sparebanken sogn og fjordane

# Interim report

Q4 2022 (unaudited)

# Contents



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ENGLISH TRANSLATION: Språkverkstaden

# Key figures, consolidated

AMOUNTS IN MILLIONS OF NOK

| INCOME STATEMENT | Full-year 2022 | Full-year 2021 |
|---|---|---|
| Net interest income | 1 148 | 945 |
| Dividends and gains/losses on financial instruments | 0 | 173 |
| Other operating income | 166 | 157 |
| Operating expenses | 499 | 483 |
| **Profit/loss before loan impairment charge (incl. securities)** | **815** | **791** |
| **Profit/loss before impairment loss (excl. securities)** | **815** | **618** |
| Impairment loss | 36 | – 37 |
| **Profit/loss before taxation** | **779** | **827** |
| Tax expense | 177 | 161 |
| **Profit/loss after taxation** | **602** | **666** |
| Other comprehensive income | 0 | 0 |
| **Comprehensive income** | **602** | **666** |
| BALANCE SHEET | | |
| **Assets** | | |
| Gross loans and advances to customers | 61 498 | 57 651 |
| Loss allowance | – 314 | – 307 |
| Security investments (shares, commercial paper and bonds) | 8 225 | 7 368 |
| **Debt and equity** | | |
| Deposits from and debt to customers | 34 846 | 32 536 |
| Debt securities and debt to credit institutions | 27 673 | 25 835 |
| Equity | 6 645 | 6 249 |
| Total assets | 70 824 | 65 808 |
| Average total assets | 68 515 | 64 604 |
| KEY FIGURES | | |
| ***Profitability*** | | |
| Net interest margin | 1,67 % | 1,46 % |
| Other operating income (excl. inc. from fin. instr.) as a % of average total assets | 0,24 % | 0,24 % |
| Operating expenses as a % of average total assets | 0,73 % | 0,75 % |
| Profit/loss before impairment loss as a % of average total assets | 1,19 % | 1,22 % |
| Profit/loss before tax as a % of average total assets | 1,14 % | 1,28 % |
| Profit/loss after tax as a % of average total assets | 0,88 % | 1,03 % |
| Comprehensive income as a % of average total assets | 0,88 % | 1,03 % |
| Oper. exp. as a % of oper. income excl. inc. from fin. instr. | 37,99 % | 43,87 % |
| Oper. exp. as a % of oper. income incl. inc. from fin. instr. | 37,98 % | 37,93 % |
| Impairment loss as a % of gross loans | 0,06 % | – 0,06 % |
| Return on equity before tax 1) | 13,21 % | 15,38 % |
| Return on equity after tax 1) | 10,21 % | 12,39 % |
| Pre-tax return on equity (comprehensive income) 1) | 10,21 % | 12,39 % |
| Consolidated comprehensive income per equity certificate, in NOK | 26,98 | 29,91 |
| Dividend payable per equity certificate, in NOK | 12,00 | 9,00 |
| *1) Return on equity is calculated based on opening equity excl. hybrid capital* | | |
| ***Capital and liquidity position*** | | |
| Capital adequacy ratio | 20,15 % | 19,44 % |
| Core capital adequacy ratio | 18,39 % | 17,66 % |
| Core Tier 1 capital adequacy ratio | 17,36 % | 16,62 % |
| Leverage ratio | 8,65 % | 8,86 % |
| Liquidity Coverage Ratio (LCR) | 165 % | 140 % |
| NSFR, consolidated | 122 % | |
| NSFR, parent company | 140 % | |
| ***Balance sheet history*** | | |
| Growth in total assets (year-on-year) | 7,62 % | 5,02 % |
| Growth in gross customer lending (year-on-year) | 6,67 % | 5,04 % |
| Growth in customer deposits (year-on-year) | 7,10 % | 6,10 % |
| Deposits as a % of consolidated gross lending | 56,66 % | 56,44 % |
| Deposits as a % of parent company's gross lending | 104,80 % | 94,84 % |
| ***Employees*** | | |
| Full-time equivalent employees | 283 | 273 |

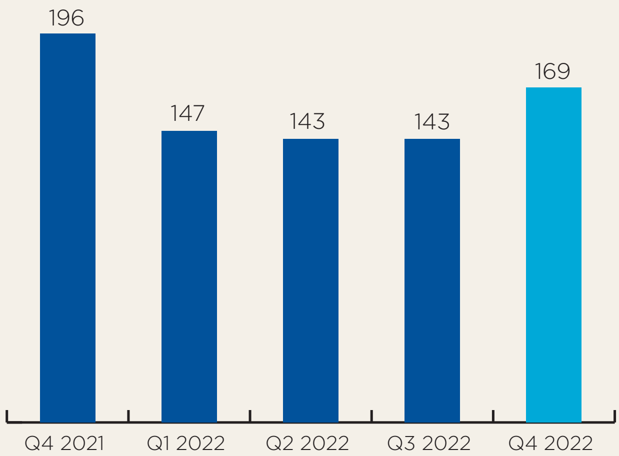
# Interim report 31.12.2022

All of the figures specified below refer to the consolidated accounts unless otherwise stated. The figures in brackets are for 2021.

## Q4 2022 highlights

- NOK 332 million (250 million) of net interest income
- Net gain on financial instruments of NOK 1 million (63 million)
- Operating expenses of NOK 128 million (123 million)
- Impairment loss of NOK 30 million (1 million)
- Profit after taxation of NOK 169 million (196 million)
- Return on equity of 11.0% (13.7%)

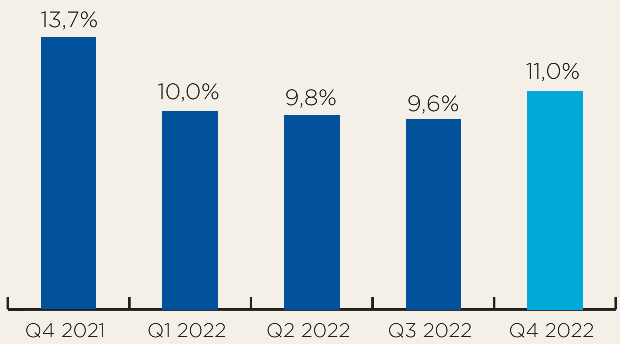
*Graph of profit after taxation by quarter:*




## 2022 highlights

- NOK 1,148 million (945 million) of net interest income
- Net gain on financial instruments of NOK 0 million (173 million)
- Operating expenses of NOK 499 million (483 million)
- Impairment loss of NOK 36 million (gain of NOK 37 million)
- Profit after taxation of NOK 602 million (666 million)
- Return on equity of 10.2% (12.4%)
- Capital adequacy ratio of 20.2% (19.4%)

*Post-tax return on equity by quarter:*




## Q4 financial results

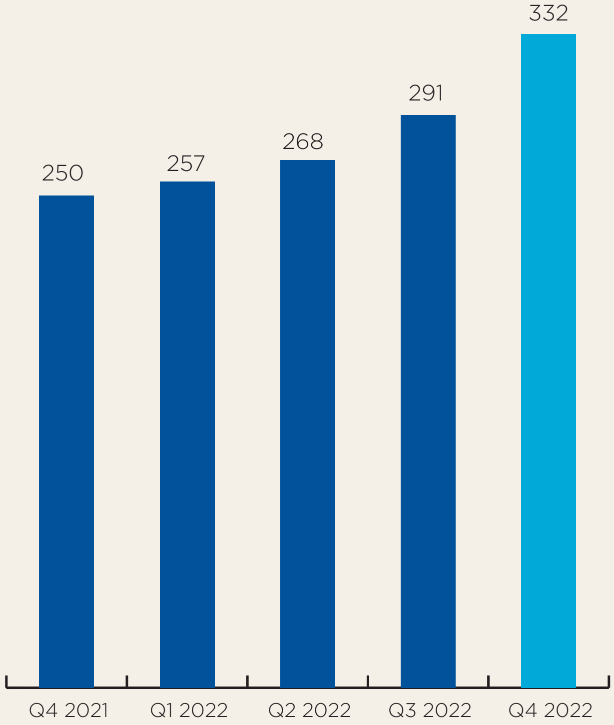
The Group made a pre-tax profit of NOK 220 million, compared with NOK 231 million in the same quarter of 2021. The decline was mainly due to a lower contribution from financial instruments in the fourth quarter of 2022, as opposed to a particularly good result in the fourth quarter of the previous year. In addition, the Group recognised a NOK 30 million impairment loss in the fourth quarter of 2022, as opposed to just NOK 1 million in the fourth quarter of 2021. Meanwhile, net interest income and commission income saw a healthy improvement, but operating expenses were slightly higher than in the fourth quarter of 2021.

The Group made a profit after tax of NOK 169 million in the fourth quarter, compared with NOK 196 million in the same quarter of the previous year. That resulted in a return on equity of 11.0% in the fourth quarter, against 13.7% in the same quarter of 2021.

## Net interest income in Q4

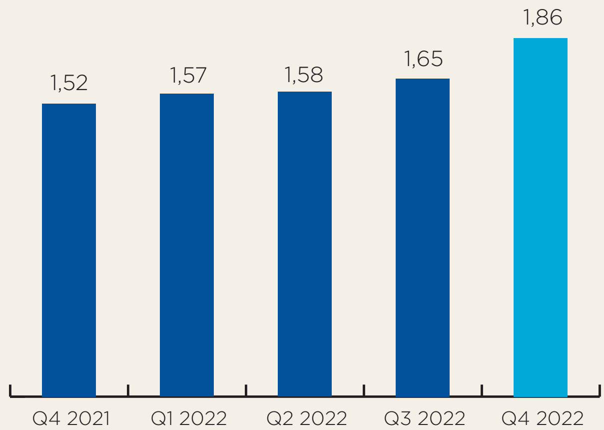
Net interest income totalled NOK 332 million, which was an improvement of NOK 82 million (33%) over the same quarter of 2021. Loan growth came to 6.7% over the past 12 months, and deposits grew by 7.1%. Net interest income rose strongly thanks to the combination of a higher customer margin and growth in deposits and loans. The cost of funding through debt securities was significantly higher than in the fourth quarter of 2021, as the 3-month NIBOR has risen, and viewed in isolation that had a negative impact on net interest income. The Bank has announced further rises in the interest rates on loans and deposits which have not yet come into effect. The overall impact on net interest income will depend on how the 3-month NIBOR rate evolves.

*Graph of quarterly net interest income in millions of NOK:*




The graph below shows the net interest margin (net interest income measured as a percentage of average total assets). The net interest margin was 1.86% in the fourth quarter of 2022, which was 0.34 percentage points higher than in the fourth quarter of 2021. The margin in the fourth quarter of 2021 was unusually low.

*Graph of net interest margin:*

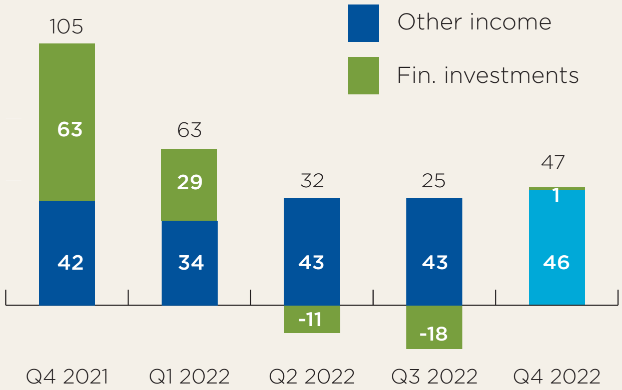



## Net other operating income in Q4

In the fourth quarter, net other operating income came to NOK 47 million, compared with NOK 105 million in the year-earlier period. The decline was due to a strong NOK 63 million contribution from financial instruments in the fourth quarter of 2021, as opposed to just NOK 1 million in the fourth quarter of 2022. The decline was mainly due to a smaller contribution from share-holdings. In the fourth quarter of 2022, the Group made a NOK 11 million gain on shares, compared with NOK 75 million in the year-earlier quarter. In addition, in the fourth quarter of 2022 there was a loss of NOK 14 million on financial instruments (interest items), against a NOK 16 million loss in the fourth quarter of 2021.

Other income (excluding gains on financial investments) totalled NOK 46 million, NOK 4 million higher than in the fourth quarter of 2021. The increase was due to higher income from payment services and insurance products in particular. The Bank has been successful at selling insurance products through its partnership with Frende.

*Graph of other income and gains/losses on financial investments by quarter, in millions of NOK:*



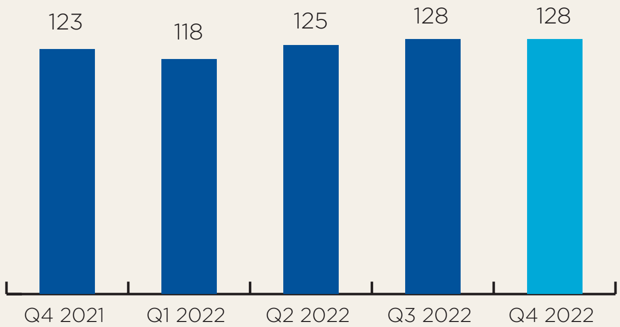

## Q4 operating expenses

Fourth quarter operating expenses were NOK 128 million, up NOK 5 million (4.4%) from the fourth quarter of 2021.

This was mainly due to higher staff and IT costs, including expenses related to joint strategic projects through our partnership with Frende.

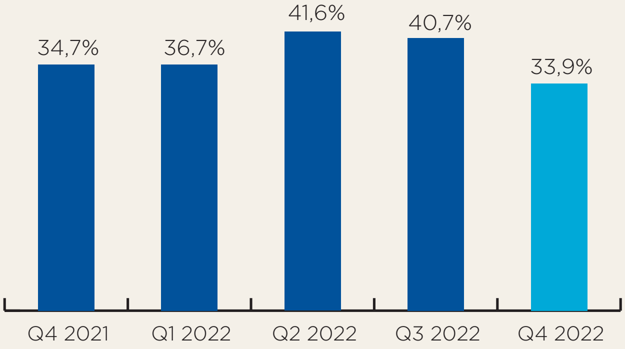
Several expense items have been reduced, but various other costs are rising due to wage growth, higher staff numbers, inflation and the general growth of our business. In addition, various expense items, such as travelling expenses, were unusually low in the fourth quarter of 2021 due to the Covid-19 pandemic.

*Graph of quarterly operating expenses in millions of NOK:*



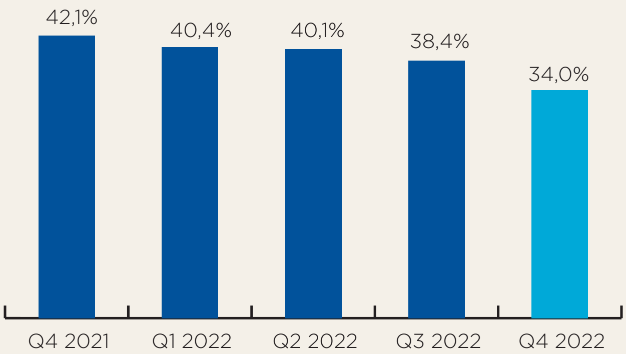
Operating expenses were equivalent to 0.73% of average total assets, against 0.75% for the fourth quarter of the previous year.

The cost-to-income ratio including financial instruments was 33.9%, against 34.7% in the fourth quarter of 2021.




Since the contribution from financial instruments is highly variable, the cost-to-income ratio excluding financial instruments is a better reflection of how our cost-efficiency is evolving. On that basis, the cost-to-income ratio improved significantly to 34.0%, from 42.1% at the same time last year.

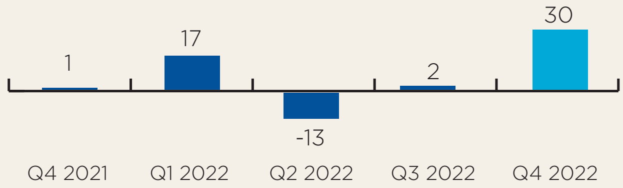
*Graph of cost-to-income ratio excl. contribution from financial instruments by quarter:*




## Q4 impairment loss

Net losses on loans and guarantees amounted to 30 NOK million, against NOK 1 million in the fourth quarter of 2021. Of the increase in losses in the fourth quarter of 2022, NOK 29 million was due to higher model-based expected credit losses, primarily reflecting a heightened risk of losses in certain industries and falling prices in the residential and commercial property markets. The loss allowance for individually assessed loans was roughly unchanged in the fourth quarter of 2022.

*Graph of impairment loss by quarter in millions of NOK:*




For further details, see notes 5 and 6

## Full-year net interest income

Net interest income totalled NOK 1,148 million, which was NOK 203 million, or 21.5%, higher than the previous year. The customer margin was higher than the previous year, and customer loans and deposits grew strongly. However, our cost of funding rose significantly due to the increase in the 3-month NIBOR. Overall, net interest income improved significantly in relation to the previous year.

The net interest margin was 1.67%, compared with 1.46% in 2021. Our net interest margin was unusually low in 2021.

## Full-year other operating income

Other operating income totalled NOK 167 million, compared with NOK 329 million in 2021.

Net other operating income fell on account of the contribution from financial instruments falling to virtually NOK 0 million from NOK 173 million in 2021. The figure for 2022 included NOK 55 million from long-term shareholdings, compared with NOK 152 million in 2021. For 2022 there was a NOK 69 million impairment loss on financial instruments (interest items), compared with a NOK 5 million gain the previous year. This year's impairment loss is related to the rapid change in market interest rates. For further details see Note 3.

Net commission income and other income (excluding profit/loss on financial instruments) came to NOK 166 million, which was NOK 10 million (6.2%) higher than in 2021. Income from payment services and the sale of insurance products saw healthy growth, whereas income from estate agency services fell.

## Full-year operating expenses

Operating expenses totalled NOK 499 million, which was NOK 16 million, or 3.3%, higher than the previous year.

The increase in expenses was affected by one-off items in both this year's and last year's figures. The figure for 2021 included a provision for redundancy packages and the one for 2022 includes costs relating to introducing an employee equity certificate ownership scheme. Furthermore, in 2022 a NOK 5.6 million gain was recognised on property sales, as opposed to a loss of NOK 1.6 million the previous year. Adjusted for these one-off items, expenses rose by 5.9% from the previous year.

In particular, IT expenses and staff costs were higher than in 2021. Part of this is due to general wage and price inflation, but our number of full-time equivalent employees also rose by 10, or 3.7%, over the course of the year. Joint strategic projects through our partnership with Frende also help to explain some of the increase in expenses. In addition, some expenses, such as travel expenses, were unusually low in 2021 due to the pandemic.

Operating expenses were equivalent to 0.73% of average total assets, against 0.75% the previous year.

Including financial instruments, the cost-to-income ratio was 38.0%, against 37.9% in 2021.

Excluding financial instruments, the cost-to-income ratio was 38.0%, against 43.9% in 2021.

## Full-year impairment provisions for loans and guarantees

There was an impairment loss of NOK 36 million for 2022. For 2021, there was an impairment gain of NOK 37 million, so there was a big difference between the two years. Nevertheless, the impairment loss in 2022 was only 0.06% of gross loans.

The loss allowance for expected credit losses on loans, guarantees and undrawn credit facilities was NOK 334 million at 31 December 2022, compared with NOK 322 million at 31 December 2021. Of the loss allowance at 31 December 2022, NOK 314 million was for loans. This was equivalent to 0.51% of gross loans, compared with NOK 307 million (0.53%) a year earlier. The allowance for individual loans fell in 2022, but model-based allowances rose on account of macroeconomic conditions.

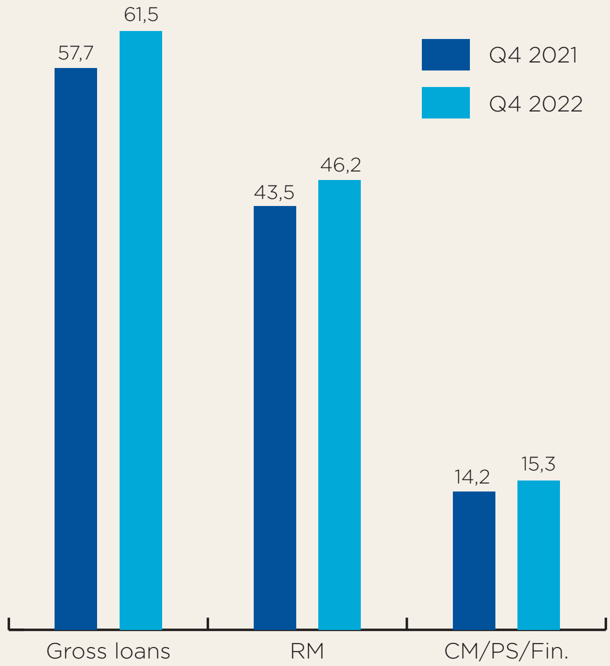
## Balance sheet

The Group had total assets of NOK 70.8 billion at 31 December 2022. This represented an increase of NOK 5.0 billion (7.6%) over the previous 12 months. The increase in total assets was mainly due to strong growth in lending to customers and a larger liquidity buffer held as commercial paper and bonds.

## Loans to customers

Gross loans to customers totalled NOK 61.5 billion at the end of the year. Growth over the past year was NOK 3.8 billion (6.7%).

*Graph of gross loans by sector in millions of NOK:*

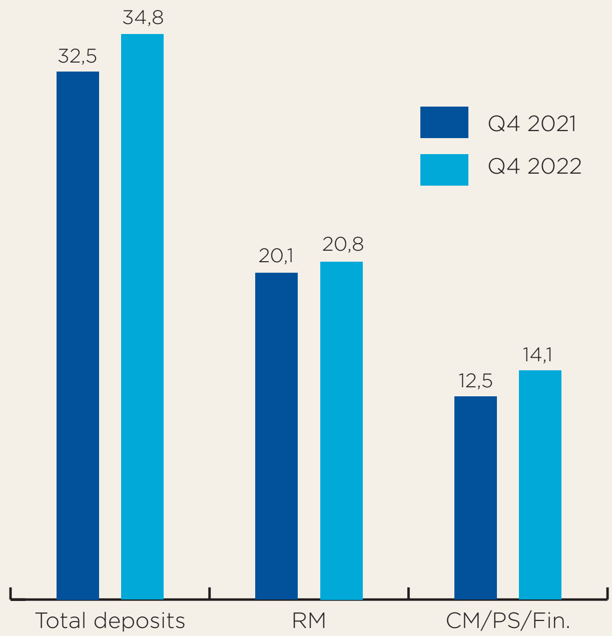



Over the past 12 months, lending to the retail market (RM) rose by 6.3%, while lending to the corporate market (CM) (including loans to the public and financial sectors) was up 7.9%.

## Deposits

Customer deposits totalled NOK 34.7 billion at the end of the year. Growth over the past 12 months was NOK 2.3 billion (7.1%).

*Graph of deposits by sector in millions of NOK:*



Over the past 12 months, retail market deposits increased by 3.5%, while corporate market deposits (incl. deposits from the public and financial sectors) rose 12.9%.

The Group's deposit/loan ratio was 56.7%, up from 56.4% at 31 December 2021.

## Credit risk

The outstanding balance of loans over 90 days past due was NOK 139 million, down NOK 3 million from the equivalent figure at 31 December 2021.

We still consider credit risk in the retail market to be low, but it is rising slightly. Higher interest rates and high general inflation is reflected in customers' liquidity, and the Bank is receiving more requests than in the past to switch to interest-only payments and for loan extensions. Over time, we expect a small increase in payment difficulties, but our assessment is that in general the Bank's customers have strong finances.

Businesses in Sogn og Fjordane have robust finances, and we consider the Bank's credit risk in the corporate market to be moderate. Higher interest rates and high inflation will also have a negative impact on businesses. For the moment, activity remains strong, but investment may eventually fall.

As a proportion of outstanding loans, exposure to the corporate market was 24.8% at 31 December 2022, compared with 24.5% a year earlier.

The amount of equity and subordinated debt required to meet credit risk reached NOK 2,533 million, NOK 29 million higher than at 31 December 2021.

## Liquidity and financing

In managing its liquidity, the Bank focuses on its deposit/loan ratio, liquidity buffer and the maturity structure of its funding. The liquidity buffer was NOK 8.2 billion at 31 December 2022. The liquidity buffer is invested in short-term deposits with Norges Bank and other banks, as well as in freely negotiable bonds/commercial paper. The Liquidity Coverage Ratio (LCR) was at a satisfactory 165%, compared with 140% the previous year.

The Bank uses mortgages to issue covered bonds through its wholly-owned subsidiary Bustadkreditt Sogn og Fjordane AS.

At 31 December 2022, the latter company had covered bonds with a face value of NOK 21.4 billion trading on the market. The total value of its cover pool was NOK 27.6 billion. At 31 December 2022, the company's cover pool was worth NOK 6.2 billion more than the loans it was being used to secure.

## Subsidiaries

*Bustadkreditt Sogn og Fjordane AS*
Bustadkreditt Sogn og Fjordane AS is a wholly-owned subsidiary of the Bank. At 31 December 2022, the company had a NOK 27.9 billion loan portfolio, up 19.9% over the past twelve months. The company had NOK 2.3 billion of equity. The company made a pre-tax profit of NOK 153 million, against NOK 234 million in 2021. The main reason why profit fell was lower net interest income as a result of funding costs rising faster than interest income from customers.

*Bankeigedom Sogn og Fjordane AS*
Bankeigedom Sogn og Fjordane AS is a wholly-owned subsidiary, which owns the Group's largest buildings. In 2022, it made a pre-tax profit of NOK 14.5 million, compared with NOK 5.3 million in 2021. The improvement was due to 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. Operating revenues totalled NOK 30 million, which was NOK 3 million lower than the previous year. In 2022, it made a NOK 2.7 million pre-tax loss, compared with a NOK 1.9 million profit in 2021.

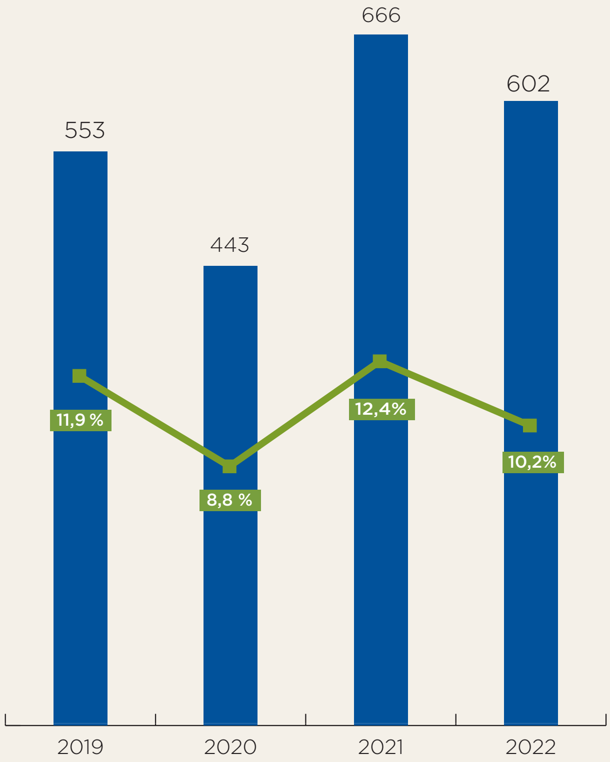
## Financial strength and return on equity

The Group's equity at 31 December totalled NOK 6.6 billion, NOK 396 million (6.3%) higher than the figure at 31 December 2021. The increase came from profit over the past year less dividends and gifts disbursed.

The Group's capital adequacy ratio at 31 December 2022 was 20.15%, compared with 19.44% at 31 December 2021. The core Tier 1 capital adequacy ratio was 17.36%, against 16.62% a year earlier.

The result after tax for 2022 was NOK 602 million compared with NOK 666 million in 2021. This corresponds to a return on equity of 10.2%, against 12.4% in 2021. Sparebanken Sogn og Fjordane has consistently managed to achieve a satisfactory return on equity. The Board of Directors is satisfied with the Group's financial results and return on equity.

*Graph of profit/loss after taxation in millions of NOK and return on equity in percent by year:*




## Rating

As of 31 December 2022, Sparebanken Sogn og Fjordane had a long-term rating of A1 from Moody's. Bustadkreditt Sogn og Fjordane's covered bond programme has a long-term rating of Aaa.

## Summary

In the fourth quarter of 2022, the Group made a profit after tax of NOK 169 million, compared with NOK 196 million in the fourth quarter of the previous year. That is a strong result, but profit fell year on year. The main reasons for the decline in profit were a smaller contribution from financial instruments and a higher loan impairment loss than in the fourth quarter of 2021, as well as higher operating expenses. Set against that, net interest income and commission income saw healthy growth. The Group's return on equity was 11.0% in the fourth quarter, compared with 13.7% in the fourth quarter of 2021.

The Group made a profit of NOK 602 million after tax in 2022 compared with NOK 666 million in 2021. This corresponds to a return on equity of 10.2%, against 12.4% the previous year. Total loan growth came to 6.7% over the past 12 months, and deposits grew by 7.1%. Net interest income is the Bank's most important source of revenue and it rose a strong 21.5%. Meanwhile, operating expenses rose. The cost-to-income ratio for 2022, excluding financial instruments, was 38.0%, compared with 43.9% for 2021. The cost-reduction programme implemented in 2020 is bearing fruit, and the Bank runs its operations cost-efficiently. As expected, expenses rose in 2022 due to wage growth, general inflation, business growth and joint strategic projects through the partnership with Frende.

We had a capital adequacy ratio of 20.2% at 31 December 2022, and a core Tier 1 ratio of 17.4%.

The bank has a strong capital adequacy ratio, a solid market position in Sogn og Fjordane, and it is also achieving solid growth in the retail market outside Sogn og Fjordane.

The outlook has become more uncertain over the course of 2022 on account of the war in Ukraine, rapidly rising interest rates and high general inflation. It is our view that the Bank's customers are in a strong position to cope with higher interest rates and higher prices, but we must nevertheless expect some customers to struggle.

The Board is very satisfied with the Group's financial performance, and believes that it is in a strong position to continue growing and developing its business.

Førde, 13 February 2023

| | | | |
|---|---|---|---|
| Sindre Kvalheim<br>Chair | Magny Øvrebø<br>Deputy Chair | Monica Rydland | Johnny Haugsbakk |
| Geir Opseth | Lise Mari Haugen | Marie Heieren | Ole Martin Eide |
| Trond Teigene<br>CEO | | | |

# Consolidated income statement

| AMOUNTS IN MILLIONS OF NOK | Note | Q4 2022 | Q4 2021 | 2022 | 2021 |
|---|---|---|---|---|---|
| Interest income | | 737 | 380 | 2 176 | 1 420 |
| Interest expenses | | 406 | 130 | 1 029 | 476 |
| **Net interest income** | | **332** | **250** | **1 148** | **945** |
| | | | | | |
| Commission income | | 47 | 43 | 166 | 149 |
| Commission expenses | | 8 | 8 | 31 | 28 |
| Net gains/losses on financial instruments | | 1 | 63 | 0 | 173 |
| Other income | | 7 | 7 | 31 | 36 |
| **Net other operating income** | **3** | **47** | **105** | **167** | **329** |
| | | | | | |
| **Total revenues** | | **379** | **355** | **1 314** | **1 274** |
| | | | | | |
| Wages, salaries, etc. | | 75 | 68 | 276 | 263 |
| Other expenses | | 53 | 47 | 199 | 182 |
| Depreciation and impairment of assets, valuation changes and gains/losses on non-financial assets | | 1 | 9 | 24 | 39 |
| **Total operating expenses** | | **128** | **123** | **499** | **483** |
| | | | | | |
| **Profit/loss before impairment loss** | | **250** | **232** | **815** | **791** |
| | | | | | |
| Impairment loss | **4** | 30 | 1 | 36 | – 37 |
| | | | | | |
| **Profit/loss before taxation** | | **220** | **231** | **779** | **827** |
| | | | | | |
| Tax expense | | 51 | 35 | 177 | 161 |
| **Profit/loss for the reporting period** | | **169** | **196** | **602** | **666** |
| | | | | | |
| **STATEMENT OF COMPREHENSIVE INCOME** | | | | | |
| **Profit/loss for the reporting period** | | **169** | **196** | **602** | **666** |
| | | | | | |
| **Other comprehensive income** | | | | | |
| **Other items that will never be reclassified to profit or loss, after tax** | | | | | |
| Remeasurements, pensions | | 0 | 0 | 0 | 0 |
| **Total other comprehensive income for the year, after tax** | | **0** | **0** | **0** | **0** |
| | | | | | |
| **Comprehensive income** | | **169** | **196** | **602** | **666** |
| | | | | | |
| Comprehensive income per equity certificate (weighted), in NOK | | 7,57 | 8,78 | 26,98 | 29,91 |

# Consolidated balance sheet

AMOUNTS IN MILLIONS OF NOK

| ASSETS | Note | 31.12.22 | 31.12.21 |
|---|---|---|---|
| Cash and cash equivalents | | 19 | 22 |
| Loans and advances to credit institutions/central banks | **13** | 714 | 717 |
| Loans to customers | **4-7, 13** | 61 184 | 57 344 |
| Commercial paper and bonds measured at fair value | | 7 467 | 6 603 |
| Financial derivatives | | 375 | 185 |
| Shares and other securities with variable returns | | 758 | 765 |
| Investments in associates | | 3 | 3 |
| Intangible assets and goodwill | | 16 | 26 |
| Fixed assets | | 88 | 92 |
| Deferred tax assets | | 20 | 11 |
| Other assets | | 180 | 40 |
| **Total assets** | | **70 824** | **65 808** |
| | | | |
| **DEBT AND EQUITY** | | | |
| Debt to credit institutions | **13** | 504 | 500 |
| Deposits from and debt to customers | **8, 13** | 34 846 | 32 536 |
| Debt securities in issue | **9, 13** | 27 169 | 25 335 |
| Financial derivatives | | 612 | 121 |
| Tax payable | | 187 | 172 |
| Other liabilities and provisions | | 258 | 294 |
| Subordinated debt instruments | | 603 | 602 |
| **Total liabilities** | | **64 179** | **59 559** |
| | | | |
| Equity share capital | **12** | 4 650 | 4 416 |
| Primary capital | | 700 | 645 |
| Other equity | | 696 | 650 |
| Hybrid capital | | 350 | 350 |
| Proposed allocation for dividends and gifts | | 248 | 187 |
| **Total equity** | | **6 645** | **6 249** |
| | | | |
| **Total debt and equity** | | **70 824** | **65 808** |

Førde, 13 February 2023

| | | | |
|---|---|---|---|
| Sindre Kvalheim<br>Chair | Magny Øvrebø<br>Deputy Chair | Monica Rydland | Johnny Haugsbakk |
| Geir Opseth | Lise Mari Haugen | Marie Heieren | Ole Martin Eide |
| Trond Teigene<br>CEO | | | |

# Consolidated cash flow statement

| | Full-year 2022 | Full-year 2021 |
|---|---|---|
| Profit/loss before taxation | 779 | 827 |
| Increase/(reduction) in customer deposits | 2 309 | 1 871 |
| Reduction/(increase) in loans to customers | – 4 038 | – 2 873 |
| Depreciation and impairment of assets | 24 | 39 |
| Impairment loss | 36 | – 37 |
| Losses/(gains) on disposal of fixed assets | – 9 | 2 |
| Tax paid | – 172 | – 120 |
| Other non-cash transactions | – 120 | – 163 |
| Adjustment for other items | 111 | 199 |
| **A) Net cash flow from operating activities** | **– 1 079** | **– 255** |
| | | |
| Reduction/(increase) in shares and other securities with variable returns | 7 | – 108 |
| Reduction/(increase) in investments in commercial paper and bonds | – 894 | – 106 |
| Investments in fixed assets, intangible assets and goodwill | – 28 | – 35 |
| Sale of fixed assets | 17 | 1 |
| **B) Net cash flow from investment activities** | **– 898** | **– 249** |
| | | |
| Increase/(decrease) in loans from credit institutions | 4 | – 1 302 |
| Increase/(reduction) in debt securities in issue | 2 147 | 2 297 |
| Increase/(reduction) in subordinated debt | 2 | 0 |
| Increase/(reduction) in equity share capital | – 3 | 0 |
| Increase in hybrid capital | 0 | 0 |
| Dividends and gifts | – 179 | – 122 |
| **C) Net cash flow from financing activities** | **1 970** | **872** |
| | | |
| **D) Net cash flow during the year (A+B+C)** | **– 6** | **368** |
| | | |
| Opening balance of cash and cash equivalents | 739 | 371 |
| **Closing balance of cash and cash equivalents** | **733** | **739** |
| | | |
| **Breakdown of cash and cash equivalents** | | |
| Cash and cash equivalents | 19 | 22 |
| Deposits at other financial institutions and central banks | 714 | 717 |
| **Total** | **733** | **739** |

# Consolidated statement of changes in equity

| | EQUITY SHARE CAPITAL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Equity certifi-cates | Divi-dend equali-sation reserve | Own equity certifi-cates | Share pre-mium account | Primary capital | Hybrid capital | Reserve for unrea-lised gains | Other equity | Allo-cated divi-dends and gifts | Total |
| **Balance at 31.12.20** | **1 948** | **2 175** | **0** | **16** | **593** | **350** | **354** | **163** | **129** | **5 727** |
| Allocated for dividends and gifts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | – 129 | **– 129** |
| Change in hybrid capit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Interest paid to investors in hybrid capital | 0 | 0 | 0 | 0 | 0 | – 15 | 0 | 0 | 0 | **– 15** |
| Proposed allocation of profit/loss for reporting period | 0 | 277 | 0 | 0 | 53 | 15 | 100 | 33 | 187 | **666** |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Balance at 31.12.21** | **1 948** | **2 452** | **0** | **16** | **645** | **350** | **454** | **196** | **187** | **6 249** |
| | | | | | | | | | | |
| **Balance at 31.12.21** | **1 948** | **2 452** | **0** | **16** | **645** | **350** | **454** | **196** | **187** | **6 249** |
| Allocated for dividends and gifts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | – 187 | **– 187** |
| Change in hybrid capit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Interest paid to investors in hybrid capital | 0 | 0 | 0 | 0 | 0 | – 16 | 0 | 0 | 0 | **– 16** |
| Purchase and sale of own equity certificates | 0 | 0 | – 3 | 0 | 0 | 0 | 0 | 0 | 0 | **– 3** |
| Proposed allocation of profit/loss for reporting period | 0 | 237 | 0 | 0 | 55 | 16 | 115 | – 69 | 248 | **602** |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Balance at 31.12.22** | **1 948** | **2 689** | **– 3** | **16** | **700** | **350** | **569** | **127** | **248** | **6 645** |

# Statement of changes in equity (cont.)

**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. Amongst other things, it includes unrealised gains on shares.

**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 and critical accounting estimates

### BASIS OF PRESENTATION

Sparebanken Sogn og Fjordane's parent company and consolidated accounts have been prepared in accordance with international accounting standards (IFRS). These interim financial statements have been presented in accordance with IAS 34 "Interim Financial Reporting".
All figures are stated in millions of NOK, unless otherwise specified.

### GENERAL

For more detailed information about accounting policies and for information about critical accounting estimates, please see Sparebanken Sogn og Fjordane's 2021 annual report on our website: www.ssf.no.

### CHANGES TO ACCOUNTING STANDARDS

There have been no changes to accounting standards or interpretations in 2022 that have affected the financial statements of Sparebanken Sogn og Fjordane.

## Note 2 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

## Note 2 Segment reporting (cont.)

| 2022 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 | 1 148 | 8 | 477 | 662 | – 1 | 0 | 0 | 0 |
| Net other operating income | 167 | – 15 | 58 | 100 | 4 | 30 | 8 | – 19 |
| **Total operating income** | **1 314** | **– 6** | **535** | **762** | **4** | **30** | **8** | **– 19** |
| Operating expenses | 499 | 16 | 152 | 308 | 11 | 33 | – 6 | – 15 |
| **Profit/loss before impairment loss** | **815** | **– 23** | **383** | **455** | **– 8** | **– 3** | **15** | **– 3** |
| Net gain on fixed assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment loss | 36 | 0 | 19 | 17 | 0 | 0 | 0 | 0 |
| **Profit/loss before taxation** | **779** | **– 23** | **364** | **438** | **– 8** | **– 3** | **15** | **– 3** |
| **BALANCE SHEET AT 31.12.22** | | | | | | | | |
| Net loans and advances to customers | 61 184 | 0 | 14 703 | 46 486 | 0 | 0 | 0 | 0 |
| Other assets | 9 640 | 10 388 | 2 106 | 4 203 | 0 | 20 | 54 | – 7 132 |
| **Total assets** | **70 824** | **10 388** | **16 809** | **50 689** | **0** | **21** | **54** | **– 7 132** |
| Deposits from and debt to customers | 34 846 | 0 | 14 110 | 20 760 | 0 | 0 | 0 | – 23 |
| Other liabilities | 29 332 | 7 829 | 219 | 26 167 | 0 | 10 | 8 | – 4 897 |
| Equity (incl. profit/loss for the period) | 6 645 | 2 559 | 2 480 | 3 763 | 0 | 11 | 45 | – 2 212 |
| **Total debt and equity** | **70 824** | **10 388** | **16 809** | **50 689** | **0** | **21** | **54** | **– 7 132** |

| 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 3 Other operating income

| NET COMMISSION INCOME | 2022 | 2021 |
|---|---|---|
| Payment services | 78 | 65 |
| Security trading | 27 | 26 |
| Guarantee commissions | 13 | 16 |
| Currency services and international payments | 5 | 5 |
| Insurance services | 24 | 21 |
| Other commission income | 18 | 16 |
| **Total charges and commission income** | **166** | **149** |
| | | |
| Interbank fees | 1 | 1 |
| Payment services | 25 | 21 |
| Cash back Visa credit | 5 | 7 |
| **Total commission expenses** | **31** | **28** |
| | | |
| **Net commission income** | **135** | **121** |
| | | |
| **NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS** | | |
| Net gains/losses on foreign currency | 14 | 15 |
| Net gains/losses on financial derivatives | - 174 | - 87 |
| Net gains/losses on loans measured at fair value | - 162 | - 96 |
| Net gains/losses on deposits measured at fair value | - 2 | 1 |
| Net gains/losses on commercial paper and bonds | - 48 | - 8 |
| Net gains/losses on shares | 55 | 152 |
| Net gains/losses on financial liabilities | 317 | 195 |
| **Net gains/losses on financial instruments measured at fair value** | **0** | **173** |
| | | |
| **OTHER INCOME** | | |
| Income from property | 1 | 1 |
| Estate agency | 29 | 33 |
| Other operating income | 1 | 2 |
| **Total other income** | **31** | **36** |
| | | |
| **TOTAL NET OTHER OPERATING INCOME** | **167** | **329** |

## Note 4 Impairment loss on loans, guarantees and undrawn credit facilities

| | Q4 2022 | Q4 2021 | Full-year 2022 | Full-year 2021 |
|---|---|---|---|---|
| Increase/reduction in individually assessed allowances | 2 | - 6 | - 83 | 3 |
| Increase/reduction in model-based expected credit losses | 29 | 3 | 104 | - 53 |
| Losses realised during period for which a loss allowance had previously been made | 2 | 4 | 18 | 15 |
| Losses realised during period for which a loss allowance had not previously been made | 2 | 0 | 4 | 3 |
| Recoveries against previous years' realised losses | - 5 | - 1 | - 7 | - 4 |
| **Impairment loss for the period** | **30** | **1** | **36** | **- 37** |

# Note 5 Loss allowance

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.

**Consolidated**

| **2022** | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Opening loss allowance for loans at amortised cost at 01.01.22** | **35** | **69** | **196** | **300** |
| Transferred to Stage 1 | 5 | – 13 | – 25 | – 34 |
| Transferred to Stage 2 | – 4 | 46 | – 29 | 14 |
| Transferred to Stage 3 | 0 | – 1 | 10 | 9 |
| New financial assets issued or acquired | 26 | 29 | 8 | 63 |
| Derecognised financial assets | – 11 | – 19 | – 60 | – 90 |
| Changes to model/macroeconomic parameters | 12 | 23 | 3 | 38 |
| Actual losses covered by previous provisions | 0 | 0 | – 18 | – 18 |
| Other changes | – 6 | 3 | 27 | 24 |
| **Loss allowance for loans at amortised cost at 31.12.22** | **58** | **136** | **112** | **306** |
| **Loss allowance for loans at fair value at 31.12.22** | **1** | **3** | **4** | **8** |
| **Total loss allowance for loans at 31.12.22** | **59** | **139** | **116** | **314** |
| *Of which in the retail market* | *11* | *20* | *19* | *49* |
| *Of which in the corporate and public sector markets* | *48* | *119* | *97* | *265* |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Opening loss allowance for undrawn credit facilities and guarantees at 01.01.22** | **4** | **9** | **3** | **15** |
| Changes during the reporting period | 8 | – 1 | – 2 | 5 |
| **Loss allowance for undrawn credit facilities and guarantees at 31.12.22** | **12** | **8** | **1** | **20** |
| *Of which in the retail market* | *1* | *0* | *0* | *1* |
| *Of which in the corporate and public sector markets* | *11* | *8* | *1* | *19* |

## Note 5 Loss allowance (cont.)

| 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Opening loss allowance for loans at amortised cost at 01.01.21** | **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 31.12.21** | **35** | **69** | **196** | **300** |
| **Loss allowance for loans at fair value at 31.12.21** | **1** | **2** | **5** | **7** |
| **Loss allowance for loans at 31.12.21** | **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 01.01.21** | **6** | **12** | **8** | **25** |
| Changes during the reporting period | – 2 | – 3 | – 5 | – 10 |
| **Loss allowance for undrawn credit facilities and guarantees at 31.12.21** | **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* |

**Future scenarios in the impairment model under IFRS 9**

Under IFRS 9, impairment allowances shall take into account expectations for future defaults and impairment losses. In 2018 and 2019, the bank used a statistical model to estimate how expected changes in macro-economic parameters will affect the future probability of default amongst the bank's customers. The Covid-19 pandemic led to such great fluctuations in macroeconomic variables used as independent variables in the model that the model was no longer suitable for predicting future defaults. We have therefore performed a qualitative assessment of what is likely to happen to the probability of default and house prices over the coming five years, based on the outlook in Norges Bank's monetary policy report and Statistics Norway's estimates. Expected credit losses are calculated using a weighted average of the losses under the 3 different scenarios; see below.

| | Probability of default starting from 31.12.22 | | | | | House prices | |
|---|---|---|---|---|---|---|---|
| **Future scenarios for retail market used to measure estimated expected credit losses at 31.12.22** | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Annual average growth | Weighting of scenario |
| Scenario 1: Optimistic scenario for retail market | 1,50 | 1,65 | 1,50 | 1,35 | 1,20 | 1,1 % | 25 % |
| Scenario 2: Base scenario for retail market | 2,00 | 2,20 | 2,00 | 1,80 | 1,60 | 0,1 % | 50 % |
| Scenario 3: Pessimistic scenario for retail market | 2,50 | 2,75 | 2,50 | 2,25 | 2,00 | – 1,9 % | 25 % |

| | Probability of default starting from 31.12.22 | | | | | Collateral values | |
|---|---|---|---|---|---|---|---|
| **Future scenarios for corporate market used to measure estimated expected credit losses at 31.12.22** | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Annual average growth | Weighting of scenario |
| Scenario 1: Optimistic scenario for corporate market | 1,70 | 1,70 | 1,62 | 1,53 | 1,45 | – 0,3 % | 25 % |
| Scenario 2: Base scenario for corporate market | 2,00 | 2,00 | 1,90 | 1,80 | 1,70 | – 1,8 % | 50 % |
| Scenario 3: Pessimistic scenario for corporate market | 2,50 | 2,50 | 2,38 | 2,25 | 2,13 | – 5,0 % | 25 % |

# Note 6 Changes in gross loans and exposures

| 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross loans at amortised cost at 01.01.22** | **47 903** | **4 654** | **1 043** | **53 600** |
| Transferred to Stage 1 | 1 324 | – 1 164 | – 160 | 0 |
| Transferred to Stage 2 | – 1 518 | 1 826 | – 309 | 0 |
| Transferred to Stage 3 | – 59 | – 74 | 133 | 0 |
| New financial assets issued or acquired | 16 159 | 1 482 | 75 | 17 716 |
| Derecognised financial assets | – 15 031 | – 1 392 | – 182 | – 16 605 |
| Other changes | 2 751 | 360 | – 16 | 3 094 |
| **Gross loans at amortised cost at 31.12.22** | **51 529** | **5 692** | **583** | **57 805** |
| Loss allowance for loans at amortised cost at 31.12.22 | 58 | 136 | 112 | 306 |
| **Net loans at amortised cost at 31.12.22** | **51 471** | **5 556** | **472** | **57 499** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross loans at fair value at 31.12.22** | **3 282** | **394** | **18** | **3 693** |
| Loss allowance for loans at fair value at 31.12.22 | 1 | 3 | 4 | 8 |
| **Net loans at fair value at 31.12.22** | **3 280** | **391** | **13** | **3 685** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross loans at 31.12.22** | **54 811** | **6 086** | **601** | **61 498** |
| *Of which in the retail market* | *42 149* | *3 794* | *285* | *46 229* |
| *Of which in the corporate and public sector markets* | *12 662* | *2 292* | *316* | *15 270* |
| Loss allowance for loans at 31.12.22 | 59 | 139 | 116 | 314 |
| **Net loans at 31.12.22** | **54 752** | **5 947** | **485** | **61 184** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Undrawn credit facilities and guarantees at 31.12.22** | **5 872** | **429** | **37** | **6 338** |
| *Of which in the retail market* | *3 611* | *53* | *2* | *3 667* |
| *Of which in the corporate and public sector markets* | *2 274* | *375* | *35* | *2 684* |
| Loss allowance for guarantees and undrawn credit facilities at 31.12.22 | 12 | 8 | 1 | 20 |
| **Net exposure to undrawn credit facilities and guarantees at 31.12.22** | **5 860** | **421** | **36** | **6 317** |

| 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross loans at amortised cost at 01.01.21** | **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 31.12.21** | **47 903** | **4 654** | **1 043** | **53 600** |
| Loss allowance for loans at amortised cost at 31.12.21 | 35 | 69 | 196 | 300 |
| **Net loans at amortised cost at 31.12.21** | **47 868** | **4 585** | **847** | **53 300** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross loans at fair value at 31.12.21** | **3 628** | **396** | **27** | **4 052** |
| Loss allowance for loans at fair value at 31.12.21 | 1 | 2 | 5 | 7 |
| **Net loans at fair value at 31.12.21** | **3 627** | **394** | **23** | **4 044** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Total gross loans at 31.12.21** | **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 31.12.21 | 36 | 71 | 200 | 307 |
| **Net loans at 31.12.21** | **51 495** | **4 979** | **870** | **57 344** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Undrawn credit facilities and guarantees at 31.12.21** | **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 31.12.21 | 4 | 9 | 3 | 18 |
| **Net exposure to undrawn credit facilities and guarantees at 31.12.21** | **5 464** | **404** | **149** | **6 017** |

# Note 6  Changes in gross loans and exposures (cont.)

**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:**
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.

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 | |
|---|---|---|---|---|---|---|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| 11–30 days past due | 41 | 25 | 0 | 0 | 0 | 0 |
| 31–90 days past due | 47 | 12 | 0 | 0 | 1 | 0 |
| More than 90 days past due | 139 | 142 | 2 | 1 | 48 | 44 |
| **Total assets more than 10 days past due** | **227** | **179** | **3** | **1** | **50** | **45** |

**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.

The following may be indications of unlikeliness to pay:
- 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
- Expectation of insolvency/bankruptcy or payment default

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.

## Note 6 Changes in gross loans and exposures (cont.)

| | Gross loans | | Guarantees and undrawn credit facilities | | Loss allowance | |
|---|---|---|---|---|---|---|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| More than 90 days past due | 139 | 142 | 2 | 1 | 48 | 44 |
| Other assets in default | 462 | 928 | 34 | 151 | 68 | 159 |
| **Total assets in default** | **601** | **1 070** | **37** | **152** | **117** | **203** |
| *Of which in the retail market* | *285* | *310* | *2* | *2* | *19* | *21* |
| *Of which in the corporate and public sector markets* | *316* | *760* | *35* | *150* | *97* | *181* |

**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.

| | Gross loans | | Guarantees and undrawn credit facilities | | Loss allowance | |
|---|---|---|---|---|---|---|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Assets with debt relief that are not also in default | 672 | 498 | 13 | 8 | 34 | 5 |
| Assets with debt relief that are also in default | 165 | 249 | 0 | 17 | 20 | 54 |
| **Total assets with debt relief** | **837** | **746** | **13** | **25** | **54** | **59** |
| *Of which in the retail market* | *382* | *389* | *0* | *1* | *6* | *4* |
| *Of which in the corporate and public sector markets* | *455* | *357* | *12* | *24* | *48* | *55* |

**Debt relief broken down by asset level**

| | | |
|---|---|---|
| *Stage 2 assets* | *672* | *498* |
| *Stage 3 assets* | *165* | *249* |

**Corrections to previously reported values**

An error has been detected in our previously reported values. The figures as of 31.12.2021 have therefore been corrected. This error had no impact on our loss allowance, impairment loss or other figures in our financial statements.

## Note 7 Loans by sector and industry

| Consolidated | Gross loans 31.12.22 | Gross loans 31.12.21 | Guarantees and undrawn credit facilities 31.12.22 | Guarantees and undrawn credit facilities 31.12.21 | Loans in default and at risk of default 31.12.22 | Loans in default and at risk of default 31.12.21 | Loss allowance 31.12.22 | Loss allowance 31.12.21 |
|---|---|---|---|---|---|---|---|---|
| Wage and salary earners and pensioners | 46 229 | 43 498 | 3 667 | 3 504 | 285 | 312 | 51 | 36 |
| Public sector | 10 | 5 | 64 | 69 | 0 | 0 | 0 | 0 |
| Farming and forestry | 1 611 | 1 623 | 192 | 182 | 2 | 27 | 11 | 21 |
| Fishing and hunting | 2 034 | 1 981 | 171 | 147 | 3 | 161 | 33 | 4 |
| Aquaculture and hatcheries | 532 | 454 | 90 | 88 | 42 | 45 | 10 | 22 |
| Industry and mining | 847 | 830 | 362 | 389 | 20 | 61 | 18 | 26 |
| Power/water supply | 980 | 920 | 28 | 58 | 3 | 5 | 10 | 6 |
| Building and construction | 1 529 | 1 235 | 759 | 574 | 116 | 163 | 83 | 48 |
| Commerce | 858 | 835 | 378 | 293 | 31 | 64 | 8 | 34 |
| Transport | 585 | 408 | 121 | 146 | 15 | 23 | 3 | 4 |
| Hotels and tourism | 459 | 443 | 43 | 37 | 4 | 24 | 4 | 4 |
| Services | 927 | 862 | 127 | 113 | 46 | 89 | 31 | 41 |
| Property management | 4 898 | 4 556 | 337 | 433 | 71 | 247 | 72 | 76 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **61 498** | **57 651** | **6 338** | **6 032** | **638** | **1 222** | **334** | **322** |
| *Of which in the retail market* | *46 229* | *43 498* | *3 667* | *3 504* | *287* | *312* | *51* | *36* |
| *Of which in the corporate and public sector markets* | *15 270* | *14 153* | *2 671* | *2 528* | *351* | *910* | *284* | *286* |

## Note 8 Customer deposits by sector and industry

| | 31.12.22 | 31.12.21 |
|---|---|---|
| Retail market | 20 760 | 20 061 |
| Corporate market | 11 441 | 9 973 |
| Public sector/other | 2 646 | 2 502 |
| **Customer deposits** | **34 846** | **32 536** |
| | | |
| **Breakdown of customer deposits, consolidated** | | |
| Deposits from and debt to customers at amortised cost | 33 339 | 31 523 |
| Deposits from and debt to customers at fair value | 1 507 | 1 012 |
| **Customer deposits** | **34 846** | **32 536** |
| | | |
| **Breakdown of customer deposits, parent company** | | |
| Deposits from and debt to customers at amortised cost | 33 363 | 31 556 |
| Deposits from and debt to customers at fair value | 1 507 | 1 012 |
| **Customer deposits** | **34 870** | **32 568** |

## Note 9 Debt securities in issue

| CONSOLIDATED | FACE VALUE 31.12.22 | FACE VALUE 31.12.21 | CARRYING AMOUNT 31.12.22 | CARRYING AMOUNT 31.12.21 |
|---|---|---|---|---|
| Bonds in issue | 18 341 | 21 220 | 18 509 | 21 340 |
| – of which own bonds, not amortised | 0 | – 2 460 | 0 | – 2 502 |
| **Debt securities in issue at amortised cost** | **18 341** | **18 760** | **18 509** | **18 838** |
| | | | | |
| Bonds in issue (MRELs) | 1 400 | 1 400 | 1 409 | 1 403 |
| – of which own bonds, not amortised | 0 | 0 | 0 | 0 |
| **Debt securities in issue (MRELs) at amortised cost** | **1 400** | **1 400** | **1 409** | **1 403** |
| | | | | |
| Bonds in issue (MRELs) | 800 | 500 | 721 | 495 |
| – of which own bonds, not amortised | 0 | 0 | 0 | 0 |
| **Debt securities (MRELs) measured at fair value** | **800** | **500** | **721** | **495** |
| | | | | |
| Bonds in issue | 6 825 | 4 600 | 6 530 | 4 646 |
| – of which own bonds, not amortised | 0 | – 46 | 0 | – 47 |
| **Debt securities measured at fair value** | **6 825** | **4 554** | **6 530** | **4 599** |
| | | | | |
| **Total debt securities in issue** | **27 366** | **25 214** | **27 169** | **25 335** |

**MATURITY STRUCTURE OF DEBT SECURITIES (NET FACE VALUE)**

| | 31.12.22 | 31.12.21 |
|---|---|---|
| 2022 | 0 | 2 664 |
| 2023 | 3 041 | 3 950 |
| 2024 | 4 100 | 3 700 |
| 2025 | 4 800 | 4 800 |
| 2026 | 4 000 | 4 000 |
| 2027 | 5 400 | 3 400 |
| 2028 | 800 | 500 |
| 2029 | 1 000 | 0 |
| 2030 | 1 000 | 500 |
| 2031 | 200 | 200 |
| 2032 | 525 | 0 |
| 2033 | 1 000 | 500 |
| 2034 | 1 000 | 1 000 |
| 2037 | 500 | 0 |
| **Total debt securities (net face value)** | **27 366** | **25 214** |
| | | |
| **New debt securities issued in 2022** | **4 725** | |
| **Net repayment of debt securities in 2022** | **4 526** | |

**PARENT COMPANY**

Debt securities in issue by valuation method (carrying amount)

| | 31.12.22 | 31.12.21 |
|---|---|---|
| Debt securities in issue at amortised cost | 1 940 | 2 823 |
| Debt securities in issue (MRELs) at amortised cost | 1 409 | 1 403 |
| Debt securities measured at fair value | 1 746 | 2 587 |
| Debt securities (MRELs) measured at fair value | 721 | 495 |
| **Total debt securities in issue** | **5 817** | **7 308** |

The Bank uses hedge accounting for six 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 10 Capital adequacy

| EQUITY AND SUBORDINATED DEBT | 31.12.22 | 31.12.21 |
|---|---|---|
| Equity share capital | 1 948 | 1 948 |
| Deduction for own equity certificates | – 3 | 0 |
| Primary capital | 700 | 645 |
| Share premium account | 16 | 16 |
| Dividend equalisation reserve | 2 689 | 2 452 |
| Allocated dividends and gifts | 248 | 187 |
| Reserve for unrealised gains | 569 | 454 |
| Other equity | 127 | 196 |
| Profit/loss for the reporting period | 0 | 0 |
| **Equity excluding hybrid capital** | **6 295** | **5 899** |
| **Other core capital** | | |
| Hybrid capital | 350 | 350 |
| **Equity** | **6 645** | **6 249** |
| **Deductions** | | |
| Deferred tax assets | – 20 | – 11 |
| Other intangible assets | – 12 | – 20 |
| Deduction for ownership interests in other companies in financial sector | – 94 | – 75 |
| Adjustment to comply with prudent valuation rules | – 20 | – 16 |
| Dividends and gifts | – 248 | – 187 |
| Profit/loss for the reporting period | 0 | 0 |
| Other deductions | 0 | 0 |
| **Net core capital** | **6 252** | **5 939** |
| **Core Tier 1 capital** | **5 902** | **5 589** |
| **Supplementary capital** | | |
| Subordinated debt instruments | 600 | 600 |
| **Net supplementary capital** | **600** | **600** |
| **Net equity and subordinated debt** | **6 852** | **6 539** |

| BASIS FOR CALCULATION | | |
|---|---|---|
| **Credit risk** | 31.12.22 | 31.12.21 |
| Local and regional authorities | 20 | 4 |
| Institutions | 277 | 143 |
| Enterprises | 2 845 | 2 675 |
| Retail loans | 4 262 | 4 572 |
| Residential mortgage loans | 20 926 | 20 222 |
| Overdue advances | 560 | 1 045 |
| Particularly high-risk assets (property development projects) | 297 | 310 |
| Equity investments | 1 837 | 1 690 |
| Covered bonds | 539 | 491 |
| Other advances | 102 | 151 |
| **Total calculation basis for credit risk** | **31 665** | **31 305** |
| Currency risk | 0 | 0 |
| Operational risk | 2 300 | 2 245 |
| CVA | 36 | 82 |
| **Total calculation basis** | **34 002** | **33 631** |
| **Excess equity and subordinated debt** | **4 131** | **3 849** |
| **CAPITAL ADEQUACY** | | |
| Capital adequacy ratio | 20,15 % | 19,44 % |
| Core capital adequacy ratio | 18,39 % | 17,66 % |
| Core Tier 1 capital adequacy ratio | 17,36 % | 16,62 % |
| Unweighted core capital ratio | 8,65 % | 8,86 % |

## Note 11 Transactions with related parties

Agreements and transactions between the parties have been made on market terms, as if they had been agreed between two totally independent parties.

In the consolidated financial statements, transactions between the parent and its subsidiaries have been eliminated.

## Note 12 Equity share capital and ownership structure

**Parent company**
**The equity share capital was raised as follows:**

| Year | Equity share capital (NOK) | Face value of each equity certificate (NOK) | 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 NOK '000s unless otherwise specified*

| **Equity share capital** | 31.12.22 | 31.12.21 |
|---|---|---|
| Equity certificates | 1 948 319 | 1 948 319 |
| Share premium account | 15 608 | 15 608 |
| Dividend equalisation reserve | 2 689 343 | 2 452 130 |
| Own equity certificates | – 2 841 | 0 |
| **Total equity share capital (A)** | **4 650 429** | **4 416 057** |
| | | |
| **Primary capital (B)** | **700 305** | **645 461** |
| | | |
| Reserve for unrealised gains | 569 237 | 454 086 |
| Hybrid capital | 350 000 | 350 000 |
| Proposed allocation for dividends and gifts | 247 798 | 187 349 |
| Other equity | 0 | 0 |
| **Total equity** | **6 517 769** | **6 052 953** |
| | | |
| **Equity share capital ratio A / (A+B) after disbursal of dividends** | **86,91 %** | **87,25 %** |
| | | |
| Parent company's earnings per equity certificate (weighted), in NOK | 30,06 | 28,41 |
| Consolidated earnings per equity certificate (weighted), in NOK | 26,98 | 29,91 |
| Consolidated book equity per equity certificate in NOK (excl. hybrid capital) | 280,81 | 264,16 |
| | | |
| **Proposed allocation for dividends** | | |
| Dividend payable per equity certificate, in NOK | 12,00 | 9,00 |
| | | |
| **Total dividends** | **233 798** | **175 349** |
| | | |
| **Proposed allocation for gifts** | | |
| Charitable donations | 14 000 | 12 000 |
| **Total proposed allocation for dividends and gifts** | **247 798** | **187 349** |
| | | |
| **Dividends and gifts as a % of consolidated profit after taxation** | **41,1 %** | **28,1 %** |
| **Dividends and gifts as a % of parent company profit after taxation** | **36,9 %** | **29,6 %** |

# Note 12 Equity share capital and ownership structure (cont.)

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

| | Number of equity certificates 31.12.22 | |
|---|---|---|
| Sparebankstiftinga Sogn og Fjordane | 18 170 436 | 93,26 % |
| Sparebankstiftinga Fjaler | 1 152 992 | 5,92 % |
| Other *) | 145 455 | 0,75 % |
| Own equity certificates | 14 304 | 0,07 % |
| **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 | 3 650 |
| Harald Slettvoll, Director of Risk Management and Compliance | 3 547 |
| RLK Holding AS represented by Johnny Haugsbakk, Board member | 3 000 |
| Frode Vasseth, CFO | 2 550 |
| Incubate AS represented by Sindre Kvalheim, Chair | 2 000 |
| Linda Marie Vøllestad Westbye, Retail Banking Director | 1 497 |
| Eirik Rostad Ness, Director of Human Resources | 1 197 |
| Sindre Kvalheim, Chair of the Board | 1 000 |
| Ole Martin Eide, Board member, employee representative | 1 000 |
| Roy Stian Farsund, Corporate Banking Director | 1 000 |
| Reiel Haugland, Technology Director | 698 |
| Marie Heieren, Board member | 397 |
| Johanne Viken Sandnes, Director of Communications | 223 |
| Lise Mari Haugen, Board member | 200 |
| Silje Mari Sunde, Director of Business Support | 147 |
| Gro Skrede Mardal, Credit Director | 110 |
| **Total equity certificates held by key personnel and Board members** | **22 216** |

**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 13 Fair value of financial instruments

### FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

| **Consolidated** | Carrying amount 31.12.22 | Fair value 31.12.22 | Carrying amount 31.12.21 | Fair value 31.12.21 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 19 | 19 | 22 | 22 |
| Loans and advances to credit institutions/central banks | 714 | 714 | 717 | 717 |
| Loans to customers | 57 499 | 57 499 | 53 300 | 53 300 |
| **Total financial assets measured at amortised cost** | **58 232** | **58 232** | **54 039** | **54 039** |
| | | | | |
| **Liabilities** | | | | |
| Debt to credit institutions | 504 | 504 | 500 | 500 |
| Deposits from and debt to customers | 33 339 | 33 339 | 31 523 | 31 523 |
| Debt securities in issue | 19 918 | 19 879 | 20 241 | 20 370 |
| Subordinated debt instruments | 603 | 603 | 602 | 602 |
| **Total financial liabilities measured at amortised cost** | **54 364** | **54 326** | **52 866** | **52 995** |

### FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

**Classification by level**

| **Consolidated**<br>**Assets at 31.12.22** | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Loans to customers | 0 | 0 | 3 685 | **3 685** |
| Commercial paper and bonds | 0 | 7 467 | 0 | **7 467** |
| Financial derivatives | 0 | 375 | 0 | **375** |
| Shares | 0 | 366 | 392 | **758** |
| **Total financial assets measured at fair value** | **0** | **8 208** | **4 077** | **12 285** |
| | | | | |
| **Liabilities at 31.12.22** | | | | |
| Deposits from and debt to customers | 0 | 0 | 1 507 | **1 507** |
| Debt securities in issue | 0 | 2 467 | 0 | **2 467** |
| Debt securities in issue used as hedging instruments | 0 | 4 784 | 0 | **4 784** |
| Financial derivatives | 0 | 612 | 0 | **612** |
| **Total financial liabilities measured at fair value** | **0** | **7 863** | **1 507** | **9 370** |

Assets and liabilities measured at fair value shall be classified according to how reliable the fair value estimate is.

There are three classification levels:
- Level 1: Prices quoted in active markets
- Level 2: Valuation is directly or indirectly based on observable prices for similar assets
- Level 3: Valuation is not based on observable prices, and instead relies on e.g. our own valuation models.

**Breakdown of fair value, level 3**

| **Consolidated** | Financial assets | | Financial liabilities |
|---|---|---|---|
| **At 31.12.22** | Loans to customers | Shares | Customer deposits |
| Nominal value/cost | 3 845 | 242 | 1 505 |
| Fair value adjustment | – 160 | 151 | 2 |
| **Total fair value** | **3 685** | **392** | **1 507** |

## Note 13 Fair value of financial instruments (cont.)

**Breakdown of changes in level 3:**

| Consolidated | Financial assets<br>Loans to customers | Shares | Financial liabilities<br>Deposits from and debt to customers |
|---|---|---|---|
| **Carrying amount at 30.09.22** | **3 816** | **367** | **1 059** |
| Net gains/losses on financial instruments through profit or loss | 40 | 4 | – 0,4 |
| Acquisitions over the period | 0 | 21 | 448 |
| Sales/redemptions over the period | – 171 | 0 | 0 |
| Moved into level 3 | 0 | 0 | 0 |
| Moved out of level 3 | 0 | 0 | 0 |
| **Carrying amount at 31.12.22** | **3 685** | **392** | **1 507** |

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. 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. 0.72 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 10 million. For fixed-rate loans the weighted average remaining duration is approx. 3.4 years. Calculated simply, a 1% rise in the discount rate will reduce the value of our fixed-rate loans by approx. NOK 132 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 approx. NOK 40 million.

**Method used to calculate fair value of financial instruments**
For more information about how the fair value of financial instruments is calculated, please see our 2021 annual report.

## Note 14 Off balance sheet items

| Guarantees | 31.12.22 | 31.12.21 |
|---|---|---|
| Payment guarantees | 680 | 612 |
| Contract guarantees | 272 | 305 |
| Other guarantee liabilities | 61 | 60 |
| Commitments to investments in shares | 3 | 3 |
| **Total in NOK** | **1 016** | **981** |

# DECLARATION BY THE BOARD OF DIRECTORS AND CEO

We declare that, to the best of our knowledge, the financial statements at the end of the fourth quarter of 2022 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 2022.

Førde, 13 February 2023

| | | | |
|---|---|---|---|
| Sindre Kvalheim<br>Chair | Magny Øvrebø<br>Deputy Chair | Monica Rydland | Johnny Haugsbakk |
| Geir Opseth | Lise Mari Haugen | Marie Heieren | Ole Martin Eide |
| Trond Teigene<br>CEO | | | |

# Income statement, parent company

| AMOUNTS IN MILLIONS OF NOK | 2022 | 2021 |
|---|---|---|
| Interest income | 1 556 | 1 016 |
| Interest expenses | 600 | 318 |
| **Net interest income** | **956** | **698** |
| | | |
| Commission income | 164 | 147 |
| Commission expenses | 31 | 28 |
| Net gains/losses on financial instruments | 210 | 328 |
| Other income | 12 | 11 |
| **Net other operating income** | **355** | **458** |
| | | |
| **Total revenues** | **1 311** | **1 156** |
| | | |
| Wages, salaries, etc. | 256 | 244 |
| Other expenses | 187 | 169 |
| Depreciation and impairment of assets, valuation changes and gains/losses on non-financial assets | 32 | 40 |
| **Total operating expenses** | **475** | **453** |
| | | |
| **Profit/loss before impairment loss** | **836** | **703** |
| | | |
| Impairment loss | 23 | – 38 |
| | | |
| **Profit/loss before taxation** | **813** | **741** |
| | | |
| Tax expense | 141 | 108 |
| | | |
| **Profit/loss for the reporting period** | **671** | **633** |
| | | |
| **STATEMENT OF COMPREHENSIVE INCOME** | | |
| | | |
| **Profit/loss for the reporting period** | **671** | **633** |
| | | |
| **Other comprehensive income** | | |
| **Other items that will never be reclassified to profit or loss, after tax** | | |
| Remeasurements, pensions | 0 | 0 |
| **Total other items that will never be reclassified to profit or loss, after tax** | **0** | **0** |
| | | |
| **Comprehensive income** | **671** | **633** |

# Balance sheet, parent company

| AMOUNTS IN MILLIONS OF NOK | 31.12.22 | 31.12.21 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | 19 | 22 |
| Loans and advances to credit institutions/central banks | 5 032 | 1 866 |
| Loans to customers | 33 272 | 34 047 |
| Commercial paper and bonds measured at fair value | 7 259 | 8 871 |
| Financial derivatives | 716 | 215 |
| Shares and other securities with variable returns | 758 | 765 |
| Investments in associates | 3 | 3 |
| Investments in subsidiaries | 2 212 | 1 812 |
| Intangible assets and goodwill | 14 | 24 |
| Fixed assets | 79 | 79 |
| Deferred tax assets | 29 | 18 |
| Other assets | 159 | 44 |
| **Total assets** | **49 553** | **47 768** |
| | | |
| **DEBT AND EQUITY** | | |
| Debt to credit institutions | 640 | 642 |
| Deposits from and debt to customers | 34 870 | 32 568 |
| Debt securities in issue | 5 817 | 7 308 |
| Financial derivatives | 680 | 162 |
| Tax payable | 153 | 121 |
| Other liabilities and provisions | 273 | 312 |
| Subordinated debt instruments | 603 | 602 |
| **Total liabilities** | **43 035** | **41 715** |
| | | |
| Equity share capital | 4 650 | 4 416 |
| Primary capital | 700 | 645 |
| Other equity | 569 | 454 |
| Hybrid capital | 350 | 350 |
| Proposed allocation for dividends and gifts | 248 | 187 |
| **Total equity** | **6 518** | **6 053** |
| | | |
| **Total debt and equity** | **49 553** | **47 768** |

# Consolidated income statement

As a % of average total assets

| | 31.12.22 | 31.12.21 |
|---|---|---|
| Interest income | 3,18 % | 2,20 % |
| Interest expenses | 1,50 % | 0,74 % |
| **Net interest income** | **1,67 %** | **1,46 %** |
| | | |
| Commission income | 0,24 % | 0,23 % |
| Commission expenses | 0,05 % | 0,04 % |
| Net gains/losses on financial instruments | 0,00 % | 0,27 % |
| Other income | 0,05 % | 0,06 % |
| **Net other operating income** | **0,24 %** | **0,51 %** |
| | | |
| **Total revenues** | **1,92 %** | **1,97 %** |
| | | |
| Wages, salaries, etc. | 0,40 % | 0,41 % |
| Other expenses | 0,29 % | 0,28 % |
| Depreciation and impairment of assets, valuation changes and gains/losses on non-financial assets | 0,04 % | 0,06 % |
| **Total operating expenses** | **0,73 %** | **0,75 %** |
| | | |
| **Profit/loss before impairment loss** | **1,19 %** | **1,22 %** |
| | | |
| Impairment loss | 0,05 % | - 0,06 % |
| | | |
| **Profit/loss before taxation** | **1,14 %** | **1,28 %** |
| | | |
| Tax expense | 0,26 % | 0,25 % |
| | | |
| **Profit/loss for the reporting period** | **0,88 %** | **1,03 %** |
| | | |
| **STATEMENT OF COMPREHENSIVE INCOME** | | |
| | | |
| **Profit/loss for the reporting period** | **0,88 %** | **1,03 %** |
| | | |
| **Other comprehensive income** | | |
| Remeasurements, pensions | 0,00 % | 0,00 % |
| **Total other comprehensive income for the year, after tax** | **0,00 %** | **0,00 %** |
| | | |
| **Comprehensive income** | **0,88 %** | **1,03 %** |
| | | |
| **AVERAGE TOTAL ASSETS** | **68 515** | **64 604** |

# Consolidated financial results by quarter

| | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 |
|---|---|---|---|---|---|
| **Net interest income** | **332** | **291** | **268** | **257** | **250** |
| Other operating income | 46 | 43 | 43 | 34 | 42 |
| Dividends and gains/losses on financial instruments | 1 | – 18 | – 11 | 29 | 63 |
| **Net other operating income** | **47** | **25** | **32** | **63** | **105** |
| **Total revenues** | **379** | **315** | **300** | **320** | **355** |
| Operating expenses | 128 | 128 | 125 | 118 | 123 |
| **Profit/loss before impairment loss** | **250** | **187** | **175** | **203** | **232** |
| Impairment loss | 30 | 2 | – 13 | 17 | 1 |
| **Profit/loss before taxation** | **220** | **185** | **188** | **186** | **231** |
| Tax expense | 51 | 42 | 45 | 39 | 35 |
| **Profit/loss after taxation** | **169** | **143** | **143** | **147** | **196** |
| Remeasurements, pensions | 0 | 0 | 0 | 0 | 0 |
| **COMPREHENSIVE INCOME** | **169** | **143** | **143** | **147** | **196** |

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 |
|---|---|---|---|---|
| **Net interest income** | **235** | **231** | **229** | **233** |
| Other operating income | 38 | 40 | 37 | 37 |
| Dividends and gains/losses on financial instruments | 36 | 60 | 14 | 27 |
| **Net other operating income** | **74** | **100** | **51** | **64** |
| **Total revenues** | **309** | **331** | **279** | **297** |
| Operating expenses | 117 | 114 | 130 | 141 |
| **Profit/loss before impairment loss** | **192** | **217** | **149** | **155** |
| Impairment loss | – 37 | 9 | – 9 | – 1 |
| **Profit/loss before taxation** | **229** | **208** | **159** | **156** |
| Tax expense | 53 | 37 | 36 | 37 |
| **Profit/loss after taxation** | **176** | **171** | **123** | **119** |
| Remeasurements, pensions | 0 | 0 | 0 | 0 |
| **COMPREHENSIVE INCOME** | **176** | **171** | **123** | **119** |

# Consolidated financial results by quarter

As a % of average total assets

| | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 |
|---|---|---|---|---|---|
| **Net interest income** | **1,86 %** | **1,65 %** | **1,58 %** | **1,57 %** | **1,52 %** |
| Other operating income | 0,26 % | 0,25 % | 0,25 % | 0,21 % | 0,26 % |
| Dividends and changes in the value of fin. instr. | 0,00 % | - 0,10 % | - 0,06 % | 0,17 % | 0,38 % |
| **Net other operating income** | **0,27 %** | **0,14 %** | **0,19 %** | **0,38 %** | **0,64 %** |
| **Total revenues** | **2,14 %** | **1,80 %** | **1,77 %** | **1,93 %** | **2,17 %** |
| Operating expenses | 0,73 % | 0,73 % | 0,73 % | 0,71 % | 0,75 % |
| | | | | | |
| **Profit/loss before impairment loss** | **1,42 %** | **1,07 %** | **1,03 %** | **1,22 %** | **1,42 %** |
| Impairment loss | 0,17 % | 0,01 % | - 0,08 % | 0,10 % | 0,00 % |
| **Profit/loss before taxation** | **1,25 %** | **1,06 %** | **1,11 %** | **1,12 %** | **1,41 %** |
| Tax expense | 0,29 % | 0,24 % | 0,26 % | 0,24 % | 0,22 % |
| **Profit/loss after taxation** | **0,96 %** | **0,82 %** | **0,84 %** | **0,88 %** | **1,20 %** |
| | | | | | |
| Remeasurements, pensions | 0,00 % | 0,00 % | 0,00 % | 0,00 % | 0,00 % |
| **COMPREHENSIVE INCOME** | **0,96 %** | **0,82 %** | **0,84 %** | **0,88 %** | **1,20 %** |

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 |
|---|---|---|---|---|
| **Net interest income** | **1,43 %** | **1,45 %** | **1,46 %** | **1,48 %** |
| Other operating income | 0,23 % | 0,25 % | 0,23 % | 0,24 % |
| Dividends and changes in the value of fin. instr. | 0,22 % | 0,37 % | 0,09 % | 0,17 % |
| **Net other operating income** | **0,45 %** | **0,62 %** | **0,32 %** | **0,41 %** |
| **Total revenues** | **1,89 %** | **2,04 %** | **1,76 %** | **1,90 %** |
| Operating expenses | 0,72 % | 0,70 % | 0,82 % | 0,90 % |
| | | | | |
| **Profit/loss before impairment loss** | **1,17 %** | **1,34 %** | **0,94 %** | **1,00 %** |
| Impairment loss | - 0,23 % | 0,06 % | - 0,06 % | 0,00 % |
| **Profit/loss before taxation** | **1,40 %** | **1,28 %** | **1,00 %** | **1,00 %** |
| Tax expense | 0,32 % | 0,23 % | 0,23 % | 0,24 % |
| **Profit/loss after taxation** | **1,08 %** | **1,05 %** | **0,77 %** | **0,76 %** |
| | | | | |
| Remeasurements, pensions | 0,00 % | 0,00 % | 0,00 % | 0,00 % |
| **COMPREHENSIVE INCOME** | **1,08 %** | **1,05 %** | **0,77 %** | **0,76 %** |

# Information about the company

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| | |
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