Annual Report
2019

Contents

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Sparebanken Sogn og Fjordane

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Key figures, consolidated

AMOUNTS IN NOK MILLION

INCOME STATEMENT	2017	2018	2019
Net interest income	854	862	938
Dividends and gains/losses on financial instruments	57	61	147
Other operating income	132	139	142
Operating expenses	460	460	492
Profit/loss before impairment charge (incl. gain/loss on fin. instr.)	**583**	**602**	**736**
Profit/loss before impairment charge (excl. gains/losses on fin. instr.)	**525**	**541**	**588**
Net gain on sale of fixed assets	11	0	28
Impairment loss	117	16	40
Profit/loss before taxation	**476**	**585**	**696**
Tax expense	108	126	142
Profit/loss after taxation	**368**	**460**	**553**
Other comprehensive income	57	0	– 1
Comprehensive income	**425**	**459**	**553**

BALANCE SHEET			
Assets			
Gross loans and advances to customers	45 339	48 431	51 090
Loss allowance	– 307	– 291	– 321
Security investments (shares, commercial paper and bonds)	5 896	5 485	5 970
Debt and equity			
Deposits from and debt to customers	26 484	27 190	28 598
Debt securities and debt to credit institutions	19 878	20 898	22 666
Equity	4 573	4 910	5 390
Total assets	51 848	54 177	57 732
Average total assets	50 696	53 222	56 130

KEY FIGURES			
Profitability			
Net interest margin	1,68 %	1,62 %	1,67 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,26 %	0,26 %	0,25 %
Operating expenses as a % of average total assets	0,91 %	0,86 %	0,88 %
Profit/loss before impairment loss as a % of average total assets	1,15 %	1,13 %	1,31 %
Profit/loss before tax as a % of average total assets	0,94 %	1,10 %	1,24 %
Profit/loss after tax as a % of average total assets	0,73 %	0,86 %	0,99 %
Comprehensive income as a % of average total assets	0,84 %	0,86 %	0,98 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr.	46,68 %	45,96 %	45,55 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	44,12 %	43,32 %	40,08 %
Impairment loss as a % of gross loans	0,26 %	0,03 %	0,08 %
Return on equity before tax	12,12 %	13,53 %	14,93 %
Return on equity after tax	9,37 %	10,63 %	11,87 %
Return on equity (comprehensive income)	10,81 %	10,62 %	11,86 %
Consolidated comprehensive income per equity certificate (weighted), in NOK	19,15	20,67	24,83
Dividend payable per equity certificate, in NOK	5,25	7,50	8,00
Financial strength and liquidity			
Capital adequacy ratio	18,08 %	18,35 %	19,82 %
Core capital adequacy ratio	16,26 %	16,27 %	17,74 %
Core Tier 1 capital adequacy ratio	15,33 %	15,40 %	16,52 %
Leverage ratio	8,22 %	8,47 %	8,66 %
Liquidity Coverage Ratio (LCR)	146 %	128 %	160 %
Balance sheet history			
Growth in total assets (year-on-year)	5,16 %	4,49 %	6,56 %
Growth in loans to customers (year-on-year)	5,05 %	6,82 %	5,49 %
Growth in customer deposits (year-on-year)	5,74 %	2,67 %	5,18 %
Deposits as a % of gross lending	58,41 %	56,14 %	55,98 %
Employees			
Full-time equivalent employees as at 31 Dec.	257	270	267

New frontiers, new opportunities

Our vision is to be "A driving force for Sogn og Fjordane". Sogn og Fjordane has become part of the new county of Vestland, and we will continue flying the flag for this region. We will keep our name, and we're proud to represent the identity of our local communities. At the same time, we welcome the creation of Vestland, which creates new opportunities. We will build up our networks and support ambitious projects that go across historical county boundaries.

For twenty years we have been pursuing growth in the retail banking market throughout Norway, and that has made us the bank we are today, and 43% of our total lending to retail customers is outside Sogn og Fjordane. The value we create is administered in Sogn og Fjordane. Profits are ploughed back into our region through big and small contributions to business development, education, culture, research, sport and healthcare. We want to build up centres of expertise and create jobs in the county. That produces knock-on benefits and ensures that value is added locally.

Strong growth combined with record profits in 2019 provides an excellent foundation for continuing to develop the bank. Having a strong regional savings bank helps to facilitate a vibrant business community. Being the main source of financing for businesses in Sogn og Fjordane is one of our most important contributions to society. Six out of every ten limited companies in the county bank with us.

It's particularly pleasing that our customers appreciate us. According to the national customer satisfaction survey EPSI, no savings bank offers a better customer experience than us, through a combination of good advisers and simple digital solutions. This has been made possible by excellent back-office and development staff working closely with an ambitious customer service organisation. In the same survey, we also came top in the trust and community engagement categories. The bank makes a difference in the many local communities in Sogn og Fjordane.

Our work on equal opportunity and diversity is attracting attention across Norway. It was a great honour to come top of the national SHE Index for equal opportunity in autumn 2019. We have worked systematically to improve the gender balance in our management team and to reduce the gender pay gap at the bank. Equity and diversity is also important in terms of making ourselves an attractive place to work. We are in the midst of a major skill and generational shift, and over the past three years we have taken on 80 new members of staff.

Anthropogenic climate change is the biggest challange of the age. As an important pillar of our community, we are very keen to help our customers and investors to take part in the transition to a green economy and adapt to a low carbon economy. We already take climate change into account when performing credit checks on corporate customers, and we are also certified as an Eco-Lighthouse. In the autumn of 2019 we became the second savings bank in Norway to offer green bonds to our investors. Together with some great partners, we also launched DRIV, a brand new prize for green innovation. Our work on becoming a greener bank will continue unabated in 2020.

In 2020 we will carry our proud history forward into a new and exciting decade. In 2019 we laid strong foundations for our ability to create value for our customers, employees, shareholders and many local communities in Vestland over the coming years. We are particularly grateful for the trust that our customers have shown in us, and we will do everything in our power to remain relevant in the future.

Trond Teigene
CEO

Facts about Sparebanken Sogn og Fjordane

Market, total assets and number of employees

Sparebanken Sogn og Fjordane is the largest bank in Sogn og Fjordane, with total assets of NOK 56.1 billion and 267 full-time equivalent employees. It has 13 standalone branches and 21 in-store branch agreements in Sogn og Fjordane. It also has a branch in Bergen.

Retail banking market

We are the dominant player in the retail banking market in Sogn og Fjordane. We have NOK 38.2 billion in outstanding loans to people in Sogn og Fjordane and the rest of Norway. This comprises 75 percent of our total lending. Deposits from retail customers total NOK 17.5 billion, comprising 61% of our total deposits. We have regional financial services centres offering financing, investment, estate agency and insurance products. Sparebanken Sogn og Fjordane has a 10 percent ownership interest in the insurance company Frende Forsikring AS, which it uses as a supplier of various insurance products. In addition, it has a 6.7% interest in SpareBank 1 Finans Midt-Norge AS. We also operate twelve cash machines, and 75,545 of our customers have signed up for online banking.

Corporate banking market

Sparebanken Sogn og Fjordane has NOK 12.9 billion of outstanding loans to businesses, primarily in Sogn og Fjordane. This represents 25 percent of our total lending. Deposits from the corporate market and public sector total NOK 8.7 billion.

Public/financial sector

Many of the municipalities in the region use Sparebanken Sogn og Fjordane as their main bank. In total, the public sector has NOK 1.9 billion of our deposits held with us. We also have NOK 0.5 billion of deposits from financial institutions.

The bank as a driving force in the county

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 also 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 the county. Of our profit for 2019, NOK 170,9 million has been allocated for dividends and gifts. Some of this goes to support the voluntary sector. Quality of life, diversity and innovation are the keywords that guide our contributions.

Financial calendar

We expect to publish our 2020 interim reports on 5 May 2020 (Q1), 13 August 2020 (Q2) and 27 October 2020 (Q3).

These reports will also 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.

2019 A BRIEF SUMMARY

Sparebanken Sogn og Fjordane is constantly changing. Here are some of the things that happened over the past year.

Q1

In February we published our comprehensive income for 2018. At NOK 459 million after tax, it was 8.1 percent higher than the previous year.

In March Sindre Kvalheim was elected as the new Chair of our Board of Directors. His day job is as the CEO of LocalHost, and he has sat on Sparebanken Sogn og Fjordane's Board since 2011. Two new Board members were also elected: Magny Øvrebø and Johnny Haugsbakk.

In March the first of the two editions of the SHE Index was published. Sparebanken Sogn og Fjordane came fifth out of the 79 Norwegian companies in the index, which measures performance in the area of equal opportunity.

Q2

In May our estate agency business Sogn og Fjordane Eigedomsmekling opened a branch in Bergen.

Throughout the spring, we attended the official openings of day-trip cabins in Sogn og Fjordane. We have helped to finance the cabins through our main shareholder, Sparebankstiftinga Sogn og Fjordane.

In June, Sparebanken Sogn og Fjordane was certified as an Eco-Lighthouse, Norway's most widely used certification scheme for companies that want to document their environmental credentials and demonstrate corporate social responsibility.

Q3

In August we achieved an important milestone. Our volume of outstanding loans passed the NOK 50 billion mark.

In August we opened at new branch at Dale. Our Solund branch also moved into new premises in Solund Senter.

In September, the DRIV prize was awarded for the very first time. This is a brand new environmental prize for Vestland, awarded jointly by us and Sogn og Fjordane Energi, Western Norway University of Applied Sciences, Innovasjon Norway Vestland and Sogn og Fjordane County Council. The winner was Corvus Energy from Bergen, with Bergen Carbon Solutions and Evoy from Florø taking second and third place respectively.

In September, Sparebanken Sogn og Fjordane delivered a fine performance in EPSI's annual customer satisfaction survey for banks. Out of all of the banks in Norway, Sparebanken Sogn og Fjordane came second for customer satisfaction. We also came first in the categories of trust and customer relations, as well as having the most satisfied mortgage customers.

In September, we celebrated the first anniversary of our new mobile banking app, which we have developed ourselves. In the first year alone, around 20 new features were added. The same month that it celebrated its birthday, the app sailed into a fine third place in the EPSI survey.

In September we signed up to the UN Global Compact, which means that we undertake to run our business in line with the UN's ten principles on human rights, labour, the environment and anti-corruption. Just after that, we signed up to the Women's Empowerment Principles, which consist of seven principles and guidelines to promote equality and empower women in the workplace and in society.

Q4

In October, Sparebanken Sogn og Fjordane came first in the SHE Index. This index measures the performance of Norwegian companies in the area of equal opportunity. Out of a maximum of 100 points, Sparebanken Sogn og Fjordane scored 94, the best performance of the 91 companies ranked.

In November we attended Oslo Børs to mark the listing of our first green bonds, worth NOK 300 million. The money that we raise from financial markets with these bonds shall only be used to finance green projects.

In November, the insurance company Frende, which we own a stake in, came first in the EPSI survey for the second year in a row. This survey measures the customer satisfaction of insurance customers.

In December we issued our first green covered bond. This means that the bank has obtained funding for the most energy-efficient homes in its portfolio, which it can use to provide further financing for climate-friendly interventions on existing homes.

Giving back to the community

"A driving force for Sogn og Fjordane" has been the vision of Sparebanken Sogn og Fjordane since it was founded in 1988. We will of course continue to be that.

In 2019 we gave over NOK 40 million of our profit back to the local community, both directly from the bank and through the two foundations that own us, Sparebankstiftinga Sogn og Fjordane and Sparebankstiftinga Fjaler.

For the bank it is important that our profit benefits the local community, and that the projects we fund have broad appeal. In that way, everyone wins, including businesses, culture, education and families with children.

Several of our gifts in 2019 went to eco-friendly activities and aims. You can read all about these gifts in the section of the annual report about sustainability and climate change.

Grants for talented young people

Nine young talents in the fields of sport and culture aged 15–30 each received a NOK 50,000 grant in 2019. The singer-songwriter Elida Høgalmen from Oldedalen was one the lucky winners.

Large gift to research centre

MMR Ocean Blue received a total of NOK 6 million in donations from Sparebanken Sogn og Fjordane and Sparebanken Vest. MMR is aiming to become a research institute for a new generation of business in the marine sector in the county, including through partnerships with local businesses, the Faculty of Biosciences at the Norwegian University of Life Sciences in Ås and Måløy sixth-form college.

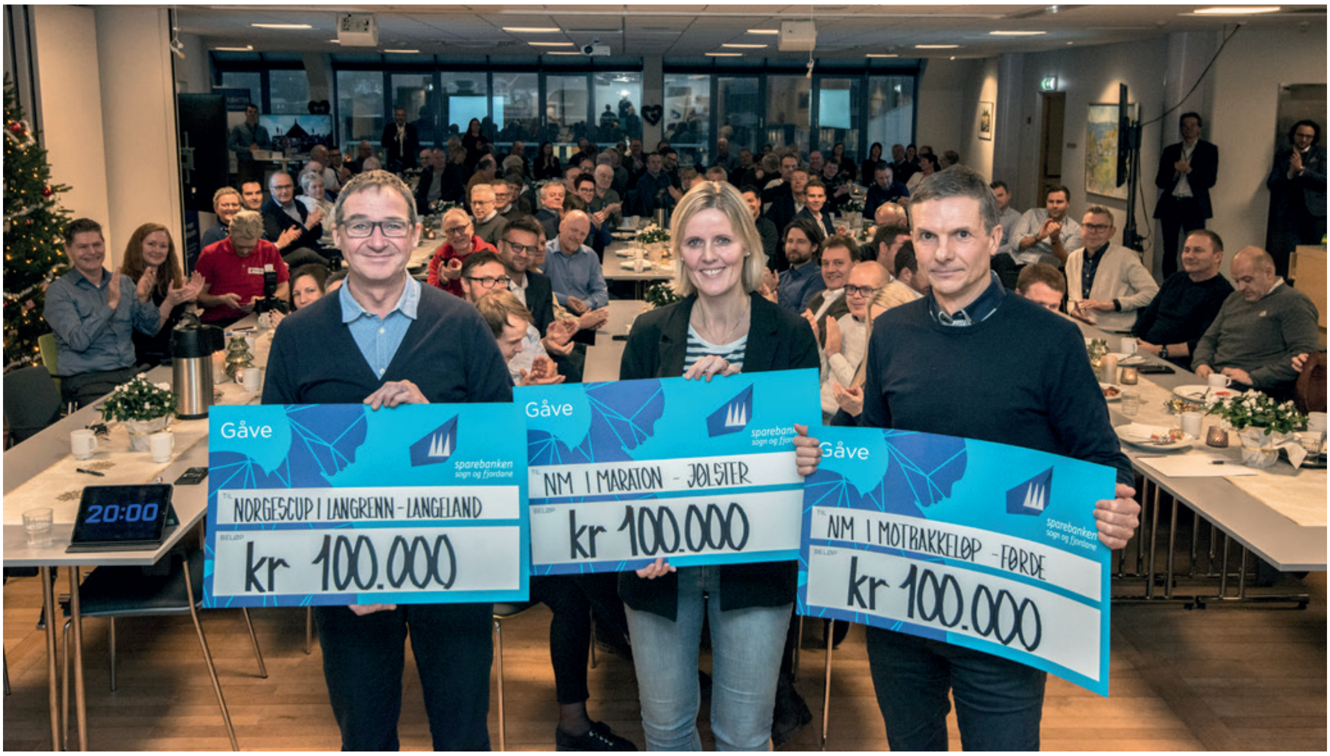
Over NOK 5 million for sports halls

Pupils at Bygstad school can celebrate that they will soon have a sports hall, as can people in various other places in Sogn og Fjordane. In 2019, five planned sports halls received funding from the two shareholder foundations that allocate our profits.

NOK 750,000 from Sparebankstiftinga Sogn og Fjordane:

- Sports hall at Skei
- Stryn Arena
- Bygstadhallen
- Bulandet and Værlandet multi-sports hall

The planned unheated sports hall at Dingemoen in Dale received NOK 2,125,000 from Sparebankstiftinga Fjaler.



Working with the business community

We are the leading bank for businesses in Sogn og Fjordane, and we take our role as a partner to the business community very seriously.

We have almost 40 employees who work closely with the business community in Sogn og Fjordane, and with over a third of the market we are in a strong position.

Our advisers and industry experts are constantly working to ensure that our customers receive the support and expertise they need. We use our local knowledge and decision-making for the benefit of the local business community.

Businesses need spaces that help them to network and share knowledge. One such space that benefits both us and other parts of the business community is our annual event for senior managers, which in 2019 was attended by 70 people.

We also held breakfast meetings in both Førde and Stryn, as well as attending meetings and events organised by other companies. These events play an important role by providing places where the business community can mingle and meet. In addition, we donate some of our profit, which helps to make businesses in Sogn og Fjordane even stronger.

A gift to the new county

The twenty-sixth and final day-trip cabin in Sogn og Fjordane was completed in Vik in August. Now it has been decided that our main shareholder Sparebank-stiftinga Sogn og Fjordane will also fund day-trip cabins in Hordaland, the other county that merged with Sogn og Fjordane to form the new county of Vestland. This gift to the new county will ensure that there are day-trip cabins throughout Vestland.

General sponsor of two big festivals

"Malakoff Rock Festival" and "Utkant" are two of the most popular festivals in Sogn og Fjordane, and for the next three years they will have Sparebanken Sogn og Fjordane as their general sponsor. The bank has established a dedicated festival team that will work closely with the organisers to make sure that these two weekends in July are a success.

50 active sponsorship agreements with associations and organisations

Our sponsorship activities should support our vision of being a driving force in the county by giving something back to the community. We prioritise sponsorship agreements that promote the bank's core values and focus particularly on groups that work for and with children and adolescents.

GENERAL SPONSOR:
Florø cycling club
Florø football club
Førde sports club's football team
Førde volleyball club
Malakoff Rock Festival (signed in 2019, runs from 2020)
Utkant Festival (signed in 2019, runs from 2020)

SPONSORSHIP AGREEMENTS:
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
Førde sports club
Førde sports club's cross-country skiing group
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
Pos Aktiv – Temposeminaret Florø
Sandane gymnastics and sports club's football group
Skavøypoll sports club's football group
Skavøypoll sports club's gymnastics group (runs from 2020)
Svelgen gymnastics and sports club
Football Association of Norway, Sogn og Fjordane
Sogn og Fjordane skiing association
Stryn gymnastics and sports club
Sogndal students' union
Tambarskjelvar sports club
Ungt entreprenørskap Sogn og Fjordane
Våt Moro watersports festival
Øvre Årdal concert band

Jotun sports club 2019.

Leading the way on equal opportunity

In competition with 90 other companies in Norway, Sparebanken Sogn og Fjordane was judged best in the area of equal opportunity. That was the verdict of the latest SHE Index was published in October. Out of a maximum of 100 points, Sparebanken Sogn og Fjordane scored 94, which put it ahead of big companies like DNB, OBOS, Schibsted and IKEA.

"I'm really proud that we were rated best in the area of equal opportunity in competition with many of Norway's biggest companies! We've been working systematically on diversity and equal opportunity at the bank for some time, and it's incredibly rewarding to see the fruits of that", says Trond Teigene, Sparebanken Sogn og Fjordane's CEO.

Thanks for your vote of confidence!

In the annual EPSI survey of banks, Sparebanken Sogn og Fjordane did really well. Amongst all of the participating banks, Sparebanken Sogn og Fjordane came second for customer satisfaction and loyalty. No-one in the survey received higher marks for trust and customer relations than Sparebanken Sogn og Fjordane. The same was true when looking at who had the most satisfied mortgage customers. The bank's mobile banking app, which we have developed ourselves, also achieved a fine third place.

"This is the first time we've participated in this survey, and it's fantastic that we've achieved such great results. I believe it says a lot about the kind of bank we are, and of course it's a great tribute to our hard-working employees", says Linda Vøllestad Westbye, Director of Retail Banking.

Sustainability report 2019

Sparebanken Sogn og Fjordane aims to play a positive role in supporting the transition to a more climate-friendly and sustainable society. Society is becoming increasingly concerned about climate change and sustainability, and we want to become better at explaining what we're doing to help and how we will communicate it. Not just because the topic is increasingly important to our customers and investors, but also because it is the right thing to do. We wish to be a driving force for the environment in Sogn og Fjordane.

Our sustainability report for 2019 is our first such report. It sets out our work on Environmental, Social and Governance (ESG) criteria, including what we have done so far and our plans for the future. Sustainability is part of our strategy, so it falls within the remit of the Board of Directors and senior management team. Our long-term goal is for our sustainability reports to meet the standards of the GRI, the leading international body on sustainability reporting. We consider our sustainability report for 2019 and the work we've done in conjunction with it a step in the right direction.

Putting our own house in order

Eco-Lighthouse

In 2019, Sparebanken Sogn og Fjordane was certified as an Eco-Lighthouse, which means that we are taking real responsibility for the environment. We shall demand that our suppliers and partners have a conscious policy on sustainability. In order to demand this of others, we must first put our own house in order. Becoming Eco-Lighthouse certified shows that we also set high standards of ourselves. As part of the certification process, we set up an environment committee at the bank. The environment committee makes suggestions and promotes eco-friendly measures within the company.

We wish to continuously reduce the environmental impact of our own operations. In order to monitor progress on this, we will start reporting our annual greenhouse gas (GHG) accounts. 2019 will be the first year that we report them. The accounts are based on the GHG Protocol, which is the most widely used standard for reporting the greenhouse gas emissions of companies. The purpose of preparing GHG accounts is to analyse our impact on the climate and assess what we should do to reduce the emissions from our operations. Since these will be our first GHG accounts, we don't have any comparable figures, but they will enable us to set specific goals for reducing our own emissions in 2020.

Since 2008, we have wholly offset the emissions of our fleet of vehicles through a GreenPlan agreement with LeasePlan. This involves buying UN-certified carbon credits equivalent to our actual CO_2 emissions based on our mileage and fuel consumption. Being climate neutral means that we compensate for the environmental impact of the CO_2 emissions of our vehicles by reducing GHG emissions somewhere else in the world by the same amount. We were also one of the first banks in Norway to start using video conferences to reduce our business travel. We now have around 30 permanently installed video conferencing systems.

Initiatives that we support

By supporting international initiatives, we can create a good framework and direction for work on sustainability and climate change.

UN Sustainable Development Goals

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

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

Goal 4: Quality Education
- Internally: Sparebanken Sogn og Fjordane shall help all employees to develop a good understanding of the bank's internal guidelines on ethics and fraud, and monitor compliance with them. In 2019, employees did a compulsory e-learning course on anti-money laundering and digital security, amongst other things.
- Externally: Teaching school pupils throughout Sogn og Fjordane about financial matters. The programme "In charge of your own life" has taught sixth-form college students about their personal finances. This is a partnership with Ungt Entreprenørskap, and the teachers are employees at the bank. 7,000 sixth-form college students have taken part since the programme started in 2013. The bank also works with Ungt Entreprenørskap on a programme on personal finance and career choices for secondary school pupils.

Goal 5: Gender Equality
- Sparebanken Sogn og Fjordane aims to be one of the best places to work in Sogn og Fjordane. This includes providing equal opportunity and fair treatment to all employees. We are therefore working to maintain and increase diversity at the bank, both through our day-to-day operations and in our recruitment policy. We support the women's empowerment principles and came top of the SHE Index.

Goal 8: Decent Work and Economic Growth
- The bank shall help ensure that profitable projects and investments receive financing, and by doing so promote economic growth in Sogn og Fjordane and the rest of Norway.
- The bank shall itself achieve satisfactory profitability and give its shareholders and society an acceptable return on the capital invested in the bank. The bank shall provide an inclusive and safe working environment.

Goal 13: Climate Action
- Internally: The bank shall reduce its own greenhouse gas emissions and energy consumption. We shall continue to be Eco-Lighthouse certified.
- Externally: The bank shall offer products and services that encourage customers to choose sustainable options.
  Spread knowledge and raise awareness. Support initiatives to promote sustainability in the local community.

UN Global Compact

In 2019 we 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 anticorruption.

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 empower women in the workplace and in society. The WEPs were drawn up jointly by the UN Global compact and UN Women.

In 2020, Sparebanken Sogn og Fjordane will sign up to the United Nations Environment Programme Finance Initiative (UNEP FI) principles for responsible banking. The principles are supposed to encourage banks all over the world to contribute to the achievement of the UN Sustainable Development Goals and obligations under the Paris Agreement.

Corporate social responsibility

Sparebanken Sogn og Fjordane's biggest responsibility to society is to achieve satisfactory profitability. This is what allows it to promote growth and development in Sogn og Fjordane. The bank's profit benefits Sogn og Fjordane. The bank shall provide capital to businesses and ordinary people to finance sound projects, enabling us to be a driving force for Sogn og Fjordane. Our good local knowledge and proximity to our customers shall be used to benefit the local business community. Some of our profit is donated and used to generate activity in our local communities. In 2019 we also made donations towards environmentally and climate friendly activities, and that will remain a priority in the future.

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

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

Corporate banking market

Sparebanken Sogn og Fjordane shall help ensure that profitable projects and investments receive financing, and by doing so promote economic growth in Sogn og Fjordane and the rest of Norway.

We take climate change into account in our credit checks on corporate customers. For instance, we look at whether the customer is particularly exposed to climate change or is engaged in activities that may be harmful to the climate. In 2019 we created new forms to help our customer advisers in their discussions with customers. The aim is to raise our corporate customers' awareness of how they will be affected by climate change and to influence customers to take action to reduce their risk exposure and their own emissions.

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

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

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

Retail banking market

Sparebanken Sogn og Fjordane wishes to encourage its customers to make sustainable choices by offering them green products on favourable terms. Through SpareBank Midt-Norge 1 Finans AS, we offer green car loans. This gives customers who choose a green car better terms than a normal car loan. At the end of 2019, we had provided 217 loans for electric cars.

We also offer various kinds of sustainable investment funds through a partnership with Norne and their suppliers of investment funds.

Green mortgages
In 2019 we have worked hard to develop and introduce green mortgages and green home improvement loans for our customers. Green mortgages offer more attractive terms to customers who buy energy-efficient homes with an energy performance rating of A or B.

Green home improvement loans
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.

Charitable donations and sponsorships
Sparebanken Sogn og Fjordane's vision is to be a driving force for Sogn og Fjordane. As a local savings bank, we have a longstanding tradition of returning part of our profit to the local community through gifts and sponsorship agreements. In 2019 we allocated NOK 40 million of our profit to the local community, both directly from the bank and through our owners, Sparebankstiftinga Sogn og Fjordane and Sparebankstiftinga Fjaler. The bank also sponsors around 50 clubs and organisations all over Sogn og Fjordane.

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

Gifts for environmental causes
We are prioritising gifts for environmental causes, which in 2019 included the following ones:

- Million krone grant to sea-based research and development. In 2019, AKVAHUB in Hyllestad received one million kroner to build up a business development organisation for companies that wish to cooperate on environmental protection and sustainability in the aquaculture industry. This has, amongst other things, led to the big Bulandet Miljøfisk project.
- One million kroner to Hub for Ocean and their hydrogen project (we have previously donated NOK 3.3 million towards hydrogen technology). The gift aims to unlock an important investment project in green, hydrogen-powered shipping.
- NOK 500,000 to test a new type of artificial grass in Årdal that doesn't lead to microplastics entering runoff.
- NOK 500,000 towards various environmental protection measures to limit the quantity of microplastics in runoff from an existing pitch at Leikanger.
- NOK 200,000 to the Norwegian Society for the Conservation of Nature in Sogn og Fjordane.

Green Festival

In 2019, Sparebankstiftinga Sogn og Fjordane gave NOK 650,000 to the organisation Brak, which will work to make the festivals in Sogn og Fjordane greener and more eco-friendly. In addition, NOK 300,000 was given towards specific environmental projects at several of the festivals. The aim of the project "Green Festival" is to make the music festivals in Sogn og Fjordane more environmentally friendly. The project will develop a s upervision and certification system that will be ready in 2020. In its first year, the Green Festival project already achieved a 70 tonne reduction in annual CO_2 emissions.

The "Utkant festival", which we signed a general sponsorship agreement with in 2019, is participating in the "Green Festival" project, and it has taken various actions to make the festival more eco-friendly. Examples include the aim to reduce unrecycled waste by 50 percent by recycling, using biodegradable plates and running electricity to the boats.

The "Malakoff rock festival" also signed a general sponsorship agreement with Sparebanken Sogn og Fjordane in 2019. The agreement shall help to fund important projects relating to culinary quality, environmental protection and security. Malakoff is also part of the "Green Festival" environmental project, and it has started implementing various initiatives related to changing attitudes, introducing recycling stations and security measures.

Green bonds

Sparebanken Sogn og Fjordane wants to demonstrate to its customers, the local community and financial investors its desire to help society become more sustainable and to play an active part in the transition to a green economy. We have developed frameworks based on international standards that have been approved by external partners. This approval assures our investors that their investments will be used for progressive investments that are classified as green.

Sparebanken Sogn og Fjordane sold two green bonds in the Norwegian financial markets in 2019, and was the only savings bank to do so. This shows that we take our responsibilities seriously and that we are doing our best to give our investors options. In 2019, the bank issued NOK 800 million of green bonds. This money shall be used to finance existing and new hydropower stations, boost our efforts in relation to energy-efficient homes and implement specific energy-saving measures in old houses. In total, our portfolio of hydropower stations has an installed capacity of 156 MW and is estimated to generate 585 GWh of electricity in a normal year. This is equivalent to a 75,700 tonne reduction in CO_2 emissions.

In 2020 and beyond, we will reinforce our work on sustainable development, and our ambition is to finance projects amounting to more than NOK 3 billion with green bonds by 2022. This money will help enable our customers to fulfil their aims of making our society more sustainable.

Responsible procurement

Sparebanken Sogn og Fjordane imposes ethical and environmental requirements on its suppliers. By setting those requirements, we help to motivate and encourage our suppliers to follow international labour conventions and reduce their carbon footprint. We require our suppliers to comply with national laws and regulations, adhere to international UN and ILO conventions, and meet requirements relating to climate neutrality and environmental standards through ISO certification, etc. We have over 150 suppliers, mainly IT providers, who will have to follow the requirements set out in our contracts.

All purchases shall adhere to our procurement strategy and procedures, with respect to professionalism, ethics, compliance with relevant laws and regulations, health and environmental standards, social dumping and transparency. There is also a requirement to facilitate supplier development.

Digital security and data protection

As a bank, we process the personal data and financial information of our customers, and information security is therefore of vital importance 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 2019.

Equal opportunity and diversity

Sparebanken Sogn og Fjordane shall maintain and increase diversity at the bank, both through our day-to-day operations and in our recruitment policy. We have done a lot of hard work in the areas of diversity and equal opportunity, and in 2019 we came top of the national "SHE Index" for equal opportunity. Five of our nine Board members are women. The senior management team consists of four women and five men, in addition to the CEO, who is a man. 57 percent of employees are women and 43 percent are men, roughly unchanged from 2017.

We want to enable women to take up management positions, and we are working systematically to increase the proportion of women managers. In 2019, two of our staff members attended Innovation Norway’s management development programme for women. We also have our own management development programme, where we have made a conscious effort to bring in female management talent. In 2019, the proportion of line management positions held by women was 39 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.

The first edition of Pride Sogn og Fjordane was held in 2019, and Sparebanken Sogn og Fjordane marked the event by raising the rainbow flag.

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.

Directors' report

INTRODUCTION

In 2019, the Sparebanken Sogn og Fjordane Group's comprehensive income amounted to NOK 553 million. Highlights for 2019 include:

- Strong growth in loans and deposits
- Strong growth in net interest income
- Low loan impairment loss
- Strong contribution from financial instruments
- Higher capital adequacy ratio

The Board of Directors is very satisfied with the NOK 94 million increase in profit after tax and with the return on equity of 11.9%. The strong contribution from financial instruments was an important reason for the improvement, but once again we also managed to grow our loan book while keeping loan impairment losses low. We are managing to successfully compete, as is evident from the combination of strong growth and a higher net interest margin. This was also shown by our strong performance in the 2019 EPSI customer satisfaction surveys, which ranked us as the second best bank and best savings bank in Norway. In 2019 we also received positive feedback on our work on diversity, being named the best company in Norway in the area of equal opportunity by the SHE Index. Over the course of the year, we also took steps to become a more sustainable bank, and that work will continue in 2020. Meanwhile, we are continuing to develop our organisation and, of course, working hard to deliver in our day-to-day operations. We believe that what we have achieved in 2019 will give Sparebanken Sogn og Fjordane a good foundation for continuing to compete well in the coming years.

WHAT WE DO

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. In 2019, 35 percent of our loan growth in the retail market was generated by customers who live outside our home county.

Our head office is in Førde, and at the end of 2019 we had 13 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 Sparebanken Sogn og Fjordane Group includes three wholly-owned subsidiaries as well as the parent company Sparebanken Sogn og Fjordane. The Group provides estate agency services through 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. Most of the Group's property management activities have been consolidated at Bankeigedom Sogn og Fjordane AS.

STRATEGY

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

We are the leading bank in Sogn og Fjordane and enjoy 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, and regular customer satisfaction surveys, such as EPSI, reveal high and stable levels of customer satisfaction and loyalty, both within and outside Sogn og Fjordane.

In order to remain independent, it is important for us to collaborate with other banks, as it gives us the muscle to develop, and allows us to share costs and expertise. We have an important partnership with Gjensidige Bank and Helgeland Sparebank on procurement, and we also cooperate both with them and with other entities on joint development projects. Ownership interests in Frende (10%), Balder (10.43%) and SpareBank 1 Finans Midt-Norge AS (6.7%) have also strengthened our network and secured us a stake in suppliers of financial products. We are a member of the national fintech cluster Finance Innovation in Bergen.

Sparebanken Sogn og Fjordane is 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

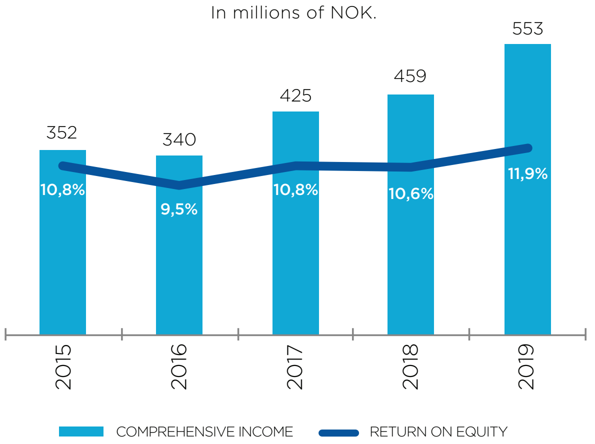
2019 highlights (2018 figures in brackets)

- NOK 938 million (862 million) of net interest income
- Net gain on financial instruments of NOK 147 million (61 million)
- Total revenues of NOK 1,228 million (1,061 million)
- Operating expenses of NOK 492 million (460 million)
- Impairment loss of NOK 40 million (16 million)
- Pre-tax profit of NOK 696 million (585 million)
- Comprehensive income of NOK 553 million (459 million)
- Return on equity of 11.9% (10.6%)
- Dividend per equity certificate of NOK 8.00 (7.50)
- Proposed allocation for dividends and gifts of NOK 171 million (158 million)

Comprehensive income

Sparebanken Sogn og Fjordane's comprehensive income amounted to NOK 553 million in 2019, compared with NOK 459 million in 2018. This is equivalent to a return on equity of 11.9%, against 10.6% in 2018. The increase in comprehensive income was mainly due to a strong contribution from financial investments and solid growth in net interest income. However, expenses rose and the loan impairment loss was slightly higher than in 2018.

Comprehensive income and return on equity



Net interest income

Net interest and commission income was NOK 938 million, NOK 76 million (8.9%) higher than in 2018. The volume of loans and deposits saw healthy growth, and the net interest margin also improved over the course of the year. Over the past year, deposits grew by 5.1% and gross loans by 5.5%.

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, and this also helped to boost our net interest income.

The net interest margin was 1.67% in 2019, compared with 1.62% in 2018. Towards the end of 2019, net interest income rose as a result of changes to the interest rates on customer loans and deposits, and in the fourth quarter our net interest margin was 1.71%.

Net other income

Net other operating income totalled NOK 290 million in 2019, which was NOK 90 million higher than in 2018. The increase was mainly due to a strong contribution from financial instruments.

Net gains/losses on financial instruments

We made a net gain of NOK 147 million on financial instruments in 2019, against NOK 61 million in 2018. The gain in 2019 was mainly due to NOK 93 million in dividends and gains on long-term shareholdings, up from NOK 52 million in 2018. For further details see Note 22.

Commission income and expenses

Net commission income totalled NOK 111 million, which was NOK 7 million (6.7%) higher than in 2018. The increase was due to higher income from payment services and insurance products.

Other income

Other income totalled NOK 32 million, which was NOK 2.0 million (5.9%) lower than in 2018. The reduction was mainly due to a fall in income from estate agency services.

Operating expenses

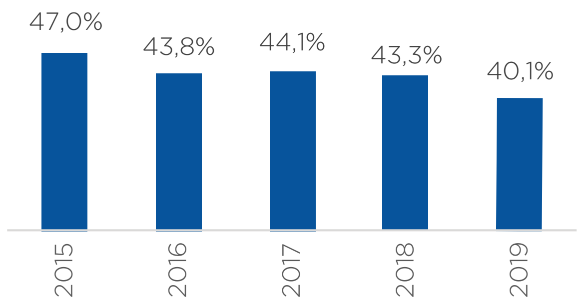
Operating expenses came to NOK 492 million in 2019, which was NOK 32 million (7.0%) more than in 2018. The main areas where expenses are rising are staff costs, IT, payment services and cards. IT-related expenses are rising on account of ambitious investment in new digital solutions.

Cost/income ratio

Operating expenses in 2019 amounted to 0.88% of average total assets against 0.86% in 2018.

In 2019, operating expenses totalled 45.6% of total income excluding gains and losses on financial instruments, compared with 46.0% in 2018. In 2019, operating expenses totalled 40.1% of total income including gains and losses on financial instruments, compared with 43.3% in 2018.

Cost/income ratio



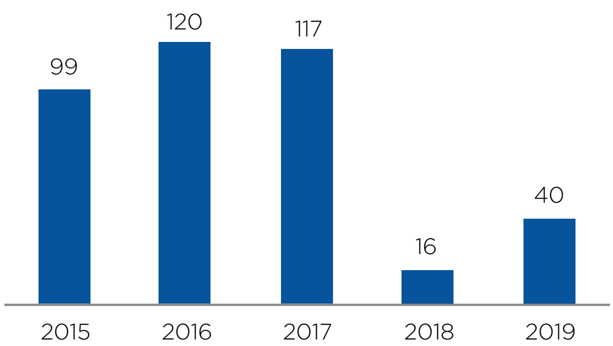
Cost/income ratio including financial instruments. Figures for 2016 have been adjusted for the reversal of pension provisions.

Impairment loss

In 2019, the net impairment loss on loans and guarantees was NOK 40 million, compared with NOK 16 million in 2018. The loan impairment loss in 2019 represented 0.08% of gross loans, compared to NOK 0.03% in 2018. The impairment loss for 2019 was mainly related to customers in the construction industry and industrial sector.

Impairment loss

In millions of NOK.



Tax expense

The tax expense for 2019 was NOK 142 million, equivalent to 20.5% of pre-tax profit. The 2018 tax expense was NOK 126 million, equivalent to 21.5% 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. In addition, the tax rate for three subsidiaries was lowered from 23 percent in 2018 to 22 percent in 2019. As a financial institution, the parent company is still subject to a tax rate of 25 percent.

Other comprehensive income

In 2019, a NOK 0.7 million remeasurement loss on pensions was recognised in other comprehensive income. There was a NOK 0.3 million remeasurement loss in 2018.

Subsidiaries

Bustadkreditt Sogn og Fjordane AS

Bustadkreditt Sogn og Fjordane AS is a wholly-owned subsidiary of the bank. At 31 December 2019, the company had a NOK 19.4 billion loan portfolio and NOK 1.9 billion in equity. It has expanded its activities over the past year, and its loan portfolio grew by 8.2% in 2019. It made a pre-tax profit of NOK 180 million in 2019, roughly the same as in 2018. The company is important because it gives the Group access to affordable funding by issuing covered bonds.

Bankeigedom Sogn og Fjordane AS

Bankeigedom Sogn og Fjordane AS is a wholly-owned subsidiary, which owns the Group's largest buildings. Its pre-tax profit for 2019 was NOK 6.4 million, compared with NOK 6.1 million in 2018.

Eigedomsmekling Sogn og Fjordane AS

Eigedomsmekling Sogn og Fjordane AS is a wholly-owned subsidiary of the bank. Revenues from estate agency were NOK 29 million, down 1.9% from 2018. It made a NOK 1.3 million pre-tax loss in 2019, compared with a NOK 2.8 million profit in 2018.

The company had roughly the same number of properties for sale in 2019 as in 2018, but slower turnover meant that revenues were lower. The company opened a new branch in Bergen in 2019, which generated various additional expenses.

Profitability

The Group's comprehensive income after tax for 2019 was NOK 553 million, compared with NOK 459 million in 2018. This corresponds to a return on equity of 11.9% for 2019, against 10.6% in 2018. Comprehensive income and return on equity were in line with expectations, and the Board is very satisfied with the Group's performance.

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

Profit after taxation, parent company	565.261.910
Interest paid to investors in hybrid capital	– 14.220.639
Available	**551.041.271**

At the Annual General Meeting on 27 March 2020, the Board will propose that the profit for the year be allocated as follows:

Dividends	
(NOK 8.00 per equity certificate)	155.865.496
Gifts	15.000.000
Dividend equalisation reserve	326.526.375
Compensation reserve	53.649.400
Total allocated	**551.041.271**

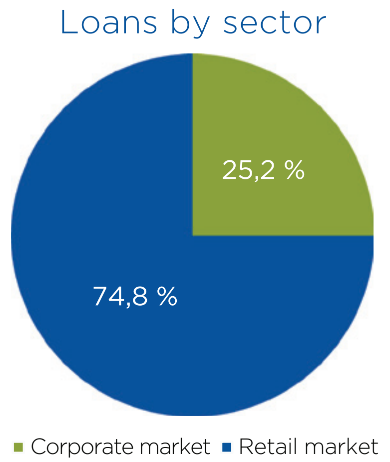
BALANCE SHEET

At the close of 2019, the Group had NOK 57.7 billion in total assets, up NOK 3.6 billion (6.6%) from 31 December 2018. The increase in total assets was due to increased lending to customers.

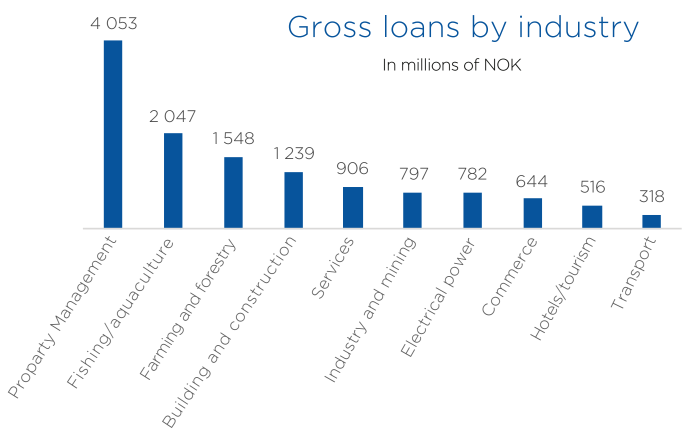
Loans to customers

At the end of 2019, Sparebanken Sogn og Fjordane had NOK 51.1 billion of gross outstanding loans. The volume of loans rose by NOK 2.7 billion (5.5%) over the past year. Over that period, lending to the retail market rose 5.8%, while lending to the corporate market rose 4.5%.

At 31 December 2018, 74.8% of gross outstanding loans were to retail customers, whilst 25.2% were to business customers and the public sector. A year earlier, the latter groups represented 25.4% of all lending. The proportion of loans to businesses has been falling for several years, thanks to strong growth in loans to retail customers.



The figure below shows the distribution of loans to the corporate market by industry at 31 December 2019. The property management industry has received the biggest share of our corporate lending, at NOK 4.1 billion in total, or 31% of all loans to businesses. The fishing and aquaculture industries have received the next largest share, at NOK 2.0 billion, or 16% of all loans to the corporate market.



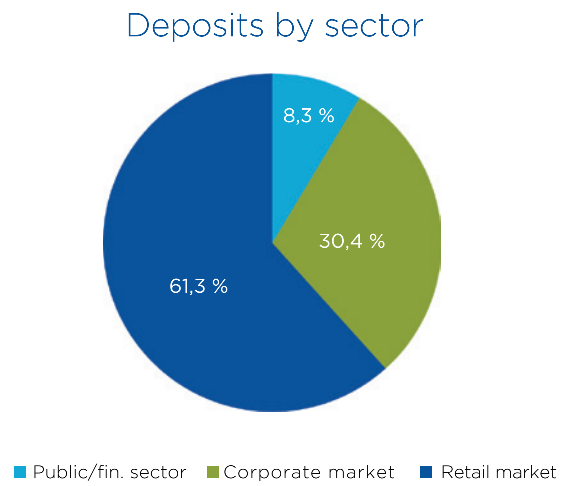
Loss allowance for loans, guarantees and undrawn credit facilities

The loss allowance on the balance sheet for loans, guarantees and undrawn credit facilities totalled NOK 332 million, compared with NOK 309 million the previous year. Of the loss allowance at 31 December 2019, NOK 321 million was for loans. At 31 December 2019, the loss allowance represented 0.63% of gross outstanding loans, compared with 0.60% the previous year.

Customer deposits and deposit/loan ratio

Customer deposits amounted to NOK 28.6 billion at the end of 2019, up NOK 1.4 billion (5.1%) over the year. Retail deposits increased by 5.0%, whilst deposits from corporate customers, including the public and financial sectors, rose 5.5%.

At 31 December 2019, 61.3% of deposits were from retail customers, 30.4% were from corporate customers and 8.3% were from the public/financial sectors.



At 56.0%, the Group's deposit/loan ratio at 31 December 2019 was slightly lower than a year earlier at 31 December 2018, when it stood at 56.2%.

Security investments

Shares, etc.

At 31 December 2019, the carrying amount of our investments in shares was NOK 579 million, against NOK 513 million at 31 December 2018. The portfolio of shares at 31 December 2019 consists exclusively of long-term, strategic investments. Our biggest shareholding at 31 December 2019 was in Frende Holding AS, which had a carrying amount of NOK 269 million. This ownership interest is related to the fact that we sell Frende's insurance products.

Commercial paper and bonds

The carrying amount of our investments in commercial paper and bonds was NOK 5.4 billion at the close of the year, compared with NOK 5.0 billion at 31 December 2018. These securities are used to manage liquidity and as a liquidity buffer.

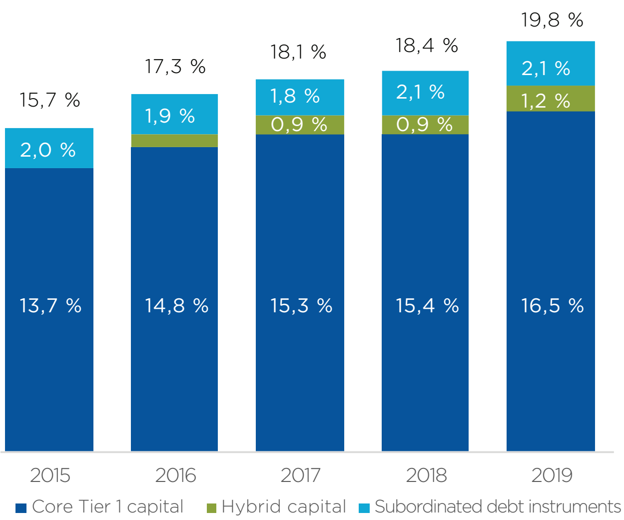
Commercial paper and bonds are measured at fair value.

Debt securities in issue
At the close of 2019, we had commercial paper and bonds in issue with a book value of NOK 22.7 billion, against NOK 20.9 billion at 31 December 2018. We had good access to funding throughout 2019, both from bond markets and by using Bustadkreditt Sogn og Fjordane AS to issue covered bonds.

Shareholders' equity and capital adequacy
At 31 December 2019, the Group had NOK 5.4 billion of equity, compared with NOK 4.9 billion at 31 December 2018. Sparebanken Sogn og Fjordane had NOK 3.9 billion of equity share capital and NOK 0.6 billion of primary capital. No new equity certificates were issued in 2019. At 31 December 2019 the Group had hybrid capital consisting of NOK 350 million of hybrid debt, up NOK 100 million over the past year.

It also had NOK 602 million of subordinated debt instruments on its balance sheet. Net equity and subordinated debt, which is used to calculate the capital adequacy ratio, totalled NOK 5.7 billion, after rising NOK 432 million (8.2%) over the past year.

The Group's capital adequacy ratio at 31 December 2019 was 19.8%, up from 18.4% at 31 December 2018. The Core Tier 1 capital adequacy ratio was 16.5% at 31 December 2019, against 15.4% at 31 December 2018. We improved our capital adequacy ratio in 2019 by retaining a significant proportion of the profit for the year and by increasing our hybrid capital. An SME discount has also been introduced that applies to the calculation basis for loans to small and medium-sized enterprises and thus pushes up the capital adequacy ratio. The Board of Directors considers shareholders' equity at the close of 2019 to be satisfactory.



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

Going concern assumption
The 2019 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.

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

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

The Board of Directors has nine 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 two-year periods, while deputies are elected for one year. The Board held 16 meetings in 2019. Some of the important topics covered were strategy, financial development, capitalisation, risk management and internal controls.

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

The audit committee, which held six meetings in 2019, is made up of two Board members. The audit committee reviews the interim and annual financial statements, with a particular focus on accounting principles, critical estimates and judgements, related parties and the work of the auditor. The committee also evaluates the organisation and implementation of internal controls.

The risk management committee, which held eight meetings in 2019, is made up of two 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, which held six meetings in 2019, is made up of three Board members. 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.

Authorisation related to equity certificates and equity share capital

On 27 March 2019, the AGM authorised the Board to increase the equity share capital by up to 3.5 million new equity certificates, each with a face value of NOK 100. This is so the Group's financial strength can be increased in conjunction with a possible stock market listing. This authorisation is valid until the next Annual General Meeting (27 March 2020). Meanwhile, the Board was also authorised to buy back equity certificates with a total face value of up to NOK 150 million, in order to sell them on to employees. Any such decision requires the same majority as for a change to the articles of association, and at least a 2/3 majority of the votes cast by the representatives elected by the owners of equity certificates. The authorisation was used to buy back 26,900 equity certificates and sell them on to the bank's employees.

ORGANISATIONAL STRUCTURE AND COLLABORATIONS

Ownership structure

Sparebanken Sogn og Fjordane was converted into an equity certificate bank in 2010. Sparebankstiftinga Sogn og Fjordane owns 93.77% of the equity certificates, Sparebankstiftinga Fjaler owns 5.92% and the employees/Board of Directors of Sparebanken Sogn og Fjordane own 0.31%. Sparebankstiftinga Sogn og Fjordane is one of the largest foundations of its kind in Norway.

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

Collaboration with other banks

Sparebanken Sogn og Fjordane is an independent bank, but it works with other banks on several joint development projects. It has a formal agreement with Gjensidige Bank and Helgeland Sparebank on procurement and on the maintenance and operation of various IT services. The banks have a long-term contract with EVRY for the purchase of payment services and various other services.

INTERNAL CONTROLS

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

All managers of business units are responsible for having effective and appropriate internal controls for managing their own risks in general, and for financial reporting in particular. This includes a responsibility for assessing whether the activities of the unit/discipline represent a potential source of errors in financial reporting.

Managers must assess risks prior to taking any action and consider what risk-reduction measures are needed. They must then evaluate what internal controls are required to ensure that the remaining risks are acceptable, and ensure that these risks are managed and monitored in a satisfactory manner. Managers must periodically report their findings, and evaluate compliance and the need for additional measures at least once a year. The senior management team periodically monitors the financial results of the various business areas and branches.

The CFO is responsible for the bank's accounting and finance functions, which includes responsibility for financial reporting and the associated internal controls. This also covers 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 management and compliance department is the second line of defence within our internal control system. The Risk and Compliance Manager shall make sure that risk management and internal controls at business units comply 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 partly on the auditor's own auditing activities and partly on audits carried out jointly with the risk management and compliance department. 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

Each year, the Board reviews and adopts the bank's capital requirements and Internal Capital Adequacy Assessment Process (ICAAP). It adopts a credit strategy, finance strategy and limits for capital adequacy, credit risk, liquidity risk and market risk (interest rates, exchange rates and share prices). Guidelines have also been adopted for risk and capital management. Quarterly reports enable the Board to evaluate the bank's risk exposure.

It uses the standardised approach to calculate its capital requirements arising from credit risk, and the basic indicator approach for operational risk. The risk types in Pillar 2 are calculated using the models explained by the Financial Supervisory Authority of Norway in its circular 12/2016. Supplementary assessments and provisions are also made where necessary.

Over the past few years, Sparebanken Sogn og Fjordane has had the following capital requirements (measured in NOK million) and capital adequacy ratio:

CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY

	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Credit risk	1929	2008	2154	2145
Operational risk	147	136	150	163
Min. capital adequacy (Pillar I)	2077	2144	2304	2308
Market risk	147	180	160	200
Credit risk	157	139	131	131
Business risk	30	30		
Operational risk	26	27		
Shareholder risk			165	180
Tot. risk-adjusted capital (Pillar II)	2437	2520	2760	2819
Equity and subordi-nated debt	4486	4844	5285	5717
Excess capital (Pillar 2)	2049	2322	2585	2898
Capital adequacy ratio	17,28 %	18,07 %	18,35 %	19,82 %
Core capital	3986	4358	4685	5117
Core capital adequacy ratio	15,35 %	16,26 %	16,27 %	17,73 %
Core capital excluding hybrid debt	3836	4109	4435	4767
Core Tier 1 capital adequacy ratio	14,78 %	15,33 %	15,40 %	16,52 %

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 includes guidelines for the risk profile of our lending and establishes a framework for the following year's credit activities. The overall credit risk is monitored through monthly reports that show how we are complying with our risk frame-works.

The requirements under Pillar 2 mainly relate to concentration risk within industries and to certain large individual loans.

The impairment loss in 2019 was equivalent to 0.08% of gross loans. The loss allowance on the balance sheet for expected credit losses on loans, guaran-tees and undrawn credit facilities was NOK 332 million at 31 December 2019, up NOK 23 million since 31 December 2018. The overall levels of credit-impaired assets in both the corporate and retail markets are well below the limits established by the

Board. As a proportion of overall lending, loans to the corporate market fell from 25.4% to 25.2% over the course of the year. Of the CM loans, 10.0% by volume were defined as high-risk loans at the end of the year.

Operational risk
Sparebanken Sogn og Fjordane manages its operational risk through procedures and work processes. Many of our systems have integrated automatic controls, which are followed by numerous manual controls. We have developed a framework and an incident database to improve the way in which we manage operational risk, and to learn from operational errors.

Market risk
Market risk is managed and measured in three main areas: interest rate risk, equity risk and currency risk.

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.

All of its exposure to shares comes from strategic, long-term investments.

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.

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. A financial contingency plan has also been prepared to ensure that we have the necessary financing and adequate capital in the event of unexpected incidents or economic downturns.

Shareholder risk
Sparebanken Sogn og Fjordane has set aside capital for its ownership interest in Frende Holding in line with the advice in the Financial Supervisory Authority of Norway's circular 12/2016. We also have strategic ownership interests in SpareBank 1 Finans Midt-Norge AS and Balder Betaling.

Other risk categories
In addition to the above risk categories, we are also exposed to risk in other areas: liquidity risk, business risk, climate change risk, compliance risk, systemic risk and cyber risk. No capital has been set aside for these risk categories under Pillar 2.

RETAIL MARKET

We performed strongly in the retail market in a year that saw strong competition and many regulatory tasks such as updating the ID we have from our customers. The overall volume of loans to, and deposits from, retail customers grew by 5.8% and 5.0% respectively. Growing outside our home county has been part of Sparebanken Sogn og Fjordane's strategy for a long time. That remained the case in 2019, but last year we actually grew more quickly inside Sogn og Fjordane (6.7%) than outside it (4.8%). This means that we once again strengthened our market position in Sogn og Fjordane.

In 2019 we participated in EPSI's customer satisfaction survey for the first time. We are proud of and grateful for the results, where we came in second place of all of the banks for customer satisfaction and loyalty. Sparebanken Sogn og Fjordane came first in terms of trust.

The EPSI survey reinforces our belief that we are doing a good and effective job for our customers. We believe in offering a combination of good advice, simple digital solutions and a strong and passionate commitment to our community. That combination provides the basis for good customer relations, satisfied customers and growth.

Sparebanken Sogn og Fjordane has 14 branches: 13 in Sogn og Fjordane and one in Bergen. In 2019 we moved into new premises in Dale. In Solund we moved into shared premises with the accounting firm Havtal so that we could continue to offer a good service to our customers right out by the sea.

Sparebanken Sogn og Fjordane is a complete provider of financial services, spanning insurance products, loans, 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, our supplier of insurance products, offers excellent services. In 2019, Frende came first in the EPSI customer satisfaction survey.

Offering insurance products, and particularly life insurance, is an important aspect of providing good advice. Sparebanken Sogn og Fjordane is the leading provider of savings and investment products in the county. We had very strong sales of investment funds in 2019. Many customers want to put some of their savings into shares and funds. With interest rates on deposits having been low for a long time, people want to try to get a higher return on their long-term savings by taking on slightly more risk. Most of our customers save monthly through saving plans, which reduces the risk to their capital.

2019 was a very good year for stock markets. A correction in the fourth quarter of 2018, combined with a weak Norwegian krone, meant that Norwegian investors achieved returns of 25–30 percent on global investment funds in 2019. The Norwegian stock market also performed well, rising by around 15 percent.

The transition arrangements for moving to share savings accounts ended at the close of 2019. Most of our customers have made use of this by moving their shares and investment funds to the new, more flexible system.

A focus on personal pensions and a growing understanding that individuals need to take greater responsibility for saving for their retirement has put more of a spotlight on long-term savings products, and we achieved strong sales of individual pension savings (IPS) products in 2019. We believe that this trend will only get stronger in the future.

2019 was an exciting year for Sparebanken Sogn og Fjordane's subsidiary Eigedomsmekling Sogn og Fjordane. It established a presence in Bergen by moving two estate agents into our branch there. The company made a loss in 2019, although it had roughly the same number of properties for sale as the previous year. A softer market and slower turnover resulted in lower revenue. Eigedomsmekling Sogn og Fjordane increased its market share in 2019, and it now has over 50% of the market in Sogn og Fjordane.

CORPORATE MARKET

For corporate banking, Sogn og Fjordane is the main target market for the bank. Lending to the corporate banking market rose by 4.5% in 2019, and we consider that we strengthened our market position over the course of the year. As well as demonstrating that we are an attractive lender, this growth bears witness to a good business climate in 2019, with higher demand for business loans than in recent years.

Several industries are doing well; particularly fishing, aquaculture and tourism. There is also optimism in industries serving in the oil and gas sector, and local businesses are involved in the transition to a green economy.

Competition for corporate customers remains strong, but it does vary depending on the type of customer. Naturally there is most competition for large, low-risk customers in a strong financial position. Sparebanken Sogn og Fjordane enjoys a strong market position, with 60% of all limited companies in Sogn og Fjordane having a customer relationship with the bank. Deposits from companies, financial institutions and municipalities rose by a pleasing 5.3% year-on-year.

The public sector is an important customer group with large volumes of potential deposits. Offering a wide range of electronic payment services is vital to this group. The competition for these customers is reflected by the fact that many municipalities regularly put their banking business out to tender. There was no change in our position in the market for this customer group in 2019.

We have achieved strong sales of public sector occupational pension plans. This continued in 2020. After 5.5 years of partnership with Frende, we have become a significant source of business for the company. As our customer portfolio has grown, we have put more and more resources into defending our position in a very competitive insurance market. Our branch network and strong relationship with the business community give us a good platform for winning new customers and protecting our market share.

In 2016 we formed a new partnership to sell leasing products supplied by SpareBank 1 Finans Midt-Norge AS, a company in which we also have an ownership interest. Although the partnership has got off to a good start, there is still untapped potential to sell leasing products to our customers. To exploit it, we must draw on our distribution network and good relationships with the business community.

We are constantly working to develop and improve our expertise and capacity in new business areas such as capital markets and payment services. We are striving hard to become a complete supplier of financial services and to be a professional adviser to our business customers. Our ownership interest in Vipps and partnerships with other companies enable us to offer simple, good payment solutions to companies, clubs and organisations. We have established a corporate banking centre that aims to ensure efficient, good customer service in collaboration with account managers.

Although other product areas have become increasingly important, credit provision remains the main driver for success in the corporate market. We are focusing heavily on understanding individual industries through our industry experts, whose knowledge is designed to both benefit customers and help us to manage our credit risk. Our business model based on a decentralised structure and local decision-making is something that businesses appreciate, and it goes a long way to explaining our strong position.

ORGANISATIONAL STRUCTURE

Employees and training

In 2019 we faced many challenging tasks, which helped to increase the expertise of both individual employees and the bank as a whole. We have put a lot of resources into internal courses and training. There is a continuous process of getting our customer advisers authorised under the Finance Industry Authorisation schemes for financial advisers, so that they are approved to sell non-life and personal insurance and authorised to make credit decisions. We are also putting significant resources into refresher courses for staff who are already authorised. Courses, training events and tests are used to ensure and document their competence to provide good advice. Skills development is also encouraged amongst administrative and support staff.

For us to succeed in adapting to the changing times, our managers must also develop their skills. We implemented a management development programme for the senior management team in 2018, and started an equivalent programme for middle managers and management talent in September 2019.

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 perform an annual skill survey throughout our organisation. This process involves defining goals for how the various departments should implement Sparebanken Sogn og Fjordane's strategy.

Working environment

Sparebanken Sogn og Fjordane carries out an annual survey to find out how satisfied employees are with their work. The surveys show that we have a good working environment, in comparison to the industry and workplaces in general. Areas where there is room for improvement will be followed up in order to further strengthen our 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 2019. Our working environment committee held four meetings in 2019, and dealt with 11 working environment cases.

The average sickness absence rate was 3.3% in 2019, slightly lower than in 2018, when it was 3.88%.

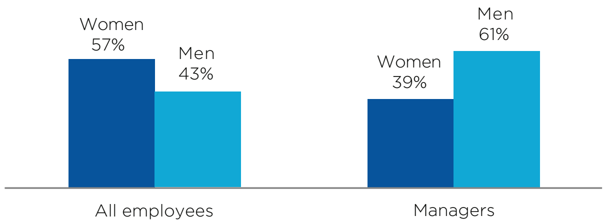
Sparebanken Sogn og Fjordane updated its AKAN rules in 2019, in close consultation with the employee representatives and the company health service.

Equal opportunity and diversity

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

We aim to have a system that allows women to take up management positions. Five of the nine Board members are women. The senior management team comprises four women and six men, including the CEO. 57 percent of employees are women and 43 percent are men, roughly unchanged from 2018. The proportion of line management positions held by women was slightly lower in 2019 than in 2018.

Equal opportunity



We are working hard to increase the proportion of women managers. This includes encouraging management talents to apply to our management development programme. Two of our staff attended Innovation Norway's management development programme for women.

34 of our 278 employees work part time. Of them, 7 are men and 27 are women. The part-time staff generally work 80 percent of a full-time job, except those at the Student Centre in Bergen. We are not aware of there being any involuntary part-time workers at the bank.

20 employees took parental leave in 2019. 14 of them were women and 6 were men.

The women took 1368 days of leave, while the men took 260 days.

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 top of this ranking in 2019, in competition with 100 other large Norwegian companies.

We welcome employees with disabilities and with special requirements and will continue to focus on equal opportunities and fair treatment at all levels of the organisation.

Our pay policy

Our vision is to be a driving force for the county. 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 the development of a team spirit.

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

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. Our ethical guidelines make it clear that we have zero tolerance for bullying and all forms of harassment. Our managers have a particular responsibility to ensure that they and their subordinates comply with the ethical guidelines, taking the necessary account of the balance of power between the involved parties, for example in terms of differences in age, status and position.

New whistleblowing procedures were drawn up in consultation with the employee representatives in the autumn of 2019, and a separate whistleblowing portal has been created within our intranet. The whistleblowing procedures cover the statutory right to report misconduct at the bank (cf. Chapter 2 A of the Working Environment Act). No criticical incidents were reported in 2019. 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.

We do not use inputs or production methods that directly pollute the environment, we have HSE guidelines covering purchasing decisions and business travel, and we aim to reduce the use of paper and energy for environmental reasons.
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. Our GreenPlan agreement with LeasePlan means that we wholly offset the emissions of our fleet of vehicles.

Our five largest branches have been certified as Eco-Lighthouses. This is Norway's most widely used certification scheme for enterprises that wish to document their environmental credentials and show corporate social responsibility. A digital system will give us specific tools to help us work systematically to improve our environmental performance with respect to the working environment, waste management, energy consumption, purchasing and transport. We will also publish greenhouse gas (GHG) accounts for 2019 and use them to set goals for further reductions in GHGs.

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. We put significant amounts of money back into the local community through gifts and sponsorship agreements.

More competitive and profitable

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. We shall demonstrate corporate social responsibility and help our customers to make sustainable decisions. One way to achieve that is to offer green products on attractive terms.

By teaching our employees about the importance of social responsibility to the future of the business community, we believe that we can challenge 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.

Our long-term strategy for corporate social r esponsibility states that we must:

- Develop social responsibility as an integrated part of our corporate culture and strategic planning.
- Build up the expertise of our Board, executive management, employees and employee representatives, to ensure that social responsibility becomes a natural part of interaction with customers and other stakeholders.
- Continue to develop our reputation for corporate social responsibility.

NEW REGULATORY FRAMEWORK

It is become increasingly expensive for banks in Norway to fulfil regulatory requirements. In 2019 anti-money laundering came under the spotlight, and like the rest of the Norwegian banking industry we put a lot of resources into obtaining up-to-date ID documents and customer declaration forms from all of our customers. Work on anti-money laundering will continue to take up a lot of resources at banks going forwards.

In 2019 the new “Payment Services Directive 2” (PSD2) was introduced in Norway. This new directive will regulate payment services in the EU and EEA, including Norway. The directive allows third parties to collect transaction data on behalf of their customers, and to make payments on behalf of customers through banks’ payment systems. It hasn’t significantly changed the competitive landscape yet, but it is expected to do so in the future.

In 2019, further changes were announced to the capital adequacy requirements for banks, which gives the biggest banks with their own internal models for calculating capital requirements a competitive advantage over small and medium-sized banks that use standardised models. Several banks have also started using customer dividends, which may also create a tougher competitive environment for banks that don’t offer customer dividends.

Stricter rules on securities trading may also make it difficult for savings banks to sell investment funds on to retail customers, potentially lowering their profitability and limiting the range of products that they can offer to their customers.

In addition to these specific changes, rapid developments in other regulations and technology are expected to greatly affect banks and their operating environment over the coming years.

The increasing use of data for analysis and for targeting information and marketing, artificial intelligence and machine learning, blockchain technology and cryptocurrencies will all have an impact on the banking industry. Sparebanken Sogn og Fjordane is working hard to prepare for these developments by investing in new, efficient IT systems and by adapting its organisation.

SUMMARY AND OUTLOOK

2019 was a good year for Sparebanken Sogn og Fjordane. We achieved strong growth, in deposits, lending and net interest income. Other income also rose significantly, particularly thanks to a strong contribution from financial instruments, while loan impairment losses remained low. We are continuing to prepare for greater competition and new customer expectations, by recruiting people with the right qualifications, restructuring and developing our organisation and developing new platforms. Our organisation is accustomed to and ready for change, and we are in a strong position to meet the upcoming challenges.

Sparebanken Sogn og Fjordane is well capitalised, with a core Tier 1 capital adequacy ratio of 16.5% and a total capital adequacy ratio of 19.8%.

That is above existing requirements, and satisfactory in relation to other comparable banks. It also puts us in a strong position to meet the stricter capital adequacy requirements that have been announced for 2022.

2019 was a good year for the Norwegian economy, with GDP growth for the mainland economy of around 2.5%. The international picture is more mixed, with trade wars, Brexit, unrest in the Middle East and economic slowdowns in many countries. Statistics Norway expects the international slowdown to continue and gradually begin to have a bigger impact on the Norwegian economy as well.

In its latest forecast, Statistics Norway therefore expects Norway's economy to slow down during 2020, but it doesn't expect a dramatic downturn. Business activity in Sogn og Fjordane has remained strong, with industries like fishing and aquaculture doing well. In the short term, the outlook is relatively good for 2020, with tourism and export industries benefiting from the weak krone, but Sogn og Fjordane will also need to make adjustments. Oil investments are expected to peak in 2020 and then fall in subsequent years, and the focus on climate change and sustainability is rapidly increasing. Businesses in Sogn og Fjordane are in a strong position to succeed with this transition, but they must take conscious decisions and adapt.

The recent outbreak of the coronavirus has done the outlook more uncertain. It is expected that the outbreak will lead to a slowdown in the economic growth of the countries that are hardest hit, but at the time of writing it is too early to tell to what extent this will influence the Norwegian economy.

Competition for retail customers and good business customers remains tough, and we expect that to continue in 2020. The Board of Directors believes that the bank will achieve steady growth in 2020, and we aim to continue strengthening our market position in Sogn og Fjordane. Sogn og Fjordane ceased to be a county on 1 January 2020, but Sparebanken Sogn og Fjordane will continue to focus on the Sogn og Fjordane region. The region has a relatively stable population, which means that achieving growth in the retail market outside Sogn og Fjordane will remain important. The region is also about to experience major structural changes arising from its merger with Hordaland to create the county of Vestland. Sparebanken Sogn og Fjordane will aim to support measures to strengthen networks and enterprises that see growth opportunities in the new Vestland.

We are in a strong position to face the challenges that lie ahead, both in terms of capital requirements and expertise. Our flexible and competent employees are the most important reason why we have achieved what we have. They are also the best guarantee for our ability to develop and add value in the future.

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

Førde, 03.03.2020

Sindre Kvalheim
Chair

Ingelise Arntsen
Deputy Chair

Heidi Grande Røys

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Magny Øvrebø

Marie Heieren

Jo Dale Pedersen

Trond Teigene
CEO

SINDRE KVALHEIM – Chair

Sindre Kvalheim (1977) lives at Kvalheim in Kinn and is the CEO of the LocalHost Group. He has occupied that position since 2007. He is the Chair and co-founder of Lefdal Mine Datacenter. 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 spent a long time working in IT development, but since 2007 he has focused on business development, founding a number of technology companies.

Kvalheim has chaired the Board of Directors since March 2019 and has sat on the Board since 2011 (he was a deputy in 2010).

Kvalheim attended 16 out of 16 Board meetings held in 2019.

INGELISE ARNTSEN – Deputy Chair

Ingelise Arntsen (1966) lives in Bergen, and she has held senior management positions at Stafkraft, Aibel, REC and Arthur Andersen Business Consulting. She was also Managing Director of Sogn og Fjordane Energi during the period 1997–2000. She currently works full time as a non-executive director on a number of boards, including those of Statkraft, Beerenberg AS and Eksportkreditt Norge. She is the Chair of Asplan Viak. Arntsen studied at Business College Syd in Denmark.

She has sat on the Board since March 2018.

Arntsen attended 14 out of 16 Board meetings held in 2019.

HEIDI GRANDE RØYS

Heidi Grande Røys (1967) lives in Florø and works as the headteacher of Havrenes kinder garten. Røys was a political adviser from 1999 to 2001 and a member of parliament for the Socialist Left Party from 2001 to 2005. She was subsequently Minister of Government Administration and Reform and Minister for Nordic Cooperation from 2005 to 2009. Røys has been a member of the board of the work and inclusion company Origod since 2010 and sits on the board of Tankesmien Agenda. She studied at Bergen Teacher Training College and has an Executive MBA in Strategic Management from the Norwegian School of Economics.

Røys has sat on the Board since 2010.

Røys attended 14 out of 16 Board meetings held in 2019.

MAGNY ØVREBØ

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.

Øvrebø attended 11 out of 12 Board meetings held in 2019.

JONNY HAUGSBAKK

Johnny Haugsbakk (1969) lives in Flekke and is the CEO of the technology company Metzum AS. Haugsbakk has over 20 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 is currently the Chair of Serit Fjordane IT, Serit Bergen and MultiVolt AS, and also sits on the boards of Enivest, SFE Kraft, BMO Gruppen and Avans. Haugsbakk took vocational training in electrical engineering, and has taken further education courses in management and board development.

Haugsbakk has sat on the Board since March 2019.

Haugsbakk attended 11 out of 12 Board meetings held in 2019.

Board

LISE MARI HAUGEN

Lise Mari Haugen (1979) lives in Askvoll and is the Deputy Chief Executive of Sunnfjord Municipality. She became the Deputy Chief Executive of Førde Municipality in 2010 and was acting Chief Executive in the autumn of 2018 and in 2019. 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 the foundation that owns the bank, Sparebankstiftinga Sogn og Fjordane, and she has been its Chair since 2015.

She has sat on the bank's Board since 2016.

Haugen attended 15 out of 16 Board meetings held in 2019.

MARIE HEIEREN

Marie Heieren (1986) lives in Førde and is the chief union representative at Sparebanken Sogn og Fjordane. She has occupied that position since 2017. She was previously a customer adviser for the retail banking 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 again from 2018.

Heieren attended 16 out of 16 Board meetings held in 2019.

JO DALE PEDERSEN

Jo Dale Pedersen (1969) lives in Florø and is Sparebanken Sogn og Fjordane's Assistant Bank Manager in Florø. Pedersen is also the industry expert for petroleum-related industries. Pedersen previously worked as a lawyer for Flora Municipality from 1996 to 2009, at which point he joined the bank. Pedersen is the Chair of the Svanhild foundation. He gained an MA in Law from the University of Bergen in 1996, and he also took courses in Business Law and Company Law at the University of Bergen in 2017.

Pedersen has sat on the Board since March 2018.

Pedersen attended 15 out of 16 Board meetings held in 2019.

GEIR OPSETH

Geir Opseth (1968) lives in Førde and works as an investor and business development manager at his own companies and start-ups. He also has a part-time job as a business development manager at Kunnskapsparken Sogn og Fjordane AS. He has previously worked as a manager at Dale Skofabrikk AS, Gudbrandsdalen Betongindustri AS, Sunnfjord Næringsutvikling AS and Hellenes AS. Opseth sits on the boards of John Holvik AS, Sunnfjord Utvikling AS, Mikasport AS, Lutelandet Utvikling AS, Fimbul Kapital AS and Førde Industri og Næringssamskipnad.

Opseth obtained a degree in Finance, Business Management and IT from Hedmark University College after studying there from 1989 to 1992.

Opseth become a deputy Board member in 2013, and a full Board member in June 2019.

Opseth attended 16 out of 16 Board meetings held in 2019 (6 of them as a deputy entitled to attend Board meetings).

CEO

TROND TEIGENE – CEO

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

Teigene attended 16 out of 16 Board meetings held in 2019.

Income statement

PARENT COMPANY				CONSOLIDATED	
2018	2019	AMOUNTS IN MILLIONS OF NOK	Note	2019	2018
1 139	1 315	Interest income	**20**	1 799	1 539
470	573	Interest expenses	**20**	861	677
669	**742**	**Net interest income**		**938**	**862**
116	129	Commission income	**21**	132	118
14	21	Commission expenses	**21**	21	14
218	311	Net gains/losses on financial instruments	**22**	147	61
11	11	Other income	**23**	32	34
331	**430**	**Net other operating income**		**290**	**199**
1 000	**1 172**	**Total revenues**		**1 228**	**1 061**
215	228	Wages, salaries, etc.	**24, 25, 26**	246	232
179	184	Other expenses	**24**	199	185
40	52	Depreciation and impairment of fixed assets and intangible assets	**33, 34, 35**	47	43
435	**464**	**Total operating expenses**		**492**	**460**
565	**708**	**Profit before impairment loss and net gain on fixed assets**		**736**	**602**
0	0	Net gain on sale of fixed assets		0	0
11	41	Impairment loss	**15**	40	16
554	**667**	**Profit/loss before taxation**		**696**	**585**
84	102	Tax expense	**27**	142	126
470	**565**	**Profit/loss for the financial year**		**553**	**460**
		COMPREHENSIVE INCOME			
470	**565**	**Profit/loss for the financial year**		**553**	**460**
		Other comprehensive income			
		Other items that may be reclassified subsequently to profit or loss, after tax			
		Gain/loss on available-for-sale financial assets sal			
		Other items that will never be reclassified to profit or loss, after tax			
0	- 1	Remeasurements, pensions	**25, 27**	- 1	0
0	**- 1**	**Total other comprehensive income for the year, after tax**		**- 1**	**0**
470	**565**	**Comprehensive income**		**553**	**459**
21,14	25,37	Profit per equity certificate (weighted), in NOK		24,83	20,67

Balance sheet

AMOUNTS IN MILLIONS OF NOK

PARENT COMPANY				CONSOLIDATED	
31.12.18	31.12.19	**ASSETS**	Note	31.12.19	31.12.18
26	25	Cash and cash equivalents		25	26
2 633	1 743	Loans and advances to credit institutions/central banks	**3, 17, 28**	588	170
30 204	31 352	Loans to customers	**3, 7-16, 28**	50 768	48 140
5 310	7 134	Commercial paper and bonds	**3, 29**	5 391	4 972
131	192	Financial derivatives	**3, 30**	135	130
513	579	Shares	**3, 31**	579	513
3	3	Investments in associates	**32**	3	3
1 412	1 812	Investments in subsidiaries	**32**	0	0
60	46	Intangible assets and goodwill	**33**	48	62
43	109	Fixed assets	**34-35**	116	91
14	0	Deferred tax assets	**27**	0	4
59	72	Other assets	**36**	80	66
40 408	**43 067**	**Total assets**		**57 732**	**54 177**
82	356	Debt to credit institutions	**3, 17, 28**	7	10
27 236	28 629	Deposits from and debt to customers	**3, 28, 37**	28 598	27 190
7 216	7 779	Debt securities in issue	**3, 28, 38**	22 666	20 888
111	142	Financial derivatives	**3, 30**	124	103
97	88	Tax payable	**27**	133	142
0	0	Deferred tax	**27**	5	0
140	240	Other liabilities and provisions	**39**	206	146
787	602	Subordinated debt instruments	**40**	602	787
35 669	**37 836**	**Total liabilities**		**52 342**	**49 267**
3 625	3 871	Equity share capital	**48**	3 871	3 625
516	558	Primary capital		558	516
190	281	Other equity		440	361
250	350	Hybrid capital		350	250
158	171	Proposed allocation for dividends and gifts	**48**	171	158
4 739	**5 231**	**Total equity**		**5 390**	**4 910**
40 408	**43 067**	**Total debt and equity**		**57 732**	**54 177**

Førde, 03.03.2020

Sindre Kvalheim
Chair

Ingelise Arntsen
Deputy Chair

Heidi Grande Røys

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Magny Øvrebø

Marie Heieren

Jo Dale Pedersen

Trond Teigene
CEO

Cash flow statement

PARENT COMPANY				CONSOLIDATED	
31.12.18	31.12.19			31.12.19	31.12.18
554	667	Profit/loss before taxation		696	585
692	1 395	Increase/(reduction) in customer deposits	**37**	1 409	706
– 1 138	– 1 185	Reduction/(increase) in loans to customers	**9**	– 2 665	– 3 158
40	52	Depreciation and impairment of assets	**34**	47	43
11	41	Impairment loss	**15**	40	16
0	0	Losses/gains on sale of fixed assets		0	0
– 54	– 97	Tax paid	**27**	– 142	– 98
10	– 114	Other non-cash transactions		– 141	10
– 14	139	Adjustment for other items		145	– 13
102	**898**	**A) Net cash flow from operating activities**		**– 612**	**– 1 909**
– 22	– 466	Reduction/(increase) in shares and interests in other enterprises	**31**	– 66	– 22
72	– 1 822	Reduction/(increase) in investments in commercial paper and bonds	**29**	– 416	424
– 34	– 119	Investments in fixed assets, intangible assets and goodwill	**33-35**	– 73	– 35
0	0	Sale of fixed assets		0	0
16	**– 2 406**	**B) Net cash flow from investment activities**		**– 554**	**367**
– 172	274	Increase/reduction in loans from credit institutions	**17**	– 3	5
328	578	Increase/reduction in debt securities	**38**	1 820	1 052
287	– 185	Increase/reduction in subordinated debt instruments	**40**	– 185	287
0	100	Increase in hybrid capital		100	0
– 106	– 150	Dividends and gifts		– 150	– 106
338	**617**	**C) Net cash flow from financing activities**		**1 582**	**1 239**
456	**– 892**	**D) Net cash flow during the year (A+B+C)**		**416**	**– 302**
2 204	2 660	Opening balance of cash and cash equivalents		196	499
2 660	**1 768**	**Closing balance of cash and cash equivalents**		**613**	**196**
		Breakdown of cash and cash equivalents			
26	25	Cash and cash equivalents		25	26
2 633	1 743	Deposits at other financial institutions and central banks		588	170
2 660	**1 768**	**Total**		**613**	**196**

Equity statement

Parent company	EQUITY SHARE CAPITAL					OTHER EQUITY				
	Equity certificates	Dividend equalisation reserve	Share premium account	Primary capital	Hybrid capital	Reserve for unrealised gains, available-for-sale financial assets	Reserve for unrealised gains, other	Other equity	Allocated dividends and gifts	Total
Balance at 31.12.17	**1 948**	**1 406**	**16**	**472**	**250**	**173**	**24**	**0**	**110**	**4 399**
Impact of implementing IFRS 9 at 01.01.18	0	– 6	0	– 1	0	– 173	173	0	0	**– 6**
Balance at 01.01.18	**1 948**	**1 400**	**16**	**472**	**250**	**0**	**196**	**0**	**110**	**4 392**
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	– 110	**– 110**
New hybrid capital	0	0	0	0	0	0	0	0	0	**0**
Interest paid to investors in hybrid capital	0	0	0	0	– 13	0	0	0	0	**– 13**
Proposed allocation of profit/loss for reporting period	0	261	0	44	13	0	– 7	0	158	**470**
Other comprehensive income	0	0	0	0	0	0	0	0	0	**0**
Balance at 31.12.18	**1 948**	**1 661**	**16**	**516**	**250**	**0**	**190**	**0**	**158**	**4 739**
Balance at 31.12.18	**1 948**	**1 661**	**16**	**516**	**250**	**0**	**190**	**0**	**158**	**4 739**
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	– 158	**– 158**
New hybrid capital	0	0	0	0	100	0	0	0	0	**100**
Interest on hybrid capital	0	0	0	0	– 14	0	0		0	**– 14**
Proposed allocation of profit/loss for reporting period	0	247	0	42	14	0	91	0	171	**565**
Other comprehensive income	0	– 1	0	0	0	0	0	0	0	**– 1**
Balance at 31.12.19	**1 948**	**1 907**	**16**	**558**	**350**	**0**	**281**	**0**	**171**	**5 231**

Equity statement (cont.)

Consolidated	EQUITY SHARE CAPITAL Equity certificates	Dividend equalisation reserve	Share premium account	Primary capital	Hybrid capital	OTHER EQUITY Reserve for unrealised gains, available-for-sale financial assets	Reserve for unrealised gains, other	Other equity	Allocated dividends and gifts	Total
Balance at 31.12.17	**1 948**	**1 406**	**16**	**472**	**250**	**173**	**24**	**175**	**110**	**4 573**
Impact of implementing IFRS 9 at 01.01.18	0	– 6	0	– 1	0	– 173	173	7	0	**0**
Balance at 01.01.18	**1 948**	**1 400**	**16**	**472**	**250**	**0**	**196**	**182**	**110**	**4 574**
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	– 110	**– 110**
New hybrid capital	0	0	0	0	0	0	0	0	0	**0**
Interest paid to investors in hybrid capital	0	0	0	0	– 13	0	0	0	0	**– 13**
Proposed allocation of profit/loss for reporting period	0	261	0	44	13	0	– 7	– 10	158	**460**
Other comprehensive income	0	0	0	0	0	0	0	0	0	**0**
Balance at 31.12.18	**1 948**	**1 661**	**16**	**516**	**250**	**0**	**190**	**171**	**158**	**4 910**
Balance at 31.12.18	**1 948**	**1 661**	**16**	**516**	**250**	**0**	**190**	**171**	**158**	**4 910**
Allocated for dividends and gifts	0	0	0	0	0	0	0	0	– 158	**– 158**
Other adjustments to equity	0	0	0	0	0	0	0	0	0	**0**
New hybrid capital	0	0	0	0	100	0	0	0	0	**100**
Interest paid to investors in hybrid capital	0	0	0	0	– 14	0	0	0	0	**– 14**
Proposed allocation of profit/loss for reporting period	0	247	0	42	14	0	91	– 12	171	**553**
Other comprehensive income	0	– 1	0	0	0	0	0	0	0	**– 1**
Balance at 31.12.19	**1 948**	**1 907**	**16**	**558**	**350**	**0**	**281**	**160**	**171**	**5 390**

Equity statement (cont.)

Explanation of the various types of equity:

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

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

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

Reserve for unrealised gains on available-for-sale financial assets:
The reserve for unrealised gains on available-for-sale financial assets comprises unrealised gains on shares and other ownership interests classified as available for sale. After the transition to IFRS 9 at 01/01/2018 the Group no longer uses this category, and unrealised gains on shares are presented under "Reserve for unrealised gains, other".

Reserve for unrealised gains, other:
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 2019 financial statements for Sparebanken Sogn og Fjordane were discussed and adopted at the Board meeting of 3 March 2020.

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 AMB.

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 2019.

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.

The Group has started using the following standards or amendments to standards as of 2019:

IFRS 16 LEASES

The IASB has adopted a new standard for leases. IFRS 16 is replacing the existing IFRS standard for leases, "IAS 17 Leases". IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The new standard requires a lessee to recognise assets and liabilities for most of its leases, which is a significant departure from the previous principles.

For the lessor, IFRS 16 carries forward most of the existing principles in IAS 17. Consequently, lessors shall continue to classify their leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 came into force on 1 January 2019 and the Group implemented it from that date.

The Group has recognised its assets and liabilities related to leases and has recorded all relevant leases in a dedicated system. Both its assets and liabilities have increased. The length of the leases determines the associated increase in assets and liabilities.
The new standard only has a very small impact on net profit and equity.

We have implemented the modified retrospective approach, which involves lease liabilities and assets being set as equal to one another on the implementation date.

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

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

At each interim report, we take into account any changes to leases and if necessary recalculate the liabilities and assets. There were no significant changes over the course of the year.

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. In 2019 there was no indication that any leases had fallen significantly in value.

Impact on the parent company's balance sheet

At the end of the fourth quarter of 2019, the parent company had capitalised a total of NOK 66 million of lease assets as fixed assets and had recognised NOK 67 million of liabilities for lease payments under other liabilities and provisions.

Impact on the parent company's income statement

Leases are depreciated over the term of the lease and the depreciation during 2019 was NOK 14.2 million. Meanwhile, the lease expense included under other operating expenses fell by NOK 15.2 million and interest expenses rose by NOK 1.6 million. Consequently, the new standard reduced pre-tax profit for the year by NOK 0.7 million.

Impact on the Group's balance sheet

Some leases are intra-group leases and are therefore eliminated. At the end of the fourth quarter of 2019, the Group had capitalised a total of NOK 28 million of lease assets as fixed assets and had increased its liabilities for lease payments by NOK 27 million under other liabilities and provisions.

Impact on the Group's income statement

Leases are depreciated over the term of the lease and the depreciation during 2019 was NOK 6.6 million. Meanwhile, the lease expense included under other operating expenses fell by NOK 7.0 million and interest expenses rose by NOK 0.6 million. Overall, the new standard reduced pre-tax profit for the year by NOK 0.2 million.

IAS 12 INCOME TAXES

"IAS 12 Income Taxes" has been amended as of 1 January 2019. The amendment affects tax on dividends, which for Sparebanken Sogn og Fjordane is relevant to the tax payable on interest on hybrid capital. The change has no practical implication, as the tax consequences of interest payments on hybrid capital were already recognised in the income statement in past financial periods.

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 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. Subsidiaries are consolidated from the date on which the Bank acquired control of them. Subsidiaries that are disposed of are fully consolidated until the date on which risk and control is transferred.

The following companies satisfy our criteria for subsidiaries:

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

Associates are companies over which Sparebanken Sogn og Fjordane wields significant influence, i.e. where it can influence the company's financial and operational guidelines, but over which it does not have control or joint control.

Sparebanken Sogn og Fjordane assumes that it exercises significant influence over companies in which it has a shareholding of between 20 and 50 percent. Associates are accounted for using the equity method in the consolidated financial statements.

The companies that satisfy our criteria for associates are:

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

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

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

BUSINESS COMBINATIONS

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

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

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

CURRENCY

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

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

FINANCIAL INSTRUMENTS

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

Classification and measurement under "IFRS 9 Financial Instruments"

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

Financial assets are classified in one of the following categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments where the other comprehensive income option has been exercised 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 that are measured at fair value and 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 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 from changes in market prices

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.

For a fuller explanation of the accounting principles after the transition to IFRS 9, refer to the paragraph on the transition to IFRS 9 earlier in this note.

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 from changes in market prices.

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 unit trusts that have been acquired with the intention of reselling or repurchasing them in the short term. 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 initial investment
- 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 increase in assets and liabilities.

Upon implementation of IFRS 16 as of 01/01/2019, we have implemented the modified retrospective approach, which involves lease liabilities and assets being set as equal to one another on the implementation date.

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

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

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

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

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

FIXED ASSETS

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

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

Buildings	20–30 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

For each interim report, an assessment is made as to 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 21.

TAX EXPENSE

Deferred tax and deferred tax 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/deferred tax 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 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 and deferred tax 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.

The "Skattefunn" programme

The Bank previously had an IT development project that was approved under the "Skattefunn" programme. Grants under this programme are recognised as a reduction in operating expenses in the same period as the recognition of the cost that the grant is supposed to help cover.

In other words, the part of the grant that relates to capitalised costs is used to reduce the capitalised amount, thereby reducing future expenses for depreciation.

Single entity for tax purposes

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

ACCRUAL OF INTEREST AND FEES

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

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

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

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

REVENUE RECOGNITION

Interest income is recognised in the income statement using the effective interest rate method. This involves taking arising nominal interest plus amortised set-up fees to income. Interest income is calculated using the effective interest rate method both for balance sheet items measured at amortised cost and for ones measured at fair value through profit or loss. Interest income on impaired loans is calculated as the effective interest rate on the carrying amount.

All charges relating to payment transactions are recognised as they arise. Fees and charges arising from the sale and marketing of shares, unit trusts 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 classified as available for sale. It also includes unrealised 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 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 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

In 2018 the Group started using hedge accounting for 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 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.

Additions to IAS 1 and IAS 8 – Definition of what is considered material

The aim behind this amendment is to clarify the definition of "material", and it does not change the underlying definition of material under IFRS. The use of immaterial information to hide material information has been incorporated into the definition.

The threshold for considering something material in terms of its influence on users has been changed from "could influence" to "could reasonably be expected to influence".

The definition of "material" in IAS 8 has been replaced with a reference to the definition of material in IAS 1. In order to ensure consistency, the IASB has also amended the conceptual framework and other standards that include a definition of material or references to what is material.

The amendments come into force on 1 January 2020 and early adoption is possible.

The changes are not expected to have any impact on our financial statements.

Other changes

Not all amendments to accounting standards and other changes that have been adopted are included above. Those that are not included will either not have a significant impact or are not relevant to the Group.

Note 2 Critical accounting estimates and judgements

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

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

Interest-bearing securities
To value bonds and commercial paper, we obtain valuations from Nordic Bond Pricing.

Shares
The valuation of unlisted shares is based on the most recent transaction price or valuation models. Securities that are not traded are valued based on available financial information and the prices of comparable shares where relevant. For our investment in Frende, at the turn of the year we were using a model that is partly based on the latest transaction price, from August 2018, and partly on trends in the price/book ratio of Norwegian and international insurance companies.

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 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".

Loss allowance
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 is based on estimates of the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Forward-looking information
Expected credit losses should be calculated by weighting several macroeconomic scenarios. The Group has chosen three future macroeconomic scenarios that are based on Norges Bank's monetary policy report and past observations. Note 16 contains more information about the scenarios and how they affect impairment losses.

Discounting
All loss allowances are based on discounted values, with the loan's effective interest rate before impairment being used as the discount rate.

Significant increase in credit risk
Stage 2 under IFRS 9 refers to assets where there has been a significant increase in credit risk since initial recognition. IFRS 9 states that credit risk shall always be considered to have increased significantly if an account is more than 30 days past due. It is up to the bank to decide what other factors are indicative of a significant increase in credit risk. That assessment has a big impact on loss allowances, since any significant increase in credit risk makes it necessary to calculate expected credit losses for the whole lifetime of the assets.

Individually assessed allowances
In the case of individually assessed allowances, best judgement is used to estimate potential losses in the event of various possible outcomes. Where an individually assessed allowance has been made, this takes precedence over the impairment calculated by the model. For a more detailed explanation, please see Note 12 "Explanation of impairment model under IFRS 9".

Note 3 Classification of financial instruments

Consolidated **31.12.2019**	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	25	0	25
Loans and advances to credit institutions/central banks	0	0	0	588	0	588
Loans to customers	0	4 967	0	45 801	0	50 768
Commercial paper and bonds	0	5 391	0	0	0	5 391
Financial derivatives	118	0	0	0	17	135
Shares	579	0	0	0	0	579
Total	**697**	**10 358**	**0**	**46 413**	**17**	**57 486**
LIABILITIES						
Debt to credit institutions	0	0	0	7	0	7
Deposits from and debt to customers	0	1 776	0	26 822	0	28 598
Debt securities in issue	0	3 584	0	17 118	1 964	22 666
Financial derivatives	68	0	0	0	56	124
Subordinated debt instruments	0	0	0	602	0	602
Total	**68**	**5 360**	**0**	**44 550**	**2 020**	**51 998**

Parent company **31.12.2019**	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	25	0	25
Loans and advances to credit institutions/central banks	0	0	0	1 743	0	1 743
Loans to customers	0	4 800	12 001	14 551	0	31 352
Commercial paper and bonds	0	7 134	0	0	0	7 134
Financial derivatives	192	0	0	0	0	192
Shares	579	0	0	0	0	579
Total	**771**	**11 933**	**12 001**	**16 319**	**0**	**41 024**
LIABILITIES	0	0	0	0	0	0
Debt to credit institutions	0	0	0	356	0	356
Deposits from and debt to customers	0	1 776	0	26 854	0	28 629
Debt securities in issue	0	3 584	0	4 195	0	7 779
Financial derivatives	0	142	0	0	0	142
Subordinated debt instruments	0	602	0	0	0	602
Total	**0**	**6 104**	**0**	**31 405**	**0**	**37 509**

Note 4 Segment reporting

Geographic segments
All of the segments operate in Norway.

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

Finance
- Responsible for financing and for managing liquidity

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

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

Other
- Supplies services to Sparebankstiftinga Sogn og Fjordane and manages 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

2019 INCOME STATEMENT	Total for group	Finance	Corp. Market/ PS/FS	Retail market including Bustad-kreditt	Other	Estate agency	Property manage-ment	Elimina-tions
Net interest income and credit commissions	938	- 3	362	579	- 1	0	0	1
Net other operating income	290	127	52	86	5	29	8	- 17
Total operating income	**1 228**	**123**	**413**	**665**	**4**	**29**	**9**	**- 16**
Operating expenses	492	14	149	303	10	31	2	- 15
Profit/loss before impairment loss	**736**	**110**	**265**	**362**	**- 6**	**- 1**	**6**	**0**
Net gain on fixed assets	0	0	0	0	0	0	0	0
Impairment loss	40	0	35	5	0	0	0	0
Profit/loss before taxation	**696**	**110**	**230**	**357**	**- 6**	**- 1**	**6**	**0**
BALANCE SHEET AT 31.12.19								
Net loans and advances to customers	50 768	0	12 315	38 453	0	0	0	0
Other assets	6 963	10 960	731	504	0	20	60	- 5 312
Total assets	**57 732**	**10 960**	**13 046**	**38 957**	**0**	**20**	**60**	**- 5 312**
Deposits from and debt to customers	28 598	0	11 105	17 524	0	0	0	- 31
Other liabilities	23 744	8 699	106	18 395	0	5	8	- 3 472
Equity (incl. profit/loss for the period)	5 390	2 259	1 835	3 038	0	14	51	- 1 809
Total debt and equity	**57 732**	**10 959**	**13 046**	**38 957**	**0**	**20**	**60**	**- 5 312**

Note 4 Segment reporting (cont.)

2018 INCOME STATEMENT	Total for group	Finance	Corp. Market/ PS/FS	Retail market including Bustad-kreditt	Other	Estate agency	Property manage-ment	Elimina-tions
Net interest income and credit commissions	862	- 11	331	543	- 1	0	0	0
Net other operating income	199	45	51	76	4	31	8	- 16
Total operating income	**1 061**	**34**	**381**	**619**	**4**	**31**	**8**	**- 16**
Operating expenses	460	7	145	282	11	28	2	- 16
Profit/loss before impairment loss	**602**	**28**	**236**	**33**	**- 7**	**3**	**6**	**0**
Net gain on fixed assets	0	0	0	0	0	0	0	0
Impairment loss	16	0	16	1	0	0	0	0
Profit/loss before taxation	**585**	**28**	**220**	**336**	**- 7**	**3**	**6**	**0**
BALANCE SHEET AT 31.12.18								
Net loans and advances to customers	48 140	0	11 789	36 351	0	0	0	0
Other assets	6 037	9 457	570	374	0	24	71	- 4 451
Total assets	**54 177**	**9 457**	**12 359**	**36 725**	**0**	**24**	**71**	**- 4 451**
Deposits from and debt to customers	27 190	0	10 545	16 691	0	0	0	- 45
Other liabilities	22 077	7 527	61	17 476	0	7	9	- 2 998
Equity (incl. profit/loss for the period)	4 910	1 927	1 753	2 558	0	17	61	- 1 407
Total debt and equity	**54 177**	**9 455**	**12 359**	**36 725**	**0**	**24**	**71**	**- 4 451**

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

Board of Directors

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

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

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

The **audit committee** does various preparatory jobs for the Board. Amongst other things, this includes monitoring and assessing the independence of the auditor, assessing and recommending auditors, and reviewing and assessing the Bank's financial reporting. The audit committee reviews the interim and annual financial statements, with a particular focus on accounting principles, critical estimates and judgements including for expected credit losses, related parties and the work of the auditor.

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.

The three lines of defence

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.

The Bank's risk management and compliance department is the 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 is also part of the Bank's system for supervision and risk management and performs financial audits. The external Auditor is elected by the General Meeting, after statement from the Audit Committee in accordance with the law for financial firms. The Auditor gives an annual report to the General Meeting, and has meetings with the Board throughout the year. The Auditor prepares a "letter to the management" which is presented to the Board. In the letter to the management, the Auditor assesses the internal control of the bank and points out possible areas where internal control could be improved.

Note 5 Risk management (cont.)

CAPITAL ADEQUACY AND AREAS OF RISK

Capital adequacy ratio
Each year, the Board reviews and adopts the Bank's capital requirements and Internal Capital Adequacy Assessment Process (ICAAP). It also adopts a credit strategy and finance strategy, as well as limits for capital adequacy, credit risk, liquidity risk and market risk. Quarterly reports allow the Board to evaluate the Bank's risk exposure compared with its corporate governance goals.

The Bank has complied with the capital adequacy requirements of the Financial Institutions Act and relevant regulations, including the international rules on capital requirements CRD IV. These rules consist of three pillars:

- Pilar 1 Minimum capital requirement.
- Pilar 2 The internal capital adequacy assessment process (ICAAP).
- Pilar 3 Disclosure of financial information.

Pillar 1: As of 31.12.2019, the minimum Core Tier 1 capital requirement for non-systemically important banks was 12.5%. In addition, 1.5% of hybrid capital and 2% of supplementary capital is required.

Pillar 2: Pillar 2 requirements must be met by Core Tier 1 capital. Sparebanken Sogn og Fjordane has a Pillar 2 requirement of 1.9%, which must be added to the requirements for Pillar 1. The Bank sets out its assessment of Pillar 2 risks in the ICAAP document that is presented to the Board each year.

Pillar 3: The Bank's disclosures on capital adequacy and risk management are described in a separate document published on the Bank's website.

The changes to Pillar 1 and Pillar 2 in recent years have made the capital requirements for Norwegian banks much stricter. So have the Financial Supervisory Authority of Norway's capital requirements for Norwegian banks.

The Bank's areas of risk
The Bank sets aside capital for credit risk and operational risk in Pillar 1, and for market risk, operational risk, shareholder risk and credit risk (including concentration risk) in Pillar 2. In addition to the above risk categories, we are also exposed to risk in other areas: liquidity risk, business risk, climate change risk, compliance risk and cyber risk. No capital has been set aside for these risk categories under Pillar 2.

Credit risk
Credit risk is the danger of losing money as a result of customers/counterparties being unable or unwilling to fulfil their payment obligations to the Bank. The vast majority of the Bank's credit risk relates to loans, but credit risk also arises from the obligations of customers under interest-bearing securities, currency services, guarantees and credit facilities. The Board provides the framework for the bank's credit risk through its credit policy and rules on the granting of loans and credits. Each autumn the Board also adopts an annual credit strategy which provides guidelines for credit activities the following year. The Bank also has credit underwriting guidelines, and it monitors compliance using first and second line credit checks.

Operational risk
By operational risk we mean the risk of losses due to human error, external actions or failures and defects with the Bank's systems, procedures and processes. We have established an incident database for assessing, recording and measuring operational problems. A strategy for managing operational risk has also been developed.

Market risk
Market risk is the danger of losses related to unfavourable fluctuations in market prices, in our case related to positions and activities in the interest rate, currency and stock markets. 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.

Concentration risk
Concentration risk is the risk of losses that arises from lending a high proportion of your capital to individual enterprises or limited geographic regions or industries. Concentration risk is managed through the Bank's risk management frameworks. They include guidelines on the exposure that the Bank can take on in each industry, including limits on the size of individual loans.

Note 5 Risk management (cont.)

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. This is managed by monitoring exposure in relation to adopted limits and statutory requirements.

Business risk
The Financial Supervisory Authority of Norway defines business risk as the risk of unexpected fluctuations in revenues for other reasons than credit risk, market risk and operational risk. This risk can arise in various business or product segments, and may be linked to macroeconomic fluctuations and changing customer behaviour. The above definition means that business risk also covers strategic risk and reputational risk. Examples of business risk include investments in unsuccessful new products, entering markets that prove unprofitable, and failure to respond to changes in customer behaviour by adapting the Bank's products.

Shareholder risk
Shareholder risk can be defined as the risk of the Bank incurring losses from strategic ownership interests in companies and/or having to inject more capital into such companies.

Sparebanken Sogn og Fjordane has set aside capital for its ownership interest in Frende Holding in line with the advice in the Financial Supervisory Authority of Norway's circular 12/2016. We also have strategic ownership interests in Sparebank 1 Finans and Balder Betaling.

Compliance risk
Compliance risk is the risk of the Bank failing to fully comply with laws and regulations. At a time of many new regulations coming in, for instance covering to anti-money laundering, data protection, MiFiD and credit risk, work on compliance has been a particular priority.

Cyber risk
Cyber risk is the risk of financial losses or a loss of reputation due to the failure of, or errors in, the Bank's IT systems. New digital solutions often make life easier both for customers and bank staff. However, in many cases the introduction of new digital solutions also gives rise to new risks. These can be exploited to commit various kinds of cybercrime.

The Bank takes cyber risk extremely seriously and systematically acts and invests to reduce the risk of cyber attacks.

Climate change risk
In the banking sector, climate change risk can be seen as the risk of changes in the climate or in environmental rules undermining the business models of banking customers in various ways, resulting in banks incurring losses. The term climate change risk also covers the risk of loss of reputation due to the Bank having exposure to industries or customers whose activities harm the environment.

Climate change represents a threat to financial stability, so it is important for the financial industry to focus on climate change risk. Banks and other financial institutions can use their lending to show what types of investment and business activity they want to support. Sparebanken Sogn og Fjordane is conscious of the challenges that climate change poses, and environmental considerations are taken into account throughout its credit scoring process for new customers.

Note 6 Capital adequacy

PARENT COMPANY			CONSOLIDATED	
31.12.18	31.12.19	**EQUITY AND SUBORDINATED DEBT**	31.12.19	31.12.18
1 948	1 948	Equity share capital	1 948	1 948
516	558	Primary capital	558	516
16	16	Share premium account	16	16
1 661	1 907	Dividend equalisation reserve	1 907	1 661
158	171	Allocated dividends/gifts	171	158
190	281	Reserve for unrealised gains	281	190
0	0	Other equity	159	171
4 489	**4 881**	**Equity**	**5 040**	**4 660**
		Other core capital		
250	350	Hybrid capital	350	250
		Deductions		
– 14	0	Deferred tax assets	0	– 4
– 45	– 34	Other intangible assets	– 102	– 46
– 174	– 239	Other deductions	– 171	– 174
4 505	**4 958**	**Net core capital**	**5 117**	**4 685**
4 255	**4 608**	**Core Tier 1 capital**	**4 767**	**4 435**
		Supplementary capital		
600	600	Subordinated debt instruments	600	600
0	0	Ownership interests in other financial institutions	0	0
600	**600**	**Net supplementary capital**	**600**	**600**
5 105	**5 558**	**Net equity and subordinated debt**	**5 717**	**5 285**
		BASIS FOR CALCULATION		
		Credit risk		
7	6	Local and regional authorities	6	7
737	2 225	Institutions	96	87
3 666	2 437	Enterprises	2 437	3 666
2 498	3 614	Retail loans	4 560	3 222
11 778	11 045	Residential mortgage loans	17 371	17 692
682	807	Overdue advances	889	753
1 593	2 648	Equity investments	836	181
398	563	Covered bonds	386	361
894	128	Other advances	147	953
22 253	**23 475**	**Total calculation basis for credit risk**	**26 729**	**26 923**
0	0	Currency risk	0	0
1 540	1 680	Operational risk	2 043	1 868
6	141	CVA	79	6
23 799	**25 297**	**Total calculation basis**	**28 851**	**28 797**
3 201	**3 534**	**Excess equity and subordinated debt**	**3 409**	**2 981**
		CAPITAL ADEQUACY RATIO		
21,45 %	21,97 %	Capital adequacy ratio	19,82 %	18,35 %
18,93 %	19,60 %	Core capital adequacy ratio	17,74 %	16,27 %
17,88 %	18,21 %	Core Tier 1 capital adequacy ratio	16,52 %	15,40 %
10,68 %	9,22 %	Unweighted core capital ratio	8,66 %	8,47 %

Note 7 Risk classification of loans to customers

Probability of default (PD)

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

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

CONSOLIDATED

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Corporate market	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Low risk (A–D)	8 008	7 447	1 686	1 955	11	14
Medium risk (E–G)	3 607	3 637	536	399	38	32
High risk (H–K)	1 253	1 213	292	149	253	231
Total for corporate market	**12 868**	**12 297**	**2 514**	**2 503**	**302**	**277**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Low risk (A–D)	25 962	24 416	2 922	2 754	2	2
Medium risk (E–G)	10 711	10 317	268	270	8	8
High risk (H–K)	1 549	1 401	14	18	21	22
Total for retail market	**38 221**	**36 134**	**3 204**	**3 042**	**30**	**33**

PARENT COMPANY

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Corporate market	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Low risk (A–D)	7 819	7 260	1 656	1 928	11	14
Medium risk (E–G)	3 551	3 579	536	399	38	32
High risk (H–K)	1 237	1 186	292	149	253	230
Total	**12 607**	**12 025**	**2 484**	**2 476**	**302**	**276**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Low risk (A–D)	12 486	11 987	1 461	1 389	1	1
Medium risk (E–G)	5 755	5 695	197	183	4	4
High risk (H–K)	816	776	11	16	15	17
Total for retail market	**19 056**	**18 459**	**1 668**	**1 589**	**20**	**22**

Note 8 Credit-impaired assets and debt relief

Past due assets

An asset is considered past due when at least one of the customer's accounts is overdue or overdrawn by at least NOK 1,000. The number of days that an asset is considered past due is equal to the account that has been past due for longest.

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
CONSOLIDATED	2019	2018	2019	2018	2019	2018
11–30 days past due	344	349	3	13	4	4
31–90 days past due	167	78	0	0	3	1
More than 90 days past due	248	213	1	9	67	50
Total assets more than 10 days past due	**760**	**641**	**4**	**22**	**74**	**55**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowance	
PARENT COMPANY	2019	2018	2019	2018	2019	2018
11–30 days past due	237	303	3	12	3	3
31–90 days past due	115	65	0	0	3	1
More than 90 days past due	200	190	1	9	65	46
Total assets more than 10 days past due	**552**	**558**	**4**	**21**	**71**	**50**

Credit-impaired assets

An asset is considered credit-impaired if one or more of the following criteria apply:

- At least one of the customer's accounts is more than 90 days past due and the amount overdue is material
- An individually assessed allowance has been made for the customer
- A loss has been realised in relation to the customer
- One or more of the following external indicators applies to the customer:
    - Debt restructuring
    - Insolvency/Bankruptcy

The threshold for considering overdue payments material has been set at NOK 1,000.

Note 8 Credit-impaired assets and debt relief (cont.)

CONSOLIDATED	Gross loans 2019	Gross loans 2018	Guarantees and undrawn credit facilities 2019	Guarantees and undrawn credit facilities 2018	Loss allowance 2019	Loss allowance 2018
More than 90 days past due	248	213	1	9	67	50
Other credit-impaired assets	579	432	206	62	184	164
Total credit-impaired assets	**828**	**645**	**206**	**71**	**250**	**215**
Of which in the retail market	*173*	*149*	*1*	*1*	*17*	*17*
Of which in the corporate and public sector markets	*655*	*496*	*206*	*70*	*233*	*197*

PARENT COMPANY	Gross loans 2019	Gross loans 2018	Guarantees and undrawn credit facilities 2019	Guarantees and undrawn credit facilities 2018	Loss allowance 2019	Loss allowance 2018
More than 90 days past due	200	190	1	9	65	46
Other credit-impaired assets	574	411	206	62	184	167
Total credit-impaired assets	**774**	**601**	**206**	**71**	**248**	**212**
Of which in the retail market	*119*	*113*	*1*	*1*	*15*	*15*
Of which in the corporate and public sector markets	*654*	*488*	*206*	*70*	*233*	*197*

Debt relief

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

CONSOLIDATED	Gross loans 2019	Gross loans 2018	Guarantees and undrawn credit facilities 2019	Guarantees and undrawn credit facilities 2018	Loss allowance 2019	Loss allowance 2018
Loans where debt relief has been granted that are not past due	213	271	7	0	4	8

PARENT COMPANY	Gross loans 2019	Gross loans 2018	Guarantees and undrawn credit facilities 2019	Guarantees and undrawn credit facilities 2018	Loss allowance 2019	Loss allowance 2018
Loans where debt relief has been granted that are not past due	183	257	7	0	4	8

Note 9 Loans by customer groups

CONSOLIDATED	Gross loans 2019	Gross loans 2018	Guarantees and undrawn credit facilities 2019	Guarantees and undrawn credit facilities 2018	Loss allowance 2019	Loss allowance 2018
Wage and salary earners and pensioners	38 221	36 134	3 204	3 042	30	33
Public sector	15	16	105	118	0	0
Farming and forestry	1 548	1 470	171	179	15	5
Fishing and hunting	1 778	1 817	45	52	2	13
Aquaculture and hatcheries	269	206	124	71	0	0
Industry and mining	797	1 015	507	528	33	27
Power/water supply	782	731	119	89	10	10
Building and construction	1 239	1 124	505	492	72	72
Commerce	644	698	242	316	21	15
Transport	318	305	99	120	2	2
Hotel and tourism industry	516	390	25	27	3	2
Services	906	661	138	182	25	17
Property management	4 067	3 813	435	325	117	114
Other	4	50	1	4	0	0
Total	**51 090**	**48 431**	**5 718**	**5 546**	**332**	**309**
Of which in the retail market	*38 221*	*36 134*	*3 204*	*3 042*	*30*	*33*
Of which in the corporate and public sector markets	*12 868*	*12 297*	*2 514*	*2 503*	*302*	*277*

PARENT COMPANY	Gross loans 2019	Gross loans 2018	Guarantees and undrawn credit facilities 2019	Guarantees and undrawn credit facilities 2018	Loss allowance 2019	Loss allowance 2018
Wage and salary earners and pensioners	19 056	18 459	1 668	1 589	20	22
Public sector	15	16	105	118	0	0
Farming and forestry	1 523	1 444	167	175	15	5
Fishing and hunting	1 777	1 812	45	52	2	13
Aquaculture and hatcheries	269	205	124	71	0	0
Industry and mining	793	1 010	507	527	33	27
Power/water supply	782	731	119	89	10	10
Building and construction	1 164	1 053	492	481	72	72
Commerce	619	666	241	315	20	15
Transport	289	283	96	119	2	1
Hotel and tourism industry	512	383	25	27	3	2
Services	822	585	129	174	25	17
Property management	4 036	3 790	434	325	117	114
Other	5	47	1	4	1	0
Total	**31 663**	**30 484**	**4 152**	**4 065**	**322**	**298**
Of which in the retail market	*19 056*	*18 459*	*1 668*	*1 589*	*20*	*22*
Of which in the corporate and public sector markets	*12 607*	*12 025*	*2 484*	*2 476*	*302*	*276*

Note 10 Loans by geographic area

CONSOLIDATED	Gross loans 2019	Gross loans 2018	Percentage of gross loans 2019	Percentage of gross loans 2018
Sogn og Fjordane	33 411	31 379	65,4 %	64,8 %
Hordaland	9 219	8 997	18,0 %	18,6 %
Oslo and Akershus	4 830	4 566	9,5 %	9,4 %
Rest of Norway/international	3 630	3 489	7,1 %	7,2 %
Total gross loans	**51 090**	**48 431**	**100,0 %**	**100,0 %**

PARENT COMPANY	Gross loans 2019	Gross loans 2018	Percentage of gross loans 2019	Percentage of gross loans 2018
Sogn og Fjordane	23 587	22 184	74,5 %	72,8 %
Hordaland	4 256	4 431	13,4 %	14,5 %
Oslo and Akershus	1 774	1 784	5,6 %	5,9 %
Rest of Norway/international	2 046	2 085	6,5 %	6,8 %
Total gross loans	**31 663**	**30 484**	**100,0 %**	**100,0 %**

Note 11 Collateral ratio for loans to customers

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

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

The table below 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	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
No collateral	140	165	509	468	8	9
Collateral ratio of 0–100%	794	709	67	56	2	3
Collateral ratio of 100–150%	25 694	24 325	1 409	1 420	15	17
Collateral ratio of 150–200%	8 687	8 218	843	743	1	1
Collateral ratio of over 200%	2 908	2 717	376	355	5	3
Total for retail market	**38 221**	**36 134**	**3 204**	**3 042**	**30**	**33**

PARENT COMPANY

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
No collateral	140	165	509	468	7	8
Collateral ratio of 0–100%	535	514	50	44	1	2
Collateral ratio of 100–150%	13 895	13 422	681	672	6	8
Collateral ratio of 150–200%	3 539	3 425	295	270	1	1
Collateral ratio of over 200%	947	932	134	134	5	2
Total for retail market	**19 056**	**18 459**	**1 668**	**1 589**	**20**	**22**

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. Credit-impaired assets are allocated to Stage 3, using the same definition of credit-impaired as used for internal risk management, as stated in Note 7. An account shall always be allocated to the highest stage that it qualifies for.

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

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

Individually assessed allowances

Where there is objective evidence that an asset has fallen in value, it is individually assessed for impairment. 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.

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.

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 a credit-impaired asset 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 31/12/2019, 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 3 future scenarios for house prices.

Exposure at default (EAD)

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

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 either the PD on the reporting date is at least twice as high as the expected PD calculated at the recognition date, or the change in PD is greater than two percentage points. In addition, the PD must be higher than 0.75% for it to be considered a significant increase.

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.

Backstop: 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.

Transfer to lower stages

An asset that has been transferred to Stage 2 can be transferred back to Stage 1 if it no longer meets any of the three criteria described above. Assets that are credit-impaired will be transferred from Stage 3 to Stage 1 or 2 when they are no longer identified as credit-impaired. There is no explicit probation period before an asset can be transferred to a lower stage.

Derecognition of loans

A loan is shown as being derecognised in the notes to the financial statements 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 is based on a model developed by the Norwegian Computing Centre, which uses future interest rates and unemployment to estimate future default rates for retail banking customers. The model has been calibrated using national trends in default rates over the period 1993 to 2012.

The macroeconomic parameters in the scenarios are primarily taken from Norges Bank's monetary policy report, and they are updated ahead of each interim report when the latest monetary policy report is published.

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

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

Industry adjustment 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.

Based on factors such as strong forces of centralisation and the difficulties faced by physical retailers, the risk associated with advances to the property sector is expected to increase over the coming years. The Bank has therefore doubled the PD for this industry.

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.

Note 13 Assets classified by IFRS 9 stage

CONSOLIDATED

2019	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.19	35 019	7 730	589	43 338
Transferred to Stage 1	1 884	- 1 848	- 36	0
Transferred to Stage 2	- 1 980	2 010	- 30	0
Transferred to Stage 3	- 91	- 170	260	0
New financial assets issued or acquired	11 862	2 935	179	14 976
Derecognised financial assets	- 8 832	- 1 806	- 109	- 10 747
Other changes	- 1 249	- 146	- 54	- 1 449
Gross loans at amortised cost at 31.12.19	**36 613**	**8 704**	**800**	**46 118**
Loss allowance for loans at amortised cost at 31.12.19	13	59	245	317
Net loans at amortised cost at 31.12.19	**36 601**	**8 645**	**555**	**45 801**
	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.19	**4 024**	**921**	**28**	**4 972**
Loss allowance for loans at fair value at 31.12.19	1	2	2	5
Net loans at fair value at 31.12.19	**4 023**	**919**	**25**	**4 967**
	Trinn 1	Trinn 2	Trinn 3	Total
Total gross loans at 31.12.19	**40 637**	**9 625**	**828**	**51 090**
Of which in the retail market	*32 476*	*5 572*	*173*	*38 221*
Of which in the corporate and public sector markets	*8 161*	*4 052*	*655*	*12 868*
Total loss allowance for loans at 31.12.19	13	61	247	321
Total net loans at 31.12.19	**40 624**	**9 564**	**580**	**50 768**
	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.19	**4 957**	**555**	**206**	**5 718**
Of which in the retail market	*3 092*	*112*	*1*	*3 204*
Of which in the corporate and public sector markets	*1 866*	*443*	*206*	*2 514*
Loss allowance for guarantees and undrawn credit facilities at 31.12.19	2	6	3	11
Net exposure to undrawn credit facilities and guarantees at 31.12.19	**4 956**	**549**	**203**	**5 708**
2018	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.18	33 512	6 866	511	40 889
Transferred to Stage 1	2 534	- 2 513	- 21	0
Transferred to Stage 2	- 3 404	3 410	- 6	0
Transferred to Stage 3	- 73	- 87	160	0
New financial assets issued or acquired	11 146	2 281	99	13 525
Derecognised financial assets	- 8 035	- 2 108	- 173	- 10 315
Other changes	- 661	- 120	20	- 761
Gross loans at amortised cost at 31.12.18	**35 019**	**7 730**	**589**	**43 338**
Loss allowance for loans at amortised cost at 31.12.18	17	68	202	287
Net loans at amortised cost at 31.12.18	**35 002**	**7 662**	**387**	**43 051**
	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.18	**4 051**	**1 021**	**20**	**5 092**
Loss allowance for loans at fair value at 31.12.18	1	2	0	3
Net loans at fair value at 31.12.18	**4 051**	**1 019**	**19**	**5 089**
	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.18	**39 070**	**8 751**	**609**	**48 431**
Of which in the retail market	*30 641*	*5 344*	*149*	*36 134*
Of which in the corporate and public sector markets	*8 430*	*3 407*	*460*	*12 297*
Total loss allowance for loans at 31.12.28	18	70	202	291
Total net loans at 31.12.18	**39 052**	**8 681**	**407**	**48 140**
	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.18	**5 036**	**439**	**71**	**5 546**
Of which in the retail market	2 924	118	1	3 042
Of which in the corporate and public sector markets	2 112	321	70	2 503
Loss allowance for guarantees and undrawn credit facilities at 31.12.18	2	4	12	18
Net exposure to undrawn credit facilities and guarantees at 31.12.18	**5 034**	**435**	**59**	**5 527**

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

PARENT COMPANY

2019	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost and fair value through OCI at 01.01.19	18 690	5 763	487	24 940
Transferred to Stage 1	1 123	- 1 103	- 20	0
Transferred to Stage 2	- 1 207	1 237	- 30	0
Transferred to Stage 3	- 74	- 161	234	0
New financial assets issued or acquired	8 050	2 231	173	10 454
Derecognised financial assets	- 6 954	- 1 357	- 96	- 8 407
Other changes	588	- 715	- 2	- 128
Gross loans at amortised cost and fair value through OCI at 31.12.19	**20 218**	**5 896**	**746**	**26 859**
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.19	9	55	242	306
Net loans at amortised cost and fair value through OCI at 31.12.19	**20 208**	**5 841**	**503**	**26 553**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.19	**3 885**	**891**	**28**	**4 804**
Loss allowance for loans at fair value at 31.12.19	1	2	2	5
Net loans at fair value at 31.12.19	**3 884**	**890**	**25**	**4 800**

	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.19	**24 103**	**6 787**	**774**	**31 663**
Of which in the retail market	*16 157*	*2 780*	*119*	*19 056*
Of which in the corporate and public sector markets	*7 946*	*4 007*	*654*	*12 607*
Total loss allowance for loans at 31.12.19	10	56	245	311
Total net loans at 31.12.19	**24 093**	**6 731**	**529**	**31 352**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.19	**3 404**	**542**	**206**	**4 152**
Of which in the retail market	*1 596*	*72*	*1*	*1 668*
Of which in the corporate and public sector markets	*1 808*	*470*	*206*	*2 484*
Loss allowance for guarantees and undrawn credit facilities at 31.12.19	2	6	3	11
Net exposure to undrawn credit facilities and guarantees at 31.12.19	**3 402**	**537**	**203**	**4 142**

2018	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost and fair value through OCI at 01.01.18	18 690	5 763	487	24 940
Transferred to Stage 1	1 581	- 1 568	- 13	0
Transferred to Stage 2	- 1 880	1 883	- 3	0
Transferred to Stage 3	- 52	- 68	120	0
New financial assets issued or acquired	7 868	1 766	95	9 729
Derecognised financial assets	- 5 943	- 2 347	- 120	- 8 410
Other changes	- 494	- 339	- 35	- 868
Gross loans at amortised cost and fair value through OCI at 31.12.18	**19 771**	**5 091**	**530**	**25 391**
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.18	14	63	200	276
Net loans at amortised cost and fair value through OCI at 31.12.18	**19 757**	**5 027**	**331**	**25 115**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.18	**4 051**	**1 021**	**20**	**5 092**
Loss allowance for loans at fair value at 31.12.18	1	2	0	3
Net loans at fair value at 31.12.18	**4 051**	**1 019**	**19**	**5 089**

	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.18	**23 822**	**6 112**	**550**	**30 484**
Of which in the retail market	*15 495*	*2 850*	*113*	*18 459*
Of which in the corporate and public sector markets	*8 327*	*3 261*	*437*	*12 025*
Total loss allowance for loans at 31.12.18	14	65	200	280
Total net loans at 31.12.18	**23 807**	**6 046**	**350**	**30 204**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.18	**3 601**	**393**	**71**	**4 065**
Of which in the retail market	*1 516*	*72*	*1*	*1 589*
Of which in the corporate and public sector markets	*2 085*	*321*	*70*	*2 476*
Loss allowance for guarantees and undrawn credit facilities at 31.12.18	2	4	12	18
Net exposure to undrawn credit facilities and guarantees at 31.12.18	**3 599**	**389**	**59**	**4 047**

Note 14 Loss allowances classified by IFRS 9 stage

Upon initial recognition, a loan is generally allocated to Stage 1. If its credit risk has increased significantly since initial recognition, it is transferred to Stage 2. Credit-impaired assets are allocated to Stage 3. Where an individually assessed allowance has been made, this takes precedence over the impairment calculated by the model. In the table below, individually assessed allowances are included under Stage 3. See Note 12 for more detailed information about the Company's impairment model under IFRS 9.

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2019

	Stage 1	Stage 2	Stage 3	Total
Loss allowance for loans at amortised cost at 01.01.19	17	68	202	287
Transferred to Stage 1	1	- 15	- 1	- 14
Transferred to Stage 2	- 1	11	- 8	2
Transferred to Stage 3	0	0	4	4
New financial assets issued or acquired	5	21	10	37
Derecognised financial assets	- 7	- 16	- 17	- 40
Changes to model/macroeconomic parameters	0	- 2	0	- 2
Actual losses covered by previous provisions	0	0	- 10	- 10
Other changes	- 3	- 8	65	54
Loss allowance for loans at amortised cost at 31.12.19	**13**	**59**	**245**	**317**
Loss allowance for loans at fair value at 31.12.19	**1**	**2**	**2**	**5**
Total loss allowance for loans at 31.12.19	**13**	**61**	**247**	**321**
Of which in the retail market	*4*	*9*	*17*	*30*
Of which in the corporate and public sector markets	*9*	*52*	*230*	*292*

	Stage 1	Stage 2	Stage 3	Total
Loss allowance for undrawn credit facilities and guarantees at 01.01.19	2	4	12	18
Changes during the reporting period	0	1	- 9	- 8
Loss allowance for undrawn credit facilities and guarantees at 31.12.19	**2**	**6**	**3**	**11**
Of which in the retail market	*0*	*0*	*0*	*1*
Of which in the corporate and public sector markets	*1*	*6*	*3*	*10*

2018

	Stage 1	Stage 2	Stage 3	Total
Loss allowance for loans at amortised cost at 01.01.18	17	110	171	298
Transferred to Stage 1	4	- 22	- 1	- 20
Transferred to Stage 2	- 3	24	0	21
Transferred to Stage 3	0	- 3	31	28
New financial assets issued or acquired	9	18	22	49
Derecognised financial assets	- 6	- 35	- 28	- 68
Changes to model/macroeconomic parameters	- 14	- 22	- 3	- 39
Actual losses covered by previous provisions	0	0	- 27	- 27
Other changes	10	- 2	37	45
Loss allowance for loans at amortised cost at 31.12.18	**17**	**68**	**202**	**287**
Loss allowance for loans at fair value at 31.12.18	**1**	**2**	**0**	**3**
Total loss allowance for loans at 31.12.18	**18**	**70**	**202**	**291**
Of which in the retail market	*5*	*10*	*17*	*32*
Of which in the corporate and public sector markets	*13*	*60*	*185*	*259*

	Stage 1	Stage 2	Stage 3	Total
Loss allowance for undrawn credit facilities and guarantees at 01.01.18	2	6	1	9
Changes during the reporting period	0	- 2	11	9
Loss allowance for undrawn credit facilities and guarantees at 31.12.18	**2**	**4**	**12**	**18**
Of which in the retail market	*0*	*0*	*0*	*1*
Of which in the corporate and public sector markets	*1*	*4*	*12*	*18*

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

PARENT COMPANY

2019	Stage 1	Stage 2	Stage 3	Total
Loss allowance for loans at amortised cost and fair value through OCI at 01.01.19	14	63	200	276
Transferred to Stage 1	1	- 12	0	- 12
Transferred to Stage 2	- 1	9	- 8	0
Transferred to Stage 3	0	0	3	3
New financial assets issued or acquired	4	20	10	34
Derecognised financial assets	- 6	- 16	- 16	- 38
Changes to model/macroeconomic parameters	0	0	0	- 1
Actual losses covered by previous provisions	0	0	- 10	- 10
Other changes	- 2	- 9	65	53
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.19	**9**	**55**	**242**	**306**
Loss allowance for loans at fair value at 31.12.19	**1**	**2**	**2**	**5**
Total loss allowance for loans at 31.12.19	**10**	**56**	**245**	**311**
Of which in the retail market	*1*	*4*	*15*	*20*
Of which in the corporate and public sector markets	*9*	*52*	*230*	*292*

	Stage 1	Stage 2	Stage 3	Total
Loss allowance for undrawn credit facilities and guarantees at 01.01.19	2	4	12	18
Changes during the reporting period	0	1	- 9	- 8
Loss allowance for undrawn credit facilities and guarantees at 31.12.19	**2**	**6**	**3**	**11**
Of which in the retail market	*0*	*0*	*0*	*0*
Of which in the corporate and public sector markets	*2*	*6*	*3*	*11*

2018	Stage 1	Stage 2	Stage 3	Total
Loss allowance for loans at amortised cost and fair value through OCI at 01.01.18	16	106	171	292
Transferred to Stage 1	3	- 16	0	- 13
Transferred to Stage 2	- 2	21	0	19
Transferred to Stage 3	0	- 2	28	26
New financial assets issued or acquired	8	17	23	48
Derecognised financial assets	- 6	- 36	- 28	- 70
Changes to model/macroeconomic parameters	- 13	- 22	- 3	- 38
Actual losses covered by previous provisions	0	0	- 27	- 27
Other changes	8	- 5	36	39
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.18	**14**	**63**	**200**	**276**
Loss allowance for loans at fair value at 31.12.18	**1**	**2**	**0**	**3**
Total loss allowance for loans at 31.12.18	**14**	**65**	**200**	**280**
Of which in the retail market	*1*	*5*	*15*	*21*
Of which in the corporate and public sector markets	*13*	*60*	*185*	*258*

	Stage 1	Stage 2	Stage 3	Total
Loss allowance for undrawn credit facilities and guarantees at 01.01.18	2	6	1	9
Changes during the reporting period	0	- 2	11	9
Loss allowance for undrawn credit facilities and guarantees at 31.12.18	**2**	**4**	**12**	**18**
Of which in the retail market	*0*	*0*	*0*	*1*
Of which in the corporate and public sector markets	*1*	*4*	*12*	*18*

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 31/12/2019, the outstanding balance for assets with a realised loss that were still being pursued was the same for the parent company and the Group.

	31.12.19	31.12.18
Outstanding balance for assets with a realised loss still being pursued	135	165

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

	31.12.19	31.12.18
Increase/reduction in individually assessed allowances	54	45
Increase/reduction in model-based expected credit losses	– 26	– 39
Losses realised during period for which a loss allowance had previously been made	10	16
Losses realised during period for which a loss allowance had not previously been made	5	1
Recoveries against previous years' realised losses	– 2	– 7
Impairment loss for the period	**40**	**16**

Note 16 Macroeconomic scenarios in the impairment model under IFRS 9

Expected credit losses are calculated using three macroeconomic scenarios, which involve projecting the key policy rate, unemployment rate, oil price, consumer price index and house prices five years into the future in order to calculate the future PD and LGD. Scenario 1 reflects the expectations set out in Norges Bank's monetary policy report. In addition, there is an optimistic macroeconomic scenario (scenario 2) where the Norwegian economy grows more quickly 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 31.12.19.

	Projected parameters after 5 years						
	Key policy rate (level)	Unemployment rate (level)	House prices (annual growth)	Oil price (level)	Consumer price index (annual growth)	Weighting of the scenarios	Change in expected credit losses if scenario were given a 100% weighting
Scenario 1: Base macroeconomic scenario	1,55	3,58	3,26 %	511	2,19 %	50 %	– 4
Scenario 2: Optimistic macroeconomic scenario	2,65	3,28	5,06 %	661	3,10 %	25 %	– 7
Scenario 3: Pessimistic macroeconomic scenario	0,46	4,18	– 0,74 %	361	1,29 %	25 %	15

Sensitivity analysis for macroeconomic parameters

The table below shows how the individual macroeconomic parameters affect expected credit losses, by analysing the impact on losses if the parameters in all of the scenarios were to shift up or down by an amount equivalent to 10% of the parameter's value after 5 years in the base macroeconomic scenario. If the future key policy rate were 10% higher than the one used in the table above, expected credit losses would increase by NOK 2 million. This would reduce the Bank's pre-tax profit for the year to 31/12/2019 by NOK 2 million.

	Change in macroeconomic parameter	Change in expected credit losses
Key policy rate	– 10 %	– 2
	+ 10 %	2
Unemployment	– 10 %	– 6
	+ 10 %	7
Oil price	– 10 %	1
	+ 10 %	– 1
Consumer price index	– 10 %	0
	+ 10 %	0
House prices	– 10 %	1
	+ 10 %	– 1

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

PARENT COMPANY			CONSOLIDATED	
2018	2019	**Loans and advances to credit institutions/central banks**	2019	2018
1 500	578	Sight loans and advances	558	167
1 133	1 165	Loans and advances with an agreed maturity or notice period	30	3
2 633	**1 743**	**Total loans and advances to credit institutions, measured at amortised cost**	**588**	**170**
		Debt to credit institutions		
82	356	Sight loans and advances from credit institutions	7	10
0	0	Loans and advances from credit institutions with an agreed maturity or notice period	0	0
82	**356**	**Total debt to credit institutions, measured at amortised cost**	**7**	**10**
		Term to maturity		
		Remaining term to maturity of debt to credit institutions		
82	356	Payable on request/less than one month	7	10
0	0	1–3 months	0	0
0	0	3 months–1 year	0	0
0	0	1–5 years	0	0
82	**356**	**Total**	**7**	**10**

Note 18 Market risk

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

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

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

Financial capital 99.95%	2019	2018
Interest rate risk	11,9	3,5
Equity risk	88,6	87,7
Currency risk	9,8	26,5
Total	**110,3**	**117,7**

Note 19 Liquidity risk

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Liquidity risk – remaining term at 31.12.19	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Perpetual loans	Total
Debt to credit institutions	7	0	0	0	0	0	7
Deposits from/debt to customers	25 408	2 153	944	126	0	0	28 631
Debt securities in issue	1 279	728	3 563	16 950	3 740	0	26 261
Non interest-bearing debt	0	66	109	0	0	168	344
Subordinated debt instruments	2	7	32	855	203	0	1 099
Unused credit facilities and loans not yet drawn	5 601	0	0	0	0	0	5 601
Financial derivatives, gross payments *)	831	843	424	768	642	0	3 509
Total payments	**33 129**	**3 798**	**5 071**	**18 700**	**4 586**	**168**	**65 452**
**) Financial derivatives, gross receipts*	*832*	*854*	*436*	*747*	*633*	*0*	*3 503*
Financial derivatives, net (negative figure implies net receipts)	*0*	*- 11*	*- 12*	*21*	*8*	*0*	*6*

Liquidity risk – remaining term at 31.12.18	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Perpetual loans	Total
Debt to credit institutions	10	0	0	0	0	0	10
Deposits from/debt to customers	24 147	2 143	853	48	0	0	27 190
Debt securities in issue	72	229	2 559	16 204	3 124	0	22 187
Non interest-bearing debt	0	142	0	0	0	26	168
Subordinated debt instruments	0	192	223	521	203	0	1 140
Unused credit facilities and loans not yet drawn	5 262	0	0	0	0	0	5 262
Financial derivatives, gross payments *)	694	787	700	521	328	0	3 029
Total payments	**30 184**	**3 493**	**4 335**	**17 294**	**3 655**	**26**	**58 986**
**) Financial derivatives, gross receipts*	*687*	*764*	*743*	*532*	*376*	*0*	*3 102*
Financial derivatives, net (negative figure implies net receipts)	*7*	*23*	*- 43*	*- 12*	*48*	*0*	*- 73*

Note 19 Liquidity risk (cont.)

PARENT COMPANY

Liquidity risk – remaining term at 31.12.19	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Perpetual loans	Total
Debt to credit institutions	356	0	0	0	0	0	356
Deposits from/debt to customers	25 439	2 153	944	126	0	0	28 662
Debt securities in issue	11	671	1 037	6 055	410	0	8 183
Non interest-bearing debt	0	44	81	0	0	202	327
Subordinated debt instruments	2	7	32	855	203	0	1 099
Unused credit facilities and loans not yet drawn	4 036	0	0	0	0	0	4 036
Financial derivatives, gross payments *)	828	838	398	650	564	0	3 278
Total payments	**30 671**	**3 712**	**2 491**	**7 686**	**1 177**	**202**	**45 940**
**) Financial derivatives, gross receipts*	*829*	*848*	*412*	*647*	*570*	*0*	*3 306*
Financial derivatives, net (negative figure implies net receipts)	*0*	*- 11*	*- 14*	*3*	*- 6*	*0*	*- 28*

Liquidity risk – remaining term at 31.12.18	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Perpetual loans	Total
Debt to credit institutions	82	0	0	0	0	0	82
Deposits from/debt to customers	24 193	2 143	853	48	0	0	27 236
Debt securities in issue	62	179	1 263	5 602	420	0	7 525
Non interest-bearing debt	0	96,9	0	0	0	25	122
Subordinated debt instruments	0	192	223	521	203	0	1 140
Unused credit facilities and loans not yet drawn	3 781	0	0	0	0	0	3 781
Financial derivatives, gross payments *)	694	785	694	480	252	0	2 904
Total payments	**28 812**	**3 396**	**3 032**	**6 650**	**874**	**25**	**42 790**
**) Financial derivatives, gross receipts*	*687*	*764*	*730*	*467*	*254*	*0*	*2 902*
Financial derivatives, net (negative figure implies net receipts)	*7*	*21*	*- 36*	*13*	*- 2*	*0*	*2*

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 frameworks that limit 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	
2018	2019	**Interest income**	2019	2018
29	42	Loans and advances to credit institutions, measured at amortised cost	6	3
557	597	Loans and advances to customers, measured at amortised cost	1 484	1 275
283	347	Loans and advances to customers at fair value through OCI	0	0
143	142	Loans and advances to customers, measured at fair value	145	143
77	113	Interest-bearing securities, measured at fair value	92	69
50	74	Other interest income	73	49
1 139	**1 315**	**Total interest income**	**1 799**	**1 539**
		Interest expenses		
4	5	Debt to credit institutions, measured at amortised cost	1	0
224	273	Customer deposits/advances, measured at amortised cost	273	224
21	29	Customer deposits/advances, measured at fair value	29	21
49	83	Debt securities in issue, measured at amortised cost	360	255
96	78	Debt securities in issue, measured at fair value	96	103
16	22	Subordinated debt, measured at amortised cost	22	16
5	5	Derivatives, measured at fair value	1	3
36	55	Other interest expenses	54	36
19	23	Contribution to the Norwegian Banks' Guarantee Fund and crisis management fee	26	19
470	**573**	**Total interest expenses**	**861**	**677**
669	**742**	**Net interest income**	**938**	**862**

Note 21 Net commission income

PARENT COMPANY			CONSOLIDATED	
2018	2019		2019	2018
53	69	Payment services	69	53
21	15	Securities services	15	21
13	13	Guarantee commissions	13	13
8	6	Currency services and international payments	6	8
12	14	Insurance services	14	12
10	12	Other commission income	14	12
116	**129**	**Total commission income**	**132**	**118**
1	2	Interbank fees	7	1
13	20	Payment services	14	13
14	**21**	**Total commission expenses**	**21**	**14**
102	**108**	**Net commission income**	**110**	**104**

Note 22 Net gains/losses on financial instruments

PARENT COMPANY			CONSOLIDATED	
2018	2019		2019	2018
13	13	Net gains/losses on foreign currency	13	13
4	19	Net gains/losses on financial derivatives	- 10	7
- 32	4	Net gains/losses on loans measured at fair value	3	- 32
- 1	1	Net gains/losses on deposits measured at fair value	1	- 1
- 10	9	Net gains/losses on commercial paper and bonds	5	- 12
207	250	Net gains/losses on shares	93	52
38	15	Net gains/losses on financial liabilities	42	35
218	**311**	**Net gains/losses on financial instruments measured at fair value**	**147**	**61**

Note 23 Other income

PARENT COMPANY			CONSOLIDATED	
2018	2019		2019	2018
2	2	Income from property	1	1
1	1	Estate agency	29	31
8	8	Other operating income	2	3
11	**11**	**Total other income**	**32**	**34**

Note 24 Operating expenses

PARENT COMPANY 2018	PARENT COMPANY 2019		CONSOLIDATED 2019	CONSOLIDATED 2018
151	160	Ordinary wages, salaries, fees, etc.	173	164
21	22	Pension expenses	24	22
34	36	Employer's NI contributions	37	35
9	11	Other staff-related expenses	12	10
215	**228**	**Total wages, salaries, etc.**	**246**	**232**
102	112	IT expenses	114	104
12	13	Marketing	21	18
7	7	Postage, cash transport and telecommunications	7	7
7	10	Office supplies, plastic cards, journals, etc.	10	7
6	7	Travel and training costs	7	7
0	0	Agency fees	1	0
134	**150**	**Total administration expenses**	**161**	**144**
15	16	Rent	8	7
0	- 15	Rent on IFRS 16 leases	- 7	0
9	9	Property expenses	9	9
2	2	Auditor's fee	3	3
3	3	External consultants	2	3
3	5	Vipps transaction costs	5	3
13	14	Other operating expenses	18	17
46	**34**	**Other expenses**	**38**	**41**
179	**184**	**Total other expenses**	**199**	**185**
40	38	Depreciation of fixed assets and intangible assets	41	43
0	14	Depreciation of IFRS 16 leases	7	0
40	**52**	**Depreciation and impairment of fixed assets and intangible assets**	**47**	**43**
435	**464**	**Total operating expenses**	**492**	**460**

Note 25 Pension liabilities

General

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

1. Defined contribution scheme

Sparebanken Sogn og Fjordane has a defined contribution pension scheme. The Group's contributions are 7% of ordinary wages up to 7.1 times the National Insurance Scheme's basic amount "G", and 15% of ordinary wages between 7.1 and 12 times "G". The contributions are paid into a defined contribution pension scheme provided by an insurance company. Employees are free to choose when they want to start receiving their pension, but it cannot be before they turn 62 or after they turn 75. The normal payout period is ten years. The pension contributions plus the accumulated return on them, less management fees, are the property of the individual employee, and pension funds can be inherited if the employee dies before his or her fund has been paid out. The defined contribution pension scheme is not included on the balance sheet. The pension expense for this scheme was NOK 12.9 million in 2019, excluding employer's national insurance contributions. The estimated expense for 2020 is NOK 13.8 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 Sparebanken Sogn og Fjordane had maintained the defined benefit scheme.

Note 25 Pension liabilities (cont.)

The compensation scheme is a separate defined contribution scheme (Norw.: driftspensjon) that was established on 1 June 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. The total pension liability at 31/12/2019 was NOK 21.0 million excluding employer's NI contributions. The total expense for 2019 was NOK 6.5 million excluding employer's NI contributions and it is expected to be NOK 6.5 million for 2020.

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 2019 the premium was 2.5% of salary between 1G and 7.1G, which was unchanged from 2018. The total cost of the scheme in 2019 was NOK 3.7 million, and we estimate that the cost next year will be NOK 4.0 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 10.1 million of the Bank's pension liabilities at 31/12/2019 related to this pension.

5. Agreement with current CEO (funded)
The current CEO took up his position on 1 April 2016. He is covered by the Group's normal pension schemes, as well as having a supplementary defined contribution scheme and disability pension. Under the agreement for the supplementary defined contribution scheme, the Bank pays an annual pension contribution equivalent to 25% of his basic salary. In order to reduce financial risk and simplify the accounting arrangements, the Bank invests an amount equivalent to the pension contributions in unit trusts through an asset management firm. The supplementary disability pension entitles him to a disability pension equivalent to 70% of his basic salary over and above 12G. The disability pension becomes payable if he is incapable of work for more than 12 months and runs until the month in which he turns 67. The disability pension benefits are guaranteed through insurance premiums paid to an insurance company. The cost of the CEO's pension schemes is shown in Note 26.

Economic assumptions
The Bank used the Norwegian Accounting Standards Board's assumptions as at 31/12/2019 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.

Note 25 Pension liabilities (cont.)

CONSOLIDATED

Economic assumptions	2019	2018
Discount rate	1,80 %	2,60 %
Expected rate of return on assets	1,80 %	2,60 %
Wage increases	2,25 %	2,75 %
Adjustment of the National Insurance Scheme's basic amount "G"	2,00 %	2,50 %
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 FIGURES STATED IN 000S OF NOK

Breakdown of net pension expense recognised in income statement based on actuarial estimates

	2019	2018
Curtailment/settlement of DBO	0	– 13
Settlement of pension fund assets	0	14
Net curtailment/settlement incl. NICs	**0**	**1**
Interest expense/(income) on net liabilities	0	1
Net interest expense/(income)	**0**	**0**
et pension expense/(income) for the period based on actuarial estimates	**0**	**1**
Expenses, other pension schemes		
Defined contribution scheme (DNB Liv)	13	12
Compensatory pension (unfunded)	7	7
AFP contributions and other pension schemes	4	3
Net pension cost	**23**	**22**

CONSOLIDATED

PENSION LIABILITIES ON THE BALANCE SHEET	31.12.19	31.12.18
Opening balance	10	23
Pension benefits paid	– 1	– 1
Interest expenses	0	0
Conversion to defined contribution scheme 1 June 2016	0	– 13
Remeasurements	1	0
Total actuarial liabilities at 31 Dec.	**10**	**10**
Compensatory pension at 31 Dec.	21	16
Total pension liabilities at 31 Dec. incl. compensatory pension	**31**	**26**

PENSION FUND ASSETS	31.12.19	31.12.18
Opening balance	0	13
Expected rate of return on assets	0	0
Remeasurements	0	0
Pension contributions	0	0
Conversion to defined contribution scheme (residual liability)	0	– 14
Pension benefits paid	0	0
Closing balance of pension fund assets at 31 Dec.	**0**	**0**
Net pension liabilities (pension liabilities – pension fund assets)	**31**	**26**

Note 26 Wages, salaries, etc.

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

FIGURES IN 000S OF NOK

The Board of Sparebanken Sogn og Fjordane	Fees	Salary	Benefits in kind	Total compen-sation	Out-standing loans at 31.12.19	Accrued pension expense*
Sindre Kvalheim, Board member, Chair since 27.03.19	176	0	2	177	4 264	0
Hallgeir Kleppe, Chair until 27.03.19	79	0	1	80	15 314	0
Ingelise Arntsen, Deputy Chair	137	0	0	137	0	0
Heidi Grande Røys, member	104	0	0	104	39	0
Jonny Haugsbakk, member since 27.03.19	72	0	1	72	0	0
Geir Opseth, deputy member, full member since 11.06.19	102	0	0	102	4 194	0
Lise Mari Haugen, member	100	0	0	100	4 536	0
Magny Øvrebø, member since 27.03.19	72	0	0	72	0	0
Inge Jan Henjesand, member until 27.03.19	29	0	0	29	0	0
Marie Heieren, employee representative	134	636	17	787	3 421	0
Jo Dale Pedersen, employee representative	118	751	15	884	1 798	0
Total for Board of Directors	**1 121**	**1 387**	**37**	**2 545**	**33 566**	**0**

Senior management	Fees	Salary	Benefits in kind	Total compen-sation	Out-standing loans at 31.12.19	Accrued pension expense*
Trond Teigene, CEO	0	2 659	249	2 908	1 704	954
Frode Vasseth, CFO	0	1 220	134	1 354	2 125	178
Kjetil Bjørset, Corporate Banking Director	0	1 171	160	1 330	810	312
Linda Marie Vøllestad Westbye, Retail Banking Director	0	1 026	172	1 199	10 225	103
Gro Skrede Mardal, Director of Credit Management	0	951	154	1 105	1 652	153
Reiel Haugland, CTO	0	1 035	155	1 189	3 797	125
Eirik Rostad Ness, HR Director	0	1 070	13	1 083	1 177	123
Total for senior management	**0**	**9 132**	**1 036**	**10 168**	**21 490**	**1 949**

* 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	**256**			**256**	**10 654**	
Total loans to other employees					**498 106**	

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

Details of variable compensation for managers
No directors, committee members or managers are entitled to variable compensation on terms that are better than those that apply to all of the Bank's employees, and the terms should not provide incentives for taking risks. The senior management team is covered by the normal bonus scheme for employees at the Bank.
The bonus scheme is based on the financial performance of the Group, and has a ceiling of NOK 30,000 per full-time employee per year. In 2019 NOK 23,000 of bonus was paid out, and it is included under "Salary" in the table above.

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.

FIGURES IN 000S OF NOK

PARENT COMPANY			CONSOLIDATED	
2018	2019	**WAGES, SALARIES, ETC.**	2019	2018
150 248	160 116	Wages, salaries and other cash benefits	172 784	162 866
1 220	1 382	Directors' and AGM delegates fees	1 415	1 253
20 972	21 577	Pension expenses	23 343	22 489
33 571	35 679	Employer's NI contributions	37 757	35 488
8 983	9 537	Other social security costs	10 487	9 934
214 994	**228 291**	**Total**	**245 785**	**232 029**

2018	2019	**AUDITOR'S FEES**	2019	2018
644	653	Statutory audits*	758	778
		Other services not related to auditing:		
0	0	– inspection of Bustadkreditt Sogn og Fjordane AS	116	98
0	10	– other	23	0
644	**663**	**Total**	**896**	**876**

* NOK 20,000 of this is exclusive of VAT (consolidated); other fees include VAT.

		INTERNAL AUDITOR'S FEES		
1 256	1 542	Internal auditing	1 542	1 256
0	257	Temporary cover	257	0
2 613	1 587	Other services	1 587	2 622
3 869	**3 385**	**Total**	**3 385**	**3 878**

Fees include VAT.

Note 27 Tax expense

PARENT COMPANY			CONSOLIDATED	
2018	2019	**Tax expense**	2019	2018
96	86	Tax payable on taxable income	131	141
0	0	Shortfall (+)/surplus (-) calculated last year	0	- 2
- 13	14	Changes to deferred tax	10	- 15
83	**101**	**Tax payable on income**	**141**	**125**
1	1	Tax payable on assets	1	1
84	**102**	**Tax expense**	**142**	**126**
		Reconciliation of nominal and actual tax rates		
554	667	Profit for the year before tax	696	585
138	167	Estimated income tax based on nominal tax rate (25%)/(22%)	174	146
		Tax impact of the following items:		
0	0	Shortfall/surplus calculated in previous years	0	- 2
0	0	Non-deductible expenses	0	0
- 13	- 37	Other permanent differences related to shares	- 37	- 13
- 39	- 39	Dividends from companies in Group	0	0
- 4	10	Other differences	4	- 6
83	**101**	**Tax payable on income**	**141**	**126**
15,0 %	**15,1 %**	**Effective tax rate**	**20,3 %**	**21,5 %**
		Change in capitalised deferred tax assets/(liabilities)		
0	14	Deferred tax assets/(liabilities) at 1 January	4	- 11
13	- 14	Change recognised in profit or loss	- 10	13
2	0	Other changes	0	2
14	**0**	**Deferred tax assets/(liabilities) at 31 December**	**- 5**	**4**
		Deferred tax assets and deferred tax liabilities on the balance sheet relate to the following temporary differences		
8	9	Fixed assets	4	4
2	0	Implementation of IFRS9	0	0
- 3	- 17	Financial instruments	- 15	- 3
7	9	Net pension liabilities	9	7
0	0	Other differences	- 3	- 4
14	**0**	**Net deferred tax assets/(liabilities)**	**- 5**	**4**
		Deferred tax in the income statement relates to the following temporary differences		
0	0	Fixed assets	0	0
- 12	- 14	Financial instruments	- 13	- 13
- 2	2	Net pension liabilities	2	- 2
1	- 2	Other differences	1	0
- 13	**- 14**	**Changes in deferred tax through income statement**	**- 10**	**- 15**

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

The parent company's tax rate for tax payable and deferred tax was 25% at 31/12/2019. For subsidiaries the tax rate was 22% at 31/12/2019, both for tax payable and deferred tax.

Note 28 Fair value of financial instruments

Method used to calculate fair value of financial instruments

Financial instruments 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 written down is determined by discounting future cash flows using the internal rate of return based on market conditions for equivalent loans that have not been written down. 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 the provisions. Mortgaged assets are measured at fair value, cf. Note 1 "Accounting principles".

CONSOLIDATED	Carrying amount 31.12.19	Fair value 31.12.19	Carrying amount 31.12.18	Fair value 31.12.18
ASSETS				
Cash and cash equivalents	**25**	**25**	**26**	**26**
Loans and advances to credit institutions/central banks, measured at amortised cost	**588**	**588**	**170**	**170**
Loans to customers measured at amortised cost	45 801	45 801	43 051	43 051
Loans to customers measured at fair value	4 967	4 967	5 089	5 089
Loans to customers	**50 768**	**50 768**	**48 140**	**48 140**
Commercial paper and bonds measured at fair value	**5 391**	**5 391**	**4 972**	**4 972**
Derivatives	118	118	123	123
Derivatives used as hedging instruments	17	17	7	7
Total derivatives	**135**	**135**	**130**	**130**
Shares	**579**	**579**	**513**	**513**
Total	**57 486**	**57 486**	**53 951**	**53 951**

Note 28 Fair value of financial instruments (cont.)

CONSOLIDATED LIABILITIES	Carrying amount 31.12.19	Fair value 31.12.19	Carrying amount 31.12.18	Fair value 31.12.18
Debt to credit institutions at amortised cost	**7**	**7**	**10**	**10**
Deposits from and debt to customers at amortised cost	26 822	26 822	25 685	25 685
Deposits from and debt to customers at fair value	1 776	1 776	1 506	1 506
Deposits from and debt to customers	**28 598**	**28 598**	**27 190**	**27 190**
Debt securities in issue at amortised cost	17 118	17 202	16 831	16 891
Debt securities measured at fair value	3 584	3 584	3 548	3 548
Debt securities in issue used as hedging instruments	1 964	1 964	508	508
Debt securities in issue	**22 666**	**22 750**	**20 888**	**20 948**
Derivatives	68	68	103	103
Derivatives used as hedging instruments	56	56	0	0
Total derivatives	**124**	**124**	**103**	**103**
Subordinated debt instruments	**602**	**602**	**787**	**787**
Total	**51 998**	**52 081**	**48 978**	**49 038**
Off balance sheet obligations and guarantees				
Obligations	0	0	0	0
Guarantees	1 022	1 022	1 017	1 017
Mortgages **)	1 868	1 868	2 014	2 014

**) Mortgaged assets include bonds and commercial paper mortgaged with Norges Bank as security for access to loans from, and a credit facility with, Norges Bank.

PARENT COMPANY ASSETS	Carrying amount 31.12.19	Fair value 31.12.19	Carrying amount 31.12.18	Fair value 31.12.18
Cash and cash equivalents	**25**	**25**	**26**	**26**
Loans and advances to credit institutions/central banks, measured at amortised cost	**1 743**	**1 743**	**2 633**	**2 633**
Loans to customers measured at amortised cost	14 552	14 552	13 954	13 954
Loans to customers measured at fair value	4 800	4 800	5 089	5 089
Loans to customers measured at fair value through OCI	12 001	12 001	11 161	11 161
Loans to customers	**31 352**	**31 352**	**30 204**	**30 204**
Commercial paper and bonds measured at fair value	**7 134**	**7 134**	**5 310**	**5 310**
Derivatives	**192**	**192**	**131**	**131**
Shares	**579**	**579**	**513**	**513**
Total	**41 024**	**41 024**	**38 817**	**38 817**

Note 28 Fair value of financial instruments (cont.)

PARENT COMPANY	Carrying amount 31.12.19	Fair value 31.12.19	Carrying amount 31.12.18	Fair value 31.12.18
LIABILITIES				
Debt to credit institutions at amortised cost	**356**	**356**	**82**	**82**
Deposits from and debt to customers at amortised cost	26 854	26 822	25 730	25 730
Deposits from and debt to customers at fair value	1 776	1 776	1 506	1 506
Deposits from and debt to customers	**28 629**	**28 598**	**27 236**	**27 236**
Debt securities in issue at amortised cost	4 195	4 204	3 667	3 662
Debt securities measured at fair value	3 584	3 584	3 549	3 549
Debt securities in issue	**7 779**	**7 788**	**7 216**	**7 211**
Derivatives	**142**	**142**	**111**	**111**
Subordinated debt instruments	**602**	**602**	**787**	**787**
Total	**37 507**	**37 485**	**35 431**	**35 426**
Off balance sheet obligations and guarantees				
Obligations	0	0	0	0
Guarantees	1 022	1 022	1 017	1 017
Mortgages **)	1 868	1 868	2 014	2 014

**) Mortgaged assets include bonds and commercial paper mortgaged with Norges Bank as security for access to loans from, and a credit facility with, Norges Bank.

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 FIGURES, 2019	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	0	0	4 967	**4 967**
Interest-bearing securities measured at fair value	558	4 833	0	**5 391**
Derivatives	0	118	0	**118**
Derivatives used as hedging instruments	0	17	0	**17**
Shares	0	49	530	**579**
Total financial assets measured at fair value	**558**	**5 017**	**5 479**	**11 073**
Deposits from and debt to customers at fair value	0	0	1 776	**1 776**
Debt securities measured at fair value	0	3 584	0	**3 584**
Debt securities in issue used as hedging instruments	0	1 964	0	**1 964**
Derivatives	0	68	0	**68**
Derivatives used as hedging instruments	0	56	0	**56**
Total financial liabilities measured at fair value	**0**	**5 672**	**1 776**	**7 448**

CONSOLIDATED FIGURES 2018	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	0	0	5 089	**5 089**
Interest-bearing securities measured at fair value	263	4 708	0	**4 971**
Derivatives	0	123	0	**123**
Derivatives used as hedging instruments	0	7	0	**7**
Shares	0	231	282	**513**
Total financial assets measured at fair value	**263**	**5 069**	**5 371**	**10 703**
Deposits from and debt to customers at fair value	0	0	1 506	**1 506**
Debt securities measured at fair value	0	3 548	0	**3 548**
Debt securities in issue used as hedging instruments	0	508	0	**508**
Derivatives	0	103	0	**103**
Total financial liabilities measured at fair value	**0**	**4 159**	**1 506**	**5 665**

Note 28 Fair value of financial instruments (cont.)

PARENT COMPANY, 2019	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	0	0	4 800	**4 800**
Loans to customers measured at fair value through OCI	0	0	12 001	**12 001**
Interest-bearing securities measured at fair value	548	6 586	0	**7 134**
Derivatives	0	192	0	**192**
Shares	0	49	530	**579**
Total financial assets measured at fair value	**548**	**6 827**	**17 330**	**24 705**
Deposits from and debt to customers at fair value	0	0	1 776	**1 776**
Debt securities measured at fair value	0	3 584	0	**3 584**
Derivatives	0	142	0	**142**
Total financial liabilities measured at fair value	**0**	**3 726**	**1 776**	**5 501**

PARENT COMPANY, 2018	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	0	0	5 089	**5 089**
Loans to customers measured at fair value through OCI	0	0	11 161	**11 161**
Interest-bearing securities measured at fair value	263	5 046	0	**5 310**
Derivatives	0	131	0	**131**
Shares	0	231	282	**513**
Total financial assets measured at fair value	**263**	**5 408**	**16 532**	**22 204**
Deposits from and debt to customers at fair value	0	0	1 506	**1 506**
Debt securities measured at fair value	0	3 549	0	**3 549**
Derivatives	0	111	0	**111**
Total financial liabilities measured at fair value	**0**	**3 660**	**1 506**	**5 166**

Breakdown of changes in level 3 in 2019

CONSOLIDATED	Loans to customers	Shares	Deposits from and debt to customers
Opening balance	5 089	282	1 506
Gains or losses	3	28	– 1
through profit or loss	0	0	0
recognised in equity	0	0	0
Net acquisitions/redemptions during the period	– 125	0	271
Moved into level 3	0	269	0
Moved out of level 3	0	– 49	0
Closing balance	**4 967**	**530**	**1 776**

PARENT COMPANY	Loans to customers	Loans to customers through OCI	Shares	Deposits from and debt to customers
Opening balance	5 089	11 616	282	1 506
Gains or losses	4	0	28	– 1
through profit or loss	0	0	0	0
recognised in equity	0	0	0	0
Net acquisitions/redemptions during the period	– 293	385	0	271
Moved into level 3	0	0	269	0
Moved out of level 3	0	0	– 49	0
Closing balance	**4 800**	**12 001**	**530**	**1 776**

Note 28 Fair value of financial instruments (cont.)

Loans to customers and customer deposits measured at fair value comprise fixed-rate loans and deposits. The acquisitions/purchases or sales/redemptions shown for the period represent the net change excluding changes in market value. Fixed-rate deposits and fixed-rate loans are valued based on discounted cash flows. The discount rate that we use is supposed to represent the interest rate on an equivalent new product issued at the reporting date, with the same term and cash flow. To help us value retail loans, we use the fixed rates offered by a representative sample of our competitors. For corporate loans we use our own model for those products, which is not an observable value to outsiders.

Sensitivity analysis, level 3
For fixed-rate deposits the average remaining term is approx. 0.54 years. Using a simple duration-based approach, a 1 percentage point fall in interest rates will increase the value of our fixed-rate deposits by approx. NOK 9.5 million. For fixed-rate loans the weighted average remaining term is approx. 2.7 years. The discount rate depends on the remaining term of the loan. At 31/12/2019, the discount rate for residential mortgage loans with a remaining term of three years was 2.86%. Calculated simply, a 1 percentage point rise in the discount rate will reduce the value of our fixed-rate loans by approx. NOK 132 million.

Shares defined as level 3 assets are not listed on a stock exchange, have no known transactions and are shares for which the Bank has no observable assets that can be used for valuation purposes. In such cases we use our own valuations based on discounted cash flows or an analysis of key figures. For companies valued using a cash flow model, a required rate of return on equity of 9.48% 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 59 million.

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

PARENT COMPANY 2018	PARENT COMPANY 2019		CONSOLIDATED 2019	CONSOLIDATED 2018
260	548	Government and state-owned enterprises	558	270
681	626	Municipal and mun. auth. backed bonds/comm. paper	647	702
3 989	5 634	Covered bonds	3 860	3 620
309	253	Fin. inst., other bonds/commercial paper	253	309
71	72	Other bonds/commercial paper	72	71
5 310	**7 134**	**Total securities at fair value**	**5 391**	**4 972**
5 249	7 072	Stock exchange listed securities	5 329	4 911
61	62	Unlisted securities	62	61
5 310	**7 134**	**Total**	**5 391**	**4 972**
0,15	**0,23**	Modified duration (years)	**0,24**	**0,16**
1,87	**1,96**	Weighted average effective interest rate	**1,89**	**1,86**

Maturity structure of investments in bonds and commercial paper

PARENT COMPANY Carrying amount 2018	PARENT COMPANY Carrying amount 2019	PARENT COMPANY Face value 2019	Maturity year	CONSOLIDATED Face value 2019	CONSOLIDATED Carrying amount 2019	CONSOLIDATED Carrying amount 2018
957	0	0	**2019**	0	0	967
1 461	2 735	2 730	**2020**	1 165	1 169	1 461
735	1 105	1 093	**2021**	1 173	1 186	816
516	819	808	**2022**	808	819	516
940	1 241	1 221	**2023**	1 241	1 262	961
550	604	599	**2024**	599	604	101
150	630	625	**2025**	350	352	150
5 310	**7 134**	**7 076**	**Total**	**5 336**	**5 391**	**4 972**

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.

At least 60% of the Bank's investments in securities shall have a rating of AAA/government-backed and a maximum of 40% shall have an AA rating.
At 31/12/2019, over 99% 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.

	2019 Total nominal values	2019 Positive market value	2019 Negative market value	2018 Total nominal values	2018 Positive market value	2018 Negative market value
Interest rate contracts						
Swaps	12 032	95	116	9 907	90	63
Total interest rate contracts	**12 032**	**95**	**116**	**9 907**	**90**	**63**
Foreign exchange contracts						
Foreign exchange contracts	1 847	40	8	2 014	40	40
Total foreign exchange contracts	**1 847**	**40**	**8**	**2 014**	**40**	**40**
Total financial derivatives	**13 879**	**135**	**124**	**11 921**	**130**	**103**

Note 31 Shares

PARENT COMPANY 2018	2019		CONSOLIDATED 2019	2018
		Shares measured at fair value		
4	2	Stock exchange listed shares	2	4
509	577	Unlisted shares	577	509
513	**579**	**Total shares measured at fair value**	**579**	**513**

2019

FIGURES IN 000S OF NOK

Breakdown of shares		
Shares measured at fair value	Number of shares	Market value/ carrying amount
Financial institutions, listed		
Visa Inc.	1 132	1 867
Financial institutions, listed		**1 867**
Financial institutions, unlisted		
Frende Holding AS	676 000	269 200
Sparebanken 1 Midt-Norge Finans AS	6 181	84 232
Eksportfinans ASA	3 478	72 531
Eiendomskreditt AS	348 955	42 496
Eikagruppen	113 674	16 483
Balder Betaling AS	2 109 121	49 421
Kredittforeningen for Sparebanker	3 220	3 845
Visa Norge		22 013
Financial institutions, unlisted		**560 221**
Other unlisted companies		
Hotell Alexandra AS	15 000	14 119
Other unlisted shares		3 108
Other unlisted companies		**17 227**
Total shares measured at fair value		**579 315**

2018

FIGURES IN 000S OF NOK

Breakdown of shares		
Shares measured at fair value	Number of shares	Market value/ carrying amount
Financial institutions, listed		
Visa Inc.	1 132	1 301
Financial institutions, listed		**1 301**
Financial institutions, unlisted		
Visa Inc. – C	287	3 190
Frende Holding AS	676 000	231 300
SpareBank 1 Midt-Norge Finans AS	5 794	70 961
Eksportfinans ASA	3 478	70 728
Eiendomskreditt AS	348 955	42 496
Eikagruppen	113 674	16 483
Balder Betaling AS	1 891 416	44 319
Kredittforeningen for Sparebanker	3 220	3 796
Visa Norge		12 914
Financial institutions, unlisted		**496 187**
Other unlisted companies		
Hotell Alexandra AS	15 000	12 791
Other unlisted shares		3 162
Other unlisted companies		**15 953**
Total shares measured at fair value		**513 441**

Note 32 Subsidiaries and associates

	PARENT COMPANY	
Subsidiaries	2019	2018
Balance at 1 January	1 412	1 412
Acquired/revaluation gains	400	0
Disposed of	0	0
Balance at 31 December	**1 812**	**1 412**

	CONSOLIDATED		PARENT COMPANY	
Associates	2018	2017	2018	2017
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	Liabilities	Revenue	Profit-ability
Bankeigedom Sogn og Fjordane AS	100 %	54	60	8	9	5
Eigedomsmekling Sogn og Fjordane AS	100 %	8	20	4	29	– 1
Bustadkreditt Sogn og Fjordane AS	100 %	1 750	19 897	17 997	191	141
Investments in subsidiaries		**1 812**	**19 976**	**18 009**	**229**	**145**

Loans to, and deposits from, subsidiaries at 31.12.19	Bonds	Loans	Deposits	Interest paid on loans	Interest received
Bankeigedom Sogn og Fjordane AS	0	0	20	0	0
Eigedomsmekling Sogn og Fjordane AS	0	0	12	0	0
Bustadkreditt Sogn og Fjordane AS	1 854	1 155	349	37	5
Total loans to, and deposits from, subsidiaries	**1 854**	**1 155**	**380**	**37**	**5**

Note 33 Intangible assets and goodwill

2019

CONSOLIDATED	Software	Goodwill	Total
Carrying amount at 01.01.19	43	19	62
Acquired	15	0	15
Disposed of	0	0	0
Depreciation and writedowns	- 25	- 4	- 29
Carrying amount at 31.12.19	**32**	**15**	**48**
Acquisition cost	192	24	216
Accumulated depreciation and impairment losses	- 160	- 9	- 168
Carrying amount at 31.12.19	**32**	**15**	**48**
Useful life	3-5 years		
Depreciation method	Linear		

PARENT COMPANY	Software	Goodwill	Total
Carrying amount at 01.01.19	43	17	60
Acquired	15	0	15
Disposed of	0	0	0
Depreciation and writedowns	- 25	- 4	- 29
Carrying amount at 31.12.19	**32**	**13**	**46**
Acquisition cost	192	24	216
Accumulated depreciation and impairment losses	- 160	- 10	- 170
Carrying amount at 31.12.19	**32**	**13**	**46**
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.

2018

CONSOLIDATED	Software	Goodwill	Total
Carrying amount at 01.01.18	55	9	64
Acquired	17	11	28
Disposed of	0	0	0
Depreciation and writedowns	- 28	- 2	- 30
Carrying amount at 31.12.18	**43**	**19**	**62**
Acquisition cost	178	24	201
Accumulated depreciation and impairment losses	- 135	- 5	- 140
Carrying amount at 31.12.18	**43**	**19**	**62**
Useful life	3-5 years		
Depreciation method	Linear		

PARENT COMPANY	Software	Goodwill	Total
Carrying amount at 01.01.18	55	7	62
Acquired	17	11	28
Disposed of	0	0	0
Depreciation and writedowns	- 28	- 2	- 30
Carrying amount at 31.12.18	**43**	**17**	**60**
Acquisition cost	178	24	201
Accumulated depreciation and impairment losses	- 135	- 7	- 141
Carrying amount at 31.12.18	**43**	**17**	**60**
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

2019 CONSOLIDATED	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.19	79	12	91
Acquired	2	8	11
Disposed of	0	0	0
Depreciation	- 5	- 7	- 12
Carrying amount at 31.12.19	**76**	**13**	**89**
Acquisition cost	265	192	457
Accumulated depreciation and impairment losses	- 189	- 179	- 368
Carrying amount at 31.12.19	**76**	**13**	**89**
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 34 and Note 35 (IFRS 16).

PARENT COMPANY	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.19	31	11	43
Acquired	2	8	10
Disposed of	0	0	0
Depreciation	- 2	- 7	- 9
Carrying amount at 31.12.19	**31**	**12**	**43**
Acquisition cost	156	189	345
Accumulated depreciation and impairment losses	- 125	- 177	- 302
Carrying amount at 31.12.19	**31**	**12**	**43**
Useful life	20-30 years	3-8 years	
Depreciation method	Linear	Linear	

2018 CONSOLIDATED	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.18	83	17	99
Acquired	2	2	4
Disposed of	0	0	0
Depreciation	- 6	- 7	- 13
Carrying amount at 31.12.18	**79**	**12**	**91**
Acquisition cost	263	184	447
Accumulated depreciation and impairment losses	- 185	- 171	- 356
Carrying amount at 31.12.18	**79**	**12**	**91**
Useful life	20-30 years	3-8 years	
Depreciation method	Linear	Linear	

PARENT COMPANY	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.18	33	16	49
Acquired	1	2	4
Disposed of	0	0	0
Depreciation	- 3	- 7	- 10
Carrying amount at 31.12.18	**31**	**11**	**43**
Acquisition cost	154	182	335
Accumulated depreciation and impairment losses	- 122	- 170	- 293
Carrying amount at 31.12.18	**31**	**11**	**43**
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 offices and vehicles. The Group's right-of-use assets are classified and presented in the table below:

Right-of-use assets	Offices	Vehicles	Total
Acquisition cost at 01.01.19	**21**	**3**	**24**
Acquisitions of right-of-use assets	9	1	**10**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Acquisition cost at 31.12.19	**30**	**4**	**33**
Accumulated depreciation and impairment losses at 01.01.19			
Depreciation	6	1	**7**
Impairment loss for the period	0	0	**0**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Accumulated depreciation and impairment losses at 31.12.19	**6**	**2**	**7**
Carrying amount of right-of-use assets at 31.12.19	**24**	**2**	**26**

Lease liabilities

Undiscounted lease liabilities and maturity structure	**27**
Less than 1 year	7
1–2 years	5
2–3 years	4
3–4 years	3
4–5 years	3
More than 5 years	6
Total undiscounted lease liabilities at 31.12.19	**27**
Change in lease liabilities	
Implementation at 01.01.19	24
New/Revised lease liabilities recognised during the period	10
Repayments of principal	- 7
Interest payments	1
Interest expense on lease liabilities	0
Disposals	0
Total lease liabilities at 31.12.19	**27**
Short-term lease liabilities	6
Long-term lease liabilities	**20**

Other lease expenses recognised in the income statement	Total
Variable lease payments expensed in the period	7
Total lease expenses included under other operating expenses	**7**

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 01.01.19	**68**	**3**	**71**
Acquisitions of right-of-use assets	9	1	**10**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Acquisition cost at 31.12.19	**77**	**4**	**81**
Accumulated depreciation and impairment losses at 01.01.19			
Depreciation	13	1	**14**
Impairment loss for the period	0	0	**0**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Accumulated depreciation and impairment losses at 31.12.19	**13**	**2**	**15**
Carrying amount of right-of-use assets at 31.12.19	**64**	**2**	**66**

Lease liabilities

Undiscounted lease liabilities and maturity structure	**67**
Less than 1 year	15
1–2 years	11
2–3 years	10
3–4 years	9
4–5 years	8
More than 5 years	14
Total undiscounted lease liabilities at 31.12.19	**67**

Change in lease liabilities	
Implementation at 01.01.19	71
New/Revised lease liabilities recognised during the period	10
Repayments of principal	- 15
Interest payments	2
Interest expense on lease liabilities	0
Disposals	0
Total lease liabilities at 31.12.19	**67**
Short-term lease liabilities	14
Long-term lease liabilities	**53**

Other lease expenses recognised in the income statement	Total
Variable lease payments expensed in the period	15
Total lease expenses included under other operating expenses	**15**

A discount rate of 2.5% has been used in the calculations for both the parent company and Group.

Note 36 Other assets

PARENT COMPANY			CONSOLIDATED	
31.12.18	31.12.19		31.12.19	31.12.18
2	4	Earned income not received	11	9
9	21	Other payments made in advance, not yet accrued	21	9
48	47	Various expenditures/stock	47	48
59	**72**	**Total other assets**	**80**	**66**

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.

	2019		2018	
	Deposits	Percentage	Deposits	Percentage
Customer deposits, at amortised cost	26 822	93,8 %	25 684	94,5 %
Customer deposits, designated at fair value *)	1 775	6,2 %	1 506	5,5 %
Deposits from and debt to customers	**28 598**	**100,0 %**	**27 190**	**100,0 %**

*) Including a valuation gain of NOK 1.2 million in 2019, compared with a valuation loss of NOK 0.9 million in 2018, through the income statement.

		2019		2018	
		Deposits	Share	Deposits	Share
Wage and salary earners		17 524	61,3 %	16 690	61,4 %
Farming and forestry		563	2,0 %	508	1,9 %
Fishing and hunting		369	1,3 %	368	1,4 %
Fish farming and hatcheries		784	2,7 %	674	2,5 %
Industry and mining		805	2,8 %	651	2,4 %
Construction, civil engineering, power generation		1 257	4,4 %	1 278	4,7 %
Commerce		830	2,9 %	742	2,7 %
Transport, property management and services		4 088	14,3 %	3 874	14,2 %
Public sector/other		2 379	8,3 %	2 404	8,8 %
Total deposits by sector and industry		**28 598**	**100,0 %**	**27 190**	**100,0 %**
Of which:	Retail market	17 524	61,3 %	16 690	61,4 %
	Corporate market	8 695	30,4 %	8 096	29,8 %
	Public sector/other	2 379	8,3 %	2 404	8,8 %
	Total deposits	**28 598**	**100,0 %**	**27 190**	**100,0 %**
Sogn og Fjordane		23 901	83,6 %	22 483	82,7 %
Hordaland		2 120	7,4 %	1 981	7,3 %
Oslo and Akershus		1 503	5,3 %	1 447	5,3 %
Other		1 075	3,8 %	1 279	4,7 %
Total deposits by region		**28 598**	**100,0 %**	**27 190**	**100,0 %**

Remaining term to maturity (carrying amount)	2019	2018
Payable on request	24 795	23 951
Term deposits	3 803	3 239
Total deposits by remaining term to maturity	**28 598**	**27 190**

The Bank has NOK 1.8 billion in ordinary fixed-rate deposits. The market value of these deposits at 31/12/2019 was estimated as being NOK 1.8 billion. The difference between their face value and market value is NOK 0.3 million. The difference in 2018 was NOK 1.5 million.

Note 38 Debt securities in issue

CONSOLIDATED	Face value 31.12.19	Face value 31.12.18	Carrying amount 31.12.19	Carrying amount 31.12.18
Commercial paper and other short-term borrowings	0	0	0	0
Bonds in issue	19 800	17 708	19 845	17 734
– of which own bonds, not amortised	– 2 719	– 897	– 2 726	– 902
Debt securities in issue, measured at amortised cost	**17 081**	**16 811**	**17 118**	**16 831**
Commercial paper and other short-term borrowings	0	0	0	0
Bonds in issue	5 700	4 025	5 687	4 084
– of which own bonds, not amortised	– 136	– 27	– 139	– 27
Debt securities measured at fair value	**5 564**	**3 998**	**5 548**	**4 056**
Total debt securities in issue	**22 645**	**20 809**	**22 666**	**20 888**

Maturity structure of debt securities (face value)	31.12.19	31.12.18
2019	0	2 459
2020	2 220	4 800
2021	4 700	4 700
2022	4 600	2 900
2023	3 400	3 000
2024	3 100	2 050
2025	2 625	400
2030	500	0
2033	500	500
2034	1 000	0
Total debt securities in issue (face value)	**22 645**	**20 809**

New borrowings	**10 984**
Repayments	**9 148**

At 31.12.19 the Bank was not in breach of any of its covenants.

Breakdown of credit risk for debt securities measured at fair value
(Excl. own bonds and bonds that are hedged.)

	31.12.19	31.12.18
Amortised cost	3 693	3 522
Fair value adjustment*)	28	54
Market value/carrying amount	**3 720**	**3 576**
**) Of which change in own credit risk*	*25*	*9*

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.

PARENT COMPANY	CARRYING AMOUNT 31.12.19	CARRYING AMOUNT 31.12.18
Debt securities in issue at amortised cost	4 195	3 667
Debt securities measured at fair value	3 585	3 549
Total debt securities in issue	**7 780**	**7 216**

Note 39 Other liabilities and provisions

PARENT COMPANY			CONSOLIDATED	
31.12.18	31.12.19	**OTHER LIABILITIES**	31.12.19	31.12.18
61	37	Other liabilities	37	63
36	95	Accruals	99	39
96	**132**	**Total other liabilities**	**137**	**102**
		PROVISIONS		
25	30	Pension liabilities	31	26
18	11	Specified provisions for guarantees and undrawn credit facilities	11	18
0	67	Lease liabilities under IFRS	27	0
43	**108**	**Total provisions**	**69**	**44**
140	**240**	**Total other liabilities and provisions**	**206**	**146**

Note 40 Subordinated debt and hybrid debt instruments

Year issued		Face value 31.12.2019 (millions of NOK)	Interest rate	Early redemption right	Final maturity date	Carrying amount 31.12.19	31.12.18
2014	Subordinated debt	0	3 MTH NIBOR + 1.8%	call option 05.02.2019	Year 2024	0	201
2014	Subordinated debt	0	3 MTH NIBOR + 1.8%	call option 05.02.2019	Year 2024	0	- 15
2014	Subordinated debt	0	3 MTH NIBOR + 1.55%	call option 09.12.2019	Year 2024	0	200
2018	Subordinated debt	200	3 MTH NIBOR + 1.48%	call option 20.06.2023	Year 2028	200	200
2018	Subordinated debt	200	3 MTH NIBOR + 1.65%	call option 16.04.2024	Year 2029	201	201
2019	Subordinated debt	200	3 MTH NIBOR + 1.48%	call option 20.05.2025	Year 2030	201	0
		600				**602**	**787**
2016	Hybrid debt	150	3 MTH Nibor + 4,35%	call option 14.12.2021	Perpetual	150	150
2017	Hybrid debt	100	3 MTH Nibor + 3,35%	call option 29.03.2022	Perpetual	100	100
2019	Hybrid debt	100	3 MTH Nibor + 3,14%	call option 28.11.2024	Perpetual	100	0
		350				**350**	**250**

The hybrid debt instruments are classified as hybrid capital and included under equity at 31/12/19, 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 31.12.19: 3.39%.
Average interest rate on hybrid debt at 31.12.2019: 5.56%.

Note 41 Branch network

Figures as of 31.12.	2019	2018	2017	2016	2015	2014
Branches	14	14	14	23	23	23
In-store agreements	21	20	25	23	23	21
Cash points	12	12	13	15	15	36
Businesses signed up to Internet banking	1 264	1 046	977	908	833	729
Retail customers signed up to Internet banking	75 545	72 650	68 892	65 144	61 742	56 763

Note 42 Off balance sheet items

PARENT COMPANY			CONSOLIDATED	
31.12.18	31.12.19	**Guarantees**	31.12.19	31.12.18
655	676	Payment guarantees	676	655
288	279	Contract guarantees	279	288
70	63	Other guarantee liabilities	63	70
3	3	Commitments to investments in shares	3	3
1 017	**1 022**	**Total in NOK**	**1 022**	**1 017**

31.12.19

FIGURES IN 000S OF NOK **Of which in foreign currency:**	EUR	INR	USD	CNY	GBP	Total foreign currency translated into NOK
Payment guarantees	1 343	95 807	1 553	4 901	260	47 994
Total	**1 343**	**95 807**	**1 553**	**4 901**	**260**	**47 994**

Note 43 Related parties

Balances and gains/losses on transactions with related parties

	Subsidiaries	
	2019	2018
Outstanding loan balances at 31 Dec.	1 155	2 467
Interest income	37	27
Deposits at 31 Dec.	380	121
Interest expenses	5	4
Covered bonds	1 854	450
Interest income from covered bonds	24	10
Other operating income	8	7
Other operating expenses	8	8

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

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

Note 43 Related partie (cont.)

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

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

a) A 3-year credit that matures in January 2023. The credit facility is to be used for buying mortgage loans from SSF. It has a limit of NOK 750 million, but can only be used for the bulk transfer of loans.
b) A credit agreement to ensure that owners of covered bonds will be paid even if the mortgage credit subsidiary is unable to meet its obligations. The limit on the facility at 31/12/2019 was NOK 349 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 31/12/2019, the limit on the facility was NOK 1,566 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 31/12/2019, the limit on the facility was NOK 1,360 million, but this limit depends on the volume of covered bonds issued at any given time.
e) Bustadkreditt and Sparebanken Sogn og Fjordane signed an ISDA agreement in 2018. The ISDA agreement regulates all derivative transactions between the parties. The ISDA agreement has the same structure as agreements between SSF and external entities, which means that changes in the value of interest rate swaps are measured daily and there is an exchange of collateral. When fixed-rate covered bonds are issued, SSF hedges the relevant amount with an external party and then performs an internal swap with Bustadkreditt. The same applies to interest rate hedging for fixed-rate loans.

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

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

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 of the Bank's foundation, the director of the foundation 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 2019. Eleven companies where related parties hold ownership interests of more than 20 percent are customers of the Bank. The total outstanding balance of the loans to these companies was NOK 7.6 million at 31/12/2019, while their deposits totalled NOK 2.6 million. NOK 0.3 million of interest was paid on these loans in 2019. None of these companies have been given special terms.

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

CONSOLIDATED FIGURES, 2019

ASSETS	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and cash equivalents	25	0	0	0	0	**25**
Loans and advances to credit institutions/central banks	588	0	0	0	0	**588**
Loans to customers	7 105	212	222	1 643	41 586	**50 768**
Commercial paper and bonds	0	360	531	3 871	630	**5 391**
Financial derivatives	0	0	0	135	0	**135**
Shares	0	0	0	0	579	**579**
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	48	0	**48**
Fixed assets	0	0	0	116	0	**116**
Deferred tax assets	0	0	0	0	0	**0**
Other assets	0	0	80	0	0	**80**
Total assets	**7 718**	**572**	**832**	**5 812**	**42 798**	**57 732**
OBLIGATIONS						
Debt to credit institutions	7	0	0	0	0	**7**
Deposits from and debt to customers	28 598	0	0	0	0	**28 598**
Debt securities in issue	0	651	1 306	15 831	4 878	**22 666**
Financial derivatives	0	0	0	124	0	**124**
Tax payable	0	133	0	0	0	**133**
Deferred tax	0	0	0	5	0	**5**
Other liabilities	0	0	137	0	0	**137**
Provisions	0	0	69	0	0	**69**
Subordinated debt instruments	0	0	0	402	201	**602**
Total obligations	**28 605**	**783**	**1 512**	**16 363**	**5 079**	**52 342**

PARENT COMPANY, 2019

ASSETS	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and cash equivalents	25	0	0	0	0	**25**
Loans and advances to credit institutions/central banks	608	150	784	201	0	**1 743**
Loans to customers	3 863	212	217	1 401	25 659	**31 352**
Commercial paper and bonds	0	350	2 385	3 769	630	**7 134**
Financial derivatives	0	0	0	192	0	**192**
Shares	0	0	0	0	579	**579**
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	46	0	**46**
Fixed assets	0	0	0	109	0	**109**
Deferred tax assets	0	0	0	0	0	**0**
Other assets	0	0	72	0	0	**72**
Total assets	**4 496**	**712**	**3 458**	**5 718**	**28 683**	**43 067**
OBLIGATIONS						
Debt to credit institutions	356	0	0	0	0	**356**
Deposits from and debt to customers	28 629	0	0	0	0	**28 629**
Debt securities in issue	0	651	909	5 814	406	**7 779**
Financial derivatives	0	0	0	142	0	**142**
Tax payable	0	88	0	0	0	**88**
Deferred tax	0	0	0	0	0	**0**
Other liabilities	0	0	132	0	0	**132**
Provisions	0	0	108	0	0	**108**
Subordinated debt instruments	0	0	0	402	201	**602**
Total liabilities	**28 985**	**738**	**1 149**	**6 357**	**606**	**37 836**

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

CONSOLIDATED FIGURES, 2018

ASSETS	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and cash equivalents	26	0	0	0	0	**26**
Loans and advances to credit institutions/central banks	170	0	0	0	0	**170**
Loans to customers	6 789	124	182	1 573	39 472	**48 140**
Commercial paper and bonds	0	0	331	4 290	350	**4 972**
Financial derivatives	10	28	13	37	42	**130**
Shares	0	0	0	0	513	**513**
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	62	0	**62**
Fixed assets	0	0	0	91	0	**91**
Deferred tax assets	0	0	0	4	0	**4**
Other assets	0	0	66	0	0	**66**
Total assets	**6 995**	**153**	**592**	**6 057**	**40 380**	**54 177**
OBLIGATIONS						
Debt to credit institutions	10	0	0	0	0	**10**
Deposits from and debt to customers	27 190	0	0	0	0	**27 190**
Debt securities in issue	0	158	1 227	16 087	3 415	**20 888**
Financial derivatives	7	6	28	45	15	**103**
Tax payable	0	71	71	0	0	**142**
Deferred tax	0	0	0	0	0	**0**
Other liabilities	0	0	101	0	0	**101**
Provisions	0	0	44	0	0	**44**
Subordinated debt instruments	0	188	0	600	0	**787**
Total obligations	**27 208**	**424**	**1 472**	**16 732**	**3 431**	**49 267**

PARENT COMPANY, 2018

ASSETS	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and cash equivalents	26	0	0	0	0	**26**
Loans and advances to credit institutions/central banks	1 503	150	0	980	0	**2 633**
Loans to customers	3 568	124	176	1 318	25 018	**30 204**
Commercial paper and bonds	0	0	321	4 659	329	**5 310**
Financial derivatives	10	28	13	37	42	**131**
Shares	0	0	0	0	513	**513**
Investments in associates	0	0	0	0	3	**3**
Investments in subsidiaries	0	0	0	0	1 412	**1 412**
Intangible assets and goodwill	0	0	0	60	0	**60**
Fixed assets	0	0	0	43	0	**43**
Deferred tax assets	0	0	0	14	0	**14**
Other assets	0	0	59	0	0	**59**
Total assets	**5 107**	**302**	**569**	**7 111**	**27 317**	**40 408**
OBLIGATIONS						
Debt to credit institutions	82	0	0	0	0	**82**
Deposits from and debt to customers	27 236	0	0	0	0	**27 236**
Debt securities in issue	0	158	1 227	5 428	402	**7 216**
Financial derivatives	7	6	28	45	24	**111**
Tax payable	0	48	48	0	0	**97**
Deferred tax	0	0	0	0	0	**0**
Other liabilities	0	0	96	0	0	**96**
Provisions	0	0	43	0	0	**43**
Subordinated debt instruments	0	188	0	600	0	**787**
Total obligations	**27 325**	**401**	**1 444**	**6 073**	**426**	**35 669**

Note 45 Foreign currency positions

The figures in the table show the equivalent amounts in millions of NOK at 31.12.2019, including financial derivatives.

Currency	EUR	USD	SEK	DKK	GBP	Andre	Total foreign currency translated into NOK
Net exposure at 31.12.2019	- 29,3	2,3	- 1,6	- 0,3	- 1,0	- 4,4	- 34,5
Net exposure at 31.12.2018	- 27,3	- 0,2	- 3,7	0,9	- 1,1	- 9,5	- 40,9

Note 46 Offsetting

Consolidated, at 31.12.19	Gross carrying amount	Amounts offset in the balance sheet	Carrying amount	Netting agree-ments	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	771	0	771	0	110	661
Financial derivatives	135	0	135	27	21	86
Liabilities						
Financial derivatives	124	0	124	44	21	59

Parent company, at 31.12.19	Gross carrying amounti	Amounts offset in the balance sheet	Carrying amount	Netting agree-ments	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	771	0	771	0	110	661
Financial derivatives	192	0	192	67	21	104
Liabilities						
Financial derivatives	142	0	142	44	21	76

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, but as of 31/12/2019 all of its derivative contracts were with the parent company.

Note 47 Disputes

In 2019 Sparebanken Sogn og Fjordane was involved in one dispute. In this case, the Bank was sued for NOK 6,002,289 plus interest in its capacity as a guarantor. The claim against the Bank was rejected and the Bank was awarded costs. The plaintiff appealed to the Court of Appeal, which confirmed the decision of the district court and awarded the Bank costs.

In 2020, Sparebanken Sogn og Fjordane has been sued by a former employee who is demanding compensation for underpayment of a pension in an amount to be determined by the court. In the suit, the plaintiff has calculated the amount due as NOK 3,678,355, including interest on overdue payments. The suit also demands that starting in 2020 the pension shall be indexed each year in the way that the suit specifies. The plaintiff is also claiming costs.

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)	Total equity share capital (NOK)	Face value of each equity certificate (NOK)	Change in number of equity certificates	Total number of equity certificates
2010 Initial issue of equity certificates	1 894 953 000	1 894 953 000	100	18 949 530	18 949 530
2016 Equity certificates issued to existing shareholders	50 000 000	1 944 953 000	100	500 000	19 449 530
2016 Equity certificates issued to employees and Board	3 365 700	1 948 318 700	100	33 657	19 483 187

FIGURES IN 000S OF NOK UNLESS OTHERWISE SPECIFIED

Equity share capital	31.12.19	31.12.18
Equity certificates	1 948 319	1 948 319
Share premium account	15 608	15 608
Dividend equalisation reserve	1 907 147	1 661 107
Total equity share capital (A)	**3 871 074**	**3 625 034**
Primary capital (B)	**558 076**	**515 880**
Reserve for unrealised gains	280 884	189 820
Hybrid capital	350 000	250 000
Allocated dividends and gifts	170 865	158 124
Other equity	0	0
Total equity	**5 230 899**	**4 738 858**
Equity share capital ratio A / (A+B) after disbursal of dividends	**87,40 %**	**87,54 %**
Parent company's comprehensive income per equity certificate (weighted), in NOK	25,37	21,14
Consolidated comprehensive income per equity certificate (weighted), in NOK	24,83	20,67
Consolidated book equity per equity certificate in NOK (excl. hybrid capital)	226,09	209,19
Dividends		
Dividend payable per equity certificate, in NOK	8,00	7,50
Total dividends	**155 865**	**146 124**
Gifts		
Charitable donations	15 000	12 000
Total dividends and gifts	**170 865**	**158 124**
Dividends and gifts as a % of consolidated comprehensive income	30,9 %	34,4 %

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

	Number of equity certificates 31.12.19	
Sparebankstiftinga Sogn og Fjordane	18 269 790	93,77 %
Sparebankstiftinga Fjaler	1 152 992	5,92 %
Other *)	60 405	0,31 %
Total	**19 483 187**	**100,00 %**

*) Other owners of equity certificates consist of a total of 128 employees, Board members and former employees at Sparebanken Sogn og Fjordane.

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

Equity certificates held by key personnel

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

	Number of equity certificates
Trond Teigene, CEO	2 500
Frode Vasseth, CFO	1 250
Linda Marie Vøllestad Westbye, Retail Banking Director	1 000
Johnny Haugsbakk representing RLK Holding AS, Board member	1 000
Kjetil Bjørset, Corporate Banking Director	800
Reiel Haugland, CTO	601
Jo Dale Pedersen, Board member, employee representative	560
Eirik Rostad Ness, Director of Human Resources	400
Marie Heieren, Board member, employee representative	100
Lise Mari Haugen, Board member	50
Total equity certificates held by key personnel and Board members	**8 261**

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 "Net gains/losses on financial instruments" and the hedging instrument (the derivative) is measured at fair value with changes in value recognised through "Net 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 31.12.2019, hedge accounting is used for five hedge relationships, and the hedged items and hedging instruments are directly linked by being subject to the same terms and conditions (coupon rate, term to maturity, face value). The hedge effectiveness has been calculated based on 1 percentage point shifts in the yield curve and what the impact on profit of this would be. The retrospective hedge effectiveness shows the past correlation between changes in the value of the hedged item and hedging instrument, measured in terms of their nominal value.

	2019	2018
Hedging instrument		
Nominal opening value	2 000	500
Change in value	***26***	***3***
Hedged item		
Nominal opening value	2 000	500
Change in value	***– 27***	***– 3***
Net change in value – hedge ineffectiveness	**– 1**	**0**
Hedge ratio (value of hedging instrument to value of hedged item)	***100,0 %***	***100,0 %***
Weighted hedge effectiveness	***99,6 %***	***101,5 %***
Weighted retrospective hedge effectiveness	***100,4 %***	***98,9 %***

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

	Nominal value	Remaining term to maturity
SSFBK15PRO		
Hedged item	500	31.08.2033
Hedging instrument	500	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	500	19.06.2030
Hedging instrument	500	19.06.2030

Declaration by the Board of Directors and CEO

We declare that, to the best of our knowledge, the financial statements for 2019 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 2020.

Førde, 03.03.2020

Sindre Kvalheim
Chair

Ingelise Arntsen
Deputy Chair

Heidi Grande Røys

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Magny Øvrebø

Marie Heieren

Jo Dale Pedersen

Trond Teigene
CEO

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To the General Meeting of Sparebanken Sogn og Fjordane

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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 2019, 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 2019, 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 are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws and regulations, 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.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 fair presentation.

Deloitte.

- 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 those charged with governance 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Førde, 3 March 2020
Deloitte AS

Rune Norstrand Olsen
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Consolidated financial results by quarter

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest income	248	241	230	220	228
Other operating income	38	36	37	32	36
Dividends and gains/losses on financial instruments	53	45	20	30	– 22
Net other operating income	**90**	**81**	**56**	**62**	**13**
Total revenues	**338**	**322**	**286**	**282**	**241**
Operating expenses	132	119	119	122	137
Profit/loss before impairment loss and net gain on fixed assets	**206**	**203**	**168**	**159**	**104**
Net gain on sale of fixed assets	0	0	0	0	0
Impairment loss	22	9	8	1	– 13
Profit/loss before taxation	**183**	**194**	**159**	**159**	**117**
Tax expense	21	46	42	33	27
Profit/loss after taxation	**163**	**148**	**117**	**126**	**91**
Gain/loss after tax on available-for-sale financial assets	0	0	0	0	0
Remeasurements, pensions	– 1	0	0	0	0
COMPREHENSIVE INCOME	**162**	**148**	**117**	**126**	**90**

	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net interest income	213	211	210	219
Other operating income	35	38	30	37
Dividends and gains/losses on financial instruments	51	24	9	14
Net other operating income	**86**	**61**	**39**	**51**
Total revenues	**299**	**272**	**248**	**269**
Operating expenses	102	106	114	137
Profit/loss before impairment loss and net gain on fixed assets	**197**	**166**	**134**	**133**
Net gain on sale of fixed assets	0	0	0	0
Impairment loss	15	6	8	24
Profit/loss before taxation	**182**	**160**	**126**	**109**
Tax expense	32	37	29	23
Profit/loss after taxation	**149**	**123**	**97**	**86**
Gain/loss after tax on available-for-sale financial assets	0	0	0	35
Remeasurements, pensions	0	0	0	-1
COMPREHENSIVE INCOME	**149**	**123**	**97**	**120**

Consolidated financial results by quarter (cont.)

CONSOLIDATED FINANCIAL RESULTS BY QUARTER					
As a % of average total assets	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest income	1,71 %	1,69 %	1,65 %	1,62 %	1,67 %
Other operating income	0,26 %	0,25 %	0,26 %	0,23 %	0,26 %
Dividends and changes in the value of fin. instr.	0,37 %	0,32 %	0,14 %	0,22 %	- 0,17 %
Net other operating income	**0,63 %**	**0,57 %**	**0,40 %**	**0,45 %**	**0,10 %**
Total revenues	**2,36 %**	**2,27 %**	**2,05 %**	**2,05 %**	**1,78 %**
Operating expenses	0,92 %	0,84 %	0,85 %	0,89 %	1,01 %
Profit/loss before impairment loss and net gain on fixed assets	**1,44 %**	**1,43 %**	**1,20 %**	**1,16 %**	**0,77 %**
Net gain on sale of fixed assets	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Impairment loss	0,16 %	0,06 %	0,06 %	0,00 %	- 0,10 %
Profit/loss before taxation	**1,28 %**	**1,37 %**	**1,14 %**	**1,16 %**	**0,87 %**
Tax expense	0,14 %	0,33 %	0,30 %	0,24 %	0,20 %
Profit/loss after taxation	**1,14 %**	**1,04 %**	**0,84 %**	**0,92 %**	**0,67 %**
Gain/loss after tax on available-for-sale financial assets	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Remeasurements, pensions	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
COMPREHENSIVE INCOME	**1,13 %**	**1,04 %**	**0,84 %**	**0,92 %**	**0,67 %**

CONSOLIDATED FINANCIAL RESULTS BY QUARTER				
As a % of average total assets	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net interest income	1,57 %	1,61 %	1,64 %	1,69 %
Other operating income	0,26 %	0,28 %	0,23 %	0,29 %
Dividends and changes in the value of fin. instr.	0,38 %	0,18 %	0,07 %	0,11 %
Net other operating income	**0,64 %**	**0,46 %**	**0,30 %**	**0,40 %**
Total revenues	**2,22 %**	**2,05 %**	**1,91 %**	**2,10 %**
Operating expenses	0,76 %	0,80 %	0,88 %	1,07 %
Profit/loss before impairment loss and net gain on fixed assets	**1,46 %**	**1,25 %**	**1,03 %**	**1,03 %**
Net gain on sale of fixed assets	0,00 %	0,00 %	0,00 %	0,00 %
Impairment loss	0,11 %	0,05 %	0,06 %	0,18 %
Profit/loss before taxation	**1,35 %**	**1,21 %**	**0,97 %**	**0,85 %**
Tax expense	0,24 %	0,28 %	0,23 %	0,18 %
Profit/loss after taxation	**1,11 %**	**0,92 %**	**0,75 %**	**0,67 %**
Gain/loss after tax on available-for-sale financial assets	0,00 %	0,00 %	0,00 %	0,28 %
Remeasurements, pensions	0,00 %	0,00 %	0,00 %	- 0,01 %
COMPREHENSIVE INCOME	**1,11 %**	**0,92 %**	**0,75 %**	**0,94 %**

Key figures, parent company

AMOUNTS IN MILLIONS OF NOK

INCOME STATEMENT	2017	2018	2019
Net interest income	663	669	742
Dividends and gains/losses on financial instruments	163	218	311
Other operating income	107	113	119
Operating expenses	438	435	464
Profit/loss before impairment charge (incl. gains/losses on fin. instr.)	**496**	**565**	**708**
Profit/loss before impairment charge (excl. gains/losses on fin. instr.)	**332**	**347**	**397**
Net gain on sale of fixed assets	– 7	0	0
Impairment loss	113	11	41
Profit/loss before taxation	**376**	**554**	**667**
Tax expense	59	84	102
Profit/loss after taxation	**317**	**470**	**565**
Other comprehensive income	57	0	– 1
Comprehensive income	**373**	**470**	**565**

BALANCE SHEET			
Assets			
Gross loans and advances to customers	29 403	30 484	31 663
Loss allowance	– 293	– 280	– 311
Security investments (shares, commercial paper and bonds)	5 882	5 823	7 713
Debt and equity			
Deposits from and debt to customers	26 543	27 236	28 629
Debt securities and debt to credit institutions	7 180	7 298	8 135
Equity	4 399	4 739	5 231
Total assets	38 957	40 408	43 067
Average total assets	38 797	39 932	41 925

KEY FIGURES			
Profitability			
Net interest margin	1,71 %	1,67 %	1,77 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,28 %	0,28 %	0,28 %
Operating expenses as a % of average total assets	1,13 %	1,09 %	1,11 %
Profit/loss before impairment loss as a % of average total assets	1,28 %	1,42 %	1,69 %
Profit/loss before tax as a % of average total assets	0,97 %	1,39 %	1,59 %
Profit/loss after tax as a % of average total assets	0,82 %	1,18 %	1,35 %
Comprehensive income as a % of average total assets	0,96 %	1,18 %	1,35 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr.	56,83 %	55,61 %	53,89 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	46,89 %	43,48 %	39,60 %
Impairment loss as a % of gross loans	0,38 %	0,04 %	0,13 %
Return on equity before tax	9,88 %	13,35 %	14,86 %
Return on equity after tax	8,32 %	11,33 %	12,59 %
Return on equity (comprehensive income)	9,81 %	11,32 %	12,58 %
Parent company's comprehensive income per equity certificate (weighted), in NOK	16,83	21,14	25,37
Dividend payable per equity certificate, in NOK	5,13	7,50	8,00
Financial strength and liquidity			
Capital adequacy ratio	20,71 %	21,45 %	21,97 %
Core capital adequacy ratio	18,55 %	18,73 %	19,60 %
Core Tier 1 capital adequacy ratio	17,44 %	17,88 %	18,21 %
Leverage ratio	10,22 %	10,68 %	9,22 %
Liquidity Coverage Ratio (LCR)	131 %	134 %	134 %
Balance sheet history			
Growth in total assets (year-on-year)	1,08 %	3,72 %	6,58 %
Growth in gross customer lending (year-on-year)	– 2,94 %	3,68 %	3,87 %
Growth in customer deposits (year-on-year)	5,84 %	2,61 %	5,12 %
Deposits as a % of gross lending	90,27 %	89,35 %	90,42 %
Employees			
Full-time equivalent employees as at 31 Dec.	239	251	248

Income statement

As a % of average total assets

PARENT COMPANY 2018	PARENT COMPANY 2019		CONSOLIDATED 2019	CONSOLIDATED 2018
2,85 %	3,14 %	Interest income	3,21 %	2,89 %
1,18 %	1,37 %	Interest expenses	1,53 %	1,27 %
1,67 %	**1,77 %**	**Net interest income**	**1,67 %**	**1,62 %**
0,29 %	0,31 %	Commission income	0,23 %	0,22 %
0,04 %	0,05 %	Commission expenses	0,04 %	0,03 %
0,55 %	0,74 %	Net gains/losses on financial instruments	0,26 %	0,11 %
0,03 %	0,03 %	Other income	0,06 %	0,06 %
0,83 %	**1,03 %**	**Net other operating income**	**0,52 %**	**0,37 %**
2,50 %	**2,79 %**	**Total revenues**	**2,19 %**	**1,99 %**
0,54 %	0,54 %	Wages, salaries, etc.	0,44 %	0,44 %
0,45 %	0,44 %	Other expenses	0,35 %	0,35 %
0,10 %	0,12 %	Depreciation and impairment of fixed assets and intangible assets	0,08 %	0,08 %
1,09 %	**1,11 %**	**Total operating expenses**	**0,88 %**	**0,86 %**
1,42 %	**1,69 %**	**Profit before impairment loss and net gain on fixed assets**	**1,31 %**	**1,13 %**
0,00 %	0,00 %	Net gain on sale of fixed assets	0,00 %	0,00 %
0,03 %	0,10 %	Impairment loss	0,07 %	0,03 %
1,39 %	**1,59 %**	**Profit/loss before taxation**	**1,24 %**	**1,10 %**
0,21 %	0,24 %	Tax expense	0,25 %	0,24 %
1,18 %	**1,35 %**	**Profit/loss for the financial year**	**0,99 %**	**0,86 %**
		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 %**
1,18 %	**1,35 %**	**Comprehensive income**	**0,98 %**	**0,86 %**
39 932	**41 925**	**AVERAGE TOTAL ASSETS**	**56 130**	**53 222**

Alternative Performance Measures (APMs)

Alternative Performance Measures (APMs) are defined by the European Securities and Markets Authority (ESMA) as "a financial measure of historical or future financial performance, financial position, or cash flows, other than financial measure defined or specified in the applicable financial reporting framework".

AMSs are key figures that are not defined by IFRS and that are not shown in the notes to the financial statements. APMs are used in financial reporting to give a better idea of the Group's financial performance or financial position. Many of our APMs are also used by other banks and are therefore useful for making comparisons with them. Many of the APMs that we report are important key figures for the Group.

APMs are reported in the section on key figures, in the Directors' Report and in the financial statements. All APMs are presented alongside comparative figures for previous periods.

Definition and explanation of APMs:

1. Total assets: All of the assets owned by the bank.

   Explanation: Total assets is the standard term in the banking industry for all of the assets owned by the bank.

2. Average total assets: The bank's average total assets over the course of the year.

   Explanation: This key figure is used when calculating income statement items as a percentage of total assets.

3. Return on equity: Profit for the financial year as a percentage of the opening equity balance at the start of the year, adjusted for capital increases. Hybrid capital (hybrid debt) classified as equity and interest on hybrid capital are not included in the calculation.

   Explanation: Return on equity is one of the Group's most important financial key figures, because it is a measure of profitability in relation to the amount of capital invested.

4. Operating expenses as a percentage of operating income: Total operating expenses as a percentage of total operating income.

   Explanation: This key figure provides information about operating income relative to expenses, and is a useful measure of cost efficiency.

5. Operating expenses as a percentage of operating income excl. gains/losses on financial instruments: Operating expenses as a percentage of total operating income less the amount entered on the income statement under net gains/losses on financial instruments, such as gains/losses on shares and other financial investments.

   Explanation: This key figure provides information about operating income relative to expenses, and is useful for measuring cost efficiency. This key figure is less volatile than the key figure "Operating expenses as a percentage of operating income" and is a good indicator of the cost efficiency of the underlying banking operations.

6. Impairment loss as a % of gross loans: Impairment loss as a percentage of gross loans and advances to customers at the end of the financial period.

   Explanation: This key figure shows the relationship between the impairment loss and gross loans, which is relevant to an understanding of the size of losses in relation to lending volumes.

7. Loss allowance as a % of gross loans: The allowance on the balance sheet for expected credit losses as a percentage of gross loans at the end of the accounting period.

   Explanation: This key figure shows the relationship between the loss allowance on the balance sheet and gross loans, which is relevant to an understanding of the size of the Group's loss allowance in relation to its lending volumes.

Directors and committee members

BOARD OF DIRECTORS 2019

Members
Sindre Kvalheim, Måløy (Chair)
Ingelise Arntsen, Bergen (Deputy Chair)
Heidi Grande Røys, Florø
Magny Øvrebø, Os
Lise Mari Haugen, Askvoll
Johnny Ivar Haugsbakk, Flekke
Geir Opseth, Førde
Marie Heieren, Førde (employee)
Jo Dale Pedersen, Florø (employee)

Deputy members
1st deputy: Jan Nikolai Hvidsten, Førde
2nd deputy: Ranveig Indrekvam, Naustdal

Deputy employee representatives
Deputy to Marie Heieren: Torunn Steimler, Bergen
Deputy to Jo Dale Pedersen: Trond Valaker, Førde

ANNUAL GENERAL MEETING

Members representing Nordfjord
Bernt Reed, Breim (Chair)
Ranveig Årskog, Lote

Deputy members for Nordfjord
Espen Walter Gulliksen, Rugsund

Members representing Sunnfjord
Brigt Samdal, Eikefjord
Kjersti Østerbø Bell, Viksdalen
Inger Johanne Bergstad Osland, Flekke
Jakob Andre Sandal, Skei in Jølster

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

Members representing Sogn incl. Bergen
Marit Lunde, Leikanger
Monica Oppedal, Høyanger
Anne Kristin Aarskog, Leikanger

Deputy members for Sogn and Bergen
Ole Gunnar Krakhellen, Marifjøra

Employee representatives
Harald Slettvoll, Førde
Ole Martin Eide, Skei
Nils Vegard Kvam, Sogndal
Tor Ulsten, Florø
Ragnhild Helgheim, Byrkjelo
Heidi Berge, Bygstad

Deputy employee representatives
1st deputy: Julie Vårdal Heggøy, Dale
2nd deputy: Trond Eiken, Sogndal

Representatives of equity certificate owners
Rolf Kleiven, Dale
Ingunn Sognnes, Leirvik
Bente Nesse, Høyanger
Harald Kvame, Naustdal
Marit Lofnes Mellingen, Leikanger
Lise Mari Haugen, Askvoll
Helge Holm-Marøy, Sogndal
Geir Opseth, Førde
Monika Refvik, Måløy
Birte Kjørvik Fossheim, Sandane

Deputies for representatives of equity certificate owners
1st deputy: Jon Rune Heimlid, Stryn
2nd deputy: Frank Kirkebø, Førde
3rd deputy: Kristin Kyrkjebø, Dale
4th deputy: Margunn Grytten Selvik, Kvammen

ELECTION COMMITTEE FOR DEPOSITORS' REPRESENTATIVES AND BOARD OF DIRECTORS

Members
Marit Lunde, Leikanger (Chair)
Marit Lofnes Mellingen, Leikanger
Ole Martin Eide, Skei

Deputy members
Brigt Samdal, Eikefjord
Rolf Kleiven, Fjaler
Harald Slettvoll, Førde

ELECTION COMMITTEE FOR ELECTION OF EQUITY CERTIFICATE HOLDER REPRESENTATIVES

Members
Rolf Kleiven, Fjaler (Chair)
Marit Lofnes Mellingen, Leikanger
Monika Refvik, Måløy

Deputy members
1st deputy: Helge Holm-Marøy, Sogndal
2nd deputy: Geir Opseth, Førde
3rd deputy: Jon Rune Heimlid, Stryn

Organisational chart

at 31 December 2019

Group Management Team

Left to right: Linda Vøllestad Westbye, Eirik Rostad Ness, Trond Teigene, Harald Slettvoll, Reiel Haugland, Gro Skrede Mardal, Kjetil Bjørset, Silje Mari Sunde, Johanne Viken Sandnes and Frode Vasseth.

Information about the company

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ORGANISATION NUMBER:	946 670 081

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