sparebanken sogn og fjordane

Annual Report
2022

Contents

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ENGLISH TRANSLATION: Språkverkstaden

Key figures, consolidated

AMOUNTS IN MILLIONS OF NOK

INCOME STATEMENT	2020	2021	2022
Net interest income	907	945	1 148
Dividends and gains/losses on financial instruments	114	173	0
Other operating income	138	157	166
Operating expenses	491	483	499
Profit/loss before impairment loss (incl. securities)	**668**	**791**	**815**
Profit/loss before impairment loss (excl. securities)	**554**	**618**	**815**
Impairment loss	112	– 37	36
Profit/loss before taxation	**557**	**827**	**779**
Tax expense	113	161	177
Profit/loss after taxation	**444**	**666**	**602**
Other comprehensive income	0	0	0
Comprehensive income	**443**	**666**	**602**

BALANCE SHEET			
Assets			
Gross loans and advances to customers	54 883	57 651	61 498
Impairment loss	– 353	– 307	– 314
Security investments (shares, fixed income funds, commercial paper and bonds)	7 166	7 368	8 225
Debt and equity			
Deposits from and debt to customers	30 665	32 536	34 846
Debt securities and debt to credit institutions	25 012	25 835	27 673
Equity	5 727	6 249	6 645
Total assets	62 661	65 808	70 824
Average total assets	60 722	64 604	68 515

KEY FIGURES			
Profitability			
Net interest margin	1,49 %	1,46 %	1,67 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,23 %	0,24 %	0,24 %
Operating expenses as a % of average total assets	0,81 %	0,75 %	0,73 %
Profit/loss before impairment loss as a % of average total assets	1,10 %	1,22 %	1,19 %
Profit/loss before tax as a % of average total assets	0,92 %	1,28 %	1,14 %
Profit/loss after tax as a % of average total assets	0,73 %	1,03 %	0,88 %
Comprehensive income as a % of average total assets	0,73 %	1,03 %	0,88 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr.	46,96 %	43,87 %	37,99 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	42,33 %	37,93 %	37,98 %
Impairment loss as a % of gross loans	0,20 %	- 0,06 %	0,06 %
Return on equity before tax 1)	11,05 %	15,38 %	13,21 %
Return on equity after tax 1)	8,80 %	12,39 %	10,21 %
Pre-tax return on equity (comprehensive income) 1)	8,80 %	12,39 %	10,21 %
Consolidated comprehensive income per equity certificate (weighted), in NOK	19,93	29,91	26,98
Dividend payable per equity certificate, in NOK	6,00	9,00	12,00

1) Return on equity is calculated based on opening equity excl. hybrid capital

Capital and liquidity position			
Capital adequacy ratio	18,88 %	19,44 %	20,15 %
Core capital adequacy ratio	17,02 %	17,66 %	18,39 %
Core Tier 1 capital adequacy ratio	15,94 %	16,62 %	17,36 %
Leverage ratio	8,59 %	8,86 %	8,65 %
Liquidity Coverage Ratio (LCR)	157 %	140 %	165 %
NSFR, consolidated			122 %
Balance sheet history			
Growth in total assets (year-on-year)	8,54 %	5,02 %	7,62 %
Growth in gross customer lending (year-on-year)	7,42 %	5,04 %	6,67 %
Growth in customer deposits (year-on-year)	7,23 %	6,10 %	7,10 %
Deposits as a % of gross lending	55,87 %	56,44 %	56,66 %
Employees			
Full-time equivalent employees as at 31 Dec.	276	273	283

CEO's review

Forward-looking and ambitious

As we enter 2023, it is against a backdrop of war in Europe, rising interest rates, high inflation and fears of a global recession. As the market leader in our core region, we have a symbiotic relationship with our customers and the local community. In turbulent times, we strengthen our contingency planning so that we and our customers can successfully deal with whatever comes our way.

Strong performance in 2022

Sparebanken Sogn og Fjordane can look back on yet another year of strong growth and healthy profitability. We are very pleased with our pre-tax profit of NOK 779 million, even if it is lower than our exceptionally high profit in 2021.

The profitability of our core business improved significantly. For many years, we have been striving for stable, strong growth, and in 2022 we reaped the benefits of that. The combination of healthy growth in loans and deposits and rising interest rates meant that the Bank's net interest income rose sharply. This, together with rising other income and costs that were kept firmly under control, resulted in a good performance, in spite of a lower contribution from financial instruments and a higher impairment loss than in 2021.

Good profitability is a vital prerequisite for continuing to grow, particularly in the corporate market.

Our profit after taxation for 2022 is equivalent to a return on equity of 10.2%. We have been delivering consistently strong profits for a number of years now, and over the past 5 years our return on equity has averaged 10.8%. That allows us to pay dividends to our shareholders, while also having the capacity to provide loan financing to our customers over the coming years.

Stable business environment

In turbulent times, businesses in Sogn og Fjordane have tended to be less volatile than those in other parts of Norway. That was once again true in 2022. Some industries have been hit by higher prices, longer delivery times and interest rate rises, but so far the business community has coped well and has continued investing for future growth. The fact that we have increased our lending to the corporate market by NOK 1.1 billion over the past year is testament to precisely that.

One of the key elements of the Bank's social mission is to be a reliable source of funding and partner for businesses in Sogn og Fjordane. Local communities are dependent on having a vibrant business community. Industry knowledge and local decision-making is a strength, and we follow the development of our business customers. We have an excellent understanding of the most important industries in our region, and closely watch business conditions.

Customer relations are vital

Knowing our customers and having a close relationship with them provides an important foundation for providing good advice to both individuals and companies. We enjoy a very strong position as the market leader in Sogn og Fjordane, but we also deliver smart digital services to retail customers all over Norway. In recent years we have increased our focus on the retail market outside our core region, and 8 out of 10 of our new retail customers came from outside Sogn og Fjordane in 2022.

In EPSI rating's national customer survey of the retail market, we came first for reputation for the fourth year in a row. That level of trust in us is motivating to our staff, and every single day we work to meet people's expectations.

Sustainability as a driver of change

In recent years we have taken strategic measures to ensure that as an institution we help to combat climate change. Sustainability is now a natural part of our strategies and guidelines, and our sustainability reporting is becoming ever more comprehensive.

Over the past year we have set out several short-term and long-term goals. Our goal is for the whole Bank to become carbon neutral by 2050, and we will work hard to help Norway reach its goal of reducing greenhouse gas emissions by at least 55% by 2030. We are working on several of the UN Sustainable Development Goals and have introduced concrete actions to help us achieve them. We and wider society have a long way to go before we meet our goal of becoming carbon neutral, and sustainability will remain high on our strategic agenda going forwards.

Our organisation and society

The Bank has taken on 150 new members of staff over the past 4-5 years, and we have been through a significant intergenerational handover.

In 2022, all of our employees became shareholders in the Bank, after we launched a savings programme based on our own equity certificates. We want our staff to receive a share of the value that is added and feel a sense of ownership over their own company.

We also promote activities that benefit the community. In 2022, we and the foundations that own us gave around NOK 56 million back to the community in the shape of gifts towards culture, sport, healthcare and business development.
In addition, we have 50 sponsorship agreements spread across the whole region.

Looking ahead

It is still our vision 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 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. In terms of community engagement and the corporate banking market, we will concentrate on our core region, whereas we have a national growth strategy for the retail market. Our strategy setting out how we aim to realise our ambitious plans for 2023 has now been rolled out, which means our strategic path has been set.

I would like to thank our shareholders, employees, customers and partners for their collaboration in 2022. Our organisation is made up of an accomplished team of workers who are motivated and ready to continue developing the Bank and the region in 2023.

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 the Sogn og Fjordane region of Norway, with total assets of NOK 70.8 billion and 283 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 retail banking market in Sogn og Fjordane. We have NOK 46.2 billion in outstanding loans to people in Sogn og Fjordane and the rest of Norway, which comprises 75 percent of the Bank's total lending. Deposits from retail customers total NOK 20.8 billion, comprising 60% 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 region. Sparebanken Sogn og Fjordane has a 9.9% ownership interest in the insurance company Frende Forsikring AS, which we use as a supplier of various insurance products. In addition, the Bank has an 8.0% interest in SpareBank 1 Finans Midt-Norge AS, and a 10.9% interest in Balder Betaling AS. We also operate nine cash machines, and 79,520 of our customers have signed up for online banking.

Corporate banking market

Sparebanken Sogn og Fjordane has NOK 15.3 billion of outstanding loans to businesses, primarily in Sogn og Fjordane. This comprises 25 percent of the Bank's total lending. Deposits from corporate customers total NOK 11.4 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 holds NOK 2.1 billion of deposits 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 2022, we propose to allocate NOK 247.8 million to 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. In 2022, we continued to work systematically to integrate sustainability into our banking operations. The Bank is aiming high with respect to the green transition, as is evident from the annual report for 2022.

Financial calendar

We expect to publish our 2023 interim reports on 3 May 2023 (Q1), 14 August 2023 (Q2) and 25 October 2023 (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.

Lars Solnørdal

A helping hand to agriculture

New branch in Øvre Årdal

NOK 2 million for sport and leisure equipment

2022 IN BRIEF

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

Q1

January, February and March

We attended the opening of Årdal technology park, which is home to many of the businesses and research communities in Årdal. We brought with us a gift of one million kroner from our profit towards a laboratory for the technology park.

We handed out our biggest gift of the year in January, when the new indoor football hall at Hafstadparken in Førde received NOK 7 million from us and Sparebankstiftinga Sogn og Fjordane.

We launched new environmentally friendly bank cards that contain less plastic than the old ones.

Lars Solnørdal became our bank manager for retail banking in Indre Sunnfjord.

In March we presented our comprehensive income for 2021, which came to NOK 666 million.

To support the agricultural sector, we offered farmers an interest-free loan of up to NOK 300,000.

Q2

April, May and June

A gift of NOK 375,000 from our profit meant that year 8 students in Nordfjord, Sunnfjord and Ytre Sogn received a free ride to the ViteMeir science centre in Kaupanger.

All of our employees were allocated equity certificates through a new savings programme that makes them shareholders in their own company.

Svanøy manor house is being renovated, and to help cover the cost, we and Sparebanken Vest contributed NOK 5 million each.

In June we moved into brand new offices in the centre of Øvre Årdal.

In 2021, the sport and leisure equipment centres for children and adolescents in Sogn og Fjordane received NOK 1.9 million. In 2022, we built on that successful initiative by donating another NOK 2 million.

The second quarter saw a major milestone when we exceeded NOK 1 billion in net loan growth to retail customers in a single quarter for the very first time.

Q3

July, August and September
At Sandane we moved out of our bank and into temporary premises at the old police station. In 2023 we will move back into the bank when the renovation has been completed.

14 village halls in Sogn og Fjordane received funding to upgrade their buildings. The total donation was NOK 1.5 million.

Outstanding results once again in EPSI Rating's industry survey. For the fourth year in a row, we came first for reputation.

Our CEO Trond Teigene is on the jury of the green innovation prize Drivprisen, and in September he attended an event where the first prize was awarded to Brødrene Aa from Hyen.

Q4

October, November and December
These months were when our youngest customers got a chance to celebrate. That included family events at Sunnfjordparken in Førde, VilVite in Bergen and ViteMeir in Kaupanger, as well as free Christmas film showings at 17 locations in Sogn og Fjordane and Bergen.

In total, the new unheated sports hall in Dale has received NOK 5.9 million of our profit through Sparebankstiftinga Fjaler. In October, the official opening could finally take place.

The gymnastics group at Stryn sports club has received a brand new gymnastics hall. We attended its opening and celebrated the event by signing a three-year partnership agreement.

Together with PwC, our corporate banking department organised seminars for businesses in Førde, Stryn og Florø. The topic covered was "acquisitions and disposals".

A gift for Svelgen village hall


Agreement signed with Stryn gymnastics group


New sports hall opened in Dale


Family day at the VilVite science centre

Sustainability report 2022

Governance and strategy

Corporate social responsibility and sustainability are an integral part of the Bank's operations, and responsibility for them is allocated through the various strategies, actions and activities planned and implemented by the Bank. The Bank's overall strategy, which is adopted by the Board of Directors each year, provides a framework for our work on sustainability. "In 2023, we will clarify our positions and perhaps adopt some new ones. We must ensure that we are catalysts for change, because we have a responsibility to promote sustainable development", the 2023 strategy states. In 2022, the Bank also adopted a separate sustainability strategy with specific goals and actions that run through to 2024.

We have an interdisciplinary sustainability group headed by a sustainability officer. Sustainability must be taken into account in all of our procedures and policies, and it shall form a natural part of our operations. Each of our areas of operations is responsible for taking sustainability into consideration in its work. The sustainability group has developed a strategy for our work on sustainability, including goals and actions for all areas of operations. The strategy has been adopted by the bank's senior management team, and the sustainability group is responsible for monitoring progress and updating the plan. The strategy is not a static document; it will be continuously updated with new goals and actions. You can read about our goals and actions at www.ssf. no/berekraft/berekraftsstrategi/. The Board of Directors receives regular updates on progress in relation to the Bank's strategy. The Board of Directors reviews the sustainability report together with the Bank's annual report.

The UN Sustainable Development Goals play a key role in our strategic work. We are working actively on the SDGs, and we have selected four that we want to focus on particularly and where we hope to have an especially strong impact. In our strategy, we have established specific goals and associated actions to help us achieve them. In our work on sustainability, we focus both on ourselves and our own operations, and on our customers, suppliers and other partners. In 2022, we worked to put in place the foundations that will help us set a course for the Bank's activities related to sustainability over the coming years. We performed a materiality analysis to determine our key sustainability topics, including both the ones that are important to the Bank and the ones that are important to our stakeholders. That is an important step towards playing a positive role in supporting the transition to a more climate-friendly and sustainable society. You can read more about this work in the annual report's sustainability appendix.

Our material sustainability topics

We have performed an analysis to identify our material sustainability topics. The four most material topics are the ones shown below. The full analysis can be found in the sustainability appendix. There you will also find more detailed information about some of the topics.

Our material topics	Responsible lending	Financial crime	Anti-corruption	Equality and diversity
Sustainable Development Goals	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production; 13 Climate action; 16 Peace, justice and strong institutions	8 Decent work and economic growth; 16 Peace, justice and strong institutions	8 Decent work and economic growth; 16 Peace, justice and strong institutions	5 Gender equality; 8 Decent work and economic growth
Our profit in 2022	**325.140** tonnes of CO_2 emissions from our corporate portfolio **0** net emissions from our loan portfolio before 2050 is our ambition **30 %** of commercial premises to be classified as green under the EU taxonomy	**100 %** of employees have received training in anti-money laundering		**44 %** of management positions are occupied by women

Eco-Lighthouse certification and GHG accounts

We are certified as an Eco-Lighthouse, and in 2022 we renewed our certification under the new criteria for the financial industry. This requires the Bank to demand that our suppliers and partners have a conscious policy on sustainability. In order to demand that of others, we must put our own house in order. We are proud to say that all of our branches are Eco-Lighthouse certified. We wish to continuously reduce the environmental impact of our own operations. In order to monitor progress in this area, 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 companies' GHG emissions. You can find out more about our emissions in the sustainability appendix.

Miljøfyrtårn®

Corporate social responsibility

Sparebanken Sogn og Fjordane's biggest responsibility to society is to achieve satisfactory profitability. This is what allows us 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.

As part of its sustainability strategy, the Bank has developed a green framework for issuing green bonds. This is a joint framework for Sparebanken Sogn og Fjordane and Bustadkreditt Sogn og Fjordane. The Bank's sustainability strategy makes it a priority to finance green assets. Each year, we will report on how much the green assets have lowered CO2 emissions and on changes in the volume of green assets. You can find out more about our green framework at www.ssf.no/berekraft

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. We use a separate Environmental, Social and Governance (ESG) and climate risk module in our credit checking system for business customers, where we assess companies in relation to all aspects of sustainability. Environmental, Social and Governance factors are included in all of our assessments. In 2022, we have worked hard to increase our expertise on sustainability. All of our customer advisers who support business customers have taken courses on sustainability and ESG, and on the EU taxonomy. We have held professional development events and workshops on how we assess climate change risk and how we can provide good advice on sustainability to our customers.

In 2022, we have worked hard to make clear our expectations of our customers. Sustainability has become a bigger part of our conversations with customers, and we are working with the business community to become more sustainable. Over the past year, we have ascertained the emissions associated with our loan portfolio, which has given us a bitter idea of how we as a Bank can help to reduce emissions. The operations of many of the businesses to which the Bank provides credit have the potential to impact the environment. By providing credit, we can indirectly have an impact on the environment. That's why the Bank's credit strategy emphasises the need to assess customers' credit-worthiness over the long term. This shall include an evaluation of customers' impact on the climate and environment, and of social factors.

In 2023 we will complete and publish a new policy for corporate social responsibility and sustainability for the corporate banking market, which will set out an even clearer path for our work. We will continue to raise our business customers' awareness of how they will be affected by climate change and influence them to take action to reduce their risk exposure and their own emissions. We will organise customer events focusing on sustainability and climate risk in order to spread knowledge and begin a dialogue, and by doing so we will be a driving force in our region. We offer green business loans to companies that want to make sustainable investments, or that need financing to prepare their operations for the green energy transition.

On account of our social responsibility and values, there are certain industries and activities that we do not wish to finance. Other industries may be exposed to higher risks in relation to environmental, social and corporate governance issues. In those cases, we impose extra requirements. Amongst others, 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

You can find out more about our work in our sustainability and CSR policy for the corporate market at www.ssf.no/berekraft

You can find out more about our green loans and work on climate risk in the sections of our appendix on taxonomy-related information and climate risk (TCFD).

Responsible lending to the retail banking market

The goals of the retail banking market with respect to sustainability align with the Bank's goals.

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 Midt Norge, we offer green car loans. This gives customers who choose green cars better terms than on 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 window glass or installing a heat pump, retrofit insulation or solar panels. We also offer various kinds of sustainable investment funds through our partnership with Norne and its 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. In 2022, we started using new bank cards that contain 82% bioplastic, which has reduced the emissions from making the cards.

We want sustainability to be a natural part of our conversations with customers, and we will focus on standardising this in 2023. 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.

Responsible procurement

At Sparebanken Sogn og Fjordane, we impose ethical and environmental requirements on our suppliers. By setting those requirements, we help to motivate and encourage our suppliers to follow international labour conventions and thereby reduce their carbon footprints.

We are working to ensure, through contractual conditions and ISO certification, that our suppliers follow national laws and regulations, as well as international UN and ILO conventions, requirements relating to carbon neutrality and environmental standards. The Bank has just over 150 larger suppliers, most of which supply IT services.

In accordance with its duties under the Transparency Act, Sparebanken Sogn og Fjordane has started carrying out due diligence assessments of its suppliers and other business partners in order to check that they are guaranteeing fundamental human rights and providing decent working conditions, and it monitors suppliers with identified risks.

We require our suppliers to:

- provide information about their sub-contractors
- follow SSF's ethical guidelines for suppliers
- report any non-conformities
- commit to rectifying any non-conformities; and
- for there to be a cancellation right in the event of non-compliance with points 1–4

Compliance monitoring of suppliers

We are performing a survey of all of our suppliers, which will enable and is a prerequisite for due diligence assessments of our suppliers and business partners. In the case of suppliers and business partners whose operations entail a high risk of breaches of fundamental human rights or the principle of decent work, a due diligence assessment and compliance monitoring shall be carried out. For medium-risk suppliers, a questionnaire shall be sent out and the Bank shall review the answers. Low-risk suppliers shall be reassessed if we become aware of any circumstances that make it appropriate, and otherwise at least in the course of our annual assessments of all suppliers.

Suppliers in breach of guidelines

In cases where we become aware of unwanted incidents or conduct, the Bank will investigate further and take relevant actions to pressure the supplier in question in the right direction. Suppliers found to be in breach of our guidelines shall be reviewed at least quarterly to check whether the corrective measures implemented are working as intended. Suppliers found to be in breach shall present a corrective action plan to prevent future non-conformities.

If the corrective actions do not have the desired effect, we will consider ending our relationship with the supplier/business partner in question based on an overall assessment, in which the potential for having a positive influence on them in the future may speak in favour of maintaining our agreement with them.

In 2022 we surveyed all of our suppliers. As of 31 December 2022, we had sent out questionnaires to five suppliers who were assessed as having a medium or high risk in our survey. We have not uncovered any issues that have led us to end to our business relationships with them. We will continue to survey our suppliers in 2023, and this will be a continuous process. We will provide updates on our monitoring of suppliers and due diligence activities on our website through the year. See our procurement policy at www.ssf.no/berekraft

Responsible marketing

As part of its focus on sustainability, the Bank shall also ensure that the products and services we offer are communicated and marketed in a way that is consistent with the UN Sustainable Development Goals, strengthens its competitive position and reduces ESG risk. This includes being responsible in the way we communicate with our various customers in on a day-to-day basis through advisers and various digital channels. The Bank has drawn up a separate marketing policy that also focuses on sustainability. It is available in our sustainability library at www.ssf.no/berekraft

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 2022.

Equality and diversity

Sparebanken Sogn og Fjordane shall maintain and increase diversity at the bank, through both our day-to-day operations and our recruitment policy. We have done a lot of hard work in the areas of diversity and equal opportunity, and in 2022 we came sixth out of 84 participants in the national SHE Index for equal opportunity. Four of our eight Board members are women.

We want to enable women to take up senior roles, and we are working systematically to increase the proportion of women managers. In 2022, the proportion of line management positions held by women was 44 percent.

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. You can read more about our work on equality and diversity in the Directors' Report and 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. In 2022, the Bank launched a savings programme for permanent employees involving our own equity certificates. You can read more about this in the Directors' Report.

Anti-corruption 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. You can read more about our work on anti-corruption and fraud in the sustainability appendix.

Initiatives we support

Sparebanken Sogn og Fjordane shall make a global contribution by being a driving force locally. We have signed up to both local and international initiatives that are relevant to our industry and our work on sustainability. It is important for us to commit to meeting external goals, in order to push us forwards and so we can help to reach joint goals that have been set across national boundaries.

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 this, Sparebanken Sogn og Fjordane has committed itself to six principles for responsible banking.

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.

Klimapartnere Vestland

The Bank is a member of 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.

Women in Finance Charter

in 2022, we signed up to the Women in Finance Charter. The Women in Finance Charter aims to help increase the number of women in senior roles in the Norwegian finance industry. Equality and diversity are an important element of the transition to a more sustainable society.

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.

News from the local community in 2022

Over 300 initiatives received gifts from our profit

In 2022 we donated a record amount. Over the course of the year, NOK 56 million of our profit was shared out between over 300 clubs and associations.

These funds were provided through the foundations that own the Bank, Sparebankstiftinga Sogn og Fjordane and Sparebankstiftinga Fjaler, as well as through direct gifts from the Bank. It is important to the Bank that our profit should support the voluntary sector in Sogn og Fjordane.

We made our biggest gift of 2022 in February, and it will benefit lots of people in the voluntary sector: NOK 7 million went to Førde sports club and the indoor football hall it is building at Hafstadparken in Førde.

"Everyone has seen what a success Hafstadparken has become, and we're really pleased that we can help to further develop the park. Førde sports club has impressed us with all the things that it does, and it has so many skilled and enthusiastic people doing a fantastic job of providing the kind of activities that we all want for children and teenagers", said our Corporate Banking Director Roy Stian Farsund when he handed over the cheque.

The new football hall at Hafstadparken in Førde received a gift of NOK 7 million. Left to right: Arne Helgheim (managing director of Førde sports club), Roy Stian Farsund (Corporate Banking Director at Sparebanken Sogn og Fjordane), Jenny Følling (major of Sunnfjord municipality) and Lars Idar Vegsund (project manager for the hall).

Ranked first for reputation!

We came first for reputation in the industry survey carried out by EPSI Rating. For the fourth year in a row! Looking at the survey as a whole, we came third, which is a fantastic achievement.

"This just makes me incredibly proud on behalf of the talented bunch of people working at the bank. And of course I'm really grateful for the confidence our customers have in us", said Retail Banking Director Linda Vøllestad Westbye.

Teaming up with the business community in Sogn og Fjordane

During 2022, we granted NOK 5.3 billion of new loans and guarantees to businesses in Sogn og Fjordane, and we gained 503 new corporate customers. We lent one billion kroner to our new customers.

Six out of every ten limited companies in Sogn og Fjordane are our customers, which makes us the leading bank to the corporate market in the local region. We have almost 40 people working to ensure that our business customers receive the help they need. Businesses in Sogn og Fjordane are coping well, in spite of rising interest rates, high inflation and global unrest.

In March, we gave a helping hand to agriculture by offering farmers an interest-free loan of up to NOK 300,000. This was in response to high inflation and the upcoming spring season.

The first gift of the year was made in conjunction with the opening of Årdal technology park, where customer adviser Anita Hagen Lægreid handed over NOK 1 million to help set up a laboratory. At the technology park, new and established companies from the whole Indre Sogn area can carry out their research, and it will also be very useful to schools.

Throughout the year we continued to make donations from our profit that benefited the business community in Sogn og Fjordane. This included NOK 1 million towards Sognasmak's new visitor centre in Lærdal, and NOK 700,000 for the Jostedalsbreen National Park visitor centre for a new exhibition that aims to make visitors safer when they are out hiking. Right at the end of the year, Sunnfjord Utvikling AS received a total of NOK 530,000 towards providing courses in sustainability for businesses and a project that aims to set up a national centre for vocational education in Førde. We gave our biggest gift to the business community in May, when we provided NOK 5 million towards the renovation of the iconic Svanøy manor house.

"Svanøy is a fantastic place! It has fantastic businesses, fantastic people and a completely unique location in Svanøy manor house. We believe strongly in this project. It will be a destination for experiences, food, culture and tourism", said our Corporate Banking Director Roy Stian Farsund, who together with Jo Dale Pedersen handed over our gift.

Johan Trygve Solheim (left) and Ola Teigen (right) received the gift from Roy Stian Farsund.

Greener payment cards

In 2022, the first customers received our new bank card that is being rolled out. These cards contain 82% bioplastic, which reduces the CO_2 emissions associated with making them.

Cecilie Hereid Øvrebotten (left) and Ingri Martine Fonn Macsik show what the new cards look like.

NOK 400,000 in grants for talented young people

Eight talented young people in the field of sport or culture each received a NOK 50,000 Furore grant in 2022:

- Sivert Mannsverk, football player from Øvre Årdal
- Ingrid Horvei Lyslo, guitarist from Førde
- Putli Hellesen, dancer from Florø
- Maren Hjelmeset Kirkeeide, biathlete from Stryn
- Emilie Flo Stavik, biathlete from Stryn
- Marte Hovland, football player and athlete from Vik
- Mathias Lind Engelstad, dancer from Førde
- Arild Bjørkelo, drummer from Byrkjelo

The biathletes Emilie Flo Stavik (left) and Maren Hjelmeset Kirkeeide were two of the talented youngsters who received Furore grants in 2022.

Finally a normal summer festival season

After two years of “festivals with a difference”, we could finally enjoy a normal summer festival season. In July, we participated as sponsors of The Førde Festival, Malakoff and Utkant.

The Malakoff Rock Festival went ahead as normal for the first time since 2019.

50 sponsorship agreements

Who we sponsored in 2022

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

Directors' report

Introduction

The Sparebanken Sogn og Fjordane Group's profit after taxation was NOK 779 million in 2022, which is NOK 48 million lower than in 2021, largely due to a smaller contribution from financial instruments.

The highlights in 2022 were:
- Strong growth in loans and deposits
- Frequent interest rate rises and a higher net interest margin
- Loss allowance higher than the previous year, but still relatively low
- Price and wage inflation pushed up expenses, but only moderately
- Poor result from financial instruments, particularly compared with the previous year
- Good capital and liquidity position
- Our organisation coped well with growing levels of business

The Board of Directors is very satisfied with the profit and growth achieved in 2022. The Bank has continued to a develop a sales-oriented and proactive organisation, which has been a successful approach. Profit was lower than the previous year, but this was due to rising loss allowances and a weaker contribution from financial instruments than in 2021.

There was a big improvement in underlying profit. The Bank has been pursuing a long-term growth plan for a number of years, and in 2022 it reaped the rewards of that, achieving both healthy growth in a slightly slowing market and a higher net interest margin thanks to rising interest rates. Norges Bank raised its key policy rate from 0.5% at the start of the year to 2.75% at the end of it. As a result, market interest rates also rose, and banks adjusted up their interest rates. The combination of higher interest rates and growth means that the Bank's net interest income rose by NOK 203 million in 2022. Other income, excluding financial items, rose by NOK 9 million. The Bank managed to cut its costs in 2020 and 2021, and that continued at the start of 2022, but as the year wore on, wage and price inflation, as well as a growing volume of business, left the Bank's expenses NOK 16 million higher than the year before. Nevertheless, the Bank's underlying profitability improved greatly over the course of the year, largely offsetting the lower contribution from financial instruments and the higher loss allowance.

For the fourth year in a row, the Bank came first for reputation in EPSI's customer surveys. We see this, as well as our strong growth, as a clear sign that we are managing to compete well and have a value proposition that our customers appreciate. We will continue to focus on sales, providing good advice, running a tight ship and 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 2022 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' investment funds.

The Group includes three wholly-owned subsidiaries as well as the parent company Sparebanken Sogn og Fjordane. The Group provides estate agency services through Eigedomsmekling 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. 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 in Sogn og Fjordane.

Our most important social responsibility is achieving satisfactory profitability, so that we can provide the financial muscle needed by local businesses. Improving the quality, efficiency and profitability of our core business is 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 2022 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.

Sparebanken Sogn og Fjordane shall continue to be an independent savings bank. 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.

We believe in sustainable development, and engage in activities at a local and global level. We have selected four Sustainable Development Goals that are particular areas of focus, and sustainability is an important element of the Bank's overall strategy, in addition to which we have a separate sustainable strategy.

Ownership interests in Frende Holding AS (9.9%), Balder Betaling AS (10.9%) and SpareBank 1 Finans Midt-Norge AS (8.0%) have strengthened our network and secured us a stake in suppliers of financial products.

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.

Income statement

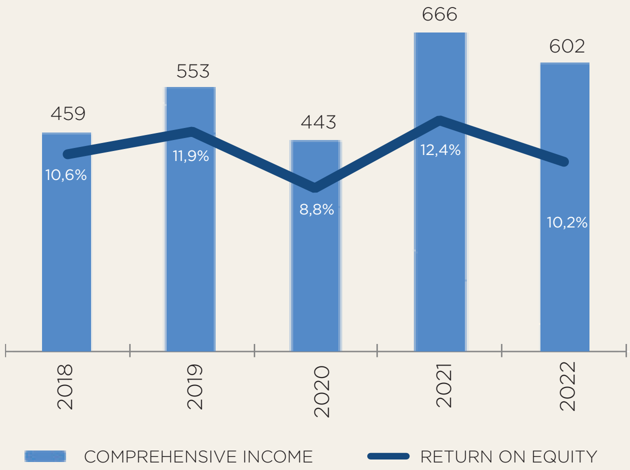
2022 highlights (2021 figures in brackets)

- NOK 1,148 million (945 million) of net interest income
- Net gain on financial instruments of NOK 0 million (173 million)
- Total revenues of NOK 1,314 million (1,274 million)
- Operating expenses of NOK 499 million (483 million)
- Impairment loss of NOK 36 million (NOK 37 million impairment gain)
- Pre-tax profit of NOK 779 million (827 million)
- Return on equity of 10.2% (12.4%)
- Capital adequacy ratio of 20.2% (19.4%)
- Dividend per equity certificate of NOK 12.00 (9.00)
- Proposed allocation for dividends and gifts of NOK 248 million (187 million)

Profit

Sparebanken Sogn og Fjordane made a pre-tax profit of NOK 779 million in 2022, which was NOK 48 million lower than the previous year. Our profit after tax for 2022 came to NOK 602 million, compared with NOK 666 million in 2021. The profit after tax corresponds to a return on equity of 10.2%, against 12.4% in 2021. The decline in profit was mainly due to a lower contribution from financial instruments, a higher impairment charge and a moderate increase in operating expenses. However, net interest income and commission income saw healthy growth.

Profit/loss after tax and return on equity



Net interest income

Net interest and commission income was NOK 1,148 million, NOK 203 million (21.5%) higher than in 2021. Our customer margin has improved significantly over the past year, and deposits and loans grew strongly. However, our cost of funds also rose significantly due to the increase in the 3-month NIBOR. 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 2022. Overall, net interest income was significantly higher than in 2021.

Our net interest margin improved markedly from 1.46% in 2021 to 1.67% in 2022.

Net other income

Other operating income totalled NOK 167 million in 2022, compared with NOK 329 million in 2021. The decline was due to a particularly strong contribution from financial instruments in 2021.

Net gains/losses on financial instruments

The Bank had a net gain of NOK 0 million on financial instruments in 2022, against NOK 173 million in 2021. The figure for 2022 included a NOK 55 million gain from long-term shareholdings, compared with NOK 152 million in 2021. In both 2022 and the previous year, the positive contribution from long-term shareholdings mainly related to dividends and revaluation gains on our stake in Frende. For 2022 there was also a NOK 69 million impairment loss on financial instruments (interest items), compared with a NOK 5 million gain the previous year. For further details see Note 22.

Commission income and expenses
Net commission income totalled NOK 166 million, which was NOK 17 million (11.4%) higher than in 2021. The increase was mainly due to higher commission income on payment services and insurance products.

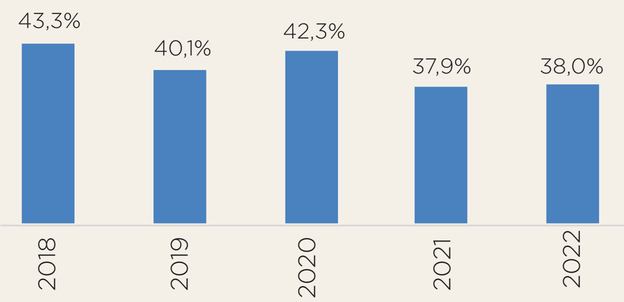
Other income
Other income totalled NOK 31 million, which was NOK 4 million (11.4%) lower than in 2021. This decline was mainly due to lower income from our subsidiary Eigedomsmekling Sogn og Fjordane AS.

Operating expenses
Operating expenses came to NOK 499 million in 2022, which was NOK 16 million (3.3%) more than in 2021. The increase in expenses was affected by one-off items in the figures for both 2022 and 2021. 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 5.9% from 2021. 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 explain some of the increase in expenses. In addition, some expenses, such as travel expenses, were unusually low in 2021 due to the pandemic.

Cost-to-income ratio
Operating expenses in 2022 amounted to 0.73% of average total assets against 0.75% in 2021. 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.

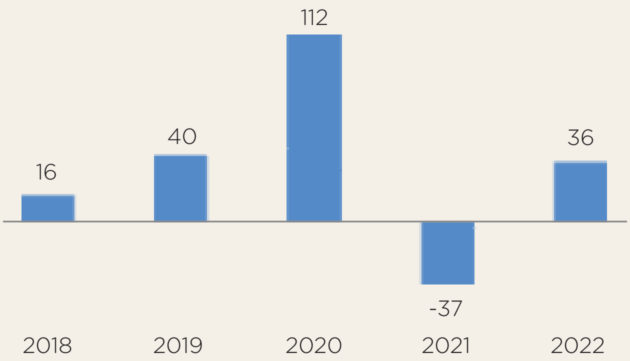
Excluding gains and losses on financial instruments, in 2022 operating expenses totalled 38.0% of total income, compared with 43.9% in 2021. Including gains and losses on financial instruments, in 2022 operating expenses totalled 38.0% of total income, compared with 37.9% in 2021.

Cost-to-income ratio



Impairment loss
In 2022, the Group's impairment loss for loans and guarantees came to NOK 36 million, whereas in 2021 it had an impairment gain of NOK 37 million. The impairment loss for 2022 was relatively low, but there was still a big difference from 2021. In 2022 there was a NOK 104 million increase in the model-based loss allowance, on account of the increasingly uncertain macroeconomic picture, whereas there was a net gain of NOK 68 million for individually assessed loans, thanks to a more favourable outlook for several individual accounts. The impairment loss for 2022 was equivalent to 0.06% of gross loans.

Impairment loss in millions of NOK



Tax expense
The Bank's tax expense for 2022 was NOK 177 million, equivalent to 21.7% of pre-tax profit. The 2021 tax expense was NOK 161 million, equivalent to 19.5% 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 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 2022, the company had a NOK 27.9 billion mortgage portfolio. It has expanded its activities over the past year, and its loan portfolio grew by 19.9% in 2022. The company is well capitalised, with NOK 2.3 billion in equity and a capital adequacy ratio of 20.6% at 31 December 2022.

Its pre-tax profit fell to NOK 153 million in 2022, from NOK 234 million in 2021, due to lower net interest income. 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. 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 3.0 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.

Profit for the year
The Group's profit 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% for 2022, against 12.4% in 2021. We made a good profit in 2022, but it was lower than in 2021, due to a weaker contribution from financial instruments, higher impairment loss and moderate increase in operating expenses. On the other hand, net interest income and commission income saw healthy growth. Sparebanken Sogn og Fjordane has consistently managed to achieve a satisfactory and stable return on equity.

The parent company made a profit before tax of NOK 671 million, compared with NOK 633 million the previous year.

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

Profit after taxation, parent company	671.247.167
Interest paid to investors in hybrid capital (hybrid debt)	– 16.240.578
Available	**655.006.589**

At the Annual General Meeting on 30 March 2023, the Board will propose that the profit for the year be allocated as follows

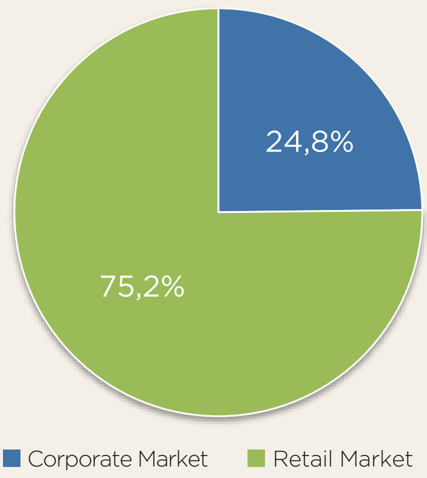
Dividends (NOK 12.00 per equity certificate)	233.798.244
Gifts	14.000.000
Dividend equalisation reserve	337.679.819
Compensation reserve	69.528.526
Total allocated	**655.006.589**

The amount allocated to dividends and gifts, which total NOK 248 million, is equivalent to 37.8% of the parent company's profit and is considered justified in view of the Bank's capital position.

Balance sheet
At the close of 2022, the Group had NOK 70.8 billion in total assets, an increase of NOK 5.0 billion, or 7.6%, since 31 December 2021. The increase was mainly due to strong growth in lending to customers and a larger liquidity buffer held as commercial paper and bonds.

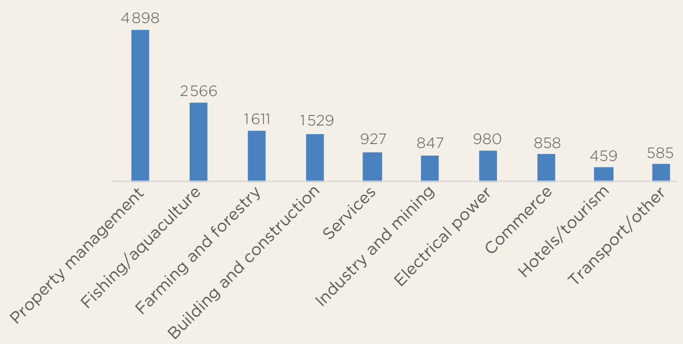
Loans to customers
At the end of 2022, Sparebanken Sogn og Fjordane had NOK 61.5 billion of gross outstanding loans. The volume of loans rose by NOK 3.8 billion (6.7%) over the past year. Lending to the retail market rose 6.3% over that period, while lending to the corporate market rose 6.7%.

At 31 December 2022, 75.2% of gross outstanding loans were to retail customers, whilst 24.8% were to the corporate market (incl. the public sector). A year earlier, 24.5% 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 2022. The biggest proportion of loans to the corporate market was to property management companies, with NOK 4.8 billion outstanding. This represented 32% of all loans to businesses. The fishing and aquaculture industries had received the next largest share, at NOK 2.6 billion, or 17% of all loans to the corporate market.

Gross loans by industry in millions of NOK



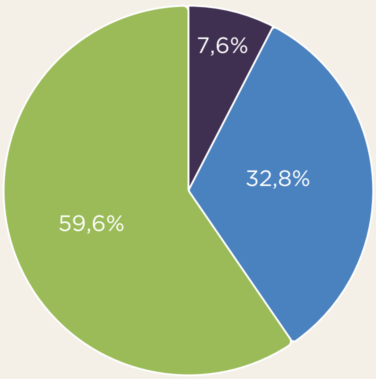
Loss allowance for loans, guarantees and undrawn credit facilities
The loss allowance on the balance sheet for expected credit losses on loans, guarantees and undrawn credit facilities totalled NOK 334 million, compared with NOK 322 million the previous year. Of the loss allowance at 31 December 2022, NOK 314 million was for loans. At 31 December 2022, the loss allowance for loans represented 0.51% of gross outstanding loans, compared with 0.53% the previous year. The allowance for individual loans fell in 2022, but model-based allowances rose on account of macroeconomic conditions and the expectation of collateral values falling.

Customer deposits and deposit/loan ratio

Customer deposits amounted to NOK 34.8 billion at the end of 2022, up NOK 2.3 billion (7.1%) over the year. Retail deposits increased by 3.5%, whilst deposits from corporate customers, including the public and financial sectors, rose 12.9%.

At 31 December 2022, 59.6% of deposits were from retail customers, 32.8% were from business customers and 7.6% were from the public/financial sectors.

Deposits by sector



Over the year, the Group's deposit/loan ratio rose slightly from 56.4% at 31 December 2021 to 56.7% at 31 December 2022.

Security investments

Shares, etc.

At 31 December 2022, the carrying amount of our investments in shares was NOK 758 million, against NOK 765 million at 31 December 2021. The Bank's portfolio of shares at 31 December 2022 consists of long-term, strategic investments. Our biggest shareholding at 31 December 2022 was in Frende Holding AS, with a carrying amount of NOK 366 million. This ownership interest is related to the fact that the Bank sells Frende's insurance products. Our second biggest shareholding is in SpareBank 1 Finans Midt-Norge AS, with a carrying amount of NOK 111 million. This ownership interest is related to the Bank selling the company's secured consumer loans and lease services.

Commercial paper and bonds

The carrying amount of our investments in commercial paper and bonds was NOK 7.5 billion at the close of the year, compared with NOK 6.6 billion at 31 December 2021. 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 2022, we had commercial paper and bonds in issue with a book value of NOK 27.2 billion, against NOK 25.3 billion at 31 December 2021. We had good access to funding throughout 2022, both from bond markets and by using Bustadkreditt Sogn og Fjordane AS to issue covered bonds.

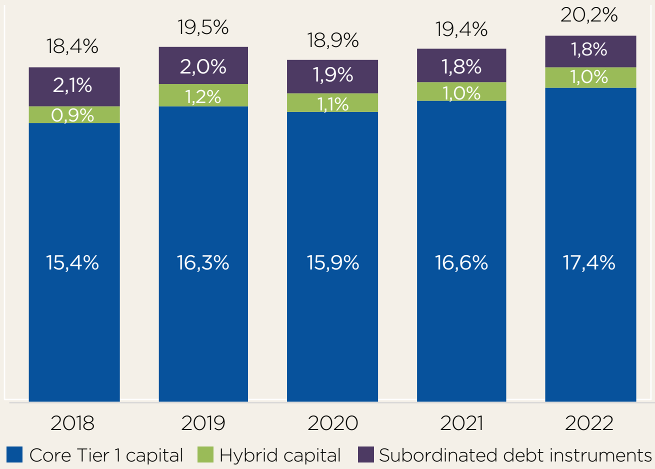
Shareholders' equity and capital adequacy

At 31 December 2022, the Group had NOK 6.6 billion of equity, compared with NOK 6.2 billion at 31 December 2021. Sparebanken Sogn og Fjordane had NOK 4.7 billion of equity share capital and NOK 0.7 billion of primary capital. No new equity certificates were issued in 2022. At 31 December 2022, the Group had hybrid capital consisting of NOK 350 million of hybrid debt, which was unchanged over the past year. Its equity was NOK 396 million, or 6.3%, higher than the figure at 31 December 2021. The increase came from profit over the past year less dividends and gifts disbursed.

It also had NOK 603 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 6.9 billion, after rising NOK 313 million (4.8%) over the past year. For the year to 31 December 2022, the proposed allocation for dividends and gifts is NOK 248 million, compared with NOK 187 million for the year to 31 December 2021. 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 2022 was 20.2%, compared with 19.4% at 31 December 2021. The Core Tier 1 capital adequacy ratio was 17.4% at 31 December 2022, against 16.6% at 31 December 2021. The Board of Directors considers shareholders' equity at the close of 2022 to be satisfactory.

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



Going concern assumption

The 2022 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 2022, Sparebanken Sogn og Fjordane had a long-term rating of A1 from Moody's, with a stable outlook. Bustadkreditt Sogn og Fjordane's covered bond programme has a long-term rating of Aaa.

Ownership and legal form

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 has two election committees: the election committee for depositor and AGM elections and the election committee for equity certificate holders. In addition, the Bank has an electoral board for employee representatives:

- The election committee for depositor and AGM elections is composed of three representatives, each representing one group within the Bank's AGM: 1 representative for depositors, 1 representative for equity share holders and 1 representative for employees. The committee is responsible for finding candidates for both the AGM and the Board. Candidates to represent the depositors must be based in Sogn og Fjordane, Volda Municipality or Bergen, and they must have had deposits of at least NOK 2,500 for the past 6 months. The process of finding candidates begins in November, and elections are held at the end of March in conjunction with the AGM.
- The election committee for equity certificate holders is composed of three representatives chosen from amongst the equity certificate representatives in the AGM, and it is responsible for finding candidates for this group. It is not a requirement for the candidates to be customers or owners.
- The electoral board for employee elections is composed of three employees at the Bank. The electoral board is appointed by the Bank's Board of Directors. The role of the electoral board is to find employee representatives for both the Board of Directors and Annual General Meeting. This involves assessing whether the candidates proposed by the employees are suitable and facilitating the election of representatives.

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 14 meetings in 2022. 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 five meetings in 2022. 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 2022, 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 twelve meetings in 2022. 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 30 March 2022, the AGM authorised the Board to buy back equity certificates with a total face value of up to NOK 150 million, in order to sell them on to employees. The Board of Directors is not authorised to raise new equity share capital. 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. In 2022, the Bank used the authorisation to buy back equity certificates to buy a total of 59,761 equity certificates. The Bank still owns 14,304 of these equity certificates, and they will be used in the Bank's savings programme for employees involving equity certificates.

Ownership structure

Sparebanken Sogn og Fjordane was converted into an equity certificate bank in 2010. Sparebankstiftinga Sogn og Fjordane owns 93.26% of the equity certificates. Sparebankstiftinga Fjaler owns 5.92% of them. The Bank itself owns 0.07% of the equity certificates. The remaining 0.75% are almost all owned by employees and Directors at Sparebanken Sogn og Fjordane.

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 involves 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 financial performance of the various departments and business areas is regularly monitored.

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 situation for 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, and 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).

The credit strategy, finance strategy, strategy for managing operational risk and limits for capital adequacy, credit risk, liquidity risk and market risk are also adopted by the Board of Directors. 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 3/2022. Supplementary assessments and provisions are also made where necessary. Although the Bank does its own calculations of the Pillar 2 capital requirement, it is still the Financial Supervisory Authority of Norway that establishes the Pillar 2 requirement that the Bank must meet. At the close of 2022, 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. Over the course of 2023, we will work to ensure that the Bank complies with the requirements of the Bank Recovery and Resolution Directive (BRRD) when it comes into force on 1 January 2024.

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 2022, the Bank's impairment loss was equivalent to 0.06% of gross loans. The loss allowance on the balance sheet for expected credit losses on loans, guarantees and undrawn credit facilities was NOK 334 million at 31 December 2022, up NOK 18 million since 31 December 2021. 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 2022, loans to the corporate market represented 24.8% of overall lending. Of the CM loans, 9.6% by volume were defined as high-risk loans at the end of the year.

During 2022, Norges Bank raised its key policy rate by 2.25 percentage points. Interest rates on loans rose roughly in line with the key policy rate. When combined with high inflation on essential goods like food, electricity and fuel, this meant that many of our retail customers had less surplus cash in 2022. On the corporate side, several of our customers have experienced significant cost inflation, partly due to higher electricity prices, but so far they are coping well with this. In spite of many of our customers in both the retail and corporate markets having to deal with rising costs during 2022, without this being fully compensated by income growth, we consider the overall risk associated with our loan portfolio to be low at the start of 2023.

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 also taken on additional staff 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.

Cyber risk

The Financial Supervisory Authority of Norway's annual risk and vulnerability analysis shows that financial institutions are doing a good job at reinforcing their defences against cybercrime. The industry cooperation through Nordic Financial CERT (NFCERT) is improving our understanding of threats and risks, and it is putting companies in a better position to handle digital threats and prevent unwanted incidents. At the same time, vulnerabilities have been uncovered that create a risk of serious incidents in the financial sector.

Sparebanken Sogn og Fjordane monitors the threats facing the Bank, both through its internal monitoring system and by using external sources. The Bank is continuously collecting up-to-date threat intelligence from sources like NFCERT, NSM, SANS Institute, etc. The Bank also reports, and discusses, serious incidents with NFCERT.

One of the Bank's key priorities has been strengthening its internal security culture. This is done right across the organisation through training. Sparebanken Sogn og Fjordane has an ICT strategy that is updated each year, and which is coordinated with the overall continuity plan and underlying continuity plans. They are also updated annually. The Bank works systematically to keep up with developments in the digital threats it faces. As well as projects to manage cyber risk, the Bank has established a dedicated "Annual cycle for digital security" that sets out its regular activities. The annual cycle for digital security is continuously reviewed and updated to reflect developments in cyber security.

The Bank's ICT infrastructure consists of a system portfolio, a number of networks and large amounts of data of various kinds and with various levels of classification.

These three parts of the infrastructure are protected by several defensive mechanisms which the Bank tests regularly. In the internal auditor's annual plan, the Board has in recent years emphasised the need for the internal auditor to focus particularly on ICT security. This is done centrally by specialists at our internal auditor (PWC). The Bank has also contracted external consultants to perform penetration and phishing testing over and above what is done through the internal audit projects. Using an internal auditor and external consultants has played an important role in improving work processes and security at the Bank.

As part of its disaster preparedness, the Bank carries out annual disaster recovery exercises involving ICT incidents. The Bank is in the process of introducing a new Information Security Management System (ISMS).

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.

ESG risk

ESG risk covers risks relating to the climate and environment, social issues and corporate governance. The EU has created a classification system that defines the criteria for judging whether or not an economic activity can be considered sustainable. The aim is to establish a shared understanding of what is sustainable, and to avoid "greenwashing".

Climate risk is currently the most important risk within ESG. Climate risk is the risk associated with climate change leading to an increase in the Bank's risks and losses. Climate risk is usually split into three areas:

1. Physical risk: The risk that climate change will lead to temperature changes and more extreme weather events. This has the potential to reduce the value of assets, and thereby cause major financial losses to both the customers of banks and the banks themselves.
2. Transition risk: Risks associated with the transition to a net zero society. These include political, regulatory and technological factors that may affect demand for goods and services.
3. Liability risk: Companies may be held liable for damage from climate change caused by their decisions, or failure to take decisions. This applies to the bank, but also to the bank's customers.

Climate- and nature-related risks affect the Bank's strategy, business model and financial performance. But it also works the other way around: the Bank's operations can have an impact on the climate and natural environment.

Sustainability forms part of the Bank's strategy. Sustainability shall form a natural part of the Bank's operations, across all departments and regions. Key performance indicators and governance objectives covering climate risk will be developed progressively. Our long-term goal is to be carbon neutral by 2050.

Sparebanken Sogn og Fjordane has Eco-Lighthouse certification and produces greenhouse gas accounts in accordance with the Greenhouse Gas Protocol. Used to identify significant sources of emissions, it is the most widely used reporting standard for calculating greenhouse gases emissions.

As stated, for banks, climate risk comes to the fore by affecting other risk categories. It will therefore be vital to include an assessment of climate risk in our management of the other risk types the bank is exposed to, in order to handle the risks that may arise as a result of climate change in the best possible way. This is most important in relation to credit risk, but similar assessments must be carried out in relation to market risk operational risk and funding and liquidity risk. ESG is receiving a lot of attention, which will probably mean that rules in this area will develop rapidly over the coming years. Many of the upcoming rules will result in greater reporting requirements and require more resources from Norwegian banks. For example, this applies to the introduction of the taxonomy regulation, regulation on sustainability-related disclosures and the Transparency Act.
The Bank publishes a TCFD report as parts of its sustainability appendix to the 2022 annual report.

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 2022 its LCR was 165% and its NSFR was 122%.

Money laundering and terrorism financing risk

On account of the kind of services they offer, banks in general are considered to face high risks of money laundering and terrorism financing. 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 financial services industry plays an important role in society's fight against money laundering and terrorism financing. Sparebanken Sogn og Fjordane takes its responsibility seriously and is working to ensure good compliance with the regulations. Work on anti-money laundering and anti-terrorism financing are therefore central to the Bank's strategy.

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.

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, we assess and quantify the risks the Bank is exposed to, and set aside capital for the various types of risk. The amount set aside must be assessed based on the exposure at a given time and also take into account future growth, strategic changes and strategic choices that will affect the 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:

	31.12.19	31.12.20	31.12.21	31.12.22
Total capital adequacy ratio	19,52 %	18,88 %	19,44 %	20,15 %
Core capital adequacy ratio	17,50 %	17,02 %	17,66 %	18,39 %
Core Tier 1 capital adequacy ratio	16,32 %	15,94 %	16,62 %	17,36 %
Core Tier 1 capital requirement	14,40 %	12,70 %	12,70 %	13,70 %
Capital surplus	1,92 %	3,24 %	3,92 %	3,66 %

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 2023, the core Tier 1 capital requirement is expected to rise by 2.0 percentage points, in the shape of higher systemic risk and countercyclical buffers.

Retail Market

2022 was a year of great contrasts. The aftermath of the Covid-19 pandemic, war in Europe, higher inflation and frequent interest rate rises have affected the personal finances of many people in Norway. The impact of a sharp rise in interest rates and higher living costs was particularly felt in the final quarter of 2022. For the first time in a long while, the change in living costs was so big that the National Institute for Consumer Research updated its reference budget more than once in a year. The increase in the reference budget was needed to reflect the impact high inflation was having on people's personal finances.

Higher interest rates and rising living costs are affecting how much money customers have, and the Bank is receiving more requests than in the past to switch to interest-only payments and for loan extensions. We have not seen any increase in payment difficulties, and we consider our customers in the retail market to have strong finances. Even if we consider our portfolio to be of high quality, a rising number of customers are facing tighter personal finances and need good advice in these uncertain times.

Sparebanken Sogn og Fjordane is there for its customers both in good and uncertain times, providing help and good advice.

According to the EPSI 2022 survey, our excellent staff provide the best quality advice in Norway. For the fourth year in a row, we participated in the national EPSI survey, which measures how satisfied retail customers are with their banks. We are humbled by, and grateful for, the fact that Sparebanken Sogn og Fjordane was one of the very top performers in the survey for the fourth year in a row. For the fourth year in a row, we came first for reputation. The feedback we receive from our customers means a lot to us, and we are very proud of our employees delivering good customer experiences year after year.

We have faith in our accomplished staff, who together with simple digital solutions and a strong sense of social responsibility allow us to give people excellent customer experiences. The outcome of that can also be seen in our financial results, with loans growing by 6.3% and deposits by 3.5%.

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. Frende's travel insurance once again come top of a product comparison in 2022.

Sparebanken Sogn og Fjordane is the leading provider of savings and investment products in Sogn og Fjordane. 2022 was a difficult year for investment fund customers. War in Europe resulting in strong inflation and rising interest rates meant that our investment fund customers obtained an average negative return of 8%. Most of these customers' money is invested in global funds, and the weakening of the Norwegian krone prevented a greater fall. Market turbulence and more strained personal finances meant that our new sales of investment funds were lower than last year. Net contributions were slightly negative, in spite of the fact that most of our customers make a regular monthly investment.

In 2022, the total amount invested in funds through SSF fell by 8% to approximately NOK 4.4 billion. Our impression is that customers, in spite of higher disposals of holdings than in past years, have become more experienced and are aware that fund values fluctuate, sometimes a lot. The great majority of them stick to their original savings plans and ride out the market turbulence.

Many of our customers make regular monthly investments, of varying sizes, thus reducing the risk of 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 2023, and is perhaps more important than ever before.

Sparebanken Sogn og Fjordane's subsidiary Eigedomsmekling Sogn og Fjordane has put behind it a year of fluctuating levels of business activity due to rule changes, fierce competition and fewer property transactions. Thanks to its skilled and highly qualified staff, Eigedomsmekling Sogn og Fjordane maintained its position as the market leader in Sogn og Fjordane, even if it made a loss in 2022.

Corporate market

Businesses in Sogn og Fjordane coped well during the pandemic. Low interest rates and healthy purchasing power meant that many companies came out of 2021 in a stronger position, which led to high levels of activity and investment in 2022. Nevertheless, it was a challenging year, with many inputs experiencing high inflation, and there were still challenges with access to certain groups of goods, causing delays to production and deliveries for many companies. The general cost inflation is affecting all sectors of the business community, while the sharp increase in energy prices hit Indre Sogn and the southern side of Sognefjorden. That significantly pushed up the costs of many companies in the year we have just put behind us. In spite of the high inflation, businesses in Sogn og Fjordane continue to have strong finances, and they are in a good position to deal with macroeconomic uncertainty.

Strong levels of business activity were reflected in the Bank's lending to new and existing corporate customers rising by 7.9% in 2022. This growth was spread across most industries, but after many small hydro power plants were sold in our geographical area, the Bank's total lending to that industry fell. Gains on the disposal of companies and the fact that many companies have a generally strong liquidity position meant that the Bank's deposits from corporate customers, financial institutions and municipalities rose by NOK 1.6 billion in 2022, an increase of 12.9%.

Customers value our stable team of advisers and short lines of command, which are particularly important in uncertain times. The Bank has maintained its position as the leading bank to businesses in Sogn og Fjordane, and it has customer relationships with 6 out of every 10 limited companies. Competition remains strong, but we are continuing to win the battle for new customers.

The Bank is focusing on being a complete provider of financial services that offers a wide range of financial advice and services for our corporate customers. This covers day-to-day banking, non-life insurance, investment, currency trading and interest rate hedging, and these product areas performed well in 2022.

The turbulence in stock markets has created a lot of work for the advisers at the Bank's investment centre. Higher interest rates have made deposit accounts a more popular destination for any surplus cash than in the past, but the fact that customers have varying entry points for their investments and a long-term outlook mean that most are sticking with their investments in funds and shares. In order to meet the growing demand for advice on our investment services, in 2023 we will increase the number of advisers we have.

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 last year we achieved strong growth in this product area, by gaining new customers and increasing sales to our existing portfolio. As a result of strong demand and a desire to reach even more customers, we reinforced our capacity in this business area in 2022.

Nordea Liv is the Bank's provider of pension products. Competitive products and good digital solutions, combined with good advice, meant that we once again saw strong growth in this area in 2022.

We offer secured loans and leases through Sparebank 1 Finans Midt-Norge AS, which is part-owned by the Bank. 2022 was yet another good year, thanks to strong demand. In this product area, both volumes and the number of contracts grew in 2022.

The knowledgeability of our advisers to the corporate banking 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 and also plays an important role in managing credit risk in the various industries. Sustainability is a key element of our credit risk assessments for business customers, and 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.

Working closely with account managers, the Bank's corporate banking centre helps to ensure that we are available to and effectively meet the needs of our corporate customers. This good cooperation can also be seen in our work on preventing and uncovering money laundering and terror financing, and our advisers put a lot of time into this. The advisers working at the corporate banking centre also have specialist expertise on online banking and payment services.

Organisational structure

Employees and training

The Bank has taken on a variety of challenging tasks in recent years, and 2022 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 activities. The e-learning tool Motimate plays an important role in the Bank's training programme. In 2022, all of our staff took five hours of obligatory training in Motimate covering anti-money laundering, IT security, data protection, the new financial contracts act and annual confirmation of the Bank's ethical guidelines and whistleblowing procedures. Motimate is also used during the onboarding process so that all new members of staff get the same basic training. In addition to this, all employees get supplementary training in their specialist area, and we have established expert groups for various areas of expertise, which 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, surveys, training and testing.

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. In 2022, important topics covered included sustainability, anti-money laundering and the new insurance mediation act. The financial industry's own rules regulate the practice of authorised financial advisers in ten separate areas. In conjunction with reviewing the new Financial Contracts Act, which entered into force on 1 January 2023, the Bank will also put in place procedures to ensure compliance with the industry rules.

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. In 2022, work began on an assessment of key personnel at the Bank. The Bank wants to ensure that we at all times have up-to-date role descriptions for all managers and staff in key positions.

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 2019–20, we implemented a big management development programme for middle managers and management talent. We saw good, tangible benefits from our investment in management training and built on the programme with new activities in 2021–22. Three management talents at the Bank have taken part in Innovation Norway's management development programme for women. The Bank established a new place for managers at the Bank to 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.

The Bank has enabled hybrid working, which involves some working from home, and written contracts have been signed with employees making use of this possibility (in accordance with the new regulations of 1 July 2022 on work performed at the employee's home). Their main workplace shall continue to be their office. A project has therefore been started, Office 2025, which will look at how office design can help to ensure that offices are inspiring working environments that build trust, and make the office people's preferred place of work.

If more people work from home, it may undermine the Bank's business culture. The Bank has therefore worked on digital and physical activities to strengthen our culture. We have worked proactively and systematically to organise digital events that generate good cooperation, inspiration and good experiences for the Bank's employees. In 2022, we also organised leisure outings and a successful corporate event. The Bank has also invested in new company cabins and upgraded its existing ones.

Working environment

Sparebanken Sogn og Fjordane carries out annual surveys to find out how satisfied employees are with their work. 2020-22 was a challenging period 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. Last year, we therefore carried out two surveys: one major employee satisfaction survey and a shorter so-called pulse survey. The 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 have a good working environment, in comparison to the industry and workplaces in general. We strengthened our employee engagement in 2022. In areas for improvement and development, action is taken, both at the Group level and in individual departments, to improve the working environment and ensure good 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 2022. The Bank's working environment was high up the agenda in 2022. Our working environment committee held four meetings in 2022, and dealt with six working environment cases.

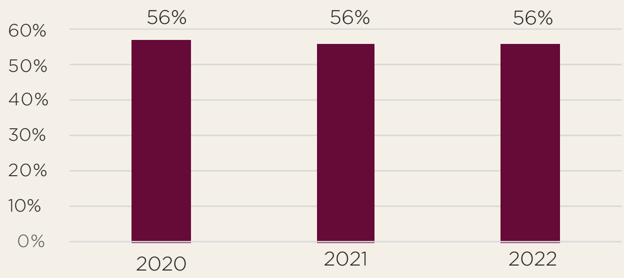
The average sickness absence rate was 4.63% in 2022, which is higher than in 2021, when it was 3.45%. The increase in short-term sickness absence is related to the reopening of society after the Covid-19 pandemic and the general level of illness in the community, and we have also seen a slight increase in long-term absence. The Bank prioritises following up people on sick leave and tries to make adaptations to help them return to work as soon as possible.

Equality and diversity

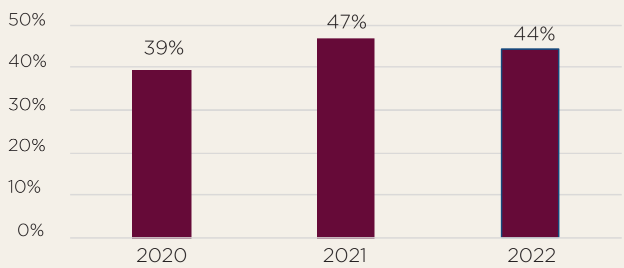
We aim to be one of the best places to work in Sogn og Fjordane. This includes providing equal opportunity and promoting diversity.

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 2021. The proportion of line management positions held by women fell from 47% in 2021 to 44% in 2022. That is still within our target range of 40–60%, and the Bank is working actively to increase the number of women in senior roles. Amongst other things, in 2022 three management talents at the Bank took part in Innovation Norway's management development programme for women.

Women as a proportion of total employees



Women in management positions



20 of our 288 employees work part time. 15 of them are women and 5 are men. The part-time staff generally work 80 or 90 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

	2020		2021		2022	
Gender	% share	No.	% share	No.	% share	No.
Women	68 %	13	63 %	17	75 %	15
Men	32 %	6	37 %	10	25 %	5
Total at the bank		**19**		**27**		**20**

In 2022, the Bank had 14 temporary members of staff. 9 of them were women and 5 were men.

Temporary members of staff

	2020		2021		2022	
Gender	% share	No.	% share	No.	% share	No.
Women	75 %	6	45 %	5	64 %	9
Men	25 %	2	55 %	6	36 %	5
Total at the bank		**8**		**11**		**14**

16 employees took parental leave in 2022. 15 of them were women and 1 was a man. The women took a combined 1,471 days of leave, while men took 130 days. This means that men who work at the Bank make use of their minimum father's quota.

Parental leave

	2021			2022		
Gender	No.	No. of working days	Weeks	No.	No. of working days	Weeks
Women	9	746	149	15	1 471	294
Men	5	308	62	1	130	26
Total at the bank	**14**	**1 054**	**211**	**16**	**1 601**	**320**

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 sixth in this ranking in 2022, in competition with 84 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.

In 2022, the Bank signed up to the Women in Finance Charter, which commits it to setting internal goals for gender balance in senior roles, and to having one senior executive with dedicated responsibility for gender diversity and equality at the Bank. Figures show that financial institutions who have signed up to the charter on average have a better gender balance than other companies in the industry.

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.

In the spring of 2022, we launched a savings programme for our permanent employees using our equity certificates. In conjunction with this, all of our permanent employees were allocated equity certificates with a value of NOK 20,000, and all new members of staff will be allocated equity certificates the first year after they join.

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 Bank's pay policy was revised by the management and employee representatives in 2022.

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	2021	2022
Grade 2 – Senior management team	86 %	86 %
Grade 3 – Other line managers	83 %	87 %
Grade 4 – Technical managers	88 %	86 %
Grade 5 – Advisers/customer service agents	90 %	92 %
Grade 6 – Consultants and others	89 %	90 %
Temporary members of staff	98 %	115 %
Total at the bank	**87 %**	**87 %**

The tables below show the average salary for a full-time position, by grade and gender. Grade 1 – the CEO is not included when calculating overall average pay at the Bank.

Average salary

Organisational level	2021	2022	YoY increase
Grade 1 – CEO	3 066 959	3 265 239	6,47 %
Grade 2 – Senior management team	1 231 533	1 334 657	8,37 %
Grade 3 – Other line managers	825 457	869 522	5,34 %
Grade 4 – Technical managers	725 695	774 175	6,68 %
Grade 5 – Advisers/customer service agents	602 994	649 547	7,72 %
Grade 6 – Consultants and others	600 291	640 801	6,75 %
Temporary members of staff	351 092	456 818	30,11 %
Total at the bank	**639 878**	**690 410**	**7,90 %**

Gender	2021	2022	YoY increase
Women	600 031	648 952	8,15 %
Men	690 593	742 640	7,54 %
Total at the bank	**639 878**	**690 410**	**7,90 %**

The average salary of both women and men rose from 2021 to 2022. The main reasons for this were the annual pay award and the allocation of equity certificates to all permanent employees. Of the average wage growth of 7.90%, 3.13% was due to the allocation of equity certificates to all permanent staff. In other words, average wage growth adjusted for the allocation of equity certificates was 4.77%.

For Grade 2 – Senior Management Team, the figure includes two changes in roles, and excluding them the wage growth for this grade was 6.65%. For Grade 3 – Other Line Managers, the figure was affected by employees joining and leaving the company, and excluding them the wage growth for this grade was 7.36%.

When calculating the pay gap and average salary, we have included basic pay at 31 December and various supplements such as overtime pay and benefits in kind received during the financial year. Benefits in kind includes equity certificates, fixed car allowance, company car, staff insurance policies, taxable benefits from preferential interest rates and taxable gifts.
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.

Previously, the wage gap between women and men was largely due to the majority of management positions being held by men. In recent years, 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 2022.

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 five 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 2022.

- 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.
- 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 has signed up to the Women in Finance Charter.
- The Bank has revised its pay policy in order to include subsidiary goals relating to diversity and equal opportunity. Its pay policy shall be a tool to avoid unjustified and arbitrary pay gaps and pay settlements.
- The Bank performs employee development reviews for all employees, where personal development is an important topic.
- Three 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.

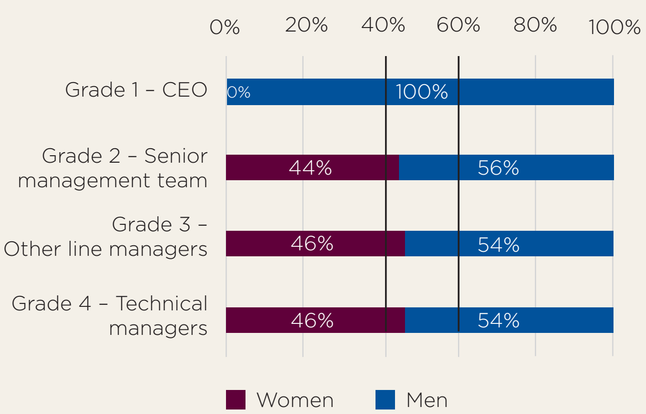
- We have clear guidelines to prevent harassment, sexual harassment and gender-based violence, including a whistleblowing system.
- All employees shall read and commit to the Bank's ethical guidelines each year.
- The topics of equal opportunity and non-discrimination are also covered by our HR policy.
- 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 is working systematically to increase the proportion of female managers, and the table below shows that from 2021 to 2022, the number of women in senior roles fell slightly in the category "Other line managers", while the number of technical managers rose.

GENDER BALANCE			
Proportion of women	2020	2021	2022
Grade 1 – CEO	0 %	0 %	0 %
Grade 2 – Senior management team	44 %	44 %	44 %
Grade 3 – Other line managers	39 %	50 %	46 %
Grade 4 – Technical managers	35 %	43 %	46 %
Grade 5 – Advisers/customer	62 %	57 %	55 %
Grade 6 – Consultants and others	58 %	62 %	63 %
Temporary staff	75 %	45 %	64 %
Total at the bank	**56 %**	**56 %**	**56 %**

The long-term goal is to have a reasonably even gender balance 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. Although we achieved that goal in both 2021 and 2022, this is an area that requires constant vigilance.

Gender balance in management positions in %



Actions planned for the coming year:

- The Bank is working hard to achieve a reasonably even gender balance 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.
- Complete policy for equality, diversity and inclusion.
- Give courses on diversity management to managers at the Bank.
- 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. The Bank has also revised its ethical guidelines, to take into account the new Transparency Act that came into force on 1 July 2022. The 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 2022. 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 2022 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. In 2022, the Bank adopted a dedicated sustainability strategy setting out specific actions with respect to our own operations, in order to reduce our emissions and impact on the climate. In 2022 we have worked to ascertain the emissions associated with our loan portfolio and to classify loans according to their climate risk. Looking ahead, we will set goals for reducing the emissions from the loan portfolio.

For more information about the Bank's work on sustainability and climate change, please see the sustainability report, sustainability appendix including GRI reporting and the Bank's GHG accounts.

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 integral 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 CSR, please see our "Sustainability Report", the "Sustainability Appendix" in our 2022 annual report and the website www.ssf.no/berekraft.

BUSINESS ENVIRONMENT

The expected effect of high inflation and rising interest rates through 2022 and into 2023 on household and business finances makes it reasonable to think that demand for mortgages will decline in 2023. Lower demand will probably increase competition. Sparebanken Sogn og Fjordane is a small player in the national market, and we will strive to maintain higher growth rates than the market as a whole.

In recent years, the benefits of economies of scale in banking and finance have become greater, on account of unfavourable capital adequacy rules for small and medium-sized standard banks like Sparebanken Sogn og Fjordane, stricter regulatory requirements, which are complex and expensive to comply with, and the need to invest more in ICT and ICT security. The changes have slightly increased the rate of consolidation in the industry. Sparebanken Sogn og Fjordane is working proactively to maintain the profitability and capacity of its own organisation in preparation for the new business environment, and its ambition is to continue as a strong, independent bank with its head office in Førde.

Summary and outlook

After two years of the pandemic, many people expected 2022 to be the year that the world and the economy returned to normal. Many things have gone as expected, but many things have also gone in a completely different direction. For most people, the pandemic is largely a thing of the past, even if it is still affecting the health service and individuals. Instead, 2022 has been overshadowed by the war in Ukraine. Russia's invasion of Ukraine has caused a great deal of suffering and forced many people to flee. It has created uncertainty about the risk of the war spreading and about energy supplies to Europe. In Norway, however, high inflation and rising interest rates have had the biggest impact on people's day-to-day lives. Over the course of 2022, Norges Bank raised its key policy rate from 0.5% to 2.75%, and it is expected to rise at least another 0.25% in 2023. The clouds over the Norwegian economy in 2023 are to what extent the monetary tightening will affect inflation, and what effect inflation and interest rates will have on the Norwegian economy in terms of bankruptcies, unemployment and weaker household finances.

For the Bank, 2022 was a good year. Strong growth and higher interest rates boosted our net interest income, which is our biggest source of revenue.

Together with rising other income, excluding financial items, and moderately higher expenses, that meant our core business made a strong profit. On the other hand, rising interest rates and the turbulence in financial markets in 2022 mean that the contribution from financial instruments was much lower than the previous year, while we also had a higher impairment loss due to the uncertain economic outlook. Overall, our profit after tax came to NOK 602 million, giving a return on equity of 10.2%. The Board of Directors is very satisfied with that performance, which allows the Bank to both raise its dividend and reinforce its capital position. At the end of the year, it had a core Tier 1 capital adequacy ratio of 17.4% and total capital adequacy ratio of 20.2%. These capital adequacy ratios are well above the current requirements, and they mean that the Bank is financially sound and in a strong position to meet the stricter capital requirements that have been announced for 2023.

We expect competition for the best customers to remain fierce. But we are well prepared for that competition. Our flexible and knowledgeable 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, 07.03.2023

Sindre Kvalheim
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Marie Heieren

Ole Martin Eide

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. He also heads the investment company Vyrd AS. 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 15 out of 15 Board meetings held in 2022.

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 14 out of 15 Board meetings held in 2022.

JOHNNY HAUGSBAKK
Board member

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 has been a board member at a variety of companies, both locally and nationally. Haugsbakk has sat on the Board since March 2019. Attended 15 out of 15 Board meetings held in 2022.

MONICA RYDLAND
Board member

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 12 out of 15 Board meetings held in 2022.

LISE MARI HAUGEN
Board member

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 15 out of 15 Board meetings held in 2022.

Board of Directors

OLE MARTIN EIDE
Board member

Ole Martin Eide (1981) lives at Skei and is a credit operations manager at Sparebanken Sogn og Fjordane. Eide has been employed at the Bank since 2006, working as a customer service agent, customer adviser and credit controller. Eide has a BA in Finance and Business Administration from Oslo University College. Eide was a member of the Bank's General Meeting from 2017-22. Eide has sat on the Board since 30 March 2022.
Attended 11 out of 15 Board meetings held in 2022.

MARIE HEIEREN
Board member

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 14 out of 15 Board meetings held in 2022.

GEIR OPSETH
Board member

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 15 out of 15 Board meetings held in 2022.

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 15 out of 15 Board meetings held in 2022.

Income statement

PARENT COMPANY				CONSOLIDATED	
2021	2022	AMOUNTS IN MILLIONS OF NOK	Note	2022	2021
1 016	1 556	Interest income	**20**	2 176	1 420
318	600	Interest expenses	**20**	1 029	476
698	**956**	**Net interest income**		**1 148**	**945**
147	164	Commission income	**21**	166	149
28	31	Commission expenses	**21**	31	28
328	210	Net gains/losses on financial instruments	**22**	0	173
11	12	Other income	**23**	31	36
458	**355**	**Net other operating income**		**167**	**329**
1 156	**1 311**	**Total revenues**		**1 314**	**1 274**
244	256	Wages, salaries, etc.	**24, 25, 26**	276	263
169	187	Other expenses	**24**	199	182
40	32	Depreciation and impairment of fixed assets and intangible assets, and gains/losses	**33, 34, 35**	24	39
453	**475**	**Total operating expenses**		**499**	**483**
703	**836**	**Profit/loss before impairment loss**		**815**	**791**
– 38	23	Impairment loss	**15**	36	– 37
741	**813**	**Profit/loss before taxation**		**779**	**827**
108	141	Tax expense	**27**	177	161
633	**671**	**Profit/loss for the financial year**		**602**	**666**
		STATEMENT OF COMPREHENSIVE INCOME			
633	**671**	**Profit/loss for the financial year**		**602**	**666**
		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**
633	**671**	**Comprehensive income**		**602**	**666**
28,41	30,06	Profit per equity certificate (weighted), in NOK		26,98	29,91

Balance sheet

AMOUNTS IN MILLIONS OF NOK

PARENT COMPANY				CONSOLIDATED	
31.12.21	31.12.22	**ASSETS**	Note	31.12.22	31.12.21
22	19	Cash and cash equivalents		19	22
1 866	5 032	Loans and advances to credit institutions/ central banks	**3, 17, 28**	714	717
34 047	33 272	Loans to customers	**3, 7-16, 28**	61 184	57 344
8 871	7 259	Commercial paper and bonds	**3, 29**	7 467	6 603
215	716	Financial derivatives	**3, 30**	375	185
765	758	Shares	**3, 31**	758	765
3	3	Investments in associates	**32**	3	3
1 812	2 212	Investments in subsidiaries	**32**	0	0
24	14	Intangible assets and goodwill	**33**	16	26
79	79	Fixed assets	**34-35**	88	92
18	29	Deferred tax assets	**27**	20	11
44	159	Other assets	**36**	180	40
47 768	**49 553**	**Total assets**		**70 824**	**65 808**
642	640	Debt to credit institutions	**3, 17, 28**	504	500
32 568	34 870	Deposits from and debt to customers	**3, 28, 37**	34 846	32 536
7 308	5 817	Debt securities in issue	**3, 28, 38**	27 169	25 335
162	680	Financial derivatives	**3, 30**	612	121
121	153	Tax payable	**27**	187	172
0	0	Deferred tax	**27**	0	0
312	273	Other liabilities and provisions	**39**	258	294
602	603	Subordinated debt instruments	**40**	603	602
41 715	**43 035**	**Total liabilities**		**64 179**	**59 559**
4 416	4 650	Equity share capital	**48**	4 650	4 416
645	700	Primary capital		700	645
454	569	Other equity		696	650
350	350	Hybrid capital		350	350
187	248	Proposed allocation for dividends and gifts	**48**	248	187
6 053	**6 518**	**Total equity**		**6 645**	**6 249**
47 768	**49 553**	**Total debt and equity**		**70 824**	**65 808**

Førde, 7 March 2023

Sindre Kvalheim
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Marie Heieren

Ole Martin Eide

Trond Teigene
CEO

Cash flow statement

PARENT COMPANY				CONSOLIDATED	
31.12.21	31.12.22		Note	31.12.22	31.12.21
741	813	Profit/loss before taxation		779	827
1 868	2 300	Increase/(reduction) in customer deposits	**37**	2 309	1 871
- 1 391	591	Reduction/(increase) in loans to customers	**9**	- 4 038	- 2 873
40	32	Depreciation and impairment of assets	**34**	24	39
- 38	23	Impairment loss	**15**	36	- 37
1	- 1	Losses/(gains) on disposal of fixed assets		- 9	2
- 76	- 121	Tax paid	**27**	- 172	- 120
- 51	75	Other non-cash transactions		- 120	- 163
189	- 151	Adjustment for other items		111	199
1 284	**3 560**	**A) Net cash flow from operating activities**		**- 1 079**	**- 255**
- 108	- 393	Reduction/(increase) in shares and other securities with variable returns	**31**	7	- 108
- 387	1 582	Reduction/(increase) in investments in commercial paper and bonds	**29**	- 894	- 106
- 34	- 36	Investments in fixed assets, intangible assets and goodwill	**33-35**	- 28	- 35
713	4	Sale of fixed assets		17	1
- 529	**1 158**	**B) Net cash flow from investment activities**		**- 898**	**- 249**
- 1 282	- 2	Increase/(decrease) in loans from credit institutions	**17**	4	- 1 302
915	- 1 373	Increase/(reduction) in debt securities in issue	**38**	2 147	2 297
0	2	Increase/(reduction) in subordinated debt	**40**	2	0
0	- 3	Increase/(reduction) in equity share capital		- 3	0
0	0	Increase in hybrid capital		0	0
- 122	- 179	Dividends and gifts		- 179	- 122
- 489	**- 1 555**	**C) Net cash flow from financing activities**		**1 970**	**872**
267	**3 163**	**D) Net cash flow during the year (A+B+C)**		**- 6**	**368**
1 622	1 889	Opening balance of cash and cash equivalents		739	371
1 889	**5 051**	**Closing balance of cash and cash equivalents**		**733**	**739**
		Breakdown of cash and cash equivalents			
22	19	Cash and cash equivalents		19	22
1 866	5 032	Deposits at other financial institutions and central banks		714	717
1 889	**5 051**	**Total**		**733**	**739**

Equity statement

PARENT COMPANY	EQUITY SHARE CAPITAL						OTHER EQUITY			
	Equity certifi-cates	Divi-dend equali-sation reserve	Own equity certifi-cates	Share pre-mium ac-count	Primary capital	Hybrid capital	Reserve for un-realised gains	Other equity	Allocted divi-dends and gifts	Total
Balance at 31.12.20	**1 948**	**2 175**	**0**	**16**	**593**	**350**	**354**	**0**	**129**	**5 564**
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	– 129	**– 129**
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	0	187	**633**
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**	**0**	**187**	**6 053**
Balance at 31.12.21	**1 948**	**2 452**	**0**	**16**	**645**	**350**	**454**	**0**	**187**	**6 053**
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	– 187	**– 187**
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	0	248	**671**
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**	**0**	**248**	**6 518**

Equity statement (cont.)

CONSOLIDATED	EQUITY SHARE CAPITAL					OTHER EQUITY				
	Equity certifi-cates	Divi-dend equali-sation reserve	Own equity certifi-cates	Share pre-mium ac-count	Primary capital	Hybrid capital	Reserve for un-realised gains	Other equity	Allocted 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**
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**	**646**	**350**	**454**	**196**	**187**	**6 249**
Balance at 31.12.21	**1 948**	**2 452**	**0**	**16**	**646**	**350**	**454**	**196**	**187**	**6 249**
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	– 187	**– 187**
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**

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 2022 financial statements for Sparebanken Sogn og Fjordane were discussed and adopted at the Board meeting of 7 March 2023.

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 2022.

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 2022.

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 right
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 right
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. When discounting lease payments, the effective interest rate used is an estimate of the expected marginal borrowing rate. This interest rate will normally change over time, and the up-to-date interest rate shall be used for new leases, if the term of the lease changes or in the event of other changes to existing leases.

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 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 at 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 the reform will not result in any real changes to our financial statements.

New standard: IFRS 17 Insurance contracts including proposed changes to IFRS 17

IFRS 17 is replacing IFRS 4. IFRS 17 contains rules on how insurance contracts shall be measured and presented, which was previously left up to national regulations. The new standard increases the disclosure requirements. The change came into force as of 1 January 2023. The Group does not have any operations or contracts that are covered by the standard.

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 which, 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.

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.

Stranded assets

Stranded assets are defined as assets that will have less or no value before the end of their useful lives due to changes in the external business environment. This includes changes in technology, regulations, markets and behaviour. The risk of this kind of impairment is taken into account when determining the market value of collateral. The risk of premature writedowns of key items of collateral is compensated for through shorter terms for those kinds of loans. The Bank judges that only a very small proportion of its portfolio falls within this category.

The risk of stranded assets within the mortgage portfolio as a result of physical climate risk has also been assessed. Physical climate risk may negatively affect market values due to the risk of landslides or flooding potentially increasing the risk of damage or making properties difficult to sell. Although our portfolio is exposed to physical climate risk, in our opinion it is primarily an insurance risk as the homes are insured and are covered by the various insurance companies' natural disaster pools. Our overall judgement is that no additional impairments are needed for the risk of stranded assets.

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 figures published by Statistics Norway.

On account of the macroeconomic situation, 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.

Definition of default and debt relief

Retail loans and residential mortgage loans
An account is considered in default if the account is more than 90 days past due and the amount overdue is material. 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.

The definition of retail loans is based on the definitions in the Basel regulations.

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 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

A customer, or account, in payment default has a probation period of at least 3 months.

A customer, or account, in payment default has a probation period of at least 12 months in the event of restructuring. Assets in default shall be considered equivalent to credit-impaired assets as defined in IFRS 9.

Age analysis of payment defaults

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.

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.

Debt relief
Debt relief refers to changes to the agreed terms and conditions granted as a result of a customer having difficulty meeting their payment obligations that would not have been granted if the customer were in a stronger financial position. An account that is not in default, but which has been granted debt relief, will be put in stage 2, whereas an account with debt relief that is in default will be allocated to stage 3.

Note 3 Classification of financial instruments

CONSOLIDATED

31.12.22	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	19	0	19
Loans and advances to credit institutions/central banks	0	0	0	714	0	714
Loans to customers	0	3 685	0	57 499	0	61 184
Commercial paper and bonds	0	7 467	0	0	0	7 467
Financial derivatives	307	0	0	0	69	375
Shares	758	0	0	0	0	758
Total	**1 065**	**11 152**	**0**	**58 232**	**69**	**70 517**
LIABILITIES						
Debt to credit institutions	0	0	0	504	0	504
Deposits from and debt to customers	0	1 507	0	33 339	0	34 846
Debt securities in issue	0	2 467	0	19 918	4 784	27 169
Financial derivatives	271	0	0	0	341	612
Subordinated debt instruments	0	0	0	603	0	603
Total	**271**	**3 974**	**0**	**54 364**	**5 125**	**63 734**

PARENT COMPANY

31.12.22	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	19	0	19
Loans and advances to credit institutions/central banks	0	0	0	5 032	0	5 032
Loans to customers	0	3 685	13 542	16 046	0	33 272
Commercial paper and bonds	0	7 259	0	0	0	7 259
Financial derivatives	716	0	0	0	0	716
Shares	758	0	0	0	0	758
Total	**1 474**	**10 944**	**13 542**	**21 097**	**0**	**47 057**
LIABILITIES						
Debt to credit institutions	0	0	0	640	0	640
Deposits from and debt to customers	0	1 507	0	33 363	0	34 870
Debt securities in issue	0	2 467	0	3 349	0	5 817
Financial derivatives	680	0	0	0	0	680
Subordinated debt instruments	0	0	0	603	0	603
Total	**680**	**3 974**	**0**	**37 955**	**0**	**42 610**

Note 3 Classification of financial instruments (cont.)

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 4 Segment reporting

Geographic segment
Geographic segments

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

2022 INCOME STATEMENT	Total for group	Finance	Corp. Market/ PS/FS	Retail market including Bustad-kreditt	Other	Estate agency	Property 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**

Note 4 Segment reporting (cont.)

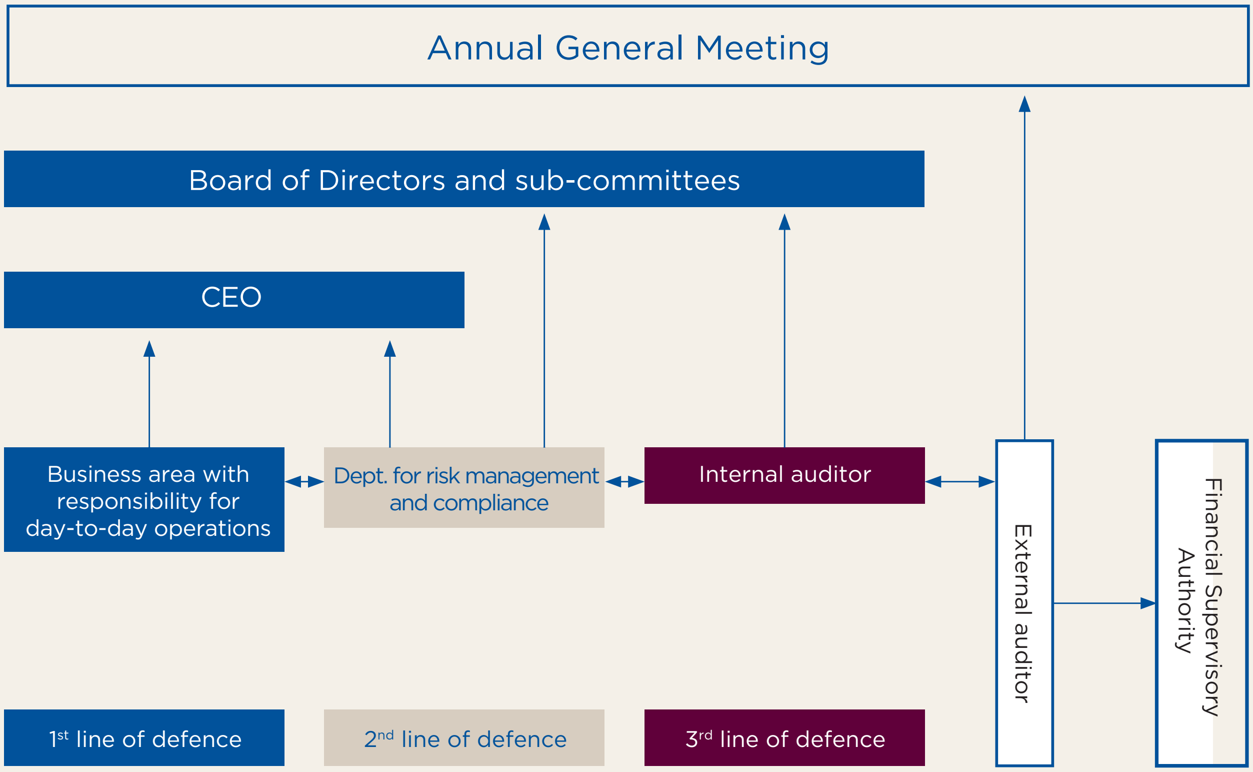
2021 INCOME STATEMENT	Total for group	Finance	Corp. Market/ PS/FS	Retail market including Bustad-kreditt	Other	Estate agency	Property man-age-ment	Elimina-tions
Net interest income and credit commissions	945	– 8	373	580	0	0	0	0
Net other operating income	329	156	57	88	4	33	8	– 17
Total operating income	**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 31.12.2021								
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 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 first 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** er førebuande organ for styret i handsaming og overvaking av banken si risikoeksponering. 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, 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 hat will help it to achieve the goals that it has set itself in its overall 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.)

TYPES OF RISK FACED BY THE BANK

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 and terrorism financing 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. The risk of the Bank being used as a conduit for transferring money to people or groups who intend to carry out terrorist activities.
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.
Reputation risk	The risk of the Bank's reputation suffering as a result of, for example, failure to comply with legislation, poor communication with customers, fines from the authorities or actions perceived to be unethical.

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	
31.12.21	31.12.22	**EQUITY AND SUBORDINATED DEBT**	31.12.22	31.12.21
1 948	1 948	Equity share capital	1 948	1 948
0	– 3	Deduction for own equity certificates	– 3	0
645	700	Primary capital	700	645
16	16	Share premium account	16	16
2 452	2 689	Dividend equalisation reserve	2 689	2 452
187	248	Allocated dividends/gifts	248	187
454	569	Reserve for unrealised gains	569	454
0	0	Other equity	127	196
5 703	**6 168**	**Equity**	**6 295**	**5 899**
		Other core capital		
350	350	Hybrid capital	350	350
6 053	**6 518**	**Equity**	**6 645**	**6 249**
		Deductions		
– 18	– 29	Deferred tax assets	– 20	– 11
– 18	– 10	Other intangible assets	– 12	– 20
– 75	– 162	Deduction for ownership interests in other companies in financial sector	– 94	– 75
– 16	– 20	Adjustment to comply with prudent valuation rules	– 20	– 16
– 187	– 248	Dividends and gifts	– 248	– 187
0	0	Other deductions	0	0
5 738	**6 049**	**Net core capital**	**6 252**	**5 939**
5 388	**5 699**	**Core Tier 1 capital**	**5 902**	**5 589**
		Supplementary capital		
600	600	Subordinated debt instruments	600	600
600	**600**	**Net supplementary capital**	**600**	**600**
6 338	**6 649**	**Net equity and subordinated debt**	**6 852**	**6 539**
		BASIS FOR CALCULATION		
		Credit risk		
4	20	Local and regional authorities	20	4
2 765	3 831	Institutions	277	143
2 675	2 845	Enterprises	2 845	2 675
4 143	3 986	Retail loans	4 262	4 572
12 281	11 357	Residential mortgage loans	20 926	20 222
931	432	Overdue advances	560	1 045
310	297	Particularly high-risk assets (property development projects)	297	310
3 502	2 881	Equity investments	1 837	1 690
729	528	Covered bonds	539	491
136	134	Other advances	102	151
27 475	**26 311**	**Total calculation basis for credit risk**	**31 665**	**31 305**
0	0	Currency risk	0	0
1 846	1 910	Operational risk	2 300	2 245
92	69	CVA	36	82
29 413	**28 290**	**Total calculation basis**	**34 002**	**33 631**
3 985	**4 385**	**Excess equity and subordinated debt**	**4 131**	**3 849**
		CAPITAL ADEQUACY		
21,55 %	23,50 %	Capital adequacy ratio	20,15 %	19,44 %
19,51 %	21,38 %	Core capital adequacy ratio	18,39 %	17,66 %
18,32 %	20,14 %	Core Tier 1 capital adequacy ratio	17,36 %	16,62 %
9,45 %	9,46 %	Unweighted core capital ratio	8,65 %	8,86 %

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 allowance	
Corporate market	2022	2021	2022	2021	2022	2021
Low risk (A–D)	9 501	8 765	1 813	1 762	37	22
Medium risk (E–G)	4 391	3 994	585	528	50	38
High risk (H–K)	1 378	1 394	273	221	196	226
Total for corporate market	**15 270**	**14 153**	**2 671**	**2 511**	**284**	**286**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
Retail market	2022	2021	2022	2021	2022	2021
Low risk (A–D)	32 427	31 167	3 413	3 246	6	3
Medium risk (E–G)	12 031	11 038	244	248	13	7
High risk (H–K)	1 771	1 293	10	10	32	26
Total for retail market	**46 229**	**43 498**	**3 667**	**3 504**	**51**	**36**

PARENT COMPANY

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
Corporate market	2022	2021	2022	2021	2022	2021
Low risk (A–D)	9 294	8 585	1 776	1 751	37	22
Medium risk (E–G)	4 316	3 951	585	528	50	38
High risk (H–K)	1 357	1 382	273	221	197	227
Total	**14 967**	**13 918**	**2 634**	**2 500**	**284**	**286**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
Retail market	2022	2021	2022	2021	2022	2021
Low risk (A–D)	12 304	13 756	1 480	1 510	1	1
Medium risk (E–G)	5 553	5 996	161	170	4	3
High risk (H–K)	736	671	6	6	18	19
Total for retail market	**18 593**	**20 423**	**1 647**	**1 687**	**24**	**23**

Note 8 Loans in default and debt relief

Note 2 includes an explanation of default and debt relief.

The table below shows assets recorded as being in payment default, which in the retail market means the default exceeds NOK 1,000 on one of the customer's accounts and constitutes at least 1% of their total balance. The same applies to the corporate market, but with a limit of NOK 2,000.

Age analysis of payment defaults

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
CONSOLIDATED	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**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
PARENT COMPANY	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21
11–30 days past due	11	10	0	0	0	0
31–90 days past due	22	4	0	0	0	0
More than 90 days past due	125	123	2	1	47	42
Total assets more than 10 days past due	**159**	**136**	**3**	**1**	**47**	**42**

The table below shows assets in default

Assets in default

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
CONSOLIDATED	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*

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
PARENT COMPANY	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21
More than 90 days past due	125	123	2	1	47	42
Other assets in default	347	832	34	151	65	157
Total assets in default and at risk of default	**472**	**955**	**36**	**152**	**112**	**199**
Of which in the retail market	*155*	*197*	*2*	*2*	*14*	*18*
Of which in the corporate and public sector markets	*316*	*758*	*35*	*150*	*98*	*181*

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

The table below shows assets for which debt relief has been granted in conjunction with customers having difficulty meeting their payment obligations.

Debt relief

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
CONSOLIDATED	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*				

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
PARENT COMPANY	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	491	360	12	8	32	5
Assets with debt relief that are also in default	116	205	0	17	18	53
Total assets with debt relief	**607**	**565**	**12**	**25**	**50**	**57**
Of which in the retail market	*152*	*214*	*0*	*1*	*2*	*2*
Of which in the corporate and public sector markets	*455*	*351*	*12*	*24*	*48*	*55*
Debt relief broken down by asset level						
Stage 2 assets	*491*	*360*				
Stage 3 assets	*116*	*205*				

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 9 Loans by customer groups

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*	*285*	*312*	*51*	*36*
Of which in the corporate and public sector markets	*15 270*	*14 153*	*2 671*	*2 528*	*353*	*910*	*284*	*286*

PARENT COMPANY	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	18 593	20 423	1 647	1 687	157	129	24	23
Public sector	10	5	64	69	0	0	0	0
Farming and forestry	1 577	1 598	186	178	2	34	11	21
Fishing and hunting	2 029	1 980	171	147	3	3	33	4
Aquaculture and hatcheries	532	454	90	88	42	1	10	22
Industry and mining	840	826	360	388	20	528	18	26
Power/water supply	980	920	28	58	3	3	10	6
Building and construction	1 447	1 162	742	543	116	151	83	47
Commerce	800	795	378	293	31	50	8	34
Transport	548	376	119	144	15	24	3	4
Hotels and tourism	454	438	43	37	4	4	4	4
Services	861	811	117	107	46	33	31	41
Property management	4 890	4 552	338	449	69	133	73	77
Other	0	0	0	0	0	0	0	0
Total	**33 560**	**34 341**	**4 282**	**4 187**	**508**	**1 095**	**308**	**309**
Of which in the retail market	*18 593*	*20 423*	*1 647*	*1 687*	*157*	*199*	*24*	*23*
Of which in the corporate and public sector markets	*14 967*	*13 918*	*2 635*	*2 500*	*351*	*908*	*284*	*286*

Note 10 Loans by geographic area

CONSOLIDATED	Gross loans 2022	Gross loans 2021	Percentage of gross loans 2022	Percentage of gross loans 2021
County				
Vestland	49 494	46 662	80,5 %	80,9 %
Oslo	4 122	3 796	6,7 %	6,6 %
Viken	3 561	3 178	5,8 %	5,5 %
Møre og Romsdal	1 497	1 426	2,4 %	2,5 %
Rogaland	685	610	1,1 %	1,1 %
Trøndelag	432	407	0,7 %	0,7 %
Troms og Finnmark	520	504	0,8 %	0,9 %
Vestfold og Telemark	459	380	0,7 %	0,7 %
Innlandet	342	334	0,6 %	0,6 %
Agder	218	209	0,4 %	0,4 %
Nordland	168	145	0,3 %	0,3 %
Total gross loans	**61 498**	**57 651**	**100,0 %**	**100,0 %**

PARENT COMPANY	Gross loans 2022	Gross loans 2021	Percentage of gross loans 2022	Percentage of gross loans 2021
County				
Vestland	28 896	29 181	86,1 %	85,0 %
Oslo	1 354	1 584	4,0 %	4,6 %
Viken	1 091	1 195	3,3 %	3,5 %
Møre og Romsdal	975	1 025	2,9 %	3,0 %
Rogaland	249	278	0,7 %	0,8 %
Trøndelag	144	170	0,4 %	0,5 %
Troms og Finnmark	402	407	1,2 %	1,2 %
Vestfold og Telemark	149	159	0,4 %	0,5 %
Innlandet	120	148	0,4 %	0,4 %
Agder	100	113	0,3 %	0,3 %
Nordland	78	82	0,2 %	0,2 %
Total gross loans	**33 560**	**34 341**	**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, it is valued at its market value based on the estimates of Eiendomsverdi AS, estate agent valuations or assessed valuations. Valuations of collateral provided by retail customers are updated 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 are updated 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	2022	2021	2022	2021	2022	2021
No collateral	120	124	563	554	2	3
Collateral ratio of 0–100%	735	682	65	46	8	7
Collateral ratio of 100–150%	27 152	26 748	1 391	1 379	33	18
Collateral ratio of 150–200%	13 400	11 944	1 016	1 002	2	1
Collateral ratio of over 200%	4 822	4 000	631	523	5	7
Total for retail market	**46 229**	**43 498**	**3 667**	**3 504**	**51**	**36**

PARENT COMPANY	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	2022	2021	2022	2021	2022	2021
No collateral	119	125	563	555	2	3
Collateral ratio of 0–100%	491	479	52	32	5	6
Collateral ratio of 100–150%	12 139	14 035	594	631	11	8
Collateral ratio of 150–200%	4 442	4 552	297	339	1	0
Collateral ratio of over 200%	1 402	1 232	141	130	4	6
Total for retail market	**18 593**	**20 423**	**1 647**	**1 687**	**23**	**23**

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 expected 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.

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 31.12.2022, 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 the time of default. 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 have removed the absolute threshold for changes in PD, its loss allowance would have been around NOK 6 million higher at 31.12.2022.

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. If a loan has been on the Company's watch list, it must complete a three month probation period before it can be moved to Stage 1.

Assets that are in default will be transferred from Stage 3 to Stage 1 or 2 when they are no longer identified as in default, and once they have completed a three month probation period without any further default events.

In the case of customers who have been considered in default on account of receiving debt relief on two or more occasions during a two-year period, or who become overdrawn/more than 30 days past due in the two-year period after receiving debt relief, there is a probation period of 12 months.

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, unemployment, the consumer price index and oil price to estimate future default rates. Due to the unusual macroeconomic situation we have been through, the model is not sufficiently good at predicting the probability of default over the next few years. We have therefore used internal expert assessments of what is likely to happen to the probability of default over the coming five years, based on projections from the monetary policy report.

For residential mortgage loans, the collateral values in the scenarios are projected based on the house price forecast in the monetary policy report and figures published by Statistics Norway.

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

As of the current time, no climate-related scenarios have been included when calculating expected losses.

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.

For customers in the property development sector, the PD has been raised by 75%, in view of factors such as strong forces of centralisation and the difficulties faced by physical retailers. For the transport the agricultural sectors, the PD has been raised by 50% due to rising operating expenses. For the aquaculture sector, the PD has also been raised by 50%, mainly due to the new resource rent tax.

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 2022 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 increase in the industry adjustment to the probability of default for the property management sector increased model-based losses by NOK 9.1 million when it was introduced in Q4 2022. This reduced profit by the same amount: NOK 9.1 million.

Changes	When change was introduced	Impact on profit
Changes to future macroeconomic scenario for PD and collateral values	Q4 2022	NOK -42.2 million
Industry adjustment for property development sector raised from 150% to 175% of current PD when estimating losses	Q4 2022	NOK -9.1 million
Industry adjustment for aquaculture sector raised to 150% of current PD when calculating losses	Q4 2022	NOK -0.7 million
Industry adjustment for transport sector raised to 150% of current PD when calculating losses	Q4 2022	NOK -0.3 million
200% industry adjustment for tourism sector eliminated	Q3 2022	NOK +0.6 million

Note 13 Assets classified by IFRS 9 stage

CONSOLIDATED

2022	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.2022	**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 31.12.2022	**51 529**	**5 692**	**583**	**57 805**
Loss allowance for loans at amortised cost at 31.12.2022	58	136	112	306
Net loans at amortised cost at 31.12.2022	**51 471**	**5 556**	**472**	**57 499**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2022	**3 282**	**394**	**18**	**3 693**
Loss allowance for loans at fair value at 31.12.2022	1	3	4	8
Net loans at fair value at 31.12.2022	**3 280**	**391**	**13**	**3 685**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at 31.12.2022	**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 31.12.2022	59	139	116	314
Net loans at 31.12.2022	**54 752**	**5 947**	**485**	**61 184**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.2022	**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	*2 261*	*375*	*35*	*2 671*
Loss allowance for guarantees and undrawn credit facilities at 31.12.2022	12	8	1	20
Net exposure to undrawn credit facilities and guarantees at 31.12.2022	**5 860**	**421**	**36**	**6 317**

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

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
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.)

PARENT COMPANY

2022	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost and fair value through OCI at 01.01.2022	**26 292**	**3 102**	**927**	**30 321**
Transferred to Stage 1	871	– 737	– 133	0
Transferred to Stage 2	– 945	1 235	– 289	0
Transferred to Stage 3	– 29	– 28	57	0
New financial assets issued or acquired	10 073	848	69	10 990
Derecognised financial assets	– 9 861	– 941	– 149	– 10 951
Other changes	– 416	– 50	– 27	– 493
Gross loans at amortised cost and fair value through OCI at 31.12.2022	**25 985**	**3 428**	**454**	**29 867**
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.2022	48	125	107	280
Net loans at amortised cost and fair value through OCI at 31.12.2022	**25 937**	**3 303**	**347**	**29 587**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2022	**3 282**	**394**	**18**	**3 693**
Loss allowance for loans at fair value at 31.12.2022	1	3	4	8
Net loans at fair value at 31.12.2022	**3 280**	**391**	**13**	**3 685**

	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.2022	**29 266**	**3 822**	**472**	**33 560**
Of which in the retail market	*16 873*	*1 565*	*155*	*18 593*
Of which in the corporate and public sector markets	*12 393*	*2 258*	*316*	*14 967*
Total loss allowance for loans at 31.12.2022	49	128	111	288
Net loans at 31.12.2022	**29 217**	**3 695**	**360**	**33 272**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.2022	**3 841**	**404**	**36**	**4 281**
Of which in the retail market	*1 617*	*28*	*2*	*1 647*
Of which in the corporate and public sector markets	*2 224*	*375*	*35*	*2 634*
Loss allowance for guarantees and undrawn credit facilities at 31.12.2022	11	8	1	20
Net exposure to undrawn credit facilities and guarantees at 31.12.2022	**3 829**	**396**	**36**	**4 261**

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 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.

CONSOLIDATED

2022	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost at 01.01.2022	**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 31.12.2022	**58**	**136**	**112**	**306**
Loss allowance for loans at fair value at 31.12.2022	**1**	**3**	**4**	**8**
Total loss allowance for loans at 31.12.2022	**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 01.01.2022	**4**	**9**	**3**	**15**
Changes during the reporting period	8	– 1	– 2	5
Loss allowance for undrawn credit facilities and guarantees at 31.12.2022	**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*

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**
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*

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

PARENT COMPANY

2022	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost and fair value through OCI at 01.01.2022	**29**	**65**	**192**	**286**
Transferred to Stage 1	5	- 12	- 25	- 32
Transferred to Stage 2	- 3	44	- 28	12
Transferred to Stage 3	0	- 1	7	6
New financial assets issued or acquired	24	25	8	57
Derecognised financial assets	- 10	- 18	- 58	- 85
Changes to model/macroeconomic parameters	8	17	2	27
Actual losses covered by previous provisions	0	0	- 18	- 18
Other changes	- 5	4	26	26
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.2022	**48**	**125**	**107**	**280**
Loss allowance for loans at fair value at 31.12.2022	**1**	**3**	**4**	**8**
Total loss allowance for loans at 31.12.2022	**49**	**128**	**111**	**288**
Of which in the retail market	*1*	*8*	*14*	*24*
Of which in the corporate and public sector markets	*48*	*119*	*97*	*264*

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2022	**3**	**9**	**3**	**15**
Changes during the reporting period	8	- 1	- 2	5
Loss allowance for undrawn credit facilities and guarantees at 31.12.2022	**11**	**8**	**1**	**20**
Of which in the retail market	*0*	*0*	*0*	*0*
Of which in the corporate and public sector markets	*11*	*8*	*1*	*20*

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.)

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 31.12.2022, the outstanding balance for assets with a realised loss that were still being pursued was the same for the parent company and the Group.

	31.12.22	31.12.21
Outstanding balance of assets with a realised loss still being pursued	112	147

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

	2022	2021
Increase/reduction in individually assessed allowances	– 83	3
Increase/reduction in model-based expected credit losses	104	– 53
Losses realised during period for which a loss allowance had previously been made	18	15
Losses realised during period for which a loss allowance had not previously been made	4	3
Recoveries against previous years' realised losses	– 7	– 4
Impairment loss for the period	**36**	**– 37**

Note 16 Macroeconomic scenarios in the impairment model under IFRS 9

Under IFRS 9, impairment allowances shall take into account expectations for future defaults and credit losses. Since 2018, a statistical model has been used to estimate how expected changes in macroeconomic parameters will affect the future probability of default. Due to the unusual macroeconomic situation over the past few years, the model is no longer sufficiently good at predicting the future probability of default. A qualitative assessment has therefore been made of what is likely to happen to the probability of default for the next five years, based on forecasts in Norges Bank's monetary policy report. For future prices of houses and commercial property, figures published by Statistics Norway and in the monetary policy report are used.

Expected credit losses are calculated on the basis of three macroeconomic scenarios, with scenario 1 being the base scenario. 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.

The table below shows the future scenarios used to calculate expected credit losses at 31.12.2022.

Future scenarios for retail market used to measure estimated expected credit losses at 31.12.2022	Probability of default starting from 31.12.2022					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	2,00	2,20	2,00	1,80	1,60	0,1 %	50 %
Scenario 2: Optimistic scenario for retail market	1,50	1,65	1,50	1,35	1,20	1,1 %	25 %
Scenario 3: Pessimistic scenario for retail market	2,50	2,75	2,50	2,25	2,00	– 1,9 %	25 %

Future scenarios for corporate market used to measure estimated expected credit losses at 31.12.2022	Probability of default starting from 31.12.2022					Collateral values	
	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Base scenario for corporate market	2,00	2,00	1,90	1,80	1,70	– 1,8 %	50 %
Scenario 2: Optimistic scenario for corporate market	1,70	1,70	1,62	1,53	1,45	– 0,3 %	25 %
Scenario 3: Pessimistic scenario for corporate market	2,50	2,50	2,38	2,25	2,13	– 5,0 %	25 %

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

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 17 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	- 50 %	92
	- 20 %	35
	- 10 %	17
	+ 10 %	– 17
	+ 20 %	– 33
	+ 50 %	– 79
Annual change in house prices and collateral values	- 5 p.p.	– 25
	- 2 p.p.	– 10
	- 1 p.p.	– 5
	+ 1 p.p.	5
	+ 2 p.p.	9
	+ 5 p.p.	23

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 9 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 %	– 18
50 %	15 %	35 %	– 9
50 %	35 %	15 %	9
50 %	45 %	5 %	18
100 %	0 %	0 %	7
0 %	100 %	0 %	39
0 %	0 %	100 %	– 52

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

PARENT COMPANY			CONSOLIDATED	
2021	2022	**Loans and advances to credit institutions/central banks**	2022	2021
734	2 443	Sight loans and advances	714	717
1 132	2 589	Loans and advances with an agreed maturity or notice period	0	0
1 866	**5 032**	**Total loans and advances to credit institutions, measured at amortised cost**	**714**	**717**
		Debt to credit institutions		
142	138	Sight loans and advances from credit institutions	2	0
500	502	Loans and advances from credit institutions with an agreed maturity or notice period	502	500
642	**640**	**Total debt to credit institutions, measured at amortised cost**	**504**	**500**
		Term to maturity		
		Remaining term to maturity of debt to credit institutions		
142	138	Payable on request/less than one month	2	0
0	0	1–3 months	0	0
0	0	3 months–1 year	0	0
500	502	1–5 years	502	500
642	**640**	**Total**	**504**	**500**

Note 18 Market risk

Market risk is the risk of asset values changing due to fluctuations in financial markets. For SSF, this risk can be split into five components:

- Interest rate risk is the risk of losses due to changes in market interest rates
- Credit spread risk is the risk of losses due to changes in how financial markets price credit risk
- Currency risk is the risk of losses due to changes in exchange rates
- Equity risk is the risk of the Bank's shareholdings falling in value
- Property risk is the risk of losses due to changes in property prices

Market risk is primarily managed by the Bank's finance department, with the exception of currency risk, which is managed by the capital markets department. The Bank's positions are periodically reported to the Board of Directors, which has also set the limits on market risk. The limits reflect the Bank's risk management strategy, which states that is shall have low exposure to market risk.

The Bank has no trading portfolio, so it is only required to report market risk in accordance with Pillar II. Nevertheless, its holdings of shares and bonds require a capital allocation for Pillar I, consisting of provisions for credit risk.

The amount allocated for Pillar 2 has been calculated using the methods described in Appendix 3 to the Financial Supervisory Authority of Norway's circular 3/2022. These methods are largely based on stress testing to assess changes in market conditions that would have a negative impact on the value of the assets.

Total capital	31.12.2022	31.12.2021
Credit spread risk	68	66
Equity risk	59	60
Interest rate risk	60	60
Currency risk	0	0
Property risk	0	0
Total	**187**	**186**

Our limits on currency risk exposure are low, and consequently, with the current methodology, no net provision is made for currency risk. For property risk, the carrying amount of the Bank's properties is lower than their market value, and even in a simulation where property prices fall 30%, as for the Pillar 2 calculation, the provision is zero. When calculating equity risk, a 45% decline in share prices is assumed. The capital allocation for credit spread risk relates to potential falls in the value of interest-bearing securities in the Bank's liquidity portfolio.

The Bank is naturally exposed to interest rate risk. Over the past year, the Bank has supplemented its framework with separate limits on interest rate risk for maturities up to 3 months. The Bank uses standard interest rate swaps to manage its interest rate risk. The Bank uses short-term interest rate swaps that involve an element of interest rate risk, but it does not have financing in foreign currencies, basis swaps, complex derivatives or other options structures that complicate the calculation of interest rate risk.

To calculate the capital allocation, the Bank has followed the Financial Supervisory Authority of Norway's guidelines, which consist of 6 different scenarios for actual exposure plus one standard scenario based on the Bank making full use of its limits on exposure. The six scenarios produce the following net changes in the value of loans, borrowings and swaps, assuming an instantaneous change in interest rates:

	31.12.2022
Parallel upward shift, 2 p.p.	38
Parallel downward shift, 2 p.p.	– 39
Long-term interest rates up, 1.5 p.p.	6
Long-term interest rates down, 1.5 p.p.	– 7
Short-term interest rates up, 3 p.p.	32
Short-term interest rates down, 3 p.p.	– 32

The parallel shift involves a shift of 2 percentage point across the whole yield curve, the shift in long-term interest rates applies to the part of the yield curve beyond 7 years, and the shift in short-term interest rates applies to the part of the yield curve up to 2 years. The standard scenario based on the Bank making full use of its limits on exposure would give a maximum loss of NOK 60 million in the event of a 2 p.p. shift in interest rates. When calculating the capital allocation, it therefore makes most sense to assume a 2 p.p. parallel shift when the Bank is making full use of its limits on exposure. That results in a capital allocation of NOK 60 million.

Note 19 Liquidity risk

CONSOLIDATED

Liquidity risk – remaining term at 31.12.2022	< 1 month.	1–3 month.	3–12 month.	1–5 år	> 5 years	Perpetual loans	Total
Debt to credit institutions	0	5	15	562	0	0	583
Deposits from/debt to customers	31 194	2 601	786	303	0	0	34 884
Debt securities in issue	78	548	3 540	21 576	6 799	0	32 541
Non interest-bearing debt	0	94	94	0	0	258	445
Subordinated debt instruments	4	9	234	821	0	0	1 067
Unused credit facilities and loans not yet drawn	6 762	0	0	0	0	0	6 762
Financial derivatives, gross payments *)	1 455	383	316	739	1 355	0	4 248
Total payments	**39 494**	**3 639**	**4 984**	**24 001**	**8 154**	**258**	**80 530**
**) Financial derivatives, gross receipts*	*1 442*	*275*	*383*	*713*	*1 144*	*0*	*3 957*
Financial derivatives, net (negative figure implies net receipts)	*13*	*108*	*– 68*	*27*	*211*	*0*	*291*

Liquidity risk – remaining term at 31.12.2021	< 1 month.	1–3 month.	3–12 month.	1–5 år	> 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*

Note 19 Liquidity risk (cont.)

PARENT COMPANY

Liquidity risk – remaining term at 31.12.2022	< 1 month.	1–3 months.	3–12 months.	1–5 years	> 5 years	Perpetual loans	Total
Debt to credit institutions	122	5	15	562	0	0	704
Deposits from/debt to customers	31 218	2 601	786	303	0	0	34 908
Debt securities in issue	18	448	944	5 248	1 032	0	7 690
Non interest-bearing debt	0	77	77	0	0	273	426
Subordinated debt instruments	4	9	234	821	0	0	1 067
Unused credit facilities and loans not yet drawn	9 039	0	0	0	0	0	9 039
Financial derivatives, gross payments *)	1 202	301	427	1 374	1 214	0	4 518
Total payments	**41 603**	**3 440**	**2 482**	**8 308**	**2 247**	**273**	**58 352**
**) Financial derivatives, gross receipts*	*1 173*	*273*	*444*	*1 361*	*1 110*	*0*	*4 361*
Financial derivatives, net (negative figure implies net receipts)	*29*	*28*	*– 18*	*13*	*105*	*0*	*157*

Liquidity risk – remaining term at 31.12.2021	< 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	59,5	93,5	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*

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	
2021	2022	**Interest income**	2022	2021
17	102	Loans and advances to credit institutions, measured at amortised cost	9	0
471	716	Loans and advances to customers, measured at amortised cost	1 838	1 218
305	390	Loans and advances to customers at fair value through OCI	0	0
115	109	Loans and advances to customers, measured at fair value	109	118
55	156	Interest-bearing securities, measured at fair value	140	32
52	83	Other interest income	81	52
1 016	**1 556**	**Total interest income**	**2 176**	**1 420**
		Interest expenses		
9	18	Debt to credit institutions, measured at amortised cost	12	7
94	294	Customer deposits/advances, measured at amortised cost	294	94
11	13	Customer deposits/advances, measured at fair value	13	11
38	85	Debt securities in issue, measured at amortised cost	442	176
65	64	Debt securities in issue, measured at fair value	147	110
12	20	Subordinated debt, measured at amortised cost	20	12
13	– 3	Derivatives, measured at fair value	– 11	– 14
46	71	Other interest expenses	70	46
32	38	Contribution to the Norwegian Banks’ Guarantee Fund	41	35
318	**600**	**Total interest expenses**	**1 029**	**476**
698	**956**	**Net interest income**	**1 148**	**945**

Note 21 Net commission income

PARENT COMPANY			CONSOLIDATED	
2021	2022		2022	2021
65	78	Payment services	78	65
26	27	Securities services	27	26
16	13	Guarantee commissions	13	16
5	5	Currency services and international payments	5	5
21	24	Insurance services	24	21
14	16	Other commission income	18	16
147	**164**	**Total commission income**	**166**	**149**
1	11	Interbank fees	11	1
21	15	Payment services	15	21
7	5	Cash back Visa credit	5	7
28	**31**	**Total commission expenses**	**31**	**28**
119	**133**	**Net commission income**	**135**	**121**

Note 22 Net gains/losses on financial instruments

PARENT COMPANY			CONSOLIDATED	
2021	2022		2022	2021
15	14	Net gains/losses on foreign currency	14	15
26	34	Net gains/losses on financial derivatives	– 174	– 87
– 94	– 161	Net gains/losses on loans measured at fair value	– 162	– 96
1	– 2	Net gains/losses on deposits measured at fair value	– 2	1
– 7	– 45	Net gains/losses on commercial paper and bonds	– 48	– 8
307	248	Net gains/losses on shares	55	152
81	122	Net gains/losses on financial liabilities	317	195
328	**210**	**Net gains/losses on financial instruments measured at fair value**	**0**	**173**

Note 23 Other income

PARENT COMPANY			CONSOLIDATED	
2021	2022		2022	2021
2	2	Income from property	1	1
1	1	Estate agency	29	33
7	7	Mortgage loan business	0	0
2	1	Other operating income	1	2
11	**12**	**Total other income**	**31**	**36**

Note 24 Operating expenses

PARENT COMPANY			CONSOLIDATED	
2021	2022		2022	2021
176	179	Ordinary wages, salaries, fees, etc.	194	191
21	24	Pension expenses	25	22
39	41	Employer's NI contributions and financial services tax	44	41
8	12	Other staff-related expenses	13	9
244	**256**	**Total wages, salaries, etc.**	**276**	**263**
102	114	IT expenses	118	105
11	13	Marketing	20	18
6	5	Postage, cash transport and telecommunications	5	6
8	10	Office supplies, plastic cards, journals, etc.	10	8
3	5	Travel and training costs	6	3
130	**148**	**Total administration expenses**	**159**	**141**
16	16	Rent	8	8
– 11	– 12	Rent on IFRS 16 leases	– 6	– 6
8	8	Property expenses	8	8
2	2	Auditor's fee	3	3
6	4	External consultants	3	6
5	2	Distribution costs for Vipps	3	5
14	18	Other operating expenses	21	17
39	**39**	**Other expenses**	**40**	**41**
169	**187**	**Total other expenses**	**199**	**182**
29	22	Depreciation of fixed assets and intangible assets	24	32
11	11	Depreciation of IFRS 16 leases	5	5
1	– 1	Gains/losses on the disposal of fixed assets	– 6	2
40	**32**	**Depreciation and impairment of fixed assets and intangible assets**	**24**	**39**
453	**475**	**Total operating expenses**	**499**	**483**

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 the scheme was NOK 14.3 million in 2022, excluding employer's national insurance contributions. The estimated expense for 2023 is NOK 14.9 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 31.12.2022 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 2022 was NOK 6.1 million excluding employer's NI contributions, and the estimated cost for 2023 is NOK 6.3 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 2022 the premium was 2.6% of salary between 1G and 7.1G, up from 2.5% in 2021. The total cost of the scheme in 2022 was NOK 3.4 million, and we estimate that the cost next year will be NOK 3.5 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 8.6 million of the Bank's pension liabilities at 31.12.2022 related to this pension.

Note 25 Pension liabilities (cont.)

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 31/12/2022 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	2022	2021
Discount rate	3,20 %	1,50 %
Adjustment of the National Insurance Scheme's basic amount "G"	3,50 %	2,25 %
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	2022	2021
Cost of the various pension schemes		
Defined contribution scheme (DNB Liv)	14	14
Compensatory pension (unfunded)	6	7
AFP contributions and other pension schemes	5	2
Net pension cost	**25**	**22**

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PENSION LIABILITIES ON THE BALANCE SHEET	31.12.22	31.12.21
Opening balance	9	10
Pension benefits paid	– 1	– 1
Remeasurements	0	0
Total actuarial liabilities at 31 Dec.	**9**	**9**
Compensatory pension and other unfunded pension liabilities at 31 Dec.	36	33
Total pension liabilities at 31 Dec. incl. compensatory pension	**45**	**42**
Closing balance of pension fund assets at 31 Dec.	**0**	**0**
Net pension liabilities (pension liabilities – pension fund assets)	**45**	**42**

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	Outstanding loans at 31.12.2022	Accrued pension expense*
Sindre Kvalheim, Chair of the Board	294	0	0	294	3 393	0
Magny Øvrebø, Deputy Chair	203	0	0	203	0	0
Johnny Haugsbakk, member	180	0	0	180	0	0
Geir Opseth, member	180	0	0	180	2 629	0
Lise Mari Haugen, member	191	0	0	191	3 007	0
Monica Rydland, member	153	0	0	153	0	0
Marie Heieren, employee representative	193	707	19	919	3 439	49
Ole Martin Eide, employee representative	157	744	19	920	1 622	57
Total for Board of Directors	**1 551**	**1 451**	**39**	**3 041**	**14 090**	**106**
Senior management team						
Trond Teigene, CEO	0	3 052	233	3 285	3 510	1 072
Frode Vasseth, CFO	0	1 462	185	1 647	1 885	210
Roy Stian Farsund, Corporate Banking Director	0	1 301	198	1 499	4 179	206
Linda Vøllestad Westbye, Retail Banking Director	0	1 245	143	1 388	11 581	126
Reiel Haugland, Technology Director	0	1 174	170	1 344	8 113	161
Eirik Rostad Ness, Director of Human Resources	0	1 264	21	1 285	1 463	159
Johanne Viken Sandnes, Director of Communications	0	1 049	20	1 069	4 709	78
Silje Sunde, Director of Business Support Services	0	1 052	19	1 070	2 099	79
Total for senior management team	**0**	**11 598**	**990**	**12 589**	**37 539**	**2 090**
Other senior roles						
Harald Slettvoll, Director of Risk Management and Compliance	4	1 180	18	1 201	0	148
Gro Skrede Mardal, Credit Director	0	1 067	191	1 258	2 191	203

* 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	**365**			**365**	**23 897**	
Total loans to other employees					**583 827**	

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

Evaluation of Board of Directors' compensation
Board fees are proposed by the election committee and adopted by the AGM. The Bank's Board fees are considered reasonable and within the normal range for the industry.

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.

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.

Savings programme for employees and directors
In 2022, the Group set up a savings programme for all of its permanent employees. All permanent employees, 281 people in total, were given a starter pack worth up to NOK 13,000 (in proportion to their hours as a percentage of a full-time position) and a one-off payment of NOK 7,000 to cover the related tax expense. In other words, the total value was NOK 20,000. In the future, the savings programme will be an option plan, with one 1 new bonus equity certificate allocated for each equity certificate purchased (up to 50). For purchases of up to a further 100 equity certificates, 1 new bonus equity certificate is allocated for every four certificates bought.

Bonus equity certificates are allocated two years after the purchase and are dependent on the employees still owning the equity certificates and still being employed at the Group.

238 of the Group's permanent employees chose to take part in the savings programme in the first year.

The savings programme will be available annually to all permanent employees. In other words, employees can buy up to 1,000 equity certificates each year, with the first 150 certificates entitling them to bonus certificates at the end of a two-year lock-in period, as described above.

A provision has been made in the financial statements at 31.12.2022 for the Group's liability for allocating future equity certificates.

PARENT COMPANY		FIGURES IN 000S OF NOK	CONSOLIDATED	
2021	2022	**WAGES, SALARIES, ETC.**	2022	2021
174 662	181 826	Wages, salaries and other cash benefits	196 833	188 719
1 779	1 896	Directors and AGM delegates' fees	1 936	1 816
20 818	23 625	Pension expenses	25 319	22 478
39 130	41 160	Employer's NI contributions and financial services tax	43 553	41 181
7 656	7 813	Other social security costs	8 167	8 766
244 044	**256 320**	**Total**	**275 808**	**262 960**

2021	2022	AUDITOR'S FEES	2022	2021
816	895	Statutory audits	1 084	980
0	0	**Other services not related to auditing:**	0	0
0	0	– consultancy on capital structure	0	0
0	0	– inspection of mortgage subsidiary	57	147
20	29	– other	29	20
836	**924**	**Total** *	**1 170**	**1 147**

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

2021	2022	INTERNAL AUDITOR'S FEES	2022	2021
1 361	1 495	Internal auditing	1 495	1 361
3 796	1 119	Other services	1 119	3 796
5 156	**2 614**	**Total** *	**2 614**	**5 156**

* Fees include VAT.

Note 27 Tax expense

PARENT COMPANY 2021	PARENT COMPANY 2022	Tax expense	CONSOLIDATED 2022	CONSOLIDATED 2021
119	149	Tax payable on taxable income	183	169
0	– 1	Shortfall (+)/surplus (-) calculated last year	– 1	0
– 13	– 10,9	Changes to deferred tax	– 9	– 11
105	**138**	**Tax payable on income**	**173**	**158**
3	4	Tax payable on assets	4	3
108	**141**	**Tax expense**	**177**	**161**
		Reconciliation of nominal and actual tax rates		
741	813	Profit/loss before taxation	779	827
185	203	Estimated income tax based on nominal tax rate (see comment)	190	200
		Tax impact of the following items:		
0	– 1	Shortfall/surplus calculated in previous years	– 1	0
13	17	Non-deductible expenses	17	13
– 38	– 20	Other permanent differences related to shares	– 20	– 38
– 39	– 48	Dividends from companies in Group	0	0
– 16	– 14	Other differences	– 14	– 16
105	**138**	**Tax payable on income**	**173**	**158**
14,2 %	**16,9 %**	**Effective tax rate**	**22,2 %**	**19,1 %**
		Change in capitalised deferred tax assets/(liabilities)		
5	18	Deferred tax assets/(liabilities) at 1 January	11	1
13	11	Change recognised in profit or loss	9	11
0	0	Other changes	0	0
18	**29**	**Deferred tax assets (+) deferred tax liabilities (-) at 31 Dec.**	**20**	**11**
		Deferred tax assets and liabilities on the balance sheet relate to the following temporary differences		
10	9	Fixed assets	6	6
– 3	8	Financial instruments	4	– 4
11	12	Net pension liabilities	13	12
0	0	Other differences	– 2	– 3
18	**29**	**Net deferred tax assets (+)/deferred tax liabilities (-)**	**20**	**11**
		Deferred tax in the income statement relates to the following temporary differences		
– 1	0	Fixed assets	0	– 1
– 12	– 10	Financial instruments	– 8	– 9
0	– 1	Net pension liabilities	– 1	0
0	0	Other differences	0	– 1
– 13	**– 11**	**Changes in deferred tax through income statement**	**– 9**	**– 11**

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% for both years.
For subsidiaries the tax rate was 22% both years for tax payable and for 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 31.12.22	Fair value 31.12.22	Carrying amount 31.12.21	Fair value 31.12.21
ASSETS					
Cash and cash equivalents	3	19	19	22	22
Loans and advances to credit institutions/ central banks	3, 17	714	714	717	717
Loans to customers	3, 7-14	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	3, 17	504	504	500	500
Deposits from and debt to customers	3, 37	33 339	33 339	31 523	31 523
Debt securities in issue	3, 38	19 918	19 879	20 241	20 370
Subordinated debt instruments	3, 40	603	603	602	602
Total financial liabilities measured at amortised cost		**54 364**	**54 326**	**52 866**	**52 995**
Off balance sheet obligations and guarantees					
Obligations		0	0	0	0
Guarantees	42	1 016	1 016	981	981
MORTGAGED ASSETS					
Mortgages **)		0	0	0	0

**) 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 31.12.22	Fair value 31.12.22	Carrying amount 31.12.21	Fair value 31.12.21
ASSETS					
Cash and cash equivalents	3	19	19	22	22
Loans and advances to credit institutions/ central banks	3, 17	5 032	5 032	1 866	1 866
Loans to customers	3, 7-14	16 046	16 046	14 941	14 941
Total financial assets measured at amortised cost		**21 097**	**21 097**	**16 830**	**16 830**
LIABILITIES					
Debt to credit institutions	3, 17	640	640	642	642
Deposits from and debt to customers	3, 37	33 363	33 363	31 556	31 556
Debt securities in issue	3, 38	3 349	3 314	4 226	4 232
Subordinated debt instruments	3, 40	603	603	602	602
Total financial liabilities measured at amortised cost		**37 955**	**37 919**	**37 026**	**37 032**
Off balance sheet obligations and guarantees					
Obligations		0	0	0	0
Guarantees	42	1 016	1 016	981	981
MORTGAGED ASSETS					
Mortgages **)		0	0	0	0

**) 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, 2022	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	3 685	**3 685**
Commercial paper and bonds	3, 29	0	7 467	0	**7 467**
Financial derivatives	3, 30	0	375	0	**375**
Shares	3, 31	0	366	392	**758**
Total financial assets measured at fair value		**0**	**8 208**	**4 077**	**12 285**
Deposits from and debt to customers at fair value	3, 37	0	0	1 507	**1 507**
Debt securities measured at fair value	3, 38	0	2 467	0	**2 467**
Debt securities in issue used as hedging instruments	3, 49	0	4 784	0	**4 784**
Financial derivatives	3, 30	0	612	0	**612**
Total financial liabilities measured at fair value		**0**	**7 863**	**1 507**	**9 370**

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**

Note 28 Fair value of financial instruments (cont.)

PARENT COMPANY, 2022	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	3 685	**3 685**
Loans to customers measured at fair value through OCI	3, 7-14	0	0	13 542	**13 542**
Commercial paper and bonds	3, 29	0	7 259	0	**7 259**
Financial derivatives	3, 30	0	716	0	**716**
Shares	3, 31	0	366	392	**758**
Total financial assets measured at fair value		**0**	**8 341**	**17 619**	**25 961**
Deposits from and debt to customers at fair value	3, 37	0	0	1 507	**1 507**
Debt securities measured at fair value	3, 38	0	2 467	0	**2 467**
Financial derivatives	3, 30	0	680	0	**680**
Total financial liabilities measured at fair value		**0**	**3 147**	**1 507**	**4 654**

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**

Breakdown of changes in level 3 in 2022

CONSOLIDATED	Loans to customers	Shares	Deposits from and debt to customers	Total
Opening balance	4 044	765	1 012	**5 821**
Gains or losses	40	– 373	0	**– 333**
through profit or loss	0	0	0	**0**
recognised in equity	0	0	0	**0**
Acquisitions over the period	0	0	495	**495**
Sales/redemptions over the period	– 399	0	0	**– 399**
Moved into level 3	0	0	0	**0**
Moved out of level 3	0	0	0	**0**
Closing balance	**3 685**	**392**	**1 507**	**5 583**

PARENT COMPANY	Loans to customers	Loans to customers through OCI	Shares	Deposits from and debt to customers	Total
Opening balance	4 013	15 093	765	1 012	**20 883**
Gains or losses	40	0	– 373	0	**– 333**
through profit or loss	0	0	0	0	**0**
recognised in equity	0	0	0	0	**0**
Acquisitions over the period	0	0	0	495	**495**
Sales/redemptions over the period	– 368	– 1 552	0	0	**– 1 919**
Moved into level 3	0	0	0	0	**0**
Moved out of level 3	0	0	0	0	**0**
Closing balance	**3 685**	**13 542**	**392**	**1 507**	**19 125**

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

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

PARENT COMPANY 2021	PARENT COMPANY 2022		CONSOLIDATED 2022	CONSOLIDATED 2021
695	1 827	Government and state-owned enterprises	1 933	807
0	80	Municipal and mun. auth. backed bonds/comm. paper	80	0
7 288	5 285	Covered bonds	5 386	4 906
871	50	Fin. inst., other bonds/commercial paper	50	871
18	18	Other bonds/commercial paper	18	18
8 871	**7 259**	**Total securities at fair value**	**7 467**	**6 603**
8 853	7 241	Stock exchange listed securities	7 449	6 584
18	18	Unlisted securities	18	18
8 871	**7 259**	**Total**	**7 467**	**6 603**
0,20	**0,15**	Modified duration (years)	**0,15**	**0,20**
1,36	**3,59**	Weighted average effective interest rate	**3,59**	**1,31**

Maturity structure of investments in bonds and commercial paper

PARENT COMPANY Carrying amount 2021	PARENT COMPANY Carrying amount 2022	PARENT COMPANY Face value 2022	Maturity year	CONSOLIDATED Face value 2022	CONSOLIDATED Carrying amount 2022	CONSOLIDATED Carrying amount 2021
2 627	0	0	2022	0	0	1 282
1 213	624	618	2023	618	624	1 316
965	962	958	2024	958	962	965
1 349	1 349	1 336	2025	1 336	1 349	1 349
1 345	1 763	1 733	2026	1 833	1 865	1 345
1 372	2 561	2 515	2027	2 615	2 667	345
8 871	**7 259**	**7 160**	**Total**	**7 360**	**7 467**	**6 603**

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 31.12.2022, 96.77% 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.

	2022 Total nominal values	2022 Positive market value	2022 Negative market value	2021 Total nominal values	2021 Positive market value	2021 Negative market value
Interest rate contracts						
Swaps	14 401	368	594	11 914	165	102
Total interest rate contracts	**14 401**	**368**	**594**	**11 914**	**165**	**102**
Foreign exchange contracts						
Forwards and swaps	1 477	7	18	1 414	20	18
Total foreign exchange contracts	**1 477**	**7**	**18**	**1 414**	**20**	**18**
Total financial derivatives	**15 878**	**375**	**612**	**13 328**	**185**	**121**

Note 31 Shares

PARENT COMPANY 2021	PARENT COMPANY 2022		CONSOLIDATED 2022	CONSOLIDATED 2021
		Shares measured at fair value		
2	2	Stock exchange listed shares	2	2
763	756	Unlisted shares	756	763
765	**758**	**Total shares measured at fair value**	**758**	**765**

FIGURES IN 000S OF NOK

2022 **Breakdown of shares** **Shares measured at fair value**	Tal aksjar	Market value/ carrying amount
Financial institutions, listed		
Visa Inc.	1 132	2 318
Financial institutions, listed		**2 318**
Financial institutions, unlisted		
Frende Holding AS	667 683	365 603
SpareBank 1 Finans Midt-Norge AS	8 400	111 384
Eksportfinans ASA	3 478	68 174
Eiendomskreditt AS	348 955	49 593
Eikagruppen	113 674	29 555
Balder Betaling AS	2 788 842	93 705
Kredittforeningen for Sparebanker	3 220	3 767
AS	1 170 866	4 435
Visa Norge		7 883
Financial institutions, unlisted		**734 099**
Other unlisted companies		
Hotel Alexandra AS	15 000	16 862
Other unlisted shares		4 810
Other unlisted companies		**21 671**
Total shares measured at fair value		**758 088**

FIGURES IN 000S OF NOK

2021 **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**

Note 32 Subsidiaries and associates

Subsidiaries	PARENT COMPANY 2022	PARENT COMPANY 2021
Balance at 1 January	1 812	1 812
Acquired/revaluation gains	400	0
Disposed of	0	0
Balance at 31 December	**2 212**	**1 812**

Associates	CONSOLIDATED 2022	CONSOLIDATED 2021	PARENT COMPANY 2022	PARENT COMPANY 2021
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 rights	Carrying amount	Assets	Liabili- ties	Reve- nue	Profit- ability
Bankeigedom Sogn og Fjordane AS	100 %	54	54	8	8	11
Eigedomsmekling Sogn og Fjordane AS	100 %	8	20	7	30	-2
Bustadkreditt Sogn og Fjordane AS	100 %	2 150	28 329	26 048	177	119
Investments in subsidiaries		**2 212**	**28 403**	**26 064**	**215**	**128**

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

Loans to, and deposits from, subsidiaries at 31.12.22:	Bonds	Loans	Deposits	Interest paid on loans	Interest received
Bankeigedom Sogn og Fjordane AS	0	0	13	0	0
Eigedomsmekling Sogn og Fjordane AS	0	0	10	0	0
Bustadkreditt Sogn og Fjordane AS	0	4 319	136	95	6
Total loans to, and deposits from, subsidiaries	**0**	**4 319**	**159**	**95**	**6**

Note 33 Intangible assets and goodwill

2022

CONSOLIDATED	Software	Goodwill	Total
Carrying amount at 01.01.2022	18	8	26
Acquired	5	0	5
Disposed of	0	0	0
Depreciation and impairment of assets	– 12	– 4	– 15
Carrying amount at 31.12.2022	**11**	**5**	**16**
Acquisition cost	150	21	170
Accumulated depreciation and impairment losses	– 139	– 16	– 155
Carrying amount at 31.12.2022	**11**	**5**	**16**
Useful life	3–5 years		
Depreciation method	Linear		

PARENT COMPANY	Software	Goodwill	Total
Carrying amount at 01.01.2022	18	6	24
Acquired	5	0	5
Disposed of	0	0	0
Depreciation and impairment of assets	– 11	– 4	– 15
Carrying amount at 31.12.2022	**11**	**3**	**14**
Acquisition cost	148	21	168
Accumulated depreciation and impairment losses	– 137	– 18	– 154
Carrying amount at 31.12.2022	**11**	**3**	**14**
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.)

2021

CONSOLIDATED	Software	Goodwill	Total
Carrying amount at 01.01.2021	28	12	40
Acquired	8	0	8
Disposed of	0	0	0
Depreciation and impairment of assets	– 18	– 4	– 21
Carrying amount at 31.12.2021	**18**	**8**	**26**
Acquisition cost	145	21	166
Accumulated depreciation and impairment losses	– 127	– 12	– 139
Carrying amount at 31.12.2021	**18**	**8**	**26**
Useful life	3–5 years		
Depreciation method	Linear		

PARENT COMPANY	Software	Goodwill	Total
Carrying amount at 01.01.2021	27	10	37
Acquired	8	0	8
Disposed of	0	0	0
Depreciation and impairment of assets	– 17	– 4	– 21
Carrying amount at 31.12.2021	**18**	**6**	**24**
Acquisition cost	143	21	164
Accumulated depreciation and impairment losses	– 125	– 14	– 140
Carrying amount at 31.12.2021	**18**	**6**	**24**
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

2022

CONSOLIDATED	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.2022	55	14	69
Acquired	15	5	20
Disposed of	- 7	0	- 8
Depreciation	- 7	- 6	- 12
Carrying amount at 31.12.2022	**56**	**13**	**69**
Acquisition cost	102	60	162
Accumulated depreciation and impairment losses	- 46	- 47	- 93
Carrying amount at 31.12.2022	**56**	**13**	**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 01.01.2022	16	13	29
Acquired	15	5	20
Disposed of	- 4	0	- 4
Depreciation	- 2	- 6	- 7
Carrying amount at 31.12.2022	**26**	**12**	**38**
Acquisition cost	39	59	97
Accumulated depreciation and impairment losses	- 13	- 47	- 59
Carrying amount at 31.12.2022	**26**	**12**	**38**
Useful life	20–30 years	3–8 years	
Depreciation method	Linear	Linear	

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	

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 01.01.2022	**38**	**4**	**42**
Acquisitions of right-of-use assets	2	0	**2**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Acquisition cost at 31.12.2022	**40**	**5**	**44**
Accumulated depreciation and impairment losses at 01.01.2022	**16**	**4**	**20**
Depreciation in 2022	5	1	**5**
Impairment loss for the period	0	0	**0**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Accumulated depreciation and impairment losses at 31.12.2022	**21**	**4**	**25**
Carrying amount of right-of-use assets at 31.12.2022	**19**	**0**	**19**

Lease liabilities

Undiscounted lease liabilities and maturity structure	
Less than 1 year	5
1–5 years	13
More than 5 years	2
Total undiscounted lease liabilities at 31.12.2022	**21**

Change in lease liabilities	
Implementation at 01.01.2019	24
New/Revised lease liabilities recognised during the period	19
Repayments of principal	– 24
Interest payments	2
Other	– 1
Total lease liabilities at 31.12.2022	**20**
Current lease liabilities	5
Non-current lease liabilities	15

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 01.01.2022	**85**	**4**	**90**
Acquisitions of right-of-use assets	2	0	**2**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Acquisition cost at 31.12.2022	**87**	**5**	**91**
Accumulated depreciation and impairment losses at 01.01.2022	**36**	**4**	**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 31.12.2022	**46**	**4**	**50**
Carrying amount of right-of-use assets at 31.12.2022	**41**	**0**	**41**

Lease liabilities

Undiscounted lease liabilities and maturity structure	
Less than 1 year	11
1–5 years	31
More than 5 years	2
Total undiscounted lease liabilities at 31.12.2022	**45**

Change in lease liabilities	
Implementation at 01.01.2019	69
New/Revised lease liabilities recognised during the period	19
Repayments of principal	– 50
Interest payments	6
Other	– 2
Total lease liabilities at 31.12.2021	**43**
Current lease liabilities	10
Non-current lease liabilities	32

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.
A 1 percentage point reduction in the discount rate would increase the lease liabilities of the parent company by NOK 0.9 million.
A 1 percentage point increase in the discount rate would reduce the lease liabilities of the parent company by NOK 0.9 million.

Note 36 Other assets

PARENT COMPANY			CONSOLIDATED	
31.12.21	31.12.22		31.12.22	31.12.21
0	0	Earned income not received	12	0
23	26	Other payments made in advance, not yet accrued	35	31
22	133	Various expenditures/stock	133	9
44	**159**	**Total other assets**	**180**	**40**

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.

	2022		2021	
	Deposits	Percentage	Deposits	Percentage
Customer deposits, at amortised cost	33 339	95,7 %	31 523	96,9 %
Customer deposits, designated at fair value *)	1 507	4,3 %	1 012	3,1 %
Deposits from and debt to customers	**34 846**	**100,0 %**	**32 536**	**100,0 %**

*) Fixed-rate bonds are measured at market value. Their market value was NOK 2.3 million lower than their face value at 31.12.2022, compared with NOK 0.3 million at 31.12.2021. The valuation loss on these deposits in 2022 was therefore NOK 2.0 million, which was recognised in the income statement.

	2022		2021	
Deposits by sector and industry	Deposits	Share	Deposits	Share
Wage and salary earners	20 756	59,6 %	20 060	61,7 %
Farming and forestry	582	1,7 %	570	1,8 %
Fishing and hunting	753	2,2 %	920	2,8 %
Fish farming and hatcheries	779	2,2 %	578	1,8 %
Industry and mining	853	2,4 %	759	2,3 %
Construction, civil engineering and power generation	2 241	6,4 %	1 439	4,4 %
Commerce	1 090	3,1 %	1 067	3,3 %
Transport, property management and services	5 147	14,8 %	4 641	14,3 %
Public sector/other	2 646	7,6 %	2 502	7,7 %
Total deposits by sector and industry	**34 846**	**100,0 %**	**32 536**	**100,0 %**
Deposits by sector:				
Retail market	20 760	59,6 %	20 061	61,7 %
Corporate market	11 441	32,8 %	9 973	30,7 %
Public sector/other	2 646	7,6 %	2 502	7,7 %
Total deposits by sector	**34 846**	**100,0 %**	**32 536**	**100,0 %**
Geographic distribution				
Vestland	30 237	86,8 %	28 777	88,4 %
Oslo	1 941	5,6 %	1 486	4,6 %
Viken	917	2,6 %	660	2,0 %
Møre og Romsdal	673	1,9 %	646	2,0 %
Other	1 079	3,1 %	966	3,0 %
Total deposits by region	**34 846**	**100,0 %**	**32 536**	**100,0 %**

Term and sight deposits	2022	2021
Sight deposits	25 689	29 505
Term deposits	9 158	3 031
Total customer deposits	**34 846**	**32 536**

Note 38 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**

At 31.12.2022 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.)

	31.12.22	31.12.21
Amortised cost	2 559	3 097
Fair value adjustment*)	92	31
Market value/carrying amount	**2 650**	**3 128**
**) Of which change in own credit risk*	*– 33*	*16*

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 recognition, 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)	31.12.22	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 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	
31.12.21	31.12.22	**OTHER LIABILITIES**	31.12.22	31.12.21
34	31	Other liabilities	31	34
172	136	Accrued costs and advance income	142	180
206	**167**	**Total other liabilities**	**173**	**214**
		PROVISIONS		
40	43	Pension liabilities	45	42
15	20	Specified provisions for guarantees and undrawn credit facilities	20	15
52	43	Lease liabilities under IFRS	20	23
106	**106**	**Total provisions**	**85**	**80**
312	**273**	**Total other liabilities and provisions**	**258**	**294**

Note 40 Subordinated debt and hybrid debt instruments

Year issued		31.12.22 Face value (millions)	Interest rate	Early redemption right	Final maturity date	Carrying amount 31.12.22	Carrying amount 31.12.21
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 option 16.04.24	Year 2029	202	201
2019	Subordinated debt	200	3 MTH NIBOR +1,48%	call option 20.05.25	Year 2030	201	200
		600				**603**	**602**
2017	Hybrid debt	0	3 MTH NIBOR + 3,35%	call option 29.03.22	Perpe-tual	0	100
2019	Hybrid debt	100	3 MTH NIBOR + 3,14%	call option 28.11.24	Perpe-tual	101	100
2021	Hybrid debt	150	3 MTH NIBOR + 2,40%	call option 02.09.26	Perpe-tual	151	150
2022	Hybrid debt	100	3 MTH NIBOR + 2,60%	call option 27.01.27	Perpe-tual	101	0
		350				**352**	**350**

The hybrid debt instruments are classified as hybrid capital and included under equity at 31.12.2022, 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 31.12.2022: 4.80%
Average interest rate on hybrid debt at 31.12.2022: 6.12%

Note 41 Branch network

Figures at 31 Dec.	2022	2021	2020	2019	2018	2017	2016
Branches	13	13	14	14	14	14	23
In-store agreements	1	1	21	21	20	25	23
Cash points	9	12	12	12	12	13	15
Businesses signed up to Internet banking	3 579	2 950	1 742	1 264	1 046	977	908
Retail customers signed up to Internet banking	79 520	77 136	73 651	75 545	72 650	68 892	65 144

Note 42 Off balance sheet items

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

31.12.22

FIGURES IN 000S OF NOK

Of which in foreign currency:	EUR	DKK	USD	Total foreign currency translated into NOK
Payment guarantees	4 629	6 572	367	61 725
Contract guarantees	0	0	28	277
Total	**4 629**	**6 572**	**395**	**62 002**

Note 43 Related parties

Balances and gains/losses on transactions with related parties

	Subsidiaries	
	2022	2021
Outstanding loan balances at 31 Dec.	4 319	1 149
Interest income	95	18
Deposits at 31 Dec.	159	174
Interest expenses	7	1
Covered bonds	0	2 502
Interest income from covered bonds	22	24
Other operating income	10	9
Other operating expenses	9	8

The table above 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 NOK 4,000 million credit facility to be used to settle the purchase of mortgage loans from SSF. This is a revolving credit facility with a 15-month notice period on the part of SSF. BSF can cancel or change the limit on the facility with SSF at 14 days' notice. At 31.12.2022, the amount drawn against the facility was NOK 1,730 million.

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 31.12.2022 was NOK 727 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 31.12.2022, the limit on the facility was NOK 2,057 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 31.12.2022, the limit on the facility was NOK 1,715 million, but this limit depends on the volume of covered bonds issued at any given time.

e) A long-term credit facility. New loan as of 15.12.2022. The limit on the facility is NOK 1,000, which was fully drawn at 31.12.2022.

In addition to these five 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 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 2022. Sixteen companies where related parties hold ownership interests of more than 19 percent are customers of the Bank. The total outstanding balance of the loans to these companies was NOK 6.6 million at 31.12.2022, while their deposits totalled NOK 8.4 million. NOK 0.4 million of interest was paid on these loans in 2022. The interest received on their deposits was NOK 0.1 million. None of these companies have been given special terms.

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

CONSOLIDATED, 2022

ASSETS	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and cash equivalents	19	0	0	0	0	**19**
Loans and advances to credit institutions/central banks	714	0	0	0	0	**714**
Loans to customers	7 396	539	250	2 550	50 449	**61 184**
Commercial paper and bonds	80	50	494	6 843	0	**7 467**
Financial derivatives	0	0	0	375	0	**375**
Shares	0	0	0	0	758	**758**
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	16	0	**16**
Fixed assets	0	0	0	88	0	**88**
Deferred tax assets	0	0	0	20	0	**20**
Other assets	0	0	180	0	0	**180**
Total assets	**8 208**	**590**	**924**	**9 892**	**51 210**	**70 824**
LIABILITIES						
Debt to credit institutions	2	0	0	502	0	**504**
Deposits from and debt to customers	34 846	0	0	0	0	**34 846**
Debt securities in issue	0	432	2 612	18 449	5 677	**27 169**
Financial derivatives	0	0	0	612	0	**612**
Tax payable	0	187	0	0	0	**187**
Deferred tax	0	0	0	0	0	**0**
Other liabilities	0	0	173	0	0	**173**
Provisions	0	0	85	0	0	**85**
Subordinated debt instruments	0	0	200	403	0	**603**
Total liabilities	**34 849**	**618**	**3 070**	**19 965**	**5 677**	**64 179**

PARENT COMPANY, 2022

ASSETS	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and cash equivalents	19	0	0	0	0	**19**
Loans and advances to credit institutions/central banks	714	0	0	4 319	0	**5 032**
Loans to customers	3 912	538	241	2 089	26 493	**33 272**
Commercial paper and bonds	80	50	494	6 635	0	**7 259**
Financial derivatives	0	0	0	716	0	**716**
Shares	0	0	0	0	758	**758**
Investments in associates	0	0	0	0	3	**3**
Investments in subsidiaries	0	0	0	0	2 212	**2 212**
Intangible assets and goodwill	0	0	0	14	0	**14**
Fixed assets	0	0	0	79	0	**79**
Deferred tax assets	0	0	0	29	0	**29**
Other assets	0	0	159	0	0	**159**
Total assets	**4 724**	**588**	**894**	**13 881**	**29 466**	**49 553**
LIABILITIES						
Debt to credit institutions	138	0	0	502	0	**640**
Deposits from and debt to customers	34 870	0	0	0	0	**34 870**
Debt securities in issue	0	432	597	3 895	893	**5 817**
Financial derivatives	0	0	0	680	0	**680**
Tax payable	0	153	0	0	0	**153**
Deferred tax	0	0	0	0	0	**0**
Other liabilities	0	0	167	0	0	**167**
Provisions	0	0	106	0	0	**106**
Subordinated debt instruments	0	0	200	403	0	**603**
Total liabilities	**35 008**	**585**	**1 070**	**5 480**	**893**	**43 035**

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

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		**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	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		**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 45 Foreign currency positions

The figures in the table show the equivalent amounts in millions of NOK at 31.12.2022, including financial derivatives.

Currency	EUR	USD	SEK	DKK	GBP	Other	Total foreign currency translated into NOK
Net exposure at 31.12.2022	-26,7	-2,6	0,2	0,5	1,8	3,4	– 23,3
Net exposure at 31.12.2021	-44,4	9,0	0,0	0,7	2,3	-5,3	– 37,7

Note 46 Offsetting

CONSOLIDATED, AT 31.12.2022	Gross carrying amount	Amounts offset in the balance sheet	Carrying amounti	Netting agre-ements	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	246	0	246	0	40	**206**
Financial derivatives	375	0	375	43	0	**332**
Liabilities						
Financial derivatives	612	0	612	134	0	**478**

PARENT COMPANY, AT 31.12.2022	Gross carrying amount	Amounts offset in the balance sheet	Carrying amounti	Netting agre-ements	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	246	0	246	0	40	**206**
Financial derivatives	716	0	716	43	0	**674**
Liabilities						
Financial derivatives	680	0	680	134	0	**546**

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

Sparebanken Sogn og Fjordane has no disputes in the court system at 31.12.2022, but in 2022 it did have one case that was heard by Gulating Court of Appeal and the Supreme Court of Norway.

The case related to a lawsuit brought by a customer relating to liability for futures trading. The Sogn og Fjordane district court judgement issued on 09.04.2021 fully agreed with the Bank's view, and the customer was ordered to pay it NOK 683,783, plus interest and costs amounting to NOK 170,500. The customer appealed to Gulating Court of Appeal, which on 09.05.2022 rejected the appeal and awarded the Bank NOK 219,965 in costs for the court of appeal hearing. The customer appealed to the Supreme Court of Norway, which on 23.07.2022 decided that the appeal should not be allowed to go ahead and awarded the Bank NOK 15,000 in costs for the appeal to the Supreme Court. The judgement is thus final.

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	31.12.22	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 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 31.12.22	
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
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 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 31.12.2022, hedge accounting was used for eleven hedge relationships, and the hedged items and hedging instruments were 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.

	2022	2021
Hedged item		
Nominal opening value	5 025	2 000
Change in value (gain-/loss+)	***232***	***113***
Hedged item		
Nominal opening value	5 025	2 000
Change in value (gain-/loss+)	***– 225***	***– 113***
Net change in value – hedge ineffectiveness (gain-/loss+)	**7,6**	**– 0,2**
Hedge ratio (value of hedging instrument to value of hedged item)	***100,0 %***	***100,0 %***
Weighted hedge effectiveness	***105,3 %***	***103,5 %***

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

	Nominal value	Remaining term to maturity
SSFBK15PRO		
Hedged item	1 000	31.08.2033
Hedging instrument	1 000	31.08.2033
SSFBK17PRO (split in three tranches)		
Hedged item	1 000	20.09.2034
Hedging instrument	1 000	20.09.2034
SSFBK18PRO		
Hedged item	1 000	19.06.2030
Hedging instrument	1 000	19.06.2030
SSFBK22PRO		
Hedged item	500	31.08.2037
Hedging instrument	500	31.08.2037
SSFBK23PRO		
Hedged item	1 000	04.10.2029
Hedging instrument	1 000	04.10.2029
SSFBK24PRO		
Hedged item	525	30.08.2032
Hedging instrument	525	30.08.2032

Declaration by the Board of Directors and CEO

We declare that, to the best of our knowledge, the financial statements for 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, 7 March 2023

Sindre Kvalheim
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Marie Heieren

Ole Martin Eide

Trond Teigene
CEO

Deloitte.

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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 Company), which comprise the balance sheet as at 31 December 2022, 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 2022, 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 Company as at 31 December 2022, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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 Company and the Group as required by relevant laws and regulations in Norway 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 Company for six 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 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 7 through 9 and 11 through 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.	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.

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 outlook. 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.	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 accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying 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 accompanying the financial statements otherwise appear 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 accompanying 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 statutory 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 Company'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 Company's and 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 Company 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 Company 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, 7 March 2023
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 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 (cont.)

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 %**

CONSOLIDATED FINANCIAL RESULTS BY QUARTER				
As a % of average total assets	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 %**

Key figures, parent company

AMOUNTS IN MILLIONS OF NOK

INCOME STATEMENT	2020	2021	2022
Net interest income	706	698	956
Dividends and gains/losses on financial instruments	268	328	210
Other operating income	114	130	145
Operating expenses	467	453	475
Profit/loss before impairment loss (incl. securities)	**620**	**703**	**836**
Profit/loss before impairment loss (excl. securities)	**352**	**375**	**625**
Impairment loss	109	– 38	23
Profit/loss before taxation	**511**	**741**	**813**
Tax expense	71	108	141
Profit/loss after taxation	**440**	**633**	**671**
Other comprehensive income	0	0	0
Comprehensive income	**440**	**633**	**671**
BALANCE SHEET			
Assets			
Gross loans and advances to customers	33 053	34 341	33 560
Loss allowance	– 340	– 294	– 288
Security investments (shares, fixed income funds, commercial paper and bonds)	9 154	9 636	8 018
Debt and equity			
Deposits from and debt to customers	30 700	32 568	34 870
Debt securities and debt to credit institutions	8 374	7 950	6 456
Equity	5 564	6 053	6 518
Total assets	46 021	47 768	49 553
Average total assets	45 526	46 961	49 177
KEY FIGURES			
Profitability			
Net interest margin	1,55 %	1,49 %	1,94 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,25 %	0,28 %	0,29 %
Operating expenses as a % of average total assets	1,03 %	0,96 %	0,97 %
Profit/loss before impairment loss as a % of average total assets	1,36 %	1,50 %	1,70 %
Profit/loss before tax as a % of average total assets	1,12 %	1,58 %	1,65 %
Profit/loss after tax as a % of average total assets	0,97 %	1,35 %	1,36 %
Comprehensive income as a % of average total assets	0,97 %	1,35 %	1,36 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr.	57,04 %	54,72 %	43,18 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	42,97 %	39,19 %	36,25 %
Impairment loss as a % of gross loans	0,33 %	– 0,11 %	0,07 %
Return on equity before tax 1)	10,27 %	14,21 %	14,25 %
Return on equity after tax 1)	8,84 %	12,14 %	11,77 %
Pre-tax return on equity (comprehensive income) 1)	8,83 %	12,14 %	11,77 %
Parent company's comprehensive income per equity certificate (weighted), in NOK	19,78	28,41	30,06
Dividend payable per equity certificate, in NOK	6,00	9,00	12,00
1) Return on equity is calculated based on opening equity excl. hybrid capital			
Capital and liquidity position			
Capital adequacy ratio	20,91 %	21,55 %	23,50 %
Core capital adequacy ratio	18,80 %	19,51 %	21,38 %
Core Tier 1 capital adequacy ratio	17,56 %	18,32 %	20,14 %
Leverage ratio	9,17 %	9,45 %	9,46 %
Liquidity Coverage Ratio (LCR)	134 %	121 %	150 %
NSFR, parent company			140 %
Balance sheet history			
Growth in total assets (year-on-year)	6,86 %	3,80 %	3,74 %
Growth in gross customer lending (year-on-year)	4,39 %	3,90 %	– 2,27 %
Growth in customer deposits (year-on-year)	7,23 %	6,08 %	7,07 %
Deposits as a % of gross lending	92,88 %	94,84 %	103,90 %
Employees			
Full-time equivalent employees as at 31 Dec.	257	253	262

Income statement

As a % of average total assets

PARENT COMPANY			CONSOLIDATED	
2021	2022		2022	2021
2,16 %	3,16 %	Interest income	3,18 %	2,20 %
0,68 %	1,22 %	Interest expenses	1,50 %	0,74 %
1,49 %	**1,94 %**	**Net interest income**	**1,67 %**	**1,46 %**
0,31 %	0,33 %	Commission income	0,24 %	0,23 %
0,06 %	0,06 %	Commission expenses	0,05 %	0,04 %
0,70 %	0,43 %	Net gains/losses on financial instruments	0,00 %	0,27 %
0,02 %	0,02 %	Other income	0,05 %	0,06 %
0,98 %	**0,72 %**	**Net other operating income**	**0,24 %**	**0,51 %**
2,46 %	**2,67 %**	**Total revenues**	**1,92 %**	**1,97 %**
0,52 %	0,52 %	Wages, salaries, etc.	0,40 %	0,41 %
0,36 %	0,38 %	Other expenses	0,29 %	0,28 %
0,09 %	0,07 %	Depreciation and impairment of fixed assets and intangible assets, and gains/losses	0,04 %	0,06 %
0,96 %	**0,97 %**	**Total operating expenses**	**0,73 %**	**0,75 %**
1,50 %	**1,70 %**	**Profit/loss before impairment loss**	**1,19 %**	**1,22 %**
- 0,08 %	0,05 %	Impairment loss	0,05 %	- 0,06 %
1,58 %	**1,65 %**	**Profit/loss before taxation**	**1,14 %**	**1,28 %**
0,23 %	0,29 %	Tax expense	0,26 %	0,25 %
0,00 %	0,00 %	Profit/loss after tax on assets held for sale	0,00 %	0,00 %
1,35 %	**1,36 %**	**Profit/loss for the financial year**	**0,88 %**	**1,03 %**
		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 %**
1,35 %	**1,36 %**	**Comprehensive income**	**0,88 %**	**1,03 %**
46 961	**49 177**	**AVERAGE TOTAL ASSETS**	**68 515**	**64 604**

Elected officers at Sparebanken Sogn og Fjordane

BOARD OF DIRECTORS 2022

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)
Ole Martin Eide, Skei in Jølster (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 Ole Martin Eide: Jo Dale Pedersen, Florø

2022 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
Christine Nikøy Rogne, Fjaler
Jakob Andre Sandal, Skei in Jølster

Deputy members for Sunnfjord
1st deputy: Dagrun Kyrkjebø, Førde
2nd deputy: Tor Einar Erikstad, Holmedal

Members representing Sogn incl. Bergen
Marit Lunde, Leikanger
Tore Thorsnes, Leikanger
Birgitta Hagen Kyrkjebø, Kyrkjebø

Deputy members for Sogn and Bergen
Anne Kristin Aarskog, Leikanger

Employee representatives
Harald Slettvoll, Førde
Roger Svarstad, Måløy
Anita Hagen Lægreid, Årdal
Ragnhild Helgheim, Byrkjelo
Hege Gåsemyr, Skei in Jølster
Heidi Berge, Bygstad

Deputy employee representatives
1st deputy: Julie Vårdal Heggøy, Dale
2nd deputy: Tor Ulsten, Florø

Representatives of equity certificate owners
Rolf Kleiven, Dale
Ingunn Sognnes, Leirvik
Randi Engen, Guddal
Harald Kvame, Naustdal
Marit Lofnes Mellingen, Leikanger
Katrine Myklebust, Måløy
Helge Holm-Marøy, Sogndal
Frank Kirkebø, Førde
Monika Refvik, Måløy
Jon Rune Heimlid, Stryn

Deputies for representatives of equity certificate owners
1st deputy: Arne Håkon Laberg, Årdal
2nd deputy: Margunn Grytten Selvik, Kvammen
3rd deputy: Kristin Kyrkjebø, Dale
4th deputy: Geir Ståle Støfring, Vassenden

ELECTION COMMITTEE FOR DEPOSITORS' REPRESENTATIVES AND BOARD OF DIRECTORS

Members
Marit Lunde, Leikanger (Chair)
Marit Lofnes Mellingen, Leikanger
Roger Svarstad, Måløy

Deputy members
Brigt Samdal, Eikefjord
Rolf Kleiven, Fjaler
Anita Hagen Lægreid, Årdal

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 2022

- CEO
  Trond Teigene
  - Director of Risk Management/Compliance
    Harald Slettvoll
  - Credit Director
    Gro Skrede Mardal
  - Business Support Director
    Silje Sunde
  - HR Director
    Eirik Rostad Ness
  - Technology Director
    Reiel Haugland
  - Retail Banking Director
    Linda V. Westbye
  - Corporate Banking Director
    Roy Stian Farsund
  - CFO
    Frode Vasseth
  - Director of Communications
    Johanne V. Sandnes

Senior Management Team

Standing, from left: Eirik Rostad Ness, Harald Slettvold, Roy Stian Farsund, Trond Teigene, Reiel Haugland, Frode Vasseth, Silje Sunde and Gro Skrede Mardal. Front, from left: Linda Vøllestad Westbye and Johanne Viken Sandnes.

Senior Management Team

TRONDD 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.

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 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 previously had responsibility for the corporate banking market 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, and he sits on the board of SpareBank 1 Finans Midt-Norge AS.

SILJE SUNDE

Business Support Director

Silje Sunde (1980) has been a business support manager since November 2017, and in July 2022 she became the director of the department. 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 technology from NTNU.

GRO SKREDE MARDAL

Credit Director

Gro Skrede Mardal (1974) has been responsible for the Bank's credit operations 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.

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 Sogn og Fjordane University College. Slettvoll holds an MA in Economics from the University of Bergen.

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 at the Norwegian Gambling 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 Communications

Johanne Viken Sandnes (1983) has been head of Marketing and Communication since May 2018. She has been Director of Communications since July 2022. 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 and started BI's Executive Master of Management programme in the autumn of 2022.

Sustainability appendix

2022

More details about Sparebanken Sogn og Fjordane's work on sustainability

Contents

Taxonomy-related information

The EU Action Plan for Financing Sustainable Growth

Sparebanken Sogn og Fjordane wants to play an active role in promoting sustainable finance in our region while adhering to the EU Action Plan for Financing Sustainable Growth, including the EU taxonomy. We have established what we expect and require of our customers in relation to this, and by doing so we hope to contribute to the goal of reaching net zero by 2050. We have also integrated climate-related and environmental considerations, social factors, respect for human rights and financial responsibility into our business operations in order to promote the sustainable development of society.

The EU Action Plan for Financing Sustainable Growth reflects the fact that the role of the financial sector in shaping society will shift towards supporting global sustainability. Sparebanken Sogn og Fjordane shall and will play an important role in supporting and facilitating the sustainable development of the region. We will also strive to share knowledge and skills with our customers and other stakeholders, to help them take sustainable investment decisions.

How will SSF be affected by the EU taxonomy?

The taxonomy is a tool for classifying environmentally sustainable economic activities as regards investments and financial products. The rules include reporting requirements for large stock exchange-listed companies and financial institutions, which means that the Bank does not need to report in accordance with the taxonomy. SSF is not currently required to disclose non-financial information under the Norwegian Accounting Act. Under the government's act on the disclosure of sustainability information in the financial sector, stock exchange-listed companies and financial institutions with over 500 employees will need to report in accordance with the Taxonomy Regulation from when the act comes into force in Norway, which is 1 January 2023. In expectation of the coming statutory requirements, SSF has embarked on several initiatives that involve collecting data and assessing ESG risks in the corporate banking market.

The Bank finances assets for businesses in our region that meet the taxonomy requirements, which means the Bank can use these assets to issue green bonds. These bonds satisfy the European Green Bond Standard and there is strong demand for them from external investors.

The taxonomy will develop significantly over the coming years, and its scope is currently limited. It is therefore important to bear in mind that the current taxonomy is not the final say on what can make a positive contribution to the green transition, but rather an important first step towards a joint understanding of which activities can be classified as sustainable. Through our green products, SSF can help to channel capital towards sustainable activities.

Our green framework has recently been updated to ensure that our criteria for green loans align with the conditions of the taxonomy.

SSF's activities in relation to the EU taxonomy

The taxonomy includes reporting requirements, key indicators and templates, both for financial institutions and other types of enterprises. For us as a financial institution, the Green Asset Ratio (GAR) is the most important key indicator. It indicates what proportion of the Bank's loan portfolio has gone to activities that are defined as green under the taxonomy. Our most important contribution is to challenge, set requirements for and change the behaviour of our customers, in order to speed up the transition.

Results to date of our work on the taxonomy

In 2022, we reviewed both our internal and external data sources, to help us calculate what proportion of our total loans are covered by the Taxonomy Regulation, in order to give us an indication of our GAR. Residential mortgage loans constituted around 76 percent of our total loan book at the end of 2022, and most of those loans are covered by the Taxonomy Regulation.

The data we have for residential mortgage loans is relatively reliable, since the Bank's green framework is based on the criteria in the taxonomy. Homes (1) built in 2012 or later, or (2) built prior to the introduction of TEK10 with an energy performance rating of A or B, fulfil the criteria in the taxonomy. Around NOK 6.8 billion of our residential mortgages qualify as green, which is approximately 15 percent of total loans to private households.

For corporate customers, we have individually assessed each loan or advance that we have provided. Our calculations show that the 29 percent of our corporate loan portfolio qualifies as green.

More detailed information about these calculations can be found in the table below.

Billions of NOK	Qualifying volume	Bonds issued	Available volume	Total volume at Group	Percentage
Retail market					
Residential mortgage loans	6,8	1,9	4,9	46,0	15%
Total	**6,8**	**1,9**	**4,9**	**46,0**	**15%**
Corporate market					
Fish farming	1,9	0	1,9	2,5	76%
Commercial property	1,4	0	1,4	4,7	30%
Electric power generation	0,7	0	0,7	0,7	100%
Social loans	0,2	0	0,2	0,2	100%
Andre næringar	0,0	0	0,0	6,4	–
Total	**4,2**	**0**	**4,2**	**14,5**	**29%**

Climate risk (TCFD)

The *Task Force on Climate-Related Financial Disclosures* (TCFD) is an established framework for reporting climate risk for banks and financial institutions. It provides a set of specific recommendations for reporting climate-related risks and opportunities. The aim is to help investors and other stakeholders understand the Bank's potential risks and opportunities in the face of the changing climate. By reporting in accordance with the TCFD framework, the Bank shows its commitment to tackling climate-related risks and exploiting opportunities arising in a low carbon economy.

The table below summarises the recommendations in the TCFD framework:

Chapter 1: Governance	Chapter 2: Strategy	Chapter 3: Risk management	Chapter 4: Targets and methods
Management of climate-related risks and opportunities	Identification and assessment of climate risk in strategic and financial planning	Integration of climate risk in the Bank's risk management processes	Methods and targets for assessing climate-related risks and opportunities

Governance

The Board of Directors' oversight of climate-related risks and opportunities

The Board of Directors of Sparebanken Sogn og Fjordane ensures that each year there is a comprehensive strategic process to define the Group's vision, targets and measures. The current overall strategy, *Strategy and plan of action for 2023*, was adopted by the Board in November 2022. It sets out three strategic priority areas, with one of those areas being to have sustainability as part of our DNA.

The Board of Directors adopts the Bank's credit policy and credit strategy, and the credit committee adopts the guidelines, manuals and policies that provide the basis for internal risk management. Climate risk is integrated into these documents in order to ensure that the need for sustainability is reflected in the Bank's business operations. The Bank's sustainability strategy is overseen and adopted by the Board of Directors, and it provides guidelines on practical work on climate risk within the various business areas. Together, the steering and strategy documents set out the overall direction for the Bank's work on climate-related risks.

Description of the management's role in assessing and managing climate-related risks and opportunities

The credit committee has chief responsibility for managing climate risk related to the Bank's lending activities, products and services, and operations. It reports to the Board twice a year and is responsible for assessing and managing climate-related risks and opportunities.

The Senior Management Team leads the annual strategic planning process, and it is responsible for ensuring that climate-related factors are included in the various technical areas' targets and measures. The Senior Management Team receives quarterly updates on progress with work on sustainability within the various technical areas from the sustainability working group, which consists of seven employees from different departments at the Bank. The sustainability working group has special responsibility for implementing measures within the technical areas. Our organisational structure for climate risk is presented below.

The department for risk management and compliance is responsible for ensuring that climate risk is included in the overall framework for risk management and in important steering documents relating to risk management.

Strategy

Climate-related risks and opportunities identified by the Bank over the short, medium and long term

The Bank has assessed the climate-related risks and opportunities over the short, medium and long term. The Bank is particularly exposed to physical climate risk and transition risk. The biggest risks relate to the loan portfolio, particularly in the corporate market in sectors such as agriculture, property management, construction, fishing and fish farming and industry. In order to manage those risks, the Bank has assessed how physical climate risk and transition risk will affect our work in the retail and corporate banking markets, with a particular focus on credit risk. The Bank has identified that transition risk will have a bigger impact than physical climate risk over the short to medium term. These time horizons are based on the Bank's strategic planning period, and national and international goals for reducing GHGs.

Periods used	Time horizon	Description of time horizon
Short term	1–5 years	The Banks' strategic planning period (Sustainability strategy 2022–24)
Medium term	5–10 years	This time horizon reflects Norway's goal to reduce GHG emissions by 55 percent by 2030
Long term	10–30 years	This time horizon reflects the Paris Agreement's goal of net zero by 2050

The Bank has an important role in identifying and managing climate-related risks and opportunities. This requires a thorough assessment of factors such as geographical location, sector and exposure to physical climate risk and transition risk. We are continuously working to improve our understanding of these challenges, in order to ensure that we are as well equipped as possible to manage them.

Climate-related risks and opportunities in the corporate market identified by the Bank over the short, medium and long term

The Bank has assessed climate-related risks and opportunities in the corporate banking market. The risks are generally low in the short and medium term. This is because the Bank does not finance fossil fuel production and has a loan portfolio with a relatively low exposure to industries that are dependent on fossil fuels, such as international shipping. The biggest sectors in the Bank's portfolio are property management, agriculture, fishing and fish farming (around 60% of the whole portfolio). These industries are judged to face some transition risk, but at the same time they will play a highly important role in a carbon neutral society.

Over the long term, the Bank considers the climate risk to be moderate. This is due to uncertainty about how climate policy and technological development will affect the various industries in its portfolio.

The Bank will continue to monitor developments and adapt its lending policies if necessary.

In order to reduce its climate risk in the CM, the Bank offers *Green Business Loans*. These give its business customers an incentive to make sustainable investments, which reduce climate risk and our indirect GHG emissions. This is a good example of a climate-related opportunity for the Bank in its future work to address climate risk.

Summary of potential climate-related risks and opportunities identified in the CM:

Short term	In the short term, business customers may be exposed to the risk of extreme weather events, which may damage their physical assets and prevent normal operations. This may have a particular impact on customers in e.g. agriculture, fishing and fish farming, by weakening their ability to grow crops, fish and farm seafood. On the other hand, the Bank has the opportunity to finance projects to help customers adapt to the impacts of climate change, e.g. by providing loans for renewable energy generation or coastal management measures.

Medium term	Over the medium term, the Bank may face challenges arising from changes in market demand and regulations as a result of the transition to a low-carbon society. One example of this might be investment in zero-emissions vessels/vehicles, in the event of a rapid transition away from fossil fuels. The Bank therefore has the opportunity to finance the emergence of new low-carbon industries such as renewable energy.
Long term	Over the long term, the Bank may face risks arising from the physical consequences of climate change, such as sea level rise or more frequent and destructive natural disasters. These events could affect the Bank's operations and assets, as well as the creditworthiness of its corporate customers. The Bank has the opportunity to support the transition to a low-carbon society and position itself for long-term success in a changing climate. The expectation of more extreme weather events in our region may provide opportunities to develop more green energy, such as hydropower, wave power and wind power. At the same time, there is uncertainty about the impacts of climate policy and technological development on the various industries.

Climate-related risks and opportunities in the retail market identified by the Bank over the short, medium and long term

The Bank's risk assessments reveal the climate risk associated with the retail loan portfolio to be low over the short and medium term. Over the long term, a moderate risk has been identified, mainly due to more frequent extreme weather events and sea level rise. The RM is most exposed to landslides and flooding. In order to reduce climate risk, the Bank offers green mortgages to customers with energy-efficient homes (energy performance rating A or B), as well as green home improvement loans to customers who wish to upgrade their homes to make them more energy-efficient. The purpose of these products is to give customers a price incentive to invest in green solutions for their homes, as well as to reduce the Bank's indirect GHGs.

Summary of potential climate-related risks and opportunities identified in the RM

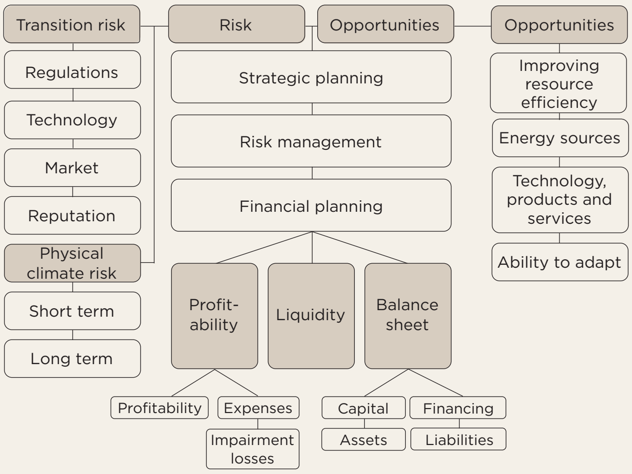
Short term	Over the short term, extreme weather events such as flooding, landslides and storms may damage properties and other infrastructure, leading customers with residential mortgages to incur financial costs. The transition to a low-carbon economy may affect the value of assets such as fossil fuel vehicles, and hence the ability of customers to make payments. The Bank may face a growing reputation risk, which could impair the Bank's ability to attract and retain climate-conscious customers.
Medium term	Over the medium term, climate change may lead to more frequent and destructive weather events, changes in demand for energy-saving solutions and technologies, and new regulations and incentives to encourage the transition to a low-carbon society. The Bank has a business opportunity to help our customers introduce energy-saving solutions through its green products. One example of a potential political risk is changes to the technical building regulations, which may affect demand for homes that do or do not meet the new criteria.
Long term	Over the long term, the potential impacts of climate change will become more noticeable and widespread, and the risk becomes more significant. Physical climate risk, such as damage to properties and infrastructure, will become a bigger threat in certain residential areas. This may pose a risk in relation to the valuation of homes in conjunction with the Bank granting loans. In the future, it will therefore be important for the Bank to do more to study the location of mortgaged homes, in order to reduce that risk.

Both corporate and retail customers need to know what the risks and opportunities are when they take financial decisions, and it is important for the Bank to work with customers to uncover and mitigate any negative financial consequences.

Impact of climate-related risks and opportunities on the Bank's businesses, strategy, and financial planning

Sparebanken Sogn og Fjordane is a regional savings bank with an integrated value chain for the production, development and marketing of financial products and services. Our most important business areas are lending to retail and corporate customers, traditional banking services such as savings products and offering services like leasing, car loans, insurance, investment funds and estate agency.

The relationship between climate-related risks and opportunities, and strategic and financial planning, is illustrated below:



Retail market

Due to climate-related risks, we have implemented targets and associated measures for the portion of our residential mortgage portfolio with an energy performance rating lower than B. The retail banking market aims to increase the number of homes with an energy performance rating of B or above, and our goal is to have issued green mortgages and green home improvement loans worth NOK 2.5 billion by the end of 2023. We have put this on the agenda in our strategy, as well as giving customers the opportunity to make a conscious effort to protect the climate and environment, by offering savings products with a sustainable profile, as well as green investment funds and green savings accounts for retail customers.

Corporate market

Since 2018, the Bank has performed a sustainability assessment for all new credit applications for amounts exceeding NOK 10 million. As part of a growing focus on climate risk, the Bank adopted several strategic targets and measures for the corporate market in 2021, which were revised towards the end of 2022.

In 2022, the Bank drew up a *CSR and sustainability policy for the corporate banking market*. The policy aims to set out the path for the Bank's efforts to be a driving force for the sustainable development of businesses in the region. It shall give a clear picture of which activities and kinds of businesses the Bank does not want to finance, its general requirements and expectations, and specific requirements and expectations at the sector level.

According to its sustainability strategy, the Bank aims to have granted NOK 300 million of Green Business Loans by the end of 2023. At 31 December 2022, the Bank had issued NOK 34 million of Green Business Loans. Going forward, the Bank will work to adjust the number of conditions on its Green Business Loans in order to increase volumes.

In 2022, the Bank started work on identifying sector-specific activities that can be classified as sustainable in accordance with the EU taxonomy. In conjunction with the green bond standard being updated, we identified that over NOK 4 billion of our loans to the corporate market qualified as green under the EU taxonomy, as well as around NOK 7 billion of the mortgage loans provided by the Bank. The Bank will monitor developments and report on this in the future. You can read more about this in the section "Taxonomy-related information" in the annual report.

Potential impacts of various scenarios on the Bank's businesses, strategy and financial planning, including a 2 °C scenario

We have started work on assessing various scenarios and potential impacts on the Bank's businesses, strategy and financial planning, including a scenario where the global temperature rises by over 2 degrees. Since this is the first year that we are reporting in accordance with the TCFD recommendations, we do not yet have sufficient data to provide a proper analysis of this. We plan to perform a thorough analysis during 2023, which will improve our understanding.

Risk management

A description of the Bank's processes for identifying and assessing climate-related risks

Climate-related risks are assessed in the same way as other risks in the Bank's credit underwriting process, particular in the CM. Since 2018, the Bank has performed sustainability assessments for credit applications for amounts exceeding NOK 10 million, and since 2021 this has been standardised through an ESG and climate risk module in credit underwriting for corporate customers. The module contains general and sector-specific questions about sustainability and compliance with environmental and climate-related requirements, as well as a scoring system. Corporate customers borrowing more than NOK 3 million shall, after submitting their application, be put through this module. Its analysis is an important assessment criterion in the Banks' credit underwriting. The Bank focuses strongly on climate risk, to avoid financial losses and stranded assets.

A description of the Bank's processes for managing climate-related risks

Sparebanken Sogn og Fjordane has several processes for controlling, accepting and mitigating climate-related risks. Credit applications with a high ESG and climate-related risk are escalated up the decision-making chain. In the autumn of 2022, the Bank revised its ESG and climate risk module, and it aims to assess climate risk at the portfolio level in 2023. With respect to our own operations, we will monitor our GHG emissions by performing annual measurements and work to adapt to the goals of the Paris Agreement. Climate risk shall be monitored through portfolio analyses, stress tests and scenario analyses in order to meet internal targets and other sustainability goals.

How processes for identifying, assessing and managing climate-related risks are integrated into the Bank's overall risk management

Climate risk is covered by the Bank's steering documents for risk and credit management. This is managed at the Board level, and there are clear guidelines for assessing and managing the consequences of climate change. This is particularly important for the corporate portfolio, which is most exposed to climate risk. The risk management and compliance department is responsible for incorporating climate risk into the overall risk management framework.

Sustainability shall be included in all areas of the risk management strategy. The sustainability working group puts climate risk on the agenda and ensures that it is a priority in all of the Bank's technical areas. Processes for identifying, assessing and managing climate risk are well integrated into the Bank's overall risk management, and will keep up with developments. The Bank will continue to focus on this, as well as gradually starting to focus on disaster risk. Dedicated members of the sustainability working group shall be responsible for this.

Targets and methods

Description of the methods used by the Bank to assess climate-related risks and opportunities in line with its strategy and risk management process

Retail market

In the retail market, green products like green mortgages, green home improvement loans and loans for electric cars provide a basis for assessing climate-related opportunities and risks. The Bank monitors its sales of these loans on a regular basis. By comparing the sale of green loans with those of traditional car loans and mortgages, it is easy for the Bank to measure its performance. For example, the difference between the actual and estimated growth of the green mortgage portfolio can be used as a metric for assessing if there is a risk with respect to the Bank's ability to issue green bonds in the future.

Corporate market

In 2022, the Bank started measuring emissions from its loan portfolio based on carbon-related credit exposure.

We are working to develop methods for estimating the emissions from the Bank's loan portfolio (Scope 3) and have consulted with other banks. For the moment, we have estimated the emissions based on Statistics Norway data, but this method relies on low-quality data. We would like to report these emissions on the basis of higher quality data, and we will monitor the work of Finance Norway and the PCAF to come up with the best methodology.

Our calculation shows that the Bank is most exposed to GHG emissions in the agriculture, fishing and fish farming and industry sectors. Agriculture and industry alone were responsible for approximately 70 percent of the total emissions from the Bank's loan portfolio in the corporate market. The Bank's loans to these two industries represent approximately 17 percent of the total loan portfolio.

Based on Statistics Norway's tables 09288 and 08116	Total emissions to air in Norway (1,000 tonnes CO_2-eq) 2022	SSF – % of total loans in Norway 2022	Tonnes of CO_2-eq per NOK million lent	CM emissions for SSF (1,000 tonnes CO_2-eq)
Agriculture	5 063	2,51 %	79,8	126,94
Fishing and fish farming	918	3,21 %	10,4	29,50
Industry, mining, quarrying, oil/gas extraction	12 501	0,80 %	125,6	100,32
Electricity, gas, steam and hot water supply	3 091	0,96 %	42,4	29,73
Construction	2 186	0,57%	10,5	12,46
Real estate activities	85	0,57 %	0,1	0,48
Transport and storage, transport via pipelines	3 588	0,33 %	29,2	11,86
Wholesale and retail trade, repair of motor vehicles	1 104	0,83 %	12,3	9,19
Other service activities	508	0,12 %	2,5	0,59
Accommodation and food services activities	116	3,26 %	5,1	3,78
Other	10	2,89 %	0,4	0,29
All industries	**29 170**	**0,82 %**	**22,8**	**325,14**

Limitations of the method

The model assumes total emissions for a given composition of various underlying industries within groups of industries. Differences within industries are not included in the model and the impacts of regional differences in emissions and individual differences between companies are not included. The method entails uncertainties and makes it hard to compare the credit exposure to carbon-related assets of different banks.

Results and future activities

The calculation gives us an insight into the industries with the highest emissions and highest emissions per NOK million borrowed. This helps to put the spotlight on the sectors with the highest emissions, and it is natural to give those sectors top priority in action plans for reducing emissions by 2030 and 2050.

Own operations

The Bank measures its own GHG emission in accordance with the GHG Protocol, which it has done since 2019. The accounts for 2022 show a reduction in the emissions from its own operations. There has been an increase in emissions caused by business travel after the pandemic, but emissions from waste and energy consumption have been reduced. The Bank has drawn up a plan to reduce emissions in line with its long-term goals, and it reports emissions in accordance with the international standards developed by the Greenhouse Gas Protocol initiative. The accounts are prepared by CEMAsys, and in 2022 the Bank will report fully for all of the scopes in its GHG accounts, with the reservation that the emissions from the loan portfolio are based on low-quality data. You can learn more about this in the section called “Energy and GHG accounts”.

Description of the targets used by the Bank to manage climate-related risks and opportunities and performance against targets

The Bank aims to integrate climate risk management into all aspects of its operations. Our overall strategy and sustainability strategy contain guidelines on managing climate-related risks and opportunities, and on how we will go about reaching our target of carbon neutrality by 2050. That will involve changes to various parts of our operations. In this section, we present our performance against the climate-related targets that the Bank has set itself.

Goals	Performance (as of 31.12.2022)
By the end of 2023, we shall have issued over NOK 5 billion of green covered bonds and NOK 1 billion of green senior bonds	Green covered bonds: NOK 1.9 billion Green senior bonds: NOK 200 million

Retail Market

The Bank aims to have a good selection of products that stimulate sustainable investments. We have seen very positive trends in the volume of green products over the past year.

Targets	Performance (as of 31.12.2021)	Performance (as of 31.12.2022)
By the end of 2023, we shall have NOK 2.5 billion of green mortgages and green home improvement loans	Green mortgages: NOK 730 million Green home improvement loans: NOK 1.5 million	Green mortgages: NOK 2.6 billion Green home improvement loans: NOK 7 million

The Bank has also increased the focus on sustainability for its customers and its advisers. Customer advisers in the retail market have taken an e-learning course on climate risk. Sustainability has also been a topic at training events for customer advisers, particularly in relation to investment funds and savings products.

Corporate market

As mentioned above, the biggest climate-related risks and opportunities relate to our loan portfolio in the corporate market. We have carried out ESG and climate risk analyses for credit applications for amounts exceeding NOK 3 million. Based on them, the ESG and climate risk can be classified as follows:

Classification Climate risk and ESG	Volume of loans	as a % of loans to CM
High risk	23 559 076	0,20%
Moderate risk	2 771 133 490	18,10%
Low risk	5 425 414 493	35,5%
Very low risk	720 918 451	4,70%
Unclassified	6 328 622 348	41,40%
Total loans to CM	15 269 647 858	100%

In our sustainability strategy, our target was that *we shall have the necessary expertise to advise our corporate customers on sustainability*, with the associated measure of finishing training our customer advisers in the autumn of 2022. This year our employees working in corporate banking have been given an e-learning course on climate risk, and 50 out of 65 have completed it. In October 2022, the Bank dedicated two days to a training event for employees working in corporate banking covering the ESG and climate risk module – after it had been revised with new and improved questions. 25 out of 26 representatives attended, and a video was recorded that everyone could watch after the event.

We have mapped and estimated the GHG emissions from our loan portfolio. This has been helpful for the Bank in conjunction with its efforts to put pressure on sectors with high emissions through stricter requirements and expectations. This work will continue in 2023, when we want to establish more detailed sector-based targets for reducing emissions by 2030 and 2050. More information about what we require and expect of sectors can be found in our *CSR and sustainability policy for the corporate market* in the Bank's sustainability library.

You can find out more about the proportion of our loan portfolio that meets the definition of being sustainable under the EU taxonomy in the section on taxonomy-related information.

Own operations

The Bank aims to be fossil fuel free by 2030. Scope 1 emissions, which cover the consumption of fossil fuels, fell by 1.5 tCO_2e in 2022, which is a reduction of 9.9%. This was mainly because the Bank got rid of some fossil fuel vehicles. The Bank reduced its Scope 2 emissions, covering electricity consumption, by 181.1 MWh from 2021 to 2022. The Bank bought guarantees of origin for its electricity consumption in 2022. The Bank's Scope 3 emissions, covering business travel, rose by 78.1% compared with 2021. This was due to an increase in travelling in conjunction with the reopening of society after the pandemic.

The Bank renewed its Eco-Lighthouse certification in 2022.

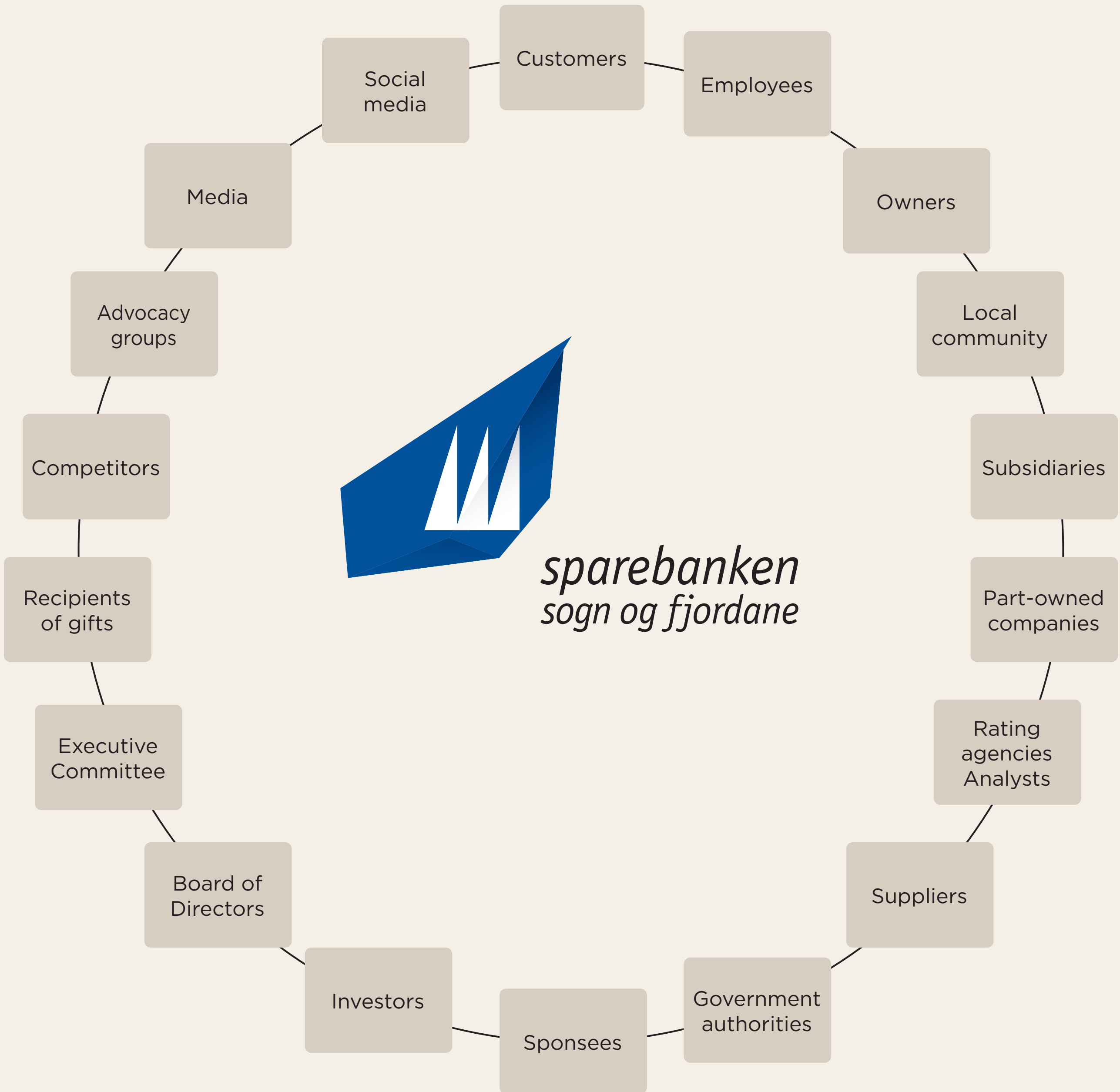
Stakeholder analysis

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. Dialogue and cooperation with a variety of stakeholders is vital if the Bank wants to achieve its ambitions, maintain trust and have a good reputation in society.

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 pre-requisite 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 meetings in a variety of contexts.

Overview of stakeholders

The diagram below shows which groups we have defined as the Bank's stakeholders; it is not exhaustive.



We have defined our stakeholders and the topics of interest to them, and below we have set out how we work with some of our stakeholder groups.

STAKEHOLDER GROUP	TOPICS OF INTEREST TO STAKEHOLDERS	NATURE OF DIALOGUE
Customers	– Prices and terms and conditions	– Customer meetings
– Retail customers	– Sponsorship and CSR	– Customer surveys
– Corporate customers	– Good digital solutions	– Discussions about sustainability in conjunction with credit underwriting
– Clubs and associations	– Local links	– Webinars, seminars and conferences
	– Financial expertise	– ESG assessments as part of credit underwriting for the corporate market
	– Transparent and ethical business practice	– Social media
	– Climate change and the environment	
Employees	– Working conditions	– Training and courses
– Parent company	– Working conditions	– Various meetings and working groups
– Subsidiaries	– Corporate social responsibility	– Employee satisfaction surveys
– Directors and committee members	– Equality and diversity	– Annual events
– Safety representatives	– Professional development	
Owners	– Operations, profitability and financial results	– Regular meetings
– Sparebankstiftinga Sogn og Fjordane	– Transparent and ethical business practice	
– Sparebankstiftinga Fjaler	– Distribution of gifts	
	– Climate change and sustainability	
Local community	– Transparent and ethical business practicel	– Events
– Non-customers	– Financial expertise	– Gifts
– Politicians	– Business development	– Sponsees
– Educational institutions	– CSR, gifts and sponsorships	– Media
– Recipients of gifts	– Support for education and innovation	
– Sponsees	– Grants for talented young people	
Subsidiaries and associates	– Operations, profitability and financial results	– Face-to-face and digital meetings
– Bustadkreditt Sogn og Fjordane AS	– Corporate social responsibility	– E-mail and phone
– Eigedomsmekling Sogn og Fjordane AS	– Climate and sustainability (ESG)	
– Bankeigedom Sogn og Fjordane AS		
– Frende Forsikring, Balder, SB 1 Finans MN AS, Vipps,		
Credit rating agencies and analysts	– Operations, profitability and financial results	– Face-to-face and digital meetings
– Moody's Analytics	– Climate and sustainability (ESG)	– E-mail and phone

STAKEHOLDER GROUP	TOPICS OF INTEREST TO STAKEHOLDERS	NATURE OF DIALOGUE
Suppliers	– Prices and terms and conditions	– Dialogue on tenders
– IT, markets, auditing, consulting activities, HR, health and safety, cash transport, security, energy, etc.	– Labour rights – Guidelines and policies relating to sustainability – Responsible procurement	– Face-to-face and digital meetings – E-mail and phone
Government authorities	– Operations	– Face-to-face and digital meetings
– Financial Supervisory Authority of Norway	– Regulations	– E-mail and phone
– Norges Bank	– Data protection (GDPR)	– Reporting
– Norwegian Competition Authority	– Anti-Money Laundering Act	– Inspection
– Norwegian Data Protection Authority	– Information security and stable IT systems	
– Parliament and government	– Responsible lending and investment	
– County and municipal agencies		
Investors	– Corporate governance	– Website
– Investors, brokers	– Labour rights	– E-mail and phone
	– Responsible and ethical business practice	
	– Sustainability (ESG)	
	– Sustainable products	
Board of Directors/ Executive Committee	– Operations, profitability and financial results	– Regular monthly meetings
– Chair and Board members	– Corporate governance	– Face-to-face and digital meetings
	– Climate change and sustainability	– E-mail and phone
Competitors	– Bank regulation	– Meetings
– Local, national and international players	– Climate risk	– Dialogue
	– Work on sustainability (ESG)	– Various events
Stakeholder organisations	– The Bank's work on sustainability	– Meetings
– Finance Norway	– Equality and diversity	– Conferences and seminars
– UN Global Compact	– Climate change and the environment	– Reporting
– Eco-Lighthouse		
– Environmental organisations		
Media	– Corporate social responsibility	– Press releases/ conferences
– Local newspapers	– Support for local businesses	– Blog posts, social media
– Regional and national media	– Operations, profitability and financial results	– E-mail and phone
	– Equality and diversity	

Overview of stakeholders

In 2022, the Bank carried out a materiality assessment to uncover which environmental, social and governance (ESG) issues are important to our stakeholders. In conjunction with this analysis, it carried our surveys of our retail customers and employees, and consulted with our biggest shareholders, suppliers and other partners. The survey results clearly showed that our owners, employees and customers expected the Bank to pu sustainability high on the agenda. In the survey, stakeholders were asked to list which sustainability topics they considered most material for the Bank. In order to understand which topics are material, we have put the responses to the survey in a matrix. The topics considered most material for the stakeholders and the Bank are reported in the GRI index in the annual report and in the sustainability appendix.

Important to stakeholders	Important	Material
Material	• Digital security	• Financial crime • Equal opportunity • Anti-corruption • Responsible lending
Important	• Charitable donations • Data protection • Local ownership	• Sustainability requirements for customers • Reducing GHG emissions • Contingency planning requirements for suppliers

Important to Sparebanken Sogn og Fjordane

Financial crime

Most important steering document

Overall procedures to prevent money laundering and terrorism financing.

Related to these UN Sustainable Development Goals (SDGs)

Who is responsible for this at the Bank?

The financial crime department within the 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 social mission 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 terrorism financing. This helps to ensure financial sustainability and societal development. The Bank shall identify and assess the risk of money laundering and terrorism financing associated with its clients, and ensure that appropriate countermeasures are taken based on its risk assessment. The Bank has no tolerance level for being used for money laundering or terrorism financing.

ANY MEASURES IMPLEMENTED IN 2022

In 2022, all of the Bank's employees and Board members took a course on financial crime. Providing employees with good, focused training helps to strengthen our efforts to combat financial crime. We have added several FTEs to our financial crime department over the past year. The Board of Directors has a strong focus on financial crime, and it receives regular monthly updates on developments relating to the risk of money laundering, terrorism financing, sanctions and fraud.

PLANNED FUTURE ACTIVITIES

The Bank will continue its work on training and staff awareness raising. This is a continuous process. In 2023, the Bank will raise its expertise on fraud, and make improvements to work processes, information sharing and staff awareness-raising. This is to ensure closer cooperation and a more efficient and risk-based management of risks surrounding financial crime.

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, banking and finance is defined as an industry 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 terrorism financing. 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 terrorism financing. 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	2022	2021
Number of employees who have received information about anti-money laundering	288	276
Percentage	100 %	100 %
Number of employees who have received training in anti-money laundering	288	276
Percentage	100 %	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	8	8
Percentage	100 %	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 terrorism financing.

ACTUAL CASES AND COUNTERMEASURES	2022	2021
Total cases		
Total cases relating to internal fraud	0	0
Total cases relating to external fraud*	658	333

* Figures for first half of year

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 terrorism financing, it shall investigate further. The number of transactions subjected to a risk assessment in 2022 was 14,874.

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 for this 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 bargaining 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, the Bank 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, and with any 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's work 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	2022	2021
Age distribution of new employees (permanent staff):		
Under-30s	7	4
Aged 30–50	25	6
Over-50s	1	3
New female employees	16	6
New male employees	17	7
Employees by region	We only have one region	We only have one region
Total staff turnover	3,76 %	5,81 %
Turnover of women	2,63 %	2,71 %
Turnover of men	1,13 %	3,10 %
Turnover per region	We only have one region	We only have one region

PARENTAL LEAVE	2022	2021
Female employees entitled to parental leave	All	All
Male employees entitled to parental leave	All	All
Female employees who took parental leave	15	9
Male employees who took parental leave	1	5
Female employees who returned to work after the end of their parental leave (9 are still on leave)	6	7
Percentage	40 %	64 %
Male employees who returned to work after the end of their parental leave (1 is still on leave)	0	5
Percentage	0 %	100 %
Female employees who returned to work after the end of their parental leave and were still employed 12 months later	4	6
Percentage	27 %	86 %
Male employees who returned to work after the end of their parental leave and were still employed 12 months later	0	5
Percentage	0 %	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 EQUAL OPPORTUNITY

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, remuneration policy and pay 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 and to the Women in Finance Charter. In addition, we encourage staff to rate the Bank's work on diversity and equality through the portal "Equality Check". Diversity and gender pay equality is regularly discussed with the employee representatives in the Works Council and with the Board of Directors. The Bank evaluates its pay policy annually, partly in order to avoid unjustified and arbitrary pay gaps and pay settlements.

STEERING DOCUMENTS

- Strategy
- Sparebanken Sogn og Fjordane's remuneration policy
- Pay policy

DIVERSITY	2022	2021	2020
Age distribution			
Under-30s	13 %	12 %	10 %
Aged 30–50	53 %	50 %	52 %
Over-50s	34 %	38 %	37 %
Age distribution of governing body (Board):			
Under-30s	0 %	0 %	
Aged 30–50	62,5 %	50 %	
Over-50s	37,5%	50 %	

GENDER PAY EQUALITY	2022	2021	2020
Women's earnings as a percentage of men's earnings (by grade):			
Grade 1 – CEO	0 %	0 %	0 %
Grade 2 – Senior management team	86 %	86 %	86 %
Grade 3 – Other line managers	87 %	83 %	90 %
Grade 4 – Technical managers	86 %	88 %	88 %
Grade 5 – Advisers/customer service agents	92 %	90 %	90 %
Grade 6 – Consultants and others	90 %	89 %	90 %
Temporary members of staff	115 %	98 %	156 %

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.

Climate change and the environment

Most important steering documents

Bank's overall strategy, sustainability strategy, procurement policy, CSR and sustainability policy for the corporate market.

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 THIS TOPIC?

The Bank is certified as an Eco-Lighthouse and reports its emissions in accordance with the GHG Protocol. We monitor our own emissions and work systematically to reduce them. In addition, we have established 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 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 2022?

The Bank keeps GHG accounts. Our goal is to reduce emissions, and we monitor our progress over the course of the year. We bought electricity with guarantees of origin and reduced our energy consumption through energy-saving measures. We introduced payment cards made of bioplastic, which reduces the emissions from manufacturing the cards. In 2022 we also worked to assess the emissions from our loan portfolio. We have estimated the emissions from our loan portfolio in the corporate market, based on Statistics Norway's figures. You can read more about that calculation in the section on climate risk (TCFD).

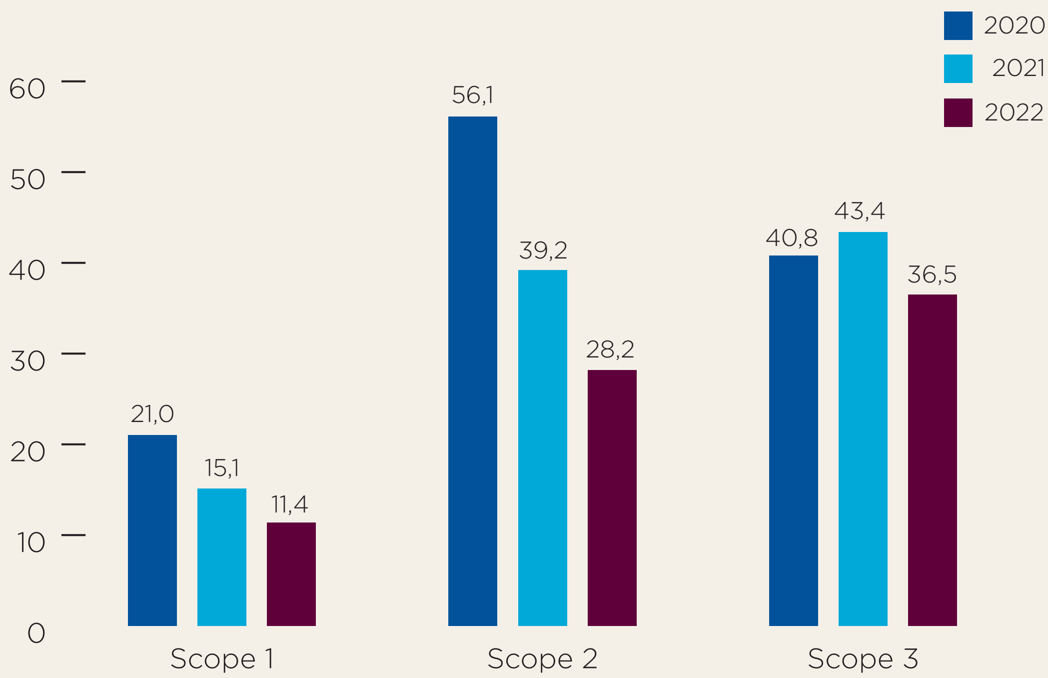
PLANNED FUTURE ACTIVITIES

In 2023 we will draw up a detailed plan of action for how to reduce our emissions. Our goal is to be carbon neutral by 2050, and our plan of action will include specific subsidiary targets to help us achieve that target. We have a shorter term target of striving to reduce our emissions by 55% by 2030.

OUR GREENHOUSE GAS EMISSIONS IN 2022 WERE DISTRIBUTED AS FOLLOWS:

		Distribution exclusive loans to customers	Distribution including loans to customers
Scope 1	11,4 tCO_2e	15 %	0,0035 %
Scope 2	28,2 tCO_2e	37 %	0,0087 %
Scope 3	36,5 tCO_2e	39 %	0,0112 %
Emissions from CM loan portfolio	325.140 tCO_2e		99,9759 %

Emissions in tCO_2 excluding loan portfolio:



COMMENTS ON THE GHG ACCOUNTS

In 2022, Sparebanken Sogn og Fjordane's total greenhouse gas emissions amounted to 325.216,1 tonnes of CO_2 equivalents (tCO_2e), which represents a significant increase over 2021. The main reason why emissions rose is that the Bank has included emissions from part of its loan portfolio, which amount to 325,140 tCO_2e. Scope 1 and Scope 2 emissions both fell in 2022. This was due to us replacing some fossil fuel vehicles with electric vehicles (Scope 1) and a reduction in energy consumption (Scope 2). If you look at Scope 3 emissions excluding loans, they also fell in 2022, which was mainly due to a reduction in waste. You can find more details in the section "Energy and GHG accounts 2022".

GRI Index

Area of focus	GRI indi-kator	Description	Source	Where	Comments/ direct report
STANDARD GRI INDICATOR	THE ORGANISATION AND ITS REPORTING PRACTICES				
	2-1	Organisational details	Annual report	Directors' report. Facts about Sparebanken Sogn og Fjordane	
	2-2	Entities included in the organisation's sustainability reporting	Annual report	Facts about Sparebanken Sogn og Fjordane, Note 1 Accounting principles, section on Subsidiaries and associates, Note 32 Subsidiaries and associates	
	2-3	Reporting period, frequency and contact point			2022, annual, ingri.macsik@ssf.no
	2-4	Restatements of information			No changes
	2-5	Current practice for external assurance of reporting			No external verifi-cation of the report
	ACTIVITIES AND WORKERS				
	2-6	Activities, value chain and other business relationships	Annual report	Facts about Sparebanken Sogn og Fjordane. Directors' report. Sustainability report	Moreover, there have been no signifi-cant changes to the organisation's size, structure, ownership or supplier chains during the reporting period
	2-7	Employees	Annual report	Directors' report	
	2-8	Workers who are not employees			We did not use any contractors in 2022
	GOVERNANCE				
	2-9	Governance structure and composition	Annual report	Directors' report. Sustainability report	
	2-10	Nomination and selection of the highest governance body	Annual report	Directors' report	
	2-11	Information about the Chair of the Board of Directors	Annual report	Information about the Board of Directors	
	2-12	Role of the Board of Directors and Senior Management Team in overseeing the management of impacts	Annual report	Sustainability report. Sustainability appendix, stakeholder analysis	
	2-13	Delegation of responsibility for managing impacts	Annual report	Directors' report. Sustainability report. Sustainability appendix, stakeholder analysis, climate risk (TCFD)	
	2-14	Board of Directors' approval of sustainability reporting	Annual report	Directors' report. Sustainability report	

Area of focus	GRI indi-kator	Description	Source	Where	Comments/ direct report
STANDARD GRI INDICATOR	GOVERNANCE, CONTINUED				
	2-15	Conflicts of interest	Annual report	Directors' report	
	2-16	Communication of critical concerns to the Board of Directors	Annual report	Directors' report	
	2-17	Board of Directors' collective knowledge about the sustainability	Annual report	Sustainability report	
	2-18	Evaluation of the performance of the Board of Directors	Annual report	Note 26	
	2-19	Remuneration policies	ssf.no	Remuneration policy available at www.ssf.no/berekraftsportal/berekraftsbibliotek/	
	2-20	Process to determine remuneration	Annual report	Directors' report. Remuneration policy available at www.ssf.no/berekraftsportal/berekraftsbibliotek/	
	2-21	Annual total compensation ratio	Annual report	Directors' report	
	STRATEGY, POLICIES AND PRACTICES				
	2-22	Statement on sustainable development strategy	Annual report	CEO's review. Directors' report. Sustainability report	
	2-23	Policy commitments	Website	www.ssf.no/berekraftsportal/berekraftsbibliotek/	
	2-24	Embedding policy commitments	Annual report	Sustainability report	
	2-25	Grievance mechanisms and processes to remediate negative impacts	Annual report	Directors' report. Sustainability report. Sustainability appendix, stakeholder analysis	
	2-26	Whistleblowing and other mechanisms for seeking advice and raising concerns	Annual report	Directors' report	
	2-27	Compliance with laws and regulations			No failure to comply of which the Bank is aware
	2-28	Membership of associations	Annual report	Sustainability report	
	STAKEHOLDERS				
	2-29	Approach to stakeholder engagement	Annual report	Sustainability report. Sustainability appendix, stakeholder analysis	
	2-30	Collective bargaining agreements			85.4% of employees are covered by collective bargaining agreements. The remainder are covered by a local company agreement and relevant legislation
	3-3	Approach to material topics		Annual report	Sustainability eport. Sustainability appendix, stakeholder analysis

Area of focus	GRI indi-kator	Description	Source	Where	Comments/ direct report
FINANCIAL CRIME AND ANTI-CORRUPTION	ECONOMIC PERFORMANCE				
	201-1	Direct economic value generated and distributed	Annual report	Consolidated key figures. CEO's review. Income statement, equity statement	
	201-2	Financial implications and other risks and opportunities due to climate change	Annual report	Sustainability appendix, climate risk (TCFD)	
	201-3	Pension obligations and other benefits			Not material to the Bank
	201-4	Financial assistance received from government			Not material to the Bank
	FINANCIAL CRIME AND ANTI-CORRUPTION				
	3-3	Approach to material topics	Annual report	Sustainability appendix, stakeholder analysis, 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	SOCIETY				
	EMPLOYEES				
	3-3	Approach to material topics	Annual report	Sustainability appendix, stakeholder analysis, our employees	
	EMPLOYMENT				
	401-1	Number of new employees and staff turnover	Annual report	Sustainability appendix, our employees	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Annual report	Directors' report	The equity certificates offered to permanent employees are discussed in the Directors' report. Organisational structure. Beyond that, permanent employees receive special rates on loans, savings products and insurance services. These benefits do not apply to temporary employees.
	401-3	Parental leave	Annual report	Directors' report. Sustainability appendix, our employees	

Area of focus	GRI indi-kator	Description	Source	Where	Comments/ direct report
OUR EMPLOYEES	TRAINING AND EDUCATION				
	404-1	Average hours of training per year per employee	Annual report	Directors' report	
	404-2	Programmes for upgrading employee skills and transition assistance programmes	Annual report	Directors' report	
	404-3	Percentage of employees receiving regular performance and career development reviews	Annual report		100 %
	DIVERSITY AND EQUAL OPPORTUNITY				
	405-1	Diversity of governance bodies and management	Annual report	Directors' report	
	405-2	Pay gap between men and women	Annual report	Directors' report	
	NON-DISCRIMINATION				
	406-1	Incidents of discrimination and corrective actions taken	Annual report	Directors' report	
ENVIRONMENT	ENVIRONMENT				
	EMISSIONS AND COMPLIANCE WITH ENVIRONMENTAL REGULATIONS				
	3-3	Approach to material topics	Annual report	Sustainability appendix, stakeholder analysis, climate change and the environment	
	UTSLEPP				
	305-1	Direct GHG emissions	Annual report	Sustainability appendix, climate change and the environment, GHG accounts	
	305-2	Indirect GHG emissions – from energy consumption	Annual report	Sustainability appendix, climate change and the environment, GHG accounts	
	305-3	Indirect GHG emissions – other	Annual report	Sustainability appendix, climate change and the environment, GHG accounts	
	305-4	GHG emissions intensity	Annual report	Sustainability appendix, climate change and the environment, GHG accounts	
	305-5	Reduction of GHG emissions	Annual report	Sustainability appendix, climate change and the environment, GHG accounts	

Carbon Accounting Report 2022

Sparebanken Sogn og Fjordane

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.

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.

Reporting Year Energy and GHG Emissions

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Emission source	Description	Consumption	Unit	Energy (MWh)	Emissions tCO_2e	% share
Transportation total				**53.4**	**11.4**	**-**
Diesel (NO)		3,557.0	liters	37.0	7.4	-
Petrol		1,696.0	liters	16.4	4.0	-
Scope 1 total				**53.4**	**11.4**	**-**
Electricity total				**1,070.4**	**27.8**	**-**
Electricity Nordic mix		1,070,393.0	kWh	1,070.4	27.8	-
District heating general total				**25.6**	**0.2**	**-**
Electric heat/cooling pump Nordic		25,600.0	kWh	25.6	0.2	-
District heating location total				**118.8**	**0.2**	**-**
District heating NO/Bergen		118,842.0	kWh	118.8	0.2	-
Scope 2 total				**1,214.8**	**28.2**	**-**
Business travel total				**-**	**29.8**	**-**
Air travel, domestic		15,436.0	$kgCO_2e$	-	15.4	-
Air travel, continental		755.0	$kgCO_2e$	-	0.8	-
Mileage all. car (NO)		165,184.0	km	-	12.4	-
Mileage all. el car Nordic		9,893.0	km	-	-	-
Hotel nights, Nordic	Norway	284.0	nights	-	1.2	-
Waste total				**-**	**4.7**	**-**
Paper waste, recycled		6,971.0	kg	-	0.1	-
Residual waste, incinerated		8,808.0	kg	-	4.4	-
Plastic waste, recycled		183.0	kg	-	-	-
EE waste, recycled		1,166.0	kg	-	-	-
Metal waste, recycled		4,800.0	kg	-	0.1	-
Purchased goods and services total				**-**	**2.0**	**-**
Debit card		42,728.0	Qty	-	1.7	-
Debit card, bioplastic		8,568.0	Qty	-	0.3	-
Investments total				**-**	**325,140.0**	**100.0 %**
Carbon dioxide (CO2)	Agriculture	126,940.0	tonne	-	126,940.0	39.0 %
Carbon dioxide (CO2)	Aquaculture	29,500.0	tonne	-	29,500.0	9.1 %
Carbon dioxide (CO2)	Industry, mining and extraction	100,320.0	tonne	-	100,320.0	30.8 %
Carbon dioxide (CO2)	Electricity-, gas, steam and hot water supply	29,730.0	tonne	-	29,730.0	9.1 %
Carbon dioxide (CO2)	Construction	12,460.0	tonne	-	12,460.0	3.8 %
Carbon dioxide (CO2)	Sales and operations of real estate	480.0	tonne	-	480.0	0.1 %
Carbon dioxide (CO2)	Transport	11,860.0	tonne	-	11,860.0	3.6 %
Carbon dioxide (CO2)	Merchandise trade	9,190.0	tonne	-	9,190.0	2.8 %
Carbon dioxide (CO2)	Service industries	590.0	tonne	-	590.0	0.2 %
Carbon dioxide (CO2)	Accommodation and catering	3,780.0	tonne	-	3,780.0	1.2 %
Carbon dioxide (CO2)	Other	290.0	tonne	-	290.0	0.1 %
Scope 3 total				**-**	**325,176.6**	**100.0 %**
Total				**1,268.2**	**325,216.1**	**100.0 %**
KJ				**4,565,615,292.0**		

Reporting Year Market-Based GHG Emissions

CEMAsys.com

Category	Unit	2022
Electricity Total (Scope 2) with Market-based calculations	tCO_2e	-
Scope 2 Total with Market-based electricity calculations	tCO_2e	0.3
Scope 1+2+3 Total with Market-based electricity calculations	tCO_2e	325,188.3

The carbon accounting for *Sparebanken Sogn og Fjordane* resulted in total emissions of 325 216,2-ton CO2-equivalents (tCO2e) for 2022. This is a significant increase since 2021.

The greenhouse gas (GHG) emissions were separated into Scope 1, 2 and 3 and had the following distribution:

Scope 1: 11,4 tCO2e (0,004%)

Scope 2: 28,2 tCO2e (0,008%)

Scope 3: 325 176,6 tCO2e (99,98%)

The increase in emissions is mainly due to the inclusion of category 15 in Scope 3. Furthermore, there is a reduction in Scope 1 (-24,4%) and Scope 2 (-28,1%).

Scope 1:

Mobile combustion: Actual consumption of fossil fuels in company vehicles (owned, rented, or leased). Total fuel consumption in 2022 was 3557 liters of diesel and 1696 liters of petrol. Together this resulted in a total of 11,4 tCO2e and corresponds to a decrease of 3,7 tCO2e compared to 2021.

Scope 2:

Electricity: Consumption of electricity in owned or rented premises/buildings for all departments throughout the company. The table presents GHG-emissions from the electricity calculated with the location-based factor *Nordic Mix*. Emissions from the electricity consumption have decreased by 11 tCO2e which corresponds to a reduction of 181,1 MWh.

Electricity with a market-based factor is presented in a table below this analysis. The practice of presenting the emissions from electricity consumption with two different emission factors is further explained under Scope 2 in *Methodology and sources*. *Sparebanken Sogn og Fjordane* bought Guarantees of origin (GoO) for its electricity consumption of 1070,4 MWh in 2022.

District heating: Use of district heating in owned/rented buildings. Total GHG-emissions from district heating decreased with 54% in 2022 resulting in a total of 0,2 tCO2e compared to 0,4 tCO2e in 2021.

Electric heating/cooling pump: The use of electric heating/cooling pump in owned/rented buildings. Total emissions amounted to 0,2 tCO2e.

Scope 3:

Business travels: Total emissions for this category amounted to 29,8 tCO2e in 2022. This corresponds to an increase of 78,1% compared to 2021 when total emissions were 16,7 tCO2e.

Flights: Measured in person-kilometers (pkm) per region. The GHG-emissions from flight trips resulted in a total of 16,2 tCO2e compared to 7 tCO2e in 2021. It is mainly registered domestic flights for 2022.

Car allowance: Reported km for which distance-based allowance was paid to employees for work-related travel. It is registered 165 184 km with fossil fuel cars, and 9893 km with electric cars. In total, this resulted in emissions of 12,4 tCO2e compared to 8 tCO2e in 2021 meaning that the emissions increased by 55,4%.

Hotel nights: Number of hotel nights. The bank's employees spent a total of 284 nights at hotels in Norway which amounted to emissions of 1,2 tCO2e.

Waste: Reported waste in kg divided into different waste fractions, including treatment method (recycled, incinerated or landfill). Waste accounted for a total of 4,7 tCO2e.

Debit cards: The bank has reported emissions of its 51 296 issued debit cards. This is an increase of 7854 number of issued cards compared to 2021. Bank cards are an essential part of a bank's business and are replaced every 3rd to 4th year. Total emissions related to the debit cards resulted in 2,0 tCO2e. The bank incorporated a greater share of bioplastic into the cards in 2022. Out of the 51 296 issued cards a total of 8568 were registered with a greater share of bioplastic.

Investments: The bank included emissions for its lending portfolio in 2022. This results in a significant increase in emissions. It is registered a total of 325 140 tCO2e for investments, and this amounts to a share of 99,98% of the bank's total emissions.

Emissions are registered for the following industries: *Agriculture, Aquaculture, Industry, mining, and extraction, Electricity, gas. steam and hot water supply, Construction, Sales and operations of real estate, Transport, Merchandise trade, Service industries, Accommodation and catering,* and *Other*. The industries that make up the largest share of emissions are *Agriculture* (39%) and *Industry, mining, and extraction* (30,8%).

Annual GHG Emissions

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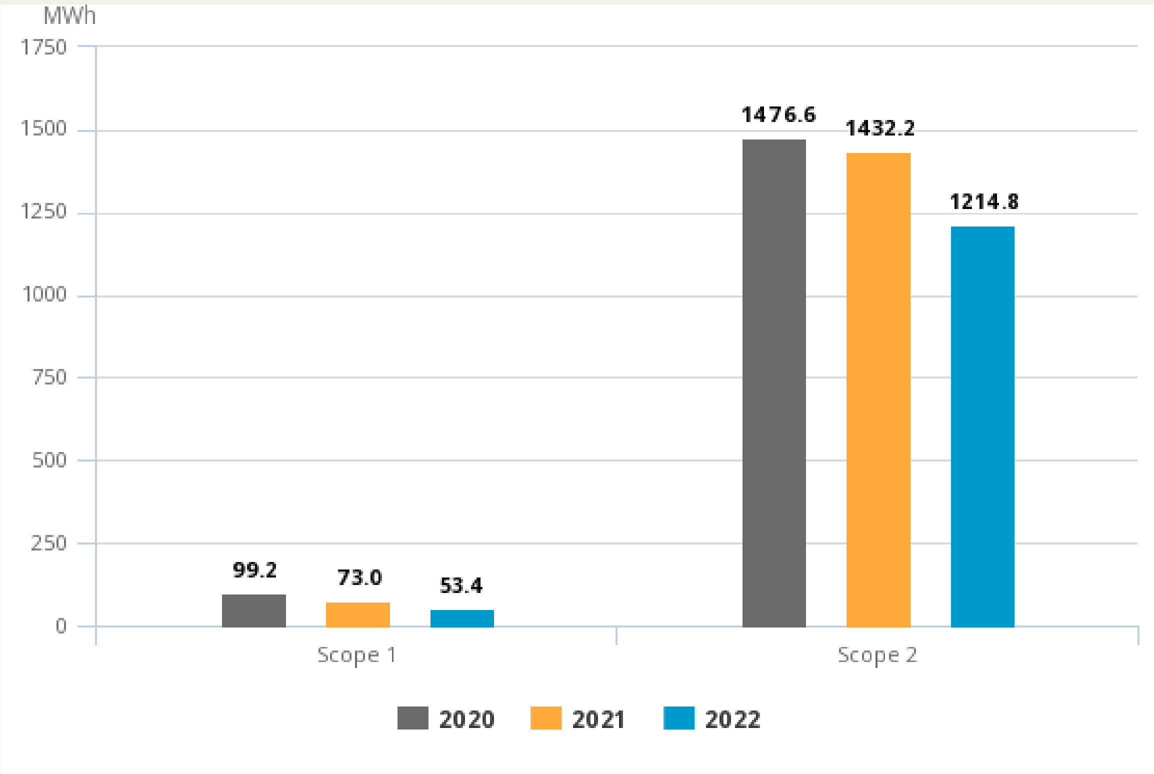
Category	Description	2020	2021	2022	% change from previous year
Transportation total		**21.0**	**15.1**	**11.4**	**-24.4 %**
Diesel (NO)		21.0	12.4	7.4	-40.2 %
Petrol		-	2.7	4.0	49.6 %
Scope 1 total		**21.0**	**15.1**	**11.4**	**-24.4 %**
Electricity total		**54.8**	**38.8**	**27.8**	**-28.3 %**
Electricity Nordic mix		54.8	38.8	27.8	-28.3 %
District heating location total		**1.2**	**0.4**	**0.2**	**-54.0 %**
District heating NO/Bergen		1.2	0.4	0.2	-54.0 %
District cooling NO/Trondheim		-	-	-	-100.0 %
District heating general total		**-**	**-**	**0.2**	**-**
Electric heat/cooling pump Nordic		-	-	0.2	100.0 %
Scope 2 total		**56.1**	**39.2**	**28.2**	**-28.1 %**
Business travel total		**26.0**	**16.7**	**29.8**	**78.1 %**
Air travel, domestic, incl. RF		8.3	6.8	-	-100.0 %
Air travel, continental, incl. RF		0.4	0.2	-	-100.0 %
Air travel, intercontinental, incl. RF		-	-	-	-100.0 %
Mileage all. car (NO)		15.4	8.0	12.4	55.4 %
Hotel nights, Nordic	Domestic/Nordic	1.9	1.7	-	-100.0 %
Hotel nights, Nordic	Norway	-	-	1.2	100.0 %
Hotel nights, Europe	Europe	-	-	-	-100.0 %
Mileage all. el car Nordic	Domestic	-	-	-	-100.0 %
Mileage all. el car Nordic		-	-	-	100.0 %
Air travel, domestic		-	-	15.4	100.0 %
Air travel, continental		-	-	0.8	100.0 %
Waste total		**9.0**	**8.5**	**4.7**	**-45.0 %**
Residual waste, incinerated		8.5	8.1	4.4	-45.7 %
Paper waste, recycled		0.4	0.2	0.1	-32.4 %
Plastic waste, recycled		-	-	-	-89.6 %
EE waste, recycled		0.1	0.1	-	-57.0 %
Metal waste, recycled		-	0.1	0.1	15.7 %
Purchased goods and services total		**-**	**1.5**	**2.0**	**30.7 %**
Debit card		-	1.5	1.7	8.3 %
Debit card, bioplastic		-	-	0.3	100.0 %
Investments total		**-**	**-**	**325,140.0**	**-**
Carbon dioxide (CO2)	Agriculture	-	-	126,940.0	100.0 %
Carbon dioxide (CO2)	Aquaculture	-	-	29,500.0	100.0 %
Carbon dioxide (CO2)	Industry, mining and extraction	-	-	100,320.0	100.0 %
Carbon dioxide (CO2)	Electricity-, gas, steam and hot water supply	-	-	29,730.0	100.0 %
Carbon dioxide (CO2)	Construction	-	-	12,460.0	100.0 %
Carbon dioxide (CO2)	Sales and operations of real estate	-	-	480.0	100.0 %
Carbon dioxide (CO2)	Transport	-	-	11,860.0	100.0 %
Carbon dioxide (CO2)	Merchandise tradel	-	-	9,190.0	100.0 %
Carbon dioxide (CO2)	Service industries	-	-	590.0	100.0 %
Carbon dioxide (CO2)	Accommodation and catering	-	-	3,780.0	100.0 %

Carbon dioxide (CO_2)	Other	-	-	290.0	100.0 %
Scope 3 total*		**34.9**	**26.8**	**325,176.6**	**1,211,553.2 %**
Total*		**111.9**	**81.1**	**325,216.1**	**401,084.2 %**
Percentage change*		**100.0 %**	**-27.6 %**	**401,084.2 %**	

*The significant percentage increase is due to the inclusion of Scope 3 category 15 investments in 2022.

Annual energy consumption (MWh) Scope 1 & 2



Annual Market-Based GHG Emissions

Category	Unit	2020	2021	2022
Electricity Total (Scope 2) with Market-based calculations	tCO_2e	351.6	12.8	-
Scope 2 Total with Market-based electricity calculations	tCO_2e	352.8	13.2	0.3
Scope 1+2+3 Total with Market-based electricity calculations	tCO_2e	408.7	55.1	325,188.3
Percentage change		**100.0 %**	**-86.5 %**	**590,258.4 %**

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Annual Key Energy and Climate Performance Indicators

Name	Unit	2020	2021	2022	% change from previous year
Sum square meters (m2)		9,498.0	9,498.0	8,474.0	-10.8 %
Sum locations kWh/m2		155.5	150.8	143.4	-4.9 %
Total emissions (kgCO2e (s1+s2+s3)) /FTE*		402.7	286.4	1,129,222.6	394,119.2 %
Total emissions (kgCO2e (s1+s2+s3)) /heated areal*		11.8	9.4	41,705.1	444,814.2 %
FTE	Number of employees	278.0	283.0	288.0	1.8 %
Heated area	Square meters	9,498.0	8,648.0	7,798.0	-9.8 %

*The significant percentage increase is due to the inclusion of Scope 3 category 15 investments in 2022.

Methodology and sources

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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.

<u>The location-based method</u>: 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.

<u>The market-based method</u>: 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.

Information about the company

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