sparebanken
sogn og fjordane

Annual Report
2020

Contents

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Key figures, consolidated

AMOUNTS IN MILLIONS OF NOK

INCOME STATEMENT	2018	2019	2020
Net interest income	862	938	907
Dividends and gains/losses on financial instruments	61	147	114
Other operating income	139	142	138
Operating expenses	460	492	491
Profit/loss before impairment loss (incl. gains/losses on fin. instr.)	**602**	**736**	**668**
Profit/loss before impairment loss (excl. gains/losses on fin. instr.)	**541**	**588**	**554**
Net gain on sale of fixed assets	0	0	0
Impairment loss	16	40	112
Profit/loss before taxation	**585**	**696**	**557**
Tax expense	126	142	113
Profit/loss after taxation	**460**	**553**	**444**
Other comprehensive income	0	– 1	0
Comprehensive income	**459**	**553**	**443**
BALANCE SHEET			
Assets			
Gross loans and advances to customers	48 431	51 090	54 883
Loss allowance	– 291	– 321	– 353
Security investments (shares, commercial paper and bonds)	5 485	5 970	7 166
Debt and equity			
Deposits from and debt to customers	27 190	28 598	30 665
Debt securities and debt to credit institutions	20 898	22 666	25 012
Equity	4 910	5 390	5 727
Total assets	54 177	57 732	62 661
Average total assets	53 222	56 130	60 722
KEY FIGURES			
Profitability			
Net interest margin	1,62 %	1,67 %	1,49 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,26 %	0,25 %	0,23 %
Operating expenses as a % of average total assets	0,86 %	0,88 %	0,81 %
Profit/loss before impairment loss as a % of average total assets	1,13 %	1,31 %	1,10 %
Profit/loss before tax as a % of average total assets	1,10 %	1,24 %	0,92 %
Profit/loss after tax as a % of average total assets	0,86 %	0,99 %	0,73 %
Comprehensive income as a % of average total assets	0,86 %	0,98 %	0,73 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr.	45,96 %	45,55 %	46,98 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	43,32 %	40,08 %	42,35 %
Impairment loss as a % of gross loans	0,03 %	0,08 %	0,20 %
Return on equity before tax	13,53 %	14,93 %	11,05 %
Return on equity after tax	10,63 %	11,87 %	8,80 %
Return on equity (comprehensive income)	10,62 %	11,86 %	8,80 %
Consolidated comprehensive income per equity certificate (weighted), in NOK	20,67	24,83	19,93
Dividend payable per equity certificate, in NOK	7,50	4,00	6,00
Capital and liquidity position			
Capital adequacy ratio	18,35 %	19,52 %	18,88 %
Core capital adequacy ratio	16,27 %	17,50 %	17,02 %
Core Tier 1 capital adequacy ratio	15,40 %	16,32 %	15,94 %
Leverage ratio	8,47 %	8,79 %	8,59 %
Liquidity Coverage Ratio (LCR)	128 %	160 %	157 %
Balance sheet history			
Growth in total assets (year-on-year)	4,49 %	6,56 %	8,54 %
Growth in loans to customers (year-on-year)	6,82 %	5,49 %	7,42 %
Growth in customer deposits (year-on-year)	2,67 %	5,18 %	7,23 %
Deposits as a % of gross lending	56,14 %	55,98 %	55,87 %
Employees			
Full-time equivalent employees as at 31 Dec.	270	267	276

A steady course through rough waters

For much of 2020, Sparebanken Sogn og Fjordane was run from 270 local offices, where staff working from home served and assisted customers, kept our day-to-day operations running smoothly and worked hard to further develop the bank. Our flexible technology platform and modern IT systems allowed us to transition to running the whole bank remotely, without any major challenges, literally overnight.

Our strong capital and liquidity position enabled Sparebanken Sogn og Fjordane to steer a steady course through 2020. The priorities have been clear: responding to the pandemic; limiting the Bank's risk exposure; and supporting customers and local communities as much as possible in these challenging times. We strengthened our market position in 2020, thanks to strong growth in both the retail and corporate banking markets.

Businesses in our core region coped better in 2020 than we might have feared. Unemployment rose, but it remained the lowest in Norway throughout the year. We believe that the high proportion of people employed in the primary and secondary sectors of the economy is part of the explanation. Moreover, many of our corporate customers have demonstrated an excellent ability to adapt during this period. The situation has still been challenging, particularly for the tourism industry, parts of the retail sector and the cultural sector.

Low interest rates put pressure on our margins, reducing our net interest income. Impairment losses in 2020 were also higher than in the previous years, mainly because the outlook became more uncertain on account of the pandemic. Meanwhile, the Bank strengthened its market position through strong growth in both the retail and corporate markets. Other income also rose, and our expenses in 2020 were slightly lower than in 2019. Overall, this meant that the Bank achieved satisfactory financial results in 2020, which were better than we feared when Norway went into lockdown on 12 March. However, there is still uncertainty about both the progression of the pandemic and the speed of the vaccine rollout, which will both affect the economic situation in 2021.

We are heading boldly into an uncertain future, while making sure that we remain efficient, competent and relevant. We believe more strongly than ever in our vision of being a driving force for Sogn og Fjordane.

In order to realise that vision, we must add value for, and live up to the expectations of, our shareholders, customers, employees and lenders, as well as the authorities and the local communities in our core markets. That will be vital to continuing to develop the Bank.

We see our future as an independent savings bank primarily focused on our core region, but one that aims to attract retail customers all over Norway. We will reach that future by building on our most important competitive advantages: good digital services; strong customer relationships; reliable advice; and strong engagement with the local community.

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 62.7 billion and 276 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 40.8 billion in outstanding loans to people in Sogn og Fjordane and the rest of Norway. This comprises 74 percent of the Bank's total lending. Deposits from retail customers total NOK 18.9 billion, comprising 62% of our total deposits. We have regional financial services centres offering financing, investment, estate agency and insurance products. Sparebanken Sogn og Fjordane has a 10.4% ownership interest in the insurance company Frende Forsikring AS, which we use as a supplier of various insurance products. In addition, the Bank has a 6.7% interest in SpareBank 1 Finans Midt-Norge AS, and a 10.5% interest in Balder Betaling AS. We also operate twelve cash machines, and 73,651 of our customers have signed up for online banking.

Corporate banking market

Sparebanken Sogn og Fjordane has NOK 14.0 billion of outstanding loans to businesses, primarily in Sogn og Fjordane. This comprises 26 percent of the Bank's total lending. Corporate deposits total NOK 8.9 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 2.2 billion of deposits held with us. We also have NOK 0.6 billion of deposits from financial institutions.

The Bank as a driving force for Sogn og Fjordane

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

We are involved in a wide range of cultural ventures, and recognise the value of culture – in the widest possible sense – to the development of local communities. As part of this, we sponsor most major cultural events in Sogn og Fjordane. Of our profit for 2020, NOK 128.9 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 2021 interim reports on 5 May 2021 (Q1), 27 August 2021 (Q2) and 27 October 2021 (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.

Monica Rydland

2020 BRIEF HIGHLIGHTS

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

Q1

In 2019, our comprehensive income was NOK 553 million.

In competition with companies from eleven different industries, we came second in EPSI's 2019 Industry Study.

We launched a Green Mortgage with preferential interest rates for people whose homes have an energy performance rating of A or B.

Monica Rydland, a researcher and Programme Director at NHH, was elected onto Sparebanken Sogn og Fjordane's Board of Directors.

In March we cut our mortgage rates twice in response to the financial challenges our customers faced when Covid-19 hit Norway with full force.

Q2

In May we cut our mortgage rates for the third time, bringing the total cut to up to 1.25 percentage points.

We launched a new website and Internet bank. Our Internet bank and mobile banking app now look identical. The website, mobile banking app and Internet bank were all created by our xcellent in-house staff.

We donated NOK 500,000 to promote Sogn og Fjordane as part of a campaign to get Norwegians to spend their summer holidays in Norway in 2020.

The number of retail customers granted a principal repayment holiday doubled, and in the case of business customers it tripled.

Q3

We signed up to both a local and a global sustainability partnership. We joined Klimapartnere Vestland, which helps the public and private sectors to build networks and provides a platform for exercising corporate social responsibility in the region. We also signed the UN Environment Finance Initiative (UNEP FI), which commits us to six principles for responsible banking.

For the second year in a row, Sparebanken Sogn og Fjordane scored extremely highly in EPSI's annual customer satisfaction survey for banks. We came top on trust and reputation, and overall we came in second place.

By October, the number of customers with a principal repayment holiday was roughly the same as before the coronavirus crisis. This was true of both our retail and business customers.

Q4

We launched a brand new website for our corporate customers.

Frende, which is part-owned by us, came top of EPSI's customer satisfaction survey for insurance customers for the third year in a row.

We gave one million kroner to ViteMeir, a science centre that will open in Kaupanger in the autumn of 2021. In total the centre has received three million kroner from Sparebanken Sogn og Fjordane's profits.

In December, Roy Stian Farsund was appointed as Sparebanken Sogn og Fjordane's new Corporate Banking Director. He was previously the head of corporate banking in the Sunnfjord region, and he took up his new position on 1 January 2021.

Roy Stian Farsund

Sustainability report 2020

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.

In 2019, the Bank published a separate sustainability report for the first time, and we are doing so again for 2020. Our sustainability report sets out our approach to Environmental, Social and Governance (ESG) issues. Our goal is that in the long term our sustainability reports will meet the standards of the GRI, the leading international body on sustainability reporting. The sustainability report and the work involved in preparing it are a step in the right direction. Sustainability is part of our strategy, so it falls within the remit of the Board of Directors and senior management team. Sparebanken Sogn og Fjordane's strategy for 2021 states that "We shall support business development in the region at the same time as helping to create a more sustainable society, in partnership with our employees, customers, suppliers and other stakeholders." In 2020, the Bank hired a full-time sustainability officer.

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

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. Our suppliers have a duty to follow national laws and regulations, as well as international UN and ILO conventions, and to meet requirements relating to climate neutrality and environmental standards through ISO certification, etc. We have over 150 suppliers, mainly IT providers, who will have to follow the requirements set out in our contracts.

Company vehicles

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 CO2 emissions of our vehicles by reducing GHG emissions somewhere else in the world by the same amount. We are also working to replace our fossil fuel cars with electric cars.

Initiatives we support

UN Sustainable Development Goals

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

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

Goal 4: Quality Education

- 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 2020, employees did a compulsory e-learning course on digital security, amongst other things.
- 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 pupils 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. Being a good place to work also means providing equal opportunity and fair treatment to all employees. We are therefore working to maintain and increase diversity at the bank, both through our day-to-day operations and in our recruitment policy.

Goal 8: Decent Work and Economic Growth

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

Goal 13: Climate Action

- The bank shall reduce its own greenhouse gas emissions and energy consumption. We shall continue to be Eco-Lighthouse certified.
- The bank shall offer products and services that encourage customers to choose sustainable options.
- The Bank shall help to spread knowledge and raise awareness, and support sustainable initiatives 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 anti-corruption.

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 support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

Klimapartnere Vestland

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

Unep FI

In 2020, Sparebanken Sogn og Fjordane signed the United Nations Environment Programme Finance Initiative (UNEP FI). This is a global partnership between the UN and the finance sector that aims to promote sustainable development in the industry. By signing up to the initiative, Sparebanken Sogn og Fjordane has committed itself to six principles for responsible banking.

Corporate 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. We want 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 1 Finans, we offer green car loans. This gives customers who choose a green car better terms than on a normal car loan. At the end of 2020, we had 312 loans for electric cars on our books, up from 217 at the end of 2019.

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

Green mortgages and green home improvement loans

We want to help our customers to make sustainable choices, so we offer green mortgages with more attractive terms to customers who buy energy-efficient homes with an energy performance rating of A or B.

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

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 2020 we allocated NOK 26 million of our profit to the local community, both directly from the bank and through the two foundations that own us, Sparebankstiftinga Sogn og Fjordane and Sparebankstiftinga Fjaler. The bank also sponsors around 50 clubs and organisations all over Sogn og Fjordane.

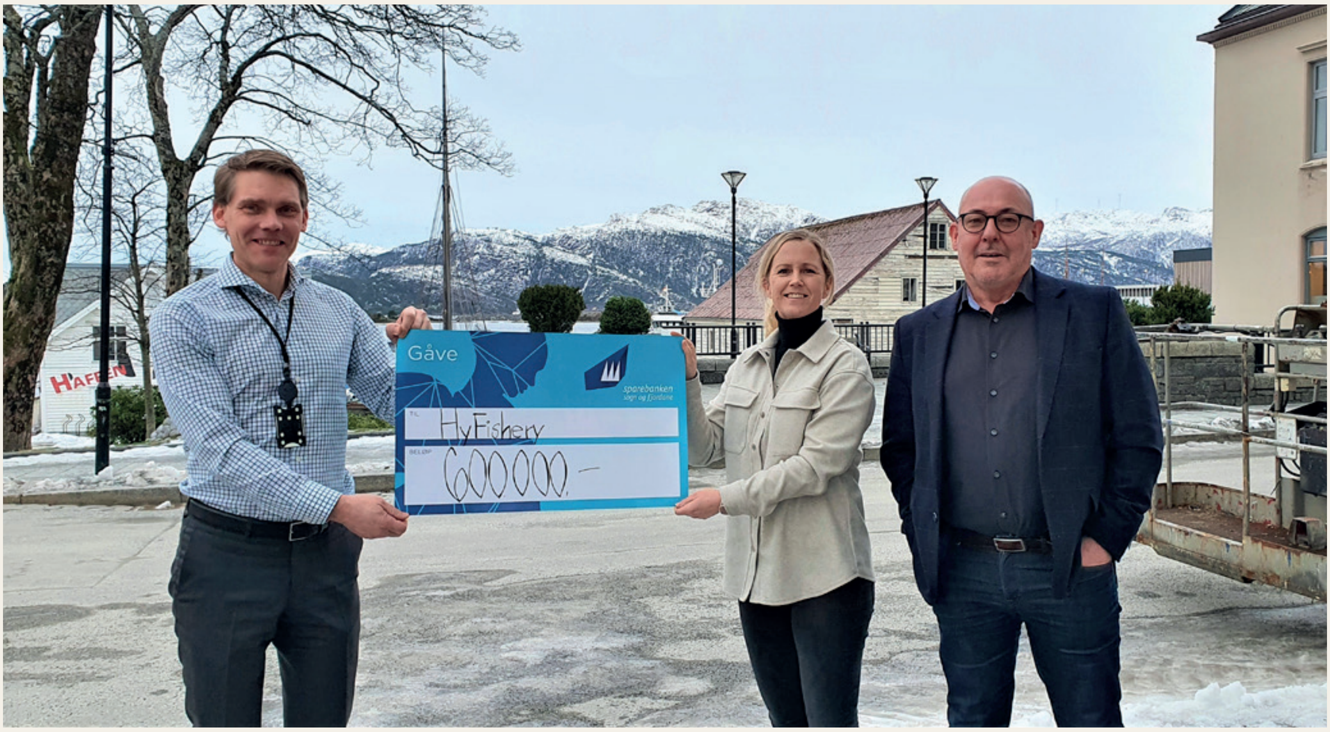
Sparebankstiftinga Sogn og Fjordane shall make donations to projects that benefit society in general within the fields of healthcare, humanitarian work, physical activity, culture, business development, research and education. Gifts from Sparebankstiftinga Sogn og Fjordane shall promote diversity, quality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

Gifts for environmental causes

We are prioritising gifts for environmental causes, which in 2020 included the following:

- NOK 100,000 to Fjordane friluftsråd, to survey marine pollution and perform beach clean-ups.
- NOK 400,000 to the organisation BRAK, to continue with the Green Festival project.
- NOK 600,000 kroner to OHC, to develop zero emissions feed boats and fishing vessels.
- NOK 300,000 to the Sogn og Fjordane branch of the Norwegian Football Federation to support green football tournaments throughout Sogn og Fjordane.
- NOK 150,000 to the Norwegian Society for the Conservation of Nature in Sogn og Fjordane.

Read more about gifts and corporate social responsibility in our annual report.



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 2020.

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 2020 we came sixth out of 120 participants in the national SHE Index for equal opportunity. Four of our eight Board members are women. The senior management team consists of four women and 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 2019.

We want to enable women to take up management positions, and we are working systematically to increase the proportion of women managers. In 2020, the proportion of line management positions held by women was 37 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.

Working conditions

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

Anti-corruption and fraud

Sparebanken Sogn og Fjordane wants to take its responsibilities seriously by ensuring good compliance with laws and regulations on combating money laundering and the financing of terrorism. This supports financial sustainability and economic development, not just at the local level, but also at the national one. As part of its work, the Bank shall identify and assess the risk of money laundering and the financing of terrorism associated with its clients, and ensure that appropriate countermeasures are taken based on its risk assessment. The Bank has no tolerance level for being used for money laundering or the financing of terrorism.

A strange year for gifts too

Unfortunately, in 2020 many things didn't turn out as planned. When care and nursing homes were isolated in March, we decided to distribute iPads to them. A total of NOK 400,000 was spent on buying iPads for care homes and day care centres in Sogn og Fjordane. The person behind this initiative was Ole Aukland, our bank manager for Florø, Bremanger and Måløy. "We are living in strange times, with home schooling and not much social interaction. In those circumstances, it is important to keep grandchildren and grandparents in touch with each other", said Auckland when the gift was made in March.

The fact that grandparents and great-grandparents had to talk to their loved ones through a screen is a good illustration of what 2020 was like, and when it became impossible to meet people normally, that naturally affected clubs and associations as well. Many of them lost important sources of revenues, so Sparebankstiftinga Sogn og Fjordane decided to provide an extra round of funding on account of the coronavirus crisis.

Over the course of 2020, we returned NOK 40 million of our profit to the local community. This money was given through the foundations that own us, Sparebankstiftinga Sogn og Fjordane and Sparebankstiftinga Fjaler, as well as through the Bank's own gifts and sponsorship agreements. For the bank it is important that our profit benefits the local community, and that the projects we fund have broad appeal.

Several of the gifts in 2020 went to environmental initiatives and causes, and you can read more about them in our sustainability report.

Grants for talented young people

Eight young talens in the fields of sport and culture each received a NOK 50,000 grant in 2020.

- Sofia Hyttedalen, singer from Sandane
- Thea Bjelde, football player from Sogndal
- Andreas Strand, alpine skier from Vassenden
- Jakob Hjelmeland, drummer from Førde
- Oddhild Louise Nyberg, violinist from Stårheim
- Mathias Degnepoll Øren, guitarist from Øvre Årdal
- Jon-Hermann Hegg, shooter from Borgund
- Jonas Vindedal Langlo, volleyball player from Førde

Handed out 1,000 life jackets

When Kalvåg Kystlag applied for 20 life jackets from our foundation, it sparked an idea. That was, to hand out 1,000 life jackets to clubs and associations that offer activities on or by the water. “This allows us to hand out the life jackets quickly, enabling lots of children to enjoy the summer season safely”, said Linda Stenseth, a customer adviser at Sparebanken Sogn og Fjordane, when she handed out the life jackets to Kalvåg Kystlag in June. This was a popular gift, particularly as most people were spending their summer holidays in Norway, and the life jackets were quickly distributed all over Sogn og Fjordane.

Teaming up with the business community

We are the leading corporate bank in Sogn og Fjordane, and in November we passed NOK 14 billion in loans to businesses. We take our role as a partner to the business community extremely seriously, and we have customer advisers and industry experts for the relevant industries. They are constantly working to ensure that our customers receive the support and expertise they need. In total we have almost 40 employees who work closely with the business community in the region, and in 2020 that partnership was particularly close.

When Covid-19 hit Norway with full force in March, many companies were concerned about their finances. By May, the number of principal repayment holidays had trebled, but over the autumn it was great to observe that businesses were doing better again on the whole. When the figures for the third quarter came out in October, the number of repayment holidays was virtually back to the same level as before the coronavirus crisis.

We also donated some of our profit to businesses in 2020, including one million kroner to the ViteMeir center in Kaupanger. In addition, we participate in several projects that benefit the business community. These include the "Studentjobb" project, which will give around 30 technology students at the Western Norway University of Applied Sciences in Førde relevant work experience while they are doing their degrees. We want to help make our region more attractive to students, and we are looking forward to welcoming several of these students in the autumn.

Bringing the Malakoff Festival to the people

Just like other music festivals, Malakoff had to cancel its 2020 edition. Instead they packed up their mobile stage, and toured the local area with a series of live concerts. As their general sponsor, we accompanied them on the whole tour, which included nine concerts over the course of five amazing days. Each concert had 200 spectators, which was the maximum allowed on account of the Covid-19 pandemic. Where the tour went: Nordfjordeid, Ervika, Vestkapp, Heggjabygda, Grotlesanden, Erviksætra, Sogndalsdalen and Breim.

Thank you for – yet another – vote of confidence!

Thanks to our customers, we scored very highly in two separate EPSI surveys in 2020.

The first one was in February. It looked at consumer satisfaction in eleven different industries. In that big field, we came second overall. In the section of the survey on trust, we actually scored highest.

In September, the second EPSI survey was published, this time dealing specifically with the banking industry. The 2020 survey found that customer satisfaction in the banking industry had fallen, but our customer satisfaction rating went up! We came top in the categories trust and reputation, and second overall, matching our result in 2019.

"It has been a strange year, so it is especially pleasing to know that we have managed to support our customers and give them a good customer experience in spite of the changes caused by Covid-19. We feel humbled, proud and incredibly grateful, and it will motivate us to work even harder to ensure good customer experiences", says Retail Banking Director Linda Vøllestad Westbye. The photo shows Linda (right) together with Inger Helene Øvrebø and Torbjørn Olset, who are both customer advisers to our retail customers.

New payment solutions reduce the risk of infection

Contactless payment has taken on a completely new significance. In 2020 we launched various ways of performing these kinds of payments. As a customer of Sparebanken Sogn og Fjordane, you can now pay using Apple Pay, Google Pay, Fitbit Pay and Garmin Pay.

50 active sponsorship agreements with associations and organisations

Our sponsorship activities should support our vision of being a driving force for Sogn og Fjordane 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 youths.

We sponsor the following organisations:

GENERAL SPONSOR:

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

SPONSOR:

Askvoll og Holmedal sports club
Balestrand sports club
Breimsbygda sports club
Bremanger sports club
Dale sports club's football and handball group
Eid sports club's handball team
Eikefjord sports club
Farnes shooting club
Fjøra football club
Flatraket sports club
Florø sailing club
Florø sports club's handball group
Florø gymnastics and sports club
Florø E-sport
Førde sports club
Førde sports club's cross-country skiing group
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 gymnastics group
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
Financial literacy for young adults
Våt Moro watersports festival
Øvre Årdal concert band

Directors' report

Introduction

In 2020, the Sparebanken Sogn og Fjordane Group's comprehensive income amounted to NOK 443 million. Highlights for 2020 include:

- Strong growth in loans and deposits
- Lower interest rates put pressure on our net interest margin
- Higher loss allowance due to the Covid-19 pandemic
- Strong contribution from financial instruments
- Financial strength and liquidity, combined with a flexible, forward-looking organisation, meant the Bank weathered the Covid-19 pandemic well

The Board of Directors is very pleased with the way the Bank has come through the Covid-19 pandemic. Thanks to our forward-looking, flexible organisation, excellent digital solutions, and strong capital and liquidity position, we have emerged stronger from what has been a challenging year. Our profit in 2020 was lower than in 2019, but in view of the situation, the Board is very satisfied with the performance. The Bank has delivered yet another year of strong growth in deposits and lending, and it is managing to compete successfully with other banks. This was once again confirmed by our very strong results in EPSI's customer satisfaction surveys. For the second year in a row, the Bank was rated Norway's second best bank, and best savings bank, and it was the only bank to improve its score in 2020. The Bank has maintained, and will continue, its efforts to become a more sustainable bank. We believe that the way in which it coped with the challenges of 2020 has strengthened the Bank and provides a strong base for continuing to compete successfully in the coming years.

Business operations

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

Our head office is in Førde, and at the end of 2020 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 AS' investment funds.

The Sparebanken Sogn og Fjordane Group includes three wholly-owned subsidiaries as well as the parent company Sparebanken Sogn og Fjordane. The Group provides estate agency services through 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's vision is to be a driving force for Sogn og Fjordane. Our most important social responsibility is achieving satisfactory profitability. Improving the quality, efficiency and profitability of our core business is therefore vital to our future development, and provides a platform for implementing our vision.

Our role in society is to have the financial muscle needed to finance and develop the business community in Sogn og Fjordane, at the same time as being a safe, good bank for retail customers in our core region and the rest of Norway. Our profits shall be ploughed back into our region through big and small contributions to business development, education, culture, research, sport and healthcare. In order to help us fulfil our role in society, there are three elements to our business model: we provide a personal touch and are close to our customers; we offer smart digital services; and we have strong community engagement.

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

Ownership interests in Frende Holding AS (10.4%), Balder Betaling AS (10.5%) 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.

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

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

Income statement

2020 highlights (2019 figures in brackets)

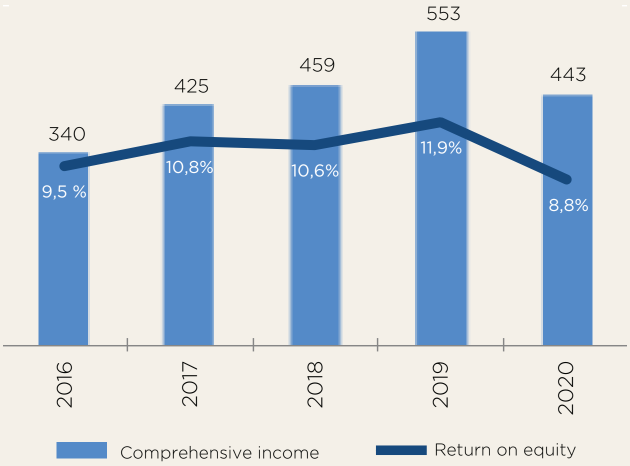
- NOK 907 million (938 million) of net interest income
- Net gain on financial instruments of NOK 114 million (147 million)
- Total revenues of NOK 1,159 million (1,227 million)
- Operating expenses of NOK 491 million (492 million)
- Impairment loss of NOK 112 million (40 million)
- Pre-tax profit of NOK 557 million (696 million)
- Comprehensive income of NOK 443 million (553 million)
- Return on equity of 8.8% (11.9%)
- Dividend per equity certificate of NOK 6 (4)
- Proposed allocation for dividends and gifts of NOK 129 million (90 million)

Comprehensive income

Sparebanken Sogn og Fjordane's comprehensive income amounted to NOK 443 million in 2020, compared with NOK 553 million in 2019. This is equivalent to a return on equity of 8.8%, against 11.9% in 2019. The main reasons comprehensive income fell were an increase in the loss allowance for expected credit losses and a decline in net interest income on account of the Covid-19 pandemic. Meanwhile, operating expenses fell.

Comprehensive income and return on equit

In millons of NOK



Net interest income

Net interest and commission income was NOK 907 million, NOK 31 million (3.3%) lower than in 2019. Our volume of loans and deposits experienced healthy growth, which might have been expected to increase net interest income, but lower interest rates and several interest rate cuts during the year reduced our customer margins.

In 2020, interest rates on loans to customers were cut more than those on deposits. In comparison with 2019, interest rates on debt securities in issue were also relatively high in relation to interest rates on loans. In order to reduce our funding costs, we have for some time been working to increase the share of covered bonds in our overall portfolio of debt securities in issue. This has made a positive contribution to our net interest income.

Our net interest margin was 1.49% in 2020, compared with 1.67% in 2019.

Net other income

Net other operating income totalled NOK 252 million in 2020, which was NOK 37 million lower than in 2019. The reduction was mainly due to a smaller contribution from financial instruments.

Net gains/losses on financial instruments

We made a net gain of NOK 114 million on financial instruments in 2020, against NOK 147 million in 2019. The gain in 2020 was mainly due to NOK 88 million in dividends and gains on long-term shareholdings, which contributed NOK 93 million in 2019. For further details see Note 22.

Commission income and expenses

Net commission income totalled NOK 104 million, which was NOK 7 million (6.3%) lower than in 2019. The decline reflected lower income from payment services. However, income from the sale of investment funds and insurance products, for example, rose strongly.

Other income

Other income totalled NOK 34 million, which was NOK 2.4 million (7.6%) higher than in 2019. The increase was due to services provided in conjunction with developing a general payment solution and higher income from our subsidiary Eigedomsmekling Sogn og Fjordane.

Operating expenses

Operating expenses came to NOK 491 million in 2020, which was NOK 1 million (0.3%) less than in 2019.

Card-related expenses, as well as IT and marketing expenses, fell. Some expense items have fallen as a result of the Covid-19 pandemic, such as travel and representation expenses. In 2020 we embarked on a cost-reduction programme, which aims to implement measures to ensure we continue to operate our business cost-effectively. The project has identified several expense items that it will be possible to reduce, as well as various others that will be examined more closely in the coming months.

In February 2021, the Bank was notified that it will receive a fine as a result of a regular inspection of compliance with anti-money laundering regulations.

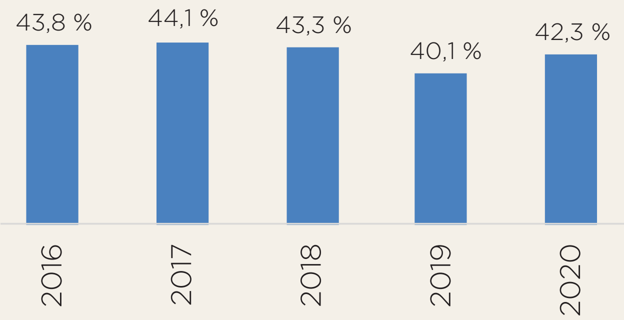
The notification, which cited a fine of NOK 14 million, was received after the Bank had published its financial statements for the fourth quarter of 2020. The Bank has not reached a conclusion on the Financial Supervisory Authority of Norway's preliminary report, but it has chosen to make a provision for the fine in its accounts for 2020, which means that the annual financial statements do not match the financial statements published for the fourth quarter of 2020. The revision has increased expenses by NOK 14 million, and reduced profit by an equivalent amount.

Cost/income ratio

Operating expenses in 2020 amounted to 0.86% of average total assets against 0.88% in 2019. This key figure demonstrates clearly that our operations have become more cost-efficient, measured in terms of total assets, over the past year.

In 2020, operating expenses totalled 47.0% of total income **excluding** gains and losses on financial instruments, which was unchanged from 2019. **Including** gains and losses on financial instruments, in 2020 operating expenses totalled 42.3% of total income, compared with 40.1% in 2019.

Cost/income ratio



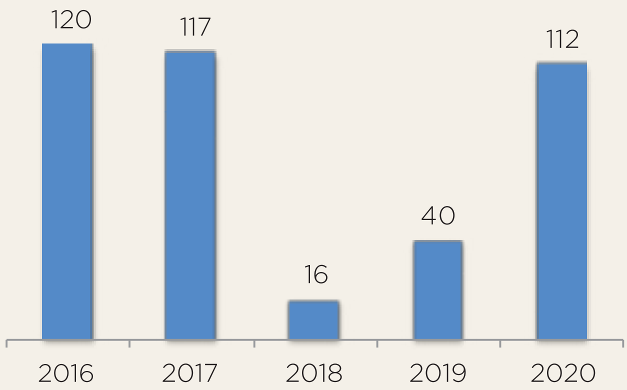
*Cost/income ratio **including financial instruments.** The figure for 2016 has been adjusted for the reversal of pension provisions.*

Impairment loss

In 2020, the net impairment loss on loans and guarantees was NOK 112 million, compared with NOK 40 million in 2019. The loan impairment loss in 2020 represented 0.20% of gross loans, compared to NOK 0.08% in 2019. There was a NOK 107 million increase in the model-based loss allowance, and the allowance for individually assessed loans rose by NOK 5 million. A large proportion of the model-based losses relate to the revised economic outlook as a result of the Covid-19 pandemic, which is expected to have a negative impact on future default levels. The increase in the loss allowance at 31 December 2020 attributable to the pandemic has been estimated at around NOK 67 million.

Impairment loss

In millions of NOK



Tax expense

The tax expense for 2020 was NOK 113 million, equivalent to 19.8% of pre-tax profit. The 2019 tax expense was NOK 142 million, equivalent to 20.5% of pre-tax profit. The main reason for the fluctuating tax rate is that most gains and losses on shares are covered by the exemption method. The parent company's corporate income tax rate is 25%, whereas its subsidiaries are subject to a tax rate of 22%.

Other comprehensive income

In 2020, an insignificant remeasurement loss on pensions was recognised in other comprehensive income. Specifically, the remeasurement loss was NOK 0.2 million in 2020, compared with a loss of NOK 0.7 million in 2019.

Subsidiaries

Bustadkreditt Sogn og Fjordane AS

Bustadkreditt Sogn og Fjordane AS is a wholly-owned subsidiary of the Bank. At 31 December 2020, the company had a NOK 21.8 billion mortgage portfolio. It has expanded its activities over the past year, and its loan portfolio grew by 12.4% in 2020. The company is well capitalised, with NOK 1.9 billion in equity and a capital adequacy ratio of 20.6% at 31 December 2020. It made a pre-tax profit of NOK 187 million in 2020, compared with NOK 180 million in 2019. 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 2020 was NOK 8.2 million, compared with NOK 6.4 million in 2019. The improvement over 2019 was due to a gain on the sale of a property.

Eigedomsmekling Sogn og Fjordane AS

The estate agency Eigedomsmekling Sogn og Fjordane AS is a wholly-owned subsidiary of the Bank. Revenues from estate agency were NOK 29.9 million, up 1.0% from 2019. The company made a pre-tax profit of NOK 2.3 million in 2020, compared with a loss of NOK 1.3 million in 2019.

Profitability

The Group's comprehensive income after tax for 2020 was NOK 443 million, compared with NOK 553 million in 2019. This corresponds to a return on equity of 8.8% for 2020, against 11.9% in 2019. Sparebanken Sogn og Fjordane has consistently managed to achieve a satisfactory and stable return on equity. Our profit for 2020 was weaker than in recent years, primarily due to higher allowances for expected credit losses on loans and lower revenues on account of the Covid-19 pandemic. Bearing in mind how challenging the year was, this was a satisfactory achievement.

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

Profit after taxation, parent company	440.250.838
Interest paid to investors in hybrid capital (hybrid debt)	– 16.591.806
Available	**423.659.032**

At the Annual General Meeting on 25 March 2021, the Board will propose that the profit for the year be allocated as follows:

Dividends (NOK 6.00 per equity certificate)	116.899.122
Gifts	12.000.000
Dividend equalisation reserve	254.054.726
Compensation reserve	40.705.184
Total allocated	**423.659.032**

Balance sheet

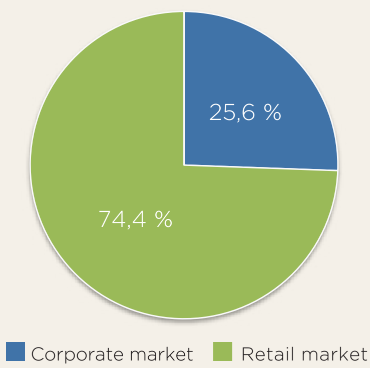
At the close of 2020, the Group had NOK 62.7 billion in total assets, up NOK 4.9 billion (8.5%) from 31 December 2019. The increase was mainly due to strong growth in lending to customers and a larger liquidity buffer held as commercial paper and bonds.

Loans to customers

At the end of 2020, Sparebanken Sogn og Fjordane had NOK 54.9 billion of gross outstanding loans. The volume of loans rose by NOK 3.8 billion (7.4%) over the past year. Lending to the retail market rose 6.9% over that period, while lending to the corporate market rose 9.1%.

At 31 December 2020, 74.4% of gross outstanding loans were to retail customers, whilst 25.6% were to the corporate market (incl. the public sector). A year earlier, 25.2% of all lending was to the corporate market.

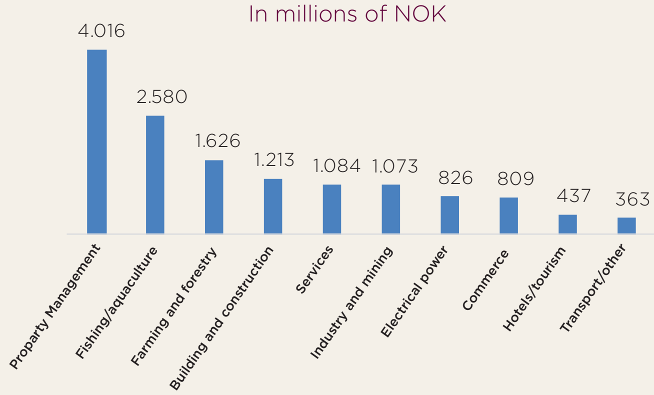
LOANS BY SECTOR



The figure below shows the distribution of loans to the corporate market by industry at 31 December 2020. The property management industry has received the biggest share of our corporate lending, at NOK 4.0 billion in total, or 29% of all loans to businesses. The fishing and aquaculture industries have received the next largest share, at NOK 2.6 billion, or 18% of all loans to the corporate market.

GROSS LOANS BY INDUSTRY

In millions of NOK



Loss allowance for loans, guarantees and undrawn credit facilities

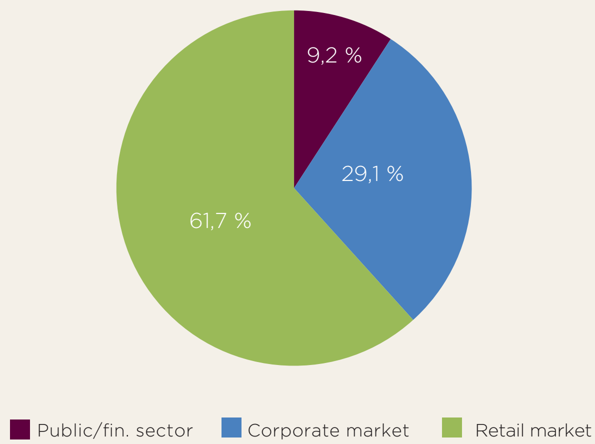
The loss allowance on the balance sheet for expected credit losses on loans, guarantees and undrawn credit facilities totalled NOK 378 million, compared with NOK 332 million the previous year. Of the loss allowance at 31 December 2020, NOK 353 million was for loans. At 31 December 2020, the loss allowance represented 0.64% of gross outstanding loans, compared with 0.63% the previous year.

Customer deposits and deposit/loan ratio

Customer deposits amounted to NOK 30.7 billion at the end of 2020, up NOK 2.1 billion (7.2%) over the year. Retail deposits increased by 8.0%, whilst deposits from corporate customers, including the public and financial sectors, rose 6.1%.

At 31 December 2020, 61.7% of deposits were from retail customers, 29.1% were from business customers and 9.2% were from the public/financial sectors.

DEPOSITS BY SECTOR



The Group's deposit/loan ratio was 55.9% as of 31 December 2020, roughly unchanged from 31 December 2019, when it was 56%.

Security investments

Shares, etc.

At 31 December 2020, the carrying amount of our investments in shares was NOK 657 million, against NOK 579 million at 31 December 2019. The portfolio of shares at 31 December 2020 consisted exclusively of long-term, strategic investments. Our biggest shareholding at 31 December 2020 was in Frende Holding AS, which had a carrying amount of NOK 365 million. This ownership interest is related to the fact that the Bank sells Frende's insurance products. In 2020 we recognised a NOK 80 million valuation gain on our ownership interest in Frende.

Commercial paper and bonds

The carrying amount of our investments in commercial paper and bonds was NOK 6.5 billion at the close of the year, compared with NOK 5.4 billion at 31 December 2019. 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 2020, we had commercial paper and bonds in issue with a book value of NOK 23.2 billion, against NOK 22.7 billion at 31 December 2019. We had good access to funding throughout 2020, both from bond markets and by using Bustadkreditt Sogn og Fjordane AS to issue covered bonds.

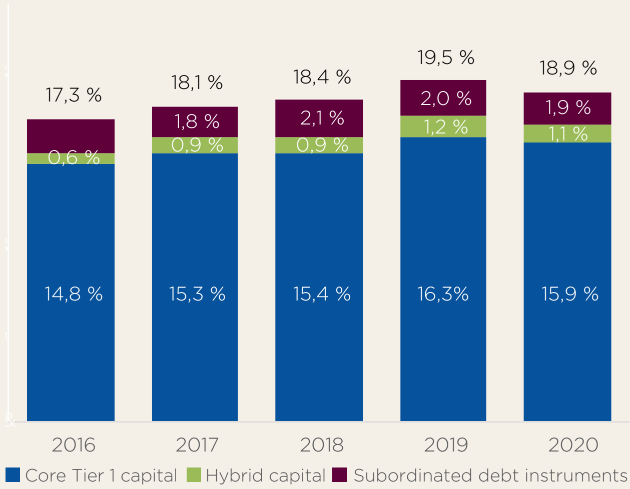
Shareholders' equity and capital adequacy

At 31 December 2020, the Group had NOK 5.7 billion of equity, compared with NOK 5.4 billion at 31 December 2019. Sparebanken Sogn og Fjordane had NOK 4.1 billion of equity share capital and NOK 0.6 billion of primary capital. No new equity certificates were issued in 2020. At 31 December 2020, the Group had hybrid capital consisting of NOK 350 million of hybrid debt, which was unchanged over the past year.

It also had NOK 601 million of subordinated debt instruments on its balance sheet. Net equity and subordinated debt, which is used to calculate the capital adequacy ratio, totalled NOK 6.1 billion, after rising NOK 304 million (5.2%) over the past year.

The Group's Capital adequacy ratio at 31 December 2020 was 18.9%, compared with 19.5% at 31 December 2019. The Core Tier 1 capital adequacy ratio was 15.9% at 31 December 2020, against 16.3% at 31 December 2019. Capital adequacy fell slightly in 2020 due to loan growth and new rules on the risk weighting for property under construction. The Board of Directors considers shareholders' equity at the close of 2020 to be satisfactory.

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



Going concern assumption

The 2020 financial statements have been prepared on the assumption of the business being a going concern.

Post balance sheet events

In February 2021, the Bank was notified that it will receive a fine of NOK 14 mill. as a result of a regular inspection of compliance with anti-money laundering regulations. The inspection took place on 11-12 March 2020. The notification was received after the Bank had published its financial statements for the fourth quarter of 2020. The Bank has not reached a conclusion on the Financial Supervisory Authority of Norway's preliminary report, but it has chosen to make a provision for the fine of NOK 14 mill. in its accounts for 2020, which means that the annual financial statements do not match the financial statements published for the fourth quarter of 2020.

As a result of lower interest rates and pressure on income, the bank has decided to reduce staff by a minimum of 20 man-years during 2021, through a voluntary scheme with severance packages. The plan is to enter into agreements on final packages before 1 April 2021. No provision has been made in the accounts for 2020, as the agreements had not been entered into at 31.12.20, and consequently it is an event that belongs to the accounts for 2021. The cost of final packages / downsizing is estimated to be NOK 12 million.

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

Rating

As of 31 December 2020, Sparebanken Sogn og Fjordane had a long-term rating of A2 from Moody's. On 3 February 2021, Sparebanken Sogn og Fjordane was upgraded to an A1 rating. Bustadkreditt Sogn og Fjordane's covered bond programme has a long-term rating of Aaa.

Corporate governance

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

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

The Bank's Board of Directors has eight members, including two employee representatives. The CEO and other senior managers do not sit on the Board. The election of the Board is governed by Section 4–1 of the articles of association. Directors are elected by the General Meeting for two-year periods, while deputies are elected for one year. The Board held 19 meetings in 2020. 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 seven meetings in 2020, 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, with a particular emphasis on financial reporting.

The risk management committee, which held eight meetings in 2020, is made up of three Board members. The committee makes preparations for the Board's assessment of quarterly risk management reports, the annual ICAAP and ILAAP reports, the annual internal control report, the internal auditor's annual report and annual plan and the annual finance strategy and associated limits on risk exposure. The committee prepares items that deal with the monitoring and management of the Bank's individual areas of risk and overall risk, focusing on whether our corporate governance procedures are appropriate for our risk profile and the extent of our business.

The remuneration committee, which held six meetings in 2020, 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 2020, the AGM authorised the Board to increase the equity share capital by up to 3.5 million new equity certificates, each with a face value of NOK 100. This is so the Group's capital position can be strengthened in conjunction with a possible stock market listing. This authorisation is valid until the next Annual General Meeting (25 March 2021). 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 19,118 equity certificates and sell them on to the Bank's employees.

Ownership structure

Sparebanken Sogn og Fjordane was converted into an equity certificate bank in 2010. Sparebankstiftinga Sogn og Fjordane owns 93.67% of the equity certificates, Sparebankstiftinga Fjaler owns 5.92% and the employees/Board of Directors of Sparebanken Sogn og Fjordane own 0.41%. Sparebankstiftinga Sogn og Fjordane is one of the largest foundations of its kind in Norway.

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

Internal controls

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

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

The CFO is responsible for the Bank's accounting and finance functions, and is thus responsible for financial reporting and the associated internal controls. This also 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 and Compliance department 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 on the auditor's own auditing activities.

Auditing projects are set out in the annual plan for the internal auditor adopted by the Board.

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

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

Risk and capital management

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

The Bank uses the standardised approach to calculate its capital requirements arising from credit risk, and the basic indicator approach for operational risk. The Pillar 2 capital requirement is calculated using the models explained by the Financial Supervisory Authority of Norway in its circular 12/2016. Supplementary assessments and provisions are also made where necessary. Although the Bank does its own calculations of the Pillar 2 capital requirement, it is the Pillar 2 requirement established by the Financial Supervisory Authority of Norway that determines the total capital requirement that applies to the Bank. At the close of 2020, the Pillar 2 requirement was 1.7% of the risk-weighted calculation basis.

Risk levels and capital requirements are reported to the Board through quarterly risk management reports and through the ICAAP report. This means that the Board always knows whether the Bank is adequately capitalised and that the limits on risk have not been breached.

The Bank also has a contingency plan for liquidity. The Bank's recovery plan also provides a good picture of the Bank's ability to recover in the event of a crisis that causes it to breach its capital and liquidity requirements.

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

	31.12. 2017	31.12. 2018	31.12. 2019	31.12. 2020
Total capital adequacy ratio	18,08 %	18,52 %	19,52 %	18,88 %
Core capital adequacy ratio	16,26 %	16,43 %	17,50 %	17,02 %
Core Tier 1 capital adequacy ratio	15,33 %	15,54 %	16,32 %	15,94 %
Regulatory core Tier 1 capital requirement	13,90 %	13,90 %	14,40 %	12,70 %
Capital surplus	1,43 %	1,62 %	1,92 %	3,24 %

The Board considers that the capital adequacy ratios and voluntary buffer have been satisfactory, and the Bank is in a strong position to meet future changes in rules on capital adequacy and capital requirements.

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

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

The impairment loss in 2020 was equivalent to 0.20% of gross loans. The loss allowance on the balance sheet for expected credit losses on loans, guarantees and undrawn credit facilities was NOK 353 million at 31 December 2020, up NOK 32 million since 31 December 2019. The overall levels of credit-impaired assets in both the corporate and retail markets are well below the limits established by the Board. At the end of 2020, loans to the corporate market represented 25.6% of overall lending. Of the CM loans, 9.7% by volume were defined as high-risk loans at the end of the year.

In 2020, the Covid-19 pandemic led to changes in the risk environment. Some industries were hit particularly hard by the restrictions that were put in place to stop the spread of the virus, but it will be a long time before we completely understand the full consequences of the pandemic. The uncertain outlook means, amongst other things, that the Bank's impairment model calculates a higher loss allowance.

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. The Bank has a separate strategy for managing operational risk. We have also developed an incident database to improve the way in which we manage operational risk, and to learn from operational errors.

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

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

In 2020, we were inspected for our compliance with anti-money laundering regulations. In February 2021, the Financial Supervisory Authority of Norway issued a preliminary report requiring corrective measures and notifying us that we would be fined. The Bank takes this seriously, and it is in the process of responding to the Financial Supervisory Authority of Norway and improving its procedures and training where necessary.

Market risk
Market risk is managed and measured in three main areas: interest rate risk, equity risk and currency risk. The Board has placed limits on the Bank's permitted interest rate risk and on its exposure to foreign exchange markets.

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

Interest rate risk derives from interest-bearing securities, forward contracts, fixed-rate loans and fixed-rate deposits. Interest rate risk is calculated by working out how much financial values will change if interest rates change. The Board adopts limits on exposure within various fixed interest ranges and on overall exposure. Currency exposure is linked to international payment services, foreign currency holdings, foreign currency loans and futures contracts. Currency risk is managed by setting limits on total exposure to currency risk, as well as limits for individual currencies, and is reported daily.

Cyber risk
The Financial Supervisory Authority of Norway's annual risk and vulnerability analysis shows that the amount of cybercrime is continuing to grow. However, financial institutions have also improved their defences, and cyberattacks are often dealt with before they have serious consequences. Weak points in financial institutions' defences against cybercrime, information leakage, and the operation of ICT systems are the biggest threats associated with the use of ICT systems. The risk and vulnerability analysis identified the risk of unwanted incidents as medium to high, and the consequences as moderate to high. Entities should continue to strengthen their ICT systems in order to reduce the likelihood of nonconformities and to improve ICT security.

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

Climate change risk
Climate change risk is the risk associated with climate change leading to an increase in the Bank's credit risk and losses. An assessment of climate change risk and sustainability is incorporated into the credit checks the Bank performs on its corporate customers. Templates and forms have been created to assist customer advisers in their discussions with customers on this topic. The aim is to raise corporate customers' awareness of how they will be affected by climate change and to influence customers to take action to reduce their risk exposure and their own emissions. The Bank aims to play a positive role in supporting the transition to a more climate-friendly and sustainable society.

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

Retail Market

2020 was a unique year for our retail banking operations, for both our customers and employees. In March, the day after Norway went into lockdown in response to the Covid-19 pandemic, we went over to serving our customers from our home offices. Thanks to our flexible and skilled staff, together with good digital technology, we managed to continue providing the help and support our customers needed during what was a challenging time. We received a high volume of enquiries from customers needing to speak with their customer advisers.

The impact of the coronavirus crisis on our customers varies. Many customers saw their finances improve in 2020, on account of lower interest rates, provided they had good prospects and safe jobs. The low mortgage rates mean that Sparebanken Sogn og Fjordane's average mortgage customer now has NOK 1,800 more in monthly spending money than last March. Other customers have been laid off for varying amounts of time, and have needed to postpone capital repayments on their loans. In May, 12% of our customers had been granted a capital repayment holiday. By December 2020, the need for repayment holidays was back at a more normal level, similar to before the pandemic. We are here for all of our customers, both in challenging times and in good ones.

That was confirmed by EPSI 2020, a customer satisfaction survey in the banking industry. In it, Sparebanken Sogn og Fjordane came top in the categories of trust and reputation. Even in a challenging year, we provided good, valuable customer experiences. The survey showed that customer satisfaction with banks in general had fallen, but Sparebanken Sogn og Fjordane managed to buck the trend, with its customers being even more satisfied than the previous year. It is humbling and a source of pride that we were able to achieve rising customer satisfaction at a time when the reverse was true for the industry as a whole. We believe in offering a combination of good advice, simple digital solutions and a strong commitment to our community. Strong growth in our volume of lending (6.9%) and deposits (8.0%) is also evidence that our customers appreciate their relationship with us.

Sparebanken Sogn og Fjordane is a complete provider of financial services that, in addition to providing loans and taking deposits, offers insurance products, services related to savings and investment products, and estate agency. In the areas of car loans and leasing, we work with SpareBank 1 Finans Midt-Norge AS in Trondheim. Frende Forsikring is our supplier of insurance products. For the third year in a row, Frende had Norway's most satisfied insurance customers, and they were rated best at settling claims.

Sparebanken Sogn og Fjordane is the leading provider of savings and investment products in the county. 2020 was a turbulent year for stock markets, and that was also true for our investment fund customers. We received a lot of enquiries from customers, but most of them chose to ride out the storm, which with hindsight has proved to be a sensible decision so far.

Looking at the year as a whole, markets experienced a much stronger and quicker recovery than most people had anticipated.

Low interest rates and a very high household savings rate, largely due to the restrictions in place and people taking fewer holidays abroad, meant that people showed an unprecedented willingness to invest in a variety of investment funds in 2020. Assets under management at Sparebanken Sogn og Fjordane rose by approximately 40% in 2020. A growing recognition that individuals have to take more responsibility for saving for their own pension is helping to increase people's interest in long-term investment in funds. Many of our customers make regular monthly investments, of varying sizes, thus reducing the risk of investing a large amount of money at a time that in hindsight turns out to be sub-optimal. It is an approach that we will continue to recommend to our customers in the future.

2019 was a very good year for Sparebanken Sogn og Fjordane's subsidiary Eigedomsmekling Sogn og Fjordane. After a good start to the year, the Covid-19 pandemic and resulting lockdown of society led to a sharp fall in the sale of properties. The market began to pick up again in May, and since the summer the property market has been busy. The company made a profit in 2020. Eigedomsmekling Sogn og Fjordane has competent, highly-trained staff, and it is the leading estate agency 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 9.1% in 2020, and 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 the state of the market, with higher demand for business loans than in recent years. The Covid-19 pandemic put its mark on the year, but it appears that overall businesses coped well during this period. Various industries were responsible for the loan growth, but the fishing and aquaculture industries were particularly important.

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 around 60% of all limited companies in Sogn og Fjordane having a customer relationship with us.

Deposits from companies, financial institutions and municipalities rose by a pleasing 6.1% 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 2020.

In the past, we have achieved strong sales of public sector occupational pension plans. This continued to be the case in 2020. Frende was our supplier of pension products, but in 2020 it decided to sell its pension portfolio to Nordea, so now Sparebanken Sogn og Fjordane has signed a long-term distribution contract with Nordea Liv. Our pension plans were converted to Nordea Liv in November 2020, and when selling new pension plans to business customers we now exclusively offer Nordea Liv's products.

After a six-year partnership with Frende, the Bank has built up a significant non-life insurance portfolio, which is currently growing faster than the overall market. Our branch network and strong relationship with the business community give us a good platform for winning new customers and protecting our current 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. The Bank has achieved strong growth in this market, but there is still an unexploited 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 benefit customers, but also helps 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

The Bank has taken on a variety of challenging tasks in recent years, and 2020 was no different in that respect. These tasks have helped to raise the skills of both individuals and the Bank as a whole. We have put a lot of resources into internal courses and training. 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. We also put in place systems to enable our administrative and support staff to upgrade their skills. The Bank has invested in a new e-learning platform. We will start using the new platform, *Motimate*, in 2021.

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. The programme was completed in November 2020. We are seeing tangible benefits from our investment in management training, so we will build on the programme with new activities in 2021.

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.

The Covid-19 pandemic left its mark on our organisation in 2020. Since 12 March, a large proportion of our staff have worked from home. During the lockdown in spring, 80-85% of our employees worked from home. Our employees have dealt with the necessary adaptations and changes very well. They have started using new digital tools and learned new ways of working.

The coronavirus crisis has provided a stimulus for lots of excellent innovation and skills development at the Bank. In the spring of 2020, we set up an *Innovation-Lab*. This working group has made an active, forceful contribution to our efforts to define how the Bank should operate on a day-to-day basis. The group challenged our internal and customer-facing working methods, processes and systems, and proposed specific changes.

Many of its proposals were implemented in our organisation during 2020. The coronavirus crisis and widespread working from home also created challenges for our business culture. In the autumn of 2020, we therefore set up a *CultureLab*. This working group has worked on implementing new digital and physical activities to strengthen our business culture. The group has held, and will continue to hold, virtual events to provide the Bank's employees with interaction, inspiration and good experiences.

Working environment

Sparebanken Sogn og Fjordane carries out an annual survey to find out how satisfied employees are with their work. In 2020, this survey was replaced by a system of staff pulse surveys. The pulse surveys measure employee satisfaction and engagement, and allow employees to provide feedback on their experience in terms of the flow of information, communication and support during the coronavirus crisis. The surveys show that we still have a good working environment, in comparison to the industry and workplaces in general. In areas for improvement and development, action is taken, both at the Group level and in individual departments, to rectify the situation and improve future performance.

Since 2003, we have been signed up to the IA programme for inclusive working life. This means that we have undertaken to work on minimising sickness absence, and on making it possible for employees who develop partial incapacities to continue working. We have set up a dedicated IA committee, whose responsibilities include preparing an action plan for this area. There were no reported occupational lost time injuries in 2020. Our working environment committee held four meetings in 2020, and dealt with 7 working environment cases.

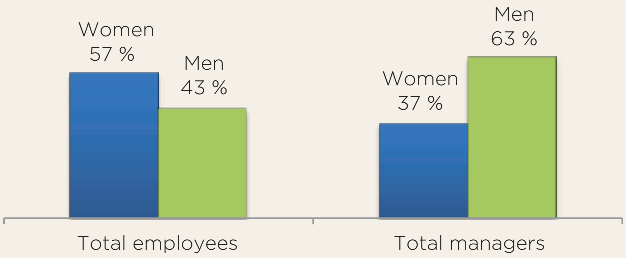
The average sickness absence rate was 2.98% in 2020, slightly lower than in 2019, when it was 3.30%.

Equal opportunity and diversity

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

We aim to have a system that allows women to take up management positions. Four of the eight 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, unchanged from in 2019. The proportion of line management positions held by women was slightly lower in 2020 than in 2019.

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

Number of part-time workers	Percentage	Number
Women	79 %	27
Men	21 %	7

In 2020, the Bank had 10 temporary members of staff. 8 of them were women and 2 were men.

Temporary members of staff	Percentage	Number
Women	80 %	8
Men	20 %	2

18 employees took parental leave in 2020. 13 of them were women and 5 were men. The women took a combined 1,486 days of leave, while the men took 356 days. This means that men who work at the Bank only take the minimum father's quota.

Uptake of parental leave	Number of working days	Weeks
Women	1 486	297
Men	356	71

The equal opportunity company SHE has joined up with the auditors EY to launch a national index to measure the performance of Norwegian companies in the area of equal opportunity. Sparebanken Sogn og Fjordane came sixth in this ranking in 2020, in competition with 120 other large Norwegian companies. We welcome employees with disabilities and with special requirements and will continue to focus on providing equal opportunities and fair treatment at all levels of the organisation.

Our pay policy

Our vision is to be a driving force for 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 personal development and a team spirit.

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

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

Women's earnings as a percentage of men's earnings (by grade)	Number of women	Average (full-time)
Grade 1 – CEO	0 %	0 %
Grade 2 – Senior management team	44 %	86 %
Grade 3 – Other line managers	43 %	90 %
Grade 4 – Technical managers	21 %	81 %
Grade 5 – Advisers/ customer service	63 %	88 %
Grade 6 – Consultants and others	62 %	90 %

	Average salary
Women	559 000
Men	680 000

When calculating the wage gap, we have included basic salary and various extras such as overtime, bonuses and other benefits for the 2020 financial year. We have also considered the question of equal work of equal value when defining the grades. The grades are based on existing categories of positions at the Bank, and on an assessment of which positions are classified in the various grades.

The wage gap between women and men is largely due to the fact that the majority of management positions are still held by men. Differences over and above that are due to historical circumstances and reasons. The Bank has not been informed of, or uncovered, any cases of wage discrimination.

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

Promoting equality and preventing discrimination

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

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

No cases of discrimination or harassment were reported in 2020.

Principles, procedures and standards relating to equality and discrimination

Our work on equal opportunity covers all potential grounds for discrimination and the various areas of HR – recruitment, pay and conditions, promotion, development opportunities, workplace adaptation and flexibility with respect to balancing work and family life – as well as the prevention of harassment, sexual harassment and gender-based violence.

- Equal opportunity is an important consideration in pay negotiation and local wage bargaining. Each year, we set aside an amount for equal pay, which is used to reduce the wage gaps that have no other explanation than gender.

- Women on maternity leave receive a bonus and a pay review in the same way as other employees.

- The Bank shall enable to staff to achieve a good balance between work and family life. We permit flexible working hours and working from home where the circumstances allow it. Overall, the Bank wants to minimise overtime.

- Our policy on equal opportunity is incorporated into the Bank's strategy, tools and guidelines.

- In 2018 we drew up new guidelines to prevent harassment, sexual harassment and gender-based violence, including a whistleblowing system.

- The topics of equal opportunity and non-discrimination are also covered by our HR policy.

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

- The Bank performs annual employee satisfaction surveys where we ask if employees have experienced harassment or bullying at their workplace.

Ensuring equal opportunity and non-discrimination in practice

- The Board of Directors, executive management, elected representatives and employees all play a role in our work on equal opportunity.

- Equal opportunity measures are discussed with members of the Bank's work council, which meets at least four times a year.

- A recruitment committee has been established, in accordance with the basic agreement between Finance Norway and the Finance Sector Union of Norway. The committee shall ensure that the principles of equal opportunity and non-discrimination are respected when setting pay and conditions.

- Shaping attitudes through internal and external communication. The Bank is one of the largest, most important businesses in Sogn og Fjordane, and we strive to raise awareness of our work on equal opportunity and diversity.

- We welcome employees with disabilities and with special requirements

How we assess discrimination risks and barriers to equal opportunity

- In our annual employee satisfaction survey, we ask whether employees have experienced, or witnessed, harassment or bullying.

- The Bank has special whistleblowing procedures that are followed up closely.

- Wage gaps are monitored in the annual local wage bargaining processes.

Actions planned for the coming year:

- The Bank is working proactively to increase the number of women in management positions. We want to raise the proportion of women in management positions to at least 40%.

- Increase the pool of talent of women at all levels, by focusing on management talents and women managers at all levels of the organisation.

- Continue analysing discrimination risks and barriers to equal opportunity.

- Complete the process of drawing up local equal pay indicators within our business.

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.

No cases of fraud were reported in 2020. The Board considers that Sparebanken Sogn og Fjordane maintains high ethical standards, both internally and in its dealings with customers.

Environment and climate change

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

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

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

We will publish greenhouse gas (GHG) accounts for 2020 and use them to set goals for further reductions in GHGs. 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.

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 take 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 responsibility 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

Changes in our operating environment

2020 saw a continued increase in, and tightening of, regulatory requirements, which skews competition in the market by giving the big banks a competitive advantage over smaller ones. It is particularly the tightening of capital requirements for normal banks that skews competition, but the sheer quantity of auditing and reporting requirements imposed on banks also makes it more challenging for small banks to compete with bigger ones.

As a medium-sized bank, Sparebanken Sogn og Fjordane is not the worst affected, but we believe in campaigning for as level a playing field as possible in the industry and want a situation that encourages a diversified banking industry with a good spread of entities, both geographically and in size. We believe this is important to communities and businesses in the more remote parts of Norway.

Our work on anti-money laundering, PSD2 and the data protection law will continue in 2020. Looking ahead, there will also be growing requirements and expectations in relation to reporting on climate change and sustainability, and we are in the process of preparing ourselves for that.

Another change in our operating environment in 2020 was the significant reduction in interest rates. As a result of the Covid-19 pandemic, the key policy rate in Norway was cut to zero. A zero interest rate environment does not benefit savings banks, and our net interest margin fell significantly. Nevertheless, the Bank managed to cope well by achieving strong growth and keeping costs under control, and it is working hard to ensure it is able to cope in the future.

Over the coming years we must continue striving to increase efficiency and optimise costs, so that we remain competitive at a time of pressure on margins and growing regulatory requirements.

Summary and outlook

The Covid-19 pandemic made 2020 a difficult year for the Norwegian and global economies. At the worst point, Norway's GDP was down by around 11%. After a rapid recovery that began when the economy opened back up in the summer, GDP almost returned to pre-crisis levels, but growth stagnated when infection levels rose in the autumn/winter, leading to further restrictions. The situation is similar in much of the rest of the world, albeit with big differences between countries. The global economy is estimated to have shrunk by 3.5% in 2020, but the situation is significantly worse than that in many of our closest trading partners, with the United Kingdom's GDP falling around 10% and the EU's falling around 7%. In 2021, the global economy is expected to recover quickly, but this will depend on the rollout of vaccines and how quickly normal economic activity can resume around the world.

When the coronavirus crisis fades into the background, we expect the climate crisis and the transition to a more sustainable society to move up the agenda again. The Global Carbon Project estimates that global CO_2 emissions fell by 7% in 2020 due to the Covid-19 pandemic. For the world to reach its climate goals, we must achieve cuts of almost that magnitude each year, but without a pandemic as the underlying reason. However, in 2021 emissions are expected to resume their growth, in parallel with the increase in GDP.

The Covid-19 pandemic was also the defining feature of Sparebanken Sogn og Fjordane's year. The year started well with strong growth and good margins. But the Covid-19 pandemic and the lockdown in March turned the situation upside-down. The Bank had good infrastructure for working from home, and the transition to closing our branches and most of our staff working from home went very smoothly. Many of our customers became worried, and the Bank soon saw an increase in the number of applications for capital repayment holidays. The authorities were quick to implement measures to ameliorate the financial consequences of the crisis. Those measures worked well, which means that so far banks have experienced relatively few defaults and bankruptcies. As a result of the economy slowing sharply, the key policy rate was also cut to 0%, which reduced the interest rate margins of banks. That, together with a higher loss allowance, means that the Bank's profit was lower in 2020 than in 2019.

Nevertheless, thanks to continued strong growth in our volume of loans and deposits, and a strong contribution from financial instruments, our performance was better than we feared at the end of the first quarter. The Bank has succeeded in keeping costs under control over the course of the year, and it has also implemented measures that will limit cost growth in the coming years.

The Bank is well capitalised, with a core Tier 1 capital adequacy ratio of 15.9% and a total capital adequacy ratio of 18.9%. This is well above the current requirements, and puts the Bank in a strong position to meet the stricter capital requirements that have been announced for 2022.

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

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

Førde, 2 March 2021

Sindre Kvalheim
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Marie Heieren

Jo Dale Pedersen

Trond Teigene
CEO

Board of Directors

SINDRE KVALHEIM

Chair

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

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

Attended 19 out of 19 Board meetings.

MAGNY ØVREBØ

Deputy Chair

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

Øvrebø has sat on the Board since March 2019.

Attended 18 out of 19 Board meetings.

MONICA RYDLAND

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

Rydland has sat on the Board since March 2020.

Attended 10 out of 13 Board meetings.

GEIR OPSETH

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

Opseth has been a full Board member since June 2019, and a deputy member since 2013.

Attended 19 out of 19 Board meetings.

LISE MARI HAUGEN

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

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

Attended 14 out of 19 Board meetings.

Board of Directors

JOHNNY HAUGSBAKK

Johnny Haugsbakk (1969) lives in Flekke, and is today the CEO of the technology company Metzum. Haugsbakk has more than 22 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 today a Board Member of Enivest, SFE Kraft, Tafjord Marknad, Tussa 24, Kraftfire AS, BMO Elektro and Mimir Bidco. 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.

Attended 18 out of 19 Board meetings.

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 worked as a lawyer for Flora Municipality from 1996 to 2009, at which point he joined the bank. Pedersen is the Chair of the Svanhild foundation. He gained an MA in Law from the University of Bergen in 1996, and he also took courses in Business Law and Company Law at the University of Bergen in 2017.

Pedersen has sat on the Board since March 2018.

Attended 19 out of 19 Board meetings.

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 has been a Board member since 2018.

Attended 19 out of 19 Board meetings.

CEO

TROND TEIGENE

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.

Attended 19 out of 19 Board meetings.

Income statement

PARENT COMPANY				CONSOLIDATED	
2019	2020	AMOUNTS IN MILLIONS OF NOK	Note	2020	2019
1 315	1 160	Interest income	**20**	1 589	1 799
573	454	Interest expenses	**20**	682	861
742	**706**	**Net interest income**		**907**	**938**
129	125	Commission income	**21**	127	132
21	24	Commission expenses	**21**	24	21
311	268	Net gains/losses on financial instruments	**22**	114	147
11	13	Other income	**23**	34	32
430	**382**	**Net other operating income**		**252**	**290**
1 172	**1 088**	**Total revenues**		**1 159**	**1 228**
228	229	Wages, salaries, etc.	**24, 25, 26**	246	246
184	189	Other expenses	**24**	203	199
52	47	Depreciation and impairment of fixed assets and intangible assets	**33, 34, 35**	42	47
464	**466**	**Total operating expenses**		**491**	**492**
708	**622**	**Profit before impairment loss and net gain on fixed assets**		**668**	**736**
0	– 2	Net gain on sale of fixed assets		0	0
41	109	Impairment loss	**15**	112	40
667	**511**	**Profit/loss before taxation**		**557**	**696**
102	71	Tax expense	**27**	113	142
565	**440**	**Profit/loss for the financial year**		**444**	**553**
		STATEMENT OF COMPREHENSIVE INCOME			
565	**440**	**Profit/loss for the financial year**		**444**	**553**
		Other comprehensive income			
		Other items that may be reclassified subsequently to profit or loss, after tax			
0	0	Gain/loss on available-for-sale financial assets		0	0
		Other items that will never be reclassified to profit or loss, after tax			
– 1	0	Remeasurements, pensions	**25, 27**	0	– 1
– 1	**0**	**Total other comprehensive income for the year, after tax**		**0**	**– 1**
565	**440**	**Comprehensive income**		**443**	**553**
25,37	19,78	Profit per equity certificate (weighted), in NOK		19,93	24,83

Balance sheet

AMOUNTS IN MILLIONS OF NOK

PARENT COMPANY				CONSOLIDATED	
31.12.19	31.12.20	**ASSETS**	Note	31.12.20	31.12.19
25	26	Cash and cash equivalents		26	25
1 743	1 596	Loans and advances to credit institutions/central banks	**3, 17, 28**	346	588
31 352	32 713	Loans to customers	**3, 7-16, 28**	54 530	50 768
7 134	8 497	Commercial paper and bonds	**3, 29**	6 509	5 391
192	395	Financial derivatives	**3, 30**	374	135
579	657	Shares	**3, 31**	657	579
3	3	Investments in associates	**32**	3	3
1 812	1 812	Investments in subsidiaries	**32**	0	0
46	37	Intangible assets and goodwill	**33**	39	48
109	87	Fixed assets	**34-35**	97	116
0	5	Deferred tax assets	**27**	1	0
72	194	Other assets	**36**	80	80
43 067	**46 021**	**Total assets**		**62 661**	**57 732**
356	1 924	Debt to credit institutions	**3, 17, 28**	1 803	7
28 629	30 700	Deposits from and debt to customers	**3, 28, 37**	30 665	28 598
7 779	6 449	Debt securities in issue	**3, 28, 38**	23 209	22 666
142	358	Financial derivatives	**3, 30**	214	124
88	76	Tax payable	**27**	120	133
0	0	Deferred tax	**27**	0	5
240	348	Other liabilities and provisions	**39**	322	206
602	601	Subordinated debt instruments	**40**	601	602
37 836	**40 456**	**Total liabilities**		**56 934**	**52 342**
3 949	4 139	Equity share capital	**48**	4 139	3 949
561	593	Primary capital		593	561
281	354	Other equity		517	440
350	350	Hybrid capital		350	350
90	129	Proposed allocation for dividends and gifts 1)	**48**	129	90
5 231	**5 564**	**Total equity**		**5 727**	**5 390**
43 067	**46 021**	**Total debt and equity**		**62 661**	**57 732**

1) The allocation for dividends and gifts proposed for the year to 31.12.2019 has been reduced from NOK 171 million to NOK 90 million. The full-year figures for 2019 have therefore been adjusted compared with those previously published in the financial statements. For further details see Note 48.

Førde, 2 March 2021

Sindre Kvalheim
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Marie Heieren

Jo Dale Pedersen

Trond Teigene
CEO

Cash flow statement

PARENT COMPANY				CONSOLIDATED	
31.12.19	31.12.20			31.12.20	31.12.19
667	511	Profit/loss before taxation		557	696
1 395	2 071	Increase/(reduction) in customer deposits	**37**	2 066	1 409
– 1 185	– 1 395	Reduction/(increase) in loans to customers	**9**	– 3 796	– 2 665
52	47	Depreciation and impairment of assets	**34**	42	47
41	109	Impairment loss	**15**	112	40
0	1 818	Losses/gains on sale of fixed assets		0	0
– 97	– 88	Tax paid	**27**	– 133	– 142
– 114	– 71	Other non-cash transactions		82	– 141
139	58	Adjustment for other items		25	145
898	**1 244**	**A) Net cash flow from operating activities**		**– 1 045**	**– 612**
– 466	– 78	Reduction/(increase) in shares and interests in other enterprises	**31**	– 78	– 66
– 1 822	– 1 357	Reduction/(increase) in investments in commercial paper and bonds	**29**	– 1 112	– 416
– 119	– 26	Investments in fixed assets, intangible assets and goodwill	**33-35**	– 28	– 73
0	0	Sale of fixed assets		5	0
– 2 406	**– 1 461**	**B) Net cash flow from investment activities**		**– 1 213**	**– 554**
274	1 568	Increase/reduction in loans from credit institutions	**17**	1 796	– 3
578	– 1 413	Increase/reduction in debt securities	**38**	306	1 820
– 185	– 1	Increase/reduction in subordinated debt instruments	**40**	– 1	– 185
100	0	Increase in hybrid capital		0	100
– 150	– 83	Dividends and gifts		– 83	– 150
617	**71**	**C) Net cash flow from financing activities**		**2 017**	**1 582**
– 892	**– 146**	**D) Net cash flow during the year (A+B+C)**		**– 241**	**416**
2 660	1 768	Opening balance of cash and cash equivalents		613	196
1 768	**1 622**	**Closing balance of cash and cash equivalents**		**371**	**613**
		Breakdown of cash and cash equivalents			
25	26	Cash and cash equivalents		26	25
1 743	1 596	Deposits at other financial institutions and central banks		346	588
1 768	**1 622**	**Total**		**371**	**613**

Equity statement

PARENT COMPANY	EQUITY SHARE CAPITAL Equity certifi-cates	Dividend equali-sation reserve	Share premium account	OTHER EQUITY Primary capital	Hybrid capital	Reserve for unrealised gains	Other equity	Allocated dividends and gifts	Total
Balance at 31.12.18	**1 948**	**1 661**	**16**	**516**	**250**	**190**	**0**	**158**	**4 739**
Allocated for dividends and gifts	0	0	0	0	0	0	0	– 158	**– 158**
New hybrid capital	0	0	0	0	100	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 1)	0	325	0	45	14	91	0	90	**565**
Other comprehensive income	0	– 1	0	0	0	0	0	0	**– 1**
Balance at 31.12.19	**1 948**	**1 985**	**16**	**561**	**350**	**281**	**0**	**90**	**5 231**
Balance at 31.12.19	**1 948**	**1 985**	**16**	**561**	**350**	**281**	**0**	**90**	**5 231**
Allocated for dividends and gifts	0	0	0	0	0	0	0	– 90	**– 90**
Interest on hybrid capital	0	0	0	0	– 17	0	0	0	**– 17**
Proposed allocation of profit/loss for reporting period	0	190	0	32	17	73	0	129	**440**
Other comprehensive income	0	0	0	0	0	0	0	0	**0**
Balance at 31.12.20	**1 948**	**2 175**	**16**	**593**	**350**	**354**	**0**	**129**	**5 564**

Equity statement (cont.)

CONSOLIDATED	EQUITY SHARE CAPITAL Equity certifi-cates	 Dividend equali-sation reserve	 Share premium account	 Primary capital	OTHER EQUITY Hybrid capital	 Reserve for unrealised gains	 Other equity	 Allocated dividends and gifts	 Total
Balance at 31.12.18	**1 948**	**1 661**	**16**	**516**	**250**	**190**	**171**	**158**	**4 910**
Allocated for dividends and gifts	0	0	0	0	0	0	0	– 158	**– 158**
New hybrid capital	0	0	0	0	100	0	0	0	**100**
Interest paid to investors in hybrid capital	0	0	0	0	– 14	0	0	0	**– 14**
Proposed allocation of profit/ loss for reporting period	0	325	0	45	14	91	– 12	90	**553**
Other comprehensive income	0	– 1	0	0	0	0	0	0	**– 1**
Balance at 31.12.19	**1 948**	**1 985**	**16**	**561**	**350**	**281**	**160**	**90**	**5 390**
Balance at 31.12.19	**1 948**	**1 985**	**16**	**561**	**350**	**281**	**160**	**90**	**5 390**
Allocated for dividends and gifts	0	0	0	0	0	0	0	– 90	**– 90**
Interest paid to investors in hybrid capital	0	0	0	0	– 17	0	0	0	**– 17**
Proposed allocation of profit/ loss for reporting period	0	190	0	32	17	73	3	129	**444**
Other comprehensive income	0	0	0	0	0	0	0	0	0
Balance at 31.12.20	**1 948**	**2 175**	**16**	**593**	**350**	**354**	**163**	**129**	**5 727**

1) Restatement of allocation for 2019
The allocation for dividends and gifts proposed for the year to 31.12.2019 has been reduced from NOK 171 million to NOK 90 million. The full-year figures for 2019 have therefore been adjusted compared with those previously published in the financial statements. For further details see Note 12.

Explanation of the various types of equity:

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

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

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

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

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

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

Notes to the financial statements

Note 1 Accounting principles

GENERAL

The 2020 financial statements for Sparebanken Sogn og Fjordane were discussed and adopted at the Board meeting of 2 March 2021.

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

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

ACCOUNTING STANDARDS APPLIED

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

CORPORATE STRUCTURE

There were no changes to our corporate structure in 2020.

CHANGES TO ACCOUNTING PRINCIPLES AND DISCLOSURES IN NOTES

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

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

AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPROVED BY THE EU

IBOR REFORM

In response to the changes to interest rate benchmarks as a result of the IBOR reform, the IASB has proposed amendment to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The IASB has split the project into two phases. Phase 1 deals with financial reporting in the period before the benchmarks are actually changed, while Phase 2 deals with financial reporting once the changes have actually been implemented. Hedge accounting has been identified as the biggest challenge in the period before the changes actually come into force (Phase 1). The Phase 1 project therefore only covers hedge accounting, and it includes exceptions that allow companies to continue using hedge accounting until the benchmarks are actually changed, in spite of the uncertainties during this period. Phase 1 came into force on 1 January 2020, but it was possible to adopt it early. The Group introduced the changes in 2019, but they did not have any impact on its financial statements.

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 amendment came into force on 1 January 2020.

It did not affect the Group's financial statements.

There were no other changes to standards and/or interpretations that were relevant to the Group in 2020.

Estimates

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

CONSOLIDATION PRINCIPLES

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

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

SUBSIDIARIES AND ASSOCIATES

Subsidiaries are defined as companies in which Sparebanken Sogn og Fjordane has a controlling stake through direct or indirect shareholdings or for other reasons, and owns more than 50 percent of the voting share capital. Normally Sparebanken Sogn og Fjordane assumes that it has a controlling stake if it owns more than 50 percent of another company, but the Bank also assesses whether it actually has a controlling stake in practice.

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

The following companies satisfy our criteria for subsidiaries:

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

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

The companies that satisfy our criteria for associates are:

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

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

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

BUSINESS COMBINATIONS

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

Identifiable assets and liabilities acquired are measured at their acquisition date fair value. Any cost over and above the fair value of the Group's share of the assets acquired is recorded as goodwill. Goodwill is tested for impairment annually, or more frequently if there is evidence to suggest that it has fallen in value. If the purchase price is lower than the fair value of the identifiable assets and liabilities, the difference is recognised as income on the transaction date.

CURRENCY

The Norwegian krone (NOK) is the functional currency of the parent company and of all of the subsidiaries in the Group. The Group's financial statements are also presented in NOK.

On the balance sheet date, cash items in foreign currency are translated using the exchange rate on the balance sheet date, non-cash items are translated using the historical exchange rate on the transaction date and non-cash items measured at fair value are calculated using the exchange rate on the date on which their value was calculated.

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

FINANCIAL INSTRUMENTS

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

Classification and measurement under "IFRS 9 Financial Instruments"

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

Financial assets are classified in one of the following categories:

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

Financial assets measured at amortised cost

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

- The financial asset is part of a business model whose objective is to collect contractual cash flows, and

- The contractual terms of the financial asset give rise to cash flows that solely consist of payments of principal and interest on fixed dates

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

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

Financial assets measured at fair value through other comprehensive income (FVOCI)
The Group measures debt instruments at fair value through other comprehensive income if the following criteria are met:
- The financial asset is part of a business model whose objective is both to collect contractual cash flows and sell the asset,
- The contractual terms of the financial asset give rise to cash flows that solely consist of payments of principal and interest on fixed dates

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

The Group does not use this category.

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
The following instruments are included in this measurement category:
- Derivatives measured at fair value through profit or loss
- Equity instruments, as a general rule
- Debt instruments held within a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term trading of the instruments in the portfolio in order to make a profit

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

Equity instruments where the other comprehensive income option has been exercised, and which are measured at fair value through other comprehensive income without recycling
The Company may elect to present fair value changes of equity instruments in other comprehensive income rather than in the income statement. If this category is chosen, gains and losses are not reclassified to profit or loss on disposal.

Sparebanken Sogn og Fjordane does not use this category.

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

Financial liabilities
Financial liabilities are classified in one of the following categories:
- Financial liabilities measured at amortised cost
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Financial liabilities at fair value through profit/loss with some gains/losses through OCI

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

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
The following instruments are included in this measurement category:
- Derivatives measured at fair value through profit or loss
- Equity instruments, as a general rule
- Debt instruments held within a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term trading of the instruments in the portfolio in order to make a profit

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

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

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

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

Further details about financial liabilities

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

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

Borrowings and other liabilities

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

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

Derecognition of financial liabilities

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

Recognition and derecognition

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

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

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

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

Valuation

Definition of fair value

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

Instruments that are traded in an active market

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

Instruments traded in an active market include financial instruments that are listed on a stock exchange or that are quoted on some other market, such as shares, bonds and commercial paper. They also include financial derivatives that are based on underlying quoted or stock exchange listed prices/indexes/instruments.

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

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

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

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

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

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

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

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

PRESENTATION ON THE BALANCE SHEET AND IN THE INCOME STATEMENT

Cash and receivables from Norges Bank
Cash is defined as cash and receivables from Norges Bank.

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

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

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

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

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

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

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

Financial derivatives
A derivative is a financial instrument with the following characteristics:
- The value of the instrument changes as a result of changes to the interest rate, value or price of an underlying asset
- The instrument requires little or no 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 assets and liabilities.

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

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

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

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

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

FIXED ASSETS
Tangible assets are valued at their acquisition cost including direct costs, less accumulated depreciation and impairment losses. When assets are sold or disposed of, the acquisition cost and accumulated depreciation are written back, and the gain or loss

on the sale/disposal is recognised in the income statement. The historical cost of fixed assets is the purchase price, including taxes/charges and costs directly related to preparing the asset for use. Costs that accrue after the fixed asset has been taken into operation, repairs and maintenance, are charged as expenses. If necessary, individual fixed assets are split into components with different useful lives.

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

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

INTANGIBLE ASSETS

IT systems and software

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

Goodwill

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

TESTING FOR IMPAIRMENT

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

PENSIONS

Defined contribution schemes

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

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

TAX EXPENSE

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

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

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

The "Skattefunn" programme

In past years, the Bank has had IT development projects that were 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. The Bank has not had any development projects approved under the scheme in 2019 or 2020.

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 where there is a discrepancy between the measurement methods used under IFRS and NGAAP. Proposed gifts and dividends are classified as equity until they have been adopted by the Annual General Meeting.

Hybrid capital
Hybrid capital is considered equity and consists of hybrid debt issued by the Bank that meets the criteria for being defined as equity and core capital under rules for calculating capital adequacy. Hybrid debt is perpetual, which means that the holders cannot demand that it be redeemed. Interest on the hybrid capital is recognised directly in equity and is split between the dividend equalisation reserve and compensation reserve in proportion to the ownership ratio. In accordance with "IAS 12 Income Taxes", the tax consequences of interest payments on hybrid capital are recognised in the income statement as a reduction in the tax expense.

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

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

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

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

POST BALANCE SHEET EVENTS

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

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

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

IBOR reform – Phase 2

Work is underway on an international reform of interbank offered rates (IBORs). Sparebanken Sogn og Fjordane uses NIBOR, for example in its hedge accounting. The reform may require additional note disclosures. Beyond that, our view is that it will not result in any real changes to our future financial statements. It is uncertain when the change will come into force.

Other future changes to standards:

Standards that have been amended	Subject	Applicable to annual financial statements as of
"IAS 1 Presentation of financial statements", and delay to effective date of proposed amendment	The purpose of the amendment is to clarify the classification of liabilities as current and non-current	01.01.23 (subject to EU approval)
"IFRS 3 Business combinations" and the annual improvements cycle	The amendment relates to a reference to the Conceptual Framework in IFRS 3 that had not been updated	01.01.22 (subject to EU approval)
IAS 37 Provisions, contingent liabilities and contingent assets"	The amendment clarifies which expenses to include when assessing whether a contract may be loss-making.	01.01.22 (subject to EU approval)

None of these amendments will have a significant impact on the Company's 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. Shares for which there is no recent transaction price are valued based on available financial information and the prices of comparable shares where relevant.

Note 2 Critical accounting estimates and judgements, cont.

For our investment in Frende, at 31.12.2019 we were using a model that was 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. Frende's valuation at 31.12.2020 is based on a transaction price from June 2020.

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

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

Also see Note 28 "Fair value of financial instruments".

Loan portfolio held by Bustadkreditt Sogn og Fjordane

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

Impairment model

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

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

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

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

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

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

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

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

Note 3 Classification of financial instruments

CONSOLIDATED

31.12.2020	Fair value through profit or loss	Fair value through profit or loss (fair vaue option)	Fair value through OCI	Amorti-sed cost	Hedge account-ing	Total
ASSETS						
Cash and cash equivalents	0	0	0	26	0	26
Loans and advances to credit institutions/central banks	0	0	0	346	0	346
Loans to customers	0	4 324	0	50 206	0	54 530
Commercial paper and bonds	0	6 509	0	0	0	6 509
Financial derivatives	227	0	0	0	148	374
Shares	657	0	0	0	0	657
Total	**883**	**10 833**	**0**	**50 577**	**148**	**62 441**
LIABILITIES						
Debt to credit institutions	0	0	0	1 803	0	1 803
Deposits from and debt to customers	0	1 537	0	29 128	0	30 665
Debt securities in issue	0	2 497	0	18 587	2 125	23 209
Financial derivatives	191	0	0	0	23	214
Subordinated debt instruments	0	0	0	601	0	601
Total	**191**	**4 034**	**0**	**50 119**	**2 148**	**56 492**

PARENT COMPANY

31.12.2020	Fair value through profit or loss	Fair value through profit or loss (fair vaue option)	Fair value through OCI	Amorti-sed cost	Hedge account-ing	Total
ASSETS						
Cash and cash equivalents	0	0	0	26	0	26
Loans and advances to credit institutions/central banks	0	0	0	1 596	0	1 596
Loans to customers	0	4 173	13 958	14 582	0	32 713
Commercial paper and bonds	0	8 497	0	0	0	8 497
Financial derivatives	395	0	0	0	0	395
Shares	657	0	0	0	0	657
Total	**1 052**	**12 670**	**13 958**	**16 204**	**0**	**43 884**
LIABILITIES						
Debt to credit institutions	0	0	0	1 924	0	1 924
Deposits from and debt to customers	0	1 537	0	29 164	0	30 700
Debt securities in issue	0	2 497	0	3 952	0	6 449
Financial derivatives	358	0	0	0	0	358
Subordinated debt instruments	0	0	0	601	0	601
Total	**358**	**4 034**	**0**	**35 641**	**0**	**40 033**

Note 3 Classification of financial instruments (cont.)

CONSOLIDATED

31.12.2019	Fair value through profit or loss	Fair value through profit or loss (fair vaue option)	Fair value through OCI	Amorti-sed cost	Hedge account-ing	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 through profit or loss (fair vaue option)	Fair value through OCI	Amorti-sed cost	Hedge account-ing	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						
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	142	0	0	0	0	142
Subordinated debt instruments	0	0	0	602	0	602
Total	**142**	**5 360**	0	**32 008**	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
- Includes the supply of services to Sparebankstiftinga Sogn og Fjordane and managing various properties

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

Property management
- Manages the Group's largest properties

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

Note 4 Segment reporting (cont.)

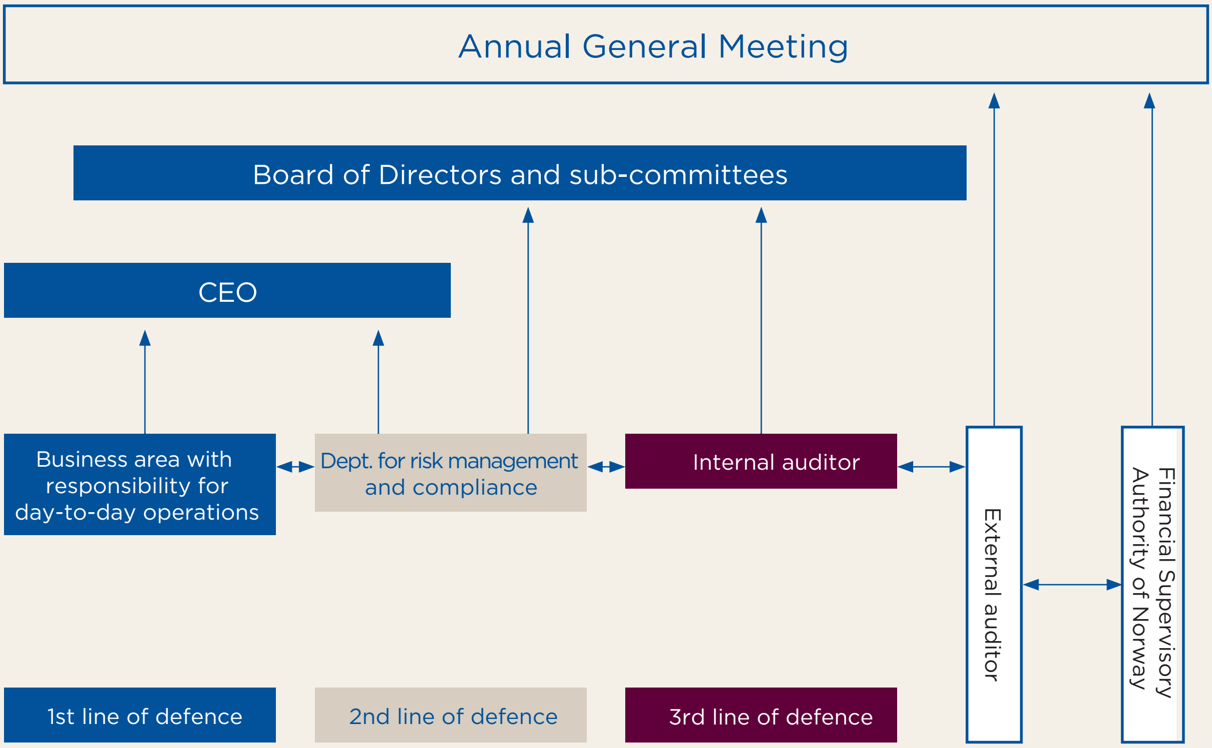
2019 INCOME STATEMENT	Total for group	Finance	Corp. Market/ PS/FS	Retail market including Bustad-kreditt	Other	Estate agency	Pro-perty man-age-ment	Elimina-tions
Net interest income and credit commissions	938	- 3	362	579	- 1	0	0	1
Net other operating income	290	127	52	86	5	29	8	- 17
Total operating income	**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 5 Risk management

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

ORGANISATIONAL STRUCTURE

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



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

Board of Directors

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

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

The ***risk management committee*** 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.

Note 5 Risk management (cont.)

CEO

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

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

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

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

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

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

Note 5 Risk management (cont.)

TYPES OF RISK FACED BY THE BANK

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

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

See the section on Risk and capital management in the Directors' Report for more information about how the Bank manages its most important types of risk.

Note 6 Capital adequacy

PARENT COMPANY			CONSOLIDATED	
31.12.19	31.12.20	**EQUITY AND SUBORDINATED DEBT**	31.12.20	31.12.19
1 948	1 948	Equity share capital	1 948	1 948
561	593	Primary capital	593	561
16	16	Share premium account	16	16
1 985	2 175	Dividend equalisation reserve	2 175	1 985
90	129	Allocated dividends/gifts	129	90
281	354	Reserve for unrealised gains	354	281
0	0	Other equity	163	159
4 881	**5 214**	**Equity**	**5 377**	**5 040**
		Other core capital		
350	350	Hybrid capital	350	350
		Deductions		
0	– 5	Deferred tax assets	– 1	0
– 34	– 28	Other intangible assets	– 30	– 34
– 158	– 195	Other deductions	– 195	– 158
5 038	**5 337**	**Net core capital**	**5 502**	**5 198**
4 688	**4 987**	**Core Tier 1 capital**	**5 152**	**4 848**
		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**
5 638	**5 937**	**Net equity and subordinated debt**	**6 102**	**5 798**
		BASIS FOR CALCULATION		
		Kredittrisiko		
6	45	Local and regional authorities	45	6
2 225	2 857	Institutions	386	96
3 292	3 172	Enterprises	3 172	3 292
3 614	3 203	Retail loans	3 795	4 560
11 045	11 429	Residential mortgage loans	18 735	17 371
807	941	Overdue advances	1 090	889
0	743	Particularly high-risk assets (property development projects)	743	0
2 648	3 343	Equity investments	1 531	836
563	649	Covered bonds	439	386
128	197	Other advances	213	147
24 331	**26 579**	**Total calculation basis for credit risk**	**30 147**	**27 584**
0	0	Currency risk	0	0
1 680	1 734	Operational risk	2 102	2 043
141	80	CVA	71	79
26 152	**28 393**	**Total calculation basis**	**32 321**	**29 706**
3 546	**3 666**	**Excess equity and subordinated debt**	**3 516**	**3 421**
		CAPITAL ADEQUACY RATIO		
21,56 %	20,91 %	Capital adequacy ratio	18,88 %	19,52 %
19,27 %	18,80 %	Core capital adequacy ratio	17,02 %	17,50 %
17,93 %	17,56 %	Core Tier 1 capital adequacy ratio	15,94 %	16,32 %
9,37 %	9,17 %	Unweighted core capital ratio	8,59 %	8,79 %

Note 6 Capital adequacy (cont.)

Adjustment to capital adequacy ratio as of 31.12.19
In response to the Covid-19 pandemic and the advice of the Financial Supervisory Authority of Norway, the AGM decided, at the Board's proposal, to reduce the dividend from NOK 8 to NOK 4 per equity certificate, and the allocation for gifts from NOK 15 million to NOK 12 million. The total allocation for dividends and gifts has thus been reduced from NOK 170.9 million to NOK 89.9 million. An error has also been discovered in the treatment of the SME discount in the financial statements as of 31.12.2019. An adjustment for both of these matters has been made in the restated figures for 2019 presented above.

The consolidated figures given in the annual report for 2019 and in the interim report for Q4 2019 were as follows:

Capital adequacy ratio	19,82 %
Core capital adequacy ratio	17,74 %
Core Tier 1 capital adequacy ratio	16,52 %
Unweighted core capital ratio	8,66 %

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	2020	2019	2020	2019	2020	2019
Low risk (A–D)	8 683	8 008	2 213	1 686	59	11
Medium risk (E–G)	3 986	3 607	411	536	52	38
High risk (H–K)	1 365	1 253	407	292	229	253
Total for corporate market	**14 034**	**12 868**	**3 031**	**2 514**	**340**	**302**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	2020	2019	2020	2019	2020	2019
Low risk (A–D)	29 331	25 962	3 124	2 922	3	2
Medium risk (E–G)	10 327	10 711	259	268	7	8
High risk (H–K)	1 191	1 549	12	14	27	21
Total for retail market	**40 849**	**38 221**	**3 396**	**3 204**	**38**	**30**

PARENT COMPANY

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Corporate market	2020	2019	2020	2019	2020	2019
Low risk (A–D)	8 513	7 819	2 186	1 656	59	11
Medium risk (E–G)	3 911	3 551	411	536	52	38
High risk (H–K)	1 357	1 237	407	292	230	253
Total	**13 781**	**12 607**	**3 004**	**2 484**	**340**	**302**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	2020	2019	2020	2019	2020	2019
Low risk (A–D)	13 238	12 486	1 501	1 461	1	1
Medium risk (E–G)	5 474	5 755	178	197	3	4
High risk (H–K)	560	816	10	11	21	15
Total for retail market	**19 272**	**19 056**	**1 689**	**1 668**	**25**	**20**

Note 8 Loans in default and debt relief

Past due assets

Assets are 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 determined by the account that has been past due for longest.

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
CONSOLIDATED	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
11–30 days past due	269	344	1	3	9	4
31–90 days past due	55	167	0	0	2	3
More than 90 days past due	233	248	1	1	62	67
Total assets more than 10 days past due	**557**	**760**	**2**	**4**	**73**	**74**

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
PARENT COMPANY	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
11–30 days past due	204	237	1	3	8	3
31–90 days past due	48	115	0	0	2	3
More than 90 days past due	192	200	1	1	60	65
Total assets more than 10 days past due	**444**	**552**	**2**	**4**	**70**	**71**

Assets in default or at risk of default

An asset is considered in default or at risk of default 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.

Loans in default shall be considered equivalent to credit-impaired loans as defined in IFRS 9.

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
CONSOLIDATED	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
More than 90 days past due	233	248	1	1	62	67
Other assets at risk of default	649	579	262	206	123	184
Total assets in default and at risk of default	**882**	**828**	**263**	**206**	**185**	**250**
Of which in the retail market	*177*	*173*	*1*	*1*	*23*	*17*
Of which in the corporate and public sector markets	*705*	*655*	*262*	*206*	*162*	*233*

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
PARENT COMPANY	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
More than 90 days past due	192	200	1	1	60	65
Other assets at risk of default	640	574	262	206	122	184
Total assets in default and at risk of default	**832**	**774**	**263**	**206**	**182**	**248**
Of which in the retail market	*133*	*119*	*1*	*1*	*21*	*15*
Of which in the corporate and public sector markets	*699*	*654*	*262*	*206*	*161*	*233*

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

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

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
CONSOLIDATED	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Assets with debt relief that are not also past due	456	213	7	7	15	4
Assets with debt relief that are also past due	123	179	6	5	31	95
Total assets with debt relief	**579**	**392**	**13**	**12**	**47**	**98**
Of which in the retail market	*242*	*63*	*0*	*0*	*2*	
Of which in the corporate and public sector markets	*337*	*329*	*13*	*12*	*45*	*98*

Debt relief broken down by asset level		
Stage 2 assets	*456*	*213*
Stage 3 assets	*123*	*179*

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
PARENT COMPANY	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Assets with debt relief that are not also past due	354	183	7	7	15	4
Assets with debt relief that are also past due	117	172	6	5	31	94
Total assets with debt relief	**471**	**355**	**13**	**12**	**46**	**98**
Of which in the retail market	*136*	*63*	*0*	*0*	*1*	*0*
Of which in the corporate and public sector markets	*335*	*292*	*13*	*12*	*45*	*97*

Debt relief broken down by asset level		
Stage 2 assets	*354*	*183*
Stage 3 assets	*117*	*172*

New definition of default as of 1 January 2021
In 2016, the EBA published new recommendations on the definition of default. As of 2020, Sparebanken Sogn og Fjordane has started phasing in the new rules on default in accordance with the new definition. The change in the definition relates to areas including the interpretation of "unlikeliness to pay", the pulling effect between exposures to a single customer, the materiality threshold and the requirement for a minimum probation period of three months after an account is brought up to date. This will affect the Bank's default rate and will have an impact on how it reports assets in default. The first external report to use the new definition of default will be presented on 31.03.2021.

Note 9 Loans by customer groups

CONSOLIDATED	Gross loans 31.12.20	Gross loans 31.12.19	Guarantees and undrawn credit facilities 31.12.20	Guarantees and undrawn credit facilities 31.12.19	Guarantees and undrawn credit facilities 31.12.20	Guarantees and undrawn credit facilities 31.12.19	Loss allowances 31.12.20	Loss allowances 31.12.19
Wage and salary earners and pensioners	40 849	38 221	3 396	3 204	178	174	38	30
Public sector	8	15	77	105	0	0	0	0
Farming and forestry	1 626	1 548	170	171	34	37	25	15
Fishing and hunting	2 237	1 778	186	45	3	0	25	2
Aquaculture and hatcheries	343	269	59	124	1	0	1	0
Industry and mining	1 084	797	726	507	528	229	43	33
Power/water supply	1 073	782	215	119	3	10	5	10
Building and construction	1 213	1 239	550	505	152	286	60	72
Commerce	809	644	370	242	50	27	32	21
Transport	351	318	104	99	24	3	6	2
Hotels and tourism	437	516	33	25	4	5	26	3
Services	826	906	122	138	33	88	25	25
Property management	4 016	4 053	420	435	133	174	92	117
Other	12	4	0	0	0	0	0	0
Total	**54 883**	**51 090**	**6 427**	**5 718**	**1 145**	**1 034**	**378**	**332**
Of which in the retail market	*40 849*	*38 221*	*3 396*	*3 204*	*178*	*174*	*38*	*30*
Of which in the corporate and public sector markets	*14 034*	*12 868*	*3 031*	*2 514*	*967*	*860*	*340*	*302*

PARENT COMPANY	Gross loans 31.12.20	Gross loans 31.12.19	Guarantees and undrawn credit facilities 31.12.20	Guarantees and undrawn credit facilities 31.12.19	Guarantees and undrawn credit facilities 31.12.20	Guarantees and undrawn credit facilities 31.12.19	Loss allowances 31.12.20	Loss allowances 31.12.19
Wage and salary earners and pensioners	19 272	19 056	1 689	1 668	129	120	25	20
Public sector	8	15	77	105	0	0	0	0
Farming and forestry	1 597	1 523	166	167	34	37	24	15
Fishing and hunting	2 235	1 777	186	45	3	0	25	2
Aquaculture and hatcheries	343	269	59	124	1	0	1	0
Industry and mining	1 081	793	724	507	528	228	43	33
Power/water supply	1 073	782	215	119	3	10	5	10
Building and construction	1 143	1 164	538	492	151	286	60	72
Commerce	769	619	370	241	50	27	32	20
Transport	319	289	102	96	24	3	6	2
Hotels and tourism	435	512	33	25	4	5	26	3
Services	760	822	114	129	33	88	25	25
Property management	4 008	4 036	419	434	133	174	93	117
Other	12	5	0	1	0	0	0	1
Total	**33 053**	**31 663**	**4 693**	**4 152**	**1 095**	**3 806**	**366**	**322**
Of which in the retail market	*19 272*	*19 056*	*1 689*	*1 668*	*129*	*120*	*25*	*20*
Of which in the corporate and public sector markets	*13 781*	*12 607*	*3 004*	*2 484*	*966*	*3 687*	*340*	*302*

Note 10 Loans by geographic area

CONSOLIDATED	Gross loans 2020	Gross loans 2019	Percentage of gross loans 2020	Percentage of gross loans 2019
County				
Vestland	45 206	42 211	82,4 %	82,6 %
Oslo	3 242	3 036	5,9 %	5,9 %
Viken	2 726	2 443	5,0 %	4,8 %
Møre og Romsdal	1 360	1 237	2,5 %	2,4 %
Rogaland	588	556	1,1 %	1,1 %
Trøndelag	351	328	0,6 %	0,6 %
Troms og Finnmark	360	383	0,7 %	0,8 %
Vestfold og Telemark	393	297	0,7 %	0,6 %
Innlandet	297	274	0,5 %	0,5 %
Agder	224	225	0,4 %	0,4 %
Nordland	137	99	0,2 %	0,2 %
Total gross loans	**54 883**	**51 090**	**100,0 %**	**100,0 %**

PARENT COMPANY	Gross loans 2020	Gross loans 2019	Percentage of gross loans 2020	Percentage of gross loans 2019
County				
Vestland	28 759	27 505	87,0 %	86,9 %
Oslo	1 155	1 138	3,5 %	3,6 %
Viken	964	911	2,9 %	2,9 %
Møre og Romsdal	980	909	3,0 %	2,9 %
Rogaland	294	300	0,9 %	0,9 %
Trøndelag	148	185	0,4 %	0,6 %
Troms og Finnmark	259	296	0,8 %	0,9 %
Vestfold og Telemark	194	133	0,6 %	0,4 %
Innlandet	120	112	0,4 %	0,4 %
Agder	108	129	0,3 %	0,4 %
Nordland	70	45	0,2 %	0,1 %
Total gross loans	**33 053**	**31 663**	**100,0 %**	**100,0 %**

* 2019 figures have been restated to reflect the new county structure.

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 assumed 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. Other forms of collateral include liens on current assets such as factored accounts receivable, promissory notes, inventory, vehicles and operating assets, as well as mortgages and guarantees. 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, due to lack of details in the data used, so the table below only shows estimates for the retail market.

It gives the 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	2020	2019	2020	2019	2020	2019
No collateral	136	140	591	509	6	8
Collateral ratio of 0–100%	766	794	62	67	4	2
Collateral ratio of 100–150%	26 561	25 694	1 389	1 409	16	15
Collateral ratio of 150–200%	9 942	8 687	887	843	2	1
Collateral ratio of over 200%	3 444	2 908	466	376	9	5
Total for retail market	**40 849**	**38 221**	**3 396**	**3 204**	**37**	**30**

PARENT COMPANY

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
Retail market	2020	2019	2020	2019	2020	2019
No collateral	137	140	591	509	6	7
Collateral ratio of 0–100%	523	535	51	50	3	1
Collateral ratio of 100–150%	13 904	13 895	653	681	6	6
Collateral ratio of 150–200%	3 685	3 539	275	295	1	1
Collateral ratio of over 200%	1 023	947	119	134	9	5
Total for retail market	**19 272**	**19 056**	**1 689**	**1 668**	**25**	**20**

Note 12 Explanation of impairment model under IFRS 9

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

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

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

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

Individually assessed allowances

Where observable data indicates that a financial asset is credit-impaired, it is individually assessed for impairment. 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.

Scoring is based on external and internal parameters, using separate models for the corporate market and retail market.

Loss given default (LGD)

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

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

A floor is also set for losses if the account is not cured. At 31.12.2020, this floor was 1% for retail customers and 2% for corporate customers.

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

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

constitutes a significant increase in credit risk. There are three elements to how it does this: a quantitative element, a qualitative element and a back stop. The quantitative element is the main driver of transfers from Stage 1 to Stage 2.

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

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

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

Transfer to lower stages
An account 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 in default will be transferred from Stage 3 to Stage 1 or 2 when they are no longer identified as in default. 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 if it has been repaid and the loan account has been closed. This applies both if the loan has been repaid by the customer and if it has been refinanced with our bank or another bank.

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

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

For residential mortgage loans, the collateral values in the scenarios are projected based on the house price forecast in the monetary policy report. For other kinds of collateral, the values in the scenarios are generally projected based on the forecast for consumer price inflation. Over the course of 2020, the Bank has been more conservative in its assumptions on account of the possible consequences of the Covid-19 pandemic, so lower collateral values have been used than would be implied by the consumer price inflation rate.

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

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

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

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

Changes to the impairment model in 2020 and their impact on profit
In 2020 we made some changes to the assumptions in our impairment model. The table below shows which changes were made and how they individually affected our loss allowance at 31.12.2020. The first three changes in the table were made in conjunction with the annual validation of the model and were not related to the Covid-19 situation.

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

Change	Changed from	Changed to	Estimated impact on loss allowance
Change in rules on allocation to Stage 2/ significant increase in credit risk	Loans are allocated to Stage 2 if the PD has experienced a relative change of at least 100% **or** an absolute change of 2 percentage points, and the PD is over 0.75%.	Loans are allocated to Stage 2 if the PD has experienced a relative change of at least 100% **and** an absolute change of at least 0.75 percentage points.	NOK -6 million
Reduction in the subcomponent in the LGD model: Recovery rate for unsecured part of loans to the corporate market	20%	0%	NOK +42 million
Reduction in industry adjustment to the PD for loans to customers in the property development sector	PDx200%	PDx150%	NOK -23 million
Industry adjustment to the PD for loans to customers in the events industry and hotel and tourism sector	PDx100%	PDx200%	NOK +1 million

Due to covariance in the changes shown above, the overall net impact of the changes to the model parameters is to increase the loss allowance by NOK 11 million. The net impact is smaller than the sum of the four individual impacts, partly because some assets move from Stage 2 to Stage 1 both because of the change in the rules on allocation to Stage 2 and because of the change in the industry adjustment, which reduces the impact of the changes in the LGD model.

Note 13 Assets classified by IFRS 9 stage

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2020	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.20	36 613	8 704	800	46 118
Transferred to Stage 1	3 877	– 3 867	– 10	0
Transferred to Stage 2	– 1 327	1 356	– 29	0
Transferred to Stage 3	– 64	– 135	199	0
New financial assets issued or acquired	15 507	1 150	356	17 013
Derecognised financial assets	– 8 518	– 2 319	– 389	– 11 226
Other changes	– 1 186	– 91	– 77	– 1 354
Gross loans at amortised cost at 31.12.2020	**44 902**	**4 799**	**849**	**50 550**
Loss allowance for loans at amortised cost at 31.12.2020	42	123	179	344
Net loans at amortised cost at 31.12.2020	**44 860**	**4 675**	**671**	**50 206**

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

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

The changes to the model parameters led to a 9% increase in gross loans in Stage 1 and a 43% reduction in gross loans in Stage 2, compared with what the figures would have been without the changes to the model.

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

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

CONSOLIDATED

2019	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.2019	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 31.12.2019	**36 613**	**8 704**	**800**	**46 118**
Loss allowance for loans at amortised cost at 31.12.2019	13	59	245	317
Net loans at amortised cost at 31.12.2019	**36 601**	**8 645**	**555**	**45 801**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2019	**4 024**	**921**	**28**	**4 972**
Loss allowance for loans at fair value at 31.12.2019	1	2	2	5
Net loans at fair value at 31.12.2019	**4 023**	**919**	**25**	**4 967**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at 31.12.2019	**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*
Loss allowance for loans at 31.12.2019	13	61	247	321
Net loans at 31.12.2019	**40 624**	**9 564**	**580**	**50 768**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.2019	**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 31.12.2019	2	6	3	11
Net exposure to undrawn credit facilities and guarantees at 31.12.2019	**4 956**	**549**	**203**	**5 708**

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

PARENT COMPANY

2020	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost and fair value through OCI at 01.01.2020	20 218	5 896	746	26 859
Transferred to Stage 1	2 484	– 2 482	– 2	0
Transferred to Stage 2	– 959	984	– 25	0
Transferred to Stage 3	– 57	– 127	184	0
New financial assets issued or acquired	10 246	804	350	11 401
Derecognised financial assets	– 6 600	– 1 875	– 375	– 8 851
Other changes	– 544	86	– 79	– 537
Gross loans at amortised cost and fair value through OCI at 31.12.2020	**24 787**	**3 286**	**799**	**28 872**
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.2020	36	120	176	332
Net loans at amortised cost and fair value through OCI at 31.12.2020	**24 751**	**3 166**	**623**	**28 540**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2020	**3 723**	**425**	**33**	**4 182**
Loss allowance for loans at fair value at 31.12.2020	1	2	6	9
Net loans at fair value at 31.12.2020	**3 722**	**424**	**27**	**4 173**

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

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

Note 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 01.01.2019	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 31.12.2019	**20 218**	**5 896**	**746**	**26 859**
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.2019	9	55	242	306
Net loans at amortised cost and fair value through OCI at 31.12.2019	**20 208**	**5 841**	**503**	**26 553**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2019	**3 885**	**891**	**28**	**4 804**
Loss allowance for loans at fair value at 31.12.2019	1	2	2	5
Net loans at fair value at 31.12.2019	**3 884**	**890**	**25**	**4 800**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at 31.12.2019	**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*
Loss allowance for loans at 31.12.2019	10	56	245	311
Net loans at 31.12.2019	**24 093**	**6 731**	**529**	**31 352**

	Stage 1	Stage 2	Stage 3	Total
Undrawn credit facilities and guarantees at 31.12.2019	**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 31.12.2019	2	6	3	11
Net exposure to undrawn credit facilities and guarantees at 31.12.2019	**3 402**	**537**	**203**	**4 142**

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. Assets in default are allocated to Stage 3. Where an individually assessed allowance has been made, this takes precedence over the impairment calculated by the model. In the table below, individually assessed allowances are included under Stage 3. See Note 12 for an explanation of the Bank's impairment model under IFRS 9, the changes made to the model in 2020 and the impact of those changes on the loss allowance.

In 2020, the Covid-19 situation is estimated to have increased the Bank's model-based loss allowance by approximately NOK 67 million. The Covid-19 situation has also been taken into account in when assessing and reviewing individually assessed allowances.

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

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

2019	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost at 01.01.2019	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 31.12.2019	**13**	**59**	**245**	**317**
Loss allowance for loans at fair value at 31.12.2019	**1**	**2**	**2**	**5**
Loss allowance for loans at 31.12.2019	**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
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2019	2	4	12	18
Changes during the reporting period	0	1	- 9	- 8
Loss allowance for undrawn credit facilities and guarantees at 31.12.2019	**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*

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

PARENT COMPANY

2020

Opening loss allowance for loans at amortised cost and fair value through OCI at 01.01.2020	Stage 1	Stage 2	Stage 3	Total
and fair value through OCI at 01.01.2020	9	55	242	306
Transferred to Stage 1	4	- 13	0	- 9
Transferred to Stage 2	- 1	20	0	18
Transferred to Stage 3	0	- 1	4	3
New financial assets issued or acquired	22	29	1	52
Derecognised financial assets	- 2	- 19	- 30	- 51
Changes to model/macroeconomic parameters	11	53	2	66
Actual losses covered by previous provisions	0	0	- 62	- 62
Other changes	- 6	- 5	20	9
Loss allowance for loans at amortised cost and fair value through OCI at 31.12.2019	**36**	**120**	**176**	**332**
Loss allowance for loans at fair value at 31.12.2019	**1**	**2**	**6**	**9**
Loss allowance for loans at 31.12.2019	**37**	**121**	**182**	**340**
Of which in the retail market	*1*	*4*	*20*	*25*
Of which in the corporate and public sector markets	*36*	*117*	*162*	*315*

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

2019

Opening loss allowance for loans at amortised cost	Stage 1	Stage 2	Stage 3	Total
and fair value through OCI at 01.01.2019	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 31.12.2019	**9**	**55**	**242**	**306**
Loss allowance for loans at fair value at 31.12.2019	**1**	**2**	**2**	**5**
Loss allowance for loans at 31.12.2019	**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*

Opening loss allowance for undrawn credit facilities	Stage 1	Stage 2	Stage 3	Total
and guarantees at 01.01.2019	2	4	12	18
Changes during the reporting period	0	1	- 9	- 8
Loss allowance for undrawn credit facilities and guarantees at 31.12.2019	**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*

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 31.12.2020, the outstanding balance for assets with a realised loss that were still being pursued was the same for the parent company and the Group.

	31.12.20	31.12.19
Outstanding balance for assets with a realised loss still being pursued	149	135

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

	31.12.20	31.12.19
Increase/reduction in individually assessed allowances	– 58	54
Increase/reduction in model-based expected credit losses	107	– 26
Losses realised during period for which a loss allowance had previously been made	62	10
Losses realised during period for which a loss allowance had not previously been made	4	5
Recoveries against previous years' realised losses	– 4	– 2
Impairment loss for the period	**112**	**40**

Note 16 Macroeconomic scenarios in the impairment model under IFRS 9

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

Future scenarios for retail market used to measure estimated expected credit losses at 31.12.20	Probability of default starting from 31.12.2020					House prices	
	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Base scenario for retail market	1,70	1,54	1,37	1,37	1,37	3,3 %	50 %
Scenario 2: Optimistic scenario for retail market	1,55	1,29	1,07	1,04	1,02	4,3 %	25 %
Scenario 3: Pessimistic scenario for retail market	1,80	1,71	1,71	1,65	1,58	1,3 %	25 %

Future scenarios for corporate market used to measure estimated expected credit losses at 31.12.2020	Probability of default starting from 31.12.2020					Collateral values	
	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Base scenario for corporate market	2,10	2,38	2,19	1,90	1,61	0,6 %	50 %
Scenario 2: Optimistic scenario for corporate market	1,80	1,90	1,62	1,53	1,44	2,0 %	25 %
Scenario 3: Pessimistic scenario for corporate market	2,30	2,85	2,85	2,38	2,38	– 2,2 %	25 %

Sensitivity analysis of changes to assumptions in impairment model under IFRS 9
The table below shows how sensitive the Bank's profitability would be to changes in the parameters presented above. For example, if the probability of default in all of the scenarios had been put 10% higher across the whole 5 years, expected credit losses would have been NOK 15 million higher. This would reduce pre-tax profit by an equivalent amount.

	Change to parameter	Impact on pre-tax profit/loss
Probability of default compared with central assumption	– 20 %	31
	– 10 %	15
	+ 10 %	– 15
	+ 20 %	– 29
Annual change in house prices and collateral values	– 2 pp.	– 11
	– 1 pp.	– 5
	+ 1 pp.	5
	+ 2 pp.	10

The table below shows the impact on pre-tax profit of giving a 100% weighting to each individual scenario:

	Expected credit losses	Impact on pre-tax profit/loss
Scenario 1: Base scenario	377	1
Scenario 2: Optimistic macroeconomic scenario	345	33
Scenario 3: Pessimistic macroeconomic scenario	414	– 36

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

The table below shows the impact on pre-tax profit of changing the weighting of the optimistic and pessimistic scenarios. For example, if the pessimistic scenario were to be given a 35% weighting, and the optimistic scenario a 15% weighting, expected credit losses would be NOK 7 million higher. This would reduce pre-tax profit by an equivalent amount.

Weighting of Scenario 1: Base	Weighting of Scenario 2: Optimistic	Weighting of Scenario 3: Pessimistic	Impact on pre-tax profit/loss
50 %	5 %	45 %	– 14
50 %	10 %	40 %	– 10
50 %	15 %	35 %	– 7
50 %	20 %	30 %	– 3
50 %	30 %	20 %	3
50 %	35 %	15 %	7
50 %	40 %	10 %	10
50 %	45 %	5 %	14

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

PARENT COMPANY			CONSOLIDATED	
2019	2020	**Loans and advances to credit institutions/central banks**	2020	2019
578	464	Sight loans and advances	346	558
1 165	1 132	Loans and advances with an agreed maturity or notice period	0	30
1 743	**1 596**	**Total loans and advances to credit institutions, measured at amortised cost**	**346**	**588**
		Debt to credit institutions		
356	122	Sight loans and advances from credit institutions	0	7
0	1 802	Loans and advances from credit institutions with an agreed maturity or notice period	1 802	0
356	**1 924**	**Total debt to credit institutions, measured at amortised cost**	**1 803**	**7**
		Term to maturity		
		Remaining term to maturity of debt to credit institutions		
356	122	Payable on request/less than one month	0	7
0	301	1–3 months	301	0
0	1 002	3 months–1 year	1 002	0
0	500	1–5 years	500	0
356	**1924**	**Total**	**1 803**	**7**

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.

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

Financial capital 99.95%	2020	2019
Interest rate risk	28,9	11,9
Equity risk	82,3	88,6
Currency risk	2,9	9,8
Total	**114,1**	**110,3**

Note 19 Liquidity risk

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

Liquidity risk – remaining term to maturity as of 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*

Note 19 Liquidity risk (cont.)

PARENT COMPANY

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

Liquidity risk – remaining term to maturity as of 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	43,8	80,8	0	0	202,4	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*

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

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

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

Note 20 Net interest income

PARENT COMPANY			CONSOLIDATED	
2019	2020	**Interest income**	2020	2019
42	25	Loans and advances to credit institutions, measured at amortised cost	2	6
597	503	Loans and advances to customers, measured at amortised cost	1 311	1 484
347	333	Loans and advances to customers at fair value through OCI	0	0
142	132	Loans and advances to customers, measured at fair value	136	145
113	92	Interest-bearing securities, measured at fair value	65	92
74	76	Other interest income	75	73
1 315	**1 160**	**Total interest income**	**1 589**	**1 799**
		Interest expenses		
5	6	Debt to credit institutions, measured at amortised cost	4	1
273	180	Customer deposits/advances, measured at amortised cost	180	273
29	31	Customer deposits/advances, measured at fair value	31	29
83	55	Debt securities in issue, measured at amortised cost	254	360
78	66	Debt securities in issue, measured at fair value	112	96
22	15	Subordinated debt, measured at amortised cost	15	22
5	13	Derivatives, measured at fair value	– 5	1
55	64	Other interest expenses	63	54
23	25	Contribution to the Norwegian Banks' Guarantee Fund	28	26
573	**454**	**Total interest expenses**	**682**	**861**
742	**706**	**Net interest income**	**907**	**938**

Note 21 Net commission income

PARENT COMPANY			CONSOLIDATED	
2019	2020		2020	2019
69	59	Payment services	59	69
15	19	Securities services	19	15
13	15	Guarantee commissions	15	13
6	5	Currency services and international payments	5	6
14	16	Insurance services	16	14
12	11	Other commission income	14	14
129	**125**	**Total commission income**	**127**	**132**
2	1	Interbank fees	1	2
19	18	Payment services	18	19
1	4	Cash back Visa credit	4	1
21	**24**	**Total commission expenses**	**24**	**21**
108	**101**	**Net commission income**	**104**	**110**

Note 22 Net gains/losses on financial instruments

PARENT COMPANY			CONSOLIDATED	
2019	2020		2020	2019
13	12	Net gains/losses on foreign currency	12	13
19	6	Net gains/losses on financial derivatives	159	– 10
4	75	Net gains/losses on loans measured at fair value	77	3
1	– 1	Net gains/losses on deposits measured at fair value	– 1	1
9	21	Net gains/losses on commercial paper and bonds	16	5
250	238	Net gains/losses on shares	88	93
15	– 83	Net gains/losses on financial liabilities	– 237	42
311	**268**	**Net gains/losses on financial instruments measured at fair value**	**114**	**147**

Note 23 Other income

PARENT COMPANY 2019	PARENT COMPANY 2020		CONSOLIDATED 2020	CONSOLIDATED 2019
2	1	Income from property	1	1
1	0	Estate agency	29	29
6	6	Mortgage loan business	0	0
2	5	Other operating income	4	2
11	**13**	**Total other income**	**34**	**32**

Note 24 Operating expenses

PARENT COMPANY 2019	PARENT COMPANY 2020		CONSOLIDATED 2020	CONSOLIDATED 2019
161	163	Ordinary wages, salaries, fees, etc.	175	174
22	27	Pension expenses	28	24
36	34	Employer's NI contributions	34	37
10	6	Other staff-related expenses	8	11
228	**229**	**Total wages, salaries, etc.**	**246**	**246**
112	114	IT expenses	117	114
13	11	Marketing	17	21
7	7	Postage, cash transport and telecommunications	7	7
10	5	Office supplies, plastic cards, journals, etc.	5	10
7	4	Travel and training costs	4	7
0	0	Agency fees	0	1
150	**141**	**Total administration expenses**	**150**	**161**
16	16	Rent	8	8
– 15	– 15	Rent on IFRS 16 leases	– 7	– 7
9	8	Property expenses	8	9
2	3	Auditor's fee	3	3
3	4	External consultants	4	2
5	5	Distribution costs for Vipps	5	5
14	28	Other operating expenses	32	18
34	**49**	**Other expenses**	**53**	**38**
184	**189**	**Total other expenses**	**203**	**199**
38	33	Depreciation of fixed assets and intangible assets	36	41
14	14	Depreciation of IFRS 16 leases	7	7
52	**47**	**Depreciation and impairment of fixed assets and intangible assets**	**42**	**47**
464	**466**	**Total operating expenses**	**491**	**492**

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 12.2 million in 2020, excluding employer's national insurance contributions. The estimated expense for 2021 is NOK 12.7 million.

2. Compensatory pension
In conjunction with converting our defined benefit pension scheme into a defined contribution scheme in 2016, we agreed to compensate staff for the fact that their future pension funds would be lower than they would have been if the old scheme had been maintained. The compensation scheme is a separate defined contribution scheme (Norw.: *driftspensjon*) that was established on 01.06.2016. The pension fund is built up through an individually fixed contribution that is earned monthly in arrears. The annual contribution goes up by 2.81% each year. Accrued pension fund assets are paid out as a retirement pension. Accrued pension fund assets receive 5.0% in annual interest during the accumulation period, and interest at the prevailing rate on Sparebanken Sogn og Fjordane's savings accounts during the payout period. Accrued assets up to NOK 2.5G are paid out as income when the employee stops working. The total pension liability at 31.12.2020 was NOK 25.7 million plus employer's NI contributions and financial services tax, and a provision has been made for it in the financial statements. The total expense for 2020 was NOK 5.6 million excluding employer's NI contributions and it is expected to be NOK 6.2 million for 2021.

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 2020 the premium was 2.5% of salary between 1G and 7.1G, which was unchanged from 2020. The total cost of the scheme in 2020 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 9.6 million of the Bank's pension liabilities at 31.12.2020 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

Note 25 Pension liabilities (cont.)

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 31.12.2020 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.

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Economic assumptions	2020	2019
Discount rate	1,50 %	1,80 %
Expected rate of return on assets	1,50 %	1,80 %
Wage increases	2,00 %	2,25 %
Adjustment of the National Insurance Scheme's basic amount "G"	1,75 %	2,00 %
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:

	2020	2019
Curtailment/settlement of DBO	0	0
Settlement of pension fund assets	0	0
Net curtailment/settlement incl. NICs	**0**	**0**
Interest expense/(income) on net liabilities	0	0
Net interest expense/(income)	**0**	**0**
Net pension expense/(income) for the period based on actuarial estimates	**0**	**0**
Expenses, other pension schemes		
Defined contribution scheme (DNB Liv)	13	13
Compensatory pension (unfunded)	7	7
AFP contributions and other pension schemes	9	4
Net pension cost	**28**	**23**

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PENSION LIABILITIES ON THE BALANCE SHEET	31.12.20	31.12.19
Opening balance	10	10
Pension benefits paid	– 1	– 1
Remeasurements	0	1
Total actuarial liabilities at 31 Dec.	**10**	**10**
Compensatory pension and other unfunded pension liabilities at 31 Dec.	32	21
Total pension liabilities at 31 Dec. incl. compensatory pension	**41**	**31**
Closing balance of pension fund assets at 31 Dec.	**0**	**0**
Net pension liabilities (pension liabilities – pension fund assets)	**41**	**31**

Note 26 Wages, salaries, etc.

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

FIGURES IN 000S OF NOK

The Board of Sparebanken Sogn og Fjordane	Fees	Salary	Benefits in kind	Total compen-sation	Outstanding loans at 31.12.20	Accrued pension expense*
Sindre Kvalheim, Chair	250	0	1	250	2 173	0
Magny Øvrebø, Deputy Chair	177	0	0	177	0	0
Ingelise Arntsen, member until 27.03.2020	53	0	0	54	0	0
Heidi Grande Røys, member until 27.03.2020	45	0	0	45	0	0
Johnny Haugsbakk, member	148	0	0	148	0	0
Geir Opseth, member	148	0	0	148	3 957	0
Lise Mari Haugen, member	155	0	0	155	3 223	0
Monica Rydland, member since 27.03.2020	92	0	0	93	0	0
Marie Andersen Heieren, employee representative	180	667	25	872	0	0
Jo Dale Pedersen, employee representative	164	769	23	957	1 676	0
Total for Board of Directors	**1 412**	**1 436**	**50**	**2 898**	**11 029**	**0**
Senior management						
Trond Teigene, CEO	0	2 827	184	3 012	2 682	1 016
Frode Vasseth, CFO	0	1 279	176	1 455	1 913	189
Kjetil Bjørset, Corporate Banking Director	0	1 199	155	1 354	791	328
Linda Vøllestad Westbye, Retail Banking Director	0	1 103	193	1 296	10 279	104
Gro Skrede Mardal, Director of Credit Management	0	1 011	190	1 200	2 284	165
Reiel Haugland, Director of Technology and Innovation	0	1 097	150	1 246	3 665	135
Eirik Rostad Ness, Director of Human Resources	0	1 042	128	1 170	1 302	135
Total for senior management	**0**	**9 558**	**1 175**	**10 733**	**22 915**	**2 072**

* 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	**272**			**272**	**30 555**	
Total loans to other employees					**528 803**	

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

Details of variable compensation for managers
No directors, committee members or managers are entitled to variable compensation on terms that are better than those that apply to all of the Bank's employees, and the terms should not provide incentives for taking risks. The Bank did have a bonus scheme for all employees, which was discontinued at the end of 2020. The bonus scheme was based on the financial performance of the Group, and had a ceiling of NOK 30,000 per full-time equivalent employee. For 2019, the bonus paid was NOK 23,000 per full-time equivalent, and for 2020 it was NOK 29,000 per full-time equivalent. Bonuses paid are included under salary in the table above. The Senior Management Team was covered by the general bonus scheme.

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

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

PARENT COMPANY		FIGURES IN 000S OF NOK	CONSOLIDATED	
2019	2020	**WAGES, SALARIES, ETC.**	2020	2019
160 116	160 886	Wages, salaries and other cash benefits	173 433	172 784
1 382	1 712	Directors and AGM delegates' fees	1 747	1 415
21 577	26 918	Pension expenses	28 498	23 343
35 679	34 176	Employer's NI contributions	34 181	37 757
9 537	5 720	Other social security costs	8 038	10 487
228 291	**229 413**	**Total**	**245 897**	**245 785**

2019	2020	AUDITOR'S FEES	2020	2019
653	901	Statutory audits	1 087	758
		Other services not related to auditing:		
0	148	– consultancy on capital structure	148	0
0	0	– inspection of mortgage subsidiary	127	116
10	20	– other	20	23
663	**1 069**	**Total ***	**1 381**	**896**

* NOK 60,000 of which is exclusive of VAT (consolidated); other fees include VAT

2019	2020	INTERNAL AUDITOR'S FEES	2020	2019
1 542	1 627	Internal auditing	1 627	1 542
257	0	Temporary cover	0	257
1 587	2 143	Other services	2 143	1 587
3 385	**3 769**	**Total**	**3 769**	**3 385**

Fees include VAT.

Note 27 Tax expense

PARENT COMPANY			CONSOLIDATED	
2019	2020	**Tax expense**	2020	2019
86	73	Tax payable on taxable income	118	131
0	0	Shortfall (+)/surplus (-) calculated last year	0	0
14	- 5	Changes to deferred tax	- 7	10
101	**69**	**Tax payable on income**	**111**	**141**
1	2	Tax payable on assets	2	1
102	**71**	**Tax expense**	**113**	**142**
		Reconciliation of nominal and actual tax rates		
667	511	Profit for the year before tax	557	696
167	128	Estimated income tax based on nominal tax rate (25%)/(22%)	133	174
		Tax impact of the following items		
0	0	Shortfall/surplus calculated in previous years	0	0
0	4	Non-deductible expenses	4	0
- 37	- 20	Other permanent differences related to shares	- 20	- 37
- 39	- 38	Dividends from companies in Group	0	0
10	- 6	Other differences	- 7	4
101	**69**	**Tax payable on income**	**111**	**141**
15,1 %	**13,5 %**	**Effective tax rate**	**19,9 %**	**20,3 %**
		Change in capitalised deferred tax assets/(liabilities)		
14	0	Deferred tax assets/(liabilities) at 1 January	- 5	4
- 14	5	Change recognised in profit or loss	6	- 10
0	0	Other changes	0	0
0	**5**	**Deferred tax assets/(liabilities) at 31 December**	**1**	**- 5**
		Deferred tax assets and deferred tax liabilities on the balance sheet relate to the following temporary differences		
9	9	Fixed assets	5	4
- 17	- 15	Financial instruments	- 13	- 15
9	11	Net pension liabilities	12	9
0	0	Other differences	- 3	- 3
0	**5**	**Net deferred tax assets/(liabilities)**	**1**	**- 5**
		Deferred tax in the income statement relates to the following temporary differences		
		Deferred tax in the income statement relates to the following temporary differences		
0	- 1	Fixed assets	- 1	0
- 14	- 2	Financial instruments	- 2	- 13
2	- 3	Net pension liabilities	- 3	2
- 2	0	Other differences	- 1	1
- 14	**- 5**	**Changes in deferred tax through income statement**	**- 7**	**- 10**

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 31.12.2020. For subsidiaries the tax rate was 22% at 31.12.2020, both for tax payable and deferred tax.

Note 28 Fair value of financial instruments

Method used to calculate fair value of financial instruments

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

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

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

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

Fair value of financial instruments measured at amortised cost

CONSOLIDATED	Note	Carrying amount 31.12.20	Fair value 31.12.20	Carrying amount 31.12.19	Fair value 31.12.19
ASSETS					
Cash and cash equivalents	3	26	26	25	25
Loans and advances to credit institutions/central banks	3, 17	346	346	588	588
Loans to customers	3, 7-14	50 206	50 206	45 801	45 801
Total financial assets measured at amortised cost		**50 577**	**50 577**	**46 413**	**46 413**
LIABILITIES					
Debt to credit institutions	3, 17	1 803	1 803	7	7
Deposits from and debt to customers	3, 37	29 128	29 128	26 822	26 822
Debt securities in issue	3, 38	18 587	18 737	17 118	17 202
Subordinated debt instruments	3, 40	601	601	602	602
Total financial liabilities measured at amortised cost		**50 119**	**50 269**	**44 550**	**44 633**
Off balance sheet obligations and guarantees					
Obligations		0	0	0	0
Guarantees	42	1 253	1 253	1 022	1 022
MORTGAGED ASSETS					
Mortgages **)		1 300	1 300	0	0

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

Note 28 Fair value of financial instruments (cont.)

PARENT COMPANY	Note	Carrying amount 31.12.20	Fair value 31.12.20	Carrying amount 31.12.19	Fair value 31.12.19
ASSETS					
Cash and cash equivalents	3	26	26	25	25
Loans and advances to credit institutions/central banks	3, 17	1 596	1 596	1 743	1 743
Loans to customers	3, 7-14	14 582	14 582	14 552	14 552
Total financial assets measured at amortised cost		**16 204**	**16 204**	**16 319**	**16 319**
LIABILITIES					
Debt to credit institutions	3, 17	1 924	1 924	356	356
Deposits from and debt to customers	3, 37	29 164	29 164	26 854	26 854
Debt securities in issue	3, 38	3 952	3 960	4 195	4 204
Subordinated debt instruments	3, 40	601	601	602	602
Total financial liabilities measured at amortised cost		**35 641**	**35 649**	**32 007**	**32 016**
Off balance sheet obligations and guarantees					
Obligations		0	0	0	0
Guarantees	42	1 253	1 253	1 022	1 022
MORTGAGED ASSETS					
Mortgages **)		1 300	1 300	0	0

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

CLASSIFICATION BY LEVEL

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

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

CONSOLIDATED, 2019	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	4 967	**4 967**
Commercial paper and bonds	3, 29	558	4 833	0	**5 391**
Financial derivatives	3, 30	0	135	0	**135**
Shares	3, 31	0	269	310	**579**
Total financial assets measured at fair value		**558**	**5 237**	**5 278**	**11 073**
Deposits from and debt to customers at fair value	3, 37	0	0	1 776	**1 776**
Debt securities measured at fair value	3, 38	0	3 584	0	**3 584**
Debt securities in issue used as hedging instruments	3, 49	0	1 964	0	**1 964**
Financial derivatives	3, 30	0	124	0	**124**
Total financial liabilities measured at fair value		**0**	**5 672**	**1 776**	**7 448**

Note 28 Verkeleg verdi på finansielle instrument, framhald

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

PARENT COMPANY, 2019	Note	Level 1	Level 2	Level 3	Total
Loans to customers measured at fair value	3, 7-14	0	0	4 800	**4 800**
Loans to customers measured at fair value through OCI	3, 7-14	0	0	12 001	**12 001**
Commercial paper and bonds	3, 29	548	6 586	0	**7 134**
Financial derivatives	3, 30	0	192	0	**192**
Shares	3, 31	0	269	310	**579**
Total financial assets measured at fair value		**548**	**7 047**	**17 111**	**24 705**
Deposits from and debt to customers at fair value	3, 37	0	0	1 776	**1 776**
Debt securities measured at fair value	3, 38	0	3 584	0	**3 584**
Financial derivatives	3, 30	0	142	0	**142**
Total financial liabilities measured at fair value		**0**	**3 726**	**1 776**	**5 501**

Breakdown of changes in level 3 in 2020

CONSOLIDATED	Loans to customers	Shares	Deposits from and debt to customers	Total
Opening balance	4 967	310	1 776	**7 052**
Gains or losses	77	– 18	1	**60**
through profit or loss	0	0	0	**0**
recognised in equity	0	0	0	**0**
Acquisitions over the period	0	0	0	**0**
Sales/redemptions over the period	– 721	0	– 239	**– 960**
Moved into level 3	0	0	0	**0**
Moved out of level 3	0	0	0	**0**
Closing balance	**4 324**	**292**	**1 537**	**6 152**

PARENT COMPANY	Loans to customers	Loans to customers through OCI	Shares	Deposits from and debt to customers	Total
Opening balance	4 800	12 001	310	1 776	**18 885**
Gains or losses	75	0	– 18	1	**57**
through profit or loss	0	0	0	0	**0**
recognised in equity	0	0	0	0	**0**
Acquisitions over the period	0	0	0	0	**0**
Sales/redemptions over the period	– 701	1 957	0	– 239	**1 016**
Moved into level 3	0	0	0	0	**0**
Moved out of level 3	0	0	0	0	**0**
Closing balance	**4 173**	**13 958**	**292**	**1 537**	**19 959**

Note 28 Fair value of financial instruments (cont.)

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

Sensitivity analysis, level 3

For fixed-rate deposits the average remaining term is approx. 0.50 years. Using a simple duration-based approach, a 1% fall in interest rates will increase the value of our fixed-rate deposits by approx. NOK 7.7 million. For fixed-rate loans the weighted average remaining term is approx. 3.2 years. Calculated simply, a 1% rise in the discount rate will reduce the value of our fixed-rate loans by approx. NOK 97.4 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 31 million.

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

PARENT COMPANY 2019	2020		CONSOLIDATED 2020	2019
548	771	Government and state-owned enterprises	886	558
626	200	Municipal and mun. auth. backed bonds/comm. paper	200	647
5 634	6 489	Covered bonds	4 386	3 860
253	874	Fin. inst., other bonds/commercial paper	874	253
72	163	Other bonds/commercial paper	163	72
7 134	**8 497**	**Total securities at fair value**	**6 509**	**5 391**
7 072	8 435	Stock exchange listed securities	6 447	5 329
62	61	Unlisted securities	61	62
7 134	**8 497**	**Total**	**6 509**	**5 391**
0,23	**0,24**	Modified duration (years)	**0,25**	**0,24**
1,96	**1,14**	Weighted average effective interest rate	**1,25**	**1,89**

Maturity structure of investments in bonds and commercial paper

PARENT COMPANY Carrying amount 2019	Carrying amount 2020	Face value 2020	Maturity year	CONSOLIDATED Face value 2020	Carrying amount 2020	Carrying amount 2019
2 735	0	0	**2020**	0	0	1 169
1 105	4 097	4 076	**2021**	1 988	2 005	1 186
819	1 222	1 203	**2022**	1 203	1 221	819
1 241	1 416	1 392	**2023**	1 492	1 521	1 262
604	783	775	**2024**	775	783	604
630	979	973	**2025**	973	979	352
7 134	**8 497**	**8 419**	**Total**	**6 431**	**6 509**	**5 391**

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

The Board of Directors of Sparebanken Sogn og Fjordane has decided that at least 60% of its investments in securities shall have a rating of AAA/government-backed and a maximum of 40% shall have an AA rating. At 31.12.2020, over 97% 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.

	2020 Total nominal values	2020 Positive market value	2020 Negative market value	2019 Total nominal values	2019 Positive market value	2019 Negative market value
Interest rate contracts						
Swaps	12 152	338	196	12 032	95	116
Total interest rate contracts	**12 152**	**338**	**196**	**12 032**	**95**	**116**
Foreign exchange contracts						
Forwards and swaps	1 374	37	18	1 847	40	8
Total foreign exchange contracts	**1 374**	**37**	**18**	**1 847**	**40**	**8**
Total financial derivatives	**13 527**	**374**	**214**	**13 879**	**135**	**124**

Note 31 Shares

PARENT COMPANY			CONSOLIDATED	
2019	2020		2020	2019
		Shares measured at fair value		
2	2	Stock exchange listed shares	2	2
577	655	Unlisted shares	655	577
579	**657**	**Total shares measured at fair value**	**657**	**579**

2020 — FIGURES IN 000S OF NOK

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

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
SpareBank 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		
Hotel Alexandra AS	15 000	14 119
Other unlisted shares		3 108
Other unlisted companies		**17 227**
Total shares measured at fair value		**579 315**

Note 32 Subsidiaries and associates

Subsidiaries	PARENT COMPANY 2020	PARENT COMPANY 2019
Balance at 1 January	1 812	1 412
Acquired/revaluation gains	0	400
Disposed of	0	0
Balance at 31 December	**1 812**	**1 812**

	CONSOLIDATED		PARENT COMPANY	
Associates	2020	2019	2020	2019
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
Bankeigedom Sogn og Fjordane AS	100 %	54	56	8	8	6
Eigedomsmekling Sogn og Fjordane AS	100 %	8	22	6	30	2
Bustadkreditt Sogn og Fjordane AS	100 %	1 750	22 383	20 477	199	146
Investments in subsidiaries		**1 812**	**22 461**	**20 491**	**237**	**154**

Loans to, and deposits from, subsidiaries at 31.12.20	Bonds	Loans	Deposits	Interest paid on loans	Interest received
Bankeigedom Sogn og Fjordane AS	0	0	21	0	0
Eigedomsmekling Sogn og Fjordane AS	0	0	15	0	0
Bustadkreditt Sogn og Fjordane AS	2 283	1 251	122	23	2
Total loans to, and deposits from, subsidiaries	**2 283**	**1 251**	**157**	**23**	**2**

Note 33 Intangible assets and goodwill

2020

CONSOLIDATED	Software	Goodwill	Total
Carrying amount at 01.01.2020	32	15	48
Acquired	15	0	15
Disposed of	0	0	0
Depreciation and impairment of assets	– 20	– 4	– 23
Carrying amount at 31.12.2020	**27**	**12**	**39**
Acquisition cost	135	21	156
Accumulated depreciation and impairment losses	– 108	– 9	– 117
Carrying amount at 31.12.2020	**27**	**12**	**39**
Useful life	3–5 years		
Depreciation method	Linear		

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

Goodwill

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

In conjunction with creating a new register of assets, the acquisition cost and accumulated depreciation and impairment losses have been adjusted. This has not affected the net figure.

Note 33 Intangible assets and goodwill (cont.)

2019

CONSOLIDATED	Software	Goodwill	Total
Carrying amount at 01.01.2019	43	19	62
Acquired	15	0	15
Disposed of	0	0	0
Depreciation and impairment of assets	– 25	– 4	– 29
Carrying amount at 31.12.2019	**32**	**15**	**48**
Acquisition cost	192	24	216
Accumulated depreciation and impairment losses	– 160	– 9	– 168
Carrying amount at 31.12.2019	**32**	**15**	**48**
Useful life	3–5 years		
Depreciation method	Linear		

PARENT COMPANY	Software	Goodwill	Total
Carrying amount at 01.01.2019	43	17	60
Acquired	15	0	15
Disposed of	0	0	0
Depreciation and impairment of assets	– 25	– 4	– 29
Carrying amount at 31.12.2019	**32**	**13**	**46**
Acquisition cost	192	24	216
Accumulated depreciation and impairment losses	– 160	– 10	– 170
Carrying amount at 31.12.2019	**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.

Note 34 Fixed assets

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

The total fixed assets on the balance sheet at 31 December must be viewed in conjunction with Note 34 and Note 35 (IFRS 16). In conjunction with creating a new register of assets, some changes have been made to the categories, and some obsolete records have been deleted.

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

2019 CONSOLIDATED	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.2019			
Acquired	2	8	11
Disposed of	0	0	0
Depreciation	– 5	– 7	– 12
Carrying amount at 31.12.2019	**76**	**13**	**89**
Acquisition cost	265	192	457
Accumulated depreciation and impairment losses	– 189	– 179	– 368
Carrying amount at 31.12.2019	**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).(IFRS 16).

PARENT COMPANY	Buildings and other real property	Machinery, fixtures, fittings and vehicles	Total
Carrying amount at 01.01.2019	31	11	43
Acquired	2	8	10
Disposed of	0	0	0
Depreciation	– 2	– 7	– 9
Carrying amount at 31.12.2019	**31**	**12**	**43**
Acquisition cost	156	189	345
Accumulated depreciation and impairment losses	– 125	– 177	– 302
Carrying amount at 31.12.2019	**31**	**12**	**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	Buildings/offices	Vehicles	Total
Acquisition cost at 01.01.2020	**30**	**4**	**33**
Acquisitions of right-of-use assets	0	0	**0**
Disposals	0	0	**0**
Transfers and reclassifications	0	0	**0**
Acquisition cost at 31.12.2020	**30**	**4**	**33**
Accumulated depreciation and impairment losses at 01.01.2020	**6**	**2**	**7**
Depreciation in 2020	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 31.12.2020	**11**	**3**	**14**
Carrying amount of right-of-use assets at 31.12.2020	**19**	**1**	**20**

Lease liabilities

Undiscounted lease liabilities and maturity structure	
Less than 1 year	5
1–5 years	12
More than 5 years	5
Total undiscounted lease liabilities at 31.12.2020	**22**

Change in lease liabilities	
Implementation at 01.01.2019	24
New/Revised lease liabilities recognised during the period	10
Repayments of principal	– 14
Interest payments	1
Interest expense relating to lease liabilities	0
Disposals	0
Other	0
Total lease liabilities at 31.12.2020	**20**
Current lease liabilities	4
Non-current lease liabilities	**16**

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

Note 35 Leases (cont.)

The parent company as lessee

Right-of-use assets

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

Right-of-use assets	Buildings/offices	Vehicles	Total
Acquisition cost at 01.01.2020	**77**	**4**	**81**
Acquisitions of right-of-use assets			**0**
Disposals			**0**
Transfers and reclassifications			**0**
Acquisition cost at 31.12.2020	**77**	**4**	**81**
Accumulated depreciation and impairment losses at 01.01.2020	**13**	**2**	**15**
Depreciation in 2020	13	1	**14**
Impairment loss for the period			**0**
Disposals			**0**
Transfers and reclassifications			**0**
Accumulated depreciation and impairment losses at 31.12.2020	**26**	**3**	**29**
Carrying amount of right-of-use assets at 31.12.2020	**51**	**1**	**52**

Lease liabilities

Undiscounted lease liabilities and maturity structure	
Less than 1 year	11
1–5 years	35
More than 5 years	11
Total undiscounted lease liabilities at 31.12.2020	**57**

Change in lease liabilities	
Implementation at 01.01.2019	69
New/Revised lease liabilities recognised during the period	10
Repayments of principal	– 28
Interest payments	3
Interest expense relating to lease liabilities	0
Disposals	0
Other	0
Total lease liabilities at 31.12.2020	**53**
Current lease liabilities	10
Non-current lease liabilities	43

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

A discount rate of 2.5% has been used in the calculations for both the parent company and Group. On account of Covid-19, certain rent concessions have been allowed. However, the Bank has not made use of them. A 1 percentage point reduction in the discount rate would increase the lease liabilities of the parent company by NOK 1.6 million. A 1 percentage point increase in the discount rate would reduce the lease liabilities of the parent company by NOK 1.4 million.

Note 36 Other assets

PARENT COMPANY			CONSOLIDATED	
31.12.19	31.12.20		31.12.20	31.12.19
4	0	Earned income not received	5	11
21	19	Other payments made in advance, not yet accrued	19	21
47	175	Various expenditures/stock	55	47
72	**194**	**Total other assets**	**80**	**80**

Note 37 Customer deposits

CONSOLIDATED

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

	2020		2019	
	Deposits	Percentage	Deposits	Percentage
Customer deposits, at amortised cost	29 130	95,0 %	26 822	93,8 %
Customer deposits, designated at fair value *)	1 535	5,0 %	1 775	6,2 %
Deposits from and debt to customers	**30 665**	**100,0 %**	**28 598**	**100,0 %**

*) Fixed-rate deposits are measured at market value. Their market value was NOK 0.8 million lower than their face value at 31.12.2020, compared with NOK 0.3 million at 31.12.2019. The valuation loss on these deposits in 2020 was therefore NOK 0.5 million, which was recognised in the income state.

	2020		2019	
Deposits by sector and industry	Deposits	Share	Deposits	Share
Wage and salary earners	18 920	61,7 %	17 524	61,3 %
Farming and forestry	538	1,8 %	563	2,0 %
Fishing and hunting	400	1,3 %	369	1,3 %
Fish farming and hatcheries	525	1,7 %	784	2,7 %
Industry and mining	764	2,5 %	805	2,8 %
Construction, civil engineering, power generation	1 327	4,3 %	1 257	4,4 %
Commerce	998	3,3 %	830	2,9 %
Transport, property management and services	4 385	14,3 %	4 088	14,3 %
Public sector/other	2 808	9,2 %	2 379	8,3 %
Total deposits by sector and industry	**30 665**	**100,0 %**	**28 598**	**100,0 %**
Deposits by sector:				
Retail market	18 920	61,7 %	17 524	61,3 %
Corporate market	8 938	29,1 %	8 695	30,4 %
Public sector/other	2 808	9,2 %	2 379	8,3 %
Total deposits by sector	**30 665**	**100,0 %**	**28 598**	**100,0 %**
Geographic distribution				
Vestland	27 272	88,9 %	25 710	89,9 %
Oslo	1 394	4,5 %	1 136	4,0 %
Viken	613	2,0 %	507	1,8 %
Møre og Romsdal	604	2,0 %	526	1,8 %
Other	782	2,5 %	718	2,5 %
Total deposits by region	**30 665**	**100,0 %**	**28 598**	**97,5 %**

Term and sight deposits	2020	2019
Sight deposits	27 317	24 795
Term deposits	3 348	3 803
Total customer deposits	**30 665**	**28 598**

Note 38 Debt securities in issue

CONSOLIDATED	Face value 31.12.20	Face value 31.12.19	Carrying amount 31.12.20	Carrying amount 31.12.19
Bonds in issue	21 034	19 800	21 056	19 845
– of which own bonds, not amortised	– 2 458	– 2 719	– 2 470	– 2 726
Debt securities in issue, measured at amortised cost	**18 576**	**17 081**	**18 587**	**17 118**
Commercial paper and other short-term borrowings				
Bonds in issue	4 400	5 700	4 622	5 687
- of which own bonds, not amortised	0	– 136	0	– 139
Debt securities measured at fair value	**4 400**	**5 564**	**4 622**	**5 548**
Total debt securities in issue	**22 976**	**22 645**	**23 209**	**22 666**

Maturity structure of debt securities (net face value)	31.12.20	31.12.19
2020	0	2 220
2021	1 626	4 700
2022	4 500	4 600
2023	3 950	3 400
2024	3 100	3 100
2025	3 900	2 625
2026	3 000	0
2027	900	0
2030	500	500
2033	500	500
2034	1 000	1 000
Total debt securities (net face value)	**22 976**	**22 645**

New debt securities issued in 2020	**5 450**	
Net repayment of debt securities in 2020	**4 400**	

At 31.12.2020 the Bank was not in breach of any of its covenants.

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

	31.12.20	31.12.19
Amortised cost	2 395	3 693
Fair value adjustment*)	102	28
Market value/carrying amount	**2 497**	**3 720**
**) Of which change in own credit risk*	*13*	*25*

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 31.12.20	CARRYING AMOUNT 31.12.19
Debt securities in issue at amortised cost	3 952	4 195
Debt securities in issue at fair value	2 497	3 585
Total debt securities in issue	**6 449**	**7 780**

Note 39 Other liabilities and provisions

PARENT COMPANY			CONSOLIDATED	
31.12.19	31.12.20	**OTHER LIABILITIES**	31.12.20	31.12.19
37	42	Other liabilities	47	37
95	187	Accrued costs and advance income	188	99
132	**230**	**Total other liabilities**	**234**	**137**
		PROVISIONS		
30	40	Pension liabilities	41	31
11	25	Specified provisions for guarantees and undrawn credit facilities	25	11
67	53	Lease liabilities under IFRS	20	27
108	**118**	**Total provisions**	**87**	**69**
240	**348**	**Total other liabilities and provisions**	**322**	**206**

Note 40 Subordinated debt and hybrid debt instruments

Year issued		31.12.2020 Face value (million)	Interest rate	Early redemption right	Final maturity date	Carrying amount 31.12.20	Carrying amount 31.12.19
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	200	201
		600				**601**	**602**
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	100
		350				**350**	**350**

The hybrid debt instruments are classified as hybrid capital and included under equity at 31.12.2020, 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 31.12.2020: 1.90%
Average interest rate on hybrid debt at 31.12.2020: 4.12%

Note 41 Branch network

Figures at 31 Dec.	2020	2019	2018	2017	2016	2015
Branches	14	14	14	14	23	23
In-store agreements	21	21	20	25	23	23
Cash points	12	12	12	13	15	15
Businesses signed up to Internet banking	1742	1264	1046	977	908	833
Retail customers signed up to Internet banking	73 651	75 545	72 650	68 892	65 144	61 742

Note 42 Off balance sheet items

PARENT COMPANY			CONSOLIDATED	
31.12.19	31.12.20	**Guarantees**	31.12.20	31.12.19
676	855	Payment guarantees	855	676
279	331	Contract guarantees	331	279
63	64	Other guarantee liabilities	64	63
3	3	Commitments to investments in shares	3	3
1 022	**1 253**	**Total in NOK**	**1 253**	**1 022**

31.12.20

FIGURES IN 000S OF NOK **Of which in foreign currency:**	EUR	USD	DKK	INR	CNY	GBP	Total foreign currency translated into NOK
Payment guarantees	14 611	2 572	11 960	95 807	5 363	260	213 546
Total	**14 611**	**2 572**	**11 960**	**95 807**	**5 363**	**260**	**213 546**

Note 43 Related parties

Balances and gains/losses on transactions with related parties

	Subsidiaries	
	2020	2019
Outstanding loan balances at 31 Dec.	1 251	1 155
Interest income	23	37
Deposits at 31 Dec.	157	380
Interest expenses	2	5
Covered bonds	2 282	1 854
Interest income from covered bonds	29	24
Other operating income	8	8
Other operating expenses	8	8

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

Subsidiaries:

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

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

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

a) A 3-year credit that matures in January 2023. The credit facility is to be used for buying mortgage loans from SSF. It has a limit of NOK 750 million, but can only be used for the bulk transfer of loans.
b) A credit agreement to ensure that owners of covered bonds will be paid even if the mortgage credit subsidiary is unable to meet its obligations. The limit on the facility at 31.12.2020 was NOK 178 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 31.12.2020, the limit on the facility was NOK 1,734 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 31.12.2020, the limit on the facility was NOK 1,512 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 and Managing Director of Sparebankstiftinga Sogn og Fjordane and the Managing Director of Bustadkreditt Sogn og Fjordane AS. For these people and their family members, information has been collected about any ownership interests of more than 20 percent in any type of enterprise. The information collected shows that no such companies supplied services to Sparebanken Sogn og Fjordane in 2020. Eight 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 7.5 million at 31.12.2020, while their deposits totalled NOK 1.3 million. NOK 0.3 million of interest was paid on these loans in 2020. None of these companies have been given special terms.

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

CONSOLIDATED, 2020

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

PARENT COMPANY, 2020

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

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

CONSOLIDATED, 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**
LIABILITIES						
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 liabilities	**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**
LIABILITIES						
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 45 Foreign currency positions

The table shows the Group's foreign currency exposure translated into millions of NOK at 31.12.2020.

Currency	EUR	USD	SEK	DKK	GBP	Other	Total foreign currency translated into NOK
Net exposure at 31.12.2020	– 5,4	– 1,1	– 1,4	2,1	2,5	– 5,6	– 8,9
Net exposure at 31.12.2019	– 29,3	2,3	– 1,6	– 0,3	– 1,0	– 4,4	– 34,5

Note 46 Offsetting

CONSOLIDATED, AT 31.12.20	Gross carrying amount	Amounts offset in the balance sheet	Carrying amount	Netting agree-ment	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	659	0	659	0	67	**592**
Financial derivatives	374	0	374	107	0	**267**
Liabilities						
Financial derivatives	214	0	214	50	0	**164**

PARENT COMPANY, AT 31.12.2020	Gross carrying amount	Amounts offset in the balance sheet	Carrying amount	Netting agree-ment	Allowance account	Net exposure after offsetting
Assets						
Loans to customers	659	0	659	0	67	**592**
Financial derivatives	395	0	395	107	0	**288**
Liabilities						
Financial derivatives	358	0	358	170	0	**188**

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 31.12.2020 all of its derivative contracts were with the parent company.

Note 47 Disputes

In 2020 Sparebanken Sogn og Fjordane was a party to two disputes.
In one of the cases, the Bank has been sued by a former employee who is demanding compensation for under-payment of a pension. In the suit, the plaintiff had calculated the amount due as NOK 3,678,355, including interest. The district court ordered the Bank to pay NOK 1,402,275 in compensation, plus interest, and to adjust the person's qualifying salary for pension purposes upwards in accordance with its instructions. The Bank was also ordered to pay the plaintiff's legal fees, which came to NOK 668,169. The Bank disagrees with the factual basis for the district court's judgement and has appealed it to the Court of Appeal.

In the other dispute, the Bank has been sued by a customer claiming NOK 460,000 in compensation, plus interest. The reason for the claim is a loss made by the customer on a currency futures contract. The Bank has filed a countersuit for a maximum amount of NOK 683,783, plus interest. The case will be heard by the district court during the first quarter of 2021.

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	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	31.12.20	31.12.19
Equity certificates	1 948 319	1 948 319
Share premium account	15 608	15 608
Dividend equalisation reserve (*)	2 174 775	1 985 079
Total equity share capital (A)	**4 138 702**	**3 949 006**
Primary capital (B)	**592 636**	**561 075**
Reserve for unrealised gains	354 185	280 884
Hybrid capital	350 000	350 000
Allocated dividends and gifts (*)	128 899	89 933
Other equity	0	0
Total equity	**5 564 422**	**5 230 899**
Equity share capital ratio A / (A+B) after disbursal of dividends	**87,47 %**	**87,56 %**
Parent company's comprehensive income per equity certificate (weighted), in NOK	19,78	25,37
Consolidated comprehensive income per equity certificate (weighted), in NOK	19,93	24,83
Consolidated book equity per equity certificate in NOK (excl. hybrid capital)	241,41	226,50
Dividends		
Dividend payable per equity certificate, in NOK	6,00	4,00
Total dividends	**116 899**	**77 933**
Gifts (*)		
Charitable donations	12 000	12 000
Total dividends and gifts	**128 899**	**89 933**
Dividends and gifts as a % of consolidated comprehensive income	**29,1 %**	**16,3 %**

***) Restated figures as of 31.12.2019**

In response to the Covid-19 pandemic and the advice of the Financial Supervisory Authority of Norway, on 27 March 2020 the AGM decided to make the following adjustments to the allocation of the profit for 2019: The dividend was reduced from NOK 8 to NOK 4 per equity certificate and the allocation for gifts was reduced from NOK 15 million to NOK 12 million. The total allocation for dividends and gifts has thus been reduced from NOK 170.9 million to NOK 89.9 million, or from 37.2% to 16.3% of the Group's 2019 profit. The figures as of 31.12.2019 have been restated to reflect these changes.

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

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

	Number of equity certificates 31.12.19	
Sparebankstiftinga Sogn og Fjordane	18 250 672	93,67 %
Sparebankstiftinga Fjaler	1 152 992	5,92 %
Other *)	79 523	0,41 %
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.

Equity certificates held by key personnel

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

	Number of equity certificates
Trond Teigene, CEO	3 200
Frode Vasseth, CFO	2 000
Linda Marie Vøllestad Westbye, Retail Banking Director	1 100
Johnny Haugsbakk representing RLK Holding AS, Board member	2 000
Sindre Kvalheim, Chair of the Board	1 000
Kjetil Bjørset, Corporate Banking Director	1 150
Reiel Haugland, Technology Director	601
Jo Dale Pedersen, Board member, employee representative	860
Eirik Rostad Ness, Director of Human Resources	600
Marie Heieren, Board member, employee representative	200
Lise Mari Haugen, Board member	100
Total equity certificates held by key personnel and Board members	**12 811**

Information about voting rights, etc.

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

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

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

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

Note 49 Hedge accounting

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

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

At 31.12.2020, hedge accounting is used for five hedge relationships, and the hedged items and hedging instruments are directly linked by being subject to the same terms and conditions (coupon rate, term to maturity, and face value). The hedge effectiveness has been calculated based on 1 percentage point shifts in the yield curve and what the impact on profit of this would be. The retrospective hedge effectiveness shows the past correlation between changes in the value of the hedged item and hedging instrument, measured in terms of their nominal value.

	2020	2019
Hedging instrument		
Nominal opening value	2 000	2 000
Change in value (gain-/loss+)	***– 156***	***26***
Hedged item		
Nominal opening value	2 000	2 000
Change in value (gain-/loss+)	***156***	***– 27***
Net change in value – hedge ineffectiveness (gain-/loss+)	**– 0,4**	**– 0,8**
Hedge ratio (value of hedging instrument to value of hedged item)	***100,0 %***	***100,0 %***
Weighted hedge effectiveness	***103,3 %***	***99,6 %***
Weighted retrospective hedge effectiveness	***100,5 %***	***100,4 %***

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 2020 have been prepared in accordance with current accounting standards, and that the information contained therein provides a true picture of the assets, liabilities, financial position and results of the Group. The Board believes that the financial statements give a true picture of the most important areas of uncertainty and potential risks faced by the Group in 2021.

Førde, 2 March 2021

Sindre Kvalheim
Chair

Magny Øvrebø
Deputy Chair

Monica Rydland

Johnny Haugsbakk

Geir Opseth

Lise Mari Haugen

Marie Heieren

Jo Dale Pedersen

Trond Teigene
CEO

Deloitte.

Deloitte AS
Strandavegen 15
NO-6905 Florø
Norway

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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 2020, 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 2020, 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 2020, 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 2020, 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 a true and fair view 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 a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Deloitte.

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.

Florø, 2 March 2021
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 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net interest income	**233**	**223**	**202**	**250**	**248**
Other operating income	37	34	35	32	38
Dividends and gains/losses on financial instruments	27	7	129	– 49	53
Net other operating income	**64**	**41**	**164**	**– 17**	**90**
Total revenues	**297**	**264**	**366**	**233**	**338**
Operating expenses	141	114	112	124	132
Profit/loss before impairment loss and net gain on fixed assets	**155**	**149**	**254**	**109**	**206**
Impairment loss	– 1	26	6	80	22
Profit/loss before taxation	**156**	**124**	**248**	**29**	**183**
Tax expense	37	29	29	17	21
Profit/loss after taxation	**119**	**95**	**219**	**12**	**163**
Remeasurements, pensions	0	0	0	0	– 1
COMPREHENSIVE INCOME	**119**	**95**	**219**	**12**	**162**

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

Consolidated financial results by quarter (cont.)

CONSOLIDATED FINANCIAL RESULTS BY QUARTER

As a % of average total assets	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net interest income	**1,48 %**	**1,43 %**	**1,35 %**	**1,73 %**	**1,71 %**
Other operating income	0,24 %	0,22 %	0,23 %	0,22 %	0,26 %
Dividends and changes in the value of fin. instr.	0,17 %	0,04 %	0,86 %	- 0,34 %	0,37 %
Net other operating income	**0,41 %**	**0,27 %**	**1,09 %**	**- 0,11 %**	**0,63 %**
Total revenues	**1,90 %**	**1,71 %**	**2,44 %**	**1,61 %**	**2,36 %**
Operating expenses	0,90 %	0,74 %	0,74 %	0,85 %	0,92 %
Net gain on sale of fixed assets	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Impairment loss	0,00 %	0,17 %	0,04 %	0,55 %	0,16 %
Profit/loss before taxation	**1,00 %**	**0,80 %**	**1,65 %**	**0,20 %**	**1,28 %**
Tax expense	0,24 %	0,19 %	0,20 %	0,12 %	0,14 %
Profit/loss after taxation	**0,76 %**	**0,61 %**	**1,46 %**	**0,08 %**	**1,14 %**
Remeasurements, pensions	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
COMPREHENSIVE INCOME	**0,76 %**	**0,61 %**	**1,46 %**	**0,08 %**	**1,13 %**

CONSOLIDATED FINANCIAL RESULTS BY QUARTER

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

Key figures, parent company

AMOUNTS IN MILLIONS OF NOK

INCOME STATEMENT	2018	2019	2020
Net interest income	669	742	706
Dividends and gains/losses on financial instruments	218	311	268
Other operating income	113	119	114
Operating expenses	435	464	466
Profit/loss before impairment loss (incl. gains/losses on fin. instr.)	**565**	**708**	**622**
Profit/loss before impairment loss (excl. gains/losses on fin. instr.)	**347**	**397**	**354**
Net gain on sale of fixed assets	0	0	– 2
Impairment loss	11	41	109
Profit/loss before taxation	**554**	**667**	**511**
Tax expense	84	102	71
Profit/loss after taxation	**470**	**565**	**440**
Other comprehensive income	0	– 1	0
Comprehensive income	**470**	**565**	**440**
BALANCE SHEET			
Assets			
Gross loans and advances to customers	30 484	31 663	33 053
Loss allowance	– 280	– 311	– 340
Security investments (shares, commercial paper and bonds)	5 823	7 713	9 154
Debt and equity			
Deposits from and debt to customers	27 236	28 629	30 700
Debt securities and debt to credit institutions	7 298	8 135	8 374
Equity	4 739	5 231	5 564
Total assets	40 408	43 067	46 021
Average total assets	39 932	41 925	45 526
KEY FIGURES			
Profitability			
Net interest margin	1,67 %	1,77 %	1,55 %
Other operating income (excl. profit/loss on fin. instr.) as a % of average total assets	0,28 %	0,28 %	0,25 %
Operating expenses as a % of average total assets	1,09 %	1,11 %	1,02 %
Profit/loss before impairment loss as a % of average total assets	1,42 %	1,69 %	1,37 %
Profit/loss before tax as a % of average total assets	1,39 %	1,59 %	1,12 %
Profit/loss after tax as a % of average total assets	1,18 %	1,35 %	0,97 %
Comprehensive income as a % of average total assets	1,18 %	1,35 %	0,97 %
Oper. exp. as a % of oper. income excl. gains/losses on fin. instr.	55,61 %	53,89 %	56,82 %
Oper. exp. as a % of oper. income incl. gains/losses on fin. instr.	43,48 %	39,60 %	42,81 %
Impairment loss as a % of gross loans	0,04 %	0,13 %	0,33 %
Return on equity before tax	13,35 %	14,86 %	10,27 %
Return on equity after tax	11,33 %	12,59 %	8,84 %
Return on equity (comprehensive income)	11,32 %	12,58 %	8,83 %
Parent company's comprehensive income per equity certificate (weighted), in NOK	21,14	25,37	19,78
Dividend payable per equity certificate, in NOK	7,50	4,00	6,00
Capital and liquidity position			
Capital adequacy ratio	21,45 %	21,56 %	20,91 %
Core capital adequacy ratio	18,73 %	19,27 %	18,80 %
Core Tier 1 capital adequacy ratio	17,88 %	17,93 %	17,56 %
Leverage ratio	10,68 %	9,37 %	9,17 %
Liquidity Coverage Ratio (LCR)	128 %	134 %	134 %
Balance sheet history			
Growth in total assets (year-on-year)	3,72 %	6,58 %	6,86 %
Growth in gross customer lending (year-on-year)	3,68 %	3,87 %	4,39 %
Growth in customer deposits (year-on-year)	2,61 %	5,12 %	7,23 %
Deposits as a % of gross lending	89,35 %	90,42 %	92,88 %
Employees			
Full-time equivalent employees as at 31 Dec.	251	248	257

Income statement

As a % of average total assets

PARENT COMPANY			CONSOLIDATED	
2019	2020		2020	2019
3,14 %	2,55 %	Interest income	2,61 %	3,21 %
1,37 %	1,00 %	Interest expenses	1,12 %	1,53 %
1,77 %	**1,55 %**	**Net interest income**	**1,49 %**	**1,67 %**
0,31 %	0,28 %	Commission income	0,21 %	0,23 %
0,05 %	0,05 %	Commission expenses	0,04 %	0,04 %
0,74 %	0,59 %	Net gains/losses on financial instruments	0,19 %	0,26 %
0,03 %	0,03 %	Other income	0,06 %	0,06 %
1,03 %	**0,84 %**	**Net other operating income**	**0,42 %**	**0,52 %**
2,79 %	**2,39 %**	**Total revenues**	**1,91 %**	**2,19 %**
0,54 %	0,50 %	Wages, salaries, etc.	0,40 %	0,44 %
0,44 %	0,42 %	Other expenses	0,33 %	0,35 %
0,12 %	0,10 %	Depreciation and impairment of fixed assets and intangible assets	0,07 %	0,08 %
1,11 %	**1,02 %**	**Total operating expenses**	**0,81 %**	**0,88 %**
1,69 %	**1,37 %**	**Profit before impairment loss and net gain on fixed assets**	**1,10 %**	**1,31 %**
0,00 %	0,00 %	Net gain on sale of fixed assets	0,00 %	0,00 %
0,10 %	0,24 %	Impairment loss	0,18 %	0,07 %
1,59 %	**1,12 %**	**Profit/loss before taxation**	**0,92 %**	**1,24 %**
0,24 %	0,16 %	Tax expense	0,19 %	0,25 %
1,35 %	**0,97 %**	**Profit/loss for the financial year**	**0,73 %**	**0,99 %**
		Other comprehensive income		
0,00 %	0,00 %	Gain/loss on available-for-sale financial assets	0,00 %	0,00 %
0,00 %	0,00 %	Remeasurements, pensions	0,00 %	0,00 %
0,00 %	**0,00 %**	**Other comprehensive income for the period after tax**	**0,00 %**	**0,00 %**
1,35 %	**0,97 %**	**Comprehensive income**	**0,73 %**	**0,98 %**
41 925	**45 526**	**AVERAGE TOTAL ASSETS**	**60 722**	**56 130**

Directors and committee memebers

BOARD OF DIRECTORS 2020

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

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

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

2020 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 i Jølster

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

Members representing Sogn and Bergen
Marit Lunde, Leikanger
Monica Oppedal, Høyanger
Birgitta Hagen Kyrkjebø, Kyrkjebø

Deputy members for Sogn and Bergen
Anne Kristin Aarskog, Leikanger

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

Deputy employee representatives
1st deputy: Julie Vårdal Heggøy, Dale
2nd 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
Frank Kirkebø, Førde
Monika Refvik, Måløy
Jon Rune Heimlid, Stryn

Deputies for representatives of equity certificate owners
1st deputy: Randi Engen, Dale
2nd deputy: Sissel Wik, Måløy
3rd deputy: Kristin Kyrkjebø, Dale
4th deputy: Margunn Grytten Selvik, Kvammen

ELECTION COMMITTEE FOR DEPOSITORS’

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

Deputy members
Brigt Samdal, Eikefjord
Rolf Kleiven, Fjaler
Tor Ulsten, Florø

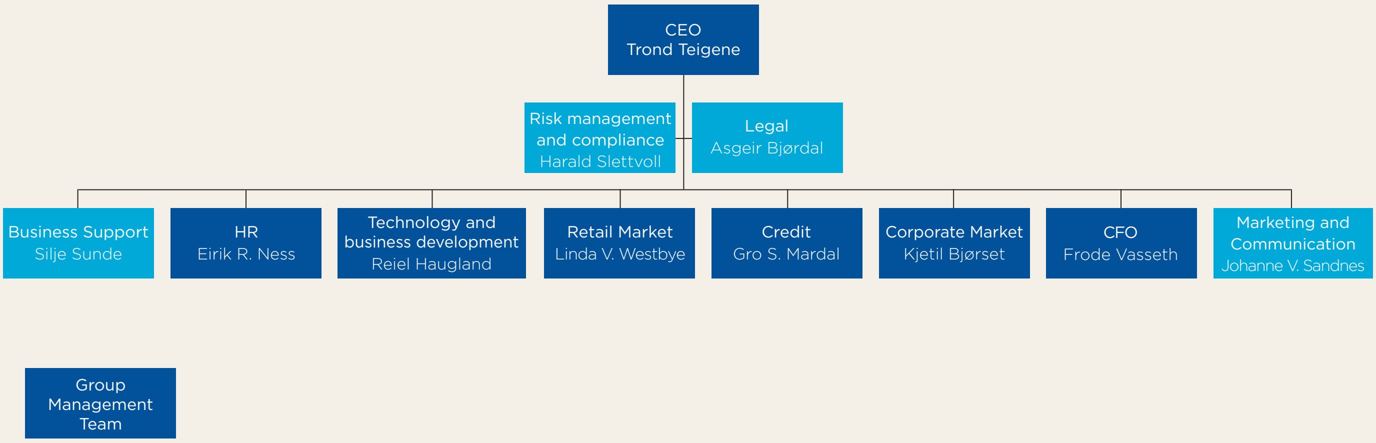
ELECTION COMMITTEE FOR ELECTION OF EQUITY CERTIFICATE HOLDER REPRESENTATIVES

Members
Rolf Kleiven, Fjaler (Chair)
Helge Holm-Marøy, Sogndal
Monika Refvik, Måløy

Deputy members
1st deputy: Marit Lofnes Mellingen, Leikanger
2nd deputy: Geir Opseth, Førde
3rd deputy: Jon Rune Heimlid, Stryn

Organisational chart

at 31 December 2020



Executive Management

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

SPAREBANKEN SOGN OG FJORDANE

ADDRESS:	Langebruvegen 12 6800 Førde
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WEBSITE:	www.ssf.no
E-MAIL:	kundesenter@ssf.no
ORGANISATION NUMBER:	946 670 081

CONTACT PEOPLE:

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CEO
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Frode Vasseth
CFO
Tel. no.: +47 951 98 452