fair value of financial instruments measured at amortised cost

CONSOLIDATED	Note	Carrying amount 31.12.21	Fair value 31.12.21	Carrying amount 31.12.20	Fair value 31.12.20
ASSETS					
Cash and cash equivalents	3	22	22	26	26
Loans and advances to credit institutions/central banks	3, 17	717	717	346	346
Loans to customers	3, 7-14	53 300	53 300	50 206	50 206
Total financial assets measured at amortised cost		**54 039**	**54 039**	**50 577**	**50 577**
LIABILITIES					
Debt to credit institutions	3, 17	500	500	1 803	1 803
Deposits from and debt to customers	3, 37	31 523	31 523	29 128	29 128
Debt securities in issue	3, 38	20 241	20 370	18 587	18 737
Subordinated debt instruments	3, 40	602	602	601	601
Total financial liabilities measured at amortised cost		**52 866**	**52 995**	**50 119**	**50 269**
Off balance sheet obligations and guarantees					
Obligations		0	0	0	0
Guarantees		981	981	1 253	1 253
MORTGAGED ASSETS					
Mortgages **)		0	0	1 300	1 300

**) Mortgaged assets are bonds and commercial paper mortgaged with Norges Bank as security for F-loans on the reporting date.

Note 28 Fair value of financial instruments (cont.)

PARENT COMPANY	Note	Carrying amount 31.12.21	Fair value 31.12.21	Carrying amount 31.12.20	Fair value 31.12.20
ASSETS					
Cash and cash equivalents	3	22	22	26	26
Loans and advances to credit institutions/ central banks	3, 17	1 866	1 866	1 596	1 596
Loans to customers	3, 7-14	14 941	14 941	14 582	14 582
Total financial assets measured at amortised cost		**16 830**	**16 830**	**16 204**	**16 204**
LIABILITIES					
Debt to credit institutions	3, 17	642	642	1 924	1 924
Deposits from and debt to customers	3, 37	31 556	31 556	29 164	29 164
Debt securities in issue	3, 38	4 226	4 232	3 952	3 960
Subordinated debt instruments	3, 40	602	602	601	601
Total financial liabilities measured at amortised cost		**37 026**	**37 032**	**35 641**	**35 649**
Off balance sheet obligations and guarantees					
Obligations		0	0	0	0
Guarantees	42	981	981	1 253	1 253
MORTGAGED ASSETS					
Mortgages **)		0	0	1 300	1 300

**) Mortgaged assets are bonds and commercial paper mortgaged with Norges Bank as security for F-loans on the reporting date.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Classification by level

Assets and liabilities measured at fair value shall be classified according to how reliable the fair value estimate is. There are three classification levels, with level 1 assets having prices quoted in active markets. Level 2 valuations are directly or indirectly based on observable prices for similar assets. Level 3 valuations are not based on observable prices, and instead rely on e.g. our own valuation models.

CONSOLIDATED, 2021	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	4 044	**4 044**
Commercial paper and bonds	3, 29	10	6 593	0	**6 603**
Financial derivatives	3, 30	0	185	0	**185**
Shares	3, 31	0	0	765	**765**
Total financial assets measured at fair value		**10**	**6 777**	**4 810**	**11 597**
Deposits from and debt to customers at fair value	3, 37	0	0	1 012	**1 012**
Debt securities measured at fair value	3, 38	0	3 082	0	**3 082**
Debt securities in issue used as hedging instruments	3, 49	0	2 012	0	**2 012**
Financial derivatives	3, 30	0	121	0	**121**
Total financial liabilities measured at fair value		**0**	**5 215**	**1 012**	**6 227**

CONSOLIDATED, 2020	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	4 324	**4 324**
Commercial paper and bonds	3, 29	269	6 239	0	**6 509**
Financial derivatives	3, 30	0	374	0	**374**
Shares	3, 31	0	365	292	**657**
Total financial assets measured at fair value		**269**	**6 979**	**4 616**	**11 864**
Deposits from and debt to customers at fair value	3, 37	0	0	1 537	**1 537**
Debt securities measured at fair value	3, 38	0	2 497	0	**2 497**
Debt securities in issue used as hedging instruments	3, 49	0	2 125	0	**2 125**
Financial derivatives	3, 30	0	214	0	**214**
Total financial liabilities measured at fair value		**0**	**4 837**	**1 537**	**6 373**

Note 28 Fair value of financial instruments (cont.)

PARENT COMPANY, 2021	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	4 013	**4 013**
Loans to customers measured at fair value through OCI	3, 7-14	0	0	15 093	**15 093**
Commercial paper and bonds	3, 29	0	8 871	0	**8 871**
Financial derivatives	3, 30	0	215	0	**215**
Shares	3, 31	0	0	765	**765**
Total financial assets measured at fair value		**0**	**9 086**	**19 872**	**28 958**
Deposits from and debt to customers at fair value	3, 37	0	0	1 012	**1 012**
Debt securities measured at fair value	3, 38	0	3 082	0	**3 082**
Financial derivatives	3, 30	0	162	0	**162**
Total financial liabilities measured at fair value		**0**	**3 244**	**1 012**	**4 256**

PARENT COMPANY, 2020	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	4 173	**4 173**
Loans to customers measured at fair value through OCI	3, 7-14	0	0	13 958	**13 958**
Commercial paper and bonds	3, 29	259	8 238	0	**8 497**
Financial derivatives	3, 30	0	395	0	**395**
Shares	3, 31	0	365	292	**657**
Total financial assets measured at fair value		**259**	**8 997**	**18 423**	**27 679**
Deposits from and debt to customers at fair value	3, 37	0	0	1 537	**1 537**
Debt securities measured at fair value	3, 38	0	2 497	0	**2 497**
Financial derivatives	3, 30	0	358	0	**358**
Total financial liabilities measured at fair value		**0**	**2 855**	**1 537**	**4 392**

Breakdown of changes in level 3 in 2021

CONSOLIDATED	Loans to customers	Shares	Deposits from and debt to customers	Total
Opening balance	4 324	292	1 537	**6 152**
Gains or losses	– 92	325	– 1	**233**
through profit or loss	0	0	0	**0**
recognised in equity	0	0	0	**0**
Acquisitions over the period	0	0	0	**0**
Sales/redemptions over the period	– 188	0	– 524	**– 712**
Moved into level 3	0	148	0	**148**
Moved out of level 3	0	0	0	**0**
Closing balance	**4 044**	**765**	**1 012**	**5 821**

PARENT COMPANY	Loans to customers	Loans to customers through OCI	Shares	Deposits from and debt to customers	Total
Opening balance	4 173	13 958	292	1 537	**19 959**
Gains or losses	– 94	0	325	– 1	**231**
through profit or loss	0	0	0	0	**0**
recognised in equity	0	0	0	0	**0**
Acquisitions over the period	0	0	0	0	**0**
Sales/redemptions over the period	– 66	1 136	0	– 524	**546**
Moved into level 3	0	0	148	0	**148**
Moved out of level 3	0	0	0	0	**0**
Closing balance	**4 013**	**15 093**	**765**	**1 012**	**20 883**

Note 28 Fair value of financial instruments (cont.)

Loans to customers and customer deposits measured at fair value comprise fixed-rate loans and deposits. The acquisitions/purchases or sales/redemptions shown for the period represent the net change excluding changes in market value. Fixed-rate deposits and fixed-rate loans are valued based on discounted cash flows. The discount rate that we use is supposed to represent the interest rate on an equivalent new product issued at the reporting date, with the same term and cash flow. To help us value retail loans, we use the fixed rates offered by a representative sample of our competitors. For the corporate market we use our own internal calculation models for those products.

Sensitivity analysis, level 3

For fixed-rate deposits the average remaining term is approx. 0.55 years. Using a simple duration-based approach, a 1% fall in interest rates will increase the value of our fixed-rate deposits by approx. NOK 5.5 million. For fixed-rate loans the weighted average remaining term is approx. 3.8 years. Calculated simply, a 1% rise in the discount rate will reduce the value of our fixed-rate loans by approx. NOK 151 million.

Shares defined as level 3 assets are not listed on a stock exchange, have no known transactions and are shares for which the Bank has no observable assets that can be used for valuation purposes. In such cases we use our own valuations based on discounted cash flows or an analysis of key figures. For companies valued using a cash flow model, a required rate of return on equity of 9.03% has been used. A 10% reduction in the price to book ratio of a company valued using key figures and a 1 percentage point increase in the required rate of return in the cash flow models would cut the value by approximately NOK 37 million.

Note 29 Bonds, commercial paper and other interest-bearing securities

PARENT COMPANY 2020	PARENT COMPANY 2021		CONSOLIDATED 2021	CONSOLIDATED 2020
771	695	Government and state-owned enterprises	807	886
200	0	Municipal and mun. auth. backed bonds/comm. paper	0	200
6 489	7 288	Covered bonds	4 906	4 386
874	871	Fin. inst., other bonds/commercial paper	871	874
163	18	Other bonds/commercial paper	18	163
8 497	**8 871**	**Total securities at fair value**	**6 603**	**6 509**
8 435	8 853	Stock exchange listed securities	6 584	6 447
61	18	Unlisted securities	18	61
8 497	**8 871**	**Total**	**6 603**	**6 509**
0,24	**0,20**	Modified duration (years)	**0,20**	**0,25**
1,14	**1,36**	Weighted average effective interest rate	**1,31**	**1,25**

Maturity structure of investments in bonds and commercial paper

PARENT COMPANY Carrying amount 2020	PARENT COMPANY Carrying amount 2021	PARENT COMPANY Face value 2021	Maturity year	CONSOLIDATED Face value 2021	CONSOLIDATED Carrying amount 2021	CONSOLIDATED Carrying amount 2020
4 097	0	0	**2021**	0	0	2 005
1 222	2 627	2 614	**2022**	1 284	1 282	1 221
1 416	1 213	1 199	**2023**	1 299	1 316	1 521
783	965	958	**2024**	958	965	783
979	1 349	1 339	**2025**	1 339	1 349	979
0	1 345	1 319	**2026**	1 319	1 345	0
0	1 372	1 336	**2027**	336	345	0
8 497	**8 871**	**8 765**	**Total**	**6 535**	**6 603**	**6 509**

All securities are NOK-denominated.
The weighting used to calculate the average effective interest rate for the whole portfolio is based on the individual security's share of the overall interest rate sensitivity.

The Board of Directors of Sparebanken Sogn og Fjordane has decided that at least 60% of its investments in securities shall have a rating of AAA/government-backed and a maximum of 40% shall have an AA rating.

At 31.12.2021, 99.6% of its investments were in AAA/government-backed securities.

Note 30 Financial derivatives

Sparebanken Sogn og Fjordane trades in financial derivatives in conjunction with hedging and managing market risk and in its dealings with customers.

	2021 Total nominal values	2021 Positive market value	2021 Negative market value	2020 Total nominal value	2020 Positive market valuei	2020 Negative market value
Interest rate contracts						
Swaps	11 914	165	102	12 152	338	196
Total interest rate contracts	**11 914**	**165**	**102**	**12 152**	**338**	**196**
Foreign exchange contracts						
Forwards and swaps	1 414	20	18	1 374	37	18
Total foreign exchange contracts	**1 414**	**20**	**18**	**1 374**	**37**	**18**
Total financial derivatives	**13 328**	**185**	**121**	**13 527**	**374**	**214**

Note 31 Shares

PARENT COMPANY			CONSOLIDATED	
2020	2021		2021	2020
		Shares measured at fair value		
2	2	Stock exchange listed shares	2	2
655	763	Unlisted shares	763	655
657	**765**	**Total shares measured at fair value**	**765**	**657**

2021

FIGURES IN 000S OF NOK

Breakdown of shares **Shares measured at fair value**	Number of shares	Market value/ carrying amount
Financial institutions, listed		
Visa Inc.	1 132	2 164
Financial institutions, listed		**2 164**
Financial institutions, unlisted		
Frende Holding AS	704 695	409 022
SpareBank 1 Finans Midt-Norge AS	7 700	104 609
Eksportfinans ASA	3 478	70 358
Eiendomskreditt AS	348 955	47 687
Eikagruppen	113 674	19 211
Balder Betaling AS	2 253 511	75 005
Kredittforeningen for Sparebanker	3 220	3 854
Visa Norge		13 192
Financial institutions, unlisted		**742 939**
Other unlisted companies		
Hotel Alexandra AS	15 000	14 277
Other unlisted shares		5 878
Other unlisted companies		**20 156**
Total shares measured at fair value		**765 259**

2020

FIGURES IN 000S OF NOK

Breakdown of shares **Shares measured at fair value**	Number of shares	Market value/ carrying amount
Financial institutions, listed		
Visa Inc.	1 132	2 113
Financial institutions, listed		**2 113**
Financial institutions, unlisted		
Frende Holding AS	704 695	364 856
SpareBank 1 Finans Midt-Norge AS	6 181	79 279
Eksportfinans ASA	3 478	72 207
Eiendomskreditt AS	348 955	40 541
Eikagruppen	113 674	16 483
Balder Betaling AS	2 109 121	49 937
Kredittforeningen for Sparebanker	3 220	3 908
Visa Norge		13 377
Financial institutions, unlisted		**640 587**
Other unlisted companies		
Hotel Alexandra AS	15 000	11 096
Other unlisted shares		3 076
Other unlisted companies		**14 172**
Total shares measured at fair value		**656 872**

Note 32 Subsidiaries and associates

Subsidiaries	PARENT COMPANY 2021	PARENT COMPANY 2020
Balance at 1 January	1 812	1 812
Acquired/revaluation gains	0	0
Disposed of	0	0
Balance at 31 December	**1 812**	**1 812**

Associates	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Balance at 1 January	3	3	3	3
Acquired	0	0	0	0
Disposed of/impairments	0	0	0	0
Balance at 31 December	**3**	**3**	**3**	**3**

	PARENT COMPANY		FIGURES FROM SUBSIDIARIES			
	Ownership interest/share of voting rightsl	Carrying amount	Assets	Liabilities	Revenue	Profit
Bankeigedom Sogn og Fjordane AS	100 %	54	51	17	8	4
Eigedomsmekling Sogn og Fjordane AS	100 %	8	25	9	33	2
Bustadkreditt Sogn og Fjordane AS	100 %	1 750	23 717	21 772	248	183
Investments in subsidiaries		**1 812**	**23 793**	**21 799**	**290**	**189**

Allocated dividends from subsidiaries are included on the balance sheet as equity in accordance with IFRS.

Loans to, and deposits from, subsidiaries at 31.12.21:	Bonds	Loans	Deposits	Interest paid on loans	Interest received
Bankeigedom Sogn og Fjordane AS	0	0	17	0	0
Eigedomsmekling Sogn og Fjordane AS	0	0	15	0	0
Bustadkreditt Sogn og Fjordane AS	2 502	1 149	142	17	1
Total loans to, and deposits from, subsidiaries	**2 502**	**1 149**	**175**	**17**	**1**

Note 33 Intangible assets and goodwill

2021

CONSOLIDATED	Software	Goodwill	Total
Carrying amount at 01.01.2021	28 304	11 568	39 872
Acquired	8 383	0	8 383
Disposed of	– 394	0	– 394
Depreciation and impairment of assets	– 17 959	– 3 506	– 21 465
Carrying amount at 31.12.2021	**18 334**	**8 062**	**26 396**
Acquisition cost	145 050	20 507	165 557
Accumulated depreciation and impairment losses	– 126 717	– 12 445	– 139 162
Carrying amount at 31.12.2021	**18 334**	**8 062**	**26 396**
Useful life	3–5 years		
Depreciation method	Linear		

PARENT COMPANY	Software	Goodwill	Total
Carrying amount at 01.01.2021	27 248	9 793	37 041
Acquired	8 219	0	8 219
Disposed of	– 394	0	– 394
Depreciation and impairment of assets	– 17 421	– 3 506	– 20 927
Carrying amount at 31.12.2021	**17 653**	**6 287**	**23 940**
Acquisition cost	143 001	20 507	163 507
Accumulated depreciation and impairment losses	– 125 347	– 14 220	– 139 567
Carrying amount at 31.12.2021	**17 653**	**6 287**	**23 940**
Useful life	3–5 years		
Depreciation method	Linear		

Goodwill
The goodwill on the balance sheet relates to the acquisition of Sogn Eigedomskontor in 2007, the merger with Fjaler Sparebank in 2010 and the acquisition of a portfolio of residential mortgage loans in 2018.

Note 33 Intangible assets and goodwill (cont.)

2020

CONSOLIDATED	Software	Goodwill	Total
Carrying amount at 01.01.20	32	15	48
Acquired	15	0	15
Disposed of	0	0	0
Depreciation and impairment of assets	– 20	– 4	– 23
Carrying amount at 31.12.2020	**27**	**12**	**39**
Acquisition cost	135	21	156
Accumulated depreciation and impairment losses	– 108	– 9	– 117
Carrying amount at 31.12.2020	**27**	**12**	**39**
Useful life	3–5 years		
Depreciation method	Linear		

PARENT COMPANY	Software	Goodwill	Sum
Carrying amount at 01.01.2020	32	13	46
Acquired	15	0	15
Disposed of	0	0	0
Depreciation and impairment of assets	– 20	– 4	– 23
Carrying amount at 31.12.2020	**27**	**10**	**37**
Acquisition cost	135	21	156
Accumulated depreciation and impairment losses	– 108	– 11	– 119
Carrying amount at 31.12.2020	**27**	**10**	**37**
Useful life	3–5 years		
Depreciation method	Linear		

Goodwill

The goodwill on the balance sheet relates to the acquisition of Sogn Eigedomskontor in 2007, the merger with Fjaler Sparebank in 2010 and the acquisition of a portfolio of residential mortgage loans in 2018.

Note 34 Fixed assets

2021 CONSOLIDATED	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.2021	60	17	76
Acquired	1	4	5
Disposed of	- 2	0	- 2
Depreciation	- 4	- 6	- 10
Carrying amount at 31.12.2021	**55**	**14**	**69**
Acquisition cost	118	58	175
Accumulated depreciation and impairment losses	- 63	- 43	- 106
Carrying amount at 31.12.2021	**55**	**14**	**69**
Useful life	20–30 years	3–8 years	
Depreciation method	Linear	Linear	

The total fixed assets on the balance sheet at 31 December must be viewed in conjunction with Note 35 (IFRS 16).

PARENT COMPANY	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.2021	18	16	35
Acquired	1	3	4
Disposed of	- 2	0	- 2
Depreciation	- 2	- 6	- 8
Carrying amount at 31.12.2021	**16**	**13**	**29**
Acquisition cost	29	54	83
Accumulated depreciation and impairment losses	- 13	- 41	- 54
Carrying amount at 31.12.2021	**16**	**13**	**29**
Useful life	20–30 years	3–8 years	
Depreciation method	Linear	Linear	

2020 CONSOLIDATED	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.2020	66	23	89
Acquired	2	3	5
Disposed of	- 3	- 1	- 4
Depreciation	- 4	- 8	- 12
Carrying amount at 31.12.2020	**60**	**18**	**78**
Acquisition cost	118	56	175
Accumulated depreciation and impairment losses	- 59	- 39	- 97
Carrying amount at 31.12.2020	**60**	**18**	**78**
Useful life	20–30 years	3–8 years	
Depreciation method	Linear	Linear	

The total fixed assets on the balance sheet at 31 December must be viewed in conjunction with Note 35 (IFRS 16). In conjunction with creating a new register of assets, some changes have been made to the categories, and some obsolete records have been deleted.

PARENT COMPANY	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.2020	21	22	43
Acquired	0	3	3
Disposed of	- 1	- 1	- 2
Depreciation	- 2	- 8	- 9
Carrying amount at 31.12.2020	**18**	**16**	**35**
Acquisition cost	30	53	83
Accumulated depreciation and impairment losses	- 11	- 37	- 48
Carrying amount at 31.12.2020	**18**	**16**	**35**
Useful life	20–30 years	3–8 years	
Depreciation method	Linear	Linear	

Note 35 Leases

The Group as lessee

Right-of-use assets
The Group's leased assets include office premises and vehicles. The Group's right-of-use assets are classified and presented in the table below:

Right-of-use assets	Buildings/offices	Vehicles	Total
Acquisition cost at 01.01.2021	**30**	**4**	**33**
Acquisitions of right-of-use assets	7	1	**8**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**1**
Acquisition cost at 31.12.2021	**38**	**4**	**42**
Accumulated depreciation and impairment losses at 01.01.2021	**11**	**3**	**14**
Depreciation in 2021	5	1	**6**
Impairment loss for the period	0	0	**0**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Accumulated depreciation and impairment losses at 31.12.2021	**16**	**4**	**20**
Carrying amount of right-of-use assets at 31.12.2021	**22**	**1**	**23**

Lease liabilities

Undiscounted lease liabilities and maturity structure	
Less than 1 year	6
1–5 years	15
More than 5 years	4
Total undiscounted lease liabilities at 31.12.2021	**25**

Change in lease liabilities	
Implementation at 01.01.2019	24
New/Revised lease liabilities recognised during the period	18
Repayments of principal	– 19
Interest payments	2
Interest expense relating to lease liabilities	0
Disposals	0
Other	0
Total lease liabilities at 31.12.2021	**23**
Current lease liabilities	5
Non-current lease liabilities	**18**

Other lease expenses recognised in the income statement	**Total**
Variable lease payments expensed in the period	8
Total lease expenses included under other operating expenses	**8**

Note 35 Leases (cont.)

The parent company as lessee

Right-of-use assets
The parent company's leased assets include buildings, offices and vehicles. The parent company's right-of-use assets are classified and presented in the table below:

Right-of-use assets	Buildings/offices	Vehicles	Total
Acquisition cost at 01.01.2021	**77**	**4**	**81**
Acquisitions of right-of-use assets	7	1	**8**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**1**
Acquisition cost at 31.12.2021	**85**	**4**	**90**
Accumulated depreciation and impairment losses at 01.01.2021	**26**	**3**	**29**
Depreciation in 2021	10	1	**11**
Impairment loss for the period	0	0	**0**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Accumulated depreciation and impairment losses at 31.12.2021	**36**	**4**	**39**
Carrying amount of right-of-use assets at 31.12.2021	**49**	**1**	**50**

Lease liabilities

Undiscounted lease liabilities and maturity structure	
Less than 1 year	12
1–5 years	39
More than 5 years	4
Total undiscounted lease liabilities at 31.12.2021	**55**

Change in lease liabilities	
Implementation at 01.01.2019	69
New/Revised lease liabilities recognised during the period	18
Repayments of principal	– 39
Interest payments	4
Interest expense relating to lease liabilities	0
Disposals	0
Other	0
Total lease liabilities at 31.12.2021	**52**
Current lease liabilities	11
Non-current lease liabilities	41

Other lease expenses recognised in the income statement	**Total**
Variable lease payments expensed in the period	16
Total lease expenses included under other operating expenses	**16**

A discount rate of 2.5% has been used in the calculations for both the parent company and Group.
On account of Covid-19, certain rent concessions have been allowed. However, the Bank has not made use of them. A 1 percentage point reduction in the discount rate would increase the lease liabilities of the parent company by NOK 1.3 million. A 1 percentage point increase in the discount rate would reduce the lease liabilities of the parent company by NOK 1.2 million.

Note 36 Other assets

PARENT COMPANY			CONSOLIDATED	
31.12.20	31.12.21		31.12.21	31.12.20
0	0	Earned income not received	0	5
19	23	Other payments made in advance, not yet accrued	31	19
175	22	Various expenditures/stock	9	55
194	**44**	**Total other assets**	**40**	**80**

Note 37 Customer deposits

CONSOLIDATED

There is little difference between the figures for the parent company and group. Consequently, we have chosen to only show the consolidated figures.

	2021		2020	
	Deposits	Percentage	Deposits	Percentage
Customer deposits, at amortised cost	31 523	96,9 %	29 130	95,0 %
Customer deposits, designated at fair value *)	1 012	3,1 %	1 535	5,0 %
Deposits from and debt to customers	**32 536**	**100,0 %**	**30 665**	**100,0 %**

*) Fixed-rate bonds are measured at market value. Their market value was NOK 0.3 million lower than their face value at 31.12.2021, compared with NOK 0.8 million at 31.12.2020. The valuation loss on these deposits in 2020 was therefore NOK 0.5 million, which was recognised in the income statement.

	2021		2020	
Deposits by sector and industry	Deposits	Percentage	Percentage	Percentage
Wage and salary earners	20 060	61,7 %	18 920	61,7 %
Farming and forestry	570	1,8 %	538	1,8 %
Fishing and hunting	920	2,8 %	400	1,3 %
Fish farming and hatcheries	578	1,8 %	525	1,7 %
Industry and mining	759	2,3 %	764	2,5 %
Construction, civil engineering, power generation	1 439	4,4 %	1 327	4,3 %
Commerce	1 067	3,3 %	998	3,3 %
Transport, property management and services	4 641	14,3 %	4 385	14,3 %
Public sector/other	2 502	7,7 %	2 808	9,2 %
Total deposits by sector and industry	**32 536**	**100,0 %**	**30 665**	**100,0 %**
Deposits by sector:				
Retail market	20 061	61,7 %	18 920	61,7 %
Corporate market	9 973	30,7 %	8 938	29,1 %
Public sector/other	2 502	7,7 %	2 808	9,2 %
Total deposits by sector	**32 536**	**100,0 %**	**30 665**	**100,0 %**
Geographic distribution				
Vestland	28 777	88,4 %	27 272	88,9 %
Oslo	1 486	4,6 %	1 394	4,5 %
Viken	660	2,0 %	613	2,0 %
Møre og Romsdal	646	2,0 %	604	2,0 %
Other	966	3,0 %	782	2,5 %
Total deposits by region	**32 536**	**100,0 %**	**30 665**	**100,0 %**

Term and sight deposits	2021	2020
Sight deposits	29 505	27 317
Term deposits	3 031	3 348
Total customer deposits	**32 536**	**30 665**

Note 38 Debt securities in issue

	Face value		Carrying amount	
CONSOLIDATED	31.12.21	31.12.20	31.12.21	31.12.20
Bonds in issue	21 220	21 034	21 340	21 056
– of which own bonds, not amortised	– 2 460	– 2 458	– 2 502	– 2 470
Debt securities in issue, measured at amortised cost	**18 760**	**18 576**	**18 838**	**18 587**
Bonds in issue (MRELs)	1 400	0	1 403	0
– of which own bonds, not amortised	0	0	0	0
Debt securities in issue (MRELs) at amortised cost	**1 400**	**0**	**1 403**	**0**
Bonds in issue (MRELs)	500	0	495	0
– of which own bonds, not amortised	0	0	0	0
Debt securities (MRELs) measured at fair value	**500**	**0**	**495**	**0**
Bonds in issue	4 600	4 400	4 646	4 622
– of which own bonds, not amortised	– 46	0	– 47	0
Debt securities measured at fair value	**4 554**	**4 400**	**4 599**	**4 622**
Total debt securities in issue	**25 214**	**22 976**	**25 335**	**23 209**

Maturity structure of debt securities (net face value)	31.12.21	31.12.20
2021	0	1 626
2022	2 664	4 500
2023	3 950	3 950
2024	3 700	3 100
2025	4 800	3 900
2026	4 000	3 000
2027	3 400	900
2028	500	0
2030	500	500
2031	200	0
2033	500	500
2034	1 000	1 000
Total debt securities (net face value)	**25 214**	**22 976**

New debt securities issued in 2021	**6 654**
Net repayment of debt securities in 2021	**3 849**

At 31.12.2021 the Bank was not in breach of any of its covenants

Breakdown of credit risk for debt securities measured at fair value
(Excluding own bonds held and borrowings for which hedge accounting is applied)

	31.12.21	31.12.20
Amortised cost	3 097	2 395
Fair value adjustment*)	31	102
Market value/carrying amount	**3 128**	**2 497**
**) Of which change in own credit risk*	*16*	*13*

The fair value adjustment due to changes in the company's credit risk is part of the change in fair value that is not attributable to changes in underlying market interest rates. For bonds in issue, the change in fair value due to credit risk is the difference between the two fair values obtained if you use two different discount rates:

1) The relevant market interest rate on the balance sheet date plus the credit spread on the date of initial ecognition, and
2) The relevant market interest rate on the balance sheet date plus the credit spread on the balance sheet date.

Note 38 Debt securities in issue (cont.)

PARENT COMPANY	CARRYING AMOUNT	
Debt securities in issue by valuation method (carrying amount)	31.12.21	31.12.20
Debt securities in issue at amortised cost	2 823	3 952
Debt securities in issue (MRELs) at amortised cost	1 403	0
Debt securities measured at fair value	2 587	2 497
Debt securities (MRELs) measured at fair value	495	0
Total debt securities in issue	**7 308**	**6 449**

The Bank uses hedge accounting for three fixed-rate covered bonds issued by its subsidiary Bustadkreditt Sogn og Fjordane AS. There is a ratio of virtually 1:1 between the hedged items (the bonds) and the hedging instruments (the interest rate swaps).

Note 39 Other liabilities and provisions

PARENT COMPANY			CONSOLIDATED	
31.12.20	31.12.21	**OTHER LIABILITIES**	31.12.21	31.12.20
42	34	Other liabilities	34	47
187	172	Accrued costs and advance income	180	188
230	**206**	**Total other liabilities**	**214**	**234**
		PROVISIONS		
40	40	Pension liabilities	42	41
25	15	Specified provisions for guarantees and undrawn credit facilities	15	25
53	52	Lease liabilities under IFRS	23	20
118	**106**	**Total provisions**	**80**	**87**
348	**312**	**Total other liabilities and provisions**	**294**	**322**

Note 40 Subordinated debt and hybrid debt instruments

Year issued	31.12.21 Face value (millions)	Interest rate	Early redemption right	Final maturity date	Carrying amount 31.12.21	31.12.20
2018 Subordinated debt	200	3 MTH NIBOR + 1,48%	call option 20.06.23	Year 2028	200	200
2018 Subordinated debt	200	3 MTH NIBOR + 1,65%	call opsjon 16.04.24	Year 2029	201	201
2019 Subordinated debt	200	3 MTH NIBOR + 1,48%	call opsjon 20.05.25	Year 2030	200	200
	600				**602**	**601**
2016 Hybrid debt	0	3 MTH NIBOR + 4,35%	call option 14.12.21	Perpetual	0	150
2017 Hybrid debt	100	3 MTH NIBOR + 3,35%	call option 29.03.22	Perpetual	100	100
2019 Hybrid debt	100	3 MTH NIBOR + 3,14%	call option 28.11.24	Perpetual	100	100
2021 Hybrid debt	150	3 MTH NIBOR + 2,40%	call option 02.09.26	Perpetual	150	0
	350				**350**	**350**

The hybrid debt instruments are classified as hybrid capital and included under equity at 31.12.2021, as they don't satisfy the criteria for financial liabilities under IAS 32.

The terms of the hybrid debt mean that it is perpetual, so the holders cannot demand that it be redeemed. In specific circumstances, the issuer may cease to make interest payments.

The hybrid debt forms part of the Bank's core capital.

Average interest rate on the subordinated debt at 31.12.2021: 2.32%
Average interest rate on hybrid debt at 31.12.2021: 3.74%

Note 41 Branch network

Figures as of 31 Dec.	2021	2020	2019	2018	2017	2016
Branches	13	14	14	14	14	23
In-store agreements	1	21	21	20	25	23
Cash points	12	12	12	12	13	15
Businesses signed up to Internet banking	2 950	1 742	1 264	1 046	977	908
Retail customers signed up to Internet banking	77 136	73 651	75 545	72 650	68 892	65 144

Note 42 Off balance sheet items

PARENT COMPANY			CONSOLIDATED	
31.12.20	31.12.21	**Guarantees**	31.12.21	31.12.20
855	612	Payment guarantees	612	855
331	305	Contract guarantees	305	331
64	60	Other guarantee liabilities	60	64
3	3	Commitments to investments in shares	3	3
1 253	**981**	**Total in NOK**	**981**	**1 253**

31.12.21

FIGURES IN 000S OF NOK

Of which in foreign currency:	EUR	USD	DKK	CNY	GBP	Total foreign currency translated into NOK
Payment guarantees	13 489	1 625	7 572	5 363	50	166 226
Contract guarantees		28				247
Total	**13 489**	**1 653**	**7 572**	**5 363**	**50**	**166 473**

Note 43 Related parties

Balances and gains/losses on transactions with related parties

	Subsidiaries	
	2021	2020
Outstanding loan balances at 31 Dec.	1 149	1 251
Interest income	18	23
Deposits at 31 Dec.	174	157
Interest expenses	1	2
Covered bonds	2 502	2 282
Interest income from covered bonds	24	29
Other operating income	9	8
Other operating expenses	8	8

The above table relates to Sparebanken Sogn og Fjordane's three wholly-owned subsidiaries. These are:

Subsidiaries
Bustadkreditt Sogn og Fjordane AS
Bankeigedom Sogn og Fjordane AS
Eigedomsmekling Sogn og Fjordane AS

Bustadkreditt Sogn og Fjordane AS has signed an agreement with Sparebanken Sogn og Fjordane on the supply of loan servicing and administrative services. All of the Company's loans have been acquired from Sparebanken Sogn og Fjordane, and an agreement has been signed with the bank on the servicing of the portfolio. Bustadkreditt Sogn og Fjordane AS takes on all of the risk associated with the loans that it acquires from its parent. Bustadkreditt Sogn og Fjordane AS has been given access to good credit facilities with Sparebanken Sogn og Fjordane. These will allow it to make interest and principal payments to the owners of covered bonds, enable it to make advances to customers with flexible mortgages, provide bridge financing when loans are being transferred, and fund the necessary surplus in the cover pool.

Further details of the credit facilities: Bustadkreditt Sogn og Fjordane AS has four credit facilities with Sparebanken Sogn og Fjordane (SSF):

a) A 3-year credit that matures in January 2023. The credit facility is to be used for buying mortgage loans from SSF. It has a limit of NOK 750 million, but can only be used for the bulk transfer of loans.

b) A credit agreement to ensure that owners of covered bonds will be paid even if the mortgage credit subsidiary is unable to meet its obligations. The limit on the facility at 31.12.2021 was NOK 267 million. Under the agreement, the obligations of the Bank relate to all payments due to the owners of the covered bonds over the coming year.

c) A credit facility that can be used to finance advances to customers with available credit within their flexible mortgages. At 31.12.2021, the limit on the facility was NOK 1,845 million.

d) A credit facility related to overcollateralisation. The facility shall only be used to buy loans for inclusion in the cover pool, and to buy instruments that qualify as part of a liquidity buffer. At 31.12.2021, the limit on the facility was NOK 1,632 million, but this limit depends on the volume of covered bonds issued at any given time.

In addition to these four credit agreements, Bustadkreditt and Sparebanken Sogn og Fjordane have signed an ISDA agreement. The ISDA agreement regulates all derivative transactions between the parties. The ISDA agreement has the same structure as agreements between Sparebanken and external entities, which means that changes in the value of interest rate swaps are measured daily and there is an exchange of collateral. When fixed-rate covered bonds are issued, SSF hedges the relevant amount with an external party and then performs an internal swap with Bustadkreditt. The same applies to interest rate hedging for fixed-rate loans.

The parent company leases premises from Bankeigedom Sogn og Fjordane AS.

All agreements and transactions adhere to arm's length principles.

Note 43 Related parties (cont.)

Under IAS 24, we must collect the necessary information to ascertain whether there are any transactions between Sparebanken Sogn og Fjordane and companies owned by senior managers at the Bank or elected officers at companies in the Group. A record has been made of all of the ownership interests held by Sparebanken Sogn og Fjordane's related parties, who are defined as senior Group management, the Board of the Bank, the Board of Bustadkreditt Sogn og Fjordane AS, the Board and Managing Director of Sparebankstiftinga Sogn og Fjordane and the Managing Director of Bustadkreditt Sogn og Fjordane AS. For these people and their family members, information has been collected about any ownership interests of more than 20 percent in any type of enterprise. The information collected shows that no such companies supplied services to Sparebanken Sogn og Fjordane in 2021. Sixteen companies where related parties hold ownership interests of more than 20 percent are customers of the Bank. The total outstanding balance of the loans to these companies was NOK 8.8 million at 31.12.2021, while their deposits totalled NOK 5.2 million. NOK 0.7 million of interest was paid on these loans in 2021. None of these companies have been given special terms.

Note 44 Expected incomings (assets) and outgoings (liabilities)

CONSOLIDATED, 2021

ASSETS	Up to 1 month	1-3 months	3-12 months.	1-5 years	Over 5 years	Total
Cash and cash equivalents	22	0	0	0	0	**22**
Loans and advances to credit institutions/central banks	717	0	0	0	0	**717**
Loans to customers	7 050	190	219	2 447	47 438	**57 344**
Commercial paper and bonds	242	50	1 000	4 966	345	**6 603**
Financial derivatives	0	0	0	185	0	**185**
Shares	0	0	0	0	765	**765**
Investments in associates	0	0	0	0	3	**3**
Investments in subsidiaries	0	0	0	0	0	**0**
Intangible assets and goodwill	0	0	0	26	0	**26**
Fixed assets	0	0	0	92	0	**92**
Deferred tax assets	0	0	0	11	0	**11**
Other assets	0	0	40	0	0	**40**
Total assets	**8 031**	**240**	**1 258**	**7 727**	**48 551**	**65 808**
LIABILITIES						
Debt to credit institutions	0	0	0	0	500	**500**
Deposits from and debt to customers	32 536	0	0	0	0	**32 536**
Debt securities in issue	0	571	2 089	16 514	6 161	**25 335**
Financial derivatives	0	0	0	121	0	**121**
Tax payable	0	172	0	0	0	**172**
Deferred tax	0	0	0	0	0	**0**
Other liabilities	0	0	214	0	0	**214**
Provisions	0	0	80	0	0	**80**
Subordinated debt instruments	0	0		602	0	**602**
Total liabilities	**32 536**	**742**	**2 383**	**17 236**	**6 661**	**59 559**

PARENT COMPANY, 2021

ASSETS	Up to 1 month	1-3 months	3-12 months.	1-5 years	Over 5 years	Total
Cash and cash equivalents	22	0	0	0	0	**22**
Loans and advances to credit institutions/central banks	734	0	0	1 132	0	**1 866**
Loans to customers	3 796	189	208	2 157	27 697	**34 047**
Commercial paper and bonds	242	50	2 335	4 872	1 372	**8 871**
Financial derivatives	0	0	0	215	0	**215**
Shares	0	0	0	0	765	**765**
Investments in associates	0	0	0	0	3	**3**
Investments in subsidiaries	0	0	0	0	1 812	**1 812**
Intangible assets and goodwill	0	0	0	24	0	**24**
Fixed assets	0	0	0	79	0	**79**
Deferred tax assets	0	0	0	18	0	**18**
Other assets	0	0	44	0	0	**44**
Total assets	**4 794**	**239**	**2 588**	**8 498**	**31 649**	**47 768**
LIABILITIES						
Debt to credit institutions	142	0	0	0	500	**642**
Deposits from and debt to customers	32 568	0	0	0	0	**32 568**
Debt securities in issue	0	571	1 063	4 483	1 191	**7 308**
Financial derivatives	0	0	0	162	0	**162**
Tax payable	0	121	0	0	0	**121**
Deferred tax	0	0	0	0	0	**0**
Other liabilities	0	0	206	0	0	**206**
Provisions	0	0	106	0	0	**106**
Subordinated debt instruments	0	0	0	602	0	**602**
Total liabilities	**32 710**	**692**	**1 375**	**5 247**	**1 691**	**41 715**

Note 44 Expected incomings (assets) and outgoings (liabilities) (cont.)

CONSOLIDATED, 2020

ASSETS	Up to 1 month	1-3 months	3-12 months.	1-5 years	Over 5 years	Total
Cash and cash equivalents	26	0	0	0	0	**26**
Loans and advances to credit institutions/central banks	346	0	0	0	0	**346**
Loans to customers	7 016	162	240	2 274	44 837	**54 530**
Commercial paper and bonds	451	0	1 462	4 596	0	**6 509**
Financial derivatives	0	0	0	374	0	**374**
Shares	0	0	0	0	657	**657**
Investments in associates	0	0	0	0	3	**3**
Investments in subsidiaries	0	0	0	0	0	**0**
Intangible assets and goodwill	0	0	0	39	0	**39**
Fixed assets	0	0	0	97	0	**97**
Deferred tax assets	0	0	0	1	0	**1**
Other assets	0	0	80	0	0	**80**
Total assets	**7 838**	**162**	**1 783**	**7 381**	**45 497**	**62 661**
LIABILITIES						
Debt to credit institutions	0	301	1 002	0	500	**1 803**
Deposits from and debt to customers	30 665	0	0	0	0	**30 665**
Debt securities in issue	0	254	1 262	15 661	6 032	**23 209**
Financial derivatives	0	0	0	214	0	**214**
Tax payable	0	120	0	0	0	**120**
Deferred tax	0	0	0	0	0	**0**
Other liabilities	0	0	234	0	0	**234**
Provisions	0	0	87	0	0	**87**
Subordinated debt instruments	0	0	0	601	0	**601**
Total liabilities	**30 665**	**675**	**2 585**	**16 477**	**6 532**	**56 934**

PARENT COMPANY, 2020

ASSETS	Up to 1 month	1-3 months	3-12 months.	1-5 years	Over 5 years	Total
Cash and cash equivalents	26	0	0	0	0	**26**
Loans and advances to credit institutions/central banks	464	0	150	982	0	**1 596**
Loans to customers	3 786	162	231	1 980	26 555	**32 713**
Commercial paper and bonds	451	0	3 655	4 391	0	**8 497**
Financial derivatives	0	0	0	395	0	**395**
Shares	0	0	0	0	657	**657**
Investments in associates	0	0	0	0	3	**3**
Investments in subsidiaries	0	0	0	0	1 812	**1 812**
Intangible assets and goodwill	0	0	0	37	0	**37**
Fixed assets	0	0	0	87	0	**87**
Deferred tax assets	0	0	0	5	0	**5**
Other assets	0	0	194	0	0	**194**
Total assets	**4 727**	**162**	**4 230**	**7 876**	**29 026**	**46 021**
LIABILITIES						
Debt to credit institutions	122	301	1 002	0	500	**1 924**
Deposits from and debt to customers	30 700	0	0	0	0	**30 700**
Debt securities in issue	0	254	1 045	5 150	0	**6 449**
Financial derivatives	0	0	0	358	0	**358**
Tax payable	0	76	0	0	0	**76**
Deferred tax	0	0	0	0	0	**0**
Other liabilities	0	0	230	0	0	**230**
Provisions	0	0	118	0	0	**118**
Subordinated debt instruments	0	0	0	601	0	**601**
Total liabilities	**30 822**	**631**	**2 394**	**6 109**	**500**	**40 457**

Note 45 Foreign currency positions

The figures in the table show the equivalent amounts in millions of NOK at 31.12.2021, including financial derivatives.

Currency	EUR	USD	SEK	DKK	GBP	Other	Total foreign currency translated into NOK
Net exposure at 31.12.2021	– 44,4	9,0	0,0	0,7	2,3	– 5,3	– 37,7
Net exposure at 31.12.2020	– 5,4	– 1,1	– 1,4	2,1	2,5	– 5,6	– 8,9

Note 46 Offsetting

CONSOLIDATED, AT 31.12.21	Gross carrying amount	Amounts offset in the balance sheet	Carrying amount	Netting agree-ments	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	356	0	356	0	45	**311**
Financial derivatives	185	0	185	83	0	**102**
Liabilities						
Financial derivatives	121	0	121	8	0	**113**

PARENT COMPANY, AT 31.12.2021	Gross carrying amount	Amounts offset in the balance sheet	Carrying amount	Netting agree-ments	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	356	0	356	0	45	**311**
Financial derivatives	215	0	215	83	0	**132**
Liabilities						
Financial derivatives	162	0	162	21	0	**141**

The Bank has no financial instruments that are reported net.

For customers with foreign currency loans, the Bank has an agreement to set-off balances against an allowance account established for this purpose. In addition to the allowance accounts, currency loans are backed by ordinary collateral.

The parent company has entered into ISDA agreements with all of its financial counterparties, and these agreements entitle the Bank to set-off in the event of default. The Bank has framework agreements for derivatives trading with both retail and corporate customers, which require customers to put up collateral to cover possible falls in market values.

Bustadkreditt Sogn og Fjordane AS has also signed ISDA agreements with its financial counterparties. As of 31 December, all of Bustadkreditt's derivative contracts were signed with the parent company.

Note 47 Disputes

In 2021 Sparebanken Sogn og Fjordane was a party to two disputes.

In 2020, the Bank was ordered to make backdated pension payments to a former employee, adjust their pension upwards and pay costs. The Bank appealed the decision to the Court of Appeal, and in May 2021 court mediation led to a legal settlement between the parties. The settlement has been paid.

In 2020 the Bank was sued by a customer demanding compensation for a maximum amount of NOK 460,000, plus interest and costs. The reason for the claim is a loss made by the customer on a currency futures contract. The Bank filed a countersuit for a maximum amount of NOK 683,783, plus interest and costs. In a judgement issued in April 2021, the district court fully agreed with the Bank's view. The customer has appealed the district court judgement, and the case will be heard by the Court of Appeal in March 2022.

Note 48 Equity share capital and ownership structure

PARENT COMPANY

The equity share capital was raised as follows:

Year	Change in equity share capital (NOK)	Face value of each equity certificate (NOK)	Change in number of equity certificates
2010 Initial issue of equity certificates	1 894 953 000	100	18 949 530
2016 Equity certificates issued to existing shareholders	50 000 000	100	500 000
2016 Equity certificates issued to employees and Board	3 365 700	100	33 657
	1 948 318 700		**19 483 187**

FIGURES IN 000S OF NOK UNLESS OTHERWISE SPECIFIED

Equity share capital	31.12.21	31.12.20
Equity certificates	1 948 319	1 948 319
Share premium account	15 608	15 608
Dividend equalisation reserve	2 452 130	2 174 775
Total equity share capital (A)	**4 416 057**	**4 138 702**
Primary capital (B	**645 461**	**592 636**
Reserve for unrealised gains	454 086	354 185
Hybrid capital	350 000	350 000
Proposed allocation for dividends and gifts	187 349	128 899
Other equity	0	0
Total equity	**6 052 953**	**5 564 422**
Equity share capital ratio A / (A+B) after disbursal of dividends	**87,25 %**	**87,47 %**
Parent company's comprehensive income per equity certificate (weighted), in NOK	28,41	19,78
Consolidated comprehensive income per equity certificate (weighted), in NOK	29,91	19,93
Consolidated book equity per equity certificate in NOK (excl. hybrid capital)	264,16	241,41
PROPOSED ALLOCATION FOR DIVIDENDS		
Dividend payable per equity certificate, in NOK	9,00	6,00
Total dividends	**175 349**	**116 899**
Proposed allocation for gifts		
Charitable donations	12 000	12 000
Total proposed allocation for dividends and gifts	**187 349**	**128 899**
Dividends and gifts as a % of consolidated comprehensive income	**28,1 %**	**29,1 %**

Note 48 Equity share capital and ownership structure (cont.)

20 largest holders of equity certificates with an interest of at least 1%:

	Number of equity certificates 31.12.21	
Sparebankstiftinga Sogn og Fjordane	18 229 997	93,57 %
Sparebankstiftinga Fjaler	1 152 992	5,92 %
Other *)	100 198	0,51 %
Total	**19 483 187**	**100,00 %**

*) Other owners of equity certificates comprise employees, Board members and former employees at Sparebanken Sogn og Fjordane.

Equity certificates held by key personnel

Equity certificates held by the CEO, senior management team, members of the Board of Directors and their personal related parties, as defined by Section 7–26 of the Norwegian Accounting Act.

	Number of equity certificates
Trond Teigene, CEO	3 400
RLK Holding AS represented by Johnny Haugsbakk, Board member	3 000
Harald Slettvoll, Director of Risk Management and Compliance	3 000
Frode Vasseth, CFO	2 250
Linda Marie Vøllestad Westbye, Retail Banking Director	1 300
Sindre Kvalheim, Chair of the Board	1 000
Incubate AS represented by Sindre Kvalheim, Chair	1 000
Jo Dale Pedersen, Board member, employee representative	860
Eirik Rostad Ness, Director of Human Resources	850
Roy Stian Farsund, Corporate Banking Director	650
Reiel Haugland, Technology Director	601
Marie Heieren, Board member	300
Lise Mari Haugen, Board member	100
Silje Mari Sunde, Director of Business Support	50
Johanne Viken Sandnes, Director of Marketing and Communication	25
Total equity certificates held by key personnel and Board members	**18 386**

Information about voting rights, etc.

Representatives elected by the equity certificate owners shall have 40% of the votes at the AGM.
Representatives elected by and from our customers shall have 36% of the votes at the AGM.
Representatives elected by and from our employees shall have 24% of the votes at the AGM.

As well as requiring majority support at the AGM in the same way as for changes to the articles of association, the following matters require the support of at least 2/3 of the votes representing the equity certificate holders:

- Buying back equity certificates (Financial Institutions Act, Section 10–5)
- Any reduction or increase in the equity share capital (Financial Institutions Act, Sections 10–21 and 10–22)
- Establishing subscription rights (Financial Institutions Act, Section 10–23)
- Loans with a right to require that equity certificates be issued (Financial Institutions Act, Section 10–24)
- Decisions relating to mergers and demergers (Financial Institutions Act, Section 12–3)
- Decisions about restructuring (Financial Institutions Act, Section 12–14)

The articles of association entitle the Bank to issue negotiable equity certificates.

Note 49 Hedge accounting

Sparebanken Sogn og Fjordane uses hedge accounting for fixed-rate debt securities issued by Bustadkreditt Sogn og Fjordane. The aim is to counteract fluctuations in the value of fixed-rate bonds in issue. The hedged item (the bond in issue) is measured at fair value through gains/losses on financial instruments, and the hedging instrument (the derivative) is measured at fair value, with changes in fair value recognised through gains/losses on financial instruments.

Sparebanken Sogn og Fjordane is the counterparty to the external derivative contracts, while Bustadkreditt Sogn og Fjordane is the issuer of the hedged item. An internal swap is then carried out between Bustadkreditt Sogn og Fjordane and Sparebanken Sogn og Fjordane, to counteract fluctuations in value at the parent company and subsidiary. Both the external and internal derivative contracts are covered by ISDA agreements, which regulate all derivatives trading. Within this framework, changes in the value of derivative contracts are measured daily and collateral is exchanged between the parties in the event of any fluctuations, in order to reduce the risks for both parties.

At 31.12.2021, hedge accounting is used for five hedge relationships, and the hedged items and hedging instruments are directly linked by being subject to the same terms and conditions (coupon rate, term to maturity, and face value). The hedge effectiveness has been calculated based on 1 percentage point shifts in the yield curve and what the impact on profit of this would be. The retrospective hedge effectiveness shows the past correlation between changes in the value of the hedged item and hedging instrument, measured in terms of their nominal value.

	2021	2020
Hedging instrument		
Nominal opening value	2 000	2 000
Change in value (gain-/loss+)	***113***	***– 156***
Hedged item		
Nominal opening value	2 000	2 000
Change in value (gain-/loss+)	***– 113***	***156***
Net change in value – hedge ineffectiveness (gain-/loss+)	**– 0,2**	**– 0,4**
Hedge ratio (value of hedging instrument to value of hedged item)	***100,0 %***	***100,0 %***
Weighted hedge effectiveness	***103,5 %***	***103,3 %***
Weighted retrospective hedge effectiveness	***100,8 %***	***100,5 %***

Hedge accounting has been used for the following covered bonds and their associated hedging instruments:

	Nominal value	Remaining term to maturity
SSFBK15PRO		
Hedged item	500	31.08.33
Hedging instrument	500	31.08.33
SSFBK17PRO (split in three tranches)		
Hedged item	1 000	20.09.34
Hedging instrument	1 000	20.09.34
SSFBK18PRO		
Hedged item	500	19.06.30
Hedging instrument	500	19.06.30

Declaration by the Board of Directors and CEO

We declare that, to the best of our knowledge, the financial statements for 2021 have been prepared in accordance with current accounting standards, and that the information contained therein provides a true picture of the assets, liabilities, financial position and results of the Group. The Board believes that the financial statements give a true picture of the most important areas of uncertainty and potential risks faced by the Group in 2021.

Førde, 2 March 2022

Sindre Kvalheim
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Marie Heieren

Jo Dale Pedersen

Trond Teigene
CEO

Deloitte AS
Strandavegen 15
NO-6905 Florø
Norway

Tel: +47 23 27 90 00
www.deloitte.no

To the General Meeting of Sparebanken Sogn og Fjordane

INDEPENDENT AUDITOR'S REPORT

Opinion
We have audited the financial statements of Sparebanken Sogn og Fjordane, which comprise:

- The financial statements of the parent company Sparebanken Sogn og Fjordane (the Bank), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Sparebanken Sogn og Fjordane and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Bank for 5 years from the election by the general meeting of the shareholders on 29 March 2017 for the accounting year 2017.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial

Deloitte.

statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IT-systems and internal controls relevant for financial reporting

Key Audit Matter	How the matter was addressed in the audit
The IT systems within Sparebanken Sogn og Fjordane ("Sparebanken") are key in the accounting and reporting of completed transactions, in obtaining the basis for key estimates and calculations, and in obtaining relevant information to be disclosed. The IT systems are mainly standardized, and the management and operation of the systems are to a great extent outsourced to external service providers. Proper management and control of these IT systems both from Sparebanken and their service providers are of high importance in order to ensure precise, complete and reliable financial reporting, and this area is therefore considered to be a key audit matter.	Sparebanken has established a general governance model and internal controls on their IT systems. We have obtained an understanding of Sparebanken's IT governance model relevant for financial reporting. We assessed and tested the design of selected internal control activities relevant for financial reporting, including selected controls related to IT operations. For a sample of these controls, we tested their operating effectiveness in the reporting period. We considered the third-party attestation report (ISAE 3402 Report) from Sparebanken's core system service provider, focusing on whether they had adequate internal controls on areas that are of importance to the financial reporting of Sparebanken. We also considered the third-party attestation report (ISRS 4400 Agreed-upon procedures) from to the core system service provider focusing on whether selected automated control activities in the IT-systems, including among others the calculation of interests and fees and selected system generated reports, were adequately designed and implemented in the period. We have engaged our internal IT experts in the work related to understanding the governance model on IT and in assessing and testing the internal control activities.

Corporate loan loss provisions

Key Audit Matter	How the matter was addressed in the audit
Sparebanken Sogn og Fjordane ("Sparebanken") has loans in the corporate segment, and reference is made to notes 8, 12, 13, 14, 15 and 16 for disclosure on credit risk and loss provisions on loans and guarantees. Sparebanken has considered the need for loss provisions on loans and guarantees. There is considerable judgement in the bank's assessment of the size of the loan loss provisions in the corporate market segment. The judgement is related to forward-looking assessments in order to estimate the expected loss, including judgements as to how expected loss is affected by uncertainties regarding the economic development after the Covid-19 outbreak. The assumptions and estimates used in the assessments are crucial for the size of the provisions, and loan loss provisions in the corporate market segment are therefore a key audit matter in the audit.	Sparebanken has established control activities related to the calculation of loan loss provisions in the corporate market segment. We assessed and tested the design of selected control activities concerning individual loss provisions on credit impaired loans. The control activities we assessed and tested the design of, were related to identification of credit impaired loans and the assessment of the expected future cash flows from these loans. For a sample of these control activities, we tested if they were operating effectively during the period. For a sample of credit impaired loans, we tested if these were timely identified, and assessed the expected future cash flows the bank estimated on these loans. For remaining loan loss provisions calculated in the models, we assessed and tested the design of selected key controls related to the loan loss models, including selected controls related to: • identification of significant increase in credit risk, • application of financial scenarios, and • calculation of probability of default, loss given default and exposure at default. For a selection of these controls, we tested if they had been operating effectively during the period. We considered a sample of forward-looking assessments used in order to estimate expected loss. We considered whether the disclosures on loan loss provisions in the corporate market segment is in accordance with requirements set forth in IFRS 7.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompany the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompany the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompany the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompany the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Florø, 2 March 2022
Deloitte AS

Rune Norstrand Olsen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Consolidated financial results by quarter

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Net interest income	**250**	**235**	**231**	**229**	**233**
Other operating income	42	38	40	37	37
Dividends and gains/losses on financial instruments	63	36	60	14	27
Net other operating income	**105**	**74**	**100**	**51**	**64**
Total revenues	**355**	**309**	**331**	**279**	**297**
Operating expenses	123	117	114	130	141
Profit/loss before impairment loss and net gain on fixed assets	**232**	**192**	**217**	**149**	**155**
Impairment loss	1	– 37	9	– 9	– 1
Profit/loss before taxation	**231**	**229**	**208**	**159**	**156**
Tax expense	35	53	37	36	37
Profit/loss after taxation	**196**	**176**	**171**	**123**	**119**
Remeasurements, pensions	0	0	0	0	0
COMPREHENSIVE INCOME	**196**	**176**	**171**	**123**	**119**

	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net interest income	**223**	**202**	**250**	**248**
Other operating income	34	35	32	38
Dividends and gains/losses on financial instruments	7	129	– 49	53
Net other operating income	**41**	**164**	**– 17**	**90**
Total revenues	**264**	**366**	**233**	**338**
Operating expenses	114	111	124	132
Profit/loss before impairment loss and net gain on fixed assets	**149**	**254**	**109**	**206**
Impairment loss	26	6	80	22
Profit/loss before taxation	**124**	**248**	**29**	**183**
Tax expense	29	29	17	21
Profit/loss after taxation	**95**	**219**	**12**	**163**
Remeasurements, pensions	0	0	0	– 1
COMPREHENSIVE INCOME	**95**	**219**	**12**	**162**

Consolidated financial results by quarter,
(cont.)

CONSOLIDATED FINANCIAL RESULTS BY QUARTER

As a % of average total assets	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Net interest income	**1,52 %**	**1,43 %**	**1,45 %**	**1,46 %**	**1,48 %**
Other operating income	0,26 %	0,23 %	0,25 %	0,23 %	0,24 %
Dividends and changes in the value of fin. instr.	0,38 %	0,22 %	0,37 %	0,09 %	0,17 %
Net other operating income	**0,64 %**	**0,45 %**	**0,62 %**	**0,32 %**	**0,41 %**
Total revenues	**2,17 %**	**1,89 %**	**2,04 %**	**1,76 %**	**1,90 %**
Operating expenses	0,75 %	0,72 %	0,70 %	0,82 %	0,90 %
Impairment loss	0,00 %	- 0,23 %	0,06 %	- 0,06 %	0,00 %
Profit/loss before taxation	**1,41 %**	**1,40 %**	**1,28 %**	**1,00 %**	**1,00 %**
Tax expense	0,22 %	0,32 %	0,23 %	0,23 %	0,24 %
Profit/loss after taxation	**1,20 %**	**1,08 %**	**1,05 %**	**0,77 %**	**0,76 %**
Remeasurements, pensions	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
COMPREHENSIVE INCOME	**1,20 %**	**1,08 %**	**1,05 %**	**0,77 %**	**0,76 %**

CONSOLIDATED FINANCIAL RESULTS BY QUARTER

As a % of average total assets	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net interest income	**1,43 %**	**1,35 %**	**1,73 %**	**1,71 %**
Other operating income	0,22 %	0,23 %	0,22 %	0,26 %
Dividends and changes in the value of fin. instr.	0,04 %	0,86 %	- 0,34 %	0,37 %
Net other operating income	**0,27 %**	**1,09 %**	**- 0,11 %**	**0,63 %**
Total revenues	**1,71 %**	**2,44 %**	**1,61 %**	**2,36 %**
Operating expenses	0,74 %	0,74 %	0,85 %	0,92 %
Impairment loss	0,17 %	0,04 %	0,55 %	0,16 %
Profit/loss before taxation	**0,80 %**	**1,65 %**	**0,20 %**	**1,28 %**
Tax expense	0,19 %	0,20 %	0,12 %	0,14 %
Profit/loss after taxation	**0,61 %**	**1,46 %**	**0,08 %**	**1,14 %**
Remeasurements, pensions	0,00 %	0,00 %	0,00 %	0,00 %
COMPREHENSIVE INCOME	**0,61 %**	**1,46 %**	**0,08 %**	**1,13 %**

Key figures, parent company

AMOUNTS IN MILLIONS OF NOK

INCOME STATEMENT	2019	2020	2021
Net interest income	742	706	698
Dividends and gains/losses on financial instruments	311	268	328
Other operating income	119	114	130
Operating expenses	464	467	453
Profit/loss before impairment loss (incl. gains/losses on fin. instr.)	**708**	**620**	**703**
Profit/loss before impairment loss (excl. gains/losses on fin. instr.)	**397**	**352**	**375**
Impairment loss	41	109	– 38
Profit/loss before taxation	**667**	**511**	**741**
Tax expense	102	71	108
Profit/loss after taxation	**565**	**440**	**633**
Other comprehensive income	– 1	0	0
Comprehensive income	**565**	**440**	**633**
BALANCE SHEET			
Assets			
Gross loans and advances to customers	31 663	33 053	34 341
Loss allowance	– 311	– 340	– 294
Security investments (shares, commercial paper and bonds)	7 713	9 154	9 636
Debt and equity			
Deposits from and debt to	28 629	30 700	32 568
Debt securities and debt to credit institutions	8 135	8 374	7 950
Equity	5 231	5 564	6 053
Total assets	43 067	46 021	47 768
Average total assets	41 925	45 526	46 961
KEY FIGURES			
Profitability			
Net interest margin	1,77 %	1,55 %	1,49 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,28 %	0,25 %	0,28 %
Operating expenses as a % of average total assets	1,11 %	1,03 %	0,96 %
Profit/loss before impairment loss as a % of average total assets	1,69 %	1,36 %	1,50 %
Profit/loss before tax as a % of average total assets	1,59 %	1,12 %	1,58 %
Profit/loss after tax as a % of average total assets	1,35 %	0,97 %	1,35 %
Comprehensive income as a % of average total assets	1,35 %	0,97 %	1,35 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr	53,89 %	57,04 %	54,72 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	39,60 %	42,97 %	39,19 %
Impairment loss as a % of gross loans	0,13 %	0,33 %	– 0,11 %
Return on equity before tax	14,86 %	10,27 %	14,21 %
Return on equity after tax	12,59 %	8,84 %	12,14 %
Return on equity (comprehensive income)	12,58 %	8,83 %	12,14 %
Parent company's comprehensive income per equity certificate (weighted), in NOK	25,37	19,78	28,41
Dividend payable per equity certificate, in NOK	4,00	6,00	9,00
Capital and liquidity position			
Capital adequacy	21,56 %	20,91 %	21,55 %
Core capital adequacy ratio	19,27 %	18,80 %	19,51 %
Core Tier 1 capital adequacy ratio	17,93 %	17,56 %	18,32 %
Leverage ratio	9,37 %	9,17 %	9,45 %
Liquidity Coverage Ratio (LCR)	134 %	134 %	121 %
Balance sheet history			
Growth in total assets (year-on-year)	6,58 %	6,86 %	3,80 %
Growth in gross customer lending (year-on-year)	3,87 %	4,39 %	3,90 %
Growth in customer deposits (year-on-year)	5,12 %	7,23 %	6,08 %
Deposits as a % of gross lending	90,42 %	92,88 %	94,84 %
Employees			
Full-time equivalent employees as at 31 Dec.	248	257	253

Income statement

as a % of average total assets

PARENT COMPANY			CONSOLIDATED	
2020	2021		2021	2020
2,55 %	2,16 %	Interest income	2,20 %	2,62 %
1,00 %	0,68 %	Interest expenses	0,74 %	1,12 %
1,55 %	**1,49 %**	**Net interest income**	**1,46 %**	**1,49 %**
0,28 %	0,31 %	Commission income	0,23 %	0,21 %
0,05 %	0,06 %	Commission expenses	0,04 %	0,04 %
0,59 %	0,70 %	Net gains/losses on financial instruments	0,27 %	0,19 %
0,03 %	0,02 %	Other income	0,06 %	0,06 %
0,84 %	**0,98 %**	**Net other operating income**	**0,51 %**	**0,42 %**
2,39 %	**2,46 %**	**Total revenues**	**1,97 %**	**1,91 %**
0,50 %	0,52 %	Wages, salaries, etc	0,41 %	0,40 %
0,42 %	0,36 %	Other expenses	0,28 %	0,33 %
0,11 %	0,09 %	Depreciation and impairment of fixed assets and intangible assets	0,06 %	0,07 %
1,03 %	**0,96 %**	**Total operating expenses**	**0,75 %**	**0,81 %**
1,36 %	**1,50 %**	**Profit before impairment loss and net gain on fixed assets**	**1,22 %**	**1,10 %**
0,24 %	– 0,08 %	Impairment loss	– 0,06 %	0,18 %
1,12 %	**1,58 %**	**Profit/loss before taxation**	**1,28 %**	**0,92 %**
0,16 %	0,23 %	Tax expense	0,25 %	0,19 %
0,97 %	**1,35 %**	**Profit/loss for the financial year**	**1,03 %**	**0,73 %**
		Other comprehensive income		
0,00 %	0,00 %	Gain/loss on available-for-sale financial assets	0,00 %	0,00 %
0,00 %	0,00 %	Remeasurements, pensions	0,00 %	0,00 %
0,00 %	**0,00 %**	**Other comprehensive income for the period after tax**	**0,00 %**	**0,00 %**
0,97 %	**1,35 %**	**Comprehensive income**	**1,03 %**	**0,73 %**
45 526	**46 961**	**AVERAGE TOTAL ASSETS**	**64 604**	**60 722**

BOARD OF DIRECTORS 2021

Members
Sindre Kvalheim, Måløy (Chair)
Magny Øvrebø, Os (Deputy Chair)
Monica Rydland, Bergen
Johnny Ivar Haugsbakk, Flekke
Lise Mari Haugen, Askvoll
Geir Opseth, Førde
Marie Heieren, Førde (employee)
Jo Dale Pedersen, Florø (employee)

Deputy members
1st deputy: Jan Nikolai Hvidsten, Førde
2nd deputy: Hanne Katrine Mundal, Bygstad

Deputy employee representatives
Deputy to Marie Heieren Torunn Steimler, Bergen
Deputy to Jo Dale Pedersen: Geir Grime, Førde

2021 ANNUAL GENERAL MEETING

Members representing Nordfjord
Bernt Reed, Breim (Chair)
Ranveig Årskog, Lote

Deputy members for Nordfjord
Espen Walter Gulliksen, Rugsund

Members representing Sunnfjord
Brigt Samdal, Eikefjord
Kjersti Østerbø Bell, Viksdalen
Inger Johanne Bergstad Osland, Flekke
Jakob Andre Sandal, Skei in Jølster

Deputy members for Sunnfjord
1st deputy: Rune Hegrenes, Førde
2nd deputy: Tor Einar Erikstad, Holmedal

Members representing Sogn incl. Bergen
Marit Lunde, Leikanger
Monica Oppedal, Høyanger
Birgitta Hagen Kyrkjebø, Kyrkjebø

Deputy members for Sogn and Bergen
Anne Kristin Aarskog, Leikanger

Employee representatives
Harald Slettvoll, Førde
Ole Martin Eide, Skei
Nils Vegard Kvam, Sogndal
Ragnhild Helgheim, Byrkjelo
Tor Ulsten, Florø
Heidi Berge, Bygstad

Deputy employee representatives
1st deputy: Julie Vårdal Heggøy, Dale
2nd: Trond Eiken, Sogndal

Representatives of equity certificate owners
Rolf Kleiven, Dale
Ingunn Sognnes, Leirvik
Bente Nesse, Høyanger
Harald Kvame, Naustdal
Marit Lofnes Mellingen, Leikanger
Lise Mari Haugen, Askvoll
Helge Holm Marøy, Sogndal
Frank Kirkebø, Førde
Monika Refvik, Måløy
Jon Rune Heimlid, Stryn

Deputies for representatives of equity certificate owners
1st deputy: Randi Engen, Dale
2nd deputy: Sissel Wik, Måløy
3rd deputy: Kristin Kyrkjebø, Dale
4th deputy: Margunn Grytten Selvik, Kvammen

ELECTION COMMITTEE FOR DEPOSITORS' REPRESENTATIVES AND BOARD OF DIRECTORS

Members
Marit Lunde, Leikanger (Chair)
Marit Lofnes Mellingen, Leikanger
Ole Martin Eide, Førde

Deputy members
Brigt Samdal, Eikefjord
Rolf Kleiven, Fjaler
Tor Ulsten, Florø

ELECTION COMMITTEE FOR ELECTION OF EQUITY CERTIFICATE HOLDER REPRESENTATIVES

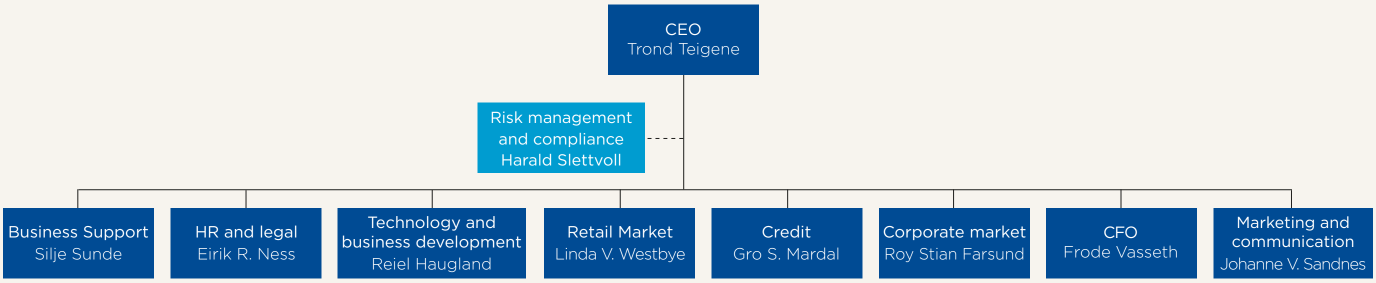
Members
Monika Refvik, Måløy (Chair)
Helge Holm-Marøy, Sogndal
Rolf Kleiven, Fjaler

Deputy members
1st deputy: Marit Lofnes Mellingen, Leikanger
2nd deputy: Frank Kirkebø, Førde
3rd deputy: Jon Rune Heimlid, Stryn

Organisational chart

at 31 December 2021

Executive Management



TROND TEIGENE

CEO

Trond Teigene (1968) has been CEO since spring 2016.
He had previously been the Bank's Director of Strategy and Business Development. Teigene has worked at Sparebanken Sogn og Fjordane since 2000. Teigene sits on the boards of Balder Betaling AS and Frende Holding AS. He has an MA in Strategic Management from the Norwegian Business School BI.

FRODE VASSETH

CFO

Frode Vasseth (1977) has been CFO since 2013. Before that, he was Director of Business Support. Vasseth has worked at Sparebanken Sogn og Fjordane since 2002. Vasseth sits on the boards of Bustadkreditt Sogn og Fjordane AS, Eiendomskreditt AS, Norne Securities AS, Fjord Invest Sørvest AS and Fjord Invest AS. He holds an MA in Economics and studied to become an authorised financial analyst at the Norwegian School of Economics.

LINDA VØLLESTAD WESTBYE

Retail Banking Director

Linda Vøllestad Westbye (1979) has been Retail Banking Director since May 2018.
She was previously a department manager at the Norwegian Gambling and Foundation Authority. Before that, she had worked at the Norwegian Road Victims Association and University of Bergen. Westbye sits on the boards of Eigedomsmekling Sogn og Fjordane AS, Bustadkreditt Sogn og Fjordane AS and Norsk Tipping AS. She holds an MA in social anthropology from the University of Bergen.

ROY STIAN FARSUND

Corporate Banking Director

Roy Stian Farsund (1975) has been Corporate Banking Director since January 2021.
He was previously our head of corporate banking in Sunnfjord. Farsund joined Sparebanken Sogn og Fjordane in 2008, and before that he worked at Nordea.
He has an MA in Strategic Management from the Norwegian Business School BI.

SILJE SUNDE

Director of Business Support

Silje Sunde (1980) has been Director of Business Support since November 2017. Previously she was a data warehouse architect, and she has worked at the Bank since 2015. Before that, she worked at Accenture and Capgemini. She has dedicated responsibility for following up the Women in Finance Charter. Sunde has a master's degree in Communications Technology from the Norwegian University of Science and Technology.

GRO SKREDE MARDAL

Director of Credit Management

Gro Skrede Mardal (1974) has been Director of Credit Management since 2013. Before that, she was the controller for the corporate market, and she has worked at the Bank since 1998. Mardal holds an MA in Economics from the Norwegian School of Economics.

REIEL HAUGLAND

Director of Technology

Reiel Haugland (1981) has been Director of Technology since 2016. Before that, he was the technical manager for business development. He has worked at Sparebanken Sogn og Fjordane since starting as a trainee in 2007. Haugland sits on the board of Eigedomsmekling Sogn og Fjordane AS and IT-Forum Vest, and is a member of NCE Finance Innovation's Advisory Board. He has a BA from Volda University College and a master's in Technology and Innovation from the Norwegian School of Economics.

EIRIK ROSTAD NESS

HR Director

Eirik Rostad Ness (1969) has been HR Director since 2017. He was previously the chief union representative at the Bank, where he has worked since 2009. Before that, he worked as the national secretary of the Norwegian Red Cross and as an advisor at the Ministry of Children and Families and the Norwegian Gambling and Foundation Authority. He sits on the board of Eigedomsmekling Sogn og Fjordane AS and is a member of Finance Norway's specialist committee on working life. He has an MA in Social Geography from the University of Oslo.

JOHANNE VIKEN SANDNES

Director of Marketing and Communication

Johanne Viken Sandnes (1983) has been Director of Marketing and Communication since May 2018. She was previously head of communication. Sandnes joined Sparebanken Sogn og Fjordane in November 2017, before which she worked as a communications adviser at TV 2 and Knowit. Sandnes is on the board of Framtidsfylket. She holds a bachelor's degree from Volda University College.

HARALD SLETTVOLL

Director of Risk Management and Compliance

Harald Slettvoll (1974) has been Director of Risk Management and Compliance since 2017. Over the period 2008-2016 he was also involved in risk management at the Bank, as well as being the CEO of our subsidiary Bustadkreditt Sogn og Fjordane AS for six of those years. Before joining the Bank, he worked as a lecturer at the Sogn og Fjordane University College. Slettvoll holds an MA in Economics from the University of Bergen.

Sustainability appendix

2021

More details about Sparebanken Sogn og Fjordane's work on sustainability

Contents

Stakeholder engagement

The Bank is constantly engaged in dialogue with its stakeholders. This involves identifying stakeholders, gathering suggestions and integrating them into our operations, and communicating information that is of importance to the stakeholders.

At Sparebanken Sogn og Fjordane, we are convinced that we must respond to the interests of a wide range of stakeholders, as well as those of our owners. Stakeholder engagement is a vital prerequisite for succeeding with that. In order to ensure good stakeholder engagement, we use a variety of tools, including surveys of our customers and employees, and meeting in a variety of contexts.

OVERVIEW OF STAKEHOLDERS

The table below sets out the groups that we have defined as the Bank's stakeholders, their areas of interest and how we communicate with them:

STAKEHOLDER GROUP	AREAS OF INTEREST TO STAKEHOLDERS	NATURE OF DIALOGUE
Customers – Retail customers – Corporate customers – Clubs and associations	– Prices and terms and conditions – Sponsorship and CSR – Good digital solutions – Local links – Financial expertise – Transparent and ethical business practice – Climate change and the environment	– Face-to-face meetings with customer advisers – Phone, e-mail and text message – Customer surveys – Social media – Dialogue through our online bank – Sales and marketing – Events
Employees – Parent company – Subsidiaries – Elected officers – Safety representatives	– Working conditions – Working environment – Corporate social responsibility – Equality and diversity – Personal development	– Employee satisfaction surveys – Works council – Intranet and Teams – Meetings at various levels of organisation – Annual events
Owners – Sparebankstiftinga Sogn og Fjordane – Sparebankstiftinga Fjaler	– Operations, profitability and financial results – Transparent and ethical business practice – Distribution of gifts – Climate change and sustainability	– Regular face-to-face meetings – Company website – Presentations – Phone and e-mail
Local community – Non-customers – Politicians – Educational institutions – Recipients of gifts – Sponsees	– Transparent and ethical business practice – Financial expertise – Business development – CSR, gifts and sponsorships – Support for education and innovation – Grants for talented young people	– Events and sponsorships – Gifts – Face-to-face meetings – Phone and e-mail – Advertising – Regional and local media
Subsidiaries and associates – Bustadkreditt Sogn og Fjordane AS – Eigedomsmekling Sogn og Fjordane AS – Bankeigedom Sogn og Fjordane AS – Frende Forsikring, Balder, SB 1 Finans MN AS, Vipps,	– Operations, profitability and financial results – Corporate social responsibility – Climate and sustainability (ESG)	– Face-to-face and digital meetings – E-mail and phone
Credit rating agencies and analysts – Moodys Analytics	– Operations, profitability and financial results – Climate and sustainability (ESG)	– Face-to-face and digital meetings – E-mail and phone

STAKEHOLDER GROUP	AREAS OF INTEREST TO STAKEHOLDERS	NATURE OF DIALOGUE
Suppliers – IT, marketing, auditing, consultancy, HR, health and safety, money transport, security, energy, etc.	– Prices and terms and conditions – Labour rights – Guidelines and policies relating to sustainability – Responsible procurement	– Dialogue on tenders – Face-to-face and digital meetings – E-mail and phone
Government authorities – Financial Supervisory Authority of Norway – Norges Bank – Norwegian Competition Authority – Norwegian Data Protection Authority	– Operations – Regulations – Data protection (GDPR) – Anti-Money Laundering Act – Information security and stable IT systems – Responsible lending and investment	– Face-to-face and digital meetings – E-mail and phone – Reporting – Inspection
Investors – Investors, brokers	– Corporate governance – Labour rights – Responsible and ethical business practice – Sustainability (ESG) – Sustainable products	– Website – E-mail and phone
Board of Directors/AGM – Chair and Board members – AGM members	– Operations, profitability and financial results – Corporate governance – Climate change and sustainability	– Regularly monthly Board meetings – Face-to-face and digital meetings – E-mail and phone – AGMs
Competitors – Local, national and international players	– Bank regulation – Climate change risk – Work on sustainability (ESG)	– Face-to-face and digital meetings – E-mail and phone – Various events
Stakeholder organisations – Finance Norway – UN Global Compact – Eco-Lighthouse – Environmental organisations	– The Bank's work on sustainability – Equality and diversity – Climate change and the environment	– Face-to-face and digital meetings – E-mail and phone
Media – Local newspapers – Regional and national media	– Corporate social responsibility – Support for local businesses – Operations, profitability and financial results – Equality and diversity	– Face-to-face meetings – Press releases/conferences – Blog posts, social media – E-mail and phone

MORE INFORMATION ABOUT THE STAKEHOLDER SURVEY CARRIED OUT IN 2020

In 2020, the Bank carried out a materiality assessment to uncover which environmental, social and governance (ESG) issues are important to our stakeholders. As part of that process, we carried out a survey of retail customers and employees, as well as in-depth interviews with some of our employees and with our biggest shareholders. The survey results clearly showed that our owners, employees and customers expected the back to put sustainability high on the agenda. In order to study which topics are material, we have put the responses to the survey in a matrix.

Important to stakeholders	Important to Sparebanken Sogn og Fjordane: Important	Important to Sparebanken Sogn og Fjordane: Material
Material		• Digital security • Anti-corruption • Financial crime • No support for controversial people/organisations • Data protection • Local ownership and roots • Customer satisfaction • Personalised advice
Important	• Green products • Supplier requirements – Greenhouse gases • Customer requirements – GHG accounts • Reducing GHG emissions	

Financial crime

Most important steering document

Overall procedures to prevent money laundering and financing of terrorism

Risk assessment for money laundering and financing of terrorism 2021

Related to these UN Sustainable Development Goals (SDGs)

Who is responsible at the Bank?

Anti-money laundering dept of business support division

FINANCIAL CRIME

WHY IS THIS MATERIAL TO US?

Financial crime, such as fraud, corruption, occupational crime, money laundering and tax evasion, represents a big problem to society and is a threat to the welfare state, as well as undermining a sustainable business community based on free competition on equal terms. Combating financial crime, such as laundering money obtained from criminal activities, is an important task. It is part of our role in society to ensure that the financial industry is not used to facilitate criminal actions through our services and products.

HOW DO WE ADDRESS AND EVALUATE THIS TOPIC?

This topic is a high priority for the Bank. We take our corporate social responsibility seriously, by ensuring good compliance with laws and regulations designed to combat money laundering and the financing of terrorism. This helps to ensure financial sustainability and societal development. As part of its work, the Bank shall identify and assess the risk of money laundering and the financing of terrorism associated with its clients, and ensure that appropriate counter-measures are taken based on its risk assessment. The Bank has no tolerance level for being used for money laundering or the financing of terrorism.

ANY MEASURES IMPLEMENTED IN 2021

In 2021, all of the Bank's employees took a mandatory course on anti-money laundering and financial crime. The Bank's Board members also completed a course. Providing employees with good, focused training helps to strengthen our efforts to combat money laundering, the financing of terror and financial crime. We have added several FTEs to our anti-money laundering department over the past year. The Board has increased its focus on anti-money laundering, with regular monthly updates on the Bank's customer portfolio and customers' use of the Bank.

PLANS FOR 2022

The bank will continue with training and awareness-raising programmes for employees in this important area. This is a continuous process. We will also further expand our anti-money laundering department, and appoint a head of financial crime. In 2022 we will also review our work processes and information sharing to ensure closer cooperation and more effective risk management with respect to money laundering and the financing of terrorism.

MONEY LAUNDERING RISK

In the Norwegian national risk assessment and the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime's risk assessment, the banking and finance industries are defined as industries at high risk of being used for money laundering. The Board of SSF has adopted a moderate risk tolerance with respect to the risk of money laundering and financing of terrorism. All customer checks and activities to reduce risk at the Bank are risk-based, to ensure that resources are used as efficiently as possible. A prerequisite for this risk-based approach is carrying out a company-specific risk-assessment in which the Bank identifies and assesses its own risk with respect to money laundering and the financing of terrorism. If the residual risk is higher than the risk tolerance adopted by the Board of SSF, additional risk-reduction measures are implemented.

COMMUNICATION AND TRAINING	2020	2021
Number of employees who have received information about anti-money laundering	262	276
Percentage	100 %	100 %
Number of employees who have received training in anti-money laundering	98	276
Percentage	37 %	100 %
Number of Board members who have received information about anti-money laundering	8	8
Percentage	100 %	100 %
Number of Board members who have received training in anti-money laundering	0	8
Percentage	0	100 %

NOTES ON COMMUNICATION AND TRAINING

The bank ensures that employees and other people who do work for the Bank are given training so that they are familiar with the Bank's risk exposure, understand their own obligations and those of the Bank under money laundering legislation, and are able to recognise situations that may be indicative of money laundering and the financing of terror.

ACTUAL CASES AND COUNTERMEASURES	2020	2021
Total cases		
Total cases relating to internal fraud	0	0
Total cases relating to external fraud	3 371	345 *

* Figure for first half of 2021

COMMENTS

The duty to investigate applies to all suspicious circumstances/transactions. The duty to investigate covers future, ongoing and completed transactions. If the Bank uncovers circumstances that may indicate that funds are linked to money laundering or the financing of terrorism, it shall investigate further.

GRI indicators: 103-1, 103-2, 103-3, 205-1, 205-2, 205-3

Our employees

Where can I find information about the Bank's guidelines?

Annual report, strategy, remuneration policy, employee handbook.

Related to these UN Sustainable Development Goals (SDGs)

Who is responsible at the Bank?

HR Director
Eirik Rostad Ness
of the HR department.

WORKING CONDITIONS

WHY IS THIS IMPORTANT TO THE BANK?

Sparebanken Sogn og Fjordane is a service provider. Our employees are the most important resource we have to maintain and strengthen our market position. We must therefore continuously monitor competition in the labour market. When setting employees' terms of employment, we must also comply with the stipulations of relevant legislation, collective wage agreements and the bank's remuneration policy.

HOW DO WE ADDRESS THIS TOPIC?

In addition to the stipulations of the Working Environment Act and the Financial Institutions Regulations, this area is covered by the bank's strategy and the remuneration policy adopted by the Board. The remuneration policy is implemented in practice and reviewed. Compliance with the policy is reported to the Board and reviewed each year by the bank's internal auditor. All recruitment decisions that do not fall under the company agreement's definition of senior management are handled by the bank's recruitment committee, which also has employee representatives. In conjunction with the annual wage review, there are discussions with employee representatives regarding the level and focus of the local pay settlement.

Pursuant to various laws, Sparebanken Sogn og Fjordane has an obligation to carry out self-assessments of certain employee representatives and employees. In its circular 1/2020, the Financial Supervisory Authority has given a more detailed explanation of the rules and of how they should be put into practice. The bank must ensure that it complies with the rules on self-assessments in accordance with the abovementioned circular, or with subsequent revised versions thereof.

HOW DO WE EVALUATE THIS TOPIC?

The Remuneration Committee shall prepare all matters relating to the remuneration policy that are to be reviewed by the Board. The committee shall support the Board in its efforts to ensure that the bank at all times has a remuneration policy in place and adheres to and implements its stipulations. The Board shall, at least once a year, review the implementation of the policy in order to assess and monitor its impact. The review shall be documented by a report drawn up by the Remuneration Committee. Before being presented to the Board, the report shall be reviewed by the internal auditor. If requested, the report shall be sent to the Financial Supervisory Authority.

A self-assessment shall be carried out in the event of any changes to the Board, the CEO and other managers and key personnel. The head of the HR department is responsible for ensuring compliance with the statutory requirements at any given time. This includes ensuring that the AGM's election committee performs a self-assessment of the candidates they propose, and that the necessary self-assessments are carried out in the event of changes to the organisational structure.

STEERING DOCUMENTS

- Sparebanken Sogn og Fjordane's remuneration policy
- The Board's report on establishing the salaries and other benefits of senior managers.
- The Board's guidelines for establishing the salaries of managers.
- Guidelines on the allocation to employees of equity certificates, subscription rights, options and other benefits associated with the bank's equity certificates.
- Basic Agreement, Central Agreement and Company Agreement
- Procedures for self-assessment at Sparebanken Sogn og Fjordane (cf. circular no. 1/2020 from the Financial Supervisory Authority).

NUMBER OF NEW EMPLOYEES AND STAFF TURNOVER	2021
Age distribution of new employees (permanent staff):	
Under-30s	4
Aged 30–50	6
Over-50s	3
New female employees	6
New male employees	7
Employees by region	We only have one region
Total staff turnover	5,81 %
Turnover of women	2,71 %
Turnover of men	3,10 %
Turnover by region	We only have one region

PARENTAL LEAVE	2021
Female employees entitled to parental leave	All
Male employees entitled to parental leave	All
Female employees who took parental leave	11
Male employees who took parental leave	5
Female employees who returned to work after the end of their parental leave (4 are still on leave)	7
Percentage	64 %
Male employees who returned to work after the end of their parental leave	5
Percentage	100 %
Female employees who returned to work after the end of their parental leave and were still employed 12 months later	6
Percentage	86 %
Male employees who returned to work after the end of their parental leave and were still employed 12 months later	5
Percentage	100 %

LEARNING

WHY IS THIS IMPORTANT TO THE BANK?

Our strategy states that having a highly qualified and motivated organisation is one of our competitive advantages. Our organisation must have a business culture based on our ability to learn, develop, cooperate and communicate openly. The main goal of all training activities is to ensure that the bank's employees gain the skills needed to achieve the bank's commercial goals, meet industry requirements and safeguard the bank's reputation. Professional development and career planning are important tools for recruiting and retaining the best employees and key personnel.

HOW DO WE ADDRESS THIS TOPIC?

Skills development goals are described in the bank's overall strategy and in a number of area-specific strategies drawn up by the bank. The bank performs skill surveys to identify skills gaps. This is also an important consideration in the HR department's annual risk assessments. Skills development is incorporated into staff appraisals, during which a development plan is drawn up for the individual employee. Skills development is also an important element of the bank's onboarding programme.

The Bank is signed up to the financial services industry's certification schemes for savings and investment, credit provision, and non-life and life insurance. These certification schemes are obligatory for customer advisers in the retail banking market. The Bank also offers grants for taking courses and further education. The further education must reflect the Bank's needs and form a part of the individual employee's development plan.

The bank carries out both digital training activities, through webinars, Teams meetings and the e-learning tool Motimate, and face-to-face meetings and professional training events. We have established expert groups for various areas of expertise, and they provide regular suggestions on the Bank's training activities. Individual employees have a responsibility for their own professional and personal development. Managers at all levels are responsible for ensuring that employees receive the necessary training.

HOW DO WE EVALUATE THIS TOPIC?

Measures that help to limit and uncover any weaknesses in the skills/training activities: skill surveys, internal audits in selected areas, internal controls, compliance, recording incidents in the incident database, dealing with customer complaints, status reports from the Finance Industry's Authorisation schemes (FinAut), benchmarking and Finance Norway's annual skills survey.

DIVERSITY AND EQUALITY

WHY IS THIS IMPORTANT TO US?

The bank's goal is to recruit staff who reflect the society that we belong to. Our strategy, recruitment policy and remuneration policy include specific goals relating to equal treatment. This is important in terms of reinforcing our reputation as an attractive workplace, meeting our strategic goals and obligations in terms of operating sustainably, and fulfilling our responsibility as an important contributor to the local community in Sogn og Fjordane. There is also research documenting that in many contexts diversity has a positive impact on the working environment, development and value creation.

HOW DO WE ADDRESS THIS TOPIC?

Our strategy, recruitment policy and remuneration policy are the most important steering documents. Measures to promote diversity and equality are initiated and followed up by the HR department. We have done a lot of hard work in the areas of diversity and equality, and in 2019 we came top of the national "SHE Index" for equal opportunity.

We want to enable women to take up management positions, and we are working systematically to increase the proportion of women managers. Diversity and equality plays a central role in the bank's recruitment work and management development programme.

HOW DO WE EVALUATE THIS TOPIC?

The gender balance and pay gaps for different grades are reviewed each year and reported in our annual report. There is a separate section on equality in the annual report. The bank also reports its gender balance and gender pay equality to the national SHE Index. In addition, we encourage staff to rate the bank's work on diversity and equality through the portal "Equality Check". We are working to develop local gender pay gap indicators, to help us monitor changes over time and take systematic action to achieve and maintain gender pay equality at the bank. Diversity and gender pay equality is regularly discussed with the employee representatives in the Works Council and with the Board of Directors.

STEERING DOCUMENTS

- Strategy
- Sparebanken Sogn og Fjordane's remuneration policy

DIVERSITY	2020	2021
Age distribution		
Under-30s	10 %	12 %
Aged 30–50	52 %	50 %
Over-50s	37 %	38 %
Age distribution of governing body (Board):		
Under-30s		0 %
Aged 30–50		50 %
Over-50s		50 %

GENDER PAY EQUALITY	2020	2021
Women's earnings as a percentage of men's earnings (by grade):		
Grade 1 – CEO	0 %	0 %
Grade 2 – Senior management team	86 %	86 %
Grade 3 – Other line managers	90 %	83 %
Grade 4 – Technical managers	88 %	87 %
Grade 5 – Advisers/customer service agents	90 %	90 %
Grade 6 – Consultants and others	90 %	90 %
Temporary members of staff	156 %	98 %

NON-DISCRIMINATION

WHY IS THIS IMPORTANT TO US?

The bank is dependent on the trust of its customers, the authorities, the equity certificate owners, its lenders and wider society. It is therefore important for our organisation to maintain high ethical standards. The Bank's decisions shall be based on ethical principles that are in line with society's view of what is right and wrong and reflect the Bank's role in society.

It is important to work consciously and proactively to prevent discrimination, in order to reinforce our reputation as an attractive employer, and to meet our strategic goals and obligations with respect to sustainability. The Bank is one of the key businesses in Sogn og Fjordane, and we believe that expressing our views clearly helps to influence the society that we are a part of.

The Bank wishes to create a positive working environment that enables personal development and provides challenges. That requires mutual trust, cooperation, inclusiveness, engagement and transparency. All employees have a responsibility for creating a good working environment.

We expect all employees to be polite and to treat each other with consideration and respect. By doing so, they help to facilitate good cooperation. There shall be no discrimination. No employees shall engage in the harassment, including sexual harassment, of other people. Harassment refers to actions, omissions or words that are intended or perceived as offensive, frightening, hostile, demeaning or humiliating. Sexual harassment refers to any form of unwanted sexual attention that is intended or perceived as offensive, frightening, hostile, demeaning, humiliating or annoying. This prohibition includes harassment based on an existing, possible, past or future relationship.

HOW DO WE ADDRESS THIS TOPIC?

Our strategy, the annual employee satisfaction surveys, the Bank's ethical guidelines and our whistleblowing procedures are the most important steering documents.

The main focus is on recruitment, pay, promotion and career opportunities. These processes are managed and monitored by the HR department. In addition, all employees must each year confirm that they have read and familiarised themselves with the Bank's ethical guidelines.

Employees have a right to report censurable conditions. The Bank has therefore established procedures for doing this, and systems to ensure that the necessary actions are taken to rectify any such conditions. Rules shall also be in place to protect employees who report censurable conditions, to promote transparency and to encourage a good speak-up culture at the Bank.

Employees also have a duty to report censurable conditions. The Bank has therefore drawn up procedures to uncover any risks to life and health, harassment, discrimination and work or workplace-related illnesses. The procedures shall ensure that the necessary corrective actions are taken to eliminate the abovementioned risks, end the harassment or discrimination and prevent the work or workplace-related illnesses.

HOW DO WE EVALUATE THIS TOPIC?

There is a separate section on ethics, discrimination and equality in our annual report. The HR department is responsible for ensuring compliance with the prohibition against discrimination within the organisation. The HR department ensures that all employees confirm that they are familiar with the ethical guidelines. Any whistleblowing cases are described in the risk report (prepared by the bank's risk management department) which is presented to the Board during the fourth quarter.

GRI indicators: 103-1, 103-2, 103-3, 401-1, 401-2, 401-3, 405-1, 405-2

Supplier requirements

Most important steering document

Guidelines can be found in the Bank's procurement strategy and procedures.

Related to these UN Sustainable Development Goals (SDGs)

Who is responsible at the Bank

Procurement manager

WHY IS THIS MATERIAL TO US?

Sparebanken Sogn og Fjordane has around 150 regular suppliers, small and large, which means that the Bank has the power to promote positive change by influencing how these companies take responsibility for sustainable development and value creation. By establishing requirements and monitoring adherence to them, and through cooperation, we shall ensure that our suppliers and business partners comply with Norwegian legislation and recognised standards for corporate social responsibility, as well as binding international agreements and conventions.

HOW DO WE ADDRESS THIS TOPIC?

Goods and services supplied to Sparebanken Sogn og Fjordane shall be produced in a way that is consistent with the requirements laid down in the Bank's ethical guidelines and sustainability policy. Currently we ensure this through dialogue with our suppliers. We wish to further formalise this process, so that customers can be confident that the Bank is in control of its whole value chain, including in cases where we use our business partners to supply products and services.

WHAT DID WE ACHIEVE IN 2021?

In 2021 we worked to incorporate requirements and attitudes relating to sustainability into our systems. We have established procedures and guidelines to ensure that sustainability is assessed and taken into account in procurement processes, and sustainability is one of several criteria that the Bank looks at when assessing new suppliers and business partners.

PLANS FOR 2022

In 2022 we want to set more specific environmental requirements for our suppliers. We will also develop methods and tools for monitoring the performance of our suppliers with respect to ESG.

GRI indicators: 103-1, 103-2, 103-3

Climate change and the environment

Most important steering document

The Bank's strategy

Related to these UN Sustainable Development Goals (SDGs)

Who is responsible at the Bank?

The Bank's sustainability officer is responsible for preparing the GHG accounts in accordance with the GHG Protocol. Together with the technical manager for property management, procurement manager, sustainability working group and environment working group, they propose specific measures to reduce emissions.

EMISSIONS

WHY IS THIS IMPORTANT TO US?

Sparebanken Sogn og Fjordane shall be a business that supports the transition to a more climate-friendly and sustainable society. This is a natural part of our corporate social responsibility. We wish to be a driving force for the environment in Sogn og Fjordane, so it is important for us to strive to improve our own performance, as well as that of our customers and business partners.

HOW DO WE ADDRESS THE TOPIC?

The Bank is Eco-Lighthouse certified and reports its emissions in accordance with the GHG Protocol. We monitor our own emissions and work systematically to reduce them. In addition, we set requirements for our suppliers and business partners, so we also reduce emissions indirectly. Furthermore, we have signed up to various initiatives that involve an undertaking to reduce our emissions. These include Klimapartnere Vestland, which commits us to being fossil fuel-free by 2030. Another example is signing up to the United Nations Environment Programme Finance Initiative (UNEP FI), which commits us to following six principles for responsible banking. We have signed electricity contracts with guarantees of origin for several of our branches.

WHAT DID WE ACHIEVE IN 2021?

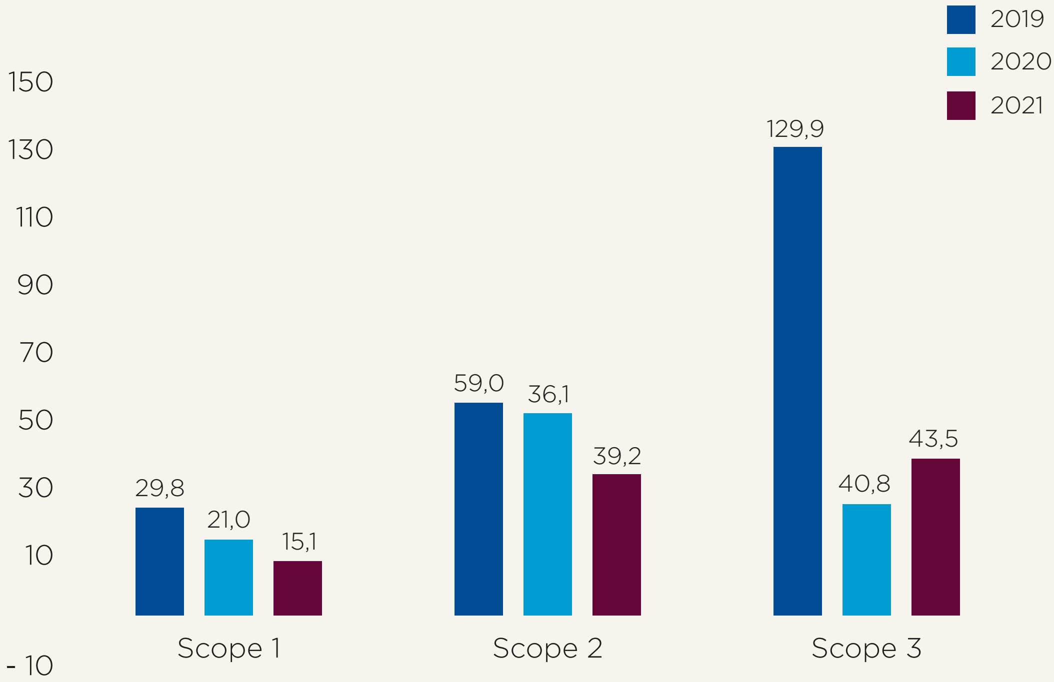
The Bank keeps GHG accounts. Our goal is to reduce emissions, and we monitor our progress over the course of the year. In 2021 our focus was on travel, and how to reduce it. Our managers and employees shall be conscious of the impact of travel on climate change, and they are encouraged to participate in events remotely where possible. In 2021 we focused on energy efficiency and reuse when renovating our premises.

PLANS FOR 2022

In 2022 we will draw up a detailed plan of action for how to reduce our emissions. Our goal is to be carbon neutral by 2040, and our plan of action will include specific subsidiary targets to help us achieve that goal. We will review our portfolio of loans and the emissions associated with it. In 2022 we will replace our bank cards with ones made of a bioplastic that will reduce the emissions associated with producing the cards.

OUR GREENHOUSE GAS EMISSIONS IN 2021 WERE DISTRIBUTED AS FOLLOWS:		
Scope 1	15,1 tCO2e	15,4%
Scope 2	39,2 tCO2e	40,1%
Scope 3	43,5 tCO2e	44,5%

GRI indicators: 103-1, 103-2,103-3, 305-1, 305-2, 305-3, 205-4, 305-5



COMMENTS ON THE GHG ACCOUNTS

In 2021, Sparebanken Sogn og Fjordane's total greenhouse gas emissions amounted to 97.7 tonnes of CO_2 equivalents (tCO2e), which was 20.1 tCO2e lower than in 2020. One important reason for the reduction in emissions was the fact that there was less need for travel due to restrictions related to Covid-19. Scope 1 and Scope 2 emissions both fell in 2021. Scope 3 emissions were higher than in 2020. This is partly because we included the emissions generated by the production of our bank cards in 2021. Bank cards are our only physical product, and we consider it important to include them in our GHG accounts. In 2022 we will replace our bank cards with new ones that incorporate more bioplastic, which will reduce our emissions. Find out more about our emissions in our GHG accounts.

Carbon Accounting Report 2021

This report provides an overview of the organisation's greenhouse gas (GHG) emissions, which is an integrated part of the organisation's climate strategy. Carbon accounting is a fundamental tool in identifying tangible measures to reduce GHG emissions. The annual carbon accounting report enables the organisation to benchmark performance indicators and evaluate progress over time.

This report comprises the head office in Førde, as well as the sales offices in Bergen, Dale, Eid, Florø, Høyanger, Måløy, Sandane, Sogndal, Stryn and Øvre Årdal.

The input data is based on consumption data from internal and external sources, which are converted into tonnes CO_2-equivalents (tCO_2e). The carbon footprint analysis is based on the international standard; *A Corporate Accounting* and Reporting Standard, developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). The GHG Protocol is the most widely used and recognised international standard for measuring greenhouse gas emissions and is the basis for the ISO standard 14064-I.

CEMAsys.com

Reporting Year Energy and GHG Emissions

Emission source	Description	Consumption	Unit	Energy (MWh)	Emissions tCO_2e	% share
Transportation total				**73.0**	**15.1**	**15.4 %**
Diesel (NO)		5,952.3	liters	62.0	12.4	12.7 %
Petrol		1,133.8	liters	11.0	2.7	2.7 %
Scope 1 total				**73.0**	**15.1**	**15.4 %**
Electricity total				**1,251.5**	**38.8**	**39.7 %**
Electricity Nordic mix		1,251,479.0	kWh	1,251.5	38.8	39.7 %
District heating location total				**180.7**	**0.4**	**0.4 %**
District heating NO/Bergen		180,733.0	kWh	180.7	0.4	0.4 %
District cooling NO/Trondheim		-	kWh	-	-	-
Scope 2 total				**1,432.2**	**39.2**	**40.1 %**
Business travel total				**-**	**16.7**	**17.1 %**
Domestic, RF		27,542.0	pkm	-	6.8	6.9 %
Continental/Nordic, incl. RF		1,532.0	pkm	-	0.2	0.2 %
Intercontinental, RF		-	pkm	-	-	-
Mileage all. car (NO)		81,325.0	km	-	8.0	8.2 %
Hotel nights, Nordic	Domestic/Nordic	108.0	nights	-	1.7	1.8 %
Hotel nights, Europe	Europe	-	nights	-	-	-
Mileage all. el car Nordic	Domestic	5,571.0	km	-	-	-
Waste total				**-**	**25.2**	**25.8 %**
Residual waste, incinerated		16,221.0	kg	-	8.1	8.3 %
Paper waste, recycled		1,500.0	m^3	-	4.9	5.0 %
Paper waste, recycled		8,809.0	kg	-	0.2	0.2 %
Plastic waste, recycled		310.0	m^3	-	0.5	0.5 %
Plastic waste, recycled		1,450.0	kg	-	-	-
EE waste, recycled		2,713.0	kg	-	0.1	0.1 %
Metal waste, recycled		4,150.0	m^3	-	11.4	11.7 %
Purchased goods and services total				**-**	**1.5**	**1.6 %**
Debit card		43,442.0	pcs	-	1.5	1.6 %
Scope 3 total				-	**43.5**	**44.5 %**
Total				**1,505.2**	**97.7**	**100.0 %**
KJ				**5,418,583,745.8**		

Carbon accounting

In the carbon accounting for 2021 Sparebanken Sogn and Fjordane had a total of 97.7 tons CO2-equivalents (tCO2e). This equals a reduction of 20.1 tCO2e compared to the carbon accounting of 2020. One important reason for the reduction can be derived from a decreased demand of transport and business travels due to the continuation of travel restrictions during the Covid-19 pandemic, as well as lower waste volumes and electricity consumption due to mandatory home office in parts of 2021.

The greenhouse gas (GHG) emissions of 2021 were separated into Scope 1, 2, and 3 in the following way:

Scope 1:	15.1 tCO2e	(15.4 %)
Scope 2:	39.2 tCO2e	(40.1 %)
Scope 3:	43.5 tCO2e	(44.5 %)

There has been a reduction in emissions from Scope 1 and 2, but an increase of emissions in Scope 3 from 2020 to 2021.

Scope 1

Transportation: Actual consumption of fossil fuels in the company's vehicles (owned, rented or leased). The total fuel consumption in 2021 was 5952.3 liters of diesel and 1133.8 liters of petrol, which amounted to a total of 15.1 tCO2e, and 15.4% of the bank's total emissions. This is a reduction of 28.1% from 2020.

Scope 2

Electricity: Measured consumption of electricity in owned or rented premises/buildings for all departments of the company. The table shows greenhouse gas emissions from electricity calculated with the location-based emission factor Nordic mix. Emissions from electricity consumption have decreased by 16 tCO2e compared to 2021. Note that after an increase in the emission factor Nordic mix from 2019 to 2020 the emission factor has decreased by 24.39% from 2020 and by 30.59% compared to 2019.

Electricity with a market-based factor is presented under the tables in this report. The practice of presenting the emissions from electricity consumption with two different emission factors is further explained under Scope 2 in Method and sources. Sparebanken Sogn and Fjordane did not buy any Guaranties of Origin (GoO) for its electricity consumption in 2020.

District heating: Use of district heating in owned/rented buildings. Total greenhouse gas emissions from district heating reduced by 66.67% from 1.2 tCO2e in 2020 to 0.4 tCO2e in 2021.

Scope 3

Flights: Measured person-kilometers (pkm) per region. The emissions of greens house gases from flights amounted to 7.0 tCO2e, which accounts for 6.9% of the total greenhouse gas emissions from the bank in 2021. Compared with 2020, the emissions from flights reduced by 1.7 tCO2e.

Mileage allowance: Reported km for which mileage allowance was paid. The mileage compensation was given for 81,325 km travelling with fossil cars and 5,571 km with electric cars. In total, this amounted to 8.0 tCO2e, which corresponds to 8.2% of the bank's total greenhouse gas emissions.

The bank repported 2 050 km with electric cars in 2020, which showcase a significant increase in the reported kilometer. This equals to 0.014 tCO2 in 2020 and 0.044 tCO2e in 2021, and thus a 221.2% increase from 2020 to 2021. Additionally, the emission factor used to calculate the emission from milleage from electical cars har increased 18.18 %.

Hotel: Number of hotel nights. The bank's employees spent a total of 108 days in hotels in Norway or other Nordic countries. The activity from hotel accommodation generated 1.7 tCO2e, which accounts for 1.8% of the bank's total emissions.

Waste: Reported waste in kg divided into different waste fractions, including treatment method (recycled, energy recovered, landfilled). Waste accounted for an emission of 25.2 tCO2e in 2021 and for 25.8% of the total greenhouse gas emissions from the bank's operations. The emissions related to waste increased by

10.4 tCO2e, corresponding to 70.27% compared with 2020. This is mainly related to waste from metal and increased waste from plastic.

The bank reporter 50 kg plastical waste in 2020, which equal an emission of 0.001 tCO2e. As th report only showcase one desimal based on tCO2e, emissions under 0.05 is showcased with a line. In the reporting year of 2021, plastical waste has increased to 1 450 kg + 350 m3, with an emission of 0.5 tCO2e. This change is waste then equal to an increase of 47,474.9 %.

Debit cards: In 2021, the bank has reported the emissions for its 43,442 issued debit cards. Debit cards are an essential part of a bank's business and are replaced every 3-4 years for all customers. This provides a significant continuous carbon footprint for the bank's operations. The emissions related to the debit cards resulted in an emission of 1.5 tCO2e, which accounted for 1.6% of the bank's total emissions. From 2022, the bank will use a larger share of bioplastics in its production to reduce these emissions.

Excluding debit cards, emissions from Scope 3 have increased by 1.1 tCO2e in 2021 compared with 2020, corresponding to an increase of 2.7%. This is mainly due to increased emissions from waste.

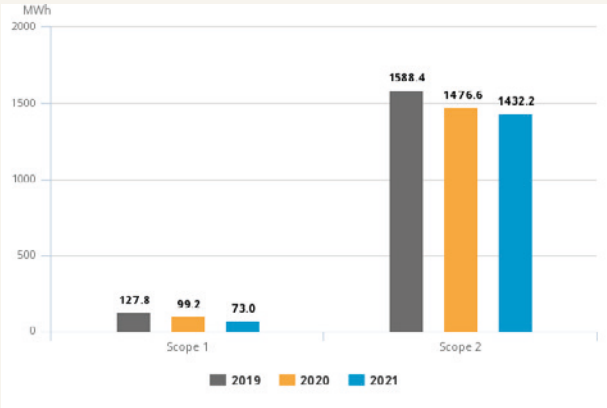
Reporting Year Market-Based GHG Emissions

Category	Unit	2021
Electricity market-based	tCO_2e	13.6
Scope 2 market-based	tCO_2e	14.0
Total market-based	tCO_2e	72.6

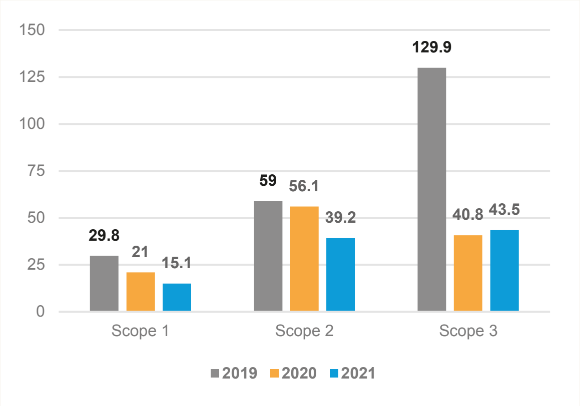
Annual GHG Emissions

Category	Description	2019	2020	2021	% change from previous year
Transportation total		**29.8**	**21.0**	**15.1**	**-28.1 %**
Diesel (NO)		29.8	21.0	12.4	-40.7 %
Petrol		-	-	2.7	100.0 %
Scope 1 total		**29.8**	**21.0**	**15.1**	**-28.1 %**
Electricity total		**55.9**	**54.8**	**38.8**	**-29.2 %**
Electricity Nordic mix		55.9	54.8	38.8	-29.2 %
District heating location total		**3.1**	**1.2**	**0.4**	**-70.9 %**
District heating NO/Bergen		3.1	1.2	0.4	-70.9 %
District cooling NO/Trondheim		-	-	-	-
Scope 2 total		**59.0**	**56.1**	**39.2**	**-30.1 %**
Business travel total		**116.4**	**26.0**	**16.7**	**-35.5 %**
Domestic, RF		50.4	8.3	6.8	-18.7 %
Continental/Nordic, incl. RF		7.5	0.4	0.2	-43.2 %
Intercontinental, RF		7.9	-	-	-
Mileage all. car (NO)		32.3	15.4	8.0	-48.1 %
Hotel nights, Nordic	Domestic/Nordic	16.3	1.9	1.7	-6.9 %
Hotel nights, Europe	Europe	2.0	-	-	-
Mileage all. el car Nordic	Domestic	-	-	-	221.2 %
Waste total		**13.5**	**14.8**	**25.2**	**70.1 %**
Residual waste, incinerated		12.9	8.5	8.1	-4.0 %
Paper waste, recycled		0.5	6.3	5.0	-19.3 %
EE waste, recycled		-	0.1	0.1	-24.9 %
Plastic waste, recycled		-	-	0.5	47,474.9 %
Metal waste, recycled		-	-	11.4	100.0 %
Purchased goods and services total		**-**	**-**	**1.5**	**-**
Debit card		-	-	1.5	100.0 %
Scope 3 total		**129.9**	**40.8**	**43.5**	**6.6 %**
Total		**218.7**	**117.8**	**97.7**	**-17.0 %**
Percentage change		**100.0 %**	**-46.1 %**	**-17.0 %**	

Yearly energyconsumption (MWh) Scope 1 & 2



Yearly emissions per Scope



Annual Market-Based GHG Emissions

Category	Unit	2019	2020	2021
Electricity market-based	tCO_2e	292.2	351.6	13.6
Scope 2 market-based	tCO_2e	295.3	352.8	14.0
Total market-based	tCO_2e	455.0	414.6	72.6
Percentage change		**100.0 %**	**-8.9 %**	**-82.5 %**

CEMAsys.com

Annual Key Energy and Climate Performance Indicators

Name	Unit	2019	2020	2021	% change from previous year
Sum square meters (m2)		9,498.0	9,498.0	9,498.0	-
Sum locations kWh/m2		167.2	155.5	150.8	-3.0 %
Totale utslipp (kgCO2e (s1+s2+s3)) /årsverk		786.6	423.8	345.3	-18.5 %
Totale utslipp (kgCO2e (s1+s2+s3)) /areal		23.0	12.4	10.3	-17.0 %

CEMAsys.com

Methodology and sources

The Greenhouse Gas Protocol initiative (GHG Protocol) was developed by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). This analysis is done according to *A Corporate Accounting and Reporting Standard Revised edition*, currently one of four GHG Protocol accounting standards on calculating and reporting GHG emissions. The reporting considers the following greenhouse gases, all converted into CO_2-equivalents: CO_2, CH_4 (methane), N_2O (laughing gas), SF_6, HFCs, PFCs and NF3.

For corporate reporting, two distinct approaches can be used to consolidate GHG emissions: the equity share approach and the control approach. The most common consolidation approach is the control approach, which can be defined in either financial or operational terms.

The carbon inventory is divided into three main scopes of direct and indirect emissions.

Scope 1 includes all direct emission sources. This includes all use of fossil fuels for stationary combustion or transportation, in owned and, depending on the consolidation approach selected, leased, or rented assets. It also includes any process emissions, from e.g. chemical processes, industrial gases, direct methane emissions etc.

Scope 2 includes indirect emissions related to purchased energy; electricity and heating/cooling where the organisation has operational control. The electricity emission factors used in Cemasys are based on national gross electricity production mixes from the International Energy Agency's statistics (IEA Stat).

Emission factors per fuel type are based on assumptions in the IEA methodological framework. Factors for district heating/cooling are either based on actual (local) production mixes, or average IEA statistics.

In January 2015, the GHG Protocol published new guidelines for calculating emissions from electricity consumption. Primarily two methods are used to "allocate" the GHG emissions created by electricity generation to the end consumers of a given grid. These are the location-based and the market-based methods. The location-based method reflects the average emission intensity of the grids on which energy consumption occurs, while the market-based method reflects emissions from electricity that companies have purposefully chosen (or not chosen).

Organisations who report on their GHG emissions will now have to disclose both the location-based emissions from the production of electricity, and the marked-based emissions related to the potential purchase of Guarantees of Origin (GoOs) and Renewable Energy Certificates (RECs).

The purpose of this amendment in the reporting methodology is on the one hand to show the impact of energy efficiency measures, and on the other hand to display how the acquisition of GoOs or RECs affect the GHG emissions. Using both methods in the emission reporting highlights the effect of all measures regarding electricity consumption.

The location-based method: The location-based method is based on statistical emissions information and electricity output aggregated and averaged within a defined geographic boundary and during a defined time period. Within this boundary, the different energy producers utilize a mix of energy resources, where the use of fossil fuels (coal, oil, and gas) result in direct GHG-emissions. These emissions are reflected in the location-based emission factor.

The market-based method: The choice of emission factors when using this method is determined by whether the business acquires GoOs/RECs or not. When selling GoOs or RECs, the supplier certifies that the electricity is produced exclusively by renewable sources, which has an emission factor of 0 grams CO_2e per kWh. However, for electricity without the GoO or REC, the emission factor is based on the remaining electricity production after all GoOs and RECs for renewable energy are sold. This is called a residual mix, which is normally substantially higher than the location-based factor. As an example, the market-based Norwegian residual mix factor is approximately 7 times higher than the location-based Nordic mix factor.

The reason for this high factor is due to Norway's large export of GoOs/RECs to foreign consumers. In a market perspective, this implies that Norwegian hydropower is largely substituted with an electricity mix including fossil fuels.

Scope 3 includes indirect emissions resulting from value chain activities. The scope 3 emissions are a result of the company's upstream and downstream activities, which are not controlled by the company, i.e., they are indirect. Examples are business travel, goods transportation, waste handling, consumption of products etc.

In general, the carbon accounting should include information that users, both internal and external to the company, need for their decision making. An important aspect of relevance is the selection of an appropriate inventory boundary which reflects the substance and economic reality of the company's business relationships.

References:

Department for Business, Energy & Industrial Strategy (2019). Government emission conversion factors for greenhouse gas company reporting (DEFRA).

IEA (2019). CO2 emission from fuel combustion, International Energy Agency (IEA), Paris. IEA (2019). Electricity information, International Energy Agency (IEA), Paris. IMO (2019). Reduction of GHG emissions from ships - Third IMO

GHG Study 2014 (Final report). International Maritime Organisation, http://www.iadc.org/wp-content/uploads/2014/02/MEPC-67-6-INF3- 2014-Final-Reportcomplete.pdf

IPCC (2014). IPCC fifth assessment report: Climate change 2013 (AR5 updated version November 2014). http://www.ipcc.ch/report/ar5/

AIB, RE-DISS (2019). Reliable disclosure systems for Europe – Phase 2: European residual mixes.

WBCSD/WRI (2004). The greenhouse gas protocol. A corporate accounting and reporting standard (revised edition).

World Business Council on Sustainable Development (WBCSD), Geneva, Switzerland /World Resource Institute (WRI), Washington DC, USA, 116 pp.

WBCSD/WRI (2011). Corporate value chain (Scope 3) accounting and reporting standard: Supplement to the GHG Protocol corporate accounting and reporting standard. World Business Council on Sustainable Development (WBCSD), Geneva, Switzerland /World Resource Institute (WRI), Washington DC, USA, 149 pp.

WBCSD/WRI (2015). GHG protocol Scope 2 guidance: An amendment to the GHG protocol corporate standard. World Business Council on Sustainable Development (WBCSD), Geneva, Switzerland /World Resource Institute (WRI), Washington DC, USA, 117.

The attached reference list is not complete, but includes the most importatant references used by CEMAsys. A number of local and or national sources could be relevant, depending on the emission factor used to calculate the carbon accounting.

GRI Index

Areas of focus	GRI INDI-CATOR	Description	Source	Where	Comments/ direct reporting
STANDARD GRI INDICATOR	ORGANISATIONAL PROFILE				
	102-1	Name of the organisation		Sparebanken Sogn og Fjordane	
	102-2	Activities, products and services	Annual report	Facts about Sparebanken Sogn og Fjordane	
	102-3	Location of headquarters	Annual report	Directors' report	
	102-4	Location of operations	Annual report	Directors' report	
	102-5	Ownership and legal form	Annual report	Directors' report: Ownership and legal form	
	102-6	Markets served	Annual report	Facts about Sparebanken Sogn og Fjordane	
	102-7	Scale of the organisation	Annual report	Key figures, consolidated Income statement Directors' report	
	102-8	Information on employees	Annual report	Directors' report: Organisational structure	
	102-9	Supply chain	Annual report	Sustainability report: Responsible procurement Sustainability appendix: Supplier requirements	
	102-10	Significant changes to the size, structure or ownership of the organisation during the reporting period			No material changes
	102-11	Precautionary principle and the organisation's approach	Annual report	Directors' report: Strategy Sustainability report Sustainability appendix: Stakeholder analysis	
	102-12	External initiatives	Annual report	News from the local community in 2021	
	102-13	Membership of associations	Annual report	Sustainability report: Initiatives we support	
	STRATEGY				
	102-14	Statements from CEO: Relevance of sustainability to the organisation and strategic choices	Annual report	CEO's review	
	ETHICS AND INTEGRITY				
	102-16	The organisation's values, principles, standards and norms of behaviour	Annual report	Directors' report: Organisational structure – Promoting equality and preventing discrimination – Principles, procedures and standards relating to equality and discrimination	
	GOVERNANCE				
	102-18	Governance structure	Annual report	Directors' report: Ownership and legal form	

Areas of focus	GRI INDICATOR	Description	Source	Where	Comments/ direct reporting
STANDARD GRI INDICATOR	STAKEHOLDER ENGAGEMENT				
	102-40	List of stakeholder groups		Sustainability appendix: Stakeholder analysis	
	102-41	Collective bargaining agreements			88.34% of employees are covered by collective bargaining agreements
	102-42	Identifying stakeholders – basis		Sustainability appendix: Stakeholder analysis	
	102-43	Approach to stakeholder engagement		Sustainability appendix: Stakeholder analysis	
	102-44	Stakeholder cooperation – key topics and concerns raised		Sustainability appendix: Stakeholder analysis	
	REPORTING PRACTICE				
	102-45	Business units – entities included in the consolidated financial statements	Annual report	Note 1: Accounting principles, section on Subsidiaries and associates Note 32: Subsidiaries and associates	
	102-46	Defining report content and topic boundaries, and implementation of reporting principles	Annual report	Sustainability report Sustainability appendix: Stakeholder analysis	
	102-47	List of material topics	Annual report	Sustainability appendix: Stakeholder analysis	
	102-48	Restatements of information	Annual report		The 2021 annual report is the first time that Sparebanken Sogn og Fjordane is reporting in accordance with GRI standards.
	102-49	Changes in reporting			The 2021 annual report is the first time that Sparebanken Sogn og Fjordane is reporting in accordance with GRI standards.
	102-50	Reporting period			2021
	102-51	Date of most recent report			The 2021 annual report is the first time that Sparebanken Sogn og Fjordane is reporting in accordance with GRI standards.
	102-52	Reporting cycle			Annual
	102-53	Contact point – questions and suggestions			Sustainability officer: Ingri Martine Fonn Macsik. E-mail: ingri.macsik@ssf.no Mobile: +47 901 99 097

Areas of focus	GRI INDI-CATOR	Description	Description	Source	Comments/ direct reporting
STANDARD GRI INDICATOR	102-54	GRI reporting option			This report has been prepared in accordance with the GRI Standards: Core option
	102-55	GRI content index	Annual report	Sustainability appendix	
	102-56	External assurance			The 2021 report has not been externally assured
ANTI-CORRUPTION AND FINANCIAL CRIME	ECONOMIC PERFORMANCE				
	201-1	Direct economic value generated and distributed	Annual report	Key figures, consolidated: CEO's review, Financial statements: Equity statement	
	GENERAL INFORMATION ABOUT FINANCIAL CRIME AND ANTI-CORRUPTION				
	103-1	Explanation of the material topic and its boundary	Annual report	Sustainability appendix: Financial crime	
	103-2	The management approach and its components	Annual report	Sustainability appendix: Financial crime	
	103-3	Evaluation of the management approach	Annual report	Sustainability appendix: Financial crime	
	ANTI-CORRUPTION				
	205-1	Transactions assessed for risks	Annual report	Sustainability appendix: Financial crime	
	205-2	Communication and training about anti-corruption policies and procedures	Annual report	Sustainability appendix: Financial crime	
	205-3	Confirmed incidents of corruption and actions taken	Annual report	Sustainability appendix: Financial crime	
OUR EMPLOYEES	GENERAL INFORMATION ABOUT EMPLOYEES				
	103-1	Explanation of the material topic and its boundary	Annual report	Directors' report: Organisational structure Sustainability appendix: Our employees	
	103-2	The management approach and its components	Annual report	Directors' report: Organisational structure Sustainability appendix: Our employees	
	103-3	Evaluation of the management approach	Annual report	Directors' report: Organisational structure Sustainability appendix: Our employees	

Areas of focus	GRI INDICATOR	Description	Source	Where	Comments/ direct reporting
OUR EMPLOYEES	EMPLOYMENT				
	401-1	New employee hires	Annual report	Sustainability appendix: Our employees	
	401-2	Employee turnover	Annual report	Sustainability appendix: Our employees	
	401-3	Number of employees, by gender, entitled to parental leave	Annual report	Sustainability appendix: Our employees	
	401-3	Number of employees, by gender, who took parental leave	Annual report	Sustainability appendix: Supplier requirements	
	401-3	Number of employees, by gender, who returned to working during the reporting period after the end of their parental leave	Annual report	Sustainability appendix: Our employees	
	401-3	Number of employees, by gender, who were still employed 12 months after returning to work after parental leave	Annual report	Sustainability appendix: Our employees	
	LEARNING				
	404-2	Programmes for upgrading employee skills and transition assistance programmes	Annual report	Directors' report: Organisational structure – Organisational development	
	404-3	Percentage of employees receiving regular performance and career development reviews	Annual report	Directors' report: Organisational structure – Organisational development	
	DIVERSITY AND EQUAL OPPORTUNITY				
	405-1	Diversity of governance bodies and management	Annual report	Directors' report: Organisational structure – Equality and diversity. Sustainability appendix: Our employees	
	405-1	Diversity of employees	Annual report	Directors' report: Organisational structure – Equality and diversity. Sustainability appendix: Our employees	
	405-2	Pay gap between men and women	Annual report	Directors' report: Organisational structure – Equality and diversity. Sustainability appendix: Our employees	
	NON-DISCRIMINATION				
	406-1	Incidents of discrimination and corrective actions taken	Annual report	Directors' report: Organisational structure – Promoting equality and preventing discrimination	

Areas of focus	GRI INDICATOR	Description	Source	Where	Comments/ direct reporting
SUPPLIERS	SUPPLIERS				
	103-1	Explanation of the material topic and its boundary	Annual report	Sustainability appendix: Supplier requirements	
	103-2	The management approach and its components	Annual report	Sustainability appendix: Supplier requirements	
	103-3	Evaluation of the management approach	Annual report	Sustainability appendix: Supplier requirements	
ENVIRONMENT	ENVIRONMENT				
	103-1	Explanation of the material topic and its boundary	Annual report	Sustainability appendix: Climate change and the environment	
	103-2	The management approach and its components	Annual report	Sustainability appendix: Climate change and the environment	
	103-3	Evaluation of the management approach	Annual report	Sustainability appendix: Climate change and the environment	
	EMISSIONS				
	305-1	Direct GHG emissions	Annual report	Sustainability appendix: Climate change and the environment GHG accounts appendix	
	305-2	Indirect GHG emissions – from energy consumption	Annual report	Sustainability appendix: Climate change and the environment GHG accounts appendix	
	305-3	Indirect GHG emissions – other	Annual report	Sustainability appendix: Climate change and the environment GHG accounts appendix	
	305-4	GHG emissions intensity	Annual report	Sustainability appendix: Climate change and the environment GHG accounts appendix	
	305-5	Reduction of GHG emissions	Annual report	Sustainability appendix: Climate change and the environment GHG accounts appendix	
	COMPLIANCE				
	307-1	Non-compliance with environmental laws and regulations			No reported breaches of environmental laws and regulations

Information about the company

SPAREBANKEN SOGN OG FJORDANE

ADDRESS:	Langebruvegen 12 6800 Førde
TEL. NO.:	+47 57 82 97 00
WEBSITE:	www.ssf.no
E-MAIL:	kundesenter@ssf.no
ORGANISATION NUMBER:	946 670 081

CONTACT PEOPLE:

Trond Teigene
CEO
Tel. no.: +47 90 82 50 86

Frode Vasseth
CFO
Tel. no.: +47 951 98 452