This is the report for **2021**

Den Gule Banken
Sandnes Sparebank

Contents

The year 2021

We have delivered the best results in the bank's history in a good, demanding and rewarding year for Den Gule Banken, Sandnes Sparebank.

In 2021, we changed our brand name to Den Gule Banken, Sandnes Sparebank. The new brand appeals to a larger geographical segment of our region. We are constantly working to strengthen the bank's brand and visibility. This is strategically important work aimed at attracting new customers, retaining existing customers, cultivating internal pride and highlighting that we are an important social participant.

The local economy has improved, and the unemployment rate is low. We expect Den Gule Banken to see good growth going forward. Most of the bank's customers are faring well and very few are experiencing payment difficulties. Our corporate customers are reporting new projects and good levels of activity.

The bank commenced a new strategy period in 2021 with clear ambitions concerning growth and profitability, and the bank is well on track to achieving these. The focus on Stavanger and the restructuring of the Corporate Market are well underway and are two examples of areas where we expect significant growth going forward. We are increasing staffing in the "Balansebank" and look forward to realising more of the potential here too.

We believe that we are an attractive place to work that attracts the right and competent people we need. Employee satisfaction is high, and we have a good corporate culture in which everyone is doing their best to achieve the targets we set.

More and more customers are choosing us, and we know that personal advice, good, fast customer service and, not least, customer dividends are reasons why so many want to switch to the yellow team.

We are proud that, for the fifth year in a row, we can pay out dividends to our customers. We are the customer dividends bank! In March we will pay out customer dividends totalling NOK 51.7 million. A family with NOK 4 million in loans and NOK 50 000 in deposits will receive just under NOK 9 000. If this family has been a customer for the last 5 years, they will have received no less than NOK 43 000 from the bank in customer dividends.

The good results for the year mean that we are well-capitalised so that we can contribute to development in the region, pay dividends to owners and customers, and continue to be a strong contributor to local communities. In 2021, the Yellow Gift Fund paid out NOK 14 million in gifts to numerous projects in the region, large and small, with 10% of the disbursements going to green, sustainable purposes. In 2022, the Gift Fund's pot will increase by 20%.

We are the bank that assigns customers a personal adviser who is on the ball, close by, accessible and provides super customer service. We are a bank for retail customers and small and medium-sized companies that want that little bit extra. We take pride in the fact that our customer satisfaction rates are rising. This is also manifesting itself in the form of good growth in new customers. This, in addition to good expertise, a high degree of employee commitment and good levels of activity in the local business community, makes us optimistic about the future.

Trine Karin Stangeland
CEO

Key figures as at 31.12.2021

Group: Full year 2021	Group: Full year 2020	Profit summary (amounts in NOK thousands)	Parent Bank: Full year 2021	Parent Bank: Full year 2020
456 095	469 582	Net interest income	352 671	394 187
154 286	135 027	Other operating income	170 135	118 324
314 483	268 988	Other operating costs	277 403	238 316
-32 340	24 689	Net loss/impairments	-33 699	23 415
328 238	**310 932**	**Operating profit before tax**	**279 101**	**250 780**
46 933	50 160	Tax expense	27 996	37 173
281 305	**260 772**	**Operating profit after tax**	**251 106**	**213 608**
45 223	-353	Other comprehensive income (OCI) (after tax)	45 136	-706
326 528	**260 419**	**Comprehensive income**	**296 242**	**212 902**
325 262	259 285	Controlling interest's share of the profit		
1 266	1 134	Non-controlling interest's share of the profit		

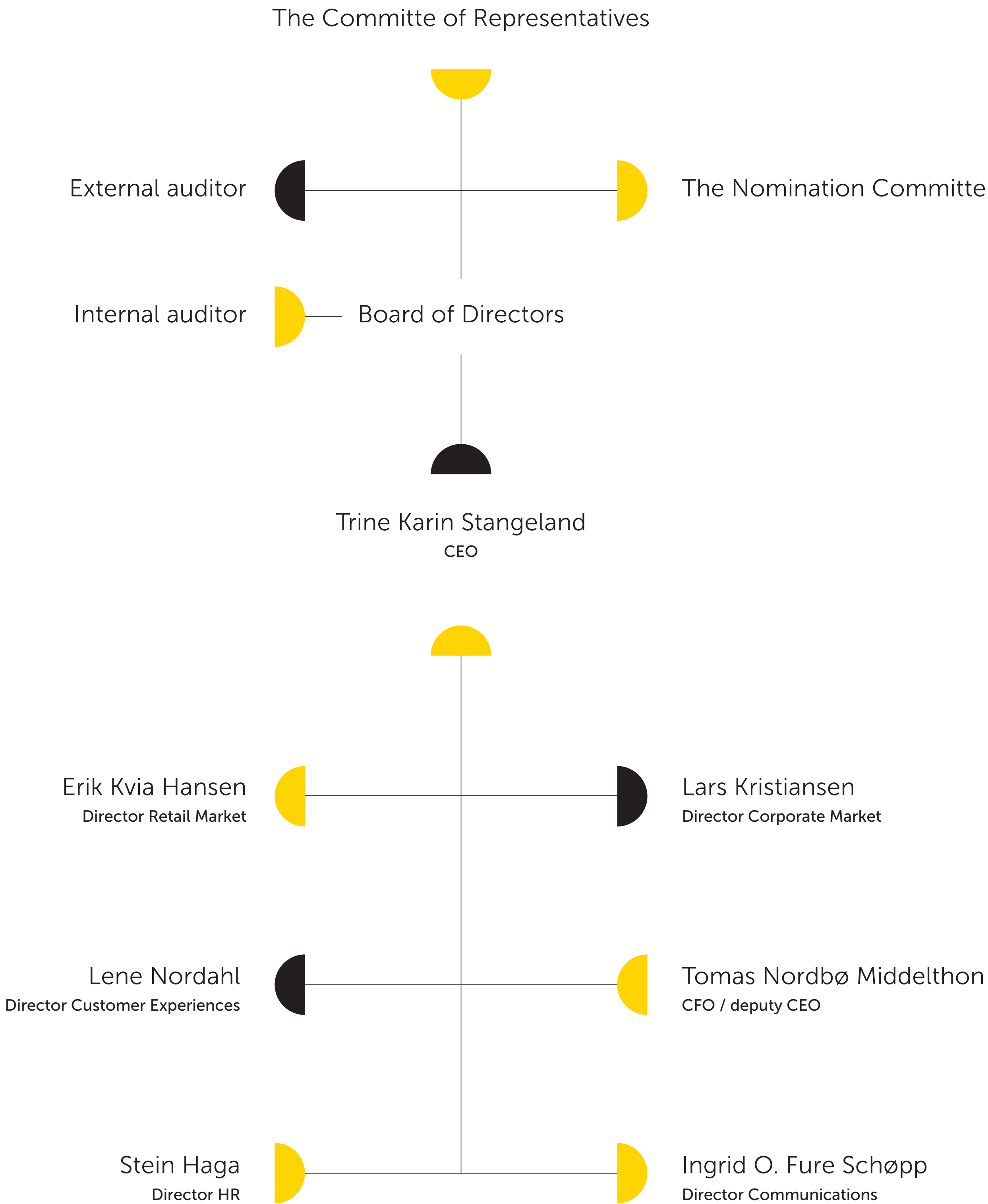
31.12.2021	31.12.2020	Excerpts from balance sheet (amounts in NOK millions)	31.12.2021	31.12.2020
29 373	29 235	Total assets	20 711	21 086
29 304	28 697	Average total assets	20 899	20 889
25 392	24 000	Loans to customers	15 574	15 080
12 842	11 926	Deposits from customers	12 847	11 931
2 798	3 879	Certificates and bonds	2 240	3 406
142	326	Financial derivatives	104	184
3 075	2 952	Equity	2 775	2 680

31.12.2021	31.12.2020	Key figures[1]	31.12.2021	31.12.2020
		Performance past 12 months		
0,5 %	3,8 %	- Asset management	-1,8 %	1,9 %
5,5 %	4,9 %	- Lending	2,9 %	0,7 %
7,7 %	0,8 %	- Deposits	7,7 %	0,8 %
50,6 %	49,7 %	Deposit-to-loan ratio	82,5 %	79,1 %
198,1 %	246,6 %	Liquidity coverage ratio (LCR)	196,2 %	251,2 %
		Profitability		
1,56 %	1,64 %	Net interest income as % of average total assets	1,69 %	1,89 %
51,5 %	44,5 %	Cost-to-income ratio	53,1 %	46,5 %
1,1 %	0,9 %	Total costs as % of average total assets	1,3 %	1,1 %
11,3 %	10,8 %	Return on equity before tax	10,6 %	9,5 %
9,7 %	9,0 %	Return on equity after tax	9,6 %	8,1 %
9,5 %	8,9 %	Return on equity after tax, interest on hybrid capital	9,4 %	7,9 %
		Financial strength[2]		
18,5 %	19,8 %	Capital adequacy ratio	20,4 %	21,9 %
17,2 %	18,5 %	Tier 1 capital ratio	18,9 %	20,3 %
16,6 %	17,8 %	CET1 capital ratio	18,1 %	19,5 %
16 689	15 982	Risk-weighted capital	12 894	12 722
		Human resources		
138	132	No. of full-time equivalents (FTEs) on balance sheet date	116	111
		Equity certificates		
98,8	74,4	Market price	98,8	74,4
63,4 %	63,6 %	Equity certificate percentage	63,4 %	63,6 %
8,5	7,9	Earnings per equity certificate	7,6	6,5
8,5	7,9	Diluted earnings per equity certificate	7,6	6,5
90,2	86,8	Book equity per equity certificate	81,1	78,5
1,10	0,86	Price/book equity (P/B)	1,22	0,95

1 The Group's financial strength key figures (capital adequacy) include the consolidated share of capital for owner institutions in a cooperating group.
2 Several of the bank's key figures are defined as alternative performance measures (APMs) and are defined in an appendix.

Organisation, the management group and the board of directors

Organisation and management group



The board of directors


(1)


(2)


(3)


(4)


(5)


(6)


(7)


(8)

Harald Espedal (1)

Chair of the Board

Harald Espedal holds a Bachelor of Commerce/ Business Studies from NHH - Norwegian School of Economics, where he also took the higher auditor programme. He is the Chair of the Board of the investment firm Espedal & Co AS. Espedal has previously served as the CEO and Director of Investments in SKAGEN and has previous experience as the Director of Investments in Vesta, European Equities Manager in Skandia, Finance and Research Manager in SpareBank 1 SR-Bank and a manager in the consulting and auditing firm Arthur Andersen in Stavanger. Chair of the Board since 2015. *Espedal holds 886 861 equity certificates through his investment firm, Espedal & Co AS. Espedal also manages 680 000 equity certificates through the company Salt Value AS.*

Astrid Rebekka Norheim (2)

Board member

Astrid Rebekka Norheim has been the EVP Customer & Market of Lyse AS since 2021. She holds a Bachelor of Business Administration from BI Norwegian Business School, supplemented with several management development programs from the same institution. She has 21 years of experience from various roles in SpareBank 1 SR-Bank, including Director of High Net Worth Individuals and Agriculture and Director of Savings, Investments and Pensions. Member of the board since 2020. *Norheim holds 5 986 equity certificates.*

Frode Svaboe (3)

Deputy Chair

Frode Svaboe holds a Bachelor of Commerce/ Business Studies from BI Norwegian Business School and took the higher auditor programme at NHH - Norwegian School of Economics. He is currently a partner/CEO of SVAL Rådgivning AS. Svaboe's previous experience includes being an auditor for KPMG and a partner/CEO in KPMG South/West. Member of the board since 2010. *Svaboe holds 10 200 equity certificates through the investment firm FS Invest AS.*

Sven Chr Ulvatne (4)

Board member

Sven Christian Ulvatne graduated in engineering from the Norwegian University of Science and Technology (NTNU) and is currently managing his own company, Ulvatne AS. Ulvatne has previous experience as a regional manager for Backe Prosjekt AS, CEO from companies such as Backe Entreprenør, Backe Bygg, NCC Construction, Sandnes Eiendom and AS Betong, in addition to leading positions with Block Watne and Aadnøy Entreprenør. He sits on the boards of various companies, including as Chair of the Board of his own investment company. Ulvatne also holds a number of elected offices in industry associations such as the Confederation of Norwegian Enterprise (NHO), the Federation of Norwegian Construction Industries (BNL), the Contractors Association - Building and Construction (EBA) and Standards Norway. *Ulvatne holds 2 293 equity certificates personally, plus 9 300 equity certificates via his investment firm Ulvatne AS.*

Bjørg Tomlin (5)

Board member

Bjørg Tomlin holds a Bachelor of Commerce/ Business Studies from Copenhagen Business School, Denmark. She also holds a Master of Telecommunications from BI Norwegian Business School. She is currently the CEO of the IT company Upheads AS. She has previous experience as the Director Corporate Market in Altibox/Lyse. She also has 15 years of experience from various management positions in Telenor, 5 years of which were spent as Regional Director South/West. Member of the board since 2019. *Tomlin holds no equity certificates.*

Wenche Drønen Christenssen (6)

Board member

Wenche Drønen Christenssen holds a Bachelor of Banking/Finance and a Master of Organisational Psychology and Management from BI Norwegian Business School. She is an entrepreneur and current CEO of Compute People AS, and also holds several chair of the board positions in the Compute Group. Christenssen has senior management experience from various companies, primarily within finance, insurance and accounting. In the past few years she has been the Executive Vice President Market & Organisation in Fremtind Forsikring AS, the CEO of SpareBank 1 Regnskapshuset AS and, prior to that, the Executive Vice President Organisation & HR in SpareBank 1 SR-Bank. Member of the board since 2021. *Christenssen holds 240 equity certificates.*

Ingunn Ruud (7)

Employee representative

Ruud holds a Bachelor of Business Administration from the University of Stavanger. She has six years of experience as an authorized financial advisor from Sparebanken 1 SR-bank. Employed by Den Gule Banken, Sandnes Sparebank since 2012 and currently works as Team Leader Credit PM. Ingunn Ruud is head of Employee representatives in the bank, deputy chairman of Finansforbundet in Eika Gruppen and board member of Finansforbundet, Rogaland Region. Member of the board since 2020. *Ruud owns 384 equity certificates*

Joakim De Haas (8)

Employee representative

Joakim De Haas holds a Bachelor of Business Administration from BI Norwegian Business School. He joined Den Gule Banken, Sandnes Sparebank in 2011 and currently works as a corporate customer adviser. He has been the employee representative on the Board of Directors since spring 2021. *De Haas holds 1 693 equity certificates.*

The management group


(1)


(2)


(3)


(4)


(5)


(6)


(7)

Trine Karin Stangeland (1)

CEO

Trine Karin Stangeland holds a Bachelor of Economics and a Master of Strategic Management from BI Norwegian Business School. She has many years of management experience from the Lyse Group, from 2005 to 2016, most recently as CEO of Lyse Dialog. Prior to that she had several years of management experience in economics and finance from industry. Stangeland is the Deputy Chair of the Board of Directors of Eika Gruppen, a board member of Eika Banksamarbeid and Chair of the Board of Kjell Haver Regnskapsservice. She joined Den Gule Banken, Sandnes Sparebank in February 2017. *Stangeland holds 24 783 equity certificates.*

Tomas Nordbø Middelthon (2)

CEO/Deputy CEO

Tomas Nordbø Middelthon holds a Bachelor of Commerce/Business Studies, is an authorised financial analyst and holds an MBA in Finance from NHH - Norwegian School of Economics. He joined Den Gule Banken, Sandnes Sparebank after 7 years with SKAGEN Funds, where he spent 5 years as a portfolio manager and 2 years as a risk manager. Prior to that he spent 4 years as a senior consultant within financial services in Statoil. Middelthon took up his position as CFO in April 2017 and is also the Deputy CEO. *Middelthon holds 28 773 equity certificates.*

Lars Kristiansen (3)

Director Corporate Market

Lars Kristiansen was educated at Harstad University College, BI Norwegian Business School and IMD in Switzerland. He joined Den Gule Banken, Sandnes Sparebank after 16 years as a manager in the Danske Bank Group. He spent the last 6 years of this period as Regional Director Corporate Market South/West and Regional Manager for Danske Bank in Stavanger. Prior to that he spent 4 years as a regional manager in Storebrand and he has also had several other management roles in business. *Kristiansen holds no equity certificates.*

Erik Kvia Hansen (4)

Director Retail Market

Erik Kvia Hansen graduated in marketing from BI Norwegian Business School. He spent 10 years in the retail market in Nordea in Rogaland, including as a customer adviser, branch manager and regional manager in the retail market with a primary focus on new sales. He also has 7 years of experience as a project manager within CRM and product department from the markets department in GE Money Bank. *Kvia holds 3 591 equity certificates.*

Ingrid O. Fure Schøpp (5)

Director Communications

Ingrid O. Fure Schøpp holds a Cand. Mag. degree from Hamar College of Education and the University of Stavanger. She has previously held the positions of marketing manager and information manager in the bank. Schøpp is the bank's media contact and is also responsible for the bank's overall market communication and brand building. *Schøpp holds 10 261 equity certificates.*

Stein Haga (6)

Director HR

Stein Haga holds a Bachelor of Commerce/Business Studies from the University of Oregon, USA, and a Master of Management from BI Norwegian Business School. His previous experience includes working as an HR and organisation consultant in Sandnes Municipality, HR manager in Marine Well Service and a manager in EgroBlueGarden. Haga has been the Director HR in Den Gule Banken, Sandnes Sparebank since 2004. *Haga holds 10 708 equity certificates.*

Lene Nordahl (7)

Director Customer Experience

Lene Nordahl studied Economics and Informatics at the University of Stavanger. She has 11 years of experience from various roles in GE Money Bank and 6 years in Lyse Dialog AS, where she had was the Strategic Customer Service Manager. *Nordahl holds 3 998 equity certificates.*

Good citizenship

Corporate governance

Investor information

Sustainability and social responsibility

The bank's ethical and social responsibility principles and policies are available in full from our website www.sandnes-sparebank/samfunnsansvar.no

Sustainability and social responsibility are becoming increasingly important strategic business drivers. The bank believes that over the long term, companies that have integrated sustainability into their business strategy will do better than competitors that have not. The financial services sector's primary social responsibilities are to create value and operate profitably, without this being at the expense of people around us and the environment, or in breach of basic ethical principles.

The bank's role in providing financing presents us with opportunities to encourage our customers and other companies to make systematic improvements. Den Gule Banken, Sandnes Sparebank wants to be a contributor and driving force behind sustainable value creation in society by practising responsible banking.

Responsible business conduct is ensured by integrating sustainability and social responsibility into our business processes. All bank employees review **the bank's policies** in the area of sustainability and social responsibility every year. The policies are designed to ensure that the bank does not contribute to breaches of human and labour rights, corruption, serious environmental damage and other unethical acts, and that we contribute to the transition to a more sustainable society. Sustainability and social responsibility have been integrated into the bank's **key policies**, such as our credit policy, investment policy for asset managers, and risk assessment procedures.

The area of sustainability was elevated to one of the six cornerstones of the bank's **business strategy** for the current strategy period. As part of preparing the bank's sustainability strategy, the bank conducted a comprehensive survey of what employees thought the bank's sustainability priorities should be. Together with input from other stakeholders, this provided an important basis for implementing and further developing our sustainability initiatives in line with the bank's materiality analysis and impact analysis.

The bank's **strategic objective** is: "We shall contribute to a better and more sustainable future for our employees, our customers and our region." Material topics have been identified and goals set for various areas of our operations in order to achieve our overall objective. A summary of the material topics, actions taken and priorities for the remainder of the strategy period can be found below.

In autumn 2019, the bank signed up to the **UN Principles for Responsible Banking (UNEP FI)**. This was a natural step forward in our work on ensuring sustainable and responsible business operations. The bank will report on our status annually as an integral part of our annual report. (See the appendix on p. 143.)

In our continued development of the bank's sustainability strategy, the **UN Sustainable Development Goals (SDGs)** and the **Paris Agreement's** reduction targets have been used as useful frameworks for identifying where the bank can best have an impact. Den Gule Banken fully approves of and endorses all of the SDGs and has specific goals and priorities for six selected SDGs where we can really make a positive contribution and a difference. Please visit our website for a description of how we contribute to achieving the selected SDGs.

Climate change is expected to be the strongest driver of global social developments in the next few decades. The UN's sixth assessment report published in August underscored that the impact of human activities on the climate has resulted in faster global warming than before and concluded with a 'code red' for humanity. Massive investment in transitioning to renewable and more resource efficient operations is required to achieve the reduction targets and SDGs. The bank can have the biggest impact by contributing to the transition processes of our customers and local communities. We want to do our bit with respect to financing the transition our region faces and needs. The bank has therefore set targets for, and reports on, progress that contributes to allocating capital to sustainable transition.

Climate change poses a risk to society, enterprises and banks. The bank is primarily exposed to **climate-related risk** through our lending. Physical risk and restructuring risk affect credit risk and operational risk. For more detailed information about restructuring products and managing climate-related risk see the section on responsible lending, as well as notes 7 and 8 and the TCFD report on p. 145.

The **regulatory framework** for defining and reporting on sustainability is evolving rapidly. The bank takes a very positive view of the EU's Sustainable Finance initiative. Regulations via the taxonomy and Corporate Sustainability Reporting Directive (CSRD) will ensure the SDGs are achieved, reduce greenwashing, ensure comparability and channel capital towards defined sustainable activities. The bank believes we are well-prepared for the increased reporting requirements that are expected given that we already comply with GRI Core recommendations and section 3-3 of the Accounting Act, as well as our continuous work on ensuring the recommendations of TCFD and UNEP FI PRB are operationalised. (See the appendix on p. 143). The biggest challenge identified by the bank so far in relation to increased reporting requirements is access to data regarding our corporate market loan portfolio. The bank will prioritise resolving this challenge in the coming year, including by working on expanding our green framework.

Stakeholder engagement

Den Gule Banken, Sandnes Sparebank is committed to openness and engagement with our stakeholders, which allows us to get their input and take account of it in our operations.

The bank has several points of contact with our stakeholders over the course of the year. An overview of the bank's engagement with stakeholders in 2021 is provided below:

STAKEHOLDERS	POINTS OF CONTACT	KEY TOPICS	ACTIONS
Customers	• Advice and dialogue via all of the bank's channels (including in-person visits, phone calls, email, letters, social media channels and text messages) • Regular customer surveys in the retail and corporate market segments. • Customer communication in the online and mobile banks, social media channels and the bank's website. • Corporate market customer evenings.	• Advice • Customer service experience • Availability and response times • Products and services • Prices and terms and conditions • Responsible saving and responsible lending • Green loan products.	• Continuous development and improvement of the bank's products and services • Continuous coaching and guidance of bank employees • Evaluation and improvement of customer processes • Corporate market customer evenings with sustainability as the topic.
Employees	• Annual employee surveys • Semi-annual employee performance and career development reviews • Cooperation and working environment committees • Regular meetings with unions • Management development, development of corporate culture • Yellow Days • Strategy meetings.	• Ensure committed, competent and result-oriented employees • Ensure good working environments • Co-determination • Organisational development • Materiality analyses, priorities for strategic plans.	• Development goals for employees • Ensure high attendance rates for employees • Training plan and course packages via the Eika Academy • Common monthly KPI reporting for all managers • Status reporting based on materiality analysis and strategic plan.
Equity certificate holders Investors	• Capital Market Days • Market announcements and quarterly reports • Meetings of the Board of Trustees • Ongoing contact with the largest owners and analysts.	• Results • ESG • Ensure transparency regarding financial statements and corporate governance • Predictable dividends over the long term.	• Update estimates and inform the market of extraordinary events.
Other Eika banks and the Eika Alliance	• In-person and online meetings • Participation in technical committees, e.g. sustainability technical committee and ESG model technical committee.	• Joint activities, including competence, system and product development • Strategy, policies and actions – sustainability.	• Follow-up of recommended actions • Implementing Sustainability Week.
Government	• Ongoing dialogue with the Financial Supervisory Authority of Norway, etc..	• Operations, security, privacy • Anti-money laundering • Government-guaranteed loans.	• Measures that ensure compliance with laws and regulations.
Special interest organisations and society in general	• UNEP FI • Finance Norway, including its sustainability reference group • Hosting the Sandnes business community through cooperation with the Stavanger Chamber of Commerce • Norwegian Green Building Council, • Landbrukets Klimaselskap SA, via Eika Gruppen • Various special interest organisations through the work of the Den Gule Banken, Sandnes Sparebank Gift Fund.	• Responsible investments, granting of credit, relationships with fund providers • Relevant topics within sustainable finance • Local business community, equal opportunities, sustainability • Contributing to a sustainable community with engaged and responsible people who promote well-being and solidarity within education, training, sports and culture.	• Status reporting on the Principles for Responsible Banking (PRB) • Active participation in reference groups • Continued development of internal policies, tools for ESG assessments • Input for politicians in public consultation processes • Presentations and contributions, including for the Stavanger Chamber of Commerce and the KÅKÅnomics Conference • Distribution of funds from the bank's profits to sustainable and good causes.

Materiality analysis

In winter 2019/2020, the bank conducted a comprehensive internal analysis aimed at identifying the goals and actions through which the bank can best have an impact. No material changes were identified in 2021.

The materiality analysis also took into account input from our engagement with several external stakeholders, including Future in our Hands/Ethical Bank Guide, Finance Norway, UNEP FI and the Eika Alliance. The bank developed its sustainability strategy and its associated goals and priority actions based on the topics these stakeholders described as priorities. Please also refer to the GRI Content Index appended to the annual report, which specifies the GRI standards deemed essential for the bank's operations in line with our strategic priorities.

The summarised materiality matrix below provided the basis for the strategy, goals and priorities the bank has now staked out for the strategy period 2021-2024. The bank monitors regulatory developments closely and will continuously make the necessary adjustments to our strategy, goals and actions in line with the increasing expertise in, information about and regulation of sustainable finance. Going forward, the bank will evaluate and monitor progress and report on our status, goals and priority areas. Any need to modify our priorities and material topics will be assessed at least once a year.

SIGNIFICANCE WITH RESPECT TO THE ASSESSMENT AND DECISION MAKING OF OUR STAKEHOLDERS

- Contributing to sustainable transition through grants from the Gift Fund
- Energy consumption and our reduction goals for greenhouse gas (GHG) emissions, waste, water and paper consumption.

- Contributing to customers' sustainable transition through advice and product development
- Ensuring responsible lending and investing
- Combating economic crime
- Information security, privacy.

- Balanced and open communication
- Diversity and equal opportunities
- Responsible purchasing.

- Ensuring ESG risk exposure and management is in line with policy
- Training, including in sustainability and climate-related risk in particular.

Other subjects have been assessed and found to be less significant – and are not activities about which we report according to GRI. Subjects that remain in the matrix are considered the most material and will be reported according to GRI.

SIGNIFICANCE FOR CLIMATE RELATED/ENVIRONMENTAL AND ETHICAL/SOCIAL VALUE

Eika Gruppen carried out a major impact analysis based on the recommendations in UNEP FI PRB in 2021, to which the bank has been an active contributor. The impact analysis also covers all Eika banks. The impact analysis indicates that Eika Gruppen, and its product companies and the Alliance banks, should in particular prioritise measures aimed at improving resource efficiency, reducing waste and increasing circular economics, as well as contribute to reducing climate change by cutting emissions. In 2022, Eika Gruppen and the Alliance banks will work on setting targets for these sustainability parameters.

The bank sets sustainability objectives each year that are designed to achieve our goals in line with the conducted materiality analysis and our long-term strategic plan. Den Gule Banken, Sandnes Sparebank prioritises goals and measures for our operations and corporate culture, for the bank's customers and for the bank's role as a socially responsible stakeholder. The following sections describe the status of our goals for 2021, as well as what we have done, and our priorities for 2022:

Responsible operations

The bank wants to reduce its climate and environmental footprint.
Den Gule Banken is an environmentally conscious bank and causes little environmental pollution. The bank recognises that how financial institutions contribute to transition through responsible lending and responsible investment is of far greater importance. Nevertheless, the bank still wants to operate in as sustainable and resource efficient a manner as possible and is constantly seeking to reduce its own climate and environmental footprint.

What the bank has done:

The annual climate report has been a useful tool for measuring the bank's emissions. It has also contributed to greater awareness in the bank and ensured that we have throughout the year focused on identifying and proactively implementing resource saving measures. 2021 was a peculiar year for everyone, with extensive working from home and unusually few in-person meetings. It is therefore natural to compare the emission targets with 2019. We have learned from our experience of greater flexibility and working from home and have changed our policies and corporate culture.
Our positive experience with digital meetings, both internal and with the business community in general, has reinforced the bank's belief in having ambitious emission targets going forward as well.

The bank fully complied with local and national government guidelines and instructions regarding infection control in 2021. The bank's goal was to comply with the guidelines and at the same time be available to our customers. This entailed extensive working from home and digital customer meetings, as well as limited in-person customer meetings.

- Eco-friendly transport. The greatest impact the bank can have in terms of reducing emissions from our operations is to cut our emissions from transport, i.e. commuting and other work-related travel, especially flights. Video-conferencing is used wherever possible. The bank participates in the HjemJobbHjem ("HomeWorkHome") public transport scheme and nearly 30% of the bank's employees made use of the scheme in November 2021. This figure fluctuated over the year in line with Covid-19 measures that necessitated working from home. The scheme also allows employees to lease electric bikes. Some 15 employees took advantage of this offer in 2020-2021. The bank ended its agreement with the electric car sharing service Flaate in 2021. The bank has instead acquired an electric van and an electric car. This means that all employees have access to an electric car for customer meetings outside our offices and that all van use was switched from diesel to electric in 2021. The periods of working from home and unusually little travel activity had a positive impact on emissions from travel activities (Scope 3) in both 2020 and 2021. The target of a 50% reduction in emissions from transport in 2021 compared with 2019 was achieved.

- Low energy consumption. Den Gule Banken's headquarters is the first commercial building to achieve the passive house standard in Sandnes. The office building is BREEAM certified with an asset performance rating of 64.3% and a building management rating of 40.2%. The energy consumed is 100% renewable energy and supplied with guarantees of origin.

- Sustainable purchasing. The bank requires our suppliers to proactively comply with human rights, labour rights and working conditions, environmental protection and anti-money laundering regulations. The bank strives to ensure that all of our purchases are sustainable and of good quality in order to avoid waste and unnecessary consumption. The bank's purchasing policy describes the applicable principles for purchasing in more detail. The bank maintained a dialogue with several suppliers in 2021 to ensure that their business operations were as sustainable as possible. Our canteen services provider focuses heavily on sustainable operations and is ISO certified in relation to quality management and environmental management. Eika Gruppen was Eco-Lighthouse certified in 2021 and carries out ESG assessments of suppliers in line with the certification criteria. The assessments cover many of the bank's largest suppliers.

- **Climate-neutral bank.** The bank's climate report is available in the appendix. The table below provides a selection of key figures for 2021 and 2020. The bank's GHG emissions fell further from 2020 to 2021, largely due to the Covid-19 situation with extensive working from home and reduced travel activity. Den Gule Banken, Sandnes Sparebank's total emissions were compensated for through carbon credits as at 31.12.2021. VER carbon credits issued by the Gold Standard Foundation are used and these are based on the UN's rules for climate change mitigation projects in developing countries.

Energy and climate statement, total emissions, Den Gule Banken, Sandnes Sparebank

Name	Unit	2021	2020
Scope 1 emissions	tCO_2e	0	0,3
Scope 2 emissions	tCO_2e	10,1	12,2
Scope 3 emissions	tCO_2e	18,9	22,8
Total (S1+S2+S3)	**tCO_2e**	**29,0**	**35,3**

Key figures – Energy and climate indicators

Navn	Unit	2021	2020
tCO_2e/ sales		0,05	0,06
tCO_2e/ man-labor years		0,22	0,30
$kgCO_2e$/ sqm		7,9	9,6
kWh/ sqm		0,1	0,1
Sales	NOK million	610,4	604,6
Man-labor years	Number	130	116

Future priorities:

Den Gule Banken has set several reduction targets for the strategy period. The bank will continue to focus on ensuring eco-friendly transport provision for employees and reduce flights to a minimum. Significantly reduced travel and more digital meetings in 2020 and 2021 had positive effects in the form of lower costs and GHG emissions, as well as more efficient time use. At the same time, the bank recognises the value of in-person meetings with customers, partners and others. The bank will continue to encourage the use of digital meetings and the most eco-friendly transport possible when travel is required. The bank will continue to ensure that our suppliers comply with environmental requirements and will maintain a dialogue with key suppliers to ensure goods and services are sustainable. In 2022, the bank will implement purchasing procedures and ESG criteria that are equivalent to those established by Eika Gruppen and which will thus comply with Eco-Lighthouse's criteria. The Transparency Act will come into force on 01.07.2022 and the bank's purchasing procedures and supplier checks will be adapted to ensure compliance with the scope of the Act.

Responsible employer

We are seen, heard and consulted. There is room for everyone in Den Gule Banken, and that is how it should be! The bank is constantly working to ensure that our sustainability ambitions are integrated into the business areas and the bank's corporate culture

What the bank has done:

- **Employees and co-determination:** At the end of the year, the bank had 119 employees. Of these, eight (6.7%) work part-time. All of the employees who work part-time are women. Overall, 63% of the bank's employees are women and 37% are men. We recruited 16 new permanent employees in 2021. Employee turnover in the bank amounted to 7%.

Some 81 of the bank's employees are members of the Finance Sector Union of Norway and the bank is a member of the employer organisation Finance Norway. Some 83% of the employees are covered by collective bargaining agreements.

A quarter of the members of the bank's supreme body, the Board of Trustees, are employees. Additionally, two of the members of the bank's Board of Directors are elected from among the employees.

The bank believes good dialogue, follow-up and interaction between managers and employees are important. It is important that each individual employee is seen and followed up by their manager in relation to job performance, motivation and satisfaction. All employees are offered, and are entitled to, at least one annual performance and career development review. All employees who had been employed for the entire year in a permanent position had a formal performance and career development review with their manager in 2021.

- **Training.** Den Gule Banken, Sandnes Sparebank organises training that ensures the bank can provide good advice to customers and make a positive contribution to the green transition. Parts of the bank's training provision is delivered by the Eika Academy and here the average time spent on training per employee was 25 hours in 2021. Other training is provided via other platforms and in other contexts. All of our advisers undergo annual refresher courses via FinAut. One of the measures for learning more about sustainability and climate-related risk was the organisation of Eika's Sustainability Week in January 2021. All of our advisers have completed a course module on sustainable finance produced by Spama and the Finance Sector Union of Norway's webinar series "JustAddFinance" is available and recommended for bank employees.

- **Zero tolerance of discrimination.** Den Gule Banken fully respects the rights of our employees. We therefore practise zero tolerance of any form of discrimination. No instances of discrimination by or among employees were reported in the year just ended. The bank recognises the value of diversity with respect to different qualities and competencies. This has been included as one of several factors that should be considered in the context of recruitment.

- **Gender and equal pay.** As at 31.12.2021, Den Gule Banken employed 115.9 full-time equivalents. Female employees account for 63% of the bank's employees. The bank is of the opinion that this is not an optimal gender balance, and we are working to achieve a more even gender balance overall. Three of the seven members of the bank's management group are women, and the bank has a female CEO. Eight of the 21 managers with personnel responsibilities in the bank are women. Of the bank's Board of Directors, four members are women and four are men.

To the extent possible, employee pay reflects current market rates and the individual's education, qualifications and responsibilities. The bank's female managers earn 102% of what male managers earn. Other female employees earn 90% of what their male colleagues earn. This is not a ratio we would claim to be satisfied with given an equal basis for comparison. The bank's calculations have been adjusted for fewer hours worked, but differences in position, seniority and other factors affect the ratio. The bank takes a conscious approach to equal pay and implements measures to ensure it. For example, equal pay forms part of the comprehensive assessment in pay negotiations.

- **Employee satisfaction and health.** The annual employee survey shows that the bank's employees are very satisfied with working for Den Gule Banken and that we have a good working environment.

All of the bank's employees are covered by the bank's HSE management system with respect to their physical working conditions, psychosocial working environment and safety measures. The bank reported no work-related injuries or ill health in the year just ended.

- **Code of conduct for employees.** All of the bank's employees have to sign our code of conduct every year. This is designed to help ensure that a high degree of integrity and professionalism is exercised in all activities in Den Gule Banken.

- **Sustainability and the environment.** Sustainable operations and development are integral to all business areas and the bank's corporate culture. This has been clearly demonstrated in recent years through measures designed to streamline operations, product development and advice, and through the greater understanding of ESG risk, and particularly climate-related risk. The bank is working to improve employees' general understanding of sustainability and to ensure that the measures implemented have the greatest possible impact.

Future priorities:

Den Gule Banken will organise further training in sustainability and climate-related risk to ensure that customers receive good advice and to make a positive contribution to the green transition. Besides training through FinAut, Eika Gruppen will continue to focus on ensuring adequate sustainability training provision for various roles in the bank through a dedicated learning plan for sustainability in 2022. Eika's Sustainability Week will also be arranged in 2022 and the plan is to make it an annual activity.

The bank will continue to focus on how to further ensure diversity and equal pay. In early 2022, Den Gule Banken signed up to the Women in Finance Charter and we want to strengthen our focus and help increase the proportion of women in senior positions and specialist roles in the financial services sector.

Responsible funding

Den Gule Banken, Sandnes Sparebank wants to help increase positive impacts and reduce negative impacts from our investment and funding activities.

What the bank has done:

- **Green bond funding.** In 2020, Den Gule Banken Boligkreditt (SSB) established its first green framework and in June it issued its first green bond worth NOK 300 million. The funds raised through green bonds will be used exclusively to finance energy efficient homes.

- **Green deposits.** By the end of the year, the bank had received NOK 50 million in green deposits via the deposit portal, Fixrate. The funds are earmarked for financing sustainable business and energy efficiency improving investments in the corporate market.

- **The bank's investment strategy.** Our investment strategy provides clear guidelines regarding what the bank is allowed to own. The bank had holdings in defined green and blue bonds during the year but had none at the end of 2021. However, the bank expects the pace of investment in these types of bonds to accelerate going forward.

Future priorities:

The bank will continue the work we have started within contributing to positive environmental impact through our investment and funding activities. We will seek further green financing opportunities. The bank will expand our green framework in 2022, which will enable us to issue green senior bonds. This work will also help the bank to analyse our loan portfolio in relation to the EU's taxonomy and provide a basis for reporting on the bank's green ratio.

Responsible lending

By encouraging and motivating our customers to reduce their climate footprint, the bank can have a far greater impact than we can have by merely reducing our own climate footprint. *We shall contribute to a green and sustainable transition for our customers. We want our customers to make good financial and sustainable choices in their everyday lives*.

What the bank has done:

We do not lend money to just anybody! The bank sets additional requirements for companies that are a higher risk with respect to environmental, social and governance issues

- **ESG assessments in credit granting processes.** The bank requires all of our corporate customers, regardless of sector, to comply with Norwegian laws, respect human rights and actively oppose discrimination, harassment and money laundering. Customers sign up to this via a customer declaration. The bank has assessed ESG factors and climate-related risk in credit granting processes for corporate customers since 2020, and in 2021 we started using a tool developed by Eika Gruppen for this purpose. All corporate customers with exposures in excess of NOK 10 million have to undergo an ESG assessment. All advisers have undergone training in sustainability and climate-related risk. In October, the bank held a customer evening for our corporate customers focusing on the topic of "Sustainability and ESG Risk", which helped to raise awareness and improve our corporate customers' understanding of relevant sustainability considerations.

- **Climate-related risk.** Den Gule Banken focuses on the climate and the environment, as well as the transition our region faces and needs. Climate change poses a risk to society, enterprises and banks. Periodic assessments are made of the bank's exposure to climate-related risk and its impact on our operations. The bank is primarily exposed to climate-related risk through the corporate market loan portfolio. Climate-related risk can impact credit risk, the customers' ability service their debt and the value of collateral. Analysing and managing exposure to climate-related risk have been incorporated into the bank's strategy and governing documents, including our credit policy. For further details, see the reporting on the TCFD's recommendations in the appendix.

- **Green loans that reward the environmentally conscious.** Den Gule Banken wants to reward customers who do something for a greener environment. The bank has focused on product development in the past few years in order to incentivise customers to make sustainable choices. In 2021, the bank implemented green business loans and green transition loans aimed at financing transition and sustainable investments. As at 31.12.2021, green agriculture loans accounted for NOK 0.6 million of the loan portfolio. The bank also offers green mortgages for financing energy efficient homes. As at 31.12.2021, green mortgages accounted for NOK 51.7 million of the loan portfolio. In 2021, green loans represented just a small proportion of the total portfolio. However, the bank has implemented measures to increase the proportion of green loans going forward and expects customer demand for this type of product to increase as well. The bank offers green car loans to finance eco-friendly cars through Eika. As at 31.12.2021, green car loans accounted for NOK 12.6 million, or 40%, of the total volume of car loans for the bank's customers.

- **Responsible advice and loan products.** The bank is focused on offering good, responsible financial advice. Den Gule Banken, Sandnes Sparebank believes that it is very important that customers who use the bank as their main bank have their own personal adviser or business adviser. The bank offers standard deposit and loan products to both corporate and retail customers, and also offers investment funds and insurance through Eika Kapitalforvaltning and Eika Forsikring.

Buying your first home is challenging. Like other Norwegian banks. Den Gule Banken offers BSU accounts, which are a savings scheme designed to ensure people aged 18-33 have capital to finance a home. Boliglån Ung is a product that offers favourable terms for financing first-time buyers' first homes. The Boliglån Ung portfolio amounts to almost NOK 3.4 billion.

Our Balansebank ("Balance Bank") is a special department in the bank that provides close, personal follow-up and bespoke solutions designed especially for those whose personal finances are strained for various reasons. Many people experience unforeseen incidents that result in loss of income. The goal is to restore customers' financial health so they can become ordinary bank customers again.

Future priorities:

The bank will continue to focus on product development and training in order to contribute to sustainable transition for customers. Thorough work is being done to identify how the bank can have the greatest possible positive impact, especially on the climate and local environment. The bank's ambition is to increase the annual volume and scope of green loan products in the portfolio.

By continuing to focus and systematically work on identifying, understanding and managing risk in customer relationships, the bank manages the risk in our portfolio and helps customers improve their understanding of risk and make sustainable choices. For the corporate market, it is important to understand how different sectors and companies affect and are affected by climate change and transition. In 2022, the bank will introduce sector specific credit modules for agriculture and commercial property. We will continue to scrub our portfolio of physical climate-related risk related to mortgage collateral, both for homes and commercial property.

In 2022, Eika Gruppen will participate in a user group under the auspices of Finance Norway that is tasked with evaluating PCAF's suitability as a framework for calculating GHG emissions in the Alliance banks' loan portfolios. The goal is for the bank to report on the GHG emissions in our loan portfolio by the end of 2022.

Responsible insurance

What the bank and Eika Forsikring have done:

By offering insurance we create predictability and security for the bank's customers and protect customers' assets. Eika Forsikring has prioritised measures in order to address sustainability considerations in three important areas:

- **Loss prevention.** The most sustainable thing for society, the customer and the insurance company is to prevent a loss occurring. Losses that occur have an impact on the environment since resources have to be expended on repairing or replacing the loss. Eika Forsikring takes a systematic approach to preventing losses through insurance terms and conditions and by providing customers with information and assistance.

- **Green claims settlement.** At the same time, we know that losses occur. That is why Eika Forsikring is proactively working on the role of claims settlement within sustainable transition. Partners who carry out the work must be able to document good environmental management procedures in the individual assignment, as well as focus on and have targets regarding repair rather than replacement. Agreements with suppliers require all of the suppliers used to fulfil minimum requirements regarding sustainability and quality.

- **Responsible management.** Eika Forsikring's customer funds and own liquidity is managed by Eika Kapitalforvaltning and are subject to the same ESG standards the company applies in its other management.

Future priorities:

We will proactively continue to work on the role of claims settlement within sustainable transition. Eika Forsikring has a target of 10% recycled parts within engine claims settlements in 2022. As one of multiple pilot projects, Eika Forsikring is aiming to carry out a project involving the greater use of video appraisals in 2022 to eliminate unnecessary travel activity for inspections. Climate-related risk will be an important factor in Eika Forsikring's work going forward. This includes in the development of a loss model that combines loss data with climate data to improve our insight into the correlation between climate change and losses.

Responsible investment

- **Sustainable investment fund products.** *We do not invest in just anything!* All of the products recommended by Den Gule Banken, Sandnes Sparebank must comply with our requirements regarding social responsibility, sustainability, good business conduct, ethics and openness. The bank offers management of investment fund products via Eika Kapitalforvaltning. A good cooperative relationship has been established with Eika Kapitalforvaltning to ensure that the bank does not contribute to breaches of human and labour rights, corruption, serious environmental damage and other unethical acts. The bank fully supports its sustainable investment policy.

What the bank and Eika Kapitalforvaltning have done:

- Eika Kapitalforvaltning has carried out negative screening of its investment universe prior to investing fund capital since 2010. The is done by excluding all companies from investment that are in sectors Eika Kapitalforvaltning does not want to invest in, or companies that sell products that are deemed unethical. In 2020, Eika Kapitalforvaltning expanded its methods to also include the positive screening of companies in its equity funds. This means that Eika Kapitalforvaltning also seeks to invest in those companies that are among the best within sustainability in their respective sectors. This twofold approach ensures that Eika Kapitalforvaltning's portfolios consist of sustainable companies, which is also reflected in the analysis agency Morningstar's ESG assessments of Eika's equity funds. At the end of 2021, Eika Global was rated by Morningstar as being among the 12% best global equity funds in terms of ESG assessments. The ESG risk in Eika Global's investment portfolio has been reduced by 15.4% in the past two years.

In recent years, Eika Kapitalforvaltning has built up an extensive ESG database of almost 10 000 companies. The database contains detailed information about the companies' organisation, products and any historical controversies, as well as various sustainability evaluations. At the end of 2021, the ESG database covered between 94-99% of the companies in which Eika's equity funds are invested. The work that has been done on ESG in the past few years has produced clear results and reduced the ESG risk in funds. More information is available on the websites of the bank and Eika Kapitalforvaltning.

Future priorities:

Social responsibility does not only apply to the local environment. Eika Kapitalforvaltning's savings products let the bank's customers become investors in a large number of companies in different sectors and countries. Going forward, Eika Kapitalforvaltning will prioritise the work on policies, governance and excluding sectors and individual companies, which will ensure that the savings products Eika Kapitalforvaltning offers our customers meet comprehensive requirements regarding social responsibility, sustainability, ethics and transparency. In line with MiFID II, Eika and the bank will ensure that the requirements for surveying customers' sustainability preferences are met.

Social responsibility

Sandnes Sparebank is "Den Gule Banken" and our vision is to be the best in class when it comes to good, personal customer experiences. The bank's ambitious goal is to achieve profitable growth, highly satisfied customers and an excellent reputation. In Den Gule Banken, social responsibility means that we focus on, among other things, sustainability.

It is natural for our work on sustainability to focus on local conditions. In our market area, we want to help both organisations and enterprises in the transition to more sustainable local communities.

What the bank has done:

- **Responsible community dividends.** One important aspect of the bank's social responsibility is to give back part of the bank's profits for good causes. Helping local communities develop has been part of Den Gule Banken's mission since it was founded in 1875. The bank distributes millions of Norwegian kroner every year for the benefit of projects large and small.

As a minimum, Den Gule Banken's Gift Fund earmarks 10% of the funds for purposes designed to combat climate and environmental challenges. The projects carried out in 2021 included: The Sustainability Games in collaboration with Stavanger Tourist Association. Over several weeks in the summer, families with small children were able to experience a full range of activities based around the theme of the SDGs and transitioning to a low emission society in Gramstad in Sandnes.

Other sustainability-related projects the Gift Fund donated funds to in 2021 include a major school garden project at Vikevåg School and supporting a sustainability exhibition in Sølvberget in Stavanger, where the United Nations Association of Norway was one of the initiative takers. A seminar on sustainability was also arranged for the bank's corporate customers in collaboration with Kjell Haver Regnskapsservice.

- Partnerships. The bank recognises that in order to achieve the SDGs and help ensure that locally we are moving in the right direction fast enough, we need partnerships, to share expertise and to all help each other achieve success in the transition. Den Gule Banken, Sandnes Sparebank has played an active part in the financial services sector's sustainability reference group since 2019. The bank has commenced a dialogue with relevant local partners aimed a focusing on and encouraging sustainable development. Not least, the bank benefits from being part of the Eika Alliance and cooperates well on joint activities and development within sustainability and social responsibility.

Future priorities:

The goal of earmarked funds for green purposes will be continued to ensure a continued focus on sustainable local communities. Den Gule Banken, and the Gift Fund want to particularly focus on purposes that contribute to SDG 13: Climate Action. A major campaign is planned for 2022 in which one of the Gift Fund's application periods will only consider green purposes. The bank will also continue its work on ensuring cooperation with relevant stakeholders with the aim of achieving the greatest and fastest possible positive impact for the climate, environment and society.

Responsible communication and marketing

Properly informing the public about the bank's products and services and marketing them responsibly are crucial to the integrity of, and confidence in, the bank and the sector.

For Den Gule Banken, it is important that we inform the public about our products honestly and transparently. Our customers need to feel confident that we are providing the best possible information about the products so that they can make informed choices. This applies to all products: green ones and ordinary ones.

We maintain a close dialogue with the Norwegian Consumer Council's financial services portal to ensure that the information published about our products and terms and conditions via the bank's channels fully matches the bank's practices. Additionally, the bank is subject to regulatory requirements and guidelines on the marketing of products and services.

Den Gule Banken, signed the greenwashing decree in 2020. The bank fully endorses the contents of the decree and wants to help turn the spotlight on genuine measures, avoid greenwashing and help speed up the green transition.

The bank's supplier of merchandising gifts is ISO certified for environmental management and quality management. The bank sets stringent requirements concerning responsible and sustainable products.

We did not experience any unfortunate incidents concerning mislabelled products and services or breaches of the marketing rules in 2021.

Economic crime

Economic crime is a serious social problem and helping to protect the financial system's integrity and stability, and contributing to a law-abiding local business community, constitutes an important part of the bank's social responsibility. Den Gule Banken actively works to detect and prevent economic crimes such as money laundering, terrorist financing, tax evasion and corruption.

The bank conducts an annual assessment of our risk of being exploited in relation to money laundering, terrorist financing and sanction busting. All of the bank's products, services, customer groups, transaction types, etc. are assessed and risk mitigation measures identified. This provides a basis for the bank's procedures for managing the assessed risk.

The bank's main tasks besides conducting risk assessments are to carry out customer checks and continuously monitor customer relationships, as well as to investigate and, if necessary, report suspicious transactions and customers to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). We need to know our customers well since information makes it easier to implement risk-based measures, as well as detect and prevent economic crime.

What the bank has done:

Den Gule Banken, Sandnes Sparebank focuses heavily on this area and expends a lot of resources on combatting it. A series of measures has been implemented to reduce the risk of being exposed to, or misused for, economic crime, including:

- Regular training measures that improve employees' professional competence
- New and revised procedures for implementing measures for preventing and detecting money laundering
- Dedicated employees who focus on anti-money laundering in the retail and corporate markets, in addition to the anti-money laundering unit
- Systemising and streamlining work processes and customer follow-up
- More reporting to the management group and the Board of Directors, including on the status of anti-money laundering work to the Board
- Specific KPIs for the area that are monitored on a monthly basis, including KPIs related to the advisers' bonus model
- The customer portfolio is reviewed, assessed and new documentation obtained if necessary
- Enhancing IT solutions, including the system for risk classification and identifying beneficial owners

- **Corruption.** Den Gule Banken practises zero tolerance for corruption. This includes internally and at the bank's customers, suppliers, companies the bank invests in and investment fund providers. All of the bank's employees took an anti-corruption course in 2021. The bank is not aware of any incidents involving corruption among the bank's employees, customers or suppliers in 2021.

- **Financial sanctions:** In November 2021, the bank was fined NOK 1 million because the Norwegian Police Security Service (PST) believes that the bank negligently breached the regulations concerning financial sanctions by not technically freezing funds in a customer account fast enough. The bank rejected the fine and the case will therefore probably be dealt with in the courts in 2022.

- **Tax.** Den Gule Banken will never facilitate or advise companies on tax evasion. Nor will the bank invest in companies or lend money to customers that organise their activities in so-called tax havens.

Future priorities:

Continuous assessments will be made of what measures must be implemented to prevent and combat money laundering and terrorist financing. These will be based on, for example, external threat assessments such as the National Risk Assessment (NRA) issued by the PST and the National Police Directorate. In 2022, the bank will continue to ensure our competence is up-to-date in line with new criminal methods, improve system assistance and closely monitor compliance in this area.

Privacy

Den Gule Banken processes a range of personal data, and the bank therefore has a huge responsibility to our customers and employees to process and protect their data properly. Privacy has also been high on Den Gule Banken's agenda, and we further escalated and systemised our work following the introduction of the EU General Data Protection Regulation (GDPR) and the new Personal Data Act in June 2018.

What the bank has done:

Den Gule Banken has its own data protection officer whose main job is to be a point of contact for customers, employees, the Norwegian Data Protection Authority and others who want access to personal data or have questions about how the bank processes it. In addition to a data protection officer, a data protection group has also been established that is tasked with addressing the various technical areas in the bank. The group held monthly meetings during the year and also honed its training with an external party. Procedures and processes have been prepared to ensure compliance with the GDPR and all data processor agreements have been updated. No breaches of the GDPR were reported in 2021.

Increased working from home requires greater awareness surrounding privacy and it has been important that the bank's employees are well versed in how they should manage personal data, including when they are in contact with customers and sitting at home.

In autumn 2021, all new employees underwent digital training tailored to their role and level in the bank to ensure that they had the right skills.

All the bank's employees also underwent digital training.

Future priorities:

Privacy must form a natural part of working in Den Gule Banken, Sandnes Sparebank and must permeate our good advice work. Good, transparent privacy builds trust and is a prerequisite if we are to achieve our strategic goals.

Going forward, we will also focus heavily on training and awareness raising in relation to privacy in the bank.

Information security

Den Gule Banken takes information security very seriously and good security is a prerequisite for maintaining confidence in the bank. It should be safe to be a customer of Den Gule Banken and customers must be able to use both the online and mobile banks without worrying that personal data and customer data will go astray.

What the bank has done:

Den Gule Banken has access to a large expert environment through Eika Gruppen, which expends a lot of resources on security solutions, monitoring and information. In addition to the training offered by Eika centrally, the bank has also chosen to provide its own training sessions organised by Xtramile.

The following training was provided in 2021:
- Digital training for all employees in seven lessons
- Mandatory security course for all employees
- National security month – eight lessons
- Christmas calendar focusing on privacy and cybersecurity.

To complete the mandatory security course, employees must pass a knowledge test. If the course is not completed by the deadline, the person concerned will lose their access to the IT systems and be unable to log on to their PC.
All employees completed and passed the course in 2021.

The bank and Eika are regular targets of scams and phishing, although they experienced no serious downtime because of this in 2021.

Future priorities:

The bank will continue to conduct regular tests and provided training in information security.

Appendix related to sustainability reporting

UNEP-FI reporting – See appendix, page 143
TCFD-table – See appendix, page 145
GRI Index – See appendix, page 147
Climate statement – See appendix, page 148

Corporate Governance

This chapter describes how Den Gule Banken, Sandnes Sparebank is governed and how its operations are supervised. Good governance and management should ensure the effective and efficient use of the bank's resources and optimal value creation. The value created by Den Gule Banken should benefit the bank's owners, depositors, customers, employees and society as a whole. The bank's corporate governance must ensure prudent management and result in greater confidence that the established objectives and strategies will be achieved and realised.

Implementation and reporting on corporate governance

Wherever it is appropriate to do so, the Board of Directors complies with the framework set out in the "Norwegian Code of Practice for Good Corporate Governance" ("Code of Practice"). In this chapter, the Board of Directors will, in so far as it is possible, provide detailed descriptions covering the points in the Code of Practice. The Code of Practice is primarily intended for limited companies. Den Gule Banken is organised as an equity certificate bank and has to take account of the requirements to which the bank is subject pursuant to the legislation on savings banks.

The Board of Directors is responsible for the management of the bank. The Board of Directors must ensure that the bank is properly organised and is responsible for establishing control systems and ensuring that the activities are carried out in accordance with applicable Acts, articles of association and Regulations.

The bank's code of conduct has been reviewed and approved by the Board of Directors. The code of conduct has been communicated to the employees of the bank and is available on the bank's intranet. All new employees have to sign the bank's code of conduct to confirm that they have read it, and their familiarity with the code of conduct is measured in connection with the annual employee survey.

Business

The bank's articles of association state that the institution's objective to promote saving by accepting deposits from an unlimited constituency of depositors. The assets the bank has under its management must be managed prudently and in accordance with the current legislation for savings banks. The bank can perform all normal banking transactions and banking services in compliance with the provisions of the Savings Banks Act.

Through its Gift Fund, Den Gule Banken is able to allocate some of its profits to customer dividends and good causes. The Gift Fund is used to promote inspiration, growth and development. Gifts are awarded based on the bank's vision and business concept and are distributed in a way that supports variety and diversity.

The Board of Directors constantly reviews and updates the bank's objectives and strategies. The Board of Directors receives regular risk reports, operations reports and financial statements in order to monitor that the bank is complying with current strategies and goal attainment.

Equity and dividends

The bank's equity certificate capital is NOK 230 149 020, comprised of 23 014 902 fully paid-up equity certificates, each with a face value of NOK 10. Of these, 2 095 171, corresponding to 9.1% of outstanding equity certificates, are treasury equity certificates. The bank repurchased 2 080 000 equity certificates on 14.02.2020 in order to reduce the bank's overcapitalisation. The equity certificates are owned by the bank and are not eligible for dividends. The remaining 15 171 equity certificates were set aside for the employee savings programme.

External injections of equity capital take place through the issuance of equity certificates or other equity instruments that meet statutory requirements.

One of the most important objectives of the Board of Directors is to safeguard the interests of the bank, and thereby also the long-term interests of equity certificate holders, in all contexts and respects. The bank provides equity certificate holders with opportunities to express their views on the bank's activities and development by maintaining a continuous dialogue with them. The bank's profile must ensure credibility and predictability in the market. The bank must seek long-term and competitive returns.

The bank must provide the market with relevant and complete information in order to ensure balanced and correct valuations of its equity certificates. This is ensured through compliance with the Act and regulations that apply due to a listing on the Oslo Børs. For further details regarding equity certificates, please refer to the chapter "Investor information".

As a basis for assessing whether the bank's equity capital is appropriate for its current objectives, strategy and risk exposure, the Board of Directors conducts a thorough review of the bank's capital situation (Internal Capital Adequacy Assessment Process (ICAAP)) and receives updated risk reports on a quarterly basis. The bank's ICAAP and capital plan are reviewed by the Financial Supervisory Authority of Norway and as at 31.12.2021 the bank's regulatory requirement for CET1 capital was 13.1%. This is expected to increase to 15.6% in 2022. The bank has a CET1 capital ratio of 16.6% after the dividend paid out for 2021. The bank's CET1 capital ratio target has been set as a minimum of 1.0% above the authorities' regulatory requirement.

The bank's dividend policy is as follows:
Den Gule Banken, Sandnes Sparebank's objective is to manage our total resources in such a way as to provide our equity certificate holders with a good, stable and competitive return in the form of dividends and price appreciation. The profit for the year is divided between the equity certificate capital (equity certificate holders) and the primary capital in proportion to their share of the bank's equity capital. Den Gule Banken assumes that between 50-75% of the equity certificate capital's share of the profit will be paid out as dividends, and correspondingly that between 50-75% of the primary capital's share of the profit will be paid out as gifts and customer dividends. In the assessment, weight will be given to ensuring that the equity certificate holders' share of total equity (equity certificate percentage) remains stable. When determining the overall level of distribution, account is taken of expected financial performance, external framework conditions and the Group's estimated requirement for Tier 1 capital. Temporary restrictions on dividends imposed by the government until 30.09.2021 resulted in the withholding of dividends for equity certificate holder, customer dividends and the Gift Fund. The Group is financially strong and well-capitalised in relation to all capital adequacy requirements. The Board of Directors is planning to pay out dividends for equity certificate holders, customer dividends and the Gift Fund for the 2021 financial year in line with the approved dividend policy (50-75%).

Of the Group's profit, NOK 175.6 million (62.4%) will be allocated to dividends, customer dividends and the Gift Fund. These allocations do not materially alter the equity certificate percentage, which is remains almost unchanged at 63.4%.

In addition, the Board of Directors has an authorisation from the Board of Trustees to increase equity capital by up to 10% of the outstanding equity certificate capital. The Board of Trustees has authorised the Board of Directors to increase the bank's registered equity certificate capital by up to NOK 230 million through one or more offerings. This authorisation is valid for 2 years and is contingent on the approval of the Financial Supervisory Authority of Norway.

Equal treatment of equity certificate holders and transactions with close associates

Den Gule Banken has one class of equity certificate. Equity certificate holders are ensured equal treatment and the same opportunities for influence within the bank. Den Gule Banken provides quarterly earnings presentations to which the bank's equity certificate holders are invited.

The bank's equity certificate percentage was 63.4% at the end of 2021, compared with 63.6% in 2020. The change was due to the buy-back of equity certificates. The bank's 20 biggest holders represent 60.7% of the equity certificate capital.

The instructions for the Board contain clear rules regarding ethics and competence. The bank's code of conduct applies to both elected representatives and employees, and provides guidance regarding hospitality, benefits/gifts and confidentiality. All transactions with close associates take place according to the arm's length principle.

The instructions for the Board include provisions underscoring the board members' duty of care with respect to ethical conduct, impartiality and integrity. Neither board members nor the CEO can take part in considering or deciding matters that are of particular significance for the person concerned, or any close associates, where the person concerned must be deemed to have a prominent personal or financial special interest in the matter.

For further information about transactions with related parties, please see note 44.

Equity certificates and negotiability

The articles of association contain no form of restrictions on negotiability.

Board of Trustees

The Board of Trustees is the bank's supreme body and supervises the Board of Directors' management of the bank. The Board of Trustees approves the bank's articles of association and financial statements, and also elects the bank's Board of Directors, Nomination Committee and external auditor.

In addition, the Board of Trustees allocates the amounts that may be used for good causes pursuant to section 10-7 of the Financial Institutions Act and determines whether to raise subordinated loan capital.

Meetings of the Board of Trustees must be convened by the bank with at least 21 days' notice, ref. section 8-3 of the Financial Institutions Act and section 5-11 of the Public Limited Companies Act. The Board of Trustees cannot pass resolutions on any other matters than those specifically listed in the notice of the meeting.

The Board of Trustees consists of 40 members and 11 deputy members with the following representation: equity certificate holders: 15 members and four deputy members; Sandnes Municipal Council: five members and two deputy members; depositors: 10 members and three deputy members; and employees: 10 members and three deputy members. Minutes from meetings of the Board of Trustees are published on www.sandnes–sparebank.no/investor-relations.

Nomination committee

The bank's Nomination Committee was established in accordance with the articles of association as are the guidelines for how it should work. The Board of Trustees elects the members of the Nomination Committee from among its members. The Nomination Committee has four members. The equity certificate holders, depositors, publicly elected representatives and employees are represented by one member each. One personal deputy member is elected from each group. Members are elected for terms of 2 years at a time.

The Nomination Committee is tasked with preparing the election of the chair and deputy chair of the Board of Trustees, the chair and deputy chair of the Board of Directors, the other board members and deputy board members, with the exception of the employee representatives, as well as the chair, other members and deputy members of the Nomination Committee. A separate nomination committee has been appointed with responsibility for the election of the employee-elected members and deputy members of the Board of Directors and the Board of Trustees.

The Nomination Committee also prepares the election of members and deputy members of the Board of Trustees who represent the equity certificate holders and depositors. The Nomination Committee must work to ensure that the Board of Trustees, the Nomination Committee and the Board of Directors have the necessary competence, and that both genders are well represented.

Board of directors: composition and independence

The Board of Directors is elected by the Board of Trustees and normally consists of eight board members, of which two are board members elected by the employees. The CEO is not a member of the Board of Directors. The bank's Board of Directors is deemed to meet the requirement for independence and represents a wide range of backgrounds and competence. The legislation regarding the financial services sector provides a framework for the right of representation of various groups of stakeholders. Den Gule Banken, Sandnes Sparebank strives to ensure the greatest possible independence between equity certificate holders, the Board of Directors and the management group.

All board members are elected for 2-year terms. Members can be re-elected. For the sake of continuity, half of the board members are elected every second year. As at 31.12.2021, four of the Board of Director's members were women. Information about the bank's board members is presented in a separate chapter of the annual report.

The work of the board of directors

The Board of Directors determines the bank's objectives, strategies and plans. These are reviewed and revised at least annually, in line with a fixed meeting calendar.

The Board of Directors is responsible for the appointment and, if warranted, dismissal of the head of the internal audit function. The Board of Directors also bears sole responsibility for the employment and, if warranted, dismissal of the CEO. The Board of Directors supervises the day-to-day management of the bank.

The Board of Directors receives periodic reports on financial performance, market developments, management, personnel and organisational developments, as well as on the bank's risk exposure.

The bank's financial reporting is reviewed and approved by the Board of Directors.

Board members are defined as primary insiders and must comply with the bank's rules regarding acquisition of its equity certificates. The same applies to the purchase of shares in certain companies that are customers of the bank.

The Board of Directors' procedures are regulated by special instructions for the Board. The Board of Directors conducts an annual self-evaluation of its works methods, administrative procedures, meeting structure, and prioritisation of tasks. The Board of Directors normally meets nine times a year.

The Board of Directors has established its own audit committee tasked with ensuring that the bank is subject to sound corporate governance, that it is well and appropriately organised and that is has effective control systems. The Audit Committee consists of three board members, at least one of whom must possess relevant accounting or auditing expertise. The objectives, tasks and functions of the Audit Committee have been established in line with the legislative amendments that followed from implementation of the EU's Audit Regulation and its recommendations.

Among other things, the Audit Committee reviews the bank's financial reporting. In connection with this, the management group presents material issues related to the bank's quarterly financial statements, as well as issues that are subject to individual assessment. As part of its review, the committee consults with managers, the bank's management group and the external auditor.

Besides monitoring the financial reporting process, the Audit Committee is also responsible for ensuring that the Group is subject to independent and effective internal and external auditing, and that the risk management systems are effective. The committee meets with the external and internal auditors at least once a year, separately, without anyone from the management group being present.

The Risk Committee is tasked with ensuring that the quality of risk management and control in Den Gule Banken, Sandnes Sparebank is sufficient to achieve the Group's strategic objectives through prudent management of the Group's assets. The committee consists of four board members.

Of the management group, the Director Risk Management has a duty to attend meetings, while the CEO and CFO have the right to attend meetings. The committee must meet at least once a year. The bank also has a special remuneration committee consisting of four board members. The committee is responsible for the preparatory work in all matters related to remuneration schemes that must be decided by the Board of Directors.

Risk management and internal control

Risk management

Effective risk management is a prerequisite if the bank is to achieve our strategic objectives. Risk management is an integral part of the management group's decision-making processes. The bank has established a separate risk management function that reports directly to the CEO. The bank's risk exposure relative to the set limits and objectives is reported to the Board of Directors on a quarterly basis.

Responsibility for incorporating climate-related risk into risk management lies with the Director Risk Management, in cooperation with the Sustainability Manager, both of whom report to the CFO. Resources and expertise are also drawn on from Corporate Market and the Eika Alliance. The bank's risk management function also coordinates the continuous process that assesses the bank's financial strength relative to its risk exposure. The bank's risk exposure and capital requirements are summarised on an annual basis. This is in turn reviewed by Board of Directors and reported to the Financial Supervisory Authority of Norway.

Accountability

Accountability is ensured through the clear communication of strategic initiatives and goals set for the employees. This is operationalised through clearly defined roles, responsibilities and expectations where the managers of the business areas are held responsible for goal attainment within their areas of responsibility. The development of the risk picture is periodically reported to the CEO and the Board of Directors.

Compliance with laws, rules and ethical standards

Den Gule Banken, Sandnes Sparebank has drawn up a code of conduct. A special procedure for whistleblowing has also been produced. The purpose of this is to make it easier for the bank's employees to report issues of an ethical nature and adverse events.

Internal guidelines have been drawn up for trading on one's own account and handling inside information. The guidelines describe the laws and rules that apply to all employees, temps and other representatives. The code of conduct is clearly communicated in the organisation and published on the bank's intranet.

A separate database has been established for adverse events. This database is managed by the Director Risk Management.

The bank has organised all compliance activities into a separate function that reports directly to the CEO. The purpose of this function is to check that both the bank and the investment firm operate in line with the applicable regulations.

Internal audit

Den Gule Banken has established an internal audit function. The bank has used KPMG as our internal auditor since 2019. The services provided cover the parent bank, subsidiaries subject to the Internal Control Regulations and other significant subsidiaries.

The internal audit function's main task is to evaluate whether internal controls are working as intended. The internal audit function is also tasked with improving the bank's risk management and internal controls.

An annual internal audit plan is prepared based on the internal audit function's risk assessment and discussions with the management group, external auditors and the Audit Committee/Board of Directors. The internal audit function's annual plan and budget are approved by the Board of Directors. Audit reports containing proposed improvements are written for each internal audit project and presented to the responsible manager and the Group's management group. A summary of the reports, including high priority recommendations, is presented to the Audit Committee. All of the reports are available to the Board of Directors and the Audit Committee. The status of previous recommendations is monitored by the management group and included in the regular reporting to the Audit Committee and the Board of Directors.

The internal audit function does not perform financial audits.

Remuneration of the board of directors

Board members receive an annual remuneration set by the bank's Board of Trustees. Board members may choose to receive up to 50% of the set remuneration in the form of the bank's equity certificates. These certificates are allocated on a quarterly basis in line with the market price. No additional remuneration is paid. Information about remuneration and loans to board members is provided in the notes to the annual financial statements.

Remuneration of executive personnel

The CEO's remuneration is set by the Board of Directors. The CEO and the Board of Directors jointly draw up guidelines for the remuneration of other executive persons in the bank. The bank's bonus and remuneration schemes comply with the requirements of the Regulation on Remuneration Schemes in Financial Institutions. No options schemes or similar schemes have been established. The principles for the remuneration of executive persons and information about the actual remuneration and loans for executive persons are provided in the notes to the annual financial statements each year.

Information and communications

Den Gule Banken strives to provide identical, timely and relevant information to all stakeholders. Financial results are published via the Oslo Børs and presented to investors, analysts and the media on a quarterly basis. The information is also published on the bank's website. Regular presentations are also provided to international partners and lenders. All quarterly reports, press releases and presentations are published on the bank's website on www.sandnes-sparebank.no/investor-relations.

Takeovers

As a self-owning institution, current legislation does not allow Den Gule Banken to be the object of a direct takeover. As far as acquisitions by the bank are concerned, we give a high priority to safeguarding all stakeholders as best as possible, including through the equal treatment of equity certificate holders/owners. The bank will strive to ensure that any takeovers will have the least possible negative impact on the bank's day-to-day activities.

Auditor

The job of the external auditor is to assess whether or not the information provided in the annual report concerning the annual financial statements, the bank's accounting policies, risk management, the going concern assumption, and the proposed allocation of the profit or coverage of a loss comply with Acts and Regulations. The external auditor is also tasked with assessing whether or not the bank's asset management is satisfactorily organised and properly supervised. The external auditor is elected by the Board of Trustees. The external auditor submits a report to the Board of Trustees on these matters.

Investor information

The equity certificate

Returns and dividend policy

Den Gule Banken, Sandnes Sparebank's objective is to manage our total resources in such a way as to provide our equity certificate holders with a good, stable and competitive return in the form of dividends and price appreciation. The profit for the year is divided between the equity certificate capital (equity certificate holders) and the primary capital in proportion to their share of the bank's equity capital. Den Gule Banken assumes that between 50-75% of the equity certificate capital's share of the profit will be paid out as dividends, and correspondingly that between 50-75% of the primary capital's share of the profit will be paid out as gifts and customer dividends. In the assessment, weight will be given to ensuring that the equity certificate holders' share of total equity (equity certificate percentage) remains stable. When determining the overall level of distribution, account is taken of expected financial performance, external framework conditions and the Group's estimated requirement for Tier 1 capital.

Historical development of the equity certificate capital since the stock exchange listing in 1995

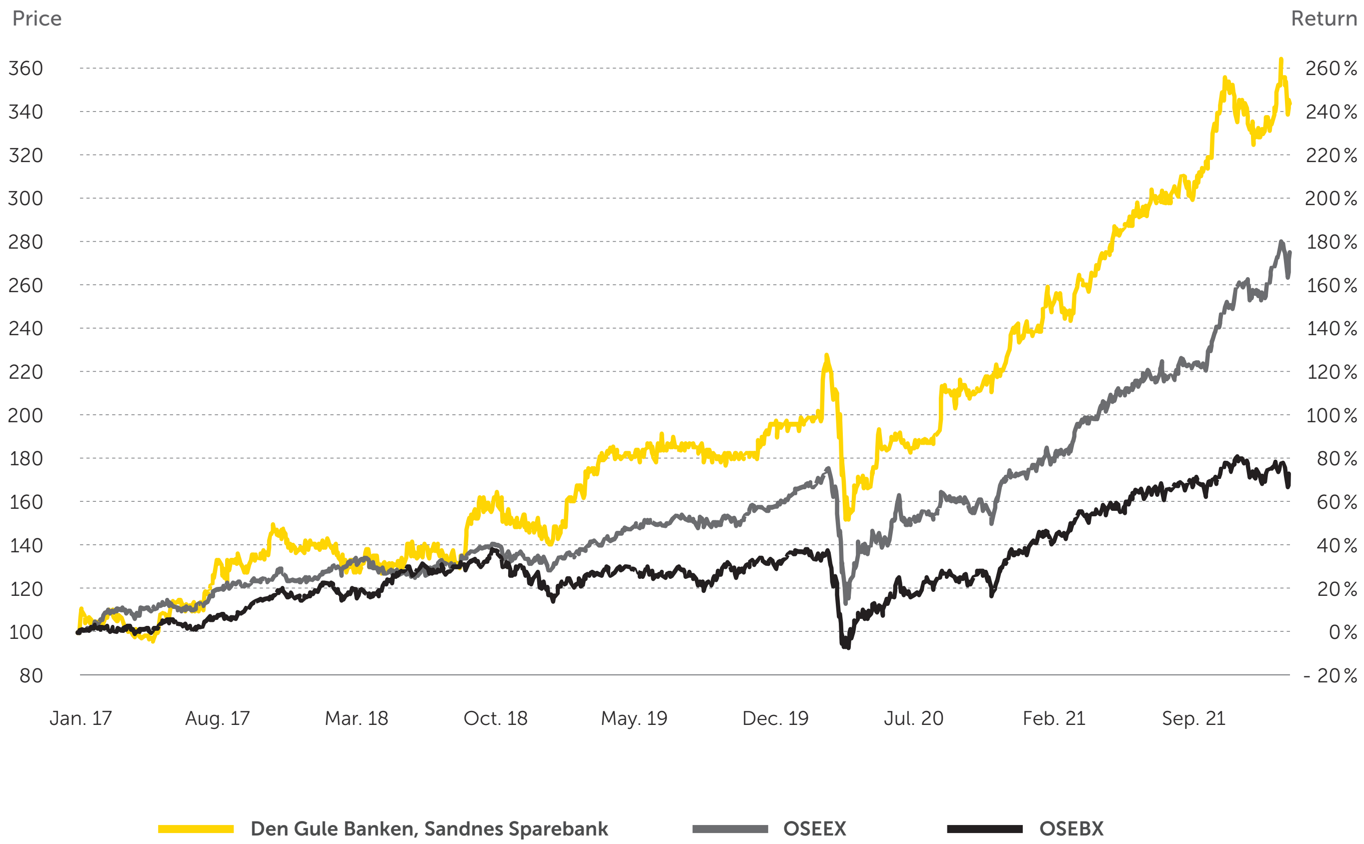
Year	Type of change	Subscription price	Number	Face value	Equity certificate capital (NOK '000)
1995	Primary capital issue (stock exchange listing)	110.00	1 300 000	100	130 000
1997	Rights issue (holders)	130.00	1 300 000	100	260 000
2001	Private placement (employees)	102.13	50 000	100	265 000
2001	Rights issue (holders)	110.00	1 250 000	100	390 000
2003	Rights issue (holders)	125.00	1 300 000	100	520 000
2007	Rights issue (holders)	166.00	1 500 000	100	670 000
2008	Dividend issue	115.00	405 811	100	710 581
2016	Change of nominal value		7 105 811	10	71 058
2016	Rights issue	22.00	15 909 091	10	230 149

SADG price performance in 2021

As at 31.12.2021, SADG was priced at NOK 98.8 (last traded price on Oslo Børs). Compared with the traded price as at 31.12.2020, Den Gule Banken, Sandnes Sparebank has provided a return of 40% including the dividend.

The equity certificate performed somewhat weaker than Oslo Børs's equity certificate index (OSEEX), which saw a positive performance of 52% over the course of 2021.

SADG vs OSEEX



Den Gule Banken, Sandnes Sparebank has 23 014 902 outstanding equity certificates. At the end of 2021, there were 3 112 registered holders of the bank's equity certificate.

On the same date, the 20 largest holders (inclusive of the bank's treasury equity certificates) controlled 60.7% of the equity certificate capital.

The 20 largest holders of equity certificates as at 31.12.2021

		No. of equity certificates	Share in %
1.	Sparebank 1 SR-Bank ASA, Finansavdelingen	3 485 009	15.14
2.	Den Gule Banken, Sandnes Sparebank	2 095 171	9.10
3.	Holmen Spesialfond	1 359 823	5.91
4.	VPF EIKA Egenkapitalbevis C/O Eika Kapitalforvaltning AS	1 125 589	4.89
5.	AS Clipper	1 088 738	4.73
6.	Espedal & Co AS	886 861	3.85
7.	Salt Value AS	680 000	2.95
8.	Wenaasgruppen AS	650 000	2.82
9.	Skagenkaien Investering AS	500 000	2.17
10.	Sparebanken Vest	370 659	1.61
11.	Spesialfondet Borea Utbytte	285 099	1.24
12.	Hausta Investor AS	220 000	0.96
13.	Innovemus AS	185 000	0.80
14.	Nordhaug Invest AS	184 374	0.80
14.	Barque AS	159 651	0.69
16.	Tirna Holding AS	156 255	0.68
17.	Kristian Falnes AS	149 794	0.65
18.	Elgar Kapital AS	133 000	0.58
19.	Meteva AS	131 881	0.57
20.	Catilina Invest AS	124 000	0.54
=	**20 largest holders**	**13 970 904**	**60.70**
+	**Other holders**	**9 043 998**	**39.30**
=	**Total equity certificates**	**23 014 902**	**100.00**

The total of 23 014 902 equity certificates includes 2 103 383 treasury equity certificates as at 31.12.2021.

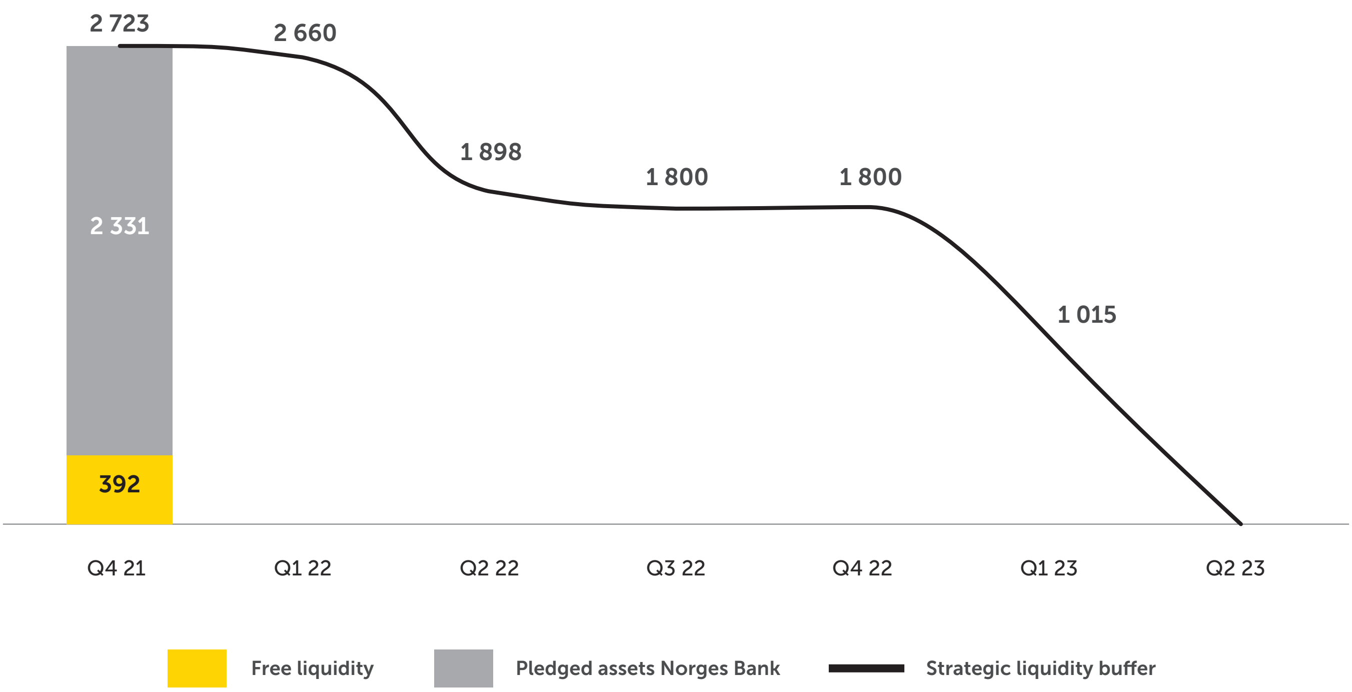
The Board of Directors is proposing to the Board of Trustees that a dividend of NOK 5.35 per equity certificate be paid for 2021, which corresponds to 62.5% of the Group's earnings per equity certificate. Of the dividend allocated to the primary capital totalling NOK 63.7 million, the Board of Directors is proposing to pay out NOK 12.0 million to the Gift Fund and NOK 51.7 million as customer dividends.

Liquidity

The bank's liquidity situation is considered satisfactory. The bank had a liquidity portfolio (exclusive of cash) of NOK 2.8 (3.9) billion at the end of the year. The bank's goal is to maintain a low liquidity risk and the bank is considered well diversified both in terms of funding sources and terms to maturities. The establishment of SSB Boligkreditt AS has enabled the Den Gule Banken, Sandnes Sparebank Group to issue covered bonds and thereby reduce the Group's liquidity risk. Covered bonds issued by SSB Boligkreditt AS have an AAA rating from Scope Ratings. AAA is the best achievable credit rating Scope can issue.

The net loans in SSB Boligkreditt amounted to a volume of NOK 9.8 billion as at 31.12.2021, which is an increase of NOK 0.9 billion in the past 12 months. As at 31.12.2021, SBB Boligkreditt AS had outstanding covered bonds worth NOK 8.4 (7.8) billion. In the Group's liquidity strategy, the Board of Directors has set limits that specify that the Group must at all times have a holding of strategic liquid assets that enable operations for at least 12 months without the supply of new liquidity. The available liquidity as at 31.12.2021 ensures operations for more than 15 months without the supply of new liquidity.

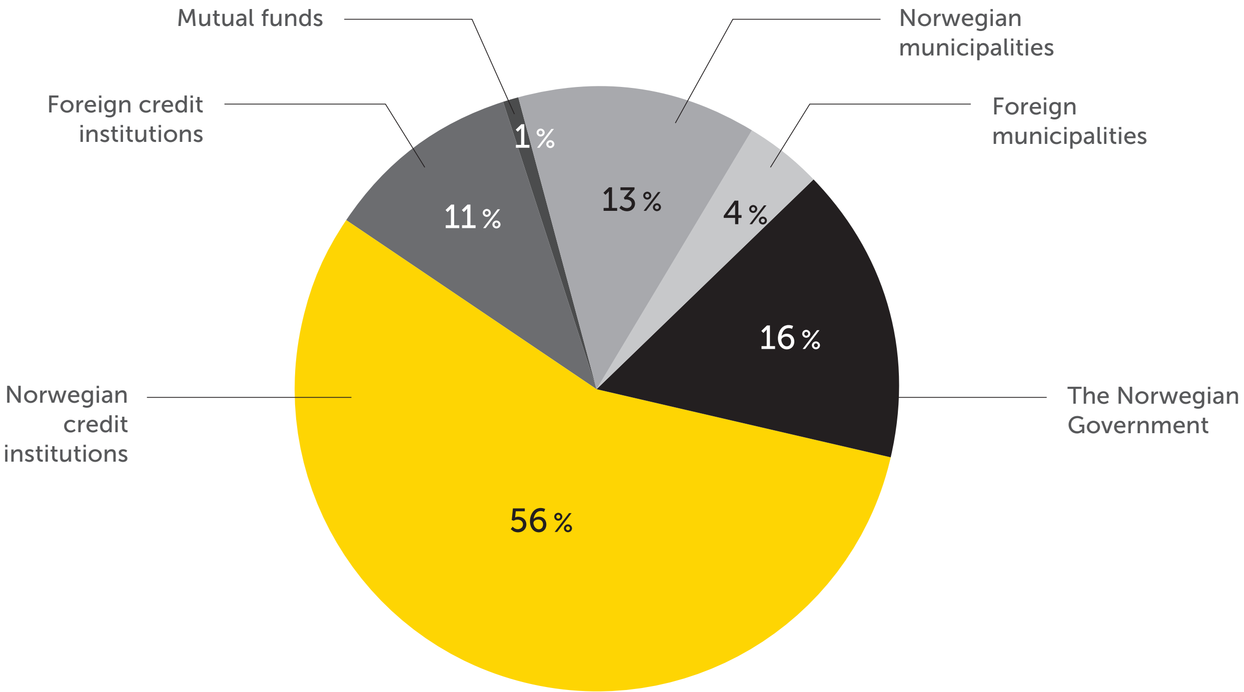
Refinancing requirements



Bond portfolio

The bank classifies approximately 80% of the liquidity portfolio at fair value with changes in value through profit or loss, while the remainder of the portfolio is classified as hold-to-maturity. The portfolio is primarily used as a liquidity placement.

Composition of the liquidity portfolio



Information for the market

The bank wants to practise an open information policy with the purpose of simultaneously providing equity certificate holders and the securities market with correct and relevant information about the bank's financial performance. The bank prepares quarterly interim reports.

All stock exchange announcements are available on the bank's website, www.sandnes-sparebank.no/investor-relations.

Alternatively, information concerning capital matters can be found on the Oslo Børs's website, www.ose.no. The equity certificate's ticker code on Oslo Børs is SADG.

The bank holds earnings presentations following publication of quarterly financial reports.

Financial calendar 2022

Quarterly Report 1Q 2022	12 May
Half-Yearly Report 2022	11 August
Quarterly Report 3Q 2022	08. november

Board of directors' report

Board of Directors' Report 2021

Nature of the business

The bank's legal name is Sandnes Sparebank, hereinafter referred to as "Den Gule Banken, Sandnes Sparebank" or "Den Gule Banken" Den Gule Banken, Sandnes Sparebank is an independent savings bank and a member of the Eika Alliance. Our head office is in the centre of Sandnes Municipality. The bank offers a broad range of banking and investment products in the retail and corporate markets. The Group also offers real estate brokerage services through our subsidiary Aktiv Eiendomsmegling Jæren AS.

The Group's activities consist of the parent bank and our wholly owned subsidiary SSB Boligkreditt AS. We own a 60% stake in Aktiv Eiendomsmegling Jæren AS. The accounts of the aforementioned companies are fully consolidated into Den Gule Banken's consolidated financial statements.

The Board of Directors considers the bank's financial strength and liquidity to be satisfactory. In accordance with section 3-3a of the Accounting Act, we hereby confirm that the conditions for considering the institution a going concern exist and that the presentation of the financial statements has been prepared on this basis. Den Gule Banken prepares both consolidated financial statements and financial statements for the parent bank in line with the International Financial Reporting Standards (IFRS) approved by the EU. The accounting policies applied are described in note 2 to the annual financial statements.

Market conditions

Local conditions – Rogaland
In spite of the challenges associated with the Covid-19 pandemic, Rogaland's economy fared well during the year and the region is again seeing positive development.

The unemployment rate in Rogaland was 3.5% at the beginning of 2021 and 2.0% at the end of the year. The region's unemployment rate has not been as low since 2014. The majority of those still unemployed are the long-term unemployed and the number on occupational rehabilitation benefit is increasing at the same time as there are a record number of positions vacant. This testifies to a growing mismatch issue in the region. It means that jobseekers do not have the skills employers are looking for.

The price of oil rose during the year from USD 52 to USD 80, and the price of gas increased further due to an energy shortage in Europe. Energy prices are an important economic factor in Rogaland's economy. The high price level is expected to last through the winter and means a higher level of activity than normal for many companies involved in the oil and gas sector. At the same time, higher prices for energy, including electricity, present challenges for other industries.

Norges Bank's December regional network survey reports a high level of activity and investment plans among companies in the region, although many companies report capacity problems and labour shortages, which are affecting output. A greater focus on transition in the region is starting to produce results. A steadily growing number of companies are successfully innovating and thinking anew, with new business models in new markets.

The real estate market in Rogaland has developed positively in the past year after several years of stable property prices. In the past year, prices have risen by 7.0%. The average time it takes to sell a home has shortened and the number of unsold homes is falling. This suggests that there is a better ratio between supply and demand for housing.

The commercial property market in Rogaland is improving and the proportion of vacant premises is 5.4%, the lowest level of vacant premises since 2015. Quite a bit of vacant rental space is still available, especially in office buildings in the Forus district and the centre of Stavanger.

Financial performance

Figures in brackets concern the corresponding period in 2020. Unless otherwise specified, the figures refer to the Group.

Profit after tax was NOK 281.3 million for 2021. This represents an increase of NOK 20.5 million compared with 2020. The increase was primarily attributable to a reversal of losses in 2021, compared with higher provisions for losses the year before, and also increased other operating income. This was partly offset by lower net interest income and higher costs.

The increase in costs was primarily due to extraordinary charges totalling NOK 29.1 million in 2021 linked to the conversion to a new core banking system, as well as higher personnel costs.

The profit before tax for the year was NOK 328.2 million, compared with NOK 310.9 million for 2020.

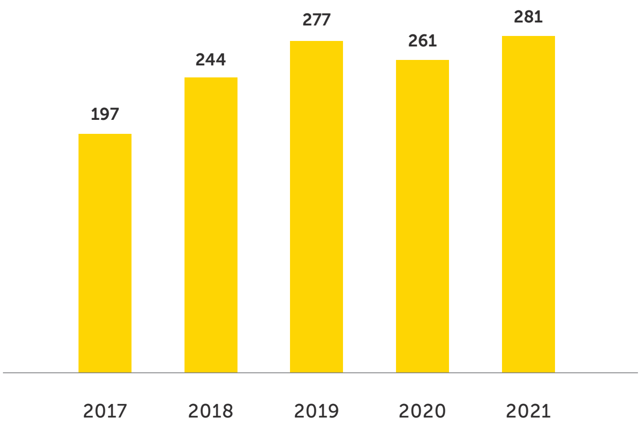
Comprehensive income for the year amounted to NOK 326.5 million, compared with NOK 260.4 million for 2020. The higher comprehensive income was partly due to a positive change in value in the bank's investment in Eika Gruppen AS, which resulted in income recognition through OCI of NOK 45.5 million in 2021.

The return on equity after tax for the year was 9.7%, compared with 9.0% for 2020. The return on equity after tax, exclusive of extraordinary conversion costs, was 10.4% for 2021.

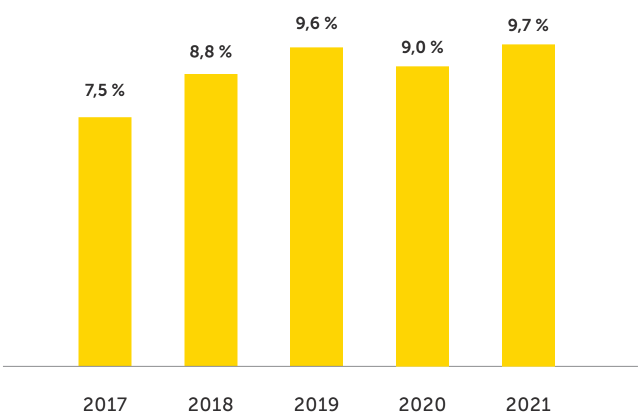
The return on equity after tax, inclusive of interest income on hybrid capital, was 9.5% for the year, compared with 8.9% for 2020.

ANNUAL DEVELOPMENT IN PROFIT AFTER TAX AND RETURN ON EQUITY

PROFIT AFTER TAXES, LAST 5 YEARS



RETURN ON EQUITY AFTER TAXES, LAST 5 YEARS



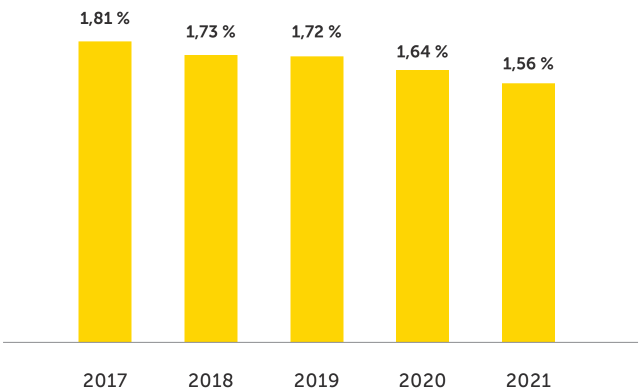
Net interest income

The Group's net interest income was NOK 456.1 (469.6) million for 2021. The interest margin was 1.56% for 2021, compared with 1.64% for 2020.

The bank managed to maintain good underlying net interest income throughout 2021 despite a challenging market situation. The increased lending volume in the period had a positive effect on net interest income. In the past few years, the bank has reduced our risk profile in the corporate market, which has resulted in somewhat lower net interest income for the segment.

The bank is still experiencing significant pressure on the interest margin due to the low level of interest rates and pressure on deposit margins. As a consequence of the normalisation of the economy, Norges Bank chose to hike the key policy rate from 0.0% to 0.25% in September and later to 0.50% in December 2021. The rate hikes are also reflected in higher NIBOR rates, which rose significantly in the latter part of the year. The bank also chose to put up our lending rates for most loan products, first by up to

NET INTEREST INCOME IN % OF AVERAGE TOTAL ASSETS, LAST 5 YEARS



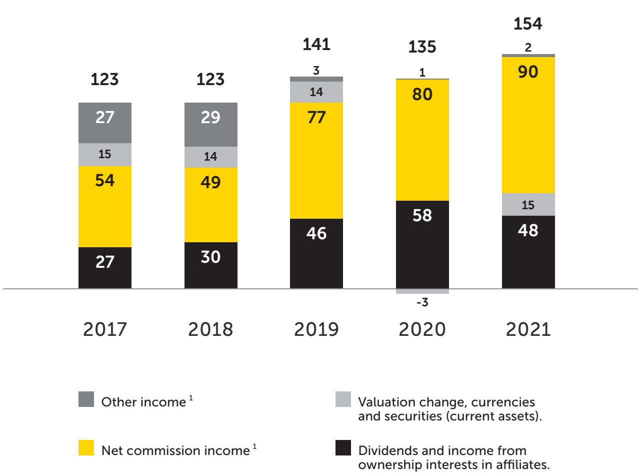
0.25%, which came into effect for customers in the middle of November 2021, and then by a further up to 0.25% that came into effect in the middle of February 2022. The bank's interest margin was stable in 2021, although the bank expects pressure on the interest margin at the start of 2022. Norges Bank has indicated that there will be further rate hikes during the year, which in the short term will put pressure on margins due to the time lag between increased borrowing costs and rate rises for customers. Nevertheless, in the longer term, the bank expects the interest margin to strengthen.

Other operating income

Other operating income amounted to NOK 154.3 million for 2021. This represents an increase of NOK 19.3 million compared with 2020. This was primarily attributable to higher net commission income and a higher return on financial instruments.

Net commission income amounted to NOK 89.7 million, an increase of NOK 9.9 million compared with 2020, primarily due to increased commission income from our subsidiary Aktiv Eiendomsmegling AS. Commission income from real estate brokerage has risen by NOK 7.0 million in the past 12 months. Commission income from sales of insurance services and savings products also increased. This was partly offset by lower net guarantee commission income and arrangement commission income in 2021 than in 2020.

OTHER INCOME, LAST 5 YEARS



1 From 2020, the Group reclassified income from real estate activities from other income to commission income (2019 figures have been changed accordingly). Figures before 2019 have not been restated.

The net return on financial investments was NOK 14.8 million for 2021, the return for 2020 was NOK -3.2 million. The Group experienced a positive return on its equities portfolio in 2021 due to a strong stock exchange year. This was partly offset by a negative change in the value of the liquidity portfolio and other financial hedging instruments.

The Group also bought back and retired existing bond debt in 2021 in connection with the major refinancing and extension of the maturity profile of its bond debt. Seen in isolation, the buy-back/retirement effects amounted to around NOK 5 million. The bank took advantage of a good interest rate market, which resulted in reduced refinancing risk and a favourable interest expense going forward.

The dividends and income from ownership interests amounted to NOK 47.7 million in 2021, compared with NOK 57.7 million in 2020. The reduction was primarily due to somewhat lower dividends from individual investments, which were partly offset by a positive consolidated profit contribution from associates. The total dividends received from Eika Gruppen AS amounted to NOK 40.8 million in 2021, compared with NOK 41.3 million in 2020.

Other operating income was NOK 1.4 million higher than in 2020. The increase was mainly due to higher rental income from subleased office premises.

Operating costs

The Group's operating costs amounted to NOK 314.5 million for 2021. This represents an increase of NOK 45.5 million compared with 2020. This was primarily attributable to extraordinary charges linked to the conversion to the new core banking system. NOK 29.1 million in conversion costs was charged in 2021. The bank still estimates that the total costs associated with the conversion to a new core banking system will amount to NOK 50-60 million in 2021 and 2022.

The Group's operating costs, exclusive of extraordinary conversion costs, amounted to NOK 285.4 million for 2021.

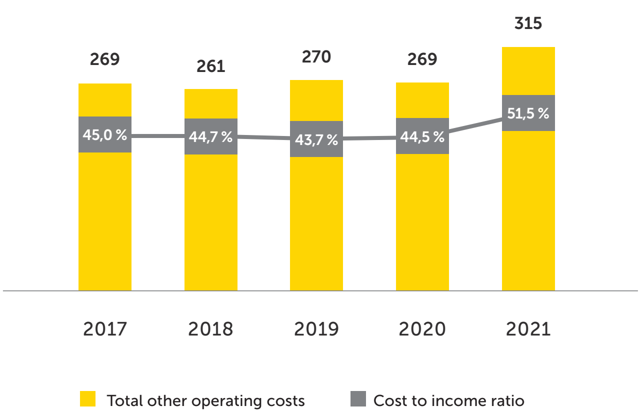
The rest of the increase in costs was primarily due to higher personnel costs as a result of increased activity in Aktiv Eiendom, general wage adjustments and higher staffing levels. The bank's focus on the retail market in Stavanger has intensified and we have, among other things, hired more customer advisers. Having the right expertise is becoming increasingly important in achieving the bank's strategic objectives and the region is experiencing general pressure on wages as far as attractive skills are concerned.

Costs measured as a percentage of income amounted to 51.5% for the Group in 2021. This is an increase from 44.5% in 2020. The Group's cost income ratio, excluding conversion costs, was 46.8% in 2021.

Losses and defaults

NOK -32.3 (24.7) million were charged in losses and impairments on loans and guarantees in 2021. The main reason for the reduction in recognised losses was the reversal of previous provisions for losses on some of the bank's corporate loans and the reversal of model-generated provisions for expected credit losses (ECL) due to the change to new credit models.

OTHER OPERATING INCOME, LAST 5 YEARS

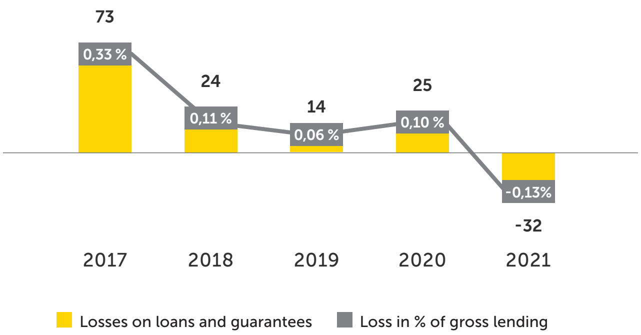


The bank has switched from using self-developed credit models to using common credit models for all of the banks in the Eika Alliance. The change affects the bank's methods for calculating probability of default (PD) and loss given default (LGD) and were introduced on 01.04.2021. The Eika Alliance's credit models provide greater precision in relation to the level of risk in Den Gule Banken, Sandnes Sparebank's loan portfolio. The self-developed models were outdated and resulted in losses being overestimated compared with the new models, especially in the retail market segment. The change in models is treated as a change in estimates and resulted in a total reversal of provisions for losses in 2021 of around NOK 12 million. Please see note 8 for further information on the change of models.

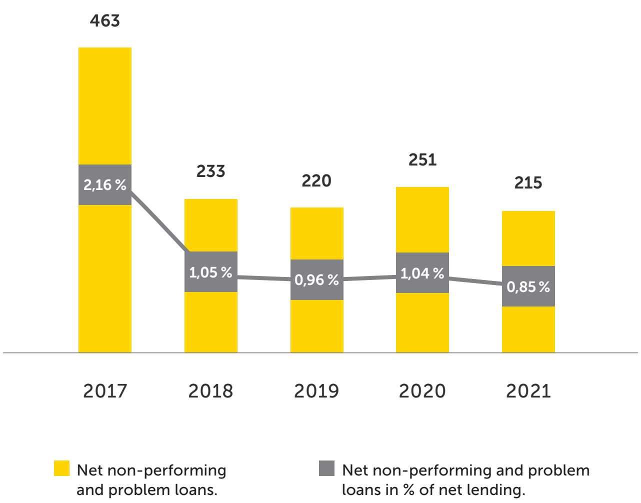
The bank is continuing to see an improvement in market conditions compared with the year before, even though the infection situation has recently escalated, and the pandemic is far from over. The bank is taking a prudent approach to reversing coronavirus-related provisions since the long-term effects, especially for business, remain unclear. The provisions have now been included as part of the macro adjustments, where these have been adjusted to take account of the extra risk. The bank will conduct regular assessments in relation to further adjustments that affect provisions for losses.

At the end of 2021, total provisions for losses on loans and guarantees amounted to NOK 95.4 (151.8) million. Of this, provisions for losses in the retail market amounted to NOK 34.9 (42.0) million and provisions for losses in the corporate market amounted to NOK 60.4 (109.7) million. The reversals

LOSSES ON LOANS AND GUARANTEES, LAST 5 YEAR



NET NON-PERFORMING AND PROBLEM LOANS, LAST 5 YEARS



in the corporate market were mainly attributable to the clarification of previously impaired individual loans.

Net defaulted and impaired loans and advances, with individual impairments, amounted to NOK 214.6 (250.6) million as at 31.12.2021, corresponding to 0.85% (1.04%) of the Group's net loans. Net defaulted and impaired loans and advances were distributed as follows: NOK 155.1 (169.3) million in the retail market and NOK 59.5 (81.4) million in the corporate market.

Defaulted loans more than 90 days past due, based on the new definition of default from 01.01.2021, amounted to NOK 119.6 million as at 31.12.2021, compared with NOK 181.8 million as at 31.12.2020 based on the old definition. The introduction of a new definition of default has not significantly affected the bank's reporting of total net defaulted and impaired loans and advances.

Balance sheet performance

The Group's total assets were NOK 29.4 (29.2) billion at the end of 2021. This corresponds to an increase of 0.5% compared with the end of 2020 and was primarily due to lending growth in the period, offset by lower surplus liquidity.

At the end of 2021, gross loans to customers amounted to NOK 25.5 (24.1) billion. In the past 12 months, the Group has seen gross loans grow by 5.5%, where lending growth in the retail market amounted to 5.0% and lending growth in the corporate market amounted to 6.8%.

In the retail market segment, the bank experienced positive lending growth in 2021 and took market shares. The bank also experienced solid lending growth in the corporate market segment in 2021. We have consciously focused on diversification in various sectors with, among other things, an increase in agriculture. The bank has little direct exposure to the retail trade, tourism and oil-related activities.

The bank has a limited scope of government-guaranteed loans in the portfolio. In total the portfolio amounts to around NOK 75 (60) million at as 31.12.2021.

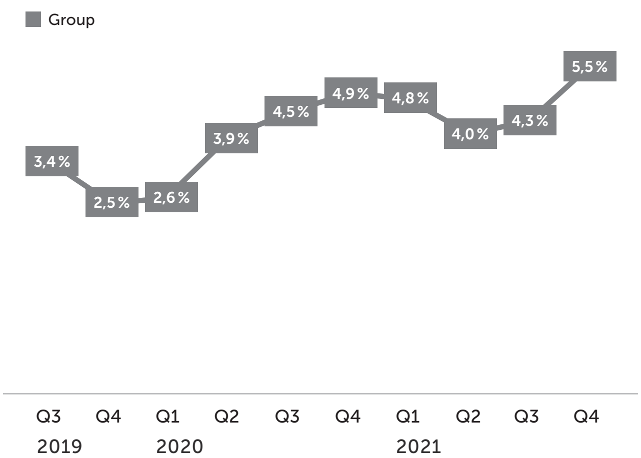
Some 71% (71%) of the loans were to the retail market in 2021.

At the end of 2021, the volume of deposits amounted to NOK 12.8 (11.9) billion. The bank's volume of deposits has increased by 7.7% in the past 12 months. The growth in deposits in the retail market was 7.5% while the corporate market saw negative growth of -10.9%. The Group's deposit-to-loan ratio at the end of 2021 was 50.6% (49.7%).

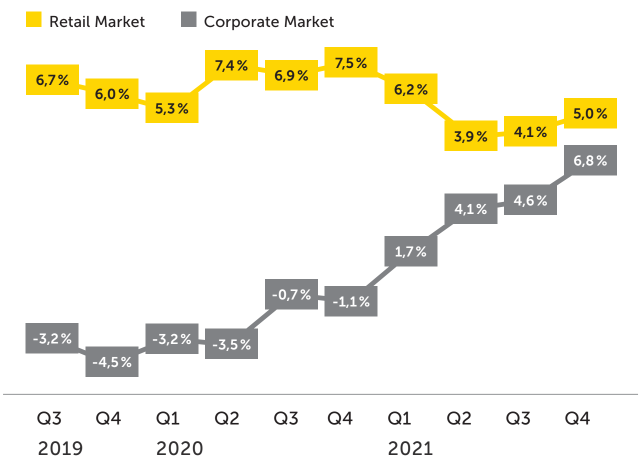
Financial strength

The Group's capital adequacy at the end of the year was significantly above the regulatory capital requirements and the internal minimum target for CET1 capital. The Group's

GROSS GROUP LENDING GROWTH (12 MO)



GROSS SEGMENT LENDING GROWTH (12 MO)



current regulatory minimum CET1 capital ratio requirement is 13.1% and the internal capital target is at least 14.1%.

The Ministry of Finance has decided that the countercyclical buffer will be increased to 1.5% from 30.06.2022 and then to 2.0% with effect from 31.12.2022. Consequently, in light of the increased buffer requirement, the Group's capital targets will be revised upwards going forward.

As at 01.10.2021, the Board of Directors decided to pay dividends to holders, customer dividends and the Gift Fund for the 2020 accounting year. In total, it decided to pay out NOK 195.5 million, which corresponds to 75% of the profit for the year 2020. The payment resulted in a reduction in the Group's CET1 capital of 1.2%.

As at 31.12.2021, the Group had a CET1 capital ratio (including the consolidated share of the cooperating group) of 16.6%, which is a reduction from 17.8% as at 31.12.2020. The reduction in the CET1 capital ratio was primarily due to lending growth in 2021 and the payout of an additional dividend for the 2020 financial year, partly offset by retained earnings in 2021.

The Group's leverage ratio amounted to 9.2% as at 31.12.2021, compared with 9.5% as at 31.12.2020.

Liquidity and funding

The bank's liquidity situation is regarded as satisfactory. The bank had a liquidity portfolio (exclusive of cash and fixed income funds) of NOK 2.8 (3.9) billion at the end of the year. The bank's goal is to keep the liquidity risk at a low level.

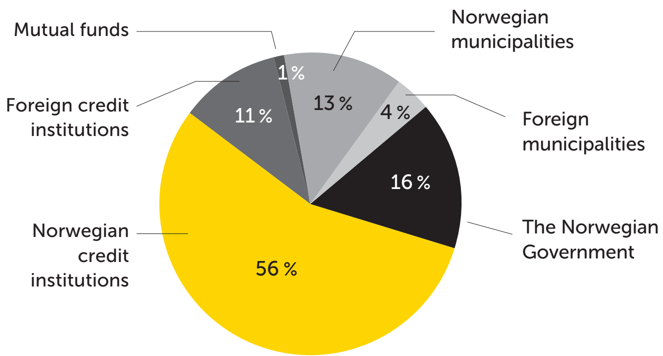
The net loans in SSB Boligkreditt amounted to a volume of NOK 9.8 billion as at 31.12.2021, which is an increase of NOK 0.9 billion in the past 12 months. As at 31.12.2021, SBB Boligkreditt AS had outstanding covered bonds worth NOK 8.5 (7.8) billion. The bank is considered well diversified, both in terms of funding sources and terms to maturity.

Subsidiaries

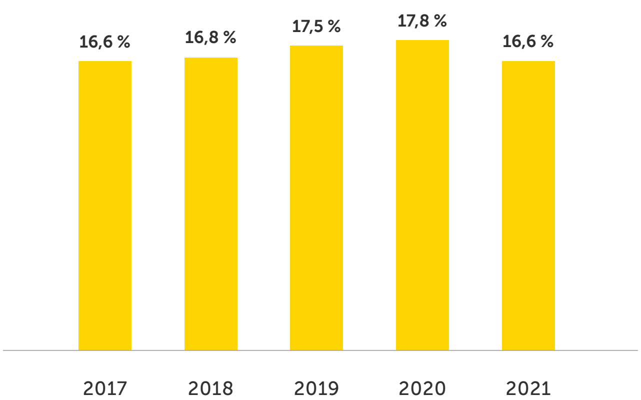
The total profit after tax for the bank's subsidiaries – before intragroup eliminations – was NOK 67.2 (47.8) million for 2021.

SSB Boligkreditt AS was established as part of the Group's long-term funding strategy and the mortgage credit institution's main objective is to issue covered bonds in the market.

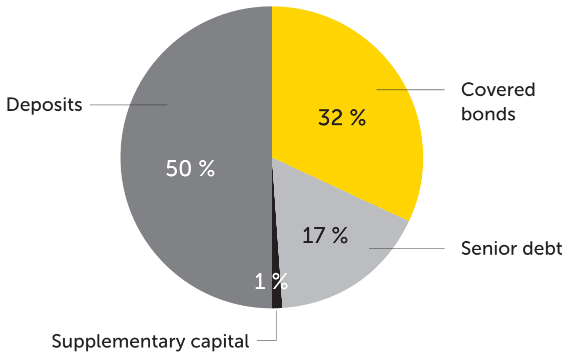
COMPOSITION OF THE LIQUIDITY PORTFOLIO



CORE TIER-1 CAPITAL RATIO, LAST 5 YEARS
Core Tier-1 capital ratio includes consolidation of a cooperating group.



FUNDING SOURCES



The company's profit after tax was NOK 64.0 (45.0) million for 2021.

Aktiv Eiendomsmegling Jæren AS offers services within real estate brokerage for both real customers and the business community. The company's profit after tax was NOK 3.2 (2.8) million for 2021.

Risk management

Financial activities entail a need to control and manage risk. Good risk management is strategically important for the Group's value creation and must support our strategic development and goal attainment. The combination of financial management and internal control contributes to effective operations, the satisfactory management of material risk, and reliably high-quality internal and external reporting.

Den Gule Banken, Sandnes Sparebank's goal is to maintain a low to moderate risk profile. The preferred risk profile is assessed on the basis of the bank's internal financial strength and return targets. The purpose of continuous risk monitoring is to reduce the likelihood of individual events seriously harming the bank financially. The Board of Directors has established an extensive framework for the individual types of risk in order to manage the Group's risk based on an overarching governance and risk management policy. All risk management documents are subject to annual discussion and updating by the Board of Directors, and the Board of Directors also receives reports on the status of risk in relation to approved target figures on a quarterly basis.

Self-assessments of our liquidity and capital requirements (ILAAP and ICAAP) play a key role in the Group's risk management. In these processes, the Board of Directors assesses the risks the Group is exposed to and the management and control of those risks. Capital and liquidity requirements are then calculated to cover these risks based on the assessments. The bank's internal audit function carries out an annual review of the ICAAP in order to ensure that the bank's process is of satisfactory quality.

Credit risk

The Group has a moderate credit risk profile. The credit risk associated with current ordinary loans is primarily classed as low or moderate (please see note 8). Individual impairments have been conducted based on specific assessments for those loans where there are indications of a loss.

The Group changed credit risk calculation models during the year, switching from using our own models to using models developed by and for the Eika banks. This has ensured we have access to more source data, both for the development of the models and for their validation. The goal is to provide the best possible assessment of a customer's probability of default and as precise an estimate as possible of any subsequent loss given default. The models the bank had been using for some time overestimated losses. The new models are, based on implementation tests, more accurate, both in terms of better capturing which customers will default and in relation to levels. The result is that estimated losses have decreased slightly due to the new models. At the same time, the Group believes that the quality of the assessments has improved.

The portfolio has grown during the period, in both the retail market and the corporate market segments, at the same time as both actual defaults and estimated future defaults in the portfolio have fallen. The growth has thus occurred within the same relatively low risk profile as the bank's other loan portfolios. And the total risk in the portfolio based on expectations of future credit losses was assessed as lower at the end of the year than at the start. The estimates include potential negative impacts on the Group's customers, such as future rate increases and a more normalised situation for the corporate market where support schemes introduced to mitigate problems related to Covid-19 restrictions have been discontinued and the number of bankruptcies has increased because of this. This is due, among other things, to the fact that Den Gule Banken has relatively little exposure to those sectors that have been hit hardest by the Covid-19 situation. The Board of Directors is, therefore, of the opinion that the credit risk is well within the limits acceptable to the bank.

Liquidity risk

Den Gule Banken has continued the conservative liquidity strategy that has been followed in the last few years.

The liquidity management is governed by, among other things, internal and regulatory requirements for the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). Besides deposits, the Group uses SSB Boligkreditt as a tool for liquidity management. SSB Boligkreditt takes over well-collateralised residential mortgages from the bank and issues covered bonds as funding, which increases the Group's funding diversification on more favourable terms and conditions.

The Group's deposit-to-loan ratio was stable throughout 2021 and just over 50% at year-end. The Board of Directors regards the Group's liquidity as low in the short term.

Market risk

The Group has no trading portfolio of equity instruments, currencies, bonds or certificates. The Group's holding of bonds and certificates are included in the liquidity holdings. The Group sets credit rating requirements, with the main principle being that the securities must be eligible for access to loans in Norges Bank. The liquidity holdings are assessed at fair value in the accounts and are thus exposed to market risk. The credit risk for these assets is quantified as default risk.

The Group's market risk also consists of currency risk and interest rate risk. Trading in currency and interest rates takes place within the approved framework and authorisations. Currency risk mainly stems from accrued interest on customers' currency loans, currency derivatives and cash holdings. Den Gule Banken, Sandnes Sparebank has strict guidelines for granting instruments that result in currency risk for customers and the bank. The Board of Directors considers the exposure to be low. The Group also has guidelines for hedging currency risk. The currency risk is assessed as moderate to low. Interest rate risk stems from holdings of interest-bearing securities, fixed rate loans and fixed rate deposits.

The Board of Directors has set a limit of NOK 21 million for total interest rate risk on and off the Group's balance sheet. This is measured by the effect on profit of an interest rate change (parallel shift) of 2%. The estimated effect on profit of a change in interest rates of 2% was less than NOK 4 million. The interest rate risk is therefore considered low. The Group's overall exposure to market risk is considered moderate.

ESG risk

The concept of ESG risk includes all risk related to environmental, social and governance factors. For Den Gule Banken, this involves both direct risks due to the bank's own internal actions and also indirect risks due to the impact of the actions of customers and suppliers. As far as the environmental and climate factors are concerned, it is the combination of both the direct physical risk and the risk related to transitioning to a greener society that define the total risk.

It is important that ESG is viewed in the context of the bank's other risks, at the same time as it is important to document, among other things, climate exposure in order to be able to make informed choices. As far as the customer factors are concerned, during the year the bank continued working on the correlation between climate-related risk and credit risk. A new tool developed by the Eika Alliance was introduced to systemise the assessments conducted in relation to corporate customers, which are additional to and support the current reporting on ESG risk at an individual customer level.

Den Gule Banken has little exposure to the industries and sectors normally considered to have the highest emission intensity, although the bank is exposed to other sectors that may face different or smaller ESG challenges. Several green loan products (please see "Sustainability and social responsibility") were introduced in 2021 in order to aid transition and sustainable investments. Overall, this risk is considered low.

Operational risk

Operational risk includes all potential sources of loss linked to the ongoing operation of the Group's activities. Failures in procedures, failures in computer systems, mistakes by subcontractors and breaches of trust by employees and customers are all examples of incidents that are defined as operational risk and that can make it harder for the Group to achieve our goals.

Den Gule Banken focuses on those areas deemed to represent the greatest threats at any given time, and monitors incidents that affect, or may affect, the Group's reputation, profitability or customers via a dedicated reporting system. Employees use this to report incidents that have occurred and their line manager, the Compliance Manager and the Director Risk Management gets the report and can propose measures, and/or follow up any proposed measures, to reduce the possibility of the incident reoccurring. This helps the bank analyse operational incidents so we can make changes to internal processes that are intended to reduce the likelihood of recurrence.

In the annual review of operational risk, which is conducted across all departments in the Group, the spotlight was particularly turned on the risk associated with conversion of the core banking solution, cybercrime and the structure and control of our own data as the biggest areas of risk. The risk mitigation measures that have been implemented for all of these mean that the Board of Directors regards the risk as acceptable.

It is important that the bank focus on measures for preventing and reducing operational risk. Good internal control is an important aid when it comes to prevention, identification and follow-up. Risk assessments are carried out in all business areas. The main risks, together with action plans for reducing these to an acceptable level, are reported to the CEO. The CEO assesses the strategic risk to the bank in consultation with the bank's management group. The most significant risks and associated measures for minimising the risks are presented to the bank's Board of Directors. The Group's internal audit function reviews and issues an independent confirmation of the internal control activities and that these satisfy the requirements of the Internal Control Regulations.

Organisation, employees, and environment

The average number of FTEs in the Group was 138 in 2021. The Group employed 138 FTEs at the end of the year, an increase of six FTEs from December 2020. Aktiv Eiendom had 22 FTEs at the end of the year. The bank employed 116 FTEs at the end of the year.

One of the bank's strategic focus areas is to develop competent, committed and performance-oriented employees. To achieve these goals, the bank has facilitated the development of a corporate culture that promotes performance and ensures the optimal utilisation of resources. One effective way of building a good performance culture has been to clarify what the individual unit needs to contribute to achieve the targets, following this up by visualising and sharing results, and appreciating and highlighting good performances.

The average age of the bank's employees is 44 years old.

The bank is focused on diversity and gender equality. This work is also included as an important part of the bank's obligations related to sustainability and sustainability reporting. We aim for gender neutral recruitment processes with an emphasis on achieving a balanced proportion of female managers. We focus on equal pay in annual pay negotiations and equal pay is a defined goal.

Three of the seven members of the bank's management group are women, and the bank has a female CEO. Eight of the 21 managers with personnel responsibilities in the bank are women. Of the bank's Board of Directors, four members are women and four are men. The bank's female managers earn 102% of what male managers earn. Other female employees of the bank earn 90% of what their male colleagues earn. Our calculations have been adjusted for fewer hours worked, but differences in position, seniority and other factors that affect the ratio have not been taken into account.

It is a fundamental principle of the bank's HR policy that men and women should have equal opportunities to qualify for all types of work and have the same career opportunities. Furthermore, everyone must have the same opportunities regardless of ethnicity, national origin, heritage, skin colour, language, religion, life stance or disability. The working environment surveys in the bank show that the employees are very satisfied with their workplace and that the working environment is good. To the extent possible, employee pay reflects current market rates and the individual's qualifications and responsibilities.

The bank's work on promoting equal opportunities and preventing discrimination is proactive, deliberate and planned. The duty to take action and report on this area is a statutory one pursuant to the Equality and Anti-Discrimination Act. The bank publishes a separate report in line with this legislation on the bank's website.

The bank's advisers in the retail market are authorised pursuant to the authorisation schemes for financial advisers (AFR), non-life insurance, personal insurance and credit.

Den Gule Banken, Sandnes Sparebank has highly competent advisers, in both Retail Market and Corporate Market, who ensure good customer experiences and high-quality customer processes.

The bank causes little pollution to the external environment. No serious incidents or accidents occurred or were reported during the year.

The average sick leave rate in the bank was 1.8% in 2021.

The bank has directors' and officers' liability insurance in common with the other banks in the Eika Alliance. The insurance sum amounts to NOK 250 million per insurance claim.

The bank's equity certificate (SADG)

As at 31.12.2021, the market price for SADG was NOK 98.80, compared with NOK 74.40 as at 31.12.2020. A dividend of NOK 5.95 per equity certificate was paid in 2021.

At the end of 2021, there were 3 112 registered holders of the bank's equity certificate. On the same date, the 20 largest holders (inclusive of the bank's treasury equity certificates) controlled 60.70% of the equity certificate capital. An overview of the 20 largest equity certificate holders is provided under "Investor information" in the annual report.

The bank's dividend policy is as follows;
"Den Gule Banken, Sandnes Sparebank's objective is to manage our total resources in such a way as to ensure a good, stable and competitive return in the form of dividends and price appreciation. The profit for the year is divided between the equity certificate capital (equity certificate holders) and the primary capital in proportion to their share of the bank's equity capital. Den Gule Banken assumes that between 50-75% of the equity certificate capital's share of the profit will be paid out as dividends, and correspondingly that between 50-75% of the primary capital's share of the profit will be paid out as gifts and customer dividends. In the assessment, weight will be given to ensuring that the equity certificate holders' share of total equity (equity certificate percentage) remains stable. When determining the overall level of distribution, account is taken of expected financial performance, external framework conditions and the Group's estimated requirement for Tier 1 capital."

Allocation of the profit for 2021

In line with the bank's dividend policy, weight is given to various factors when assessing the dividend. The main emphasis is on financial strength and a stronger Tier 1 capital ratio. The Board of Directors is proposing to the Board of Trustees that a dividend of NOK 5.35 per equity certificate be paid for 2021, which corresponds to 62.5% of the Group's earnings per equity certificate. Of the dividend allocated to the primary capital totalling NOK 63.7 million, the Board of Directors is proposing to pay out NOK 12.0 million to the Gift Fund and NOK 51.7 million as customer dividends.

The Board of Directors proposes the following allocation:	Amount (NOK millions)
For allocation	**251.1**
To cash dividends for equity certificates	111.9
To the dividend equalisation fund	37.1
To the Savings Bank's Fund	21.1
To the Gift Fund/customer dividends	63.7
To the hybrid capital owners	4.3
To the fund for valuation differences	0.5
To the fund for unrealised gains	12.6
Total proposed allocation	**251.1**

The profit is allocated between the equity certificate capital and the Savings' Bank Fund relative to their share of the equity, such that equity certificate holders receive 63.7% of the allocated profit. As a result of the allocation, the equity certificate percentage will be reduced from 63.7% to 63.4%.

Events after the balance sheet date

Agreement on the purchase of shares in Eika Gruppen AS
On 10.02.2022, an agreement was entered into between 19 shareholders in Eika Gruppen AS concerning the purchase of shares in Eika Gruppen AS owned by the banks in the Lokalbank Alliance. In total, the banks are buying a shareholding of 2 937 406 shares, corresponding to 11.88% of Eika Gruppen AS, for NOK 242.50 per share. The price includes provisions for dividends for the 2021 financial year of NOK 25.00 per share.

The purchase is subject to a right of pre-emption and will give rise to a rebalancing among all of the banks in the Eika Alliance after the transaction.

The buyers are the banks Den Gule Banken, Sandnes Sparebank Totens Sparebank, Jæren Sparebank, Skue Sparebank, Jernbanepersonalets Sparebank (JBF), Romerike Sparebank, Aurskog Sparebank, Skagerrak Sparebank, Sparebanken Narvik, Orkla Sparebank, Larvikbanken, Grong Sparebank, Melhusbanken, Eidsberg Sparebank, Sogn Sparebank, Odal Sparebank, Berg Sparebank, Hjelmeland Sparebank and Tysnes Sparebank.

In the agreement, Den Gule Banken has committed to buying a total of 396 550 shares in Eika Gruppen AS with a total transaction price of NOK 96.1 million. Prior to the transaction, Den Gule Banken owned 2 067 333 shares (8.4%), and this will increase to 2 463 883 shares (10.0%) after the transaction. The planned internal rebalancing in the Eika Alliance will probably reduce the number of new shares.

The agreement is regarded as material information for the annual financial statements since the bank has taken on a significant commitment after the balance sheet date and because the transaction price is significantly higher than the carrying amount of the bank's shares in Eika Gruppen AS as at 31.12.2021. If the transaction pricing is used, adjusted for provisions for dividends for 2021, it entails an increase in value of the bank's existing shares (prior to the transaction) in Eika Gruppen AS of around NOK 145.8 million. Since the shares are measured at fair value with changes in value through OCI, an upwards adjustment will not affect the profit but instead be recognised through OCI/equity. An upwards adjustment of value will have a positive effect for the Group's capital adequacy ratio in 2022.

Besides this, no material events have occurred after the balance sheet date that have a material effect on the accounts as at 31.12.2021.

Outlook for 2022

Macro conditions in the region are improving, although there are some challenges in relation to the availability of labour and production components. The long-term economic consequences of the Covid-19 pandemic appear better than previously assumed, even with the winter shut-down. At the end of the year, the situation for most of the bank's customers is stable, although there are still some imbalances in the global economy, such as international logistics, that will impact developments going forward. During the year, Norges Bank raised the key policy rate to 0.5% and has indicated that there are more increases to come. This is a clear sign that the economy is normalising. The bank is well-positioned in the market and expects increased growth in lending going forward.

The bank has solid expertise, satisfied customers, a stable cost base, good earnings and good financial strength. The bank is well-equipped for profitable growth, and we have intensified our focus on the retail market in order to take a stronger position in the local market. The focus on retaining, developing and securing the right competence will be of strategic importance. Another priority area in the bank's strategy is to contribute to a more sustainable society.

Digitalisation and technological development are critical success factors and converting to a new core banking system in 2023 is of strategic importance. In general, the bank will work to improve the customer experience and maintain a constant focus on more efficient operations.

The bank's regulatory minimum CET1 capital ratio requirement is 13.1%. The bank's Board of Directors has approved an internal capital target of 1.0% above the regulatory capital requirement, which means the bank has a minimum internal CET1 capital ratio target of 14.1%. The bank's CET1 capital ratio was 16.6% at the end of the year and the bank is well-capitalised. Norges Bank will increase the countercyclical buffer requirement from 1.0% to 2.0% with effect from 31.12.2022 and has indicated a further increase to 2.5%. The new capital requirements have already been taken into account in the bank's capital planning.

The bank is well-prepared for the future with respect to operations, liquidity and financial strength. Nevertheless, the Board of Directors would like to stress that all future estimates contain an element of uncertainty.

March 10, 2022 | The Board of Directors of Den Gule Banken, Sandnes Sparebank

Harald Espedal
Chairman of the Board

Frode Svaboe
Deputy Chairman

Bjørg Tomlin
Director

Sven Chr Ulvatne
Director

Astrid Rebekka Norheim
Director

Wenche Drønen Christenssen
Director

Ingunn Ruud
Employee representative

Joakim De Haas
Employee representative

Trine Karin Stangeland
CEO

Annual financial statements

Income statement

Group Full year 2021	Group Full year 2020	Amounts in NOK thousands	Noter	Parent Bank Full year 2021	Parent Bank Full year 2020
612 622	688 046	Interest income measured using the effective interest method	17	443 199	508 393
46 846	86 418	Interest income measured at fair value	17	41 732	80 019
203 372	304 882	Interest expenses	17	132 260	194 225
456 095	**469 582**	**Net interest income**		**352 671**	**394 187**
98 778	89 351	Commission income	18	70 661	73 276
-9 126	-9 549	Commission costs	18	-9 126	-9 549
47 746	57 721	Dividends and income from ownership interests in associates	19	84 687	57 721
14 800	-3 179	Net gain/loss on financial instruments	19	21 392	-4 349
2 089	683	Other operating income	20	2 522	1 225
154 286	**135 027**	**Total other operating income**		**170 135**	**118 324**
161 941	146 550	Personnel costs	21,22,23	135 182	124 080
133 681	98 767	Other operating costs	21	124 539	91 467
18 861	23 672	Depreciation/write-downs	21,31,32,33	17 682	22 769
314 483	**268 988**	**Total operating costs**		**277 403**	**238 316**
295 898	**335 621**	**Operating profit before write-downs and tax**		**245 403**	**274 195**
-32 340	24 689	Impairments and losses on loans and guarantees	11	-33 699	23 415
328 238	**310 932**	**Operating profit before tax**		**279 101**	**250 780**
46 933	50 160	Tax expense	24	27 996	37 173
281 305	**260 772**	**Operating profit after tax**		**251 106**	**213 608**
		Statement of other comprehensive income			
		Items that will not be reclassified to the income statement			
45 481		Change in value of equities measured at fair value through OCI	34	45 481	
-345	-471	Actuarial gains and losses, defined benefit pension plan	23	-345	-471
-86	-118	Tax		-86	-118
45 223	-353	Total		45 223	-353
		Items that may be reclassified to the income statement later			
		Verdijustering utlån målt til virkelig verdi over utvidet resultat		-86	-353
		Total		-86	-353
45 223	-353	Other comprehensive income (OCI) (after tax)		45 136	-706
326 528	**260 419**	**Comprehensive income**		**296 242**	**212 902**
325 262	259 285	Controlling interest's share of the profit			
1 266	1 134	Non-controlling interest's share of the profit			
8,5	7,9	Earnings per equity certificate	44	7,6	6,5
8,5	7,9	Diluted earnings per equity certificate		7,6	6,5

Balance sheet

Group 31.12.2021	Group 31.12.2020	Amounts in NOK thousands	Noter	Parent Bank 31.12.2021	Parent Bank 31.12.2020
2 967	3 263	Cash	25,26	2 967	3 263
436 965	485 300	Loans to and receivables from credit institutions	11,25,26,27	444 752	510 357
24 178 029	22 694 107	Loans to customers at amortised cost	8-11,25,26	13 592 027	13 178 665
1 213 479	1 305 613	Loans to customers at fair value	8-11,25,26	1 982 468	1 901 187
2 798 478	3 879 026	Certificates and bonds	25,26,28,35	2 239 869	3 405 734
129 741	103 420	Equities	25,26,30	129 741	103 420
142 059	326 270	Financial derivatives	15,25,26	103 898	183 697
34 338	33 767	Ownership interests in associates	29	34 338	33 767
		Ownership interests in subsidiaries	29	354 328	354 328
5 637	12 150	Intangible assets	31	1 084	7 597
16 856	8 524	Deferred tax asset	24	16 782	8 440
3 539	6 122	Fixed assets	32	3 268	5 750
71 001	84 370	Right-of-use assets, leases	33	67 778	79 527
18 171	16 312	Other assets	29,42	1 417 414	1 034 165
17 486	18 550	Prepaid costs and accrued income	25,26	16 797	17 769
303 898	258 417	Financial instruments with change in value through OCI	25,26,34	303 898	258 417
29 372 644	**29 235 211**	**Total assets**		**20 711 410**	**21 086 084**
99 083	1 471 784	Liabilities to credit institutions	25,26,35	216 461	1 376 117
12 842 486	11 926 057	Deposits from customers	25,26,36	12 847 279	11 931 228
12 824 416	12 278 503	Securities issued	25,26,37	4 369 023	4 512 914
46 589	146 300	Financial derivatives	15,25,26	52 965	153 633
59 555	57 145	Other liabilities	25,26,39	53 470	51 252
57 911	52 318	Tax payable	24,25,26	38 457	39 454
187	713	Deferred tax	24,25,26		
66 416	34 392	Accrued costs and received not accrued income	25,26	61 697	30 039
13 523	14 844	Provisions	11,23,38	13 414	14 681
86 692	100 560	Lease liabilities	33	83 304	95 623
200 824	200 716	Subordinated loan capital	25,26,40	200 824	200 716
26 297 684	**26 283 331**	**Total liabilities**		**17 936 894**	**18 405 656**
230 149	230 149	Equity certificate capital	41,45,46	230 149	230 149
-20 952	-21 034	Treasury equity certificates	41	-20 952	-21 034
987 313	987 313	Share premium	41	987 313	987 313
-134 516	-135 093	Other paid-in equity	41	-134 516	-135 093
485 723	448 818	Dividend equalisation fund	41	485 723	448 818
867 200	846 201	The Savings Bank's Fund	41	867 200	846 201
77 121	16 443	Gift Fund/customer dividends	41	77 121	16 443
67 753	9 716	Fund for unrealised gains	41	67 753	9 716
4 926	4 405	Fund for valuation differences	41	4 926	4 405
100 000	100 000	Hybrid capital	40,41	100 000	100 000
405 727	460 421	Other equity	41	109 797	193 511
4 514	4 542	Non-controlling interests			
3 074 960	**2 951 880**	**Total equity**		**2 774 516**	**2 680 428**
29 372 644	**29 235 211**	**Total equity and liabilities**		**20 711 410**	**21 086 084**

March 10, 2022 | The Board of Directors of Den Gule Banken, Sandnes Sparebank

Harald Espedal Chairman of the Board	**Frode Svaboe** Deputy Chairman	**Bjørg Tomlin** Styremedlem	**Sven Chr Ulvatne** Director	**Astrid Rebekka Norheim** Director	**Wenche Drønen Christenssen** Director	**Ingunn Ruud** Employee representative	**Joakim De Haas** Employee representative	**Trine Karin Stangeland** CEO

Statement of changes in equity

Group

Group	Equity certificate capital	Holding of treasury equity certificates	Share premium	Other paid-in equity	Dividend equalisation fund	The Savings Bank's Fund	Gift Fund/ customer dividends	Fund for unrealised gains	Fund for valuation differences	Hybrid capital	Other equity	Total	Non-controlling interests	Total equity
Equity as at 01.01.2020	230 149	-386	987 313		410 451	831 278	90 156	12 470		100 000	354 596	3 016 027	3 408	3 019 434
Dividends paid					10 477						-115 075	-104 597		-104 597
Gifts paid and customer dividends							-62 889					-62 889		-62 889
Actuarial gains and losses, defined benefit pension plan (after tax)					-225	-128						-353		-353
Fund for unrealised gains								-2 754				-2 754		-2 754
Fund for valuation differences									4 405			4 405		4 405
Change in holding of treasury equity certificates		-20 648		-135 093								-155 741		-155 741
Reallocation of distribution of dividends and customer dividends					20 713	10 824	-10 824				-20 713			
Unpaid interest/costs on hybrid capital											-4 747	-4 747		-4 747
Annual profit allocated to equity capital fund					7 401	4 228						11 629		11 629
Annual profits allocated to distribution fund											195 498	195 498		195 498
Annual profits allocated to hybrid capital holders											4 831	4 831		4 831
Annual profit rest of the Group											46 030	46 030	1 134	47 164
Equity as at 31.12.2020	230 149	-21 034	987 313	-135 093	448 818	846 201	16 443	9 716	4 405	100 000	460 421	2 947 338	4 542	2 951 880

Group	Equity certificate capital	Holding of treasury equity certificates	Share premium	Other paid-in equity	Dividend equalisation fund	The Savings Bank's Fund	Gift Fund/ customer dividends	Fund for unrealised gains	Fund for valuation differences	Hybrid capital	Other equity	Total	Non-controlling interests	Total equity
Equity as at 01.01.2021	230 149	-21 034	987 313	-135 093	448 818	846 201	16 443	9 716	4 405	100 000	460 421	2 947 338	4 542	2 951 880
Dividends paid											-124 540	-124 540	-1 294	-125 834
Gifts paid and customer dividends							-13 004				-61 104	-74 108		-74 108
Actuarial gains and losses, defined benefit pension plan (after tax)					-165	-94						-259		-259
Fund for unrealised gains								12 556				12 556		12 556
Fund for valuation differences									521			521		521
Change in value of equities measured at fair value through OCI								45 481				45 481		45 481
Change in holding of treasury equity certificates		82		577								659		659
Reallocation from distribution fund to Gift Fund							10 000				-10 000			
Unpaid interest/costs on hybrid capital											-4 166	-4 166		-4 166
Annual profit allocated to equity capital fund					37 071	21 093						58 163		58 163
Annual profit allocated to dividends											111 921	111 921		111 921
Annual profit allocated to Gift Fund/customer dividends							63 682					63 682		63 682
Annual profits allocated to hybrid capital holders											4 262	4 262		4 262
Annual profit rest of the Group											28 933	28 933	1 266	30 200
Equity as at 31.12.2021	230 149	-20 952	987 313	-134 516	485 723	867 200	77 121	67 753	4 926	100 000	405 727	3 070 445	4 514	3 074 960

Statement of changes in equity

Parent Bank

	Equity certificate capital	Holding of treasury equity certificates	Share premium	Other paid-in equity	Dividend equali-sation fund	The Savings Bank's Fund	Gift Fund/ customer dividends	Fund for un-realised gains	Fund for valuation diffe-rences	Hybrid capital	Other equity	Total equity
Equity as at 01.01.2020	230 149	-386	987 313		410 451	831 278	90 156	12 470		100 000	134 069	2 795 500
Dividends paid					10 477						-115 075	-104 597
Gifts paid and customer dividends							-62 889					-62 889
Actuarial gains and losses, defined benefit pension plan (after tax)					-225	-128						-353
Change in value of loans measured at fair value through OCI											-353	-353
Fund for unrealised gains								-2 754				-2 754
Fund for valuation differences									4 405			4 405
Change in holding of treasury equity certificates		-20 648		-135 093								-155 741
Reallocation of distribution of dividends and customer dividends					20 713	10 824	-10 824				-20 713	
Unpaid interest/costs on hybrid capital											-4 747	-4 747
Annual profit allocated to equity capital fund					7 401	4 228						11 629
Annual profits allocated to distribution fund											195 498	195 498
Annual profits allocated to hybrid capital holders											4 831	4 831
Equity as at 31.12.2020	230 149	-21 034	987 313	-135 093	448 818	846 201	16 443	9 716	4 405	100 000	193 511	2 680 428

	Equity certificate capital	Holding of treasury equity certificates	Share premium	Other paid-in equity	Dividend equali-sation fund	The Savings Bank's Fund	Gift Fund/ customer dividends	Fund for un-realised gains	Fund for valuation diffe-rences	Hybrid capital	Other equity	Total equity
Equity as at 01.01.2021	230 149	-21 034	987 313	-135 093	448 818	846 201	16 443	9 716	4 405	100 000	193 511	2 680 428
Dividends paid											-124 540	-124 540
Gifts paid and customer dividends							-13 004				-61 104	-74 108
Actuarial gains and losses, defined benefit pension plan (after tax)					-165	-94						-259
Change in value of loans measured at fair value through OCI											-86	-86
Fund for unrealised gains								12 556				12 556
Fund for valuation differences									521			521
Change in value of equities measured at fair value through OCI								45 481				45 481
Change in holding of treasury equity certificates		82		577								659
Reallocation from distribution fund to Gift Fund							10 000				-10 000	
Unpaid interest/costs on hybrid capital											-4 166	-4 166
Annual profit allocated to equity capital fund					37 071	21 093						58 163
Annual profit allocated to dividends											111 921	111 921
Annual profit allocated to Gift Fund/ customer dividends							63 682					63 682
Annual profits allocated to hybrid capital holders											4 262	4 262
Equity as at 31.12.2021	230 149	-20 952	987 313	-134 516	485 723	867 200	77 121	67 753	4 926	100 000	109 797	2 774 516

Please also see notes 40, 44 and 45 concerning equity and equity certificates.

Cash flow statement

Group: Full year 2021	Group: Full year 2020	Amounts in NOK thousands	Parent Bank: Full year 2021	Parent Bank: Full year 2020
		Cash flow from operating activities		
691 112	762 013	Receipts of interest, commission income and fees from customers	533 461	599 049
-59 913	-91 493	Payment of interest to customers	-59 913	-91 493
65 009	-72 769	Net receipts/payments from trading financial assets	55 345	-61 975
47 306	53 234	Receipts of dividends	84 247	53 234
26 277	55 349	Receipts of interest on securities	21 163	47 942
-218 444	-214 749	Payments for operations	-214 104	-214 472
-48 875	-53 736	Tax	-37 333	-44 925
502 473	**437 850**	**Net cash flow from operating activities**	**382 866**	**287 359**
		Cash flow from investing activities		
3 061	-1 652	Purchase/sale of fixed assets	3 061	-1 652
-4 688	182 280	Purchase/sale of investments in equities and other assets	-4 688	182 280
1 034 802	-25 519	Net receipts/payments from trading interest-bearing securities	1 120 119	-347 621
1 033 175	**155 110**	**Net cash flow from investing activities**	**1 118 492**	**-166 993**
		Cash flow from financing activities		
-1 408 579	-1 129 955	Net receipts/payments of instalment loans, lines of credit	-892 999	-198 926
914 287	97 372	Net receipts of deposits	914 287	97 372
-1 374 365	1 429 780	Net deposits/loans from credit institutions	-1 161 320	1 091 344
3 100 000	1 950 000	Raising of certificates and bond debt	700 000	1 150 000
-2 394 175	-2 548 707	Repayment of certificates and bond debt	-779 684	-1 953 221
-125 834	-104 597	Payout of dividends	-124 540	-104 597
-74 108	-62 889	Gifts and customer dividends paid from profits	-74 108	-62 889
659	-155 649	Net payment for buy-back of treasury equity certificates	659	-155 649
-13 001	-16 966	Lease payments on capitalised lease liabilities	-11 911	-16 103
-209 163	-137 207	Net interest payments on financing activities	-137 644	-27 656
-1 584 278	**-678 817**	**Net cash flow from financing activities**	**-1 567 258**	**-180 324**
-48 630	-85 858	Net cash flow for the period	-65 901	-59 958
488 564	574 422	Cash and cash equivalents at the start of the period	513 621	573 579
439 933	488 564	Cash and cash equivalents at the end of the period	447 720	513 621

Notes

Contents

1 GENERAL DISCLOSURES

Den Gule Banken, Sandnes Sparebank is an equity certificate bank listed on Oslo Børs. The bank has it's headquarters Sandnes Municipality, with office address Rådhusgata 3, 4306 Sandnes.

The consolidated financial statements and the financial statements for the parent bank for 2021 were approved by the Board of Directors on 10 March 2022, and by the Board of Trustees on 23 March 2022.

2 ACCOUNTING PRINCIPLES

CONTENTS

1. Basis for the preparation of the accounts

The consolidated financial statements for Sandnes Sparebank have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU. The same applies to the parent bank's accounts. The financial statements are prepared based on IFRS standards and interpretations mandatory for financial statements prepared as of 31.12.2021. Furthermore, the requirements for additional information in applicable laws and regulations for banks are met.

The basis for the financial statements is historical costs, excluding financial derivatives and the financial assets and liabilities recognised at fair value with changes in value over the result.

For the consolidated financial statements, the principles discussed herein are applied consistently for all reported periods. The same applies to the parent company, with clarifications as specified for relevant records. The accounts are presented in NOK, and all figures are shown in thousands, unless specifically stated otherwise. The Group's balance sheet format is mainly based on an assessment of the balance sheet items' liquidity.

2. New standards and interpretations adopted from and including the 2021 financial year

There are no new standards or interpretations adopted as of the financial year 2021 that are considered to have a material impact on the Group's financial statements.

Changes in the reference rate and impact on the accounts

In August 2020, the Phase II project of the IBOR reform was completed. This entails adjustments to certain IFRS standards as a result of the change of reference rate, including new note requirements in accordance with IFRS 7. The changes became effective from 1 January 2021.

The company's hedging relationships are based solely on the reference rate NIBOR. Den Gule Banken considers it likely that NIBOR will maintain the remaining lifetime of the Bank's existing hedging relationships. Furthermore, the Bank believes that a transition to an alternative reference rate will not have a material effect on the hedging efficiency of the Bank's existing hedging relationships.

3. Consolidation

The consolidated financial statements include the parent bank Sandnes Sparebank and its subsidiaries as shown in Note 29. Subsidiaries are consolidated from the time the bank has taken control, and it is exempted the moment the bank gives up control. Control exists when the investor has power over the investment object, is exposed to or is entitled to variable returns, and has the ability to use force to manage the activities of the investment object that significantly affect the return. Potential voting rights, options, convertible debt and other factors are included in the assessment.

The accounting principles are applied consistently when incorporating ownership interests and reporting is based on the same accounting periods as the parent company.

Intercompany transactions and balances between the consolidated companies have been eliminated. Unrealised losses are eliminated unless the loss is due to decrease in value. The minority's share of the Group's profit and loss is presented on a separate line in the income statement. In the equity, the minority's share is shown as a separate item.

Subsidiaries

Subsidiaries are defined as companies where Sandnes Sparebank has control directly or indirectly, ownership interests or other relations. Normally, Sandnes Sparebank is assumed to be in control when the ownership interests in another company amount to more than 50%.

The following applies for acquisitions and transfers:

During an acquisition of a company, the takeover method is used. All identifiable acquired assets and liabilities are recognised as fair value. For each acquisition, non-controlling ownership interests will be valued either at fair value or as a proportionate share of the acquired company's identifiable assets. Transaction costs are expensed.

If control is achieved through incremental acquisitions, any difference between the fair value at the time of the takeover and the book value of the share of the company already booked will be recognised in the income statement.

Any contingent share of the acquisition price will be valued at fair value at the time of the acquisition.

Goodwill is initially measured as the difference between the sum of the purchase consideration and the value of non-controlling ownership interests, and the net fair value of identifiable assets and liabilities taken over. If the difference is negative, it is registered in the profit and loss account.

4. Associate enterprise

The definition of associated company is regulated in IAS 28. Associated enterprise mean that the bank has considerable influence, but not control of the company. Normally, there is considerable influence when the bank has an ownership interest of 20 per cent or more, unless it can clearly be established that this is not the case. Treatment as affiliated enterprises occurs from the time considerable influence is established and until it ceases. The investment is initially recognised as acquisition cost and is then adjusted for the change in the bank's share of the net ownership of the associated enterprise. Associated enterprises are recognised according to the equity method both in the parent bank and in the group.

5. Presentation currency

The presentation currency is NOK, which is also functional currency for all the companies in the Group. Foreign currency transactions are converted to functional currency at the exchange rates at the time of the transaction. Currency losses and gains arising from such transactions, as well as on the conversion of monetary items in foreign currency as of 31.12, are recorded in the income statement.

6. Income recognition

Interest income and costs are posted to the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of loans and deposits, as well as distributing interest income or interest costs within the expected maturity. The effective interest rate is determined by discounting contractual cash flows within the expected maturity. The method involves the ongoing income recognition of nominal interest rates with the addition of amortisation of establishment fees. If a loan has been impaired as a result of loss of value (included in Stage 3), interest income is recognised as an effective interest rate, calculated on impaired expected cash flows. Fees associated with interest-bearing instruments are included in the calculation of effective interest rates and recorded in the income statement accordingly.

Commission income and costs are generally accrued as a service is ongoing and classified as "Commission Income" and "Commission Costs", respectively.

Fees related to sale or dissemination of financial instruments, real estate or other investment objects which not generate balance sheet items in the bank's or group's accounts are recognised in the income statement when the transaction is finalised. Revenue from customer contracts is processed in accordance with IFRS 15. The revenue is recognised at the amount that reflects the consideration that the company expects in exchange for transferring an item or service to a customer. The timing of income recognition occurs when a customer gains control over an item or service, and further has the opportunity to directly make use of it. The Group has the following revenue streams according to this principle:

- Transaction fees
- Product fees
- Annual fees
- Commission sales of insurance, savings, funds and credit cards
- Broker commission
- Fees earned via third party (interbank, VISA, etc.)
- Other fees according to price list

The Bank has revenues, to a very small extent, that contain significant elements of separate delivery obligations.

Lease income related to real estate primarily applies to lease income that is invoiced and recognised on an ongoing basis in accordance with the sublet contract in accordance with IFRS 16.

Dividends from shares and equity certificates are recognised in income at the time the dividend is approved by the general meeting.

7. Financial instruments

Classification of financial instruments

Classification of financial instruments is carried out on the basis of the purpose of the acquisition and the characteristics of the instrument.

Financial assets are classified as:
- Financial instruments valued at amortised cost (AC)
- Financial instruments valued at fair value with change in value through profit or loss (FVTPL)
- Financial instruments at fair value with change in value through OCI (FVOCI)

Financial debt is classified as:
- Financial liabilities at fair value with changes in value through the income statement
- Other financial liabilities measured at amortised cost

The definition of a financial instrument is regulated in IAS 32, while the classification and measurement of financial instruments is regulated in IFRS 9. When determining the measurement category, IFRS 9 distinguishes between ordinary debt instruments and equity instruments, including derivatives. Ordinary debt instruments mean interest instruments where returns constitute compensation for the time value of money, credit risk and other relevant risks resulting from ordinary debt instruments.

Derivatives and investments in equity instruments

Equity instruments fall into the fair value through profit and loss category (FVTPL). For equity instruments that are not derivatives and are not held for trading purposes, it is possible to choose to bring these to fair value through other OCI (FVOCI).

All derivatives in the Group are measured at fair value with a change in the profit value, but derivatives designated as hedging instruments shall be recognised in accordance with the principles for hedge accounting.

Financial assets that are debt instruments

For ordinary debt instruments, the measurement category is determined according to the purpose of the investment. Debt instruments included in a portfolio for the purpose of receiving contractual cash flows through interest and instalments shall be measured at amortised cost.

Debt instruments included in a portfolio with the aim of both receiving cash flows and making sales shall be measured at fair value through other OCI (FVOCI), with interest income, currency conversion effects and impairments presented through ordinary profit.

Instruments that are initially to be measured at amortised cost or at fair value with changes in value through other OCI (FVOCI) can be designated for measurement at fair value with changes in value through the result if this eliminates or significantly reduces an accounting mismatch (Fair Value Option/FVO).

Fixed income instruments in other business models shall be measured at fair value through profit and loss.

Financial liabilities

For financial obligations that have been determined to be recognised in the financial statements at fair value through ordinary profit or loss, changes in the value due to the company's own credit risk is incorporated into other OCI, unless the calculation in other OCI creates or amplifies an accounting mismatch. The Group has a limited scope of liabilities determined at fair value and the effect on the Group is therefore considered immaterial.

Hedge accounting

The Group uses hedge accounting for fair value hedging of certain fixed-rate loans (bond loans). Derivatives related to these loans are earmarked for hedging purposes. IFRS 9 requires that there should be an economic relationship between hedging instrument and hedging object, and that credit risk should not dominate the value changes of the hedging instrument. Furthermore, a prospective (forward) efficiency test is required and hedging documentation is prepared.

Measurement

First posting

All financial instruments are measured at fair value on the trading day at the time it is first posted in the accounts. Transaction costs that are directly attributable to the establishment of the asset/liability are included in the cost price of all financial instruments that are not classified at fair value with changes in value through ordinary profits.

Subsequent measurement

Measuring at fair value

For all financial instruments traded in an active market, the listed price obtained from either a stock exchange, broker or pricing agency is used. Financial instruments that are not traded in an active market are valued according to various valuation techniques, which have been carried out in part by professional agencies. All changes in fair value are incorporated directly in the income statement unless the asset is classified as financial instruments at fair value with a change in value through other OCI (FVOCI).

The bank has assessed the fair value of floating-rate loans to match nominal value, adjusted with the corresponding expected credit loss (ECL) of the loan. This is justified by the fact that such loans are reprised almost continuously, and that any deviation from the nominal value in an arm's length transaction between informed and willing parties is considered immaterial.

Measurement at amortised cost

Financial instruments that are not measured at fair value are valued at amortised cost and revenues/costs are calculated according to the effective interest method. The effective interest rate is determined by discounting contractual cash flows within the expected maturity. Amortised cost is the present value of the cash flows discounted at the effective interest rate.

Hedge accounting

The hedging effectiveness is evaluated and documented both upon initial classification and upon each closing of accounts. In the case of fair value hedging, the hedging instrument is recognised at fair value and the value of the hedging object is adjusted for the change in value related to the hedging risk. Changes in these values from the opening balance are recognised in the income statement. This method ensures that the presentation of these instruments in the financial statements complies with the Group's policies for managing interest rates and actual economic developments. If the hedging ratio is interrupted or sufficient hedging efficiency cannot be verified, a change in value associated with the hedging object is amortised throughout the remaining term.

Impairment of financial assets

Through IFRS 9, loss provisions shall be recognised based on expected credit losses (ECL). The general model for impairments of financial assets includes financial assets that are measured at amortised cost or at fair value with changes in value through other OCI. In addition, loan receivables, financial guarantee contracts that are not measured at fair value through profit, and receivables on leases are also included.

The measurement of provisions for expected losses in the general model depends on whether the credit risk has increased significantly since the initial balancing. Credit deterioration is measured by developments in probability of default (PD). In the event of initial balancing and when credit risk has not increased significantly after initial balancing, losses for 12-month expected losses are recognised. 12-month expected loss is the loss that is expected to occur throughout the life of the instrument, but which can be linked to default events that occur within the first 12 months. If credit risk has increased significantly after initial recognition, the provision shall correspond to expected losses over the lifetime.

In line with IFRS 9, the bank separates its loans into three stages;

STAGE 1

This is the starting point for all financial assets covered by the general loss model. All assets that do not have significantly higher credit risk than on initial recognition are calculated a loss cost equal to 12 months' expected loss.

STAGE 2

Stage 2 of the loss model are assets that have had a significant increase in credit risk since the initial recognition, but where no credit loss has occurred on the balance sheet date. A provision equal to expected losses over its lifetime is calculated for these assets. This group includes accounts with a significant degree of credit deterioration, but which on the balance sheet date belong to customers without any objective loss event. When it comes to delimitation towards stage 1, the bank defines a significant degree of credit deterioration by checking if an engagement's estimated probability of default (PD) has increased significantly or the customer has been granted payment reliefs. For further description of ECL model please refer to Note 8.

STAGE 3

Stage 3 contains assets which have had a significant increase in credit risk since granting and where there is an objective loss event on the balance sheet date. The bank creates an individual loss provision for these assets. On each balance sheet date, it is assesses if there exists objective evidence that the value of individually assessed loans has been reduced. The fall in value must be the result of one or more events occurring after initial balancing (a loss event) and the result of the loss event (or events) must also be reliably measured. Examples of such incidents are significant financial problems with the debtor, payment default or other breach of contract. If there is objective evidence that a reduction in value has occurred, the size of the loss is calculated. For loans recognised at amortised cost, the loss is calculated as the difference between the value recognised in the balance sheet and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The period's changes in the assessed value of loans are recognised in the income statement under "impairments and losses on loans and guarantees".

Defaulted/impaired loans and advances in Stage 3

Engagements are considered defaulted if there is payment default or default due to manual default marking ("unlikeliness to pay"). Engagements in default are included in Stage 3.

A failure to pay is defined as a material credit obligation that is more than 90 days past due. Threshold values for material credit obligations are set in the CRR/CRD IV regulations.

Default due to manual default marking due to an unlikeliness to pay is based to a greater extent on technical credit assessments. Events included in this category are provisions for losses on the customer, bankruptcy/debt arrangement, or other indications that there may be significant doubts as to whether the customer will fulfil their liabilities. Loans and other engagements that are not payment default, but where the customer's financial situation makes it likely that the bank will suffer losses, are classified as impaired loans and advances.

The new default definition involves the introduction of a waiting period that dictates that customers are categorised as defaulted a period after the default has been settled. The waiting period is 3 months or 12 months depending on the underlying cause of the breach.

Confirmed loss

Losses are regarded as confirmed in the event of debt settlement or bankruptcy, when distraint has not been successful, following legally enforceable judgment, or when the Group has waived all or part of the loan, or when the loan is considered lost by the Group. The bank waives the loan in the balance sheet when it is confirmed lost. Confirmed losses covered by previously made provisions are recognised against the provisions. Recognised losses without coverage in the provisions as well as over- or under-absorption in relation to previous provisions are recognised in the income statement. See Note 11 for further information relating to the total outstanding amount which is derecognised in the balance sheet.

Impairments on shares in subsidiaries

In the parent company, shares in subsidiaries are assessed at acquisition cost reduced for impairments in accordance with IAS 36. The need for impairments is assessed annually in the same manner as for other long-term assets.

Acquisition of assets

Assets that are acquired after the follow-up of defaulted and impaired commitments are valued at fair value at the time of the acquisition. Acquired assets are classified according to their nature in the balance sheet. Subsequent valuation and classification of profit and loss effects follow the principles of the relevant balance sheet item.

More about other financial instruments

Loans and receivables

Loans and receivables are financial assets that are not listed on the market. Floating-rate loans are valued at amortised cost according to the effective interest method. Fixed-rate loans are posted at fair value with a change in value through ordinary profit as the bank uses Fair-Value Option (FVO) for these loans. The change in the fair value of these loans is recognised in the income statement in the item "net profit/loss on financial instruments". The interest rate risk in fixed-rate loans is controlled by interest rate swaps that are posted at fair value. It is the Group's understanding that the assessment of fixed-rate loans at fair value provides more relevant information about the values in the balance sheet. Interest rates from the interest rate swaps are entered in the income statement in the item "Interest income measured at fair value".

Loans that can be transferred to SSB Boligkreditt AS by the parent bank are classified at fair value with change in value through OCI (FVOCI) in the parent bank's accounts, as the business model dictates that the parent bank intends to recover contractual cash flows, but may also sell/transfer the loans to SSB Boligkreditt AS. In the consolidated financial statements, the loans are assessed at amortised cost as the Group does not intend to sell the loans.

Stocks, certificates and bonds

Shares and units are measured at fair value with changes in value through profit or loss (FVTPL), with the exception of the bank's investment in Eika Gruppen AS, which is classified as a financial instrument with changes in value through OCI (FVOCI) since it is considered a strategic investment for the bank.

The bank's liquidity portfolio of certificates and bonds is assessed at fair value through profit or loss (FVTPL) in line with the business model that governs asset management of the liquidity portfolio in accordance with IFRS 9. The business model gives a required rate of return for the liquidity portfolio and purchases and sales are made in order to maximise profits. The bank also has a "keep until maturity" portfolio of bonds that are valued at amortised cost as the bank intends to keep these fixed income securities until maturity. This portfolio is kept separate from the bank's other liquidity portfolio.

Financial derivatives

Derivatives are valued at fair value with changes in value through ordinary profit (FVTPL). Fair value is assessed on the basis of listed market prices in an active market, including recent market transactions as well as various valuation techniques. Derivatives are posted as assets if the fair value is positive, and as liabilities if the fair value is negative (gross recording in the balance sheet).

Deposits and other financial liabilities

Fixed rate deposits from customers are valued at fair value with changes in value through ordinary profit.

Securities issued with floating interest are measured at amortised cost. For fixed-rate securities issued, hedge accounting is used where changes in the value of the hedged part of the securities are recognised over ordinary profit and loss.

Issued subordinated loans is prioritised after all other debts, and are recognised and measured in the same way as other securities issued.

Other financial debts are measured at amortised cost where differences between the amount received minus transaction costs and redemption value are distributed over the loan period using the effective interest method.

Day 1 profits

IFRS does not allow immediate income recognition of "day 1 profits". Such profits are calculated for each individual transaction and are generally amortised through the term of the transaction unless other observable market data or similar clearly supports a different profit profile.

Recognition and derecognition of financial assets and liabilities

Financial assets and liabilities are recognised on the trade date, i.e. the time the bank becomes a party to the contractual terms and conditions of the instruments.

Financial assets are deducted when the contractual rights to the cash flows from the financial assets have expired, or when the rights to the cash flows from the assets have been transferred in such a way that risk and return related to ownership have been transferred.

Financial liabilities are waived when the contractual conditions have been met, expired or cancelled.

Buy-back of securities issued

Any premium or discount in the event of a buy-back of own bonds is recognised in the income statement and recognised under interest costs. Any purchase premium on buy-back of securities before maturity is regarded as a loss/profit and is presented and recognised in the income statement under the item "net gain/loss on financial instruments". Interest from other financial liabilities is recognised as "interest costs" in the income statement.

Modified assets and liabilities

If modifications or other changes are made to the terms of an existing financial asset or obligation, the instrument shall be treated as a new financial asset or obligation if the renegotiated terms have been significantly changed from the old terms. If the conditions for material change are met, the old asset or liability is waived, and a new asset or obligation is recognised.

If the modified instrument is not considered to have been significantly changed from the existing instrument, the instrument shall be considered to be a continuation of the existing instrument. In such cases, the new cash flows are discounted at the instrument's original effective interest rate and any difference to the existing capitalised amount will be recognised as ordinary profit in the income statement.

8. Intangible assets

Goodwill

Goodwill is initially measured as the difference between the sum of the purchase consideration and the value of non-controlling ownership interests, and the net fair value of identifiable assets and liabilities taken over. Goodwill in the purchase of subsidiaries is recognised as intangible assets. The individual goodwill items and intangible assets in the Group's balance sheet are allocated to assessment units according to which businesses benefit from the purchased asset. The choice of assessment unit is made based on where cash flows related to the business can be identified and separated. Goodwill is tested annually for impairments and posted at cost price reduced for accumulated impairments. The assessment is based on historical results as well as approved budgets and management forecasts. The required rate of return is based on an assessment of the market's required rate of return for the type of business included in the assessment unit, thus reflecting the risk in the business.

Software and development of IT systems

Costs directly associated with larger software investments that are expected to bring significant economic benefits over time are recognised as intangible assets. Costs of purchased licenses are capitalised and depreciated linearly over their lifetime, usually 3—5 years. Software maintenance costs are recognised as costs when they occur.

On each balance sheet date, all intangible assets are assessed based on any indications of decrease in value. If there are indications of a decrease in value, an analysis is made to assess whether the carrying amount of the intangible assets can be fully recovered. The recoverable amount is the highest of either the net sales price and utility value. Utility value is calculated by discounting expected future cash flows to present value using the discount rate after tax, which reflects the market's pricing of the time value of money and the risk associated with the specific asset. For assets that do not primarily generate independent cash flows, the recoverable amount is determined for the cash flow generating unit to which the asset belongs. If the recovered amount is lower than the carrying amount, the value is impaired to the recovery amount.

9. Fixed assets

Fixed assets include buildings and operating equipment. Buildings and operating equipment are recognised at acquisition cost minus accumulated depreciation and impairments. Cost price includes all directly attributable costs associated with the purchase of the asset. Linear depreciation has been used to allocate costs minus any residual value over the estimated service life of the assets. Buildings, facilities, and equipment that are depreciated are subject to an impairment test in accordance with IAS 36 when circumstances indicate it.

10. Leases

IFRS 16 specifies a common model to be used for all leases, with some exceptions. Pursuant to IFRS 16, one no longer distinguishes between operational and financial leases and where leases entered into transfer a right-of-use for a specific asset from the lessor to the lessee for a specified period. For the lessor, the regulations from IAS 17 are mainly continued.

In order to determine whether an agreement contains a lease, one must assess whether the agreement transfers the right to control the use of an identified asset. For the Group, the standard has mainly affected leases related to office premises, which means that lease costs are no longer recognised as operating costs, but as depreciation of the right-of-use asset and interest expenses on the associated lease liabilities in the income statement. The bank's IT agreements are not considered to fall under IFRS 16, because they are based on purchases of capacity that are not physically separated and thus not identifiable. Low value leases (total value of less than USD 5000) and leases with a lease period of 12 months or less will not be recognised in the balance sheet. Leases under these exemptions are recognised on an ongoing basis as other operating costs.

The lease period is calculated based on the duration of the agreement imposed on any option periods if there is reasonable certainty these will be exercised. Calculating the present value of the lease liabilities includes elements such as fixed rent adjusted for index regulations in the leases. Any options in the lease and/or expenses associated with buy-out clauses before the final contract expiration are included in the lease liabilities if it is likely that the option or clause will be used. Joint costs and other variable lease payments etc. will not be included in the lease liabilities for the leases and will be posted as operating costs.

The discount rate for leases is determined by applying the lessor's marginal loan rate, i.e. the interest rate a lessee in a similar economic environment would have to pay to finance the loan, for a corresponding period and with equal security, the funds required for an asset of similar value to the right-of-use asset. The interest rate takes into account both risk-free interest rates, credit risk, and rent-specific premiums, including collateral/guarantees in the lease. The interest rate will be adapted to the duration of the actual lease, the type of asset, etc.

The bank has included its lease liabilities at the present value of the remaining lease payments discounted by a marginal loan rate at the time of initial application, as well as the corresponding right-of-use to an amount reflecting the value of the asset as if the standard were in force from the time the lease was entered into.

Right-of-use is presented in the balance sheet as "Right-of-use assets, leases", while the lease liabilities are presented as "Lease liabilities" in the balance sheet.

Right-of-use assets that are depreciated are subject to an impairment test in accordance with IAS 36 when circumstances indicate it.

11. Pensions

The Group's companies have different pension schemes. The pension schemes are mainly financed through payments to insurance companies.

Defined contribution scheme

The Group has a defined contribution scheme for the company's employees, as well as a performance-based operating pension linked to the former CEO. A defined contribution scheme is a pension scheme in which the Group pays fixed contributions to a legal entity that invests the funds on behalf of the members of the scheme. When they are due, the deposits are recognised as labour costs.

Defined benefit scheme

A defined benefit scheme is a pension scheme that defines a pension payment that an employee will receive upon retirement. The pension payment normally depends on one or more factors such as age, number of years in the company, and salary. The capitalised liabilities related to defined benefit pension schemes is the present value of the defined benefits on the balance sheet date minus the fair value of the pension funds. The pension liabilities are calculated annually by an independent actuary using a linear earning method. The discount rate is an estimated market rate on covered bonds. Other parameters such as salary regulations, inflation, and pension increases, are determined on the basis of expected long-term developments in the parameters. Changes in the pension plan benefits are recognised as costs or posted in the income statement on an ongoing basis.

Estimate variances are posted over OCI in the period in which they occur and are included in the comprehensive income.

The net pension cost of the period is included in wages and social costs and consists of the pension earnings, interest expense on the calculated pension obligation and accrued employer's National Insurance contributions for the period. The pension cost is based on assumptions stipulated at the beginning of the period.

Contractual early retirement pensions

The old AFP scheme was discontinued in February 2010. As a replacement for the old AFP scheme, a new AFP scheme that provides a lifelong supplement to the ordinary pension has been established. The new AFP scheme is a defined-benefit multi-enterprise pension scheme, and is funded through premiums that are determined as a percentage of wages. There is currently no reliable measurement and allocation of obligations and funds in the scheme. In accounting terms, the scheme is thus treated as a defined-contribution pension scheme where premium remunerations are routinely recognised as costs, and no provisions are made in the financial statements.

12. Other liabilities

Provisions for liabilities are made when the Group has a liability based on a previous event, it is likely that the liability will be settled financially, and the liability can be reliably estimated.

13. Income tax

The tax expense of the year consists of tax payable and changes in deferred tax on temporary differences. Tax payable is calculated tax on taxable income for the year. Deferred tax is recognised in accordance with the debt method in accordance with IAS 12. Liabilities or assets are calculated for deferred tax on temporary differences, which is the difference between the carrying amount and the tax value of assets and liabilities. However, no liability or asset is calculated for deferred tax on goodwill that does not result in tax deductions, nor on first-time recognised items that do not affect either accounting or taxable income. An asset is calculated for deferred tax on enforceable tax deficits. Deferred tax assets are recognised in the balance sheet to the extent it is likely that they can be used against future taxable income. When calculating deferred tax, tax rates and tax rules are used that apply on the balance sheet date or that will most likely be adopted.

As at 31.12.21, the tax rate for general income in Norway is 22 %. The tax rate remains unchanged in 2022. Exceptions have been made for financial institutions which are thus continued at the 2016 level (25 % tax rate).

Wealth tax is not considered tax according to IAS 12 and is recognised as operating costs.

Tax management for equity transactions

If the source of the distribution is previous results (earned capital), the tax consequences of the distribution are presented as tax expense in the income statement when the distribution is decided. This applies, among other things, to payments of customer dividends and interest payments on hybrid Tier 1 securities.

14. Dividends and profit per equity certificate

Dividends on equity certificates are posted as equity until it is approved by the bank's Board of Trustees.

Profit per equity certificate is calculated by dividing the profit accruing to the owners of the equity certificates by the number of outstanding equity certificates, taking into account the bank's holdings of treasury equity certificates.

15. Equity

Equity certificate owners' share of the equity consists of equity certificate capital, share premium, other invested equity, and dividend equalisation funds. The dividend equalisation fund is an accumulated profit that can be used for future cash dividends or fund issues.

The nominal share of treasury equity certificates is presented as a reduction in equity certificate capital. Purchase price beyond face value is posted against other invested equity. Gains or losses on transactions with treasury equity certificates are posted directly against other invested equity.

Other equity consists of the bank's funds, gift funds/customer dividends, funds for unrealised gains, funds for valuation differences, other equity, and non-controlling interests. Other equity includes provisions for dividends.

The profit for the year is allocated to equity certificate holders and the primary capital in proportion to their share of the bank's equity capital.

Issued hybrid Tier 1 securities are bonds with face value interest, but the bank is not liable to pay interest for a period when no dividends are paid, nor is the investor later entitled to interest that has not been paid, i.e. the interest does not accumulate. Hybrid Tier 1 securities do not satisfy the definition of financial liability in accordance with IAS 32 and are consequently classified as equity/hybrid capital in the bank's balance sheet. The hybrid Tier 1 securities are perpetual and the bank has a unilateral right not to pay interest to investors under certain conditions. Interest is thus presented not as an interest expense in the income statement, but as a reduction in other equity.

16. Cash flow analysis

The cash flow analysis is prepared according to the direct method, and indicates the cash flows grouped by sources and areas of application. Liquids include cash and receivables from Norges Bank, as well as loans to and receivables from credit institutions.

17. Segment information

Segment reporting is based on internal management reporting. The income statement and balance sheet for the segments are based on an assembly of internal financial reporting for departments, in accordance with the Group's management model. See also Note 5 regarding assumptions and allocation principles.

18. Approved standards and interpretations with future effective date

Only standards and interpretations that are considered relevant to the Group have been included.

Annual improvement projects
In connection with annual improvement projects, the IASB has made minor changes to several standards. The changes are considered not to have a material impact on the Group.

3 CRITICAL ESTIMATES AND ASSESSMENTS REGARDING THE APPLICATION OF ACCOUNTING POLICIES

Critical estimates

The preparation of financial statements in compliance with generally accepted accounting policies in some cases requires the management to make assumptions and to rely on estimates and discretionary assessments. Estimates and discretionary assessments are evaluated on an ongoing basis and are based on past experience and assumptions about future events that appear likely on the balance sheet date. Some uncertainty is associated with the assumptions and expectations that are used in estimates and discretionary assessments. Actual results may differ from the estimates and the assumptions.

Impairments of loans and guarantees

In the case of individually assessed loans and groups of loans that have been identified as problem loans, a calculation is made to determine the value of the loan or group of loans. This calculation requires the use of magnitudes that are based on judgements, and these affect the quality of the calculated value. Impairment assessments are conducted each quarter.

Stage 3 impairments (individual impairments)
If objective evidence exists of the impairment of a loan measured at amortised cost, the impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted by the loan's original effective interest rate. Future cash flows are estimated based on experience and discretionary assessments of likely outcomes of, for example, market developments and specific factors regarding each loan, including empirical data regarding the debtor's ability to manage a pressured financial situation. Measuring loan impairment includes an element of uncertainty in relation to identifying loans that have suffered an impairment loss, estimating the timing and amounts of future cash flows, and measuring collateral.

Stage 1 and 2 impairments (statistical impairments)
Loans that are not subject to individual impairment are included in the calculation of statistical impairment (IFRS 9 impairment) for loans and guarantees. The impairment is calculated based on developments in the customers' risk classification (as described in note 8) and loss experience for the respective customer groups (PD and LGD). Besides this, cyclical and market developments (macro conditions) that have yet to have an effect on the aforementioned risk classification are given weight when testing the need for impairment for customer groups as a whole.

Some 2 years of Covid-19 and measures designed to mitigate its impacts on particularly affected sectors have also affected the Group's estimations of expected credit losses. This includes the possibility of deferred payment of taxes improving the liquidity of many companies. This affects the bank's models and estimates for losses. At the same time, the situation is now considerably clearer that it was last year and where the year before the situation resulted in a need for increased explicit provisions due to Covid-19, the effects are now easier to identify and estimate and have therefore been incorporated into the general macro adjustments. The effects still result in the bank having higher provisions for losses due to Covid-19 than would be the case absent it, but these provisions are to a greater degree now based on estimated macro effects and not explicit premiums. For more information, please see note 8.

The statistical model for calculating expected credit losses (ECL) on loans is based on several critical assumptions, including probability of default, loss given default, expected lifetime of loans and macro developments. Due to significant estimate uncertainty, sensitivity analyses are required to present the effects of specific changes in various parameter. These are provided in note 11.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using various measurement techniques. Wherever possible, the Group strives to base such measurements on market conditions on the balance sheet date. If no empirical market data is available, assumptions are made concerning how the market would price the instrument, for example based on the pricing of similar instruments. Such measurements require the extensive application of judgement, including when measuring credit risk, liquidity risk and volatility. A change in one or more of these factors may affect the value set for the instrument. The fair value of financial instruments is presented in note 26.

Fixed rate loans:
According to IFRS, measurements must be based on an assessment of what an external investor would base a decision on when investing in a similar loan. There is no well-functioning market for the purchase and sale of fixed rate loans between market participants. The value of fixed rate loans is estimated by discounting the cash flows by a risk-adjusted discount rate that must take into account the preferences of market participants. The discount rate is calculated based on an observable swap rate plus a margin requirement.

Observable market interest rates for similar loans are taken into account when estimating the margin requirement. The margin requirement of market participants is not directly observable and must be estimated based on the difference between the observable market rates and the swap rate over a period of time. As the margin requirement is not directly observable, some uncertainty is associated with calculating the fair value of fixed rate loans.

Application of accounting policies

Customer dividends

Each year, the bank's Board of Trustees decides whether or not customer dividends should be paid out, and if so, how much. A resolution was passed at a meeting of the Board of Trustees on 24.03.2021 and in the fourth quarter of 2021 the bank paid out NOK 60 million in customer dividends to the bank's loan and deposit customers.

Customers will receive an amount based on the bank's profit for the year and the size of the customer's deposits and loans with the bank.

- Dividends are paid to private individuals and enterprises.
- Customer can receive customer dividends for a maximum of NOK 2 million in loans from the bank.
- Co-debtors (people with joint loans) can receive customer dividends for a maximum of NOK 4 million.
- Customers can receive customer dividends for a maximum of NOK 2 million in deposits in the bank.
- Customer dividends apply from the first krone up to NOK 2 million.
- Eligibility for customer dividends is based on daily balances.

The Ministry of Finance has granted permission to use primary capital for customer dividends. The distribution of customer dividends is regulated by section 10-17(4) of the Financial Institutions Act, which classifies customer dividends as a disposal of profit for the year. The bank has used this classification in its accounting treatment and has thus treated the payment as an equity transaction. The payment of customer dividends results in a tax deduction of NOK 15 million for the 2021 fiscal year. The tax deduction is recognised through profit or loss as a reduction in the tax expense for 2021. Please note that there is some uncertainty related to the allocation of the tax deduction from customer dividends between the different holder classes.

4 ACQUISITIONS, SALES, LIQUIDATIONS AND CORPORATE ESTABLISHMENTS

There are no significant changes in group structure as of 31 December 2021.

5 SEGMENTS

The Group has three segments: Retail Market (RM), Corporate Market (CM) and Real Estate. RM and CM represents the banking operations split into two main customer groups. They also include general investment advice for the bank's customers.

The Real Estate segment involves real estate brokerage activities. This segment consists of the subsidiary, Aktiv Eiendomsmegling Jæren AS.

The accounting policies applied in the preparation of segment information are the same as the policies described in note 2. The Group does not allocate tax or non-recurring gains or losses by segment. The Group recognises inter-company transactions according to the arm's length principle. Funding costs are allocated according to capital requirements of RM and CM, respectively. Net commission income is allocated according to sales volume, and overheads according to a cost distribution formula.

The Group only operates in Norway and all of our income is earned in Norway.

Group 31.12.2021

Reporting per segment	RM	CM	Real Estate	Other	Total
Net external interest income	248 914	207 152			456 066
Net internal interest income				29	29
Net interest income	248 914	207 152		29	456 095
Net commission income	28 358	25 450	39 949	(4 106)	89 652
Income from securities	(6 592)			69 138	62 545
Other operating income	64	10		2 014	2 089
Total other operating income	21 830	25 460	39 949	67 046	154 286
Personnel costs	79 150	46 214	26 716	9 861	161 941
Other operating costs	88 223	35 702	8 097	1 659	133 681
Depreciation/write-downs	13 100	5 737	1 179	(1 155)	18 861
Profit before losses	90 271	144 959	3 958	56 710	295 898
Impairments and losses on loans and guarantees	(5 641)	(26 699)			(32 340)
Segment profit before tax	**95 912**	**171 659**	**3 958**	**56 710**	**328 238**
Net loans to customers	18 004 753	7 386 754			25 391 507
Other assets			28 603	3 952 533	3 981 136
Total assets	**18 004 753**	**7 386 754**	**28 603**	**3 952 534**	**29 372 644**
Deposits from customers	7 023 090	4 433 513		1 385 883	12 842 486
Other liabilities			15 009	13 440 189	13 455 198
Total liabilities	**7 023 090**	**4 433 513**	**15 009**	**14 826 072**	**26 297 684**

Group 31.12.2020

Reporting per segment	RM	CM	Real Estate	Other	Total
Net external interest income	255 921	213 665			469 587
Net internal interest income				(4)	(4)
Net interest income	255 921	213 665		(4)	469 582
Net commission income	27 085	24 177	32 993	(4 452)	79 802
Income from securities	622			53 920	54 542
Other operating income	194	151		339	683
Total other operating income	27 901	24 327	32 993	49 807	135 027
Personnel costs	71 246	43 287	22 429	9 587	146 550
Other operating costs	66 138	26 248	6 114	267	98 767
Depreciation/write-downs	15 866	6 630	903	272	23 672
Profit before losses	130 572	161 827	3 546	39 676	335 621
Impairments and losses on loans and guarantees	12 012	12 676			24 689
Segment profit before tax	**118 560**	**149 151**	**3 546**	**39 676**	**310 932**
Net loans to customers	17 138 518	6 861 202			23 999 720
Other assets			29 345	5 206 146	5 235 491
Total assets	**17 138 518**	**6 861 202**	**29 345**	**5 206 146**	**29 235 211**
Deposits from customers	6 534 277	4 974 777		417 003	11 926 057
Other liabilities			15 626	14 341 649	14 357 274
Total liabilities	**6 534 277**	**4 974 777**	**15 626**	**14 758 652**	**26 283 331**

Parent Bank 31.12.2021

Reporting per segment	RM	CM	Other	Total
Net interest income	145 518	207 152		352 671
Net commission income	40 190	25 450	(4 106)	61 534
Income from securities	35 000		71 079	106 079
Other operating income	64	10	2 448	2 522
Total other operating income	75 255	25 460	69 421	170 135
Personnel costs	79 107	46 214	9 861	135 182
Other operating costs	86 745	35 702	2 093	124 539
Depreciation/write-downs	13 100	5 737	(1 155)	17 682
Profit before losses	41 821	144 959	58 622	245 403
Impairments and losses on loans and guarantees	(7 000)	(26 699)		(33 699)
Segment profit before tax	**48 821**	**171 659**	**58 622**	**279 101**
Net loans to customers	8 187 741	7 386 754		15 574 495
Other assets	50 491	21 639	5 064 784	5 136 915
Total assets	**8 238 232**	**7 408 393**	**5 064 784**	**20 711 410**
Deposits from customers	7 023 090	4 438 306	1 385 883	12 847 279
Other liabilities			5 089 615	5 089 615
Total liabilities	**7 023 090**	**4 438 306**	**6 475 498**	**17 936 894**

Parent Bank 31.12.2020

Reporting per segment	RM	CM	Other	Total
Net interest income	180 522	213 665		394 187
Net commission income	44 002	24 177	(4 452)	63 727
Income from securities	(548)		53 920	53 372
Other operating income	194	151	880	1 225
Total other operating income	43 648	24 327	50 349	118 324
Personnel costs	71 206	43 287	9 587	124 080
Other operating costs	64 410	26 248	809	91 467
Depreciation/write-downs	15 866	6 630	272	22 769
Profit before losses	72 688	161 827	39 680	274 195
Impairments and losses on loans and guarantees	10 739	12 676		23 415
Segment profit before tax	**61 949**	**149 151**	**39 680**	**250 780**
Net loans to customers	8 218 651	6 861 202		15 079 853
Other assets	65 012	27 862	5 913 358	6 006 232
Total assets	**8 283 662**	**6 889 064**	**5 913 358**	**21 086 084**
Deposits from customers	6 534 277	4 979 950	417 001	11 931 228
Other liabilities			6 474 428	6 474 428
Total liabilities	**6 534 277**	**4 979 950**	**6 891 429**	**18 405 656**

6 CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

Den Gule Banken, Sandnes Sparebank uses the standard method for credit risk and the basic method for operational risk. As at 31.12.2021, the conservation buffer requirement was 2.5%, the systemic risk buffer requirement was 3.0% and the countercyclical buffer requirement was 1.0%. The Ministry of Finance has decided that the countercyclical buffer will be increased to 1.5% from 30.06.2022 and then to 2.0% with effect from 31.12.2022. These requirements are additional to the CET1 capital requirement of 4.5%, such that the total minimum CET1 capital requirement is 11.0%. The Financial Supervisory Authority of Norway has also set a Pillar 2 requirement for Den Gule Banken of 2.1%. Therefore, the regulatory minimum requirement for CET1 capital, inclusive of the Pillar 2 requirement, is 13.1%.

The Group's target for the CET1 capital ratio is a minimum of 14.1% as at 31.12.2021.

The approved capitalisation policy is designed to help ensure that the Group has enough equity to allow us to use the equity effectively in relation to our scope and risk profile. The bank must have sufficient equity to enable it to achieve a competitive return on equity, as well as competitive terms and conditions in the various credit markets. Access to liquidity must be the main consideration with respect to the goal of achieving competitive returns on equity. The equity must also ensure that the Group has sufficient capital buffers to withstand periods of negative results.

The Group manages capital with a view to fluctuations in the economic situation. This involves the bank holding regular balance sheet management meetings to review the capital situation. At these meetings, new volume figures and forecasts are reviewed in relation to the development in risk-weighted assets and the bank's performance in relation to our capital goals. The status of approved measures and any need for further measures are also reviewed.

As at 31.12.2021, the Group's total assets amounted to NOK 29.4 billion. This is an increase of NOK 0.1 billion or 0.5% compared with 31.12.2020. The increase was mainly attributable to lending growth during the period, which was partly offset by lower surplus liquidity.

Reporting of capital for owner institutions in a cooperating group as at 31.12.2021:

Companies participating in a cooperating group must proportionally consolidate holdings in financial institutions responsible for the business covered by the cooperative arrangement, ref. section 17-13(2) of the Financial Institutions Act and supplementary provisions in the CRR/CRD regulations, sections 16(3) and 32(4).

Den Gule Banken takes part in a cooperating group with Eika Gruppen AS, where the bank owned 8.4% of the shares as at 31.12.2021. Consequently, this percentage of Eika Gruppen is consolidated into the capital adequacy ratio.

As at 31.12.2021, the Group had a CET1 capital ratio (including the consolidated share of the cooperating group) of 16.6%, which is a reduction from 17.8% as at 31.12.2020. The reduction was primarily due to lending growth in 2021 and the payout of an additional dividend for the 2020 financial year, partly offset by retained earnings in 2021.

The Group's leverage ratio was 9.2% at the end of the year compared with 9.5% at the same time the previous year. The reduction was mainly due to a reduction in Tier 1 capital in the period. Nevertheless, the leverage ratio is well above the authorities' minimum requirement of 5.0%.

Proportional consolidation	31.12.2021	31.12.2020
OWN FUNDS		
CET1 capital	2 765 864	2 843 305
Tier 1 capital	2 874 226	2 951 666
Own funds	3 084 677	3 162 118
Risk-weighted assets	16 689 252	15 982 492
CAPITAL ADEQUACY		
CET1 capital ratio	16.6 %	17.8 %
Tier 1 capital ratio	17.2 %	18.5 %
Capital adequacy ratio	18.5 %	19.8 %

Group 31.12.2021	Group 31.12.2020		Parent Bank 31.12.2021	Parent Bank 31.12.2020
		OWN FUNDS		
230 149	230 149	Equity certificate capital	230 149	230 149
-20 952	-21 034	Holding of own equity certificates	-20 952	-21 034
867 200	846 201	The Savings Bank's Fund	867 200	917 276
1 790 027	1 871 428	Other equity	1 434 516	1 454 038
111 921		Provisions for dividends	111 921	
51 682		Provisions for customer dividends	51 682	
3 030 027	2 926 745	Equity (excl. hybrid capital)	2 674 516	2 580 428
-47 309	-31 985	Deduction for ownership of immaterial assets in financial services sector	-155 877	-77 862
-23 761	-22 515	Deduction for ownership of material assets in financial services sector		
-4 557	-6 082	Deduction for prudent valuation	-4 800	-5 972
-762	-536	Other deductions based on specific decisions		
-111 921		Deduction for provisions for dividends	-111 921	
-51 682		Deduction for provisions for customer dividends	-51 682	
-24 171	-22 323	Deduction for goodwill and other intangible assets	-17 866	-16 037
2 765 864	2 843 305	Total CET1capital	2 332 371	2 480 557
108 361	108 361	Hybrid Tier 1 securities and hybrid capital	100 000	100 000
2 874 226	2 951 666	Total Tier 1 capital	2 432 371	2 580 557
210 452	210 452	Subordinated loan capital (excl. accrued interest)	200 000	200 000
		Deduction for ownership of immaterial assets in financial services sector	-482	-200
3 084 677	3 162 118	Own funds	2 631 888	2 780 357
		RISK-WEIGHTED CAPITAL		
		Market risk – standard method		
15 414 673	14 761 428	Credit risk – standard method	11 876 075	11 740 398
1 210 887	1 198 821	Operational risk	990 405	981 773
21 156	22 243	Additional calculation for fixed costs		
42 536		CVA charge	27 793	
16 689 252	15 982 492	Risk-weighted assets	12 894 272	12 722 171
18.5	**19.8**	**Capital adequacy ratio**	**20.4**	**21.9**
17.2	**18.5**	**Tier 1 capital ratio**	**18.9**	**20.3**
16.6	**17.8**	**CET1 capital**	**18.1**	**19.5**
		BUFFER REQUIREMENTS		
417 231	399 562	Conservation buffer (2.50%)	322 357	318 054
166 893	159 825	Countercyclical buffer (1.00%/2.50%)	128 943	127 222
500 678	479 475	Systemic risk buffer (3.00%)	386 828	381 665
1 084 801	1 038 862	Total buffers for CET1 capital	838 128	826 941
751 016	719 212	Minimum requirement for CET1 capital (4.50%)	580 242	572 498
930 047	**1 085 231**	**Available CET1 capital in excess of minimum requirement and buffer requirements**	**914 001**	**1 081 118**

Group 31.12.2021	Group 31.12.2020		Parent Bank 31.12.2021	Parent Bank 31.12.2020
		SPECIFICATION OF RISK-WEIGHTED ASSETS		
		Standard method		
		Market risk		
	301	States and central banks		
80 013	264 560	Local and regional authorities	52 765	238 151
119 607	163 552	Institutions	345 026	305 794
875 511	1 197 835	Enterprises	804 202	1 142 146
1 573 673	1 521 496	Mass market	1 331 413	1 279 676
11 012 111	10 203 130	Loans with collateral in real estate	7 432 299	6 935 205
231 865	222 035	Past due loans	226 596	214 527
789 116	739 894	High-risk loans[1]	789 116	739 894
188 603	188 620	Covered bonds	138 017	144 289
26 226	25 249	Fund units	18 153	16 907
402 496	117 563	Equity positions	648 175	620 524
115 451	117 194	Others	90 314	103 286
15 414 673	14 761 428	Credit risk	11 876 075	11 740 398
1 210 887	1 198 821	Operational risk	990 405	981 773
21 156	22 243	Additional calculation for fixed costs		
42 536		CVA charge	27 793	
16 689 252	**15 982 492**	**Total risk-weighted assets**	**12 894 272**	**12 722 171**

[1] High-risk loans

In December 2020, the Financial Supervisory Authority of Norway published circular 5/2020 on loans and advances that should be classified as high risk. Since the Ministry of Finance has been working on the basis of a different understanding of the law related to how real estate projects should be treated, the circular has been amended. A new circular, 2/2021, replaces circular 5/2020. For Norwegian banks, this means that if a borrower has entered into a legally binding purchase agreement that covers more than half of the amount of the loan, the project will not be considered high risk. In this case, the project must be assigned a risk weight of 100% not 150% as in the original circular.

The bank has generally flagged loans as high risk that as at 31.12.2021 are primarily linked to:

- Real estate development projects with no current income to independently service interest payments in the development phase
- Real estate development projects that are reliant on a future development project before it is reasonable to assume that full retirement of the principal can take place.
- Real estate development projects where the bank has financed the construction of homes without sufficient advance sales (typically projects consisting of one or at most two homes). All major development projects require satisfactory advance sales.
- Other forms of speculative real estate financing.

The bank's interpretation of high-risk loans matches the principles set out in the updated circular from the Financial Supervisory Authority of Norway.

7 RISK MANAGEMENT

Through its business practice, Sandnes Sparebank is exposed to various types of risk. Managing the risks in a holistic manner is therefore material to the Group's business model. In order to achieve the objectives set in the strategy plan, risk must be taken deliberately, but must be measured versus return. At the same time, this means that the risk must be identified, assessed, and measured.

The following principles apply to the Group's risk management:
- Risk is taken within a defined risk appetite
- Each risk must be approved within the risk management framework
- Risk must be adequately compensated over time and be continuously monitored and managed

Organisation and power of attorney structure

The Board of Directors

The Board of Directors is responsible for determining the Group's risk profile. The Board of Directors also determines the governing limits and powers of attorney within the various risk areas. Risk management policies in the Group, including all significant aspects of risk management models and decision-making processes, are the responsibility of the Board of Directors. Furthermore, the Board of Directors shall ensure that the bank has sufficient capital based on risk tolerance and activities, and in relation to regulatory requirements.

Risk Committee

The purpose of the Risk Committee, which is a board committee, is tasked with ensuring that the quality of risk management and control is satisfactory. This entails, among other things, that the risk committee monitors the Group's risk strategy implementation, advises the Board of Directors on existing risk strategy and risk tolerance, as well as improved management of the risk area.

CEO, Director Risk Management, and the Management Group

The CEO has the day-to-day responsibility for risk management, which has been operationally delegated to the Director Risk Management. The Director Risk Management independently reports to the CEO and the Board of Directors and has corporate responsibility across departments for managing all credit, market, liquidity, and operational risk in addition to method development and process improvements for risk measurement. The Director Risk Management is also responsible for monitoring, analysing, and reporting risk.

The Director Risk Management is responsible for developing the Group's strategy for overall risk management, credit risk and policy strategies, financial risk, liquidity risk, and operational risk. The Director Risk Manager also works closely with the Compliance Manager. The bank also has separate roles responsible for selected risk areas. This includes a dedicated Sustainability Manager who is responsible for coordinating the work on ESG risk. There is a dedicated Data Protection Officer who coordinates and monitors privacy-related topics. There is also a separate anti money laundering department and manager.

In terms of day-to-day risk management, each individual manager in the Group shall ensure that he/she has knowledge of all types of significant risk within his/her own area of responsibility. The goal is to ensure this field is managed in an economically and administratively sound manner. The CEO has provided further policies for the implementation of governing credit policies and credit strategies. Each business area manages its own credit processes in accordance with given policies.

All business areas within the Group carry out an annual risk review that includes:
- Comments on their own internal control work
- Risk assessments
- Assessment of their own compliance with external and internal regulations
- Planned improvement measures

Reporting takes place at departmental level and forms the basis for aggregate reports for business areas and support areas included in the CEO's reporting to the Board of Directors.

Audits

External and internal audits are two important elements in risk management. Independent and efficient auditing contributes to appropriate internal control, as well as reliability in financial reporting.

The bank's internal auditor is KPMG, while the external auditor is Deloitte. The Internal Audit received instructions from the Board of Directors, which also approves the Audit's annual plans.

Risk management and capital planning

A key part of the bank's risk management is the Group's internal assessment of capital requirements (ICAAP – Internal Capital Adequacy Assessment Process). This process includes assessing all significant risks the bank is exposed to with associated assessment of internal capital requirements for the various risks.

In connection with ICAAP, the Board of Directors reviews the Group's most important risk areas and internal control. The review aims to document the quality of work in the most important risk areas. The review will ensure that changes in the risk picture are identified in a way that facilitates the implementation of necessary improvement measures.

Risk categories

The main risk categories for the Sandnes Sparebank Group are the following:

Credit risk

Credit risk arises from all transactions where there are actual, agreed, or possible claims against counterparties, borrowers, issuers, or other debtors. We manage credit risk primarily through credit strategy and policy. There is also some credit risk / counterparty risk associated with the Group's financing and investment activity. This is managed in the financial strategy.

See note 8-11 for an assessment of credit risk.

Market risk

Market risk is the possibility of unfavourable market value developments in our trading or investment positions. Market risk may arise from changes in interest rates, credit spreads, and exchange rates.

See notes 12-15 for an assessment of market risk.

Liquidity and settlement risk

Liquidity risk is losses due to the bank's inability to meet all payment liabilities due or that they can only be met at additional costs. Our liquidity risk objective is to ensure that the Group can fulfil payment liabilities and manage liquidity and financing risk within the risk appetite specified by set limits for various measurement parameters in the liquidity strategy.

See note 16 for an assessment of liquidity risk.

Settlement risk is the risk that existing, conditional, or possible future positive exposures will not be met by the bank's counterparties.

Operational risk

Operational risk means the risk of incurring losses due to incorrect or inadequate internal processes, people, systems, or incurring losses due to external events outside the bank's control, including legal risk.

Operational risk is associated with the bank's IT systems, which are largely managed by external service providers in accordance with written contracts. SDC and Eika are the bank's main suppliers of technology services. Good management and control of IT systems both in the bank and on the side of the service providers is essential to ensure accurate, complete, and reliable financial reporting. The bank has established a general management model and internal control activities related to the IT systems. Key systems have been standardised, and experience shows that there have been few operational errors related to the IT systems.

An important element in connection with operational risk is the follow-up of adverse incidents. The bank has established tools for reporting, classification, and follow-up of adverse incidents. This way, internal processes can be adjusted to reduce the likelihood of recurrence.

ESG risk

ESG risk includes risk related to environmental, social responsibility, and governance factors. Also including climate-related risk. Climate-related risk includes the risk of increased credit risk and financial losses for the bank as a result of climate change. The bank conducts an annual risk review which includes ESG and climate-related risk.

Climate-related risk has primarily been identified in the bank in connection with corporate market loans. This is related to physical risk, but also transitional risk from the current situation to a low-emission society. An assessment of sustainability and climate-related risk is therefore integrated in the bank's credit process. Because the bank is not exposed to the oil and gas industry, for example, commercial property, building and construction, and agriculture are considered as the sectors with the highest inherent climate-related risk in the bank's portfolio. At the same time, there are major opportunities for positive influence in these industries. This is also the reason why the bank has started developing green products for these sectors and currently offers green agriculture loans and green mortgages. See also the chapter Sustainability and Social Responsibility.

Other risks

Other risks include strategic risk, ownership risk, and risk in the environment. Strategic risk is the risk of incurring losses due to earnings that are lower than expected but have not been compensated through lower costs. Strategic risk can arise from changes in the competitive landscape, regulatory changes, or inefficient positioning in relation to the macro environment affect our operations. Strategic risk can also arise due to a failure to achieve targeted strategies and/or failure to adjust unsatisfactory returns. Ownership risk is risk arising from being an owner in a company, for example through operation, or the risk of a need for fresh capital.

Risks in the environment will mainly involve macroeconomic risks such as unemployment and developments in bankruptcy rates.

8 CREDIT RISK

Credit risk is the risk of incurring losses if the bank's customers do not fulfil their obligations to the Group.

Credit risk primarily arises in the bank's loan portfolio, although such risk also exists in the Group's holdings of bonds, certificates and financial derivatives. Credit risk is the Group's greatest risk and mainly consists of net loans to customers, cash and receivables from central banks, as well as financial instruments. Credit risk on loans, guarantees and credit facilities is the most important due to both volume and the general risk level. This risk is therefore described in detail below. Other exposure involves limited credit risk.

Group			Parent Bank	
31.12.2021	31.12.2020	Maximum exposure to credit risk	31.12.2021	31.12.2020
2 967	3 263	Cash	2 967	3 263
436 965	485 300	Loans to and receivables from credit institutions	444 752	510 357
24 178 029	22 694 107	Loans to customers at amortised cost	13 592 027	13 178 665
1 213 479	1 305 613	Loans to customers at fair value	1 982 468	1 901 187
2 798 478	3 879 026	Certificates and bonds	2 239 869	3 405 734
142 059	326 270	Financial derivatives	103 898	183 697
18 171	16 312	Other assets	1 417 414	1 034 165
17 486	18 550	Prepaid costs and accrued income	16 797	17 769
28 807 634	**28 728 441**	**Total credit risk exposure in balance sheet items**	**19 800 194**	**20 234 839**
349 667	399 427	Guarantee liabilities	349 667	399 427
2 777 586	2 877 948	Unused credit facilities and loan commitments	1 749 737	1 855 491
31 934 887	**32 005 816**	**Total credit risk exposure**	**21 899 599**	**22 489 756**

Measurement of credit risk in the loan portfolio

Den Gule Banken, Sandnes Sparebank measures and monitors credit risk using internal credit risk calculations based on a combination of exposure and models for estimating probability of default and loss given default. In 2021, the bank switched from using self-developed models to using common models developed by Eika Gruppen. While the structure and function of the models are virtually the same, some underlying parameters are different and the resulting effects on the portfolio are due to these model differences producing somewhat different estimates.

Probability of default

In the second quarter of 2021, the Group switched to using the same models for estimating the probability of default (PD) as the other Eika banks. These are scorecards that were developed based on the entire Eika portfolio of customers, including Den Gule Banken's customers. The large pool of data on which their development was based makes it easier to produce models and, not least, validate and maintain them.

Both Retail Market (RM) and Corporate Market (CM) customers are scored monthly using various credit models. The models vary based on how much, and what kind of, information is available on the individual customer. This means that for new customers, the models use publicly available information, while for existing customers, behavioural history in the bank is also used. The publicly available information is from Bisnode. The scorecards for brand new customers with no internal history are also from Bisnode. As the bank accumulates more internal information about customers, more and more internal data is weighted into the models over the course of up to four phases that culminate in a situation where eventually the data being used is mainly internal.

The models were developed on the basis of data from 2014-2019 and the old definition of default. This involved just a single absolute limit for default of NOK 1 000 and the fact that the arrears had to be more than 90 days past due. The new definition involves an additional relative limit of at least 1% of the loan, as well as manual assessments where the customer is not in default but where the bank believes that the customer is likely to have problems meeting their obligations. The updated definition of default was used in the bank's own validation processes, which were conducted using data up to June 2021, without this having any significant impact on the quality of the model. The difference in the definitions primarily affects when defaults occur, which is somewhat later with the new definition than with the old definition. In other words, there is no significant difference in which customers default. The bank also starts following up customers experiencing problems much earlier than 90 days after the default has occurred and will often have transferred the loan to Stage 3 and individually tested it for impairment before this. This has not changed with the new formal definition of default and the consequence of this is that the new definition has little effect on the bank's defaulted (including those individually tested for impairment) loans.

As part of Eika, the Group has had access to the model's results for its own customers for testing and validation purposes thanks to common data warehouses that stretch back to January 2020.

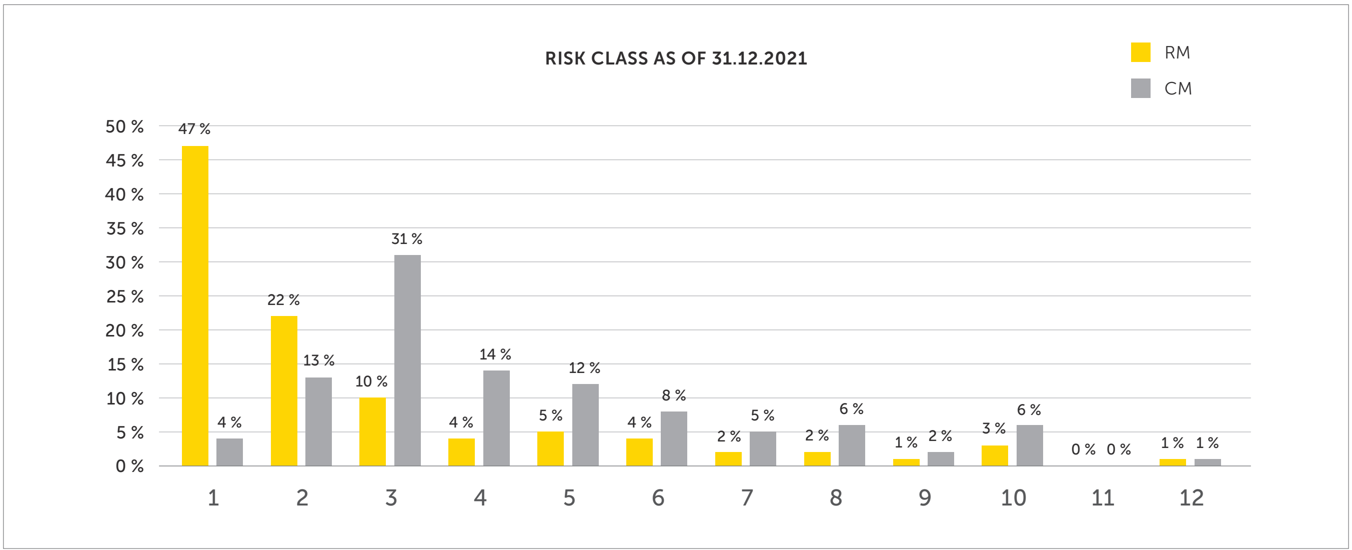
The models calculate a score that can be converted into a probability of default and then assigned a risk class. The bank currently uses a scale from 1 to 12, where 1 is the best and 11 and 12 are customers who are in default or have loans with individual impairment. The model is regularly tested both by the Eika Gruppen centrally and through the bank's own validation processes.

The various risk classes and associated upper limit for probability of default are shown in the table below.

Risk class	Upper limit
1	0.10 %
2	0.25 %
3	0.50 %
4	0.75 %
5	1.25 %
6	2.00 %

Risk class	Upper limit
7	3.00 %
8	5.00 %
9	8.00 %
10	99.99 %
11 og 12	100.00 %

The distribution in the CM and RM portfolios, respectively, can be seen in the figure below, which shows that there is a good concentration of loans in the lower risk classes.



Changing the models we use has resulted in a lower probability of default in the portfolio. Compared with actual defaults and estimated defaults, the new models produce more expectation-oriented values. Through the Eika Alliance, the models can be validated at both a general level using data for the entire Alliance and at a bank level based on the bank's own portfolio. The bank thus benefits from access to a large enough portfolio via the Eika Alliance to make validations credible and from also being able to test the models against our own portfolio to check it has no peculiarities that make the models less suitable for describing the bank's risk.

The Covid-19 pandemic has had little impact on the probability of default model. This is due in part to the support measures put in place by the government, which, at least in the short term, counteracted some of the effects, and which directly affect our models. These involve supplying liquidity to enterprises, either directly through support schemes or indirectly through deferred payments to the public purse. At the same time, we can see in our own portfolio that the demand for interest-only periods, which rose sharply in March 2020 after the shutdown of society, quite quickly fell back to normal levels. Part of the explanation for this is probably that the bank has not observed a particularly large effect given that the bank has little exposure to those sectors that have been hardest hit by the effects of the pandemic.

Loss given default

Collateral is used to reduce credit risk. This collateral can consist of physical objects, guarantees or cash deposits. As a general rule, physical collateral must be insured and can include buildings, homes or inventories. When measuring the value of the collateral, CM uses an expected realisation value, which entails using various reduction factors for different types of collateral. The realisation value depends on the type of collateral, although it is usually either the market value or the carrying amount. The bank uses standard reduction factors, which are 80% for property, plant and equipment and 20% for commercial real estate.

The collateral in CM is mainly real estate and property, plant and equipment, where collateral in real estate accounts for around 90% of the estimated collateral value. In line with EBA guidelines, the bank has procedures for assessing the value of collateral. These mainly involve obtaining appraisals of properties in excess of a certain size, although internal cash flow based valuations can be accepted for smaller exposures within specified limits. The qualities of a building are included in such assessments, such as energy efficiency, the type and location of the building, the credit risk related to tenants and age.

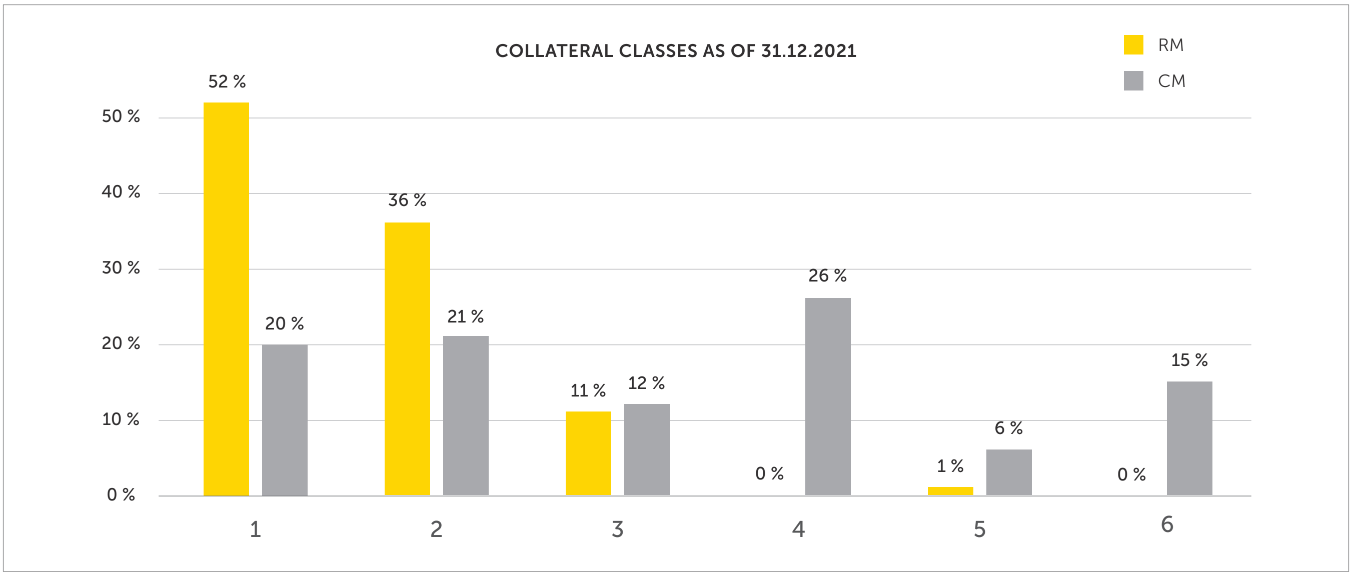
For residential mortgages, a combination of appraisal and statistical valuation based on sales prices from Eiendomsverdi is used. Valuations are then updated on a quarterly basis based on statistical data from Eiendomsverdi. To ensure that the models are accurate enough, the statistical models include, among other things, quality targets that specify the proportion of the portfolio that can be in municipalities with long sales times/low liquidity in the housing portfolio and thereby less certain estimates. Eiendomsverdi has a scale that goes up to 20, where 20 is the best. The bank's share of residential mortgages in municipalities with a municipality score under 10 is less than 1.5% and less than 0.5% in municipalities with a score under 5.

The loans are then classified into up to six collateral classes based on the loan-to-collateral value ratio for RM customers and collateral cover for CM customers. Next, a loss given default (LGD) value is calculated for each collateral class. This is different for RM and CM for the individual classes of collateral, and was adjusted to some extent in connection with the switch to using the same models as the rest of Eika, and can be seen in the table below.

Retail Market		
Collateral class	Max collateral coverage	LGD
1	60 %	2.50 %
2	80 %	3.50 %
3	100 %	6.00 %
4	110 %	12.50 %
5	∞	25.00 %
6	n.a.	n.a.

Corporate Market		
Collateral class	Min collateral coverage	LGD
1	130 %	8 %
2	110 %	9 %
3	100 %	10 %
4	80 %	12 %
5	60 %	25 %
6		35 %

The distribution of the RM and CM portfolio (gross loans) in the various collateral classes based on the bank's assessed market value as at 31.12.2021 is as follows.



As mentioned, the switch to using the same models as Eika resulted in some changes to assigned collateral classes and adjustments to LGD values based on conducted validations of portfolio losses. For customers whose collateral is in a residential property, the changes resulted in the expected credit losses being reduced slightly for those with the lowest loan-to-collateral value ratio, while for customers with a higher loan-to-collateral value ratio, LGD was adjusted upwards. In CM, LGD was adjusted slightly upwards for both those with good collateral cover and those in the second lowest categories, while it was adjusted downwards for the others. The effects were somewhat neutral for CM, but somewhat lower loss estimates for RM overall.

Total risk

The expected credit loss for each loan is calculated based on the probability of default and loss given default. Three risk groups are defined for loans that are not in default based on their expected credit loss. The table is the same for RM and CM.

Risk group	Expected credit loss lower limit	Forventet tap øvre grense
Low	0.00 %	0.25 %
Moderate	0.25 %	1.00 %
High	1.00 %	100.00 %

Risk classification is important when it comes to the level of customer monitoring and is also included as a criterion in credit ratings and credit decisions. In addition to risk classification come discretionary factors such as management, market, loan history, profitability, etc. Besides using scoring models, the Group has guidelines for the composition of the various portfolios.

Further information about the ECL model

Risk classification is also used as a basis for calculating losses in Stage 1 and 2 pursuant to IFRS 9. In Stage 1, the expected credit loss over 12 months is calculated. In the event of a material increase in credit risk, the loan must be transferred to Stage 2 and the expected credit loss for the entire term of the loan calculated. A significant increase in credit risk is defined as one of two events having occurred:

1) **Either that** the original 12-month PD upon loan establishment adjusted for future prospects is < 1% and at the same time the 12-month PD has increased by at least 0.5% since initial recognition and at the same time lifetime PD for the remaining term to maturity has doubled in relation to the original lifetime PD for the remaining term to maturity.

2) **Or that** the original 12-month PD adjusted for future prospects is greater than or equal to 1% and at the same time either the 12-month PD adjusted for future prospects has risen by at least 2% since loan establishment or that lifetime PD over the loan's remaining term to maturity has doubled in relation to its size upon loan establishment.

In addition, an account is defined as Stage 2 if it is flagged with forbearance or has been in default for more than 30 days. Stage 3 is the same as the individual impairments that are evaluated subjectively in each case.

The model Den Gule Banken, Sandnes Sparebank uses for calculating expected credit losses operationalises a low-risk exception by assuming that loans deemed to have a low credit risk on the reporting date can be assumed not to have significantly increased credit risk if the customer has no changes other than a statistically calculated increase in PD of less than 0.5 percentage points and their 12-month PD is less than 1%. Correspondingly, the requirement is 2 percentage points when a 12-month PD of 1% is exceeded. This exception is regarded as appropriate in order to avoid loans with a low PD migrating to Stage 2 due to changes in PD that are small in absolute terms. Not having such absolute limits for how much PD can change before an account migrates a stage would result in significant volatility and constant changes in stage classification given that customers' PD is updated on a monthly basis. Were this exception to be eliminated, the effect on ECL in isolation would be NOK 3.8 million, of which NOK 1.1 million would be related to the exception for customers with a PD of less than 1% and the rest related to the exception for customers with a 12-month PD of greater than 1%. The majority would also be related to CM customers (NOK 2.4 million).

In order to determine expected credit losses over a loan's term to maturity in Stage 2, it is assumed that shifts in customers' risk class follow a so-called Markov process. Here, the bank applies a migration matrix based on historical risk class shifts to describe future risk class shifts. The expected changes in risk class one year into the future are a result of historical changes and expected changes. For example, 5 years into the future is the same as five 1-year changes in a row. This enables PD to be calculated for an arbitrary number of years into the future. The lifetime PD matrix specifies the probability for a given risk class a given number of years into the future.

When PD is 5% or less, the expected term to maturity is used. The expected term to maturity is calculated based on empirical data as an average per product type for both retail and corporate loans. When PD is more than 5%, the full term to maturity is used.

Sandnes Sparebank then adjusts provisions for losses by the expected developments in various macro variables that deemed to have an impact on expected credit losses. The basis for the macroeconomic scenarios is received from Eika, although Sandnes Sparebank adapts them to our exposure and how we view the market. Expectations concerning the future are deduced from a macro model that considers three scenarios – a base case, an outcome based on positive expectations, and an outcome based on negative expectations – for macroeconomic developments for 1-3 years into the future.

As at 31.12.2021, the bank expects the macro variables to develop as follows:

	2022	2023	2024	2025
MAIN SCENARIO				
Unemployment rate (level)	4.3 %	4.1 %	3.8 %	4.1 %
Household debt (change)	0.5 %	0.5 %	0.4 %	0.5 %
Average bank loan rate (level)	2.5 %	3.1 %	3.5 %	3.5 %
Oil price (USD per barrel)	80	75	70	67
NEGATIVE SCENARIO				
Unemployment rate (level)	4.9 %	4.7 %	4.4 %	4.4 %
Household debt (change)	-1.9 %	-0.9 %	-0.6 %	-0.5 %
Average bank loan rate (level)	2.0 %	2.6 %	3.0 %	3.0 %
Oil price (USD per barrel)	60	55	50	47
POSITIVE SCENARIO				
Unemployment rate (level)	3.7 %	3.5 %	3.2 %	3.2 %
Household debt (change)	0.0 %	1.0 %	1.3 %	1.4 %
Average bank loan rate (level)	3.0 %	3.6 %	4.0 %	4.0 %
Oil price (USD per barrel)	80	75	70	67

The scenario weights are 70% for the base case, 10% for the positive scenario and 20% for the negative scenario. These are then used to generate multipliers for future expectations in the ECL model, which affect the impairments in Stage 1 and Stage 2. For RM, individual values are calculated for different counties and for different terms to maturity, whereas for CM the classification is based on sector.

Eika's downside scenario is based on the Financial Supervisory Authority of Norway's stress scenario for 2021-2024. This assumes that the Norwegian economy will experience an interest rate shock from abroad. In the Financial Supervisory Authority of Norway's scenario (from June 2021) this comes in the form of a sharp rise in foreign central bank interest rates that Norges Bank follows up with corresponding rate hikes. The new interest rates are assumed to reach a painful level for Norwegian business, for Norwegian loan customers and thus for Norwegian banks. Property prices fall back sharply.

In the upside scenario, which is designed to be particularly optimistic, it is envisaged that the economic impact of the ravages of the pandemic are minor, both for households and for businesses, either because they do not affect the economy or because the economic measures put in place by the government compensate for all its adverse effects. The experience from 2020-2021 was that the impact of a combination of interest rate cuts, access to easier loans for business in banks (and from the government), government compensation schemes, and other generous uses of oil money was so powerful that a strong decline in the number of bankruptcies was seen. The measures more than compensated for the effects of the pandemic. The base scenario for the Norwegian economic entails a strong recovery within economy activity after the pandemic. This is mainly due to a sharp increase in private consumption next year. At the same time, our trading partners return to more normal capacity utilisation in their economies, which helps our export industries. The problems due to infection pressure are assumed not to be so great that they affect the development of the Norwegian economy. Nevertheless, defaults and bankruptcies must be expected to increase from their current extreme low levels. a normalisation to the bankruptcy rates seen before the pandemic struck Norway.

As far as the values provided by the macro model are concerned, the bank has also manually increased the multiplier for expectations for the future for some sectors in order to take account of more risk than the model is able to estimate, given the situation one is in, and that models can have problems capturing. This applies to companies linked to tourism, restaurant operations and entertainment where the bank has significantly increased the risk adjustment. At the same time, these are sectors to which the bank has little exposure. Here, we adjusted the future macro adjustment for the future upwards by 100%. This is somewhat lower than the corresponding adjustment that was made the year before. Similarly, we continue to apply a somewhat elevated, albeit lower than the year before, adjustment to building and construction activities, and the risk for the wholesale and retail trade has been adjusted downwards even further. The overall effect on the portfolio is relatively small and the downwards adjustment of future risk has a total effect on these sectors of less than NOK 1 million.

The model is based on the current situation for expected credit losses in the form of current calculated PD and LGD values. When these are low, the impact of the various scenarios will be relatively small. The bank has therefore also looked at expected credit losses in relation to long-term averages for both RM and CM and adjusted the value for future expectations upwards based on this. For CM, the adjustment was calculated based on average losses for different sectors, weighted in line with the bank's own portfolio, while for RM, the adjustment was made based on a combination of key policy rates and historic household defaults. The bank thereby manages to capture changes in interest rates that are otherwise not a direct variable included in the bank's models. This adjustment also takes account of the future challenges that parts of the business community face and that are not captured in the PD models, such as the fact that given that the authorities have stimulated liquidity through interest-free credit on VAT payments, etc., the effect when these stimulus schemes are discontinued will be increased pressure on liquidity. The adjustments of this macro variable capture this and it replaces what were previously explicit Covid-19 adjustments. What were previously explicit provisions related to Covid-19 are now baked into the macroeconomic expectations for the future and thus integrated into the model. This also means that when the situation changes, the bank will adjust the expectations for the future and the phasing out of Covid-19 effects will occur implicitly through these adjustments when the assumptions for such changes are possibly in place.

Effects on ECL estimates due to model changes

As mentioned above, Den Gule Banken, Sandnes Sparebank has switched from using our self-developed models for PD and LGD to using common models developed by Eika Gruppen. The effects of the model changes have largely been a reduction in expected credit losses, although the effects on the individual exposures can vary. For example, there are some loans for which the estimate is now higher because the LGD values for some customers have been adjusted upwards, while for others, PD remains unchanged. The table below is designed to show how great an effect the combined model changes have had on ECL in the various stages. The total effect is just over NOK 12 million, of which the majority relates to the best loans classified in Stage 1.

Stage	Provisions for losses as at 31.12.21	Provisions for losses as at 31.12.20	Total changes in loss provisions throughout the year	Changes due to model changes	Changes due to other changes in the portfolio
1	13 596	25 300	11 704	11 126	578
2	44 248	52 051	7 803	7	7 796
3	37 571	74 444	36 873	1 153	35 720
TOTAL	**95 416**	**151 796**	**56 379**	**12 286**	**44 093**

Both adjustments of LGD values and changes to PD models contribute to the effect on total ECL, with the LGD adjustments having the greatest effect.

Loans with payment relief

The proportion of loans with payment relief is at a relatively low level for the bank. Following an immediate increase in demand for interest-only periods due to the Covid-19 shutdown, demand fell relatively quickly and remained low throughout 2021. For CM, the proportion of loans with interest-only periods is now at a historically low level.

Interest-only periods are generally the only form of payment relief granted by the bank. However, not all interest-only periods are flagged as payment relief. The majority of customers who get interest-only periods are customers who are able to service their debt but who have such a low loan-to-collateral value ratio that it is not necessary at the present time. In addition, there are some who are granted short-term interest-only periods of up to 6 months who are also not flagged as receiving payment relief. There were no changes to the flagging policy during the year.

Overall, as at the end of the year, there were 425 loans flagged with payment relief (forbearance), a reduction from 507 the year before. And in total, this now amounts to NOK 1 216 million. The majority of these loans are placed in Stage 2, indicating that the bank expects the loans to be serviced as normal in due course, while a smaller proportion are considered to be so credit-impaired that individual impairments have been applied and the loan has been transferred to Stage 3.

The proportions of loans with payment relief by the various stages:

	2021	2020
Stage 1	0 %	0 %
Stage 2	92 %	94 %
Stage 3	8 %	6 %

Exposure at default (EAD)

EAD for agreements in Stage 1 consists of outstanding receivables or obligations adjusted for cash flows in the next 12 months, and EAD for agreements in Stage 2 consists of the discounted cash flows for the expected lifetime of the agreement. For guarantees, EAD is equal to the outstanding obligation on the reporting date multiplied by a conversion factor of between 0.2-1 depending on the type of guarantee. EAD for unused lines of credit is equal to the outstanding unused line of credit on the reporting date.

Total corporate market exposure by risk groups

31.12.2021

	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
Risk groups	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group
Low	5 600 090	5 600 090	283 022	283 022	691 667	691 667	6 574 779	6 574 779	79.7 %	79.7 %
Moderate	1 043 228	1 043 228	36 954	36 954	109 516	109 516	1 189 697	1 189 697	14.4 %	14.4 %
High	367 803	367 803	15 991	15 991	24 875	24 875	408 669	408 669	5.0 %	5.0 %
Defaults/ impairments	61 231	61 231	11 986	11 986	1 469	1 469	74 686	74 686	0.9 %	0.9 %
Total	**7 072 351**	**7 072 351**	**347 954**	**347 954**	**827 527**	**827 527**	**8 247 831**	**8 247 831**	**100.0 %**	**100.0 %**

31.12.2020

	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
Risk groups	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group
Low	4 454 573	4 454 573	240 473	240 473	500 709	500 709	5 195 755	5 195 755	66.6 %	66.6 %
Moderate	1 472 697	1 472 697	114 787	114 787	124 357	124 357	1 711 841	1 711 841	21.9 %	21.9 %
High	719 700	719 700	21 281	21 281	81 562	81 562	822 542	822 542	10.5 %	10.5 %
Defaults/ impairments	47 066	47 066	21 082	21 082	5 440	5 440	73 588	73 588	0.9 %	0.9 %
Total	**6 694 035**	**6 694 035**	**397 623**	**397 623**	**712 068**	**712 068**	**7 803 727**	**7 803 727**	**100.0 %**	**100.0 %**

Total retail market exposure by risk groups

31.12.2021

	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
Risk groups	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group
Low	7 901 234	17 606 931	1 639	1 639	915 467	1 939 909	8 818 340	19 548 479	93.6 %	96.4 %
Moderate	319 597	429 095			6 486	9 891	326 083	438 986	3.5 %	2.2 %
High	141 523	143 341			159	159	141 682	143 500	1.5 %	0.7 %
Defaults/ impairments	139 790	139 790	75	75	99	99	139 964	139 964	1.5 %	0.7 %
Total	**8 502 145**	**18 319 157**	**1 714**	**1 714**	**922 211**	**1 950 059**	**9 426 069**	**20 270 929**	**100.0 %**	**100.0 %**

31.12.2020

	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
Risk groups	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group
Low	6 832 683	15 429 765	1 565	1 565	1 039 117	2 061 233	7 873 364	17 492 563	82.6 %	89.8 %
Moderate	633 912	783 154			91 306	91 306	725 219	874 460	7.6 %	4.5 %
High	752 781	924 763	164	164	12 402	12 743	765 347	937 671	8.0 %	4.8 %
Defaults/ impairments	166 441	168 002	75	75	597	597	167 114	168 675	1.8 %	0.9 %
Total	**8 385 817**	**17 305 685**	**1 804**	**1 804**	**1 143 423**	**2 165 880**	**9 531 043**	**19 473 368**	**100.0 %**	**100.0 %**

Share of exposure at default by risk group and stage

Group 31.12.2021

	Risk group				
Stage	Low	Moderate	High	Defaults/impairments	Total
1	80 %	2 %	0 %	0 %	82 %
2	12 %	4 %	2 %	0 %	17 %
3	0 %	0 %	0 %	1 %	1 %
TOTAL	**91 %**	**6 %**	**2 %**	**1 %**	**100 %**

Parent Bank 31.12.2021

	Risk group				
Stage	Low	Moderate	High	Defaults/impairments	Total
1	75 %	4 %	1 %	0 %	79 %
2	11 %	5 %	3 %	0 %	19 %
3	0 %	0 %	0 %	2 %	2 %
TOTAL	**86 %**	**9 %**	**3 %**	**2 %**	**100 %**

Group 31.12.2020

	Risk group				
Stage	Low	Moderate	High	Defaults/impairments	Total
1	75 %	5 %	2 %	0 %	81 %
2	8 %	4 %	5 %	0 %	18 %
3	0 %	0 %	0 %	1 %	1 %
TOTAL	**83 %**	**9 %**	**6 %**	**1 %**	**100 %**

Parent Bank 31.12.2020

	Risk group				
Stage	Low	Moderate	High	Defaults/impairments	Total
1	66 %	8 %	2 %	0 %	76 %
2	8 %	6 %	7 %	0 %	22 %
3	0 %	0 %	0 %	2 %	2 %
TOTAL	**74 %**	**14 %**	**10 %**	**2 %**	**100 %**

Concentration risk

Concentration risk is when significant concentrations of risk arise due to exposure to debtors or securities with similar economic characteristics or that are involved in comparable activities, and where these similarities can result in them experiencing problems fulfilling their payment obligations at the same time or the assets fluctuating at the same time such that if one experiences problems then many will because of the similarities.

For å vurdere og styre konsentrasjonsrisiko vurderer konsernet grad av skjevfordeling av utlånsporteføljen ut fra følgende forhold:

- Major individual customers
- Individual sectors (sectoral groups that face specific challenges or cyclical sectors)
- Geographical areas
- Collateral with the same risk characteristics (e.g. dependent on property prices)
- Counterparties in interbank operations or trading in financial derivatives

The Group uses the same method as the Financial Supervisory Authority of Norway to calculate concentration risk for individual and sector risk. The bank has a not-insignificant concentration of loans related to financing real estate investments. As at 31.12.2021, a total of 51.3% (50.3%) of the bank's loans and advances to corporate customers was related to property management. The bank is focused on monitoring this concentration risk.

In addition, the bank assesses concentration risk in relation to major individual loans. The bank defines major loans as loans that exceed 10% of the bank's own funds. At the end of 2021, only three loans were defined as major loans based on this definition. All of these related to property management. The bank has also set a target that specifies that a maximum of 1/3 of the bank's corporate loan portfolio may be loans in excess of NOK 150 million. This share amounted to 27% at the end of the year and comprised 11 loans.

Age distribution of loans past due

The table shows amounts of loans and overdrafts on credit by number of days past due. The 1-30 days age distribution has not been adjusted for delays in payment transfers and the size of the amounts past due can therefore vary based on the reporting date.

31.12.2021

Group				Parent Bank		
RM	CM	Total	Age distribution of loans past due	RM	CM	Total
65 793	191 336	257 129	1-30 days	52 340	191 336	243 676
33 624	27	33 651	31-60 days	33 243	27	33 270
13 353	7 054	20 407	61-90 days	13 353	7 054	20 407
89 955	29 664	119 619	> 90 days	89 955	29 664	119 619
202 725	**228 081**	**430 806**	**Total**	**188 892**	**228 081**	**416 973**

31.12.2020

Group				Parent Bank		
RM	CM	Total	Age distribution of loans past due	RM	CM	Total
309 857	19 819	329 677	1-30 days	259 341	19 819	279 160
68 027	11 143	79 169	31-60 days	53 554	11 143	64 697
29 843		29 843	61-90 days	29 843		29 843
120 930	60 870	181 800	> 90 days	120 930	60 870	181 800
528 657	**91 832**	**620 489**	**Total**	**463 668**	**91 832**	**555 500**

As at 31.12.2021, of the bank's total lending that was more than 90 days past due, no provisions for losses had been made for approximately NOK 32 million (NOK 77 million as at 31.12.2020) because of good collateral cover. The loans have been individually assessed in Stage 3.

ESG

Before granting credit in the corporate market, the bank conducts an assessment of ESG factors in general and climate-related risk in particular. All counterparties are also assigned an ESG category in connection credit ratings. This is based on a simple scoring model developed in collaboration with the Eika Alliance. All loans for more than NOK 10 million are scored and in total around 30% of the bank's corporate market portfolio is scored using this model every year, which is on a par with the average for the Eika Alliance. Of those that have been scored to date, no loan has been assessed as having a high sustainability risk and a majority (54%) have been assessed as low risk.

This score is not directly entered into the bank's ECL model, rather it is flagged in each individual credit case on a par with its credit score. It is this included and can influence the bank's decision. Eika is also working on developing integrated data on physical risk linked to collateral objects within residential and commercial real estate.

Certificates and bonds

To manage the credit risk associated with investments in certificates and bonds, the Group has developed guidelines for the quality of executed investments and requirements regarding sector composition and maturity structure. Investments in certificates and bonds are primarily made as liquidity placements.

Derivatives

Derivatives are mainly used to manage the Group's interest rate and currency risk in the form of interest rate swap and currency swap agreements where a future currency exchange rate or future interest rate is agreed when the derivatives are entered into such that the bank bears no risk from them fluctuating during the term of the derivative. The Group's counterparty exposure is measured as a combination of the market value of entered into contracts and the principal.

Monitoring of risk limits and risk mitigation measures

The Group has established exposure limits for different segments of the various portfolios. The utilisation of these limits is reported monthly to the Board of Directors and the management group. Individual loans are monitored by the various credit environments within the Group.

9 LOANS AND ADVANCES BY CUSTOMER GROUP AND GEOGRAPHIC AREA

Distribution by customer group

Group	Lending		Guarantees		Unused credit facilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Agriculture and forestry	703 414	460 229	459	225	46 197	33 749
Fishing and hunting		370			200	200
Building and construction	1 026 902	1 292 382	176 712	187 642	245 870	176 844
Manufacturing	161 214	161 310	30 763	28 249	30 913	107 224
Oil and Energy		13 965				110
Wholesale and retail trade	284 872	218 087	60 549	55 649	88 461	86 237
Hotels and restaurants	87 780	94 667	10 535	14 522	7 670	5 064
Transport and storage	40 538	27 868	12 430	8 288	7 974	16 088
Public and private services	716 928	580 221	48 742	81 646	163 484	171 967
Property management	4 076 654	3 769 528	10 085	22 237	89 943	83 727
Other customer groups	58	74				
Retail customers	18 383 248	17 526 432	1 714	2 795	2 099 756	2 201 195
Total gross loans to customers	**25 481 609**	**24 145 132**	**351 990**	**401 253**	**2 780 468**	**2 882 404**
Impairments	-90 102	-145 412	-2 323	-1 826	-2 883	-4 456
Total net loans to customers	**25 391 507**	**23 999 720**	**349 667**	**399 427**	**2 777 586**	**2 877 948**

Geographical distribution

Group	Lending		Guarantees		Unused credit facilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Rogaland	20 726 142	19 545 039	272 932	305 026	2 465 614	2 584 450
Oslo/Akershus	2 392 558	2 256 654	50 985	56 604	108 151	159 494
Other counties	2 332 708	2 307 248	28 073	39 623	200 040	138 460
Abroad	30 201	36 191			6 664	
Total gross loans to customers	**25 481 609**	**24 145 132**	**351 990**	**401 253**	**2 780 468**	**2 882 404**

Distribution by customer group

Parent Bank	Lending		Guarantees		Unused credit facilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Agriculture and forestry	703 414	460 229	459	225	46 197	33 749
Fishing and hunting		370			200	200
Building and construction	1 026 902	1 292 382	176 712	187 642	245 870	176 844
Manufacturing	161 214	161 310	30 763	28 249	30 913	107 224
Oil and Energy		13 965				110
Wholesale and retail trade	284 872	218 087	60 549	55 649	88 461	86 237
Hotels and restaurants	87 780	94 667	10 535	14 522	7 670	5 064
Transport and storage	40 538	27 868	12 430	8 288	7 974	16 088
Public and private services	716 928	580 221	48 742	81 646	163 484	171 967
Property management	4 076 654	3 769 528	10 085	22 237	89 943	83 727
Other customer groups	58	74				
Retail customers	8 559 729	8 601 383	1 714	2 795	1 071 799	1 178 574
Total gross loans to customers	**15 658 089**	**15 220 083**	**351 990**	**401 253**	**1 752 511**	**1 859 783**
Impairments	-83 594	-140 230	-2 323	-1 826	-2 774	-4 293
Total net loans to customers	**15 574 495**	**15 079 852**	**349 667**	**399 427**	**1 749 737**	**1 855 491**

Geographical distribution

Parent Bank	Lending		Guarantees		Unused credit facilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Rogaland	12 069 301	11 712 738	272 932	305 026	1 533 185	1 646 707
Oslo/Akershus	1 877 219	1 796 005	50 985	56 604	69 910	122 552
Other counties	1 695 635	1 692 949	28 073	39 623	148 007	90 524
Abroad	15 935	18 391			1 409	
Total gross loans to customers	**15 658 089**	**15 220 083**	**351 990**	**401 253**	**1 752 511**	**1 859 783**

Group		Guarantees	Parent Bank	
31.12.2021	31.12.2020		31.12.2021	31.12.2020
95 398	101 226	Payment guarantees	95 398	101 226
157 206	181 098	Contract guarantees	157 206	181 098
	9 155	Withholding tax guarantees		9 155
10 113	9 089	Other guarantees	10 113	9 089
89 273	100 685	Unused guarantee limits	89 273	100 685
351 990	**401 253**	**Total guarantees**	**351 990**	**401 253**

10 LOANS AND IMPAIRMENTS BY SECTOR

Lending by customer group

Group 31.12.2021

	Gross loans	Of which, loans at amortised cost	Impairment of loans at amortised cost Stage 1	Stage 2	Stage 3	Net loans
Agriculture and forestry	703 414	586 404	-777	-2 199		700 438
Fishing and hunting						
Building and construction	1 026 902	1 026 902	-2 351	-7 626	-4 215	1 012 709
Manufacturing	161 214	161 214	-313	-1 415	-10	159 476
Oil and Energy						
Wholesale and retail trade	284 872	276 824	-694	-1 621	-15	282 543
Hotels and restaurants	87 780	87 780	-112	-204		87 464
Transport and storage	40 538	40 538	-26	-277		40 235
Public and private services	716 928	714 051	-963	-2 051	-1 454	712 460
Property management	4 076 654	3 964 359	-3 521	-7 638	-16 100	4 049 395
Other customer groups	58	58				58
Retail customers[1]	18 383 248	17 410 001	-3 113	-19 262	-14 144	18 346 730
Total on-balance loans to and receivables from customers[2]	**25 481 609**	**24 268 130**	**-11 871**	**-42 294**	**-35 937**	**25 391 507**

Group 31.12.2020

	Gross loans	Of which, loans at amortised cost	Impairment of loans at amortised cost Stage 1	Stage 2	Stage 3	Net loans
Agriculture and forestry	460 229	374 920	-477	-1 459		458 293
Fishing and hunting	370	370	-2			368
Building and construction	1 292 382	1 266 777	-2 170	-9 299	-4 790	1 276 123
Manufacturing	161 310	161 310	-328	-925	-13 900	146 156
Oil and Energy	13 965	13 965			-13 600	365
Wholesale and retail trade	218 087	209 369	-1 276	-1 803	-1 585	213 423
Hotels and restaurants	94 667	94 667	-117	-360		94 190
Transport and storage	27 868	27 868	-25	-210		27 632
Public and private services	580 221	568 311	-1 136	-4 051	-9 203	565 831
Property management	3 769 528	3 678 335	-7 686	-9 721	-15 335	3 736 787
Other customer groups	74	74				74
Retail customers[1]	17 526 431	16 443 553	-10 180	-20 817	-14 957	17 480 479
Total on-balance loans to and receivables from customers[2]	**24 145 132**	**22 839 519**	**-23 397**	**-48 645**	**-73 370**	**23 999 720**

1 Retail customers are defined here as all of the bank's customers who do not have an industry code, regardless of the department/segment to which the customer belongs.
2 The tables include stage-based provisions for losses on loans and receivables from customers (on-balance) and not provisions for losses on guarantees and/or unused lines of credit (off-balance exposure).

Lending by customer group

Parent Bank 31.12.2021

	Gross loans	Of which, loans at amortised cost	Impairment of loans at amortised cost Stage 1	Stage 2	Stage 3	Net loans
Agriculture and forestry	703 414	586 404	-777	-2 199		700 438
Fishing and hunting						
Building and construction	1 026 902	1 026 902	-2 351	-7 626	-4 215	1 012 710
Manufacturing	161 214	161 214	-313	-1 415	-10	159 476
Oil and Energy						
Wholesale and retail trade	284 872	276 824	-694	-1 621	-15	282 542
Hotels and restaurants	87 780	87 780	-112	-204		87 464
Transport and storage	40 538	40 538	-26	-277		40 235
Public and private services	716 928	714 051	-963	-2 051	-1 454	712 460
Property management	4 076 654	3 964 359	-3 521	-7 638	-16 100	4 049 395
Other customer groups	58	58				58
Retail customers[1]	8 559 729	7 586 481	-2 529	-13 339	-14 144	8 529 717
Total on-balance loans to and receivables from customers[2]	**15 658 089**	**14 444 611**	**-11 286**	**-36 370**	**-35 938**	**15 574 495**

Parent Bank 31.12.2020

	Gross loans	Of which, loans at amortised cost	Impairment of loans at amortised cost Stage 1	Stage 2	Stage 3	Net loans
Agriculture and forestry	460 229	374 920	-477	-1 459		458 293
Fishing and hunting	370	370	-2			368
Building and construction	1 292 382	1 266 777	-2 170	-9 299	-4 790	1 276 123
Manufacturing	161 310	161 310	-328	-925	-13 900	146 157
Oil and Energy	13 965	13 965			-13 600	365
Wholesale and retail trade	218 087	209 369	-1 276	-1 803	-1 585	213 423
Hotels and restaurants	94 667	94 667	-117	-360		94 190
Transport and storage	27 868	27 868	-25	-210		27 633
Public and private services	580 221	568 311	-1 136	-4 051	-9 203	565 831
Property management	3 769 528	3 678 335	-7 686	-9 721	-15 335	3 736 786
Other customer groups	74	74				74
Retail customers[1]	8 601 382	7 518 505	-7 632	-18 183	-14 957	8 560 610
Total on-balance loans to and receivables from customers[2]	**15 220 083**	**13 914 471**	**-20 849**	**-46 011**	**-73 370**	**15 079 852**

1 Retail customers are defined here as all of the bank's customers who do not have an industry code, regardless of the department/segment to which the customer belongs.
2 The tables include stage-based provisions for losses on loans and receivables from customers (on-balance) and not provisions for losses on guarantees and/or unused lines of credit (off-balance exposure).

11 LOSSES ON LOANS AND GUARANTEES AND DEFAULTED/IMPAIRED LOANS

Group 2021	Group 2020	Losses on loans and guarantees	Parent Bank 2021	Parent Bank 2020
-11 704	-5 683	Period's changes in provisions for losses, Stage 1	-9 696	-5 925
-7 803	16 405	Period's changes in provisions for losses, Stage 2	-11 170	15 374
-36 873	-5 860	Period's changes in provisions for losses, Stage 3	-36 873	-5 860
27 753	12 696	Recognition of earlier Stage 3 impairments	27 753	12 696
5 428	11 018	Recognition without earlier Stage 3 impairments	5 428	11 018
-9 141	-3 887	Reversals of previously recognised losses[1]	-9 141	-3 887
-32 340	**24 689**	**Losses on loans and guarantees**	**-33 699**	**23 415**

1 As at 31.12.2021, the Group had a total outstanding amount of NOK 69 million that was recognised/deducted from the balance sheet and that has been forwarded to debt collection agencies. The corresponding outstanding amount was NOK 66 million as at 31.12.2020. Any receipts from the debt collection agencies are recognised as reduced loss costs on the line "Reversals of previously recognised losses".

Group				Changes in provisions for losses	Parent Bank			
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments		Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments
25 300	**52 051**	**74 444**	**151 796**	**Provisions for losses as at 01.01.2021**	**22 602**	**49 405**	**74 444**	**146 451**
				Transfers/movements:				
-6 041	18 281		12 240	Transfers from Stage 1 to Stage 2	-5 306	15 249		9 943
-5		57	52	Transfers from Stage 1 to Stage 3	-5		57	52
676	-10 302		-9 625	Transfers from Stage 2 to Stage 1	628	-8 482		-7 854
	-1 709	2 170	461	Transfers from Stage 2 to Stage 3		-1 709	2 170	461
	4	-18	-14	Transfers from Stage 3 to Stage 2		4	-18	-14
1 674	234		1 908	Additions of loans and advances during the period	1 621	234		1 854
-7 500	-14 715		-22 215	Disposals of loans and advances during the period	-6 665	-13 984		-20 650
-508	404	7 902	7 798	Changed provisions for losses during the period for loans and advances not migrated	32	-2 481	7 902	5 452
		-27 753	-27 753	Recognised losses			-27 753	-27 753
		-19 231	-19 231	Reversals of previous impairments			-19 231	-19 231
				Other adjustments	86			86
13 596	**44 248**	**37 571**	**95 416**	**Provisions for losses as at 31.12.2021**	**12 992**	**38 236**	**37 571**	**88 799**
			109	Recognised as a reduction of loans to/receivables from credit institutions				109
			90 102	Recognised as a reduction of loans to customers				83 594
			5 206	Recognised as provisions for liability items (guarantees and unused lines of credit)				5 096
			95 416	**Provisions for losses as at 31.12.2021**				**88 799**

Distribution of provisions for losses from customers – per segment

Group (CM)					Parent Bank (CM)			
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments	Changes in provisions for losses CM	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments
16 258	**31 858**	**61 587**	**109 704**	**Provisions for losses CM as at 01.01.2021**	**16 258**	**31 858**	**61 587**	**109 704**
				Transfers/movements:				
-3 444	11 187		7 744	Transfers from Stage 1 to Stage 2	-3 444	11 187		7 744
-2		10	8	Transfers from Stage 1 to Stage 3	-2		10	8
600	-6 811		-6 211	Transfers from Stage 2 to Stage 1	600	-6 811		-6 211
	-415	1 017	602	Transfers from Stage 2 to Stage 3		-415	1 017	602
1 308	196		1 504	Additions of loans and advances during the period	1 308	196		1 504
-5 178	-6 288		-11 465	Disposals of loans and advances during the period	-5 178	-6 288		-11 465
1 135	-3 408	2 627	354	Changed provisions for losses during the period for loans and advances not migrated	1 135	-3 408	2 627	354
		-24 428	-24 428	Recognised losses			-24 428	-24 428
		-17 385	-17 385	Reversals of previous impairments			-17 385	-17 385
10 678	**26 320**	**23 428**	**60 426**	**Provisions for losses CM as at 31.12.2021**	**10 678**	**26 320**	**23 428**	**60 426**

Group (RM)					Parent Bank (RM)			
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments	Changes in provisions for losses RM	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments
8 950	**20 183**	**12 857**	**41 989**	**Provisions for losses RM as at 01.01.2021**	**6 251**	**17 537**	**12 857**	**36 645**
				Transfers/movements:				
-2 597	7 094		4 496	Transfers from Stage 1 to Stage 2	-1 862	4 062		2 200
-4		47	43	Transfers from Stage 1 to Stage 3	-4		47	43
76	-3 491		-3 414	Transfers from Stage 2 to Stage 1	28	-1 671		-1 643
	-1 294	1 153	-141	Transfers from Stage 2 to Stage 3		-1 294	1 153	-141
	4	-18	-14	Transfers from Stage 3 to Stage 2		4	-18	-14
360	8		368	Additions of loans and advances during the period	307	8		315
-2 293	-8 418		-10 711	Disposals of loans and advances during the period	-1 458	-7 687		-9 145
-1 652	3 812	5 275	7 435	Changed provisions for losses during the period for loans and advances not migrated	-1 113	927	5 275	5 089
		-3 326	-3 326	Recognised losses			-3 326	-3 326
		-1 845	-1 845	Reversals of previous impairments			-1 845	-1 845
				Other adjustments	86			86
2 840	**17 898**	**14 144**	**34 881**	**Provisions for losses RM as at 31.12.2021**	**2 236**	**11 885**	**14 144**	**28 264**

Group					Parent Bank			
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments	Changes in provisions for losses	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments
30 983	**35 646**	**80 305**	**146 934**	**Provisions for losses as at 01.01.2020**	**28 174**	**34 032**	**80 305**	**142 510**
				Transfers/movements:				
-5 644	19 645		14 001	Transfers from Stage 1 to Stage 2	-5 101	18 392		13 291
-425		3 530	3 105	Transfers from Stage 1 to Stage 3	-421		3 530	3 109
992	-7 318		-6 326	Transfers from Stage 2 to Stage 1	909	-6 289		-5 380
	-691	3 118	2 428	Transfers from Stage 2 to Stage 3		-686	3 118	2 433
	351	-100	251	Transfers from Stage 3 to Stage 2		351	-100	251
440		-250	190	Transfers from Stage 3 to Stage 1	440		-250	190
2 711	564		3 274	Additions of loans and advances during the period	2 429	485		2 914
-12 092	-10 782		-22 874	Disposals of loans and advances during the period	-11 129	-10 402		-21 531
8 336	14 636	11 943	34 915	Changed provisions for losses during the period for loans and advances not migrated	6 948	13 521	11 943	32 412
		-12 696	-12 696	Recognised losses			-12 696	-12 696
		-11 406	-11 406	Reversals of previous impairments			-11 406	-11 406
				Other adjustments	353			353
25 300	**52 051**	**74 444**	**151 796**	**Provisions for losses as at 31.12.2020**	**22 602**	**49 405**	**74 444**	**146 451**
			102	Recognised as a reduction of loans to/ receivables from credit institutions				102
			145 412	Recognised as a reduction of loans to customers				140 230
			6 282	Recognised as provisions for liability items (guarantees and unused lines of credit)				6 119
			151 796	**Provisions for losses as at 31.12.2020**				**146 451**

Distribution of provisions for losses from customers – per segment

Group (CM)					Parent Bank (CM)			
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments	Changes in provisions for losses CM	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments
18 103	**25 839**	**68 849**	**112 791**	**Provisions for losses CM as at 01.01.2020**	**18 103**	**25 839**	**68 849**	**112 791**
				Transfers/movements:				
-2 174	10 252		8 078	Transfers from Stage 1 to Stage 2	-2 174	10 252		8 078
-86		2 480	2 394	Transfers from Stage 1 to Stage 3	-86		2 480	2 394
723	-4 566		-3 843	Transfers from Stage 2 to Stage 1	723	-4 566		-3 843
	-159	24	-135	Transfers from Stage 2 to Stage 3		-159	24	-135
5		-250	-244	Transfers from Stage 3 to Stage 1	5		-250	-244
2 257	476		2 732	Additions of loans and advances during the period	2 257	476		2 732
-7 918	-7 705		-15 623	Disposals of loans and advances during the period	-7 918	-7 705		-15 623
5 349	7 722	4 350	17 421	Changed provisions for losses during the period for loans and advances not migrated	5 349	7 722	4 350	17 421
		-4 687	-4 687	Recognised losses			-4 687	-4 687
		-9 179	-9 179	Reversals of previous impairments			-9 179	-9 179
16 258	**31 858**	**61 587**	**109 704**	**Provisions for losses CM as at 31.12.2020**	**16 258**	**31 858**	**61 587**	**109 704**

Group (RM)					Parent Bank (RM)			
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments	Changes in provisions for losses RM	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments
12 788	**9 807**	**11 455**	**34 051**	**Provisions for losses RM as at 01.01.2020**	**9 979**	**8 193**	**11 455**	**29 627**
				Transfers/movements:				
-3 474	9 393		5 919	Transfers from Stage 1 to Stage 2	-2 927	8 140		5 213
-335		1 050	715	Transfers from Stage 1 to Stage 3	-335		1 050	715
269	-2 751		-2 482	Transfers from Stage 2 to Stage 1	186	-1 722		-1 536
	-527	3 094	2 567	Transfers from Stage 2 to Stage 3		-527	3 094	2 567
	351	-100	251	Transfers from Stage 3 to Stage 2		351	-100	251
435			435	Transfers from Stage 3 to Stage 1	435			435
435	88		523	Additions of loans and advances during the period	154	10		163
-4 146	-3 077		-7 223	Disposals of loans and advances during the period	-3 183	-2 696		-5 879
2 977	6 899	7 593	17 469	Changed provisions for losses during the period for loans and advances not migrated	1 589	5 789	7 593	14 972
		-8 009	-8 009	Recognised losses			-8 009	-8 009
		-2 227	-2 227	Reversals of previous impairments			-2 227	-2 227
				Other adjustments	353			353
8 950	**20 183**	**12 857**	**41 989**	**Provisions for losses RM as at 31.12.2020**	**6 251**	**17 537**	**12 857**	**36 645**

Changes in gross capitalised loans and advances

Group					Parent Bank			
Stage 1	Stage 2	Stage 3	Total loans and advances	Gross capitalised loans and advances with impairment for expected credit loss	Stage 1	Stage 2	Stage 3	Total loans and advances
18 845 527	**4 213 672**	**290 808**	**23 350 007**	**Gross capitalised loans and advances as at 01.01.2021**	**10 995 824**	**3 139 610**	**289 496**	**14 424 930**
				Transfers:				
-1 658 225	1 658 225			Transfers from Stage 1 to Stage 2	-1 005 545	1 005 545		
-11 154		11 154		Transfers from Stage 1 to Stage 3	-11 154		11 154	
952 881	-952 881			Transfers from Stage 2 to Stage 1	509 854	-509 854		
	-58 632	58 632		Transfers from Stage 2 to Stage 3		-58 632	58 632	
	10	-10		Transfers from Stage 3 to Stage 2		10	-10	
6 581 684	876 767		7 458 451	Additions of loans and advances during the period	5 380 923	707 149		6 088 072
-4 644 300	-1 332 884	-126 181	-6 103 365	Changes during the period for loans and advances not migrated (incl. disposals)	-4 201 502	-1 297 160	-124 868	-5 623 531
20 066 412	**4 404 276**	**234 404**	**24 705 092**	**Gross capitalised loans and advances as at 31.12.2021**[1]	**11 668 399**	**2 986 669**	**234 404**	**14 889 472**

1 The table above is based on gross loans and advances at the time of reporting, including loans to customers and receivables from credit institutions and central banks. The table does not include guarantees/unused lines of credit.

Distribution of gross capitalised loans to customers measured at amortised cost – per segment

Group (CM)					Parent Bank (CM)			
Stage 1	Stage 2	Stage 3	Total loans and advances	Gross capitalised loans and advances with impairment for expected credit loss CM, Group	Stage 1	Stage 2	Stage 3	Total loans and advances
5 129 465	**1 507 520**	**114 441**	**6 751 426**	**Gross capitalised loans and advances CM as at 01.01.2021**	**5 129 465**	**1 507 520**	**114 441**	**6 751 426**
				Transfers:				
-582 154	582 154			Transfers from Stage 1 to Stage 2	-582 154	582 154		
-1 030		1 030		Transfers from Stage 1 to Stage 3	-1 030		1 030	
289 056	-289 056			Transfers from Stage 2 to Stage 1	289 056	-289 056		
	-10 965	10 965		Transfers from Stage 2 to Stage 3		-10 965	10 965	
1 824 960	297 053		2 122 013	Additions of loans and advances during the period	1 824 960	297 053		2 122 013
-1 234 013	-439 198	-56 836	-1 730 047	Changes during the period for loans and advances not migrated (incl. disposals)	-1 234 013	-439 198	-56 836	-1 730 047
5 426 284	**1 647 509**	**69 600**	**7 143 392**	**Gross capitalised loans and advances CM as at 31.12.2021**	**5 426 284**	**1 647 509**	**69 600**	**7 143 392**

Distribution of gross capitalised loans to customers measured at amortised cost – per segment

Group (RM)					Parent Bank (RM)			
Stage 1	Stage 2	Stage 3	Total loans and advances	Gross capitalised loans and advances with impairment for expected credit loss RM, Group:	Stage 1	Stage 2	Stage 3	Total loans and advances
13 210 426	**2 701 307**	**176 368**	**16 088 101**	**Gross capitalised loans and advances RM as at 01.01.2021**	**5 360 743**	**1 627 246**	**175 055**	**7 163 044**
				Transfers:				
-1 072 371	1 072 371			Transfers from Stage 1 to Stage 2	-419 691	419 691		
-10 125		10 125		Transfers from Stage 1 to Stage 3	-10 125		10 125	
663 826	-663 826			Transfers from Stage 2 to Stage 1	220 798	-220 798		
	-47 667	47 667		Transfers from Stage 2 to Stage 3		-47 667	47 667	
	10	-10		Transfers from Stage 3 to Stage 2		10	-10	
4 963 389	579 714		5 543 102	Additions of loans and advances during the period	3 555 963	410 096		3 966 059
-3 556 177	-888 842	-69 345	-4 514 364	Changes during the period for loans and advances not migrated (incl. disposals)	-2 906 734	-853 118	-68 033	-3 827 885
14 198 967	**2 753 068**	**164 804**	**17 116 839**	**Gross capitalised loans and advances RM as at 31.12.2021**	**5 800 955**	**1 335 460**	**164 804**	**7 301 218**

Changes in gross capitalised loans and advances

Group					Parent Bank			
Stage 1	Stage 2	Stage 3	Total loans and advances	Gross capitalised loans and advances with impairment for expected credit loss, Group	Stage 1	Stage 2	Stage 3	Total loans and advances
19 103 681	**3 222 886**	**279 691**	**22 606 258**	**Gross capitalised loans and advances as at 01.01.2020**	**11 923 782**	**2 500 991**	**279 691**	**14 704 464**
				Transfers:				
-1 652 405	1 652 405			Transfers from Stage 1 to Stage 2	-1 143 559	1 143 559		
-76 201		76 201		Transfers from Stage 1 to Stage 3	-75 751		75 751	
733 610	-733 610			Transfers from Stage 2 to Stage 1	424 706	-424 706		
	-36 829	36 829		Transfers from Stage 2 to Stage 3		-35 966	35 966	
	2 829	-2 829		Transfers from Stage 3 to Stage 2		2 829	-2 829	
4 529		-4 529		Transfers from Stage 3 to Stage 1	4 529		-4 529	
5 545 584	1 039 454		6 585 038	Additions of loans and advances during the period	4 234 465	881 408		5 115 873
-4 813 272	-933 462	-94 555	-5 841 289	Changes during the period for loans and advances not migrated (incl. disposals)	-4 372 348	-928 503	-94 555	-5 395 407
18 845 527	**4 213 672**	**290 808**	**23 350 007**	**Gross capitalised loans and advances as at 31.12.2020[1]**	**10 995 824**	**3 139 610**	**289 496**	**14 424 930**

1 The table above is based on gross loans and advances at the time of reporting, including loans to customers and receivables from credit institutions and central banks. The table does not include guarantees/unused lines of credit.

Distribution of gross capitalised loans to customers measured at amortised cost – per segment

Group (CM)					Parent Bank (CM)			
Stage 1	Stage 2	Stage 3	Total loans and advances	Gross capitalised loans and advances with impairment for expected credit loss CM, Group	Stage 1	Stage 2	Stage 3	Total loans and advances
5 609 170	**1 250 252**	**152 503**	**7 011 926**	**Gross capitalised loans and advances CM as at 01.01.2020**	**5 609 170**	**1 250 252**	**152 503**	**7 011 926**
				Transfers:				
-677 422	677 422			Transfers from Stage 1 to Stage 2	-677 422	677 422		
-12 088		12 088		Transfers from Stage 1 to Stage 3	-12 088		12 088	
214 320	-214 320			Transfers from Stage 2 to Stage 1	214 320	-214 320		
				Transfers from Stage 2 to Stage 3				
1 105		-1 105		Transfers from Stage 3 to Stage 1	1 105		-1 105	
1 525 162	171 970		1 697 133	Additions of loans and advances during the period	1 525 162	171 970		1 697 133
-1 530 783	-377 804	-49 046	-1 957 633	Changes during the period for loans and advances not migrated (incl. disposals)	-1 530 783	-377 804	-49 046	-1 957 633
5 129 465	**1 507 520**	**114 441**	**6 751 426**	**Gross capitalised loans and advances CM as at 31.12.2020**	**5 129 465**	**1 507 520**	**114 441**	**6 751 426**

Group (RM)					Parent Bank (RM)			
Stage 1	Stage 2	Stage 3	Total loans and advances	Gross capitalised loans and advances with impairment for expected credit loss RM, Group:	Stage 1	Stage 2	Stage 3	Total loans and advances
12 960 418	**2 000 716**	**99 104**	**15 060 239**	**Gross capitalised loans and advances RM as at 01.01.2020**	**5 780 519**	**1 278 822**	**99 104**	**7 158 445**
				Transfers:				
-974 983	974 983			Transfers from Stage 1 to Stage 2	-466 137	466 137		
-64 112		64 112		Transfers from Stage 1 to Stage 3	-63 663		63 663	
519 290	-519 290			Transfers from Stage 2 to Stage 1	210 386	-210 386		
	-36 829	36 829		Transfers from Stage 2 to Stage 3		-35 966	35 966	
	2 829	-2 829		Transfers from Stage 3 to Stage 2		2 829	-2 829	
4 010 442	862 640		4 873 081	Additions of loans and advances during the period	2 683 117	704 594		3 387 710
-3 244 052	-583 741	-17 426	-3 845 220	Changes during the period for loans and advances not migrated (incl. disposals)	-2 786 903	-578 782	-17 426	-3 383 111
13 210 426	**2 701 307**	**176 368**	**16 088 101**	**Gross capitalised loans and advances RM as at 31.12.2020**	**5 360 743**	**1 627 246**	**175 055**	**7 163 044**

Comments on stage migration

All loans and advances start in Stage 1. Thereafter, there are five factors that can result in a loan or advance being transferred from Stage 1 to Stage 2, these are:

1) Defaulted and more than 30 past due
2) More than two arrears of at least 5 days' duration in the past 12 months
3) A significant increase in risk, i.e. the PD has increased since the initial PD for the loan or advance (see the definition in note 8)
4) Forbearance flagging (that the customer has been granted required payment relief)
5) A lack data for the customer

The table below shows a breakdown of the reasons behind all stage migrations from Stage 1 to Stage 2:

	2021		2020	
Reason	Share (in isolation)	Share (total)	Share (in isolation)	Share (total)
Due to more than 30 days past due	0 %	1 %	0 %	2 %
Due to arrears in the past 12 months	4 %	12 %	6 %	9 %
Due to significant increase in PD	49 %	58 %	53 %	60 %
Due to forbearance	6 %	6 %	17 %	23 %
Lack of data for the customer	1 %	1 %	7 %	7 %
Combination of the above reasons	40 %		17 %	
Total	**100 %**	**100 %**	**100 %**	**100 %**

"Share (in isolation)" shows the percentage of the value of the loans that were transferred from Stage 1 to Stage 2 due solely to the corresponding factor in isolation, while "Share (total)" shows the percentage of the migration due to the corresponding factor either alone or in combination with one or more of the other factors.

Similarly, this table shows a breakdown of the reasons behind stage migrations from Stage 2 to Stage 1 (recovery during the period):

	2021		2020	
Reason	Share (in isolation)	Share (total)	Share (in isolation)	Share (total)
No 30 days arrears in last 6 months anymore	0 %	0 %	0 %	1 %
No more than 1 arears in past 12 months	0 %	4 %	0 %	5 %
Significant reduction in PD	85 %	91 %	84 %	86 %
No forbearance flagging anymore	8 %	3 %	8 %	8 %
Received data for customer	6 %		0 %	0 %
Combination of multiple reasons	6 %		8 %	
Total	**100 %**	**100 %**	**100 %**	**100 %**

"Share (in isolation)" shows the percentage of the value of the loans that were transferred from Stage 2 to Stage 1 due solely to the corresponding factor in isolation, while "Share (total)" shows the percentage of the migration due to the corresponding factor either alone or in combination with one or more of the other factors.

In 2021, a total of 528 loans and advances migrated from Stage 2 to Stage 1, while a total of 967 loans and advances migrated from Stage 1 to Stage 2.
For 2020, the correspondingly figures were 360 loans and advances that migrated from Stage 2 to Stage 1, while a total of 598 loans and advances migrated from Stage 1 to Stage 2.

Sensitivity analyses

The impairment model for calculating ECL for loans is based on a number of critical assumptions, including probability of default, loss given default, and general macroeconomic developments. Therefore, the model and the credit loss estimates are vulnerable to changes in the assumptions that are used.

The development in 2021 proved to be significantly better than one perhaps had reason to fear at the start of the year. Both the retail and corporate markets represented in the bank's portfolio saw positive risk development. In the case of the retail market, this was due to a combination of house prices rising and defaults and unemployment falling. For the corporate market, there was generally a record low number of bankruptcies in the country. Much of this can probably be attributed to the government's measures, which have kept many going who would otherwise have experienced problems, although Den Gule Banken, Sandnes Sparebank's home market region was also affected by the fact that oil and gas prices also developed positively. At the same time, the situation at the start of 2022 is that the high energy prices have also spilled over to electricity prices, which means that Norway is also experiencing record high energy costs, which affect the liquidity of both private individuals and small and medium-sized enterprises.

To better understand how the portfolio can be expected to develop in the event of changes in various macroeconomic scenarios, the bank has chosen to conduct sensitivity analyses for the following factors and scenarios;

- The future will remain as today (expectations unchanged)
- The future will be like the negative macroeconomic scenario
- Expected lifetime equal to full term to maturity
- Probability of default (PD) +10%
- Probability of default (PD) -10%
- House prices -10%
- House prices +10%

In the two adjustments of PD, it is assumed that the PD for all customers except those in default will increase or decrease by 10%, respectively.

If customers' credit quality is deteriorating, it will be harder for them to get loans refinanced and they will at the same time have less ability to repay early or make extra payments. The "expected lifetime equal to full term to maturity" scenario assumes that all loans will run to their maturity date and that all undrawn lines of credit will be fully utilised. In the main scenario, the expectations for the future are negative (based on the same weighting of a positive, a negative and a base case). In the "future will remain as today" scenario, the expectation = 1. While this is in theory a neutral scenario, it is at the same time a relatively positive scenario in that for most banks the situation today is that they are experiencing historically low losses and default figures, which is also reflected in the low number of bankruptcies among enterprises and relatively low debt collection figures for private individuals. It is thus more optimistic than the bank's base case. Meanwhile, in the negative scenario the negative scenario (presented in note 8) is fully weighted in the calculation of the future. In the simulations here, the extra adjustments the bank made in relation to the macro expectations have been retained. The effect of weighting the negative scenario 100% is added on top of an expectation that has basically already been adjusted upwards and this thereby results in an even higher effect than if the bank had made its own adjustments. At the same time, it is important to point out that the negative scenario for 2021 is somewhat more moderate than the year before, meaning that the comparable figures are from a scenario that at the time took account of an even worse development than this year.

The last two scenarios are based on changes in house prices and examine the effect of a change of 10% in house prices and impacts loans with collateral in homes. Previously, the bank has only looked at the downside risk but this year we chose to look at the upside as well. There are therefore no comparable figures from last year for a price rise.

The results of the sensitivity analyses were as follows, broken down by Group and the segments Retail Market (RM) and Corporate Market (CM):

	Changes in key assumptions						
Group 31.12.2021	Unchanged future outlook	Negative macro scenario	Full maturity	PD +10%	PD -10%	House prices +10%	House prices -10%
Percentage change in loss estimate, CM	-21.1 %	113.4 %	7.8 %	4.9 %	-5.5 %	n/a	n/a
Percentage change in loss estimate, RM	-17.3 %	54.1 %	13.8 %	4.0 %	-5.1 %	-13.5 %	22.4 %
Percentage change in loss estimate, Group	-19.7 %	90.4 %	10.1 %	4.5 %	-5.3 %	-5.2 %	8.7 %
Group 31.12.2020							
Percentage change in loss estimate, CM	-2.9 %	132.2 %	7.4 %	3.3 %	-3.4 %	n/a	0.5 %
Percentage change in loss estimate, RM	-1.7 %	197.7 %	3.4 %	1.7 %	-4.1 %	n/a	8.1 %
Percentage change in loss estimate, Group	-2.6 %	148.6 %	6.3 %	2.9 %	-3.6 %	n/a	2.4 %

The results of the sensitivity analyses were as follows, broken down by parent bank and the segments Retail Market (RM) and Corporate Market (CM):

	Changes in key assumptions						
Parent Bank 31.12.2021	Unchanged future outlook	Negative macro scenario	Full maturity	PD +10%	PD -10%	House prices +10%	House prices -10%
Percentage change in loss estimate, CM	-21.1 %	113.4 %	7.8 %	4.9 %	-5.5 %	n/a	n/a
Percentage change in loss estimate, RM	-15.4 %	42.3 %	7.8 %	2.7 %	-3.9 %	-14.5 %	23.0 %
Percentage change in loss estimate, parent bank	-19.2 %	89.1 %	7.8 %	4.2 %	-5.0 %	-5.0 %	7.9 %
Parent Bank 31.12.2020							
Percentage change in loss estimate, CM	-2.9 %	132.2 %	7.4 %	3.3 %	-3.4 %	n/a	0.5 %
Percentage change in loss estimate, RM	-1.2 %	218.0 %	2.2 %	0.6 %	-3.6 %	n/a	10.0 %
Percentage change in loss estimate, parent bank	-2.5 %	144.5 %	6.1 %	2.6 %	-3.5 %	n/a	1.8 %

Defaulted and impaired loans and advances (Stage 3)

Total defaulted loans and advances more than 90 days past due and other impaired loans and advances in Stage 3

Group	31.12.2021[1]			31.12.2020		
	RM	CM	Total	RM	CM	Total
Problem loans and advances before individual loss impairments (gross):						
Defaulted loans and advances more than 90 days past due	89 955	29 664	119 619	120 930	60 870	181 800
Other problem loans and advances	79 303	53 298	132 601	61 190	82 102	143 292
Total loans and advances before individual loss impairments (gross)	**169 258**	**82 962**	**252 221**	**182 120**	**142 972**	**325 092**
Individual loss impairments on:						
Defaulted loans and advances more than 90 days past due	9 569	10 935	20 504	5 656	36 545	42 201
Other problem loans and advances	4 574	12 493	17 067	7 201	25 042	32 244
Total individual loss impairments (Stage 3)	**14 144**	**23 428**	**37 571**	**12 857**	**61 587**	**74 444**
Problem loans and advances after individual loss impairments (net):						
Defaulted loans and advances more than 90 days past due	80 386	18 729	99 115	115 274	24 325	139 599
Other problem loans and advances	74 729	40 805	115 534	53 988	57 060	111 048
Total loans and advances after individual loss impairments (net)	**155 115**	**59 535**	**214 649**	**169 263**	**81 385**	**250 647**
Provision rate defaulted loans and advances more than 90 days past due	11 %	37 %	17 %	5 %	60 %	23 %
Provision rate performing impaired loans and advances	6 %	23 %	13 %	12 %	31 %	23 %

[1] **New definition of default from 01.01.2021**

The Group implemented a new definition of default from 01.01.2021. This has been formulated in accordance with the European Banking Authority's (EBA) guidelines for how banks should apply the definition of default in the Capital Requirements Regulation (CRR) and clarifications in the CRR/CRD IV Regulation.

Defaults are defined as a failure to pay or manual default marking due to an unlikeliness to pay.

1) A failure to pay is defined as a material credit obligation that is more than 90 days past due. Threshold values for material credit obligations set out in the CRR/CRD IV regulations.

2) Default due to manual default marking due to an unlikeliness to pay is based to a greater extent on technical credit assessments. Events included in this category are provisions for losses in relation to the customer, bankruptcy/debt settlement schemes, or other indications that considerable doubt may exist about whether the customer will meet its obligations.

Furthermore, in the corporate market there is default at a group level (parent bank and finance company), while for the retail market criteria have been specified that result in default contagion in the Group.

The introduction of a new definition of default does not significantly affect the bank's reporting of total net defaulted and impaired loans, although it has some effect on the distribution between which loans are regarded as being in default and which loans are included in other impaired loans. The default figures for 2020 are based on the previous definition of default.

12 INTEREST RATE RISK

Interest rate risk is the risk of incurring losses due to changes in interest rates. The risk primarily arises from fixed rate loans and fixed rate funding. Yield curves usually shift in parallel up or down and the Group measures interest rate risk as the effect on profit of a parallel shift of the yield curve. The risk of non-parallel shifts is covered by limits on maximum exposure.

The main policy in the bank's interest rate risk management is to neutralise the interest rate risk by balancing the bank's assets and liabilities. The bank constantly monitors interest rate exposure in all 3-month time intervals from 0-15 years. The bank's strategy is based on not incurring significant interest rate risk in its ordinary operations. The Group's limit for interest rate risk is that the maximum loss must not exceed NOK 21 million in the event of a 2% parallel shift of the yield curves. The Group's limit is divided into NOK 15 million for the parent bank and NOK 6 million for SSB Boligkreditt. The maximum interest rate exposure within each maturity interval must not exceed NOK 3.75 million.

Please also see note 15 concerning the bank's use of derivatives for the hedging its interest rate exposure.

Time to repricing date (gap) for assets and liabilities

Group 2021	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2021
Cash	2 967						2 967
Loans to and receivables from credit institutions	436 965						436 965
Loans to customers		24 177 577	75 146	634 486	504 299		25 391 507
Certificates and bonds	298 387	2 013 654	50 085	436 352			2 798 478
Financial derivatives	-139 583	-3 132 205	1 150 400	1 373 545	889 902		142 059
Other assets						600 666	600 666
Total assets	**598 736**	**23 059 026**	**1 275 631**	**2 444 382**	**1 394 201**	**600 666**	**29 372 644**
Liabilities to credit institutions	99 083						99 083
Deposits from customers	105 437	12 526 906	186 820	23 323			12 842 486
Securities issued	1 770 325	6 758 176	390 284	3 006 470	899 161		12 824 416
Financial derivatives	-287 753	-838 234	838 053	-74 185	408 708		46 589
Other liabilities						284 286	284 286
Subordinated loans	100 412	100 412					200 824
Equity		100 000				2 974 960	3 074 960
Total equity and liabilities	**1 787 503**	**18 647 259**	**1 415 158**	**2 955 609**	**1 307 869**	**3 259 245**	**29 372 644**
Net liquidity exposure, balance sheet items	-1 336 937	6 705 737	-451 874	-1 958 956	-394 862	-2 658 579	-95 470
Notional amount, derivatives	148 170	-2 293 970	312 347	1 447 730	481 194		95 470
Net total all items	**-1 188 767**	**4 411 767**	**-139 526**	**-511 226**	**86 332**	**-2 658 579**	

Group 2020	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2020
Cash	3 263						3 263
Loans to and receivables from credit institutions	485 300						485 300
Loans to customers	4 966 094	17 781 101	144 239	660 801	447 485		23 999 720
Certificates and bonds	726 086	2 397 821	262 886	492 233			3 879 026
Financial derivatives	-405 569	-5 283 697	652 735	3 408 169	1 954 632		326 270
Other assets						541 632	541 632
Total assets	**5 775 175**	**14 895 225**	**1 059 860**	**4 561 202**	**2 402 117**	**541 632**	**29 235 211**
Liabilities to credit institutions	1 471 784						1 471 784
Deposits from customers	5 802 426	5 975 366	140 273	7 992			11 926 057
Securities issued	1 859 026	5 883 478	222 729	2 682 698	1 630 572		12 278 503
Financial derivatives	1 382 211	-4 329 392	575 051	1 861 102	657 328		146 300
Other liabilities						159 411	159 411
Subordinated loans	100 358	100 358					200 716
Equity		100 000				2 851 880	2 951 880
Total equity and liabilities	**10 615 804**	**7 729 810**	**938 054**	**4 551 791**	**2 287 900**	**3 011 291**	**29 134 651**
Net liquidity exposure, balance sheet items	-3 052 850	8 119 720	44 123	-1 537 656	-1 183 088	-2 469 659	-79 410
Notional amount, derivatives	-1 787 779	-954 305	77 683	1 547 067	1 297 304		179 970
Net total all items	**-4 840 629**	**7 165 415**	**121 806**	**9 411**	**114 217**	**-2 469 659**	**100 561**

Parent Bank 2021	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2021
Cash	2 967						2 967
Loans to and receivables from credit institutions	444 752						444 752
Loans to customers		14 360 565	75 146	634 486	504 299		15 574 495
Certificates and bonds	71 749	1 681 684	50 085	436 352			2 239 869
Financial derivatives	176 077	-1 397 367	1 150 400	236 229	-61 442		103 898
Other assets						2 345 428	2 345 428
Total assets	**695 546**	**14 644 881**	**1 275 631**	**1 307 067**	**442 857**	**2 345 428**	**20 711 410**
Liabilities to credit institutions	216 461						216 461
Deposits from customers	105 437	12 531 699	186 820	23 323			12 847 279
Securities issued	1 721 509	580 408	390 284	1 676 822			4 369 023
Financial derivatives	-287 753	-592 501	838 053	-313 543	408 708		52 965
Other liabilities						250 343	250 343
Subordinated loans	100 412	100 412					200 824
Equity		100 000				2 674 516	2 774 516
Total equity and liabilities	**1 856 065**	**12 720 017**	**1 415 158**	**1 386 602**	**408 708**	**2 924 859**	**20 711 410**
Net liquidity exposure, balance sheet items	-1 624 350	2 729 730	-451 874	-629 307	504 299	-579 431	-50 933
Notional amount, derivatives	463 831	-804 866	312 347	549 772	-470 150		50 933
Net total all items	**-1 160 519**	**1 924 864**	**-139 526**	**-79 536**	**34 149**	**-579 431**	

Parent Bank 2020	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2020
Cash	3 263						3 263
Loans to and receivables from credit institutions	510 357						510 357
Loans to customers	4 950 518	8 876 810	144 239	660 801	447 485		15 079 852
Certificates and bonds	649 181	2 001 434	262 886	492 233			3 405 734
Financial derivatives	-67 658	-3 326 710	652 735	2 453 602	471 729		183 697
Other assets						1 903 180	1 903 180
Total assets	**6 045 661**	**7 551 534**	**1 059 860**	**3 606 635**	**919 214**	**1 903 180**	**21 086 084**
Liabilities to credit institutions	1 376 117						1 376 117
Deposits from customers	5 807 599	5 975 364	140 273	7 992			11 931 228
Securities issued	1 787 282	419 344	222 729	1 783 262	300 298		4 512 914
Financial derivatives	1 405 949	-4 345 798	575 051	1 861 102	657 328		153 633
Other liabilities						135 426	135 426
Subordinated loans	100 358	100 358					200 716
Equity		100 000				2 580 428	2 680 428
Total equity and liabilities	**10 477 304**	**2 249 268**	**938 054**	**3 652 355**	**957 626**	**2 715 854**	**20 990 461**
Net liquidity exposure, balance sheet items	-2 958 035	4 283 178	44 123	-638 220	147 187	-812 674	65 559
Notional amount, derivatives	-1 473 608	1 019 087	77 683	592 500	-185 599		30 064
Net total all items	**-4 431 643**	**5 302 265**	**121 806**	**-45 720**	**-38 412**	**-812 674**	**95 623**

Interest rate sensitivity

The Board of Directors has set a limit of NOK 21 million for total interest rate risk on and off the Group's balance sheet. This is measured by the effect on profit of an interest rate change (parallel shift) of 2%.

At the end of the year, the estimated effect on profit of a 2% change in interest rates was NOK 3 million. The interest rate risk is thus considered low.

13 CURRENCY RISK

Currency risk is the risk of incurring losses due to changes in foreign exchange rates that result in our net assets falling in value measured in NOK. The bank has established limits that define the risk tolerance for currency exposure. The maximum permitted currency exposure is NOK 2 million per currency and the maximum aggregate gross currency exposure is NOK 6 million.

The limits only apply to customer related transaction services. The bank has no limits for its own currency trading. Guidelines have also been drawn up specifying the currencies to which the bank can be exposed. Sensitivity analyses have not been conducted for currency risk in relation to changes in foreign exchange rates since the impact of these would be minor given the bank's low net currency exposure.

The Group uses forward exchange contracts and currency swap contracts to hedge loans/borrowing denominated in a foreign currency. Since foreign exchange rate fluctuations increase the credit risk for customers with loans denominated in foreign currencies, deposits in escrow accounts are used as additional collateral. If foreign exchange rate developments result in the customer's loan, measured in NOK, exceeding a predefined deviation from the principal, the customer is asked to establish additional collateral. If additional collateral in the form of deposits is not established, the entire loan is converted to NOK when the agreed limit is breached.

Assets, liabilities and currency hedging denominated in a foreign currency are measured at the current exchange rate as at 31.12.

Group / Parent Bank 31.12.2021

Currency positions	Foreign currency	USD	EUR	JPY	CHF	GBP	SEK	DKK	CAD	Other
Cash										
Loans to credit institutions	37 555	4 206	26 143	8	184	4 187	257	1 162	272	1 135
Loans to customers	160 646	47 661	7 227	15 940	89 818					
Certificates, bonds	450 738		217 783				113 699	119 256		
Other assets	4 056	1						4 055		
Total assets	**652 994**	**51 868**	**251 153**	**15 948**	**90 002**	**4 187**	**113 956**	**124 474**	**272**	**1 135**
Liabilities to credit institutions	943						943			
Deposits from customers	79 265	48 292	28 105		7	2 599	222	39		2
Securities issued										
Other liabilities										
Subordinated loans										
Equity										
Total equity and liabilities	**80 208**	**48 292**	**28 105**		**7**	**2 599**	**1 164**	**39**		**2**
Net currency exposure on balance sheet items	572 786	3 576	223 048	15 948	89 994	1 588	112 792	124 435	272	1 133
Currency hedging	-562 448	-18 217	-212 668	-15 872	-89 703	-536	-111 428	-114 023		
Net currency exposure	**10 338**	**-14 641**	**10 380**	**75**	**291**	**1 052**	**1 364**	**10 412**	**272**	**1 133**

Group / Parent Bank 31.12.2020

Currency positions	Foreign currency	USD	EUR	JPY	CHF	GBP	SEK	DKK	CAD	Other
Cash	22		3				14	5		
Loans to credit institutions	51 708	3 840	10 567	26	237	5 932	27 909	988	471	1 738
Loans to customers	217 491	46 187	24 348	17 231	96 122		33 603			
Certificates, bonds	479 448		285 855				122 217	71 375		
Other assets	4 268	1						4 267		
Total assets	**752 937**	**50 028**	**320 773**	**17 257**	**96 359**	**5 933**	**183 743**	**76 636**	**471**	**1 738**
Liabilities to credit institutions										
Deposits from customers	56 012	3 781	12 666		7	6 111	32 937	46		463
Securities issued										
Other liabilities										
Subordinated loans										
Equity										
Total equity and liabilities	**56 012**	**3 781**	**12 666**		**7**	**6 111**	**32 937**	**46**		**463**
Net currency exposure on balance sheet items	696 926	46 247	308 107	17 257	96 351	-178	150 806	76 590	471	1 275
Currency hedging	-681 776	-48 417	-300 540	-17 143	-95 777	408	-150 097	-70 585		374
Net currency exposure	**15 150**	**-2 170**	**7 567**	**114**	**575**	**230**	**710**	**6 005**	**471**	**1 648**

14 PRICE RISK

Price risk on securities is the risk of losses arising from changes in the value of bonds, certificates and equity securities in which the Group has invested. The bank has established limits for investments. The investment limit for securities besides liquidity placements is a maximum of NOK 250 million.

Total exposure per issuer is calculated based on the Financial Supervisory Authority of Norway's market risk model and consists of spread change per risk class multiplied by term to maturity. Any change in value of more than -5% must be reported.

The limits for investments are set in the Groups' financial strategy, which must be reviewed and approved by the bank's Board of Directors every year.

15 FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

The Group makes extensive use of financial instruments to balance the bank's currency, interest rate and equity risk. Currency and interest rate related instruments are used to minimise currency and interest rate risk from the bank's loans to customers and funding from the capital markets.

The Group uses hedge accounting for fair value hedging of some fixed rate funding (certificate loans and bonds). Only interest rate hedging is used using interest rate swaps. All interest rate swaps are NOK denominated since the Group is not exposed to foreign currency debt. Each individual hedging transaction is documented with a reference to the Group's risk management strategy, clear identification of the hedging object and hedging instrument, a clear description of the hedged risk, a description of why the hedging is expected to be effective, and a description of when and how the Group will document that the hedging has been effective during the accounting period and is expected to be effective in the next accounting period. The Group has defined the hedged risk as changes in value related to the NIBOR component of the funding. The hedging effectiveness is evaluated and documented both upon initial classification and upon each closing of accounts. In the case of fair value hedging, the hedging instrument is recognised at fair value and the value of the hedging object is adjusted for the change in value related to the hedged risk. Changes in these values from the opening balance are recognised in the income statement as hedging ineffectiveness. This method ensures that the presentation of these instruments in the financial statements complies with the Group's policies for managing interest rates and actual economic developments. Ineffectiveness in the bank's hedging can arise due to actual changes in fair value of the floating leg of the hedging instrument. Please see note 19 for the recognised amounts in the income statement. Please also see the further information about the bank's hedge accounting below.

The Board of Directors has approved limits for the bank's exposure to any counterparty in order to reduce the settlement risk related to the use of financial instruments. The bank will use solid and established counterparties with a minimum rating of "A" from a recognised ratings agency. A credit support annex (CSA) will be established with all counterparties in order to ensure the lowest possible net exposure in case of the bankruptcy of a counterparty.

The right of set-off of the parent bank and the Group conforms to ordinary Norwegian law. Due to ISDA agreements entered between the parent bank and financial derivatives counterparties, a right of set-off is acquired if the counterparty defaults on its obligations. No setting off is made in the bank's balance sheet since they do not conform to the requirements of IAS 32.

SSB Boligkreditt also uses ISDA agreements with counterparties in relation to financial derivatives. As with the parent bank, the agreements ensure a right of set-off if the counterparties default on their obligations, and CSA riders have been added to the ISDA agreements with the financial counterparties.

Group

	31.12.2021	Fair value as at 31.12.2021		31.12.2020	Fair value as at 31.12.2020	
	Notional amount	Positive market value [1]	Negative market value [1]	Notional amount	Positive market value [1]	Negative market value [1]
Interest rate agreements [2]	9 786 246	139 219	45 737	12 876 048	321 614	145 261
Foreign exchange rate agreements	241 647	2 840	852	349 698	4 656	1 038
Equity-related instruments						
Other commodity-related instruments						
Total financial derivatives	**10 027 893**	**142 059**	**46 589**	**13 225 746**	**326 270**	**146 300**
[2] Of which used for hedging purposes	4 309 000	85 870	30 041	4 696 000	294 243	67 076

Parent Bank

	31.12.2021	Fair value as at 31.12.2021		31.12.2020	Fair value as at 31.12.2020	
	Notional amount	Positive market value [1]	Negative market value [1]	Notional amount	Positive market value [1]	Negative market value [1]
Interest rate agreements [2]	7 561 246	101 058	52 112	10 558 048	179 040	152 594
Foreign exchange rate agreements	241 647	2 840	852	349 698	4 656	1 038
Equity-related instruments						
Other commodity-related instruments						
Total financial derivatives	**7 802 893**	**103 898**	**52 965**	**10 907 746**	**183 697**	**153 633**
[2] Of which used for hedging purposes	2 084 000	47 708	36 417	2 378 000	151 669	74 409

1 Market values of financial derivatives are presented inclusive of accrued (not capitalised) interest as at 31.12.

Further details about the bank's hedge accounting

The bank uses fair value hedging, where securities issuances are part of a hedging relationship with individually adapted hedging derivatives. As at 31.12.2021, all of the hedging instruments and hedging objects in the bank's hedging arrangements have the same principal as well as the same duration and coupon for the fixed leg (1:1 hedging). The fixed rate is swapped to a floating rate on a 3-month basis.

Group 31.12.2021

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging instrument	Capitalised amount of hedging instrument: Assets	Capitalised amount of hedging instrument: Liabilities	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Interest rate agreements	4 309 000	85 870	30 041	Financial derivatives	-163 514
Total	**4 309 000**	**85 870**	**30 041**		**-163 514**

Information about hedging objects

Type of hedging object	Nominal amount of hedging object	Capitalised amount of hedging object[1]	Accumulated change in value of hedging object due to fair value hedging	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Fair value hedging (interest rate risk)					
Securities issued in NOK	4 309 000	4 370 670	755	Securities issued	163 514
Total	**4 309 000**	**4 370 670**	**755**		**163 514**

Information on ineffectiveness in hedging

Ineffectiveness is recognised through ordinary profit or loss (gain/loss on financial instruments)	**0**

1 Carrying amount of hedging object includes accrued (not capitalised) interest but is not part of the change in value of the hedging object.

Parent Bank 31.12.2021

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging instrument	Capitalised amount of hedging instrument: Assets	Capitalised amount of hedging instrument: Liabilities	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Interest rate agreements	2 084 000	47 708	36 417	Financial derivatives	-66 302
Total	**2 084 000**	**47 708**	**36 417**		**-66 302**

Information about hedging objects

Type of hedging object	Nominal amount of hedging object	Capitalised amount of hedging object[1]	Accumulated change in value of hedging object due to fair value hedging	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Fair value hedging (interest rate risk)					
Securities issued in NOK	2 084 000	2 098 753	-14 184	Securities issued	66 302
Total	**2 084 000**	**2 098 753**	**-14 184**		**66 302**

Information on ineffectiveness in hedging

Ineffectiveness is recognised through ordinary profit or loss (gain/loss on financial instruments)	**0**

1 Carrying amount of hedging object includes accrued (not capitalised) interest but is not part of the change in value of the hedging object.

Group 31.12.2020

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging instrument	Capitalised amount of hedging instrument: Assets	Capitalised amount of hedging instrument: Liabilities	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Interest rate agreements	4 696 000	294 243	67 076	Financial derivatives	189 419
Total	**4 696 000**	**294 243**	**67 076**		**189 419**

Information about hedging objects

Type of hedging object	Nominal amount of hedging object	Capitalised amount of hedging object[1]	Accumulated change in value of hedging object due to fair value hedging	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Fair value hedging (interest rate risk)					
Securities issued in NOK	4 696 000	4 922 862	164 268	Securities issued	-189 419
Total	**4 696 000**	**4 922 862**	**164 268**		**-189 419**

Information on ineffectiveness in hedging

Ineffectiveness is recognised through ordinary profit or loss (gain/loss on financial instruments)	**0**

1 Carrying amount of hedging object includes accrued (not capitalised) interest but is not part of the change in value of the hedging object.

Parent Bank 31.12.2020

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging instrument	Capitalised amount of hedging instrument: Assets	Capitalised amount of hedging instrument: Liabilities	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Interest rate agreements	2 378 000	151 669	74 409	Financial derivatives	73 126
Total	**2 378 000**	**151 669**	**74 409**		**73 126**

Information about hedging objects

Type of hedging object	Nominal amount of hedging object	Capitalised amount of hedging object[1]	Accumulated change in value of hedging object due to fair value hedging	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Fair value hedging (interest rate risk)					
Securities issued in NOK	2 378 000	2 458 292	52 118	Securities issued	-73 126
Total	**2 378 000**	**2 458 292**	**52 118**		**-73 126**

Information on ineffectiveness in hedging

Ineffectiveness is recognised through ordinary profit or loss (gain/loss on financial instruments)	**0**

1 Carrying amount of hedging object includes accrued (not capitalised) interest but is not part of the change in value of the hedging object.

16 LIQUIDITY RISK

Liquidity risk is the risk of incurring losses due to the Bank's inability to meet all payment obligations due or that this can only be done at additional costs.

The bank's Board of Directors has set limits against which liquidity risk is measured and managed. Frameworks have been established in the following areas:

- Liquidity Coverage Ratio
- Net Stable Funding Ratio
- Liquidity frameworks
- Stress test
- Foreign financing
- Concentration risk
- Deposits (objective of deposit-to-loan ratio)

Liquidity Coverage Ratio (LCR)

LCR addresses the importance of having a stock of high-quality liquid assets to survive a liquidity disposal for a stress period of 30 days. The requirement for LCR is that LCR shall be at least 110 % for all currencies combined, i.e,. that the bank shall have immediate liquid assets equivalent to at least the aforementioned stressed liquidity disposal. The bank is significantly above the minimum requirement.

Net Stable Funding Ratio (NSFR)

NSFR addresses the importance of having stable long-term funding sources over 1 year. The bank aims to have an NSFR of more than 105 % at all times.

Liquidity frameworks

The bank has defined liquidity frameworks for minimum liquidity holdings if foreign financing maturity and known payments are considered. Liquid assets shall at minimum constitute maturity of foreign financing and known payments within 6 months. Strategic liquidity shall at minimum constitute maturity of foreign financing and known payments within 12 months.

Stresstest

Stress tests are carried out to show the Group's need for liquidity reserves based on future recession-related scenarios. The Group has established frameworks for how long the bank can operate without the supply of new capital, given defined stress situations and with a specified minimum of liquidity holdings.

Liquidity is stressed out of three types of crises, with different scenarios:

- Banking crisis (challenging and very challenging scenario)
- Market crisis (challenging and very challenging scenario)
- Combined crisis (Extreme scenario)

Foreign financing and concentration risk

Foreign financing via various funding instruments in the capital market is used as a supplement to deposit financing. The bank's management objective is to maintain a balanced maturity structure on its equity portfolio from the capital market. Date due on loans vary, and the Bank refinances these well before maturity to reduce liquidity risk.

The concentration risk is also controlled through the spread of loans in various markets, funding sources, instruments and terms to maturity.

Deposits

In order to be less dependent on foreign financing, targets for deposit-to-loan ratio have been set at a minimum of 48 % in the Den Gule Banken, Sandnes Sparebank Group. At the same time, frameworks have been put in place for the extent of large deposits, for this purpose specified as deposits of more than NOK 50 million, to reduce the liquidity risk.

Other conditions

Settlement risk, which arises, among other things, in connection with payment services as a result of not all transactions taking place in the present and in connection with derivative trading, also entails counterparty risk. Den Gule Banken has agreements with its largest counterparties in derivative trading through the International Swap Dealer Association (ISDA). Such agreements reduce the settlement risk associated with derivative trading.

A separate liquidity strategy has been prepared, which the Board of Directors processes at least annually following updates proposed by the Head of Risk Management and Head of Treasury. The liquidity strategy puts in place frameworks that take into account future liquidity needs. Compliance with frameworks is monitored in risk reports and reported at least quarterly to the bank's Board of Directors and Risk Committee.

The bank has prepared its own contingency plan to ensure concrete action in the event of liquidity crises. The contingency plan is subject to an annual consideration and approval from the Board of Directors. The liquidity crisis entails that the bank gets into a situation where liquidity is not available to meet the bank's ongoing obligations or satisfactory liquidity to carry out payment transactions for its customers. The contingency plan shall ensure the flow of information to the bank's management group and Board of Directors, as well as provide clear responsibilities to the individual areas of the bank. The flow of information and assigned liability shall help the bank make decisions to try to replace lost cash flows on a correct and sufficient basis of information.

Liquidity management process

The responsibility for the Group's day-to-day liquidity management has been placed with the Treasury department. The department follows up the Group's cash flow daily to ensure that daily payments can be made. This follow-up includes close dialogue with the bank's credit departments, as well as daily contact with the loan market.

As part of the liquidity management, the Treasury department also manages the bank's strategic liquidity portfolio. Also included in this portfolio are liquid securities that can be quickly introduced as liquidity in the event of unexpected effects on the bank's cash flow.

Remaining period to maturity, main items[1]

Group 31.12.2021	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No residual maturity	2021
Liabilities to credit institutions	99 083						99 083
Deposits from customers	10 100 645	2 292 660	298 856	150 326			12 842 486
Securities issued		85 382	820 323	11 019 551	899 161		12 824 416
Other liabilities						284 286	284 286
Subordinated loans				200 824			200 824
Hybrid capital as equity				100 000			100 000
Financial derivatives, gross settlement	4 354	30 621	66 756	98 203	49 039		248 973
Contractual interest payments	6 572	50 933	95 129	264 030	66 720		483 384
Total disbursements	**10 210 652**	**2 459 595**	**1 281 065**	**11 832 933**	**1 014 920**	**284 286**	**27 083 451**

Group 31.12.2020	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No residual maturity	2020
Liabilities to credit institutions	1 471 784						1 471 784
Deposits from customers	9 997 945	1 587 302	193 106	147 704			11 926 057
Securities issued		145 000	360 000	9 916 000	1 625 000		12 046 000
Other liabilities						257 882	257 882
Subordinated loans				200 000			200 000
Hybrid capital as equity				100 000			100 000
Financial derivatives, gross settlement	6 936	49 374	78 401	130 723	61 593		327 028
Contractual interest payments	5 028	42 313	95 046	322 275	108 765		573 426
Total disbursements	**11 481 692**	**1 823 990**	**726 553**	**10 816 702**	**1 795 358**	**257 882**	**26 902 177**

Parent Bank 31.12.2021	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No residual maturity	2021
Liabilities to credit institutions	216 461						216 461
Deposits from customers	10 105 438	2 292 660	298 856	150 326			12 847 279
Securities issued		36 565	390 284	3 942 173			4 369 023
Other liabilities						250 343	250 343
Subordinated loans				200 824			200 824
Hybrid capital as equity				100 000			100 000
Financial derivatives, gross settlement	3 425	24 098	65 546	98 203	49 039		240 311
Contractual interest payments	6 572	18 568	49 268	91 980			166 388
Total disbursements	**10 331 895**	**2 371 891**	**803 954**	**4 583 506**	**49 039**	**250 343**	**18 390 628**

Parent Bank 31.12.2020	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No residual maturity	2020
Liabilities to credit institutions	1 376 117						1 376 117
Deposits from customers	10 003 116	1 587 302	193 106	147 704			11 931 228
Securities issued		52 000	360 000	3 716 000	300 000		4 428 000
Other liabilities						231 049	231 049
Subordinated loans				200 000			200 000
Hybrid capital as equity				100 000			100 000
Financial derivatives, gross settlement	6 272	25 931	76 175	130 723	61 593		300 695
Contractual interest payments	5 028	15 562	52 596	130 395	7 440		211 020
Total disbursements	**11 390 532**	**1 680 795**	**681 877**	**4 424 822**	**369 033**	**231 049**	**18 778 109**

1 Cash flows related to liabilities with an agreed term to maturity are based on nominal contract sizes inclusive of estimated interest payments up to the maturity date.

17 NET INTEREST INCOME

Group 2021	Group 2020	Net interest income	Parent Bank 2021	Parent Bank 2020
		INTEREST INCOME MEASURED USING THE EFFECTIVE INTEREST METHOD		
3 142	4 324	Interest income on loans to credit institutions	10 408	17 467
605 667	680 061	Interest income on loans to customers	428 978	487 275
3 892	3 714	Interest income on securities	3 892	3 714
(79)	(54)	Other interest income	(79)	(62)
612 622	**688 046**	**Total interest income measured using the effective interest method**	**443 199**	**508 393**
		INTEREST INCOME MEASURED AT FAIR VALUE		
35 435	32 298	Interest income on loans to customers	35 435	32 298
26 262	56 514	Interest income on securities	21 148	50 114
(15 644)	(6 393)	Interest income on financial derivatives (excl. hedging instruments)	(15 644)	(6 393)
793	3 999	Other interest income	793	3 999
46 846	**86 418**	**Total interest income measured at fair value**	**41 732**	**80 019**
659 468	**774 464**	**Total interest income**	**484 931**	**588 412**
		INTEREST EXPENSES		
1 690	5 590	Interest expenses on deposits from credit institutions, measured using the effective interest method	1 915	5 656
49 634	72 031	Interest expenses on deposits from customers, measured using the effective interest method	49 882	72 249
2 669	9 020	Interest expenses on deposits from customers, measured at fair value	2 669	9 020
4 436	5 365	Interest expenses on subordinated loan capital, measured using the effective interest method	4 436	5 365
196 121	241 361	Interest expenses on securities, measured using the effective interest method	92 320	105 869
(62 886)	(43 782)	Interest on financial derivatives as hedging instruments[1]	(28 928)	(17 183)
3 372	4 113	Interest expenses on lease liabilities (IFRS 16)	3 372	4 113
8 336	11 184	Other interest expenses	6 595	9 134
203 372	**304 882**	**Total interest expenses**	**132 260**	**194 225**
456 095	**469 582**	**Net interest income**	**352 671**	**394 187**

1 Applies to interest on derivatives that are part of hedge accounting.

18 NET COMMISSION INCOME

Group 2021	Group 2020	Net commission income	Parent Bank 2021	Parent Bank 2020
6 092	6 310	Guarantee commission	6 092	6 310
5 125	3 984	Distribution and management of securities	5 125	3 984
17 023	17 240	Payment transfers	17 023	17 240
12 354	10 505	Insurance	12 354	10 505
18 234	18 321	Other fees	30 066	35 238
58 829	56 359	Commission income and income from banking services	70 661	73 276
-9 126	-9 549	Commission costs and costs from banking services	-9 126	-9 549
49 702	**46 810**	**Net commission income and income from banking services**	**61 534**	**63 727**
28 548	23 323	Brokerage fees		
11 401	9 670	Other commission income from real estate brokerage		
39 949	**32 993**	**Net commission income from real estate brokerage**		
89 652	**79 802**	**Total net commission income**	**61 534**	**63 727**

19 NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AND DIVIDENDS/INCOME FROM OWNERSHIP INTERESTS

Group 2021	Group 2020	Net gain/loss on financial instruments	Parent Bank 2021	Parent Bank 2020
		Net gain/loss on financial instruments at fair value		
64 055	-19 878	Net gain/loss on currency and financial derivatives	64 054	-19 881
-49 704	25 881	Net change in value of loans and advances	-49 704	25 881
-18 889	-5 485	Net gain/loss on interest-bearing securities	-17 169	-6 652
22 940	-2 484	Net gain/loss on equities	22 940	-2 484
1 271	-1 212	Net change in value of financial liabilities	1 271	-1 212
19 672	**-3 179**	**Net gain/loss on financial instruments at fair value**	**21 392**	**-4 349**
		Net change in value of hedged items		
-163 514	189 419	Net change in value of financial derivatives, hedging	-66 302	73 126
163 514	-189 419	Net change in value of hedged financial liabilities	66 302	-73 126
		Net change in value of hedged items [1]		
		Net gain/loss on liabilities at amortised cost		
-4 873		Net gain/loss on securities issued at amortised cost [2]		
-4 873		**Net gain/loss on liabilities at amortised cost**		
14 800	**-3 179**	**Net gain/loss on financial instruments**	**21 392**	**-4 349**

1 The bank uses hedge accounting for long-term funding. Please see note 15.
2 Net gain/loss on liabilities at amortised cost applies to purchasing premiums upon buy-back/refinancing of bond debt before final maturity.

Group 2021	Group 2020	Dividends and income from ownership interests	Parent Bank 2021	Parent Bank 2020
		Dividends		
		Dividends from group companies recognised as income	36 941	
42 825	53 317	Dividends from other in recognised as income	42 825	53 317
42 825	**53 317**	**Dividends recognised as income**	**79 766**	**53 317**
		Income from ownership interests in associates		
4 920	4 405	Consolidated profit contributions from associates	4 920	4 405
		Other income from associates		
4 920	**4 405**	Income from ownership interests in associates	**4 920**	**4 405**
47 746	**57 721**	**Dividends and income from ownership interests in associates**	**84 687**	**57 721**

20 OTHER OPERATING INCOME

Group 2021	Group 2020	Other operating income	Parent Bank 2021	Parent Bank 2020
478	281	Leasing of real estate	911	822
1 611	402	Other income	1 611	402
2 089	**683**	**Other operating income**	**2 522**	**1 225**

21 OTHER OPERATING COSTS

Group 2021	Group 2020	Operating costs	Parent Bank 2021	Parent Bank 2020
124 521	111 940	Wages	98 881	90 212
10 196	8 831	Pensions [1]	9 275	8 351
27 224	25 779	Social costs	27 026	25 517
161 941	**146 550**	**Personnel costs**	**135 182**	**124 080**
2 995	3 186	Operating costs properties and premises	2 995	3 186
314	961	Rent [2]	314	529
724	706	Other operational leases [2]	255	428
82 021	53 055	IT costs [3]	81 264	52 730
12 274	9 672	Marketing and information	11 330	9 212
5 731	6 717	Other administrative costs	4 845	5 770
167	782	Consultancy fees	11	610
29 455	23 688	Other operating costs	23 525	19 003
133 681	**98 767**	**Total other operating costs**	**124 539**	**91 467**
18 861	23 672	Depreciation	17 682	22 769
18 861	**23 672**	**Total depreciation and write-downs**	**17 682**	**22 769**
314 483	**268 988**	**Total operating costs**	**277 403**	**238 316**

1 See specification of pension costs below.
2 In line with IFRS 16, the bank's lease costs (rent/other leases) are now primarily presented as interest expenses and depreciation. Recognised lease costs relate to short-term leases and low value leases (which are exempt from IFRS 16). Please also see the further information in note 33.
3 Recognised IT costs for 2021 include an extraordinary charge of NOK 29.1 million linked to the conversion to a new core banking system. The bank estimates that the total costs linked to implementing a new core banking system will amount to NOK 50-60 million spread across 2021 and 2022.

Honorar til ekstern revisor

For the Group, fees for the statutory audit amounted to NOK 1 381 506 (NOK 1 816 804), while fees for tax advice, attestation and other assistance amounted to NOK 512 775 (NOK 240 000) in 2021.

For the parent bank, fees for the statutory audit amounted to NOK 1 122 678 (NOK 1 581 236), while fees for tax advice, attestation and other assistance amounted to NOK 380 088 (NOK 7 500) in 2021. All amounts are inclusive of VAT.

Group 2021	Group 2020	Specification of pension costs [1]	Parent Bank 2021	Parent Bank 2020
8 558	7 173	Cost of defined contribution pensions	7 637	6 694
132	174	Cost of defined benefit pensions, in line with note 23	132	174
1 506	1 483	Costs of contractual early retirement pensions (AFP)	1 506	1 483
10 196	**8 831**	**Total pension costs**	**9 275**	**8 351**

Group 2021	Group 2020	No. of employees/FTEs	Parent Bank 2021	Parent Bank 2020
142	136	No. of employees as at 31.12	119	114
138	132	No. of FTEs as at 31.12	116	111
138	137	Average no. of employees	115	116
133	133	Average no. of FTEs	111	113

22 REMUNERATION

Remuneration requirements are regulated in Chapter 15 §§ 15-1 to 15-6 of the Financial Institutions Act

The provisions safeguard the provisions of the EU Capital Requirements Directive (CRD IV) on good remuneration schemes to reduce excessive risk-taking and promote sound and effective risk management in financial enterprises.

Based on these regulations, the bank established a special remuneration committee on 15 December 2010. The committee consists of 4 board members, of whom 1 is an employee representative.

The provisions impose a direct responsibility on the Board of Directors to ensure that:

- The bank develops a remuneration scheme for all its employees that is suitable for promoting the purpose of the regulation, and that the bank's wage and bonus systems are practiced in accordance with this remuneration scheme
- The remuneration scheme complies with the bank's overall objectives, risk tolerance and long-term interests
- The remuneration scheme contains special rules for executive employees, elected representatives and employees with tasks in internal control and risk management. The Board of Directors shall also ensure that the composition of fixed and variable pay for such employees is balanced, and that at least half of any bonus payments are made in the form of equity certificates if the bonus exceeds 12.5 % of the base pay. Bonus payments in the form of equity certificates cannot be utilized freely by the individual earlier than evenly distributed over a period of at least three years. The basis for variable remuneration must be a period of at least two years.
- The bank has a remuneration committee that is responsible for preparatory work in all matters concerning the remuneration scheme that must be decided by the Board of Directors

The bank has prepared a compensation policy. No significant changes have been made to the bank's compensation policy during 2021.

The purpose of Den Gule Banken, Sandnes Sparebank's compensation policy is to attract employees with the expertise the bank needs, further develop and retain key expertise, as well as motivate long-term and continuous development to achieve Den Gule Banken's business goals.

The compensation may consist of the following elements:

- **Fixed base pay.** The bank aims to offer market wages. On this basis, fixed base pay is adjusted annually based on the performance of the individual manager's field of work and responsibility. The CEO determines a change in basic pay for the members of the bank's management group. The remuneration committee regulates the CEO's salary, which is determined by the Board of Directors.
- **Benefits** in kind that include telephone/mobile phone, newspaper/journal, home office arrangement and occasionally car arrangement. In addition, loans and banking services are granted at separate terms in accordance with same regulations as other employees.
- **Bonuses.** The bank's employees are covered the bank's current bonus scheme at all times. All permanent employees in the parent bank are covered by a group bonus model. The calculation is based on actual return on equity and client satisfaction. The model paid 4 % of the basic pay for all employees for the 2020 income year with a payout in 2021. The Board of Directors has the opportunity to reduce the bonus if special considerations are required. In addition, advisers with direct sales responsibility also have the possibility of receiving bonuses based on their KPIs, with a limit of NOK 55 000 per employee per year. For 2020, with a payout in March 2021, RM advisers achieved a bonus of NOK 30 000. The CEO is only covered by the bank's group bonus scheme, analogous to other employees. She does not receive an additional, separate bonus pay.
- Employees at the bank have the opportunity to buy **discounted equity certificates** with Den Gule Banken once a year. The equity certificate is purchased at a 33 % discount, with savings of up to 7.5 % of fixed base pay or up to NOK 5000 per month. Purchase entails one year of contribution time and then a one-year required savings period, a total of two years.
- **Pension scheme;** Executive employees have a defined contribution pension scheme for income up to 12G, following the current arrangements for the bank's employees. The pensionable age for the bank's employees is 70 years, with the possibility of a contractual early retirement scheme (AFP) from the age of 62 following the current schemes in the financial sector.

Total expenses for wages, pension and other remunerations for the bank's management group, the Board of Directors and the Board of Trustees are shown in the following table. The amounts entered are totals for the entire year or from the date of employment if the executive was employed during the year.:

Total expenses for salary, pension and other remuneration

Management group 2021

		Wages	Of which wage comp.[3]	Of which bonus paid	Of which other benefits	Loans as at 31.12 [5]	No. of equity certificates owned as at 31.12
CEO	Trine Karin Stangeland	3 193		111	174	7 502	22 753
CFO	Tomas Nordbø Middelthon	2 220		78	95	4 000	27 357
Director Retail Market	Erik Kvia Hansen	1 647		57	64	7 146	3 237
Director Communications	Ingrid O. Fure Schøpp [3]	1 697	159	55	49	1 587	9 671
Director Corporate Market (to 01.10.2021)	Magnar Oanes [3]	2 324	147	72	233		14 874
Director Corporate Market (from 01.10.2021)	Lars Kristiansen	504			4		
Director Customer Experience	Lene Nordahl	1 415		50	78	5 553	3 408
Director HR	Stein Haga	1 257	75	42	55	2 007	10 167

Management group 2020

		Wages	Of which wage comp.[3]	Of which bonus paid	Of which other benefits	Loans as at 31.12 [5]	No. of equity certificates owned as at 31.12
CEO	Trine Karin Stangeland	3 184		205	170	7 833	18 935
CFO	Tomas Nordbø Middelthon	2 236		145	103	4 000	24 689
Director Retail Market	Erik Kvia Hansen	1 613		108	72	7 351	2 467
Director Communications	Ingrid O. Fure Schøpp [3]	1 706	159	103	37		8 542
Director Corporate Market	Magnar Oanes [3]	2 400	154	159	251		14 415
Director Customer Experience	Lene Nordahl	1 421		92	67	5 948	2 279
Director HR (from 01.07.2020)	Stein Haga	1 238		74	126	1 539	8 765

The stated amounts are totals for the whole year, or from date of employment if the officer was hired during the year.

Board of Directors

		Fees		Loans as at 31.12		No. of equity certificates owned as at 31.12	
		2021	2020	2021	2020	2021	2020
Chair of the Board	Harald Espedal	303	297			886 861	886 861
Deputy Chair	Frode Svaboe [2]	273	270			10 200	10 200
Board member	Heidi Nag Flikka		121				2 331
Board member	Birte Norheim		37				2 674
Board member	Sven Christian Ulvatne [2]	177	206			11 413	10 433
Board member	Bjørg Tomlin	151	149				
Board member	Astrid Rebekka Norheim	151	111			5 806	4 935
Board member	Wenche Drønen Christenssen [2]	128				240	
Board member	Solveig Vatne [1]		37		2 932		18 798
Board member	Jan Inge Aarreberg [1/4]	37	149	3 179	3 270	3 377	2 764
Board member	Ingunn Ruud [1/2]	177	136	5 877	5 655	282	71
Board member	Joakim De Haas [1]	114		4 240		1 512	

Board of Trustees

		2021	2020
Chair	Ørjan Gjerde	88	134
Member	Jan Erik Anfinsen	2	4
Member	Svein Anfinsen	2	4
Member	Jo Michael Asbjørnsen	2	4
Member	Garmann Auklend	2	
Member	Per Øyvind Berge	2	2
Member	Anders Bjørndal [1]	2	4
Member	Solveig Borgersen		2
Member	Bjørn Bærheim	2	4
Member	Bjørn Roald Eknes		2
Member	Anne Lise Elle [1]	2	4
Member	Inger-Lise Erga	2	4
Member	Olav Kristian Falnes	2	4
Member	Thor Erik Gilje [1]	2	4
Member	Joakim De Haas [1]		4
Member	Dag Halvorsen	2	2
Member	Terese Albuquerque Helleland [1]	2	4
Member	Ragnhild Hildonen		4
Member	John Hov	2	2
Member	Njål Kollbotn [1]	2	4
Member	Gunn Jane Håland	2	4
Member	Kari Solheim Larsen	2	4

		2021	2020
Member	Bente Løyning	2	4
Member	Geir Mikalsen	2	2
Member	Ragnvald Nilsen		4
Member	Hanne Brit Nordbø	2	2
Member	Arne Oftedal	2	4
Member	Egil Omland	2	4
Member	Kjell Rommetvedt	2	2
Member	Mona Aadnøy Riska [1]	2	4
Member	Åge Skår	2	4
Member	Inger-Lise Slagstad [1]	2	4
Member	Guttorm Stangeland	2	4
Member	Vilde Stødle [1]	2	4
Member	Martin Sunde	2	4
Member	Tine Svanes	2	4
Member	Aase Sveinsvoll	2	4
Member	Vidar Torsøe	2	4
Member	Siv Merethe Tuftedal	2	4
Member	Kenneth Våge [1]		4
Member	Johan Wigerstrand		
Member	Trond Wikstøl	2	4
Member	Tove Wold	2	4

1 Employee representative.

2 Includes annual fees of NOK 48 675, NOK 25 850, NOK 25 850 and NOK 14 300 for the audit and risk committee.

3 The bank changed its pension plan for senior executives in 2012. The bank switched from a pension scheme for salaries above 12G (where G = National Insurance scheme's basic amount) to a direct wage compensation. The amounts in the wage compensation column consist of monthly payments for 2021.

4 Left the Board of Directors in 2021.

5 Subsidised interest rates on employee loans. The interest rate on loans to employees is the current standard rate less 0.75%. Loans to board members and members of the Board of Trustees are provided on ordinary terms and conditions.

The holdings of the equity certificate holders listed above include equity certificates held by their spouse, children who are minors and companies in which the person concerned owns a controlling interest as stated in section 1-3(2)) of the Limited Liability Companies Act.

23 PENSIONS

Den Gule Banken, Sandnes Sparebank has a defined-contribution scheme that satisfies the requirements of the Occupational Pension Schemes Act.

Den Gule Banken has offered a defined-contribution pension for new employees since 1 January 2007. Following the restructuring, some individuals employed before 1 January 2007 also switched from the defined-benefit scheme to the new defined-contribution scheme. At the end of 2013, all remaining employees switched to a defined-contribution scheme. Those affected receive a routinely compensation in the form of wages.

The parent bank additionally has an AFP scheme. The old AFP scheme was discontinued in February 2010. As a replacement for the old AFP scheme, a new AFP scheme that provides a lifelong supplement to the ordinary pension has been established. The new AFP scheme is a defined-benefit multi-enterprise pension scheme, and is funded through premiums that are determined as a percentage of wages. There is currently no reliable measurement and allocation of obligations and funds in the scheme. In accounting terms, the scheme is thus treated as a defined-contribution pension scheme where premium remunerations are routinely recognised as costs, and no provisions are made in the financial statements. No premium was paid in the new scheme until 2011, at which point the premium was set at 1.4% of total payments between 1G and 7.1G to the company's employees.

The parent bank also has an operating pension for a former CEO, with payments starting at the age of 67. The calculation of the pension obligation is carried out by an external actuary. The following economic and actuarial assumptions are included:

Assumptions

	2021	2020
Discount rate	1,90 %	1,70 %
Expected annual wage increase	2,75 %	2,25 %
Adjustment of the National Insurance scheme basic amount (G)	2,50 %	2,00 %
Adjustment of current pension	1,75 %	1,25 %
Mortality table	K2013BE	K2013BE
AFP withdrawals	0,00 %	0,00 %
Expected voluntary departures before retirement age	0,00 %	0,00 %
Disability table	KU	KU

Group		Net pension costs, defined benefit plans	Parent Bank	
2021	2020		2021	2020
		Present value of pension accruals for the year		
132	174	Interest expense of accrued pension liabilities	132	174
132	174	Net pension costs	132	174
		Employers' National Insurance contributions		
132	**174**	**Total pension costs**	**132**	**174**

Costs related to deposit schemes amount to NOK 8.6 million for the Group and NOK 7.6 million for the parent bank for 2021, respectively. Equivalently, 2020 saw NOK 7.2 million for the Group and NOK 6.7 million for the parent bank.

Costs of the new AFP scheme, which has been treated as a defined contribution pension scheme, amount to NOK 1.5 million for group and parent bank for 2021 and NOK 1.5 million for 2020.

Net pension liability

	31.12.2021			31.12.2020		
Group	Funded	Unfunded	Total	Funded	Unfunded	Total
Accrued pension rights		8 025	8 025		8 005	8 005
Pension funds						
Calculated pension liabilities		8 025	8 025		8 005	8 005
Employer's National Insurance contributions on net liability						
Net pension liability		**8 025**	**8 025**		**8 005**	**8 005**
Parent Bank						
Accrued pension rights		8 025	8 025		8 005	8 005
Pension funds						
Calculated pension liabilities		8 025	8 025		8 005	8 005
Employer's National Insurance contributions on net liability						
Net pension liability		**8 025**	**8 025**		**8 005**	**8 005**

The Group's insured schemes are underfunded. Net pension liabilities are recognised as long-term debt in the balance sheet.

Actuarial gains and losses are recognised against other comprehensive income (OCI) in the period in which they occur. For 2021, this resulted in a total cost recognition of other comprehensive income (OCI) of NOK 0.3 million after tax for group and parent bank. The corresponding figure for 2020 was a cost of NOK 0.4 million after tax for group and parent bank.

Reconciliation of gross pension liabilities

Group 31.12.2021	Group 31.12.2020		Parent Bank 31.12.2021	Parent Bank 31.12.2020
8 005	7 810	Opening balance	8 005	7 810
		Accruals for the year		
132	174	Interest expenses for the year	132	174
-457	-450	Payouts to retired employees	-457	-450
345	471	Estimate deviations recognised through OCI	345	471
8 025	**8 005**	**Closing balance**	**8 025**	**8 005**

Historical development (Group/Parent Bank)

Group	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Gross pension liabilities	8 025	8 005	7 810	7 489	7 736
Gross pension funds					
Employer's National Insurance contributions on net liability					
Net capitalised pension liabilities	**8 025**	**8 005**	**7 810**	**7 489**	**7 736**

The remaining net pension liabilities as at 31.12.2021 are related to an operational pension from age of 67 for a former CEO.

24 TAX

Group 2021	Group 2020	TAX EXPENSE, ORDINARY PROFIT	Parent Bank 2021	Parent Bank 2020
		Tax payable		
55 701	50 109	Tax expense for the year	36 263	37 454
-12	-197	Correction of tax in prior years	-12	24
		Deferred tax		
-8 756	248	Change in temporary differences	-8 255	-305
46 933	**50 160**	**Total tax on ordinary profit**	**27 996**	**37 173**

Group 2021	Group 2020	RECONCILIATION OF TAX EXPENSE AGAINST PROFIT BEFORE TAX	Parent Bank 2021	Parent Bank 2020
328 238	310 932	Profit before tax expense	279 101	250 780
88 712	75 906	25/22% of profit before tax [1]	69 775	62 695
-41 768	-25 548	Permanent differences	-41 768	-25 546
-12	-197	Correction of tax in prior years	-12	24
46 933	**50 160**	**Total tax on ordinary profit**	**27 996**	**37 173**
14 %	16 %	Effective tax rate	10 %	15 %

Group 31.12.2021	Group 31.12.2020	RECONCILIATION OF DEFERRED TAX ASSET/DEFERRED TAX	Parent Bank 31.12.2021	Parent Bank 31.12.2020
-7 811	-7 733	Deferred tax asset/deferred tax as at 01.01	-8 440	-8 017
-8 756	248	Change recognised in the income statement	-8 255	-305
-86	-118	Tax on OCI	-86	-118
-16	-209	Other items		
-16 669	**-7 811**	**Total deferred tax asset/deferred tax**	**-16 782**	**-8 440**

1 In the Group, the parent bank is subject to a25% tax rate (financial institution) while the bank's subsidiaries are subject to a 22% tax rate.

Deferred tax asset and deferred tax on the balance sheet distributed across temporary differences.

Group			Parent Bank	
31.12.2021	31.12.2020	DEFERRED TAX ASSET	31.12.2021	31.12.2020
747	-816	Non-current assets and property, plant and equipment	680	-885
-17 654	-20 947	Right-of-use assets, leases	-16 945	-19 882
21 571	24 992	Lease liabilities	20 826	23 906
-442	-47	Profit and loss account	-433	-37
2 006	2 001	Pensions	2 006	2 001
6 475	63	Accounting provisions	6 475	63
4 172	3 274	Financial instruments	4 172	3 274
-20	4	Current assets		
16 856	**8 524**	**Total deferred tax asset**	**16 782**	**8 440**

31.12.2021	31.12.2020	DEFERRED TAX	31.12.2021	31.12.2020
187	713	Financial instruments		
187	**713**	**Total deferred tax**		

Deferred tax and deferred tax asset are recognised net at a company level.

25 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following tables present the classification of financial assets and liabilities as at the balance sheet date in line with IFRS 9.

For a further description of the classification of financial instruments, please see note 2.

Group 31.12.2021	Amortised cost	Fair value through profit or loss (mandatory)	Fair value through profit or loss (optional)	Hedge accounting	Fair value through OCI	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash	2 967							2 967
Loans to and receivables from credit institutions [2]	436 965							436 965
Loans to customers	24 178 029		1 213 479					25 391 507
Certificates and bonds	613 972	2 184 506						2 798 478
Equities		129 741						129 741
Ownership interests in associates						34 338		34 338
Financial derivatives		56 190		85 870				142 059
Retained earnings							17 486	17 486
Financial instruments with change in value through OCI					303 898			303 898
Other assets							115 204	115 204
Total assets	**25 231 933**	**2 370 437**	**1 213 479**	**85 870**	**303 898**	**34 338**	**132 690**	**29 372 644**
LIABILITIES								
Liabilities to credit institutions	99 083							99 083
Deposits from customers	12 247 421		595 065					12 842 486
Securities issued	8 453 747			4 370 670				12 824 416
Financial derivatives		16 548		30 041				46 589
Accrued costs							66 416	66 416
Subordinated loan capital	200 824							200 824
Other liabilities							204 346	204 346
Provisions	5 206						8 318	13 523
Total liabilities	**21 006 280**	**16 548**	**595 065**	**4 400 711**			**279 080**	**26 297 684**

Group 31.12.2020	Amortised cost	Fair value through profit or loss (mandatory)	Fair value through profit or loss (optional)	Hedge accounting	Fair value through OCI	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash	3 263							3 263
Loans to and receivables from credit institutions [2]	485 300							485 300
Loans to customers	22 694 107		1 305 613					23 999 720
Certificates and bonds	332 253	3 546 773						3 879 026
Equities		103 420						103 420
Ownership interests in associates						33 767		33 767
Financial derivatives		32 027		294 243				326 270
Retained earnings							18 550	18 550
Financial instruments with change in value through OCI					258 417			258 417
Other assets							127 477	127 477
Total assets	**23 514 924**	**3 682 220**	**1 305 613**	**294 243**	**258 417**	**33 767**	**146 028**	**29 235 211**
LIABILITIES								
Liabilities to credit institutions	1 471 784							1 471 784
Deposits from customers	11 454 320		471 736					11 926 057
Securities issued [1]	7 355 641			4 922 862				12 278 503
Financial derivatives		79 223		67 076				146 300
Accrued costs							34 392	34 392
Subordinated loan capital	200 716							200 716
Other liabilities							210 736	210 736
Provisions	6 282						8 562	14 844
Total liabilities	**20 488 743**	**79 223**	**471 736**	**4 989 938**			**253 690**	**26 283 331**

1 Ownership interests in associates that are recognised in line with the equity method are not covered by the IFRS 9 standard but are included in the overview as they are financial assets.

2 Loans to and receivables from credit institutions include receivables from central banks.

Parent Bank 31.12.2021	Amortised cost	Fair value through profit or loss (mandatory)	Fair value through profit or loss (optional)	Hedge accounting	Fair value through OCI	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash	2 967							2 967
Loans to and receivables from credit institutions [2]	444 752							444 752
Loans to customers	13 592 027		1 213 479		768 989			15 574 495
Certificates and bonds	613 972	1 625 898						2 239 869
Equities		129 741						129 741
Ownership interests in associates						34 338		34 338
Financial derivatives		56 190		47 708				103 898
Retained earnings							16 797	16 797
Financial instruments with change in value through OCI					303 898			303 898
Other assets	1 769 164						91 490	1 860 654
Total assets	**16 422 883**	**1 811 828**	**1 213 479**	**47 708**	**1 072 887**	**34 338**	**108 287**	**20 711 410**
LIABILITIES								
Liabilities to credit institutions	216 461							216 461
Deposits from customers	12 252 214		595 065					12 847 279
Securities issued	2 270 270			2 098 753				4 369 023
Financial derivatives		16 548		36 417				52 965
Accrued costs							61 697	61 697
Subordinated loan capital	200 824							200 824
Other liabilities							175 231	175 231
Provisions	5 096						8 318	13 414
Total liabilities	**14 944 865**	**16 548**	**595 065**	**2 135 170**			**245 246**	**17 936 894**

Parent Bank 31.12.2020	Amortised cost	Fair value through profit or loss (mandatory)	Fair value through profit or loss (optional)	Hedge accounting	Fair value through OCI	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash	3 263							3 263
Loans to and receivables from credit institutions [2]	510 357							510 357
Loans to customers	13 178 665		1 305 613		595 574			15 079 852
Certificates and bonds	332 253	3 073 481						3 405 734
Equities		103 420						103 420
Ownership interests in associates						33 767		33 767
Financial derivatives		32 027		151 669				183 696
Retained earnings							17 769	17 769
Financial instruments with change in value through OCI					258 417			258 417
Other assets	1 386 382						103 426	1 489 807
Total assets	**15 410 921**	**3 208 928**	**1 305 613**	**151 669**	**853 991**	**33 767**	**121 195**	**21 086 084**
LIABILITIES								
Liabilities to credit institutions	1 376 117							1 376 117
Deposits from customers	11 459 492		471 736					11 931 228
Securities issued	2 054 622			2 458 292				4 512 914
Financial derivatives		79 223		74 409				153 633
Accrued costs							30 039	30 039
Subordinated loan capital	200 716							200 716
Other liabilities							186 329	186 329
Provisions	6 119						8 562	14 681
Total liabilities	**15 097 065**	**79 223**	**471 736**	**2 532 701**			**224 930**	**18 405 656**

1 Ownership interests in associates that are recognised in line with the equity method are not covered by the IFRS 9 standard but are included in the overview as they are financial assets.

2 Loans to and receivables from credit institutions include receivables from central banks.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments measured at amortised cost

Group

	31.12.2021		31.12.2020	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash	2 967	2 967	3 263	3 263
Loans to and receivables from credit institutions	436 965	436 965	485 300	485 300
Loans to customers	24 178 029	24 178 029	22 694 107	22 694 107
Certificates and bonds	613 972	616 652	332 253	336 669
Total assets	**25 231 933**	**25 234 613**	**23 514 924**	**23 519 340**
LIABILITIES				
Liabilities to credit institutions	99 083	99 083	1 471 784	1 471 784
Deposits from and liabilities to customers	12 247 421	12 247 421	11 454 320	11 454 320
Securities issued [1]	12 824 416	12 839 353	12 278 503	12 314 290
Subordinated loan capital	200 824	202 906	200 716	204 149
Provisions	5 206	5 206	6 282	6 282
Total liabilities	**25 376 949**	**25 393 968**	**25 411 605**	**25 450 825**

Parent Bank

	31.12.2021		31.12.2020	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and receivables from central banks	2 967	2 967	3 263	3 263
Loans to and receivables from credit institutions	444 752	444 752	510 357	510 357
Loans to customers	13 592 027	13 592 027	13 178 665	13 178 665
Certificates and bonds	613 972	616 652	332 253	336 669
Other assets	1 769 164	1 769 164	1 386 382	1 386 382
Total assets	**16 422 883**	**16 425 563**	**15 410 921**	**15 415 336**
LIABILITIES				
Liabilities to credit institutions	216 461	216 461	1 376 117	1 376 117
Deposits from and liabilities to customers	12 252 214	12 252 214	11 459 492	11 459 492
Securities issued [1]	4 369 023	4 372 788	4 512 914	4 528 741
Subordinated loan capital	200 824	202 906	200 716	204 149
Provisions	5 096	5 096	6 119	6 119
Total liabilities	**17 043 618**	**17 049 465**	**17 555 357**	**17 574 617**

1 Securities issued include fixed rate bonds included in hedge accounting.

For short maturity financial instruments (less than three months), the carrying amount is predicted to represent fair value. This assumption is also used for deposits and savings accounts without a specific maturity.

Loans to/deposits from customers valued at amortised cost includes floating rate loans and deposits. Floating rate loans and deposits are adjusted by interest rate changes in the market as well as by changing credit risk. The Group therefore considers fair value on such products to be approximately equal to carrying value. Loans that do not satisfy this ongoing repricing assumption are individually valued at fair value per the balance sheet date. Any increment values or debasements that will arise within an interest rate change period are not considered to constitute significant value to the Group.

Financial instruments rated at fair value

The Group employs the following valuation hierarchy when calculating fair value for financial instruments:

Level 1 – Noted prices in an active market for the current asset or liability

Level 2 – Noted prices in an active market for similar assets or liabilities, or any other valuation method where all material input is based on observable market data

Level 3 – Valuation techniques that are essentially not based on observable market data

Fair value valuation

at end of the period based on the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as at 31.12.2021
Financial instruments at fair value through profit or loss				
Loans to customers			1 213 479	1 213 479
Certificates and bonds		2 184 506		2 184 506
Equities	43 680	74 598	11 462	129 741
Financial derivatives		56 190		56 190
Financial derivatives, hedging instrument		85 870		85 870
Financial instruments at fair value through OCI				
Equities			303 898	303 898
Total assets	**43 680**	**2 401 164**	**1 528 839**	**3 973 683**
Financial instruments at fair value through profit or loss				
Deposits from customers		595 065		595 065
Financial derivatives		16 548		16 548
Financial derivatives, hedging instrument		30 041		30 041
Total liabilities		**641 654**		**641 654**

Amortised cost valuation

at end of the period based on the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as at 31.12.2021
Financial assets at amortised cost				
Cash		2 967		2 967
Loans to and receivables from credit institutions		436 965		436 965
Loans to customers		24 178 029		24 178 029
Certificates and bonds		613 972		613 972
Total assets		**25 231 933**		**25 231 933**
Financial liabilities at amortised cost				
Liabilities to credit institutions		99 083		99 083
Deposits from customers		12 247 421		12 247 421
Securities issued [1]		12 824 416		12 824 416
Subordinated loan capital		200 824		200 824
Provisions		5 206		5 206
Total liabilities		**25 376 949**		**25 376 949**

1 Securities issued include fixed rate bonds included in hedge accounting.

Fair value valuation

at end of the period based on the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as at 31.12.2020
Financial instruments at fair value through profit or loss				
Loans to customers			1 305 613	1 305 613
Certificates and bonds		3 546 773		3 546 773
Equities	33 600	58 043	11 778	103 420
Financial derivatives		32 027		32 027
Financial derivatives, hedging instrument		294 243		294 243
Financial instruments available for sale				
Equities			258 417	258 417
Total assets	**33 600**	**3 931 085**	**1 575 807**	**5 540 492**
Financial instruments at fair value through profit or loss				
Deposits from customers		471 736		471 736
Financial derivatives		79 223		79 223
Financial derivatives, hedging instrument		67 076		67 076
Total liabilities		**618 036**		**618 036**

Amortised cost valuation

at end of the period based on the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as at 31.12.2020
Financial assets at amortised cost				
Cash and receivables from central banks		3 263		3 263
Loans to and receivables from credit institutions		485 300		485 300
Loans to customers		22 694 107		22 694 107
Certificates and bonds		332 253		332 253
Total assets		**23 514 924**		**23 514 924**
Financial liabilities at amortised cost				
Liabilities to credit institutions		1 471 784		1 471 784
Deposits from customers		11 454 320		11 454 320
Securities issued [1]		12 278 503		12 278 503
Subordinated loan capital		200 716		200 716
Provisions		6 282		6 282
Total liabilities		**25 411 605**		**25 411 605**

1 Securities issued include fixed rate bonds included in hedge accounting.

Reconciliation of movements for Level 3

from 31.12.2020 to 31.12.2021

Group	Lending	Equities at fair value through OCI (FVOCI) [2]	Equities at fair value through profit or loss (FVTPL)	Total
Balance as at 31.12.2020	1 305 613	258 417	11 778	1 575 807
Gain/loss recognised in profit for the year	-49 704		-316	-50 019
Gain/loss recognised in other income/OCI		45 481		45 481
Issuance	220 189			220 189
Settlement	-262 619			-262 619
Balance as at 31.12.2021	**1 213 479**	**303 898**	**11 462**	**1 528 839**

2 Pursuant to IFRS 9, shares and units are measured at fair value with changes in value through profit or loss (FVTPL), with the exception of the bank's investment in Eika Gruppen AS, which is classified as a financial instrument with changes in value through OCI (FVOCI) since it is considered a strategic investment for the bank.

The recognised gain/loss in the profit for the year is included in the net gain/loss on financial instruments at fair value with respect to loans and shares (FVTPL).

Fair value valuation

at end of the period based on the valuation hierarchy

Parent Bank	Level 1	Level 2	Level 3	Total as at 31.12.2021
Financial instruments at fair value through profit or loss				
Loans to customers		768 989	1 213 479	1 982 468
Certificates and bonds		1 625 898		1 625 898
Equities	43 680	74 598	11 462	129 741
Financial derivatives		56 190		56 190
Financial derivatives, hedging instrument		47 708		47 708
Financial instruments at fair value through OCI				
Equities			303 898	303 898
Total assets	**43 680**	**2 573 383**	**1 528 839**	**4 145 902**
Financial instruments at fair value through profit or loss				
Deposits from customers		595 065		595 065
Financial derivatives		16 548		16 548
Financial derivatives, hedging instrument		36 417		36 417
Total liabilities		**648 030**		**648 030**

Amortised cost valuation

at end of the period based on the valuation hierarchy

Parent Bank	Level 1	Level 2	Level 3	Total as at 31.12.2021
Financial assets at amortised cost				
Cash		2 967		2 967
Loans to and receivables from credit institutions		444 752		444 752
Loans to customers		13 592 027		13 592 027
Certificates and bonds		613 972		613 972
Other assets		1 769 164		1 769 164
Total assets		**16 422 883**		**16 422 883**
Financial liabilities at amortised cost				
Liabilities to credit institutions		216 461		216 461
Deposits from customers		12 252 214		12 252 214
Securities issued*		4 369 023		4 369 023
Subordinated loan capital		200 824		200 824
Provisions		5 096		5 096
Total liabilities		**17 043 618**		**17 043 618**

1 Securities issued include fixed rate bonds included in hedge accounting.

Fair value valuation

at end of the period based on the valuation hierarchy

Parent Bank

	Level 1	Level 2	Level 3	Total as at 31.12.2020
Financial instruments at fair value through profit or loss				
Loans to customers		595 574	1 305 613	1 901 187
Certificates and bonds		3 073 481		3 073 481
Equities	33 600	58 043	11 778	103 420
Financial derivatives		32 027		32 027
Financial derivatives, hedging instrument		151 669		151 669
Financial instruments available for sale				
Equities			258 417	258 417
Total assets	**33 600**	**3 910 794**	**1 575 807**	**5 520 201**
Financial instruments at fair value through profit or loss				
Deposits from customers		471 736		471 736
Financial derivatives		79 223		79 223
Financial derivatives, hedging instrument		74 409		74 409
Total liabilities		**625 369**		**625 369**

Amortised cost valuation

at end of the period based on the valuation hierarchy

Parent Bank

	Level 1	Level 2	Level 3	Total as at 31.12.2020
Financial assets at amortised cost				
Cash		3 263		3 263
Loans to and receivables from credit institutions		510 357		510 357
Loans to customers		13 178 665		13 178 665
Certificates and bonds		332 253		332 253
Other assets		1 386 382		1 386 382
Total assets		**15 410 921**		**15 410 921**
Financial liabilities at amortised cost				
Liabilities to credit institutions		1 376 117		1 376 117
Deposits from customers		11 459 492		11 459 492
Securities issued [1]		4 512 914		4 512 914
Subordinated loan capital		200 716		200 716
Provisions		6 119		6 119
Total liabilities		**17 555 357**		**17 555 357**

1 Securities issued include fixed rate bonds included in hedge accounting.

Parent Bank

Reconciliation of movements for Level 3
from 31.12.2020 to 31.12.2021

	Lending	Equities at fair value through OCI (FVOCI)[1]	Equities at fair value through profit or loss (FVTPL)	Total
Balance as at 31.12.2020	1 305 613	258 417	11 778	1 575 807
Gain/loss recognised in profit for the year	-49 704		-316	-50 019
Gain/loss recognised in other income/OCI		45 481		45 481
Issuance	220 189			220 189
Settlement	-262 619			-262 619
Balance as at 31.12.2021	**1 213 479**	**303 898**	**11 462**	**1 528 839**

1 Pursuant to IFRS 9, shares and units are measured at fair value with changes in value through profit or loss (FVTPL), with the exception of the bank's investment in Eika Gruppen AS, which is classified as a financial instrument with changes in value through OCI (FVOCI) since it is considered a strategic investment for the bank.

The recognised gain/loss in the profit for the year is included in the net gain/loss on financial instruments at fair value with respect to loans and shares (FVTPL).

Below is a description of how fair value is calculated for the financial instruments of levels 2 and 3, i.e. where a valuation technique has been used.

Financial Instruments Classified in Level 2

Certificates and bonds

Certificates and bonds included in the bank's "liquidity portfolio" are valued at market value based on obtained information from brokers of bonds in the market. Valuation of bonds and certificates is calculated based on the brokers' best judgement with respect to the trading price on the balance sheet day. This applies accordingly for the calculation of fair value of the bank's "held to maturity" portfolio which in the financial statements is posted at amortised cost.

Loans at fair value with change in value through OCI (FVOCI)

Loans that the parent bank can transfer to SSB Housing Credit AS are in the parent bank at fair value with change in value through OCI (FVOCI), as the business model dictates that the parent bank intends to recover contractual cash flows but may also sell/transfer the loans to SSB Housing Credit AS. In the consolidated financial statements, the loans are assessed at amortised cost as the Group does not intend to sell the loans. Fair value on the loans is assumed to be of almost equal value to ordinary loans at floating rate.

Financial investments

Financial investments are valued according to the EVCA Valuation Principles in which such valuation is conducted at company level.

Financial derivatives

Financial derivatives are valued at market value based on obtained information on exchange rates and swap curves. The category includes interest rate swaps, currency swaps and futures contracts where observable market values are available through Reuters or Bloomberg.

Deposits from customers

Deposits from customers with a fixed rate < 1 year are assessed based on agreed cash flow on the deposit discounted at the effective interest rate. Effective interest rates are based on current market conditions for fixed rate deposits on the balance sheet day.

Financial Instruments Classified in Level 3

Lending

Loans to customers at a fixed rate is assessed on the basis of agreed cash flow for the loans discounted at the effective interest rate. Effective interest rates are based on prevailing market conditions for corresponding fixed rate loans. The value on the loan will be most sensitive to change in the interest rate level and change in customer credit risk (especially corporate customers). A change of 10 points would affect the valuation of the portfolio by NOK 5.1 million.

Loans to customers subject to impairment is assessed based on probable cash flow for the loans discounted at the effective interest rate adjusted for market conditions for loans that are not impaired.

Shares – FVOCI

For shares classified as fair value over OCI (FVOCI), the valuation is based on assessments made on the basis of historical information and general market development for relevant industries. A change in market development would affect the valuation of the shares.

Deposits from customers

Deposits from customers with a fixed rate > 1 year are assessed based on agreed cash flow on the deposit discounted at the effective interest rate. Effective interest rates are based on observable interest rate levels in the market and the Group's overall level of funding. The value of the deposit is most sensitive to change in interest rates. Due to small volumes on current deposits, the change in value for the deposits is considered to be immaterial to the Group.

27 LOANS TO AND RECEIVABLES FROM CREDIT INSTITUTIONS

Group 31.12.2021	Group 31.12.2020	Loans to and receivables from credit institutions	Parent Bank 31.12.2021	Parent Bank 31.12.2020
436 965	485 300	Loans and receivables without agreed term to maturity or call [1]	444 752	510 357
		Loans and receivables with agreed term to maturity or call		
436 965	**485 300**	**Total loans to and receivables from credit institutions**	**444 752**	**510 357**

1 Includes receivables from central banks amounting to NOK 369.3 million as at 31.12.2021 and NOK 377.2 million as at 31.12.2020.

28 CERTIFICATES AND BONDS

Group 31.12.2021	Group 31.12.2020	Certificates and bonds	Parent Bank 31.12.2021	Parent Bank 31.12.2020
2 183 257	3 545 917	Certificates and bonds at fair value	1 624 648	3 072 625
1 250	856	Subordinated loans at fair value	1 250	856
2 184 506	**3 546 773**	**Total certificates and bonds at fair value**	**1 625 898**	**3 073 481**
383 110	658 957	*Of which government-guaranteed certificates/bonds*	383 110	658 957
613 972	332 253	Certificates and bonds at amortised cost	613 972	332 253
613 972	**332 253**	**Total certificates and bonds at amortised cost**	**613 972**	**332 253**
2 798 478	**3 879 026**	**Total certificates and bonds**	**2 239 869**	**3 405 734**
1.09 %	1.07 %	Average coupon rate certificates and bonds at fair value	1.04 %	1.10 %
1.80	1.67	Average remaining term to maturity certificates and bonds at fair value	1.85	1.51
1.56 %	0.81 %	Average coupon rate certificates and bonds at amortised cost	1.56 %	0.81 %
4.40	4.53	Average remaining term to maturity certificates and bonds at amortised cost	4.40	4.53

The bank has two separate portfolios of fixed income securities;

1) The bank's liquidity portfolio of certificates and bonds is classified at fair value through profit or loss in line with the business model that governs management of the liquidity portfolio in accordance with IFRS 9. The business model gives a required rate of return for the liquidity portfolio and purchases and sales are made in order to maximise profits.

2) The bank's portfolio of securities held to maturity is classified at amortised cost since the business model involves the bank holding these securities until the maturity date (long-term investments).

29 OWNERSHIP INTERESTS IN SUBSIDIARIES AND ASSOCIATES

Shares in subsidiaries

Shares in subsidiaries	Organisation no.	Address	Location	Share capital	Stake (%)	No. of shares	Face value	Cost price	Carrying amount 31.12.2021	Carrying amount 31.12.2020
Aktiv Eiendoms-megling Jæren AS	934 001 942	Jernbanegata 5	Bryne	608	60	36 465 472	0,01	4 185	4 185	4 185
SSB Boligkreditt AS	993 153 036	Rådhusgata 3	Sandnes	350 100	100	2 276 000	100	350 130	350 130	350 130
Leirfivel AS	920 538 606	Rådhusgata 3	Sandnes	30	100	30 000	1	30	13	13
Carrying amount subsidiaries								**354 345**	**354 328**	**354 328**

Non-controlling interests in the Group

In 2015, the Group acquired 100% of the shares in Aktiv Eiendomsmegling Jæren and the company was subsequently merged with the subsidiary Sandnes Eiendom. After the merger, the Group sold 40% of the shares in the company to Jæren Sparebank. The company's purpose is to conduct real estate brokerage.

Dividends between group companies

Dividends paid by subsidiaries to the parent bank amounted to NOK 36.9 million in 2021. No dividends were paid by subsidiaries in 2020.

Specification of other assets in the Group

Group 31.12.2021	Group 31.12.2020		Parent Bank 31.12.2021	Parent Bank 31.12.2020
18 171	16 312	Other assets	2 578	2 111
		Outstanding accounts with SSB Boligkreditt	1 414 836	1 032 054
18 171	**16 312**	**Total other assets**	**1 417 414**	**1 034 165**

Shares in associates

Shares in associates	Organisation no.	Address	Location	Share capital	Stake (%)	No. of shares	Face value	Cost price	Carrying amount 31.12.2021	Carrying amount 31.12.2020
Kjell Haver Regnskapsservice AS	947 214 489	Welhavens vei 5	Sandnes	2 697	49,5	345 015	3,87	29 363	34 338	33 767
Carrying amount shares in associates (Group and parent bank)								**29 363**	**34 338**	**33 767**

Associates

Associates (carrying amount in the Group and parent bank) 2021	Kjell Haver Regnskapsservice AS	Total
Balance sheet value at start of period	33 767	33 767
Capital increase/acquisition	49	49
Dividends	-4 399	-4 399
Profit contribution for the year	4 920	4 920
Balance sheet value at end of period	**34 338**	**34 338**

Associates (carrying amount in the Group and parent bank) 2020	Kjell Haver Regnskapsservice AS	Total
Balance sheet value at start of period		
Capital increase/acquisition	29 363	29 363
Dividends		
Profit contribution for the year	4 405	4 405
Balance sheet value at end of period	**33 767**	**33 767**

Associates (company information) 2021	Kjell Haver Regnskapsservice AS	Total
Cash and cash equivalents	15 382	15 382
Other current assets	6 735	6 735
Non-current assets	1 834	1 834
Total assets	**23 950**	**23 950**
Current financial liabilities	20 911	20 911
Non-current liabilities		
Equity	3 039	3 039
Total equity and liabilities	**23 950**	**23 950**
Operating income	52 658	52 658
Depreciation	-454	-454
Other operating costs	-39 580	-39 580
Interest income	70	70
Interest expenses	-2	-2
Tax expense	-2 848	-2 848
Comprehensive income after tax	**9 846**	**9 846**
Dividends received from associates (share Den Gule Banken, Sandnes Sparebank)	**4 399**	**4 399**

Kjell Haver Regnskapsservice AS is a local Sandnes firm that provides accounting and consulting services for its customers.
The firm had 34 employees as at 31.12.2021.

30 EQUITIES

Group		Equities and funds	Parent Bank	
31.12.2021	31.12.2020		31.12.2021	31.12.2020
9 047	9 047	Eiendomskreditt AS (org.nr.979391285)	9 047	9 047
43 680	33 600	Jæren Sparebank (org.nr 937895976)	43 680	33 600
47 309	31 985	EIKA VBB AS (org.nr 921859708)	47 309	31 985
1	1	Saffron India Real Estate Fund I	1	1
7 407	7 510	VN Norge AS (org.nr 821083052)	7 407	7 510
4 055	4 267	Skandinavisk Data Center A/S	4 055	4 267
89	103	Other unlisted	89	103
111 588	**86 514**	**Total equities at fair value through profit or loss**	**111 588**	**86 514**
18 153	16 907	Units in bond funds	18 153	16 907
129 741	**103 420**	**Total equities and funds at fair value through profit or loss**	**129 741**	**103 420**

These assets are classified at fair value with changes in value through profit or loss. For the investments' net changes in value, see note 19.

The total cost price for the shares amounted to NOK 58.6 (56.0) million. The cost price for the fixed income funds amounted to NOK 15.9 (15.1) million. Den Gule Banken, Sandnes Sparebank does not have significant influence in the companies.

For Såkorn Invest, which is part of other unlisted equities, the uncalled committed capital is NOK 0.0 (0.2) million as at 31.12.2021.

The bank indirectly owns shares in Vipps AS through Eika Vbb AS, which acts as a joint holding company for the Eika banks. The shares primarily constitute remuneration shares related to the merger between BankID Norway, BankAxept AS and Vipps AS in 2018. Eika Vbb AS conducted a share issue in 2021 and the bank owns a total of 8 696 shares in Eika Vbb AS. The pricing of the shares was based on external valuation of underlying Vipps AS shares as at 31.12.2021.

31 INTANGIBLE ASSETS

Group				Parent Bank		
Goodwill	IT systems	Total intangible assets	Intangible assets	Goodwill	IT systems	Total intangible assets
4 553	**16 243**	**20 796**	**Carrying amount as at 31.12.2019**		**16 243**	**16 243**
	744	744	Additions		744	744
			Disposals			
			Write-downs			
	9 390	9 390	Depreciation		9 390	9 390
4 553	**7 597**	**12 150**	**Carrying amount as at 31.12.2020**		**7 597**	**7 597**
4 570	187 915	192 485	Original acquisition cost		184 971	184 971
17	180 318	180 335	Total depreciation and write-downs		177 374	177 374
4 553	**7 597**	**12 150**	**Carrying amount as at 31.12.2020**		**7 597**	**7 597**
	258	258	Additions		258	258
			Disposals			
			Write-downs			
	6 771	6 771	Depreciation		6 771	6 771
4 553	**1 084**	**5 637**	**Carrying amount as at 31.12.2021**		**1 084**	**1 084**
4 570	188 173	192 743	Original acquisition cost		185 229	185 229
17	187 089	187 106	Total depreciation and write-downs		184 145	184 145
4 553	**1 084**	**5 637**	**Carrying amount as at 31.12.2021**		**1 084**	**1 084**
	3-5 år		Useful lifetime		3-5 år	

Group			
31.12.2021	31.12.2020	31.12.2019	Capitalised goodwill
4 553	4 553	4 553	Aktiv Eiendomsmegling Jæren
4 553	**4 553**	**4 553**	**Total goodwill**

The individual goodwill items and other intangible assets in the Group's balance sheet are allocated to assessment units according to which businesses benefit from the purchased asset. The choice of assessment unit is made based on where cash flows related to the business can be identified and separated.

Goodwill in the Group is entirely related to Aktiv Eiendomsmegling Jæren. The first part of the item occurred in 2005 when the Group increased its ownership interest in the subsidiary Sandnes Eiendom from 50 % to 100 %. In 2015, the Group acquired 100 % of the shares in Aktiv Eiendomsmegling Jæren, and the remaining portion of goodwill originated from this acquisition. Sandnes Eiendom and Aktiv Eiendomsmegling Jæren were merged in the following year, and the Group sold out 40 % of the company. Impairment testing of capitalised values is done by discounting the expected future cash flow from the business. Cash flows are based on approved budgets and management forecasts. Budgets and forecasts are subject to a high degree of uncertainty. If the actual economic conditions differ from the assumptions used in budgets and plans, the impairment tests may produce a different result. Furthermore, the impairment tests depend on the required rate of return. The required rate of return is stipulated discretionarily on the basis of the information available on the balance sheet date. The impairment test is carried out annually and does not provide a basis for impairments for 2021. Goodwill related to Aktiv Eiendomsmegling Jæren is reported in the Real Estate segment.

IT systems apply to the development and purchase of IT applications, including applications for data analysis and risk assessment. Implemented systems are depreciated linearly over 3—5 years. Impairment tests are carried out annually. No impairment requirement for intangible assets was identified in 2021.

32 NON-CURRENT ASSETS

Group				Parent Bank		
Machinery, fixtures and fittings, etc.	Plots and real estate	Total non-current assets	Non-current assets	Machinery, fixtures and fittings, etc.	Plots and real estate	Total non-current assets
4 325	**1 612**	**5 937**	**Carrying amount as at 31.12.2019**	**4 161**	**1 612**	**5 773**
1 378		1 378	Additions	1 075		1 075
			Disposals			
			Write-downs			
1 141	51	1 192	Depreciation	1 047	51	1 098
4 562	**1 562**	**6 122**	**Carrying amount as at 31.12.2020**	**4 189**	**1 562**	**5 750**
99 753	38 186	137 939	Original acquisition cost	94 538	2 900	97 439
95 191	36 625	131 816	Total depreciation and write-downs	90 349	1 339	91 688
4 562	**1 562**	**6 122**	**Carrying amount as at 31.12.2020**	**4 189**	**1 562**	**5 750**
215		215	Additions	145		145
	1 540	1 540	Disposals		1 540	1 540
			Write-downs			
1 237	21	1 258	Depreciation	1 066	21	1 087
3 539		**3 539**	**Carrying amount as at 31.12.2021**	**3 268**		**3 268**
99 968	38 186	138 154	Original acquisition cost	94 683	2 900	97 584
96 428	38 186	134 614	Total depreciation and write-downs	91 415	2 900	94 315
3 539		**3 539**	**Carrying amount as at 31.12.2021**	**3 268**		**3 268**
3-5 years	50 years		Useful lifetime	3-5 years	50 years	

Activated investments linked to leased premises are depreciated over the remaining term of the lease.

33 LEASES

Pursuant to IFRS 16 Leases, one no longer distinguishesbetween operational and financial leases and where leases entered into transfer a right-of-use for a specific asset from the lessor to the lessee for a specified period. In order to determine whether an agreement contains a lease, one must assess whether the agreement transfers the right to control the use of an identified asset. Rights of use in leases covered by IFRS 16 are recognised in the balance sheet as "Right-of-use assets, leases" with corresponding lease liabilities under "Lease liabilities".

For further descriptions of the implementation effects and the bank's assessments regarding leases, please see note 2.

The Group's leased assets include buildings/offices and other real estate, machinery/equipment and vehicles. The Group's right-of-use assets have been categorised and are presented in the table below:

Right-of-use assets

Group					Parent Bank			
Total	Vehicles	Machinery and equip-ment	Buildings	Right-of-use assets	Buildings	Machinery and equip-ment	Vehicles	Total
98 758	363	602	97 793	Acquisition cost 01.01.2020	97 793	602	363	98 758
9 309		21	9 287	Additions of right-of-use assets	3 636	21		3 657
				Disposals				
108 066	**363**	**623**	**107 080**	**Acquisition cost 31.12.2020**	**101 428**	**623**	**363**	**102 415**
10 606		113	10 493	Accumulated depreciation and write-downs 01.01.2020	10 493	113		10 606
13 090	121	134	12 835	Depreciation in the period	12 027	134	121	12 282
23 696	121	247	23 328	Accumulated depreciation and write-downs 31.12.2020	22 520	247	121	22 888
84 370	**242**	**376**	**83 752**	**Carrying amount of right-of-use assets 31.12.2020**	**78 908**	**376**	**242**	**79 527**
108 066	363	623	107 080	Acquisition cost 01.01.2021	101 428	623	363	102 415
290	290			Additions of right-of-use assets			290	290
(1 311)			(1 311)	Adjustments of right-of-use assets during the year	(698)			(698)
107 045	**653**	**623**	**105 769**	**Acquisition cost 31.12.2021**	**100 730**	**623**	**653**	**102 006**
23 696	121	247	23 328	Accumulated depreciation and write-downs 01.01.2021	22 520	247	121	22 888
12 348	137	134	12 077	Depreciation in the period	11 069	134	137	11 340
36 044	**258**	**381**	**35 405**	**Accumulated depreciation and write-downs 31.12.2021**	**33 588**	**381**	**258**	**34 228**
71 001	**395**	**242**	**70 364**	**Carrying amount of right-of-use assets 31.12.2021**	**67 141**	**242**	**395**	**67 778**
	3-5 years	3-5 years	1-10 years	Lower of remaining lease period or useful lifetime	1-10 years	3-5 years	3-5 years	
	Straight line	Straight line	Straight line	Depreciation method	Straight line	Straight line	Straight line	

Lease liabilities

Group					Parent Bank			
Total	Vehicles	Machinery and equip-ment	Buildings	Undiscounted lease liabilities and payments due	Buildings	Machinery and equip-ment	Vehicles	Total
16 601	236	140	16 225	< 1 year	14 981	140	236	15 357
16 726	106	105	16 515	1-2 years	15 249	105	106	15 460
16 899	88		16 811	2-3 years	15 522		88	15 610
15 211			15 211	3-4 years	14 842			14 842
14 965			14 965	4-5 years	14 965			14 965
17 819			17 819	> 5 years	17 819			17 819
98 221	**430**	**245**	**97 547**	**Total undiscounted lease liabilities 31.12.2021**	**93 379**	**245**	**430**	**94 054**

				Changes in lease liabilities				
107 903	488	363	107 052	Total lease liabilities 31.12.2019	107 052	488	363	107 903
9 475			9 475	New/change lease liabilities recognised in the period	3 823			3 823
(16 818)	(159)	(138)	(16 521)	Payment of principal	(15 806)	(138)	(159)	(16 103)
(4 261)	(14)	(17)	(4 230)	Payment of interest	(4 081)	(17)	(14)	(4 113)
4 261	14	17	4 230	Interest expenses linked to lease liabilities	4 081	17	14	4 113
100 560	**329**	**225**	**100 007**	**Total lease liabilities 31.12.2020**	**95 069**	**349**	**204**	**95 623**
(408)	290		(698)	New/change lease liabilities recognised in the period	(698)		290	(408)
(13 461)	(152)	(155)	(13 154)	Payment of principal	(11 605)	(155)	(152)	(11 911)
(3 550)	(12)	(13)	(3 526)	Payment of interest	(3 348)	(13)	(12)	(3 372)
3 550	12	13	3 526	Interest expenses linked to lease liabilities	3 348	13	12	3 372
86 692	**467**	**70**	**86 154**	**Total lease liabilities 31.12.2021**	**82 766**	**194**	**343**	**83 304**

The average discount rate for tenancy agreements is around 3.5%.

The average discount rate for leases for machinery and vehicles is 3.5%.

For tenancy agreements, we use the tenant's marginal loan rate, while for machinery and vehicles the implicit interest rate in the lease is used.

Index adjustments of rent are taken account of in the calculation of the liability based on what the tenancy agreement specifies.

The leases do not contain restrictions concerning the Group's dividend policy or funding opportunities. The Group has no material residual guarantees linked to its leases.

Group		Other lease costs included in the income statement	Parent Bank	
2021	2020		2021	2020
1 901	1 812	Overheads for leased premises (variable lease payments)	1 901	1 812
314	962	Operating costs in period linked to short-term leases (incl. low value short-term leases)	314	529
724	706	Operating costs in period linked to low value assets (excl. short-term leases above)	255	428
2 939	**5 076**	**Total lease costs included in other operating costs**	**2 470**	**2 769**

In addition to the above lease liabilities, the Group is legally bound to pay variable lease payments for some of its leases. Overheads, short-term leases and low value leases are recognised as costs over the relevant period.

Options to extend a lease

The Group's leases for buildings have terms of up to 10 years. Several of the agreements include a right to extend them that can be exercised during the final period of the agreement. When the Group enters into an agreement, we evaluate whether it is reasonably certain that the right to extend will be exercised. The Group's potential future lease payments not included in the lease liabilities linked to extension options amounted to NOK 4.8 million as at 31.12.2021.

Purchase options

The Group leases machinery, equipment and vehicles through leases with terms of between 3-5 years. None of these leases include options to purchase the assets when the term of the lease ends.

Practical solutions applied

The Group also leases PCs, IT equipment and machinery through leases with terms of 1-3 years. The Group has decided to not recognise leases where the value of the underlying asset is low or the duration or the lease is short, up to 12 months. Thus, the Group does not recognise lease liabilities and right-of-use assets for some of these leases. Instead, the lease payments are recognised as costs as they are incurred.

34 FINANCIAL INSTRUMENTS WITH CHANGE IN VALUE THROUGH OCI

Group		Financial instruments with change in value through OCI	Parent Bank	
31.12.2021	31.12.2020		31.12.2021	31.12.2020
303 898	258 417	Eika Gruppen AS (org. no. 979 319 568)	303 898	258 417
303 898	**258 417**	**Total financial instruments with change in value through OCI**	**303 898**	**258 417**

As a general rule pursuant to IFRS 9, shares and units are measured at fair value with changes in value through profit or loss (FVTPL), with the exception of the bank's investment in Eika Gruppen AS, which is classified as a financial instrument with changes in value through OCI (FVOCI) since it is considered a strategic investment for the bank. For information about shares measured at fair value with changes in value through ordinary profit or loss, please refer to note 30.

As at 31.12.2021, the investment in Eika Gruppen AS was measured at fair value based on a weighted average of the latest available issue price for the share and an estimated value according to the last measurement received. The value of the shares in Eika Gruppen AS was adjusted upwards by NOK 45.5 million in 2021 and the change in value was recognised through OCI. The value of the shares was unchanged in 2020.

Den Gule Banken, Sandnes Sparebank owns a total of 2 067 333 shares in the company representing 8.4% of the shares in the company. The total cost price for the shares amounted to NOK 250.5 million.

The dividends received from Eika Gruppen amounted to NOK 40.8 million in 2021, compared with NOK 41.3 million in 2020.

35 LIABILITIES TO CREDIT INSTITUTIONS

Group		Liabilities to credit institutions	Parent Bank	
31.12.2021	31.12.2020		31.12.2021	31.12.2020
99 083	180 116	Loans and deposits from credit institutions without agreed term to maturity	216 461	84 449
	1 291 668	F-loan Norges Bank		1 291 668
	1 291 668	Total liabilities to credit institutions with agreed term to maturity		**1 291 668**
99 083	**1 471 784**	**Total liabilities to credit institutions**	**216 461**	**1 376 117**

		Specified by currency		
98 140	1 471 784	NOK	215 518	1 376 117
943		Others	943	
99 083	**1 471 784**	**Total liabilities to credit institutions**	**216 461**	**1 376 117**

As at 31.12.2021, certificates and bonds valued at NOK 1 903 million in the parent bank were pledged as collateral for a credit facility of up to NOK 1 875 million in Norges Bank. As at 31.12.2020, certificates and bonds valued at NOK 3 283 million in the parent bank were pledged as collateral for a credit facility of up to NOK 3 257 million in Norges Bank.

36 DEPOSITS FROM CUSTOMERS

Group 31.12.2021	Group 31.12.2020	Deposits from customers	Parent Bank 31.12.2021	Parent Bank 31.12.2020
9 605 785	9 150 311	Deposits from customers without agreed term to maturity	9 610 578	9 155 482
3 236 701	2 775 746	Deposits from customers with agreed term to maturity	3 236 701	2 775 746
12 842 486	**11 926 057**	**Total deposits from customers**	**12 847 279**	**11 931 228**

Group 31.12.2021	Group 31.12.2020	Customer deposits by customer group	Parent Bank 31.12.2021	Parent Bank 31.12.2020
165 148	154 614	Agriculture and forestry	165 148	154 614
19 801	13 711	Fishing and hunting	19 801	13 711
381 214	538 044	Building and construction	381 214	538 044
353 888	137 003	Manufacturing	353 888	137 003
654 569	263 129	Oil and Energy	654 569	263 129
355 247	314 022	Wholesale and retail trade	355 247	314 022
112 774	70 158	Hotels and restaurants	112 774	70 158
118 177	63 816	Transport and storage	118 177	63 816
2 304 491	2 816 746	Public and private services	2 304 491	2 816 746
889 039	839 881	Property management	893 832	845 055
22 733	22 232	Other customer groups	22 733	22 232
7 465 405	6 692 701	Retail customers	7 465 405	6 692 699
12 842 486	**11 926 057**	**Total deposits from customers**	**12 847 279**	**11 931 228**

For deposits from customers without an agreed term to maturity, the average interest rate was 0.27% for 2021 and 0.47% for 2020. For deposits from customers with an agreed term to maturity, the average interest rate was 1.07% for 2021 and 1.54% for 2020. The average interest rate on deposits is calculated based on the average balance over the year.

Deposits from customers with an agreed term to maturity consist of fixed rate deposits, deposit accounts, BSU, tax withholding accounts and other accounts subject to withdrawal restrictions.

37 SECURITIES ISSUED

Group 31.12.2021	Group 31.12.2020	Securities issued	Parent Bank 31.12.2021	Parent Bank 31.12.2020
14 355 416	14 550 503	Bond, adjusted for interest and premium/discount	5 900 023	6 784 914
-1 531 000	-2 272 000	Bond, own holdings	-1 531 000	-2 272 000
12 824 416	**12 278 503**	**Total securities issued**	**4 369 023**	**4 512 914**
1.77 %	1.54 %	Average interest rate, bonds	1.99 %	1.92 %

Change in securities debt

Group	Balance as at 31.12.2020	Issued	Matured/ redeemed	Other changes	Balance as at 31.12.2021
Bond debt, nominal value	12 046 000	3 100 000	2 442 000		12 704 000
Interest/change in value	232 503			-112 087	120 416
Total securities issued	**12 278 503**				**12 824 416**

Group	Balance as at 31.12.2019	Issued	Matured/ redeemed	Other changes	Balance as at 31.12.2020
Bond debt, nominal value	12 647 000	1 950 000	2 551 000		12 046 000
Interest/change in value	45 071			187 433	232 503
Total securities issued	**12 692 071**				**12 278 503**

Parent Bank	Balance as at 31.12.2020	Issued	Matured/ redeemed	Other changes	Balance as at 31.12.2021
Bond debt, nominal value	4 428 000	700 000	779 000		4 349 000
Interest/change in value	84 914			-64 891	20 023
Total securities issued	**4 512 914**				**4 369 023**

Parent Bank	Balance as at 31.12.2019	Issued	Matured/ redeemed	Other changes	Balance as at 31.12.2020
Bond debt, nominal value	5 232 000	1 150 000	1 954 000		4 428 000
Interest/change in value	11 585			73 329	84 914
Total securities issued	**5 243 585**				**4 512 914**

Bonds

Issued by Parent Bank	Face value	Final due date
NO0010649940	400 000	20.06.2022
NO0010746324	700 000	29.09.2022
NO0010812779	1 000 000	21.12.2023
NO0010814171	800 000	16.01.2023
NO0010831712	200 000	11.03.2024
NO0010831944	400 000	19.06.2024
NO0010845969	180 000	11.03.2024
NO0010872971	400 000	16.02.2026
NO0010872385	1 000 000	25.04.2025
NO0010892318	400 000	09.09.2025
NO0010917172	400 000	12.06.2026
Total face value bonds issued by parent bank	**5 880 000**	

The bonds are recognised at amortised cost.
Hedge accounting is used for the bank's fixed rate bonds.

Issued by mortgage credit institutions	Face value	Final due date
NO0010856271	300 000	05.06.2023
NO0010822398	600 000	08.05.2024
NO0010868706	300 000	20.05.2030
NO0010849847	300 000	19.06.2029
NO0010834070	300 000	10.10.2028
NO0010753320	425 000	18.03.2026
NO0010731938	430 000	15.06.2022
NO0010833254	2 400 000	27.09.2024
NO0010871452	1 000 000	16.05.2023
NO0010952872	2 000 000	18.05.2026
NO0010886237	300 000	16.06.2025
Total face value bonds issued by mortgage credit institutions	**8 355 000**	

Total face value bonds	**14 235 000**	

38 PROVISIONS FOR OTHER LIABILITIES

Group 31.12.2021	Group 31.12.2020	Provisions for other liabilities	Parent Bank 31.12.2021	Parent Bank 31.12.2020
8 025	8 005	Pension liabilities	8 025	8 005
5 206	6 282	Provisions for losses on guarantees/unused lines of credit	5 096	6 119
293	557	Other provisions	293	557
13 523	**14 844**	**Total provisions for other liabilities**	**13 414**	**14 681**

Provisions for losses on guarantees and unused lines of credit consist of provisions for losses in line with IFRS 9 on off-balance sheet assets. For further details, please see note 11.

Please also see note 23 for further details regarding pension liabilities.

39 OTHER LIABILITIES

Group 31.12.2021	Group 31.12.2020	Other liabilities	Parent Bank 31.12.2021	Parent Bank 31.12.2020
839	747	Banker's drafts	839	747
31 071	31 161	Suspense accounts	31 071	31 161
27 646	25 237	Other liabilities	21 560	19 345
59 555	**57 145**	**Total other liabilities**	**53 470**	**51 252**

40 SUBORDINATED LOAN CAPITAL

Subordinated loan capital

Group / Parent Bank	31.12.2021	31.12.2020
Subordinated loan capital, nominal value	200 000	200 000
Changes in value	824	716
Total subordinated loan capital	**200 824**	**200 716**

Change in subordinated loan capital

Group / Parent bank	Balance as at 31.12.2020	Borrowing	Matured/ redeemed	Other changes	Balance as at 31.12.2021
Subordinated loan capital	200 000				200 000
Interest/change in value	716			107	824
Total subordinated loan capital	**200 716**				**200 824**

Group / Parent bank	Balance as at 31.12.2019	Borrowing	Matured/ redeemed	Other changes	Balance as at 31.12.2020
Subordinated loan capital	200 000				200 000
Interest/change in value	1 191			-474	716
Total subordinated loan capital	**201 191**				**200 716**

Subordinated loan, time-limited

Year of issue	Terms and conditions	Date due	Call date	Nominal value
2018	3 mnd NIBOR + 1.55%	16.02.2028	16.02.2023	100 000
2018	3 mnd NIBOR + 1.90%	16.10.2028	16.10.2023	100 000
Sum nominell verdi ansvarlig lån				**200 000**

The Group has also issued a hybrid Tier 1 security with a nominal value of NOK 100 million (ISIN NO0010832553). This is treated as hybrid capital in the accounts and included in the Group's equity. The interest terms on the loan are 3-month NIBOR + 3.7%. The loan has a call date of 21.09.2023.

Interest expenses on hybrid capital is recognised through equity (dividend/distribution), while the tax deduction is presented as part of the tax expense. In 2021, the interest accrued on hybrid capital was NOK 4.3 million (NOK 4.8 million in 2020).

41 EQUITY

Equity certificate owners' share of the equity consists of equity certificate capital, share premium, other invested equity, and dividend equalisation funds. The dividend equalisation fund is an accumulated profit that can be used for future cash dividends or fund issues.

Sandnes Sparebank's equity certificate capital as stipulated in our by-laws is NOK 230 149 020 divided into 23 014 902 equity certificates, each with a face value of NOK 10.

Other equity consists of the bank's funds, gift funds/customer dividends, funds for unrealised gains, funds for valuation differences, other equity, and non-controlling interests. Additionally, hybrid Tier 1 security loans are treated as hybrid capital and are included in the Group's equity (see note 40).

It has been proposed that a dividend of NOK 5.35 per equity certificate be paid for 2021, which corresponds to 62.5 % of the Group's earnings per equity certificate. For 2020, a dividend of NOK 5.95 per equity certificate was paid.

On 24 March 2021, the Board of Trustees authorised the Board of Directors of Sandnes Sparebank to purchase treasury equity certificates for a total face value of up to NOK 23.015 million, equivalent to 10 % of the equity certificate capital. Each equity certificate can be purchased at prices of between NOK 1 and 150. The authorisation is valid up to and including the ordinary meeting of the Board of Trustees in 2022, but no longer than 18 months from the time the authorisation is granted. As of 31.12.2021, Sandnes Sparebank owns 2,095,171 treasury equity certificates, which corresponds to approx. 9.1 %

Customer dividends are part of the profit allocation in addition to handing out gifts for good causes. In 2021, NOK 51.7 million have been allocated to customer dividends. For 2020, NOK 60.4 million was paid out in customer dividends.

42 CONTINGENT LIABILITIES

Contingent liabilities

In February 2022, the bank entered into an agreement concerning the purchase of shares in Eika Gruppen AS and has thus pledged a guarantee for the purchase of 396 550 shares. For further information, please see note 43 Events after the balance sheet date.

Other agreements

Together with the other banks in the Eika Alliance, the bank has entered into an agreement with TietoEvry concerning converting to a new core banking system. Over time, this will contribute to more efficient, flexible and future-oriented solutions. The final system conversion is expected to take place in spring 2023. The total costs associated with its implementation are estimated to be NOK 50-60 million. In 2021, the income statement was charged a total of NOK 29.1 million in extraordinary conversion costs. The remaining cost liability is primarily expected to be recognised in the income statement in 2022.

43 EVENTS AFTER THE BALANCE SHEET DATE

Agreement on the purchase of shares in EIKA Gruppen AS

On 10.02.2022, an agreement was entered into between 19 shareholders in Eika Gruppen AS concerning the purchase of shares in Eika Gruppen AS owned by the banks in the Lokalbank Alliance. In total, the banks are buying a shareholding of 2 937 406 shares, corresponding to 11.88% of Eika Gruppen AS, for NOK 242.50 per share. The price includes provisions for dividends for the 2021 financial year of NOK 25.00 per share.

The purchase is subject to a right of pre-emption and will give rise to a rebalancing among all of the banks in the Eika Alliance after the transaction.

The buyers are the banks Den Gule Banken, Sandnes Sparebank, Totens Sparebank, Jæren Sparebank, Skue Sparebank, Jernbanepersonalets Sparebank (JBF), Romerike Sparebank, Aurskog Sparebank, Skagerrak Sparebank, Sparebanken Narvik, Orkla Sparebank, Larvikbanken, Grong Sparebank, Melhusbanken, Eidsberg Sparebank, Sogn Sparebank, Odal Sparebank, Berg Sparebank, Hjelmeland Sparebank and Tysnes Sparebank.

In the agreement, Den Gule Banken has committed to buying a total of 396 550 shares in Eika Gruppen AS with a total transaction price of NOK 96.1 million. Prior to the transaction, Den Gule Banken owned 2 067 333 shares (8.4%), and this will increase to 2 463 883 shares (10.0%) after the transaction. The planned internal rebalancing in the Eika Alliance will probably reduce the number of new shares.

The agreement is regarded as material information for the annual financial statements since the bank has taken on a significant commitment after the balance sheet date and because the transaction price is significantly higher than the carrying amount of the bank's shares in Eika Gruppen AS as at 31.12.2021. If the transaction pricing is used, adjusted for provisions for dividends for 2021, it entails an increase in value of the bank's existing shares (prior to the transaction) in Eika Gruppen AS of around NOK 145.8 million. Since the shares are measured at fair value with changes in value through OCI, an upwards adjustment will not affect the profit but instead be recognised through OCI/equity. An upwards adjustment of value will have a positive effect for the Group's capital adequacy ratio in 2022.

Besides this, no material events have occurred after the balance sheet date that have a material effect on the accounts as at 31.12.2021.

44 TRANSACTIONS WITH RELATED PARTIES

Transactions between the parent bank and subsidiaries

Transactions between the parent bank and subsidiaries relate primarily to ordinary banking services only. The services are provided on arm's length terms and eliminated in the consolidated financial statements.

SSB Boligkreditt

In October 2008, the Storting (Norwegian parliament) decided to introduce a scheme in which the government and banks would exchange treasury bills for covered bonds. In February 2009, Den Gule Banken, Sandnes Sparebank established its own mortgage credit institution, SSB Boligkreditt, in order to make use of the scheme. SSB Boligkreditt AS is a wholly owned subsidiary that manages residential mortgages financed by the issuance of covered bonds. Den Gule Banken sells loans to the company, which in turn finances its operations through the issuance of covered bonds. In addition, the subsidiary has both deposits in and liabilities to the parent bank subject to interest calculated in line with the arm's length principle.

In the period up to 31.12.2021, loans worth NOK 9.8 billion were transferred. The cover pool amounts to NOK 10.3 billion, of which NOK 8.5 billion was financed through the issuance of covered bonds, and NOK 1.6 billion financed through short-term credit and deposits from Den Gule Banken.

SSB Boligkreditt pays a management fee for transferred loans and pays for the purchase of administrative services from Den Gule Banken. NOK 12.0 million in management fees for transferred loans to customers were charged to SSB Boligkreditt in 2021, compared with NOK 17.0 million in 2020. In addition, interest/credit commissions have been charged in the amount of NOK 8.2 million, compared to NOK 13.8 million in 2020.

SSB Boligkreditt also paid an additional dividend to the parent bank of NOK 35.0 million in 2021. No dividend was paid in 2020.

The relationship between the parent bank and SSB Boligkreditt

Acquisition of residential mortgages with repurchase

Den Gule Banken has an agreement to transfer loans with a high degree of collateral and mortgaged properties to SSB Boligkreditt AS. According to the management agreement that has been entered into, the bank is responsible for managing the loans and maintaining contact with the customers. The bank receives remuneration for the obligations that come with the management of the loans. The bank has assessed the accounting implications and concluded that most of the risk and benefits of ownership related to the sold loans have been transferred. This entails full derecognition from the bank's balance sheet. There is no obligation to buy back the loans and, in the event of a crisis, SSB Boligkreditt and the cover pool will stand on their own. This has also been taken into account in the rating of the company's bonds with respect to the over-collateralisation requirement of 4%, which is significantly higher than the 2% required by the authorities. The risk in relation to transferred loans is transferred to SSB Boligkreditt, which on independent basis includes all the loans in full in the risk-weighted assets included in the regulatory capital requirement calculation. The remuneration received for loans transferred to SSB Boligkreditt, matches to the carrying amount and is deemed to correspond to the loans' fair value at the time of transfer. The bank recognises all the rights and obligations created or maintained upon transfer as separate assets or liabilities.

Den Gule Banken is the main bank/settlement bank for SSB Boligkreditt, and all payments are made via SSB Boligkreditt's accounts in Den Gule Banken. When SSB Boligkreditt purchases residential mortgages from Den Gule Banken, the purchases are settled via SSB Boligkreditt's settlement account in Den Gule Banken. If SSB Boligkreditt does not have cash available, that is in those cases where SSB Boligkreditt purchases loans before a new covered bond is issued, the bank will provide temporary financing for the purchase of the residential mortgages through unsecured financing.

Pursuant to an agreement between the parent bank and SSB Boligkreditt, the parent bank is obliged to transfer collateral to SSB Boligkreditt matching any requirement to top up the cover pool (over-collateralisation) due to a negative change in value in the residential mortgage portfolio's loan-to-collateral value ratio.

In short, the agreement entails the following:

- Loans are measured prior to transfer.
- When a loan is transferred from the bank to SSB Boligkreditt, a letter of notification is sent to the customer.
- In the event of refinancing, loans are transferred back to the bank to check whether they are eligible for transfer to SSB Boligkreditt.
- Defaulted loans are transferred back to the bank. Prior to being transferred back, each individual loan is measured.

Group		Loans and guarantees	Parent Bank	
2021	2020		2021	2020
13 296	11 857	Total loans and guarantees to Board of Directors, incl. related parties	13 296	11 857
35 874	45 079	Total loans and guarantees to Board of Trustees	35 874	45 079
336 463	275 536	Total loans (including overdraft facilities) to employees	315 825	259 155
385 633	**332 472**	**Total loans and guarantees to employees and elected representatives**	**364 996**	**316 091**

45 EARNINGS PER EQUITY CERTIFICATE AND CALCULATION OF EQUITY CERTIFICATE PERCENTAGE

Group 2021	Group 2020	Earnings per equity certificate	Parent bank 2021	Parent bank 2020
8.5	7.9	Earnings per equity certificate	7.6	6.5
8.5	7.9	Diluted earnings per equity certificate	7.6	6.5
		Basis for calculation		
281 305	260 772	Profit after tax	251 106	213 608
63,4 %	63,6 %	Equity capital certificate percentage	63,4 %	63,6 %
178 409	165 967	Profit allocated to equity certificate holders	159 256	135 949
20 920	20 912	No. of outstanding equity certificates (NOK thousands)	20 920	20 912

2021	2020	No. of outstanding equity certificates [1]	2021	2020
20 911 519	22 976 272	Outstanding as at 01.01	20 911 519	22 976 272
20 919 731	20 911 519	Outstanding as at 31.12	20 919 731	20 911 519

1 The number of outstanding equity certificates has been reduced to account for the bank's holdings of treasury equity certificates.

Calculation of equity certificate percentage	31.12.2021	31.12.2020
Equity certificate capital	230 149	230 149
Treasury equity certificates	(20 952)	(21 034)
Share premium	987 313	987 313
Other paid-in equity	(134 516)	(135 093)
Dividend equalisation fund	485 723	448 818
A = Capital, equity certificate holders	*1 547 718*	*1 510 153*
The Savings Bank's Fund	867 200	846 201
Gift Fund (excl. provisions for customer dividends)	25 440	16 443
B = Primary capital	*892 640*	*862 645*
A / (A + B) = Equity certificate percentage	***63.4 %***	***63.6 %***

The number of issued equity certificates was 23 014 902 as at 31.12.2021, of which the bank's treasury holding was 2 095 171 equity certificates as at 31.12.2021, while the corresponding figure for 31.12.2020 was 2 103 383. Consequently the number of outstanding equity certificates amounted to 20 919 731 as at 31.12.2021, compared with 20 911 519 as at 31.12.2020.

The profit is allocated based on the equity certificate percentage. The same policies are applied when calculating earnings per equity certificate.

46 EQUITY CERTIFICATE CAPITAL AND EQUITY CERTIFICATE HOLDERS

Equity certificate capital

	31.12.2021	31.12.2020
Equity certificate capital, carrying amount	230 149	230 149
Treasury equity certificates	-20 952	-21 034
No. of equity certificates	23 015	23 015
Share premium, carrying amount	987 313	987 313
Other paid-in equity	-134 516	-135 093
Dividend equalisation fund	485 723	448 818

The 20 largest equity certificate holders as at 31.12.2021

	No. of equity certificates	Share in %
Sparebank 1 SR-Bank ASA, Finansavdelingen	3 485 009	15.14
Den Gule Banken, Sandnes Sparebank	2 095 171	9.10
Holmen Spesialfond	1 359 823	5.91
VPF EIKA Egenkapitalbevis C/O Eika Kapitalforvaltning AS	1 125 589	4.89
AS Clipper	1 088 738	4.73
Espedal & Co AS	886 861	3.85
Salt Value AS	680 000	2.95
Wenaasgruppen AS	650 000	2.82
Skagenkaien Investering AS	500 000	2.17
Sparebanken Vest	370 659	1.61
Spesialfondet Borea Utbytte	285 099	1.24
Hausta Investor AS	220 000	0.96
Innovemus AS	185 000	0.80
Nordhaug Invest AS	184 374	0.80
Barque AS	159 651	0.69
Tirna Holding AS	156 255	0.68
Kristian Falnes AS	149 794	0.65
Elgar Kapital AS	133 000	0.58
Meteva AS	131 881	0.57
Catilina Invest AS	124 000	0.54
20 largest holders	**13 970 904**	**60.70**
Other holders	9 043 998	39.30
Total equity certificates	**23 014 902**	**100.00**

Sandnes Sparebank's equity certificate capital as stipulated in our by-laws is NOK 230 149 020 divided into 23 014 902 equity certificates, each with a face value of NOK 10.

As at 31.12.2021, we had 3 112 equity certificate holders. On the same date, the 20 largest holders controlled 60.70% of the equity certificate capital.

The total of 23 014 902 equity certificates as at 31.12.2021 include 2 095 171 treasury equity certificates. The face value of the bank's holding is recognised under the equity item "Treasury equity certificates" while the equity charge in excess of the face value is recognised in the item "Other paid-in equity".

ALTERNATIVE PERFORMANCE MEASURES

Den Gule Banken, Sandnes Sparebank's alternative performance measures (APMs) are key figures designed to provide useful additional information to the financial statements. These key figures are either adjusted key figures or key figures that are not defined in IFRS or other legislation and that are not necessarily directly comparable with the corresponding key figures of other companies. The APMs are not substitutes for the accounting figures prepared in accordance with IFRS and should not be afforded more weight than these accounting figures, rather they are included in the bank's financial reporting for the purpose of providing a fuller description of the bank's performance. The bank exclusively uses key figures that are looked for by investors and analysts.

Den Gule Banken's APMs are used in the overview of the key figures, the Board of Directors' Report and presentations of the accounts and prospectuses. All APMs are shown with comparable figures from previous periods.

		Group		Parent Bank	
Definition	**Calculations/basis (NOK thousands)**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
1 DEPOSIT-TO-LOAN RATIO					
CB deposits from customers / CB net loans to customers	CB deposits from customers	12 842 486	11 926 057	12 847 279	11 931 228
	CB net loans to customers	25 391 507	23 999 720	15 574 495	15 079 852
	Deposit-to-loan ratio	**50.6 %**	**49.7 %**	**82.5 %**	**79.1 %**
2 INTEREST MARGIN					
((Net interest income / days in period) x days in year) / average total assets	Net interest income	456 095	469 582	352 671	394 187
	Average total assets	29 303 927	28 696 735	20 898 747	20 889 424
	Interest margin	**1.56 %**	**1.64 %**	**1.69 %**	**1.89 %**
3 INTEREST MARGIN, INCL. INTEREST ON HYBRID CAPITAL					
(((Net interest income – interest expenses on hybrid capital) / days in period) x days in year) / average total assets	Net interest income	456 095	469 582	352 671	394 187
	Interest expenses on hybrid capital	4 262	4 831	4 262	4 831
	Average total assets	29 303 927	28 696 735	20 898 747	20 889 424
	Interest margin, incl. interest on hybrid capital	**1.54 %**	**1.62 %**	**1.67 %**	**1.86 %**
4 COST-TO-INCOME RATIO					
Total operating costs / (net interest income + total other operating income)	Total operating costs	314 483	268 988	277 403	238 316
	Net interest income	456 095	469 582	352 671	394 187
	Other operating income	154 286	135 027	170 135	118 324
	Cost-to-income ratio	**51.5 %**	**44.5 %**	**53.1 %**	**46.5 %**
5 TOTAL COSTS AS % OF AVERAGE TOTAL ASSETS					
((Total operating costs / days in period) x days in year) / average total assets	Total operating costs	314 483	268 988	277 403	238 316
	Average total assets	29 303 927	28 696 735	20 898 747	20 889 424
	Total costs as % of average total assets	**1.1 %**	**0.9 %**	**1.3 %**	**1.1 %**

Definition	Calculations/basis (NOK thousands)	Group 31.12.2021	Group 31.12.2020	Parent Bank 31.12.2021	Parent Bank 31.12.2020
6 RETURN ON EQUITY BEFORE TAX					
((Profit before tax / days in period x days in year) / ((total equity CB + total equity OB)/2, excl. hybrid capital	Profit before tax	328 238	310 932	279 101	250 780
	Total equity OB (excl. hybrid capital)	2 851 880	2 919 434	2 580 428	2 695 500
	Total equity CB (excl. hybrid capital)	2 974 960	2 851 880	2 674 516	2 580 428
	Return on equity before tax	**11.3 %**	**10.8 %**	**10.6 %**	**9.5 %**
7 RETURN ON EQUITY AFTER TAX					
((Profit after tax / days in period x days in year) / ((total equity CB + total equity OB) / 2, excl. hybrid capital	Profit after tax	281 305	260 772	251 106	213 608
	Total equity OB (excl. hybrid capital)	2 851 880	2 919 434	2 580 428	2 695 500
	Total equity CB (excl. hybrid capital)	2 974 960	2 851 880	2 674 516	2 580 428
	Return on equity after tax	**9.7 %**	**9.0 %**	**9.6 %**	**8.1 %**
8 RETURN ON EQUITY AFTER TAX, INCL. INTEREST ON HYBRID CAPITAL					
((Profit after tax – interest expenses on hybrid capital) / days in period x days in year) / ((total equity CB + total equity OB) / 2, excl. hybrid capital	Profit after tax	281 305	260 772	251 106	213 608
	Interest expenses on hybrid capital	4 262	4 831	4 262	4 831
	Total equity OB (excl. hybrid capital)	2 851 880	2 919 434	2 580 428	2 695 500
	Total equity CB (excl. hybrid capital)	2 974 960	2 851 880	2 674 516	2 580 428
	Return on equity after tax, incl. interest on hybrid capital	**9.5 %**	**8.9 %**	**9.4 %**	**7.9 %**
9 EQUITY CERTIFICATE PERCENTAGE					
(Equity certificate capital + treasury equity certificates + premium + other paid-in equity + dividend equalisation fund) / (equity certificate capital + treasury equity certificates + premium + other paid-in equity + dividend equalisation fund + The Savings Bank's Fund + Gift Fund (excl. provisions for customer dividends)	Equity certificate capital	230 149	230 149	230 149	230 149
	Treasury equity certificates	-20 952	-21 034	-20 952	-21 034
	Share premium	987 313	987 313	987 313	987 313
	Other paid-in equity	-134 516	-135 093	-134 516	-135 093
	Dividend equalisation fund	485 723	448 818	485 723	448 818
	The Savings Bank's Fund	867 200	846 201	867 200	846 201
	Gift Fund (excl. provisions for customer dividends)	25 440	16 443	25 440	16 443
	Equity certificate percentage	**63.4 %**	**63.6 %**	**63.4 %**	**63.6 %**
10 EARNINGS PER EQUITY CERTIFICATE					
(Profit after tax x equity certificate percentage) / no. of outstanding equity certificates	Profit after tax	281 305	260 772	251 106	213 608
	Equity certificate percentage	63.4 %	63.6 %	63.4 %	63.6 %
	No. of outstanding equity certificates	20 919 731	20 911 519	20 919 731	20 911 519
	Earnings per equity certificate	**8.5**	**7.9**	**7.6**	**6.5**

Definition	Calculations/basis (NOK thousands)	Group 31.12.2021	Group 31.12.2020	Parent Bank 31.12.2021	Parent Bank 31.12.2020
11 BOOK EQUITY PER EQUITY CERTIFICATE					
(CB total equity – hybrid capital) **x** equity certificate percentage **/** no. of outstanding equity certificates	Total equity CB (excl. hybrid capital)	2 974 960	2 851 880	2 674 516	2 580 428
	Equity certificate percentage	63.4 %	63.6 %	63.4 %	63.6 %
	No. of outstanding equity certificates	20 919 731	20 911 519	20 919 731	20 911 519
	Book equity per equity certificate	**90.2**	**86.8**	**81.1**	**78.5**
12 PRICE/BOOK EQUITY (P/B)					
Market price **/** book equity per equity certificate	Market price	98.8	74.4	98.8	74.4
	Book equity per equity certificate	90.2	86.8	81.1	78.5
	Price/book equity (P/B)	**1.10**	**0.86**	**1.22**	**0.95**
13 OPERATING EARNINGS BEFORE LOSSES AND TAX					
Profit after tax **+** tax expense **+** impairments and losses on loans and guarantees	Profit after tax	281 305	260 772	251 106	213 608
	Tax expense	46 933	50 160	27 996	37 173
	Impairments and losses on loans and guarantees	-32 340	24 689	-33 699	23 415
	Operating earnings before losses and tax	**295 898**	**335 621**	**245 403**	**274 195**
14 LIQUIDITY COVERAGE RATIO (LCR)					
Liquid assets **/** Net liquidity disposals within 30 days in a stress scenario	Liquid assets	2 605 194	2 357 175	2 444 483	2 223 841
	Net liquidity disposals within 30 days in a stress scenario	1 314 964	955 867	1 246 078	885 414
	LCR	**198.1 %**	**246.6 %**	**196.2 %**	**251.2 %**
15 COST-TO-INCOME RATIO ADJUSTED FOR CONVERSION COSTS[1]					
(Total operating costs – conversion costs) **/** (net interest income **+** total other operating income)	Total operating costs	314 483	268 988	277 403	238 316
	Conversion costs [1]	29 124		29 124	
	Net interest income	456 095	469 582	352 671	394 187
	Other operating income	154 286	135 027	170 135	118 324
	Cost-to-income ratio	**46.8 %**	**44.5 %**	**47.5 %**	**46.5 %**
16 RETURN ON EQUITY AFTER TAX ADJUSTED FOR CONVERSION COSTS[1]					
((Profit after tax **+** conversion costs after tax) **/** days in period **x** days in year) **/** ((total adjusted equity CB **+** total equity OB) **/** 2, excl. hybrid capital	Profit after tax	281 305	260 772	251 106	213 608
	Conversion costs after tax [2]	21 843		21 843	
	Total equity OB (excl. hybrid capital)	2 851 880	2 919 434	2 580 428	2 695 500
	Total equity CB (excl. hybrid capital)	2 996 802	2 851 880	2 696 359	2 580 428
	Return on equity after tax	**10.4 %**	**9.0 %**	**10.3 %**	**8.1 %**

1 As a consequence of the bank converting to a new core banking system (TietoEvry) some extraordinary costs will accrue up to the date of conversion. Adjusted key figures represent financial position exclusive of these costs.
2 Conversion costs adjusted for tax effects (25% tax rate).

PRINCIPLES FOR RESPONSIBLE BANKING – UNEP FI PRB

Principle/requirements	Reporting	Reference
PRINCIPLE 1 Alignment	We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks. We will direct our efforts at those areas where we can have the greatest impact.	
1.1 Description of business model	Den Gule Banken, Sandnes Sparebank is an independent savings bank and a member of the Eika Alliance with its headquarters in Sandnes Municipality. The bank offers a broad range of banking and investment products in the retail and corporate markets. Loans to the retail market account for about 70% of the Group's loan portfolio and loans to the corporate market about 30%. The Group also offers real estate brokerage services through its subsidiary Aktiv Eiendomsmegling. Please refer to the more detailed description in the Board of Directors' Report.	AR p 34 - Board of Directors' Report
1.2 Business strategy consistent with the goals of the SDGs and the Paris Climate Agreement	In the bank's work on developing the bank's sustainability strategy, the bank used SDGs and the Paris Agreement's reduction targets as useful frameworks for identifying where the bank can best have an impact. The bank has specific goals and priorities for six selected SDGs where we can really make a positive contribution and a difference. Please refer to the description in the chapter on sustainability and our website for further details.	AR p 10, sandnes-sparebank.no/samfunnsansvar/baerekraft-strategi
PRINCIPLE 2 Impact and target setting	We will work to continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.	
2.1 Impact analysis	In 2021, Den Gule Banken contributed to the Eika Alliance's conduct of an impact analysis in line with the UNEP FI methodology.	AR p 13 See https://eika.no/eika-alliansen/eikagruppen/baerekraft, under "Sentrale Dokumenter" for the impact analysis conducted for the entire Eika Alliance.
2.2 Target setting	The bank's sustainability strategy, goals and priorities are the result of the various analyses that have been conducted, which include internal brainstorming sessions and a materiality analysis, stakeholder analysis and impact analysis.	AR p 13-22
2.3 Plans for target implementation and monitoring	KPIs are measured and monitored at regular intervals. Please refer to the more detailed description in the annual report under the chapter on sustainability and social responsibility.	AR p 13-22
2.4 Progress on implementing targets	Please refer to the description in the annual report in the chapter on sustainability and social responsibility for the status of various sustainability goals and the plan for our continued work.	AR p 13-22
PRINCIPLE 3 Clients and customers	We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.	
3.1 Policies and practices in place to promote responsible relationships with its customers	Please refer to the bank's report on the sustainability and social responsibility policies, chapter 4, and the description under responsible lending in the annual report.	https://sandnes-sparebank.no/samfunnsansvar AR p 17-18
3.2 Describe the work done to encourage sustainable practices and economic activities among customers and clients	The bank rewards its environmentally conscious customers through favourable terms and conditions for green loans. The bank's customers can invest their savings in sustainable investment fund products from Eika Kapitalforvaltning. Den Gule Banken will continue to focus on product development and training in order to encourage and advise our customers with regards to sustainable transition. Please refer to the more detailed description in the sections on responsible lending and responsible investment.	AR p 17-19

PRINCIPLES FOR RESPONSIBLE BANKING – UNEP FI PRB CONT.

Principle/requirements	Reporting	Reference
PRINCIPLE 4 Stakeholders	We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	
4.1 Stakeholder engagement	Please refer to the description of our engagement with, and the overview of, our stakeholders under the section on stakeholder engagement	AR p 12

Principle/requirements	Reporting	Reference
PRINCIPLE 5 Governance and culture	We will implement our commitment to these Principles through effective governance and a culture of responsible banking, demonstrating ambition and accountability by setting public targets relating to our most significant impacts.	
5.1 Governance	Den Gule Banken, Sandnes Sparebank practises sustainable and responsible corporate governance that provides a good foundation for implementing and further developing our sustainability strategy. Please refer to the chapter on corporate governance for further information.	AR p 23
5.2 Initiatives and measures	Please refer to the chapter on sustainability in the annual report for a description of the measures implemented in 2021 and the goals set for 2022.	AR p 10
5.3 Governance structure for implementation of the Principles	The bank's sustainability strategy is approved by the Board of Directors. The management group and Board review the status of goal achievement at regular intervals during the year.	AR p 10

Principle/requirements	Reporting	Reference
PRINCIPLE 6 Transparency and accountability	We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.	
6.1 Progress on implementing the Principles for Responsible Banking	Den Gule Banken signed up to the PRB in autumn 2019, and reported in line with them for the first time in our annual report for 2020. The bank reports on the progress of our work in line with the PRB on an annual basis. In 2022, the bank will conduct a cost-benefit analysis and evaluation of whether continued membership of UNEP FI PRB is appropriate for a local Norwegian savings bank of our size. We are currently of the opinion that it would be sufficient for Eika Gruppen to be a signatory, while the banks in the Alliance would support the principles through joint priorities and working groups initiated by Eika Gruppen based on its membership of UNEP FI PRB. In this way, all of the Eika Alliance banks could act in line with the PRB without being required to carry out the extensive administrative tasks and reporting that do not provide an adequate sustainability benefit per bank. We are monitoring the extensive regulatory developments closely and will ensure that we always comply with applicable regulations. The EU taxonomy and reporting requirements are just as relevant to expend resources on with respect to interpretation and compliance, and we are of the opinion that this work provides us with sufficient competence and sets out the right course for our sustainability work when combined with our interaction with various groups of stakeholders. Please also refer to the reporting in line with TCFD's recommendations and the GRI standards.	

Self-assessment of the extent to which the bank has fulfilled the requirements for progress in the implementation of the six Principle for Responsible Banking (PRB):

Den Gule Banken, Sandnes Sparebank has achieved good progress in line with our plan. However, as mentioned above, we will be evaluating the usefulness of our direct membership. We are of the opinion that the bank will be able to adequately comply with the PRB through Eika Gruppen's membership and ensure follow-up through Eika Gruppen's sustainability work and common priorities in the Alliance.

TCFD DISCLOSURES

Climate-related risk – reporting for the Task Force on Climate Related Financial Disclosures

Governance	Disclose the organisation's governance around climate-related risks and opportunities.	Reference
A Describe the board's oversight of climate-related risks and opportunities	The Board of Directors discussed and assessed climate-related risk on several occasions in 2021: • Strategy meetings, discussion and review of sustainability strategy, including the bank's current documented climate-related risk exposure and future goals and planned work related to the area. • Quarterly risk assessments, including climate-related risk. Primarily related to the loan portfolio. • While considering the Group's ICAAP, which includes ESG risk.	Board of Directors' Report
B Describe management's role in assessing and managing climate-related risks and opportunities	The management group has specified its ambitions for the bank's work on climate-related risk in the sustainability strategy, which has been approved by the Board of Directors. The Risk Manager is responsible for incorporating climate-related risk into risk management, in cooperation with the Sustainability Manager, both of whom report to the CFO. Resources and expertise are also drawn on from Corporate Market and the Eika Alliance.	Corporate governance

Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Reference
A Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	The general analyses that have been conducted conclude that the climate-related risk in both the retail market portfolio and the corporate market portfolio is relatively low. Part of the reason for this is that the bank does not finance fossil energy production at all and its exposure to emission-intensive industry is low. Nevertheless, the climate-related risk the bank is exposed to comes from loans to the corporate market. Most of these are medium to long-term, although there are some shorter-term loans. The bank regards commercial property, building and construction, and agriculture as the sectors with the highest inherent climate-related risk, while at the same time seeing great potential for having a positive impact in these sectors. This is also the reason why the bank has started developing green products for these sectors and currently offers green agriculture loans and green mortgages. The bank's sustainability and social responsibility policies also cover the bank's liquidity management. Our liquidity portfolio mainly consists of bond investments in covered bond companies, the state and municipalities where exposure to climate-related risk is considered low. The climate-related risk in the customers' investment fund portfolios is also considered to be relatively low. Please refer to Eika Kapitalforvaltning's website for a description of its investment strategy, ESG criteria and management of climate-related risk in investment portfolios.	Sustainability and social responsibility, and Notes to the annual financial statements – notes 7 and 8
B Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	SDG 13 Climate Action is one of the SDGs that the bank specifically works towards. Analysing and managing exposure to climate-related risk have been incorporated into the bank's strategy and governing documents, including our credit policy. Den Gule Banken, Sandnes Sparebank partners with Eika Gruppen on the development and enhancement of tools and risk models that take into account climate-related risk.	Sustainability and social responsibility
C Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	We are in discussions with Eika Gruppen about conducting scenario analyses. The challenges associated with conducting appropriate scenario analyses involve the availability and quality of data. Being able to conduct scenario analyses therefore depends on the work that has started on increasing access to data about our loan portfolio, see point (a) under risk management below. We plan to complete this work in 2022.	Sustainability and social responsibility

TCFD DISCLOSURES CONT.

Risk management	Beskriv hvordan virksomheten identifiserer, vurderer og håndterer klimarelatert risiko	Reference
A Describe the organisation's processes for identifying and assessing climate-related risks	The bank carries out an annual risk assessment, which includes ESG and climate-related risk. Risk and Compliance have, together with the Sustainability Manager and the Credit Manager Corporate Market, carried out a general risk analysis of climate-related risk for the loan portfolio. We carry out assessments of ESG factors in general and climate-related risk in particular when granting credit in the corporate market. See the more detailed description in the report in the chapter on responsible lending. We will prioritise enhancing system support and the risk model in order to take adequate account of ESG risk factors going forward as well. Eika Gruppen has an ongoing project with Eiendomsverdi aimed at integrating data on the physical risk associated with the bank's collateral in residential and commercial properties.	Corporate governance, Sustainability and social responsibility, and notes 7 and 8
B Describe the organisation's processes for managing climate-related risks	We carry out quarterly evaluations of risk exposure in the bank, including ESG risk. The reports are presented to the management group and Board of Directors. Otherwise, please refer to the description in the annual report of the measures carried out and future goals designed to manage climate-related risk both in lending and also operationally.	Sustainability and social responsibility, and Notes to the annual financial statements – notes 7 and 8
C Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Risk and Compliance is responsible for carrying out an annual survey of risk exposure where ESG and climate-related risk are included as part of the total identification and assessment of risk. The Risk Manager is responsible for quarterly status reporting.	Corporate governance, and notes 7 and 8

Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Reference
A Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	In 2021, the bank carried out a qualitative assessment of ESG factors in general and climate-related risk in particular as an integral part of the credit assessment in Corporate Market and through the ICAAP. In 2022, we will further enhance our competence, system support and model for calculating exposure and capital requirements for climate-related risk factors.	Notes to the annual financial statements – notes 7 and 8
B Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	Please refer to the climate report appended to the annual report for details concerning the reporting of Scopes 1, 2 and 3, as well as our reduction targets. As far as risk assessments are concerned, we regard our emissions as less crucial, while climate considerations in lending and investments are of far greater significance. This is also assumed in our materiality analysis and prioritisation of measures and goals. From 2022 onwards, Eika Gruppen will be involved in the user group for calculating GHG emissions in loan and investment portfolios under the auspices of Finance Norway. Given the recommendations the group makes, the bank will consider adopting PCAF as a framework for measuring emission exposure in the loan portfolio.	Ref. p. 148
C Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	See the comments above, and refer to the overview of our goals and priorities sustainability reporting.	Sustainability and social responsibility

GRI INDEX 2021

GRI Standard	Description	Reference	Reporting directly in the index
	GENERAL DISCLOSURES		
	Organisational profile		
102-1	Name of the organisation		Den Gule Banken, Sandnes Sparebank
102-2	Activities, brands, products,and services	AR p 40	
102-3	Location of headquarters		Sandnes
102-4	Location of operations		1 - Norway
102-5	Ownership and legal form	AR p 34	
102-6	Markets served	AR p 34	
102-7	Scale of the organisation	AR p 4,34,40	
102-8	Information on employees and other workers	AR p 15-16,42	
102-9	Supply chain	AR p 14-15,40	
102-10	Significant changes to the organisation and its supply chain		No major changes
102-11	Precautionary Principle or approach	AR p 10,17 SR s 6	We endorse and accept the principles of the UN Global Compact + approach to responsible lending
102-12	External initiatives	AR p 10,11	UNEP FI, GRI
102-13	Membership of associations		Finance Norway, UNEP FI
	Strategy		
102-14	Statement from senior decision-maker	AR p 3,10	
	Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	AR p 10, 15, 19-22 SR s 6,8	
	Corporate governance		
102-18	Governance structure	AR p 6,40	
102-22	Composition of the highest governance body and its committees	AR p 7	
	Stakeholder engagement		
102-40	List of stakeholder groups	AR p 12	
102-41	Collective bargaining agreements	AR p 15	
102-42	Identifying and selecting stakeholders	AR p 12-14	
102-43	Approach to stakeholder engagement	AR p 12-14	
102-44	Key topics and concerns raised	AR p 12-14	
	Reporting practice		
102-45	Entities included in the consolidated financial statements	AR p 40,122	
102-46	Defining report content and topic Boundaries	AR p 13	
102-47	List of material topics	AR p 13	
102-48	Restatements of information		None
102-49	Changes in reporting		None
102-50	Reporting period		2021
102-51	Date of most recent report		17.03.2021
102-52	Reporting cycle		Annual
102-53	Contact point for questions regarding the report		Tove Linn Bjørnå
102-54	Claims of reporting in accordance with the GRI Standards		GRI Standards, Core
102-55	GRI content index		GRI Content Index 2021
102-56	External assurance		The report is certified by Deloitte
	MANAGEMENT APPROACH		
103-1	Explanation of the material topic and its Boundary	AR p 13	
103-2	Management approach	AR p 3,10,40	
103-3	Evaluation of the management approach	AR p 10, 14-22,26	

GRI Standard	Description	Reference	Reporting directly in the index
	ECONOMIC PERFORMANCE		
201-1	Direct economic value generated and distributed	AR p 4,46	
201-2	Financial implications and other risks and opportunities due to climate change	AR p 17-19, 68,77, 145-146	
201-3	Defined benefit plan obligations and other retirement plans	AR p 106-107	
205-1	Operations assessed for risks related to corruption	AR p 20,21	
205-2	Communication and training about anti-corruption policies and procedures	AR p 20,21	
205-3	Confirmed incidents of corruption and actions taken	AR p 20,21	
206-1	Legal measures for anti-competitive behaviour, anti-trust, and monopoly practices	AR p 20,21	
	ENVIRONMENTAL PERFORMANCE		
302-1	Energy consumption within the organisation	AR p 15	
305-1	Direct (Scope 1) GHG emissions	AR p 148	
305-2	Energy indirect (Scope 2) GHG emissions	AR p 148	
305-3	Other indirect (Scope 3) GHG emissions	AR p 148	
	SOCIAL PERFORMANCE		
401-1	New employee hires and employee turnover	AR p 15-16	
403-8	Workers covered by an occupational health and safety management system	AR p 15-16	
403-9	Work-related injuries	AR p 15-16	
403-10	Work-related ill health	AR p 15-16	
404-1	Average hours of training per year per employee	AR p 15-16	
404-3	Percentage of employees receiving regular performance and career development reviews	AR p 15-16	
405-1	Diversity of governance bodies and employees	AR p 16,42	
405-2	Ratio of basic salary and remuneration of women to men	AR p 16,42	
406-1	Incidents of discrimination and corrective actions taken	AR p 16	None
417-1	Requirements for product and service information and labelling	AR p 20	None
417-2	Incidents of non-compliance concerning product and service information and labelling	AR p 20	None
417-3	Incidents of non-compliance concerning marketing communications	AR p 20	None
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	AR p 21	None
419-1	Non-compliance with laws and regulations in the social and economic area		None
	SECTOR SPECIFIC PERFORMANCE INDICATORS		
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	AR p 18	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	AR p 17,18	
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	AR p 17,18	
FS11	Percentage of assets subject to positive and negative environmental or social screening	AR p 19	

AR = Annual Report
SR = Sustainability Report (https://sandnes-sparebank.no/samfunnsansvar)

ENERGY AND CLIMATE ACCOUNTS

Category	Unit	2021	2020	Change from prior year
SCOPE 1				
Transportation				
Diesel (NO)	tCO_2e		0.3	
Scope 1, Total emissions	tCO_2e		**0.3**	**-100.0 %**
SCOPE 2				
Remote heating/cooling				
Remote cooling	tCO_2e	0.9	0.2	
Remote cooling	tCO_2e			
Electric power				
Electric power Nordic mix	tCO_2e	9.2	12	
Scope 2, Total emissions	tCO_2e	**10.1**	**12.2**	**-17.7 %**
SCOPE 3				
Commuting home – office *				
Bus	tCO_2e	3.2	3.6	
Train	tCO_2e	1.6	2.2	
Car, fossil	tCO_2e	6.3	8.4	
Electric car, motorcycle	tCO_2e	2.1	0.6	
Total, commuting	tCO_2e	**13.2**	**14.8**	**-11.8 %**
Flights				
Domestic	tCO_2e	3.9	6.3	
Nordic region	tCO_2e	0.3	0.5	
Total, flights	tCO_2e	**4.2**	**6.8**	**-38.2 %**
Business travel				
Train	tCO_2e	0.1		
Car, Taxi	tCO_2e	0.8	1.0	
Totalt, forr.reiser eksl fly	tCO_2e	**0.9**	**1**	**-10.0 %**
Waste				
Paper waste, recycling	tCO_2e	0.6	0.1	
Scope 3 Total emissions	tCO_2e	**18.9**	**22.8**	**-17.1 %**
Total (S1+S2+S3)	tCO_2e	**29.1**	**35.4**	**-17.8 %**

Statement pursuant to § 5-5 of the Norwegian Securities Trading Act

Den Gule Banken
Sandnes Sparebank

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Statement pursuant to§ 5-5 of the Norwegian Securities Trading Act

We confirm that the annual financial statements for the period from 1 January to 31 December 2021, to the best of our knowledge, have been prepared in accordance with IFRS, and that the information contained by the financial statements provides a true picture of the company's and the Group's assets, liabilities, financial position, and overall profits, and that the information in the Annual Report provides a true summary of developments, results and the position of the company and the Group, together with the key risk and uncertainty factors facing the companies.

Sandnes, 10 March 2022
The Board of Directors of Sandnes Sparebank

Harald Espedal Chairman of the Board	Frode Svaboe Deputy Chairman	Bjørg Tomlin Director	Sven Chr Ulvatne Director	Astrid Rebekka Norheim Director
Wenche Drønen Christensen Director	Ingrunn Ruud Employee representative	Joakin De Haas Employee representative	Trine Karin Stangeland CEO	

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To the Board of Trustees of Sandnes Sparebank

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sandnes Sparebank, which comprise:

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

In our opinion:

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

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

Basis for Opinion

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

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

We have been the auditor of the Company for 11 years from the election by the Board of Trustees on 31 March 2011 for the accounting year 2011 with a renewed election on the 23 March 2022.

Key Audit Matters

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

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

Key audit matter	How the matter was addressed in the audit
IT SYSTEMS AND INTERNAL CONTROLS RELEVANT FOR FINANCIAL REPORTING	
The IT systems within Sandnes Sparebank are key in the accounting and reporting of completed transactions, in obtaining the basis for key estimates and calculations, and in obtaining relevant information to be disclosed. The IT systems are standardized, and the management and operation of the systems are to a great extent outsourced to external service providers. Reference is made to note 7 in the financial statements, for a description of the management and operation IT systems in Sandnes Sparebank. Proper management and control of these IT systems both from Sandnes Sparebank and their service providers are of high importance in order to ensure precise, complete and reliable financial reporting, and this area is therefore considered to be a key audit matter.	Sandnes Sparebank has established a general governance model and internal controls on their IT systems. We have obtained an understanding of Sandnes Sparebanks IT governance model relevant for financial reporting. We assessed and tested the design of selected internal control activities relevant for financial reporting, including selected controls related to access management. For a sample of these controls, we tested their operating effectiveness in the reporting period. We also considered the third party attestation report (ISAE 3402 Report) on Sandnes Sparebanks service provider of the core banking system focusing on whether they had adequate internal controls on areas that are of importance for the financial reporting of Sandnes Sparebank. In addition, we considered a third party confirmation (Agreed-upon procedures) related to the service provider with regards to the design and implementation of selected automated control activities in the IT-systems, including among others the calculation of interests and fees as well as if system generated reports was adequately designed and implemented. We have engaged our internal IT experts in the work related to understanding the governance model on IT and in assessing and testing the internal control activities related to IT.
CORPORATE LOAN LOSS PROVISIONS	
Sandnes Sparebank have loans in the corporate segment, and reference is made to notes 8, 10 and 11 for disclosures on credit risk and loss provisions on loans and guarantees. Sandnes Sparebank have considered the need for loan loss provisions as per the implementation date for IFRS 9 and as per 31.12.2021. There is a considerable amount of judgement involved in estimating the loan loss provisions within the corporate segment. The judgement is related to forward-looking assessments of probability of default and loss given default, in order to estimate the expected loss, including an assessment on how expected loss is affected by	Sandnes Sparebank has established internal control activities related to the calculation of loan loss provisions on corporate lending. We performed a reasonability check on the loan loss provisions and the changes in these provisions during the year and collected and assessed Sandnes Sparebanks reasoning behind such changes. We assessed and tested the design of selected key controls concerning loans subject to impairment. The control activities we assessed and tested the design of were related to identification of loans subject to impairment and the assessment of the expected future cash flows on these loans. For a sample of these

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uncertainties regarding the economic development following the outbreak of the Covid-19 pandemic. Sandnes Sparebank utilizes models and information from a service provider in the calculation of expected loss. The assumptions and estimates used in these assessments are of critical importance for the size of these provisions, and corporate loan loss provisions are therefore a key audit matter in our audit.	control activities, we tested if they were operating effectively during the period. On a sample of impaired loans, we tested if these were timely identified, and considered the expected future cash flows the bank had estimated on these loans. On remaining loan loss provisions calculated in models and information from the service provider, we assessed: • Documentation of the models • Calculation of probability of default, loss given default and exposure at default We assessed a selection of applied forward-looking assumptions against external reports on forward-looking data from Norges Bank and Statistics Norway. We considered if the note disclosures on loan loss impairments within corporate lending is in line with requirements set forth in IFRS 7.

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

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

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

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

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

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side 4
Independent Auditor's Report -
Sandnes Sparebank

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements
Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name sandnessparebank-2021-12-31.zip have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF). In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stavanger, 10 March 2022
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant

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

Certification of 2021 sustainability report

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To the Management of Sandnes Sparebank

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON SANDNES SPAREBANK SUSTAINABILITY REPORTING FOR 2021

We have been engaged by the Management of Sandnes Sparebank to provide limited assurance in respect of their sustainability reporting for 2021 ("the Report"). The Report is included in the Sandnes Sparebank Annual Report 2021 and comprises the section Sustainability and Corporate Social Responsibility and the section Enclosure to Sustainability and Corporate Social Responsibility. Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Management responsibilities

The Management of Sandnes Sparebank is responsible for the preparation and presentation of the Report and that it has been prepared in accordance with the reporting criteria described in the Report, including the GRI Standards, level Core. The Management is also responsible for establishing such internal controls that they determine are necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures and interviews with management and individuals responsible for the preparation of the Report and for sustainability management at corporate level, as well as a review on a sample basis of evidence supporting the information in the Report.

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We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.

Conclusions
Based on our work, nothing has come to our attention causing us not to believe that:

- Sandnes Sparebank has applied procedures to identify, collect, compile and validate Sustainability information for 2021 to be included in the Report, as described in the Report.
- Sustainability information presented for 2021 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Sandnes Sparebank applies a reporting practice for its sustainability reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils level Core according to the GRI Standards. The GRI-index 2021 appropriately reflects where information on each of the reported standard and specific disclosures of the GRI Standards and other indicators are presented.

Stavanger, 10 March 2022
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant

Frank Dahl
Deloitte Sustainability

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

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Den Gule Banken
Sandnes Sparebank

www.sandnes-sparebank.no